Illustration 1:

From the following Trial Balance, prepare Trading A/c, P&L A/c for the year ending 31st March, 2023 and a Balance Sheet as on that date.

Debit Balances	₹	Credit Balances	₹
Opening Stock	30,000	Sales	1,40,000
Machinery	90,000	Return Outwards	4,400
Building	1,20,000	Rent Received	39,000
Purchases	60,000	Discount Received	2,000
Return Inwards	10,000	Commission Received	15,000
Carriage Inwards	4,500	Capital	1,30,000
Carriage Outwards	5,000	12% Bank Loan	60,000
Salary	16,500	Creditors	12,000
Wages	5,000	B/P	4,500
Insurance	1,200	Bank Overdraft	7,000
Advertisement	3,000		
Printing & Stationery	1,000		
Discount Allowed	1,500		
Audit fees	1,200		
Cash in Hand	20,000		
Debtors	15,000		
B/R	5,000		
Drawings	25,000		
	4,13,900		4,13,900

Adjustments:

1. Closing Stock is ₹ 12,000.
2. Outstanding Salary ₹ 1,500 and Outstanding Wages ₹1,000.
3. Prepaid Insurance ₹ 300.
4. Building is to be depreciated @ 10% p.a. and machinery @ 15% p.a.
5. Commission Receivable ₹ 3,000.
6. Rent received in advance ₹ 3,000.
7. Allow Interest on Capital @ 8% p.a.
8. Charge ₹ 1,000 as interest on drawings.
9. Interest on loan is unpaid for the whole year.

Trading Account
for the year ended 31st March, 2023

Dr. **Cr.**

Particulars		₹	Particulars		₹
To Opening Stock		30,000	By Sales	1,40,000	
To Purchase	60,000		*Less:* Return Inwards	10,000	1,30,000
Less: Return Outwards	4,400	55,600			
To Carriage Inwards		4,500	By Closing Stock		12,000
To Wages	5,000				
Add: Outstanding Wages	1,000	6,000			
To Profit & Loss A/c (Gross Profit Transferred)		45,900			
		1,42,000			1,42,000

Profit & Loss Account
for the year ended 31st March, 2023

Dr. **Cr.**

Particulars		₹	Particulars		₹
To Salary	16,500		By Trading A/c (Gross Profit)		45,900
Add: Outstanding Salary	1,500	18,000			
			By Commission	15,000	
To Carriage Outwards		5,000	*Add:* Comm. Receivable	3,000	18,000
To Insurance	1,200				
Less: Prepaid	300	900	By Discount Received		2,000
To Advertisement		3,000			
To Depreciation on:			By Rent Received	39,000	
Building	12,000		*Less:* Received in advance	3,000	36,000
Machinery	13,500	25,500			
To Discount Allowed		1,500	By Interest on Drawings		1,000
To Interest on Capital		10,400			
To Interest on Loan (O/s)		7,200			
To Printing & Stationery		1,000			
To Audit Fees		1,200			
To Capital A/c (Net Profit Transferred)		29,200			
		1,02,900			1,02,900

Balance Sheet
as at 31st March, 2023

Equity-Liabilities		₹	Assets		₹
Capital	1,30,000		Building	1,20,000	
Add: Interest on Capital	10,400		*Less:* Depreciation @ 10%	12,000	1,08,000
Add: Net Profit	29,200				
	1,69,600		Machinery	90,000	
Less: Drawings	25,000		*Less:* Depreciation @ 15%	13,500	76,500
Less: Interest on Drawings	1,000	1,43,600			
12% Bank Loan	60,000		Debtors		15,000
Add: Outstanding Interest	7,200	67,200	B/R		5,000
			Cash in Hand		20,000
Bank Overdraft		7,000	Closing Stock		12,000
Creditors		12,000	Prepaid Insurance		300
B/P		4,500	Commission Receivable		3,000
Outstanding Salary		1,500			
Outstanding Wages		1,000			
Rent received in advance		3,000			
		2,39,800			2,39,800

Illustration 2:

From the following Trial Balance, prepare a Trading and P&L A/c for the year ending 31st March, 2021 and a Balance Sheet as on that date.

Debit Balances	₹	Credit Balances	₹
Investments	10,000	Capital	1,00,000
Plant & Machinery	40,000	Creditors	8,900
Debtors	10,500	B/P	3,200
Purchase	35,000	Sales	61,450
Opening Stock	14,290	O/s expenses	1,350
Life Insurance Premium	14,100	Sundry Income	5,000
Sales Return	4,550	Purchase Return	4,000
Bad Debts	5,000	Commission Received	2,300
B/R	4,150	Interest on Investments	1,600
Bank Charges	650	Discount Received	1,500
Electricity expense	6,000	Provision for Bad Debts	2,000
Patents & Trademarks	18,000		
Advertising	8,000		
Cash in Hand	8,000		
Discount Allowed	2,000		
Closing Stock	11,060		
	1,91,300		1,91,300

Adjustments:

1. Further Bad Debts ₹ 1,500 and create a provision for Bad Debts @ 10% of debtors.
2. Create a Provision for Discount on debtors @ 8%.
3. Goods worth ₹ 2,000 destroyed in fire and Insurance Company accepted 70% claim.
4. Goods worth ₹ 1,500 were withdrawn by owner for personal use.
5. Write off 1/4th of Advertising expenses.
6. Provide manager's commission @ 5% on profits after charging such commission.

Trading and Profit & Loss Account for the year ended 31st March, 2021

Dr. | **Cr.**

Particulars		₹	Particulars		₹
To Opening Stock		14,290	By Sales	61,450	
To Purchase	35,000		*Less:* Return Inwards	4,550	56,900
Less: Return Outwards	4,000				
	31,000				
Less: Loss by Fire	2,000				
	29,000				
Less: Drawings in Goods	1,500	27,500			
To Gross Profit c/d		15,110			
		56,900			56,900
To Bad Debts	5,000		By Gross Profit b/d		15,110
Add: Further Bad debts	1,500		By Commission Received		2,300
Add: New Provision	900		By Discount Received		1,500
	7,400		By Interest on Investments		1,600
Less: Old Provision	2,000	5,400	By Sundry Income		5,000
To Electricity Expense		6,000			
To Loss by Fire		600			
To Discount Allowed	2,000				
Add: Provision for Discount	648	2,648			
To Advertising (1/4th written off)		2,000			
To Bank charges		650			
To Balance c/d (Profit before charging Commission)		8,212			
		25,510			25,510
To Manager's Commission (Outstanding)		391	By Balance b/d		
To Capital A/c (Net Profit after Commission, transferred to Capital)		7,821			
		8,212			8,212

Balance Sheet
as at 31st March, 2021

Equity-Liabilities		₹	Assets		₹
Capital	1,00,000		Plant & Machinery		40,000
Add: Net Profit	7,821		Patents & Trademarks		18,000
	1,07,821				
Less: Drawings (LIC Premium)	14,100		Investments		10,000
	93,721				
Less: Drawings in Goods	1,500	92,221	Debtors	10,500	
			Less: Further Bad Debts	1,500	
Creditors		8,900		9,000	
B/P		3,200	*Less:* Provision for Bad Debts	900	
				8,100	
O/s Expenses	1,350		*Less:* Provision for Discount	648	7,452
Add: O/s Manager's Commission	391	1,741			
			B/R		4,150
			Cash in Hand		8,000
			Closing Stock		11,060
			Insurance Co. (Claim)		1,400
			Advertising	8,000	
			Less: $1/4^{th}$ written off	2,000	6,000
		1,06,062			1,06,062