CHAPTER – 13

FINAL ACCOUNTS WITH ADJUSTMENTS

Sr. No	Course Outline Topics
1	Preparation of Final Accounts
2	Practice - Adjustments for Fixed Assets – Rectification of Errors
3	How to Read Trial Balance Prior to Preparing Final Accounts
4	Adjusting Entries Prior to Preparing Final Accounts
5	Practice: BRS - Provision for Doubtful Debts - Claim against Loss
6	Important Tips to Remember

Topic115 – 120 are included in this chapter.

Preparation of Final Accounts

Preparation of final accounts means to prepare certain financial statements at the end of reporting period in order to achieve certain objective from the perspective of user group. Mostly the sole proprietors prepare following two financial statements as final accounts.

3. Income statement (Statement of profit or loss and other comprehensive income)
4. Balance sheet (Statement of financial position)

According to International Accounting Standard (IAS) 1, there are five components of financial statements; 1) Statement of Financial Position 2) Statement of Profit or Loss and Other Comprehensive Income 3) Statement of Cash Flows 4) Statement of Changes in equity and 5) Notes to the Financial Statements.

Income statement (Statement of Profit or Loss and Other Comprehensive Income) is prepared to know the financial performance of an entity. Financial performance refers to the profitability (profit or loss) of entity during an accounting period i.e., a year.

This is prepared with the help of all ledger account balances relating to incomes & expenses appearing in the trial balance. Income statement is prepared for a specific period for which starting and ending dates are defined, normally a year of 12 months, also known as ***reporting period***.

Remember this equation:	**Incomes – Expenses = Profit**

Balance sheet (Statement of Financial Position) is prepared to know the financial position of an entity. Financial position refers to the financial strength of entity on a specific date. Normally it is prepared at the end of reporting period, which is known as *reporting date* or balance sheet date.

Financial strength of an entity is ascertained through the sum of total assets (resources) and the sum of total financial sources required to finance these assets i.e. owners' equity and liabilities (sources).

Remember this equation:	**Assets = Owners equity + Liabilities**

Techniques to prepare final accounts / financial statements

It is important here to recall the accounting cycle i.e.;

Preparation of final accounts comes after extracting trial balance from ledgers. The technique to prepare final accounts is nothing but to read trial balance very carefully, identify the nature of accounting head correctly, and place its balance in the appropriate part of income statement and balance sheet.

Important tip to follow is to mark E/I/A/L/O while reading trial balance and then pass journal entries for adjustment. We shall practice these two techniques in the following section.

Practice 13.1

(Emphasizing on adjustment for fixed assets and rectification of errors)

Following is the Trial Balances as on **31.3.20X9** extracted from the books of Sheikh, who carries on business under the name and style of Al-Fanar Stores., at Lahore:

Particulars	**Dr. (Rs)**	**Cr. (Rs)**	**Particulars**	**Dr. (Rs)**	**Cr. (Rs)**
Cash in hand	1,400		Interest on loan from Bhutta	2,700	
Cash at bank	2,600		Rates & taxes	2,100	
Sundry debtors	86,000		Discount allowed to Debtors	2,400	
Stock on **1.4.20X8**	62,000		Discount received from creditors		1,600
Furniture & fixtures	25,000		Freight on purchases	400	
Depreciation (F&F)		3,600	Carriage inwards	800	
Equipment (Depreciation 4,000)	16,000		Carriage outwards	2,000	
Buildings (cost)	60,000		Drawings	12,000	
Motor car (Cost 30,000)	20,000		Printing and stationery	1,800	
Sundry creditors		43,000	Electricity charges	2,200	
12% Loan from Bhutta		30,000	Insurance premium	5,500	
Provision for bad debts		3,000	General office expenses	3,000	
Purchases	140,000		Bad debts	2,000	
Purchase returns		2,600	Bank charges	1,600	
Sales		230,000	Motor car expenses	3,600	
Sales returns	4,200		Capital A/c		162,000
Salaries	11,000				
Rent for godown	5,500		TOTAL	**475,800**	**475,800**

Prepare Income Statement for the year ended 31st March, 20X9 and the Statement of Financial Position (Balance Sheet) as at that date after making adjustments for the following information:

1. Depreciate: (a) Building by 5% on reducing balance method; (b) Furniture and fixtures by 10% on reducing balance method; One steel table purchased during the year for Rs 1,400 was sold for same price but the sale proceeds were wrongly credited to Sales Account; (c) Office equipment by 15% on straight line method; Purchase of a typewriter during the year for Rs 4,000 has been wrongly debited to purchase; and (d) Motor car by 20% on reducing balance method; A fully depreciated motor car, original cost Rs. 5,000 was sold during the year. The proceeds of Rs. 1,000 were credited to sales account, no other accounting entries for disposal were recorded. During the year a motor car was purchased for Rs. 10,000 on credit, this remained unrecorded.
2. Value of stock on reporting date was Rs 44,000.
3. One month's rent for godown is outstanding,
4. One month's salary is outstanding.
5. Interest on loan from Bhutta is payable at 12 percent per annum, this loan was taken on 1.5.20X8.
6. Provision for bad debts is to be increased by Rs. 1,500
7. Insurance premium includes Rs 4,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.4.20X8 to 30.6.20X9.
8. Building was bought during the reporting period, half of which is used for residential purpose by Sheikh.
9. Discount allowed to debtors Rs. 600 has been wrongly debited to discount allowed by the creditors.

Trial Balance

Mark - AEILO

Particulars	Dr. (Rs)	Cr. (Rs)	Particulars	Dr. (Rs)	Cr. (Rs)
Cash in hand A	1,400		Interest on loan from Bhutta E	2,700	
Cash at bank A	2,600		Rates & taxes E	2,100	
Sundry debtors A	86,000		Discount allowed to Debtors E	2,400	
Stock on **1.4.20X8** E	62,000		Discount received from creditors I		1,600
Furniture & fixtures A	25,000		Freight on purchases E	400	
Depreciation (F&F) – A		3,600	Carriage inwards E	800	
Equipment (Depreciation 4,000) A, – A	16,000		Carriage outwards E	2,000	
Buildings (cost) A	60,000		Drawings – O	12,000	
Motor car (Cost 30,000) A, – A	20,000		Printing and stationery E	1,800	
Sundry creditors. L		43,000	Electricity charges E	2,200	
12% Loan from Bhutta L		30,000	Insurance premium E	5,500	
Provision for bad debts – A		3,000	General office expenses E	3,000	
Purchases E	140,000		Bad debts E	2,000	
Purchase returns – E		2,600	Bank charges E	1,600	
Sales I		230,000	Motor car expenses E	3,600	
Sales returns – I	4,200		Capital account O		162,000
Salaries E	11,000				
Rent for godown E	5,500		TOTAL	**475,800**	**475,800**

Adjusting Entries

1. Depreciation expense for the year

Name of Assets	**Furniture & Fixture 10 % R B M**	**Equipment 15% Straight line**	**Building 5 % R B M**	**Motor car 20 % R B M**
Cost Opening	25,000	20,000	30,000	30,000
Addition	-	4,000	-	10,000
Deletion /Disposal	(1,400)	-	-	(5,000)
Closing Balance	23,600	24,000	30,000	35,000
Acc. Dep. Opening	3,600	4,000	-	10,000
Disposal	-	-	-	(5,000)
For the year	**2,000**	**3,600**	**1,500**	**6,000**
Closing balance	(5,600)	(7,600)	(1,500)	(11,000)
Net Book Value	18,000	16,400	28,500	24,000

Depreciation expense E	Dr.	13,100	
Accumulated Depreciation – Furniture	Cr. – A		2,000
Accumulated Depreciation – Equipment	Cr. – A		3,600
Accumulated Depreciation – Building	Cr. – A		1,500
Accumulated Depreciation – Motor Car	Cr. – A		6,000
Sales account – I	Dr.	1,400	
Furniture & Fixture account	Cr. – A		1,400
Office equipment A	Dr.	4,000	
Purchases account	Cr. – E		4,000
Motor car A	Dr.	10,000	
Creditors for motor car	Cr. L		10,000
Accumulated depreciation motor car A	Dr.	5,000	
Sales – I	Dr.	1,000	
Motor car	Cr. – A		5,000
Profit on disposal of motor car	Cr. I		1,000

2. Closing Stock

Closing Stock A		Dr.	44,000	
	Cost of goods sold – E	Cr.		44,000

3. Outstanding rent for godown – one month = 500 (5,500 = 11 months)

Rent for godown E		Dr.	500	
	Rent payable / owing L	Cr.		500

4. Outstanding salaries – one month = 1,000 (11,000 = 11 month)

Salaries E		Dr.	1,000	
	Salaries payable / owing L	Cr.		1,000

5. Interest on loan @ 12% (30,000) = 3,600 x 11/12 = 3,300 – 2,700 = 600

Interest on loan E		Dr.	600	
	Interest payable L	Cr.		600

6. Increase in provision for doubtful debts

Bad debts E		Dr.	1,500	
	Provision for doubtful debts – A	Cr.		1,500

7. Insurance premium includes insurance for proprietor

Drawings – O		Dr.	4,000	
	Insurance premium E	Cr.		4,000

Insurance prepaid for 3 months (1,500 x 3/15 = 300)

Prepaid Insurance A		Dr.	300	
	Insurance premium E	Cr.		300

8. Half of the building purchased during the year is being used by owner for personal use

Drawings account – O		Dr.	30,000	
	Building account – A	Cr.		30,000

9. Discount allowed wrongly debited to discount received

Discount allowed E		Dr.	600	
	Discount received I	Cr.		600

Al – Fanar Stores
Income Statement
For the Year Ended on 31 March 20X9

		Rs.	Rs.	Rs.
Sales (W-4)				223,400
Cost of Goods Sold				
Opening Stock			62,000	
Purchases (W-5)		133,400		
Freight		400		
Carriage inwards		800	134,600	
Closing Stock			(44,000)	(152,600)
Gross Profit				70,800
Operating Expenses				
Salaries		(11,000 + 1,000)	12,000	
Rent for Godown		(5,500 + 500)	6,000	
Interest on Loan		(2,700 + 600)	3,300	
Rates and Taxes			2,100	
Discount to Debtors		(2,400 + 600)	3,000	
Carriage outwards			2,000	
Printing & Stationery			1,800	
Electricity charges			2,200	
Insurance premium (W-6)			1,200	
General office Expenses			3,000	
Bad debts (W-2)			1,500	
Bank charges			1,600	
Motorcar Expenses			3,600	
Depreciation			13,100	56,400
Operating Profit				14,400
Other Income				
Discount Received		(1,600 + 600)	2,200	
Profit on Sale of Motor			1,000	3,200
Net Profit				17,600

Al – Fanar Stores

Statement of Financial Position

As At March 31, 20X9

		Rs.	**Rs.**
Assets			
Fixed Assets			
Furniture & Fixture	(W -1)	18,000	
Equipment	(W - 1)	16,400	
Building	(W - 1)	28,500	
Motor Car	(W - 1)	24,000	86,900
Current Assets			
Stock		44,000	
Trade Debtors	(W - 3)	83,500	
Prepaid Insurance	(W - 6)	300	
Cash in hand		1,400	
Cash at Bank		2,600	131,800
			218,700
Owners' Equity			
Capital		162,000	
Net profit		17,600	
Drawing	(W – 7)	(46,000)	133,600
Liabilities:			
Long Term			
Loan from Bhutta		30,000	
Current Liabilities			
Creditor for motor car		10,000	
Trade Creditors		43,000	
Outstanding Expense		1,500	
Interest on loan payable		600	85,100
			218,700

Working Notes:

W – 1

Fixed Asset and Depreciation

Name of Assets	**Furniture & Fixture 10 % R B M**	**Equipment 15% Straight line**	**Building 5 % R B M**	**Motor car 20 % R B M**
Cost Opening	25,000	20,000	30,000	30,000
Addition	-	4,000	-	10,000
Deletion /Disposal	(1,400)	-	-	(5,000)
Closing Balance	23,600	24,000	30,000	35,000
Acc. Dep. Opening	3,600	4,000	-	10,000
Disposal	-	-	-	(5,000)
For the year	2,000	3,600	1,500	6,000
Closing balance	(5,600)	(7,600)	(1,500)	(11,000)
Net Book Value	18,000	16,400	28,500	24,000

W – 2

Provision for Doubtful Debts

	Rs.		**Rs.**
Bad debts transferred	2,000	Balance b/f	3,000
		Bad debts	1,500
Balance c/f	2,500		
	4,500		4,500

Bad debts

	Rs.		**Rs.**
Debtors	2,000	Provision for D Debts	2,000
		Income Statement	1,500
Provision increased by	1,500		
	3,500		3,500

W – 3

	Rs.
Sundry Debtor	86,000
Provision for bad debts	(2,500)
	83,500

W – 4 Sales

Sale – Sale Return – Furniture – Profit & Loss A/c.

= 230,000 – 4,200 –1,400 –1,000

= 223,400

W – 5

Net Purchase

Purchase – Purchase return – office equipment

= 140,000 – 2,600 – 4,000

W – 6

Insurance prepaid

= 5,500 – 4,000

= 1,500 x 3/15 = 300

Insurance Premium

1,500 – 300 = 1,200

W – 7

Drawings 12,000 + 4,000 + 30,000 = 46,000

Practice 13.2

(Emphasizing on adjustment; bank reconciliation - provision for doubtful debts - claim against losses)

Following is the trial balance extracted from the books of Decent Traders as on December 31, 20X9.

	Dr. Rs	**Cr. Rs.**
Capital account		1,318,000
Drawing account	129,000	
Building	500,000	
Showroom racks	285,400	
Furniture & fixture	25,000	
Staff advance	17,400	
Provision for doubtful debts		39,400
Export sales		100,000
Local sales		2,189,400
Administrative expenses	659,600	
Bank overdraft (HBL)		2,400
Marketing expenses	20,000	
Cost of goods sold	1,027,400	
Sundry debtors	744,000	
Sundry creditors		243,400
Stock	200,000	
Cash at bank (MCB)	260,000	
Cash in hand	24,800	
TOTAL	**3,892,600**	**3, 892,600**

Following adjustments are to be incorporated in the books:

1. Charge depreciation at 10% on building, showroom racks and furniture & fixture
2. Sundry debtors include:
   a. A customer who is in default for Rs. 44,000 and expected recovery from him is not more than 75%;
   b. A customer owing Rs. 25,000 who is also a creditor for Rs. 30,000 (however setoff is not required)
   c. General provision for doubtful debts is to be calculated @ 5% of sundry debtors.
3. Provision for income tax is to be accounted for @ 40% of the net profit.
4. Balance as per bank statement received from MCB on 31 December 20X9 was different because of following reasons:

Un presented cheques	Rs. 8,000
Un collected cheques	Rs. 3,000
Un recorded standing orders (paid for trade subscription)	Rs. 2,000
Un recorded credit transfers (building rent realized)	Rs. 6,000

5. Goods valuing Rs. 10,000 were destroyed by fire and insurance company has admitted the claim for Rs. 7,500, no accounting entry has been passed for loss and claim.

You are required to prepare Income Statement for the year ended December 31, 20X9 and Statement of Financial Position (Balance Sheet) as at that date.

Decent Trader
Income Statement

For the Year Ended December 31, 20X9

	Rs.	Rs.	Rs.
Sales			
Local sales		2,189,400	
Export sales		100,000	2,289,400
Cost of Goods Sold – (W - 5)			(1,017,400)
Gross Profit			1,272,000
Administrative Expenses	659,600		
Marketing expense	20,000		
Operating Expenses		679,600	
Deprecation – (W - 1)		81,040	
Bad debts – (W- 2)		5,350	
Loss of goods – (W - 5)		2,500	
Trade subscription (Order)		2,000	(770,490)
Operating Profit			501,510
Other Incomes			
Rent realized (credit transfer)			6,000
Net Profit before Tax			507,510
Income Tax Provision (W - 4)			(203,004)
Net Profit after Tax			304,506

Decent Trader

Statement of Financial Position (Balance Sheet)
As at December 31, 20X9

		Rs.	Rs.
Assets			
Fixed Asset			
Building	(W - 1)	450,000	
Showroom Stock	(W - 1)	256,860	
Furniture & Fixture	(W - 1)	22,500	729,360
Current Assets			
Closing Stock		200,000	
Insurance Claim	(W - 5)	7,500	
Staff Advance		17,400	
Debtors	(W - 2)	699,250	
Cash at Bank	(W - 4)	264,000	
Cash in hand		24,800	1,212,950
			1,942,310
		Rs.	**Rs.**
Owners' Equity			
Capital		1,318,000	
Net profit		304,506	
Drawing		(129,000)	1,493,506
Liabilities:			
Provision for Income Tax		203,004	
Bank Overdraft		2,400	
Sundry Creditors		243,400	448,804
			1,942,310

Workings:

W – 1

Depreciation	Rate	Cost Rs.	Depreciation Rs.	N.B.V. Rs.
Building	@ 10 %	500,000	50,000	450,000
Show room Racks	@ 10 %	285,400	28,540	256,860
Furniture & Fixture	@ 10 %	25,000	2,500	22,500
		810,400	810,40	729,360

W – 2

			Rs.
Total Debtor			744,000
Provision for doubtful debts			
Goods debtors 25,000 x 0%		=	0
Specific debtors 44,000 x 25%		=	11,000
General debtors 675,000 x 5%		=	33,750
			44,750
Net Debtors	= 744,000 – 44,750	=	699,250

Bad debts to be reported in Income Statement = 44750 - 39,400 = 5350

W – 3

Cash Book (MCB)

	Rs.		Rs.
B/f	260,000	Standing order	2,000
Direct credit	6,000	C /f	264,000
	266,000		266,000

W – 4

Income Tax 474,110 x 40 % = Rs. 189,644

W – 5

	Rs.	Rs.
Loss by fire	2,500	
Insurance Claim	7,500	
Purchases		10,000
Cost of Goods Sold		1,027,400
Less: Loss of Goods by fire		(10,000)
		1,017,000

Important Tips To Remember (ITTRs)

1. While reading the trial balance mark each accounting head as A-E-I-L-O for **A**ssets, **E**xpense, **I**ncomes, **L**iabilities and **O**wners equity items.

2. If both sides of a trial balance are equal then Expenses and Assets would always be appearing in the debit side whereas; Incomes, Liabilities and owners' equity would always be appearing in the credit side of trial balance. Each accounting head appears in the side of its own nature.

3. Take care of the contra items like purchase return, sales return, drawing, provision for doubtful debts, provision for depreciation. Balances of these accounting heads would always appear in the side opposite to the nature of their main head.

4. Items appearing in trial balance would have single effect in the Income Statement or Statement of Financial Position (balance sheet) because its second effect has already been recorded e.g.

    a. *prepaid salary account* appearing in debit side of trial balance is recognized in balance sheet as asset only because its second effect has already been credited to the salaries expense.

    b. *accrued rent account* appearing in credit side of trial balance is recognized in balance sheet as liability only because its second effect has already been debited to rent expense.

    c. *depreciation account* appearing in debit side of trial balance is recognized in the income statement as expense only because its credit effect has already been credited to the provision for depreciation account

5. Trial balance is prepared on end of the reporting period (closing date), therefore each accounting head in trial balance would be revealing its closing balance except;

    a. *capital accounts* that would always be giving opening balance because its closing balance would be ascertained after adjusting net profit or loss in it and subtracting drawings,

    b. *provision for depreciation account* would be opening balance if and only if depreciation expense for the year has not yet been accounted for and its adjustment is required outside the trial balance,

    c. *provision for doubtful debts account* would also be showing opening balance in the trial balance if and only if its adjustment is required outside the trial balance

6. Each adjustment appearing outside the trial balance would have two-fold effects debit and credit; in case of a difficult adjustment please be-careful that only two effects shall be recognized with equal amounts. For this purpose, always recall the rules of Dr & Cr.

7. If adjusted purchases or cost of goods sold is appearing in trial balance; it means that opening stock has already been added in it and closing stock has already been subtracted from it. In this case the stock appearing in trail balance shall be the closing stock and shall have single effect only i.e., it shall be shown as an item of current assets in the Statement of Financial Position (balance sheet).

8. Concept of direct and indirect expense does not exist in financial accounting language. Cost of goods sold expenses are wrongly termed as direct expenses whereas all operating expenses are wrongly termed as indirect expenses which is entirely baseless concept created and propagated by orthodox authors.

9. For classification purposes all expenses are categorized into five functions;

    i. Cost of goods sold expense,
    ii. Administrative expense,
    iii. Selling and distribution expense
    iv. Financial expense and
    v. Income tax expenses.

10. Cost of goods sold includes all those expenses which are incidental to the purchase of goods for reselling purpose and also for bringing those goods into saleable condition.

11. For trading entities, wages should not be classified as an item of COGS, rather it should be taken as administrative or selling expense. Wages expense shall be included in COGS of manufacturing entities only.

12. Wages & salaries account or salaries & wages account appearing in trial balance of a trading entity often cause a confusion among the students that which account should be included in COGS and which should be included in operating expense; remember, arrangement (transposition) of these words have no impact on functional classification of expense, these shall be recognized as operating expenses.

13. Administrative and selling expenses; together are known as operating expense. For the purpose of income statement of sole proprietorship and partnership; financial expense like bank charges and interest on loan may also be grouped in operating expense.

14. Accrued/Owing/Due/Outstanding/Payable Expenses: It means expenses incurred but not yet paid till the end of accounting period. If accrued expenses are found in adjustments then these should be added in particular expense given in trial balance to report expense in Income Statement. In balance sheet amount of accrued expenses also be shown as liability. Following adjusting entry is passed for accrued expense.

    Particular Expense A/C

        To Accrued Expense A/c

15. Accrued/Owing/Due/Outstanding/Receivable Income: It means income earned but not yet received till the end of accounting period. If accrued incomes are found in adjustments then these should be added in particular income given in trial balance to report income in Income Statement. In balance sheet amount of accrued incomes also be shown as asset. Following adjusting entry is passed for accrued income.

    Accrued Income A/C

        To Particular Income A/c

16. Prepaid/Advance/Unexpired/Paid in advance Expenses: If prepaid expenses are found in adjustments then these should be deducted from particular expense given in trial balance to report expense in Income Statement. In balance sheet amount of Prepaid expenses also be shown as asset. Following adjusting entry is passed for prepaid expense.

    Prepaid Expense A/C

        To Particular Expense A/c

17. Unearned/Prepaid/Advance Income: It means income received in advance but not yet earned till the end of accounting period. If unearned incomes are found in adjustments then these should be deducted from particular income given in trial balance to report income in Income Statement. In balance sheet amount of Unearned income also be shown as liability. Following adjusting entry is passed for unearned income.

    Particular Income A/C

        To Unearned Income A/c

MCQs

1. The following is an extract from the trial balance of Gardeners:

	Dr Rs.	Cr Rs.
Non-current assets	50,000	
Inventory	2,600	
Capital		28,000
Receivables	4,500	
Allowance for receivables		320
Cash	290	
Payables		5,000
Sales		120,000
Purchases	78,900	
Rental expense	3,400	
Sundry expenses	13,900	
Bank interest		270
	153,590	**153,590**

1. Rent of Rs.200 has been prepaid.
2. Inventory at the end of the year was Rs.1,900.
3. The allowance for receivables is to be Rs.200.

What is the profit for the year?

A. Rs.23,690
B. Rs.23,610
C. Rs.23,100
D. Rs.25,500

Draft Income Statement for the year	**Rs.**	**Rs.**
Sales		120,000
Cost of goods sold		
Opening inventory	2,600	
Purchases	78,900	
Closing inventory	-1,900	-79,600
Gross Profit		**40,400**
Bank interest income		270
Operating expenses		
Rent expense (3,400 – 200)	3,200	
Sundry expense	13,900	
Decrease in provision for doubtful debts	-120	-16,980
Net profit		**23,690**

2. The following year-end adjustments are required:

- Closing inventory of Rs.45,700 to be recorded.
- Depreciation at 20% straight line to be charged on assets with a cost of Rs.470,800.
- An Irrecoverable debt of Rs.230 to be written off.
- Unearned income of Rs.6,700 to be recorded.

What is the impact on net assets of these adjustments?

A. Rs.55,390 increase
B. Rs.55,390 decrease
C. Rs.41,990 decrease
D. Rs.41,990 increase

3. **Following is an extract of trial balance prepared by inexperienced accountant of Akbary Traders. Prepare a Correct Trial Balance and trace the difference?**

	Dr Rs.	Cr Rs.
Premises	500,000	
Provision for depreciation		120,000
Inventory		23,000
Capital	200,000	
Bank Loan		105,000
Receivables	43,500	
Carriage in		1,500
Allowance for receivables		3,400
Bank overdraft	1,010	
Payables		35,900
Sales		500,080
Cost of Sales	359,700	
Sales returns	10,300	
Sundry expenses	14,000	
Discounts allowed		1,340

A. RS.15,710 Dr

B. RS.14,730 Dr

C. **RS.12,050Dr**

D. RS.33,630 Dr

Corrected Trial Balance	Dr. Rs	Cr. Rs
Premises	500,000	
Provision for depreciation		120,000
Inventory	23,000	
Capital		200,000
Bank Loan		105,000
Receivables	43,500	
Carriage inwards	1,500	
Allowance for receivables		3,400
Bank Overdraft		1,010
Payables		35,900
Sales		500,080
Cost of Sales	359,700	
Sales returns	10,300	
Sundry Expenses	14,000	
Discount allowed	1,340	
Difference	**12,050**	
Total	**965,390**	**965,390**