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Introduction To Financial Accounting

Accounting cycle & analysis of transaction

* Identifying Transactions :-



- Involvement of outsiders
- Inflow or outflow OR Inflow & outflow Both of Assets (Economic resources)
- Process or starting point of accounting

- No involvement of outsiders
- Neither inflow nor outflow of assets
- End result of process (Transaction)

Financial nature

Record in the books of accounts

Non financial nature

No Record in the books of accounts

Fundamental Premises of accounting



* **Asset :-**

Assets are economic resources (having realisable value) having future economic benefit which are under the control of entity.

* **Liability :-**

Liability are present obligation due to past events, settlement of which Outflow of economic resources (Assets)

* **Capital :-**

Money (Cash/bank) or Money's worth (Kind) invested into the business by their owner (proprietor/shareholder) is known as Capital

or

Capital is the net worth of the business.

* **Income :-**

Increase in net worth of the business is income

* **Expenses / losses :-**

Decrease in networth of the business is expenses or losses.

* **Networth** = **Asset - liability**
 or **Net asset**

Practical Question [1] [Pg:-2.3]

Sol

Accounting equation

Asset = Capital + Liability

+ 1,50,000 (cash) = + 1,50,000

1,50,000 = 1,50,000 + 0

+ 40,000 (Inventory)

- 40,000 (cash)

+ 50,000 (Inventory)

= + 50,000 (creditors)

2,00,000 = 1,50,000 + 50,000

+ 70,000 (cash)

- 40,000 (Inventory)

= + 30,000 (profit)

2,30,000 = 1,80,000 + 50,000

- 15,000 (cash)

= - 15,000 (Rent)

2,15,000 = 1,65,000 + 50,000

- 4,000 = + 1,000 (O/S Rent)

2,15,000 = 1,64,000 + 51,000

+ 25,000 (furniture)

= + 25,000 (Inv for furniture)

2,40,000 = 1,64,000 + 76,000

- 15,000 (cash)

= - 15,000 (drawings)

2,25,000 = 1,49,000 + 76,000

+ 2,50,000 (building)

- 50,000 (cash)

= + 2,00,000 (loan for building)

4,25,000 = 1,49,000 + 2,76,000

Payment for liability = Settlement of liability = Redemption of liability.
 Capital = Owners equity = Internal liability

Practical Question [2] [Pg:-2.3]

Sol

Accounting equation

$$\text{Asset} = \text{Capital} + \text{Liability}$$

$$+ 36,000 \text{ (cash)} = + 36,000$$

$$36,000 = 36,000$$

$$- 800 \text{ (cash)}$$

$$+ 800 \text{ (prepaid rent)}$$

$$36,000 = 36,000$$

$$+ 10,000 \text{ (Inventory)}$$

$$- 10,000 \text{ (cash)}$$

$$+ 4,000 \text{ (Inventory)} = + 4,000 \text{ (creditors)}$$

$$40,000 = 36,000 + 4,000$$

$$+ 8,000 \text{ (cash)}$$

$$- 8,000 \text{ (Inventory)}$$

$$40,000 = 36,000 + 4,000$$

$$- 2,000 = - 2,000 \text{ (rent)}$$

$$= - 400 + 400 \text{ (O/S rent)}$$

$$38,000 = 33,600 + 4,400$$

$$- 16,000 \text{ (cash)} = - 16,000 \text{ (drawings)}$$

$$22,000 = 17,600 + 4,400$$

$$+ 10,000 \text{ (equipment)}$$

$$- 10,000 \text{ (cash)}$$

$$22,000 = 17,600 + 4,400$$

$$- 1,200 \text{ (cash)} = - 1,200 \text{ (creditors)}$$

$$20,800 = 17,600 + 3,200$$

$$- 1,800 \text{ (cash)} = - 1,800 \text{ (business exp)}$$

$$19,000 = 15,800 + 3,200$$

$$- 2,000 \text{ (depreciation)} = - 2,000$$

$$17,000 = 13,800 + 3,200$$

~~Ques~~
Practice Question [1] [Pg:- 2.4]

Sol

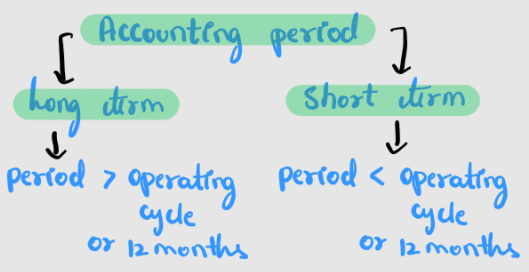
Accounting equation

Asset	=	Capital	+	Liability
+ 70,000	=	+ 70,000		
70,000 - 1,500 (cash) - 1,500 (prepaid rent)	=	70,000		
70,000 + 80,000 (Inventory) - 50,000 (cash)	=	70,000		+ 30,000 (creditors)
1,00,000 + 50,000 (cash) - 30,000 (Inventory)	=	70,000		+ 30,000
1,20,000 - 5,000 (cash)	=	90,000 - 5,000 (Salary) - 1,000		+ 30,000 + 1,000 (O/S Salary)
1,15,000 - 15,000 (cash)	=	84,000 - 15,000 (drawings)		+ 31,000
1,00,000	=	69,000		+ 31,000

* Classification of asset

On the basis of term of future economic benefits (FEB)

- Non-current assets [having long term FEB]
- Current assets [having short term FEB]



On the basis of its nature

- Tangible fixed asset [having physical substance]
eg:- Land & building
- Intangible asset [do not have physical substance]
eg:- goodwill, prototype, stock exchange membership rights, knowhow

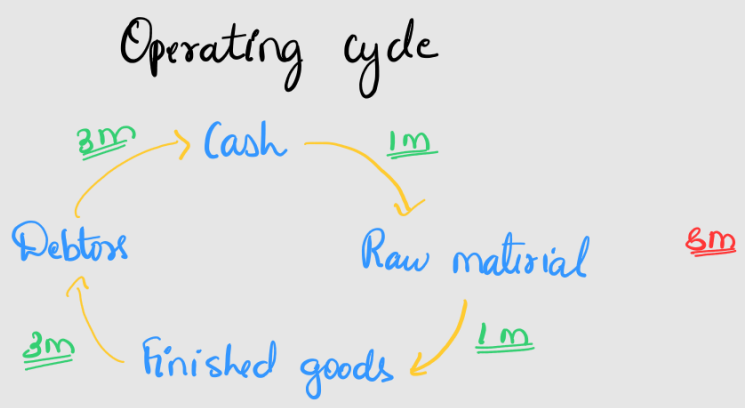
* Fictitious asset :-

Fictitious assets are expenses but treated like assets to follow basic accounting practices.

* Periodicity concept :-



As per periodicity concept generally every accounting period should consist of 12 months.



*

Classification of liability

On the basis of term of repayment/redemption

- Non current assets
Liabilities which are payable in more than one operating cycle or 12 months
- Current liability
liabilities which are payable in within one operating cycle or 12 months.

Contingent liability

- Probable obligation settlement of which will depends on happening or not happening of future uncertain event.
- Eg: guarantee taken over, pending litigation, pending capital contracts

*

Classification of accounts

Traditional Approach

Personal account

- Natural person a/c
- Artificial person a/c
- Representative personal a/c

Imperial account

- Real account
- Nominal account

Modern approach

- Asset
- Liability
- Capital
- Revenue
- Expense

*

Electricity charges

low voltage electricity bill
↓
office expenses

Power expenses

High voltage electricity bill
↓
factory expenses

Nominal a/c

*

Rules for debit & credit

Traditional approach

[Golden rule]

Personal a/c

- Related to a person
- Debit the receiver
- Credit the giver

Imperial a/c

- Real a/c
- Related to assets
- Debit what comes into the business
- Credit what goes out of the business
- Nominal a/c
- Debit all expenses/losses
- Credit all revenue/gains

Modern approach

- Asset
 - Increase Dr.
 - Decrease Cr.
- Liability
 - Increase Cr.
 - Decrease Dr.
- Capital
 - Increase Cr.
 - Decrease Dr.
- Revenue
 - Increase Cr.
 - Decrease Dr.
- Expense
 - Increase Dr.
 - Decrease Cr.

* **Journal** :- A journal is a book in which transactions are recorded in order in which they occur i.e. in chronological order.

Journalising :- The process of recording a transaction in a journal.

Journal entry :- A recorded transaction/event in the journal.

Format of Journal

Date	Particulars	L.F	Debit Amount (₹)	Credit Amount (₹)

Practical Question [1] [Pg:-3-4]

Identification of Debit & Credit

T.No.	Accounts	Rules (modern)	Debit / Credit
1.	Cash a/c X a/c (Debtor) Discount allowed a/c	Asset ↑ Asset ↓ Expense ↑	Dr. Cr. Dr.
2.	Cash a/c Y a/c Discount received	Asset ↓ Liability ↓ Income ↑	Cr. Dr. Cr.
3.	Sales a/c Z a/c (Debtor)	Income ↑ Asset ↑	Cr. Dr.
4.	Cash a/c Sales a/c	Asset ↑ Income ↑	Dr. Cr.
5.	Purchases a/c B a/c	Asset ↑ Liability ↑	Dr. Cr.
6.	Salary Bank	Expense ↓ Asset ↓	Dr. Cr.
7.	Cash a/c Rent a/c	Asset ↓ Expense ↓	Cr. Dr.
8.	Depreciation Furniture	Expense ↑ Asset ↓	Dr. Cr.
9.	Interest Outstanding Interest	Expense ↑ Liability ↑	Dr. Cr.
10.	Interest on Capital Capital	Expense ↑ Capital ↑	Dr. Cr.

Depreciation is allocation of depreciable amount over its economic useful life.



Practical Question [2] [Pg:- 3.4]

Journal Entry

Date	Particulars	L:F	Amount (₹)	Amount (₹)
1.	Cash a/c Dr To Capital a/c (being business commenced with cash)		36,000	36,000
2.	Prepaid Rent a/c Dr. To Cash a/c (being rent paid in advance)		800	800
3	Purchases a/c Dr To Cash a/c To Supplier a/c (being goods purchase for cash ₹ on credit)		14,000	10,000 4,000
4.	Cash a/c Dr To Sales a/c (being goods sold for cash)		8,000	8,000
5. (a)	Rent a/c Dr To Cash (being Rent paid)		2,000	
5(b)	Rent a/c Dr To Rent Outstanding a/c (being o/s rent a/c)		400	400
6.	Drawing a/c Dr To Cash (Cash withdrawn for personal use)		16,000	16,000
7.	Equipment a/c Dr To Cash a/c (being equipment purchased)		10,000	10,000

Payal Agarwal

Date	Particulars	L.F	Amount (₹)	Amount (₹)
8.	Creditors a/c Dr To Cash a/c (being paid to creditors)		1,200	1,200
9.	Petty expenses a/c Dr To Cash a/c (being expenses paid)		1,800	1,800
10.	Depreciation a/c Dr To equipment a/c (being depreciation charged)		2,000	2,000

3rd entry :- Compound entry :- Entry which can be divided into two or more than two entries are known as compound entry.

Practice Question [1] [Pg :- 3.5]

Journal of Ramesh

Date	Particulars	L.F	Amount (₹)	Amount (₹)
1 $\frac{4}{20}$	Bank a/c Dr To Capital a/c (being business commenced)		10,00,000	10,00,000
3 $\frac{4}{20}$	Purchases a/c Dr To Bank a/c (being goods purchased with cash)		50,000	50,000
5 $\frac{4}{20}$	Cash a/c Dr To Bank a/c (being cash withdrawn from bank)		10,000	10,000

Payal Agarwal

Date	Particulars	LF	Amount (₹)	Amount (₹)
13 $\frac{4}{20}$	Krishna a/c Dr To Sales a/c (being goods sold on credit)		1,50,000	1,50,000
20 $\frac{4}{20}$	Purchases a/c Dr To Shyam a/c (being goods purchased on credit)		2,25,000	2,25,000
24 $\frac{4}{20}$	Bank a/c Dr Discount a/c Dr To Krishna a/c (being cash received from Krishna & discount allowed to him)		1,45,000 5,000	1,50,000
28 $\frac{4}{20}$	Shyam a/c Dr To Bank a/c To Discount a/c (being cash paid to Shyam & discount allowed by him)		2,25,000	2,15,000 10,000
30 $\frac{4}{20}$	Bank a/c Dr To Sales a/c (being goods sold for cash)		8,00,000	8,00,000
30 $\frac{4}{20}$	Rent a/c Dr Salary a/c Dr To Bank a/c (being rent & salary paid)		50,000 1,00,000	1,50,000

Practice Question [2] [Pg:-3.6]

Journal Entries

Date	Particulars	L.F	Amount (₹)	Amount (₹)
1 $\frac{12}{20}$	Bank a/c Dr To Capital a/c (being business commenced)		4,00,000	4,00,000
3 $\frac{12}{20}$	Cash a/c Dr To Bank a/c (being cash withdrawn from bank)		2,000	2,000
5 $\frac{12}{20}$	Purchases a/c Dr To Bank a/c (being goods purchased)		15,000	15,000
8 $\frac{12}{20}$	Bank a/c Dr To Sales a/c (being goods sold)		16,000	16,000
10 $\frac{12}{20}$	Furniture a/c Dr To Bank a/c (being furniture purchased)		2,500	2,500
12 $\frac{12}{20}$	Arvind a/c Dr To Sales a/c (being goods sold to arvind)		2,400	2,400
14 $\frac{12}{20}$	Purchases a/c To Amrit a/c (being goods purchased from Amrit)		10,000	10,000
15 $\frac{12}{20}$	Amrit a/c Dr To Purchases returns a/c (being goods returned to Amrit)		500	500

Date	Particulars	LF	Amount (₹)	Amount (₹)
16 $\frac{12}{20}$	Bank a/c Dr Discount a/c Dr To Arvind a/c (being cash received from Arvind & discount allowed)		2,300 100	2,400
18 $\frac{12}{20}$	Drawings a/c Dr To Purchases a/c (being goods withdrawn for personal use)		1,000	1,000
20 $\frac{12}{20}$	Drawings a/c Dr To Cash a/c (being cash withdrawn for personal use)		2,000	2,000
24 $\frac{12}{20}$	Telephone charges a/c Dr To Bank a/c (being expenses paid)		110	110
26 $\frac{12}{20}$	Amrit a/c Dr To Bank a/c To Discount a/c (being cash paid to Amrit & discount allowed by him)		9,500	9,450 50
31 $\frac{12}{20}$	Stationary a/c Dr Rent a/c Dr Salaries a/c Dr To Bank a/c (being stationary, rent, salaries paid)		200 5,000 2,000	7,200
31 $\frac{12}{20}$	Advertisement expenses a/c Dr To purchases a/c (being goods distributed by way of free samples)		2,000	2,000

Ledger & Trial Balance

* Ledger posting :-

After recording the transactions in the journal, recorded entries are classified & grouped into by preparation of accounts.

Format of ledger [classic / traditional]

Name of the account

Dr

Cr

Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)

Format of ledger (Pass book format)

Name of account

Date	Particulars	₹ (Dr)	₹ (Cr)	Balance (Dr)	Balance (Cr)

Practical Question [1] [Pg:- 4.5]

Dr				Cash a/c				Cr
Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)	
	To Capital a/c		2,00,000		By Purchases		60,000	
	To Sales a/c		20,000		By Ram a/c		20,000	
	To Shyam a/c		40,000		By office rent a/c		4,000	
					By Salaries a/c		20,000	
					By machinery a/c		49,500	
					By machinery a/c		500	
					By balance c/d		1,06,000	
			<u>2,60,000</u>				<u>2,60,000</u>	
	To balance b/d		1,06,000					

Dr				Capital a/c				Cr
Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)	
	To balance c/d		2,00,000		By Cash a/c		2,00,000	
			<u>2,00,000</u>				<u>2,00,000</u>	
					By balance b/d		2,00,000	

Dr				Purchases a/c				Cr
Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)	
	To Cash		60,000		By Trading a/c		1,00,000	
	To Ram		40,000					
			<u>1,00,000</u>				<u>1,00,000</u>	

Dr				Sales acc				Cr
Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)	
	To trading acc		80,000		By Shyam acc		60,000	
					By cash acc		20,000	
			<u>80,000</u>				<u>80,000</u>	
			<u><u>80,000</u></u>				<u><u>80,000</u></u>	

Dr				Shyam acc				Cr
Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)	
	To Sales acc		60,000		By Cash acc		40,000	
					By Sales returns acc		10,000	
					By balance c/d		10,000	
			<u>60,000</u>				<u>60,000</u>	
			<u><u>60,000</u></u>				<u><u>60,000</u></u>	
	To balance b/d		10,000					

Dr				Ram acc				Cr
Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)	
	To Cash acc		20,000		By purchases acc		40,000	
	To purchases returns acc		5,000					
	To balance c/d		15,000					
			<u>40,000</u>				<u>40,000</u>	
			<u><u>40,000</u></u>		By balance b/d		15,000	

Dr				Office rent acc				Cr
Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)	
	To Cash acc		4,000		By P/L acc		4,000	
			<u>4,000</u>				<u>4,000</u>	
			<u><u>4,000</u></u>				<u><u>4,000</u></u>	

Dr		Salaries a/c				Cr	
Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)
	To Cash a/c		20,000		By P/L a/c		20,000
			<u>20,000</u>				<u>20,000</u>
			<u><u>20,000</u></u>				<u><u>20,000</u></u>

Dr		Sales returns a/c				Cr	
Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)
	To Shyam a/c		10,000		By Trading a/c		10,000
			<u>10,000</u>				<u>10,000</u>
			<u><u>10,000</u></u>				<u><u>10,000</u></u>

Dr		Purchases returns a/c				Cr	
Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)
	To Trading a/c		5,000		By Ram a/c		5,000
			<u>5,000</u>				<u>5,000</u>
			<u><u>5,000</u></u>				<u><u>5,000</u></u>

Dr		Machinery a/c				Cr	
Date	Particulars	J-F	Amount (₹)	Date	Particulars	J-F	Amount (₹)
	To Cash a/c		49,500		By balance c/d		50,000
	To Cash a/c		500				<u>50,000</u>
			<u>50,000</u>				<u><u>50,000</u></u>
	To balance b/d		50,000				

Trial Balance by Total method

S.No	Particulars	Dr. Total	Cr. Total
1.	Cash a/c	2,60,000	1,54,000
2.	Capital a/c	-	2,00,000
3.	Purchases a/c	1,00,000	-
4.	Shyam a/c	60,000	50,000
5.	Sales a/c	-	80,000
6.	Ram a/c	25,000	40,000
7.	Office rent a/c	4,000	-
8.	Salaries	20,000	-
9.	Sales returns	10,000	-
10.	Purchases returns	-	5,000
11.	Machinery	50,000	-
		5,29,000	5,29,000

Trial balance by balance method

S.No	Particular	Nature	Dr. Balance	Cr. Balance
1.	Cash a/c	Real a/c	1,06,000	-
2.	Capital a/c	Personal a/c	-	2,00,000
3.	Purchases a/c	Nominal a/c	1,00,000	-
4.	Sales a/c	Nominal a/c	-	80,000
5.	Shyam a/c	Personal a/c	10,000	-
6.	Ram a/c	Personal a/c	-	15,000
7.	Office rent a/c	Nominal a/c	4,000	-
8.	Salaries a/c	Nominal a/c	20,000	-
9.	Sales returns a/c	Nominal a/c	10,000	-
10.	Purchases returns a/c	Nominal a/c	-	5,000
11.	Machinery a/c	Real a/c	50,000	-
			3,00,000	3,00,000

* Important points related to trial balance :-

1) Trial balance by total method will be prepared only if we need to find out presence of error in the books of account.

Advantage :- less time consuming

Disadvantage :- financial statements cannot be prepared

2) Trial balance by balance method will help in identifying arithmetical accuracy as well as preparation of financial statement.

Advantage :- facilitate preparing financial statement

Disadvantage :- More time consuming as compared to total method.

3) Preparation of trial balance if balance of account is given in question

Assets - Dr Income / Revenue - Cr.

Liability - Cr. expenses - Dr.

Capital - Cr.

Practical Question [2] [Pg:-4.5]

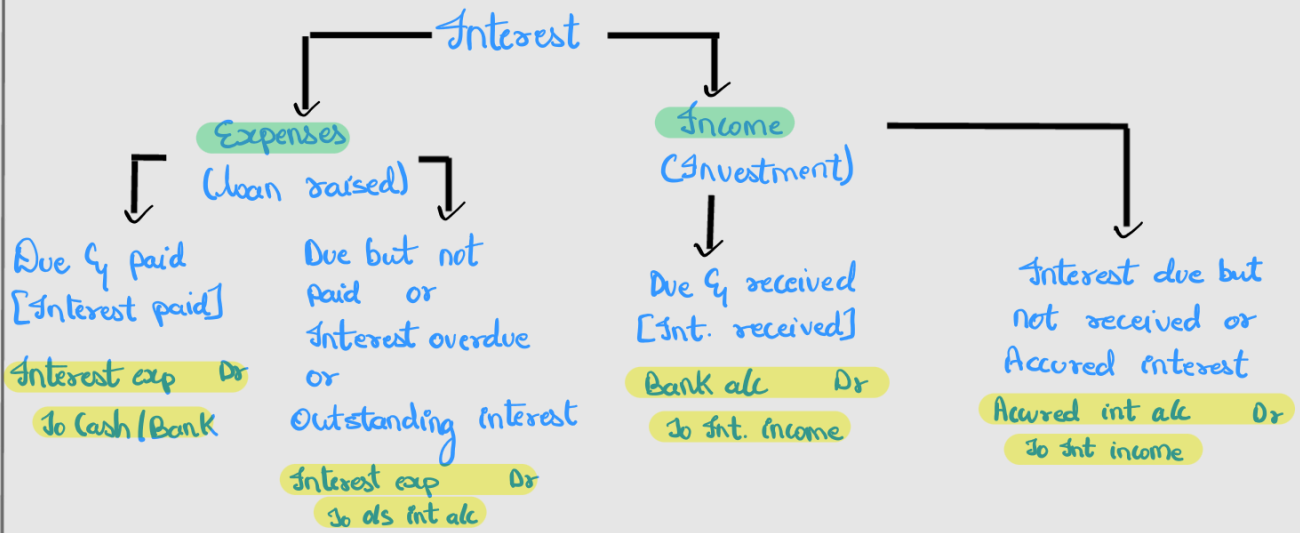
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Trial balance of Mr. Sen

Particulars	Dr. balance	Cr. balance
Capital acc	-	80,000
Current acc	-	10,000
Creditors	-	60,000
Carriage outwards	6,000	-
Outstanding expenses	-	10,000
Cash at bank	80,000	-
Bad debts recovered	-	2,000
Accrued interest	4,000	-
General reserve	-	20,000
Purchase	8,00,000	-
Sales return	1,20,000	-
Salaries	24,000	-
building	80,000	-
Sales	-	40,00,000
Petty cash	10,000	-

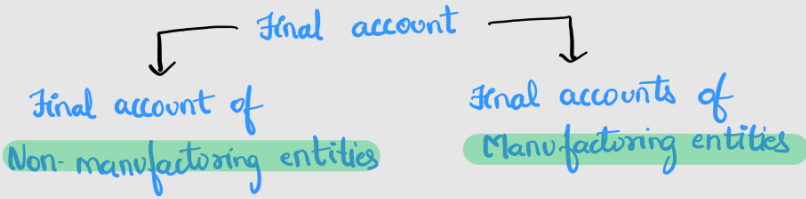
Particulars	Dr. balance	Cr. balance
Discount allowed	10,000	-
Prepaid insurance	2,000	-
Loan acc	-	66,000
Stock on 1/4/21	1,20,000	-
Investment	20,000	-
Carriage inwards	4,000	-
Depreciation	4,000	-
PL acc	-	20,000
Interest received	-	10,000
Bank loan	-	6,000
	12,84,000	12,84,000

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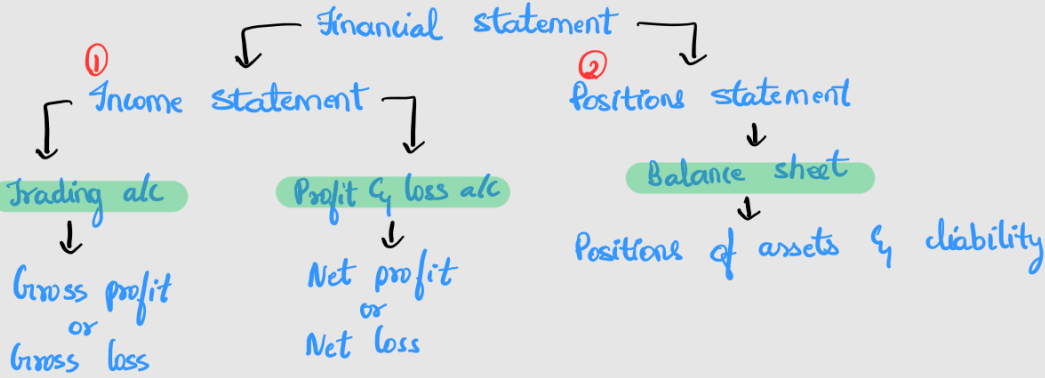


Final Accounts

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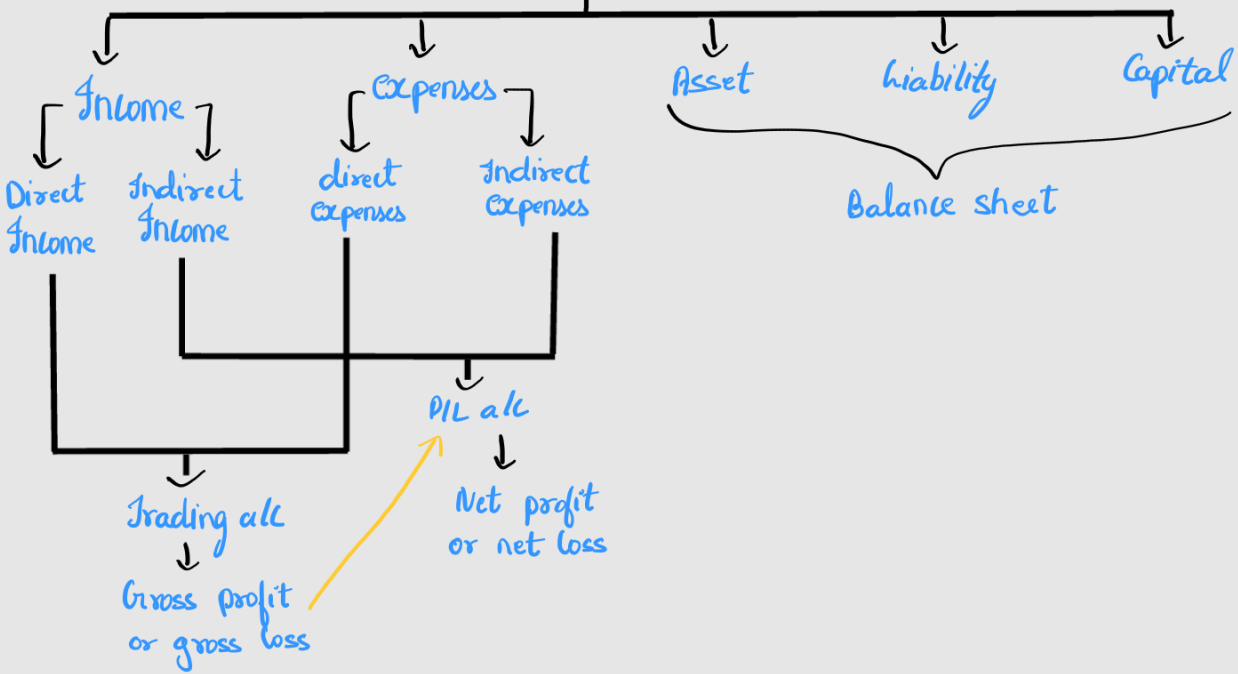
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- ③ Cash flow statement
- ④ Statement of changes in equity.
- ⑤ Notes to account

*

Fundamental premises of accountancy



Format

Trading & PL a/c of for the year ended

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	xx	By Sales	xx
To Purchases	xx	(-) Sales returns	(xx)
(-) Purchases returns	(xx)	By closing stock	xx
To Freight I/W	xx		
To Wages	xx		
To Fuel & power	xx		
To Carriage	xx		
To gross profit b/d	xx		
	xxx		xxx
To Carriage	xx	By gross profit b/d	xx
To rent	xx	By discount received	xx
To Rates & taxes	xx		
To Salaries	xx		
To discount allowed	xx		
To printing & stationery	xx		
To Insurance premium	xx		
To Electricity charges	xx		
To general expenses	xx		
To bank charges	xx		
To bad debts	xx		
To repairs	xx		
To interest on loan	xx		
To depreciation	xx		
To net profit	xx		
	xxx		xxx

Practical Question [1] [Pg:- 5.2]

Q. Trading & P/L a/c of Mr. Agarwal for the year ended 31st March 2022

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	50,000	By Sales	8,38,200
To Purchases	6,80,000	By closing stock	75,000
To Carriage	6,500		
To gross profit c/d	1,76,700		
	<u>9,13,200</u>		<u>9,13,200</u>
To bad debts	2,000	By gross profit b/d	1,76,700
To Salaries	24,000	By sale of old papers	1,500
To Miscellaneous expenses	12,000		
To Travelling expenses	6,500		
To stationery & printing	1,500		
To rent	18,000		
To electricity & telephone	6,800		
To repairs	7,500		
To depreciation			
furniture	9,000		
office equipment	<u>6,000</u>		
	15,000		
To net profit	84,900		
	<u>1,78,200</u>		<u>1,78,200</u>

Closing stock Dr 75,000
 To Trading a/c 75,000 } Adjustment entry

Q.2
Practical Question [2] [Pg:- 5.3]

Trading & P/L a/c of Mrs. Saxena for the year ended 31st March 2022

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	80,000	By Sales	6,80,000
To Purchases	4,60,000	By closing stock	47,500
To gross profit c/d	1,87,500		
	<u>7,27,500</u>		<u>7,27,500</u>
To Travelling expenses	6,500	By gross profit b/d	1,87,500
To Insurance	1,500	By discount	1,800
To Audit fees	1,000		
To Salaries	49,000		
To rent	5,000		
To Miscellaneous expenses	21,200		
To discount	1,200		
To printing & stationery	1,500		
To depreciation			
furniture 30,000			
Machineries 5,500	35,500		
To net profit	66,900		
	<u>1,89,300</u>		<u>1,89,300</u>

Balance sheet of Mrs. Serena as on 31st March 2022

Liability		Amount (₹)	Asset		Amount (₹)
Capital	2,45,750	2,89,650	Machineries	1,70,000	3,70,950
Add: Net profit	66,900		Furniture	49,500	
Less: Drawings	<u>(28,000)</u>		Sundry debtors	38,000	
Sundry Creditors		82,000	Cash in hand	7,800	
Outstanding expenses:			Cash at Bank	18,500	
Salaries	1500		Prepaid insurance	250	
Printing	600		Suspense account	39,400	
Audit fees	1000		Closing stock	47,500	
Bank interest	<u>1200</u>	4,300			
		<u>3,70,950</u>			<u>3,70,950</u>

Practise Question [1] [Pg:- 54]

Trading a/c of ----- for the year ended 31st March 2020

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	1,50,000	By Sales:	
To Purchases:		Cash Sales	60,000
Cash purchases	50,000	Credit Sales	12,00,000
Credit purchases	10,00,000	less: Sales returns	<u>(20,000)</u>
less: purchases returns	<u>(10,000)</u>		12,40,000
To Wages & Salaries	4,000	Closing stock	84,000
To Carriage	2,000		
To freight	3,000		
To Cartage	1,000		
To gross profit c/d	1,24,000		
	<u>13,24,000</u>		<u>13,24,000</u>

Closing stock = Inventory
 As 2 "Valuation of Inventory"
 ↓
 Cost vs Market Value
 or net realisable value
 lower

Ques
 Practice Question [2] [Pg:- 5.4]

Q8

Profit & loss a/c of for the year ended 31 March 2020

Particulars	Amount(₹)	Particulars	Amount(₹)
To Salaries & Wages	10,000	By gross profit b/d	5,00,000
To Carriage o/w	5,000	By discount received	2,000
To freight o/w	5,000	By dividend received	3,000
To discount allowed	1,000	By profit on sale of fixed assets	5,000
To Commission allowed	5,000	By Commission received	17,000
To interest on loan	3,000	By interest received	4,000
To General expenses	1,000	By rent received	5,000
To rent paid	4,000		
To Brokerage allowed	3,000		
To loss on sale of fixed assets	7,000		
To net profit	4,92,000		
	<u>5,36,000</u>		<u>5,36,000</u>

Solutions Page Numbers

Practical Ques	Pg: No	Practice Ques.	Pg: No.
Q. 1 Pg:- 2.3	1.4	PA. 1 Pg:- 2.4	1.6
Q. 2 Pg:- 2.3	1.5		
Q. 1 Pg:- 3.4	1.10	PA. 1 Pg:- 3.5	1.12
Q. 2 Pg:- 3.4	1.11	PA. 2 Pg:- 3.6	1.14
Q. 1 Pg:- 4.5	1.17		
Q. 2 Pg:- 4.5	1.21		
Q. 1 Pg:- 5.2	1.26	PA. 1 Pg:- 5.4	1.29
Q. 2 Pg:- 5.3	1.28	PA. 2 Pg:- 5.4	1.30
		PA. 3 Pg:- 5.5	1.31