UNIT - II

INTRODUCTION TO FINANCIAL ACCOUNTING

**FINANCIAL ACCOUNTING**

Every trader generally starts business for the purpose of earning profit. So, he establishes business with capital, purchases machinery, raw materials, etc., buys and sells goods and incurs some expenses. So, at the end of the period he wants to know whether his business has made profit or loss. For this purpose, he prepares profit and loss account and also to know what he owns (assets) and what he owes (liabilities), he prepares Balance Sheet. Hence accounting is the Language of Business.

Book-keeping is an art of recording the business transactions in the books of original entry and the ledgers. Accountancy begins where Book-keeping ends. Accountancy means the compilation of accounts in such a way that one is in a position to know the state of affairs of the business.

# Definition:

**R.N. Anthony:** “Accounting system is a means of collecting summarizing, analyzing and reporting in monetary terms, the information about the business.

**American Institute of Certified Public Accountants (AICPA):** “The art of recording, classifying and summarizing in a significant manner and in terms of money transactions and events, which are in part at least, of a financial character and interpreting the results thereof.”

# Objectives:

The main objectives of Accounting are:

1. To maintain the permanent records of the business transactions.
2. To ascertain the profit earned or loss suffered during accounting period.
3. To know various business Assets and liabilities apart from the above main objectives.
4. To know amount due to businessman from his customers.
5. To know amount payable to Suppliers.
6. To know various taxes and duties payable to government.
7. To detect and prevent errors and frauds committed by employees and other person.
8. To provide valuable information for taking for taking various decisions.
9. To take decision on significant business matters.
10. To compare and measure the optional efficiency of his business with other firm, companies in same type of Industry.
11. To review the progress of the business from year to year.
12. To maintain permanent record of all transactions of business for future reference.
13. To excise effective control on various expenses, incomes earned over business assets, business liabilities.
14. Other firms, Companies and within the firm compare current year with previous years. Such comparison is known as infra-firm comparison.

**ACCOUNTING PRINCIPLES**

The rules and conventions of accounting are commonly referred to as principles. The American institute of certified public accountants has defined the accounting principle as, “a general law or rule adopted or professed as a guide to action; a settled ground or basis of conduct or practice”. It may be noted that the definition describes the accounting principle as a general law or rule that is to be used as a guide to action.

Accounting principles are judged on their general acceptability to the makers and users of financial statements and reports. They present a generally accepted and uniform view of the accounting profession in relation to good accounting practice and procedures. Therefore, it is named as “**Generally Accepted Accounting Principles**.”

Accounting principles, rules of conduct and action are described by various terms such as concepts, conventions, doctrines, tenets, assumptions, axioms, postulates, etc. But for our purpose we shall use all these terms synonymously except for a little difference between the two terms – concepts and conventions. The term “concept” is used to connote accounting postulates i.e. Necessary assumptions or conditions upon which accounting is based. The term convention is used to signify customs or traditions as a guide to the preparation of accounting statements.

The classification of accounting principles is as under:

# Accounting Principles



**Accounting Concepts** **Accounting Conventions**

* 1. Business entity concept 1) Disclosure
  2. Going Concern concept 2) Materiality
  3. Money Measurement concept 3) Consistency
  4. Cost Concept 4) Conservatism
  5. Accounting period concept
  6. Dual Aspect concept
  7. Matching concept
  8. Realization concept

# ACCOUNTING CONCEPTS

Concepts mean a general idea which conveys certain meaning. Accounting concepts may be considered as basis assumption or conditions on which the science of accounting is based. Concepts are based on logical consideration. Accounts and Financial statements are always interpreted in light of concepts which govern accounting method. Different accounting concepts are discussed as follows:

1. **Business Entity Concept:** According to entity concept, business is treated as a unit of entity form separate from its Owner, Creditors and Management, etc. Accounts are kept for business entity as distinguished from a person associated with it. All business transactions are recorded in the books of Accounts from the point of view of business only. Every type of business organization is treated as separate accounting entity. The failure to recognize the business as separate accounting entity would make it extremely difficult to evaluate the performance of business alone.
2. **Going Concern Concept:** Business transactions are recorded on the assumption that the business will continue for a long time. There is neither the intention nor the necessity to liquate the particular business in near future. Therefore, it would be able to meet its contractual obligation and use its resources according to the plans and predetermined goals. Therefore, Fixed Assets are recorded at cost and depreciation is calculated on cost/written down value. Similarly, prepaid expenses are treated as Assets on the presumption that the business will continue and these expenses will be utilized in future.
3. **Money Measurement Concept:** A unit of exchange and measurement is necessary to account for business transaction in a uniform manner. Money is common denominator in terms of which the exchange ability of goods and services are measured. Only such transactions and events as can be interpreted in terms of money are recorded. Non- monetary events like public political contract, location of business; certain disputes, etc. cannot be recorded in the books of Accounts even through these have great effects. However, a unit of money measurement over period of time has its own drawbacks.
4. **Cost Concept:** According to cost concept the various assets acquired by enterprise should be recorded on the basis of actual cost incurred. The cost concept does not mean that the basis for all subsequent accounting for the assets. As per cost concept Fixed Assets are shown at cost less depreciation charged from year to year. It may be noted that if nothing has been paid for acquiring something it would not be shown/recorded in the books of accounts maintain. Financial statement based on historical cost may not be much relevant for investors and other users because they are more interested in knowing what the business actually worth today rather than the original cost.
5. **Accounting Period Concept:** It is customary that the life of the business is divided into appropriate parts or segments of analyzing the results shown by the business. Each part divided is known as an accounting period. It is an internal of time at end of which the income statement and balance sheet are prepared. Normally the accounting period consists of twelve months.
6. **Matching Concept:** This concept is based on accounting period concept for determining accurate profit/income has to compare the revenues of the business with the cost that is incurred to earn that revenue. The term “Matching” means appropriate association of related revenues and expenses. According to this concept adjustments should be made for all outstanding expenses, income receivable, prepaid expenses, Income received in advance, depreciation, etc. While preparing final accounts at the end of accounting period.
7. **Realization Concept:** This accounting concept explains that sell is supposed to be completed only when ownership of goods is passed on from the seller to the buyer. Income is considered to be earned on the date when sales take place. No profit is supposed to accrue on the acquisition of anything, however, income earned / realized will be earn only when goods are sold at a profit. Therefore, closing stock is valued at cost or market price whichever is less. It prevents business Firms from inflecting their profits by recording income that is expected in future.
8. **Dual Aspect Concept:** This concept based on double entry book-keeping which means that accounting system is set up in such a way that a record is made of the two aspects of each transaction that affects the record. The recognition of the two aspects of every transaction is known as duel aspects concept. Modern Financial Accounting considers both aspects of every transaction. One entry consists of debit to one or more accounts and another effect consist of credit to some other one or more accounts. However, the total amount debited is always equal to the total amount credited. Therefore, at any point of time total assets of a business are equal to its total liabilities. Liabilities to outsider are known as liabilities, liabilities to the owner are referred to as capital.

Assets = Liabilities + Capital Therefore, Capital = Assets – Liabilities

# ACCOUNTING CONVENTIONS

The term ‘Convention’ denotes customs or traditions or practice based on general agreement between the accounting bodies which guide the accountant while preparing the financial statements.

1. **Disclosure:** According to convention of full disclosure, accounting must disclose all the material facts and information so that interested parties after reading such accounting report can get a clear view of the state of affairs of the business. All information which is of material interest to proprietors, creditors and investors should be disclosed in accounting statement. The Companies Act makes various provisions for disclosure of essential information that there is no chance of any material information being left out.
2. **Materiality:** The term material means “relative importance”, Accounting to the convention of materiality; account should report only what is material and ignore insignificant details while the preparing the final accounts. Materiality will differ or changed with nature, size and tradition of the business. What is material for one enterprise may be immaterial for another enterprise. This is because otherwise accounting will unnecessarily be overburdened with minute details. It is not possible to lay down any fixed standard by which Materiality can be judged. The decision is to be made by the accountant or the Auditor based on their professional experience.
3. **Consistency:** This accounting convention state that one’s a particular accounting practice, method or policy is adopted to prepare accounts, statements and Reports. It should be continued for years together and should not charge unless it is forced to change it. Accounting practices should remain the same from one year to another. The results of different years will be comparable only when accounting rules are continuously adhered to from years to years i.e. Valuation of stock in trade, method of depreciation, treatment of approval sale etc. Since methods of accounting consistence, the financial statements are reliable to the people who use it.
4. **Conservatism:** Financial Statements are usually drawn up on a conservative basis. There are two principles which stem directly from conservatism.
   * The accountant should not anticipate income and should provide all possible losses, and
   * Faced with the choice between two methods of valuing an asset the accountant should choose a method which leads to the lesser value.

Accounting convention must be followed continuously. If not followed continuously it would result into understatement of incomes, assets and overstatement of liabilities and provisions and expenses.

**DOUBLE ENTRY SYSTEM**

It was in 1494 that Luca Pacioli the Italian mathematician, first published his comprehensive treatise on the principles of Double Entry System. The use of principles of double entry system made it possible to record not only cash but also all sorts of Mercantile transactions. It had created a profound impact on auditing too, because it enhanced the duties of an auditor to a considerable extent.

The Double entry system is based on scientific principle and is used universally by most of business organisations. This system recognises the fact that every transaction has two aspects and records both aspects of each and every transaction. Thus, every transaction has two aspects i.e. receiving and giving. The receiving aspect is also known as the incoming aspect (Debit) and going aspect is known as the outgoing aspect (credit). For every transaction there will be a debit and credit entry. These debits and credits will be equal and opposite. If a debit increases assets, then a credit counter item has to increase liabilities or owner’s equity. Thus, increases and decreases in assets and liabilities (or owner‘s equity) must be recorded opposite to each other.

# Basic accounting equation:

Assets = Liabilities + Equity + Profit (Income-Expenses) Assets + Expenses = Liabilities + Equity+ Income

# Features of Double Entry System:

1. Every transaction has two-fold aspects, i.e., one party giving the benefit and the other receiving the benefit.
2. Every transaction is divided into two aspects, Debit and Credit. One account is to be debited and the other account is to be credited.
3. Every debit must have its corresponding and equal credit.

# Advantages of Double Entry System:

1. Since personal and impersonal accounts are maintained under the double entry system, both the effects of the transactions are recorded.
2. It ensures arithmetical accuracy of the books of accounts, for every debit, there is a corresponding and equal credit. This is ascertained by preparing a trial balance periodically or at the end of the financial year.
3. It prevents and minimizes frauds. Moreover, frauds can be detected early.
4. Errors can be checked and rectified easily.
5. The balances of receivables and payables are determined easily, since the personal accounts are maintained.
6. The businessman can compare the financial position of the current year with that of the past year/s.
7. The businessman can justify the standing of his business in comparison with the previous year’s purchase, sales, and stocks, incomes and expenses with that of the current year figures.
8. Helps in decision making.
9. The net operating results can be calculated by preparing the Trading and Profit and Loss A/c for the year ended and the financial position can be ascertained by the preparation of the Balance Sheet.
10. It becomes easy for the Government to decide the tax.
11. It helps the Government to decide sickness of business units and extend help accordingly.
12. The other stakeholders like suppliers, banks, etc., take a proper decision regarding grant of credit or loans.

# Limitations of Double Entry System:

1. The system does not disclose all the errors committed in the books accounts.
2. The trial balance prepared under this system does not disclose certain types of errors.
3. It is costly as it involves maintenance of numbers of books of accounts.

**ACCOUNTING TERMINOLOGIES**

1. **Transactions:** Any sale or purchase of goods or services is called the transaction. Transactions are two types.
   1. **Cash transaction**: cash transaction is one where cash receipt or payment is involved in the exchange.
   2. **Credit transaction:** Credit transaction will not have cash, either received or paid, for something given or received respectively.
2. **Goods:** Those things which a firm purchase for resale are called goods.
   1. **Purchases:** It means purchase of goods, unless it is stated otherwise it also represents the goods purchased.
   2. **Sales:** It means sale of goods, unless it is stated otherwise it also represents these goods sold.
3. **Expenses:** Payments for the purchase of goods as services are known as expenses.
   1. **Revenue Expenditure:** It refers to expenses incurred for running the business. Ex: wages, salaries, rent, etc.
   2. **Capital Expenditure:** It refers to expenses incurred to acquire fixed assets.
4. **Revenue:** It is the amount realized or receivable from the sale of goods or services.
   1. **Revenue Receipts:** It refers to those receipts from customers for goods supplied or fees received. Ex: rent, commission, discount received, etc.
   2. **Capital Receipts:** It refers to receipts from sale of fixed assets.
5. **Assets:** The valuable things owned by the business are known as assets. These are the properties owned by the business. It is of two types:
   1. **Fixed Assets:** It is of two types:
      1. **Tangible Assets:** The assets which can be seen, touch or felt and which are fixed and permanent in nature. Ex: land, buildings, machinery, furniture, etc.
      2. **In-tangible Assets:** The assets which cannot be felt or touched. Ex: goodwill, patents, copyrights, etc.
   2. **Current Assets:** These are expected to be realized in cash or consumed during business operations. Ex: debtors, stock, bills receivable, etc.
6. **Liabilities:** Liabilities are the obligations or debts payable by the enterprise in future in the term of money or goods. It refers to what the firm owes to outsiders. Liabilities are categorized as capital & reserves, long term debts, and current liabilities.
7. **Debtors:** A debtor is a person who owes money to the business.
8. **Creditors:** A creditor is a person to whom something is owned by the business.
9. **Drawings:** Cash or goods withdrawn by the proprietor from the business for his personal or household is termed to as drawing.
10. **Capital:** The amount invested by the owners or investors in the business is called capital.
11. **Reserve:** An amount set aside out of profits or other surplus to meet contingencies.
12. **Discount:** There are two types of discounts:
    1. **Cash discount:** An allowable made to encourage frame payment or before the expiration of the period allowed for credit.
    2. **Trade discount:** A deduction from the gross or catalogue price allowed to traders who buys them for resale.

**BASIS OF ACCOUNTING**

Under double entry system books of accounts can be maintained by either cash basis or accrual basis.

# Cash System of Accounting

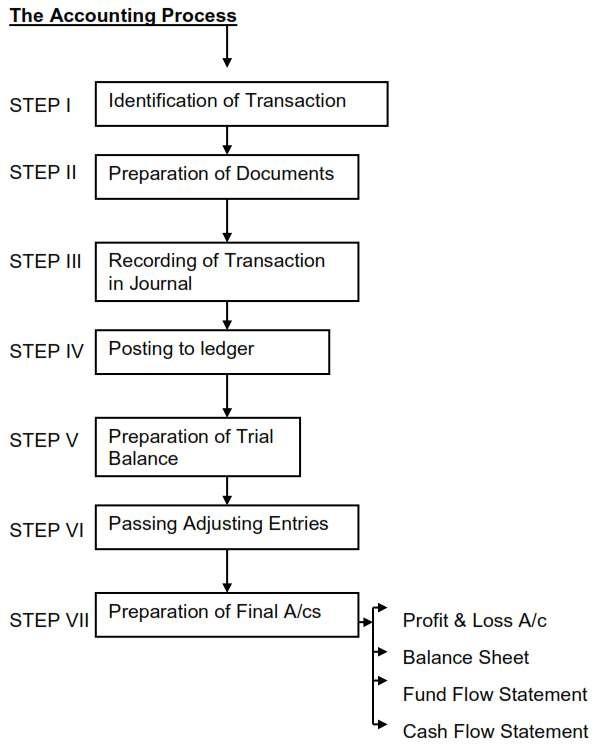
Under cash system of accounting entries are made only when cash is received or paid. No entry is made when amount is due for receipts or payments. Income is received is accounted irrespective of period for which relates. Similarly, expenses are restricted to the actual payments made in cash, during the current period is immaterial whether the payments have been made for previous year or subsequent year. The financial statement prepares under this system do not present a true and fair view of Income, operating results of enterprise. In cash system financial statements are prepared on the basis of Receipts and payments accounts. However, it is suitable in following cases:

* For very small business organisation.
* For individual to record his own transactions.
* For professionals like Doctors, Lawyers, Chartered Accountant, etc.

# Accrual System of Accounting

This is also known as mercantile system of accounts. Under this system business transactions are recorded as and when it takes place irrespective of amount / cash received or paid. Income earned as well as expenses incurred are recorded related to the particular period. The following are the essential features of accrual basis.

* Revenue is recognized on it is earned irrespective of whether cash is received or not.
* Costs are matched against revenues on the basis of relevant time period to determined periodic income.
* Costs which are not charged to income are carried forward.
* Any cost that lost its utility is written off as a loss.

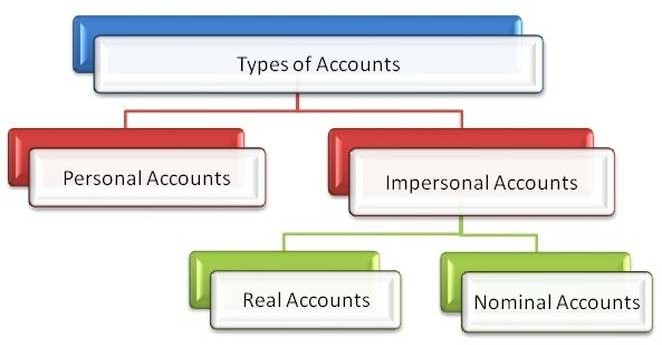


**ACCOUNTING PROCESS**

**TYPES OF ACCOUNTS AND RULES**

An account is defined as a summarized record of transactions related to a person or a thing e.g. when the business deals with customers and suppliers, each of the customers and supplier will be a separate account. The account is also related to things – both tangible and intangible. e.g. land, building, equipment, brand value, trademarks etc. are some of the things. When a business transaction happens, one has to identify the ‘account’ that will be affected by it and then apply the rules to decide the accounting treatment. An account is capable of receiving and giving values. When an account receives a value / benefit. It is debited and when it gives a value / benefit it is credited. In order to keep full record of all the transactions the business has to keep:

* An account of each head of expenses or income earned by the business and
* An account of each property which belongs to the business and
* An account of each party with whom business deals.

The accounts are maintained for recording all business transactions. They are divided in to 3 types:

1. **Personal Accounts:** Accounts which shows transactions related to persons are called Personal Accounts. A separate account is kept on the name of each person for recording the benefits received from or given to the person. The persons could also be artificial persons like companies, bodies corporate or association of persons or partnerships etc. *Example:* Gopal’s A/C, SBI A/C, Nagarjuna Finanace Ltd. A/C, Capital A/C Ali and Sons trading A/c, ABC Bank A/c, Infosys Technologies A/c, etc.

**Rule:** The account of the person receiving benefit (receiver) is to be debited and the account of the person giving the benefit (given) is to be credited.

**Debit The Receiver**

**Credit The Giver**

1. **Real Accounts:** The accounts relating to properties or assets are known as Real Accounts. Every business need asset such as machinery, furniture, etc. for running its activities. A separate account is maintained for each asset owned by the business.
   * **Tangible real Accounts:** These are accounts of such things which are tangible i.e. which can be seen touched or felt physically. Ex: Land, Building, Furniture, Cash etc.
   * **Intangible real Accounts:** These accounts represent such things which cannot be touched, seen or felt physically. Ex: Goodwill, Trademarks, Patent right etc.

*Example:* Cash A/C, furniture A/C, building A/C, machinery A/C etc.

**Rule:** When an asset is coming into the business is to be debited. When an asset is going out of the business the account is to be credited.

**Debit What comes in**

**Credit What goes out**

1. **Nominal Accounts:** Accounts relating to expenses, losses, incomes and gains are known as Nominal Account”. A separate account is maintained for each item of expenses, losses, income or gain.

*Example:* Salaries A/C, stationery A/C, wages A/C, postage A/C, rent received A/C, etc.

**Rule:** When an expense is incurred or loss encountered, the account is to be debited. When any income is earned or gain made, the account is to be credited.

**Debit All expenses and losses**

**Credit All incomes and gains**

**JOURNAL**

The first step in accounting is recording of all the transactions in the books of original entry viz., Journal and then posting into ledgers. The word Journal is derived from the Latin word ‘journ’ which means “a day”. Journal is the first book in which transactions are recorded in chronological order (date wise), the moment they take place in the business. It is also called Day Book, Book of original entry, First entry and Prime Entry book. The process of recording a transaction in the journal is called “Journalising”. The entries made in the book are called “Journal Entries”.

The Performa of Journal:

Journal Entries in the Books of ……….

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F.  No | Debit (Rs.) | Credit (Rs.) |
|  |  |  |  |  |

1. **Date:** To write the date of the transaction.
2. **Particulars:** To write the names of the accounts and its description. Every entry has two aspects i.e. Debit and Credit.
   * The name of the account to be debited is written on left side followed by “Dr.” (indicates Debit).
   * The name of the account to be credited is written in next line using “To” before the account name.
   * In next line the description of the transaction is written within brackets, starting with the word “Being”.
3. **Ledger Folio (L.F. No.):** To write the page number of the account in ledger.
4. **Debit (Rs.):** To write the amount to be debited.
5. **Credit (Rs.**): To write the amount to be credited.

**Example:** Jan-10th Purchased furniture for cash Rs.5,000

Journal Entries in the Books of ABC Co. Ltd.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F.  No | Debit (Rs.) | Credit (Rs.) |
| Jan-10th | Furniture A/c Dr.  To Cash A/c  (Being furniture purchased for cash) |  | 5,000 | 5,000 |

# Advantages of Journal

The following are the advantages of a journal:

1. **Chronological record:** Journal records transactions as and when it takes place in the business. So, it is possible to get a detailed day-to-day information.
2. **Narration:** It refers to the explanation of the recorded transactions.
3. **Minimising the possibility of errors:** The nature of transaction and its effect on the financial position of the business is determined by recording and analyzing into debit and credit aspect.
4. **Helps to finalise the accounts:** Journal is the basis of ledger posting and the ultimate trial balance. The trial balance helps to prepare the final accounts.

**LEDGER**

All the transactions in a journal are recorded in a chronological order. After a certain period, if we want to know whether a particular account is showing a debit or credit balance it becomes very difficult. So, the ledger is designed to accommodate the various accounts maintained the trader. It contains the final or permanent record of all the transactions in duly classified form.

“A ledger is a book which contains various accounts.” The process of transferring entries from journal to ledger is called “Posting”. Posting into ledger is done periodically, may be weekly or fortnightly as per the convenience of the business. The format of ledger A/c is “T” shape. The left-hand side is debit side (Dr.) and right-hand side is credit side (Cr.).

The Performa of a ledger:

Dr. Name of the Account Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | JF.  No | Amount Rs. | Date | Particulars | JF.  No | Amount Rs. |
|  |  |  |  |  |  |  |  |

1. **Date:** Write here the date of the transaction as noted in Journal.
2. **Particulars:** Every entry on the debit side of this column must begin with the word 'To' and on credit side with the word 'By'.
   1. On the debit side of the account after the word 'To' write "Name of the Credit Part of the Journal entry.
   2. On the credit side of the account, after the word' By' write 'Name of the Debit Part of the Journal entry'.
3. **Journal Folio:** Write the page number of Journal from where the entry is posted.
4. **Amount:** Write here the amounts of the transaction. The amount in the debit column of the Journal is entered on the debit side. The amount in the credit column of the Journal is entered on the credit side.

# Balancing an Account:

Accounts are balanced with a view to prepare the final accounts. Take the totals of the two sides of account and enter the higher balance on both the sides. Enter the difference amount and write “To/By balance c/d” against the balance. The balance is brought forward at the beginning of next period written as “To/By balance b/d”. If the debit and credit balance are equal it implies nil balance.

**SUBSIDARY BOOKS**

As Business transactions are numerous and large in size, the Journal may be split up into number of separate Journals to record particular type of transaction. These journals are known as the subsidiary books. Some of the subsidiary books are:

1. Purchase Book
2. Purchase Return / Return Outward Book
3. Sales Book
4. Sales Return / Return Inward Book
5. Bills Receivable Book
6. Bills Payable Book
7. Journal Proper
8. **Purchase Book:** The purchase day book records the transactions related to credit purchase of goods only. It follows that any cash purchase or purchase of things other than goods is not recorded in the purchase day book. Periodically, the totals of Purchase day book are posted to Purchase account in the ledger. The specimen Purchase day book is given below:

# Purchases Book

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Name of the Supplier | Inward Invoice No. | L.F.  No | Amount (Rs.) |
|  |  |  |  |  |

1. **Purchase Return / Return Outward Book:** This book contains the transactions relating to goods that are returned by the business to creditors. For example, goods broken in transit, not according to the sample etc. The specimen Purchase returns day book is given below:

# Purchase Returns Book

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Name of the Supplier | Debit Note No. | L.F.  No | Amount (Rs.) |
|  |  |  |  |  |

1. **Sales Book:** The sales day book records transaction of credit sale of goods to customers. Sale of other things, even on credit, will not be entered in the sales day book but will be entered in Journal Proper. If goods are sold for cash, it will be entered in cash book. Total of sales day book is periodically posted to sales account in the ledger. The specimen of a sales day book is given below:

# Sales Book

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Name of the Supplier | Outward Invoice No. | L.F.  No | Amount (Rs.) |
|  |  |  |  |  |

1. **Sales Returns/Return Inward Book:** The transactions relating to goods which are returned by the customers for various reasons, such as not according to sample, or not up to the mark etc. contain in this book. Generally, when a customer returns good to suppliers, he issues a Debit Note for the value of the goods returned by him. Similarly, the supplier who receives those goods issues a Credit Note. The specimen of a sales returns book is given below:

# Sales Returns Book

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Name of the Supplier | Credit Note No. | L.F.  No | Amount (Rs.) |
|  |  |  |  |  |

1. **Bills Receivable Book:** It is such a book where all bills received are recorded and therefrom posted directly to the credit of the respective customer’s account. The total amounts of the bills so received during the period (either at the end of the week or month) is to be posted in one sum to the debit of Bills Receivable A/c. The specimen of a Bills receivable book is given below:

# Bills Receivables Book

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Received From | Term | Due Date | L.F.  No. | Amount (Rs.) |
|  |  |  |  |  |  |

1. **Bills Payable Book:** Here all the particulars relating to bills accepted are recorded and therefrom posted directly to the debit of the respective creditor’s account. The total amounts of the bills so accepted during the period (either at the end of the week or month) is to be posted in one sum to the credit of Bills Payable Account. The specimen of a Bills payable book is given below:

# Bills Payable Book

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | To Whom Given | Term | Due Date | L.F.  No. | Amount (Rs.) |
|  |  |  |  |  |  |

1. **Journal Proper:** Credit transactions that cannot be entered in any other subsidiary book are entered in journal proper. It will cover purchase or sale of assets, expense accruals, rectification entries, adjusting entries, opening entries and closing entries.

# Journal Proper

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F.  No | Debit (Rs.) | Credit (Rs.) |
|  |  |  |  |  |

**Advantages of Subsidiary Books**

The following are the advantages of having a number of subsidiary books:

1. **Classification of transactions becomes automatic:** As there is a separate book for each type of transactions, the transactions of same nature are automatically brought at one place. For example, all credit purchases of goods are recorded in the Purchases Book.
2. **Reference becomes easy:** If any reference is required, it can be traced easily by referring to the appropriate subsidiary book. You do not have to go through all the transactions recorded in the journal.
3. **Facilitates division of work:** The division of journal into various subsidiary books facilitates division of work among many persons. This, in turn, facilitates prompt recording of transactions and saves a lot of time.
4. **More particulars:** More details about the transactions can be given-in subsidiary books than would be possible in one book.
5. **Responsibility can be fixed:** The work of maintaining a particular book can be entrusted to a particular person. He will be responsible for keeping it up-to-date and in order.
6. **Facilitates checking:** When the Trial Balance does not agree, the location of errors will be relatively easy.

**CASH BOOK**

In any business there would be numerous cash transactions which involve either receipts or payments of cash. Cash sales, receipt of cash from debtors, cash purchases, payments to creditors, payment of various expenses such as salaries, wages, rent, taxes, etc., are some examples of transactions involving cash. These are recorded in cash book, receipts on one side and payments on the other. Every business unit, small or big, maintains a cash book. It enables the businessman to know and verify the amount of cash in hand from time to time. As a matter of fact, cash book plays a dual role. It is a book of prime entry and also serves the purpose of a Cash Account. It is designed in the form of a ledger account and records cash receipts on the debit side and payments on credit side. It is also balanced in the same way. Hence, when cash book is maintained, there is no need to have a Cash Account in the ledger. There are different types of cash books maintained by the business. They are:

* 1. Simple or Single Column Cash Book
  2. Two or Double Column Cash Book
  3. Three or Triple Column Cash Book
  4. Petty Cash Book

**Simple or Single Column Cash Book:** A Single Column Cash Book is nothing but a Cash Account. It is used for recording all cash receipts and cash payments and serves the purpose of Cash Account as well. There is no need to open separate cash account in the ledger. It is called Single Column Cash Book just because it has only one amount column on each side.

Dr. Cash Book Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | JF.  No | Amount Rs. | Date | Particulars | JF.  No | Amount Rs. |
|  |  |  |  |  |  |  |  |

**Two/Double Column Cash Book:** The Double Column Cash Book having two amounts. Columns on each side as under:

* + 1. Cash and discount columns
    2. Cash and bank columns
    3. Bank and discount columns

Dr. Cash Book Cr.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | JF.  No | Amount Rs. | Amount Rs. | Date | Particulars | JF.  No | Amount Rs. | Amount Rs. |
|  |  |  |  |  |  |  |  |  |  |

**Triple Column Cash Book:** Triple Column Cash Book has three amount columns, one for cash, one for Bank and one for discount, on each side. All cash receipts, deposits into book and discount allowed are recorded on debit side and all cash payments, withdrawals from bank and discount received are recorded on the credit side. In fact, a triple-column cash book serves the purpose of Cash Account and Bank Account both. Thus, there is no need to create these two accounts in the ledger.

Dr. Cash Book Cr.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | JF.  No | Cash | Bank | Discount | Date | Particulars | JF.  No | Cash | Bank | Discount |
|  |  |  |  |  |  |  |  |  |  |  |  |

**Petty Cash Book:** When the petty cash fund is operated as an imprest fund, the recording of the petty expenses paid will be made in the petty cash book. This would also avoid recording too many small value transactions in the main cash book. The petty cash book would contain a number of analytical columns for grouping the various expenses under a few classifications which would facilitate subsequent posting into the General Ledger.

A specimen petty cash book is given below:

Petty Cash Book

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Amount Received | Date | Particulars | Total Amount Paid | Expenses | Postage | Stationery | Carriage | Travelling |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

**TRAIL BALANCE**

The fundamental principle of double entry book keeping is that debit must be equal to credit. In other words, debit aspect of any transaction is always equal to its credit aspect. All ledger accounts are balances. A debit balance in a general ledger account indicates an excess of debit side over credit side of the account. A credit balance in a ledger account indicates the excess of credit side over debit side of the account.

A trial balance is a summary of all the ledger balances outstanding as on particular date. List of debit balances and credit balances should be equal. It said that Trial balance is tallied. When trial balance tallies are establishes the arithmetical accuracy of record. It is a statement prepared before preparing the final accounts. It is a link between books of account and final accounts i.e. the Trading & Profit & Loss A/c and Balance Sheet.

Trial balances are of two types:

1. **Gross Trial Balance:** Gross Trial Balance is prepared by taking all ledger account debit total and credit total, instead of considering ledger balances, as on a particular date.
2. **Net Trial balance:** Net trial balance is list of debit & credit balance, taken from ledger accounts on particular date. Normally, net trial balance is prepare, since it is transferred to final accounts and personal and real accounts balance are carried forward from current year to subsequent year.

Trail balance of ………………… as on …………

|  |  |  |
| --- | --- | --- |
| Name of account (Particulars) | Debit Amount (Rs.) | Credit Amount (Rs.) |
|  |  |  |

# Preparation of Trial Balance:

1. It may be prepared on a loose sheet of paper.
2. The ledger accounts are balanced at first. They will have either “debit-balance” or “credit balance” or “nil-balance”.
3. The accounts having debit-balance is written on the debit column and those having credit-balance are written on the credit column.
4. The sum total of both the balances must be equal, for “Every debit has its corresponding and equal credit”.

# Features of a Trial Balance:

1. It is a list of debit and credit balances which are extracted from various ledger accounts.
2. It is a statement of debit and credit balances.
3. The purpose is to establish arithmetical accuracy of the transactions recorded in the books of accounts.
4. It does not prove arithmetical accuracy which can be determined by audit.
5. It is not an account. It is only a statement of account.
6. It is not a part of the final statements.
7. It is usually prepared at the end of the accounting year but it can also be prepared anytime as and when required like weekly, monthly, quarterly or half-yearly. It is a link between books of accounts and the Profit and Loss Account and Balance sheet.

# Purpose of a Trial Balance:

1. To check the arithmetical accuracy of the recorded transactions.
2. To ascertain the balance of any ledger Account.
3. To serve as an evidence of fact that the double entry has been completed in respect of every transaction.
4. To facilitate the preparation of final accounts promptly.

**ILLUSTRATIONS**

1. Journalize the following transactions in the books of ABC Ltd. Company. May 1st Paid salaries Rs. 5000

May 4th Sold goods to Venkat Rs. 10000 May 10th Sold machinery Rs. 30000 May 13th Commission received Rs. 2000 May 18th Allowed discount Rs. 1000

May 22nd Brought goods from Raghava Rs. 4000 May 31st Sold goods to Abhi for cash Rs. 6000

## Solution:

**Journal Entries in the books of ABC Ltd. Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F.  No | Debit (Rs.) | Credit (Rs.) |
| May 1st | Salaries A/c Dr.  To Cash A/c (Being Paid salaries) |  | 5000 | 5000 |
| May 4th | Venkat A/c Dr.  To Sales A/c  (Being Sold goods to Venkat) |  | 10000 | 10000 |
| May 10th | Cash A/c Dr.  To Machinery A/c (Being machinery sold) |  | 30000 | 30000 |
| May 13th | Cash A/c Dr.  To Commission A/c (Being Commission received) |  | 2000 | 2000 |
| May 18th | Discount A/c Dr.  To Cash A/c  (Being discount allowed) |  | 1000 | 1000 |
| May 22nd | Purchase A/c Dr.  To Raghava A/c  (Being brought goods from Raghava) |  | 4000 | 4000 |
| May 31st | Cash A/c Dr.  To Sales A/c  (Being Sold goods to Abhi for cash) |  | 6000 | 6000 |

1. Prepare Journals from the following transactions as on 31st December 2019. Dec’1st Mr. Srinivas started business with capital Rs. 5,00,000 Dec’3 Purchased goods from Kumar Rs. 30,000

Dec’12 Salaries paid to employees Rs. 50,000 Dec’15 Sold goods to Sudhakar Rs. 50,000 Dec’18 Paid wages Rs. 2,000

Dec’20 Cash paid to Sirisha Rs. 3,000 Dec’22 Cash received from Raju Rs. 20,000

Dec’25 Amount deposited into Bank Rs. Rs. 25,000 Dec’26 Cash withdrawn from Bank Rs. 10,000 Dec’31 Paid stationery expenses Rs. 15,000

## Solution:

**Journal Entries in the books of Mr. Srinivas**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F.  No | Debit (Rs.) | Credit (Rs.) |
| Dec 1st | Cash A/c Dr.  To Capital A/c  (Being Srinivas started business with capital) |  | 500000 | 500000 |
| Dec 3rd | Purchase A/c Dr.  To Kumar A/c  (Being Purchased goods from Kumar) |  | 30000 | 30000 |
| Dec 12th | Salaries A/c Dr.  To Cash A/c  (Being Salaries paid to employees) |  | 50000 | 50000 |
| Dec 15th | Sudhakar A/c Dr.  To Sales A/c  (Being Sold goods to Sudhakar) |  | 50000 | 50000 |
| Dec 18th | Wages A/c Dr.  To Cash A/c (Being Paid wages) |  | 2000 | 2000 |
| Dec 20th | Sirisha A/c Dr.  To Cash A/c  (Being Cash paid to Sirisha) |  | 3000 | 3000 |
| Dec 22nd | Cash A/c Dr.  To Raju A/c  (Being Cash received from Raju) |  | 20000 | 20000 |
| Dec 25th | Bank A/c Dr.  To Cash A/c  (Being Amount deposited into Bank) |  | 25000 | 25000 |
| Dec 26th | Cash A/c Dr.  To Bank A/c  (Being Cash withdrawn from Bank) |  | 10000 | 10000 |
| Dec 31st | Stationery A/c Dr.  To Cash a/c  (Being Paid stationery expenses) |  | 15000 | 15000 |

1. Journalize the following in the books of Praveen Ltd.

April 1st Commenced business with cash of Rs. 5,00,000/- April 5th Deposited cash with bank Rs. 10,000/-

April 6th Goods sold for cash Rs. 5,000/-

April 10th Goods purchased for cash Rs. 2,000/- April 14th Purchased goods from Kiran Rs. 20,000/- April 20th Returned goods to Kiran Rs. 600/-

April 22nd Paid Wages Rs. 1,000/-

April 24th Paid for advertisement Rs. 1,500/- April 30th Paid cash to Kiran Rs. 19,000/-

## Solution:

Journal Entries in the books of Praveen Ltd.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F.  No | Debit Rs. | Credit Rs. |
| April 1st | Cash A/c Dr.  To Capital A/c  (Being commenced business with cash) |  | 5,00,000 | 5,00,000 |
| April 5th | Bank A/c Dr.  To Cash A/c  (Being deposited cash with bank) |  | 10,000 | 10,000 |
| April 6th | Cash A/c Dr.  To Sales A/c  (Being Goods sold for cash) |  | 5,000 | 5,000 |
| April 10th | Purchases A/c Dr.  To Cash A/c (Being goods purchased) |  | 2,000 | 2,000 |
| April 14th | Purchases A/c Dr.  To Kiran A/c  (Being Purchased goods from Kiran) |  | 20,000 | 20,000 |
| April 20th | Kiran A/c Dr.  To Purchase Returns A/c (Being Returned goods to Kiran) |  | 600 | 600 |
| April 22nd | Wages A/c Dr.  To Cash A/c (Being Paid Wages) |  | 1,000 | 1,000 |
| April 24th | Advertisement A/c Dr.  To Cash A/c  (Being Paid for advertisement) |  | 1,500 | 1,500 |
| April 30th | Kiran A/c Dr.  To Cash A/c (Being Paid cash to Kiran) |  | 19,000 | 19,000 |

1. Journalize the following transactions in the books of Ram & Co. Ltd. April 1st Ram invests Rs. 10,000 cash

April 4th Bought goods worth Rs. 2000 from shyam April 8th Bought a machine for Rs. 5000 from Lakshman. April 12th Paid to Lakshman Rs. 2000

April 14th Sold goods for cash Rs.3000

April 20th Sold goods to A on account Rs. 4000 April 24th Paid to Shyam Rs. 1000

April 30th Received amount from ‘A’ Rs. 2000

## Solution:

**Journal Entries in the books of Ram & Co. Ltd.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F.  No | Debit (Rs.) | Credit (Rs.) |
| April 1st | Cash A/c Dr.  To Capital A/c (Being ram invests cash) |  | 10,000 | 10,000 |
| April 4th | Purchase A/c Dr.  To Shyam A/c  (Being brought goods from shyam) |  | 2,000 | 2,000 |
| April 8th | Machine A/c Dr.  To Lakshman A/c  (Being brought machine from Lakshman) |  | 5,000 | 5,000 |
| April 12th | Lakshman A/c Dr.  To Cash A/c  (Being paid to Lakshman) |  | 2,000 | 2,000 |
| April 14th | Cash A/c Dr.  To Sales A/c  (Being sold goods for cash) |  | 3,000 | 3,000 |
| April 20th | A A/c Dr.  To Sales A/c  (Being sold goods to A on account) |  | 4,000 | 4,000 |
| April 24th | Shyam A/c Dr.  To Cash A/c (Being paid to shayam) |  | 1,000 | 1,000 |
| April 30th | Cash A/c Dr.  To A A/c  (Being received amount from A) |  | 2,000 | 2,000 |

1. Journalize the following transactions in the books XYZ Ltd. for the month of April 1st Started business with cash Rs.2,00,000

2nd Purchased goods for cash Rs.10,000 3rd Sold goods for cash Rs.15,000

4th Deposited cash in bank Rs.8,000

5th Withdrawn cash from bank Rs.5,000

6th Withdrawn cash from business for personal use Rs.7,000 7th Purchased goods from Kiran Rs.10,000

8th Returned goods to Kiran Rs.500 10th Sold goods to Ajit Rs.15,000 12th Returned goods by Ajit Rs.800

14th Paid in full settlement to Kiran and received a discount of Rs.100

20th Received in full settlement from Ajit and allowed a discount of 10% 25th Brought furniture and paid by cheque Rs.5,000

27th Purchased machinery from R & Co. for Rs.12,000 and paid cash of Rs.6,000 29th Received interest Rs.2,000

30th Paid Salaries Rs.30,000

## Solution:

**Journal Entries in the books of XYZ Ltd.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F.  No | Debit (Rs.) | Credit (Rs.) |
| April 1st | Cash A/c Dr.  To Capital A/c  (Being started business with cash) |  | 2,00,000 | 2,00,000 |
| April 2nd | Purchase A/c Dr.  To Cash A/c  (Being purchased goods for cash) |  | 10,000 | 10,000 |
| April 3rd | Cash A/c Dr.  To Sales A/c  (Being sold goods for cash) |  | 15,000 | 15,000 |
| April 4th | Bank A/c Dr.  To Cash A/c  (Being deposited cash in bank) |  | 8,000 | 8,000 |
| April 5th | Cash A/c Dr.  To Bank A/c  (Being withdrawn cash from bank) |  | 5,000 | 5,000 |
| April 6th | Drawings A/c Dr.  To Cash A/c  (Being withdrawn cash from business for personal use) |  | 7,000 | 7,000 |
| April 7th | Purchase A/c Dr.  To Kiran A/c  (Being purchased goods from Kiran) |  | 10,000 | 10,000 |
| April 8th | Kiran A/c Dr.  To Purchase returns A/c (Being returned goods to Kiran) |  | 500 | 500 |
| April 10th | Ajit A/c Dr.  To Sales A/c  (Being sold goods to Ajit) |  | 15,000 | 15,000 |
| April 12th | Sales Returns A/c Dr.  To Ajit A/c  (Being returned goods by Ajit) |  | 800 | 800 |
| April 14th | Kiran A/c Dr.  To Discount A/c To Cash A/c  (Being Paid in full settlement to Kiran and received a discount) |  | 9,500 | 100  9,400 |
| April 20th | Discount A/c Dr. Cash A/c Dr.  To Ajit A/c |  | 1,420  12,780 | 14,200 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Being Received in full settlement from Ajit and allowed a discount) |  |  |  |
| April 25th | Furniture A/c Dr.  To Bank A/c  (Being brought furniture and paid by cheque) |  | 5,000 | 5,000 |
| April 27th | Machinery A/c Dr.  To Cash A/c  To R & Co. A/c  (Being Purchased machinery from R & Co. and paid cash) |  | 12,000 | 6,000  6,000 |
| April 29th | Cash A/c Dr.  To Interest A/c (Being interest received) |  | 2,000 | 2,000 |
| April 30th | Salaries A/c Dr.  To Cash A/c (Being salaries paid) |  | 30,000 | 30,000 |

1. Journalize the transactions in the books of ABC Co. and prepare ledger accounts for the month of March 2020.

1st Started business with Rs. 30,000

2nd Purchased furniture for cash Rs. 10,000 5th Deposited cash in bank Rs.5,000

10th Withdrawn cash from bank Rs. 8,000 15th Sold goods for cash Rs.12,000

## Solution:

**Journal Entries in the books of ABC Co.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F.  No | Debit (Rs.) | Credit (Rs.) |
| Mar 1st | Cash A/c Dr.  To Capital A/c (Being started business) |  | 30000 | 30000 |
| 2nd | Furniture A/c Dr.  To Cash A/c  (Being purchased furniture for cash) |  | 10000 | 10000 |
| 5th | Bank A/c Dr.  To Cash A/c  (Being deposited cash in bank) |  | 5000 | 5000 |
| 10th | Cash A/c Dr.  To Bank A/c  (Being withdrawn cash from bank) |  | 8000 | 8000 |
| 15th | Cash A/c Dr.  To Sales A/c  (Being sold goods for cash) |  | 12000 | 12000 |

Dr. Cash A/c Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | JF  No | Amount (Rs.) | Date | Particulars | JF  No | Amount (Rs.) |
| Mar 1st | To Capital A/c |  | 30,000 | Mar 2nd | By Furniture A/c |  | 10,000 |
| Mar 10th | To Bank A/c | 8,000 | Mar 5th | By Bank A/c | 5,000 |
| Mar 15th | To Sales A/c | 12,000 |  |  |  |
|  |  |  | Mar 31st | By Balance c/d | 35,000 |
|  |  | 50,000 |  |  | 50,000 |
| April 1st | To Balance b/d | 35,000 |  |  |  |

Dr. Capital A/c Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | JF  No | Amount (Rs.) | Date | Particulars | JF  No | Amount (Rs.) |
| Mar 31st | To Balance c/d |  | 30,000 | Mar 1st  Apr 1st | By Cash A/c  By Balance b/d |  | 30,000 |
| 30,000 | 30,000 |
|  | 30,000 |

Dr. Furniture A/c Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | JF  No | Amount (Rs.) | Date | Particulars | JF  No | Amount (Rs.) |
| Mar 2nd  Apr 1st | To Cash A/c  To Balance b/d |  | 10,000 | Mar 31st | By Balance c/d |  | 10,000 |
| 10,000 | 10,000 |
| 10,000 |  |

Dr. Bank A/c Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | JF  No | Amount (Rs.) | Date | Particulars | JF  No | Amount (Rs.) |
| Mar 5th Mar 31st | To Cash A/c To Balance c/d |  | 5,000  3,000 | Mar 10th  Apr 1st | By Cash A/c  By Balance b/d |  | 8,000 |
| 8,000 | 8,000 |
|  | 3,000 |

Dr. Sales A/c Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | JF  No | Amount (Rs.) | Date | Particulars | JF  No | Amount (Rs.) |
| Mar 31st | To Balance c/d |  | 12,000 | Mar 15th  Apr 1st | By Cash A/c  By Balance b/d |  | 12,000 |
| 12,000 | 12,000 |
|  | 12,000 |

1. From the following information prepare necessary subsidiary books:

May 1st Purchased goods from Kamal Rs.5000, with invoice no.670 May 2nd Brought goods from Samuel Rs.10000, invoice no 435 May 3rd Returned goods to Kamal Rs.500, note no.250

May 4th Sold goods to Srikar Rs.6000, invoice no. 751 May 5th Sold goods to Madhu Rs.10000, invoice no.754 May 7th Returned goods by Madhu Rs.500, note no. 351

May 10th Purchased goods from Raghu Rs.2000, invoice no.52 May 14th Sold goods to Deepti Rs.12000, invoice no. 497

May 15th Sold goods for cash Rs.5000

May 21st Drew a bill on Abdullah & Co. at 2 months for Rs.700.

May 22nd Acceptance received from Rahim & co. at 3 months for Rs. 1,000 May 23rd Ram & Co. gives his acceptance at 3 months for Rs. 800

May 24th Accepted a bill at 3 m for Rs.200 drawn by Raghu & Co. May 25th Gave acceptance at 2 m for Rs. 500 to Kamal

May 26th Accepted at 1 m for Rs. 500 given to Feroz & Co. May 28th Purchased furniture from R & Co. for Rs. 10000 May 30th Sold old machinery to Rajesh for Rs.2000

May 31st Purchased goods for cash Rs. 5,000

## Solution:

Purchases Book

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Name of the Supplier | Inward Invoice No. | L.F.  No | Amount (Rs.) |
| May 1st | Kamal | 670 |  | 5,000 |
| May 2nd | Samuel | 435 | 10,000 |
| May 10th | Raghu | 52 | 2,000 |
| Total | | | | 17,000 |

Purchase Returns Book

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Name of the Supplier | Debit Note No. | L.F.  No | Amount (Rs.) |
| May 3rd | Kamal | 250 |  | 500 |
| Total | | | | 500 |

Sales Book

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Name of the Supplier | Outward Invoice No. | L.F.  No | Amount (Rs.) |
| May 4th | Srikar | 751 |  | 6,000 |
| May 5th | Madhu | 754 | 10,000 |
| May 14th | Deepti | 497 | 12,000 |
| Total | | | | 28,000 |

Sales Returns Book

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Name of the Supplier | Credit Note No. | L.F.  No | Amount (Rs.) |
| May 7th | Madhu | 351 |  | 500 |
| Total | | | | 500 |

Bills Receivables Book

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Received From | Term | Due Date | L.F.  No. | Amount (Rs.) |
| May 21st | Abdullah & Co. | 2 m | July 21st |  | 700 |
| May 22nd | Rahim & Co. | 3 m | August 22nd | 1,000 |
| May 23rd | Ram & Co. | 3 m | August 23rd | 800 |
| Total | | | | | 2,500 |

Bills Payable Book

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | To Whom Given | Term | Due Date | L.F.  No. | Amount (Rs.) |
| May 24th May 25th May 26th | Raghu & Co. Kamal  Feroz & co. | 3 m  2 m  1 m | August 24th July 25th June 26th |  | 200  500  500 |
| Total | | | | | 1,200 |

Journal Proper

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F.  No | Debit (Rs.) | Credit (Rs.) |
| May 28th | Furniture A/c Dr.  To R & Co.  (Being purchased furniture from R & Co.) |  | 10,000 | 10,000 |
| May 30th | Rajesh A/c Dr.  To Machinery A/c (Being sold old machinery to Rajesh) |  | 2,000 | 2,000 |

1. Enter the following transactions in a cashbook and balance it. March 2020

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1 | Balance on hand Rs. 4735 | | | | |  | | |
| 4 | Received from Muralidhar Rs.6000 | | | | |  | | |
| 5 | Goods purchased for cash Rs.2000 | | | | |  | | |
| 6 | Goods sold for cash Rs.1500 | | | | |  | | |
| 13 | Cash sales Rs.400 | | | | |  | | |
| 18 | Paid to Singh Rs.1000 | | | | |  | | |
| 20 | Paid to Sridhar Rs.200 | | | | |  | | |
| 24 | Paid advertisement Rs.100 | | | | |  | | |
| 26 | Remitted to Mohan Rs.400 | | | | |  | | |
| 28 | Draw for personal use Rs. 300 | | | | |  | | |
| 30 | Paid office rent Rs. 415 | | | | |  | | |
| ***Solution:*** | 31 | Received from Singh Rs.400 | | | | |  | | |
| Dr. |  | **Cash A/c** | | | | | Cr. | | |
| Date | Particulars | | JF  No | Amount (Rs.) | Date | Particulars | | JF  No | Amount (Rs.) | |
| Mar 1st | To Opening  Balance b/d | |  | 4,735 | Mar 5th | By Purchases A/c | |  | 2,000 | |
| Mar 4th | To Muralidhar A/c | |  | 6,000 | Mar 18th | By Singh A/c | |  | 1,000 | |
| Mar 6th | To Sales A/c | |  | 1,500 | Mar 20th | By Sridhar A/c | |  | 200 | |
| Mar 13th | To Sales A/c | |  | 400 | Mar 24th | By Advertisement A/c | |  | 100 | |
| Mar 31st | To Singh A/c | |  | 400 | Mar 26th | By Mohan A/c | |  | 400 | |
|  |  | |  |  | Mar 28th | By Drawings A/c | |  | 300 | |
|  |  | |  |  | Mar 30th | By Office rent A/c | |  | 415 | |
|  |  | |  |  |  |  | |  |  | |
|  |  | |  |  | Mar 31st | By Balance c/d | |  | 8,890 | |
|  |  | |  | **13,035** |  |  | |  | **13,035** | |
| Apr 1st | To Balance b/d | |  | 8,890 |  |  | |  |  | |

1. From the following particulars prepare a cash book with discount and cash column only. 2010

Jan 1 Balance of cash in hand Rs. 50,000

2 Purchased goods worth Rs. 25,000 for cash & paid carriage inward Rs. 700.

5 Paid into Bank current A/c Rs. 15,000

10 Paid cash to Malini Rs. 4,800 in full settlement of Rs. 5,000

1. Received for cash sales Rs. 1500 cash and cheque Rs. 5,000
2. Withdrew for personal use Rs. 8,000
3. Paid for wages Rs. 400 and salaries Rs. 2,000
4. Received interest on investment Rs. 900

20 Paid cash of Rs. 5,000 to Mr. Mali and was allowed discount of Rs. 300

31 Received cash from Bharat Rs. 2,880 in full settlement of Rs. 3,000

31 Paid in cash in excess of Rs. 4,000 into Bank.

Dr. **Cash Book** Cr.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | JF  No | Cash (Rs.) | Discount (Rs.) | Date | Particulars | JF  No | Cash (Rs.) | Discount (Rs.) |
| Jan 1 | To Opening Balance |  | 50,000 |  | Jan 2 | By Purchase A/c |  | 25,000 |  |
| Jan 13 | To Sales A/c |  | 1,500 |  | Jan 2 | By Carriage inward A/c |  | 700 |  |
| Jan 17 | To Interest on investment A/c |  | 900 |  | Jan 5 | By Bank A/c |  | 15,000 |  |
| Jan 31 | To Bharat A/c |  | 2,880 | 120 | Jan 10 | By Malini A/c |  | 4,800 | 200 |
|  |  |  |  |  | Jan 14 | By Drawings A/c |  | 8,000 |  |
|  |  |  |  |  | Jan 16 | By Wages A/c |  | 400 |  |
|  |  |  |  |  | Jan 16 | By Salaries A/c |  | 2,000 |  |
|  |  |  |  |  | Jan 17 | By Mr. Mali A/c |  | 5,000 | 300 |
|  |  |  |  |  | Jan 31 | By Bank A/c |  | 4,000 |  |
|  |  |  |  |  |  |  |  |  |  |
| Jan 31 | To Balance c/d |  | 9,620 | 380 |  |  |  |  |  |
|  |  |  | **64,900** | **500** |  |  |  | **64,900** | **500** |
|  |  |  |  |  | Feb 1 | By Balance b/d |  | 9,620 | 380 |

1. Enter the following transactions in a three-column cashbook.

Date Particulars Amount (Rs.) 2020 Sep 1 Cash in hand 10,000

Sep 3 Bought goods for cash 4,500

Sep 5 Paid for wages 5,200 Sep 7 Withdraw form bank for expenses 8,000 Sep 7 Cash paid to Krish 2,150

Discount received 50

Sep 10 Cash sales 15,500 Sep 13 Received cash from Bharat 4,400

Allowed him discount 100

Sep 15 Purchased goods from Ram on credit 250 Sep 16 Paid for postage stamps 200

Sep 18 Amount introduced as capital 5,000 Sep 21 Received cash from Raj 7,900

Allowed him discount 100

Sep 24 Paid cash for traveling expenses 120

Sep 26 Amount paid into bank 2,500

Sep 27 Cash paid to Mukesh 950

Discount allowed by him 50

Sep 28 Cash purchases 1,500

Sep 30 Paid salaries 2,800

2.28

Dr. **Cash Book** Cr.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | JF  No | Cash (Rs.) | Bank (Rs.) | Discount (Rs.) | Date | Particulars | JF  No | Cash (Rs.) | Bank (Rs.) | Discount (Rs.) |
| Sep 1 | To Opening balance |  | 10,000 |  |  | Sep 3 | By Purchase A/c |  | 4,500 |  |  |
| Sep 7 | To Bank A/c | (c) | 8,000 |  |  | Sep 5 | By Wages A/c |  | 5,200 |  |  |
| Sep 10 | To Sales A/c |  | 15,500 |  |  | Sep 7 | By Cash A/c | (c) |  | 8,000 |  |
| Sep 13 | To Bharat A/c |  | 4,400 |  | 100 | Sep 7 | By Krish A/c |  | 2,150 |  | 50 |
| Sep 18 | To Capital A/c |  | 5,000 |  |  | Sep 16 | By Postage stamps A/c |  | 200 |  |  |
| Sep 21 | To Raj A/c |  | 7,900 |  | 100 | Sep 24 | By travelling expenses A/c |  | 120 |  |  |
| Sep 26 | To Cash A/c | (c) |  | 2,500 |  | Sep 26 | By Bank A/c | (c) | 2,500 |  |  |
|  |  |  |  |  |  | Sep 27 | By Mukesh A/c |  | 950 |  | 50 |
|  |  |  |  |  |  | Sep 30 | By Purchases A/c |  | 1,500 |  |  |
|  |  |  |  |  |  | Sep 30 | By Salaries A/c |  | 2,800 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Sep 30 | To Balance c/d |  |  | 5,500 |  | Sep 30 | By Balance c/d |  | 30,880 |  | 100 |
|  |  |  | **50,800** | **8,000** | **200** |  |  |  | **50,800** | **8000** | **200** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Oct 1 | By Balance b/d |  | 30,880 |  | 100 | Oct 1 | By Balance b/d |  |  | 5,500 |  |

2.29

1. Balance the Petty Cash Book at the end of August and show the amount of the cheque to be issued to the petty cashier on September 1,2020.

|  |  |  |
| --- | --- | --- |
| 2020 August |  | Amount (Rs.) |
| 1 | Received an imprest cheque from head cashier | 250.00 |
| 2 | Paid for printing of letter heads | 40.00 |
| 4 | Purchased postal stamps | 15.00 |
| 5 | Paid for cartage on goods purchased | 9.00 |
| 7 | Paid auto fare | 6.00 |
| 9 | Tea expenses for customers | 4.75 |
| 12 | Sent telegram to Calcutta | 8.50 |
| 14 | Paid for stationery | 16.25 |
| 15 | Paid taxi fare | 12.75 |
| 17 | Paid for postage | 42.50 |
| 19 | Paid tips to office boys | 8.00 |
| 20 | Paid for cartage | 14.50 |
| 22 | Paid for cold drinks offered to customers | 6.00 |
| 25 | Payments made to coolies | 9.75 |
| 27 | Purchase of postal envelopes | 3.60 |
| 28 | Rickshaw charges | 3.00 |
| 30 | Cartage on goods purchased | 10.00 |

2.30

# Petty Cash Book

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Receipts | Date | Particulars | Total Payments | Printing & Stationery | Postage & Telegram | Cartage | Conveyance | Entertainment | Miscellaneous |
| (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) | (Rs.) |
|  | 2020  August |  |  |  |  |  |  |  |  |
| 250 | 1 | To Bank A/c |  |  |  |  |  |  |  |
|  | 2 | By Letter heads A/c | 40 | 40 |  |  |  |  |  |
|  | 4 | By postalstamp A/c | 15 |  | 15 |  |  |  |  |
|  | 5 | By cartage A/c | 9 |  |  | 9 |  |  |  |
|  | 7 | By auto fare A/c | 6 |  |  |  | 6 |  |  |
|  | 9 | By tea exp. A/c | 4.75 |  |  |  |  | 4.75 |  |
|  | 12 | By telegram A/c | 8.5 |  | 8.5 |  |  |  |  |
|  | 14 | By stationery A/c | 16.25 | 16.25 |  |  |  |  |  |
|  | 15 | By taxi fare A/c | 12.75 |  |  |  | 12.75 |  |  |
|  | 17 | By postage A/c | 42.5 |  | 42.5 |  |  |  |  |
|  | 19 | By tips A/c | 8 |  |  |  |  |  | 8 |
|  | 20 | By cartage A/c | 14.5 |  |  | 14.5 |  |  |  |
|  | 22 | By cool drinks A/c | 6 |  |  |  |  | 6 |  |
|  | 25 | By coolie’s A/c | 9.75 |  |  | 9.75 |  |  |  |
|  | 27 | By postal stampA/c | 3.6 |  | 3.6 |  |  |  |  |
|  | 28 | By Rikshaw A/c | 3 |  |  |  | 3 |  |  |
|  | 30 | By cartage A/c | 10 |  |  | 10 |  |  |  |
| **250** |  | **Total Payments** | **209.6** | 56.25 | 69.6 | 43.25 | 21.75 | 10.75 | 8 |
|  | 31 | By Balance c/d | 40.4 |  |  |  |  |  |  |
| **250** |  | **Total** | **250** |  |  |  |  |  |  |
|  | September |  |  |  |  |  |  |  |  |
| 40.4 | 1 |  |  |  |  |  |  |  |  |

1. Prepare trial balance as on 31st March 2020.

|  |  |
| --- | --- |
| **Account** | **Amount (Rs.)** |
| Purchases | 43,000 |
| Sales | 72,500 |
| Insurance premium | 510 |
| Drawings | 6,280 |
| Plant and machinery | 4,500 |
| Commission paid | 1,070 |
| Opening stock | 11,200 |
| Repairs | 880 |
| Returns inwards (sales returns) | 1,000 |
| Discount allowed | 1,150 |
| Rent paid | 3,000 |
| Returns outwards (purchase returns) | 400 |
| Investments | 2,500 |
| Creditors | 14,260 |
| Debtors | 1,430 |
| Traveling expenses | 2,850 |
| Salaries | 33,540 |
| Cash at bank | 1,090 |
| Fire wood | 1,770 |
| Capital | 30,000 |
| Carriage | 240 |
| Bad debts | 690 |
| Petty expenses | 460 |

## Solution:

**Trial Balance as on 31st March 2020**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Debit (Rs.)** | **Credit (Rs.)** |
| Purchases | 43,000 |  |
| Sales |  | 72,500 |
| Insurance premium | 510 |  |
| Drawings | 6,280 |  |
| Plant and machinery | 4,500 |  |
| Commission paid | 1,070 |  |
| Opening stock | 11,200 |  |
| Repairs | 880 |  |
| Returns inwards (sales returns) | 1,000 |  |
| Discount allowed | 1,150 |  |
| Rent paid | 3,000 |  |
| Returns outwards (purchase returns) |  | 400 |
| Investments | 2,500 |  |
| Creditors |  | 14,260 |
| Debtors | 1,430 |  |
| Traveling expenses | 2,850 |  |
| Salaries | 33,540 |  |

|  |  |  |
| --- | --- | --- |
| Cash at bank | 1,090 |  |
| Fire wood | 1,770 |  |
| Capital |  | 30,000 |
| Carriage | 240 |  |
| Bad debts | 690 |  |
| Petty expenses | 460 |  |
| **Total** | **117,160** | **117,160** |

1. From the following information, prepare trial balance as on 31st March 2020.

|  |  |
| --- | --- |
| **Particulars** | **Amount (Rs.)** |
| Capital | 763,050 |
| Furniture & Fixtures | 40,000 |
| Land & Building | 403,000 |
| Plant & Machinery | 200,000 |
| Drawings | 60,000 |
| Patents | 20,000 |
| Stock (opening) | 400,000 |
| Purchases | 950,000 |
| Wages | 50,000 |
| Salaries | 72,000 |
| Sundry Debtors | 350,000 |
| Sales | 1,320,000 |
| Sales Returns | 61,000 |
| Purchases Returns | 10,000 |
| Loan from Ketan | 400,000 |
| Rent, Rates & Taxes | 48,000 |
| Bad Debts | 4,000 |
| Sundry Creditors | 224,000 |
| Discount received | 9,000 |
| Trade Expenses | 700 |
| Interest on Loan | 4,500 |
| Insurance | 6,500 |
| Traveling Expenses | 3,000 |
| Cash in Hand | 2,100 |
| Cash at Bank | 51,250 |

## Solution:

**Trial Balance**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Debit (Rs.)** | **Credit (Rs.)** |
| Capital |  | 763,050 |
| Furniture & Fixtures | 40,000 |  |
| Land & Building | 403,000 |  |
| Plant & Machinery | 200,000 |  |
| Drawings | 60,000 |  |
| Patents | 20,000 |  |
| Stock (opening) | 400,000 |  |
| Purchases | 950,000 |  |
| Wages | 50,000 |  |
| Salaries | 72,000 |  |
| Sundry Debtors | 350,000 |  |
| Sales |  | 1,320,000 |
| Sales Returns | 61,000 |  |
| Purchases Returns |  | 10,000 |
| Loan from Ketan |  | 400,000 |
| Rent, Rates & Taxes | 48,000 |  |
| Bad Debts | 4,000 |  |
| Sundry Creditors |  | 224,000 |
| Discount received |  | 9,000 |
| Trade Expenses | 700 |  |
| Interest on Loan | 4,500 |  |
| Insurance | 6,500 |  |
| Traveling Expenses | 3,000 |  |
| Cash in Hand | 2,100 |  |
| Cash at Bank | 51,250 |  |
| **Total** | **2,726,050** | **2,726,050** |

**IMPORTANT QUESTIONS**

* 1. Define Accounting. Explain the objective of accounting.
  2. Discuss the concepts and conventions of accounting.
  3. What is double entry bookkeeping system? Discuss its advantages and limitations?
  4. Explain the basis of accounting system.
  5. What is an Account? Explain the types of accounts and their rules.
  6. What is a Journal? Explain the advantages of journal.
  7. What is Ledger? Explain the process of transferring entries into ledger.
  8. What are subsidiary books? Explain the different subsidiaries with performa.
  9. What is Trial Balance? Why it is prepared? Explain its features.
  10. Journalize the following transactions and post them into Ledgers

Jan 1. Commenced business with a capital of Rs. 10000

,, 2. Bought Furniture for cash Rs. 3000

,, 3. Bought goods for cash from ‘B’ Rs. 500

,, 4. Sold goods for cash to A Rs. 1000

,, 5. Purchased goods from C on credit Rs.2000

,, 6. Goods sold to D on credit Rs. 1500

,, 8. Bought machinery for Rs. 3000 paying Cash

,, 12. Paid trade expenses Rs. 50

,, 18. Paid for Advertising to Apple Advertising Ltd. Rs. 1000

,, 19. Cash deposited into bank Rs. 500

,, 20. Received interest Rs. 500

,, 24. Paid insurance premium Rs. 200

,, 30. Paid rent Rs. 500

,, 30. Paid salary to P Rs.1000

* 1. Prepare journal entries and ledger accounts (Cash A/c, purchase A/c, Sales A/c and Bank A/c) 2019 December.

1st Ajit started business with cash Rs. 40000 3rd Paid in to the bank Rs. 2000

5th Purchased goods for cash Rs. 15000 8th Sold goods for cash Rs. 10000

10th Purchased furniture and paid by cheque Rs. 6000 12th Sold goods to Arvind Rs. 4000

14th Purchased goods from Arun Rs. 10000 16th Paid salaries Rs. 1500

17th Paid depreciation Rs. 500

22nd Amount deposited in to the bank Rs. 4000 25th Withdrew cash from bank Rs. 3000

28th Cash paid to Raju in full settlement Rs. 4950 31st Paid expenses Rs. 700

1. During January 2020 Good Field Ltd. transacted the following business:
   1. Commenced business with cash Rs. 20,000
   2. Purchased goods on credit from Nadu Rs. 1,00,000
   3. Purchased goods for cash Rs. 4,000
   4. Paid Gopal an advance for goods ordered Rs. 10,000
   5. Received cash from Maruti as advance for goods ordered by him Rs. 6,000
   6. Purchased furniture, office use for cash Rs. 2,000
   7. Paid Rent Rs. 1,000
   8. Received commission (in cash) Rs. 1,600
   9. Goods returned to Nadu Rs. 2,000
   10. Goods sold to Kishore Rs. 10,000
   11. Paid for postage and telegrams Rs. 200
2. Goods returned by Kishore Rs. 2,000
3. Purchase furniture (amount cheque paid) Rs. 16,000
4. Paid for stationery Rs. 1,200

18. Paid into Bank Rs.5,000

20. Goods sold for cash Rs. 27,750

22. Bought goods for cash Rs. 3,000

25. Paid salaries by cheque Rs. 3,200

28. Paid rent Rs. 1,000

1. Drew cash for personal use Rs.4,000
2. Deposited cash into Bank Rs. 12,000
3. Journalize the following transactions in the books of Shiva & Co. for the month of April
4. Started business with cash Rs. 25,000/6
5. Purchased goods worth Rs. 10,000/4

4 Deposited cash Rs. 3,000 into the Bank.

6 Purchased goods of Rs. 6,000 from M/s. Raju Trading Company.

9 Sold goods to Mr. Ramesh for Rs. 3,000.

12 Paid to M/s. Raju Trading Company Rs. 3,000.

15 Received Rs. 1,000 from Mr. Ramesh.

20 Paid salaries Rs. 1,000/- and paid commission Rs. 1,600/- in cash.

25 Bought stationery for office use Rs. 300.

27 Withdrew Rs. 2,500 from business for personal use.

30 Withdrew Rs. 4,000 from bank for office use.

1. Prepare Journal in the books of Rao & Co., from the following transactions.

|  |  |  |
| --- | --- | --- |
| Date  Apr 1 | Particulars  Started business with capital | Amount (Rs.)  1,00,000 |
| Apr 5 | Paid into bank | 50,000 |
| Apr 8 | Purchased goods for cash | 15,000 |
| Apr 9 | Paid to Shyam | 5,000 |
|  | Discount allowed by him | 1,000 |
| Apr10 | Cash sales | 5,000 |
| Apr 11 | Sold to Krishna for cash | 15,00 |
| Apr 12 | Purchased goods from Shyam | 2,500 |
| Apr 13 | Paid wages to workers | 10,000 |
| Apr 20 | Received from Pankaj allowed him discount Rs.50 | 2,000 |
| Apr 21 | Withdrawn form bank | 4,000 |
| Apr 23 | Paid Shyam by cheque | 3,000 |
| Apr 30 | Withdrawn for personal use | 1,000 |

1. Journalize the transactions in the books of ABD & Co. for February 2019 and prepare necessary ledger accounts.

1st 4th 10th 14th 20th 26th 28th

|  |  |
| --- | --- |
| Started business with capital of Purchased goods for cash  Brought goods from Ram | Rs. 3,00,000  Rs. 10,000  Rs. 5,000 |
| Sold goods to PRQ | Rs. 20,000 |
| Paid Salaries | Rs. 15,000 |
| Received interest | Rs. 2,000 |
| Deposited cash in the bank | Rs. 3,000 |

1. Journalize the following transactions and post them into the ledger. Also balance the accounts for the month of January 2020.

|  |  |  |
| --- | --- | --- |
| Jan. 1 | Mohan commenced business with a capital of | Rs. 80,000 |
| 4 | Goods purchased from Krishna on credit for | Rs. 24,000 |
| 5 | Goods purchased for cash | Rs. 6,000 |
| 6 | Paid Wages | Rs. 2,000 |

|  |  |  |
| --- | --- | --- |
| 17 | Goods sold to Swamy | Rs. 14,000 |
| 18 | Goods sold for cash | Rs. 13,000 |
| 21 | Cash paid to X on account | Rs. 2,000 |
| 31 | Paid salaries | Rs. 4,000 |

1. Journalise the following transactions, prepare subsidiary books, and necessary ledger accounts for March, 2020.
   1. Introduced further capital in cash Rs.25,000/-.
   2. Deposited Rs.15,000/- into the bank.

4 Received Rs.3,000/- from Mr. Govind.

7 Paid Rs.4,000/- to Mr. Nair.

9 Bought goods costing Rs.17,500/- on credit from Nair.

15 Sold goods to Mr. Govind for Rs.16,000/-.

20 Bought goods from Mr. Nair for Rs.40,000/-.

1. Withdrew Rs.12,000/- from bank for office use.
2. Good costing Rs.20,000/- sold @ 25% Profit.
3. Rent paid by cheque Rs.6,000/-.
4. Salaries paid Rs.10,000/- a wages Rs.2,000/-.
5. Received cash from Govind Rs.9,000/- and allowed him discount Rs.100/-.
6. Withdrawn cash Rs.4,000/- and Rs.6,000/- by cheque for personal use.
7. From the following information prepare cashbook.

Date Particulars Amount (Rs.) 2020 Jun 1 Hari started business 70,000

Jun 2 He deposited the cash in bank 25,000 Jun 3 Goods purchased 20,000

Jun 4 Goods sold 35,000

Jun 5 Furniture purchased 5,000 Jun 6 Goods purchased form Rama 15,000 Jun 10 Salary paid to staff 5,000

Jun 15 Goods sold to Shankar 10,000

Jun 20 Cash paid to Rama 12,000

Jun 22 Cash deposited n Bank 3,000 Jun 25 Cash received from Shankar 7,000 Jun 26 Rent paid 2,500

Jun 30 Telephone expenses paid 1,200

Jun 30 Electricity expenses paid 1,500

1. Prepare a Trial Balance from the following data for the year ending March 2020.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs. |  | Rs. |
| Freehold property | 10800 | Discount received | 150 |
| Capital | 40000 | Returns inwards | 1590 |
| Returns outwards | 2520 | Office expenses | 5100 |
| Sales | 80410 | Bad debts | 1310 |
| Purchases | 67350 | Carriage outwards | 1590 |
| Depreciation on furniture | 1200 | Carriage inwards | 1450 |
| Insurance | 3300 | Salaries | 4950 |
| Opening stock | 14360 | Book debts | 11070 |
| Creditors for expenses | 400 | Cash at bank | 2610 |
| Creditors | 4700 |  |  |

1. From the following list of balances prepare a Trial Balance as on 31-03-2020

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Sno. | Items | Rs. | Sno. | Items | Rs. |
| i | Opening Stock | 1800 | xiii | Plant | 750 |
| ii | Wages | 1000 | xiv | Machinery tools | 180 |
| iii | Sales | 12000 | xv | Lighting | 230 |
| iv | Bank loan | 440 | xvi | Creditors | 800 |
| v | Coal coke | 300 | xvii | Capital | 4000 |
| vi | Purchases | 7500 | xviii | Misc. receipts | 60 |
| vii | Repairs | 200 | xix | Office salaries | 250 |
| viii | Carriage | 150 | xx | Office furniture | 60 |
| ix | Income tax | 150 | xxi | Patents | 100 |
| x | Debtors | 2000 | xxii | Goodwill | 1500 |
| xi | Leasehold premises | 600 | xxiii | Cash at bank | 510 |
| xii | Cash in hand | 20 |  |  |  |

1. From the following information of BCE Ltd., prepare trial balance as on 31st March 2020.

|  |  |
| --- | --- |
| Particulars | Amount (Rs.) |
| Capital | 7,63,050 |
| Furniture & Fixture | 40,000 |
| Land & Building | 4,03,000 |
| Plant & Machinery | 2,00,000 |
| Drawings | 60,000 |
| Patents | 20,000 |
| Stock | 4,00,000 |
| Purchases | 9,50,000 |
| Wages | 50,000 |
| Salaries | 72,000 |
| Sundry Debtors | 3,50,000 |
| Sales | 13,20,000 |
| Sales Returns | 61,000 |
| Purchases Returns | 10,000 |
| Loan from Ketan | 4,00,000 |
| Rent, Rates & Taxes | 48,000 |
| Bad Debts | 4,000 |
| Sundry Creditors | 2,24,000 |
| Discount received | 9,000 |
| Trade Expenses | 700 |
| Interest on Loan | 4,500 |
| Insurance | 6,500 |
| Traveling Expenses | 3,000 |
| Cash in Hand | 2,100 |
| Cash at Bank | 51,250 |