

# Chapter 9: Final Accounts of a Proprietary Concern

## EXERCISE 1 [PAGE 316]

Exercise 1 | Q 1 | Page 316

### QUESTION

#### Answer in One Sentence:

What is a Trading A/c?

### SOLUTION

An account which gives the overall preview of all trading activities of a business firm, known as Trading Account.

Exercise 1 | Q 2 | Page 316

### QUESTION

#### Answer in One Sentence:

What do you mean by Profit & Loss A/c?

### SOLUTION

A part of the final account prepared by the business concern on the basis of indirect expenses and indirect incomes to ascertain net profit or net loss of the business is called Profit and Loss Account.

Exercise 1 | Q 3 | Page 316

### QUESTION

#### Answer in One Sentence:

Why Balance Sheet is prepared?

### SOLUTION

Balance Sheet is prepared to know the financial position of a business unit.

Exercise Q.1 | Q 4 | Page 316

### QUESTION

#### Answer in One Sentence:

State the meaning of Final Accounts?

### **SOLUTION**

Final Accounts are financial statements which confirm and explain working results (profit or loss) and the financial position of a business for a specific period of time and on a particular date.

Exercise 1 | Q 5 | Page 316

### **QUESTION**

#### **Answer in One Sentence:**

What is Net Profit?

### **SOLUTION**

When the total of credit side of Profit and Loss Account (indirect incomes side) is greater than the debit side of Profit and Loss Account (indirect expenses side), it is known as Net Profit [Credit balance of Profit and Loss A/c].

Exercise 1 | Q 6 | Page 316

### **QUESTION**

#### **Answer in One Sentence:**

What do you mean by Gross Profit?

### **SOLUTION**

In the Trading A/c, when total of credit side is greater than the total of debit side, it is known as Gross Profit. [Credit balance of Trading A/c]

Exercise 1 | Q 7 | Page 316

### **QUESTION**

#### **Answer in One Sentence:**

State the meaning of Accrued Income?

### **SOLUTION**

The income which is due and supposed to be received in the accounting year, but actually not received during the accounting year, is known as Accrued Income.

Exercise 1 | Q 9 | Page 316

### **QUESTION**

### **Answer in One Sentence:**

What is Depreciation?

### **SOLUTION**

Continuous, gradual and permanent decrease in the value of a fixed assets due to factors like wear and tear, passage of time, etc. is known as Depreciation.

Exercise 1 | Q 10 | Page 316

### **QUESTION**

### **Answer in One Sentence:**

What do you mean by Prepaid Expenses?

### **SOLUTION**

The expenses which are paid before they are not partly or fully due for payment during the current accounting year are known as Prepaid Expenses.

## **EXERCISE 2 [PAGE 316]**

Exercise 2 | Q 1 | Page 316

### **QUESTION**

**Give a word, term, or phrase which can substitute the following statement:**

Expenses paid before it is due.

### **SOLUTION**

Prepaid expenses

Exercise 2 | Q 2 | Page 316

### **QUESTION**

**Give a word, term, or phrase which can substitute the following statement:**

Income due but not yet received

### **SOLUTION**

Accrued income

Exercise 2 | Q 3 | Page 316

### **QUESTION**

**Give a word, term, or phrase which can substitute the following statement:**

Carriage paid on sale of goods.

**SOLUTION**

Carriage outward

Exercise Q.2 | Q 4 | Page 316

**QUESTION**

**Give a word, term, or phrase which can substitute the following statement:**

Statement of Assets & Liabilities.

**SOLUTION**

Balance Sheet

Exercise 2 | Q 5 | Page 316

**QUESTION**

**Give a word, term, or phrase which can substitute the following statement:**

Account prepared to know Net Profit or Net Loss.

**SOLUTION**

Profit and Loss A/c

Exercise 2 | Q 6 | Page 316

**QUESTION**

**Give a word, term, or phrase which can substitute the following statement:**

Value of goods remaining unsold at the end of the year

**SOLUTION**

Closing stock

Exercise 2 | Q 7 | Page 316

**QUESTION**

**Give a word, term, or phrase which can substitute the following statement:**

The provision made to compensate the loss on account of likely debts.

## **SOLUTION**

Provision for bad and doubtful debts

Exercise 2 | Q 8 | Page 316

## **QUESTION**

**Give a word, term, or phrase which can substitute the following statement:**

The accounts prepared at the end of the accounting year to know the profit or loss and Financial position of business

## **SOLUTION**

Final Accounts

Exercise 2 | Q 9 | Page 316

## **QUESTION**

**Give a word, term, or phrase which can substitute the following statement:**

An amount spent on promoting sale of goods.

## **SOLUTION**

Selling expenses

Exercise 2 | Q 10 | Page 316

## **QUESTION**

**Give a word, term, or phrase which can substitute the following statement:**

An additional information provided below the Trial Balance.

## **SOLUTION**

Adjustments

## **EXERCISE 3 [PAGES 316 - 317]**

Exercise 3 | Q 1 | Page 316

## **QUESTION**

**Select the most appropriate alternatives given below and rewrite the sentence :**

\_\_\_\_\_ is excess of assets over liabilities

- Goodwill
- Capital
- Investments
- Drawings

### **Solution**

**Capital** is excess of assets over liabilities

Exercise 3 | Q 2 | Page 316

### **QUESTION**

**Select the most appropriate alternatives given below and rewrite the sentence :**

Discount earned is transferred to credit side of \_\_\_\_\_ account

- Current A/c
- Profit & Loss
- Trading
- Capital

### **Solution**

Discount earned is transferred to credit side of **Profit and Loss** Account.

Exercise 3 | Q 3 | Page 316

### **QUESTION**

**Select the most appropriate alternatives given below and rewrite the sentence :**

\_\_\_\_\_ is a statement which shows the financial position of business on a specific date.

- Trading account
- Trial Balance
- Profit & Loss A/c
- Balance Sheet

### **Solution**

**Balance Sheet** is a statement which shows the financial position of business on a specific date.

Exercise 3 | Q 4 | Page 316

### QUESTION

**Select the most appropriate alternatives given below and rewrite the sentence :**

Outstanding expenses are shown on the \_\_\_\_\_ side of Balance Sheet.

- Assets
- Liability
- Both Assets and Liability
- None of these

### Solution

Outstanding expenses are shown on the **liability** side of Balance Sheet.

Exercise 3 | Q 5 | Page 316

### QUESTION

**Select the most appropriate alternatives given below and rewrite the sentence :**

Interest on Drawing is credited to \_\_\_\_\_ Account.

- Trading
- Profit & Loss
- Profit & Loss A/c
- Balance Sheet

### Solution

Interest on Drawing is credited to **Profit and Loss** Account.

Exercise 3 | Q 6 | Page 317

### QUESTION

**Select the most appropriate alternatives given below and rewrite the sentence :**

Debit balance of Trading Account means \_\_\_\_\_.

- Gross Loss

- Net Loss
- Net Profit
- Gross Profit

### **Solution**

Debit balance of Trading Account means **Gross Loss.**

Exercise 3 | Q 7 | Page 317

### **QUESTION**

**Select the most appropriate alternatives given below and rewrite the sentence :**

Carriage Inward is debited to \_\_\_\_\_ Account

- Trading
- Profit & Loss
- Capital
- Bank

### **Solution**

Carriage Inward is debited to **Trading** Account.

Exercise 3 | Q 8 | Page 317

### **QUESTION**

**Select the most appropriate alternatives given below and rewrite the sentence :**

Excess of credit over to debit in Profit and Loss Account indicates \_\_\_\_\_

- Net Profit
- Gross Profit
- Gross Loss
- Net Loss

### **Solution**

Excess of credit over to debit in Profit and Loss Account indicates **Net Profit.**

Exercise 3 | Q 9 | Page 317



## QUESTION

Select the most appropriate alternatives given below and rewrite the sentence :

Closing stock is always valued at cost or market price which is \_\_\_\_\_

- more
- less
- zero
- equal

## Solution

Closing stock is always valued at cost or market price which is **less**.

Exercise 3 | Q 10 | Page 317

## QUESTION

Select the most appropriate alternatives given below and rewrite the sentence :

When Specific date is not given, in that case interest on drawing is charged for \_\_\_\_\_ month.

- Four
- Six
- Eight
- Nine

## Solution

When Specific date is not given, in that case interest on drawing is charged for **six** month.

## EXERCISE 4 [PAGE 317]

Exercise 4 | Q 1 | Page 317

## QUESTION

State True or False with reasons :

In every adjustment atleast there are three effects.

- True

- False

### **Solution**

**This statement is False.**

Adjustments means those financial transactions of business which are not recorded or wrongly recorded in accounts and are required to be rectified and for this purpose, at least two effects are to be passed for every adjustment.

Exercise 4 | Q 2 | Page 317

### **QUESTION**

**State True or False with reasons :**

Every item of Trial Balance has only one effect.

- True
- False

### **Solution**

**This statement is True.**

In trial balance, balance of every ledger account is recorded, therefore in final accounts, we have to pass only one effect of every item of Trial Balance either in Trading No or in Profit and Loss No or in Balance Sheet.

Exercise 4 | Q 3 | Page 317

### **QUESTION**

**State True or False with reasons :**

Income due but not received is a liability.

- True
- False

### **Solution**

**This statement is False.**

When any amount/income is receivable, it is an asset for business.

Exercise 4 | Q 4 | Page 317

## QUESTION

**State True or False with reasons :**

Goodwill is not a fictitious asset

- True
- False

## Solution

**This statement is False.**

Goodwill is intangible/invisible asset for the business. Main factor affecting value of goodwill is the earning capacity of the business which can't be steady during the life period of business. So we can say that Goodwill is a fictitious asset.

Exercise 4 | Q 5 | Page 317

## QUESTION

**State True or False with reasons :**

Credit balance of Profit and Loss A/c shows net profit

- True
- False

## Solution

**This statement is True.**

When total of credit side (indirect incomes) of Pro (indirect expenses), then difference of amount is known as net profit.

## EXERCISE 5 [PAGE 317]

Exercise 5 | Q 1 | Page 317

## QUESTION

**Fill in the blank:**

Gross Profit is transferred to \_\_\_\_\_ Account.

## Solution

Gross Profit is transferred to **Profit and Loss** Account.

Exercise 5 | Q 2 | Page 317

### QUESTION

**Fill in the blank :**

Debit Balance of Trading Account indicates \_\_\_\_\_

### Solution

Debit Balance of Trading Account indicates **gross loss.**

Exercise 5 | Q 3 | Page 317

### QUESTION

**Fill in the blank :**

Income Receivable appears on \_\_\_\_\_ side of Balance Sheet.

### Solution

Income Receivable appears on **asset** side of Balance Sheet.

Exercise 5 | Q 4 | Page 317

### QUESTION

**Fill in the blank :**

Interest on Bank Loan is debited to \_\_\_\_\_ A/c

### Solution

Interest on Bank Loan is debited to **Profit and Loss** A/c.

Exercise 5 | Q 5 | Page 317

### QUESTION

**Fill in the blank :**

Profit and Loss account is prepared to find out \_\_\_\_\_ results of the business.

### Solution

Profit and Loss account is prepared to find out **net working** results of the business.

Exercise 5 | Q 6 | Page 317

### QUESTION

**Fill in the blank :**

All indirect / operating expenses are transferred to \_\_\_\_\_ account.

**Solution**

All indirect/operating expenses are transferred to **Profit and Loss** Account.

Exercise 5 | Q 7 | Page 317

**QUESTION**

**Fill in the blank :**

Interest of proprietor's drawing is credited to \_\_\_\_\_ account.

**Solution**

Interest of proprietor's drawing is credited to **Profit and Loss** Account

Exercise 5 | Q 8 | Page 317

**QUESTION**

**Fill in the blank :**

An excess of debit over credit in the Profit & Loss A/c represents the \_\_\_\_\_.

**Solution**

An excess of debit over credit in the Profit and Loss A/c represents the **net loss.**

Exercise 5 | Q 9 | Page 317

**QUESTION**

**Fill in the blank :**

All direct expenses are transferred to \_\_\_\_\_ account.

**Solution**

All direct expenses are transferred to **Trading A/c** Account.

Exercise 5 | Q 10 | Page 317

**QUESTION**

**Fill in the blank :**

Balance Sheet is \_\_\_\_\_ of assets & liabilities.

**Solution**

Balance Sheet is a **statement** of assets and liabilities of business.

## **EXERCISE 6 [PAGE 318]**

Exercise 6 | Q 1 | Page 318

### **QUESTION**

**Find the odd one :**

- Rent
- Salary
- Insurance
- Plant and Machinery

### **Solution**

Plant and Machinery

Exercise 6 | Q 2 | Page 318

### **QUESTION**

**Find the odd one :**

- Purchases
- Closing stock
- Debtors
- Factory Rent

### **Solution**

Debtors

Exercise 6 | Q 3 | Page 318

### **QUESTION**

**Find the odd one :**

- Capital
- Bills Payable
- Debtors
- Outstanding wages



## **Solution**

Debtors

Exercise 6 | Q 4 | Page 318

## **QUESTION**

**Find the odd one :**

- Advertisement
- Travelling Expenses
- Factory Rent
- Insurance

## **Solution**

Factory Rent

Exercise 6 | Q 5 | Page 318

## **QUESTION**

**Find the odd one :**

- Cash in Hand
- Debtors
- Outstanding Income
- Reserve for Doubtful Debts

## **Solution**

Reserve for Doubtful Debts

## **EXERCISE 7 [PAGE 318]**

Exercise 7 | Q 1 | Page 318

## **QUESTION**

**Do you agree or disagree with the following statement :**

Reserve for bad debts is created by debiting Profit and Loss Account.

- Agree
- Disagree



### **Solution**

Reserve for bad debts is created by debiting Profit and Loss Account.-**Agree**

Exercise 7 | Q 2 | Page 318

### **QUESTION**

**Do you agree or disagree with the following statement :**

Balance Sheet is a statement as well as an account.

- Agree
- Disagree

### **Solution**

Balance Sheet is a statement as well as an account.-**Disagree**

Exercise 7 | Q 3 | Page 318

### **QUESTION**

**Do you agree or disagree with the following statement :**

Indirect Expenses are debited to Trading Account.

- Agree
- Disagree

### **Solution**

Indirect Expenses are debited to Trading Account.-**Disagree**

Exercise 7 | Q 4 | Page 318

### **QUESTION**

**Do you agree or disagree with the following statement :**

Bank Overdraft is treated as an Internal Liability

- Agree
- Disagree

### **Solution**

Bank Overdraft is treated as an Internal Liability.-**Disagree**

Exercise 7 | Q 5 | Page 318



## QUESTION

**Do you agree or disagree with the following statement :**

Capital is excess of Liabilities over Assets.

- Agree
- Disagree

## Solution

Capital is excess of Liabilities over Assets- **Agree**