Accounts from Incomplete Records

Question 1

Mr. Y keeps his books under single entry system. On 31st March, 2006 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	Bills 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, 2007:

	Rs.
Cash sales	1,10,70,000
Collection from 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 31.3.2007	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 premium paid	
(This is paid on 1st August every year)	9,000
Depreciate fixed assets @ 10%	

(iii) Balances as on 31.3.2007 are given below:

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

Prepare Trading, Profit and Loss Account for the year ended 31st March, 2007 and Balance Sheet on that date. *(16 Marks) (May, 2007)*

Answer

Trading and Profit and Loss Account of Mr. Y for the year 31.3.2007

		Rs.				Rs.
To	Opening stock	9,15,000	By	Sales: Cash	1,10,70,000	
To	Purchases (W.N.5)	1,27,02,750		Credit (W.N.2)	29,77,500	1,40,47,500
To	Gross profit	14,04,750	By	Closing stock		9,75,000
		1,50,22,500				1,50,22,500
To	Expenses (W.N.6)	8,71,050	By	Gross profit		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 on 31st March, 2007

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:

1. Bills Receivable Account

To	Balance b/f	90,000	By	Cash (Balancing figure)	5,10,000
To	Debtors	6,52,500	By	Creditors (Bills endorsed)	22,500
			By	Balance c/f	2,10,000
		7,42,500			7,42,500

2. Debtors Account

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

3. Bills Payable Account

To	Bank	12,22,500	By	Balance b/f	1,87,500
To	Balance c/f	2,10,000	By	Creditor (Balancing figure)	12,45,000
		14,32,500			14,32,500

4. Creditors Account

To	Cash/Bank	1,12,60,500	By	Balance b/f	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 c/f (Balancing figure)	10,02,750			
		1,35,72,750			1,35,72,750

5. Stock Account

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

6. Expenses for the year ended 31st March, 2007

		Rs.
Expenses paid during the year		9,31,050
Add:	Outstanding expenses as on 31.3.2007	7,500

	9,38,550
Less: Outstanding expenses as on 1.4.2006	67,500
	8,71,050
Add: Prepaid Insurance as on 1.4.2006	3,000
	8,74,050
Less: Prepaid Insurance as on 31.3.2007 (9,000 x 4/12)	3,000
Expenses shown in the profit and loss account for the year ended 31.3.2007	8,71,050

Question 2

The closing capital of Mr. A on 31.3.2007 was Rs. 1,50,000. On 1.4.2006 his capital was Rs. 60,000. During the year he had drawn Rs. 40,000 for domestic expenses. He introduced Rs. 25,000 as additional capital in February, 2007. Find out his net profit for the year.

(2 Marks) (November, 2007)

Answer

Statement showing calculation of profit for the year 31.3.2007	*Rs.*
Capital as on 31.3.2007	1,50,000
Add: Drawings during the year	40,000
	1,90,000
Less: Additional capital introduced in February 2002	(25,000)
	1,65,000
Less: Capital as on 1.4.2006	(60,000)
Net profit for the year	1,05,000

Question 3

In a concern, the opening provision for doubtful debts is Rs.51,000. During the year a sum of Rs.10,000 was written off as bad debt. The closing balance of sundry debtors amounts to Rs.6,30,000. It was decided that 10% of the debtors is to be maintained as provision. Calculate the closing balance towards provision for doubtful debts and pass journal entry for giving effect to the provision maintained.

(2 Marks) (May, 2008)

Answer

(iii)	Closing balance of Sundry Debtors	=	Rs.6,30,000
	Closing provision for doubtful debts to be maintained @ 10%	=	Rs.63,000
	Less: Opening Provision for doubtful debts	=	Rs.51,000
	Additional provision to be maintained	=	Rs.12,000

Journal Entry

Profit and Loss A/c Dr.	12,000	
To Provision for doubtful debts		12,000
(Being additional provision on doubtful debts maintained @ 10%)		

Question 4

A company sold 25% of the goods on cash basis and the balance on credit basis. Debtors are allowed 2 months credit and their balance as on 31.3.2008 is Rs.1,40,000. Assume that the sale is uniform through out the year. Calculate the total sales of the company for the year ended 31.3.2008.

(2 Marks) (May, 2008)

Answer

(ii)	Debtors as on 31.3.2008	=	Rs.1,40,000
	Credit period allowed	=	2 months
	i.e. Debtors as on 31.3.2008 is standing for credit sales of February and March 2008		
	Credit sales per month	=	Rs.1,40,000/2
		=	Rs.70,000
	Credit sales for the year 2007-2008	=	Rs.70,000 × 12
		=	Rs.8,40,000
	Add: Cash sales $8{,}40{,}000 \times \frac{25}{75}$	=	Rs.2,80,000
	Total sales of the company for the year ended 31.3.2008		Rs.11,20,000
(iii)	Closing balance of Sundry Debtors	=	Rs.6,30,000
	Closing provision for doubtful debts to be maintained @ 10%	=	Rs.63,000
	Less: Opening Provision for doubtful debts	=	Rs.51,000
	Additional provision to be maintained	=	Rs.12,000

Journal Entry

Profit and Loss A/c	Dr.	12,000	
To Provision for doubtful debts			12,000
(Being additional provision on doubtful debts maintained @ 10%)			

Question 5

The books of Mr. Z showed the following information:

	1.1.2007 (Rs.)	*31.12.2007 (Rs.)*
Bank balance	---	*50,000*
Debtors	---	*87,500*
Creditors	---	*46,000*

Stock	*50,000*	*62,500*
Fixed assets	*7,500*	*9,000*

The following are the details of the bank transactions:

	Rs.
Receipt from customers	*3,40,000*
Payments to creditors	*2,80,000*
Capital brought in	*5,000*
Sale of fixed assets	*1,750*
Expenses paid	*49,250*
Drawings	*25,000*
Purchase of fixed assets	*5,000*

Other information:

(i)	*Cost of goods sold*	*Rs.2,60,000*
(ii)	*Gross profit 25% on cost of goods sold*	
(iii)	*Book value of assets sold*	*Rs.2,500*

Prepare Trading, Profit and Loss account for the year ended 31.12.2007 and Balance Sheet as at 31.12.2007. *(8 Marks) (November, 2008)*

Answer

Trading and Profit & Loss Account

for the year ended 31.12.2007

Dr.					*Cr.*
		Rs.			*Rs.*
To	Opening stock	50,000	By	Sales (W.N.8)	3,25,000
To	Purchases (W.N.7)	2,72,500	By	Closing stock	62,500
To	Gross profit (W.N.6)	65,000			
		3,87,500			3,87,500
To	Expenses	49,250	By	Gross profit	65,000
To	Loss on sale of fixed asset	750			
To	Depreciation on fixed assets	1,000			
To	Net Profit	14,000			
		65,000			65,000

Balance Sheet as at 31.12.2007

Liabilities		*Rs.*	*Rs..*	*Assets*	*Rs.*
Capital as on 1.1.2007		1,69,000		Fixed Assets	9,000
Add:	Net profit	14,000		Debtors	87,500
	Additional capital	5,000		Stock	62,500
		1,88,000		Bank	50,000
Less:	Drawings	25,000	1,63,000		
Creditors			46,000		
			2,09,000		2,09,000

Working Notes:

1. Balance Sheet as at 1.1.2007

Liabilities	*Rs.*	*Assets*	*Rs.*
Capital (Bal. Fig.)	1,69,000	Fixed Assets	7,500
Creditors	53,500	Debtors	1,02,500
		Stock	50,000
		Bank Balance	62,500
	2,22,500		2,22,500

2. Bank account

Dr.					*Cr.*
		Rs.			*Rs.*
To	Balance b/d (Bal. Fig.)	62,500	By	Creditors	2,80,000
To	Debtors	3,40,000	By	Expenses	49,250
To	Capital	5,000	By	Drawings	25,000
To	Fixed Assets	1,750	By	Fixed Assets (purchased)	5,000
			By	Balance c/d	50,000
		4,09,250			4,09,250

3. Debtors account

Dr.					*Cr.*
		Rs.			*Rs.*
To	Balance b/d (Bal. Fig.)	1,02,500	By	Bank	3,40,000
To	Sales (W.N.8)	3,25,000	By	Balance c/d	87,500
		4,27,500			4,27,500

4. Creditors account

Dr.					*Cr.*
		Rs.			*Rs.*
To	Bank	2,80,000	By	Balance b/d (Bal. Fig.)	53,500
To	Balance c/d	46,000	By	Purchases (W.N.7)	2,72,500
		3,26,000			3,26,000

5. Fixed Assets account

Dr.					*Cr.*
		Rs.			*Rs.*
To	Balance b/d	7,500	By	Bank (Sale)	1,750
To	Bank	5,000	By	Profit and Loss A/c (loss on sale)	750
			By	Depreciation (Bal. Fig.)	1,000
			By	Balance c/d	9,000
		12,500			12,500

6. *Gross Profit = Rs.2,60,000 x 25% = Rs. 65,000.*

7. *Cost of goods sold = Opening stock + Purchases – Closing stock*

Rs.2,60,000 = Rs.50,000 + Purchases - Rs.62,500

Purchases = Rs. 2,72,500.

8. *Sales = Cost of goods sold + gross profit*

= Rs.2,60,000 + Rs.65,000

= Rs.3,25,000.

Question 6

Following is the Balance Sheet of Mr. Ram, a small trader, as on 31st March, 2008:

Liabilities	*Rs.*	*Assets*	*Rs.*
Creditors	*1,00,000*	*Cash*	*10,000*
Capital	*4,00,000*	*Bank*	*20,000*
		Stock	*80,000*
		Debtors	*1,00,000*
		Fixed Assets	*2,90,000*
	5,00,000		*5,00,000*

A fire occurred on the night of 31st March, 2009, destroying the accounting records as well as the closing cash of the trader. However, the following information was available:

(i) Debtors and creditors as on 31st March, 2009 showed an increase of 20% as compared to 31st March, 2008.

(ii) Credit period:

Debtors : 1 month

Creditors : 2 months

(iii) *Stock was maintained at the same level throughout the year.*

(iv) *Cash sales constituted at 20% of the total sales.*

(v) *All purchases were on credit basis only.*

(vi) *Current ratio on 31st March, 2009 was exactly 2.*

(vii) *Total expenses excluding depreciation for the year amounted to Rs.5,00,000.*

(viii) *Depreciation was provided @ 10% on the closing book value of fixed assets.*

(ix) *Bank and cash transactions for the financial year 2008-09 were as under:*

(a) *Payment to creditors included Rs.1,00,000 by cash.*

(b) *Received from debtors included Rs.11,80,000 by way of cheques.*

(c) *Cash deposited into the Bank Rs.2,40,000.*

(d) *Personal drawings from Bank Rs.1,00,000.*

(e) *Fixed assets purchased and paid by cheques Rs.4,50,000.*

(f) *Assume that cash destroyed by fire is written off in the Profit and Loss account.*

You are required to prepare:

(i) *Trading and Profit and Loss account of Shri Ram for the year ended 31st March, 2009.*

(ii) *A Balance Sheet as at that date.* *(8 Marks)(June,2009)*

Answer

Trading and Profit and Loss Account

for the year ended 31.3.2009

	Particulars	Rs.		Particulars		Rs.
To	Opening stock	80,000	By	Sales (W.N.2)		
To	Purchases (W.N.1)	7,20,000		Cash	3,60,000	
To	Gross profit	10,80,000		Credit	14,40,000	18,00,000
			By	Closing stock		80,000
		18,80,000				18,80,000
To	Expenses	5,00,000	By	Gross profit		10,80,000
To	Loss of cash by fire	20,000				
To	Depreciation	74,000				
To	Net profit transfered to Capital A/c	4,86,000				
		10,80,000				10,80,000

Balance Sheet as on 31.3.2009

Liabilities	*Rs.*	*Rs.*	*Assets*	*Rs.*	*Rs.*
Creditors		1,20,000	Cash at bank (W.N.3)		40,000
Capital	4,00,000		Debtors		1,20,000
Add: Net profit during the year	4,86,000		Stock		80,000
	8,86,000		Fixed assets	2,90,000	
Less: Drawings	1,00,000	7,86,000	During the year	4,50,000	
				7,40,000	
			Less: Depreciation	74,000	6,66,000
		9,06,000			9,06,000

Working Notes:

(1) **Calculation of creditors as on 31.3.2009 and credit purchase for 2008-2009**

Creditors = Previous year creditors + 20% increase

= 1,00,000 + 20,000

= Rs.1,20,000

Credit purchases = Creditors at the end $\times\frac{12}{2}$

= 1,20,000 $\times\frac{12}{2}$ = Rs.7,20,000

(2) **Calculation of Debtors as 31.3.2009 and Cash and Credit Sales for 2008-2009**

Debtors on 31.3.2009 = Debtors on 31.3.2008 + 20% Increase

= 1,00,000 + 20,000

= Rs.1,20,000

Credit sales for 2008-2009 = Debtors at the end (i.e. one month credit) x 12

= Rs. 1,20,000 x 12 = Rs.14,40,000

Total sales = Rs.14,40,000 $\times\frac{100}{80}$ = Rs.18,00,000

Cash sales = Total sales – Credit sales

= Rs. 18,00,000 – Rs.14,40,000

= Rs. 3,60,000

(3) **Cash and Bank Balance as on 31.3.2009**

Current ratio = 2

Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{2}{1}$

Current assets = Current liabilities x 2

Current assets = 1,20,000 x 2 = 2,40,000

Cash and bank balance = Current assets – (Debtors + Stock)

Cash and bank balance = 2,40,000 – (1,20,000 + 80,000)

Cash and bank balance = 2,40,000 – 2,00,000 = Rs.40,000

(4) **Cash Account**

		Rs.			Rs.
To	Balance b/d	10,000	By	Creditors A/c	1,00,000
To	Sales A/c	3,60,000	By	Bank A/c	2,40,000
To	Debtors A/c (W.N.6)	2,40,000	By	Expenses A/c (5,00,000 – 2,50,000)	2,50,000
			By	Loss by fire (Bal.fig.)	20,000
		6,10,000			6,10,000

(5) **Bank Account**

		Rs.			Rs.
To	Balance b/d	20,000	By	Creditors A/c (W.N.7)	6,00,000
To	Debtors A/c	11,80,000	By	Fixed assets A/c	4,50,000
To	Cash A/c	2,40,000	By	Drawings	1,00,000
			By	Expenses (Bal. fig.)	2,50,000
			By	Balance c/d	40,000
		14,40,000			14,40,000

(6) **Debtors Account**

		Rs.			Rs.
To	Balance b/d	1,00,000	By	Bank	11,80,000
To	Sales	14,40,000	By	Cash (Bal. Fig.)	2,40,000
			By	Balance c/d	1,20,000[1]
		15,40,000			15,40,000

(7) **Creditors Account**

		Rs.			Rs.
To	Cash A/c	1,00,000	By	Balance b/d	1,00,000
To	Bank (Bal. fig.)	6,00,000	By	Purchases A/c	7,20,000
To	Balance c/d	1,20,000[2]			

[1] Debtors on 31.3.2009 = Debtors on 31.3.2008 x 120% i.e. 1,00,000 x 120% = Rs. 1,20,000

[2] Creditors on 31.3.2009 = Creditors on 31.3.2008 x 120% i.e. 1,00,000 x 120% = Rs. 1,20,000

	8,20,000	8,20,000

Question 7

Find out the profit of Mr. A from the following information:

Capital at the beginning of the year	*Rs.20,00,000*
Drawings made by Mr. A	*Rs.2,00,000*
Capital at the end of the year	*Rs.25,00,000*
Additional capital introduced during the year	*Rs.1,00,000*
(2 Marks) (November, 2009)	

Answer

Statement showing profit earned by Mr. A during the year

		Rs.
Capital at the end of the year		25,00,000
Add:	Drawings	2,00,000
		27,00,000
Less:	Additional capital introduced during the year	(1,00,000)
		26,00,000
Less:	Capital at the beginning of the year	(20,00,000)
Profit earned during the year		6,00,000

Question 8

A trader purchased goods for Rs.1,70,000. The opening stock of inventory prior to the said purchase was Rs.30,000. His sales was Rs.2,10,000. Find out the closing stock of inventory if the Gross profit margin is 25% on cost.

(2 Marks) (November, 2009)

Answer

Calculation of closing stock:

Cost of goods sold = Sales – Gross Profit

= Rs.2,10,000 – $(\text{Rs. } 2{,}10{,}000 \times \frac{25}{125})$

= Rs.1,68,000

Closing stock = Opening Stock + Purchases – Cost of goods sold

= Rs.30,000 + Rs.1,70,000 – Rs.1,68,000

= Rs.32,000