

Chapter 6 – Accounting Procedures – Rules of Debit and Credit

Question 1.

Following accounts are being maintained in the books of Shri Ashok. Classify them under Assets, Liabilities, Expenses and Revenue Accounts.

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

Question 2.

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

Question 3.

On which side will be the increase in the following accounts recorded? Also, mention 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	Traditional Approach
Furniture	Debit	Assets	Real Account
Mohan (Proprietor)	Credit	Capital	Personal Account
Salary	Debit	Expense	Nominal Account
Purchases	Debit	Expense	Nominal Account
Sales	Credit	Revenue	Nominal Account
Interest Paid	Debit	Expense	Nominal Account
Sohan (Creditor)	Credit	Liabilities	Personal Account
Ram (Debtor)	Debit	Assets	Personal Account

Question 4.

On which side will be the decrease in the following accounts recorded? Also, mention 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	Traditional Approach
Cash	Credit	Assets	Real Account
Bank Overdraft	Debit	Liability	Personal Account
Outstanding Salary Paid	Debit	Liability	Personal Account
Outstanding Rent	Debit	Liability	Personal Account
Prepaid Insurance	Credit	Asset	Personal Account
Mohan - proprietor of the business	Debit	Capital	Real Account

Question 5.

Following is the list of various accounts. Find out which are Assets, Liabilities, Capital, Revenue or Expense Accounts:

- i. Machinery
- ii. Bank
- iii. Sales
- iv. Purchases
- v. Unsold Stock
- vi. Bank Overdraft
- vii. Ram (Customer)
- viii. Cash
- ix. Interest Received
- x. Mohan (Proprietor)

Solution:

Account Name	Account Type
Machinery	Asset
Bank	Asset
Sales	Revenue
Purchases	Expense
Unsold Stock	Asset
Bank Overdraft	Liability
Ram (Customer)	Asset
Cash	Asset
Interest Received	Revenue
Mohan (Proprietor)	Capital

Question 6.

You are given a number of accounts below. State which of them will show a debit balance and which a credit balance:

- i. Carriage
- ii. Machinery
- iii. Sales
- iv. Cash
- v. Ram (Customer)
- vi. Sales Return
- vii. Purchases
- viii. Bad Debts
- ix. Discount Allowed
- x. Rent
- xi. Commission Received
- xii. Capital
- xiii. Repairs

xiv. Purchases Return

Solution:

Name of Account	Balance	Reason
Carriage	Debit	Expenses
Machinery	Debit	Asset
Sales	Credit	Revenue
Cash	Debit	Asset
Ram (Customer)	Debit	Debtor
Sale Return	Debit	Decreases in Revenue
Purchases	Debit	Expense
Bad Debts	Debit	Loss
Discount Allowed	Debit	Loss
Rent	Debit	Expense
Commission Received	Credit	Income
Capital	Credit	Proprietor's Liability
Repairs	Debit	To the Firm
Purchases Return	Credit	Decrease in Purchases

Question 7.

Put the following transactions on the proper side of an Interest Account:

- Interest earned Rs.2,000
- Interest paid Rs.1,000
- Interest due Rs.500

Solution:

Interest (Income) Account

Dr

Cr

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
				By Cash A/c (interest earned)	2,000
					2,000

Interest (Expense) Account

Dr

Cr

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Cash A/c (interest paid)	1,000			
	To Interest Outstanding A/c	500			
		1,500			

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 sold	₹14,000
v.	Depreciation on machinery	₹1,000

Solution:

Machinery (Asset) Account

Dr			Cr		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Bank A/c	40,000		By Bank A/c	10,000
	To Bank A/c	8,000		By Bank A/c	14,000
				By Depreciation A/c	1,000
				By Balance c/d	23,000
		48,000			48,000

Question 9.

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

Mohan started business with cash	₹ 40,000
Purchased goods	₹ 20,000
Sold goods	₹ 24,000
Paid rent	₹ 400
Paid salaries	₹ 600
Drew for personal use	₹ 1,000

Solution:

Cash Account

Dr				Cr			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
(i)	To Capital A/c		40,000	(ii)	By Purchases A/c		20,000
(ii)	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
			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. Purchased goods from Rakesh on credit	₹10,000

Solution:

Rakesh Account

Dr				Cr			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
(i)	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		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 (Debtors)

Dr				Cr			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
(i)	To Sale A/c		25,000	(ii)	By Cash A/c		10,000
					By Discount Received A/c		500
				(iii)	By Sale Return A/c		5,000
					By Balance c/d		9,500
			25,000				25,000

Question 12.

Solution:

Cash Account

Dr				Cr			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
(i)	To Sale A/c		20,000	(vi)	By Rent A/c		500
(iv)	To Sanjay A/c		19,000	(vii)	By Ram A/c		15,000
					By Balance c/d		23,500
			39,000				39,000

Sanjay (Debtors)

Dr				Cr			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
(i)	To Sale A/c		50,000	(iv)	By Cash A/c		19,000
				(v)	By Sale Return A/c		2,000
					By Balance c/d		29,000
			50,000				50,000

Ram (Creditors)

Dr				Cr			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
(i)	To Cash A/c		15,000	(iii)	By Purchase A/c		25,000
	To Balance c/d		10,000				
			25,000				25,000

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

Question 13.

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

1st April, 2015 - Commenced business with cash	₹20,000
31st March, 2016 - Net Loss as per Profit and Loss Account	₹1,800
31st March, 2016 - Drawings during the period	₹1,500

Balance the same and explain what the closing balance indicates.

Solution:

Capital Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2016				2015			
Mar 31	To Profit and Loss A/c (Net Loss)		1,800	Apr 01	By Cash A/c		20,000
Mar 31	To Drawing A/c		1,500				
Mar 31	To Balance c/d		16,700				
			20,000				20,000

Question 14.

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

i.	Gaurav started business with cash	₹1,00,000
ii.	He purchased furniture for business	₹20,000
iii.	Purchased 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:

S. No	Transaction	Determine Accounts	Classify Account	Reason	Amount	
					Debit ₹	Credit ₹
i.	Gaurav started business with Cash	Cash A/c Capital A/c	Asset Capital	Increase Increase	1,00,000	1,00,000
ii.	He purchased furniture for business	Furniture A/c Cash A/c	Asset Asset	Increase Decrease	20,000	20,000
iii.	Purchased good on credit from Anshul	Purchases A/c Anshul A/c	Expenses Liabilities	Increase Increase	6,000	6,000
iv.	Paid to his Creditor, Anshul	Anshul A/c Cash A/c	Liabilities Asset	Decrease Decrease	2,000	2,000
v.	Paid salary to clerk	Salary A/c Cash A/c	Expense Asset	Increase Decrease	1,000	1,000
vi.	Paid Rent	Rent A/c Cash A/c	Expense Asset	Increase Decrease	500	500
vii.	Received interest	Cash A/c Interest A/c	Asset Income	Increase Increase	200	200

Question 15.

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	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2013				2015			
Mar 10	To Drawings A/c		10,000	Apr 01	By Cash A/c		45,000
Nov 30	To Drawings A/c (Income Tax)		5,000	July 15	By Cash A/c		55,000
2014				2014			
Mar 31	To Balance c/d		1,15,000	Mar 31			30,000
			1,30,000				1,30,000