

Q10. From the following prepare Profit and Loss Account of Sohan Lal as it would appear in the 1st year that ended 31st March, 2024:

Salaries and Wages	30,000	Advertising	10,000
Commission Paid	2,000	Discount Allowed	18,000
Postage and Courier	1,500	Rent Received	17,000
Insurance	3,000	Interest on Investment	15,000
Interest Paid	4,000	Bad Debts	9,000
Carriage Outwards	5,000	Brokerage Paid	950

The Gross Profit was 45% of Sales, which amounted to 6, 50,000.
Also pass the Journal entries.

Solution –

In the Books of Sohan Lal

Dr Profit and Loss Account for the Year ended March 31, 2021

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Particulars	Amount	Particulars	Amount
To Salaries and Wages A/c	30,000	By Gross Profit A/c	2,92,500
To Advertising A/c	10,000	(6, 50,000 x 45%)	
To Commission Paid A/c	2,000	By Rent Received A/c	17,000
To Discount Allowed A/c	18,000	By Interest on Investment A/c	15,000
To Interest Paid A/c	4,000		
To Bad Debts A/c	9,000		
To Postage and Telegram A/c	1,500		
To Insurance A/c	3,000		
To Carriage Outwards A/c	5,000		
To Brokerage Paid A/c	950		
To Net Profit A/c (B/F)	2,41,050		
	3,24,500		3,24,500

Working Note 1:-

Gross Profit = Sales x Percentage

= 6, 50,000 x 45%

= 2, 92,500

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