

Chapter 3 Accounting Procedures Rules of Debit and Credit

Question 1.

Following accounts are being maintained in the books of Shri Ashok. Classify them into Personal, Real and Nominal Accounts:

- (i) Land and Building
- (ii) Excise Duty
- (iii) Creditors
- (iv) Capital
- (v) Motor Vehicles
- (vi) Goodwill
- (vii) Investments
- (viii) Salary
- (ix) Debtors
- (x) Bad Debts
- (xi) Depreciation
- (xii) Wages
- (xiii) Repairs
- (xiv) Ramesh, a debtor
- (xv) Interest Received
- (xvi) Bank Overdraft
- (xvii) Purchase Returns
- (xviii) Drawings
- (xix) Freight
- (xx) Return Inwards.

Solution:

Personal A/c	Real A/c	Nominal A/c
(iii) Creditors (iv) Capital (ix) Debtors (xiv) Ramesh, a Debtor (xvi) Bank Overdraft (xviii) Drawings	(i) Land and Building (v) Motor Vehicles (vi) Goodwill (vii) Investments	(ii) Excise Duty (viii) Salary (x) Bad Debts (xi) Depreciation (xii) Wages (xiii) Repairs (xv) Interest Received (xvii) Purchase Returns (xix) Freight (xx) Return Inwards

Question 2.

Clasify the follwoing into Assets, Liabilities, Capital, Expenses and Revenue:

- (i) Land
- (ii) Investments
- (iii) Building
- (iv) Interest Received
- (v) Salary
- (vi) Bank Overdraft
- (vii) Debtors

- (viii) Creditors
- (ix) Bad Debts
- (x) Capital
- (xi) Depreciation
- (xii) Motor Vehicles
- (xiii) Freight
- (xiv) Wages
- (xv) Goodwill
- (xvi) Repairs

Solution:

Assets	Liabilities	Capital	Expenses	Revenue
(i) Land (ii) Investments (iii) Building (vii) Debtors (xii) Motor Vehicles (xv) Goodwill	(vi) Bank Overdraft (viii) Creditors	(x) Capital	(v) Salary (ix) Bad Debts (xi) Depreciation (xiii) Freight (xiv) Wages (xvi) Repairs	(iv) Interest Received

Question 3.

Classify the following into assets, liabilities, capital, revenue, and expenses:

- (i) Plant and Machinery
- (ii) Bank Loan
- (iii) Sales
- (iv) Rent
- (v) Discount Received
- (vi) Carriage Inwards
- (vii) Carriage outwards
- (viii) Purchases
- (ix) Bills Payable
- (x) Wages
- (xi) Advance Income
- (xii) Accrued Income
- (xiii) Goodwill
- (xiv) Furniture and Fixtures
- (xv) Outstanding Expenses
- (xvi) Capital

Solution:

Assets	Liabilities	Capital	Revenue	Expenses
(i) Plant and Machinery (xii) Accrued Income (xiii) Goodwill (xiv) Furniture and Fixtures	(ii) Bank Loan (ix) Bills Payable (x) Advance Income (xv) Outstanding Expenses	(xvi) Capital	(iii) Sales (v) Discount Received	(iv) Rent (vi) Carriage Inwards (vii) Carriage Outwards (viii) Purchases (x) Wages

Question 4.

On which side will the increase in the following accounts be recorded ? Also, state the nature of the account:

- (i) Furniture A/c
- (ii) Mohan (proprietor)
- (iii) Salary A/c

- (iv) Purchases A/c
- (v) Sales A/c
- (vi) Interest Paid A/c
- (vii) Sohan (Creditor)
- (viii) Ram (Debtor)

Solution:

Name of Accounts	Consequence of increase	Modern Approach
Furniture	Debit	Assets
Mohan (Proprietor)	Credit	Capital
Salary	Debit	Expense
Purchases	Debit	Expense
Sales	Credit	Revenue
Interest Paid	Debit	Expense
Sohan (Creditor)	Credit	Liabilities
Ram (Debtor)	Debit	Assets

Name of Accounts	Consequence of increase	Traditional Approach
Furniture	Debit	Real Account
Mohan (Proprietor)	Credit	Personal Account
Salary	Debit	Nominal Account
Purchases	Debit	Nominal Account
Sales	Credit	Nominal Account
Interest Paid	Debit	Nominal Account
Sohan (Creditor)	Credit	Personal Account
Ram (Debtor)	Debit	Personal Account

Question 5.

On which side will the decrease in the following accounts be recorded ? Also, state the nature of the account:

- (i) Cash
- (ii) Bank Overdraft
- (iii) Outstanding salary paid
- (iv) Outstanding Rent
- (v) Prepaid Insurance
- (vi) Mohan, Proprietor of the business

Solution:

Name of Accounts	Consequence of decrease	Modern Approach
Cash	Credit	Assets
Bank Overdraft	Debit	Liability
Outstanding Salary Paid	Debit	Liability
Outstanding Rent	Debit	Liability
Prepaid Insurance	Credit	Asset
Mohan - proprietor of the business	Debit	Capital

Name of Accounts	Consequence of decrease	Traditional Approach
Cash	Credit	Real Account
Bank Overdraft	Debit	Personal Account
Outstanding Salary Paid	Debit	Personal Account
Outstanding Rent	Debit	Personal Account
Prepaid Insurance	Credit	Personal Account
Mohan - proprietor of the business	Debit	Real Account

Question 6.

From the following Transactions, state the nature of account and state which account will be debited and which account credited:

- (i) Manu started business with cash – ₹ 1,00,000
- (ii) He purchased furniture for business – ₹ 20,000
- (iii) Purchase goods on credit from Anshul – ₹ 6,000
- (iv) Paid to his creditor, Anshul – ₹ 2,000
- (v) Paid salary to his clerk – ₹ 1,000
- (vi) Paid Rent – ₹ 500
- (vii) Received Interest – ₹ 200

Solution:

Particulars	Account Involved	Nature of Account	Dr. Rs.	Cr. Rs.
(i) Manu started business with cash	Cash Capital	Real Personal	1,00,000	1,00,000
(ii) He purchases furniture for business	Furniture Cash	Real Real	20,000	20,000
(iii) Purchased goods on credit from Anshul	Purchases Anshul	Nominal Personal	6,000	6,000
(iv) Paid to his creditor, Anshul	Anshul Cash	Personal Real	2,000	2,000
(v) Paid salary to his clerk	Salary Cash	Nominal Real	1,000	1,000
(vi) Paid rent	Rent Cash	Nominal Real	500	500
(vii) Received interest	Cash Interest	Real Nominal	200	200

Question 7.

Analyse the following transactions, state the nature of accounts and state which account will be debited and which account credited:

S.No	Particulars	₹
(i)	Lal started business with cash	3,00,000
(ii)	Purchased furniture for cash from Shanti Furniture House	75,000
(iii)	Purchase goods for cash	55,000
(iv)	Sold goods for cash to Pal	35,000
(v)	Sold goods to Om on credit	60,000
(vi)	Deposited cash in bank for opening an account	70,000
(vii)	Received a cheque from Om	20,000
(viii)	Deposited Om's cheque the next day	
(ix)	Borrowed from Sohan	1,00,000
(x)	Purchased furniture from Haryana safe	50,000
(xi)	Paid interest on loan	10,000
(xii)	Paid rent by cheque	4,000
(xiii)	Paid salary to staff	14,000
(xiv)	Withdrew cash for personal use	5,000

Solution:

Particulars	Account Involved	Nature of Account	Dr. Rs.	Cr. Rs.
(i) Lal started business with cash	Cash Capital	Real Personal	3,00,000	3,00,000
(ii) Purchased furniture for cash from Shanti Furniture House	Furniture Cash	Real Real	75,000	75,000
(iii) Purchased goods for cash	Purchases Cash	Nominal Real	55,000	55,000
(iv) Sold goods for cash to Pal	Cash Sales	Real Nominal	35,000	35,000
(v) Sold goods to Om on credit	Om Sales	Personal Nominal	60,000	60,000
(vi) Deposited cash in bank for opening an account	Bank Cash	Personal Real	70,000	70,000
(vii) Received a cheque from Om	Cash/Cheque in Hand Om	Real Personal	20,000	20,000
(viii) Deposited Om's cheque the next day	Bank Cash/Cheque in Hand	Real Personal	20,000	20,000
(ix) Borrowed from Sohan	Cash Sohan (Loan)	Real Personal	1,00,000	1,00,000
(x) Purchased furniture from Haryana Safe	Furniture Haryana Safe	Real Personal	50,000	50,000
(xi) Paid interest on loan	Interest Cash	Nominal Real	10,000	10,000
(xii) Paid rent by cheque	Rent Bank	Nominal Personal	4,000	4,000
(xiii) Paid salary to staff	Salary Cash	Nominal Real	14,000	14,000
(xiv) Withdrew cash for personal use	Drawing Cash	Personal Real	5,000	5,000

Question 8.

Open a 'T' shape account for machinery and put the following transactions on the proper side:

	₹
(i) Machinery purchased	40,000
(ii) Machinery sold	10,000
(iii) Machinery purchased	8,000
(iv) Machinery discarded	14,000
(v) Depreciation on machinery	1,000

Solution:

Machinery (Asset) Account

Dr.			Cr.		
S. No.	Particulars	Rs.	S. No.	Particulars	Rs.
i.	To Bank A/c	40,000	ii.	By Bank A/c	10,000
iii.	To Bank A/c	8,000	iv.	By Bank A/c	14,000
			v.	By Depreciation A/c	1,000
				By Balance c/d	23,000
				(Balancing Fig.)	
		48,000			48,000

Question 9.

Open a 'T' shape Cash Account. Put the following transactions on the proper side and balance the account:

- (i) Mohan started business with cash – ₹ 40,000
- (ii) Purchased Goods – ₹ 20,000
- (iii) Sold Goods – ₹ 24,000
- (iv) Paid Rent – ₹ 400
- (v) Paid salaries – ₹ 600
- (vi) Drew for personal use – ₹ 1,000

Solution:

Cash Account

Dr.			Cr.		
S. No.	Particulars	Rs.	S. No.	Particulars	Rs.
i.	To Capital A/c	40,000	ii.	By Purchases A/c	20,000
iii.	To Sales A/c	24,000	iv.	By Rent A/c	400
			v.	By Salaries A/c	600
			vi.	By Drawings A/c	1,000
				By Balance c/d	42,000
				(Balancing Fig.)	
		64,000			64,000

Question 10.

Open a 'T' shape account of creditor, Rakesh and write the following transactions on the proper side:

- (i) Goods purchased from Rakesh on credit – ₹ 50,000
- (ii) Goods returned to Rakesh for – ₹ 5,000
- (iii) Paid to Rakesh – ₹ 20,000
- (iv) Purchase goods from Rakesh on credit – ₹ 10,000

Solution:

Rakesh Account (Creditors)

Dr.			Cr.		
S. No.	Particulars	Rs.	S. No.	Particulars	Rs.
ii.	To Purchases Return A/c	5,000	i.	By Purchases A/c	50,000
iii.	To Cash A/c	20,000	iv.	By Purchases A/c	10,000
	To Balance c/d (Balancing Fig.)	35,000			
		60,000			60,000

Question 11.

Open a 'T' shape account of debtor 'Brij' and write the following transactions on the proper side:

(i) Sold goods to Brij on credit – ₹ 25,000

(ii) Cash received from Brij – ₹ 10,000

Discount allowed to him – ₹ 500

(iii) Goods returned by Brij – ₹ 5,000

Solution:

Brij A/c (Debtors)

Dr.			Cr.		
S. No.	Particulars	Rs.	S. No.	Particulars	Rs.
i.	To Sale A/c	25,000	ii.	By Cash A/c	10,000
			ii.	By Discount Received A/c	500
			iii.	By Sale Return A/c	5,000
				By Balance c/d (Balancing Fig.)	9,500
		25,000			25,000

Question 12.

Put the following on the proper side of a Cash Account, a Debtor's Account and a Creditor's Account:

(i) Sold goods to Sanjay on credit – ₹ 50,000

(ii) Sold goods to Mohan for cash – ₹ 20,000

(iii) Purchased goods from Ram on credit – ₹ 25,000

(iv) Cash received from Sanjay – ₹ 19,000

(v) Goods returned by Sanjay – ₹ 2,000

(vi) Paid rent – ₹ 500

(vii) Cash paid to Ram – ₹ 15,000

Solution:

Cash Account

Dr.			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
	To Sale A/c	20,000		By Rent A/c	500
	To Sanjay A/c	19,000		By Ram A/c	15,000
				By Balance c/d	23,500
				(Balancing Fig.)	
		39,000			39,000

Debtors Account (Sanjay)

Dr.			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
	To Sale A/c	50,000		By Cash A/c	19,000
				By Sale Return A/c	2,000
				By Balance c/d	29,000
				(Balancing Fig.)	
		50,000			50,000

Creditors Account (Ram)

Dr.			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
	To Cash A/c	15,000		By Purchase A/c	25,000
	To Balance c/d	10,000			
	(Balancing Fig.)				
		25,000			25,000

Question 13.

From the following particulars, prepare the proprietor's Capital Account:

1st April, 2017 – Commenced business with cash – ₹ 2,00,000

31st March, 2018 – Net Loss as per Profit and Loss Account – ₹ 18,000

31st March, 2018 – Drawings during the period – ₹ 15,000

Balance the same and explain what the closing balance indicates.

Solution:

Capital Account

Dr.			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
2018			2017		
31 st Mar	To Profit and Loss A/c	18,000	1 st April	By Cash A/c	2,00,000
31 st Mar	To Drawing A/c	15,000			
31 st Mar	To Balance c/d	1,67,000			
		2,00,000			2,00,000

Note: As per this Question correct answer is Closing Capital 2018 Rs.1,67,000.
While, according to the book solution is Closing Capital 2018 Rs.16,700

Question 14.

From the following particulars, prepare the proprietor's Capital Account:

2013		₹
April 1	Started business with	45,000
May 10	Withdrew from business for personal use	10,000
July 15	Further Capital introduced	55,000
Nov. 30	Income tax paid	5,000
2014		
Mar. 31	Profit for the year	30,000

Solution:

Proprietor's Capital Account

Dr.			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
2013			2013		
10 th Mar	To Drawings A/c	10,000	01 st Apr	By Cash A/c	45,000
30 th Nov	To Drawings A/c	5,000	15 th July	By Cash A/c	55,000
2014			2014		
31 st Mar	To Balance c/d (Balancing Fig.)	1,15,000	31 st Mar	By Profit and Loss A/c	30,000
		1,30,000			1,30,000