Class XI Session 2025-26
Subject - Accountancy
Sample Question Paper - 2

Time Allowed: 3 hours **Maximum Marks: 80**

General Instructions:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. Questions 1 to 16 and 27 to 30 carry 1 mark each.
4. Questions 17 to 20, 31 and 32 carry 3 marks each.
5. Questions from 21, 22 and 33 carry 4 marks each
6. Questions from 23 to 26 and 34 carries 6 marks each

Part A

1. Source documents are also referred to as **[1]**

   a) notes
   b) supporting documents
   c) first information documents
   d) invoices

2. **Assertion (A):** Accounting is a process of identifying, measuring recording business transactions. **[1]**
   Reason (R): It communicates required information to the general public.

   a) Both A and R are true and R is the correct explanation of A.
   b) Both A and R are true but R is not the correct explanation of A.
   c) A is true but R is false.
   d) A is false but R is true.

3. Which of the following accounts has a credit balance? **[1]**

   a) Discount Allowed
   b) Discount Received
   c) Carriage Inward
   d) Carriage Outward

4. What will be the effect on the accounting equation for outstanding expenses? **[1]**
   (Options are in the format of assets, liabilities, capital).

   a) Decrease, No change, Decrease
   b) Decrease, Decrease, No change
   c) No change, Increase, Decrease
   d) Decrease, Increase, Decrease

   OR

   Goods costing Rs.15,000 were sold for cash at a profit of 20%. By what amount cash increase

   a) Rs.13,000
   b) Rs.15,000
   c) Rs.12,000
   d) Rs.18,000

5. Books of Account are written on the basis of: **[1]**

a) Both the Source Document and Accounting Vouchers
b) Transfer Voucher
c) Accounting Vouchers
d) Source Document

6. By the nature of multiple definitions given for accounting, which of these is a feature of accounting? **[1]**

a) All of these
b) Assisting in decision-making
c) Communicating financial information
d) Helping interested users in judgement

OR

In accounts, recording is made of:

a) Only financial transaction
b) Only Non-financial transactions
c) Personal transactions of the Proprietor
d) Both financial and non-financial transactions

7. Reserve created by undervaluation of closing stock is called: **[1]**

a) Secret Reserve
b) General Reserve
c) Specific Reserve
d) Capital Reserve

8. Goods purchased on credit will increase the **[1]**

a) Debtor
b) Drawings
c) liability
d) Capital

OR

The data is classified for creating groups of accounts in the heads of:

a) Capital, Revenue and Expenses
b) Assets, Capital, Liabilities, Revenue and Expenses
c) Assets, Liabilities and Capital
d) Assets, Owners' equity, Revenue and Expenses

9. In how many categories is GST divided? **[1]**

a) 3
b) 6
c) 2
d) 4

10. Secret Reserve is shown in: **[1]**

a) Balance Sheet on the assets side
b) Balance Sheet on the liabilities side
c) None of these
d) Profit and Loss Account

11. Which of the following term increases capital? **[1]**

a) Expenses
b) Drawings
c) Profit
d) Loss

12. Goods sold for Cash ₹ 25,000 plus 12% IGST. Sales A/c will be credited by: **[1]**

a) ₹ 25,000
b) ₹ 27,000
c) ₹ 22,000
d) ₹ 28,000

13. Accounting equation may effect **[1]**

a) None
b) Both side of equation by equal amount
c) Both
d) Only one side by increasing / decreasing it by equal amount

14. Current assets do not include **[1]**

Stock, Short term investment, Prepaid expenses, Unearned income

a) Unearned income
b) Stock
c) Short term investment
d) Prepaid expenses

OR

Goods means:

a) All of these
b) Commodity to be used as an asset
c) Commodity to be bought and sold
d) Commodity to be bought but not to be sold

15. Which of the following is not an advantage of a subsidiary book? **[1]**

a) Quick availability of required information
b) Difficult to maintain
c) Division of work
d) Leads to specialization

16. Which reserve are created for specific purpose **[1]**

a) Dividend equalization fund
b) Capital Reserves
c) Dividend fund
d) Specific Reserve

17. Give any three points distinguishing between a journal and a ledger? **[3]**

OR

Journalise the following transactions:

i. Sold goods to Raman of the list price of ₹ 10,000 at a trade discount of 5%. Received full payment in cash.
ii. Goods are given away as charity ₹ 1,000.
iii. Charge interest on capital of ₹ 5,00,000 @ 7% p.a.
iv. Outstanding wages ₹ 3,000.
v. ₹ 5,000 due from Sunny are now bad debts.
vi. ₹ 50,000 cash sales (of goods costing ₹ 40,000).

18. Mr. Abhinav Kumar, a homeopath doctor in practice has been advised by his Accountant to maintain his accounts on Accrual Basis instead of the presently followed Cash Basis of Accounting. Do you agree with the advice of the Accountant? Give reasons. **[3]**

OR

Briefly explain the elements of Statement of Comprehensive Income.

19. Write a note on types of assets with one example of each. **[3]**

20. What do you mean by Trial Balance? An accountant of a company in order to match the trial balance passed a dummy entry without any proof of the transaction and did not even inform the seniors about it. Identify the value being violated by the accountant. **[3]**

21. Prepare a two column cash book from the following transactions of Mr Anderson: **[4]**

2013	**Transactions**	**Amount (Rs.)**
Apr 1	Cash in hand	12,000

Apr 6	Cash purchases	6,000
Apr 10	Wages paid	120
Apr 11	Cash sales	18,000
Apr 12	Cash received from John and	5,940
"	Allowed him discount	60
Apr 19	Cash paid to Peter	7,410
"	discount received	90
Apr 27	Cash paid to Paul	1,200
Apr 28	Purchased goods for cash	6,210

22. Prepare Bank Reconciliation Statement from the following : **[4]**

(i)	Overdraft as per Pass Book	₹ 20,000
(ii)	Interest on overdraft	₹ 500
(iii)	Cheque issued to creditors not yet presented for payment	₹ 3,000
(iv)	Cheque paid into Bank not collected	₹ 30,000
(v)	Interest on investment collect by Bank not recorded in Cash Book	₹ 500
(vi)	The payment side of Bank column of Cash Book overcast by ₹ 700	

OR

On 30th June, 2023, the Cash Book of M/s Ravi and Shiv showed a balance of ₹4,000 at Bank. They had sent cheques amounting to ₹20,000 to the bank before 30th June, but it appears from the Pass Book that cheques worth only ₹8,000 had been credited before that date. Similarly, out of cheques of ₹10,000 issued during the month of June, cheques for ₹500 were presented and paid in July.

The PassBook also showed the following payments:

i. ₹640 as premium on the life policy according to standing instructions; and
ii. ₹4,000 against a pro-note, as per instructions.

The Pass Book showed that the bank had collected ₹1,200 as interest on Government Securities. The bank had charged interest ₹ 100 and bank charges ₹40. There was no entry in the Cash Book for the payments, interest etc. Prepare the Bank Reconciliation Statement as on 30th June, 2023.

23. Following transactions of Ramesh for April, 2018 are given below. Journalise them. **[6]**

2018		Rs.
Apr 1	Ramesh started business with cash	1,00,000
Apr 2	Paid into bank	20,000
Apr 3	Bought goods for cash	50,000
Apr 4	Drew cash from bank for office use	10,000
Apr 13	Sold goods in Krishna on credit	15,000
Apr 20	Bought goods from Shyan on credit	22,500

Apr 24	Received from Krishna	12,500
	Allowed him discount	500
Apr 28	Paid cash to Shyam	21,500
	Discount received	1,000
Apr 28	Krishna returned goods	2,000
Apr 30	Cash sales for the month	80,000
Apr 30	Paid rent	5,000
Apr 30	Paid salary	10,000

OR

Following transactions of Rajesh for April, 2023 are given below. Journalise them.

2023		₹
April 1	Rajesh started business with cash	1,00,000
April 2	Paid into bank	20,000
April 3	Bought goods for cash	50,000
April 4	Drew cash from bank for office use	10,000
April 13	Sold goods to Karan	15,000
April 20	Bought goods from Sumit	22,500
April 22	Karan returned goods	2,000
April 24	Received from Karan	12,500
	Allowed him discount	500
April 28	Paid cash to Sumit	21,500
	Discount received	1,000
April 30	Sold for Cash to Manoj, Raman and Mohan	80,000
April 30	Paid rent	5,000
April 30	Paid salary	10,000

24. Trial Balance of a book-keeper shows an excess of debits over credits by ₹ 261. This difference is placed in a Suspense Account to facilitate books closure. Later on the following errors were discovered **[6]**

i. A credit item of ₹ 349 has been debited to a Personal Account as ₹ 439.

ii. A sum of ₹ 625 written off from fixtures as depreciation has not been posted to the Depreciation Account.

iii. ₹ 9,000 paid for furniture bought have been charged to the Purchases Account.

iv. A discount allowed to a customer has been credited to him as ₹ 145 in place of ₹ 154.

v. A sale of ₹ 594 was posted as ₹ 495 in the Sales Account.

vi. The total of Returns Inward Book has been added ₹ 10 short.

Pass the Journal Entries to correct these errors and prepare the Suspense Account.

OR

Rectify the following errors which were detected before preparing the Trial Balance:

i. The total of Sales Book carried forward ₹ 5,000 less.

ii. A credit sale to Geeta ₹ 6,300 posted as ₹ 3,600.

iii. A credit sale to Krishna ₹ 2,400 posted as ₹ 4,200.

iv. A credit sale to Pratibha ₹ 3,000 credited to her account.

v. A credit sale to Monika ₹ 5,600 credited as ₹ 6,500.

25. On 1st April, 2020, Blue Ltd. purchased machinery for ₹ 1,20,000 and on 30th September 2021, it acquired additional machinery at a cost of ₹ 20,000. On 30th June, 2022, one of the original machines which had cost ₹ 5,000 was found to have become obsolete and was sold as scrap for ₹ 500. It was replaced on that date by a new machine costing ₹ 8,000. Depreciation is to be provided @ 15% p.a. on the Written Down Value. Accounts are closed on 31st March every year. Show Machinery Account for the first three years. **[6]**

OR

A firm purchased on 1st April 2015 certain machinery for Rs.5,82,000 and spent Rs.18,000 on its installation. On 1st October 2015, additional machinery costing Rs.2,00,000 was purchased. On 1st October 2017, the machinery purchased on 1st April 2015 was auctioned for Rs.2,86,000 plus CGST and SGST @ 6% each and new machinery for Rs.4,00,000, plus IGST @ 12% was purchased on the same date. Depreciation was provided annually on 31st March at the rate of 10% on the Written Down Value Method. Prepare the Machinery Account for the three years ended 31st March 2018.

26. Enter the following transactions in a single Column Cash Book and Journal: **[6]**

2023		₹
Feb. 1	Balance in Shop - Cash	40,000
Feb. 5	Bought goods (CGST 6% and SGST 6%)	30,000
Feb. 7	Sold goods (CGST 6% and SGST 6%)	45,000
Feb. 10	Paid to Neeraj & Sons on account	6,000
Feb. 14	Received from Prem Brothers	9,800
	and discount allowed	200
Feb. 16	Loan repaid	7,000
Feb. 22	Paid for Travelling expenses	500
Feb. 23	Received from Suresh Joshi	6,850
	and discount allowed	150
Feb. 25	Paid to Neeraj & Sons	13,750
	Discount allowed by them	250
Feb. 28	Paid Rent for godown (CGST 6% and SGST 6%)	10,000
	Paid to Manish General Store in full settlement of their account of ₹ 8,000	7,600

OR

Record the following in Purchases Return Book and post them in ledger book:

2023	

Jan. 10	Returned 2 washing machines purchased from M/s. Manoj Electronics at the list price of ₹ 7,000 per machine, less Trade Discount 20%.
Jan. 24	Returned 6 pendrives to M/s. Sheetal Electronics purchased @ ₹ 1,000 each

Part B

27. From the following information are given of an accounting year: **[1]**

i. Opening creditor Rs.10,000

ii. Cash paid to creditors Rs.30,000

iii. Return outward Rs.2,000

iv. Closing creditors Rs.24,000

Calculate credit purchase during the year.

a) Rs.48,000 b) Rs.46,000

c) Rs.44,000 d) Rs.36,000

OR

If capital, in the beginning, is more than at the end then it will be

a) Gain b) Profit

c) Loss d) Neither profit nor loss

28. Choose Current Assets from the following: **[1]**

a) All of these b) Stock

c) Cash d) Debtors

29. The Balance of Petty Cash is: **[1]**

a) Asset b) Liability

c) Income d) Expenses

30. A trial balance contains Debtors ₹ 15,000, Bad Debts ₹ 400 and Provision for Doubtful Debts ₹ 600. Further bad debts given in adjustments are ₹ 400. If a provision at 5% is made on Debtors, P & L A/c will be debited with: **[1]**

a) ₹ 930 b) ₹ 800

c) ₹ 1,130 d) ₹ 950

OR

In the Trial Balance are shown Debtors ₹ 2,400, Bad Debts ₹ 221, Bad Debts Provision ₹ 324. For creating a Provision for Doubtful debts @ 10% on debtors, the P & L A/c will be debited by:

a) 343 b) 240

c) 9 d) 137

31. Calculate the amount of Gross Profit when the net loss is ₹ 75,000, Operating Expenses are ₹ 1,20,000 and Sales are ₹ 3,00,000. **[3]**

32. Rohit's Trial Balance as on 31st March, 2023 has the following information: **[3]**

Heads of Accounts	**Debit (₹)**	**Credit (₹)**

Salaries and Wages	3,30,000	____
Electricity Expenses	55,000	____

Additional Information:

i. Salary for the month of March, 2023 is yet to be paid.

ii. Electricity Bill for March, 2023 amounted to ₹ 5,200 was received on 2nd April, 2023. Determine the amount of Salary and Electricity Expenses to be provided and show how the two amounts will be shown in the Final Accounts?

33. From the following Trial Balance and information, prepare Trading and Profit & Loss Account of Ganesh for the year ended 31st March, 2023 and Balance Sheet as on that date: **[4]**

Heads of Accounts	L.F.	Dr. (₹)	Cr. (₹)
Capital		-	1,00,000
Drawings		12,000	-
Land and Building		90,000	-
Plant and Machinery		20,000	-
Furniture		5,000	-
Sales		-	1,40,000
Returns Outward		-	6,000
Debtors		18,400	-
Loan from Gajanand (Taken on 1st July, 2022 @ 6% p.a.)		-	30,000
Purchases		80,000	-
Returns Inward		5,000	-
Carriage Inwards		10,000	-
Sundry Expenses		600	-
Printing and Stationery		500	-
Insurance Expenses		1,000	-
Provision for Doubtful Debts		-	1,000
Provision for Discount on Debtors		-	380
Bad Debts		400	-
Opening Stock		21,300	-
Salaries and Wages		15,500	-
Carriage Outwards		3,000	-
Creditors		-	12,000
Trade Expenses		800	-

Cash at Bank		4,600	-
Cash in Hand		1,280	-
Total		**2,89,380**	**2,89,380**

Additional Information:

i. Value of Closing Stock on 31st March, 2023 at cost was ₹ 27,300 and its net realisable value (market value) was ₹ 30,000.

ii. Fire occurred on 23rd March, 2023 and goods costing ₹ 10,000 were destroyed. Insurance company accepted claim of ₹ 6,000 only and paid the claim money on 10th April, 2023.

iii. Bad Debts amounting to ₹ 400 are to be written off. Provision for Doubtful Debts is to be maintained at 5% and Provision for Discount on Debtors at 2%.

iv. Received goods costing ₹ 6,000 on 27th March, 2023 but the purchases was not recorded.

v. Ganesh took goods of ₹ 2,000 for his personal use but was not recorded.

vi. Charge depreciation @ 2% on Land and Building, @ 20% on Plant and Machinery and @ 5% on Furniture.

OR

From the following Trial Balance of Saurabh, prepare Trading and Profit & Loss Accounts for the year ended 31st March, 2023 and Balance Sheet as at that date:

Heads of Accounts	L.F.	Dr. (₹)	Cr. (₹)
Land and Building		50,000	-
Purchases (Adjusted)		2,07,500	-
Stock (31st March, 2023)		45,000	-
Wages		45,300	-
Salaries		39,000	-
Office Expenses		15,400	-
Carriage Inwards		1,200	-
Carriage Outwards		2,000	-
Discount allowed		750	-
Discount received		-	1,200
Bad Debts		1,200	-
Sales		-	3,83,500
Capital Account		-	1,15,000
Narayan's Loan A/c (Take on 1st Oct, 2022 @18% p.a.)		-	25,000
Insurance		1,500	-
Commission		-	1,500
Plant and Machinery		50,000	-

Furniture and Fixtures		20,000	-
Drawings		20,000	-
Sundry Debtors		40,000	-
Sundry Creditors		-	37,350
Cash at Bank		16,000	-
Office Equipments		12,000	-
Expenses Payable		-	3,300
Total		**5,66,850**	**5,66,850**

The following adjustments be made:

i. Depreciate Land and Building @ 6%, Plant and Machinery @ 10%, Office equipments @ 20% and Furniture and Fixtures @ 15%.

ii. Create Provision for Doubtful Debts at 2% on Sundry Debtors.

iii. Insurance includes ₹ 250 Insurance Premium paid in advance.

iv. Provide salary to Saurabh ₹ 15,000 p.a.

v. Outstanding Salaries ₹ 11,500.

vi. 10% of the net profit is to be transferred to General Reserve.

34. From the following trial balance, prepare a Trading and Profit & Loss A/c for the year ended 31st March, 2023 and a Balance Sheet as at that date: **[6]**

Dr. Balances	**₹**	**Cr. Balances**	**₹**
Drawings	8,500	Capital	1,50,000
Purchases	2,80,000	Creditors	45,000
Carriage Inward	4,000	Outstanding Expenses	9,000
Wages	30,000	Rent Received	2,000
Power	11,000	Purchase Return	15,000
Depreciation on Machinery	2,000	Sales	4,40,000
Advertisement Development	15,000	Provision for bad debts	2,000
Plant and Machinery	70,000	Discount Received	3,500
Goodwill	18,000		
Agent’s Samples	6,000		
Opening Stock	35,000		
Debtors	26,200		
Cash at Bank	16,000		
Cash in Hand	22,800		
Salaries	47,000		

General Expenses	17,000		
Prepaid Expenses	900		
Salary to Agent	21,000		
Rent and Insurance	23,000		
Discount Allowed	7,000		
Sales Return	2,900		
Commission to Agent	3,200		
	6,66,500		**6,66,500**

Adjustments:

i. Closing Stock was valued at ₹ 50,000. Goods costing ₹ 5,000 were distributed among staff members free of cost.
ii. Depreciate agents samples by 25%.
iii. Write off advertisement development by 30%.
iv. Write off ₹ 2,200 as bad debts and create a provision for doubtful debts on debtors at 5%.
v. Proprietor withdrew ₹ 1,000 for his private use. This amount was included in general expenses.
vi. Charge 5% manager's commission on net profit after charging his commission.
vii. There is a contingent liability of ₹ 20,000 in respect of a court case.

OR

From the following balances of the year ended 31st December, 2013 and additional information, prepare the trading and profit and loss account and the balance sheet M/s Ram Lai & Sons.

Name of Accounts	Amt(Rs)	Name of Accounts	Amt(Rs)
Capital	80,000	Insurance	600
Purchases	82,000	Salaries	12,500
Sales	1,10,000	Bad Debts	200
Return Outwards	1,000	Carriage on purchases	200
Building	45,000	Commission (credit)	1,500
Opening Stock	15,000	Cash in hand	5,000
Debtors	20,100	Cash at Bank	25,000
Creditors	28,000	Sales tax paid	5,000
Furniture	7,000	Sales tax collected	3,500
Wages	1,800	Interest on investment	500
Rent	5,100		

Additional Information

i. Closing stock was valued at Rs 20,000.
ii. Provide depreciation on building @ 5% and on furniture @10%.
iii. Outstanding salaries Rs 1,000.

iv. Unexpired insurance Rs 50.

v. Accrued commission Rs 300.

vi. Provide for manager's commission at 5% on net profit after charging such commission.

Solution

Part A

1.

(b) supporting documents

Explanation:

Invoices and notes (debit and credit) are just one of the types of source/supporting documents.

2.

(c) A is true but R is false.

Explanation:

A is true but R is false.

3.

(b) Discount Received

Explanation:

As per the Nominal accounting rules discount received is profit and has a credit balance.

4.

(c) No change, Increase, Decrease

Explanation:

Outstanding expenses will be treated as a liability because these are expenses that are due to be paid but are not yet paid.

OR

(d) Rs.18,000

Explanation:

Cash received is total of cost + profit i.e. 15,000 + profit (20%) 3,000 = Rs.18,000. As goods are sold for Rs 18,000, so we will receive cash worth Rs 18,000 and cash will increase with Rs.18,000.

5.

(c) Accounting Vouchers

Explanation:

It is a source document that is used as evidence for recording transactions in the primary books of business, i.e. Journal or other Subsidiary Books. Vouchers are of two types: source voucher and an accounting voucher. Accounting vouchers are further classified as cash and non-cash vouchers.

6. **(a)** All of these

Explanation:

All of these

OR

(a) Only financial transaction

Explanation:

The only financial nature transaction is made in accounts recording.

7. **(a)** Secret Reserve

Explanation:

Secret Reserve

8.

(c) liability

Explanation:

Purchaser have to pay the amount in future when goods are purchased on credit which increases the liability.

OR

(b) Assets, Capital, Liabilities, Revenue and Expenses

Explanation:

Assets, Capital, Liabilities, Revenue and Expenses

9.

(b) 6

Explanation:

6

10.

(c) None of these

Explanation:

None of these

11.

(c) Profit

Explanation:

Profit

12. **(a)** ₹ 25,000

Explanation:

Cash A/c ... Dr. ... 28,000

To Sales A/c ... 25,000

To IGST A/c ... 3,000

So, Sales A/c will be credited by ₹ 25,000.

13.

(c) Both

Explanation:

there can be effect only on one side with many transaction and many transaction affect the both side of the equation by increase or decrease with equal amount.

Like :- purchase of good affect only assets side with cash outflow and stoock increment.

But payment to creditor affect cash and liability.

14. **(a)** Unearned income

Explanation:

Unearned income

OR

(c) Commodity to be bought and sold

Explanation:

Good means commodity to be bought and sold. It is a physical item of Trade.

15.

(b) Difficult to maintain

Explanation:
As different subsidiary books are maintained it becomes convenient in handling and maintaining the books. and thus the above option is not the advantage of the subsidiary book. petty cash book is very simple to maintain.

16.

(d) Specific Reserve
Explanation:
Specific reserves are created to meet specific purposes and contingencies. They can be utilised only for that purpose. Example: Dividend equalisation reserve, Capital redemption reserve .

17. The journal and the ledger are the most important books of the double entry mechanism of accounting and are indispensable for an accounting system. The following points of comparison are worth noting

Basis	**Journal**	**Ledger**
Nature of Book	The journal is the book of first entry (original entry).	The ledger is a book of secondary or final entry.
Chronological/Analytical Record	The journal is the book for chronological record.	The ledger is the book for analytical record.
Process of Recording	Process of recording in the journal is called journalising.	The process of recording in the ledger is known as posting.
Basis of classification	Transaction is the basis of classification of data within the journal.	Account is the basis of classification of data within the ledger.
Format	A journal has five columns-Date, particulars, ledger folio, debit amount, credit amount.	Ledger has four identical columns on debit and credit side-Date, particulars, journal folio, amount.

OR

Journal Entry

Date	**Particulars**		**L.F.**	**Amount (Dr.)**	**Amount (Cr.)**
	Cash A/c	Dr.		9,500	
	To Sale				9,500
	(Sale made to Raman)				
	Charity A/c	Dr.		1,000	
	To Purchase				1,000
	(Charity made)				
	Interest on Capital A/c	Dr.		35,000	
	To Capital				35,000
	(Interest on Capital Paid)				
	Wages A/c	Dr.		3,000	
	To outstanding Wages				3,000
	(Wages Being Outstanding)				
	Bad debt A/c	Dr.		5,000	
	To Sunny's A/c				5,000
	(Sunny's amount Become bad debt)				

	Cash A/c	Dr.		50,000	
	To Sale A/c				50,000
	(cash Sale made)				

18. No, I do not agree. Cash Basis of Accounting is more appropriate for Mr. Abhinav Kumar because a medical practitioner receives his fee immediately after giving consultancy.

OR

The elements or contents of the statement are:

i. **Revenue:** It increases the economic benefit during the accounting period because of business operations and/or an increase in the value of assets or a decrease in liabilities. As a result of it, the value of shareholder's equity increases.
ii. **Expense:** It is a decrease in economic benefits in the form of outflows during the accounting period because of business operations and/or decrease in the value of assets or an increase in liabilities. As a result of it, the value of shareholders' equity decreases.

19. i. **Non-current Assets:** These assets are held by a business not with a purpose to resell but either as investment or to facilitate business operation.These are in existence for business for more than one year. For the example-non-current investments.
ii. **Tangible Assets:** Tangible assets are those assets which have physical existence like they can be seen and touched. For the example- Land.
iii. **Intangible Assets:** Intangible assets are those assets which do not have physical existence like they cannot be seen and touched. For the example- trademark.
iv. **Current Assets:** Current assets are those assets which are held by the business with the purpose of converting them into cash within a short period of time say one year. For the example stock.
v. **Fictitious Assets:** Fictitious assets are those assets which are neither tangible assets nor intangible assets but represent loss or expenses yet to be written off. Examples are: Debit balance of profit and loss account and Deferred Advertisement Expenditure etc.

20. A trial balance is a bookkeeping worksheet in which the balance of all ledgers are compiled into debit and credit account column totals that are equal. A company prepares a trial balance periodically, usually at the end of every reporting period. It ascertains the mathematical accuracy of the books. Usually, it is prepared on a monthly basis but can be prepared at any point in the time also. In order to match the trial balance, the accountant passes a dummy entry through Suspense A/c. The value being violated by the accountant is of full disclosure principle.

21. **Cash Book**

Date	Particulars	L/F	Discount (Rs.)	Amount (Rs.)	Date	Particulars	L/F	Discount (Rs.)	Amount (Rs.)
2013					2013				
Apr 1	To Balance b/d		-	12,000	Apr 6	By Purchases A/c		-	6,000
Apr 11	To Sales A/c		-	18,000	Apr 10	By Wages A/c		-	120
Apr 12	To John		60	5,940	Apr 19	By Peter		90	7,410
					Apr 27	By Paul		-	1,200
					Apr 28	By Purchases A/c		-	6,210
					Apr 31	By Balance c/d		-	15,000
			60	35,940 ======				90	35,940 ======
2013									
May 1	To Balance b/d		-	15,000					

Discount column is used to record cash discounts: discount allowed column at the debit side, discount received column at the credit side. The discount columns are not accounts. They are memorandum columns only, where a note is made of the cash discount as it occurs.

22. **Bank Reconciliation Statement**

	Particulars	Amount

		(₹)
Add:	Bank overdraft Balance as per Pass Book	20,000
	Cheques issued not presented by the bank	3,000
	Interest on investment collected but not recorded in Cash Book	500
	Payment side overcast in Cash Book	700
Less:		**24,200**
	Interest on Overdraft not recorded in Cash Book	500
	Cheques deposited but not collected by bank	30,000
	Overdraft/Bank Balance (Dr.) as per Cash Book	**6,300**

OR

BANK RECONCILIATION STATEMENT

as on 30th June, 2023

Particulars	Plus Items	Minus Items
	₹	₹
Balance as per Cash Book (Dr.)	4,000	
Add :* (i) Cheques issued but not presented for payment in June.	500	
(ii) Interest on Government Securities Collected by Bank.	1,200	
Less :* (i) Cheques deposited into bank but not yet credited.		12,000
(ii) Amount paid by bank on standing instructions :		
Life Insurance Premium		640
Pro-note		4,000
(iii) Interest charged by bank		100
(iv) Bank Charges		40
	5,700	**16,780**
Overdraft Balance (Dr.) as per Pass Book(1)		**11,080**

Note:

A. Since the total of the minus items exceeds that of plus items, the answer will be overdraft (Dr.) balance as per pass book instead of favourable (Cr.) balance.

*Add and less words are stated for easy understanding of the question. These words will be deleted in subsequent illustrations.

23. **Journal Entries**

Date	Particulars		L.F.	Dr.	Cr.
2018				Rs.	Rs.
April 1	Cash Account	Dr.		1,00,000	
	To Capital Account				1,00,000
	(Being business started with cash Rs.1,00,000)				
2	Bank Account	Dr.		20,000	
	To Cash Account				20,000
	(Being deposited into Bank Rs .20,000)				
3	Purchases Account	Dr.		50,000	
	To Cash Account				50,000

	(Being purchased goods for cash)				
4	Cash Account	Dr.		10,000	
	To Bank Account				10,000
	(Being Drew cash Rs.10,000 from bank for office use)				
13	Krishna Account	Dr.		15,000	
	To Sales Account				15,000
	(Being goods sold for Rs.15,000)				
20	Purchases Account	Dr.		22,500	
	To Shyam's Account				22,500
	(Being goods purchased Rs.22,500)				
24	Cash Account	Dr.		12,500	
	Discount A/c	Dr.		500	
	To Krishna Account				13,000
	(Being Cash Received from Krishna & Allowed discount)				
28	Shyam Account	Dr.		22,500	
	To Cash Account				21,500
	To Discount A/c				1,000
	(Being Cash Paid Shyam in Cash and discount Received)				
28	Sales Return A/c	Dr.		2,000	
	To Krishna's A/c				2,000
	(Being goods returned by Krishna)				
30	Cash Account	Dr.		80,000	
	To Sales Account				80,000
	(Being Cash sales recorded in the books)				
30	Rent Account	Dr.		5,000	
	Salary Account	Dr.		10,000	
	To Cash Account				15,000
	(Being rent of Rs.5000 and salary of Rs.10,000 paid)				

OR

BOOKS OF RAJESH

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2023					
Apr 01	Cash A/c	Dr.		1,00,000	
	To Capital A/c				1,00,000
	(started business with cash)				
Apr 02	Bank A/c	Dr.		20,000	
	To Cash A/c				20,000
	(cash paid into bank)				

Apr 03	Purchases A/c	Dr.		50,000	
	To Cash A/c				50,000
	(goods purchased on cash)				
Apr 04	Cash A/c	Dr.		10,000	
	To Bank A/c				10,000
	(cash drew from bank for office use)				
Apr 13	Karan A/c	Dr.		15,000	
	To Sales A/c				15,000
	(goods sold to Karan on credit)				
Apr 20	Purchases A/c	Dr.		22,500	
	To Sumit A/c				22,500
	(goods purchased on credit)				
Apr 22	Sales Return A/c	Dr.		2,000	
	To Cash A/c				2,000
	(goods sold to Karan returned)				
Apr 24	Cash A/c	Dr.		12,500	
	Discount Allowed A/c	Dr.		500	
	To Karan A/c				13,000
	(cash received from Karan after discount allowed)				
Apr 28	Sumit A/c	Dr.		22,500	
	To Cash A/c				21,500
	To Discount Received A/c				1,000
	(cash paid to Sumit after received discount)				
Apr 30	Cash A/c	Dr.		80,000	
	To Sales A/c				80,000
	(cash sales for the month of April)				
Apr 30	Rent A/c	Dr.		5,000	
	To Cash A/c				5,000
	(paid rent in cash)				
Apr 30	Salary A/c	Dr.		10,000	
	To Cash A/c				10,000
	(paid salary in cash)				

24. **RECTIFYING JOURNAL ENTRIES**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Suspense A/c	Dr.		788	

	To Personal A/c				788
	(wrong side posting)				
(ii)	Depreciation A/c	Dr.		625	
	To Suspense A/c				625
	(depreciation not posted)				
(iii)	Furniture A/c	Dr.		9,000	
	To Purchases A/c				9,000
	(furniture purchase wrongly entered in purchase.)				
(iv)	Suspense A/c	Dr.		9	
	To Customer's A/c				9
	(wrong amount credited.)				
(v)	Suspense A/c	Dr.		99	
	To Sales A/c				99
	(wrong amount posted to sales.)				
(vi)	Sales Returns A/c	Dr.		10	
	To Suspense A/c				10
	(undercasting of sales returns.)				

SUSPENSE A/C

Particulars	(₹)	Particulars	(₹)
To Personal	788	By Balance b/d	261
To Customer	9	By Depreciation	625
To Sales	99	By Sales	10
	896		**896**

OR

If the accountant finds time before preparing trial balance to recheck the entries made in the journal, postings in the ledger account amount carried forward, and balancing of ledger accounts with the intention of ensuring their correctness, he/she will be able to locate and rectify the errors at that stage itself by posting to correct account and side.

i. Sales book has been undercast by ₹ 5,000. Since it is an error of casting that means individual debtors accounts have been posted correctly and only the total of sales book has been posted incorrectly to the credit side of Sales Account. In this case it has been undercasted accordingly it would be rectified by crediting Sales Account with ₹ 5,000.

Dr.	Sales Account						Cr.
Date	**Particulars**	**J.F.**	**Amount (₹)**	**Date**	**Particulars**	**J.F.**	**Amount (₹)**
					Undercasting of Sales Book		5,000

ii. Credit sale to Geeta ₹ 6,300 has been posted to her account as ₹ 3,600. It implies that Geeta's Account was debited with lesser amount. Thus, ₹ 2,700 more will be debited to her account for rectification of this error.

Dr.	Geeta's Account						Cr.
Date	**Particulars**	**J.F.**	**Amount (₹)**	**Date**	**Particulars**	**J.F.**	**Amount (₹)**
	Less amount on the debit side		2,700				

iii. Credit sale to Krishna ₹ 2,400 has been posted to her account as ₹ 4,200. In this case, Krishna's Account was debited with an excess amount of ₹ 1,800 and accordingly ₹ 1,800 should be credited to her account.

Dr.	Krishna's Account						Cr.
Date	**Particulars**	**J.F.**	**Amount (₹)**	**Date**	**Particulars**	**J.F.**	**Amount (₹)**
					Excess amount on the debit side		1,800

iv. A credit sale to Pratibha ₹ 3,000 has been posted to the credit side of her account. This transaction must have been recorded on the debit side of Pratibha's Account, but, mistakenly it was recorded on the credit side. Thus, ₹ 6,000 must be debited to her account.

Dr.	Pratibha's Account						Cr.
Date	**Particulars**	**J.F.**	**Amount (₹)**	**Date**	**Particulars**	**J.F.**	**Amount (₹)**
	Error in posting to the wrong side		6,000				

v. A credit sale to Monika ₹ 5,600 has been posted to the credit side of her account as ₹ 6,500. In this case, the transaction was recorded on the wrong side with wrong amount. Thus, ₹ 12,100 (5,600 + 6,500) must be debited to her account.

Dr.	Monika's Account						Cr.
Date	**Particulars**	**J.F.**	**Amount (₹)**	**Date**	**Particulars**	**J.F.**	**Amount (₹)**
	Error in posting to the wrong side with wrong amount		12,100				

25. **MACHINERY ACCOUNT**

Dr.					**Cr.**
Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**
2020			2021		
April 1	To Bank A/c	1,20,000	March 31	By Depreciation A/c	18,000
			March 31	By Balance c/d	1,02,000
		1,20,000			**1,20,000**
2021			2022		
April 1	To Balance b/d	1,20,000	March 31	By Depreciation A/c	16,800
Sept. 30	To Bank A/c	20,000	March 31	By Balance c/d	1,05,200
		1,22,000			**1,22,000**
2022			2022		
April 1	To Balance b/d	1,05,200	June 30	By Bank A/c - Sale	500
June 30	To Bank A/c	8,000	June 30	By Depreciation A/c (WN 1)	135
			June 30	By Loss on Sale of Machinery A/c (Profit and Loss A/c) (WN 1)	2,977
			2023		
			March 31	By Depreciation A/c (WN 2)	16,138
			March 31	By Balance c/d	93,450
		1,13,200			**1,13,200**
2023					
April 1	To Balance b/d	93,450			

Working Notes:

i.

Calculation of Loss on Sale of Machinery:	**₹**
Cost of Machinery sold (1st April, 2020)	5,000
Less: Depreciation for 2020 - 21 (₹ 5,000 $\times \frac{15}{100}$)	750

Book Value of Machinery (1st April, 2021)	4,250
Less: Depreciation for 2021 - 22 (₹ 4,250 $\times \frac{15}{100}$)	638
Book Value of Machinery (1st April, 2022)	3,612
Less: Depreciation up to 30th June, 2022 (₹ 3,612 $\times \frac{15}{100} \times \frac{3}{12}$)	135
Book Value of Machinery sold (30th June, 2022)	3,477
Less: Sale Proceeds	500
Loss on Sale of Machinery	2,977

ii.

Calculation of Depreciation after Sale of Machinery:	**₹**
Book Value of Machinery (1st April, 2022)	1,05,200
Less: Book Value of Machinery sold (1st April, 2022) (WN 1)	3,612
Remaining Machinery	1,01,588
Depreciation on remaining Machinery (₹ 1,01,588 $\times \frac{15}{100}$)	15,238
Add: Depreciation on Machinery Purchased during 2022 - 23 (₹ 8,000 $\times \frac{15}{100} \times \frac{9}{12}$)	900
	16,138

OR

MACHINERY ACCOUNT

Dr.							**Cr.**
Date	**Particulars**	**J.F.**	**Rs.**	**Date**	**Particulars**	**J.F.**	**Rs.**
01.04.15	To Bank A/c - cost (M_1)		6,00,000	31.03.16	By Depreciation A/c		70,000
01.10.15	To Bank A/c (M_2)		2,00,000		By Balance c/d		7,30,000
			8,00,000				**8,00,000**
01.04.16	To Balance b/d		7,30,000	31.03.17	By Deprecation A/c		73,000
					By Balance c/d		6,57,000
			7,30,000				**7,30,000**
01.04.17	To Balance b/d		6,57,000	01.10.17	By Cash A/c		2,86,000
01.10.17	To Bank A/c (M_3)		4,48,000		By Profit & Loss A/c		1,75,700
				31.03.18	By Depreciation A/c		63,800
					By Balance c/d		5,79,500
			11,05,000				**11,05,000**
01.04.18	To Balance b/d		5,79,500				

Working Notes:

Particulars	**Machine I**	**Machine II**	**Machine III**	**Total**
Cost (5,82,000+18,000)	6,00,000	2,00,000	4,48,000	
Less: Depreciation for 2015-16 @ 10%	-60,000	-10,000	0	70,000
W.D.V.	5,40,000	1,90,000	4,48,000	
Less: Depreciation for 2016-17 @ 10%	-54,000	-19,000	0	73,000

W.D.V.	4,86,000	1,71,000	4,48,000	
Less : Depreciation for 2017-18 @ 10%	-24,300	-17,100	-22,400	63,800
W.D.V.	4,61,700	1,53,900	4,25,600	
Less: Sale value	-2,86,000			
Loss on sale	1,75,700			

Depreciation is calculated by Diminishing value method so it is calculated on balance value of an asset or written down value of asset not on the cost of the asset.

GST paid on purchase of asset increase the cost of the asset.

26. **CASH BOOK**

Dr.									**Cr.**
Date	**Particulars (Receipts)**	**V. No.**	**L.F.**	**Amount (₹)**	**Date**	**Particulars (Payments)**	**V. No.**	**L.F.**	**Amount (₹)**
2023					**2023**				
Feb 1	To Balance b/d			40,000	Feb. 5	By Purchases A/c			30,000
Feb 7	To Sales A/c			45,000	5	By Input CGST A/c			1,800
Feb 7	To Output CGST A/c			2,700	5	By Input SGST A/c			1,800
Feb 7	To Output SGST A/c			2,700	10	By Neeraj & Sons			6,000
Feb 14	To Prem Brothers			9,800	16	By Loan A/c			7,000
Feb 23	To Suresh Joshi			6,850	22	By Travelling Exp. A/c			500
					25	By Neeraj & Sons			13,750
					28	By Rent A/c			10,000
					28	By Input CGST A/c			600
					28	By Input SGST A/c			600
					28	By Manish General Store			7,600
	Total Receipts			1,07,050		Total Payments			79,650
					28	By Balance c/d			27,400
				1,07,050					**1,07,050**
Mar. 1	To Balance b/d			27,400					

Note: Bought goods on Feb 5 and Sold goods on Feb. 7 will be treated as Cash transactions because the name of the party is not given. CGST means Central GST and SGST mean State GST.

JOURNAL

Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
2023				₹	₹
Feb. 14	Discount Allowed A/c	Dr.		200	
	To Prem Brothers (Discount allowed)				200
Feb. 23	Discount Allowed A/c	Dr.		150	
	To Suresh Joshi (Discount allowed)				150
Feb. 25	Neeraj & Sons	Dr.		250	

	To Discount Received (Discount received)				250
Feb. 28	Manish General Store	Dr.		400	
	To Discount Received (Discount received)				400

Cashbook is prepared to record all cash transactions. Non-cash transactions are not recorded in cash book. Balance if positive or negative will be carry forward to next year.

OR

PURCHASE RETURN BOOK

Date	**Particulars**		**Debit Note No.**	**L.F.**	**Details ₹**	**Total ₹**
2023						
Jan. 10	M/s. Manoj Electronics					
	2 Washing Machines @ ₹ 7,000 each				14,000	
	Less: Trade Discount @ 20%				2,800	
					11,200	11,200
Jan. 24	M/s. Sheetal Electronics					
	6 Pen drives @ ₹ 1,000 each				6,000	
					6,000	6,000
Jan. 31	Purchase Return A/c	Cr.				**17,200**

LEDGER

M/S MANOJ ELECTRONICS

Dr.							**Cr.**
Date	**Particulars**	**J.F.**	**Amount (₹)**	**Date**	**Particulars**	**J.F.**	**Amount (₹)**
2023							
Jan. 10	To Purchase Return A/c		11,200				

M/S SHEETAL ELECTRONICS

Dr.							**Cr.**
Date	**Particulars**	**J.F.**	**Amount (₹)**	**Date**	**Particulars**	**J.F.**	**Amount (₹)**
2023							
Jan. 24	To Purchase Return A/c		6,000				

PURCHASE RETURN ACCOUNT

Dr.							**Cr.**
Date	**Particulars**	**J.F.**	**Amount (₹)**	**Date**	**Particulars**	**J.F.**	**Amount (₹)**
				2023			
				Jan. 31	By Sundries as per Purchases Return Book for January, 2023		17,200

Part B

27.

(b) Rs.46,000

Explanation:

Cash paid to creditors	30,000
Return outward	2000

Closing creditors	24,000
Less : Opening Creditors	10,000
Credit Purchase	46,000

OR

(c) Loss

Explanation:

If capital at the beginning is more than capital at the end it means the business has suffered loss during the year.

28. **(a)** All of these

Explanation:

Cash, stock and debtors all are Current Assets.

29. **(a)** Asset

Explanation:

Balance of Petty Cash is a current asset.

30. **(a)** ₹ 930

Explanation:

₹ 930

OR

(d) 137

Explanation:

137

31. **PROFIT & LOSS A/C**

Particulars	₹	Particulars	₹
To Operating Expenses	1,20,000	By Gross Profit (B/f)	45,000
		By Net Loss	75,000
	1,20,000		**1,20,000**

32. **In the Books of Rohit**

Profit and Loss Account for the year ended 31st March

Particulars		Amount (₹)	Particulars	Amount (₹)
To Salaries and wages	3,30,000			
Add: Outstanding Salaries	30,000	3,60,000		
To Electric Expenses	55,000			
Add: Outstanding Electricity	5,200	60,200		

Balance Sheet of Rohit

as on 31st March

Particulars	Amount (₹)	Particulars	Amount (₹)
Current Liabilities:			
Outstanding Salaries	30,000		
Outstanding Electricity Expenses	5,200		

Point of knowledge:

i. $3,30,000 \times \frac{1}{11} = 30,000$

33. **Trading A/c for the year ended 31st March**

Dr.					**Cr.**
Particulars		**₹**	**Particulars**		**₹**
To Opening Stock		21,300	By Sales	1,40,000	
To Purchase	80,000		Less: Sales Return	(5,000)	1,35,000
Add: New Credit purchase	6,000		By Closing Stock		27,300
	86,000				
Less: Return Outward	(6,000)				
	80,000				
Less: Drawings	(2,000)				
	78,000				
Less: Loss by fire	(10,000)	68,000			
To Carriage Inward		10,000			
To Gross Profit c/d		63,000			
		1,62,300			**1,62,300**

Profit & Loss A/c for the year ended 31st March

Dr.					**Cr.**
Particulars		**₹**	**Particulars**		**₹**
To Sundry Expenses		600	By Gross Profit b/d		63,000
To Loss by fire (10,000 - 6,000)		4,000	By Old Provision for Discount on Debtors	380	
To o/s Interest on loan ($30,000 \times 6\% \times \frac{9}{12}$)		1,350	Less: New Provision for Discount on Debtors (18,400 - 400 - 900) × 2%)	(342)	38
To printing & Stationery		500			
To Insurance expenses		1,000			
To Bad Debts	400				
Add: Further Bad Debt	400				
Add: New Prov. for Doubt. Debt (18,400 - 400) × 5%	900				
	1,700				
Less: Old Provision	(1,000)	700			
To Salaries & Wages		15,500			
To Carriage Outwards		3,000			
To Trade Expenses		800			
To Depreciation					
Land & Building	1,800				
Plant & Machinery	4,000				
Furniture	250	6,050			

To Net Profit	29,538		
	63,038		**63,038**

Balance Sheet as at 31st March

Liabilities		**₹**	**Assets**		**₹**
Capitals	1,00,000		Land & Buildings	90,000	
Add: Net Profit	29,538		Less: Depreciation	(1,800)	88,200
	1,29,538		Plant & Machinery	20,000	
Less: Drawings	(12,000)		Less: Depreciation	(4,000)	16,000
	1,17,538		Furniture	5,000	
Less: Goods Withdrawn	(2,000)	1,15,538	Less: Depreciation	(250)	4,750
Loan from Gajanand	30,000		Closing Stock		27,300
Add: o/s Interest	1,350	31,350	Insurance Claim		6,000
Sundry Creditors	12,000		Debtors	18,400	
Add: Purchases	6,000	18,000	Less: Further Bad Debts	(400)	
				18,000	
			Less: New Prov. for Doubt. Debt	(900)	
				17,100	
			Less: Provision for Discount on Debtors	(342)	16,758
			Cash at Bank		4,600
			Cash in Hand		1,280
		1,64,888			**1,64,888**

OR

TRADING PROFIT & LOSS ACCOUNT

for the year ended March 31, 2023

Dr.				**Cr.**
Particulars		**Amount (₹)**	**Particulars**	**Amount (₹)**
To Purchases		2,07,500	By Sales	3,83,500
To Wages		45,300		
To Carriage Inwards		1,200		
To Gross Profit (B/F)		1,29,500		
		3,83,500		**3,83,500**
To Salaries	39,000		By Gross Profit	1,29,500
Add: Outstanding Salary	11,500		By Commission	1,500
Add: Payable to Proprietor	15,000	65,500	By Discount Received	1,200
To Insurance Premium	1,500			
Less: Prepaid Insurance	(250)	1,250		
To Bad Debts	1,200			
Add: Provision for Debts	800	2,000		
To Depreciation on				

Furniture and Fixtures	3,000			
Land and Building	3,000			
Plant and Machinery	5,000			
Office Equipment	2,400	13,400		
To General Reserve		2,965		
To Discount		750		
To Office Expenses		15,400		
To Carriage Outwards		2,000		
To Outstanding Interest on Loan		2,250		
To Net Profit		26,685		
		1,32,200		**1,32,200**

BALANCE SHEET

as on March 31, 2023

Liabilities		**Amount (₹)**	**Assets**		**Amount (₹)**
Capital	1,15,000		Furniture and Fixtures	20,000	
Less: Drawing	(20,000)		Less: Depreciation	(3,000)	17,000
Add: Net Profit	26,685	1,21,685	Land and Building	50,000	
Narayan's Loan	25,000		Less: Depreciation	(3,000)	47,000
Add: Interest Outstanding	2,250	27,250	Plant and Machinery	50,000	
Sundry Creditors		37,350	Less: Depreciation	(5,000)	45,000
Outstanding Salaries		11,500	Office Equipment	12,000	
Expenses Payable		3,300	Less: Depreciation	(2,400)	9,600
General Reserve		2,965	Debtors	40,000	
Saurabh's salary		15,000	Less: Provision for DD	(800)	39,200
			Closing Stock		45,000
			Cash at Bank		16,000
			Prepaid insurance		250
		2,19,050			**2,19,050**

34. **TRADING AND PROFIT & LOSS ACCOUNT**

for the year ending 31st March 2023

Dr.					**Cr.**
Particulars		**₹**	**Particulars**		**₹**
To Opening Stock		35,000	By Sales	4,40,000	
To Purchases	2,80,000		Less: Sales Return	(2,900)	4,37,100
Less: Purchase Returns	(15,000)		By Closing Stock		50,000
	2,65,000				
Less: Free goods to staff	(5,000)	2,60,000			
To Carriage inwards		4,000			
To Wages		30,000			

To Power		11,000			
To Gross Profit c/d		1,47,100			
		4,87,100			**4,87,100**
To Depreciation on Machinery		2,000	By Gross Profit b/d		1,47,100
To Salaries		47,000	By Rent received		2,000
To General expenses	17,000		By Discount received		3,500
Less: Drawings	(1,000)	16,000			
To Salary to Agent		21,000			
To Rent & Insurance		23,000			
To Discount allowed		7,000			
To Commission to Agent		3,200			
To Staff Welfare Exp. (Free goods to Staff)		5,000			
To Bad Debts	2,200				
Add: New Provision for Doubtful Debts	1,200				
	3,400				
Less: Old Provision for Doubtful Debts	(2,000)	1,400			
To Advertisement Development Written off		4,500			
To Depreciation on Agent's Samples		1,500			
To Balance (being Profit before charging Manager's commission) c/d		21,000			
		1,52,600			**1,52,600**
To Outstanding Manager's Commission (₹ 21,000 $\times \frac{5}{105}$)		1,000	By Balance b/d		21,000
To Net profit transferred to Capital A/c		20,000			
		21,000			**21,000**

BALANCE SHEET

as at 31st March, 2023

Liabilities		₹	Assets		₹
Creditors		45,000	Cash in hand		22,800
Outstanding expenses(1)		9,000	Cash at Bank		16,000
Outstanding Manager's Commission		1,000	Debtors	26,200	
Capital	1,50,000		Less: Bad-debts	(2,200)	
Add: Net Profit	20,000			**24,000**	
	1,70,000		Less: Provision for Doubtful Debts	(1,200)	22,800
Less: Drawings (8,500 + 1,000)	(9,500)	1,60,500	Closing Stock		50,000
			Agent's Samples	6,000	4,500
			Less: Depreciation	(1,500)	
			Prepaid Expenses(2)		900
			Plant & Machinery		70,000

			Advertisement Development	15,000	
			Less: Transferred to P & L A/c	(4,500)	10,500
			Goodwill		18,000
		2,15,500			**2,15,500**

Note:- (1) There is a contingent liability of ₹ 20,000 in respect of a court case.

OR

In the books of M/S Ram Lai & Sons

Trading and Profit and loss Account

for the year ended 31st December, 2013

Particulars	**Amount (Rs)**	**Particulars**	**Amount (Rs)**
To Opening stock	15,000	By Sales	1,10,000
To Purchases 82,000		By Closing Stock	20,000
Less Return Outwards 1,000			
To Wages	1,800		
To Carriage on Purchases	200		
To Gross Profit c/d	32,000		
	1,30,000 ========		**1,30,000** =======
To Rent	5,100	By Gross Profit b/d	32,000
To Insurance 600		By Interest on Investment	500
Less Unexpired Insurance 50	550	By Commission 1,500	
To Salaries 12,500		Add Accrued Commission 300	1,800
Add Outstanding Salaries 1,000	13,500		
To Bad Debts	200		
To Depreciation on:			
Building 2,250			
Furniture 700	2,950		
To Net Profit before Manager's Commission	12,000		
	34,300 =======		**34,300** =======
To Manager's Commission(5/105×12,000)	571	By Net Profit Before Manager's Commission	12,000
To Net Profit after Manager's Commission	11,429		
	12,000 ======		**12,000** =======

Balance Sheet

as at 31st December,2013

Liabilities	**Amount (Rs)**	**Assets**	**Amount (Rs)**
Creditors	28,000	Cash in hand	5,000
Outstanding Salaries	1,000	Cash at Bank	25,000

Manager's Commission Payable	571	Closing Stock	20,000
Capital 80,000		Debtors	20,100
Add Net Profit 11,429	91,429	Advance Sales Tax Paid	1,500
		Accrued Commission	300
		Prepaid Insurance	50
		Building 45,000	
		Less Depreciation 2,250	42,750
		Furniture 7,000	
		Less Depreciation 700	6,300
	1,21,000 =========		**1,21,000** ========

In addition to salaries, companies may offer a fixed percentage of their net profit to managers as commission. This is done to motivate and encourage them to generate more revenue for the company. Journal entry will be:

Profit and Loss A/C Debit

To Manager’s Commission A/C Credit