

Chapter 7F

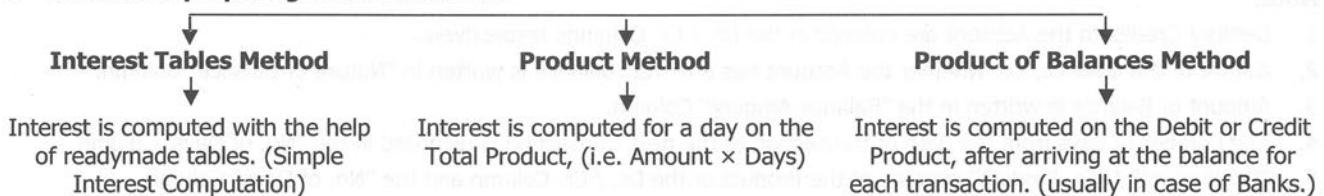
A/cing for Spl Transactions – 6. Account Current

CHAPTER OVERVIEW

1. Meaning of Account Current 2. Interest Tables Method 3. Products Method	4. Product of Balances Method 5. Red Ink Interest
--	--

6.1 Meaning of Account Current

1. **Meaning:** Account Current is a **running statement / account** of transactions between parties for a given period of time, which includes Interest Allowed or Charged on various items.
2. **Situation:** Account Current is generally prepared if the frequency of transactions between two parties is very high. Some situations are –
 - (a) Manufacturer who sells goods frequently to a Merchant on credit, and receives payment from him in instalments at different intervals and charges interest on the amount which remains outstanding.
 - (b) Consignee of goods receiving goods on various dates from his Principal (Consignor), and sending the amount due
 - (c) Banker, setting out the transactions taking place between him and his Customer.
3. **Parties:** Account Current has two parties – one who renders the account, and the other to whom the account is rendered. So, the heading of an Account Current should be understood as – “A in Account Current with B” implies that the account is prepared in B’s Books, B is the person rendering the account, and the account is rendered by him to A.
4. **Methods of preparing Account Current:**



6.2 Interest Tables Method

Format of Account Current

Debit Side						Credit Side					
Trans Date	Due Date	Particulars	Amt	No. of Days	Interest	Trans Date	Due Date	Particulars	Amt	No. of Days	Interest
	Note 1			Note 2	Note 3			Note 1			Note 2 Note 3

Note:

1. If no specific date is mentioned as the date on which payment is due, the date of the transaction itself is presumed to be the Due Date.
2. Number of Days is counted **from** the Due Date of each transaction **to** the date of rendering the account.
3. Interest Column is filled up from the readymade tables (Simple Interest Tables). Interest due on different amounts at given rates for different periods of time is found out and this is entered against each item separately. The Interest Columns of both the sides are totalled up and the Net Balance is computed.

6.3 Products Method

Note: This Method computes the Net Interest directly, i.e. Interest Payable and Interest Due are mutually set-off and only the Net Interest Due / Receivable is reflected in the Account Current. Interest on the individual transactions is not reflected as in the Interest Method.

Format of Account Current

Debit Side						Credit Side					
Trans Date	Due Date	Particulars	Amt	No. of Days	Product	Trans Date	Due Date	Particulars	Amt	No. of Days	Product
	Note 1			Note 2	Note 3			Note 1			Note 2 Note 3

Note:

- If no specific date is mentioned as the date on which payment is due, the date of the transaction itself is presumed to be the Due Date.
- Number of Days is counted **from** the Due Date of each transaction **to** the date of rendering the account.
- Each entry in Product Column = Entry in Amount Column \times No. of Days.
- At the end of the period, the Product Column is balanced and the Net Product is the Amount on which Interest is to be computed. This is called "Product Balance".
- Interest** = Product Balance \times Rate of Interest $\times \frac{1}{365}$. This Interest Amount is posted to the Account Current on the side **opposite** to the side where the "Product Balance" stands.

6.4 Product of Balances Method

This Method is also known as **Periodic Balances Method**, and is usually adopted in case of Banks, where the balance of the account is taken out after every transaction.

Format of Account Current

Trans Date	Particulars	Dr.	Cr.	Nature of Balance (Dr./Cr.)	Balance Amt	No. of Days	Dr. Product	Cr. Product
		Note 1	Note 1	Note 2	Note 3	Note 4	Note 5	Note 5

Note:

- Debits / Credits to the Account are entered in the Dr. / Cr. Columns respectively.
- Nature of the Balance, i.e. whether the Account has a Dr./Cr. balance is written in "Nature of Balance" Column.
- Amount of Balance is written in the "Balance Amount" Column.
- The number of days from the date of transaction to the next transaction is recorded in the "No. of Days" Column.
- "Dr. Product" / "Cr. Product" consists of the Product of the Dr. / Cr. Column and the "No. of Days" Column.
- Interest is first computed separately for Dr. and Cr. Products at the appropriate rates of interest. **Interest** = Product Total \times Rate of Interest $\times \frac{1}{365}$. Dr. and Cr. Interest are then netted-off, to arrive at the Net Interest.
- If the Dr. Product is **greater** than the Cr. Product, the Net Interest is posted to the **Debit** of the account, else, it is posted to the Credit of the Account.

6.5 Red Ink Interest

- Meaning:** If the Due Date of a Bill falls **after** the date of closing the Account, no Interest is allowed for that amount. However, interest should be deducted for that amount for the number of days the due date falls after the date of the Account Current. This interest is generally referred to as **Red Ink Interest**.
- Recording:** Interest from the date of Closing to such Due Date is written in "**Red Ink**" in the appropriate side of the 'Account Current', and is hence called 'Red Ink Interest'. This Red Ink Interest is treated as **negative interest**. However, in actual practice, the product of such bill [Value of Bill \times (Due Date – Closing Date)] is written on the **opposite** side on which the bill is entered.
- Example:** If the Closing Date of the Account Current is 31st December and an amount of ₹ 10,000 from a Debtor falls due on 7th January, Interest on the product, i.e. ($7 \times ₹ 10,000$) should be deducted from the interest chargeable, i.e. it will be credited to the Account.

Practical Questions – Account Current

Points for Consideration:

- In calculating the number of days –
 - Due Date is ignored and the date upto which the account is prepared is included.
 - For Opening Balances, the Opening Date as well as the date upto which the account is prepared, is counted.
 - Any part of a day is taken as one full day.
- For transactions having Due Date after the date of rendering the account –
 - Red Ink Product is written on the **opposite side of the account**, (or) [Q.No.3]
 - Number of Days and Product is written on the **same side in negative**. [Q.No.4,5]
- If Transaction Date = Due Date, these Columns may be merged as a Single Column.

1. Interest Tables Method

Illustration 1: Preparation of Account Current – Interest Tables Method

Prepare Account Current for Jagan in respect of the following transactions with Sundar:

		Particulars	₹	Due Date
20X1	September 16	Goods sold to Sundar	200	due 1 st Oct.
	October 1	Cash received from Sundar	90	
	October 21	Good purchased from Sundar	500	due 1 st Dec.
	November 1	Paid to Sundar	330	
	December 1	Paid to Sundar	330	
	December 5	Goods purchased from Sundar	500	due 1 st Jan.
	December 10	Goods purchased from Sundar	200	due 1 st Jan.
20X2	January 1	Paid to Sundar	600	
	January 9	Goods sold to Sundar	20	due 1 st Feb.

The account is to be prepared upto 1st February. Compute Interest at 6% per annum.

Solution: In the books of Jagan (Ledger from 16th Sept 20X1 to 1st Feb 20X2)

Dr. Sundar in Account Current with Jagan (Interest upto 1st February at 6% p.a.) **Cr.**

Dt	Due	Particulars	₹	Days	Interest	Dt	Due	Particulars	₹	Days	Interest
20X1 Sep 16	Oct 1	To Sales	200.00	123	4.04	20X1 Oct 1	Oct 1	By Cash A/c	90.00	123	1.82
Nov 1	Nov 1	To Cash	330.00	92	5.00	Oct 21	Dec 1	By Purchase a/c	500.00	62	5.10
Dec 1	Dec 1	To Cash	330.00	62	3.36	Dec 5	Jan 1	By Purchase a/c	500.00	31	2.55
20X2 Jan 1	Jan 1	To Cash	600.00	31	3.06	Dec 10	Jan 1	By Purchase a/c	200.00	31	1.02
Jan 9	Feb 1	To Sales	20.00			20X2 Feb 1	Feb 1	By Bal. of Interest			4.97
Feb 1		To Interest	4.97			Feb 1	Feb 1	By Balance c/d	194.97		
		Total	1,484.97		15.46			Total	1,484.97		15.46

Note: Interest for Sale made on 16th Sep = ₹ 200 × 6% × $\frac{123}{365}$ = ₹ 4.04. Interest is computed similarly for other entries.

2. Method of Products

Illustration 2: Account Current – Method of Products

From the following particulars, prepare the Account Current to be rendered by Harbhajan to Sunil as on 31st August. Interest must be computed at 10% p.a. (Amount in ₹)

June 11	Goods sent to Sunil	1,020	July 7	Goods sent to Sunil	700
June 15	Cash received from Sunil	500	Aug 8	Cash received from Sunil	1,100
June 20	Goods sent to Sunil	650			

Solution:

In the books of Harbhajan

Dr. Sunil in Account Current with Harbhajan (Interest upto 31st August at 10% p.a.)

Cr.

Dt	Due	Particulars	₹	Days	Product	Dt	Due	Particulars	₹	Days	Product
11 Jun	11 Jun	To Sales A/c	1,020	81	82,620	15 Jun	15 Jun	By Cash A/c	500	77	38,500
20 Jun	20 Jun	To Sales A/c	650	72	46,800	08 Aug	08 Aug	By Cash a/c	1,100	23	25,300
7 Jul	7 Jul	To Sales A/c	700	55	38,500	31 Aug	31 Aug	By Balance of Products			1,04,120
31 Aug	31 Aug	To Interest	29			31 Aug	31 Aug	By bal c/d	799		
		Total	2,399		1,67,920			Total	2,399		1,67,920

Note: Interest = ₹ 1,04,120 × 10% × $\frac{1}{365}$ = ₹ 29 (approx.)

Illustration 3: Preparation of Account Current – Method of Products

Akash owed ₹ 4,000 on 1st January to Himavan. The following transactions took place between them. It is agreed between the parties that interest at 10% p.a. is to be computed on all transactions.

Date	Particulars	₹
15 th January	Himavan sold goods to Akash	2,230
29 th January	Himavan bought goods from Akash	1,200
10 th February	Akash paid Cash to Himavan	1,000
13 th March	Akash accepted a bill drawn by Himavan for one month	2,000

They agree to settle their complete accounts by one single payment on 15th March. Prepare Akash in Account Current with Himavan and ascertain the amount to be paid. Ignore days of grace.

Solution:

In the books of Himavan

Dr. Akash in Account Current with Himavan (Interest upto 15th March at 10% p.a.)

Cr.

Dt	Due	Particulars	₹	Days	Product	Dt	Due	Particulars	₹	Days	Product
1 Jan	1 Jan	To bal b/d	4,000	74	2,96,000	29 Jan	29 Jan	By Purchase A/c	1,200	45	54,000
15 Jan	15 Jan	To Sales A/c	2,230	59	1,31,570	10 Feb	10 Feb	By Cash a/c	1,000	33	33,000
15 Mar	16 Apr	To Red Ink Product (on B/R 2,000)	NA	32	64,000	13 Mar	16 Apr	By B/R a/c	2,000	NA	NA
15 Mar	15 Mar	To Interest	111			15 Mar	15 Mar	By Balance of Products			4,04,570
						15 Mar	15 Mar	By bal c/d	2,141		
		Total	6,341		4,91,570			Total	6,341		4,91,570

Note: Interest = ₹ 4,04,570 × 10% × $\frac{1}{365}$ = ₹ 111 (approx.)

Illustration 4: "EITHER" Option: Account Current

From the following particulars prepare an Account Current, as sent by Mr. AB to Mr. XY as on 31st October 2018 by means of Product Method charging Interest @ 5% p.a.

Date	Particulars	₹
1 st July	Balance due from XY	1,500
20 th August	Sold goods to XY	2,500
28 th August	Goods returned by XY	400
25 th September	XY paid by cheque	1,600
20 th October	Received cash from XY	1,000

Solution:**In the books of Mr. AB****Dr. Mr. XY in Account Current with Mr. AB (Interest upto 31st October at 5% p.a.)****Cr.**

Dt	Due	Particulars	₹	Days	Product	Dt	Due	Particulars	₹	Days	Product
1 July	1 July	To bal b/d	1,500	123	1,84,500	28 Aug	28 Aug	By Sales Returns	400	64	25,600
20 Aug	20 Aug	To Sales A/c	2,500	72	1,80,000	25 Sep	25 Sep	By Bank A/c	1,600	36	57,600
31 Oct	31 Oct	To Interest	37			20 Oct	20 Oct	By Cash A/c	1,000	11	11,000
						31 Oct	31 Oct	By Balance of Products			2,70,300
						31 Oct	31 Oct	By bal c/d	1,037		
		Total	4,037		3,64,500			Total	4,037		3,64,500

Note: Interest = ₹ 2,70,300 × 5% × $\frac{1}{365}$ = ₹ 37 (approx.)

Illustration 5: Account Current – Method of Products

Following transactions took place between Prithvi and Aakash during the month of April –

April Date	Particulars	₹
1	Amount Payable by Prithvi to Aakash	10,000
7	Received acceptance of Prithvi to Aakash for 2 months	5,000
10	Bills Receivable (accepted by Aakash) on 7 th February of that year, is honoured on this due date	10,000
10	Prithvi sold goods to Aakash (due date 10 th May)	15,000
12	Prithvi received cheque from Aakash (due date 15 th May)	7,500
15	Prithvi purchased goods from Aakash (due date 15 th May)	6,000
20	Prithvi returned goods sold by Aakash on 15 th April	1,000
20	Bill accepted by Aakash is dishonoured on this due date	5,000

Assume Interest Rate = 18%. Prepare Aakash's Account in the books of Prithvi for the month of April.

Solution:**In the books of Prithvi****Dr. Aakash in Account Current with Prithvi as at 30th April ((Interest upto 30th April at 18% p.a.)****Cr.**

Dt	Due	Particulars	₹	Days	Product	Dt	Due	Particulars	₹	Days	Product
7 Apr	10 Jun	To Bills P'ble	5,000	- 41	- 2,05,000	1 Apr	1 Apr	By bal b/d	10,000	30	3,00,000
10 Apr	10 May	To Sales	15,000	- 10	- 1,50,000	12 Apr	15 May	By Bank	7,500	-15	-1,12,500
20 Apr	15 May	To Purchase Returns	1,000	- 15	-15,000	15 Apr	15 May	By Purchases	6,000	-15	- 90,000
20 Apr	20 Apr	To Bills R'ble	5,000	10	50,000	30 Apr	30 Apr	By Interest	206		
30 Apr	30 Apr	To Difference of Product			4,17,500			By bal c/d	2,294		
		Total	26,000		97,500			Total	26,000		97,500

Note: 1. Interest = ₹ $4,17,500 \times 18\% \times \frac{1}{365} = ₹ 205.90 = ₹ 206$ (approx.)

2. Honoring of Bills Receivable accepted earlier will not be included in the Account Current as at 30th April.

Illustration 6: Account Current – Method of Products

Following transactions took place between G and H during the period from 1st October 20X1 to 31st March 20X2 (in) –

20X1	Particulars	₹	20X2	Particulars	₹
Oct 1	Balance due to G by H	3,000	Jan 3	Pro. Note given by G to H, at 3 months	5,000
Oct.18	Goods sold by G to H	2,500	Feb 4	Cash paid by G to H	1,000
Nov 16	Goods sold by H to G (Invoice date Nov 26)	4,000	Mar 21	Goods sold by G to H	4,300
Dec 7	Goods sold by H to G (Invoice date Dec 17)	3,500	Mar 28	Goods sold by H to G (Invoice date Apr 8)	2,700

Draw up an Account Current upto 31st March 20X2 to be rendered by G to H, charging interest at 10% p.a. Interest is to be computed to the nearest rupee.

Solution: In the books of G (Ledger from 1st Oct 20X1 to 31st Mar 20X2)

Dr. H in Account Current with G (Interest upto 31st March 20X2 at 10% p.a.)

Cr.

Dt	Due	Particulars	₹	Days	Product	Dt	Due	Particulars	₹	Days	Product
01.10 .20X1	01.10 .20X1	To bal. b/d	3,000	182	5,46,000	16.11 20X1	26.11 20X1	By Purchases	4,000	125	5,00,000
18.10 .20X1	18.10 .20X1	To Sales	2,500	164	4,10,000	7.12 20X1	17.12 20X1	By Purchases	3,500	104	3,64,000
03.01 20X2	06.04 20X2	To Bills P'ble	5,000	- 6	- 30,000	28.03 20X2	08.04 20X2	By Purchases	2,700	- 8	- 21,600
04.02 20X2	04.02 20X2	To Cash	1,000	55	55,000	31.03 20X2	31.03 20X2	By Balance of Products			1,81,600
21.03 20X2	21.03 20X2	To Sales	4,300	10	43,000	31.03 20X2	31.03 20X2	By bal. c/d	5,650		
31.03 20X2	31.03 20X2	To Interest	50								
		Total	15,850		10,24,000			Total	15,850		10,24,000

Note: Interest = ₹ $1,81,600 \times 10\% \times \frac{1}{365} = ₹ 50$ (approx.)

Illustration 7: Account Current – Method of Products

From the following, prepare an Account Current to be rendered by A to B at 31st December, reckoning interest at 10% p.a.

Date	Particulars	₹	Date	Particulars	₹
July 1	Balance owing from B	600	Sept. 01	B accepted A's Bill at 3 months date	250
Jul 17	Goods sold to B	50	Sept. 1	Cash received from B	350
Aug. 1	Cash received from B	650	Oct.22	Goods bought from B	30
Aug.19	Goods sold to B	700	Nov. 12	Goods sold to B	20
Aug.30	Goods sold to B	40	Dec. 14	Cash received from B	80

Solution: In the books of A (Ledger upto 31st December)

Dr. B in Account Current with A (Interest upto 31st December at 10% p.a.)

Cr.

Dt	Due	Particulars	₹	Days	Product	Dt	Due	Particulars	₹	Days	Product
Jul 1	Jul 1	To bal b/d	600	184	1,10,400	Aug 1	Aug 1	By Cash A/c	650	152	98,800
Jul 17	Jul 17	To Sales A/c	50	167	8,350	Sep 1	Sep 1	By Cash A/c	350	121	42,350
Aug 19	Aug 19	To Sales A/c	700	134	93,800	Sep 1	Dec 4	By B/R A/c	250	27	6,750

Dt	Due	Particulars	₹	Days	Product	Dt	Due	Particulars	₹	Days	Product
Aug 30	Aug 30	To Sales A/c	40	123	4,920	Oct 22	Oct 22	By Purchases	30	70	2,100
Nov 12	Nov 12	To Sales A/c	20	49	980	Dec 14	Dec 14	By Cash A/c	80	17	1,360
Dec 31	Dec 31	To Interest	18			Dec 31	Dec 31	By Balance of Products			67,090
						Dec 31	Dec 31	By bal c/d	68		
		Total	1,428		2,18,450			Total	1,428		2,18,450

Note: Interest = ₹ 67,090 × 10% × $\frac{1}{365}$ = ₹ 18 (approx.)

Illustration 8: Account Current – Method of Products

From the following transactions, draw up an Account Current by means of products upto 31st December, to be rendered by X to Y and give the amount of interest charging at 8% p.a.

Date	Particulars	Amount (₹ in 000's)
July 01	Balance owing by Y	600
July 15	Goods sold to Y	900
Aug 21	Goods bought from Y	700
Aug 23	Cash received from Y	450
Oct 23	Y accepted X's bill at 3 months	300
Nov 01	Goods bought from Y	950
Dec 3	Accepted a bill drawn by Y at 3 months (due date of bill is on Sunday)	400

On 31st December, X and Y settled their Account after considering the Interest Factor. Show the Cash Amount received or paid by X on that date.

Solution:

In the books of X (Ledger upto 31st December)

Dr. Y in Account Current with X (Interest upto 31st December at 10% p.a.)

Cr.

Dt	Due	Particulars	₹	Days	Product	Dt	Due	Particulars	₹	Days	Product
1 Jul	1 Jul	To bal b/d	600	184	1,10,400	21 Aug	21 Aug	By Purchases	700	132	92,400
15Jul	15Jul	To Sales	900	169	1,52,100	23 Aug	23 Aug	By Cash A/c	450	130	58,500
3Dec	5Mar	To B/P	400	64	(25,600)	23 Oct	25 Jan	By B/R A/c	300	25	(7,500)
31dec	31dec	To Interest	8			1 Nov	1 Nov	By Purchases	950	60	57,000
31 Dec	31 Dec	To Cash (b/f)	492			31 Dec	31 Dec	By Balance of Products			36,500
		Total	2,400		2,36,900			Total	2,400		2,36,900

Note: Interest = ₹ 36,500 × 8% × $\frac{1}{365}$ = ₹ 8 (approx.)

Since January 26th is a Public Holiday, previous day is taken as due date for Bills Receivable.

Since it is given that the due date falls on Sunday, previous day is taken as due date for Bills Payable.

Illustration 9: Account Current – Method of Products

On 1st January, X's Account in Y's Ledger showed a debit balance of ₹ 5,000. The following transactions took place between Y and X during the quarter ended 31st March:

Date	Particulars	₹
Jan. 11	Y sold goods to X	6,000
Jan. 24	Y received a Promissory Note from X, 3 months date	5,000
Feb. 01	X sold goods to Y	10,000
Feb. 04	Y sold goods to X	8,200
Feb. 07	X returned goods to Y	1,000
March 01	X sold goods to Y	5,600

Date	Particulars	₹
March 18	Y sold goods to X	9,200
March 23	X sold goods to Y	4,000

Accounts were settled on 31st March, by means of a cheque. Prepare an Account Current to be submitted by Y to X as on 31st March, taking interest into account at 10% per annum. Calculate Interest to the nearest multiple of a rupee.

Solution: In the books of Y (Ledger from 1st Jan to 31st Mar)

Dr. X in Account Current with Y (Interest upto 31st March at 10% p.a.)

Cr.

Dt	Due	Particulars	₹	Days	Product	Dt	Due	Particulars	₹	Days	Product
01 Jan	01 Jan	To bal. b/d	5,000	90	4,50,000	24 Jan	27 Apr	By Bills Receivable	5,000	-27	-1,35,000
11 Jan	11 Jan	To Sales	6,000	79	4,74,000	01 Feb	01 Feb	By Purchases	10,000	58	5,80,000
04 Feb	04 Feb	To Sales	8,200	55	4,51,000	07 Feb	07 Feb	By Sales Returns	1,000	52	52,000
18 Mar	18 Mar	To Sales	9,200	13	1,19,600	01 Mar	01 Mar	By Purchases	5,600	30	1,68,000
31 Mar	31 Mar	To Interest	219			23 Mar	23 Mar	By Purchases	4,000	8	32,000
						31 Mar	31 Mar	By Balance of Products			7,97,600
						31 Mar	31 Mar	By bal. c/d	3,019		
		Total	28,619		14,94,600			Total	28,619		14,94,600

Note: Interest = ₹ 7,97,600 × 10% × $\frac{1}{365}$ = ₹ 219 (approx.)

Illustration 10: Account Current – Method of Products

During the year, sale of goods by –

Ram to Shyam	Shyam to Ram
₹ 10,000 – Payable on 5 th February.	₹ 2,000 – Due on 8 th July.
₹ 8,000 – Payable on 20 th March.	₹ 3,000 – Due on 20 th September.
₹ 7,000 – Payable on 9 th August.	₹ 7,000 – Due on 27 th October.
₹ 6,000 – Payable on 16 th September.	₹ 4,000 – Due on 18 th November.

The parties settle their accounts on 30th November, interest being computed at 12% per annum.

Prepare Shyam in Account Current with Ram by Products Method.

Solution: In the books of Ram (Ledger upto 30th November)

Dr. Shyam in Account Current with Ram (Interest upto 30th November at 12% p.a.)

Cr.

Dt & Due	Particulars	₹	Days	Product	Dt & Due	Particulars	₹	Days	Product
05 Feb	To Sales	10,000	298	29,80,000	8 Jul	By Purchases	2,000	145	2,90,000
20 Mar	To Sales	8,000	255	20,40,000	20 Sep	By Purchases	3,000	71	2,13,000
09 Aug	To Sales	7,000	113	7,91,000	27 Oct	By Purchases	7,000	34	2,38,000
16 Sep	To Sales	6,000	75	4,50,000	18 Nov	By Purchases	4,000	12	48,000
30 Nov	To Interest	1,799			30 Nov	By Bal. of Products			54,72,000
					30 Nov	By Bank (settled)	16,799		
	Total	32,799		62,61,000		Total	32,799		62,61,000

Note: Interest = ₹ 54,72,000 × 12% × $\frac{1}{365}$ = ₹ 1,799 (approx.)

3. Method of Products of Balances

Illustration 11: Account Current – Products of Balances Method

On 2nd January, Vinod opened a Current Account with the Allahabad Bank Limited and deposited a sum of ₹ 30,000. He further deposited the following amounts:

Deposit		Withdrawal		
15 th January	₹ 12,000	15 th February	₹ 26,000	
12 th March	₹ 8,000	10 th April	₹ 30,000	
10 th May	₹ 16,000	15 th June	₹ 14,000	

Show Vinod's a/c in the Ledger of the Allahabad Bank. Interest is to be computed at 5% on the Debit Balance and 2% on Credit Balance. The account is to be prepared as on 30th June. Computation may be made correct to the nearest rupee.

Solution:
Vinod Current Account with Allahabad Bank Ltd

Date	Particulars	Dr.	Cr.	Dr. or Cr.	Net Cum. Balance	Days	Debit Product	Credit Product
Jan 02	By Cash Account	–	30,000	Cr.	30,000	13	–	3,90,000
Jan 15	By Cash Account	–	12,000	Cr.	42,000	31	–	13,02,000
Feb 15	To Self	26,000	–	Cr.	16,000	25	–	4,00,000
Mar 12	By Cash Account	–	8,000	Cr.	24,000	29	–	6,96,000
Apr 10	To Self	30,000	–	Dr.	6,000	30	1,80,000	–
May 10	By Cash Account	–	16,000	Cr.	10,000	36	–	3,60,000
Jun 15	To Self	14,000	–	Dr.	4,000	15	60,000	–
Jun 30	By Interest A/c	–	140	Dr.	3,860	–	–	–
Jun 30	By balance c/d	–	3,860					
	Total	70,000	70,000				2,40,000	31,48,000

Note: Interest is computed as follows:

$$\text{On Credit Products: } \text{₹ } 31,48,000 \times 2\% \times \frac{1}{365} = 172.49 \quad \text{On Debit Products} = \text{₹ } 2,40,000 \times 5\% \times \frac{1}{365} = 32.88$$

$$\text{So, Net Interest} = 172.49 - 32.88 = 139.61$$

Illustration 12: Account Current – Method of Products and Products of Balances

From the following transactions in the books of Balasubramanian, prepare an Account Current, by means of Product and by means of Product of Balances, to be sent by him to M/s Mini for the quarter ending 31st March. Interest is to be charged and/or allowed at 12% p.a. (Amount in ₹)

Jan 1	Balance in Mini's Account (Credit)	3,500	Feb 15	Cash received	40,000
Jan 12	Sold goods to Mini (due 1 st February)	30,000	Feb 20	Cash received	7,500
Jan 31	Sold goods to Mini (due 15 th February)	27,500	Mar 10	Goods returned by Mini	7,000
			Mar 25	Cash received	6,500

Solution: **In the books of Balasubramaniam (Ledger from 1st Jan to 31st March)**

Dr. **Mini in Account Current with Balasubramaniam (Interest upto 31st March at 12% p.a.)** **Cr.**

Dt	Due	Particulars	₹	Days	Product	Dt	Due	Particulars	₹	Days	Product
Jan 12	Feb 1	To Sales A/c	30,000	58	17,40,000	Jan 1	Jan 1	By balance b/d	3,500	90	3,15,000
Jan 31	Feb 15	To Sales A/c	27,500	44	12,10,000	Feb 15	Feb 15	By Cash A/c	40,000	44	17,60,000
Mar 31	Mar 31	To Interest	130			Feb 20	Feb 20	By Cash A/c	7,500	39	2,92,500
Mar 31	Mar 31	To bal. c/d	6,870			Mar 10	Mar 10	By Sales Returns	7,000	21	1,47,000
						Mar 25	Mar 25	By Cash A/c	6,500	6	39,000
						Mar 31	Mar 31	By Balance of Products			3,96,500
		Total	64,500		29,50,000			Total	64,500		29,50,000

$$\text{Note: Interest} = \text{₹ } 3,96,500 \times 12\% \times \frac{1}{365} = \text{₹ } 130 \text{ (approx.)}$$

Products of Balances Method

Date	Particulars	Dr.	Cr.	Dr./Cr. Balance	Net Cum Balance	Days	Dr. Product	Cr. Product
Jan 1	Balance b/d	–	3,500	Cr.	3,500	11	–	38,500
Jan 12	Sales (Due Date 1 Feb)	NA	–	Cr.	3,500	(Note) 20	–	70,000
Jan 31	Sales (Due Date 15 Feb)	NA	–	Cr.	3,500	(Note) 1	–	3,500
Feb 1	Invoice of Jan 12	30,000	–	Dr.	26,500	14	3,71,000	–
Feb 15	Invoice of Jan 31	27,500	–	Dr.	54,000	–	–	–
Feb 15	Cash received	–	40,000	Dr.	14,000	5	70,000	–
Feb 20	Cash received	–	7,500	Dr.	6,500	18	1,17,000	–
Mar 10	Sales Returns	–	7,000	Cr.	500	15	–	7,500
Mar 25	Cash received	–	6,500	Cr.	7,000	6	–	42,000
Mar 31	Interest (See Note below)	130	–	–	–	–	–	–
Mar 31	Closing Balance	6,870	–	–	–	–	–	–
	Total	64,500	64,500	–	–	–	Total	5,58,000 1,61,500

Note: Since Rate of Interest on Dr. and Cr. Balances is uniform at 12%, Interest can be directly calculated on the Net Balance of ₹ 5,58,000 – ₹ 1,61,500 = ₹ 3,96,500. So, Interest = ₹ 3,96,500 × 12% × $\frac{1}{365}$ = ₹ 130 (approx.)

Invoices dated 12th Jan and 31st Jan are due only from 1st Feb and 15th Feb respectively. Hence, number of days from 12th Jan to 1st Feb = 20 days, and from 31st Jan to 1st Feb (next due date) = 20 days and 1 day.

Illustration 13: Account Current – Method of Products and Products of Balances

N19

Roshan has a Current Account with Partnership Firm. It has a Debit Balance of ₹ 75,000 as on 01.07.2020. He has further deposited the following amounts:

Date	Amount (₹)
14.07.2020	1,38,000
18.08.2020	22,000

He withdrew the following amounts:

Date	Amount (₹)
29.07.2020	97,000
09.09.2020	11,000

Show Roshan's A/c in the Ledger of the Firm. Interest is to be calculated at 10% on Debit Balance and 8% on Credit Balance. You are required to prepare Current Account as on 30th September 2020.

Solution:

Roshan Current Account with Partnership Firm

Date	Particulars	Dr.	Cr.	Dr. / Cr.	Net Cum Balance	Days	Debit Product	Credit Product
01-07-2020	To Balance b/d	75,000	–	Dr.	75,000	13	9,75,000	–
14-07-2020	By Cash / Bank	–	1,38,000	Cr.	63,000	15	–	9,45,000
29-07-2020	To Cash / Bank	97,000	–	Dr.	34,000	20	6,80,000	–
18-08-2020	By Cash / Bank	–	22,000	Dr.	12,000	22	2,64,000	–
09-09-2020	To Cash / Bank	11,000	–	Dr.	23,000	22	5,06,000	–
30-09-2020	To Interest	457	–	Dr.	23,457	–	–	–
							24,25,000	9,45,000

Note: Interest is computed as follows:

$$\text{On Credit Products: } ₹ 9,45,000 \times 8\% \times \frac{1}{365} = 207$$

$$\text{On Debit Products} = ₹ 24,25,000 \times 10\% \times \frac{1}{365} = 664$$

$$\text{So, Net Interest Debit} = 664 - 207 = 457$$