

Ledger

LEARNING OBJECTIVES

This chapter would enable students to understand:

- ☐ Meaning of Ledger
- ☐ Features and Utilities of Ledger
- ☐ Format of Ledger Account
- ☐ Mechanics of Posting
- ☐ Balancing of Ledger Accounts
- ☐ Difference between Journal and Ledger
- ☐ Trial Balance

MEANING OF LEDGER

Transactions are recorded in the Journal and thereafter, they are transferred, i.e., posted to the relevant account in the ledger. All the accounts put together make a **Ledger**. Stating differently, Ledger is a book in which various accounts (Asset Accounts, Liability Accounts, Capital Accounts, Revenue Accounts and Expense Accounts) are opened and transactions are transferred (posted) in the accounts from the Journal Book.

A Ledger may be defined as a "book which contains, in a summarised and classified form, a permanent record of all transactions." It is the most important book of account, since the Trial Balance is drawn from it and from the Trial Balance, financial statements are prepared. Hence, Ledger is called the **Principal Book** of account.

A ledger is also called the **Book of Final Entry**, since all transactions recorded in Book of Original Entry (i.e., Journal) are transferred (posted) in the ledger.

Features of Ledger

- (i) Ledger is a master record of all the accounts of the business.
- (ii) It is prepared from Journal.
- (iii) Ledger Accounts show the current balance in all accounts.
- (iv) Trial Balance and Final Accounts are prepared from Ledger Accounts.
- (v) Ledger Accounts summarise the effect of transactions upon assets, liabilities, capital, incomes and expenditures.

Utilities of Ledger

1. Provides Complete Information of a Particular Account

Complete information relating to a particular account is available at one place in the Ledger.

2. Information of Incomes and Expenses

In ledger, a separate account is maintained for each income and expense. The amount of total income and total expenses are known from the ledger accounts.

3. Preparation of Trial Balance

Ledger helps in preparing Trial Balance which ensures arithmetical accuracy of the transactions recorded in books of account.

4. Helpful in Preparing Final Accounts

After preparing Trial Balance, Final Accounts are prepared to know the profitability and financial position of the business.

Format of Ledger Account

The format of Ledger account has been explained in an earlier Chapter. For convenience, it is being repeated here.

Dr. NAME OF THE ACCOUNT, e.g., WAGES ACCOUNT							
Date	Particulars	J.F.*	Amount (₹)	Date	Particulars	J.F.*	Amount (₹)
Date of transaction	Name of the other account		Amount of the transaction	Date of the transaction	Name of the other account		Amount of the transaction

* Journal Folio (J.F.) denotes folio or page number on which Journal entry is written.

Posting the Entries

The process of transferring the transaction written in the Journal to a Ledger is called **posting**. In other words, the process of transferring of debits and credits from the Journal to the Ledger Accounts is called **posting**. Posting is necessary as it summarises all transactions relating to the account at one place and also shows how transactions have changed the account balances.

MECHANICS OF POSTING

The following procedure is followed for posting:

1. Posting of an Account debited in a Journal entry

The steps to be followed are:

First. Identify the account to be debited in the Ledger.

Second. Enter the date of the transaction in the 'Date' column on the debit side of the account.

- Third.* Write the name of the account which has been credited in the respective entry in the 'Particulars' column on the debit side of the account as 'To (name of account credited)'.
- Fourth.* Record the page number of the Journal where the entry exists in the 'Journal Folio (J.F.)' column.
- Fifth.* Enter the relevant amount in the 'Amount' column on the debit side.

2. Posting of an Account credited in a Journal entry

The steps to be followed are:

- First.* Identify the account to be credited in the Ledger.
- Second.* Enter the date of the transaction in the 'Date' column on the credit side.
- Third.* Write the name of the account which has been debited in the respective entry in the 'Particulars' column on the credit side of the account as 'By (name of account debited)'.
- Fourth.* Record the page number of the Journal where the entry exists in the 'Journal Folio (J.F.)' column.
- Fifth.* Enter the relevant amount in the 'Amount' column on the credit side.

Posting of Simple Entry

Consider the following entry to illustrate the above process:

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022 March 6	Salaries A/c To Bank A/c (Salaries paid)	Dr. 30 31	1,50,000	1,50,000

An amount of ₹ 1,50,000 will be debited to the Salaries Account and credited to Bank Account. The manner will be: in the Salaries Account on the debit side in the Particulars Column we will write 'To Bank Account'. In the Bank Account on the credit side in the Particulars Column: 'By Salaries Account' will be written. The two accounts will, thus, appear as follows:

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Dr.				SALARIES ACCOUNT				Cr.			
Date		Particulars	J.F.	₹	Date		Particulars	J.F.	₹		
2022											
March	6	To Bank A/c	57	1,50,000							

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Dr.				BANK ACCOUNT				Cr.	
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹		
				2022					
				March 6	By Salaries A/c	57	1,50,000		

Posting of Compound Entry

In a simple entry, only one account is debited and one account is credited. When in a Journal entry, two or more accounts are debited and one or more accounts are credited or vice versa, the entry is known as **Compound Journal Entry**.

Let us understand the posting of compound entry with the help of the following example.

Example: On 1st April, 2022, Ankit paid to Sohan by cheque ₹ 19,600 in settlement of ₹ 20,000. Pass Journal entry and post it in Ledger Accounts of Ankit.

JOURNAL

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022 April 1	Sohan To Bank A/c To Discount Received A/c (Cheque issued to Sohan in settlement)	28 20 21	20,000	19,600 400

- In the above entry, Sohan is debited with Bank Account and Discount Received Account. Thus, in the ledger, Sohan's Account will be debited with ₹ 19,600 as "To Bank A/c" and with ₹ 400 as "To Discount Received A/c".
- Bank Account has been credited with Sohan. Thus, in the ledger, Bank Account will be credited with ₹ 19,600 as "By Sohan".
- Discount Received Account has been credited with Sohan. Thus, in the ledger, Discount Received Account will be credited ₹ 400 as "By Sohan".

Ledger Accounts of Ankit will be as follows:

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Dr. SOHAN							
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
2022 April 1	To Bank A/c To Discount Received A/c	81 81	19,600 400				

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Dr. BANK ACCOUNT							
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
				2022 April 1	By Sohan	81	19,600

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Dr. DISCOUNT RECEIVED ACCOUNT							
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
				2022 April 1	By Sohan	81	400

The process of posting is also illustrated in the following chart:

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JOURNAL							
Date	Particulars	J.F.	Dr. ₹			Cr. ₹	
2022 May 3	Cash A/c To: Bad Debts Recovered A/c (Bad debts recovered)	Dr.	600			600	
May 4	Mohan To: Cash A/c To: Discount Received A/c (Cash paid and discount received)	Dr.	425			410 15	
May 5	Salaries A/c To: Bank A/c (Salaries paid for the month of April, 2022)	Dr.	800			800	

Ledger CASH ACCOUNT							
Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2022 May 3	To: Bad Debts Recovered A/c		600	2022 May 4	By Mohan		410

BAD DEBTS RECOVERED ACCOUNT							
Dr.				Cr.			
				2022 May 3	By Cash A/c		600

SALARIES ACCOUNT							
Dr.				Cr.			
2022 May 5	To: Bank A/c		800				

DISCOUNT RECEIVED ACCOUNT							
Dr.				Cr.			
				2022 May 4	By Mohan		15

MOHAN							
Dr.				Cr.			
2022 May 4	To: Cash A/c		410				
	To: Discount Received A/c		15				

BANK ACCOUNT							
Dr.				Cr.			
				2022 May 5	By Salaries A/c		800

Posting of Opening Entry

The balances of assets and liabilities in the Trial Balance are transferred in the Balance Sheet as at the end of the accounting year. These assets and liabilities are brought forward in the beginning of the next year. The entry passed to record such closing balances of the previous year in the current year is called **Opening Entry**.

As discussed earlier, all Asset Accounts will show a debit balance. An account for each asset will be opened and the relevant amount will be written on the debit side as 'To Balance brought down (b/d)'. On the contrary, the Liability Accounts will show credit balance. An account for each liability will be opened and the relevant amount will be written on the credit side as 'By Balance brought down (b/d)'.

Illustration 1.

Pass the Opening Entry on 1st April, 2022 on the basis of the following information taken from the books of Raman. Also, post the opening entry.

Cash in Hand	₹ 20,000
Sundry Debtors	60,000
Stock of Goods	40,000
Plant	50,000
Land and Building	1,00,000
Sundry Creditors	1,00,000

Solution:

In the Books of Raman JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022				
April 1	Cash A/c	Dr.	20,000	
	Sundry Debtors A/c	Dr.	60,000	
	Stock A/c	Dr.	40,000	
	Plant A/c	Dr.	50,000	
	Land and Building A/c	Dr.	1,00,000	
	To Sundry Creditors A/c			1,00,000
	To Capital A/c (Note)			1,00,000
	(Previous year's balances brought forward)			1,70,000

Note: The excess of assets over liabilities is the proprietor's capital and is credited to his Capital Account.

Dr. Ledger CASH ACCOUNT

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022							
April 1	To Balance b/d		20,000				

Dr. SUNDRY DEBTORS ACCOUNT

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022							
April 1	To Balance b/d		60,000				

Dr. STOCK ACCOUNT Cr.							
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022							
April 1	To Balance b/d		40,000				

Dr. PLANT ACCOUNT Cr.							
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022							
April 1	To Balance b/d		50,000				

Dr. LAND AND BUILDING ACCOUNT Cr.							
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022							
April 1	To Balance b/d		1,00,000				

Dr. SUNDRY CREDITORS ACCOUNT Cr.							
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
				2022			
				April 1	By Balance b/d		1,00,000

Dr. CAPITAL ACCOUNT Cr.							
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
				2022			
				April 1	By Balance b/d		1,70,000

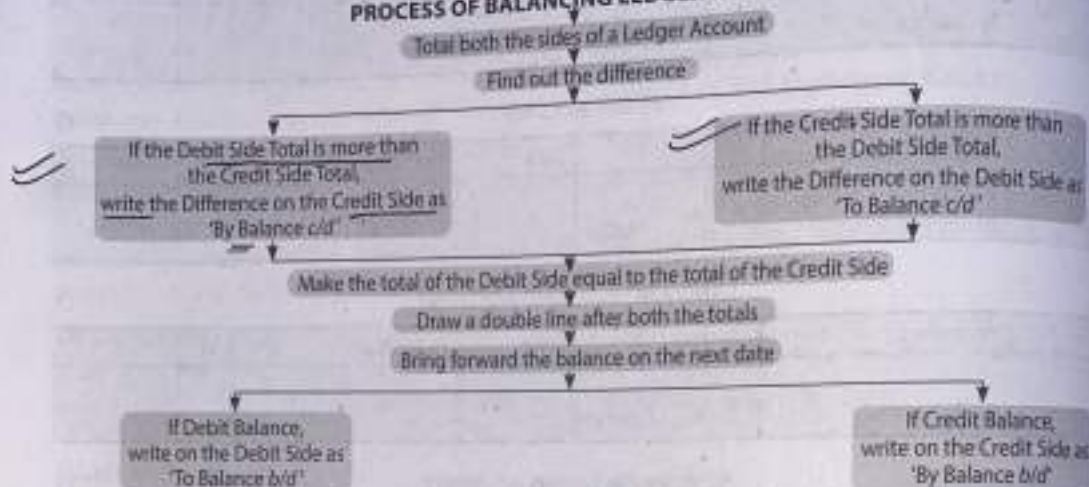
BALANCING OF LEDGER ACCOUNTS

After posting the transactions, accounts are balanced after a certain period but certainly at the end of the year. Balancing an account means that the two sides of an account are totalled and the difference in total of the two sides is written on the side whose total is smaller.

For example, if the total of the credit side is more than the total of debit side of any account, the difference of amount will be recorded as Balance *c/d* on the debit side and *vice versa* on the credit side. If the total of the debit side of any account is more than the total of credit side, it means that the account has debit balance and if the total of the credit side of any account is more, it will show a credit balance. The debit balance is then written on the debit side as 'To Balance brought down' or 'To Balance b/d', which is the opening balance for the new period. The credit balance is then written on the credit side as 'By Balance brought down' or 'By Balance b/d'. This is the opening balance for the new accounting year. The total of the debit and credit sides of some accounts

may be equal, those accounts will not show any balance. The concept of balancing is illustrated with the help of following diagram:

PROCESS OF BALANCING LEDGER ACCOUNTS



Observe the Cash Account of Illustration 2 given on Page No. 9.10, total of the debit side of this account is ₹ 1,10,500 and total of the credit side is ₹ 80,650 (i.e., ₹ 70,000 + ₹ 5,000 + ₹ 2,150 + ₹ 500 + ₹ 3,000), so the total of the debit side exceeds the total of credit side by ₹ 29,850 (i.e., ₹ 1,10,500 – ₹ 80,650). Thus, Cash Account shows debit balance of ₹ 29,850.

The balance of an account is always known by the side which is greater.

Types of Accounts that are Balanced

Personal Accounts and Real Accounts (as per Traditional Approach of classification of accounts) and Asset, Liability and Capital Accounts (as per Modern Approach of classification of accounts) are balanced. These balances are shown in the Balance Sheet. Nominal Accounts (under Traditional Approach of classification of accounts) and Revenue and Expense Accounts (as per Modern Approach of classification of accounts) are closed by transferring them to Trading Account or Profit & Loss Account.

However, before passing the closing entries for transferring accounts to Trading Account and Profit & Loss Account, Trial Balance (which is discussed later) is prepared to verify the arithmetical accuracy of transactions recorded.

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Types of Accounts (as per Traditional Approach of classification of accounts) and Asset, Liability and Capital Accounts (as per Modern Approach of classification of accounts) are balanced. These balances are shown in the Balance Sheet. Nominal Accounts (under Traditional Approach of classification of accounts) and Revenue and Expense Accounts (as per Modern Approach of classification of accounts) are closed by transferring them to Trading Account or Profit & Loss Account.

However, before passing the closing entries for transferring accounts to Trading Account and Profit & Loss Account, Trial Balance (which is discussed later) is prepared to verify the arithmetical accuracy of transactions recorded.

Illustration 2.

Journalise the following transactions and post them in the Ledger:

2022			₹
April	1	Shivam started business with cash	1,00,000
April	2	Deposited in bank	70,000
April	3	Bought goods for cash	5,000
April	4	Drew cash from bank for office	1,000
April	13	Sold goods to Krishna	1,500
April	20	Bought goods from Shyam	2,250
April	24	Received from Krishna	1,500
April	28	Paid Cash to Shyam	2,150
		Discount allowed by him	100
April	30	Cash sales for the month	8,000
April	30	Paid Rent	500
April	30	Paid Salary to Ram	3,000

Solution:

**In the Books of Shivam
JOURNAL**

Date	Particulars	LF.	Dr. (₹)	Cr. (₹)
2022				
April 1	Cash A/c To Capital A/c (Cash invested by Shivam in the business as capital)	Dr. 1 4	1,00,000	1,00,000
April 2	Bank A/c To Cash A/c (Deposited in the bank)	Dr. 5 1	70,000	70,000
April 3	Purchases A/c To Cash A/c (Goods purchased for cash)	Dr. 7 1	5,000	5,000
April 4	Cash A/c To Bank A/c (Cash withdrawn from the bank)	Dr. 1 5	1,000	1,000
April 13	Krishna To Sales A/c (Goods sold to Krishna)	Dr. 9 8	1,500	1,500
April 20	Purchases A/c To Shyam (Goods bought from Shyam)	Dr. 7 10	2,250	2,250
April 24	Cash A/c To Krishna (Cash received from Krishna)	Dr. 1 9	1,500	1,500
April 28	Shyam To Cash A/c To Discount Received A/c (Note 1) (Discount allowed by Shyam on payment being made to him)	Dr. 10 1 12	2,250	2,150 100
April 30	Cash A/c To Sales A/c (Goods sold for cash)	Dr. 1 8	8,000	8,000
April 30	Rent A/c Salaries A/c To Cash A/c (Rent and Salary paid) (Note 2)	Dr. 15 Dr. 14 1	500 3,000	3,500
	Total		1,95,000	1,95,000

- Notes:**
1. Discount allowed by others is discount received. It is a gain thus, it will be credited.
 2. A combined or compound entry is passed since rent and salary to Ram have been paid in cash on the same day.
 3. Ledger Folios are imaginary.

Ledger
CASH ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022				2022			
April 1	To Capital A/c		1,00,000	April 2	By Bank A/c		70,000
April 4	To Bank A/c		1,000	April 3	By Purchases A/c		5,000
April 24	To Krishna		1,500	April 28	By Shyam		2,250
April 30	To Sales A/c		8,000	April 30	By Rent A/c		900
				April 30	By Salaries A/c		3,000
				April 30	By Balance c/d		29,850
			1,10,500				1,10,500
May 1	To Balance b/d		29,850				

CAPITAL ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022				2022			
April 30	To Balance c/d		1,00,000	April 1	By Cash A/c		1,00,000

BANK ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022				2022			
April 2	To Cash A/c		70,000	April 4	By Cash A/c		1,000
				April 30	By Balance c/d		69,000
			70,000				70,000
May 1	To Balance b/d		69,000				

PURCHASES ACCOUNT*

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022							
April 3	To Cash A/c		5,000				
April 20	To Shyam		2,250				

SALES ACCOUNT*

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022				2022			
April 13	By Krishna		1,500	April 30	By Cash A/c		8,000

KRISHNA

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022				2022			
April 15	To Sales A/c		1,500	April 24	By Cash A/c		1,500
			1,500				1,500

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Dr. SHYAM				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022				2022			
April 28	To Cash A/c		2,150	April 20	By Purchases A/c		2,250
April 28	To Discount Received A/c		100				
			2,250				2,250

Dr. DISCOUNT RECEIVED ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022				2022			
April 30	To Balance c/d		100	April 28	By Shyam		100
				May 1	By Balance b/d		100

Dr. RENT ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022				2022			
April 30	To Cash A/c		500	April 30	By Balance c/d		500
May 1	To Balance b/d		500				

Dr. SALARIES ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2022				2022			
April 30	To Cash A/c		3,000	April 30	By Balance c/d		3,000
May 1	To Balance b/d		3,000				

Illustration 3.

Ashim started a business on 1st April, 2022 with Machinery of ₹ 10,00,000, Furniture

Students are advised to pass Journal entries and thereafter prepare ledger accounts.

✓ Difference between Journal and Ledger

<i>Basis</i>	<i>Journal</i>	<i>Ledger</i>
1. Nature of Book	It is a book of original or primary entry.	It is a book of final entry.
2. Basis for Preparation	Source documents (such as vouchers, receipts, etc.) are the basis for recording transactions in the Journal.	Journal is the basis for recording transactions in the Ledger.
3. Stage of Recording	Recording in the Journal is the first stage.	Recording in the Ledger is the second stage.
4. Object	It is prepared to record all transactions in a chronological order.	It is prepared to see the net effect of various transactions affecting a particular account.
5. Format	Journal has five columns: 1. Date, 2. Particulars, 3. Ledger Folio, 4. Debit Amount, and 5. Credit Amount.	Ledger has four identical columns on both debit and credit sides: 1. Date, 2. Particulars, 3. Journal Folio, and 4. Amount.

Trial Balance

LEARNING OBJECTIVES

This chapter would enable students to understand:

- ☐ Meaning of Trial Balance
- ☐ Characteristics or Features of Trial Balance
- ☐ Objectives or Functions of Trial Balance
- ☐ Limitations of Trial Balance
- ☐ Preparing a Trial Balance

MEANING OF TRIAL BALANCE

It is a Statement of balances in Ledger Accounts and Cash Book (Cash and Bank Balances).

"A Trial Balance is a statement, prepared with the debit and credit balances of the Ledger Accounts to test the arithmetical accuracy of the books." —J.R. Batliboi

"A Trial Balance is the list of debit and credit balances, taken out from the Ledger. It also includes the balances of cash and bank taken from the Cash Book." —Carter

Trial Balance is a statement showing the balances of the accounts maintained in the ledger and Cash Book balances, i.e., Cash and Bank Balances.

Trial Balance is prepared after posting the Journal entries in the accounts in the Ledger and balancing them. The balance of an account is the difference between the total of the debit entries and the total of the credit entries in an account. If the total of debit entries is greater, it is called a **Debit Balance**. Likewise, if the total of credit entries is greater, it is called a **Credit Balance**.

Ledger Accounts with debit balances are written in one column and those with credit balances are written in the other column. Under the Double Entry System, for every debit there is an equal and corresponding credit of equal amount and *vice versa* as per Dual Aspect Concept. Therefore, the total of debit balances in different accounts in the Ledger should be always equal to the total of credit balances in different accounts, i.e., the total of the two columns for amount should match. If they match, it means that both aspects of each transaction have been recorded in the correct side of the Ledger. Matching of two sides of a Trial Balance does not mean that recording of transactions in the books of account is free of error, it only ensures arithmetical correctness of posting.

Characteristics or Features of Trial Balance

1. It is a list of balances of Ledger Accounts and Cash Book.
2. It is not a part of the Double Entry System of Book Keeping. It is an outcome of Double Entry System of Book Keeping and is a working paper.
3. It can be prepared on any date by balancing the accounts.
4. It verifies the arithmetical correctness of posting of entries from the Journal to the Ledger.
5. It is not a conclusive evidence of the accuracy of the books of account since few errors are not disclosed by the Trial Balance, for example, error of principle and compensating errors are not shown (disclosed) by Trial Balance.

Objectives or Functions of Trial Balance

1. *To Ascertain the Arithmetical Correctness of Ledger Accounts*

The Trial Balance enables to establish whether posting and other accounting processes have been carried out without committing arithmetical errors.

2. *To Help Prepare the Final Accounts (Financial Statements)*

Trial Balance is the list of Ledger Accounts balances and Cash and Bank balances. It is the base document to prepare Financial Statements, i.e., Final Accounts. Revenue and Expense Accounts in the Trial Balance are transferred to Trading and Profit & Loss Account while Assets, Liabilities and Capital Accounts are transferred to the Balance Sheet.

3. *Summary of Each Account*

Trial Balance is a summary of each Ledger Account. The ledger account may have to be referred only when more detail is required in respect of an account.

4. *To Help in Identifying Errors*

Trial Balance helps in identifying errors in maintaining Book of Account. It should, however, be kept in mind that it does not disclose, i.e., show all the errors in Book Keeping except the arithmetical inaccuracies.

Limitations of Trial Balance

Trial Balance is not a conclusive evidence of the accuracy of the books of account. If the total of debit and credit sides of Trial Balance matches, it does not mean that all transactions have been correctly written and posted in the ledger accounts. A matched Trial Balance means that equal debits and credits have been recorded in the books of account. Even when Trial Balance matches, some errors may remain undetected and may not come to light.

Thus, the limitations of a Trial Balance are:

1. *Errors of principle*, i.e., errors which arise due to incorrect application of the principle of accounting are not shown by the Trial Balance.
2. *Compensating errors*, i.e., group of errors which are committed in such a manner that one mistake is compensated by the other and the Trial Balance still matches.

3. Transactions completely omitted from recording in the books of account are not known from the Trial Balance.
4. Recording both aspects of a transaction twice in the books of account.
5. Posting correct amount on the correct side but in the wrong account is not shown by the Trial Balance.
6. Wrong amount recorded in the books of original entry and same amount is debited and credited, is not brought out by the Trial Balance.

PREPARING A TRIAL BALANCE

Trial Balance is prepared by taking the debit and credit balances of all the accounts (including Cash and Bank Accounts). These balances are entered separately in two columns for amount. Debit balances are placed in the 'Debit Column' and credit balances in the 'Credit Column'. It is known as preparation of *Trial Balance by Balance Method*.

Format of Trial Balance is as follows:

TRIAL BALANCE as on ...

Heads of Accounts	L.F.	Dr. (₹)	Cr. (₹)

While preparing a Trial Balance, following points should be kept in mind:

- (i) It is prepared on a particular date which is written on the top.
- (ii) In the first column, Heads of Accounts (i.e., names or heads of the accounts) are written.
- (iii) In the second column, Ledger Folio, i.e., the page number of the Ledger where the balance exists, is written.
- (iv) In the third column, balance of the account, if it has a debit balance, is written.
- (v) In the fourth column, balance of the account, if it has a credit balance, is written.
- (vi) The two columns are totalled at the end.

Consider the following Ledger account:

RAMESH							
Dr.				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹
2022				2022			
April 1	To Balance b/d		20,000	April 5	By Bank A/c		19,800
April 5	To Sales A/c		18,500	April 5	By Discount Allowed A/c		200
April 6	To Output IGST A/c		2,220	April 11	By Sales Return A/c		2,500
				April 11	By Output IGST A/c		300
				April 30	By Balance c/d		17,920
			40,720				40,720
May 1	To Balance b/d		17,920				

In the Trial Balance, Ramesh's Account will appear as follows:

TRIAL BALANCE as on 30th April, 2022

Heads of Accounts	L.F.	Debit Balance (₹)	Credit Balance (₹)
Ramesh		17,920	—

Hints for Preparing a Trial Balance

1. Trial Balance is prepared from the Ledger accounts with balances and Cash Book. In preparing a Trial Balance all accounts having balances are taken. Thus, if an account does not have a balance, it is not shown in the Trial Balance.
2. Ledger Accounts having debit balances are written in the debit column of a Trial Balance and the Ledger Accounts having credit balances are written in the credit column.
3. Purchases Account always have debit balance.
4. Sales Account always have credit balance.
5. Returns Inward Account or Sales Return Account always have debit balance.
6. Returns Outward Account or Purchases Return Account always have credit balance.

9. Opening Stock Account has debit balance.

10. Generally, closing stock (inventory) is not given in the Trial Balance but is given as an additional information or adjustment outside the Trial Balance. Closing Stock is the value of goods unsold out of opening stock (inventory) and purchases. It is valued at Cost or Net Realisable Value (Market Value), whichever is less. To incorporate the closing stock (inventory) in the books, Closing Stock (Inventory) Account is debited and the Trading Account is credited by the amount of unsold stock (inventory) at the end. Closing Stock (inventory) is shown as an asset on the assets side of the Balance Sheet.

If the closing stock (inventory) is given within the Trial Balance, it means that it has already been adjusted through Opening Stock and purchases by debiting the Closing Stock (Inventory) Account and crediting the Purchases Account.

11. Accounts of assets such as Plant and Machinery, Furniture and Fixtures, Land and Building, Motor Car, Bills Receivable, Goodwill, Trademarks, Patents and Copyrights, Cash in Hand, Cash at Bank, etc., have debit balances.

12. Accounts of liabilities such as capital, loans, creditors, bills payable, expenses payable, etc. have credit balances.

13. Accounts of incomes and gains have credit balances.

14. Accounts of expenses and losses have debit balances.

20
AP
AP
AP
AP

May

Date

2022

April

April

April

Date

2022

April

April

Illustration 3.

State whether the balances of the following accounts should be placed in the debit or the credit columns of the Trial Balance.

- | | |
|------------------------|-----------------------|
| 1. Furniture | 9. Carriage Outwards |
| 2. Plant and Machinery | 10. Carriage Inwards |
| 3. Discount Allowed | 11. Sales |
| 4. Salary | 12. Purchases |
| 5. Bank Overdraft | 13. Discount Received |
| 6. Cash in Hand | 14. Interest Received |
| 7. Creditors | 15. Interest Paid |
| 8. Sundry Debtors | 16. Bad Debts |

Solution:

TRIAL BALANCE as on —

S. No.	Heads of Accounts	Logic	Debit Balance	Credit Balance
1.	Furniture A/c	Asset	✓	
2.	Plant and Machinery A/c	Asset	✓	
3.	Discount Allowed A/c	Expense	✓	
4.	Salary A/c	Expense	✓	
5.	Bank Overdraft A/c	Liability		✓
6.	Cash in Hand A/c	Asset	✓	
7.	Creditors A/c	Liability		✓
8.	Sundry Debtors A/c	Asset	✓	
9.	Carriage Outwards A/c	Expense	✓	
10.	Carriage Inwards A/c	Expense	✓	
11.	Sales A/c	Income		✓
12.	Purchases A/c	Expense	✓	
13.	Discount Received A/c	Income		✓
14.	Interest Received A/c	Income		✓
15.	Interest Paid A/c	Expense	✓	
16.	Bad Debts A/c	Loss	✓	

Illustration 4.

From the following list of accounts

11.	Sales A/c	Expense	✓	✓
12.	Purchases A/c	Income		✓
13.	Discount Received A/c	Income		✓
14.	Interest Received A/c	Expense	✓	
15.	Interest Paid A/c	Loss	✓	
16.	Bad Debts A/c			

Illustration 4.

From the following list of balances, prepare a Trial Balance:

	₹
Capital A/c.....	2,00,000
Debtors A/c.....	30,000
Fixed Assets A/c.....	1,92,000
Sales A/c.....	1,10,000
Returns Outward A/c.....	1,000
Bills Payable A/c.....	8,000
Bank Overdraft A/c.....	11,000
Opening Stock A/c.....	15,000
Creditors A/c.....	30,000
Purchases A/c.....	70,000
Returns Inward A/c.....	2,000
Wages and Salaries A/c.....	30,000
Bills Receivable A/c.....	15,000
Rent A/c.....	6,000

Solution:**TRIAL BALANCE**
as on ...

Heads of Accounts	L.F.	Dr. Balance (₹)	Cr. Balance (₹)
Capital A/c		---	2,00,000
Debtors A/c		30,000	---
Fixed Assets A/c		1,92,000	---
Sales A/c		---	1,10,000
Returns Outward A/c		---	1,000
Bills Payable A/c		---	8,000
Bank Overdraft A/c		---	11,000
Opening Stock A/c		15,000	---
Creditors A/c		---	30,000
Purchases A/c		70,000	---
Returns Inward A/c		2,000	---
Wages and Salaries A/c		30,000	---
Bills Receivable A/c		15,000	---
Rent A/c		6,000	---
Total		3,60,000	3,60,000

Illustration 5.

... from the following Ledger balances

Illustration 5.

Prepare a Trial Balance as on 31st March, 2022 from the following Ledger balances of Dimple Bros.:

	₹
Computers A/c	2,46,000
Capital A/c	2,50,000
Debtors A/c	20,000
Creditors A/c	22,000
Purchases A/c	35,000
Sales A/c	53,000
Returns Outward A/c	500
Bills Payable A/c	4,000
Bills Receivable A/c	8,000
Bank Overdraft A/c	6,000
Cash in Hand	1,000
Opening Stock A/c	7,500
Salaries A/c	15,000
Rent A/c	3,000

Solution:**TRIAL BALANCE as on 31st March, 2022**

Heads of Accounts	L.F.	Dr. Balance (₹)	Cr. Balance (₹)
Computers A/c		2,46,000	—
Capital A/c		—	2,50,000
Debtors A/c		20,000	—
Creditors A/c		—	22,000
Purchases A/c		35,000	—
Sales A/c		—	53,000
Returns Outward A/c		—	500
Bills Payable A/c		—	4,000
Bills Receivable A/c		8,000	—
Cash in Hand		1,000	—
Bank Overdraft A/c		—	6,000
Opening Stock A/c		7,500	—
Salaries A/c		15,000	—
Rent A/c		3,000	—
Total		3,35,500	3,35,500

Illustration 6

Illustration 20. Journalise the following transactions, post them in Ledger Accounts, balance them and prepare Trial Balance by Total Method and Balance Method :

		₹
2011		
Apr. 1	Karan started business with cash	2,00,000
Apr. 2	Bought goods for cash	30,500
Apr. 3	Opened Bank Account with cash	50,000
Apr. 4	Sold goods for cash	40,000
Apr. 7	Bought goods from Satya on credit	30,000
Apr. 10	Sold goods to Rakesh on credit	25,000
Apr. 15	Purchased Plant and Machinery and payment is made by cheque	16,600
Apr. 19	Paid to Satya in cash	10,000
Apr. 21	Received loan from Anil and deposited the same into bank	8,000
Apr. 23	Goods returned to Satya	1,000
Apr. 26	Withdrew from bank for personal use	5,000
Apr. 27	Paid to Satya by cheque	8,000
Apr. 29	Received cash from Rakesh	10,000
Apr. 30	Purchased stationery by cash	200
Apr. 30	Paid wages and salaries	10,000

Solution

**In the books of Karan
JOURNAL**

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
2011 Apr. 1	Cash A/c To Capital A/c (Being the business started with capital of ₹ 2,00,000 brought in cash)	Dr.	₹ 2,00,000	₹ 2,00,000

				8.61
Apr. 5	Purchases A/c To Cash A/c (Being the goods purchased for cash)	Dr.	30,500	30,500
Apr. 3	Bank A/c To Cash A/c (Being the Bank Account opened by depositing cash into bank)	Dr.	50,000	50,000
Apr. 4	Cash A/c To Sales A/c (Being the goods sold for cash)	Dr.	40,000	40,000
Apr. 7	Purchases A/c To Satya (Being the goods purchased on credit from Satya)	Dr.	30,000	30,000
Apr. 10	Rakesh To Sales A/c (Being the goods sold to Rakesh on credit)	Dr.	25,000	25,000
Apr. 15	Plant and Machinery A/c To Bank A/c (Being the plant and machinery purchased by cheque)	Dr.	16,600	16,600
Apr. 19	Satya To Cash A/c (Being the amount paid to Satya in cash)	Dr.	10,000	10,000
Apr. 21	Bank A/c To Anil's Loan A/c (Being the loan from Anil received and deposited into bank)	Dr.	8,000	8,000
Apr. 23	Satya To Returns Outward A/c (Being the goods returned to Satya)	Dr.	1,000	1,000
Apr. 26	Drawings A/c To Bank A/c (Being the amount withdrawn from bank for personal use)	Dr.	5,000	5,000
Apr. 27	Satya To Bank A/c (Being the amount paid to Satya by cheque)	Dr.	8,000	8,000
Apr. 29	Cash A/c To Rakesh (Being the cash received from Rakesh)	Dr.	10,000	10,000
Apr. 30	Stationery A/c To Cash A/c (Being the stationery purchased for cash)	Dr.	200	200
Apr. 30	Wages and Salaries A/c To Cash A/c (Being the wages and salaries paid in cash)	Dr.	10,000	10,000
	Grand Total		4,44,300	4,44,300

Dr.		Cr.	
Date	Particulars	Folio	Amount
2011			₹ 2,00,000
Apr. 1	To Capital A/c		40,000
Apr. 4	To Sales A/c		10,000
Apr. 29	To Rakesh		
			2,50,000
May 1	To Balance b/d		1,49,300

Dr.		CAPITAL ACCOUNT		Cr.	
2011		₹	2011		
Apr. 30	To Balance c/d	2,00,000	Apr. 1	By Cash A/c	2,00,000
		2,00,000			2,00,000
			May 1	By Balance b/d	2,00,000

Dr.		PURCHASES ACCOUNT*		Cr.	
2011		₹	2011		
Apr. 2	To Cash A/c	30,500	Apr. 30	By Balance c/d	60,500
Apr. 7	To Satya	30,000			
		60,500			60,500
May 1	To Balance b/d	60,500			

BANK ACCOUNT			
Dr.			
2011		₹	2011
Apr. 3	To Cash A/c	50,000	Apr. 15
Apr. 21	To Anil's Loan A/c	8,000	By Plant and Machinery A/c
			By Drawings A/c
			By Satya
			By Balance c/d
		58,000	
May 1	To Balance b/d	28,400	

Dr.		SALES ACCOUNT*				Cr.	
2011			₹	2011			
Apr. 30	To Balance c/d		65,000	Apr. 4	By Cash A/c		40,000
				Apr. 10	By Rakesh		25,000
			65,000				65,000
				May 1	By Balance b/d		65,000

SATYA					
Dr.					Cr.
2011		₹	2011		₹
Apr. 19	To Cash A/c	10,000	Apr. 7	By Purchases A/c	30,000
Apr. 23	To Returns Outward A/c	1,000			
Apr. 27	To Bank A/c	8,000			
Apr. 30	To Balance c/d	11,000			
		30,000			30,000
			May 1	By Balance b/d	11,000

RAKESH					
Dr.					Cr.
2011		₹	2011		₹
Apr. 10	To Sales A/c	25,000	Apr. 29	By Cash A/c	10,000
			Apr. 30	By Balance c/d	15,000
		25,000			25,000
May 1	To Balance b/d	15,000			

PLANT AND MACHINERY ACCOUNT					
Dr.					Cr.
2011		₹	2011		₹
Apr. 15	To Bank A/c	16,600	Apr. 30	By Balance c/d	16,600
		16,600			16,600
May 1	To Balance b/d	16,600			

ANIL'S LOAN ACCOUNT					
Dr.					Cr.
2011		₹	2011		₹
Apr. 30	To Balance c/d	8,000	Apr. 21	By Bank A/c	8,000
		8,000			8,000
			May 1	By Balance b/d	8,000

RETURNS OUTWARD ACCOUNT*					
Dr.					Cr.
2011		₹	2011		₹
Apr. 30	To Balance c/d	1,000	Apr. 21	By Satya	1,000
		1,000			1,000
			May 1	By Balance b/d	1,000

DRAWINGS ACCOUNT					
Dr.					Cr.
2011		₹	2011		₹
Apr. 26	To Bank A/c	5,000	Apr. 30	By Balance c/d	5,000
		5,000			5,000
May 1	To Balance b/d	5,000			

Dr. STATIONARY ACCOUNT*				Cr.			
2011		₹		2011		₹	
Apr. 30	To Cash A/c	200		Apr. 30	By Balance c/d	200	
		200				200	
May 1	To Balance b/d	200					

Dr. WAGES AND SALARIES ACCOUNT*				Cr.			
2011		₹		2011		₹	
Apr. 30	To Cash A/c	10,000		Apr. 30	By Balance c/d	10,000	
		10,000				10,000	
May 1	To Balance b/d	10,000					

* *Nominal Accounts* (Purchases Account, Sales Account, Return Outwards Account, Stationery Account, Wages and Salaries Account) are not balanced but are closed at the end of the year by transfer to Profit and Loss Account. They have been balanced only for the purpose of showing them in the Trial Balance.

Working Note. The amount ₹ 1,00,000 is the total

In the Books of Karan
TRIAL BALANCE (BALANCE METHOD)
as at 30th April, 2011

S.No.	Name of Account	L.F.	Dr. Totals ₹	Cr. Totals ₹
1.	Cash A/c		1,49,300	—
2.	Capital A/c		—	2,00,000

Ledger

Cr.
₹
200
200
Cr.
₹
10,000
10,000

Journal and Ledger

8.65

3.	Purchases A/c	60,500	—
4.	Bank A/c	28,400	—
5.	Sales A/c	—	65,000
6.	Satya A/c	—	11,000
7.	Rakesh A/c	15,000	—
8.	Plant and Machinery A/c	16,600	—
9.	Anil's Loan A/c	—	8,000
10.	Return Outward A/c	—	1,000
11.	Drawings A/c	5,000	—
12.	Stationery A/c	200	—
13.	Wages and Salaries A/c	10,000	—
		2,85,000	2,85,000

Note. Trial Balance has been discussed in detail in a separate chapter.

April	30	Paid cash into bank	4,000
-------	----	---------------------------	-------

Journalise the above transactions and post them to the Ledger.

7. Following balances exist in the books of Ashok, Delhi on 1st April, 2022:

Assets: Cash ₹ 50,000; Stock ₹ 30,000; Debtor—Ram ₹ 50,000; Machinery ₹ 60,000.

Liabilities: Creditor—Rajesh ₹ 30,000.

The following transactions took place in April, 2022:

2022		₹
April	4 Sold goods for cash	7,000
April	6 Goods returned by Ram	1,000
April	10 Purchased goods from Rajesh of list price ₹ 10,000 for	9,000
April	15 Bought goods of list price of ₹ 15,000 from Rakesh less 10% trade discount and 5% cash discount and paid 40% of amount immediately	
April	20 Paid to Rajesh in settlement of his account	38,600
April	25 Paid for the life insurance premium of the proprietor	500
April	30 Received commission	2,000

Pass Journal entries for the above transactions, post them into the Ledger and prepare the Trial Balance as on 30th April, 2022.

[Trial Balance Total—₹ 1,77,770.]

Q.7 Solution:**In the Books of Ashok****JOURNAL**

Date	Particulars	LF.	Dr. (₹)	Cr. (₹)
2021				
April 1	Cash A/cDr. Stock A/cDr. RamDr. Machinery A/cDr. To Rajesh To Capital A/c (Note) (Being an opening entry passed)		50,000 30,000 50,000 60,000	30,000 1,60,000
April 4	Cash A/cDr. To Sales A/c (Being the goods sold for cash)		7,000	7,000
April 6	Sales Return A/cDr. To Ram (Being the goods returned by Ram)		1,000	1,000
April 10	Purchases A/cDr. To Rajesh (Being the goods purchased on credit)		9,000	9,000
April 15	Purchases A/cDr. To Cash A/c To Discount Received A/c To Rakesh (Being the goods purchased)		13,500	5,130 270 8,100
April 20	RajeshDr. To Cash A/c To Discount Received A/c (Being the amount paid to Rajesh)		39,000	38,600 400
April 25	Drawings A/cDr. To Cash A/c (Being the life insurance premium paid)		500	500
April 30	Cash A/cDr. To Commission A/c (Being the commission received)		2,000	2,000

Note: The excess of assets over liabilities is the proprietor's capital and is credited to his Capital Account.

Dr.				CASH ACCOUNT				Cr.			
Date		Particulars	J.F.	₹	Date		Particulars	J.F.	₹		
2021					2021						
April	1	To Balance b/d		50,000	April	15	By Purchases A/c		5,130		
April	4	To Sales A/c		7,000	April	20	By Rajesh		38,600		
April	30	To Commission A/c		2,000	April	25	By Drawings A/c		500		
					April	30	By Balance c/d		14,770		
				59,000					59,000		
May	1	To Balance b/d		14,770							

Dr. STOCK ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 1	To Balance b/d		30,000	April 30	By Balance c/d		30,000
			30,000				30,000
May 1	To Balance b/d		30,000				

Dr. RAM				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 1	To Balance b/d		50,000	April 6	By Sales Return A/c		1,000
			50,000	April 30	By Balance c/d		49,000
							50,000
May 1	To Balance b/d		49,000				

Dr. MACHINERY ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 1	To Balance b/d		60,000	April 30	By Balance c/d		60,000
			60,000				60,000
May 1	To Balance b/d		60,000				

Dr. RAJESH				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 20	To Cash A/c		38,600	April 1	By Balance b/d		30,000
April 20	To Discount Received A/c		400	April 10	By Purchases A/c		9,000
			39,000				39,000

Dr. SALES ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 30	To Balance c/d		7,000	April 4	By Cash A/c		7,000
			7,000				7,000
				May 1	By Balance b/d		7,000

Dr. CAPITAL ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 30	To Balance c/d		1,60,000	April 1	By Balance b/d		1,60,000
			1,60,000				1,60,000
				May 1	By Balance b/d		1,60,000

Dr. RAKESH				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 30	To Balance c/d		8,100	April 15	By Purchases A/c		8,100
			8,100				8,100
				May 1	By Balance b/d		8,100

Dr. SALES RETURN ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 6	To Ram		1,000	April 30	By Balance c/d		1,000
			1,000				1,000
May 1	To Balance b/d		1,000				

Dr. DISCOUNT RECEIVED ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 30	To Balance c/d		670	April 15	By Purchases A/c		270
			670	April 20	By Rajesh		400
							670
				May 1	By Balance b/d		670

Dr. DRAWINGS ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 25	To Cash A/c		500	April 30	Balance c/d		500
			500				500
May 1	To Balance b/d		500				

Dr. COMMISSION ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 30	To Balance c/d		2,000	April 30	By Cash A/c		2,000
			2,000				2,000
				May 1	By Balance b/d		2,000

Dr. PURCHASES ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2021				2021			
April 10	To Rajesh		9,000	April 30	By Balance c/d		22,500
April 15	To Discount Received A/c		270				
April 15	To Cash A/c		5,130				
April 15	To Rakesh		8,100				
			22,500				22,500
May 1	To Balance b/d		22,500				

TRIAL BALANCE as on 30th April, 2021

S. No.	Particulars	L.F.	Dr. Balance (₹)	Cr. Balance (₹)
1.	Cash A/c		14,770	—
2.	Stock A/c		30,000	—
3.	Ram		49,000	—
4.	Machinery A/c		60,000	—
5.	Sales A/c		—	7,000
6.	Capital A/c		—	1,60,000
7.	Rakesh		—	8,100
8.	Sales Return A/c		1,000	—
9.	Discount Received A/c		—	670
10.	Drawings A/c		500	—
11.	Commission A/c		—	2,000
12.	Purchases A/c		22,500	—
	Total		1,77,770	1,77,770

Record the following transactions in the Journal, post them in the Ledger, balance the accounts and prepare a Trial Balance.

2012 April 1 Mr. Anil opened a wholesale grain shop with ₹ 4,00,000 cash, ₹ 8,00,000, as bank balance, stock ₹ 9,00,000 and furniture worth ₹ 1,00,000.

1. Appointed Mr. Bhiku Ram as cashier on a salary of ₹ 3,000 per month and gave an advance of ₹ 1,000 to him.
3. Bought goods from local market for ₹ 2,00,000 and sold them at a profit of ₹ 10,000.
5. Paid to landlord rent of the month by cheque ₹ 5,000.
8. Bought from M/s Gupta & Sons goods of the total value of ₹ 5,00,000 and paid ₹ 2,00,000 them by cheque.
12. Goods worth ₹ 3,00,000 were purchased in an auction sale from Aggarwal Brothers and paid ₹ 30,000 in cash.
15. Paid for the goods bought at auction on 12th April by cheque for the balance.
20. Sold goods on credit to A Subramaniam of Chennai for ₹ 2,00,000 and paid ₹ 4,000 for freight and ₹ 1,000 for insurance. These expenses are to be collected from A. Subramaniam.
24. Deposited cash in the bank ₹ 1,50,000.
28. Withdrawn from bank for office use ₹ 50,000 and for private use ₹ 10,000.
30. Mr. Bhiku Ram, the cashier, resigned and his dues were paid.

JOURNAL OF ANIL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012				
April 1	Cash A/c Dr.		4,00,000	
	Bank A/c Dr.		8,00,000	
	Stock A/c Dr.		9,00,000	
	Furniture A/c Dr.		1,00,000	
	To Capital A/c			22,00,000
	(Being the commencement of business by the bringing the aforesaid assets)			
1	Salaries Paid in Advance A/c Dr.		1,000	
	To Cash A/c			1,000
	(Being the salary paid in advance to the cashier)			
3	Purchases A/c Dr.		2,00,000	
	To Cash A/c			2,00,000
	(Being the purchase of goods for cash)			

RECORDING PROCESS : JOURNAL AND LEDGER

3	Cash A/c To Sales A/c (Being the sale of goods for cash)	Dr.	2,10,000	2,10,000	Dr. Date 2012 April 1
5	Rent A/c To Bank A/c (Being the rent paid for the month)	Dr.	5,000	5,000	• 3 • 28
8	Purchases A/c To Bank A/c To Gupta & Sons A/c (Being the purchase of goods and paid in part)	Dr.	5,00,000	2,00,000 3,00,000	• 28
12	Purchases A/c To Cash A/c To Aggarwal Brothers A/c (Being purchase of goods and paid in part)	Dr.	3,00,000	30,000 2,70,000	May 1
15	Aggarwal Brothers A/c To Bank A/c (Being the payment made by cheque)	Dr.	2,70,000	2,70,000	Dr. Date 2012 April 1
20	A. Subramaniam A/c To Sales A/c To Cash A/c (Being goods sold on credit and cash paid on his behalf for insurance and freight)	Dr.	2,05,000	2,00,000 5,000	April 2
24	Bank A/c To Cash A/c (Being cash deposited in the bank)	Dr.	1,50,000	1,50,000	May
28	Cash A/c Drawings A/c To Bank A/c (Being cash withdrawn from bank)	Dr. Dr. Dr.	50,000 10,000	60,000	Dr. Date 2012 April May
30	Salaries A/c To Cash A/c To Salary Paid in Advance A/c (Being salaries paid to the cashier after deducting advance)	Dr.	3,000	2,000 1,000	

Ledger of Anil

CASH ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 1	To Capital Account		4,00,000	April 1	By Salaries Paid in Advance Account		1,000
" 3	To Sales Account		2,10,000	" 3	By Purchases A/c		2,00,000
" 28	To Bank Account		50,000	" 12	By Purchases A/c		30,000
				" 20	By A. Subramaniam A/c		5,000
				" 24	By Bank Account		1,50,000
				" 30	By Salaries Account		2,000
				" 30	By Balance c/d		2,72,000
			6,60,000				6,60,000
May 1	To balance b/d		2,72,000				

BANK ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 1	To Capital Account		8,00,000	April 5	By Rent Account		5,000
April 24	To Cash Account		1,50,000	" 8	By Purchases A/c		2,00,000
				" 15	By Aggarwal Brothers A/c		2,70,000
				" 28	By Cash Account		50,000
				" 28	By Drawing A/c		10,000
				" 30	By Balance c/d		4,15,000
			9,50,000				9,50,000
May 1	To Balance b/d		4,15,000				

STOCK ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 1	To Capital Account		9,00,000	April 30	By Balance c/d		9,00,000
May 1	To Balance b/d		9,00,000				

Dr.

FURNITURE ACCOUNT

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 1	To Capital Account		1,00,000	April 30	By Balance c/d		1,00,000
May 1	To Balance b/d		1,00,000				

Dr.

CAPITAL ACCOUNT

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 30	To Balance c/d		22,00,000	April 1	By Cash A/c		4,00,000
					By Bank A/c		8,00,000
					By Stock A/c		9,00,000
					By Furniture A/c		1,00,000
			22,00,000				22,00,000
					By Balance b/d		22,00,000

Dr.

SALARIES PAID IN ADVANCE ACCOUNT

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 1	To Cash Account		1,000	April 30	By Salaries Account		1,000

Dr.

PURCHASES ACCOUNT

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 3	To Cash Account		2,00,000	April 30	By Balance c/d		10,00,000
* 8	To Bank Account		2,00,000				
	To Gupta & Sons A/c		3,00,000				
* 12	To Cash Account		30,000				
	To Aggarwal Brother A/c		2,70,000				
			10,00,000				10,00,000
May 1	Balance b/d		10,00,000				

Dr.

SALES ACCOUNT

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 30	To Balance c/d		4,10,000	April 3	By Cash Account		2,10,000
				April 20	By A. Subramaniam A/c		2,00,000
			4,10,000				4,10,000
				May 1	By Balance b/d		4,10,000

Dr. RENT ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 5	To Bank Account		5,000	April 30	By Balance c/d		5,000
May 1	To Balance b/d		5,000				

Dr. GUPTA & SONS ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 30	To Balance c/d		3,00,000	April 8	By Purchases Account		3,00,000
				May 1	By Balance b/d		3,00,000

Dr. AGGARWAL BROTHERS ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 15	To Bank Account		2,70,000	April 12	By Purchases Account		2,70,000

Dr. DRAWINGS ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 24	To Bank Account		10,000	April 30	By Balance c/d		10,000
May 1	To Balance b/d		10,000				

Dr. A. SUBRAMANIAM ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 20	To Sales Account		2,00,000	April 30	By Balance c/d		2,05,000
	To Cash Account		5,000				2,05,000
May 1	To Balance b/d		2,05,000				

Dr. SALARIES ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
April 30	To Cash Account		2,000	April 30	By Balance c/d		3,000
April 30	To Salaries Paid in Adv. A/c		1,000				3,000
May 1	To Balance b/d		3,000				

TRIAL BALANCE*as on 30th April, 2012*

S. No.	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.	Cash Account		2,72,000	
2.	Bank Account		4,15,000	
3.	Stock Account		9,00,000	
4.	Furniture Account		1,00,000	
5.	Capital Account			22,00,000
6.	Purchases Account		10,00,000	
7.	Sales Account			4,10,000
8.	Rent Account		5,000	
9.	Gupta & Sons Account			3,00,000
10.	Drawings Account		10,000	
11.	A. Subramaniam		2,05,000	
12.	Salaries Account		3,000	
	Total		29,10,000	29,10,000

QUESTIONS**THEORETICAL QUESTIONS****OBJECTIVE**

1. Whetl

(a)

(b)

(c)

(d)

(e)

(f)

(g)

(h)

(i)

(j)

(k)

(l)

(m)

(n)

(o)

(p)

Ans. [T