

Illustration 1.

Following is the Trial Balance of Shamit on 31st March, 2023. Pass closing entries and prepare Trading and Profit & Loss Account for the year ended 31st March, 2023.

TRIAL BALANCE
as on 31st March, 2023

Heads of Accounts	L.F.	Dr. (₹)	Cr. (₹)
Capital A/c.....		...	1,00,000
Stock A/c (1st April, 2022).....		20,000	...
Cash at Bank.....		10,000	...
Cash in Hand		4,400	...
Machinery A/c		60,000	...
Furniture and Fittings A/c.....		13,600	...
Purchases A/c.....		1,50,000	...
Wages A/c		1,00,000	...
Power and Fuel A/c		30,000	...
Factory Lighting A/c.....		2,000	...
Salaries A/c.....		70,000	...
Discount Allowed A/c		5,000	...
Discount Received A/c.....		...	3,000
Advertising A/c.....		50,000	...
Sundry Office Expenses A/c.....		40,000	...
Sales A/c.....		...	5,00,000
Sundry Debtors		85,000	...
Sundry Creditors.....		...	37,000
Total		6,40,000	6,40,000

Value of Closing Stock as on 31st March, 2023 was ₹ 27,000.

Solution:**CLOSING ENTRIES**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023 March 31	Trading A/cDr. To Stock A/c To Purchases A/c To Wages A/c To Power and Fuel A/c To Factory Lighting A/c (Direct expenses debited to Trading Account)		3,02,000	20,000 1,50,000 1,00,000 30,000 2,000
March 31	Sales A/cDr. To Trading A/c (Amount of Sales transferred to the credit of the Trading Account)		5,00,000	5,00,000

March 31	Stock (Closing) A/c To Trading A/c (Value of stock on hand on 31st March, 2023)	...Dr.	27,000	27,000
March 31	Trading A/c To Profit & Loss A/c (Transfer of gross profit)	...Dr.	2,25,000	2,25,000
March 31	Profit & Loss A/c To Discount Allowed A/c To Salaries A/c To Advertising A/c To Sundry Office Expenses A/c (Various indirect expenses accounts transferred to the debit of the Profit & Loss Account)	...Dr.	1,65,000	5,000 70,000 50,000 40,000
March 31	Discount Received A/c To Profit & Loss A/c (Credit balance of discount received transferred to the Profit & Loss Account)	...Dr.	3,000	3,000
March 31	Profit & Loss A/c To Capital A/c (Transfer of Net Profit to the Capital Account)	...Dr.	63,000	63,000

Shamit

Dr. TRADING ACCOUNT for the year ended 31st March, 2023 Cr.

Particulars	₹	Particulars	₹
To Stock	20,000	By Sales	5,00,000
To Purchases	1,50,000	By Closing Stock	27,000
To Wages	1,00,000		
To Power and Fuel	30,000		
To Factory Lighting	2,000		
To Gross Profit c/d (Transferred to Profit & Loss A/c)	2,25,000		
	5,27,000		5,27,000

Dr. PROFIT & LOSS ACCOUNT for the year ended 31st March, 2023 Cr.

Particulars	₹	Particulars	₹
To Salaries	70,000	By Gross Profit b/d	2,25,000
To Discount Allowed	5,000	By Discount Received	3,000
To Advertising	50,000		
To Sundry Office Expenses	40,000		
To Net Profit (Transferred to Capital A/c)	63,000		
	2,28,000		2,28,000

Illustration 2.

From the following information of a trader, prepare his Profit & Loss Account for the year ended 31st March, 2023:

Particulars	₹	Particulars	₹
Gross Profit	2,62,500	Salaries and Wages	20,800
Discount Received	17,000	Discount Allowed	3,000
Commission Received	7,000	Interest Received	2,000
Fire Insurance Paid	6,000	Commission Paid to Salesman	14,000
Interest Paid	5,000	Freight Outwards	15,000
Rent Paid	14,000	Rent Received	12,500
Printing and Stationery	7,500	Entertainment Expenses	8,000
Postage and Courier	5,500	Sales Promotion Expenses	7,250
Bad Debts	3,250	Miscellaneous Income	12,900
Depreciation on Machines	5,000	Repairs and Maintenance	3,400
Carriage Outwards	4,100	Telephone Expenses	6,000
Travelling Expenses	6,500	Gain on Sale of Machine	600
Bank Charges	1,900	Income from Investments	11,500
Loss by Fire	3,500		
Loss on Sale of Furniture	4,000		
Dividend Received on Shares	6,250		

Solution:**PROFIT & LOSS ACCOUNT***Dr.**for the year ended 31st March, 2023**Cr.*

Particulars	₹	Particulars	₹
To Salaries and Wages	20,800	By Gross Profit	2,62,500
To Discount Allowed	3,000	By Discount Received	17,000
To Commission Paid to Salesman	14,000	By Interest Received	2,000
To Fire Insurance	6,000	By Commission Received	7,000
To Interest Paid	5,000	By Rent Received	12,500
To Freight Outwards	15,000	By Miscellaneous Income	12,900
To Printing and Stationery	7,500	By Gain on Sale of Machine	600
To Rent Paid	14,000	By Income from Investments	11,500
To Entertainment Expenses	8,000	By Dividend Received on Shares	6,250
To Postage and Courier	5,500		
To Sales Promotion Expenses	7,250		
To Bad Debts	3,250		
To Depreciation on Machines	5,000		
To Carriage Outwards	4,100		
To Repairs and Maintenance	3,400		
To Travelling Expenses	6,500		
To Telephone Expenses	6,000		
To Bank Charges	1,900		
To Loss by Fire	3,500		
To Loss on Sale of Furniture	4,000		
To Net Profit transferred to Capital A/c	1,88,550		
	3,32,250		3,32,250