	₹	₹	₹		₹	₹	₹
To Wages		6,000	15,000	*Less* : Advertising received in advance	700	2,300	
To Printing	6,500			By Stock			2,000
Add : Printing outstanding	200	6,700					
To Profit transferred to General Profit & Loss Account		5,600	9,500				
		18,300	40,000			18,300	40,000

Dr. General Profit and Loss Account of Mr. A. Showman for the year ending March 31, 2012 Cr.

	₹	₹		₹	₹
To Staff Wages	18,000		By Balance *b/d* (weekly theatre)		36,700
Less : Charged to Programme	6,000	12,000	By Profit—Programme	5,600	
			Buffet	9,500	15,100
To General Office Expenses		5,000	By Wardrobe Sales & Hire		6,000
To Ground Rent		2,500	By Cloak Room Receipts		1,800
To Repairs		1,800	By Broadcasting		100
To Royalties	2,000		By Unpresented Vouchers —not likely to be presented		3,000
Less : Royalties Prepaid	800	1,200			
To Tickets, Vouchers etc.	200				
Add : Tickets Outstanding	400	600			
To Depreciation on Wardrobe		10,000			
To Depreciation on : Leasehold Premises	2,000				
Furniture	5,000	7,000			
To Audit Fee Outstanding		2,000			
To Provision for Doubtful Debts required		1,000			
To Profit transferred to Capital Account		19,600			
		62,700			62,700

Balance Sheet of Mr. A. Showman as on March 31, 2012

Liabilities	₹	₹	*Assets*	₹	₹
Income Tax Deductions		400	*Current Assets :*		
Unpresented Vouchers	11,000		Cash in hand		6,000
Less : Written off	3,000	8,000	Cash at Bank		19,000
Programme Advertising Received in Advance		700	Buffet Stock		2,000
			Royalties Prepaid		800
Programme Printing Outstanding		200	Expenses on Future Productions		7,500
Printing of Tickets & Vouchers Outstanding		400	Loans to Players	2,000	
			Less : Provision for Bad & Doubtful Loans	1,000	1,000
Audit Fee Outstanding		2,000	*Fixed Assets :*		
Capital	55,000		Wardrobe	20,000	
Add : Net Profit for the year	19,600				
	74,600		*Less* : Depreciation	10,000	10,000
Less : Drawings during the year	10,000	64,600	Theatre Fixtures	15,000	
			Less : Depreciation	5,000	10,000
			Leasehold Premises	22,000	
			Less : Depreciation	2,000	20,000
		76,300			76,300

Problem No. 15

Orchard carries on trade as fruit grower and as a canner. On March 31, 2012 the Trial Balance extracted from hi books was as follows :—

	Dr. ₹	Cr. ₹
Orchard—Capital Account (April 1, 2011)		1,35,000
Orchard—Drawing Account	12,000	
Freehold Land and Premises at cost	1,49,000	
Freehold Land and Premises sales during the year		8,000
Plant and Machinery at cost—Farm	19,000	
Plant and Machinery—Cannery	48,000	
Plant and Machinery Provision for Depreciation :		
—Farm		11,000
—Cannery		16,400
Plant and Machinery Purchased during the year	5,000	
Fruit, Trees and Bushes at cost	8,000	
Stock, April 1, 2011—Farm	4,000	
—Cannery	16,500	
Loan at 12 per cent (Interest payable March 31, and September 30)		80,000
Balance at Bank	8,640	
Sale Ledger Balances	6,420	
Bought Ledger Balances—Farm		2,000
—Cannery		7,400
Purchases—Farm	2,500	
—Cannery	12,000	
Wages—Farm	16,000	
—Cannery	24,100	
Sales—Farm		5,300
—Cannery		1,09,500
Trade Expenses	9,200	
Administration and Motor Expenses (including loan interest to September 30, 2011)	15,840	
Repairs—Farm	800	
—Cannery	3,600	
Salaries	14,000	
	3,74,600	3,74,600

You are instructed to prepare the accounts and are given further information as follows :—

(1) Provision is to be made for depreciation for the year of Plant and Machinery on cost at the end of the yea at the rate of 10 per cent in the case Farm and 7½ per cent in the case of Cannery.

(2) During the year, a tractor, included in Farm Plant and Machinery, at a cost of ₹ 6,000 in respect of which depreciation of ₹ 5,000 had been provided, was sold for ₹ 3,000 and was replaced by a new tractor costing ₹ 8,000.

(3) Fruit to the value of ₹ 22,000 was supplied by the Farm to the Cannery.

(4) Stock on hand on March 31, 2012 were valued as follows :-

	₹
Farm	3,000
Cannery	17,200

(5) Amounts owing, excluding interest accrued due, at the end of the year were :—

Purchases—Cannery (included in stock but not entered in the books)	1,400
Trade Expenses	800

(6) Bought Ledger balances at the end of the year included ₹ 3,200 for cans supplied. Since the books were closed the supplier agreed to allow ₹ 1,600 as the cans were substandard. This allowance had been taken into accoun in valuing the stock on March 31, 2012.

(7) All expenses, except when otherwise indicated, are to be apportioned on the basis, Farm—one-fourth Cannery—three-fourths.

(8) Orchard is to be charged ₹ 50 per week for expenses incurred on his private car.

(9) Freehold Land, sold for ₹ 8,000, had cost ₹ 3,500.

(10) Pippin, the manager of the Cannery, is to be credited with 5 per cent of the Cannery profits after charging his commission.

You are required to prepare :

(*a*) Trading and Profit and Loss Accounts showing separately, the net profit or loss of the Farm and of the Cannery for the year ended March 31, 2012, and

(*b*) a Balance Sheet as on that date.

Solution :

Dr. **Trading and profit & Loss Account of Mr. Orchard for the year ending March 31, 2012** *Cr.*

		Farm	*Cannery*		*Farm*	*Cannery*
	Rs.	₹	₹		₹	₹
To Stock		4,000	16,500	By Cannery —Fruit Supplied	22,000	
To Purchases		2,500	13,400	By Sales	5,300	1,09,500
To Wages		16,000	24,100	By Stock	3,000	17,200
To Repairs		800	3,600	By Allowance receivable from creditors		1,600
To Depreciation on Plant & Machinery		2,100	3,600	By Plant and Machinery (Farm) Account	2,000	
To Farm—Fruit received			22,000	By General Profit & Loss A/c—Loss	3,610	
To Trade Expenses (1 : 3)		2,500	7,500			
To Salaries (1 : 3)		3,500	10,500			
To Administrative & Manufacturing Expenses	15,840					
Add : Outstanding Expenses	4,800					
	20,640					
Less : Charged to the Proprietor	2,600					
	18,040	4,510	13,530			
To Manager's Commission Outstanding [W.Note (*iii*)]			646			
To General Profit and Loss Account—Profit			12,924			
		35,910	1,28,300		35,910	1,28,300

Dr. **General Profit and Loss Account of Mr. Orchard for the year ending March 31, 2012** *Cr.*

	₹	₹		₹	₹
To Net Loss from Farm		3,610	By Net Profit from Cannery		12,924
To Net Profit transferred to Capital Account		13,814	By Profit on Sale of Land		4,500
		17,424			17,424

Note : It is assumed that excepting for profit, other entries on sale of the tractor have been made already, e.g., debit to the Depreciation Provision for ₹ 5,000.

Balance Sheet of Mr. Orchard as on March 31, 2012

Liabilities	₹	₹	*Assets*	₹	₹
Sundry Creditors :			*Fixed Assets :*		
Farm	2,000		Freehold Land & Premises		
Cannery—W.N. (*iv*)	7,200	9,200	(at cost)	1,49,000	
Outstanding Expenses :			*Less* : Cost of Freehold		
Trade Expenses	800		Land sold	3,500	1,45,500
Cannery Manager's			Plant and Machinery :		
Commission	646	1,446	Farm, W.No. (*i*)	21,000	
Loan	80,000		*Less* : Depreciation		
Add : Interest Due for 6 months	4,800	84,800	up to 31-3-2010	13,100	
	1,35,000			7,900	
Capital Account ₹			Purchases, trial balance ₹	5,000	
Less : Drawings 12,000			Cannery : 48,000		
Car Expense 2,600	14,600		*Less* : Depreciation 20,000	28,000	40,900
	1,20,400		Fruit Trees		8,000
Add : Net Profit for			*Current Assets* :		
the year	13,814	1,34,214	Stock :		
			Farm	3,000	
			Cannery	17,200	20,200
			Sundry Debtors		6,420
			Cash at Bank		8,640
		2,29,660			2,29,660

Working Notes :

	₹
(*i*) Farm Machinery at cost on 1st April, 2011	19,000
Less : Cost of machinery sold during the year	6,000
	13,000
Add : Cost of machinery purchased during the year	8,000
Farm Machinery at cost on 31st March, 2012	21,000
Depreciation on ₹ 21,000 @ 10%, shown in Profit & Loss Account	2,100

In the absence of required information regarding purchase of machinery for ₹ 5,000 shown in the trial balance, depreciation on this addition has been ignored.

	₹
(*ii*) Administrative & Manufacturing Expenses	15,840
Add : Outstanding Interest on Loan for 6 months	4,800
	20,640
Less : Expenses on Orchard's private car, ₹ 50 x 52	2,600
	18,040

Amount to be charged to Farm = ₹ 18,040 x 1/4 = ₹ 4,510

Amount to be charged to Cannery = ₹ 18,040 x 3/4 = ₹ 13,530

(*iii*) Manager's Commission = ₹ 13,570 x 5/105 = ₹ 646

(*iv*) Cannery Creditors :

	₹
Amount given in the trial balance	7,400
Less : Amount recoverable for sub-standard cans	1,600
	5,800
Add : Omitted vouchers	1,400
	7,200

Problem No. 16

The accountant of Manu Mehta ascertained the business profits; but due to his defective knowledge or otherwise, a number of discrepancies have crept in the Trading and Profit and Loss Account prepared by him. You are requested to draft these accounts properly, ascertaining the cost of goods produced. The accounts prepared by the accountant are as under :—

Trading and Profit and Loss Account
(for the year ended 31st March, 2011)

Dr.	₹	₹	₹		₹	₹ *Cr.*
To Purchases of Raw Materials		1,34,950		By Last Year's Balance		43,100
Add : Returns Inwards		700		By Opening Stock :		
				Raw materials	4,000	
		1,35,650		Work in Progress	3,000	
Add : Closing Stock :				Finished Stock	4,100	11,100
Raw Materials	12,150			By Sales	1,71,000	
Work in Progress	10,000			*Less :* Returns Outwards	850	1,70,150
Finished Stock	13,700	35,850	1,71,500	By Carriage Outward	1,050	
				Less : Carriage Inward	1,000	50
To Wages Productive			20,000	By Trade Discount on Purchases	3,000	
To Factory Expenses			16,400	*Less* : Cash Discount Allowed	100	2,900
To Factory Expenses Paid in Advance			5,800	By Net Loss		9,400
To General Office Expenses			2,500			
To Salaries			6,000			
To Distribution Expenses			1,000			
To Sales Expenses		7,000				
Less : Purchase Expenses		6,000	1,000			
To Export duty		3,000				
Less : Import duty		2,000	1,000			
To Interest on Bank Loan			6,000			
To Depreciation on Plant			5,000			
To Depreciation on Office Furniture			500			
			2,36,700			2,36,700

Solution :

Manufacturing, Trading and Profit and Loss Account of Mr. Manu Mehta
for the year ending 31st March, 2011

Dr.	₹	₹	₹		₹	₹ *Cr.*
To Work in Progress *b/fd*			3,000	By Work in Progress		10,000
To Materials Consumed :				By Cost of Goods Manufactured		1,66,350
Opg. Stock		4,000				
Purchase (less trade discount)		1,31,950				
		1,35,950				
Less : Returns	850					
Stock	12,150	13,000	1,22,950			
To Wages			20,000			
To Purchasing Expenses			6,000			
To Depreciation on Plant			5,000			
To Factory Expenses			16,400			
To Import Duty			2,000			
To Carriage			1,000			
			1,76,350			1,76,350

(Contd.)

	₹	₹		₹	₹
To Stock of Finished Goods, opening		4,100	By Sales	1,71,000	
			Less : Returns Inwards	700	1,70,300
To Cost of Manufacturing the Goods		1,66,350	By Stock of Finished Goods		13,700
To Gross Profit *c/d*		13,550			
		1,84,000			1,84,000
To General Office Expenses		2,500	By Gross Profit *b/d*		13,550
To Salaries		6,000	By Net Loss transferred to Capital Account		13,600
To Distribution Expenses		1,000			
To Sales Expenses		7,000			
To Export Duty		3,000			
To Interest on Bank Loan		6,000			
To Carriage Outwards		1,050			
To Discount		100			
To Depreciation on Office Furniture		500			
		27,150			27,150

Problem No. 17

Mistry gives you the following trial balance as on 31st March, 2012 :—

Debit Balances	₹	*Credit Balances*	₹
Plant & Machinery	60,000	Capital	50,000
Fixtures & Fittings (for office)	2,400	Mistry's Current A/c.	2,500
Stock as on April 1, 2011 :		Sundry Creditors	22,300
Raw materials	16,300	Loan at 18% from Indian Bank	20,000
Finished goods	25,400	Sales	2,50,600
Purchases	93,100	Sales of Scrap	3,600
Wages	51,300		
Other Manufacturing Expenses	16,200		
Office Expenses	18,700		
Selling Expenses	15,000		
Sundry Debtors	26,000		
Cash at Bank	6,600		
Patents	18,000		
	3,49,000		3,49,000

On 31st March 2012, the stock of raw materials was ₹ 13,300. Depreciation provided by Mistry is 15% on Plant and Machinery and 10% on Fixtures & Fittings (on the book value). Patents have two more years to run and concern a vital production process. Manufactured goods were transferred to the selling department at a value of ₹ 2,00,000.

The value of finished goods (at transfer price) on hand on 31st March, 2012 was ₹ 30,000; the value of the finished goods as on April 1, 2011 was at cost to Mistry.

Draw the Manufacturing, Trading and Profit and Loss Account for 2011-2012 and the Balance Sheet of Mistry as at the end of the year.

Solution :

Dr. **Manufacturing Account of Mr. Mistry for the year ending March 31, 2012** *Cr.*

	₹	₹			₹
To Materials Consumed :			By Sales of Scrap		3,600
Opening Stock	16,300		By Transfer to Selling Department (Transfer Price)		2,00,000
Add : Purchases	93,100				
	1,09,400				
Less : Closing Stock	13,300	96,100			
To Wages		51,300			

(*Contd.*)

	₹	₹		₹
To Manufacturing Expenses		16,200		
To Depreciation on Plant		9,000		
To Depreciation on Patents		6,000		
To Manufacturing Profit transferred to Profit and Loss Account (1)		25,000		
		2,03,600		2,03,600

Dr. Trading and Profit and Loss Account of Mr. Mistry for the year ending March 31, 2012 Cr.

	₹		₹
To Opening Stock of Finished Goods	25,400	By Sales	2,50,600
To Transfer from Manufacturing Department	2,00,000	By Stock of Finished Goods	30,000
To Gross Profit *c/d*	55,200		
	2,80,600		2,80,600
To Office Expenses	18,700	By Gross Profit *b/d*	55,200
To Selling Expenses	15,000	By Manufacturing Profit	25,000
To Interest on Loan Outstanding	3,600*		
To Depreciation on Furniture & Fixture	240		
To Stock Reserve (2)	3,750		
To Net Profit transferred to Current Account	38,910		
	80,200		80,200

*It has been assumed that Loan has remained outstanding throughout the year and interest for the year is now due.

Balance Sheet of Mr. Mistry as on March 31, 2012

Liabilities	₹	₹	*Assets*	₹	₹
Capital Account		50,000	*Fixed Assets* :		
Current Account	2,500		Plant & Machinery	60,000	
Add : Net Profit	38,910	41,410	*Less* : Depreciation for the year	9,000	51,000
Loan @ 18%	20,000				
Add : Interest			Fixtures & Fittings	2,400	
Outstanding	3,600	23,600	*Less* : Depreciation for the year	240	2,160
Sundry Creditors		22,300	Patents	18,000	
			Less : Depreciation for the year	6,000	12,000
			Current Assets :		
			Stock :		
			Raw Material		13,300
			Finished Goods	30,000	
			Less : Stock Reserve	3,750	26,250
			Sundry Debtors		26,000
			Cash at Bank		6,600
		1,37,310			1,37,310

Working Notes :

(1) The profit (manufacturing department) on transfer price comes to 12½%.

(2) A Stock Reserve equal to 12½% on transfer price of the closing stock of Finished Goods must be created to bring it at cost price. The amount is ₹ 3,750.