FINAL ACCOUNTS

Having proved the arithmetical accuracy of Ledger by means of Trial Balance we should proceed to ascertain our Profit or Loss for a period. In order to determine the Profit or Loss of a business and its financial position, Final Accounts at the end of a particular period are prepared. The term Final accounts means statements which are finally prepared to show the profit earned or loss suffered by the firm and financial state of affairs of the firm at the end of the period concerned. In order to know the profit or loss earned by a firm, Income Statement or Trading and profit and loss Account is prepared. This statement is also called "statement of operations." While the financial position is judged by means of preparing a Balance Sheet of the business. This statement is also called "position statement " or the " statement of financial condition ". In this chapter we shall study the method of preparing these two statements.

The basis of these statements is trial balance. The trial balance includes all the accounts from the Ledger, the nature of which may be either, Personal, Real or Nominal. It should be noted that from the trial balance only Nominal Accounts are transferred to the profit and loss account. The Real or Personal Accounts go to the balance sheet.

Trading and profit and loss Account / Income Statement

As the name of this account itself indicates, it is made up of two accounts i.e., trading Account and profit & Loss Account. Trading concerns which purchase goods from one market and sell it in another market, prepare this account.

Trading and Profit and Loss Account/Income Statement may be prepared either in Account Form (T Form) or in Report Form (Statement Form). Trading and Profit and Loss Account in both the forms give the same information. The account or T Form is traditional and is used widely but in recent years many business houses prefer to present the profit and loss Account/Income statement in the report form.

TRADING ACCOUNT

A Trading Account is an account which contains, " in summarised form, all the transactions, occurring, throughout the trading period, in commodities in which he deals" and which gives the gross trading result. In short, Trading Account is the account which is prepared to determine the Gross Profit or the Gross Loss of a trader.

The following items usually appear on the debit and credit sides of the Trading Account:-

On the Debit side:

(1) The value of opening stocks of goods (i.e. the stock of goods with which the business was started)

(2) Net Purchases made during the year (i.e.. Purchases less Returns.)

(3) Direct expenses, if any.

On the Credit side:

(1) Total Sales made during the period less the value of Returns, i.e., Net Sales.

(2) The value of closing stock of goods.

The difference between the two sides of the Trading Account represents either Gross Profit or Gross Loss. Thus if the credit side is heavier that would mean that the trader has earned Gross Profit i.e. the excess of selling price of the goods sold over their purchase price. If the debit side is heavier it would mean that the trader has suffered Gross Loss i.e., purchase price of goods exceeds the selling price.

The balance of Trading Account which represents either Gross profit or Gross Loss is transferred to Profit & Loss Account.

Form of Trading Account (T or Account Form). The following is a Profrma Trading Account :--

Trading Account

Dr for the year ending ....19.............. Cr

	Rs.		Rs.
To Opening Stock	.....	By Sales	
To Purchases	.....	Less Returns	----
Less Returns	.....	By Closing Stock	----
To Carriage Inwards	.....	By Gross Loss Transferred to Profit and Loss A/c	----
To Cartage	.....		
To Dock Charges			

To Wages	......		
To Duty	......		
To Freight	......		
To Clearing Charges	......		
To Etc. Etc.,	......		
To Gross Profit (Transferred to profit and Loss A/c.)			

Trading Account Items. Now we shall discuss the items of the Trading Account one by one.

Opening Stock. In case of trading concerns it will consist of only finished goods or goods to be sold without alteration. In manufacturing concerns, the opening stock will consist of three parts: (a) stock of raw materials, (b) stock of partly finished goods or work-in-progress, and (c) stock of finished goods. In case of a new business there will be no opening stock.

Purchases. This item includes both cash and credit purchases of goods bought with the object of sale.

Return outwards or Purchases Returns. It means the goods returned by a trader to his suppliers from out of his purchases. Return outwards reduce the purchases. It is shown by way of deduction from purchases in the Trading Account.

Discount on Purchases. It is also shown by way of deduction from purchases in the Trading Account.

Sales. This item includes total of both cash and credit sales of goods in which businessman deals in. It is credited to Trading Account.

Returns Inwards or Sales Returns. It means goods returned to a trader by his customers from out of goods sold to them. It is shown by way of deduction from sales on the credit side, of the Trading Account.

Discount on Sales. This account has always a debit balance and is shown by deduction from sales in the Trading Account.

Direct Expenses. Direct expenses are those expenses which are incurred to convert raw-materials into finished goods or which may be regarded as a part of the cost of purchasing the goods. e.g., wages paid by a manufacturer to construct furniture out of raw wood, the expenses incurred to bring goods from the place of purchase to the business place of the trader etc. All the direct expenses are charged to the Trading Account. The items usually included in direct expenses are :—

Wages. This item usually signifies some hourly, daily or piecework remuneration paid to laborers. It is direct expenditure and should be charged to Trading Account.

Manufacturing or Productive wages. It signifies the wages of factory workmen actually engaged in making or producing something. It is a direct charge on the cost of Manufacture. It is debited to Manufacturing Account or Trading Account in absence of Manufacturing Account.

Carriage Inward. Carriage means conveyance charges of goods by land. Carriage inward are the conveyance expenses incurred to bring the goods purchased in the godown or shop. It is debited to Trading Account. In examination questions when the item only " Carriage" is given and is not expressly stated to be inward or outward, it should be assumed to be inward and debited to Trading Account. The reason is that carriage on goods is usually paid by the purchaser.

Cartage. The cartage charges on goods purchased are direct expenses and should be debited to Trading Account.

Freight. Freight is the charge made for conveyance of goods by sea. Freight on goods purchased is charged is Trading Account.

Customs Duty, Octroi Duty etc. When goods are purchased from a foreign country import duty will be payable. When goods are received from another city, the municipal corporation may charge octroi duty. All duties on goods purchased should be debited to Trading Account.

Excise Duty. it is a tax levied by the Government. If the duty is levied on production it will be treated as manufacturing expense and debited to Trading Account.

Stores Consumed. This item stores denote lubricating oil, tallow, grease, cotton and jute waste, etc., required for running the machinery of a manufacturing concern. The amount of stores consumed is a direct expense and should be charged to Trading Account.

Motive Power. This item includes, coke, gas, water or electric energy consumed in propelling the machinery. It is debited to Manufacturing Account ; in the absence of a Manufacturing Account, it is debited to Trading Account.

Royalty. Royalty is an amount paid to a person for exploiting rights possessed by him. It is usually paid to a patentee, author, or landlord for the right to use his patent, copyright or land. If they are productive expenses, they are debited to Manufacturing Account ; but in the absence of a Manufacturing Account, it is debited to Trading Account.

Manufacturing Expenses. All other expenses such as Factory Rent, Factory Insurance, Factory repair etc., are direct expenses and should be charged to Trading Account.

Closing Stock and its Valuation. Closing Stock represents the value of goods unsold in the hands of a trader at the end of a trading period The value of closing stock is ascertained by means of compilation of list of materials, stores and goods actually in possession at the close of the trading period This work is known as taking the inventory. The inventory or lists or physical stock are then faired and valued. The total of the list will be closing stock, The closing stock is valued at cost or market price whichever is lower. As this item materially affects the Gross Profit (or Gross Loss), it is essential that all possible care should be taken to calculate the closing stock at a proper value.

The value of closing stock is taken into consideration only at the time of preparing the Trading Account and not before. The Trial Balance is prepared before the preparation of the Trading Account. Hence the closing stock does not appear in a Trial Balance. It is brought into account by means of a Journal entry debiting Stock Account and crediting Trading Account.

Closing Entries for Trading Account. Closing entries are those which are passed at the end of each financial period for the purpose of transferring the various revenue accounts to the Trading and Profit and Loss Account and thus the nominal accounts are closed. In preparing a Trading Account., the opening stock, Purchases, Sales, Returns both inwards and untwards, Direct expenses and closing stock are transferred to it by means of journal entries as follows :—

1. Trading Account
    To Purchases Account
    To Returns Inwards Account
    To Direct Expenses account (Wages, carriage etc.)
   (Being the transfer of the latter accounts to the former.)

2. Sales Account
   Returns Outward Account
    To Trading Account
   (Sales etc., transferred to Trading Account.)

3. Closing Stock Account
    To Trading Account
   (Being to record closing stock.)

Advantages of Trading Account. The advantages of the Trading Account are as follows :—

1. A Trader can find out the Gross Profit and thereby can ascertain the percentage of profit he has earned on the cost of the goods sold. This percentage of gross profit may serve as his ready guide for the adjustment of future sale price.

2. A Trading Account help a trader to compare his stock at open with that at the close. He can further find out whether the purchases he has made during the period of account have been judicious.
3. One can compare the figure of sales with similar figure of the previous year and can find out whether the business is improving or declining.
4. If the gross profit disclosed by the Trading Account is less than expected, an enquiry can be made into the causes responsible for the decline. And if the gross profit is more than was expected, steps can be taken to maintain it.

PROFIT AND LOSS ACCOUNT

Profit and Loss Account is the account whereby a trader determines the net result of business transactions. It is the account which reveals the Net Profit (or Net Loss) of the ...

The Profit and Loss Account is opened with gross profit transferred from the Trading Account (or with gross loss which will be debited to Profit and Loss Account). After this all losses and loses (which have not been dealt in the Trading Account) are transferred to the debit side of the Profit and Loss Account. If there are any incomes or gains, these will be credited to the Profit & Loss Account. The excess of the gain over the loss is called the Net Profit and that of the loss over the gain is called the Net Loss. The account is closed by transferring this Net Profit or Loss to the Capital Account of the trader.

Form of Profit & Loss Account (T or Account Form). The following is a Proforma Profit and Loss Account :—

Profit and Loss Account
For the year ending on..........................

To Gross Loss b/d	Rs.	By Gross Profit b/d	Rs.
To Salaries	--	By Interest received	
To Rent		By Discount received	
To Rent & Rates		By Commission received	
To Discount allowed		By Other receipts	
To Commission allowed		By etc., etc.	
To Insurance		By Net Loss (transferred to Capital Account of a trader).	
To Bank Charges			
To Legal Charges			
To Repairs			

To Advertising			
To Trade Expenses			
To Office Expenses			
To Bad Debts			
To Travelling			
To Etc., Etc.,			
To Net Profit (transferred to Capital Account of a trader).			

Closing Entries for Profit & Loss Account. The following usual entries are passed at the end of each trading period.

1. Transferring all Expenses or Losses.
   Profit & Loss Account.
   To each of the various Expenses or Loses.
   (This entry will close the expenses accounts.)

2. Transferring all items of gains etc.
   Various Nominal Accounts (representing gains)
   To Profit and Loss Account.
   (This entry will close all the remaining Nominal A/cs.)

3. Transferring Net gain to Capital Account.
   Profit and Loss Account
   To Capital Account
   (This entry closes the P & L a/c)

4. Transferring Net Loss to Capital Account.
   Capital Account
   To Profit and Loss account
   (This entry closes the P & L a/c.)

Difference Between Trading and Profit & Loss Account. The main difference between Trading Account and a Profit and Loss Account is that the gross profit or loss which is derived from the Trading account, shows the trend of the business and the profit and Loss account reflects on the management of the business the final outcome of the concern. Trading account deals with the cost price of the goods. All the expenses directly connected with the buying of goods are entered in it. It is credited with the sale proceeds of the goods. Profit and Loss Account deals with the expenses indirectly connected with the goods (Expenses with the selling of the goods.)

EXPLANATION OF CERTAIN ITEMS OF INCOME STATEMENT

Income from Sales. The total of all charges to customers for goods sold, both cash and on credit, is reported in this section. Sales returns and allowances and s discounts are deducted from the gross amount to yield net sales.

Cost of goods sold. This refers to the cost price of goods which have been during a given period. In order to calculate the cost of goods sold we should deduct the total cost of goods purchased the cost of goods at the end of the year. This can explained with the help of following formula:

(Opening stack + cost of goods purchased) - closing stock = cost of goods

Gross Profit. The excess of the net income from sales over the cost of goods is also called gross profit on sales, trading profit or gross margin. It is termed gross bec all other expenses for the period must be deducted from it to obtain the net profit or income of the business.

Operating Expenses. The operating expenses also called operating costs business may be classified under any desired number of headings and sub-heading small retail business it is usually satisfactory to classify operating expenses as either s or general.

Expenses that are incurred directly and entirely in connection with the sale of g are known as selling expenses. They include such expenses as salaries of the sales store supplies used, depreciation of store equipment, and advertising.

Expenses incurred in the general administration of the business are kno administrative expenses or general expenses. Examples of these expenses are office sa depreciation equipment, and office supplies used.

Net Profit from operations. The excess of gross profit on sales over total ope expenses is called net profit or net profit from operations. If operating expenses s exceed gross profit, the excess is designated as net loss or net loss from operation

Other Income. Minor sources of income are classified as other income or operating income. In a merchandising business this category often includes income interest, rent, dividends and gains from the sale of fixed assets.

Other Expenses. Expenses that cannot be associated definitely with the ope are identified as other expenses or non-operating expenses. Interest expense that r from financing activities and losses incurred in the disposal of fixed assets are examp items reported in this section

The two categories of non-operating items other income and other expense offset against each other on the profit and loss account. If the total of other income ex the total other expenses, the excess is added to net profit from operations; if the r is true, the difference is subtracted from net profit from operations.

INCOME STATEMENT AND PROFIT AND LOSS ACCOUNT IN STATEMENT FORM

Income Statement/Trading and Profit and Loss Account
for the year ended 31st December, 199......

	Rs.	Rs.	Rs.
Income from sales:			
Sales....................................		....	
Less : Sales returns and allowances	....		
Sales discount..............................	....		
		....	
Net sales...........................			....
Cost of Goods sold :			
Merchandise in stock on 1st January		....	
Purchases	....		
Less purchase returns and discount........	....		
Net purchases		....	
Cost of goods available for sale.............		....	
Less merchandise in stock on 31st December,...		....	
Cost of goods sold			....
Gross profit...			....
Operating Expenses:			
Selling expenses :			
Sales salaries	....		
Advertising expense	....		
Insurance expense selling	....		
Store supplies expense	....		
Sundry selling expenses	....		
Total selling expenses		....	
General expense :			
Office salaries	....		
Taxes	....		
Insurance expenses general	....		
Office supplies expense	....		
Sundry general expenses	....		
Total general expenses		....	
Total operating expenses			....
Net profit from operations			....
Other incomes :			
Rent income		....	
Other expenses :			
Interest expense		....	....
Net Profit			....

Net Profit. The final figure on the profit and loss account is labelled as net profit (or net loss) or net profit carried to balance sheet. It is the net increase in capital from profit making activities.

BALANCE SHEET

A Balance Sheet is a statement drawn up at the end of each trading period stating therein all the assets and liabilities of a business arranged in the customary order to exhibit the true and correct state of affairs of the concern as on a given date.

A Balance Sheet is prepared from a Trial Balance after the balances of Nominal Account are transferred either to the Trading Account or to the Profit and Loss Account. The remaining balances of Personal and Real Accounts represent either assets or liabilities at the closing date. These assets and liabilities are shown in the Balance Sheet in a classified form--the assets being shown on the right hand side and the liabilities on the left hand side.

Grouping and Marshalling. In a Balance Sheet assets and liabilities should be properly grouped and classified under appropriate headings. The individual balance of each Debtor's and Creditor's Account need not be shown. Debtors and Creditors should be shown in total. The grouping together of dissimilar assets will make the Balance Sheet misleading.

The term Marshalling means the order in which assets and liabilities are stated on the Balance sheet. As the Balance Sheet exhibits the financial position of a concern even to a non technical observer, it is of great importance that the different assets and liabilities should be arranged in the Balance Sheet on certain principles. The Balance sheet is generally marshalled in three ways :-

(i) *The order of liquidity or realizability.* According to this method asses are entered up in the Balance Sheet following the order in which they can be converted into cash and the liabilities in the order in which they can be paid off. The following is a specimen of a Balance Sheet based on this order :-

Balance Sheet as at ....

Liabilities	Rs.	Assets	Rs.
Bills Payable		Cash in hand	
Loans		Cash at Bank	
Trade Creditors		Investments	
Capital		Bills Receivable	
		Debtors	
		Stock (Closing)	
		Stores	
		Furniture & Fixtures	
		Plant & Machinery	
		Land & Buildings	

(2) The Order of Permanence. This method is the reverse of the first method. Under this method the assets are stated according to their permanency i.e., permanent assets are shown first and less permanent are shown one after another. Similarly the fixed liabilities are stated first and the floating liabilities follow. The following is a specimen of a Balance Sheet based on this order.

Balance Sheet as at ....

Liabilities	Rs.	*Assets*	Rs.
Capital		Land & Buildings	
Trade Creditors		Plant & Machinery	
Loans		Furniture & Fixtures	
Bills Payable		Stores	
		Stock	
		Debtors	
		Bills Receivable	
		Investments	
		Cash at Bank	
		Cash in hand	

3. *Mixed order of arrangement*. This method is a combination of the order of the realisability and the order of permanence. Under this method the assets are arranged in order of realisability and the liabilities in order of permanence.

The first method is adopted by sole proprietary and partnership concerns. The second is followed by companies. The third method is adopted by banking concerns.

Object of Balance Sheet. The function of correctly prepared Balance Sheet is to exhibit the true and correct view of the state of affairs of any concern. and in a balance sheet as the assets and liabilities are shown in details after being properly valued, a trader can judge the position of his business from it.

Classification of Assets

The properties and possessions of a business are called the Assets and they are classified into following classes :-

(1) *Fixed Assets*. These are assets which are acquired not for sale but for permanent use in the business e.g., land and buildings, plant and machinery, furniture etc. These assets help the business to be carried on.

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(2) *Current or Circulating or Floating Assets.* These denote those assets which are held for sale or to be converted into cash after some time e.g. Sundry Debtors, Bills Receivable, Stock of Goods etc.

(3) *Liquid Assets* Liquid Assets are those assets which are with us in cash or easily converted into cash e.g. 'Cash in hand, Cash at Bank, Investments etc.

(4) *Wasting Assets.* The assets that depreciate through "wear and tear", whose values expire with lapse of time or that become exhausted through working are known as Wasting Assets. This is a sub-class of Fixed Assets. e.g., Pant, Machinery, Mines etc.

(5) *Intangible or Fictitions Assets.* There are assets which have no physical existence, which can neither be seen with eyes nor touched with hands. They do not represent anything valuable. They include debit balance of Profit and Loss Account, insurance prepaid, goodwill etc.

(6) *Contingent Assets.* A contingent asset is one which comes into existence upon the happening of a certain event. If that event happens the asset becomes available, otherwise not e.g. uncalled capital of a limited company.

(7) *Outstanding Assets.* Expenses paid in advance i.e. prepaid expenses, and income earned but not received are known as outstanding assets.

Classification of Liabilities. The liabilities of a business are classified as follows:—

(1) *Fixed Liabilities.* These are the liabilities which are not payable immediately or in the near future. These liabilities are payable after a long period. Long term loans, capital of the proprietor are the examples of such kind of liabilities.

(2) *Current Liabilities.* These are the liabilities which are payable immediately or in the near future, such as creditors, Bank Loans etc.

(3) *Contingent Liabilities.* Contingent liabilities are those liabilities which arise only on the happening of some event. The event may or may not happen. Thus a contingent liabilities may or may not involve the payment of money. Examples of contingent liabilities are:-

(a) *Liability on bills discounted.* In case the bill is dishonoured by the acceptor, the holder may be called upon to pay the amount to the discounter.

Valuation of assets

In order to exhibit a true financial position of a business assets are to be valued ...ally. The basis upon which the various assets are valued depends to some extent on nature of the business and the objects for which the assets are held. The following principles, however, will serve as a valuable guide in this respect.

(1) *Fixed Assets.* Fixed Assets are valued on the method "Going Concern." Valuation of the Fixed Assets must be ascertained from their capacity to earn revenue and that is why they should be valued for the purpose of the Balance Sheet at cost price less depreciation which is an estimated loss arising out of the use of the Fixed Assets in course of the business.

(2) *Floating Assets.* Floating Assets are valued on the principle the "Cost or Market price whichever is less". They are valued at a figure which they are likely to realise when converted into cash and as such they are valued at cost price or market price if the same is below the cost price at the date of valuation. It is never valued at a price exceeding the cost even if the market price is in excess of the cost price at the date of such valuation.

VERTICAL OR REPORT FORM OF BALANCE SHEET

Balance Sheet as at ____________________

ASSETS	Rs.	Rs.
Current Assets:		
Cash-in-hand	....	
Cash at Bank	....	
Debtors (Accounts Receivable)	....	
Bills Receivable (Notes Receivable)	....	
Stock in Trade (Inventory)	....	
Total Current Assets		....
Fixed Assets:		
Furniture & Fittings	....	
Buildings	....	
Plant & Machinery	....	
Land	....	
Total Fixed Assets		....
Total Assets		....

Illustration 10.1

From the following balances extracted from the Books of X & Co, prepare a Trading and Profit and Loss Account and Balances Sheet on 31st December, 1991.

	Rs.		Rs.
Stock on Ist January	11,000	Returns Outwards	500
Bills Receivable	4,500	Trade Expenses	200
Purchases	39,000	Office Fixtures	1,000
Wages	2,800	Cash in hand	500
Insurance	700	Cash at Bank	4,750
Sundry Debtors	30,000	Rent and Taxes	1,100
Carriage Inwards	800	Carriage Outwards	1,450
Commission (Dr.)	800	Sales	60,000
Interest on Capital	700	Bills Payable	3,000
Stationery	450	Creditors	19,650
Returns Inwards	1,300	Capital	17,900

The stock on 31st December, 1991 was valued at Rs. 25,000.

Solution :

X & Co.
Trading and Profit & Loss Account
for the year ending 31st December, 1991

		Rs			Rs.
To Opening Stock		11,000	By Sales	60,000	
To Purchases	39,000		Less Return Inwards	1,300	
Less Returns Outwards	500	38,500			58,700
			By Closing Stock		25,000
To Carriage Inwards		800			
To Wages		2,800			
To Gross Profit c/d		30,600			
		83,700			83,700
To Stationery		450	By Gross Profit b/d		30,600
To Rent & Rates		1,100			
To Carriage Outwards		1,450			
To Insurance		700			
To Trade Expenses		200			
To Commission		800			
To Interest on Capital		700			
To Net Profit Transferred to Capital a/c		25,200			
		30,600			30 600

X & Co.
Balance Sheet
as at 31st December, 1991

Liabilities		Rs.	Assets	Rs.
Creditors		19,650	Cash in hand	500
Bills Payable		3,000	Cash at Bank	4,750
Capital	17,900		Sundry Debtors	30,000
Add Net Profit	25,200	43,100	Bill Receivable	4,500
			Stock	25,000
			Office Fixtures	1,000
		65,750		65,750

Illustration 10.2

The following Trial Balance was taken from the books of Habib-ur-Rehman on December 31, 19........................

	Rs.	Rs.
Cash	13,000	
Sundry Debtors	10,000	
Bill Receivable	8,500	
Opening Stock	45,000	
Buildings	50,000	
Furniture and Fittings	10,000	
Investments (Temporary)	5,000	
Plant and Machinery	15,500	
Bills payable		9,000
Sundry creditors		20,000
Habib's Capital		78,200
Habib's Drawings	1,000	
Sales		1,00,000
Sales Discount	400	
Purchases	30,000	
Freight in	1,000	
Purchase Discount		500
Sales Salary Expense	5,000	
Advertising Expense	4,000	
Miscellaneous sales expenses	500	
Office Salary Expenses	8,000	
Misc. General Expenses	1,000	
Interest Income		1,000
Interest Expenses	800	
	2,08,700	2,08,700

Closing Stock on dec 31, 19 .... was Rs. 10,000

Required: Prepare Income Statement/Trading and Profit and Loss Account and Balance Sheet from the above Trial Balance in Report Form.

Solution:

Habib-ur-Rehman Income Statement
for the year ending December 31, 19.....

		Rs.	Rs.
Gross Sales		1,00,000	
Less. Sales Discount		400	
Net Sales			99,600
Cost of Goods Sold:			
Opening Stock		45,000	
Purchases	30,000		
Add Freight in	1,000		
	31,000		
Less Purchases Discount	500		
Net Purchases		30,500	
Cost of goods available for sale		75,500	
Less closing stock		10,000	
Cost of goods sold			65,500
Gross Profit			34,100
Operating Expenses:			
Selling Expenses			
Sales Salary Expenses	5,000		
Advertising Expenses	4,000		
Misc. Selling Expenses	500		
Total Selling Expenses:		9,500	
General Expenses:			
Office Salary Expense	8,000		
Misc. General Expense	1,000		
Total General Expense		9,000	
Total operating Expenses			18,500
Net Profit from operations			15,600
Other Expenses and Incomes:			
Interest Income	1,000		
Less Interest Expenses	800		
Net Increase			200
Net Income			15,800

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Habib-ur-Rehman

Balance Sheet as at December 31, 19.........

	Rs.	Rs.
ASSETS		
Current Assets:		
Cash	13,000	
Sundry Debtors	10,000	
Bills Receivable	8,500	
Stock on Dec. 31, 19......	10,000	
Investments	5,000	
Total Current Assets		46,500
Fixed Assets:		
Buildings	50,000	
Plant and Machinery	15,500	
Furniture and Fittings	10,000	
Total Fixed Assets		75,500
Total Assets		1,22,000
LIABILITIES		
Current Liabilities:		
Sundry Creditors	20,000	
Bills payable	9,000	
Total Current Liabilities		29,000
Fixed Liabilities:		
Habib's Capital	78,200	
Net Income for the year	15,800	
	94,000	
Less Drawings	1,000	
		93,000
Total Liabilities and Capital		1,22,000