



# MODULE -5

## **B**ASIC **A**CCOUNTING

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# **MODULE -5**

## **CONTENT**

### **Elementary Preparation of Books of Accounts:**

➤ **Journals**

➤ **ledgers and trial balance**

➤ **Final Accounts**

a) Trading Account

b) Profit & Loss Account without adjustments

c) Balance Sheet

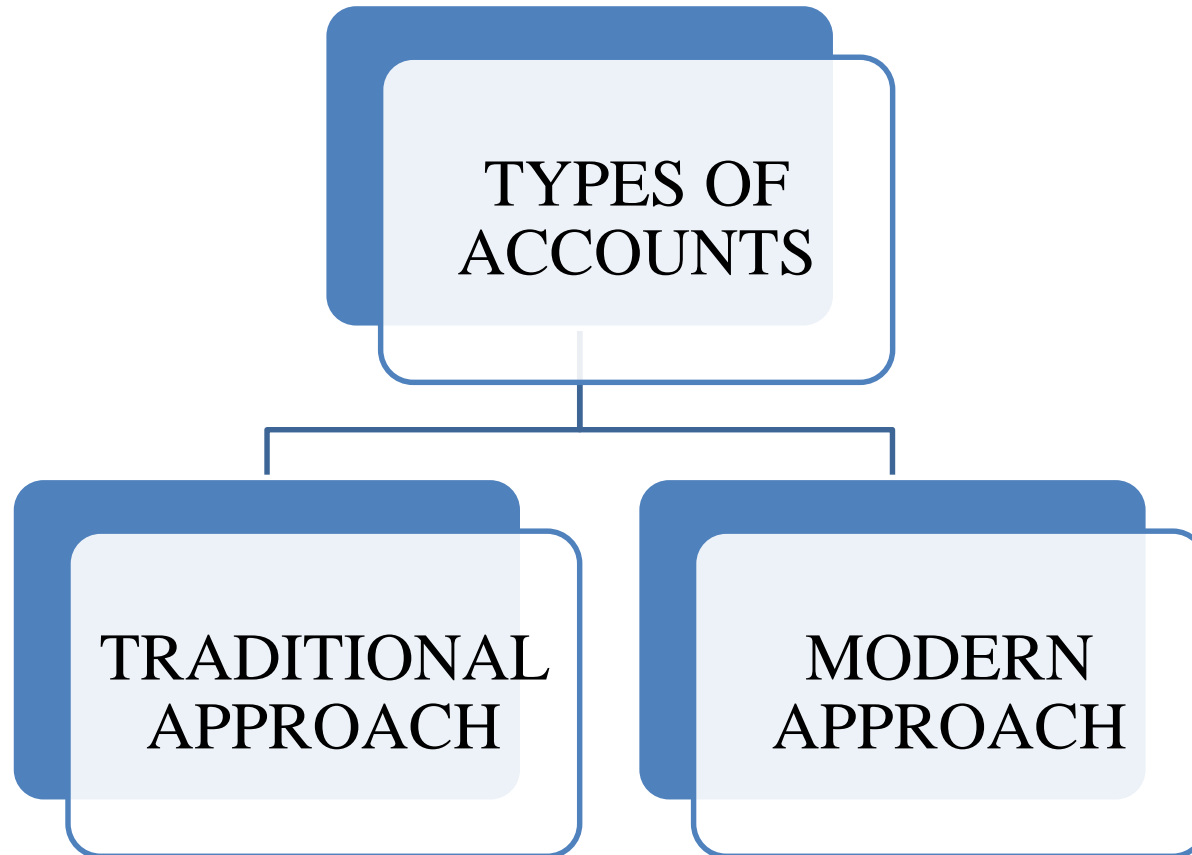
# JOURNAL ENTRY

A **journal** is a detailed account that records all the financial transactions of a business, to be used for the future reconciling of accounts and the transfer of information to other official accounting records, such as the general ledger.

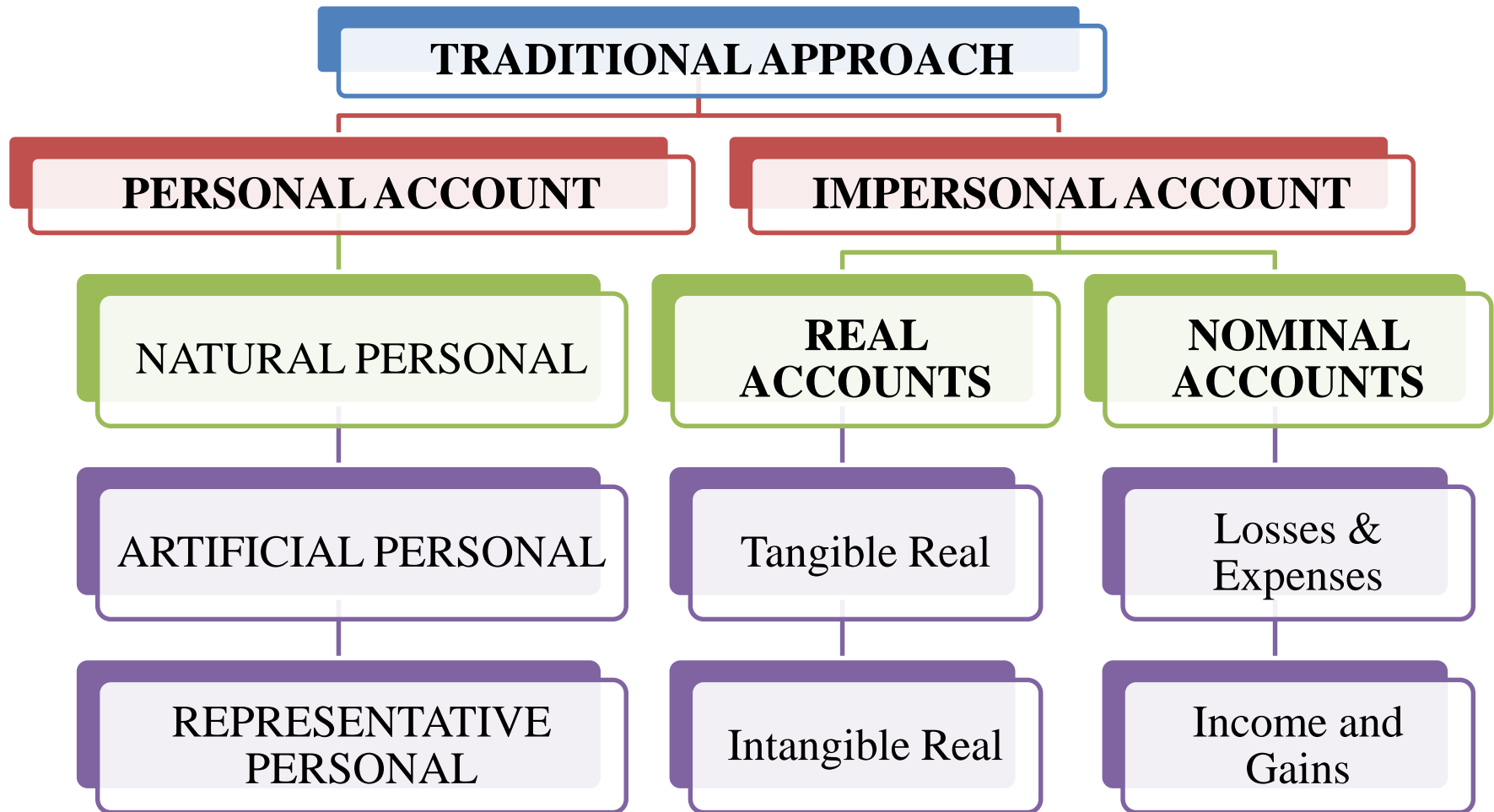
Journal is a book containing a record of each day's transactions. The journal is a primary book where transactions are recorded in chronological order.

# BOOKS OF ORIGINAL ENTRY

## BOOKS OF ORIGINAL ENTRY (JOURNAL AND SUBSIDIARY BOOKS)



# BOOKS OF ORIGINAL ENTRY



# BOOKS OF ORIGINAL ENTRY

## TRADITIONAL APPROACH

**PERSONAL  
ACCOUNT**

**DEBIT THE  
RECEIVER  
OR  
CREDIT THE  
GIVER**

**REAL  
ACCOUNTS**

**DEBIT WHAT  
COMES IN  
OR  
CREDIT  
WHAT GOES  
OUT**

**NOMINAL  
ACCOUNTS**

**DEBIT ALL  
LOSSES AND  
EXPENSES  
OR  
CREDIT ALL  
INCOMES  
AND GAINS**

# BOOKS OF ORIGINAL ENTRY

## **EXPLANATION:**

### **(A) PERSONAL ACCOUNTS:**

Accounts of Individuals firms or companies and their representatives are such accounts.

#### **(i) Natural Personal:**

(Ram's A/c, Debtors A/c, Creditors A/c, Capital A/c, Drawings A/c)

#### **(ii) Artificial Personal:**

(Reliance Ltd., Society, Corporate, Banks etc.)

# BOOKS OF ORIGINAL ENTRY

## (iii) Representative Persons:

**(a) Outstanding Expenses:** Such expenses of the business which have been incurred during the financial year but the payment for which has not been made. **(Treated as Current Liabilities)**

**(b) Prepaid Expenses:** If the payment of expenses pertaining to the next financial year is made in the current financial year then such advance payment is known as prepaid expenses. **(Treated as Current Assets)**

**(C) Accrued/Outstanding Income:** Income which has been earned in the current year in the business but not received till the end of the accounting year. **(Treated as Current Assets)**

**(d) Unearned Income or Income received in Advance:** The Income concerned with the next financial year is received in the current financial year is known as unearned Income. **(Treated as Current Liabilities)**



# TRADE AND CASH DISCOUNT

## DISCOUNT

```
graph TD; A[DISCOUNT] --> B[TRADE DISCOUNT]; A --> C[CASH DISCOUNT]; B --> D["- At the time of sale.  
- To promote sale."]; C --> E["- To get early payment.  
- At the time of sale or after the sale."]; D --> F["No Entry is passed in the books of accounts. The amount of Trade Discount will directly deducted from main selling amount."]; E --> G["- Entry will be made with the amount of cash discount.  
Cash Discount a/c Dr.  
To Sales a/c"]; style A fill:#d9e1f2,stroke:#333,stroke-width:1px; style B fill:#d9e1f2,stroke:#333,stroke-width:1px; style C fill:#d9e1f2,stroke:#333,stroke-width:1px; style D fill:#d9e1f2,stroke:#333,stroke-width:1px; style E fill:#d9e1f2,stroke:#333,stroke-width:1px; style F fill:#d9e1f2,stroke:#333,stroke-width:1px; style G fill:#d9e1f2,stroke:#333,stroke-width:1px;
```

### TRADE DISCOUNT

- At the time of sale.
- To promote sale.

No Entry is passed in the books of accounts. The amount of Trade Discount will directly deducted from main selling amount.

### CASH DISCOUNT

- To get early payment.
- At the time of sale or after the sale.

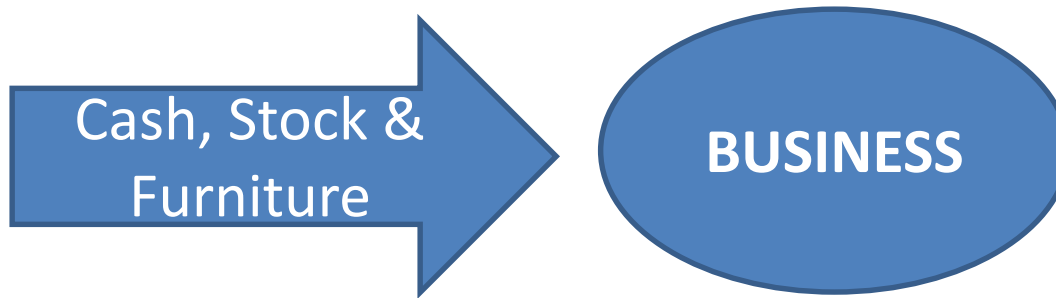
- Entry will be made with the amount of cash discount.

Cash Discount a/c      Dr.  
To Sales a/c

# JOURNAL ENTRY

**BUSINESS STARTED WITH THE BY PALLAVI**

**IN CASH = 500000 Rs., STOCK=100000, FURNITURE=50000**



**1<sup>st</sup> A/c = CASH A/C (REAL A/C)**

**STOCK A/C**

**FURNITURE A/C**

**2<sup>nd</sup> A/c = CAPITAL A/C (PERSONAL A/C)**

<b>CASH A/C</b>	<b>Dr.</b>	<b>500000</b>
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<b>STOCK A/C</b>	<b>Dr.</b>	<b>100000</b>
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<b>FURNITURE A/C</b>	<b>Dr.</b>	<b>50000</b>
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<b>To CAPITAL A/C</b>		<b>650000</b>
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**(Business started with cash, stock and furniture by pallavi)**

# JOURNAL ENTRY

**GOODS PURCHASED = 50000**

**GOODS PURCHASED IN CASH = 50000**

**GOODS PURCHASED FROM SHEFALI = 60000**

**GOODS PURCHASED IN CASH FROM SAKIBUL = 40000**

**1<sup>st</sup> A/c = CASH A/C (REAL A/C)**

**2<sup>nd</sup> A/c = PURCHASE A/C (REAL A/C)**

**Purchase a/c Dr. 50000**

**To Cash a/c 50000**

**(Goods Purchased in cash)**

**1<sup>st</sup> A/c = SHEFALI A/C (PERSONAL A/C)**

**2<sup>nd</sup> A/c = PURCHASE A/C (REAL A/C)**

**Purchase a/c Dr. 50000**

**To Shefali a/c 50000**

**(Goods Purchased from Shefali)**

**Shefali a/c Dr. 50000**

**To Cash a/c 50000**

**(Payment made to Shefali)**

# JOURNAL ENTRY

**GOODS SOLD = 70000**

**GOODS SOLD IN CASH = 70000**

**GOODS SOLD TO MEGHA = 80000**

**GOODS SOLD IN CASH TO AMIT KUMAR = 75000**

**1<sup>st</sup> A/c = CASH A/C (REAL A/C)**

**2<sup>nd</sup> A/c = SALES A/C (REAL A/C)**

**Cash a/c Dr. 70000**

**To Sales a/c 70000**

**(Goods Purchased in cash)**

**1<sup>st</sup> A/c = MEGHA A/C (PERSONAL A/C)**

**2<sup>nd</sup> A/c = SALES A/C (REAL A/C)**

**Megha's a/c Dr. 80000**

**To Sales a/c 80000**

**(Goods Purchased from Shefali)**

**Cash a/c Dr. 80000**

**To Megha's a/c 80000**

**(Payment made to Shefali)**

# JOURNAL ENTRY

**PURCHASE RETURN = 10000**

**GOODS RETURN TO SHEFALI = 8000**

**1<sup>st</sup> A/c = PURCHASE A/C (REAL A/C)**

**2<sup>nd</sup> A/c = PURCHASE RETURN A/C (REAL A/C)**

**Purchase Return a/c Dr. 10000**  
**To Purchase a/c 10000**  
**(Goods Returned to Supplier)**

**1<sup>st</sup> A/c = SHEFALI A/C (PERSONAL A/C)**

**2<sup>nd</sup> A/c = PURCHASE RETURN A/C (REAL A/C)**

**Shefali's a/c Dr. 8000**  
**To Purchase a/c 8000**  
**(Goods returned to Shefali)**

## JOURNAL ENTRY

## PURCHASE OF FIXED ASSETS

**PLANT AND MACHINE** = **500000**

**FURNITURE FROM PRIYANSHU = 200000**

**1<sup>st</sup> A/c = PLANT AND MACHINE (REAL A/C)**

**2<sup>nd</sup> A/c = CASH A/C (REAL A/C)**

Plant & Machine a/c	Dr.	500000	
To Cash a/c			500000

**(Plant & Machine purchased in cash)**

**1<sup>st</sup> A/c = FURNITURE A/C (REAL A/C)**

**2<sup>nd</sup> A/c = PRIYANSHU A/C (PERSONAL A/C)**

<b>Furniture a/c</b>	<b>Dr.</b>	<b>200000</b>	
<b>To Priyanshu a/c</b>			<b>200000</b>

**(Furniture purchased from Priyanshu)**

Priyanshu a/c	Dr.	200000	
To Cash a/c			200000

**(Payment made to priyanshu in cash)**

# JOURNAL ENTRY

## EXPENSES:

OFFICE EXPENSES = 10000

RENT PAID = 60000

1<sup>st</sup> A/c = OFFICE EXPENSES (NOMINAL A/C)

2<sup>nd</sup> A/c = CASH A/C (REAL A/C)

Office Expenses a/c Dr. 10000  
To Cash a/c 10000  
(Office expenses paid in cash)

1<sup>st</sup> A/c = RENT A/C (NOMINAL A/C)

2<sup>nd</sup> A/c = CASH A/C (REAL A/C)

Rent a/c Dr. 60000  
To Cash a/c 60000  
(Rent paid in cash for the month .....)

# JOURNAL ENTRY

## INCOME:

DISCOUNT RECEIVED = 5000

COMMISSION RECEIVED = 10000

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1<sup>st</sup> A/c = DISCOUNT RECEIVED A/C (NOMINAL A/C)

2<sup>nd</sup> A/c = CASH A/C (REAL A/C)

Cash a/c Dr. 5000  
To Discount Received a/c 5000  
(Discount received in cash)

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1<sup>st</sup> A/c = COMMISSION RECEIVED A/C (NOMINAL A/C)

2<sup>nd</sup> A/c = CASH A/C (REAL A/C)

Cash a/c Dr. 10000  
To Commission received a/c 10000  
(Commission received in cash from .....)



# JOURNAL ENTRY

**GOODS PURCHASED FROM AMIT @ Rs. 50000 ON 1<sup>ST</sup> OCT 2020.**

**PAID TO AMIT IN FULL SETTLEMENT ON 31<sup>ST</sup> DEC. 2020 = Rs. 49000**

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1 <sup>st</sup> A/c =	PURCHASE A/C	(REAL A/C)
2 <sup>nd</sup> A/c =	AMIT'S A/C	(PERSONAL A/C)

<b>Purchase a/c</b>	<b>Dr.</b>	<b>50000</b>	
<b>To Amit's a/c</b>			<b>50000</b>
<b>(Goods purchased from Amit)</b>			

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1 <sup>st</sup> A/c =	AMIT A/C	(PERSONAL A/C)
2 <sup>nd</sup> A/c =	CASH A/C	(REAL A/C)
3 <sup>rd</sup> A/c =	DISCOUNT RECEIVED A/C	(NOMINAL A/C)

<b>Amit's a/c</b>	<b>Dr.</b>	<b>50000</b>	
<b>To Cash a/c</b>			<b>49000</b>
<b>To Discount received a/c</b>			<b>1000</b>
<b>(Paid to Amit in full settlement and received discount 1000 rs)</b>			

# JOURNAL ENTRY

**GOODS SOLD TO NAMIRA @ Rs. 100000 ON 1<sup>ST</sup> OCT 2020.**

**GOODS RETURNED BY NAMIRA ON THE SAME DATE = 20000 Rs**

**AMOUNT RECEIVED FROM NAMIRA IN FULL SETTLEMENT AFTER  
DEDUCTING 10% DISCOUNT.**

1 <sup>st</sup> A/c	=	SALES A/C	(REAL A/C)
2 <sup>nd</sup> A/c	=	NAMIRA'S A/C	(PERSONAL A/C)

Namira's a/c	Dr.	100000	
To Sales a/c			100000
(Goods Sold to Namira)			

Sales return a/c	Dr.	20000	
To Namira's a/c			20000
(Goods returned by Namira)			

Cash a/c	Dr.	72000	
Discount Allowed a/c	Dr.	8000	
To Namira's a/c			80000
( Received from Namira in full settlement after deduction of 10% discount)			

# FORMAT OF JOURNAL

Date	Particulars	L.F.	V.F.	Amount Dr.	Amount Cr.
1 Apr. 2020	Cash A/c    Dr. To Capital A/c (Business started with cash by Ravi)			1000000	1000000

**Here:**

**Date** : **Date of Transaction**

**Particulars** : **Details of Transaction**

**L.F. (Ledger Folio)** : **Page no. of Ledge where particular transaction is posted.**

**V.F. (Voucher Folio)** : **Voucher No.**

**Amount Debit**

**Amount Credit**

# FORMAT OF JOURNAL

**Megha is a sole proprietor having a provisions store. Following are the transactions during the month of January 2021. Journalise them:**

- |     |  |           |           |
|-----|--|-----------|-----------|
| 1.  | Commenced Business with  | Cash      | 100000    |
|     |  | Stock     | 50000     |
|     |  | Furniture | 100000    |
| 2.  | Deposited cash with bank   |           | 50000     |
| 3.  | Purchased goods in cash  |           | 70000     |
| 4.  | Purchased goods from Shefali   |           | 100000    |
| 5.  | Goods sold to Pallavi in cash  |           | 50000     |
| 6.  | Goods sold to Sakibul  |           | 80000     |
| 7.  | Payment made to Shefali in full settlement and discount received 5%. |           |           |
| 8.  | Paid electricity charges   |           | 10000     |
| 9.  | Payment received from Sakibul in full settlement                     |           | 78500 Rs. |
| 10. | Rent paid for the previous month                                     |           | 20000     |
| 11. | Insurance Premium Paid   |           | 8000      |
| 12. | Drawing made by megha  | Cash      | 2000      |
|     |  | Goods     | 5000      |
| 13. | Free sample given to consumers                                       |           | 10000     |
| 14. | Loss by fire   |           | 5000      |

# FORMAT OF JOURNAL

Megha is a sole proprietor having a provisions store. Following are the transactions during the month of January 2021. Journalise them:

- 1. Commenced Business with**

Cash	100000	
Stock	50000	
Furniture	100000	
Cash a/c	Dr.	100000
Stock a/c	Dr.	50000
Furniture a/c	Dr.	100000
To Capital a/c		250000
  
- 2. Deposited cash with bank**

Bank a/c	Dr.	50000
To Cash a/c		50000
  
- 3. Purchased goods in cash**

Purchase a/c	Dr.	70000
To Cash a/c		70000

# FORMAT OF JOURNAL

Megha is a sole proprietor having a provisions store. Following are the transactions during the month of January 2021. Journalise them:

- |           |   |               |        |
|-----------|---|---------------|--------|
| <b>4.</b> | <b>Purchased goods from Shefali</b>   | <b>100000</b> |        |
|           | Purchase a/c      Dr.   | 100000        |        |
|           | To Shefali's a/c  |               | 100000 |
| <b>5.</b> | <b>Goods sold to Pallavi in cash</b>  | <b>50000</b>  |        |
|           | Cash a/c              Dr.   | 50000         |        |
|           | To sales a/c  |               | 50000  |
| <b>6.</b> | <b>Goods sold to Sakibul</b>  | <b>80000</b>  |        |
|           | Sakibul's a/c      Dr.  | 80000         |        |
|           | To Sales a/c  |               | 80000  |
| <b>7.</b> | <b>Payment made to Shefali in full settlement and discount received 5%.</b> |               |        |
|           | Shefali's a/c      Dr.  | 100000        |        |
|           | To Cash a/c   |               | 95000  |
|           | To Discount Received a/c  |               | 5000   |

# FORMAT OF JOURNAL

Megha is a sole proprietor having a provisions store. Following are the transactions during the month of January 2021. Journalise them:

- |  |     |              |       |
|--|-----|--------------|-------|
| <b>8. Paid electricity charges</b>                                   |     | <b>10000</b> |       |
| Electricity Charges a/c  | Dr. | 10000        |       |
| To Cash a/c  |     |              | 10000 |
| <b>9. Payment received from Sakibul in full settlement 78500 Rs.</b> |     |              |       |
| Cash a/c   | Dr. | 78500        |       |
| Discount Allowed a/c   | Dr. | 1500         |       |
| To Sakibul's a/c   |     |              | 80000 |
| <b>10. Rent paid for the previous month</b>                          |     | <b>20000</b> |       |
| Rent a/c   | Dr. | 20000        |       |
| To Cash a/c  |     |              | 20000 |
| <b>11. Insurance Premium Paid</b>                                    |     | <b>8000</b>  |       |
| Insurance Premium a/c  | Dr. | 8000         |       |
| To Cash a/c  |     |              | 8000  |

## FORMAT OF JOURNAL

**Megha is a sole proprietor having a provisions store. Following are the transactions during the month of January 2021. Journalise them:**

12. Drawing made by megha	Cash	2000
	Goods	5000

<b>Drawings a/c</b>	<b>Dr.</b>	<b>7000</b>	
<b>To Cash a/c</b>			<b>2000</b>
<b>To Purchase a/c</b>			<b>5000</b>

<b>13. Free sample given to consumers</b>	<b>10000</b>	
Free sample a/c	<b>Dr.</b>	<b>10000</b>
To Purchase a/c		<b>10000</b>

<b>14. Loss by fire</b>		<b>5000</b>	
<b>Loss by fire a/c</b>	<b>Dr.</b>	<b>5000</b>	
<b>To purchase a/c</b>			<b>5000</b>



# FORMAT OF LEDGER

DR.		NAME OF ACCOUNT				CR.	
DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT

**Example:**

DR.		Cash a/c				CR.	
DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Capital a/c	1	100000		By Bank A/c		50000
	To Sales a/c		50000		By Purchase a/c		70000
	To Sakibul's a/c		78500		By Shefali's a/c		95000
	To Sales a/c		40000		By Electricity Charges		10000
					By Rent A/c		20000
					By Insurance Prem.		8000
					By Drawings		2000
					<b>By Balance c/d</b>		<b>13500</b>
	TOTAL		268500				268500

# LEDGER

DR.				Furniture a/c				CR.			
DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT				
	To Capital a/c	1	100000		By Bal. C/d		100000				

## Capital a/c

DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Balance c/d		250000		By Cash		100000
					By Stock		50000
					By Furniture		100000

## Stock a/c

DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Capital	1	50000		By Bal c/d		50000

# LEDGER

DR.				Bank a/c				CR.			
DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT				
	To Cash a/c	1	50000		By balance c/d		50000				

## Purchase a/c

DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
2/1	To Cash a/c To Shafali's a/c	28	70000 100000		By Drawings a/c By Free Sample a/c <b>By Balance c/d</b>		5000 10000 <b>155000</b>
	TOTAL		170000		TOTAL		170000

DR.				Shafali's a/c				CR.			
DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT				
	To Cash a/c To Discount Rec.		95000 5000		By Purchase a/c		100000				

## Sales a/c

DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Balance c/d		170000		By Cash a/c By Sakibul's a/c By Cash a/c		50000 80000 40000

# LEDGER

DR.

Sakibul's a/c

CR.

DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Sales a/c	1	80000		By Cash a/c		78500
					By Dis. Allowed a/c		1500

## Discount Received a/c

DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
					By Shefali's a/c		5000

## Electricity Charges a/c

DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Cash a/c		10000				

## Discount Allowed a/c

DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Sakibul's A/c		1500				

# LEDGER

DR.				Rent a/c				CR.			
DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Cash a/c	1	20000								

## Insurance premium a/c

DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Cash a/c		8000				

## Drawings a/c

DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Cash a/c		2000				
	To Purchase a/c		5000				

## Free Sample a/c

DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Purchase a/c		10000				

# TRIAL BALANCE

Trial Balance is the heart of a business. It is a summary of the business activities. It is also an indicator of the financial health of the business.

Multiple entries in various accounts will make a Ledger. Taking all the ledger balances and presenting them in a single worksheet as on a particular date to check arithmetic accuracy, is Trial Balance.

# ADVANTAGES OF TRIAL BALANCE

**Arithmetical accuracy:** Given the nature of double entry system, every transaction will result in two entries of equal and opposite nature. Hence at any point in time all debit ledger totals will match to credit ledger totals. Since Trial Balance lists all the accounts as on a particular date, the debit total of a trial balance must match to the credit total.

## **Bird's-eye view:**

A trial balance is a summary sheet listing all ledges and balances. Hence it provides a bird eye view of the accounting transactions of an organization.

## **Prerequisite for preparation of Financial statements:**

An organization needs to know profit or loss and financial position at year end. And thus to prepare financial statements, Trial Balance is prerequisite. All stakeholders also need this information. It is the first step towards closure of accounts for a particular period.

# METHODS OF PREPARING TRIAL BALANCE

## METHODS OF PREPARING TRIAL BALANCE

### BALANCE METHOD

Trial Balance is prepared by taking up the balance of each ledger account.

### TOTAL METHOD

Trial balance is prepared by taking up the total of both debits and credits of all ledger accounts.

### COMPOUND METHOD

It is a combination of both the above accounts. It is also known as **Total Cum Balance Method.**



# FORMAT OF TRIAL BALANCE

**Trial Balance as on .....(Balance Method)**

S.No.	Name of Account	LF	Amount	
			Debit	Credit
1	Cash A/c		13500	-
2	Furniture a/c		100000	-
3	Capital a/c		-	250000
4	Stock a/c		50000	-
5	Bank a/c		50000	-
6	Purchase a/c		155000	-
7	Sales a/c		-	170000

# FORMAT OF TRIAL BALANCE

**Trial Balance as on .....(Total Method)**

S.No.	Name of Account	LF	Amount	
			Debit	Credit
1	Cash A/c		268500	255000
2	Furniture a/c		100000	-
3	Capital a/c		-	250000
4	Stock a/c		50000	-
5	Bank a/c		50000	-
6	Purchase a/c		170000	15000
7	Sales a/c		-	170000

# FORMAT OF TRIAL BALANCE

**Trial Balance as on .....(Combined Method)**

S.No.	Name of Account	LF	Amount			
			Balance Method		Total Method	
			Debit	Credit	Debit	Credit
1	Cash A/c		13500	-	268500	255000
2	Furniture a/c		100000	-	100000	-
3	Capital a/c		-	250000	-	250000
4	Stock a/c		50000	-	50000	-
5	Bank a/c		50000	-	50000	-
6	Purchase a/c		155000	-	170000	15000
7	Sales a/c		-	170000	-	170000

# Question

## Question:

1. Priyanshu started business with cash Rs. 80000, Goods Rs. 40000 and Furniture Rs. 20000.
2. Sold goods to Namira of the list price Rs. 20000 at trade discount of 10%.
3. Paid rent Rs. 800, Trade expenses Rs. 400 and travelling expenses Rs. 500.
4. Paid into bank for opening a current account Rs. 25000.
5. Bought goods from kamal for Rs. 20000 at a trade discount of 10% and cash discount of 2%. Paid 60% amount immediately.
6. Received from namira full amount at 5% discount.
7. Salary due to clerk Rs. 10000.
8. Charge interest on drawings Rs. 800
9. Received Rs. 4000 from Suhas, which were written off as bad debt in previous year.
10. Total rent paid this year Rs. 40000, @ Rs. 3000 per month.
11. Loan taken for Car for office use Rs. 100000.
12. Paid installation charges on machinery Rs. 1000.
13. Goods purchased Rs. 30000, carriage paid on them Rs. 3000.
14. Provide interest on capital @ 6%
15. Goods costing Rs. 1000 given as charity, Rs 2000 used by proprietor for his personal use, Rs. 2000 distributed as free samples.

# Question

## Question:

2. Sold goods to Namira of the list price Rs. 20000 at trade discount of 10%.

Namira's a/c	Dr.	18000	
To Sales a/c			18000
(Goods sold to Namira at a 10% trade discount)			

3. Paid rent Rs. 800, Trade expenses Rs. 400 and travelling expenses Rs. 500.

Rent a/c	Dr.	800	
Trade Expenses a/c	Dr.	400	
Travelling Expenses a/c	Dr.	500	
To Cash a/c			1700

4. Paid into bank for opening a current account Rs. 25000.

Bank a/c	Dr.	25000	
To Cash a/c			25000

# Question

## Question:

5. Bought goods from kamal for Rs. 20000 at a trade discount of 10% and cash discount of 2%. Paid 60% amount immediately.

Purchase a/c	Dr.	18000	
To Cash a/c			10584
To Kamal's a/c			7200
To Discount Received a/c			216

(Goods purchased from Kamal at a 10% trade discount and 2% cash discount)

6. Received from namira full amount at 5% discount.

Cash a/c	Dr.	17100	
Discount Allowed a/c	Dr.	900	
To Namira's a/c			18000

7. Salary due to clerk Rs. 10000.

Salary a/c	Dr.	10000	
To Outstanding Salary			10000

# Question

## Question:

8. Charge interest on drawings Rs. 800

Drawing a/c	Dr.	800	
	To Interest on Drawings		800

9. Received Rs. 4000 from Suhas, which were written off as bad debt in previous year.

Bad Debts a/c	Dr.	4000	
	To Suhas a/c		4000

Cash a/c	Dr.	4000	
	To Bad Debts Recovered a/c		4000

Bad Debts Recovered a/c	Dr.	4000	
	To Bad Debts a/c		4000

10. Total rent paid this year Rs. 40000, @ Rs. 3000 per month.

Rent a/c	Dr.	36000	
Prepaid Rent a/c	Dr.	4000	
	To Cash a/c		40000

## Question:

Bank a/c	Dr.	100000	
To Car Loan a/c			100000

Machinery a/c	Dr.	1000	
To Cash a/c			1000

Purchase a/c	Dr.	30000	
Carriage Inward a/c	Dr.	3000	
To Cash a/c			33000

Interest on Capital a/c	Dr.	8400	
To Capital a/c			8400



# Question

## Question:

- 15      Goods costing Rs. 1000 given as charity, Rs 2000 used by proprietor for his personal use, Rs. 2000 distributed as free samples.

Charity a/c	Dr.	1000	
Drawings a/c	Dr.	2000	
Free sample a/c	Dr.	2000	
To Purchase a/c			5000

16.      Goods sold to

# Question

DR.				Cash a/c				CR.			
DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Capital a/c		80000		By Rent a/c		800				
	To Namira's a/c		17100		By Trade Exp. a/c		400				
	To Bad Debts Rec.		4000		By Travelling Exp. a/c		500				
	To Bank a/c		40184		By Bank a/c		25000				
					By Purchase a/c		40584				
					By Rent a/c		36000				
					By Prepaid Rent a/c		4000				
					By Machine a/c		1000				
					By Purchase a/c		30000				
					By Carriage Inward		3000				
	TOTAL		141284		TOTAL		141284				

DR.				Bank a/c				CR.			
DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT	DATE	PARTICULARS	JF	AMOUNT
	To Cash a/c		25000		By Cash a/c		40184				
	To Car Loan a/c		100000		By Balance c/d		84816				
	TOTAL		125000		TOTAL		125000				

# FINANCIAL STATEMENT

**Financial analysis** is a process of selecting, evaluating, and interpreting financial data, along with other pertinent information, in order to formulate an assessment of a company's present and future financial condition and performance.

Financial statement analysis is a judgemental process which aims to estimate current and past financial positions and the results of the operation of an enterprise, with primary objective of determining the best possible estimates and predictions about the future conditions.

# FINANCIAL STATEMENT

Financial  
Statement  
Includes

Analysis

Interpretation

The term analysis means simplification of financial data by methodical classification given in the financial statements.

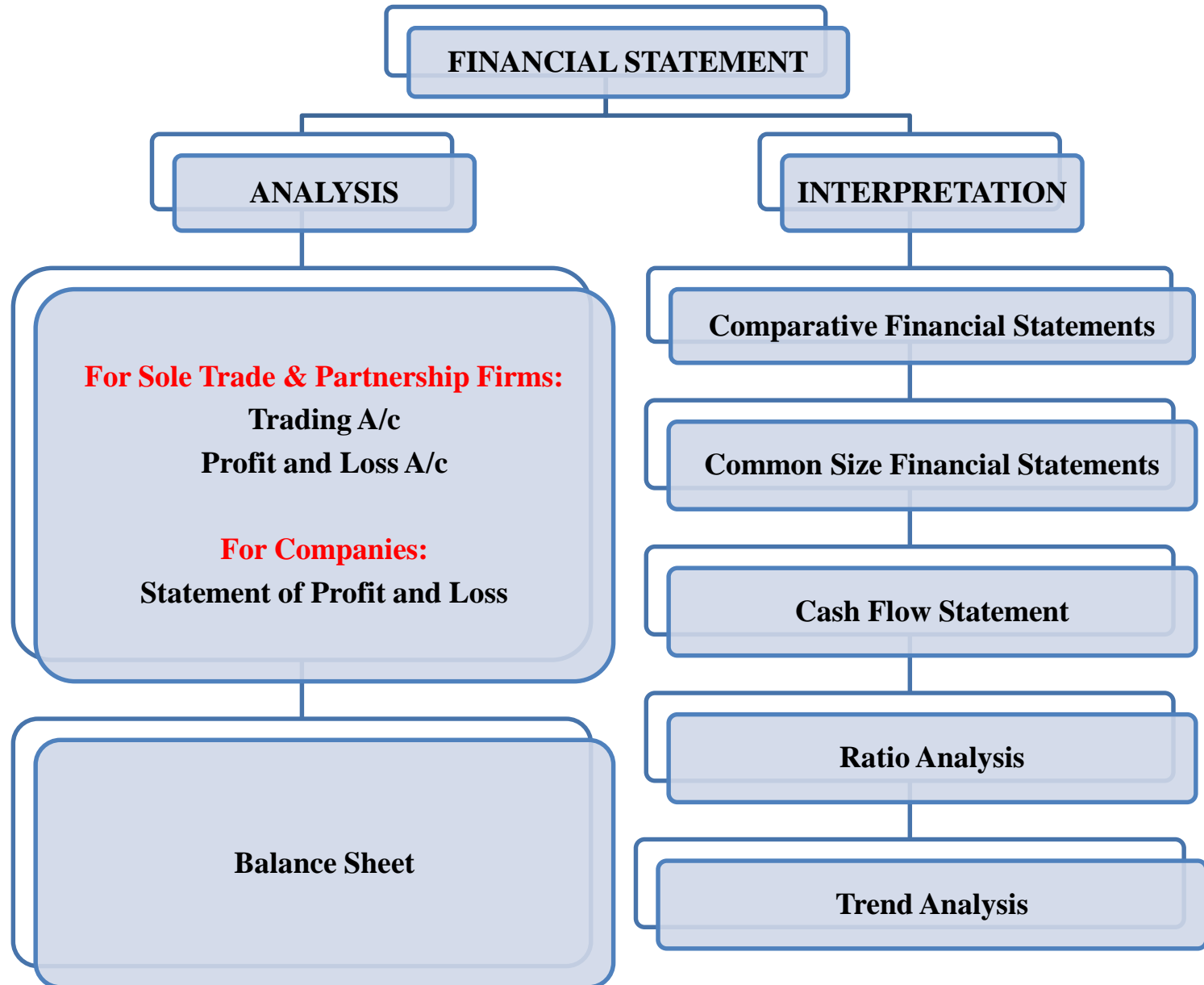
Interpretation means explaining the meaning and significance of the data. These two are complimentary to each other.

Analysis is useless without interpretation, and interpretation without analysis is difficult or even impossible.

# OBJECTIVE OF FINANCIAL STATEMENT

- These statements show an accurate state of a company's *economic assets and liabilities*.
- They help in predicting the extent of a company's *capacity to earn profits*. Stakeholders can use this data to make their financial decisions.
- These statements depict the *effectiveness of a company's management* that how well a company is performing .
- Financial Statements help readers of these statements know the *accounting policies* used in them.
- These statements also provide information relating to the company's *cash flows* to predict the company's liquidity and cash requirements.
- Finally, they explain the *social impact of businesses*. This is because it shows how the company's external factors affect its functioning.

# FINANCIAL STATEMENT



# Trading Account

**Trading A/c for the year ended .....**

Particulars	Amount	Particulars	Amount
To Opening Stock		By Sales	
To Purchase		(i) Credit Sales	
(i) Credit Purchase		(ii) Cash Sales	
(ii) Cash Purchase		<i>Less: Sales Return</i>	
<i>Less: Purchase Return</i>			
To Wages		By Closing Stock	
To Customs and import duty			
To Carriage inward			
To Royalty			
To Manufacturing Expenses			
 <b>To Gross Profit transferred to P&amp;L A/c</b>		 <b>By Gross Loss transferred to profit and loss account</b>	

# Profit & Loss Account

**Profit and Loss account for the year ended .....**

Particulars	Amount	Particulars	Amount
To Balance b/d (Gross Loss)		By Balance B/d (Gross Profit)	
To Indirect Expenses:		By Indirect Incomes:	
(i) Administrative Expenses		(i) Commission Received	
(ii) Selling Expenses		(ii) Interest Received	
(iii) Distribution Expenses		(iii) Dividend Received	
<b>To Balance C/d (Net Profit)</b>		<b>By Balance c/d (Net Loss)</b>	
<b>Transferred to Capital a/c</b>		<b>Transferred to Capital a/c</b>	
<b>TOTAL</b>		<b>TOTAL</b>	



# Balance Sheet

**Balance Sheet as at.....**

Liabilities	Amount	Assets	Amount
<b>Capital</b> Add: Net Profit Less: Net Loss Less: Drawings  <b>Long Term Loan</b>  <b>Current Liabilities:</b> Creditors Notes Payable Accounts Payable Outstanding Expenses Unearned Income Bank Overdraft		<b>Fixed Assets</b> Building Machine Loose Tools Goodwill Patent  <b>Investment</b>  <b>Current Assets:</b> Cash Short term Investment Accounts Receivable Prepaid Expenses Accrued Income	
<b>TOTAL</b>		<b>TOTAL</b>	

## Questions:

**1. From the following balances taken from the books of Simmi and Vimmi Ltd. for the year ending March 31, 2020, prepare Trading Account.**

	(Rs.)
Closing Stock	2,50,000
Net sales during the year	40,00,000
Net purchases during the year	15,00,000
Opening stock	15,00,000
Direct expenses	80,000

**Trading A/c of Simmi and Vimmi Ltd. For the year ended 31<sup>st</sup> March 2020**

Particulars	Amount	Particulars	Amount
To Opening Stock	1500000	By Sales	4000000
To Purchase	1500000	By Closing Stock	250000
To Direct Expenses	80000		
<b>To Gross Profit transferred to P&amp;L A/c</b>	<b>1170000</b>		
	<b>4250000</b>		<b>4250000</b>

## Questions:

**2. From the following balances extracted from the books of M/s Ahuja and Nanda Prepare Trading A/c:**

	(Rs.)
Opening Stock	25,000
Credit Purchases	7,50,000
Cash Purchases	3,00,000
Credit Sales	12,00,000
Cash Sales	4,00,000
Commission Received	10000
Wages	1,00,000
Salaries	1,40,000
Rent	15000
Closing stock	30,000
Sales return	50,000
Purchases return	10,000

**Answer:****Trading A/c of M/s Ahuja and Nandu Ltd. For the year ended 31<sup>st</sup> March 2020**

Particulars	Amount	Particulars	Amount
To Opening Stock	25000	By Sales	
To Purchase		(i) Credit Sales	1200000
(i) Credit Purchase	750000	(ii) Cash Sales	<u>400000</u>
(ii) Cash Purchase	<u>300000</u>		1600000
	1050000	Less: Sales Ret.	<u>50000</u>
Less: Purchase Ret.	<u>10000</u>		1550000
	1040000	By Closing Stock	30000
To Wages	100000		
<b>To Gross Profit transferred</b>			
<b>    to P&amp;L A/c</b>	<b>415000</b>		
	<b>1580000</b>		<b>1580000</b>

**Profit and Loss A/c of M/s Ahuja and Nandu Ltd. For the year ended 31<sup>st</sup> March 2020**

Particulars	Amount	Particulars	Amount
To Salary	140000	By Balance b/d (Gross Profit)	415000
To Rent	15000	By Commission	10000
<b>To Net Profit transferred</b>			
<b>    to Capital A/c</b>	<b>270000</b>		

## Questions:

**3. Prepare trading and profit and loss account and balance sheet as on March 31, 2020 :**

<b>Account Title</b>	<b>Amount Rs.</b>
Machinery	27,000
Capital	60,000
Sundry debtors	21,600
Bills payable	2,800
Drawings	2,700
Sundry creditors	1,400
Purchases	58,500
Sales	73,500
Wages	15,000
Sundry expenses	600
Rent & taxes	1,350
Carriage inwards	450
Bank	4,500
Opening stock	6,000
Closing stock as on March 31, 2020	22,400

**Answer:**

**Trading A/c for the year ended 31<sup>st</sup> March 2020**

Particulars	Amount	Particulars	Amount
To Opening Stock	6000	By Sales less return	73500
To Purchase less return	58500	By Closing Stock	22400
To Wages	15000		
To Carriage Inwards	450		
<b>To Gross Profit transferred to P&amp;L A/c</b>	<b>15950</b>		
<b>TOTAL</b>	<b>95900</b>	<b>TOTAL</b>	<b>95900</b>

**Profit and Loss A/c for the year ended 31<sup>st</sup> March 2020**

Particulars	Amount	Particulars	Amount
To Sundry Expenses	600	<b>By Balance b/d (Gross Profit)</b>	<b>15950</b>
To Rent & Taxes	1350		
<b>To Net Profit transferred to Capital A/c</b>	<b>14000</b>		
<b>TOTAL</b>	<b>15950</b>	<b>TOTAL</b>	<b>15950</b>

**Answer:**

**Balance Sheet as at 31<sup>st</sup> March 2020**

Liabilities		Amount	Assets		Amount
<b>Capital</b>	60000	71300	<b>Fixed Assets:</b>		27000
Add: Net Profit	<u>14000</u>		Machinery		
	<b>74000</b>				Nil
Less: Drawings	<u>2700</u>		<b>Investments:</b>		
<b>Current Liabilities:</b>		2800	<b>Current Assets:</b>		4500
Bills Payable			Cash at Bank		
Sundry Creditors			Sundry Debtors		21600
		1400	Closing Stock		22400
<b>TOTAL</b>		<b>75500</b>	<b>TOTAL</b>		<b>75500</b>

**1. Prepare a trading and profit and loss account for the year ending March 31, 2020. from the balances extracted of M/s Rahul Sons. Also prepare a balance sheet at the end of the year.**

<b>Account Title</b>	<b>Amount (Rs)</b>	<b>Account Title</b>	<b>Amount (Rs)</b>
Stock	50,000	Sales	1,80,000
Wages	3,000	Purchases Return	2,000
Salary	8,000	Discount Received	500
Purchases	1,75,000	Provision for doubtful debts	2,500
Sales Return	3,000	Capital	3,00,000
Sundry Debtors	82,000	Bills Payable	22,000
Discount Allowed	1,000	Commission Received	4,000
Insurance	3,200	Rent	6,000
Rent, Rates and Taxes	4,300		
Loan	34,800		
Fixtures and Fittings	20,000		
Trade Expenses	1,500		
Bad Debts	2,000		
Drawings	32,000		
Repairs and Renewals	1,600		
Travelling Expenses	4,200		
Postage	300		
Telegram expenses	200		
Legal fees	500		
Bills Receivable	50,000		
Building	1,10,000		
	<b>5,51,800</b>		<b>5,51,800</b>



### ***Adjustments:***

- 1. Commission received in advance Rs. 1,000.**
- 2. Rent receivable Rs.2,000.**
- 3. Salary outstanding Rs 1,000 and insurance prepaid Rs 800.**
- 4. Further bad debts Rs 1,000 and provision for doubtful debts @ 5% on debtors and discount on debtors @ 2%.**
- 5. Closing stock Rs. 32,000.**
- 6. Depreciation on building @ 6% p.a.**

### ***Working Note:***

- 1. Provision for Doubtful Debts:  $(82000 - 1000) \times 5/100 = 4050$*
- 2. Discount on Debtors:  $(82000 - 1000 - 4050) \times 2/100 = 1539$*
- 3. Depreciation on Building:  $110000 \times 6/100 = 6600$*

**Answer:**

**Trading A/c of M/s Rahul Sons. for the year ended 31<sup>st</sup> March 2020**

Particulars	Amount	Particulars	Amount
To Opening Stock	50000	By Sales 180000	
To Purchase 175000		<i>Less:</i> Sales Return <u>3000</u>	177000
<i>Less:</i> Pur. Return <u>2000</u>	173000		
To Wages 3000		By Closing Stock	32000
		<b>To Gross Profit transferred to P&amp;L A/c</b>	<b>17000</b>
<b>TOTAL</b>	<b>226000</b>	<b>TOTAL</b>	<b>226000</b>

**Answer:**      **Profit and Loss A/c of M/s Rahul Sons for the year ended 31<sup>st</sup> March 2020**

Particulars	Amount	Particulars	Amount
<b>To Balance b/d (Gross Loss)</b>	<b>17000</b>	By Discount Received	500
<b>To Salaries</b> <b>8000</b>		By Commission Rec.      4000	
Add: O/S Salary <u>1000</u>	9000	Less: Adv. Comm.              1000	3000
To Discount Allowed	1000	By Rent                              6000	
<b>To Insurance</b> <b>3200</b>		Add: O/s Rent                      2000	8000
Less: Prepaid Ins. <u>800</u>	2400		
To rent, rates and taxes	4300		
To Trade Expenses	1500		
<b>To Bad Debts</b> <b>2000</b>			
Add: further BD              1000			
Add: provision <u>4050</u>			
	7050		
Less: Old provision <u>2500</u>	4250		
To Discount on Debtors	1539		
To Depreciation	6600		
To Repair	1600		
To Travelling Exp	4200		
To Postage	300		
To Telegram Exp	200		
To Legal Fees	500		
<b>To Net Profit transferred to Capital A/c</b>			
<b>TOTAL</b>	<b>15950</b>	<b>TOTAL</b>	<b>15950</b>

