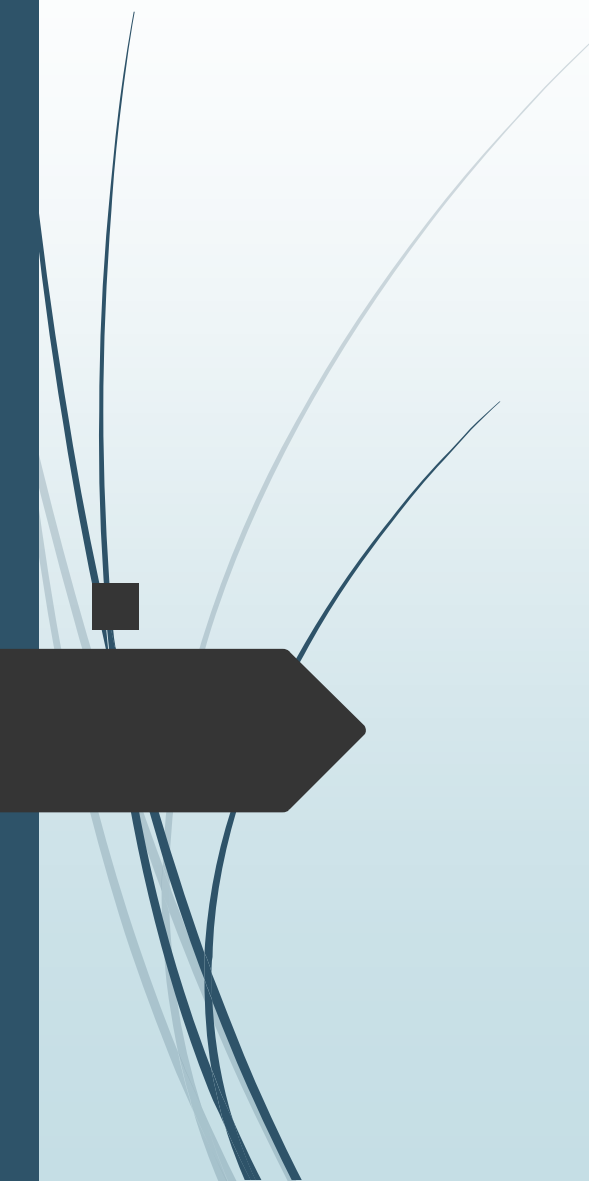


# Managerial Accounting


## Module -6

### Final Account





# Objectives of Final Account preparation

- To determine profit or loss incurred by a company in a given financial period
  - To determine the financial position of the company
  - To act as a source of information to convey the users of accounting information (owners, creditors, investors and other stakeholders) about the solvency of the company.
- 

# Trading Account

(For the year ended...)

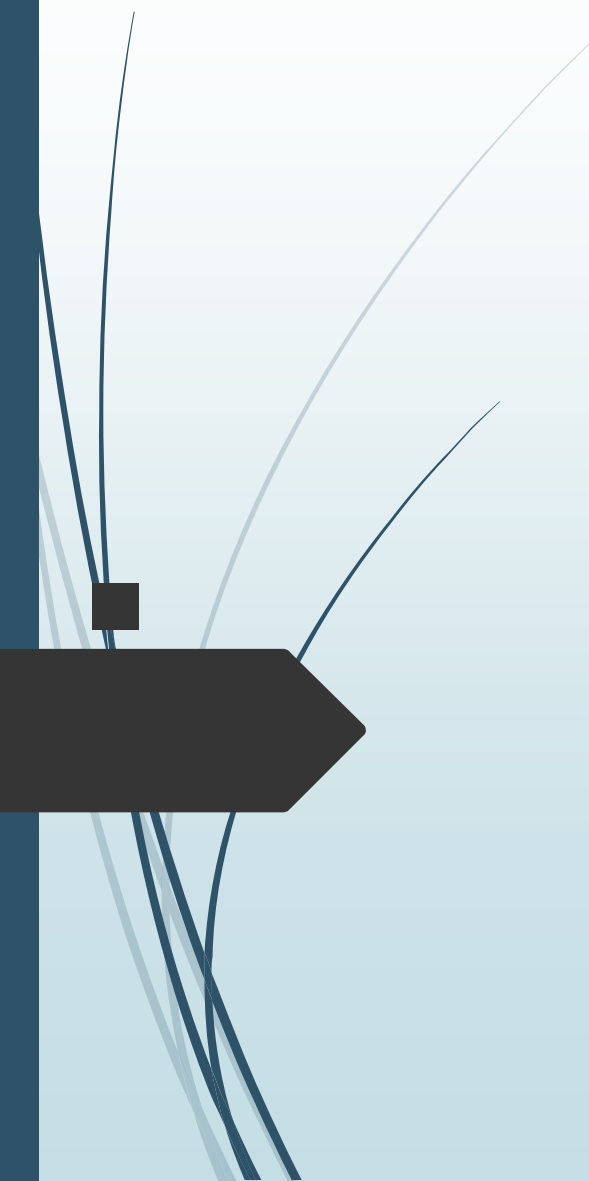
Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Opening stock	Xxx	By Sales	xxx
To Purchases	xxx	Less: Return Inwards	<u>(xxx)</u>
Less: Return Outwards	<u>(xxx)</u>	By Closing stock	Xxx
To Wages	Xxx	By Gross Loss	Xxx
To Carriage Inwards	Xxx		
To Freight Inwards/cartage	Xxx		
To Gross Profit c/d	Xxx		
	<u>xxx</u>		<u>xxx</u>

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Share capital .....		Fixed assets	
Add: net profit/less: net loss .....		Land & building	.....
Less: drawings .....	.....	Plant & machinery	.....
Long-term liabilities		Furniture & fixtures	.....
Debentures	.....	Vehicles	.....
Loans & advances from banks	.....	Goodwill	.....
Other loans & advances	.....	Investments	.....
Current liabilities		Current assets, loans & advances	
Sundry creditors	.....	Sundry debtors	.....
Bills payable	.....	Cash in hand	.....
Bank overdraft	.....	Cash at bank	.....
Outstanding expenses	.....	Bills receivable	.....
Income received in advance	.....	Prepaid expenses	.....
Provisions		Closing stock	.....
For taxation	.....		
For dividend	.....		
	.....		.....

# Managerial Accounting

## Module -6

### Final Account



The following is the Trial Balance of Mr. Rakesh Verma as on 31<sup>st</sup> March 2006. Pass the closing entries and prepare Final Accounts.

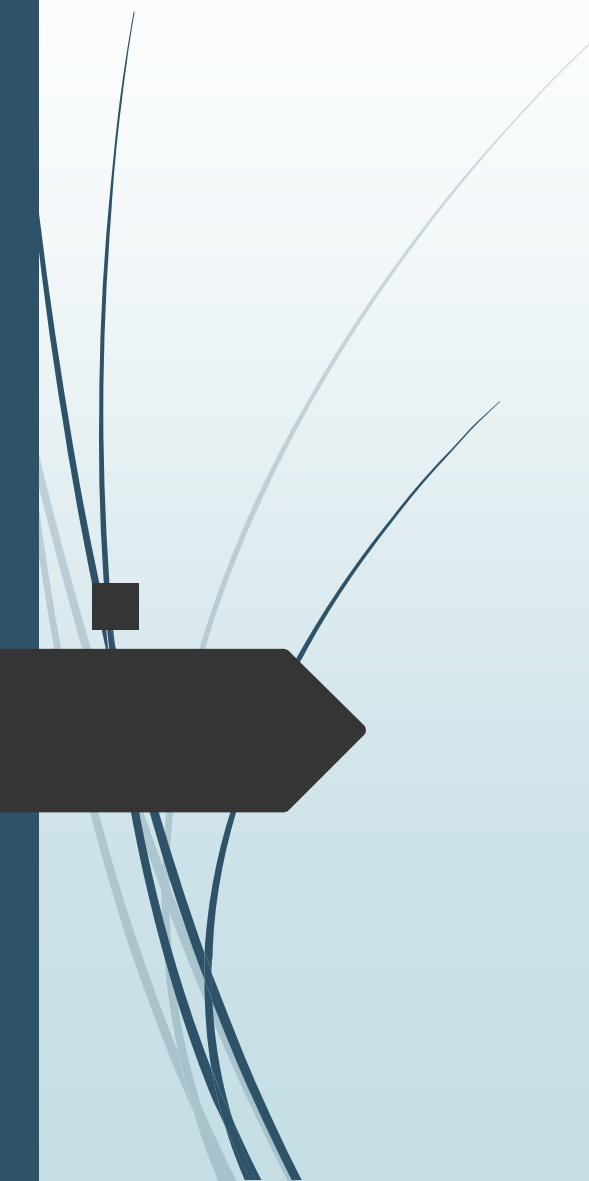
Debit Balances		Credit Balances	
	Amt. Rs.		Amt. Rs.
Stock on 1-4-2005	10,000	Capital	2,00,000
Purchases	75,000	Bills payable	25,000
Wages *	5000	Sundry creditors	25,000
Fuel and Power	3000	Sales	1,05,500
Furniture	25,000	Bank over draft dia	30,000
Machinery	1,30,000		
Cash in hand	15,000		
Cash at Bank	60,000		
Salaries *	15,000		
Royalty (Tr. Dr)	2500		
* Factory rent (Tr. Dr)	2500		
Advertisement P <sup>L</sup>	3000		
Office expenses P <sup>L</sup>	1500		
Commission P <sup>L</sup>	2500		
Bills receivable <del>As</del>	15000		
Discount P <sup>L</sup>	500		
Sundry debtors <del>As</del>	20000		
	<b>3,85,500</b>		<b>3,85,500</b>

The stock on 31<sup>st</sup> March 2006 was Rs. 25,000

# Managerial Accounting

## Module -6

### Final Account



## Summary Chart of Accounting Treatments in Final Accounts

Name of Adjustment	Journal Entries	Two Effects
a) Closing Stock	Closing Stock A/c To Trading A/c	Dr. 1) Credit side of Trading A/c 2) Shown on Assets side of Balance sheet
b) Depreciation	1) Depreciation A/c To Asset A/c 2) Profit & Loss A/c—Dr. To Depreciation A/c	Dr. 1) Debit side of Profit & Loss A/c 2) Deducted from particular Assets on Assets side of Balance Sheet
c) Bad debts	1) Bad debts A/c To Debtors A/c 2) Profit & Loss A/c To Bad debts A/c	Dr. 1) Debit side of Profit Loss A/c (New R.D.D + Bad debts) Dr. 2) Deducted from Sundry debtors on assets side
d) R.D.D. ( Reserve for doubtful debts	Profit & Loss A/c To R.D.D. A/c	Dr. 1) Debit side of Profit and Loss A/c 2) Deducted from Sundry debtors on Assets side.
e) Outstanding or Unpaid Expenses	Expenses A/c To outstanding expenses A/c	Dr. 1) Add to particular expenses on Trading or Profit and Loss A/c 2) Shown on Liabilities Side of Balance Sheet
f) Prepaid Expenses	Prepaid Expenses A/c To Expenses A/c	Dr. 1) Less from that particular expenses on Trading or Profit and Loss A/c 2) Shown on Assets side of Balance Sheet
g) Accrued Income / Outstanding Income	Accrued Income A/c To Income A/c	Dr. 1) Add to particular income on credit side of Profit & Loss A/c 2) Shown on Assets side of Balance Sheet
h) Pre-received Income	Income A/c To Pre-received Income A/c	Dr. 1) Less from particular income on credit side of Profit & Loss A/c 2) Shown on Liabilities side of Balance Sheet
i) Provision for Discount on Debtors	Profit & Loss A/c To Provision for discount on debtors A/c	Dr. 1) Debit side of Profit and Loss A/c 2) Deducted from Sundry debtors on for discount Assets Side
j) Provision for Discount on creditors	Provision for Discount on Creditors A/c To Profit & Loss A/c	Dr. 1) Credit side of Profit & Loss A/c 2) Deducted from sundry creditors on Liabilities side of Balance Sheet
k) Goods taken for personal use	1) Drawing A/c To Trading A/c /To Purchase A/c 2) Proprietor's capital A/c To drawing A/c	Dr. 1) Credit side of Trading or ded from purchases A/c Dr. 2) Deducted from capital on Liability side
l) Goods distributed as free sample	1) Goods distributed as free sample A/c To Trading A/c /To Purchase A/c 2) Advertisement A/c To Goods distributed as free sample / To Purchase A/c	Dr. 1) Credit side of Trading or ded from purchases A/c Dr. 2) Debited to Profit & Loss A/c

Illustration : 5

Given below is the Trial Balance of Mrs. Vandana as on 31st March, 2010

Trial Balance as on 31-3-2010

Debit Balances	Amt. ₹	Credit Balances	Amt. ₹
Cash in hand	6,000	Bank Loan	20,000
Sundry Debtors	23,300	Sundry Creditors	15,000
Bills Receivable	10,000	Sales	65,800
Opening Stock	16,000	Purchase Return	3,700
Purchases	37,900	Bills Payable	8,000
Sales Returns	800	Discount Received	2,500
Salaries	11,000	Capital	55,000
Wages	2,000		
Advertisement	3,200		
Discount Allowed	1,000		
Machinery	40,000		
Carriage	2,500		
Insurance	1,800		
Drawings	2,500		
Octroi Duty	800		
Furniture	8,000		
Office Rent	3,200		
	<b>1,70,000</b>		<b>1,70,000</b>

Adjustments :

- 1) Closing Stock of goods on 31-3-2010 was valued at ₹ 21,000.
- 2) Depreciate Furniture by 5% and Machinery by 10% p.a.
- 3) Outstanding Salary ₹ 1,000 and Wages ₹ 500
- 4) Prepaid insurance ₹ 300

Prepare Trading and Profit & Loss A/c for year ending 31-3-2010 and Balance Sheet as on that date.

**Illustration : 4** - Following is the Trial Balance of Kalpana Traders as on 31st March 2009. You are required to prepare Trading and Profit and Loss Account for the year ended 31st March 2009 and Balance sheet as on that date.

**Trial Balance as on 31st March, 2009**

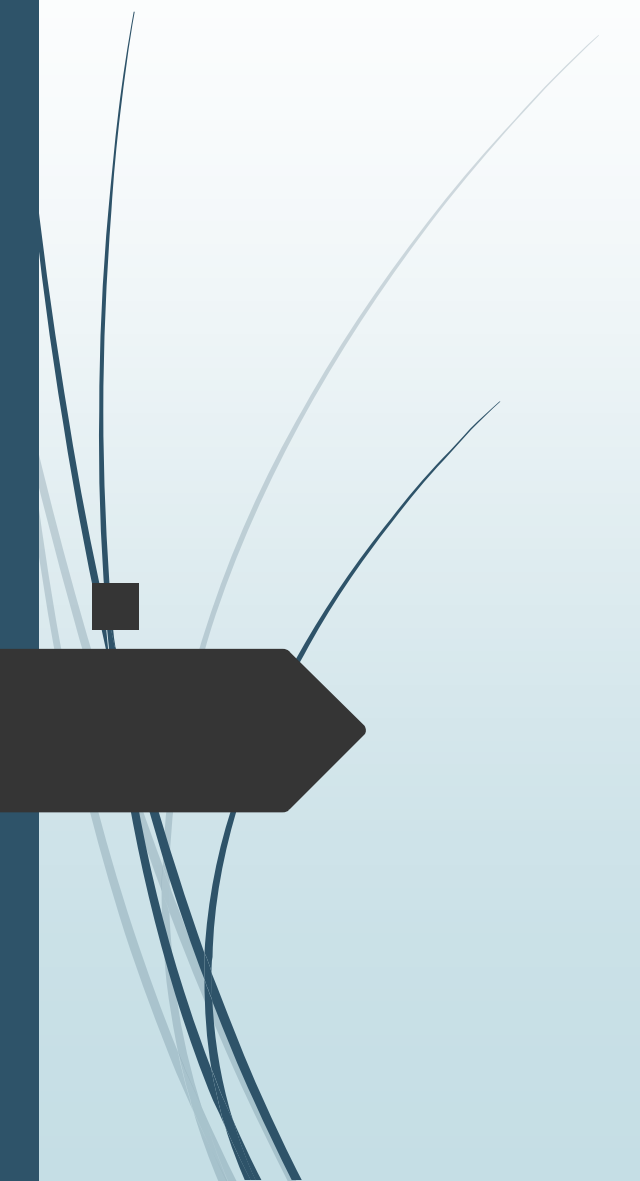
Particulars	Amount ₹	Particulars	Amount ₹
Stock on 1-4-2008	30,000	Capital	35,500
Purchases	85,000	Discount Received	1,500
Return Inward	2,500	Sales	1,27,500
Wages	5,300	Return outward	1,000
Salaries	6,600	Creditors	15,000
Carriage Inward	1,200	Bills payable	5,000
Carriage Outward	200		
Power & Fuel	700		
Advertisement	1,300		
Office Expenses	400		
Printing and Stationery	800		
Commission	1,000		
Furniture	8,500		
Machinery	30,000		
Cash in hand	1,200		
Drawings	800		
Debtors	7,500		
Bill Receivable	2,500		
	<b>1,85,500</b>		<b>1,85,500</b>

Adjustment - 1) Closing stock was valued at cost ₹ 32,000

# Managerial Accounting

## Module -6

### Final Account



The following balances were extracted from the books of Deepali Deshpande, Dombivali as on 30<sup>th</sup> June 2019. Prepare Trading and Profit and Loss Account for the year ended 30<sup>th</sup> June, 2019 and the Balance Sheet as on that date after taking into account the following adjustments :

**Trial Balance as on 30<sup>th</sup> June, 2019**

Particulars	Debit ₹	Credit ₹
D's Capital		3,30,000
D's Drawings		
Opening Stock	24,450	
Bills Receivable	2,00,000	
Purchases	25,000	
Sales	2,75,000	
Bills Payable		4,20,000
Returns Outward		60,000
Returns Inward		4,500
Plant and Machinery	5,000	
Loose Tools	1,00,000	
Patents	25,000	
Sundry Debtors	1,25,000	
Sundry Creditors		1,40,000
Cash at Bank	77,550	
Salaries and Wages	50,000	
Repairs and Renewals	7,500	
Insurance	3,000	
Power and Fuel	3,500	
Printing and, Stationery	2,000	
Miscellaneous Expenses	6,500	
<b>Total</b>	<b>9,54,500</b>	<b>9,54,500</b>

**Adjustments :**

- i) Closing stock was ₹ 1,30,000 as on 30<sup>th</sup> June, 2019.
- ii) Depreciate Plant and Machinery @ 5% p.a. and Patents @ 15% p.a.
- iii) Revalue Tools at ₹ 20,000.
- iv) Provide for Bad and Doubtful Debts @ 5% on Debtors.
- v) Outstanding Salary amounted to ₹ 3,500.
- vi) Insurance was paid in advance to the extent of ₹ 750.

Problem 3

Following is the Trial Balance of Komal Jaggi as on 31st March 2010 Prepare Trading and Profit and Loss Account for the year ended 31st March, 2010 and Balance Sheet as on that date.

Trial Balance as on 31st March, 2010

Particulars	Amount ₹	Particulars	Amount ₹
Stock on 1-4-2009	50,000	Sales	1,90,000
Purchases	1,19,000	Return outward	1,500
Return inward	3,000	Discount received	2,500
Wages	7,750	Sundry Creditors	52,000
Insurance	1,500	Capital	1,00,000
Salaries	9,400	Bank Loan	30,000
Rep't & Taxes	5,000	Bills Payable	5,000
Bad debts	1,000		
Discount allowed	2,000		
Machinery	25,000		
Buildings	55,000		
Sundry debtors	70,000		
Advertisement	10,000		
Carriage inward	2,350		
Cash in hand	6,000		
Cash at Bank	8,000		
Office expenses	2,000		
Drawings	4,000		
<b>Total</b>	<b>3,81,000</b>	<b>Total</b>	<b>3,81,000</b>

Adjustment :

- 1) On 31st March 2010 the stock was valued ₹ 30,000
- 2) Outstanding Wages ₹ 1,250 and Rent ₹ 1,000
- 3) Insurance was paid for the year ending 30th Sep. 2010
- 4) Depreciate Machinery 10% and Buildings by 4% p.a.
- 5) Provide R.D.D. at 5% on Sundry Debtors.

Ans. G.P. 38,150 N.L. 3,700 B/s Total 1,81,550