

line preceded by the word 'To'. The word 'To' is written towards right after leaving blank space for about three letters of alphabet. Write the amount to be credited in the 'Credit Amount' column.

Seventh : Record a brief description of the transaction starting from the next line in the 'Particulars' column. The brief description of the transaction is called narration.

Eighth : Draw a line across the 'Particulars' column to separate one journal entry from the other.

ILLUSTRATION 4.

Record the following transactions in the Journal of Ashok for the month of April, 2016:

- 1 Ashok started business with ₹ 2,00,000.
- 3 Purchased goods for cash ₹ 50,000.
- 5 Purchased furniture for cash ₹ 40,000.
- 7 Sold goods for cash ₹ 10,000.
- 9 Purchased goods on credit from Birbal ₹ 20,000.
- 11 Purchased goods for cash ₹ 80,000.
- 15 Sold goods on credit to Chander ₹ 15,000.
- 19 Cash deposited in bank ₹ 10,000.
- 22 Cash paid to Birbal ₹ 5,000.
- 23 Received cash from Chander ₹ 10,000.
- 25 Paid wages ₹ 1,000.
- 30 Cash withdrawn by Ashok for personal use ₹ 2,000.

SOLUTION

JOURNAL

Date	Particulars	L.F.	Amount	
			Debit (₹)	Credit (₹)
2016 April 1	Cash Account Dr. To Capital Account (Being business started with cash)		2,00,000	2,00,000
* 3	Purchases Account Dr. To Cash Account (Being goods purchased for cash)		50,000	50,000
* 5	Furniture Account Dr. To Cash Account (Being purchase of furniture for cash)		40,000	40,000
* 7	Cash Account Dr. To Sales Account (Being goods sold for cash)		10,000	10,000
* 9	Purchases Account Dr. To Birbal Account (Being goods purchased from Birbal)		20,000	20,000
* 11	Purchases Account Dr. To Cash Account (Being goods purchased for cash)		80,000	80,000
* 15	Chander Account Dr. To Sales Account (Being credit sale to Chander)		15,000	15,000
* 19	Bank Account Dr. To Cash Account (Being cash deposited into bank)		10,000	10,000
* 22	Birbal Account Dr. To Cash Account (Being cash paid to Birbal)		5,000	5,000

* 23	Cash Account Dr.	10,000	
	To Chander Account		10,000
	(Being cash received from Chander)		
* 25	Wages Account Dr.	1,000	
	To Cash Account		1,000
	(Being cash paid for wages)		
* 30	Drawings Account Dr.	2,000	
	To Cash Account		2,000
	(Being withdrawal of cash for personal use)		

ILLUSTRATION 5.

Record the following transaction in Journal :

- Goods worth ₹ 5,000 given as charity.
- Received ₹ 2,900 from Deepak in full settlement of his account for ₹ 3,000.
- Paid ₹ 960 to Chander Shekhar in full settlement of his account for ₹ 1,000.
- Received first and final dividend of 75 paise in a rupee from Daya Shanker, who owed us ₹ 1,000.

SOLUTION

Date	Particulars	L.F.	Amount	
			Debit (₹)	Credit (₹)
(i)	Charity Account Dr.		5,000	
	To Purchases Account			5,000
	(Being goods given as charity)			
(ii)	Cash Account Dr.		2,900	
	Discount Account Dr.		100	
	To Deepak Account			3,000
	(Being amount received from Deepak and discount allowed)			
(iii)	Chander Shekhar Account Dr.		1,000	
	To Cash Account			960
	To Discount Account			40
	(Being payment to Chander Shekhar and discount received)			

(iv)	Cash Account	Dr.	750	
	Bad Debts Account	Dr.	250	
	To Daya Shanker Account			1,000
	(Being 75% received from Mr. Daya Shanker in full settlement of account)			

ILLUSTRATION 6.

- (i) Received cash for a bad debt written off last year ₹ 500.
(ii) Paid ₹ 1,500 in cash as wages on installation of machine
(iii) ₹ 1,100 given as charity.
(iv) Goods worth ₹ 8,000 destroyed by fire; insurance company admitted the claim in full and paid the amount by cheque.

SOLUTION

Date	Particulars	L.F.	Amount	
			Debit (₹)	Credit (₹)
(i)	Cash Account Dr. To Bad Debts Recovered Account (Being cash received on account of recovery of bad debt which was previously written off)		500	500
(ii)	Machinery Account Dr. To Cash Account (Being wages paid on installation of machine)		1,500	1,500
(iii)	Charity Account Dr. To Cash Account (Being cash given as charity)		1,100	1,100
(iv)	Loss by Fire Account Dr. To Purchases Account (Being loss of goods by fire)		8,000	8,000
	Insurance Claim or Insurance Company A/c Dr. To Loss by Fire Account (Being claim admitted by the Insurance Company)		8,000	8,000
	Bank Account Dr. To Insurance Claim or Insurance Co. A/c (Being insurance claim received from the Insurance Company)		8,000	8,000

ILLUSTRATION 14. (Journal Entries and Ledger Accounts)

Pass journal entries and post them in the ledger accounts of Anand for the month of January 2012 :

1. Started business with ₹ 5,00,000 cash.
2. Deposited cash into Bank ₹ 4,00,000.
3. Paid rent by cheque ₹ 5,000.
4. Bought furniture for ₹ 60,000; amount paid by cheque.
5. Bought goods from S. Khan for ₹ 50,000.
6. Bought goods from V. Kumar ₹ 20,000 amount paid by cheque.
8. Bought goods for cash ₹ 30,000.
12. Cash sales ₹ 10,000.
14. Sold goods on credit to Johnson ₹ 20,000.
17. Bought stationery for cash ₹ 500.
21. Cash received from Johnson on account ₹ 12,000.
24. Paid S. Khan ₹ 20,000 on account.
27. Paid wages ₹ 2,000.
30. Deposited ₹ 5,000 into the bank.
31. Cash withdrawn from the bank for personal use ₹ 20,000.

SOLUTION**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012				
Jan. 1	Cash A/c To Capital A/c (Being business started with cash)	Dr.	5,00,000	5,00,000
Jan. 2	Bank A/c To Cash A/c (Being cash deposited into bank)	Dr.	4,00,000	4,00,000
Jan. 3	Rent A/c To Bank A/c (Being rent paid)	Dr.	5,000	5,000
Jan. 4	Furniture A/c To Bank A/c (Being furniture purchased)	Dr.	60,000	60,000

Jan. 5	Purchases A/c To S. Khan A/c (Being goods purchased on credit)	Dr.	50,000	50,000
Jan. 6	Purchases A/c To Bank A/c (Being goods purchased and amount paid by cheque)	Dr.	20,000	20,000
Jan. 8	Purchases A/c To Cash A/c (Being goods purchased for cash)	Dr.	30,000	30,000
Jan. 12	Cash A/c To Sales A/c (Being sale of goods for cash)	Dr.	10,000	10,000
Jan. 14	Johnson A/c To Sales A/c (Being sale of goods to Johnson on credit)	Dr.	20,000	20,000
Jan. 17	Stationery A/c To Cash A/c (Being stationery bought for cash)	Dr.	500	500
Jan. 21	Cash A/c To Johnson A/c (Being cash received from Johnson)	Dr.	12,000	12,000
Jan. 24	S. Khan A/c To Cash A/c (Being cash paid to S. Khan)	Dr.	20,000	20,000
Jan. 27	Wages A/c To Cash A/c (Being wages paid)	Dr.	2,000	2,000
Jan. 30	Bank A/c To Cash A/c (Being cash deposited into bank)	Dr.	5,000	5,000
Jan. 31	Drawings A/c To Bank A/c (Being cash withdrawn from bank for personal use)	Dr.	20,000	20,000

Ledger Accounts
CASH ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 1	To Capital A/c		5,00,000	Jan. 2	By Bank A/c		4,00,000
Jan. 12	To Sales A/c		10,000	Jan. 8	By Purchases A/c		30,000
Jan. 21	To Johnson A/c		12,000	" 17	By Stationery A/c		500
				" 24	By S. Khan A/c		20,000
				" 27	By Wages A/c		2,000
				" 30	By Bank A/c		5,000
				" 31	By Balance c/d		64,500
			5,22,000				5,22,000
Feb. 1	To balance b/d		64,500				

BANK ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 2	To Cash A/c		4,00,000	Jan. 3	By Rent A/c		5,000
Jan. 30	To Cash A/c		5,000	" 4	By Furniture A/c		60,000
				" 6	By Purchases A/c		20,000
				" 31	By Drawings A/c		20,000
				" 31	By Balance c/d		3,00,000
			4,05,000				4,05,000
Feb. 1	To Balance b/d		3,00,000				

CAPITAL ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 31	To Balance c/d		5,00,000	Jan. 1	By Cash A/c		5,00,000
				Feb. 1	By Balance b/d		5,00,000

PURCHASES ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 5	To S. Khan A/c		50,000	Jan. 31	By Balance c/d		1,00,000
" 6	To Bank A/c		20,000				
" 8	To Cash A/c		30,000				
			1,00,000				1,00,000
Feb. 1	To Balance b/d		1,00,000				

Dr. SALES ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 31	To Balance c/d		30,000	Jan. 12	By Cash A/c		10,000
				14	By Johnson		20,000
			30,000				30,000
				Feb. 1	By Balance b/d		30,000

Dr. STATIONERY ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 17	To Cash A/c		500	Jan. 31	By Balance c/d		500
Feb. 1	To Balance b/d		500				

Dr. RENT ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 3	To Bank A/c		5,000	Jan. 31	By Balance c/d		5,000
Feb. 1	To Balance b/d		5,000				

Dr. FURNITURE ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 4	To Bank A/c		60,000	Jan. 31	By Balance c/d		60,000
Feb. 1	To Balance b/d		60,000				

Dr. S. KHAN ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 24	To Cash A/c		20,000	Jan. 5	By Purchases A/c		50,000
Jan. 31	To Balance c/d		30,000				50,000
			50,000	Feb. 1	By Balance b/d		30,000

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ACCOUNTING PROCESS : JOURNAL AND LEDGER

Dr.

JOHNSON ACCOUNT

Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 14	To Sales A/c		20,000	Jan. 21	By Cash A/c		12,000
				Jan. 31	By Balance c/d		8,000
			20,000				20,000
Feb. 1	To Balance b/d		20,000				

Dr.

WAGES ACCOUNT

Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 27	To Cash A/c		2,000	Jan. 31	By Balance c/d		2,000
Feb. 1	To Balance b/d		2,000				

Dr.

DRAWINGS ACCOUNT

Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2012				2012			
Jan. 31	To Bank A/c		20,000	Jan. 31	By Balance c/d		20,000
Feb. 1	To Balance b/d		20,000				

OPENING ENTRY

which is passed to record the balances of

Illustration 2: Journalise the following transactions in the books of Shri Shiv Kumar Gupta:

2012	Particulars	(₹)
Jan. 1	Commenced business with	50,000
Jan. 2	Goods purchased for cash	30,000
Jan. 3	Paid freight	2,000
Jan. 7	Goods sold to Rajani Kant on credit	13,000
Jan. 8	Paid for stationery	1,000
Jan. 9	Paid for Rent	5,000
Jan. 10	Cash received from Mohan Das	15,400
	Allowed him discount	600
Jan. 17	Paid Premium	4,000
Jan. 19	Paid postage	100
Jan. 20	Rakesh was declared Insolvent, fifty paise in the rupee was received from his estate, total debt being ₹ 10,000	8,000
Jan. 29	Paid for Salaries	

Solution:

Journal

Date 2012	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
Jan. 1	Cash A/c To Capital A/c (Started business with ₹ 50,000)	Dr.	50,000	50,000
Jan. 2	Purchases A/c To Cash (Being the amount of Cash purchases)	Dr.	30,000	30,000

			(₹)	(₹)
Jan. 3	Freight A/c To Cash (Being the payment for freight)	Dr.	2,000	2,000
Jan. 7	Rajani Kant To Sales A/c (Being the sales of Goods on credit)	Dr.	13,000	13,000
Jan. 8	Stationery A/c To Cash A/c (Being the amount of stationery paid)	Dr.	1,000	1,000
Jan. 9	Rent A/c To Cash A/c (Being the amount of rent paid)	Dr.	5,000	5,000
Jan. 10	Cash A/c Discount A/c To Mohan Das (Being cash received from Mohan Das)	Dr. Dr.	15,400 600	16,000
Jan. 17	Premium A/c To Cash (Being the payment for premium)	Dr.	4,000	4,000
Jan. 19	Postage A/c To Cash (Being the payment for postage)	Dr.	100	100
Jan. 20	Cash A/c Bad debts A/c To Rakesh (Being the recovery of 50 paise in the rupee from Rakesh, total debt being ₹ 10,000)	Dr. Dr.	5,000 5,000	10,000
Jan. 29	Salaries A/c To Cash (Being the payment for salaries)	Dr.	8,000	8,000
Total			1,39,100	1,39,100

Illustration 3: Journalise the following transactions:

2012		(₹)
July 1	X started business with cash	80,000
July 3	Goods purchased for cash	30,000
July 5	Goods purchased from A	5,000
July 7	Goods sold for cash	10,000
July 10	Goods sold to P	30,000
July 12	Cash paid to A	3,000
July 15	Cash received from P	10,000
July 21	Paid for wages	1,500
July 25	Purchased furniture from Sunil Kumar for cash	5,000
July 28	Paid rent	5,000
July 31	Paid for salaries	2,000

Date 2012	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
July 1	Cash A/c To Capital A/c (Started business with cash)	Dr.	80,000	80,000
July 3	Purchases A/c To Cash (Being the purchase of goods for cash)	Dr.	30,000	30,000
July 5	Purchases A/c To A (Being goods purchased from A)	Dr.	5,000	5,000
July 7	Cash A/c To Sales A/c (Being goods sold on cash)	Dr.	10,000	10,000
July 10	P To Sales A/c (Being goods sold to P)	Dr.	30,000	30,000
July 12	A To Cash A/c (Being cash paid to A)	Dr.	3,000	3,000
July 15	Cash A/c To P (Being cash received from P)	Dr.	10,000	10,000
July 21	Wages A/c To Cash A/c (Being wages paid)	Dr.	1,500	1,500
July 25	Furniture A/c To Cash A/c (Being furniture purchased from Sunil Kumar)	Dr.	5,000	5,000
July 28	Rent A/c To Cash (Being rent paid)	Dr.	5,000	5,000
July 31	Salaries A/c To Cash (Being salaries paid)	Dr.	2,000	2,000

Illustration 4: Journalise the following transactions in the books of Khanu and Co.:

2012	(₹)
Jan. 2	Started the business with 8,00,000
Jan. 3	Bought furniture for 1,20,000
Jan. 6	Bought stationery for 5,000
Jan. 7	Purchased goods for cash at 2,00,000
Jan. 9	Sold goods for cash worth 50,000
Jan. 11	Sold to R. Desai goods worth 1,00,000
Jan. 14	Bought goods from Mundra Bros. at 80,000
Jan. 18	Paid office cleaning charges of 1,500
Jan. 20	Bought goods from Hari worth 1,00,000
Jan. 22	Sold to Sharma and Co. goods worth 60,000
Jan. 24	Received from R. Desai 50,000

2012

(₹)

Jan. 25	Paid to Hari	90,000
Jan. 28	Bought typewriter for	80,000
Jan. 31	Paid house rent of	7,500
Jan. 31	Paid light charges of	5,000
Jan. 31	Paid salary amounting to	50,000
Jan. 31	Received commission of	15,000

Solution:

Journal

Date 2012	Particulars	L.F.	Dr.	Cr.
Jan. 2	Cash A/c To Capital A/c (Started business with ₹ 8,000)	Dr.	8,00,000	8,00,000
Jan. 3	Furniture A/c To Cash (Purchased Furniture)	Dr.	1,20,000	1,20,000
Jan. 6	Stationery A/c To Cash (Purchased stationery)	Dr.	5,000	5,000
Jan. 7	Purchases A/c To Cash A/c (Being the purchase of goods)	Dr.	2,00,000	2,00,000
Jan. 9	Cash A/c To Sales A/c (Being the sale of goods)	Dr.	50,000	50,000
Jan. 11	R. Desai To Sales A/c (Being the sale of goods to R. Desai)	Dr.	1,00,000	1,00,000
Jan. 14	Purchases A/c To Mundra Brothers (Being the purchases of goods from Mundra Brothers)	Dr.	80,000	80,000
Jan. 18	Office cleaning charges A/c To Cash (Being the office cleaning charges paid)	Dr.	1,500	1,500
Jan. 20	Purchases A/c To Hari (Being the purchase of goods)	Dr.	1,00,000	1,00,000
Jan. 22	Sharma & Co. To Sales A/c (Being the sale of goods)	Dr.	60,000	60,000
Jan. 24	Cash A/c To R. Desai (Being amount received from R. Desai)	Dr.	50,000	50,000
Jan. 25	Hari To Cash A/c (Being the amount paid to Hari)	Dr.	90,000	90,000
Jan. 28	Typewriter A/c To Cash A/c (Being the purchase of typewriter)	Dr.	80,000	80,000

Date 2012	Particulars	L.F.	Dr.	Cr.
Jan. 31	Rent A/c	Dr.	7,500	
	Lighting A/c	Dr.	5,000	
	Salary A/c	Dr.	50,000	
	To Cash			62,500
	(Being the payment made for rent, lighting and salary)			
Jan. 31	Cash A/c	Dr.	15,000	
	To Commission A/c			15,000
	(Being the amount of commission received)			

THEORY QUESTIONS

1. Explain the nature of an account. What information is recorded in an account? Illustrate with an example.
2. Explain the meaning of the terms debit and credit.
3. What are the rules of debit and credit for different accounts?
4. Debits and credits are used to increase and decrease accounts. How is it possible for one of these items, say, debits, to be able to both increase and decrease accounts?
5. What are normal balances? How are they determined?
6. Identify the following as asset, liability, owner's equity, revenue or expense accounts and indicate whether a debit entry or credit entry increases the balance of the account.

Accounts receivable

Accounts payable

Cost

15.	When bank charges some amount for the services rendered by the bank	Bank Charges A/c To Bank A/c	Dr.
16.	Bank makes payment on firm's behalf (say insurance premium)	Insurance Premium A/c To Bank A/c	Dr.
17.	Collection by bank on our behalf (say dividend)	Bank A/c To Dividend A/c	Dr.
18.	Repayment of bank loan in cash	Bank Loan A/c To cash A/c	Dr.
19.	Repayment of bank loan by issue of cheque	Bank Loan A/c To Bank A/c	Dr.
20.	Transfer of funds from one bank to another. (say from ICICI to HDFC)	Bank (HDFC) A/c To Bank (ICICI) A/c	Dr.

Illustration 5. Pass Journal Entries for the following :
2010

Mar. 1	Paid into bank for opening a Current Account	₹ 35,000
Mar. 5	Goods purchased and payment made by cheque	40,000
Mar. 8	Cash sales ₹ 40,000, out of this amount ₹ 30,000 deposited in bank	
Mar. 10	Withdrawn cash for private use	15,000
Mar. 12	Withdrawn from bank for private use	14,000
Mar. 15	Withdrawn from bank	42,000
Mar. 20	Placed on fixed deposit account at bank by transferring from Current Account	30,000

Solution

In the books of

JOURNAL

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
2010			₹	₹
Mar. 1	Bank A/c Dr. To Cash A/c (Cash deposited into bank)		35,000	35,000
Mar. 5	Purchases A/c Dr. To Bank A/c (Goods purchased and payment made through cheque)		40,000	40,000
Mar. 8	Cash A/c Dr. Bank A/c Dr. To Sales A/c (Cash sales)		10,000 30,000	40,000
Mar. 10	Drawings A/c Dr. To Cash A/c (Amount withdrawn for private use)		15,000	15,000
Mar. 12	Drawings A/c Dr. To Bank A/c (Amount withdrawn from bank for private use)		14,000	14,000
Mar. 15	Cash A/c Dr. To Bank A/c (Amount withdrawn from bank for office use)		42,000	42,000
Mar. 20	Fixed Deposit A/c Dr. To Bank A/c (Amount transferred from current account to fixed deposit account)		30,000	30,000
	Grand Total		2,16,000	2,16,000

E. Trade Discount and Cash Discount

Any incentive in the form of reduction in sale price, given to encourage more purchases or prompt and timely payment is called discount. Discount is classified into :

Trade Discount. The discount allowed to a customer if he purchases goods above certain quantity/amount is termed as trade discount. Such discount is reduced from the sale value and sale/purchase is recorded in the books at the net value.

Cash Discount. The discount allowed to a customer to encourage prompt payment of due amount, is termed as cash discount. Cash discount allowed is debited to Discount Allowed Account and discount received is credited to Discount Received

	sell the goods at their catalogue price.	
3. Nature of Transaction	It is allowed on both cash and credit transactions.	It is allowed only on cash payment.
4. When allowed	It is allowed when goods are purchased in a specified quantity.	It is allowed when payment is made on or before a specified date.
5. Recording in the books of accounts	It is not recorded separately in the books of accounts.	It is recorded separately in the books of accounts.
6. Deduction from Invoice	It is deducted from the invoice.	It is not deducted from the invoice.

Illustration 6. Journalise the following transactions :

1. Purchased goods from Sudhir of ₹ 40,000 at 10% Trade Discount and 5% Cash Discount. The amount was paid at the time of purchase.
2. Shyam bought goods at the list price of ₹ 40,000 from Ram *less* 20% trade discount and 5% cash discount and paid 40% by cheque.
3. Shyam sold goods to Ram at the list price of ₹ 70,000 *less* 10% trade discount and 5% cash discount and paid 80% by cheque.

Solution

In the books of
JOURNAL

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
1	Purchases A/c Dr. To Cash A/c To Discount Received A/c (Being the goods purchased from Sudhir @ 10% Trade Discount and 5% Cash Discount)		₹ 36,000	₹ 34,200 1,800
2	Purchases A/c Dr. To Ram A/c To Bank A/c To Discount Received A/c (Being the goods purchased from Ram @ 20% Trade Discount and 5% Cash Discount and 40% amount paid by cheque)		32,000	19,200 12,160 640
3	Ram A/c Dr. Bank A/c Dr. Discount Allowed A/c Dr. To Sales A/c (Being the goods sold to Ram partly for cash and partly on credit allowing 10% Trade Discount and 5% Cash Discount)		12,600 47,880 2,520	63,000
	Grand Total		1,31,000	1,31,000

Working Notes :

Calculation of Trade Discount and Cash Discount

1. Invoice Price of Goods

Less : Trade Discount @ 10%

Less : Cash Discount @ 5%

Amount Paid

2. Invoice Price of Goods

Less : Trade Discount @ 20%

Net Value of Goods

A. Cash Transaction $\left(₹ 32,000 \times \frac{40}{100} \right)$ B. Credit Transaction $\left(₹ 32,000 \times \frac{60}{100} \right)$

Cash Transaction

Less : Cash Discount @ 5%

₹
40,000
4,000
36,000
1,800
34,200
₹
40,000
8,000
32,000
12,600
19,200
12,800
640
12,160

A. Cash Transaction (100)
 Less : Cash Discount @ 5%

2,520
 47,880
 12,600

B. Credit Transaction $\left(₹ 63,000 \times \frac{20}{100} \right)$

Illustration 7. Journalise the following transactions in the books of Hari Ram :

- (i) Received ₹ 9,500 from Sohan in full settlement of his account for ₹ 10,000.
- (ii) Received ₹ 9,500 from Shyam on his account for ₹ 10,000.
- (iii) Paid ₹ 4,800 to Mohan in full settlement of his account for ₹ 5,000.
- (iv) Paid ₹ 4,800 to Ashok on his account for ₹ 5,000.
- (v) Rahul who owned ₹ 5,000 was declared insolvent and 60 paise in a rupee are received as final compensation.

Solution **In the books of Hari Ram**
JOURNAL

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
(i)	Cash A/c Discount Allowed A/c To Sohan (Being the cash received from Sohan after allowing him discount of ₹ 500)	Dr. Dr.	₹ 9,500 500	10,000
(ii)	Cash A/c To Shyam (Being the cash received from Shyam on account)	Dr.	9,500	9,500
(iii)	Mohan To Cash A/c To Discount Received A/c (Being the cash paid to Mohan after receiving discount ₹ 200)	Dr.	5,000	4,800 200
(iv)	Ashok To Cash A/c (Being the cash paid to Ashok on account)	Dr.	4,800	4,800
(v)	Cash A/c Bad Debts A/c To Rahul (Being the 60 paise in the rupee received from Rahul)	Dr. Dr.	3,000 2,000	5,000
	Grand Total		34,300	34,300

and at the year balance in loss by theft or fire account is transferred to Profit and Loss Account

Profit and Loss A/c

Dr.

To Loss by Theft Or Fire A/c

(Being the loss transferred to Profit and Loss Account)

Illustration 8. Journalise the following transactions :

1. Goods worth ₹ 2,000 were used by proprietor for personal use.
2. Goods worth ₹ 10,000 and cash ₹ 4,000 were stolen by an employee.
3. Goods worth ₹ 7,000 were destroyed by fire and the insurance company admitted the claim of ₹ 5,000.
4. Goods worth ₹ 2,000 were given in Prime Minister Relief Fund as a charity.
5. Goods worth ₹ 2,000 were distributed as free samples.

Solution

In the books of

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Date	Particulars	L.F.	Dr. Amount	Cr. Amount
	Drawings A/c Dr. To Purchases A/c (Being goods withdrawn by proprietor for personal use)		₹ 2,000	₹ 2,000
	Loss by Theft A/c Dr. To Purchases A/c To Cash A/c (Being goods and cash stolen by an employee)		14,000	10,000 4,000
	Loss by Fire A/c Dr. To Purchases A/c (Being goods destroyed by fire)		7,000	7,000
	Insurance Co. A/c Dr. To Loss by Fire A/c (Being insurance claim lodged with Insurance Co.)		7,000	7,000
	Bank A/c Dr. Profit & Loss A/c Dr. To Insurance Co. (Being insurance claim of ₹ 7,000 admitted at 5,000)		5,000 2,000	7,000
	Charity A/c Dr. To Purchases A/c (Being goods given as charity)		2,000	2,000
	Advertisement A/c Dr. To Purchases A/c (Being goods given as free samples)		2,000	2,000
	Grand Total		41,000	41,000

and installation of machinery i.e., freight, wages paid for the installation etc. These expenses are treated as 'capital expenditure' and is debited to Machinery Account. Likewise, any expenditure incurred for the construction of building such as purchase of construction materials and payment of wages are also capital expenditure and debited to the Building Account.

Illustration 9. Journalise the following transactions :

2010

Apr. 1	Bought Machinery from Shyam on credit	₹
Apr. 4	Paid for installation of Machinery	7,000
Apr. 8	Purchase building and issue cheque	1,000
Apr. 15	Bricks, Cement, etc. for ₹ 1,20,000 and timber for ₹ 3,50,000 purchased for the construction of building payment was made by cheque	1,50,000
Apr. 20	Bought furniture from Hari for cash	10,000

Solution

In the books of
JOURNAL

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
Apr. 1	Machinery A/c Dr. To Shyam A/c (Being machinery purchased from Shyam)		₹ 7,000	₹ 7,000

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Journal and Ledger

Apr. 4	Machinery A/c To Cash A/c (Being ₹ 1,000 paid for installation of machinery)	Dr.	1,000	1,000
Apr. 8	Building A/c To Bank A/c (Being building purchased)	Dr.	1,50,000	1,50,000
Apr. 15	Building A/c To Bank A/c (Being bricks, cement, etc. purchased for the construction of building)	Dr.	4,70,000	4,70,000
Apr. 20	Furniture A/c To Cash A/c (Being Furniture Purchased)	Dr.	10,000	10,000
	Grand Total		6,38,000	6,38,000

K. Central Sales Tax

Central Sales Tax (CST) is charged by the seller on inter-state sale, *i.e.*, sale made outside the state. For example, sale made by a dealer (seller) in Haryana to a dealer (purchaser) in Delhi, it is case of inter-state sale. On the other hand, if sale is made within the state, Value Added Tax (VAT) is charged. For every

(vi)	To Interest on Drawings A/c (Being the interest charged on drawings)	Dr.	4,000	
(vii)	Sundry Expenses A/c To Cash A/c (Being the amount incurred on refreshments of a customer)	Dr.	200	200
(viii)	Rent A/c To Rent Outstanding A/c (Being rent outstanding during the year)	Dr.	2,500	2,500
	Grand Total		1,66,700	1,66,700

Illustration 13. Record the following transactions in the journal of the Elegant Furniture: 2011

Jan. 1 Started business with cash ₹ 60,000.

Jan. 4 Deposited into bank ₹ 9,000.

Jan. 8 Purchased machinery for ₹ 50,000 from Jawahar and gave him a cheque for amount.

Jan. 15 Paid installation charges of machinery ₹ 1,000.

Jan. 20 Purchased timber from Naveen of the list price of ₹ 2,000. He allowed 10% Trade Discount.

- Jan.23 Furniture costing ₹ 500 was used in furnishing the office.
 Jan.25 Sold furniture to Naresh of the list price of ₹ 1,000 and allowed him 5% Trade Discount.
 Jan.28 Received a cheque from Naresh for ₹ 930 in full settlement and sent the cheque to bank.
 Jan.29 Sent to Naveen in full settlement a cheque for ₹ 1,750.
 Jan.31 Paid wages ₹ 350 and rent ₹ 200.

Solution

In the books of Elegant Furniture
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Date	Particulars	L.F.	Dr. Amount	Cr. Amount
2011 Jan. 1	Cash A/c To Capital A/c (Being the business started with cash)	Dr.	₹ 60,000	₹ 60,000
Jan. 2	Bank A/c To Cash A/c (Being the cash deposited into bank)	Dr.	9,000	9,000
Jan. 3	Machinery A/c To Bank A/c (Being the machinery purchased and paid by cheque)	Dr.	50,000	50,000
Jan. 15	Machinery A/c To Cash A/c (Being the installation charges of machine capitalised)	Dr.	1,000	1,000
Jan. 20	Purchases A/c To Naveen (Being the timber purchased from Naveen ₹ 2,000 at a discount of 10%)	Dr.	1,800	1,800
Jan. 23	Office Furniture A/c To Purchases A/c (Being the furniture costing ₹ 500 used in furnishing the office)	Dr.	500	500
Jan. 25	Naresh To Sales A/c (Being the furniture sold to Naresh for ₹ 1,000 and allowed him 5% trade discount)	Dr.	950	950
Jan. 28	Bank A/c Discount Allowed A/c To Naresh (Being a cheque received from Naresh in full settlement sent to bank)	Dr. Dr.	930 20	950
Jan. 29	Naveen To Bank A/c To Discount Received A/c (Being a cheque for ₹ 1,750 sent to Naveen in full settlement of his account)	Dr.	1,800	1,750 50