Suggested Solution

Income statement for the year ended 31-3-12

	Rs.
Sales (w-1)	456,630
Less cost of sales (w-5)	279,300
Gross porfit	177,330
Less Operating Expenses (w-8)	57,410
Operating Profit	119,920
Provision for legal claim Reversal	1,400
Net Profit	**121,320**

Balance sheet as on 31-3-12

		Rs.
Van (w-9)		22,400
stock		70,900
debtors	18,000	
less provision	1,080	16,920
receivalble from café juice		2,940
cash at bank		8,260
Total Assets		**121,420**
Capital (w-10)		95,220
Creditors		24,200
o/s Accountant's fee		2,000
Total Liabilities		**121,420**

Working Notes

(w-1) Sales

		Rs.
Cash Sales	(w-4)	38,400
Credit Sales	(w-2)	338,850
Sales to Café Juice	(w-3)	79,380
Total		456,630

(w-2) **Total Credit Sales**

Debtors Account

Balance c/d	12,000	Cash a/c	331,000
Sales	338,850	Discount a/c	1,500
		Bad debts	350
		Balance c/d	18,000
Total	350,850	Total	350,850

(w-3) **Sales to Café Juice**

Sales to Café Juice

Balacne c/d	1,960	Bank a/c	78,400
Sales	79,380	Balance c/d	2,940
Total	81,340	Total	81,340

(w-4) **Cash Sales**

Bank account

Bank a/c	409,400	Bank o/d	700
Cash Sales	38,400	withdrawls	400,440
		cash expenses	38,400
		balance c/d	8,260
Total	447,800	Total	447,800

*Assuming that cash expensses were paid from proceeds of cash sales.

(w-5) **Cost of sales**

opening stock + Purchases - closing stock

64100 + 286100 - 70900 = 279300 279300

(w-6) **Purchases**

Creditors Account

Cash account	282,840	Balance b/d	20,940
Balance c/d	24,200	Purchases	286,100
Total	307,040	Total	307,040

(w-7) **Bad debts provison**

Bad debts provision account

bad debts	350	balance b/d	720
balance c/d	1,080	profit and loss accou	710
Total	1,430	Total	1,430

(w-8) **operating expenses**

	Rs.
Salaries	4,000
Rent	29,400
tax, insurance and repair	2,200
Accountant's fee	2,000
provision for bad debts	710
discount	1,500
assistant's wages	8,400
petrol	4,000
Misc. Expenses	2,000
Depreciation	3,200
Total	57,410

(w-9) **Book Value of Van**

		Rs.
Cost		48,000
Less: Acc. Dep.		
opening balance	19,200	
This year	6,400	25,600
Book value		22,400

(w-10) **Capital**

	Rs.
Opening balance (106140-28840)	77,300
Less drawings (20000+2200+4000+3200+74000)	103,400
Add net profit	121,320
Capital	95,220