

# Study Block -1: Concept Development

## Question - 1

Following General Journal entries relate to a sole trader:

General Journal			PR	Debit	Credit
Date	Particulars				
2004 July 1	Cash ✓ Capital ✓ <i>(To record the cash brought into business)</i>			✓ 50,000	50,000
2	Purchases ✓ Cash ✓ <i>(To record Goods purchased for cash)</i>			35,000	✓ 35,000
3	Cash ✓ Sales ✓ <i>(To record sales for cash)</i>			✓ 48,000	48,000
4	Purchases ✓ Accounts Payable ✓ <i>(To record Goods purchased on credit)</i>			✓ 6,000	✓ 6,000
5	Accounts Receivable ✓ Sales ✓ <i>(To record Goods sold or credit)</i>			✓ 7,200	7,200
6	Sales Return ✓ Accounts Receivable ✓ <i>(To record Goods returned by customer)</i>			✓ 1,200	1,200
7	Accounts Payable ✓ Purchases Return ✓ <i>(To record Goods returned to supplier)</i>			✓ 1,000	1,000
8	Cash ✓ Accounts Receivable ✓ <i>(To record Cash received from customer)</i>			✓ 5,500	5,500
9	Salary expense ✓ Cash ✓ <i>(To record Paid cash for salary)</i>			5,000	5,000

### Required:

- (a) Post the above general journal entries to the Ledger ('T' Accounts)
- (b) Balance the accounts and prepare a Trial Balance.

### Solution:

Cash Account				Cr.			
Dr.	Particulars	PR	Amount	Date	Particulars	PR	Amount
2004 July 1	Capital		50,000	2004 July 2	Purchases		35,000
3	Sales		48,000	9	Salary expense		5,000
8	A/c Receivable		5,500	July 31	Balance c/d		63,500
			103,500				103,500
Aug. 01	Balance b/d		63,500				

Closing balance becomes opening balance of the next day

Capital Account				Cr.			
Dr.	Particulars	PR	Amount	Date	Particulars	PR	Amount
July 31	Balance c/d		50,000	2004 July 1	Cash		50,000
			50,000				50,000
				Aug. 01	Balance b/d		50,000

Purchase Account				Cr.			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2004 July 2	Cash		35,000				
4	A/c Payable		6,000				
			41,000	July 31	Balance c/d		41,000
Aug. 01	Balance b/d		41,000				41,000

Sales Account				Cr.			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
July 31	Balance c/d		55,200	2004 July 3	Cash		48,000
			55,200	5	A/c Receivable		7,200
			55,200	Aug. 01	Balance b/d		55,200

Account Payable				Cr.			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2004 July 7	Purchases return		1,000	2004 July 4	Purchases		6,000
July 31	Balance c/d		5,000				6,000
			6,000	Aug. 01	Balance b/d		5,000

Account Receivable				Cr.			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2004 July 5	Sales		7,200	2004 July 6	Sales return		1,200
			7,200	8	Cash		5,500
			7,200	July 31	Balance c/d		500
Aug. 01	Balance b/d		500				7,200

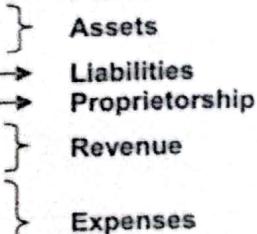
Sales Return Account				Cr.			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2004 July 6	A/c Receivable		1,200	July 31	Balance c/d		1,200
			1,200				1,200
Aug. 01	Balance b/d		1,200				

Purchase Return Account				Cr.			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
July 31	Balance c/d		1,000	2004 July 7	A/c Payable		1,000
			1,000				1,000
			1,000	Aug. 01	Balance b/d		1,000

Salary Expenses Account				Cr.			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2004 July 9	Cash		5,000	July 31	Balance c/d		5,000
			5,000				5,000
Aug. 01	Balance b/d		5,000				

**Trial Balance**

S. No.	Heads of Account	LF	Debit	Credit
1	Cash		63,500	
2	Account Receivable		500	5,000
3	Account Payable			50,000
4	Capital			55,200
5	Sales			1,000
6	Sales Return		41,000	
7	Purchases		1,200	
8	Purchase Return		5,000	
9	Salary expense			
			<b>111,200</b>	<b>111,200</b>

**Proper Sequence of A/c****Totals of Debit and Credit balances are equal****Question - 2**

Following General Journal entries relate to a sole trader:

**General Journal**

Date	Particulars	PR	Debit	Credit
2004 Nov. 1	Cash ✓ Capital <i>(To record the cash brought into business)</i>		✓ 90,000	✓ 90,000
5	Purchases ✓ Cash ✓ <i>(To record Goods purchased for cash)</i>		✓ 63,000	✓ 63,000
8	Cash ✓ Sales <i>(To record sales for cash)</i>		✓ 86,400	✓ 86,400
12	Purchases ✓ Accounts Payable <i>(To record Goods purchased on credit)</i>		✓ 10,800	✓ 10,800
13	Accounts Receivable ✓ Sales <i>(To record Goods sold on credit)</i>		✓ 12,960	✓ 12,960
20	Sales Return ✓ Accounts Receivable <i>(To record Goods returned by customer)</i>		✓ 2,160	✓ 2,160
21	Accounts Payable ✓ Purchases Return <i>(To record Goods returned to supplier)</i>		✓ 1,800	✓ 1,800
22	Cash ✓ Accounts Receivable ✓ <i>(To record Cash received from customer)</i>		✓ 9,900	✓ 9,900
25	Salary expense ✓ Cash ✓ <i>(To record Paid cash for salary)</i>		✓ 9,000	✓ 9,000

**Required:**

- Post the above general journal entries to the Ledger ('T' Accounts)
- Balance the accounts and prepare a Trial Balance.

**Solution:** Try yourself as same as Q – 1 above**Question - 3**

Mr. Shahid started business on March 1, 2005 with the investment of cash Rs.50,000 and equipment worth Rs.50,000 and the following transactions were completed during the month:

Mar. 2	Purchased merchandise for cash	25,000
2	Purchased merchandise on account	15,000
3	Purchased office supplies for cash	2,000
12	Purchased furniture on account	5,000

18	Sold merchandise for cash	20,000
20	Paid to suppliers	10,000
25	Sold merchandise on account	5,000
30	Paid rent for the month	1,500

**Required:**

- Required:** Record the above transactions in the General Journal.

  - 1) Record the transactions to the General Ledger ('T' accounts)
  - 2) Post the transactions to the General Ledger ('T' accounts)
  - 3) Balance the accounts and prepare a Trial Balance for the month ended March 31, 2005.

**Solution:**

General Journal				
Date	Particulars	PR	Debit	Credit
2005 Mar. 1	Cash ✓ Office equipment ✓ Capital ✓ <i>(To record the cash &amp; assets brought into business)</i>		✓50,000 ✓50,000	✓100,000
2	Purchases ✓ Accounts Payable ✓ Cash ✓ <i>(To record Goods purchased for cash &amp; on account)</i>		✓40,000	15,000 ✓25,000
3	Office supplies ✓ Cash ✓ <i>(To record Purchased supplies for cash)</i>		✓2,000	✓2,000
12	Furniture ✓ Accounts Payable ✓ <i>(To record Purchased furniture on credit)</i>		✓5,000	5,000
18	Cash ✓ Sales ✓ <i>(To record Goods sold for cash)</i>		✓20,000	20,000
20	Accounts Payable ✓ Cash ✓ <i>(To record Paid to supplier)</i>		10,000	✓10,000
25	Accounts Receivable ✓ Sales ✓ <i>(To record Goods Sales on account)</i>		5,000	5,000
30	Rent expenses Cash ✓ <i>(To record Paid rent)</i>		1,500	✓1,500

General Ledger								
Cash Account								
Dr.	Particulars	PR	Amount	Date	Particulars	PR	Amount	Cr.
Date				2005				
2005			50,000	Mar 2			25,000	
Mar 1			20,000	3			2,000	
18				20			10,000	
				30			1,500	
				31	Balance c/d		31,500	
							70,000	
Apr 1	Balance b/d		31,500					

**Closing balance become opening balance of the next day**

Capital Account				Cr.			
Dr.	Particulars	PR	Amount	Date	Particulars	PR	Amount
Date				2005			
2005			100,000	Mar 01			100,000
Mar 31	Balance c/d		100,000				100,000
				Apr.01	Balance b/d		100,000

Dr.				Office Equipment			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2005 Mar 01	Balance b/d		50,000 50,000 50,000	2005 Mar 31	Balance c/d		50,000 50,000
Apr.01							

Dr.				Purchase Account			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2005 Mar 02	Balance b/d		40,000 40,000 40,000	Mar 31	Balance c/d		40,000 40,000
Apr.1							

Dr.				Account Payable			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2005 Mar 20	Balance c/d		10,000 10,000 20,000	2005 Mar 02			15,000 5,000 20,000
Mar 31				12			
				Apr.01	Balance b/d		

Dr.				Office supplies			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2005 Mar 03	Balance b/d		2,000 2,000 2,000	2005 Mar 31	Balance c/d		2,000 2,000
Apr.1							

Dr.				Furniture			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2005 Mar 12	Balance b/d		5,000 5,000 5,000	2005 Mar 31	Balance c/d		5,000 5,000
Apr.1							

Dr.				Sales Account			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
Mar.31	Balance c/d		25,000 25,000	2005 Mar 18			20,000 5,000 25,000
				25			
				Apr.1	Balance b/d		

Dr.				Account Receivable			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2005 Mar 25	Balance b/d		5,000 5,000 5,000	2005 Mar 31	Balance c/d		5,000 5,000
Apr.1							

Dr.				Rent Expense			
Date	Particulars	PR	Amount	Date	Particulars	PR	Amount
2005 Mar 30	Balance b/d		1,500 1,500 1,500	2005 Mar 31	Balance c/d		1,500 1,500
Apr.1							

**Trial Balance  
As on March 31, 2005**

S. No.	Heads of Account	LF	Debit	Credit	
1	Cash		31,500		
2	Office Supplies		2,000		
3	Accounts Receivable		5,000		
4	Office Equipment		50,000		
5	Furniture		5,000		
6	Accounts Payable			10,000	
7	Capital			100,000	
8	Sales			25,000	
9	Purchases		40,000		
10	Rent Expenses		1,500		
			<b>135,000</b>	<b>135,000</b>	

Proper Sequence of A/cs

Assets

Liabilities  
Proprietorship  
Revenue

Expenses

Totals of **DEBIT** and **CREDIT**  
balances are equal

**Question - 4**

Mr. Fahad started business on July 1, 2005 with the investment of cash Rs.90,000 and office equipment worth Rs.90,000 and the following transactions were completed during the month:

July, 2	Purchased merchandise for cash	45,000
4	Purchased merchandise on account	27,000
5	Purchased office supplies for cash	3,600
14	Purchased furniture on account	9,000
21	Sold merchandise for cash	36,000
26	Paid to suppliers	18,000
28	Sold merchandise on account	9,000
30	Paid rent for the month	2,700

**Required:**

- 1) Record the above transactions in the General Journal
- 2) Post the transactions to the General Ledger ('T' accounts)
- 3) Balance the accounts and prepare a Trial Balance for the month ended July 31, 2005.

**Solution:** Try yourself as same as Q - 3 above

**Question - 5**

Following are the transactions of Mr. Zaman who operates his business in the name 'Zaman & Co.' while his capital investment is Rs.400,000 on June 1, 2004.

June 1	Purchased furniture for shop	60,000
2	Purchased office equipment on cash	2,500
3	Purchase merchandise on cash from Sabir & Co.	20,100
3	Paid transporting charges	270
5	Purchase merchandise from Sabir & Co.	13,560
7	Returned damaged merchandise to Sabir & Co.	460
8	Counter sales	21,300
9	Goods sold on credit to AB Sons	32,500
10	Opened a bank account with National Bank of Pakistan Ltd.	250,000
12	Paid by cheque for office supplies purchased	1,000
15	AB Sons returned defective goods	750
15	Cheque received from AB Sons and deposited into bank same day	21,300
23	Paid by cheque for advertisement	25,000
26	Purchased merchandise from Salim & Co.	24,150
27	Transporting charges paid by cheque	325
29	Merchandise sold to Naeem Brothers	13,450
30	Office rent paid by cheque	2,500
30	Salaries paid to office staff	8,500
30	Cash withdrew from bank for personal use	12,000

**Required:**

- Record the above transactions in General Journal
- Ledger posting, footing and balance
- Trial Balance as on June 30, 2004.

**Solution:**

**Zaman & Co.**  
**General Journal**  
**For the month of June 2004**

Date	Particulars	PR	Debit	Credit
2004 June 1	Cash ✓ Capital ✓ <i>(To record the cash brought into business)</i>		✓400,000	-400,000
1	Furniture ✓ Cash ✓ <i>(To record Furniture purchased for cash)</i>		✓60,000	✓60,000
2	Office supplies ✓ Cash ✓ <i>(To record Purchased supplies for cash)</i>		✓2,500	✓2,500
3	Purchases ✓ Cash ✓ <i>(To record Goods Purchased for cash)</i>		✓20,100	✓20,100
3	Transporting expense Cash ✓ <i>(To record Paid for Transporting expense)</i>		✓270	✓270
5	Purchases ✓ Account Payable – Sabir & Co. <i>(To record Goods Purchased for on credit)</i>		✓13,560	✓13,560
7	Accounts Payable – Sabir & Co. Purchases Returns <i>(To record Goods returned)</i>		✓460	✓460
8	Cash ✓ Sales <i>(To record Goods sold on cash)</i>		✓21,300	✓21,300
9	Accounts Receivable – AB Sons Sales <i>(To record Goods sold on credit)</i>		✓32,500	✓32,500
10	Bank Cash ✓ <i>(To record Opened a bank account)</i>		✓250,000	✓250,000
12	Office Supplies ✓ Bank <i>(To record Purchased office supplies)</i>		✓1,000	✓1,000
15	Sales Returns Accounts Receivable – AB Sons <i>(To record Goods returned by customers)</i>		✓750	✓750
15	Bank Accounts Receivable – AB Sons <i>(To record Cheque received by customer)</i>		✓21,300	✓21,300
23	Advertisement expenses Bank <i>(Paid advertisement expenses by cheque)</i>		25,000	✓25,000
26	Purchases ✓ Accounts Payable – Salim & Co. <i>(To record Goods purchased on credit)</i>		✓24,150	✓24,150
27	Transporting expenses Bank <i>(To record Paid transporting expenses)</i>		✓325	✓325
29	Accounts Receivable – Naeem Brothers Sales <i>(To record Goods sold on credit)</i>		✓13,450	✓13,450

30	Office Rent Expense Bank <i>(To record Paid office rent)</i>		2,500	2,500
30	Salaries expenses Cash <i>(To record Salaries paid to staff)</i>		8,500	8,500
30	Drawings Bank <i>(To record Withdraw cash from bank for personal use)</i>		12,000	12,000

GENERAL LEDGER

Dr.	Cash Account	Cr.
2004		
June 1		
8	Capital 400,000	60,000
	21,300	2,500
		20,100
		270
		250,000
		8,500
	30 Balance c/d	79,930
		421,300
July.1	Balance b/d	79,930

Dr.	Bank Account	Cr.
2004		
June 10		
15	250,000	1,000
	21,300	25,000
		325
		2,500
		12,000
	30 Balance c/d	230,475
		271,300
July.1	Balance b/d	230,475

Dr.	Capital Account	Cr.
2004		
June 30	Balance c/d	400,000
		400,000
		400,000
July.1	Balance b/d	400,000

Dr.	Furniture Account	Cr.
2004		
June 1		
	60,000	60,000
	60,000	60,000
July.1	Balance b/d	60,000

Dr.	Office Supplies Account	Cr.
2004		
June 2		
12	2,500	3,500
	1,000	
	3,500	3,500
July.1	Balance b/d	3,500

Dr.	Purchases Account	Cr.
2004		
June 3		
5	20,100	57,810
	13,560	
	24,150	
	57,810	57,810
26		
	57,810	

Dr.		Transportation Expense Account	
2004		2004	
June 3		270	Balance c/d
		325	
		595	
July.1	Balance b/d	595	

Dr.		Accounts Payable - Sabir & Co.	
2004		2004	
<i>Juel 7 =</i>		460	
June 30	Balance c/d	13,100	
		13,560	
			July.1 Balance b/d

Dr.		Purchase Return Account	
2004		2004	
June 30	Balance c/d	460	
		460	
			July.1 Balance b/d

Dr.		Sales Account	
2004		2004	
June 30	Balance c/d	67,250	
		67,250	
			July.1 Balance b/d

Dr.		Accounts Receivable - AB Sons	
2004		2004	
9		32,500	
		32,500	
			July.1 Balance b/d

Dr.		Sales Return Account	
2004		2004	
June 15		750	
		750	
			July.1 Balance b/d

Dr.		Advertisement Expenses Account	
2004		2004	
June 23		25,000	
		25,000	
			July.1 Balance b/d

Dr.		Accounts Payable - Salim & Co	
2004		2004	
June 30	Balance c/d	24,150	
		24,150	
			July.1 Balance b/d

Dr.		Accounts Receivable - Naeem Brothers	
2004		2004	
June 29		13,450	
		13,450	
			July.1 Balance b/d

Dr.	Rent Expense Accounts	Cr.
2004		
June 30	2,500	
	2,500	
July.1 Balance b/d	2,500	

Dr.	Salary Expense Accounts	Cr.
2004		
June 30	8,500	
	8,500	
July.1 Balance b/d	8,500	

Dr.	Drawing Accounts	Cr.
2004		
June 30	12,000	
	12,000	
July.1 Balance b/d	12,000	

**Zaman & Co.  
Trial Balance  
As on June 30, 2004**

S.No.	Heads of Account	LF	Debit	Credit
1	Cash		79,930	
2	Bank		230,475	
3	Capital		60,000	
4	Furniture		3,500	
5	Office Supplies		57,810	
6	Purchases		595	
7	Transportation Expense			13,100
8	Accounts Payable – Sabir & Co.			460
9	Purchase Return			67,250
10	Sales		10,450	
11	Accounts Receivable – AB Sons		750	
12	Sales Return		25,000	
13	Advertisement Expense			24,150
14	Accounts Payable – Salim & Co.		13,450	
15	Accounts Recei. – Naeem Brothers		2,500	
16	Rent Expense		8,500	
17	Salary Expense		12,000	
18	Drawing			
	Total		504,960	504,960

**Totals of DEBIT  
and CREDIT  
balances are  
equal**

Note: Students arrange Proper Sequence of above Trial Balance

#### Question - 6

Following are the transactions of Mr. Noman who operates his business in the name 'Noman & Co.' while his capital investment is Rs.720,000 on August 1, 2004.

Aug. 2	Purchased furniture for shop	108,000
4	Purchased office equipment on cash	4,500
4	Purchase merchandise on cash from Qamar Sons	36,180
4	Paid transporting charges	486
8	Purchase merchandise from Qamar Sons	24,408
9	Returned damaged merchandise to Qamar Sons	828
12	Counter sales	38,340
13	Goods sold on credit to ZA Brothers	58,500
15	Opened a bank account with National Bank of Pakistan Ltd.	450,000
17	Paid by cheque for office supplies purchased	1,800
18	ZA Brothers returned defective goods	1,350
20	Cheque received from ZA Brothers and deposited into bank same day	38,340
22	Paid by cheque for advertisement	45,000
24	Purchased merchandise from Zubaida & Co.	43,470