

Sample Question Paper
Accountancy (224)

Time: 3 Hours

Maximum Marks: 100

Note:

- i. This question paper consists of 45 questions in all.
- ii. All questions are compulsory. Internal choices are given wherever required.
- iii. Marks are given against each question.
- iv. **Section A** consists of **Qu. 1 to 20** that are Multiple Choice Questions (MCQs) carrying 1 Mark each. Select and write the most appropriate option out of the four options given in each of these questions. An internal choice has been provided in some of these questions.
- v. **Section B** consists of Objective type questions **Qu. 21 to 23** carry 2 Marks each and **Qu. 24 to 29** carrying 4 Marks each. Attempt these questions as per the instructions given for each of the questions.
- vi. **Section C** consists of
 - a. **Q.No. 30 to 35** – Very Short questions carrying 02 marks each to be answered in the range of 30 to 50 words.
 - b. **Q.No. 36 to 41** – Short Answer type questions carrying 03 marks each to be answered in the range of 50 to 80 words.
 - c. **Q.No. 42 to 45** – Long Answer type questions carrying 05 marks each to be answered in the range of 80 to 120 words.

SECTION-A

Qu. 1 to 20 are MCQs of 1 Mark each. Internal choices have been given wherever necessary.

1.	<p>i. Which of the following is not an accounting concept?</p> <table style="width: 100%;"><tr><td>a) Business entity</td><td>b) Going concern</td></tr><tr><td>b) Dual aspect</td><td>d) Conservatism</td></tr></table> <p style="text-align: center;">OR</p> <p>ii. Which of the following concept ensures uniformity in charging depreciation on fixed assets and valuation of closing stock?</p> <table style="width: 100%;"><tr><td>a) Materiality</td><td>b) Conservatism</td></tr><tr><td>c) Consistency</td><td>d) None of these</td></tr></table>	a) Business entity	b) Going concern	b) Dual aspect	d) Conservatism	a) Materiality	b) Conservatism	c) Consistency	d) None of these	(1)
a) Business entity	b) Going concern									
b) Dual aspect	d) Conservatism									
a) Materiality	b) Conservatism									
c) Consistency	d) None of these									

2	<p>Which of the following includes owner's claim?</p> <p>a. Reserves b) Profits of the business c) Capital d) All of the above</p>	(1)
3.	<p>i. Valuation of stock at lower of cost or net realizable value is an example of:</p> <p>a) Consistency convention b) Conservation convention c) Materiality convention d) None of the above</p> <p style="text-align: center;">OR</p> <p>ii. Out of the following which is not considered as revenue?</p> <p>a) Borrowing loan b) Sale of assets c) Rent received d) None of these</p>	(1)
4.	<p>i. Out of the following which is not an external liability of the business:</p> <p>a) Outstanding rent c) Capital b) Bank loan d) Outstanding salary</p> <p style="text-align: center;">OR</p> <p>ii. Which of the following cannot be recorded in books of accounts:</p> <p>a) Goods worth Rs. 40,000 sold for cash. b) Purchase of factory building Rs. 5 crore c) Rent paid Rs. 20,000. d) Delay in supply of raw materials costing Rs. 5,000.</p>	(1)
5.	<p>The convention of conservatism takes into account</p> <p>a) All prospective losses but leaves prospective profits b) All prospective profits & leaves prospective losses c) All prospective profits and prospective losses d) Leaves all prospective profits and prospective losses</p>	(1)
6	<p>The accounting equation states that</p> <p>a) Assets are equal to capital plus liabilities. b) Assets are equal to capital minus liabilities. c) Liabilities are equal to capital plus assets. d) Capital minus liabilities is equal to assets.</p>	(1)

12.	<p>i. Which account will be debited for withdrawing cash for personal use?</p> <p>a) Cash a/c b) Goods a/c c) Drawing a/c dr d) Capital a/c</p> <p>OR</p> <p>ii. Compound Journal entry is an entry which</p> <p>a) Contains more than one debit b) Contains more than one credit c) Contains more than one debit or credit or both. d) Does not contain more than one debit or credit</p>	(1)
13.	<p>Which of the following are correct with respect to steps in the process of journalising transactions:</p> <p>(i) Identify the Account. (ii) Recognize the Account (iii) Apply the rules of 'Debit' and 'Credit' (iv) Write the amounts and narration</p> <p>i. a,b,d,c ii. b,a,c,d iii. b,c,d,a iv. a,b,c,d</p>	(1)
14.	<p>What is the primary purpose of source documents and vouchers in the accounting process?</p> <p>a) To serve as a reference for future business transactions. b) To provide evidence and support for accounting transactions. c) To create a legal contract between the parties involved. d) To ensure that all transactions are conducted in cash.</p>	(1)
15.	<p>If Umesh has sold goods for cash, the entry will be recorded :</p> <p>a) In the Cash Book b) In the Sales Book c) In the proper Journal d) None of the above</p>	(1)

16.	<p>i. The Cash Book records :</p> <p>a) All cash receipts & payment b) Cash and credit sales of goods c) Only cash receipts d) None of these</p> <p>OR</p> <p>ii. The balance in the Cash Book is :</p> <p>a) An expense b) A profit c) An asset d) A liability</p>	(1)
17.	<p>Under how many heads accounts can be grouped under Modern System of accounting:</p> <p>a) Two b) Three c) Four d) Five</p>	(1)
18.	<p>i. Which device is used for entering data into a computer?</p> <p>a) Control unit b) CPU c) Input unit d) Memory unit</p> <p>OR</p> <p>ii. What is the full form of ATM?</p> <p>a) Automatic Teller Machine b) Automatic Teller Memory c) Anticipated Teller Machine d) None of these</p>	(1)
19.	<p>i. Out of the following which are the characteristics of computer?</p> <p>a) Communication b) Diligence c) Versatility d) Both b) & d)</p> <p>OR</p> <p>ii. The basic requirements of any computerized accounting system include</p> <p>a) Operating procedure b) Operating principle c) Overall procedure d) None of these</p>	(1)
20.	<p>i. How do we record the transactions in manual accounting?</p> <p>a) Software b) Database c) Books of original entry d) All of these</p>	(1)
<p>SECTION-B <i>Answer Qu. 21 to 29 below. Internal choices have been given wherever necessary.</i></p>		

21	<p>Complete the following statements: (any two)</p> <p>i. The convention of conservatism takes into account _____</p> <p>ii. Fixed assets are shown in the books at _____</p> <p>iii. Stock _____ includes _____</p>	(1x2)						
22	<p>Match the following: (any two)</p> <table border="1" data-bbox="292 607 1305 790"> <tr> <td data-bbox="292 607 587 674">i. Going concern</td> <td data-bbox="587 607 1305 674">a.Owner’s claim against the assets of the business</td> </tr> <tr> <td data-bbox="292 674 587 741">ii. Capital</td> <td data-bbox="587 674 1305 741">b.Amount withdrawn for personal use</td> </tr> <tr> <td data-bbox="292 741 587 801">iii. Drawings</td> <td data-bbox="587 741 1305 801">c.Enterprise will not be closed down in the near future</td> </tr> </table>	i. Going concern	a.Owner’s claim against the assets of the business	ii. Capital	b.Amount withdrawn for personal use	iii. Drawings	c.Enterprise will not be closed down in the near future	(1x2)
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23.	<p>Fill in the blanks: (any one)</p> <p>i. Computer _____ and _____ need to be updated from time to time.</p> <p style="text-align: center;">OR</p> <p>ii. Computer requires _____ and _____ to work efficiently</p>	(1x2)						
24	<p>Give one word answer for the following: (any four)</p> <p>i. In which concept, the two aspects of a transaction are recorded?</p> <p>ii. What are Assets which are natural resources, but extracted and consumed as a raw material called?</p> <p>iii. What is money spent in order to purchase assets called?</p> <p>iv. What does excess of expense over revenue represent?</p> <p>v. Under which concept, a business enterprise should not be closed down in the near future?</p> <p>vi. Give an example of an intangible asset.</p>	(1x4)						
25	<p>Write the two aspects (effects) of the following transactions: (any four)</p> <p>i. Owner brings cash in business</p> <p>ii. Goods sold for cash</p> <p>iii. Furniture purchased for cash</p> <p>iv. Received cash from Sharma</p> <p>v. Purchased machine from Rama on credit</p> <p>vi. Salaries paid</p>	(1x4)						

26.	<p>Match the following: (any four)</p> <table border="1" data-bbox="295 320 1257 719"> <tr> <td data-bbox="295 320 746 353">(a) Purpose of preparing Journal</td> <td data-bbox="746 320 1257 353">(i) Cash memos</td> </tr> <tr> <td data-bbox="295 353 746 465">(b) Limitation of double entry system of book-keeping</td> <td data-bbox="746 353 1257 465">(ii) Increase in Asset is debited, and decrease in Asset is credited</td> </tr> <tr> <td data-bbox="295 465 746 544">(c) Rule applicable for recording changes in assets account</td> <td data-bbox="746 465 1257 544">(iii) To provide date wise record of all the business transactions</td> </tr> <tr> <td data-bbox="295 544 746 656">(d) Purpose of transfer voucher</td> <td data-bbox="746 544 1257 656">(iv) No guarantee of absolute accuracy of the books of accounts despite agreement of the trial balance</td> </tr> <tr> <td data-bbox="295 656 746 689">(e) Source documents</td> <td data-bbox="746 656 1257 689">(v) Book of Primary entry</td> </tr> <tr> <td data-bbox="295 689 746 719">(f) Journal</td> <td data-bbox="746 689 1257 719">(vi) Non-Cash transactions</td> </tr> </table>	(a) Purpose of preparing Journal	(i) Cash memos	(b) Limitation of double entry system of book-keeping	(ii) Increase in Asset is debited, and decrease in Asset is credited	(c) Rule applicable for recording changes in assets account	(iii) To provide date wise record of all the business transactions	(d) Purpose of transfer voucher	(iv) No guarantee of absolute accuracy of the books of accounts despite agreement of the trial balance	(e) Source documents	(v) Book of Primary entry	(f) Journal	(vi) Non-Cash transactions	(1x4)
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27.	<p>Identify whether the following are Debit Vouchers, Credit Vouchers or Transfer Vouchers. (any four)</p> <ol style="list-style-type: none"> 1. Purchase furniture for cash 2. Sale of goods for cash 3. Sale of goods to Vikram 4. Depreciation charged on Building 5. Withdrew cash from Bank for office use. 6. Paid for Postage 	(1x4)												
28.	<p>From the following transactions, state the titles of the accounts that will be affected, types of the accounts and the account to be debited and the account to be credited: (any four)</p> <ol style="list-style-type: none"> i. Neha started business with cash Rs. 6,00,000 ii. Paid salaries Rs.10,000 iii. Sold goods to Rohan on credit Rs. 60,000 iv. Neha took loan from Bank Rs. 30,000 v. Received cash from Rohan a debtor Rs. 60,000 vi. Purchased goods for Cash Rs. 80,000 	(1x4)												
29.	<p>State the following sentences True or False: (any four)</p> <ol style="list-style-type: none"> i. Tally is an accounting hardware. ii. We can also maintain the record of inventory in Tally. iii. There is no provision of 'outstation Report' in Tally. iv. Tally provides the facility of Bank Reconciliation. v. Tally maintains all the primary books of accounts. vi. Tally provides a report for a particular date. 	(1x4)												
<p>SECTION-C <i>Answer Qu. 30 to 45 below. Internal choices have been given wherever necessary.</i></p>														
30.	<p>i. What do you understand by cash book. What are the different types of cash book? OR ii. Why is it necessary to open a suspense account?</p>	(2)												
31.	<p>State the limitations of double entry system.</p>	(2)												

32.	i. Explain the effect of errors of commission on the trial balance. OR ii. Why is profit and loss account prepared?	(2)
33.	Explain the concept of depreciation with the help of an example.	(2)
34.	Distinguish between Trading Account and Profit and Loss Account.	(2)
35.	i. Explain the treatment of closing stock in the financial statements with the help of a suitable example. OR ii. From the following information, prepare Profit & Loss Account of M/s Sarthak Traders for the year ending on 31.03.2012` Gross Profit 43,000 Discount allowed to customers 7,000 Salaries 45,000 Interest paid on loan 13,000 Postage 2,400 Discount received from creditors 6,000 Commission received 1,000 Sales expenses 10,000	(2)
36.	How will you reflect the effect of dishonors of a cheque in preparing the bank pass book?	(3)
37.	i. Enumerate the factors that affect the amount of depreciation of an asset? OR ii. What are the causes of depreciation.	(3)
38.	Enumerate the objectives of preparing a trial balance.	(3)
39.	The books of accounts of Mr. Karan showed the following: The value of Furniture is Rs.5, 00,000 as on 31-3-2021 and value of Pant & Machinery is Rs.1, 00,000 as on 31-3-2021. Depreciation is to be charged on these assets @10% p.a. How will you reflect the given transaction in the profit and loss account and balance sheet?	(3)
40.	i. Explain the prepaid adjustments and their treatment in the financial statements. OR ii. An office chair is purchased for Rs. 2,500 and it is estimated that after ten years it will be scrapped. The useful life of the chair is ten years over which the cost of Rs. 2,500 will be distributed. Find depreciation expense for each year.	(3)

41.	<p>i. Mehta limited purchased a machine on April 1, 2021 for Rs. 2, 00,000 whose life was expected to be 10 years. Its estimated scrap value at the end of 10 years was Rs.20, 000. Find the amount of depreciation to be charged to the Profit and Loss Account every year. Calculate the rate on which depreciation is to be charged every year.</p> <p>OR</p> <p>ii. From the following balances extracted from the books of M/s Tarun Bros, prepare a Trading Account for the year ended 31st March, 2022.</p> <table data-bbox="288 568 1002 853"> <thead> <tr> <th>Particulars</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Opening Stock as on 1.4.2011</td> <td>32,000</td> </tr> <tr> <td>Purchases</td> <td>1,65,000</td> </tr> <tr> <td>Freight</td> <td>4,000</td> </tr> <tr> <td>Power</td> <td>6,500</td> </tr> <tr> <td>Custom Duty</td> <td>5,500</td> </tr> <tr> <td>Sales</td> <td>80,000</td> </tr> <tr> <td>Closing Stock as on 31st March, 2022</td> <td>30,000</td> </tr> </tbody> </table>	Particulars	Amount (Rs.)	Opening Stock as on 1.4.2011	32,000	Purchases	1,65,000	Freight	4,000	Power	6,500	Custom Duty	5,500	Sales	80,000	Closing Stock as on 31st March, 2022	30,000	(3)		
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42.	<p>i. Trial Balance does not tally it means that some errors have been committed while preparing the accounts. In the light of given statement, explain the causes of disagreement of a trial balance.</p> <p>OR</p> <p>ii. Draw the Format of a Journal and Ledger Account. What is the difference between Journal and Ledger?</p>	(5)																		
43.	<p>i. Record the following transactions in a Simple Cash Book of M/s Rahul & Co.</p> <table data-bbox="288 1263 1262 1585"> <thead> <tr> <th>Date</th> <th>Amount</th> </tr> <tr> <th>2021</th> <th>Rs.</th> </tr> </thead> <tbody> <tr> <td>July. 01 Cash in Hand</td> <td>25,000</td> </tr> <tr> <td>July. 06 Received from Radhika (after allowing a discount 350)</td> <td>3,000</td> </tr> <tr> <td>July. 10 Paid Advertising expense</td> <td>300</td> </tr> <tr> <td>July. 18 Sold Goods</td> <td>5,500</td> </tr> <tr> <td>July. 23 Paid Abhi</td> <td>4,500</td> </tr> <tr> <td>July. 27 Purchased Machinery</td> <td>4,000</td> </tr> <tr> <td>July. 31 Paid Rent</td> <td>1,500</td> </tr> </tbody> </table> <p>OR</p> <p>ii. What do you understand by financial statements? Also, discuss the various objectives of financial statements?</p>	Date	Amount	2021	Rs.	July. 01 Cash in Hand	25,000	July. 06 Received from Radhika (after allowing a discount 350)	3,000	July. 10 Paid Advertising expense	300	July. 18 Sold Goods	5,500	July. 23 Paid Abhi	4,500	July. 27 Purchased Machinery	4,000	July. 31 Paid Rent	1,500	(5)
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44.	Prepare Journal and post into ledger the following transaction of Mr. Garib Chand and Sons. 2022 Particulars Feb. 1 Paid cash to Dinesh 16,800 Discount received 200 Feb. 2 Goods sold to Dinesh 20,000 Feb. 3 Goods returned by Dinesh 500 Feb. 5 Purchased goods on Credit from: Ram 15,000 Hari 5,000 Feb. 6 Received commission in Cash 600	(5)
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45.

(5)

i. From the following trial balance of M/s Aarti Traders, prepare Trading and Profit and Loss Account for the year ended 31st March 2021 and a Balance Sheet as on that date:

Dr. Balances	Rs.	Cr. Balances	Rs.
Opening stock on 1st April,2020	15,500	Capital	90,000
Purchases	80,000	Sales	2,05,000
Sales returns	4,000	Purchases returns	1,000
Carriage inwards	1,600	Discount	2,550
Plant and Machinery	45,000	Sundry creditors	10,550
Furniture and fixtures	7,000	Bills payable	1,800
Freehold property	48,550		
Cash in hand	7,000		
Carriage outwards	900		
Wages	28,000		
Salaries	19,000		
Lighting (factory)	750		
Sundry debtors	31,000		
Traveling expenses	950		
Rent and taxes	3,200		
Drawings	8,000		
Insurance	250		
General expenses	10,200		
	3,10,900		3,10,900

Adjustments:

- i. Stock on 31st March 2021 was valued at Rs.48, 000 (market value Rs. 25,000).
- ii. Wages amounting to Rs.3, 000 and salaries amounting to Rs.2, 500 are outstanding.
- iii. Prepaid insurance amounted to Rs. 100.
- iv. Provide depreciation on plant and machinery at 10% and on furniture and fixtures at 5%.

Marking Scheme
Accountancy (224)

SECTION-A

SECTION-A		
1.	i. a ii. c	(1)
2.	c	(1)
3.	i. b ii. a	(1)
4.	i. c ii. d	(1)
5.	a	(1)
6	a	(1)
7.	i. a ii. b	(1)
8.	d	(1)
9.	i.a ii. c	(1)
10.	c	(1)
11.	i. b ii. a	(1)
12.	i. c ii. c	(1)
13.	d	(1)
14.	b	(1)
15.	a	(1)
16.	i. a ii. c	(1)
17.	d.	(1)
18.	i. c ii. a	(1)

19.	i. d ii.a	(1)												
20.	c	(1)												
SECTION-B														
21	i. all prospective losses but leaves prospective profits ii. their cost price iii. Raw-material, Semi-finished products and Finished products or goods	(1x2)												
22	<table border="1" style="width: 100%;"> <tr> <td>i.</td> <td>c.</td> </tr> <tr> <td>ii.</td> <td>a.</td> </tr> <tr> <td>iii.</td> <td>b.</td> </tr> </table>	i.	c.	ii.	a.	iii.	b.	(1x2)						
i.	c.													
ii.	a.													
iii.	b.													
23.	i. hardware, software ii. clean, controlled temperature	(1x2)												
24	i. Dual Aspect Concept ii. Wasting assets iii. Expenditure iv. Loss v. Going concern vi. Goodwill (any)	(1x4)												
25	i. Cash, Capital ii. Cash, sales iii. Furniture, Cash iv. Cash, Sharma (debtor) v. Machine, Rama vi. Salary, Cash	(1x4)												
26.	<table border="1" style="width: 100%;"> <tr> <td>(a)</td> <td>iii.</td> </tr> <tr> <td>(b)</td> <td>iv.</td> </tr> <tr> <td>(c)</td> <td>ii.</td> </tr> <tr> <td>(d)</td> <td>vi.</td> </tr> <tr> <td>(e)</td> <td>i.</td> </tr> <tr> <td>(f)</td> <td>v.</td> </tr> </table>	(a)	iii.	(b)	iv.	(c)	ii.	(d)	vi.	(e)	i.	(f)	v.	(1x4)
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(b)	iv.													
(c)	ii.													
(d)	vi.													
(e)	i.													
(f)	v.													
27.	1. Debit voucher 2. Credit voucher 3. Transfer voucher 4. Transfer voucher 5. Debit voucher 6. Debit voucher	(1x4)												

28.	<ul style="list-style-type: none"> i. Cash (Asset) -Debit, Capital(Capital)- credit ii. Salary(expense)- Debit, Cash(asset)- Credit iii. Rohan(asset)-debit, Sales(Revenue)- Credit iv. Bank(Asset)-Debit Bank loan(Liability)- Credit v. Cash(Asset)- debit, Rohan(Asset)- credit vi. Purchases(Expense)- debit Cash(Asset)- credit 	(1x4)
29.	<ul style="list-style-type: none"> i. FALSE. ii. TRUE iii. FALSE. iv. TRUE v.TRUE vi. TRUE 	(1x4)
SECTION-C		
30.	<p>i.Cash Book is a book of account maintained for recording transactions involving receipt and payment of cash. It is also one of the books of original entry. When a cash book is maintained, cash transactions are not recorded in the Journal, and no cash or bank account is required to be maintained in the ledger as Cash Book serves the purpose of CashAccount also. Cash Books are of the following types:</p> <ul style="list-style-type: none"> • Simple Cash Book. • Bank Column Cash Book. • Petty Cash Book. <p>ii.When the trial balance does not agree, because of errors committed by the accountant during the accounting process and he decides to prepare the final accounts then the difference is written on the shorter column against an account called ‘Suspense Account’ After wards the errors that affect the trial balance are rectified through the suspense account. Once all such errors are rectified the suspense account opened to artificially balance the trial balance will finally be balanced.</p>	(2)
31.	<p>The main limitations of double entry system of book keeping are as follows:</p> <ol style="list-style-type: none"> 1. This system requires the maintenance of a number of books of accounts which is not practical in small concerns. 2. This system is costly because a number of records are to be maintained. 3. There is no guarantee of absolute accuracy of the books of accounts inspite of agreement of the trial balance. 	(2)
32.	<p>i.The trial balance, despite error of commission, still continues to tally because the same wrong amount has been recorded on both sides of the accounts.</p> <p>ii.Profit and loss account is prepared to ascertain the net profit earned or net loss suffered by the business during a period. Trading and profit and loss account taken together is called income statement.</p>	(2)
33.	<p>Depreciation is referred to as the reduction in the cost of a fixed asset in sequential order, due to wear and tear until the asset becomes obsolete. Machinery, vehicle, equipment, building are some examples of assets that are likely to experience wear and tear or obsolescence.</p>	(2)

34.	<table border="1"> <thead> <tr> <th data-bbox="379 315 467 349">Sno.</th> <th data-bbox="475 315 911 349">Trading</th> <th data-bbox="919 315 1385 349">Profit and Loss</th> </tr> </thead> <tbody> <tr> <td data-bbox="379 360 467 461">1</td> <td data-bbox="475 360 911 461">This account shows the gross profit or gross loss for an accounting year.</td> <td data-bbox="919 360 1385 461">This account shows the net profit or net loss for an accounting year.</td> </tr> <tr> <td data-bbox="379 472 467 573">2</td> <td data-bbox="475 472 911 573">All direct expenses relating to business are shown on the debit side of this account.</td> <td data-bbox="919 472 1385 573">All indirect expenses relating to business are shown on the debit side of this account.</td> </tr> <tr> <td data-bbox="379 584 467 685">3</td> <td data-bbox="475 584 911 685">All direct revenue items are shown on the credit side of the account.</td> <td data-bbox="919 584 1385 685">All indirect revenue items are shown on the credit side of this account.</td> </tr> <tr> <td data-bbox="379 696 467 819">4</td> <td data-bbox="475 696 911 819">The balance of this account i.e. gross profit or gross loss is transferred to P&L A/c.</td> <td data-bbox="919 696 1385 819">The balance of this account i.e. net profit or net loss is transferred to the capital account of the proprietor</td> </tr> </tbody> </table>	Sno.	Trading	Profit and Loss	1	This account shows the gross profit or gross loss for an accounting year.	This account shows the net profit or net loss for an accounting year.	2	All direct expenses relating to business are shown on the debit side of this account.	All indirect expenses relating to business are shown on the debit side of this account.	3	All direct revenue items are shown on the credit side of the account.	All indirect revenue items are shown on the credit side of this account.	4	The balance of this account i.e. gross profit or gross loss is transferred to P&L A/c.	The balance of this account i.e. net profit or net loss is transferred to the capital account of the proprietor	(2)													
Sno.	Trading	Profit and Loss																												
1	This account shows the gross profit or gross loss for an accounting year.	This account shows the net profit or net loss for an accounting year.																												
2	All direct expenses relating to business are shown on the debit side of this account.	All indirect expenses relating to business are shown on the debit side of this account.																												
3	All direct revenue items are shown on the credit side of the account.	All indirect revenue items are shown on the credit side of this account.																												
4	The balance of this account i.e. gross profit or gross loss is transferred to P&L A/c.	The balance of this account i.e. net profit or net loss is transferred to the capital account of the proprietor																												
35.	<p data-bbox="371 835 1393 898">i. Explain the treatment of closing stock in the financial statements with the help of a suitable example.</p> <p data-bbox="371 909 1393 1111">Closing stock is the stock of goods which remains unsold at the end of the accounting year. This item is, normally, not shown inside the Trial balance. It appears outside the trial balance as additional information. For example the books of Mr. X showed the value of closing stock as on 31.3.2012 `Rs.30,000. The accounting treatment of closing stock in the financial statements of Mr. X. The following adjustment entry will be passed at the end of the year:</p> <p data-bbox="371 1122 1393 1189">Closing Stock A/c Dr. 30,000 To Trading A/c 30,000</p> <p data-bbox="746 1223 1010 1256" style="text-align: center;">Trading a/c of Mr. X</p> <table border="1" data-bbox="371 1267 1393 1368" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Dr</th> <th style="width: 25%;"></th> <th style="width: 25%;"></th> <th style="width: 25%;">Cr</th> </tr> <tr> <th>Particulars</th> <th>Amt</th> <th>Particulars</th> <th>Amt</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td>By Closing Stock</td> <td>30,000</td> </tr> </tbody> </table> <p data-bbox="786 1447 970 1480" style="text-align: center;">Balance Sheet</p> <table border="1" data-bbox="371 1491 1393 1559" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Liabilities</th> <th style="width: 25%;">Amt</th> <th style="width: 25%;">Assets</th> <th style="width: 25%;">Amt</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td>Closing Stock</td> <td>30,000</td> </tr> </tbody> </table> <p data-bbox="371 1592 1393 1727">If Closing stock is given inside the Trial balance, the above mentioned adjustment entry will not be passed and the closing stock will not be shown on the credit side of Trading A/c. The closing stock will be shown on the assets side of Balance Sheet</p> <p data-bbox="371 1771 1393 1805">ii.</p> <p data-bbox="579 1805 1177 1872" style="text-align: center;">Profit and loss Account of M/s Sarthak Traders for the year ended March 31, 2012</p> <p data-bbox="371 1883 1393 1917">Dr. Cr</p> <table border="1" data-bbox="371 1917 1393 1939" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Particulars</th> <th style="width: 25%;">Amt</th> <th style="width: 25%;">Particulars</th> <th style="width: 25%;">Amt</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Dr			Cr	Particulars	Amt	Particulars	Amt			By Closing Stock	30,000	Liabilities	Amt	Assets	Amt			Closing Stock	30,000	Particulars	Amt	Particulars	Amt					(2)
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	To Discount allowed to customers 7,000 To Salaries 45,000 To Interest on loan 13,000 To Postage 2,400 To Sales expenses 10,000	7,000 45,000 13,000 2,400 10,000 77,400	By Gross profit transferred from Trading A/c 43,000 By Discount received from Creditors 6,000 By Commission Received 1,000 By Net Loss transferred to capital A/c 27,400	43,000 6,000 1,000 27,400 77,400	
36.	A firm may receive a number of cheques from its customers. Some of the cheques deposited by the firm with the bank may be dishonoured. In this case, the Bank debits firm's account. But the firm records the same when it receives the information from the bank. As a result, the balance as per cash book and that of pass book will differ				(3)
37.	i. i) Cost of Asset : Cost of asset is the purchase price of the asset and includes all such expenses which are incurred before it is first put to use. For example expenses on loading, carriage, installation, transportation and unloading of the asset up to the point of its location, expense on its erection and assembly. ii) Useful Life of the Asset: Useful life is the expected number of years for which the asset will remain in use. iii) Scrap Value: Scrap value is the residual value at which the asset could be sold to scrap dealer (Kabari) after its useful life. iv) Depreciable value of asset : Depreciable value is the cost of asset minus the scrap value OR ii. i) Normal wear and tear: (a) Due to usage - Every asset has a life for which it can run, produce or give service. Thus, as we put the asset to use its worth decreases. Like decrease in the efficiency and functioning of a bicycle due to its running and usage. (b) Due to passage of Time – As the time goes by elements of nature, wind, sun, rain etc, cause physical deterioration in the worth of an asset. Like reduction in the worth of a piece of furniture due to passage of time even when it is not used. ii) Obsolescence: (a) Due to development of improved or superior equipment : Sometimes fixed assets are required to be discarded before they are actually worn out due to either of the above reasons. Arrival of superior equipments and machines etc. allow production of goods at lower cost. This makes older equipments worthless as production of goods with their use will be costlier and non competitive. For example, Steam engines became obsolete with the arrival of diesel and electric locomotives. (b) Due to change in fashion, style, taste or market conditions : Obsolescence may also result due to decline in demand for certain goods and services with a				(3)

	change in fashion, style, taste or market conditions. The goods and services that are no longer in vogue lead to decrease in the value of the assets which were engaged in their production - like factories or machines meant for making old fashioned hats, shoes, furniture etc.																																																			
38.	<p>i) To check arithmetical accuracy: With the help of trial balance we can identify the arithmetical error, committed by the accountant or his assistant, because in such a situation the trial balance will not agree. Under such situations it is assumed that some errors have been committed. After identifying such errors the same are rectified.</p> <p>ii) To prepare final accounts of the enterprise: Trial balance becomes the basis of preparing final accounts. If we do not prepare trial balance and just start preparing final accounts, it may be possible that we forget to record some transactions that were not recorded while preparing the final accounts because information about the same was not available at that time.</p> <p>iii) Comparative study of each account : Trial balance helps in comparing the present balance of an account with the previous period balance. By preparing trial balance, we can estimate whether closing balance of accounts will increase or decrease within two accounting periods. It can also be used as a tool to decide whether there is need to decrease the rate of depreciation for showing improved profit position.</p> <p>iv) To make financial budget : Previous years trial balance figures are also helpful to estimate the future amount. In other words, we can make different financial budgets with the help of trial balance.</p>	(3)																																																		
39.	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="4" style="text-align: center;">Dr. Profit & Loss A/c for Mr.Karan for the year ending 31-3-2021</th> </tr> <tr> <th colspan="4" style="text-align: center;">Cr.</th> </tr> <tr> <th style="width: 25%;">Particulars</th> <th style="width: 12.5%;">Amount</th> <th style="width: 25%;">Particulars</th> <th style="width: 12.5%;">Amount</th> </tr> <tr> <td>To dep on furniture</td> <td style="text-align: center;">50000</td> <td></td> <td></td> </tr> <tr> <td>To dep on P & M</td> <td style="text-align: center;">10000</td> <td></td> <td></td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="5" style="text-align: center;">Balance Sheet of Mr.Karan as on 31-3-2021</th> </tr> <tr> <th style="width: 15%;">Liabilities</th> <th style="width: 15%;">Amount</th> <th style="width: 20%;">Assets</th> <th style="width: 15%;"></th> <th style="width: 15%;">Amount</th> </tr> <tr> <td></td> <td></td> <td>Furniture</td> <td style="text-align: center;">500000</td> <td></td> </tr> <tr> <td></td> <td></td> <td>(-)dep</td> <td style="text-align: center;">50000</td> <td style="text-align: center;">450000</td> </tr> <tr> <td></td> <td></td> <td>P & M</td> <td style="text-align: center;">100000</td> <td></td> </tr> <tr> <td></td> <td></td> <td>(-)dep</td> <td style="text-align: center;">10000</td> <td style="text-align: center;">90000</td> </tr> </table>	Dr. Profit & Loss A/c for Mr.Karan for the year ending 31-3-2021				Cr.				Particulars	Amount	Particulars	Amount	To dep on furniture	50000			To dep on P & M	10000			Balance Sheet of Mr.Karan as on 31-3-2021					Liabilities	Amount	Assets		Amount			Furniture	500000				(-)dep	50000	450000			P & M	100000				(-)dep	10000	90000	(3)
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40.	<p>i. Sometimes, a part of the expenses given in the trial balance may relate to future year(s). Such part of expenses is known as ‘Prepaid Expenses’ or ‘Expense paid in Advance’ such as, out of the salaries paid during the current year, a part may relate to next accounting year. Similarly factory rent, wages, office rent, insurance premium, taxes, etc. may be prepaid in some cases. For example the books of accounts of Mr.X showed the following: Total salaries paid during the accounting year 2011-2012 ` 2,00,000 out of which ` 25,000 relates to the next accounting year, i.e, 2012-13. The accounting treatment, of prepaid salaries in the books of Mr. X will be as follows: (a) Adjustment entry for prepaid salaries will be as under:</p>	(3)																																																		

	<p>Prepaid Salaries A/c Dr. 25,000 To Salary A/c 25,000</p> <p style="text-align: center;">P/L a/c of Mr. X</p> <p>Dr Cr</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Particulars</th> <th style="width: 12.5%;">Amt</th> <th style="width: 25%;">Particulars</th> <th style="width: 12.5%;">Amt</th> </tr> </thead> <tbody> <tr> <td>Salary 2,00,000</td> <td>1,75,000</td> <td></td> <td></td> </tr> <tr> <td>(-)Prepaid 25,000</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p style="text-align: center;">Balance Sheet</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Liabilities</th> <th style="width: 12.5%;">Amt</th> <th style="width: 25%;">Assets</th> <th style="width: 12.5%;">Amt</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td>Prepaid Salary</td> <td>25,000</td> </tr> </tbody> </table> <p>OR</p> <p>ii.</p> <p>The useful life of the chair is ten years over which the cost of ` Rs. 2,500 will be distributed. Each year's allocation may be calculated as: Depreciation= (Cost of Asset- Scrap Value)/Life of an Asset = Rs.2500/10=250 Thus Rs.250 is the depreciation expense for each year.</p>	Particulars	Amt	Particulars	Amt	Salary 2,00,000	1,75,000			(-)Prepaid 25,000				Liabilities	Amt	Assets	Amt			Prepaid Salary	25,000									
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41.	<p>i.</p> <p>Depreciation= (Cost of Asset- Scrap Value)/Life of an Asset = (2,00,000 – 20,000)/10 = 1,80,000/10 = 18,000 Rate of Depreciation = Annual Depreciation Amount X 100)/Cost of Asset = (18,000 x 100)/2,00,000 = 9 pc</p> <p>OR</p> <p>ii.</p> <p style="text-align: center;">Trading Account of M/s Tarun Bros for the year ended March 31, 2022 .</p> <p>Dr. Cr</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Particulars</th> <th style="width: 12.5%;">Amt</th> <th style="width: 25%;">Particulars</th> <th style="width: 12.5%;">Amt</th> </tr> </thead> <tbody> <tr> <td>To Opening Stock</td> <td>32,000</td> <td>By Sales</td> <td>80,000</td> </tr> <tr> <td>To Purchases</td> <td>1,65,000</td> <td>By Closing Stock</td> <td>30,000</td> </tr> <tr> <td>To Freight</td> <td>4,000</td> <td>By Gross</td> <td></td> </tr> <tr> <td>To Power</td> <td>6,500</td> <td>Losstransferred to</td> <td>1,03,000</td> </tr> <tr> <td>To Custom Duty</td> <td>5500</td> <td>P & L A/c</td> <td></td> </tr> <tr> <td></td> <td>2,13,000</td> <td></td> <td>2,13,000</td> </tr> </tbody> </table>	Particulars	Amt	Particulars	Amt	To Opening Stock	32,000	By Sales	80,000	To Purchases	1,65,000	By Closing Stock	30,000	To Freight	4,000	By Gross		To Power	6,500	Losstransferred to	1,03,000	To Custom Duty	5500	P & L A/c			2,13,000		2,13,000	(3)
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42.	<p>i. Trial Balance does not tally it means that some errors have been committed while preparing the accounts. In the light of given statement, explain the causes of disagreement of a trial balance.</p> <p>i) Omission of posting in one account ii) Double posting in one account iii) Posting in the wrong side of an account</p>	(5)																												

- iv) Posting wrong amount in an account
- v) Wrong Casting of the subsidiary books
- vi) Omitting to post the total of a subsidiary book
- vii) Wrong totaling or balancing of an account
- viii) Omission of an account from Trial Balance
- ix) Writing the balance of an account in the wrong column of the Trial Balance
- x) Wrong totaling of the Trial Balance

ii.

Title of Account

Dr				Cr			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)

Journal

Date	Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
(1)	(2)	(3)	(4)	(5)

S.No	Journal	Ledger
1	Journal is the Book of Original entry	Ledger is the Book of secondary entry
2	Journal is the Book for Chronological record	Ledger is the Book of analytical record
3	Transaction is the basis of recording in the journal	Journal is the basis of recording in the ledger
4	Process of recording in the Journal is called journalizing	Process of recording in the ledger is known as ledger posting.

43 i.

Cash book of Rahul & Co.									
Dr.					Cr.				
Receipts					Payments				
Date	Particulars	V · N O	L · F ·	Amount	Date	Particulars	V · N O	L. F.	Amount
2021					2021				
Jul-01	Balance b/d			25000	Jul-10	Advertising expense			300
Jul-05	Radhika			3000	Jul-23	Abhi			4500

	Jul-18	Sales		5500	Jul-27	Machinery		4000																						
					Jul-31	Rent		1500																						
					Jul-31	Balance c/d		23200																						
				33500				33500																						
	Aug-01	Balance b/d		23200																										
43.	<p>ii. The statements, prepared to know the result of the business and the financial position of the business, are called financial statements. The statement prepared for ascertain gross profit/loss is called Trading Account. The statement prepared to ascertain the net profit is called Profit and Loss Account. Trading and Profit and Loss Account taken together is called the Income Statement. Statement prepared to know the financial position of the business is called the Balance Sheet or Position Statement.</p> <p>Following are the objectives of preparing financial statements:</p> <p>i) Ascertain the result of business activities : One of the important objectives of preparing financial statements is to ascertain the Income. Financial statements provide information about the profit earned or loss incurred during a particular accounting period or year.</p> <p>ii) Ascertain the financial position of business : Balance Sheet provides information about the financial position of business on a particular date.</p> <p>iii) Correct decision making : Financial statements are helpful in decision making for the business on the basis of the information provided by financial statements, future decisions can be taken correctly.</p> <p>iv) Judging the performance of management : Financial statements are helpful in judging the performance of management and utilization of resources of a business house.</p> <p>v) Ascertain the cash position of business : The cash position indicated by the financial statements helps the business in planning the payment of cash to creditors, suppliers etc.</p>									(5)																				
44.	<table border="1"> <thead> <tr> <th>Date</th> <th>Particulars</th> <th>Debit</th> <th>Credit</th> </tr> </thead> <tbody> <tr> <td>Feb 1</td> <td>Dinesh Dr. Cash A/c Discount Received A/c (Being cash paid to Dinesh and discount received)</td> <td>17,000</td> <td>16,800 200</td> </tr> <tr> <td>Feb 2</td> <td>Dinesh Dr. Sales A/c (Being goods sold to Dinesh)</td> <td>20,000</td> <td>20,000</td> </tr> <tr> <td>Feb 3</td> <td>Sales Return A/c Dr. Dinesh (Being goods returned by Dinesh)</td> <td>500</td> <td>500</td> </tr> <tr> <td>Feb 5</td> <td>Purchases A/c Dr. Ram Hari</td> <td>20,000</td> <td>15,000 5,000</td> </tr> </tbody> </table>									Date	Particulars	Debit	Credit	Feb 1	Dinesh Dr. Cash A/c Discount Received A/c (Being cash paid to Dinesh and discount received)	17,000	16,800 200	Feb 2	Dinesh Dr. Sales A/c (Being goods sold to Dinesh)	20,000	20,000	Feb 3	Sales Return A/c Dr. Dinesh (Being goods returned by Dinesh)	500	500	Feb 5	Purchases A/c Dr. Ram Hari	20,000	15,000 5,000	(5)
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Feb 5	Purchases A/c Dr. Ram Hari	20,000	15,000 5,000																											

	(Being goods purchased on credit)		
Feb 6	Cash A/c Dr. Commission Received A/c (Being commission received)	600	600

Ledger Posting

Dinesh

Date	Particulars	Amt	Date	Particulars	Amt
Feb.1	To Cash A/c.	16,800	Feb. 3	By Sales Return A/c.	500
	To Discount Received A/c.	200			
Feb.2	To Sales A/c.	20,000			

Cash A/c

Date	Particulars	Amt	Date	Particulars	Amt
Feb.6	To Commission Received A/c.	600	Feb. 1	By Dinesh	16,800

Discount Received A/c

Date	Particulars	Amt	Date	Particulars	Amt
			Feb. 1	By Dinesh	200

Sales Return A/c

Date	Particulars	Amt	Date	Particulars	Amt
Feb.3	To Dinesh	500			

Purchase A/c

Date	Particulars	Amt	Date	Particulars	Amt
Feb 5	To Ram	15,000			
	To Hari	5,000			

Ram A/c

Date	Particulars	Amt	Date	Particulars	Amt
			Feb. 5	By Purchase	15,000

Hari A/c

Date	Particulars	Amt	Date	Particulars	Amt
			Feb. 5	By Purchase	5,000

Commission received A/c

Date	Particulars	Amt	Date	Particulars	Amt
			Feb. 6	By Cash	600

Sales A/c

Date	Particulars	Amt	Date	Particulars	Amt
------	-------------	-----	------	-------------	-----

			Feb. 2	By Dinesh	20,000																																																																																																	
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	226000		226000																																																																																																			
To carriage outwards	900	By gross profit b/d	98150																																																																																																			
To salaries- 19000		By discount	2550																																																																																																			
add O/s salary- 2500	21500																																																																																																					
To travelling expense	950																																																																																																					
To rent & taxes	3200																																																																																																					
To insurance - 250																																																																																																						
less prepaid insurance-100	150																																																																																																					
To general expense	10200																																																																																																					
To dep on :																																																																																																						
P & M-	4500																																																																																																					
Furniture-	350																																																																																																					
To net profit transferred to capital a/c	58950																																																																																																					
	100700		100700																																																																																																			
<table border="1"> <tr> <td colspan="7" style="text-align: center;">Balance Sheet of M/S Aarti traders as on 31-3-2021</td> </tr> </table>							Balance Sheet of M/S Aarti traders as on 31-3-2021																																																																																															
Balance Sheet of M/S Aarti traders as on 31-3-2021																																																																																																						

Liabilities	Amount	Assets	Amount
Bill payable	1800	Cash in hand	7000
Sundry creditors	10550	Sundry debtors	31000
O/S wages	3000	Closing stock	25000
O/S salaries	2500	Prepaid insurance	100
Capital- 90000		Furniture & Fixtures-7000	
add net profit- 58950		less dep - 350	6650
148950		P & M - 45000	
less drawings- 8000	140950	less dep - 4500	40500
		Freehold property	48550
	158800		158800