

1. Prepaid expenses are shown on Assets side of balance sheet.
2. **Statement showing showing provision for doubtful debts**

Particulars	Amount
Bad Debts	3,000
(+) New Provision @ 10 %	4,000
	<b>7,000</b>
(-) Old Provision	(3,500)
	<b>3,500</b>

3. No, it is made after the provision for doubtful debts
4. Prepaid Expenses are deducted in Profit and Loss account and shown as Assets in Balance Sheet. When prepaid expenses are given in trial balance, it is to be debited in P&L A/c only.
5. **Adjustment Entries**

Dr		Cr
Date	Particulars	Debit Credit
31/03/2013	(i) Wages A/c	Dr 6,000
	To Outstanding Wages A/c (Being wages due)	6,000
	(ii) Salary A/c	Dr 1,500
	To Outstanding Salary A/c (Being salary due)	1,500

6. **Effects on Final Account**
7. **Trading Account**

Dr				Cr	
Date	Particulars	Amt(Rs)	Date	Particulars	Amt(Rs)
31/03/2013	To Wages A/c	66,000	31/03/2013		
	(+ )Outstanding Wages	6,000			72,000

8. **Profit and Loss A/c**

Dr				Cr	
Date	Particulars	Amt(Rs)	Date	Particulars	Amt(Rs)
31/03/2013	To Salary A/c	16,500			
	(+ )Outstanding Salary	1,500			18,000

9. **Balance Sheet**

Liabilities	Amt(Rs)	Assets	Amt(Rs)
Outstanding Wages	6,000		
Outstanding salary	1,500		

10. Before financial statements are prepared, additional journal entries, called **adjusting entries**, are made to ensure that the company's financial records adhere to the revenue

recognition and matching principles. Adjusting entries are necessary because a single transaction may affect revenues or expenses in more than one accounting period and also because all transactions have not necessarily been documented during the period. The following are the objectives of making adjustments ;

- To show the assets and liabilities at their actual value.
- to overcome the limitations of trial balance
- Providing for depreciation and reserves to arrive at net profit. the purpose is to make provision for wear and tear of fixed asset and reserves for unforeseen losses which might accrue.
- to account for all incomes pertaining to current year. The purpose is to adjust the accrued and unaccrued incomes.
- to account for all expenses pertaining to current year. the purpose is to adjust the outstanding and prepaid expenses so that p/l a/c show actual position.

7. The following entries will be passed for recording the provision for doubtful debts :

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Date	Particulars	LF	Dr.(₹)	Cr.(₹)
Mar 31	Provision for Doubtful Debts A/c	Dr.	1,600	
	To Bad Debts A/c			1,600
	(Being bad debts transferred to old provision)			
Mar 31	Profit and Loss A/c	Dr.	4,600	
	To Provision for Doubtful Debts A/c			4,600
	(Being creation of provision at 5% on debtors)			

The Provision for doubtful debts will be recorded in financial statements in the following manner:

#### Extract of Profit and Loss Account

for the year ended 31st March, 2013

Dr		Cr
Particulars	Amt(₹)	Particulars
To Provision for Doubtful Debts A/c :		
Bad Debts	1,600	
Add : New Provision on Rs 1,60,000 @ 5%	8,000	
	9,600	
Less : Old Provision	(5,000)	4,600

#### Balance Sheet

as at 31st March, 2013

Liabilities	Amt(₹)	Assets	Amt(₹)
		Debtors	1,60,000
		Less :New Provision	8,000
		(@5% on ₹1,60,000)	1,52,000

#### 8. Trading account

1.

Particulars	Rs.	Particulars	Rs.
To Opening stock	8,000	by Sales	42,000
To Purchases	22,000	by Closing stock	4,500
To Wages	2,500		
To gross profit c/d	14,000		
	46,500		46,500

2.

**Profit and loss A/c**

Particulars	Rs.	Particulars	Rs.
To Salaries and Wages	3,500	By gross profit b/d	14,000
To Rent	1,200		
To Advertisement	1,000		
To Commission	1,100		
To Discount	600		
To Bad debts	1,200		
To Sales Expenses	600		
To Repairs	600		
To Net Profit (transferred to capital)	4,200		
	14,000		14,000

3. **9. TRADING AND PROFIT AND LOSS ACCOUNT**  
(for the year ended 31st March, 2018)

Particulars	Rs.	Particulars	Rs.
To Opening Stock	12,500	By Sales	70,000
To Purchases	37,500	Less : Sale Return	1,300
Less : Purchase Return	500	By Closing Stock	15,000
To Carriage	1,450		
To Gross Profit	32,750		
	<b>83,700</b>		<b>83,700</b>
To Insurance Premium	200	By Gross Profit	32,750
To Salaries	3,850		
To Interest Paid	900		
To Printing	250		
To Rent	1,300		
To Commission	750		
To Net Profit	25,500		
	<b>32,750</b>		<b>32,750</b>

4.

**BALANCE SHEET**  
(AS AT 31-03-2018)

Liabilities		Rs.	Assets	Rs.
Capital	7,100		Bank	5,250
Add : Net Profit	<u>25,500</u>	32,600	Bills Receivables	2,000
Bills Payables		3,150	Debtors	32,500
Creditors		20,000	Stock	15,000
			Furniture	1,000
		<b>55,750</b>		<b>55,750</b>

5.

### 10. Trading and Profit and loss Account

for the year ended 31st March, 2014

Dr		Cr	
Particulars	Amt(Rs)	Particulars	Amt(Rs)
To Purchases	1,16,000	By Sales	1,60,000
To Wages	8,000	Less : Returns Inward	(4,000)
To Carriage Inward	2,000	By Closing Stock	26,000
To Gross Profit transferred to Profit & Loss A/c	56,000		
	1,82,000		1,82,000
To Salaries	10,000	By Gross Profit transferred from trading A/c	56,000
Add : Outstanding Salaries	500	By Accrued Interest on Investment	750
To Printing	800		
To Advertisement	1,200		
To Trade Charges	600		
To Rent	1,400		
To Interest on Capital(W.N)(1,200 + 900)	2,100		
To Depreciation on plant & fixtures	800		
To Bad Debts	500		
Add : New Provision	1,225		
To Net Profit Transferred to Capital A/c	37,125		
	56,750		56,750

6.

**Balance Sheet**

as at 31st March, 2014

<b>Liabilities</b>		<b>Amt(Rs)</b>	<b>Assets</b>		<b>Amt(Rs)</b>
Bills Payable		9,000	Cash in hand		3,000
Creditors		12,000	Cash at bank		16,000
Salaries Outstanding		500	Bills Receivable		5,000
Capital(30,000 + 10,000)	40,000		Debtors	25,000	
Add :Interest on Capital	2,100		Less : Bad Debts	( 500)	
Profit transferred from Profit & Loss A/c	37,125			24,500	
	79,225		Less :Provision for Bad Debts(5% on ₹ 24,500)	( 1,225)	23,375
(-)Drawings	( 4,500)	74,725	Closing Stock		26,000
			Investments	15,000	
			(+)Accrued Interest	750	15,750
			Plants and fixtures	8,000	
			(-)Depreciation	( 800)	7,200
		96,225			96,225

7.

Note :

**Calculation of Interest on Capital:**

On ₹ 30,000 @ 6% p.a. for 6 months ( from April to September ) = ₹900

On ₹40,000 @ 6% p.a. for 6 months ( from October to March ) = ₹1,200

Total interest = 1200+900=₹2100