ILLSTRATION 1

Mr. Ashok keeps his books in Single Entry System. From the following information, prepare Trading and Profit & Loss Account for the year ended 31st March, 2013 and the Balance Sheet as on that date:

Assets and Liabilities	Opening Rs	Closing Rs
Sundry Creditors	30,000	25,000
Outstanding Expenses	1,000	500
Fixed Assets	23,000	22,000
Stock	16,000	22,500
Cash in Hand and at Bank	14,000	16,000
Sundry Debtors	?	36,000

Following further details are available for the Current Year:

	Rs		Rs
Total receipts from debtors	1,30,000	Cash Purchases	2,000
Returns inward	3,000	Fixed Assets purchased and paid By cheque	1,000
Bad Debts	1,000	Drawings by cheques	6,500
Total Sales	1,50,000	Deposited into the Bank	10,000
Discount received	1,500	Withdrawn from Bank	18,500
Return outwards	1,000	Cash in hand at the end	2,500
Capital introduced (paid to Bank)	15,000	Paid to creditor by cheque	1,20,000
Cheques received from Debtors	1,25,000	Expenses paid	20,000

(15)

Solution

TRADING AND PROFIT AND LOSS ACCOUNT

For the year ended on 31st March, 2013

Particulars		Rs	Particulars		Rs
To Opening Stock		16,000	By Sales:		
To Purchases:			Cash	6,500	
Cash	2,000		Credit	1,43,500	
Credit	1,17,500			1,50,000	
	1,19,500		Less: Returns	3,000	1,47,000
Less: Returns	1,000	1,18,500	By Stock		22,500
To Goss Profit c/d		35,000			
		1,69,500			1,69,500
To Expenses	20,000		By Gross Profit b/d		35,000
Add: O/s at the end	500		By Discount received		1,500
20,500		19,500			
Less: O/s at the beg.	1,000	1,000			
To Bad Debts		2,000			
To Depreciation		14,000			
To Net Profit					
		36,500			36,500

BALANCE SHEET AS AT 31ST MARCH, 2013

Liabilities		Rs	Assets	Rs
Capital			Fixed Assets 23,000	
Opening Balance	48,500		Add: Additions 1,000	
Add: Additional Capital	15,000		Less: Depreciation 2,000	22,000
Add: Net Profit	14,000		Stock	22,500
Less: Drawings	6,500	71,000	Cash	2,500
Creditors		25,000	Bank	13,500
Outstanding Exp.		500	Debtors	36,000
		96,500		96,500

Working Notes:

(i) Cash Account

Particulars	Rs	Particulars	Rs
To Balance b/d	4,500	By Purchases	2000
To Sales	6,500	By Bank (contra)	10,000
To Debtors	5,000	By Expenses	20,000
To bank (contra)	18,500	By Balance c/d	2,500
	34,500		34,500

(ii) Bank Account

Particulars	Rs	Particulars	Rs
To Balance b/d (b.f.)	9,500	By Fixed Assets	1,000
To Capital	15,000	By Drawings	6,500
To Cash (contra)	10,000	By Cash (contra)	18,500
To Debtors	1,25,000	By Creditors	1,20,000
		By Balance c/d	13,500
	1,59,500		1,59,500

(iii) Creditors Account

Particulars	Rs	Particulars	Rs
To Bank	1,20,000	By Balance b/d	30,000
To Returns	1,000	By Purchased	1,17,500
To Discount received	1,500		
To Balance c/d	25,000		
	1,47,500		1,47,500

(iv) Debtors Account

Particulars	Rs	Particulars	Rs
To Balance Due	26,500	By Cash	5,000
To Sales	1,43,500	By Bank	1,25,000
		By Bad Debts	1,000
		By Returns	3,000
		By Balance c/d	36,000
	1,70,000		1,70,000

(v) Opening Balance Sheet as at 31.03.2012

Liabilities	Rs	Assets	Rs
Creditors	30,000	Fixed Assets	23,000
O/s Expenses	1,000	Stock	16,000
Capital (b.f.)	48,500	Cash	4,500
		Bank	9,500
		Debtors	26,500
	79,500		79,500

ILLUSTRATION 2

Mr. Y keeps his books under single entry system. On 31st March, 2012 his Balance Sheet was as follows:

Liabilities	Rs	Assets	Rs
Capital of Mr. Y	4,50,000	Fixed Assets	2,25,000
Creditors	8,70,000	Stock	9,15,000
Bills payable	1,87,500	Debtors	2,22,000
Expenses outstanding	67,500	Bill Receivable	90,000
		Prepaid insurance	3,000
		Cash/Bank balance	1,20,000
	15,75,000		15,75,000

i. Following are the summary of cash and bank transactions for the year ended 31st March, 2013.

Cash Sales	1,10,70,000
Collection form debtors	22,65,000
Payments to creditors	1,12,60,500
Paid for bills payable	12,22,500
Sundry expenses paid	9,31,050
Drawings for domestic expenses by Mr. Y	3,60,000
Cash and bank balance as on 31.3.2013	1,90,950

ii. Following further details are furnished:

Gross Profit on sales @ 10%	
Bills receivable from debtors during the year	6,52,500
Discount allowed to debtors	54,000
Discount received from creditors	42,000
Bills receivable endorsed to creditors	22,500
Annual fire Insurance is paid on 1st August every year	9,000
Depreciate fixed assets @ 10%	

iii. Balances as on 31.3.2013

Stock in hand	9,75,000
Debtors	2,28,000
Bills receivable	2,10,000
Bills payable	2,10,000
Outstanding expenses	7,500

Required: Prepare Trading, Profit and Loss Account for the year ended 31st March, 2013 and Balance Sheet on that date.

(15)

Solution

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR 31.3.2013

Particulars	Rs	Assets		Rs
To Opening Stock	9,15,000	By Sales: Cash	1,10,70,000	
To Purchases	1,27,02,750	Credit	29,77,500	1,40,47,500
To Gross Profit c/d	14,04,750	By Closing Stock		9,75,000
	1,50,22,500			1,50,22,500
To Expenses	8,71,050	By Gross Profit b/d		14,04,750
To Discount allowed	54,000	By Discount received		42,000
To Depreciation	22,500			
To Net Profit	4,99,200			
	14,46,750			14,46,750

BALANCE SHEET OF MR Y AS 31ST MARCH, 2013

Liabilities		Rs	Assets		Rs
Capital	4,50,000		Fixed Assets	2,25,000	
Add: Net profit	4,99,200		Less: Depreciation	22,500	2,02,500
	9,49,200		Stock		9,75,000
Less: Drawings	3,60,000	5,89,200	Debtors		2,28,000
Bills payable		2,10,000	Bills receivable		2,10,000
Creditors		10,02,750	Prepaid insurance		3,000
Outstanding expenses		7,500	Cash on hand/bank		1,90,950
		18,09,450			18,09,450

Working Notes:

(i) BILLS RECEIVABLE ACCOUNT

Particulars	Rs	Assets	Rs
To Balance b/f	90,000	By Bank A/c (Balancing figure)	5,10,000
To Debtors	6,52,500	By Creditors (Bills endorsed)	22,500
		By Balance c/f	7,42,500
	7,42,500		

(ii) TOTAL DEBTORS ACCOUNT

Particulars	Rs	Assets	Rs
To Balance b/f	2,22,000	By Cash/Bank	22,65,000
To Credit Sales (b.f.)	29,77,500	By Discount allowed	54,000
		By Bills receivable	6,52,500
		By Balance off	2,28,000
	31,99,500		31,99,500

(iv) BILLS PAYABLE ACCOUNT

Particulars	Rs	Assets	Rs
To Bank A/c	12,22,500	By balance b/f	1,87,500
To Balance c/f	2,10,000	By Creditors (b.f.)	12,45,000
	14,32,500		14,32,500

(iv) TOTAL CREDITORS ACCOUNT

Particulars	Rs	Assets	Rs
To Cash/ Bank	1,12,60,500	By Balance b/d	8,70,000
To Discount	42,000	By Purchases	1,27,02,750
To B/R endorsed	22,500		
To B/P	12,45,000		
To Balance (b.f.)	10,02,750		
	1,35,72,750		1,35,72,750

(v) STOCK ACCOUNT

Particulars	Rs	Assets	Rs
To Balance b/f	9,15,000	By Cost of goods sold	1,26,42,750
To Purchases	1,27,02,750	(Rs 1,40,47,500 x 90%)	9,75,000
(Balancing figure)	1,36,17,750	By Balance c/d	1,36,17,750

(vi) EXPENSES ACCOUNT

Particulars	Rs	Assets	Rs
To Prepaid Expenses	3,000	By O/s Expenses in the beg.	67,500
To Bank A/c	9,31,050	By P & L A/c	8,71,050
To O/s Exp. At the end	7,500	By Prepaid Exp. At end	3,000
	9,41,550		9,41,550

ILLSTRATION 3

Shri Rashid furnished you with the following information to his business:

a) Assets and liabilities as on

	Rs	Rs
Furniture (w.d.v.)	6,000	6,350
Stock at cost	8,000	7,000
Sundry debtors	16,000	?
Sundry creditors	11,000	15,000
Prepaid expenses	600	700
Unpaid expenses	2,000	1,800
Cash in hand and at bank	1,200	625

b) Receipts and payments during the year:
Collection from debtors, after allowing discount of Rs 1,500 amounted to Rs 58,500.
Collections on discounting of bills of exchange, after deduction of discount of Rs 125 by the bank, totaled to
Rs 6,150.
Creditors of Rs 40,000 were paid Rs 39,200 in full settlement of their dues.
Payment for freight inwards Rs 3,000
Amounts withdrawn for personal use Rs 7,000.
Payment for office furniture Rs 1,000.
Investment carrying annual interests of 4% were purchased at Rs 96 on 1st Oct. and payment made therefore.
Expenses including salaries paid Rs 14,500.
Miscellaneous receipts Rs 500.

c) Bills of exchange drawn on and accepted by customers during the year amounted to Rs 10,000. Of these, bills
of exchange of Rs 2,000 were endorsed in favour of creditors. An endorsed bill of exchange of Rs 400 was dishonored.

d) Goods costing Rs 900 were used as advertising materials.

e) Difference in cash bank, if any, is to be treated as further drawing or introduction by Shri Rashid.

f) Provide at 2.5% for doubtful debts on closing debtors.

g) Goods are invariably sold to show a gross profit of 33.1/3% on sales

Required: Prepare Trading and profit and Loss Account for the year ended 31st March 2013 and the Balance Sheet as on that date.

(20)

SOLUTION

TRADING AND PROFIT AND LOSS ACCOUNT OF SHRI RASHID
For the year ended 31st March, 2013

Particulars	Rs	Rs	Particulars	Rs
To Opening Stock		8,000	By Sales	73,050
To Purchases	45,600			7,000
Less: For advertising	900	44,700		
To Freight inwards		3,000		
To Gross profit c/d		24,350		
		80,050		80,050
To Sundry expenses:		14,200	By Gross Profit b/d	24,350
To Advertisement		900	By Interest on Investments	2
			Rs. 100 × (4/100)x(1/2)	
To Discount allowed			By Discount received	800
Debtors	1,500		By Miscellaneous income	500
Bills receivable	125	1,625		
To Depreciation on furniture		650		
To Provision for doubtful debts		486		
To Net Profit		7,791		
		25,652		25,652

BALANCE SHEET AS AT 31ST MARCH 2013

Liabilities	Rs	Rs	Assets	Rs	Rs
Capital:			Furniture (w.d.v.)	6,000	
Opening Balance	18,800		Additional during the year	1,000	
Less: Drawings	7,904		Less: Depreciation	650	6,350
Add: Net Profit	7,791	18,687	Investment		96
Sundry creditors		15,000	Interest accrued		2
Outstanding expenses		1,800	Closing stock		7,000
			Sundry debtors	19,450	
			Less: Provision for		
			Doubtful debts	486	18,964
			Bills receivable		1,750
			Cash in hand and at bank		625
			Prepaid expenses		700
		35,487			35,487

Working Notes:
(i) Calculation of Opening Capital

Balance Sheet As At 1st April 2012

Liabilities	Rs	Assets	Rs
Capital (Balancing figure)	18,800	Furniture	6,000
Creditors	11,000	Stock at cost	8,000
Outstanding expenses	2,000	Sundry debtors	16,000
		Cash in hand and at bank	1,200
		Prepaid expenses	600
	31,800		31,800

(ii) Calculation of Purchases made during the year

Sundry Creditors Account

Particulars	Rs	Particulars	Rs
To Cash and bank A/c	39,200	By Balance b/d	11,000
To Discount received A/c	800	By Sundry debtors A/c	400
To Bills receivable A/c	2,000	By Purchases A/c	45,600
To Balance c/d	15,000	(Balancing figure)	
	57,000		57,000

(iii) Calculation of Sales made during the year

		Rs
Opening Stock		8,000
Purchases	45,600	
Less: For advertising	900	44,700
Freight inwards		3,000
		55,700
		7,000
Less: Closing Stock		48,700
Cost of goods sold		24,350
Add: Gross profit (@ 50% on cost)		73,050
Sales		

(iv) Calculation of Closing Debtors

Sundry Debtors Account

Particulars	Rs	Particulars	Rs
To Balance b/d	16,000	By Cash and bank A/c	58,500
To Sales A/c	73,050	By Discount allowed A/c	1,500
To Sundry creditors A/c		By Bills receivable A/c	10,000
(bill dishonoured)	400	By Balance c/d (Balancing figure)	19,450
	89,450		89,450

(v) **Cash And Bank Account**

Particulars	Rs	Particulars	Rs
To Balance b/d	1,200	By Fright inwards A/c	3,000
To Sundry debtors A/c	58,500	By Furniture A/c	1,000
To Bills receivable	6,125	By Investment A/c	96
To Miscellaneous income A/c	500	By Expenses A/c	14,500
		By Creditors A/c	39,200
		By Drawings A/c	7,904
		[Rs 7,000 + Rs 904 (Additional drawings)]	
		By Balance c/d	625
	66,325		66,325

(vi) **Expenses Account**

Particulars	Rs	Particulars	Rs
To Prepaid expenses A/c (beg.)	600	By Outstanding expenses A/c (beg.)	2,000
To Bank A/c	14,500	By Profit and loss A/c (b.f.)	14,200
To Outstanding expenses A/c (end)	1,800	By Prepaid expenses A/c (end)	700
	16,900		16,900

(vii) **Bills Receivable Account**

Particulars	Rs	Particulars	Rs
To Debtors A/c	10,000	By Creditors A/c	2,000
		By Bank A/c	6,125
		By Discount on bills receivable A/c	125
		By Balance c/d (Balancing figure)	1,750
	10,000		10,000

Note: As regards investment, it has been assumed that investment purchased for Rs 96 was of the face value Rs 100.

ILLUSTRATION 4

From the following information in respect of a Trader, prepare Trading and Profit and Loss Account for the year ended 31st March 2013, and a Balance Sheet as at that date:

Assets and Liabilities	Opening	Closing
Stock-in-Trade	1,60,000	1,40,000
Debtors for Sales	3,20,000	?
Bills Receivable	-	?
Creditors for Purchases	2,20,000	3,00,000
Furniture at Written Down Value	1,20,000	1,27,000
Expenses Outstanding	40,000	36,000
Prepaid Expenses	12,000	14,000
Cash on Hand	4,000	3,000
Bank Balance	20,000	9,500

Receipts and Payments during the year:

Particulars	Rs
Collections from Debtors (after allowing 21/2% discount)	11,70,000
Payment to Creditors (after receiving 2% discount)	7,74,000
Proceeds of Bills Receivable discounted at 2%	1,22,500
Proprietor's Drawings	1,40,000
Purchases of Furniture midway through the year	20,000
4% Government Securities purchased at 96% on 1st Oct.	1,92,000
Expenses	3,50,000
Miscellaneous Income	10,000

Other information:

1. Sales are effected so as to realize a Gross Profit of 33-1/3% on the Sale Proceeds.
2. Goods, costing Rs 18,000, were issued as Advertisement Articles.
3. During the year, Bills Receivable of Rs 2,00,000 were drawn on Debtors. On these, amounting to Rs 40,000 were endorsed in favour of Creditors. Out of this latter amount a Bill for Rs 8,000 was dishonoured by the Debtors.
4. Capital introduced during the year by the Proprietor by cheque was omitted to be recorded in the Cash Book, though the Closing Bank Balance was Rs 9,500, (as shown above) is after taking the same into account.
5. Purchases and Sales are made only on credit.

(15)

SOLUTION

Trading And Profit And Loss Account For The Year Ended 31.03.2013

Particulars		Rs	Particulars	Rs
To Opening Stock		1,60,000	By Sales	13,71,000
To Purchases (9,12,000 – 18,000)		8,94,000	By Closing Stock	1,40,000
To Gross Profit (I/3rd on Sales)		4,57,000		
		15,11,000		15,11,000
To Expenses for the year			By Gross Profit b/d	4,57,000
To Discount Allowed:			By Miscellaneous Income	10,000
Debtors	30,000		By Discount Receivable	16,000
Bills Receivable	2,500	32,500	By Interest on 4% Government Securities [2,00,000 x 4% x 6/12]	4,000
To Advertisement Expenses		18,000		
To Depreciation on Furniture		13,000		
To Net Profit		79,500		
		4,87,000		4,87,000

Balance Sheet As At 31.03.2013

Liabilities	Rs	Assets	Rs
Capital	4,87,500	Furniture	1,27,000
Sundry Creditors	3,00,000	4% Govt. Securities at Cost (NV Rs 2,00,000)	1,92,000
Outstanding Expenses	36,000	Accused Interest on Govt. Securities	4,000
		Stock in Trade	1,40,000
		Sundry Debtors	2,99,000
		Bills Receivable	35,000
		Cash on Hand	3,000
		Bank Balance	9,500
		Prepaid Expenses	14,000
	8,23,500		8,23,500

Working Notes:

(i) Balance Sheet As At 31.03.2012

Liabilities	Rs	Assets	Rs
Capital (balancing figure)	3,76,000	Furniture	1,20,000
Creditors	2,20,000	Stock	1,60,000
Outstanding Expenses	40,000	Debtors	3,20,000
		Cash on Hand	4,000
		Bank Balance	20,000
		Prepaid Expenses	12,000
	6,36,000		6,36,000

(ii) Creditors Account

Particulars	Rs	Particulars	Rs
To Bills Receivable (endorsed)	40,000	By Balance B/d	2,20,000
To Bank (payment)	7,84,000	By Debtors (Endorsed bills dishonoured)	8,000
To Discount Received		By Purchases (balancing figure)	9,12,000
[7,84,000 x 2%/98%]	16,000		
To Balance c/d	3,00,000		
	11,40,000		11,40,000

(iii) Computation of Sales

A. Cost of Goods Sold = 1,60,000 + 8,94,000 – 1,40,000 = Rs 9,14,000

B. P =I/3rd on Sales = 1/2 on COGS = 1/2 x Rs 9,14,000 = Rs 4,57,000

C. Sales = COGS + GP = [A + B] = Rs 13,71,000

(iv) Debtors Account

Particulars	Rs	Particulars	Rs
To Balance b/d	3,20,000	By Bills Receivable	2,00,000
To Sales	13,71,000	By Bank (Collections)	11,70,000
To Creditors (endorsed bills dishonoured)	8,000	By Discount Allowed	
		(11,70,000 x 2.5%/ 97.5%)	30,000
		By Balance c/d (balancing figure)	2,99,000
	16,99,000		16,99,000

(v) Bills Receivable Account

Particulars	Rs	Particulars	Rs
To Sundry Debtors [B/R received]	2,00,000	By Creditors [B/R endorsed]	40,000
		By Bank [B/R discounted]	1,22,500
		By Discount on Bills Receivable [1,22,500 x 2%/98%]	2,500
		By Balance c/d (balancing figure)	35,000
	2,00,000		2,00,000

(vi) Expenses Account

Particulars	Rs	Particulars	Rs
To Balance b/d	12,000	By Balance b/d	40,000
To Bank A/c	3,50,000	By P&L (b/f)	3,44,000
To Balance c/d	36,000	By balance c/d	14,000
	3,98,000		3,98,000

(vii) Furniture Account

Particulars	Rs	Particulars	Rs
To Balance b/d	1,20,000	By Depreciation (balancing figure)	13,000
To Bank A/c (Purchases)	20,000	By Balance c/d	1,27,000
	1,40,000		1,40,000

(viii) Cash And Bank Account

Particulars	Cash	Bank	Particulars	Cash	Bank
To Balance b/d	4,000	20,000	By Creditors		7,84,000
To Debtors		11,70,000	By Drawings		1,40,000
To Bills Discounted		1,22,500	By Expenses		3,50,000
To Misc. Income			By 4% Govt. Securities		1,92,000
(assumed cash)	10,000		By Fixed Assets (Purchase)		20,000
To Cash (Contra)		11,000	By Bank (Contra) (bal.fig.)	11,000	
To Capital A/c (Additional Cap. (balancing figure)		1,72,000	By Balance c/d	3,000	9,500
	14,000	14,95,500		14,000	14,95,500

(xi) Capital Account

Particulars	Rs	Particulars	Rs
To Drawings	1,40,000	By Balance b/d	3,76,000
To Balance c/d (balancing figure)	4,87,500	By Bank A/c Additional Capital	1,72,000
		By Net Profit for the year (from P&L)	79,500
	6,27,500		6,27,500

ILLUSTRATION 5

You have been provided with following information of M/s Sybal Enterprises as on 31st Dec. 2012

a) SUMMARISED BALANCE SHEET AS AT 31ST DEC, 2012

Liabilities	Rs	Assets	Rs
Capital	2,37,474	Fixed Assets:	
Loan	1,00,000	(Cost less Depreciation Land)	25,000
Expenses Creditors	12,050	Building (Rs 1,42,000 – Rs 27,500)	1,14,500
Trade Creditors	2,47,903	Fixture & Fittings (Rs 21,405 – Rs 11,214)	10,191
		Motor Vehicles (Rs 24,690 – Rs 18,690)	6,000
		Current Assets:	
		Stock-in-trade	2,37,423
		Sundry Debtors	1,95,115
		Cash at Bank	7,048
		Cash in hand	2,150
	5,97,427		5,97,427

b) During the year ended 31st Dec., 2013 the following trading transaction took place:
Cash Sales Rs 4,27,042, Receipt from Debtors Rs 10,07,401, Payment to trade Creditors Rs 9,28,213, Wages paid Rs 2,04,111, Overhead Expenses Paid Rs 57,140, Interest on loan paid Rs 5,000, Salaries Rs 1,50,000

c) Depreciation, on the reducing balance method, is to be provided @4% P.A. on building, 15% p.a. on fixtures & fittings and 25% p.a. on the motor vehicles.

d) On 1st June 2013 the enterprise acquired a vehicle on hire purchase terms which provided for the payment of deposit of Rs 1,000 and 24 monthly instalments of Rs 200 commencing on 30th June 2013.

The cash price of the vehicle is Rs 5,200. The only other movement in fixed assets was the scrapping of the old vehicle originally cost of Rs 1,960 and had accumulated depreciation of Rs 1,699.

e) On 31st Dec. 2013 – Stock at cost Rs 2,47,628, Debtors Rs 1,89,400, Creditors Rs 2,58,107 Cash in hand amounted to Rs 1,945, Expenses Creditor – Nil

f) On 30th June, 2013 the lone was repaid at a discount of 14%

g) The proprietor has withdrawn during the year Rs 1,000

Required: Prepare (A) Joint Cash & Bank Account Trading and Profit & Loss Account for the year ended 2013 and the Balance Sheet as on that date.

(15)

SOLUTION

Joint Cash And Bank Account

Particulars	Rs	Particulars	Rs
To Balance b/d: Cash	2,150	By Sundry Creditors	9,28,213
Bank	7,048	By Wages	2,04,111
To Sales	4,27,042	By Salaries	1,50,000
To Sundry Debtors	10,07,401	By Overhead Expenses	57,410
To Balance c/d (Bank Overdraft)	4,488	By Interest on lone	5,000
		By Outstanding Expenses	12,050
		By Hp Deposit	1,000
		By Hp Instalments [Rs 200 x 7]	1,400
		By Lone (repaid)	86,000
		By Drawings	1,000
		By Balance c/d (Cash Balance)	1,945
	14,48,129		14,48,129

Trading and Profit & Loss Account of Sybal Enterprises

For the year ending 31st Dec., 2013

Particulars	Rs	Particulars	Rs
Opening Stock	2,37,423	By Sales [Rs 4,27,042 + Rs 10,01,686]	14,28,728
To Purchases [See Note (ii)]	9,38,417	By Closing Stock	2,47,628
To Wages	2,04,111		
To Gross Profit c/d	2,96,405		
	16,76,356		16,76,356
To Salaries	1,50,000	By Gross Profit b/d	2,96,405
To Overheads	57,410		
To Depreciation [See Note (v)]	8,302		
To Loss on Vehicle written off			
[Rs 1,960 – Rs 1,699]	261		
To H.P. Interest [See Note (iii)]	175		
To Interest on Loan	5,000		
To Net Profit t/f to Capital A/c	75,257		
	2,96,405		2,96,405

Balance Sheet of Sybal Enterprises As On 31St Dec., 2013

Liabilities		Rs	Assets	Rs
Capital:			Land	25,000
Opening balance	2,37,474		Buildings (Rs 1,42,000 – Rs 32,080)	1,09,920
Add: Profit	75,257		Fixtures & Fittings (Rs 21,405 – Rs 12,743)	8,662
Less: Drawings	1,000	3,11,731	Motor Vehicles (Rs 27,930 – Rs 19,184)	8,746
Capital Profit On			Stock-in-trade	2,47,628
Redemption of Loan		14,000	Sundry Debtors	1,89,400
Trade Creditors		2,58,107	Cash in hand	1,945
H.P Creditor		2,975		
Bank Overdraft		4,488		
		5,91,301		5,91,301

Working Notes:

(i) Total Debtors Account

Particulars	Rs	Particulars	Rs

To Balance b/d	1,95,115	By Cash/Bank A/c	10,07,401
To Sales (Bal. fig.)	10,01,686	by Balance c/d	1,89,400
	11,96,801		11,96,801

(ii) Total Creditors Account

Particulars	Rs	Particulars	Rs
To Cash/Bank A/c	9,28,213	By Balance b/d	2,47,903
To Balance c/d	2,58,107	By Purchases (b.f.)	9,38,417
	11,86,320		11,86,320

(iii) H.P. Interest = H.P. Price – Cash Price = [Rs 1,000 + (24 x 200)] – Rs 5,200 = Rs 600
Interest for each instalment = 600/24 = Rs 25
Amount charged to P & L A/c = Rs 25 x 7 = Rs 175
It has been assumed that interest has been equally spread over the period of instalments.
Alternatively, it can be allocated in the ratio of 24:23:22
(iv) H.P. Creditor = Rs 5,200 – [Rs 1,000 + Rs 1,400] + Rs 175 (being Interest) = Rs 2,975

		Rs
(v) Depreciation: Building @ 4% on Rs 1,14,500		4,580
Fixtures @15% on Rs 10,191		1,529
Motor Vehicle: on [Rs 22,730 – Rs 16,991] @25%	1,435	
on Rs 5,200 for 7 month @ 25%	758	2,193
		8,302

ILLUSTRATION 6 [CALCULATION OF CASH SALES AND CREDIT SLAES]

Calculate Cash Sales and Gross Credit Sales in each of the following alternative Cases:
Case (a) Net Sales Rs 1,50,000, Sales Returns Rs 50,000, Cash Sales were 25% of Net Credit Sales.
Cash (b) Net Sales Rs 3,00,000, Sales Returns Rs 1,00,000, Cash Sales were 75% less than the Net Credit Sales.
Cash (c) Net Sales Rs 6,00,000, Sales Returns Rs 2,00,000, Net Credit Sales were 3 times the cash sales.
Cash (d) Net Sales Rs 12,00,000, Sales Returns Rs 4,00,000, Net Credit Sales were 3 times more than the cash sales.
Cash (e) Gross Profit Ratio 20%, Gross Profit Rs 30,000, Sales Returns Rs 50,000, Cash Sales were 25% of Net Credit Sales.
Cash (f) Gross Profit on Cost 25%, Gross Profit Rs 60,000, Sales Returns Rs 1,00,000, Cash Sales were 75% less than the Net credit Sales.
Cash (g) Gross Profit Ratio 20%, Cost of Goods Sold Rs 4,80,000, Sales Returns Rs 2,00,000, Net Credit Sales were 3 times the cash sales.
Cash (h) Closing Debtors Rs 50,000, Debtors Turnover Ratio 6 times, Cash Sales 20% of Net Credit Sales, Sales Return Rs 30,000.
Cash (i) Closing Debtors Rs 1, 00,000, Debtors Velocity 2 months, Cash Sales 20% of Net Credit Sales, Sales Return Rs 30,000.
Cash (j) Opening Debtors Rs 25,000, Closing Debtors Rs 28,000, Sales Returns Rs 30,000, Cash Discount allowed Rs 8,750, Collection from Debtors: Cash Rs 1,03,000, Cheques Rs 33,250 and bills receivable Rs 30,000, Bad Debts Rs 2,000, Cash Sales 20% of Net Sales, Bad Debt recovered Rs 6,000, Provision for Doubtful Debts Rs 3,000, Provision for Discount on Debtors Rs 1,000.

(10)

SOLUTION

Case (a) Cash Sales = Rs1,50,000 x 20% = Rs 30,000
Net Credit Sales = Rs 1,50,000 – Rs 30,000 = Rs 1,20,000
Gross Credit Sales = Rs 1,20,000 + Rs 50,000 = Rs 1,70,000
Case (b) Let Net Credit Sales be = X
Cash Sales = X – 75% of x = .25X
Net Sales = Cash Sales+ Net Credit Sales
Rs 3,00,000 = .25X + X
X = Rs 3,00,000/1.25 = Rs 2,40,000
Cash Sales = Rs 2,40,000 x 25% = Rs 60,000
Gross Credit Sales = Rs 2,40,000 + Rs 1,00,000 = Rs 3,40,000
Case (c) Let Credit Sales = X, Net Credit Sales = 3X
Net Sales = X – 75% of x = .25X
Net Sales = Cash Sales+ Net Credit Sales
Rs 6,00,000 = X + 3X
X = Rs 6,00,000/4 = Rs 1,50,000
Net Credit Sales = Rs1,50,000 x 3 = Rs 4,50,000

Gross Credit Sales = Rs 4,50,000 + Rs 2,00,000 = Rs 6,50,000
Case (d) Let Credit Sales = X, Net Credit Sales = X + 3X = 4X
Net Sales = X – 75% of x = .25X
Net Sales = Cash Sales+ Net Credit Sales
Rs 12,00,000 = X + 4X
X = Rs 12,00,000/5 = Rs 2,40,000
Net Credit Sales = Rs2,40,000 x 4 = Rs 9,60,000
Gross Credit Sales = Rs 9,60,000 + Rs 4,00,000 = Rs 13,60,000
Case (e) Net Sales = Gross Profit /Gross Profit Ratio = Rs 30,000/20% = Rs 1,50,000
Cash Sales = Rs 1,50,000 X 20% = Rs 30,000
Net Credit Sales = Rs 1,50,000 – Rs 30,000 = Rs 1,20,000
Gross Credit Sales = Rs 1,20,000 + Rs 50,000 = Rs 1,70,000
Case (f) Net Sales = Gross Profit /Gross Profit Ratio = Rs 60,000/20% = Rs 3,00,000
Rs 3,00,000 = .25X + X
X = Rs 3,00,000/1.25 = Rs 2,40,000
Cash Sales = Rs 2,40,000 X 25% = Rs 60,000
Gross Credit Sales = Rs 2,40,000 + Rs 1,00,000 = Rs 3,40,000
Case (g) Net Sales = Cost of goods Sold + Gross Profit
= Rs 4,80,000 + 25% of Rs 4,80,000 = Rs 6,00,000
Let Cash Sales = X, Net Credit Sales = 3 X
Net Sales = Cash Sales + Net Credit Sales
Rs 6,00,000 = X + 3X
X = Rs 6,00,000/4 = Rs 1,50,000
Net Credit Sales = Rs 1,50,000 X 3 = 4,50,000
Gross Credit Sales = Rs 4,50,000 + Rs 2,00,000 = Rs 6,50,000

Case (h) Net Credit Sales = Closing Debtors x Debtors Turnover Ratio
= Rs 50,000 x 6 = Rs 3,00,000
Cash Sales = 20% of Rs 3,00,000 = Rs 3,00,000 = Rs 60,000
Gross Credit Sales = Rs 3,00,000 + Rs 30,000 = Rs 3,30,000
Case (i) Net Credit Sales = Closing Debtors x Debtors Turnover Ratio
= Rs 1,00,000 x 12/2 = Rs 6,00,000
Cash Sales = 25% of Rs 6,00,000 = Rs 1,50,000
Gross Credit Sales = Rs 6,00,000 + Rs 60,000 = Rs 6,60,000.

Case (j)

Debtors Account

Particulars	Rs	Particulars	Rs
To Balance b/d	25,000	By Sales Return	30,000
To Credit Sales (b.f.)	2,10,000	By Discount allowed A/c	8,750
		By Cash A/c	1,03,000
		By Bank A/c	33,250
		By Bills Receivable A/c	30,000
		By Bad Debts A/c	2,000
		By Balance c/d	28,000
	2,35,000		2,35,000

Net Credit Sales = Rs 2,10,000 – Rs30,000 = Rs 1,80,000
Cash Sales = 25% of Rs 1,80,000 = Rs 45,000

Note: Provision for Doubtful Debts and Discount and Bad Debts recovered affect the Profit and Loss Account and not the Debts Account.

ILLUSTRATION 7 [CALCULATION OF CASH PURCHASES AND CREDIT PURCHASES]

Calculate Cash Sales and Gross Credit Purchases in each of the following alternative Cases:

Case (a) Net Purchases Rs 1,50,000, Purchases Returns Rs 50,000, Cash Purchases were 25% of Net Credit Purchases.

Cash (b) Net Purchases Rs 3,00,000, Purchases Returns Rs 1,00,000, Cash Purchases were 75% less than the Net Credit Purchases.

Cash (c) Net Purchases Rs 6,00,000, Purchases Returns Rs 2,00,000, Net Credit Purchases were 3 times the cash Purchases.

Cash (d) Net Purchases Rs 12,00,000, Purchases Returns Rs 4,00,000, Net Credit Purchases were 3 times more than the cash Purchases.

Cash (e) Gross Profit Ratio 20%, Gross Profit Rs 30,000, Purchases Returns Rs 50,000, Cash Purchases were 25% of Net Credit Purchases, Closing Stock Rs 60,000, Opening Stock Rs 25,000, Wages Rs 5,000

Cash (f) Gross Profit on Cost 25%, Gross Profit Rs 60,000, Purchases Returns Rs 1,00,000, Cash Purchases were 75% less than the Net credit Purchases, Closing Stock Rs 1,20,000, Opening Stock 50,000, Wages Rs 10,000.

Cash (g) Gross Profit Ratio 20%, Cost of Goods Sold Rs 4,80,000, Purchases Returns Rs 2,00,000, Net Credit Purchases were 3 times the cash Purchases. Closing Stock Rs 2,40,000, Opening Stock 1,00,000, Wages Rs 20,000.

Cash (h) Closing Creditors Rs 50,000, Creditors Turnover Ratio 6 times, Cash Purchases 20% of Net Credit Purchases, Purchases Return Rs 30,000.

Cash (i) Closing Creditor Rs 1, 00,000, Creditors Velocity 2 months, Cash Sales 20% of Net Credit Sales, Sales Return Rs 30,000.

Cash (j) Opening Creditors Rs 25,000, Closing Creditors Rs 30,000, Purchase Returns Rs 30,000, Cash Discount allowed Rs 8,750, Collection from Creditors: Cash Rs 1,03,000, Cheques Rs 33,250 and bills Accepted Rs 30,000, Cash Purchases 20% of Net Purchases.

(10)

SOLUTION

Case (a) Cash Purchases = Rs1,50,000 x 20% = Rs 30,000
Net Credit Purchases = Rs 1,50,000 – Rs 30,000 = Rs 1,20,000
Gross Credit Purchases = Rs 1,20,000 + Rs 50,000 = Rs 1,70,000

Case (b) Let Net Credit Purchases be = X
Cash Purchases = X – 75% of x = .25X
Net Purchases = Cash Purchases+ Net Credit Purchases
Rs 3,00,000 = .25X + X
X = Rs 3,00,000/1.25 = Rs 2,40,000
Cash Purchases = Rs 2,40,000 x 25% = Rs 60,000
Gross Credit Purchases = Rs 2,40,000 + Rs 1,00,000 = Rs 3,40,000

Case (c) Let Credit Purchases = X, Net Credit Purchases = 3X
Net Purchases = Cash Purchases+ Net Credit Purchases
Rs 6,00,000 = X + 3X
X = Rs 6,00,000/4 = Rs 1,50,000
Net Credit Purchases = Rs1,50,000 x 3 = Rs 4,50,000
Gross Credit Purchases = Rs 4,50,000 + Rs 2,00,000 = Rs 6,50,000

Case (d) Let Credit Purchases = X, Net Credit Purchases = X + 3X = 4
Net Purchases = Cash Purchases+ Net Credit Purchases
Rs 12,00,000 = X + 4X
X = Rs 12,00,000/5 = Rs 2,40,000
Net Credit Purchases = Rs2,40,000 x 4 = Rs 9,60,000
Gross Credit Purchases = Rs 9,60,000 + Rs 4,00,000 = Rs 13,60,000

Case (e) Net Sales = Gross Profit /Gross Profit Ratio = Rs 30,000/20% = Rs 1,50,000
Cost of Goods Sold = Net Sales – Gross Profit = Rs 1,50,000 – Rs 30,000 = Rs 1,20,000
Total Purchases = Cost of Goods Stock + Closing Stock – Opening Stock – Wages
= Rs 1,20,000 + Rs 60,000 – Rs 25,000 – Rs 5,000 – Rs 5,000 = Rs 1,50,000.
Cash Purchases = Rs 1,50,000 X 20% = Rs 30,000
Net Credit Purchases = Rs 1,50,000 – Rs 30,000 = Rs 1,20,000
Gross Credit Purchases = Rs 1,20,000 + Rs 50,000 = Rs 1,70,000

Case (f) Net Sales = Gross Profit /Gross Profit Ratio = Rs 60,000/20% = Rs 3,00,000
Cost of Goods Sold = Net Sales - Gross Profit = Rs 3,00,000 – Rs 60,000 = Rs 2,40,000
Total Purchases = Cost of Goods Sold + Closing Stock – Opening Stock – Wages

= Rs 2,40,000 + Rs 1,20,000 – Rs 50,000 – Rs 10,000 = Rs 3,00,000
Let Net Credit Purchases = X
Cash Purchases = X – 75% of X = .25X
Net Purchases = Cash Purchases + Net Credit Purchases
Rs 3,00,000 = .25X + X
X = Rs 3,00,000/1.25 = Rs 2,40,000
Cash Purchases = Rs 2,40,000 X 25% = Rs 60,000
Gross Credit Purchases = Rs 2,40,000 + Rs 1,00,000 = Rs 3,40,000

Case (g) Total Purchases = Cost of goods Sold + Closing Stock – Opening Stock – Wages
= Rs 4,80,000 + 2,40,000 – Rs 1,00,000 – Rs 20,000 = Rs 6,00,000
Let Cash Purchases = X, Net Credit Purchases = 3X
Net Purchases = Cash Purchases + Net Credit Purchases
Rs 6,00,000 = X + 3X
X = Rs 6,00,000/4 = Rs 1,50,000
Net Credit Purchases = Rs 1,50,000 X 3 = 4,50,000
Gross Credit Purchases = Rs 4,50,000 + Rs 2,00,000 = Rs 6,50,000

Case (h) Net Credit Purchases = Closing Creditors x Creditors Turnover Ratio
= Rs 50,000 x 6 = Rs 3,00,000
Cash Purchases = 20% of Rs 3,00,000 = 60,000
Gross Credit Purchases = Rs 3,00,000 + Rs 30,000 = Rs 3,30,000

Case (i) Net Credit Purchases = Closing Creditors x Creditors Turnover Ratio
= Rs 1,00,000 x 12/2 = Rs 6,00,000
Cash Purchases = 25% of Rs 6,00,000 = Rs 1,50,000
Gross Credit Purchases = Rs 6,00,000 + Rs 60,000 = Rs 6,60,000.

Case (j)

Creditors Account

Particulars	Rs	Particulars	Rs
By Purchases Return	30,000	By Balance b/d	25,000
By Discount allowed A/c	8,750	By Credit Purchases (b.f.)	2,10,000
By Cash A/c	1,03,000		
By Bank A/c	33,250		
By Bills Receivable A/c	30,000		
To Balance C/d	30,000		
	2,35,000		2,35,000

Net Credit Purchases = Rs 2,10,000 – Rs30,000 = Rs 1,80,000
Cash Purchases = 25% of Rs 1,80,000 = Rs 45,000