Chapter 2: Journal and Ledger

Q. 1. From the following transactions, Prepare Journal Entries:

1. Ramesh started business and introduced capital Rs. 1,00,000.
2. Purchased furniture for Rs 10,000, paid in cash.
3. Paid rent (Office) Rs 3,000 in cash.
4. Purchased goods for Rs 50,000 on cash.
5. Interest received Rs 1,000 in cash.
6. Paid a creditor(supplier) Rs 5,000.
7. Paid Rs 9,500 to Mohan in full settlement of his account of RS10,000.

Hint :Cash (goes out), Mohan- Receiver(p) (Dr), Discount received (Cr.) (income)- nominal a/c

1. Received from Ram Rs 12,000 in cash and allowed him discount Rs 100.

Hint :Cash a/c (In) –Dr 12,000, discount allowed (loss)- Dr , Ram a/c (giver) - cr

1. Mohan who owed Rs 2,000 has become insolvent. He pays only 60% in full and final settlement. Hint: Bad debts a/c 40%
2. Received cash for a bad debt written off last year Rs 700

Hint:Bad debts recovered a/c (income)

11. Purchased furniture for Rs 10,000 from Raj Furniture

Soln. In the books of Ramesh

Journal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F. | Dr. (Rs.) | Cr. (Rs.) |
| 1  2  3.  4.  5.  6.  7.  8.  9.  10.  11. | Cash a/c..... Dr  To Capital a/c  (Being started business with cash)  Furniture a /c Dr  To cash a/c  (Being Purchased furniture in cash)  Rent a/c .... Dr  To Cash a/c  ( Being rent paid in cash)  Purchase A/c ....... Dr  To Cash a/c  (Being goods purchased for cash)  Cash A/C Dr.  To interest received a/c  Creditor a/c . Dr  To Cash a/c  Mohan a/c .... Dr  To Cash a/c  To Discount receceive(income)  Cash a/c.. Dr  Discount Allowed a/c Dr  To Ram a/c  ( Received from Ram in cash and allowed him discount)  Cash a/c...... Dr 60% of 2000  Bad Debts a/c ... Dr 40%of 2000  To Mohan a/c  (Being partial amount as cash received from Mohan due to his insolvent)  Cash a/c... Dr.  To Bad Debts recovered a/c  (Being bad debts written off last, now recovered)  Furniture a/c Dr  To Cash a/c |  | 1,00,000  10,000  3,000  50,000  1000  5,000  10,000  12,000  100  1,200  800  700 | 1,00,000  10,000  3,000  50,000  1000  5,000  9,500  500  12,100  2,000  700 |

-Furniture Purchased From Raj Furniture Rs 60,000 On cash .

Furniture A/c Dr 60,000

To Cash a/c 60,000

-Furniture Purchased From Raj Furniture Rs 60,000 out of Paid in Cash Rs 40,000.

Furniture a/c Dr 60,000

To Cash a/c 40,000

To Raj Furniture a/c 20,000

Furniture Purchased From Raj Furniture Rs 60,000 . Out of that cash paid 40,000 and balance through cheque.

Journal:

Furniture a/c Dr 60,000

To Cash a/c 40,000

To Bank a/c 20,000

L.F. Ledger Folio

Analysis:

Trad. Cash a/c (R) what comes in - Dr

Ramesh’s capital (p) Giver the Cr.

Cash(R) goes out Cr

Furniture (R) come in Dr

To shows Cr

Rent –exp. (nominal a/c) Dr,

4. Purchase (exp.) Dr.

GOODS SOLD IN CASH

Q. 2 Journalise the following transactions:

1. Paid into Bank Rs. 20,000 hint: bank(receiver), cash(goes out)

2. Withdrawn cash for private expenses Rs 5,000. Hint Cash, Drawings(P) receiver -

3. Withdrawn(cash) from Bank Rs. 6,000. hint : for office use: cash(comes in – Dr.), bank (giver – Cr.)

4. Withdrawn from Bank for personal use Rs 8,000. Hint:Drawings, bank

5. Goods taken by the Owner for domestic use Rs. 3000. Hint: Drawings – Dr. To Purchase (cr.) decrease

6. Goods purchased and amount paid by cheque Rs 10,000.Hint: Purchase (exp.) --- Dr. To Bank a/c (giver)/ asset decrease

7. Goods costing Rs 1,000 given as charity (Sales price Rs1,500). Hint: Charity a/c (exp.) Dr.,To Purchase a/c (Cr) 1000

8. Goods distributed as Free Samples costing Rs 2,000.

Advertisement (Free Samples) a/c .... Dr.

To Purchase a/c (goods out)

9. Sale of Old Furniture Rs 25,000. Hint Cash a/c DR To Furniture ac

10. Expenditure on installation of Machinery and on the construction of Building:

Paid for installation of Machinery Rs 5,000. Hint:

Machinery a/c Dr (Fixed Assets)

To Cash

Journal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F. | Dr. | Cr. |
|  |  |  |  |  |

Q. 3 Journalise the following transactions:

1. Purchased goods from Sanjiv of Rs 40,000 at terms 10% Trade discount and 5% cash discount. Paid amount at the time of purchase itself.

|  |  |
| --- | --- |
| Price of Goods (Tag price)  Less, Trade discount(10%) OFF  Net Purchase price  Less, Cash Dicount(5/100x36000) | 40,000  ( 4000)  36,000  (1,800) |
| Amount paid | 35,200 |

Journal:

Purchase a/c, Discount received (Cash discount) a/c, Cash a/c

Purchase a/c Dr.

To Discount

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  | Purchase a/c Dr  To Discount received(cash dis.)  To Cash a/c (amount paid)  (Being goods purchased and cash paid at the time of purchase and discount received) |  | 36,000 | 1800  35,200 |

2. Purchased goods from Vijay of Rs 40,000 at terms 10% Trade discount and 5% cash discount. Half of the amount was paid at the time of purchase itself.

w.n.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | |  |  |
|  | **Purchase a/c Dr**  **To Discount received(cash dis.)**  **To Cash a/c (amount paid)**  **To Vijay a/c**  **(Being goods purchased and half cash paid at the time of purchase and discount received)** | |  | | **36,000** | **900**  **17,100**  **18,000** |
| Price of Goods (Tag price)  Less, Trade discount(10%) OFF  Net Purchase price | | 40,000  ( 4000)  36,000 | |
|  | |  | |

36,000

(cash)18,000 18,000 (credit)- no cash discount on credit ( vijay)

Cash discount on cash purchase= 18,000x 5/100=900 (cash discount) cr

Net amount paid= 18,000- 900= 17,100 (cash a/c) cr

3. Sold goods to Anil for Rs. 20,000, allowed him10% Trade discount and 10% cash discount. Received half of the amount by cash and balance half by cheque within specified time.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | LF | Dr. | Cr. |
|  | Bank a/c Dr  Cash a/c Dr  Discount allowed a/c Dr  To Sales a/c |  | 8,100  8,100  1800 | 18,000 |

Bank a/c, Cash a/c, Discount allowed a/c, Sales a/c

Net sales= sales – trade discount=

20,000 – 10/100x20,000= 20,000-2000= 18000

Cash discount = 18,000x10/100=1800

18,000- 1800= 16,200 half (1/2) 8100

4. Sold goods to Ajay for Rs. 50,000, allowed him10% Trade discount and 5% cash discount. Received half of the amount by cheque within specified time.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | LF | Dr. | Cr. |
|  | Bank a/c Dr.  Ajay a/c Dr  Discount allowed a/c Dr  T0 Sales |  | 21,375  22,500  1125 | 45,000 |

50,000- 5000= 45,000

Half of 45,000= 22,500: cash discount= 22,500x5/100=1125

22500-1125= 21,375

# Loss by Theft or Fire: In both the cases, it is loss to the business.

Loss by Theft or Fire A/c ..... Dr.

To Purchase a/c

(Being the loss of goods by theft or fire)

1. When goods(stocks) are fully insured, loss is to be borned by the insurance company.

Journal:

Insurance Company or Claim a/c .... Dr.

To Loss by Theft or Fire A/c

(Being the loss of goods recoverable from the insurance company)

1. When the goods are partly insured:

Insurance Company or Claim a/c .... Dr

Profit & Loss a/c ... Dr

To Loss by Theft or Fire A/c

( Being the insurance claim partially admitted. Balance amount transferred to Profit & Loss a/c)

1. When claim is received from the insurance Company:

Bank a/c ..... Dr

To Insurance co.

(Being the insurance claim received)

1. When the stock is not insured, loss is borne by the firm. At the end of the year, balance in loss by theft or Fire a/c is transferred to Profit & Loss a/c.

Profit & Loss a/c Dr.

To Loss by Theft or Fire A/c

(Being the loss transferred to Profit & Loss a/c.)

Q. 4. Pass the Journal Entries for the following adjustments as on 31st March, 2015:

(i) Stock at the end of the year Rs 20,000.

(ii) Salaries due to Staff Rs.7,500.

(iii) Out of the rent paid this year, Rs2,000 relates to next year.

(iv)Provide 10% depreciation on Furniture costing Rs 5,000.

(v)Provide 10% interest on Capital amounted to Rs 1,00,000.

(vi)Charge interest on Drawings Rs 1,000.

(vii) Interest due but not received Rs 5,000.

(viii) Paid Rs 200 for refreshment for a customer.

Note: Purchase a/c we should create only for purchase of goods.