

QB365 Question Bank Software Study Materials

Final Accounts of Sole Proprietors - I Important 2, 3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Accountancy

Total Marks : 75

2 Marks

10 x 2 = 20

- 1) Compute cost of goods sold from the following information:

PARTICULARS	RS
Opening stock	8,000
Purchases	60,000
Direct expenses	5,000
Indirect expenses	6,000
Closing stock	9,000

Answer : Cost of goods sold = Opening stock + Net purchases + Direct expenses – Closing stock
 = 8,000 + 60,000 + 5,000 – 9,000
 = Rs. 64,000

Note: Indirect expenses do not form part of cost of goods sold.

- 2) What are wasting assets?

Answer : Wasting assets are the assets which get exhausted gradually in the process of excavation.

- 3) What is meant by purchases returns?

Answer : Goods purchased which are returned to suppliers are termed as purchases returns or returns outward.

- 4) Name any two direct expenses and indirect expenses.

Answer : **i) Direct expenses:**

- (a) Carriage inwards or Freight inwards
- (b) Wages

ii) Indirect expenses :

- (a) Office expenses.
- (b) Administration expenses
- (c) Selling expenses

- 5) Mention any two differences between trial balance and balance sheet.

Answer :

S.NO.	TRIAL BALANCE	BALANCE SHEET
1.	Trial Balance is a list of ledger balances on a particular date.	Balance sheet is a statement showing the position of assets and liabilities on a particular date.
2.	Balances shown in the trial balance need not be in order.	Balances shown in the balance sheet must be in order.

- 6) What are the objectives of preparing trading account?

Answer : (i) Trading account provides information about Gross Profit or Gross Loss.
 (ii) It provides an opportunity to safeguard against possible losses.
 (iii) It provides information about direct expenses and direct incomes.

- 7) What is the need for preparing profit and loss account?

Answer : Profit and loss account is prepared for the following purposes:

- (i) Ascertainment of net profit or net loss.
- (ii) Comparison of profit.
- (iii) Control on expenses
- (iv) Helpful in the preparation of balance sheet.

8) From the following balances taken from the books of Victor, prepare trading account for the year ended December 31, 2017:

PARTICULARS	RS	PARTICULARS	RS
Adjusted purchases	80,000	Closing stock	7,000
Sales	90,000	Carriage inwards	3,000
Royalty on purchases of goods	4,000	Import duty on purchases of goods	6,000
Octroi on purchase of goods	2,000	Dock charges on purchases	5,000
Cost of goods manufactured	5,000		

Answer :

PARTICULARS	RS.	PARTICULARS	RS.
To Adjusted purchases	80,000	By Sales	90,000
To Royalty on purchases of goods	4,000	By Gross loss	15,000
To Octroi on purchase of goods	2,000	c/d	
To Carriage inwards	3,000		
To Cost of goods manufactured	5,000		
To Import duty on purchase of goods	6,000		
To Dock charges	5,000		
	1,05,000		1,05,000

Dr. In the Books of Mr. Victor Trading account for, the year ended 31.12.2017 Cr.

9) Prepare trading account in the books of Sivashankar from the following figures

PARTICULARS	RS	PARTICULARS	RS
Opening stock	1,500	Purchases	3,500
Sales	4,600	Closing stock	1,300

Answer :

PARTICULARS	RS.	PARTICULARS	RS.
To Opening stock	1,500	By Sales	4,600
To Purchases	3,500	By Closing stock	1,300
To Gross Profit c/d	900		
	5,900		5,900

Dr. Trading Account Cr.

10) Prepare a trading account of Mr. Velu from the following figures:

PARTICULARS	RS.	PARTICULARS	RS.
Opening Stock	500	Sales	3,600
Purchases	2,500	Closing stock	300

Answer :

PARTICULARS	RS.	PARTICULARS	RS.
To Opening stock	500	By Sales	3,600
To Purchases	2,500	By Closing stock	300
To Gross Profit c/d (Transferred to Profit and loss A/c)	900		
	3,900		3,900

Dr. Trading account of Mr. Velu Cr.

3 Marks

10 x 3 = 30

- 11) From the following balances extracted from the books of M/s. Lavanya and sons, prepare trading account for the year ended 31st March 2017:

PARTICULARS	RS	PARTICULARS	RS
Opening stock	16,500	Carriage inwards	1,200
Purchases	45,000	Wages	4,800
Sales	72,000	Fuel and power	3,200
Purchases returns	500	Closing stock	18,000
Sales returns	1,500		

Answer :

PARTICULARS	RS	RS	PARTICULARS	RS	RS
To Opening stock		16,500	By Sales	72,000	
To Purchases	45,000		Less: Sales returns	1,500	70,500
Less: Purchases returns	500	44,500	By Closing stock		18,000
To Carriage inwards		1,200			
To Wages		4,800			
To Fuel and power		3,200			
To Gross profit c/d		18,300			
		88,500			88,500

In the books of M/s. Lavanya and sons

Dr. Trading account for the year ended 31st March, 2017 Cr.

- 12) Find out the amount of sales from the following information.

PARTICULARS	RS
Opening stock	20,000
Purchases less returns	70,000
Direct expenses	10,000
Closing stock	30,000
Gross profit margin (on sales)	20%

Answer : Cost of goods sold = Opening stock + Net purchases + Direct expenses – Closing stock

$$= 20,000 + 70,000 + 10,000 - 30,000$$

$$= \text{Rs. } 70,000$$

Let the sales be 100

Less: Gross profit (20% on sales, i.e., 100) 20

Cost of goods sold 80

Therefore, percentage of Gross profit on Cost of goods sold is $\frac{20}{80} \times 100 = 25\%$

Gross profit = 25 % on Rs. 70,000 i.e: $\frac{25}{100} \times 70,000 = \text{Rs. } 17,500$

Sales = Cost of goods sold + Gross profit

$$= 70,000 + 17,500 = \text{Rs. } 87,500.$$

- 13) From the following information, prepare profit and loss account for the year ended 31st March 2018.

PARTICULARS	RS	PARTICULARS	RS
Gross profit b/d	1,50,000	Advertisement expenses	3,800
Carriage outward	25,500	Bad debts	8,500
Office rent	7,000	Dividend received	9,000
Office stationery	3,500	Discount received	4,600
Distribution expenses	2,000	Rent received	7,000

Answer :

PARTICULARS	RS	PARTICULARS	RS
To Carriage outward	25,500	By Gross profit b/d	1,50,000
To Office rent	7,000	By Dividend received	9,000
To Office stationery	3,500	By Discount received	4,600
To Distribution expenses	2,000	By Rent received	7,000
To Advertisement expenses	3,800		
To Bad debts	8,500		
To Net profit transferred to capital account	1,20,300		
	1,70,600		1,70,600

Dr. Profit and Loss Account for the year ended 31st March, 2018 Cr.

- 14) From the following balances of Niruban, prepare balance sheet as on 31st December, 2017.

PARTICULARS	DR.	CR.
Plant and machinery	8,00,000	
Land and building	6,00,000	
Furniture	1,50,000	
Cash in hand	20,000	
Bank overdraft		1,80,000
Debtors and Creditors	3,20,000	2,40,000
Bills receivable and Bills payable	1,00,000	60,000
Closing stock	4,00,000	

PARTICULARS	DR.	CR.
Investments (short-term)	80,000	
Capital		15,00,000
Drawings	1,30,000	
Net Profit		6,20,000
	26,00,000	26,00,000

Answer :

LIABILITIES	RS	RS	ASSETS	RS	RS
Capital	15,00,000		Land and building		6,00,000
Add: Net profit	6,20,00		Plant and machinery		8,00,000
	21,20,000		Furniture		1,50,000
Less: Drawings	1,30,000	19,90,000	Investments (short-term)		80,000
Creditors		2,40,000	Stock in trade		4,00,000
Bills payable		60,000	Debtors		3,20,000
Bank overdraft		1,80,000	Bills receivable		1,00,000
			Cash in hand		20,000
		24,70,000			24,70,000

In the books of Niruban Balance sheet as on 31st December, 2017

- 15) What is meant by closing entries? Why are they passed?

Answer : (i) Balances of all the nominal accounts and accounts are required to be closed on the last day of the accounting year to facilitate the preparation of trading and profit and loss account.

(ii) It is done by passing necessary closing entries in the journal proper. Purchases has debit balance and purchases returns has credit balance.

(iii) Similarly, sales account has credit balance and sales returns has debit balance.

(iv) At the end of the accounting year, the balance in sales returns account is closed by transferring to sales account.

(e.g.) For Closing purchases returns Account

S.NO.	PARTICULARS		DEBIT(RS.)	CREDIT(RS.)
1.	Purchases Returns A/c	Dr.	xxxxxx	
	To Purchases A/c			xxxxxx
	(Closing of purchase returns account by transferring to Purchases Account)			

- 16) Compute cost of goods sold from the following information:

PARTICULARS	RS	PARTICULARS	RS
Opening stock	10,000	Indirect expenses	5,000
Purchases	80,000	Closing stock	15,000
Direct expenses	7,000		

Answer :

PARTICULARS	RS.
Total Purchases	80,000
Add: Direct expenses	<u>7,000</u>
To Octroi on purchase of goods	87,000
Less: Indirect expenses	<u>5,000</u>
Cost of goods sold	82,000

Calculation of Cost of goods sold:

- 17) Find out the amount of sales from the following information:

PARTICULARS	RS	PARTICULARS	RS
Opening stock	30,000	Closing stock	20,000
Purchases less returns	2,00,000	Gross profit margin (on sales)	30%

Answer : Cost of goods sold = Opening stock + Net purchases + Direct expenses - Closing stock
 = 30,000 + 2,00,000 - 20,000
 = Rs. 2,10,000

Let the sales be	100
Less : Gross profit (30% on sales, i.e., 100)	30
	70

Therefore, Gross profit on Cost of goods sold is $\frac{30}{70} \times 2,10,000 = Rs.90,000$

Sales = Cost of goods sold + Gross profit
 = Rs. 2,10,000 + 90,000 = 3,00,000

- 18) From the following particulars, prepare balance sheet in the books of Bragathish as on 31st December 2017:

PARTICULARS	RS	PARTICULARS	RS
Capital	80,000	Cash in hand	20,000
Debtors	12,800	Net profit	4,800
Drawings	8,800	Plant	43,200

Answer :

LIABILITIES	RS.	RS.	ASSETS	RS.	RS.
Capital	80,000		Debtors		12,800
Add: Net profit	4,800		Cash in hand		20,000
	84,800		Plant		43,200
Less: Drawings	8,800	76,000			
		76,000			76,000

Balance as on 31st December 2017

- 19) Ascertain net profit or net loss from the following:

PARTICULARS	RS	PARTICULARS	RS
Gross profit	12,000	Administration expenses	4,000
Salary (office)	9,000	Freight outwards	3,000
Apprenticeship premium received	5,000	Advertisement	2,000

Answer :

PARTICULARS	RS.	PARTICULARS	RS.
To Salary (office)	9,000	By Gross profit	12,000
To Administration expenses	4,000	By Apprenticeship Premium received	5,000
To Freight outwards	3,000	By Net loss (transferred to capital a/c)	1,000
To Advertisement	2,000		
	18,000		18,000

Dr. In the Books of Net Profit

Cr.

20) From the following particulars, prepare a balance sheet of Mr. Moorthy as on 31st December 2013.

PARTICULARS	RS.	PARTICULARS	RS.
Capital	40,000	Drawings	4,400
Debtors	6,400	Creditors	4,200
Cash in hand	360	Cash at bank	7,200
Furniture	1,000	Plant	10,000
To Net profit	1,660	General reserve	1,000
Closing stock	14,800		

Answer :

LIABILITIES	RS.	RS.	ASSETS	RS.	RS.
Creditors		4,200	Cash in hand		360
General reserve		1,000	Cash at bank		7,200
Capital	40,000		Debtors		6,400
Add: Net Profit	1,660		Closing stock		14,800
	41,660		Furniture		3,700
Less: Drawings	4,400	3,7,260	Plant		10,000
		42,460			42,460

Balance sheet of Mr. Moorthy as on 31.12.2013

5 Marks

5 x 5 = 25

21) From the following trial balance of Sharan, prepare trading and profit and loss account for the year ending 31st December 2017 and balance sheet as on that date. The closing stock on 31st December 2017 was valued at Rs. 2,50,000.

DEBIT BALANCES	RS.	CREDIT BALANCES	RS.
Stock (1-1-2017)	2,00,000	Sundry creditors	12,000
Purchases	7,50,000	Purchases returns	30,000
Carriage inwards	75,000	Sales	10,20,000
Wages	3,65,000	Commission received	53,000
Salaries	1,20,000	Capital	33,00,000
Repairs	12,000		
Rent and taxes	2,80,000		
Cash in hand	97,000		
Land	21,50,000		
Drawings	1,66,000		
Bank deposits	2,00,000		
	44,15,000		44,15,000

Answer :

PARTICULARS	RS.	RS.	PARTICULARS	RS.	RS .
To Opening stock		2,00,000	By Sales		10,20,000
To Purchases	7,50,000		By Stock (closing)		2,50,000
Less: Purchases returns	30,000	7,20,000	By Gross loss c/d		90,000
To Carriage inwards		75,000			
To Wages		3,65,000			
		13,60,000			13,60,000
To Gross loss b/d		90,000	By Commission received		53,000
To Salaries		1,20,000	By Net loss (transferred to capital account)		4,49,000
To Repairs		12,000			
To Rent and taxes		2,80,000			
		5,02,000			5,02,000

In the books of Sharan

Dr. Trading and profit and loss account for the year ending 31st December, 2017

Cr.

LIABILITIES	RS.	RS.	ASSETS	RS.	RS.
Capital	33,00,000		Land		21,50,000
Less: Net loss	4,49,000		Stock in trade		2,50,000
	28,51,000		Bank deposits		2,00,000
Less: Drawings	1,66,000	26,85,000	Cash in hand		97,000
Sundry creditors		12,000			
		26,97,000			26,97,000

Balance sheet as on 31st December, 2017

22) From the following details, prepare profit and loss account.

PARTICULARS	RS	PARTICULARS	RS
Gross profit	50,000	Interest received	2,000
Office rent	10,000	Discount received	3,000
Depreciation on office assets	8,000	Carriage outwards	2,500
Discount allowed	12,000	Insurance on office building	3,500
Advertisement	4,000	General expenses	3,000
Audit fees	1,000	Freight inwards	1,000

Answer :

PARTICULARS	RS.	PARTICULARS	RS.
To Office rent	10,000	By Gross profit	50,000
To Depreciation on office assets	8,000	By Interest received	2,000
To Discount allowed	12,000	By Discount received	3,000
To Advertisement	4,000		
To Audit fees	1,000		
To Carriage outwards	2,500		
To General expenses	3,000		
To Insurance on office building	3,500		
To Net profit (Transferred to capital account)	11,000		
	55,000		55,000

Dr. Profit and Loss A/c

Cr.

- 23) From the following information, prepare profit and loss account for the year ending 31st December 2016.

PARTICULARS	RS	PARTICULARS	RS
Gross loss	60,000	Printing and stationery (office)	2,000
Promotional expenses	5,000	Legal charges	5,000
Distribution expenses	15,000	Bad debts	1,000
Commission paid	7,000	Depreciation	2,000
Interest on loan paid	5,000	Rent received	4,000
Packing charges (on sales)	4,000	Loss by fire not covered by insurance	3,000
Dividend received	3,000		

Answer :

PARTICULARS	RS.	PARTICULARS	RS.
To Gross loss	60,000	By Dividend received	3,000
To Promotional expenses	5,000	By Rent received	4,000
To Distribution expenses	15,000	By Net Loss (Transferred to capital account)	1,02,000
To Commission paid	7,000		
To Interest on loan paid	5,000		
To Packing charges	4,000		
To Printing and Stationery	2,000		
To Legal charges	5,000		
To Bad debts	1,000		
To Loss by fire	3,000		
To Depreciation	2,000		
	1,09,000		1,09,000

Dr. Profit and Loss A/c for the year ending 31.12.2016 Cr.

- 24) Prepare trading and profit and loss account and balance sheet in the books of Deri, a trader, from the following balances as on March 31, 2018.

DEBIT BALANCES	RS	CREDIT BALANCES	RS
Stock	10,000	Sales	1,22,500
Cash	2,500	Creditors	5,000
Bank	5,000	Bills payable	2,000
Freight inwards	750	Capital	1,00,000
Purchases	95,000		
Drawings	4,500		
Wages	27,500		
Machinery	50,000		
Debtors	13,500		
Postage (office)	150		
Sundry expenses	850		
Rent paid	2,500		
Furniture	17,250		
	2,29,500		2,29,500

Closing stock (31st March, 2018) Rs. 8,000.

Answer :

PARTICULARS	RS.	PARTICULARS	RS.
To Opening stock	10,000	By Sales	1,22,500
To Purchases	95,000	By Closing Stock	8,000
To Freight inwards	750	By Gross loss c/d	2,750
To Wages	27,500		
	1,33,250		1,33,250
To Gross loss b/d	2,750	By Net loss c/d	6,250
To Postage	150	(Transferred to capital a/c)	
To Rent paid	2,500		
To Sundry expenses	850		
	6,250		6,250

Dr. In the Books of Deri Trading and Profit and loss
account for the year ended 31.03.2018 Cr.

LIABILITIES	RS.	RS.	ASSETS	RS.	RS.
Capital	1,00,000		Cash		2,500
Less: Net loss	6,250		Bank		5,000
	93,750		Machinery		50,000
Less: Drawings	4,500	89,250	Debtors		13,500
Creditors		5,000	Furniture		17,250
Bills payable		2,000	Closing stock		8,000
		96,250			96,250

Balance Sheet

- 25) The following trial balance is extracted from the books of M/s. Ram, on 31st March, 2016. You are required to prepare trading and profit and loss account and the balance sheet as on date.

PARTICULARS	RS.	PARTICULARS	RS.
Debtors	12,000	Premium	5,000
Purchases	50,000	Bills payable	10,000
Coal, Gas and Water	6,000	Bank overdraft	1,000
Factory Wages	11,000	Sales	80,000
Salaries	9,000	Creditors	13,000
Rent	4,000	Capital	20,000
Discount	3,000		
Advertisement	500		
Drawings	1,000		
Loan	6,000		
Petty Cash	500		
Sales return	1,000		
Machinery	5,000		
Land and Building	10,000		
Income Tax	100		
Furniture	9,900		

Answer :

PARTICULARS	RS.	RS.	PARTICULARS	RS.	RS.
To Purchases		50,000	By Sales	80,000	
To Coal, Gas and Water		6,000	Less: Sales returns	1,000	79,000
To Factory Wages		11,000			
To Gross profit c/d		12,000			
		79,000			79,000
To Salaries		9,000	By Gross profit c/d		12,000
To Rent		4,000	By Premium		5,000
To Discount		3,000			
To Advertisement		500			
To Net profit (Transferred to capital A/c)		500			
		17,000			17,000

Dr. Trading and profit and loss account for the year ended 31st March 2016 Cr

LIABILITIES	RS.	RS.	ASSETS	RS.	RS.
Capital	20,000		Machinery		5,000
Add: Net profit	500		Land and Buildings		10,000
	20,500		Furniture		9,900
Less: Drawings	1,000		Loan and Advances		6,000
	19,500		Debtors		12,000
Less : Income Tax	100	19,400	Petty cash		500
Creditors		13,000			
Bills payable		10,000			
Bank overdraft		1,000			
		43,400			43,400

Balance sheet as at 31st March 2016