

**National Institute of Open Schooling (NIOS)  
Secondary  
Worksheet-15**

**L-15 FINANCIAL STATEMENTS (WITH ADJUSTMENTS)**

1. Why is it necessary to make some 'adjustments' in respect of some items of expense and income before preparing the financial statement?
2. Explain the prepaid adjustments and their treatment in the financial statements.
3. The books of accounts of Mr.Rahul showed the following: The value of Furniture is Rs.5, 00,000 as on 31-3-2021 and value of Pant & Machinery is Rs.1, 00,000 as on 31-3-2021. Depreciation is to be charged on these assets @10% p.a. How will you reflect the given transaction in the profit and loss account and balance sheet?
4. What do you understand by accounting adjustments?
5. Explain the treatment of closing stock in the financial statements with the help of a suitable example.
6. From the following trial balance of M/s Aarti Traders, prepare Trading and Profit and Loss Account for the year ended 31st March 2021 and a Balance Sheet as on that date:

<b>Dr. Balances</b>	<b>Rs.</b>	<b>Cr. Balances</b>	<b>Rs.</b>
Opening stock on 1st April,2020	15,500	Capital	90,000
Purchases	80,000	Sales	2,05,000
Sales returns	4,000	Purchases returns	1,000
Carriage inwards	1,600	Discount	2,550
Plant and Machinery	45,000	Sundry creditors	10,550
Furniture and fixtures	7,000	Bills payable	1,800
Freehold property	48,550		
Cash in hand	7,000		
Carriage outwards	900		
Wages	28,000		
Salaries	19,000		
Lighting (factory)	750		
Sundry debtors	31,000		
Travelling expenses	950		
Rent and taxes	3,200		
Drawings	8,000		
Insurance	250		
General expenses	10,200		
	3,10,900		3,10,900

Adjustments:

- i. Stock on 31st March 2021 was valued at Rs.48, 000 (market value Rs. 25,000).
- ii. Wages amounting to Rs.3, 000 and salaries amounting to Rs.2, 500 are outstanding.
- iii. Prepaid insurance amounted to Rs. 350.
- iv. Provide depreciation on plant and machinery at 10% and on furniture and fixtures at 5%.

7. Discuss the accounting treatment of outstanding expenses while preparing a financial statement.

8. The books of accounts of Mr.Rahul showed the following: Wages for the year 2020-21 already paid during the year Rs. 60,000. Salaries for 2020-2021 due but not paid till 31-3-21 Rs.5, 000.What will be the accounting treatment in such case.

9. “Depreciation is an expense like any other expense of the business”. In the light of this statement explain the concept of depreciation and its treatment while preparing financial statements.

10. The books of Mr. Parth showed the value of closing stock as on 31.3.2021 Rs.40, 000.How will you record this transaction in profit and loss account and balance sheet? Also, pass the necessary adjustment entry.