

CHAPTER - 5

FINAL ACCOUNTS

Learning Objectives

After learning this Chapter, you will be able to:

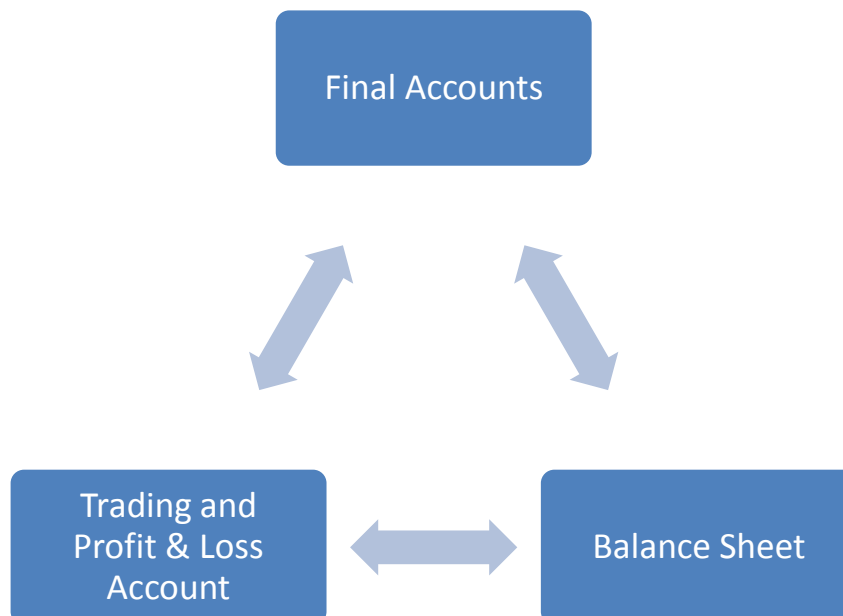
To know the Meaning, Purpose, Content and Format of Trading, Profit and Loss Account and Balance Sheet.

To understand the Differences between Trial Balance and Balance Sheet.

To prepare the Final Accounts.

Trial balance proves the arithmetical accuracy of the business transactions, but it is not the end. The businessman is interested in knowing whether the business has resulted in **profit** or **loss** and what the **financial position** of the business is at a given period. In short, he wants to know the profitability and the financial soundness of the business. The trader can ascertain these by preparing the final accounts.

The final accounts are prepared at the end of the year from the trial balance. Hence, the trial balance is said to be the connecting link between the ledger accounts and the final accounts.



Parts of Final Accounts

*The final accounts of business concern generally include two parts. The first part is **Trading and Profit and Loss Account** (This is also called **Income Statement**). This is prepared to find out the net result of the business. The second part is **Balance Sheet** (also called Position Statement) which is prepared to know the financial position of the business.*

Trading Account

*Trading means buying and selling. The trading account shows **the result of buying and selling of goods.***

Need

At the end of each year, it is necessary to ascertain the net profit or net loss. For this purpose, it is first necessary to know the gross profit or gross loss. The trading account is prepared to ascertain this.

The difference between the selling price and the cost price of the goods is the gross earning of the business concern. Such gross earning is called as gross profit. However, when the selling price is less than the cost of goods purchased, the result is gross loss.

<i>Dr</i>		<i>Trading Account for the year ending _____</i>		<i>Cr</i>	
<i>Particulars</i>		<i>Amount</i>	<i>Particulars</i>		<i>Amount</i>
To Opening Stock		xxx	By Sales		xxx
To Purchases		xxx	Less :Returns Inward		<u> x</u>
Less: Purchase Returns		<u> x</u>			xxx
		xxx	By Closing stock		xxx
To Wages		xxx	By Gross Loss c/d (transferred to P&L a/c)		xxx
To Freight		xxx			
To Carriage Inwards		xxx			
To Clearing charges		xxx			
To Packing charges		xxx			
To Dock dues		xxx			
To Power (factory)		xxx			
To Octroi Duty		xxx			
To Gross Profit c/d (transferred to P&L a/c)		xxx			
		xxx			xxx

Items appearing in the debit side:

1. **Opening stock:** Stock on hand at the beginning of the year is termed as opening stock. The closing stock of the previous accounting year is brought forward as opening stock of the current accounting year. In the case of **new business**, there will **NOT** be any opening stock.
2. **Purchases:** Purchases made during the year, includes both cash and credit purchases of goods. **Purchase returns** must be deducted from the total purchases to get net purchases.
3. **Direct Expenses:** Expenses which are incurred from the stage of purchase to the stage of making the goods in saleable condition are termed as direct expenses like;
 - i. **Wages:** It means remuneration paid to workers.
 - ii. **Carriage or carriage inwards:** It means the transportation charges paid to bring the goods from the place of purchase to the place of business.
 - iii. **Octroi Duty:** Amount paid "Tax" to bring the goods within the municipal limits.
 - iv. **Customs duty, dock dues, clearing charges, import duty etc.:** These expenses are paid to the Government on the goods imported.
 - v. **Other expenses:** Fuel, power, lighting charges, oil, waste related to production and packing expenses.

Items appearing in the credit side

i. **Sales:** This includes both cash and credit sale made during the year. Net sales is derived by deducting sales return from the total sales.

ii. **Closing stock:** Closing stock is the value of goods which remain in the hands of the trader at the end of the year. It does **not** appear in the trial balance. It appears **outside** the trial balance. (As it appears outside the trial balance, first it will be recorded in the credit side of the trading account and then shown in the **assets** side of the balance sheet).

Illustration 1

Prepare a Trading Account from the following information of a trader.

Total purchases made during the year 2016: SR 200,000.

Total sales made during the year 2016: SR. 250,000

Solution:

Trading Account for the year ending 31st December 2016

Particulars	Amount	Particulars	Amount
To Purchases	200,000		250,000
	50,000		
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Illustration 2

From the following information, prepare a Trading Account for the year ended 31/12/2016.

2016, Jan 1 Opening stock SR. 15,000

2016, Dec 31 Purchases SR. 16,500

Sales SR. 30,600

Closing stock SR. 13,500

Solution:

Trading Account for the year ending 31st December 2016

<i>Particulars</i>	<i>Amount</i>	<i>Particulars</i>	<i>Amount</i>

Illustration 3

Prepare Trading Account for the year ending 31st March 2016 from the following.

Opening stock SR. 170,000

Purchases return SR. 10,000

Sales SR. 250,000

Wages SR. 50,000

Sales return SR. 20,000

Purchases SR. 100,000

Carriage inward SR. 20,000

Closing stock SR. 160,000

Solution:

Dr Trading Account for the year ending 31st March, 2016.

<i>Dr</i>	<i>Particulars</i>	<i>Amount</i>	<i>Cr</i>	<i>Particulars</i>	<i>Amount</i>
		390,000			390,000

Balancing

The difference between the two sides of the **Trading Account** , indicates either Gross Profit or Gross Loss. If the credit side total is more, the difference represents **Gross Profit**. On the other hand, if the total of the debit side is more, the difference represents **Gross Loss**.

The Gross Profit or Gross Loss is transferred to **Profit & Loss Account**.

Profit and Loss Account

After calculating the gross profit or gross loss the next step is to prepare the profit and loss account. To earn net profit a trader must incur many expenses apart from those spent for purchases and manufacturing of goods. If such expenses are less than gross profit, the result will be **net profit**. When total of all these expenses are more than gross profit the result will be **net loss**.

Format**Dr** Profit and Loss Account for the year ended**Cr.**

Particulars	Amount	Particulars	Amount
To Balance b/d (Gross Loss)	xxx	By Balance b/d (Gross profit)	xxx
To Salaries	xxx	By Commission earned	xxx
To Rent & rates	xxx	By Rent received	xxx
To Stationeries (قرطاسية)	xxx	By Interest received	xxx
To Postage expenses	xxx	By Discount received	xxx
To Insurance	xxx	By Net LOSS (Transferred to Capital a/c)	xxx
To Repairs	xxx		
To Trading expenses	xxx		
To Office expenses	xxx		
To Interest paid	xxx		
To Bank charges	xxx		
To Sundry expenses (مصروفات نثرية)	xxx		
To Commission paid	xxx		
To Discount allowed	xxx		
To Advertisement	xxx		
To Carriage outwards	xxx		
To Travelling expenses	xxx		
To Distribution expenses	xxx		
To Repacking charges	xxx		
To Bad debts (الديون المعدومة)	xxx		
To Depreciation	xxx		
To Net Profit (transferred to Capital a/c)	xxx		
	xxx		xxx

Items appearing in the debit side:

Those expenses which are chargeable to the normal activities of the business are recorded in the debit side of profit and loss account. They are termed as **indirect expenses**.

i. **Office and Administrative Expenses:** Expenses incurred for the functioning of an office are office and administrative expenses – office salaries, office rent, office lighting, printing and stationery, postages, telephone charges etc.

ii. **Repairs and Maintenance Expenses:** These expenses relates to the maintenance of assets.
Ex: repairs and renewals, depreciation etc.

iii. **Financial Expenses:** Expenses incurred on borrowings. Ex: Interest paid on loan.

iv. **Selling and Distribution Expenses:** All expenses relating to sales and distribution of goods.
Ex: advertising, travelling expenses ,salesmen salary, commission paid to salesmen, discount allowed, repacking charges, carriage outwards, etc.

Items appearing in the credit side

Besides the gross profit, other gains and incomes of the business are shown on the credit side. The following are some of the incomes and gains.

i. Interest received on investment

ii. Interest received on fixed deposits.

iii. Discount earned.

iv. Commission earned.

v. Rent Received

Illustration 4: Prepare Profit and Loss Account, from the following balances of Mr. Ahmad for the year ending 31/12/2016

Office rent SR. 30,000

Salaries SR. 80,000

Printing expenses SR. 2,000

Stationeries SR. 3,000

Tax, Insurance SR. 4,000

Discount allowed SR. 6,000

Advertisement SR. 36,000

Travelling expenses SR. 26,000

Gross Profit SR. 250,000

Discount received SR. 4,000

Solution:

Profit and Loss Account of Mr. Ahmad for the year ending 31st Dec. 2016.

Dr.

Cr.

<i>Particulars</i>	<i>Amount</i>	<i>Particulars</i>	<i>Amount</i>
	254,000		254,000

Illustration 6

From the following trial balance of SABIC, prepare Trading, Profit and Loss Account for the year ending 31.12.2016.

<i>Particulars</i>	<i>Debit</i>	<i>Particulars</i>	<i>Credit</i>
<i>Purchases</i>	<i>540,000</i>	<i>Sales</i>	<i>1,040,000</i>
<i>Salaries</i>	<i>350,000</i>	<i>Purchase Returns</i>	<i>12,000</i>
<i>Office expenses</i>	<i>4,000</i>	<i>Discount received</i>	<i>6,000</i>
<i>Wages</i>	<i>8,000</i>	<i>Interest received</i>	<i>3,000</i>
<i>Packing charges</i>	<i>11,000</i>	<i>Capital</i>	<i>178,000</i>
<i>Carriage inwards</i>	<i>8,000</i>		
<i>Sale Returns</i>	<i>12,000</i>		
<i>Discount allowed</i>	<i>4,000</i>		
<i>Commission</i>	<i>2,000</i>		
<i>Stock</i>	<i>60,000</i>		
<i>Income tax</i>	<i>40,000</i>		
<i>Cash in hand</i>	<i>200,000</i>		
	<hr/>		<hr/>
	<i>1,239,000</i>		<i>1,239,000</i>

Closing stock is valued at SR. 135,000.

Note:

- *If trial balance shows both trading expenses as well as office expenses, the trading expenses should be shown in the trading account and office expenses should be shown in profit & loss account. On the other hand, if the trial balance shows only trading expenses, it should be shown in the profit & loss account.*
- *Income tax paid by a proprietor is considered as personal expenses. So it should be deducted from the capital.*

Balancing

*The difference between the two sides of profit and loss account indicates either net profit or net loss. If the total on the **credit** side is more the difference is called **net profit**. On the other hand, if the total of **debit** side is more the difference represents **net loss**. The net profit or net loss is transferred to capital account.*

Balance Sheet:

*This forms the second part of the final accounts. It is a statement showing the financial position of a business. Balance sheet is prepared by taking up all personal accounts and real accounts (assets and properties) together with the net result obtained from profit and loss account. Balance sheet is not an account but it is a statement prepared from the ledger balances. So we should **NOT** prefix the accounts with the words "To" and "By".*

Balance sheet is defined as "a statement which sets out the assets and liabilities of a business firm and which serves to ascertain the financial position of the same on any particular date".

Need:

The need for preparing a Balance sheet is as follows:

- i. To know the nature and value of assets of the business*
- ii. To ascertain the total liabilities of the business.*
- iii. To know the position of owner's equity.*

Format

The Balance sheet of a business concern can be presented in the following two forms

- i. Horizontal form or the Account form*
- ii. Vertical form or Report form*

i) Horizontal form of Balance Sheet:

The left hand side of the balance sheet is an asset side and the right side is a liabilities side. All accounts having debit balance will appear in the asset side and all those having credit balance will appear in the liability side.

Balance Sheet of.....as on.....

Assets	Amount	Liabilities	Amount
Cash in hand	xxx	Sundry creditors	x xx
Cash at bank	xxx	Bills payable	xxx
Bills receivable	xxx	Bank overdraft	x xx
Sundry debtors	x xx	Outstanding expenses	x xx
Investments	xxx	Mortgage loans	xxx
Closing stock	x xx	Reserve fund	x xx
Prepaid expenses	x xx	Capital	x xx
Furniture & fittings	xxx	Add: Net profit (or)	
Plant & machinery	xxx	Less: Net loss	<u>x xx</u>
Land & buildings	xxx		x xx
Patents & trade marks	xxx	Less: Drawings	- <u>x xx</u>
Goodwill	xxx		x xx
		Less: Income tax	- <u>x xx</u>
	x xx		xxx

Vertical form of Balance Sheet

In this, Balance Sheet is presented in a statement form.

Balance Sheet as on.....

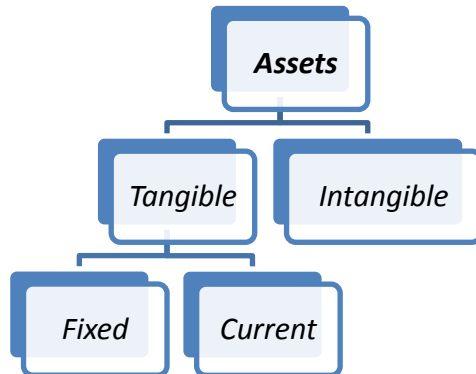
<i>Particulars</i>	<i>Amount</i>	<i>Amount</i>
Current Assets:		
<i>Stock-in-Trade</i>	X XX	
<i>Sundry Debtors</i>	X XX	
<i>Prepaid Expenses</i>	X XX	
<i>Accrued Income</i>	X XX	
<i>Bills Receivable</i>	X XX	
<i>Cash at Bank</i>	X XX	
<i>Cash in Hand</i>	X XX	
Total Current Assets		X XX
Less: Current Liabilities:		
<i>Sundry Creditors</i>	X XX	
<i>Bills Payable</i>	X XX	
<i>Bank Overdraft</i>	X XX	
<i>Outstanding Expenses</i>	X XX	
Total Current Liabilities		xxx
Net Working Capital:		xxx
Add: Fixed Assets:		
<i>Goodwill</i>	X XX	
<i>Land and Building</i>	X XX	
<i>Plant and Machinery</i>	X XX	
<i>Furniture</i>	X XX	
<i>Investment</i>	X XX	
Total Fixed and intangible Assets		xxx
Total Assets		xxx

Less: Long Term Liabilities		
<i>Debentures</i>	X XX	
<i>Loans</i>	X XX	
	<hr/>	
Total Long Term Liabilities		xxx
		<hr/>
Net Assets (Represented by:)*		xxx
<i>Owner's Capital</i>	X XX	
<i>Reserves and surplus</i>	X XX	
	<hr/>	
Shareholders' Funds		xxx

Classification of Assets and Liabilities

Assets

Assets represents everything which a business owns and has money value. In other words, asset includes possessions and properties of the business. Asset are classified as follows:



a) Tangible Assets:

Assets which have some physical existence are known as tangible assets. They can be seen, touched and felt, e.g. Plant and Machinery

Tangible assets are classified into

i. Fixed assets:

Assets which are permanent in nature having long period of life and cannot be converted into cash in a short period are termed as Fixed assets.

ii. Current assets:

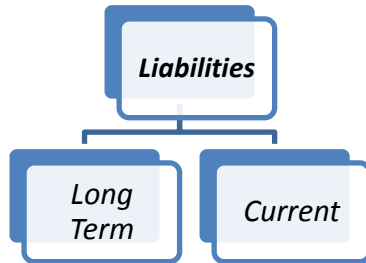
Assets which can be converted into cash in the ordinary course of business and are held for a short period is known as **current assets**. For example, cash in hand, cash at bank, sundry debtors etc.

b) Intangible Assets

The assets which have no physical existence and cannot be seen or felt. They help to generate revenue in future, e.g. goodwill, patents, trademarks etc.

Liabilities

The amount which a business owes to others is liabilities. Credit balance of personal and real accounts together with the capital account are liabilities.



a) Long Term Liabilities

Liabilities which are repayable after a long period of time are known as **Long Term Liabilities**. For example, capital, long term loans etc.

b) Current Liabilities

Current liabilities are those which are repayable within a year. For example, creditors for goods purchased, short term loans etc.

Marshalling of Assets and Liabilities

The term '**Marshalling**' refers to the order in which the various assets and liabilities are shown in the balance sheet. The assets and liabilities can be shown either in the order of liquidity or in the order of permanence.

a) In order of liquidity

Liquidity means convertibility into cash. Assets will be said to be liquid if it can be converted into cash easily, they are placed at the top of the balance sheet. Liabilities are arranged in the order of their urgency of payment. The most urgent payment to be made is listed at the top of the balance sheet.

b) In order of permanence

This order is exactly the reverse of the above. Assets and liabilities are recorded in the order of their life in the business concern.

Balance Sheet Equation

An important thing to note about the Balance Sheet is that, the total value of the assets is always equal to the total value of the liabilities.

*This is because the liability to the owner - capital, is always made up of the difference between assets and liabilities. Thus, **Assets = Liabilities + Capital***

Or

Capital = Assets - Liabilities

While preparing the trial balance in case it does not tally the difference is transferred to an imaginary account called as suspense account. In case the suspense account is not closed before the preparation of the final accounts then it has to be placed in the balance sheet, so that it can be rectified later. If suspense account has a debit balance it will appear as the last item in the asset side. In case it shows a credit balance it will appear as the last item in the liability side.

Illustration 7. From the following Trial Balance of Almuzahimiah Co. prepare trading and profit and loss account for the year ending on 31st March 2016 and the balance sheet as on the date:

Trial Balance of Almuzahimiah as on 31st March, 2016.

<i>Particulars</i>	<i>Amount (Dr.)</i>	<i>Amount (Cr.)</i>
<i>Opening Stock (1/4/2011)</i>	<i>5,000</i>	
<i>Purchases</i>	<i>16,750</i>	
<i>Discount allowed</i>	<i>1,300</i>	
<i>Wages</i>	<i>6,500</i>	
<i>Sales</i>		<i>30,000</i>
<i>Salaries</i>	<i>2,000</i>	
<i>Travelling expenses</i>	<i>400</i>	
<i>Commission</i>	<i>425</i>	
<i>Carriage inward</i>	<i>275</i>	
<i>Administration expenses</i>	<i>105</i>	
<i>Trade expenses</i>	<i>600</i>	
<i>Interest</i>	<i>250</i>	
<i>Building</i>	<i>5,000</i>	
<i>Furniture</i>	<i>200</i>	
<i>Debtors</i>	<i>4,250</i>	
<i>Creditors</i>		<i>2,100</i>
<i>Capital</i>		<i>13,000</i>
<i>Cash</i>	<i>2,045</i>	
TOTAL	45,100	45,100

Stock on 31st March 2016 was SR. 6,000.

Balance Sheet of Aramco as on 31st March, 2016.

Assets	Amount	Liabilities	Amount
	17,495		17,495

Illustration 8.

Prepare Trading and Profit Loss Account for the year ending 31st December 2016 and Balance Sheet on that date from the following Trial Balance books of AlMuzahimiyah Co.

Debit Balance	Amount	Credit Balance	Amount
Stock	10,000	Sales	60,000
Purchases	33,500	Creditors	4,200
Discount	2,600	Capital	26,000
Wages	13,000	Bills Payable	8,000
Salaries	4,000	Loan	22,000
Travelling expenses	800		
Commission	850		
Carriage inwards	550		
Administrative expenses	210		
Trade expenses	1,200		
Interest	500		
Building	10,000		
Furniture	400		
Debtors	8,500		
Cash	4,090		
Bank	2,000		
Machinery	8,000		
Land	20,000		
Total	120,200		120,200

Stock on 31st December 2016 SR 17,000

Solution:

**Trading Account of AlMuzahimiyah Co.
(For the year ended 31st December 2016)**

<i>Particulars</i>	<i>Amount</i>	<i>Particulars</i>	<i>Amount</i>

Profit & Loss A/c of AlMuzahimiyah Co. for the year ended 31st December, 2016.

<i>Particulars</i>	<i>Amount</i>	<i>Particulars</i>	<i>Amount</i>

Illustration 9.

The following is the trial balance of Riyadh Firm at 31st March 2010.

<i>Debit Balance</i>	<i>Amount (SR)</i>	<i>Credit Balance</i>	<i>Amount (SR)</i>
<i>Drawings</i>	<i>13,600</i>	<i>Capital</i>	<i>42,140</i>
<i>Bank</i>	<i>5,800</i>	<i>Loan from Abdullah.</i>	<i>10,000</i>
<i>Cash</i>	<i>460</i>	<i>Sales Revenues</i>	<i>88,400</i>
<i>Purchases</i>	<i>46,300</i>	<i>Purchase Returns</i>	<i>3,100</i>
<i>Sales Returns</i>	<i>5,700</i>	<i>Trade Payables</i>	<i>7,200</i>
<i>Inventory at 1 Apr.2009</i>	<i>8,500</i>	<i>Discount Received</i>	<i>950</i>
<i>Carriage in wards</i>	<i>2,400</i>		
<i>Carriage outwards</i>	<i>1,600</i>		
<i>Trade receivables</i>	<i>15,300</i>		
<i>Motor Vehicles</i>	<i>23,100</i>		
<i>Fixtures and fittings</i>	<i>12,400</i>		
<i>Wages</i>	<i>6,800</i>		
<i>Rent</i>	<i>4,100</i>		
<i>Light and heat</i>	<i>3,200</i>		
<i>Telephone and postages</i>	<i>1,700</i>		
<i>Discount allowed</i>	<i>830</i>		
	<hr/>		<hr/>
	<i>151,790</i>		<i>151,790</i>

The inventory at 31st March 2010 was valued at SR 9800. The loan from Riyadh is payable on 1 January 2014.

Balance Sheet (As on 31ST Mach2010)

Assets	Amount	Liabilities	Amount

QUESTIONS

a) Fill in the blanks:

1. _____ account enables the trader to find out gross profit or loss.
2. By preparing profit and loss account _____ can be find out.
3. Closing stock is _____ in the trading account.
4. Direct expenses appears in the debit side of the _____ account.
5. Indirect expenses appears in the _____ side of the profit and loss account.
6. All incomes are _____ in the profit and loss account.
7. Bad debt is a _____ expense.
8. Salaries appear on the _____ account.
9. Balance sheet shows the _____ of a business

b) Choose the correct answer:

1. Trading account is prepared to find out
a) Gross profit or loss b) net profit or loss c) financial position
2. Wages is an example of a) Capital expenses b) indirect expenses c) direct expenses
3. Opening stock is
a) Debited in trading account b) credited in trading account c) credit in profit and loss account
4. Balance sheet is a a) statement b) account c) ledger
5. Fixed assets have a) Short life b) long life c) no life
6. Cash in hand is an example of a) Current assets b) fixed assets c) current liability
7. Capital is a a) Income b) assets c) liability
8. Drawing must be deducted from a) Net profit b) capital c) gross profit
9. Current liabilities are recorded in the balance sheet on
a) Not recorded b) liability side c) assets side
10. Net profit is added to
a) Gross profit b) drawings c) capital

III. Problems:

1. Prepare a trading account of Mr. Hassan from the following figures.

Opening stock	500
Purchases	2,500
Sales	3,600
Closing stock	300

[Answer: Gross profit SR 900]

2. Prepare a trading account of Mr. Devan for the year ended 31st December 2016.

Opening stock	5,700
Purchases	158,000
Purchases returns	900
Sales	262,000
Sales returns	600
Closing stock was valued at Rs.	8,600.

[Answer: Gross profit SR. 107,200]

3. The following are some of the balances extracted from the ledger of Mr.Sundaram as on 31st December 2016. Prepare a trading account.

Stock 1.1.2016	12, 500
Purchases	100,000
Sales	150,000
Returns outwards	5,000
Returns inwards	10,000
Salaries	4,400
Wages	7,500
Rent	2,750
Carriage inwards	2,500
Carriage outwards	750
Power, coal, gas	1,000

Stock on 31.12.2016 was valued at SR 14, 000.

[Answer: Gross profit SR. 35,500]

4. Prepare profit and loss account of Mrs. Nalini for the year ended 31st Dec. 2001 from the following.

Gross profit 125,000	Discount paid 600
Salaries 15,000	Discount received 1,000
Rent 5,000	Interest paid 500
Carriage outwards 1,000	interest received 700
Selling expenses 500	Commission earned 2,000
Income from investment 1,500	

[Answer: Net profit SR 107,600]

5. The following balances are taken from the books of M/s. RSP Ltd. Prepare profit and loss account for the year ended 31st March 2016.

Gross profit 525,000	Salaries 100,000
Rent 10,000	Depreciation 5,000
Interest on loan 5,000	Office expenses 1,500
Distribution charges 2,500	Salesman salary 8,000
Bad debts 2,200	Stationery and printing 500
Commission received 3,000	Discount received 2,000
Interest received 5,000	Advertising 9,000
Taxes and insurance 2,000	

[Answer: Net profit SR. 389,300]

6. From the following particulars, prepare a balance sheet of Mr. Venugopal as on 31st December 2016.

Capital 40,000	Drawings 4,400	
Debtors 6,400	Creditors 4,200	
Cash in hand 360	Cash at bank 7,200	
Furniture 3,700	Plant 10,000	
Net profit 1,660	General reserve 1,000	Closing stock 14,800

[Answer: Balance sheet SR. 42,460]

7. From the following information prepare balance sheet of Mrs.Nasreen Khan as at 31st Dec. 2016.

Goodwill 10,000	Sundry debtors 25,000
Capital 90,000	Drawings 15,000
Cash in hand 10,000	Land & Buildings 30,000
Investment 500	Bank 10,000
Net profit 46,900	Creditors 31,500
Bills receivable 6,500	Plant & machinery 20,000
Bills payable 5,350	closing stock 40,000
Furniture 6,750	

[Answer: Balance Sheet SR.158,750]

8. Given below is the trial balance of Hasan. Prepare trading and profit and loss account for the year ended 31st March2016

Particulars	Debit Balance	Credit balance
Stock as on 1.4.2015	50,000	
Sales		290,000
Sales returns	10,000	
Purchases	245,000	
Purchase returns		5,000
Carriage inwards	4,000	
Carriage outwards	6,000	
Wages	12,000	
Salaries	18,000	
Printing and stationary	900	
Discount allowed	900	

<i>Discount received</i>		<i>600</i>
<i>Depreciation</i>	<i>3,000</i>	
<i>Buildings</i>	<i>208,100</i>	
<i>Trade Expenses</i>	<i>5,600</i>	
<i>Capital</i>		<i>272,900</i>
<i>Bills receivables</i>	<i>20,000</i>	
<i>Bills Payable</i>		<i>15,000</i>
	<i>583,500</i>	<i>583,500</i>

Closing stock on 31.3.2016 SR. 65,000.

[Answer: Gross profit Rs.39, 000, Net profit Rs.5, 200]

9. The following information was extracted from the books of M/s Saud Ltd. Prepare final accounts on 31.3.2002.

<i>Particulars</i>	<i>Debit Balance</i>	<i>Particulars</i>	<i>Credit balance</i>
<i>Opening stock</i>	<i>12,500</i>	<i>Sales</i>	<i>189,000</i>
<i>Depreciation</i>	<i>7,000</i>	<i>Capital</i>	<i>171,300</i>
<i>Carriage inwards</i>	<i>700</i>	<i>Creditors</i>	<i>17,500</i>
<i>Furniture</i>	<i>8,000</i>	<i>Bills payable</i>	<i>5,000</i>
<i>Carriage outwards</i>	<i>500</i>	<i>Return outwards</i>	<i>13,800</i>
<i>Plant & machinery</i>	<i>200,000</i>	<i>Commission</i>	<i>2,000</i>
<i>Cash</i>	<i>8,900</i>		
<i>Salaries</i>	<i>7,500</i>		
<i>Debtors</i>	<i>19,000</i>		
<i>Discount</i>	<i>1,500</i>		
<i>Bills receivable</i>	<i>17,000</i>		
<i>Wages</i>	<i>16,000</i>		
<i>Purchase</i>	<i>86,000</i>		
<i>Sales return</i>	<i>14,00</i>		
	<i>398,600</i>		<i>398,600</i>

Closing stock on 31.12.2002 Rs.45,000.

[Answer: Gross profit SR. 118,600, Net profit SR. 104,100, Balance sheet SR. 297,900]

10. The trial balances of Mr. Akhtar shows the following balances on 31st March 2016. Prepare final accounts.

<i>Debit Balance</i>	<i>SR</i>	<i>Credit Balance</i>	<i>SR</i>
<i>Purchases</i>	<i>70,000</i>	<i>Capital account</i>	<i>56,000</i>
<i>Sales returns</i>	<i>5,000</i>	<i>Sales</i>	<i>150,000</i>
<i>Opening stock</i>	<i>20,000</i>	<i>Purchase returns</i>	<i>4,000</i>
<i>Discount allowed</i>	<i>2,000</i>	<i>Discount received</i>	<i>1,000</i>
<i>Bank charges</i>	<i>500</i>	<i>Sundry creditors</i>	<i>30,000</i>
<i>Salaries</i>	<i>4,500</i>		
<i>Wages</i>	<i>5,000</i>		
<i>Freight inwards</i>	<i>4,000</i>		
<i>Freight outwards</i>	<i>1,000</i>		
<i>Rent, rates and taxes</i>	<i>5,000</i>		
<i>Advertising</i>	<i>6,000</i>		
<i>Cash in hand</i>	<i>1,000</i>		
<i>Plant and machinery</i>	<i>50,000</i>		
<i>Sundry debtors</i>	<i>60,000</i>		
<i>Cash at bank</i>	<i>7,000</i>		
	<i>241,000</i>		<i>241,000</i>

Closing stock on 31st March 2016 was SR. 30,000.

[Answer: Gross profit SR. 80,000, Net profit SR. 62,000, Balance sheet SR. 148,000]

11. The following trial balance extracted from the books of Mr. Mahathir, prepare trading, profit and loss a/c for the year ended 31st Dec. 2016 and balance sheet as on that date.

<i>Particulars</i>	<i>Debit Balance</i>	<i>Credit balance</i>
<i>Drawings</i>	<i>20,000</i>	
<i>Capital</i>		<i>189,000</i>
<i>Plant & machinery</i>	<i>80,000</i>	
<i>Sundry debtors</i>	<i>70,000</i>	
<i>Sundry creditors</i>		<i>50,000</i>
<i>Purchases</i>	<i>103,000</i>	
<i>Sales</i>		<i>220,000</i>
<i>Sales returns</i>	<i>10,000</i>	
<i>Wages</i>	<i>40,000</i>	
<i>Cash in hand</i>	<i>5,000</i>	
<i>Cash at bank</i>	<i>10,000</i>	
<i>Salaries</i>	<i>38,000</i>	
<i>Stock</i>	<i>45,000</i>	
<i>Rent</i>	<i>10,000</i>	
<i>Manufacturing expenses</i>	<i>7,000</i>	
<i>Bills receivable</i>	<i>12,000</i>	
<i>Bills payable</i>		<i>20,000</i>
<i>Bad debts</i>	<i>5,000</i>	
<i>Carriage inwards</i>	<i>9,000</i>	
<i>Furniture</i>	<i>15,000</i>	
	<i>479,000</i>	<i>479,000</i>

Closing stock as on 31.12.2016. SR. 50,000.

[Answer: Gross profit SR. 56,000, Net profit SR. 3,000, Balance sheet SR 242,000]

12. The following balances were extracted from the books of Mr. Chand on 31.3.2016.

<i>Particulars</i>	<i>Debit Balance</i>	<i>Credit balance</i>
<i>Capital</i>		<i>141,000</i>
<i>Buildings</i>	<i>80,000</i>	
<i>Machinery</i>	<i>70,000</i>	
<i>Furniture</i>	<i>15,000</i>	
<i>Stock</i>	<i>50,000</i>	
<i>Power</i>	<i>10,000</i>	
<i>Wages</i>	<i>70,000</i>	
<i>Carriage</i>	<i>8,000</i>	
<i>Rent and rates</i>	<i>17,000</i>	
<i>Salaries</i>	<i>35,000</i>	
<i>Bank Charges</i>	<i>1,000</i>	
<i>Income tax</i>	<i>2,000</i>	
<i>Bad debts</i>	<i>5,000</i>	
<i>Commission received</i>		<i>9,000</i>
<i>Purchases</i>	<i>150,000</i>	
<i>Sales</i>		<i>340,000</i>
<i>Bills receivable</i>	<i>20,000</i>	
<i>Bank overdraft</i>		<i>50,000</i>
<i>Cash in hand</i>	<i>2,000</i>	
<i>Purchase returns</i>		<i>10,000</i>
<i>Sales returns</i>	<i>15,000</i>	
	<i>550,000</i>	<i>550,000</i>

The closing stock was valued at SR.60,000. You are required to prepare final accounts for the year ended 31st March 2016.

[Answer: Gross Profit SR. 107,000, Net Profit SR. 58,000, Balance Sheet SR. 247,000]

**13. The following balances are extracted from the books of Mr. Yasir on 31.12.2016.
Prepare final accounts**

<i>Particulars</i>	<i>Debit Balance</i>	<i>Particulars</i>	<i>Credit balance</i>
<i>Stock on 1.1.2016</i>	<i>17,000</i>	<i>Sales</i>	<i>60,000</i>
<i>Manufacturing wages</i>	<i>10,000</i>	<i>Creditors</i>	<i>20,000</i>
<i>Factory rent</i>	<i>2,000</i>	<i>Bills payable</i>	<i>10,000</i>
<i>Factory lighting</i>	<i>3,000</i>	<i>Capital</i>	<i>43,000</i>
<i>Purchase</i>	<i>30,000</i>		
<i>Carriage</i>	<i>3,000</i>		
<i>Salary</i>	<i>2,000</i>		
<i>Office rent</i>	<i>2,000</i>		
<i>Printing & stationery</i>	<i>1,000</i>		
<i>Bad debts</i>	<i>1,000</i>		
<i>Land</i>	<i>10,000</i>		
<i>Buildings</i>	<i>20,000</i>		
<i>Plant & machinery</i>	<i>15,000</i>		
<i>Furniture</i>	<i>5,000</i>		
<i>Depreciation</i>	<i>2,000</i>		
<i>Debtors</i>	<i>5,000</i>		
<i>Cash in hand</i>	<i>5,000</i>		
	<i>133,000</i>		<i>133,000</i>

Closing stock was valued at SR.19,000.

[Answer: Gross profit SR. 14,000, Net profit SR. 6,000, Balance sheet SR. 79,000]

14. Prepare Trading and Profit and Loss Account and Balance Sheet of Mr. Saleh as on 31st March 2016.

<i>Particulars</i>	<i>Debit Balance</i>	<i>Credit balance</i>
<i>Saleh Capital</i>		<i>35,000</i>
<i>Building</i>	<i>45,000</i>	
<i>Goodwill</i>	<i>20,000</i>	
<i>Machinery and plant</i>	<i>17,000</i>	
<i>Opening stock</i>	<i>18,000</i>	
<i>Bills receivable and payable</i>	<i>4,000</i>	<i>6,000</i>
<i>Sundry debtors and creditors</i>	<i>16,000</i>	<i>24,000</i>
<i>Purchases and sales</i>	<i>80,000</i>	<i>150,000</i>
<i>Returns</i>	<i>1,000</i>	<i>2,000</i>
<i>Carriage outwards</i>	<i>500</i>	
<i>Freight, duty etc.</i>	<i>1,200</i>	
<i>Manufacturing wages</i>	<i>22,800</i>	
<i>Factory expenses</i>	<i>6,000</i>	
<i>Salaries</i>	<i>24,000</i>	
<i>Commission</i>	<i>2,500</i>	
<i>Discount</i>		<i>9,000</i>
<i>Stationery and printing</i>	<i>4,500</i>	
<i>Trading expenses</i>	<i>1,800</i>	
<i>Cash in hand</i>	<i>700</i>	
<i>Suspense A/c</i>		<i>39,000</i>
	<i>265,000</i>	<i>265,000</i>

Closing stock was valued at SR.70, 000.

[Answer: Gross profit SR.93,000, Net profit SR. 68,700, Balance sheet SR.172,700]

15. From the following balances extracted from the books of Mr. Alam, prepare final accounts for the year ending 31st March 2003. Closing stock as on 31.03.2003 was Rs.72,500.

<i>Particulars</i>	<i>Debit Balance</i>	<i>Credit balance</i>
<i>Mr. Alam's Capital</i>		<i>95,000</i>
<i>Plant & Machinery</i>	<i>37,000</i>	
<i>Repairs to Machinery</i>	<i>9,150</i>	
<i>Wages</i>	<i>42,000</i>	
<i>Salaries</i>	<i>6,000</i>	
<i>Income tax</i>	<i>750</i>	
<i>Cash and bank balances</i>	<i>3,000</i>	
<i>Land and building</i>	<i>111,750</i>	
<i>Purchases</i>	<i>180,000</i>	
<i>Purchase Returns</i>		<i>3,000</i>
<i>Sales</i>		<i>375,000</i>
<i>Interest</i>	<i>2,250</i>	
<i>Bills receivable</i>	<i>15,000</i>	
<i>Bills payable</i>		<i>4,500</i>
<i>Commission (Cr)</i>		<i>6,000</i>
<i>Debtors</i>	<i>52,500</i>	
<i>Creditors</i>		<i>40,650</i>
<i>Opening Stock as on 1.4.2002</i>	<i>55,500</i>	
<i>Drawings</i>	<i>12,000</i>	
<i>Suspense account</i>		<i>2,750</i>
	<i>526,900</i>	<i>526,900</i>

[Answers: Gross profit SR.173,000; Net profit SR.161,600; Balance sheet Total SR. 291,750]