

CHAPTER 1: INTRODUCTION TO BOOK KEEPING**Q.1. DEFINE BOOK KEEPING? WHAT ARE THE OBJECTIVES OF BOOK KEEPING?**

ANS: In very simple words, Book Keeping refers to recording of various business transactions in the books of accounts.

DEFINITIONS:

- 1) "Book Keeping is the science and the art of recording monetary business transactions systematically in the books of accounts"
- 2) According to **Mr. Daver** "Book Keeping is an art or system of recording in classified manner the transactions of a merchant in the books of accounts".
- 3) According to **J.R. Batliboi** "Book Keeping is an art of recording business dealing in a set of books ".

OBJECTIVES OF BOOK KEEPING:

The Primary object of Book-Keeping is to serve the businessman himself, while its secondary object is to serve the government and other outsiders like investors, suppliers of goods and employees.

Various objects of Book-Keeping are summarised as follows:

- 1) To determine (Find out) whether the business is making profit or suffering loss.
- 2) To determine business assets & liabilities on a particular date.
- 3) To keep a permanent & complete record of all business transactions for future reference.
- 4) To know how much amount of money is receivable from others (Debtors)
- 5) To know how much amount of money is payable to others. (Creditors)
- 6) To help taking decisions on important matters.
- 7) To know the progress of the business as compared to previous years.
- 8) To satisfy legal requirements, as book keeping is compulsory under law in some types of business.
- 9) To know the amount of taxes payable to the government.
- 10) Books of accounts can be produced as evidence in court of law in case of disputes.

Thus above given was a brief note on definition & objects of book keeping.

Q.2. EXPLAIN THE IMPORTANCE OF BOOK KEEPING?

Ans: Book Keeping is of great importance to various parties like government, shareholders, employees, businessman etc. The importance of book keeping can be briefly explained with the help of the following points:

- 1) **Traders:** Book Keeping provides traders different types of valuable information like profitability, financial position, efficiency and progress of business etc. This enables the businessman to prepare business policies, control business activities, forecasting business activities etc.
- 2) **Management:** On the basis of information provided by the Book-Keeping & Accountancy, management can take important decisions on various problems & matters.
- 3) **Frauds and Errors:** Frauds and accounting errors can be easily detected with the help of records maintained by the businessman. Preventive measures and disciplinary action can be taken to minimise and avoid frauds and errors.

- 4) **Investors:** On the basis of information provided by co. through its income & financial statements, investors can decide whether or not to invest in a particular business.
- 5) **Shareholders:** Shareholders are the true owners of the company and hence they must know whether the fund is properly used or not. They can get valuable information about the functioning and profitability of the company, from the books of accounts.
- 6) **Lenders:** It helps the lenders of money and the suppliers of goods to decide whether or not to extend credit to a particular business.
- 7) **Purchaser:** It enables the purchaser to ascertain the true value of business.
- 8) **Government:** It enables the government to ascertain the amounts due from a business on account of taxes and duties.
- 9) **Trade Unions:** On the basis of information provided by the company through its accounting reports a trade union justifies its demand for wage hike. It helps the trade union to ascertain whether wages, salaries or bonus given to employees are fair and equitable.
- 10) **Public:** It enables the public i.e. consumers to ascertain whether price charged by the company on the goods and services they purchase is reasonable or not.

Q.3. EXPLAIN THE UTILITY OF BOOK-KEEPING ?

Ans: Utility (usefulness) of Book-Keeping to different parties can be explained as follows:

- 1) Book-Keeping is highly useful to the businessman as it gives information about profit earned or loss sustained by the business as well as its financial position for a particular period. This helps businessman to make suitable changes in his business policies.
- 2) It is useful to the management to take important decisions like expansion or contraction of business replacement of machineries and technology etc.
- 3) It is useful to the management to prepare planning and forecasting the business activities.
- 4) It is useful to the businessman as well as management to measure efficiency of the business by comparing current financial position with the last few years financial position.
- 5) It helps the government to ascertain the amounts due by a business on account of taxes and duties.
- 6) It enables the investors to decide whether or nor to invest in a particular business.
- 7) It helps the lenders of money and the suppliers of goods to decide whether or not to extend credit to particular business.
- 8) It helps the employees to ascertain whether the wages, salaries or bonus given to them are fair and equitable.
- 9) It enables the purchasers to ascertain the true value of a business.
- 10) Systematic, complete and chronological record of business transactions creates valuable evidence which can be used in future in a court of law to prove claims against an insurance company or any other party.

CHAPTER 2: MEANING OF BASIC ACCOUNTING TERMINOLOGIES

MEANING & DEFINITION OF BASIC ACCOUNTING TERMS

1) TRANSACTION: An activity of exchange of goods or services either for cash or on a credit basis is called as a “transaction”.

In simple words, it is business dealing between two persons or parties. Purchase/Sale of goods, payment of expenses, Receipt of income are the examples of transactions. In other words, it involves receiving or giving something. Every transaction requires a minimum of two persons or parties.

There are three categories of Business transactions:

- (a) **Cash Transactions:** Such transactions involve immediate or ready payment or receipt of cash, i.e. at the time when transaction takes place. E.g. Salary paid, cash sales, amount received from debtors etc. Such transactions are called as “Monetary Transactions”.
- (b) **Credit Transactions:** A Credit transaction does not involve any immediate or ready payment or receipt of cash. In such transactions the payment or receipt of cash or money is postponed to future date. E.g. Purchase of machine on credit, sale of goods on credit. Such transactions are called as non cash/monetary transactions.
- (c) **Barter/ Transaction in Exchange:** A transaction whereby present cash balance or even future cash balance is not involved is called “Transactions in Exchange”. e.g: Exchange of two old cars for a new car. Such transaction is more or less in the nature of “Barter”. Such transaction has cash/money value, but there is no exchange of cash at present or future.

2) GOODS: The terms ‘Goods’ is used for the articles or things in which a trader deals for trade purpose. They also refer to articles or commodities purchased by a trader for resale. E.g. Furniture is goods for a Furniture trader, Pens, pencils, ink or Papers are goods for a trader who does the business of stationery. If a Furniture trader purchases a pen than it is not goods for him or stationery merchant purchases furniture like Chair or Table than it is not goods but it is Furniture, because he has not purchased furniture for re-sale.

3) PURCHASES: Goods bought by a business are called ‘Purchases’.

4) SALES: Goods sold by a business are called ‘Sales’.

5) PURCHASE RETURNS: It is also called as Return Outward or goods return to supplier or Sales. Out of the purchases, some goods are defective or not as per the samples, thus such goods are to be returned to the seller or supplier is called Purchase Returns.

6) SALES RETURNS: It is also called Return Inward or goods returns from customers. Some time, out of sale, some goods are defective or not as per samples, thus our customers may return such goods to business is called ‘Sales Returns’.

7) DEBTOR: Debtor is a person who owes us something. He is a person from whom the business has to receive some amount. E.g. Poonam purchased goods worth Rs.500 from Preeti, then Poonam becomes the Debtor of Preeti as she owes (to pay) Rs. 500 to Preeti.

8) CREDITOR: Creditor is a person to whom we (business) owe something. He is a person to whom an amount is payable. E.g. Lalit purchased goods worth Rs. 400 from Satish, and then Satish becomes the Creditor of Lalit as he has to pay Rs. 400 to Satish.

9) BAD DEBTS: An amount which is not recoverable is called 'Bad Debts'. It is a loss to be suffered by the trader or businessman.

10) ASSETS: The Assets are property or possession owned by a person. A Flat is a property of the owner of that Flat. But it is not a property of tenant because he is not owner of that flat. Thus assets are the properties which a person owns, or possession of Land & Building, Plant & Machinery, Furniture, Goodwill, Motor Car, Cash & Bank Balances, Stock of goods, the amount due from Debtors are the examples of Assets or properties.

11) LIABILITIES: Liabilities are amounts or debts payable by a trader. It is the amount which a trader has to pay another. Capital, Creditors, Bank Overdraft, Loan taken, expenses due but not paid, Taxes due are some of the examples of Liabilities.

12) CAPITAL: Capital is the amount of money invested by the trader or businessmen in his trade or business. Whatever money, money's worth the proprietor / trader / owner brings into his business, is called Capital. In accountancy sense, capital means the excess of the assets over the liabilities from all the assets, what remain is called Capital. Capital = Assets - Liabilities.

e.g.- Mr. A has started the business with cash Rs. 10,000 & Goods Rs. 5,000, Loan (taken) Rs. 2000, Capital of A will be calculated as follows:-

$$\text{A's capital} = \text{Rs.10.000} + \text{Rs.5.000} - \text{Rs.2.000} = \text{Rs.13.000}$$

13) DRAWING: It is an amount of money or goods or things withdrawn from his business by the trader / private or domestic use. Drawing is the amount withdrawn from the business.

14) SOLVENT: A trader or a businessman or a person is considered to be Solvent when his assets are more than his liabilities or at least assets are equal to his liabilities. Such person is able to pay all his liabilities out of his assets.

15) INSOLVENT: A trader or a businessman or a person is considered to be insolvent when his liabilities are more than his assets. Such person is not in position to pay all his liabilities. E.g. Mr. Karodimal is a trader. His liabilities are Rs. 1,00,000 and his assets are Rs. 80,000. He cannot pay his liabilities of Rs. 1,00,000 fully because his assets worth Rs. 80,000 only or he can pay Rs. 80,000 only, remaining Rs. 20,000 (Rs. 1,00,000 - Rs. 80,000) he cannot pay. He is therefore, not solvent, but he is considered to be insolvent.

16) ENTRY: Entry means recording of a transaction. Entry can be made only for monetary transactions which can be measured in terms of money only. It is necessary to pass an entry of trade transactions such as sale or purchase of goods, receipt or payment of money, etc. Hence entry means proper recording of the fact of the transactions.

17) NARRATION: At the end of every entry, a brief explanation of entry is to be written. Such brief explanation of the entry is called 'Narration'. It shows a reason for passing of that entry. It should be written in bracket just below the entry. It should be written in simple language. It begins with the word 'Being', or 'For'.

18) BOOK OF PRIME ENTRY: These books are also called 'the books of original Entry'. These are the books of accounts in which business transaction are first recorded. Journal Books, Cash books, are the example of Books of Prime Entry.

19) JOURNAL: It is a book of prime entry wherein business transactions are first recorded. All daily transactions are to be properly recorded in terms of entry.

20) ACCOUNT: An account is a summarised record of transactions relating to a person, an asset, a liability, an expense or income. The word "Account" is written in short form "A/c". Accounts are classified as Real, Nominal & Personal. Every A/c is divided into two side such as 1) Left Hand side. This side is known as the 'Debit Side'. 2) Right Hand Side. This side is known as the credit side.

21) HEAD OF ACCOUNT: Head of Account is the name of the account. E.g. Building Account, Building is an asset and therefore Building is not a Real Account. Suraj Account, Suraj is the person hence it is a personal account.

22) LEDGER: It is a principle book in which all the accounts of the business are maintained. It includes all the different accounts, such as personal, Real & Nominal.

After entries, all accounts such as Building A/c., Capital A/c, Furniture A/c. are maintained in one Book; such book is called as Ledger.

23) FOLIO: Folio means the page number of the book of prime entry or the ledger. It helps in finding out on what page the prime original entry is made.

24) POSTING: The process of transferring of entries from the journal or the Subsidiary Books to the respective accounts in the Ledger is called posting. Every transaction is first recorded in the books of original entry or journal and then it is transferred to the ledger. This process is known as posting.

25) CASTING / TOTALING: Casting means making totals of the amt. in the books of account. It has to be done of all the ledger accounts & also of all books of prime entry.

26) DISCOUNT: Discount is any allowance or reduction allowed to the customer or Debtor or Retailer, etc. There are two types of Discount:

(A) Trade Discount: It is an allowance made by the wholesaler to the retailer for bulk purchases in order to earn more profit. It is not entered in the books of accounts.

(B) Cash Discount: It is a concession given to the buyer by the seller to pay his dues quickly.

27) INCOME: It is gain which is received in return of the service rendered.

28) EXPENSES: It is the amount which is spent on manufacturing & selling of goods & services.

29) PROFIT: Profit means the excess of income over expenses.

30) LOSS: When the expenses of a business are more than its revenue, the concern is said to have incurred a loss.

31) DEPRECIATION: Depreciation refers to a permanent decline in the value of Fixed Assets due to wear and tear. It is a kind of loss to the business.

32) DOUBLE ENTRY: Double means two & entry means recording in the books. Hence, under this system every transaction has two aspects, i.e. Debit & Credit.

33) GROSS PROFIT: Gross Profit is the excess of selling price of the goods sold over the cost of the goods sold i.e. $\text{Gross Profit (G.P.)} = \text{Sales} - \text{Cost of Sales}$.

34) GROSS LOSS: If cost of sales is more than the sales, then excess amount is treated as Gross Loss, i.e. $\text{Gross Loss} = \text{Cost of Sales} - \text{Sales}$.

35) NET PROFIT: Net Profit is arrived at after deducting all indirect expenses from the gross profit. It is added to the capital.

36) NET LOSS: When the indirect expenses are more than the amount of Gross Profit, the difference is known as Net Loss. It is deducted from capital.

37) LIVE STOCK: It is an amount of animals such as horses, dogs, cows, bullocks, etc. which are used in business as fixed assets.

38) SUSPENSE A/C: All the errors which affect one account will affect the agreement of Trial Balance at the end of the year, and the difference in the Trial Balance is put to Suspense Account.

39) DEBIT NOTE: A Debit Note is a statement sent by the buyer to the seller stating the full details of goods returned.

40) CREDIT NOTE: A Credit Note is a statement sent by seller to the customers. It gives the full details of goods returned.

41) SUBSIDIARY JOURNALS: Business transactions are classified and recorded in appropriate journals and such journals are known as "Subsidiary Books / Journals".

42) ADJUSTING ENTRIES: Adjusting Entries are the entries of unpaid expenses, pre-paid expenses; income received in advance, depreciation, etc.

43) BALANCE SHEET: It is a sheet showing the balances in the various accounts relating to assets and liabilities.

44) CONTRA ENTRY: Contra Entry means the entry which is made on both the sides of the three column cash book.

45) CHEQUE: A Cheque is an unconditional written order, drawn by the depositor on the particular bank, asking it to pay a certain sum of money.

CHAPTER 3: MEANING AND FUNDAMENTALS OF DOUBLE ENTRY BOOK KEEPING**ACCOUNTING PRINCIPLES:**

The word 'principle' in general means the fundamental truth or belief that is universally accepted by all. In accounting, it means the rules that are followed for accounting. Accounting Principle is a board term and it rules which all the rules & regulation, conventions, and concepts followed for during accounting. These are the rules for action and they are flexible.

NEED FOR UNIFORM ACCOUNTING PRINCIPLES:

Accounting means recording, classifying, summarising the financial transactions transacted by a concern and interpretations of the same.

Accounting has two main objectives:

- (1) Ascertaining the result and knowing the financial position as on a particular date.
- (2) Communication of results to various parties who are interested to know them.

There are various parties who are interested in the results of a concern. They are the (1) Owners (2) Management of the organisation or of the concern. (3) Short & long term creditors (4) Bank (5) Employees and their associations (6) Consumers and their associations (7) Tax authorities (8) Government.

Accounting is the language of business through which the results of an organisation are communicated to various interested bodies. Accounting statements are therefore required to be prepared on the basis of uniform accounting principles. If they are not prepared by following uniform principle or principles accepted by all parties, the statements will not be understandable to all the parties and communication, an important objective of accounting, will fail.

Accounting Principles can be broadly classified as:

- i) ACCOUNTING CONCEPTS
- ii) ACCOUNTING CONVENTIONS

ACCOUNTING CONCEPTS:

The word 'concept' in general means an image or opinion. It is an opinion formulated over the years based on experience. They are the basic assumptions or conditions upon which accounting are based. They are developed to convey the same meaning to all people.

Accounting concepts are inter-related and inter-dependent and they are flexible. There are different bodies in each country, which are evaluating these concepts and suggesting the changes. These bodies may be The Government or The Accountant's Body or Research institutions or The Legislation.

The various accounting concepts in XI commerce syllabus are as follows:

- | | |
|--------------------------|------------------------------|
| 1) Entity Concept | 2) Dual Aspect Concept |
| 3) Going Concern Concept | 4) Money Measurement Concept |
| 5) Cost Concept | 6) Accrual Concept |
| 7) Realisation Concept | |

ACCOUNTING CONCEPTS**(1) ENTITY CONCEPT:**

This concept is also known as Enterprise concept. While recording business transactions in the books of accounts, it is assumed that a business is separate from the owner.

This accounting practice is followed because accountants assume that business is separate from the owner of the business. Owner's personal transactions transacted out of the personal property are not recorded in the books of the business. It decides the transactions that are recorded and those, which are not to be recorded.

Therefore, when the proprietor introduces a capital we record the same transaction in the books as:

Cash A/c...Dr.

To Proprietor's Capital A/c.

The proprietors' capital is shown liability side as a payable amount.

The basic assumption of business as separate entity is applied for all the organisations irrespective of the fact they are recognised as such by the applicable laws. E.g. A sole trading concern is not recognised as a separate entity by law and the proprietor's liability is unlimited even though while doing accounting for a sole trading concern entity concept is applied.

(2) DUAL ASPECT CONCEPT:

The word 'dual' means 'two' and the word 'aspect' refer to 'effects'. Hence, the term 'dual aspect' means 'two effects'. The rules of double entry system of bookkeeping are formed on the basis of this concept.

As per this concept, every business transaction has a dual effect. For example, if 'Manohar' starts business with cash Rs. 1,00,000/- there are two aspects of the transaction: 'Asset Account' and 'Capital Account'. The business gets asset (cash) of Rs. 1,00,000/- and on the other hand the business owes Rs. 1,00,000/- to Manohar as his capital. This can be expressed in the form of an equation as follows:

$$\begin{array}{rcl} \text{Capital (Equity)} & = & \text{Cash (Asset)} \\ \text{Rs. 1,00,000/-} & = & \text{Rs. 1,00,000/-} \end{array}$$

If the business increases the assets by purchase of building Rs.50,000/- on credit and borrowing Rs. 30,000/- the equation would be:

$$\begin{array}{rcl} \text{Equities (liabilities)} & = & \text{Assets} \\ \text{Capital + Creditor + Loan} & = & \text{Cash + Building} \\ \text{Rs. 1,00,000 + 50,000 + 30,000} & = & \text{1,30,000 + 50,000} \end{array}$$

Thus the total assets are equal to total liabilities.

(3) GOING CONCERN CONCEPT:

Continuity concept is also known as going concern concept. AS1 implies that the enterprise is normally viewed as a going concern that is as continuing in operation for the foreseeable future. It is assumed that the enterprise has neither the intention nor the necessity of liquidation or of curtailing materially the scale of the operation. It is assumed that the business concern will continue for a fairly long time, unless and until it has entered into a state of liquidation. It does not imply permanent existence but simply stability and continuity for a period sufficient to carry business plans. It is assumed that activities will continue at least for a span of time necessary to meet its present contractual obligations. It implies that assets are acquired for utilisation and not for sale. It is as per this assumption that depreciation on assets is provided on the basis of expected lives of the assets rather than on their market values.

Since the concern is to be kept continuously alive for a long period of time, financial and accounting policies are directed towards maintaining such continuity of activity.

(4) MONEY MEASUREMENT CONCEPT:

In accounting everything is recorded in terms of money. Events or transactions, which cannot be expressed in terms of money, are not recorded in the books of accounts, even if they are very important or useful for the business. Purchase and sale of goods, payment of expenses and receipt of income are monetary transactions that find place in accounting.

Death of an executive, resignation of a manager is the event, which cannot be expressed in money. Hence, these are not included in accounting systems. These transactions affect business materially but are not convertible in money and cannot be recorded in the books of accounts.

(5) COST CONCEPT:

This concept does not recognise the realisable value, the replacement value or the real worth of an asset.

Thus, as per cost concept:-

- a) an asset is ordinarily recorded at the price paid to acquire it i.e. at its cost, &
- b) this cost is the basis for all subsequent accounting for the asset.

For example, if a plot of land is purchased of Rs.1,00,000/- it is recorded in the books at Rs.1,00,000/- and even if its market value at the time of preparation of final accounts is Rs.2,00,000/- or Rs. 60,000/- it will not be considered. Thus the balance sheet on a particular date does not ordinarily indicate what the asset could be sold for.

The cost concept does not mean that the asset will always be shown at cost. It only means that cost becomes the basis for all subsequent accounting for the asset. Thus, the process of depreciation may systematically reduce the assets recorded at cost at the time purchase. These assets ultimately disappear from the balance sheet when they have been fully depreciated (and sold as scrap). The cost concept also implies that if nothing has been paid to acquire an asset, it cannot be shown as asset in the books of accounts.

Cost concept brings objectivity in the preparation and presentation financial statements. It implies that the figures shown in the accounting records should be based on objective evidence and not on the subjective views of a person.

(6) ACCRUAL CONCEPT:

The accrual system is a method whereby revenue and expenses are identified with specific periods of time like a month, half year or a year. It implies recording of revenues and expenses of a particular accounting period, whether they received / paid in cash or not. Under cash system of accounting, the revenues and expenses are recorded only if they are actually received / paid in cash irrespective of the accounting period to which they belong. But under accrual method, the revenues and expenses relating to that particular accounting period only are considered. The Accountant records revenues as they are earned and expenses, as they are incurred not necessarily when cash changes hands. Under this concept, costs, expenses, losses, gains and incomes are recognised with reference to a specific accounting period.

(7) REALISATION CONCEPT:

According to this concept profit should be accounted for only when it is actually realised. Revenue is recognised only when sale is effected or the services are rendered. Sale is considered to be made when the property in goods passes to the

buyer and he is legally liable pay. However, in order to recognise revenue, receipt of cash is not essential. Even credit sale results in realisation as it creates a definite asset called 'Account Receivable'. However, there are certain exceptions to the concept: like in case of contract accounts, hire purchase etc. Similarly incomes like commission, interest, rent etc. are shown in Profit and Loss Account on accrual basis though they may not be realised in cash on the date of preparing accounts.

Revenue is recognised at the time of production when product can be mandated easily at an objectively determined price. In the case of long-term contracts the contractor may elect to take up revenue as ended on the basis of percentage of work completed during particular period.

The ICAI has issued Accounting Standard (AS 9) laying down principles of recognition of revenue.

ACCOUNTING CONVENTIONS

The rules which are followed by custom and which are generally accepted by all the parties are known as accounting Conventions.

There are different conventions followed while doing accounting. These are the rules followed by custom or trade practice and they are generally acceptable to all the parties. The important conventions are as follows:

- | | |
|---------------------------------|--------------------------------|
| (1) Convention of Disclosure | (2) Convention of Materiality. |
| (3) Convention of Conservatism. | (4) Convention of Consistency. |

(1) CONVENTION OF DISCLOSURE:

This means that the accounts must be prepared honestly and they must disclose all material information. The accounting reports should disclose full and fair information to the proprietors, creditors, investors and others. This convention is more important in case of business organisations like Joint Stock Companies where ownership is different from management. To fulfill the above requirement proper clauses are inserted in Indian Companies Act, 1956.

However, it does not mean that all information or information of any kind is to be included in accounting statements. The term 'disclosure' only implies that there must be sufficient disclosure of information, which is of material interest to proprietors, present and future creditors and investors.

(2) CONVENTION OF MATERIALITY:

Materiality means significance or important. While doing accounting materiality of the item should be taken into consideration. It is not necessary to follow the accepted rules for all the items e.g. It is an accepted practice to distinguish in capital and revenue while recording the transactions in the books and for preparation of final accounts. This rule is not applied strictly for all the items. If a pencil or a ball-pen is purchased, even though it is used for more than one year it is not treated as an asset as its value is negligible. In other words these item purchased are of immaterial value and even though the accepted principles are not followed the results and financial position will not affect much.

Materiality is a relative concept. It is changing from concern and from time to time. An item which is material for one company may not be material for another. An item which is material for one company in one year may not be material in another year. E.g. After preparing the final statement of accounts it was realised in case of A & Co. that bad debts of Rs.500 were omitted to be adjusted. A & Co. profits are Rs.2,000

Whereas B & Co's profits are 5,00,000 In this case the omission of bad debts is material in case of A & Co. whereas for B & Co. it is immaterial.

(3) CONVENTION OF CONSERVATISM:

This is the oldest accounting followed. This is a rule of following conservative or cautions or safe approach while doing accounting. In other words, it is a rule of anticipating the future losses but not to consider the future profits unless those are realised. Accounting statements are always prepared in such a manner that never the profit will be overstated.

Application of this rule is observed in the valuation of stock in trade. Stock is always valued at cost or market price whichever is lower. If the market price is less we consider the future loss. But when the market price is more, we do not consider it.

Same rule is also applicable for assets like creation of reserve for doubtful debts on debtors making provision for depreciation on fixed assets etc.

(4) CONVENTION OF CONSISTENCY:

This is a rule of following accounting principles constantly year after year. While doing accounting an accountant has a choice of selecting any one of the accounting methods and rules. But once this selection has been done and followed it should be consistency followed unless there is a need for change. If the rules are changed every year, the accounting statements will be uncomparable and interpretation will become difficult. Consistency convention is therefore a rule of following selected accounting principles constantly and in case of need only to do the changes principles.

E.g. Initially, the accountant has a choice as to choose the method of depreciation to be followed (i.e. either FIM or RBM). But once, he makes a choice of method of charging depreciation, he cannot change the method each year.

Consistency does not mean lack of flexibility. It does not ignore desirable changes to be made in accounting procedures. Introduction of improved procedures is permitted, if it helps in providing better information to decision makers. But the effect of change should be separately disclosed in financial statements.

FUNDAMENTAL CONCEPTS:

The IASC and ICAI, both consider Going Concern, Accrual and Consistency as fundamental concepts. In other words, it will be assumed, without the fact having to be stated, that the financial statements have been drawn up on accrual basis, without any change in the accounting policies and without there being any necessity or intention or liquidate or wind up the firm or a substantial part of it. The going concern assumption is very important; only on its basis can fixed assets be stated at cost less depreciation and their realisable value can be ignored. Also, some liabilities (such as gratuities, retrenchment compensation) arise only when the firm is liquidated. These can be ignored as long as the firm is going concern. One can see that if the going concern assumption is not valid, the financial statements as ordinarily drawn up, will not be true at all.

It is recognised that since the circumstances governing each firm differ, it should have the right of choosing the accounting policy that is appropriate to it. The IASC and the ICAI state that the choice should be made on the basis of prudence, materiality and substance over form. In other words, the real state affairs and the information disclosed should be material from the point of view of appraisal of the profitability and the financial position of the firm; insignificant information should not be disclosed separately. Further, it is recommended that the accounting policy chosen should be disclosed.

SOURCES DOCUMENTS REQUIRED FOR ACCOUNTING
--

1. Specimen of Journal Voucher:

Journal Voucher		
Name of the Firm		
Voucher No.		
Transaction No.		
Date:	Rs.	Rs.
Name of Debit Account:	XXX	
Name of Credit Account:		XXX
Particulars	Amount	
Amt. In Words:	Total	
Prepared by:	Checked by:	Authorized Signature

2. Cash Vouchers:

CASH VOUCHER		
Voucher No. _____	Ganesh Traders, 10 M. G. Road, Jalgaon, Date: _____	
Pay to _____		
on account of _____		
Debit Account _____		
Total Rs. _____	only	
Amount Rs. <input style="width: 100px;" type="text"/>		
Prepared by _____	Passed by _____	Receiver's Sign

3. Cash Memo:

Cash Memo			
BHARAT COMMERCIAL CENTER			
471, Sadashiv peth, Umbrya Ganpati Chowk, Laxmi Road, Pune -411030 (Mah.)			
Tel.:_____		Telex:_____	Email:_____
DEALERS IN			
<ul style="list-style-type: none"> ▪ IND GASES ▪ WELDING ELECTRODES & EQUIPMENTS ▪ GRINDING WHEELS ▪ IND. SAFETY WARES 		CASH MEMO NO. <input style="width: 100px; height: 20px;" type="text"/> Date:.....	
M/S. _____			
PARTICULARS	QTY	RATE Rs.	AMOUNT Rs.
RC. No under the MVAT Act 20002 25345768795V RC No under CST Act 1956 2534576879V			
1) Goods once sold will not be taken back or exchanged 2) Subject to Pune Jurisdiction only. 3) Cheques accepted subject to realisation			
We hereby certify that our registration certificate under the MVAT Act 2002 is in the force on the date on which the sale of goods specified in this cash memo is made by us and that the transaction of sale covered by this cash memo has been effected by us in the regular course of our business.			
E. & O.E.		Signature	

4. Credit Memo:

Credit Memo				
BHARAT COMMERCIAL CENTER	DEALERS IN <ul style="list-style-type: none"> ▪ IND GASES ▪ WELDING ELECTRODES & EQUIPMENTS ▪ GRINDING WHEELS ▪ IND. SAFETY WARES 	CREDIT MEMO NO: DATE:		
471, Sadashiv peth, Umbrya Ganpati Chowk, Laxmi Road, Pune -411030 (Mah.)				
To _____				
Order No: _____		Dated _____		
Challan No. _____	Date:- _____	RR No. _____	Date:- _____	
Sr. No.	PARTICULARS	QTY	RATE Rs.	AMOUNT Rs.
	Payment due on or before		Total	
RC. No under the MVAT Act 20002 25345768795V RC No under CST Act 1956 2534576879V 1) Goods once sold will not be taken back or exchanged 2) If whole bill is not paid within one month interest will be charged at 18% per annum. We hereby certify that our registration certificate under the MVAT Act 2002 is in force on the date on which the sale of goods specified in this credit memo is made by us and that the transaction of sale covered by this credit memo has been effected by us in the regular course of our business.				
E. & O.E.			Signature	

**5. Receipt:
Specimen-I**

RECEIPT	
MAYUR TRADING COMPANY 102, RAVIWAR PETH, NAGPUR Received with thanks from M/s _____ A sum of Rs. _____ against Bill No. _____ dated _____ by cash / Cheque No. _____ _____ dated _____ Drawn on _____ Bank Rs. _____.	R. NO. _____ Date _____
Stamp	
Subject to Realisation of Cheque	
Receiver's Signature	

Specimen-II

RECEIPT	
SAI SPORTS CLUB MITRA VIHAR, NASHIK	R. NO. _____ Date _____
Received with thanks from Shri / Smt. _____	
Towards	Amount Rs.
1) Entrance fees _____	
2) Subscription fees _____	
3) Games fees _____	
4) Tournament fees _____	
5) Deposits _____	
6) Donations _____	
7) Others _____	Total
Rs. (in words) _____	only by cash / Cheque / Draft
No. _____ dated _____	Drawn on _____ Bank
	Stamp
Subject to Realisation of Cheque	Receiver's Signature

**6. Cheque:
Specimen of a Bearer Cheque:**

	_____ 20____
PAY _____	OR BEARER
RUPEES _____	
A/c No.	L.F.
	Intl.
Bank of Maharashtra, JALGAON ROAD, JALGAON – 425001 (Maharashtra) No. 20046202121	
CPC No. 996632	Ch. No _____ CODE No _____
	021 0257

CHAPTER 4: PRINCIPLES OF DOUBLE ENTRY SYSTEM

The following are the main principles of Double Entry System.

- (1) For every transaction, two parties must be interested.
- (2) Every business transaction has two aspects, one receiving benefit and the other giving it. In simple words, double entry system means "Every debit has corresponding credit".
- (3) Both the aspects are recorded in the Books of accounts.
- (4) The two-fold effect of a business transaction is recorded by debiting one account & crediting the other account, at the same time.
- (5) Every debit has equal and opposite credit, it means in simple words double entry system means "Every debit has corresponding credit".

With the help of this system it is very easy to know how much amount is to be received from others and how much amount is to be paid to others. The trader can calculate exact amount of profit or loss of his business. He can test the accuracy of his accounts by preparing a Trial Balance. It is possible due to recording of both the aspects - Debit & Credit of the transactions.

ADVANTAGES & DISADVANTAGES OF DOUBLE ENTRY SYSTEM**ADVANTAGES:**

- (1) Both aspects of each transaction are recorded, hence it is very easy to calculate :
 - How much amount a trader owes to him.
 - Value of all business properties.
 - Income and gains, expenses and losses from business transactions.
- (2) It is possible to prepare a Trial Balance in order to check arithmetical accuracy of the Books of Accounts.
- (3) All types of accounts are kept hence it is possible to prepare Trading & Profit and Loss Account and Balance Sheet.
- (4) Under this system mistake or errors can be easily checked and rectified.
- (5) Through this system it is possible to compare the purchases, sales, stock or profit of one year with previous year & also helps the trader to control and regulate his business to maximise his profit.
- (6) This system helps to detect the frauds or to minimise the fraud.
- (7) It is complete, scientific & satisfactory system.

DISADVANTAGES:

- (1) It is very difficult to locate any business transaction which is not recorded in main book.
- (2) A compensating error may not be detected through this system. E.g. double posting, recording of wrong amount in the subsidiary books.
- (3) If the wrong amount is recorded in the books of original entry, then such mistake cannot be detected by this system.
- (4) Posting under wrong accounts heads but on the right side, such error may not be detected by this system.

CHAPTER 5: CLASSIFICATION OF ACCOUNTS

INTRODUCTION:

In the last Chapter we have seen that every trader has to record all business transactions in Journal, i.e. entries, then such entries are to be posted in respective Accounts i.e., posting. In order to pass correct entry & posting, it is necessary to understand the meaning of an account, types / classification of accounts & the rules of accounts.

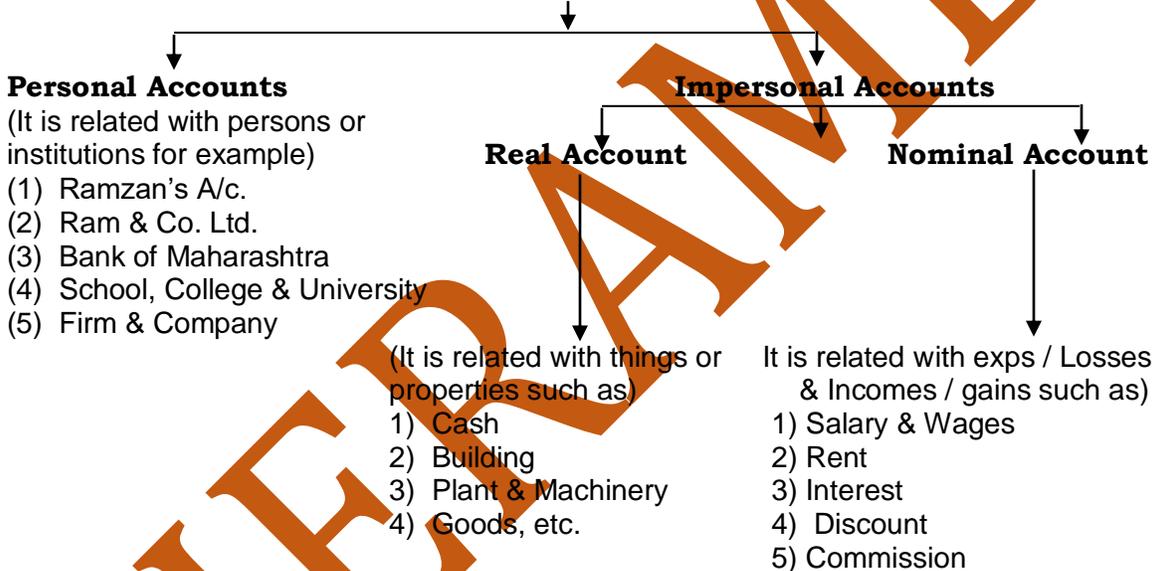
MEANING OF AN ACCOUNT

As we have seen in the second chapter, an account is summarised record of transactions related to a person, an asset, a liability, an expense or income.

According to **BATLIBOI**, "An account is summarised record of transactions affecting one person, one kind of property or one class of gain or losses."

An account has two sides such as Debit side and Credit side. Left hand side is known as the Debit side and the Right Hand side is known as Credit side.

CLASSIFICATION OF ACCOUNTS



Classify the following accounts:-

Sr. No	Name of the Account	Type of Account	Sr. No.	Name of the Account	Type of Account
1.	Capital A/c of Rahul		15.	Shares A/c	
2.	Drawings A/c of Rahul		16.	Debtors A/c	
3.	Buildings A/c		17.	Creditors A/c	
4.	Building Repairs A/c		18.	Bad Debts A/c	
5.	Wages A/c		19.	Loss by Fire A/c	
6.	Golden Company A/c		20.	Goodwill A/c	
7.	Cash A/c		21.	Discount Received A/c	
8.	Salary A/c		22.	Discount Allowed A/c	
9.	Loan of Bank A/c		23.	Bank of India A/c	
10.	Interest A/c		24.	Carriage A/c	
11.	Plant & Machinery A/c		25.	Commission A/c	
12.	Sales A/c		26.	Computer A/c	
13.	Purchases A/c		27.	Octroi Duty A/c	
14.	Livestock A/c		28.	Printing and Stationery	

RULES FOR DIFFERENT ACCOUNTS**1) PERSONAL ACCOUNTS:**

Accounts related to persons, firms, Company or Institutions are personal Accounts. The trader has to deal with a number of persons. Such persons may be traders or customers. They may be individual, Firms, Companies, Societies or institutions, associations, club or Government with whom the trader deals.

It is necessary to keep separate Account for each person such as natural & artificial persons. Capital A/c, Drawing A/c, Debtors or Creditors are also personal Accounts.

Persons may be classified into two parts, such as:

(A) Natural Person such as An Individual - Ram, Shyam, Suresh, Dinesh, Mahesh etc

(B) Artificial Person

- | | |
|----------------------------|--|
| (i) A partnership Firm | M/s. Raj & Kiran. |
| (ii) A Joint Stock Company | M/s Reliance Company Ltd. |
| (iii) A Society | Yogeshwar Co-operative Housing Society Ltd. |
| (iv) A Local Authority | Gram Panchayats, Zilla Parishads, Municipalities,
Municipal Corporation like KDMC |
| (v) A Government | State Transport like BEST |

RULE OF PERSONAL ACCOUNT:

“DEBIT THE RECEIVER & CREDIT THE GIVER”.

2) IMPERSONAL ACCOUNTS :

Accounts which are not related to PERSON ARE CALLED IMPERSONAL ACCOUNTS. These accounts are sub-divided into two parts - Real Account & Nominal Account.

a) REAL ACCOUNT:

Real Accounts are accounts of Assets & Properties that can be seen, touched, bought & sold. Such Accounts are also called as property / assets Accounts. e.g. Cash, Goods, Land & Building, Plant & Machinery etc

RULES OF REAL ACCOUNTS:

“DEBIT WHAT COMES IN, CREDIT WHAT GOES OUT”.

b) NOMINAL ACCOUNT:

Nominal Accounts are the accounts of losses of profits, Expenses or Incomes (Gains). Nominal Accounts are also known as 'Fictitious Accounts' because such accounts do not have any physical existence like Building or Machinery.

Salary A/c, Wages A/c, Discount A/c, Commission A/c, Rent A/c are the examples of nominal Account.

RULE OF NOMINAL ACCOUNTS:

“DEBIT ALL EXPENSES & LOSSES, CREDIT ALL GAINS & INCOMES”.

CHAPTER 6: DOCUMENTS REQUIRED FOR ACCOUNTING**A) CASH RECEIPT**

Q.1. Prepare a Cash Receipts for cash received from M/s. Ashok Associated Rs.1,000 towards our Bill No. 103/97-98 dated 28-4-98.on 5th May 1998 in the books of M/s Quality Enterprises, M.G Road, Bombay 400 001.

Q.2. Prepare a receipt for cash paid to M/s Vimal Agencies, Pune Rs.20,000 in full payment by cash on 12th October 1998. The payment was made by M/s Ashish Enterprises, Bombay for purchase of Machinery.

Q.3. M/s Sheth Publishers Ltd received a cheque from Mr.Ashwin dealers,Bombay for Rs.25,000 in full settlement of Invoice No.A/Sales/344 dated 20.9.98 on 1.10.98 .Prepare a cash Receipt.

Q.4. Ajit has sent to Gold Coin Ltd. a cheque for Rs.50,000 in part payment of invoice No.1251 dated 2nd Mar, 2000 for Rs.80,000 (cheque No.09225 dated 15th April,2000, drawn on Bank of Baroda, Laxmi Road, Pune). As an accountant of Gold Coin Ltd. prepare a receipt to be sent to Mr. Ajit.

B) DEBIT VOUCHERS

Q.5. Prepare Payment Vouchers for salary to Ms. Hezal for April 1997 as per V.No.151 dated 2nd May,1997 in the books of Parikh & Co. Fort,Mumbai Rs.5,000

Q.6. Prepare a debit voucher for cash paid to Manoj of M/s Jaihind suppliers, Bombay for taxi fare Rs.100 on 1.1.98.

Q.7. Mr.Sunil, clerk of M/s Bombay Traders received Rs.500 by cheque No.589687 dated 13.11.98 for purchase of pens for office.

Q.8. On 28/12/1999 C.H.M College, Ulhasnagar-3 makes payment of Rs.9,543 by cheque no. 235017 dated 26/12/1999 drawn on Canara Bank Ulhasnagar-3 to Shri J.C. Poojari of Perfect Printing on account of their bill No.9650 dated 15/11/1999. Prepare Payment Voucher for the same.

Q.9. M/s ABC Limited paid salary to Ms. Suvarna Sawant, Accountant Rs.3,500/- for the month of February 2005 by cheque No. 0034567 dated 1.3.2005 drawn on Dena Bank of India on 4.3.2005 vide V.No. 2212. Prepare a Payment Voucher.

C) JOURNAL VOUCHERS

Q.10. Rajendra commenced business with Premises Rs.50,000.Furniture Rs.20,000 & Cash Rs.40,000 .Prepare a journal voucher on the 1st day of the year,2000.

D) CHEQUES

Q.11. Prepare a Bearer Cheque in favour of Mr.A.D.Joshi for Rs.500 drawn on Bank of India, bearing No.022998 dated 3.6.97.

Q.12. Prepare a Self Cheque for withdrawal of Rs.1,000 from Hindustan Co-Operative Bank Ltd. dated 12.10.98.

Q.13. Prepare a Crossed cheque in favour of Mr.S.L.Banerjee for Rs.5,000 drawn on The Janata Sahakari Bank Ltd dated 23.4.97.

Q.14. Write a cheque payable to Sriraj for Rs.12,000 drawn on Bank of India dated 12.3.98 with a "A/c Payee" crossing.

Q.15. Mr. Dhiren Desai received a cheque of Rs.10,000 bearing No.098765 dated 12th July,1998 drawn on Bank Of Maharashtra, Dadar in full settlement of a bill from Mr. Parikh. Write a cheque issued by Parikh.

Q.16. Give the specimen of crossed cheque drawn on Dhanlaxmi Bank, Mumbai, by M/s.Ram & Shyam favouring M/s.Radhesham & Co.for Rs.5555/-

E) PAY-IN-SLIPS

Q.17. M/s Vishal Enterprises, Fort, Mumbai have received a cheque of Rs.15,000 from Mr. Hitendra Shah, one Customer, drawn on State Bank Of India bearing No.747848 dated 5.6.97 in settlement of account. You are the accountant of M/s.Vishal Enterprises .Prepare a proper document for depositing the cheque into the account of the Enterprise with Indian Bank on 10.6.97 in A/c No.18905.

Q.18. You are the cashier of M/s Vinayak Stores. On 7th June,1998 the company received Rs.4,000 on account of cash sales. You are asked to deposit the same into the Account No.876 with Indian Overseas Bank. The details of cash are as follows :-

Rs.100 Notes	30	=	3,000
Rs.50 Notes	10	=	500
Rs.20 Notes	10	=	200
Rs.10 Notes	10	=	100
Rs.5 Notes	6	=	30
Rs.2 Notes	10	=	50
Rs.1 Notes	150	=	150

Prepare a Pay -in-slip to deposit the above cash in the Bank.

Q.19. Mr. Cashier has counted cash in his cash box at the end of the day. He found the cash as follows :-

Rs.100	x	30	Notes
Rs.50	x	5	Notes
Rs.10	x	200	Notes
Rs.5	x	10	Notes

He has to deposit the cash into the Bank a/c with the Saraswat Co-Operative Bank. Prepare a Pay-in-slip for depositing the above cash.

F)CASH MEMO

Q.20. M/s Rakesh & Sons sold on retail basis to Mr.Roshan on January 1,2000 following items on cash basis :

- 1 Ball Pens (assorted) 10 dozens @ Rs.20 per dozen.
- 2 Sketch Pens (assorted) 12 dozens @ Rs.10 per dozen.
- 3 Roller Pens 50 items @ Rs.6 per item.
- 4 Micro tip Pens 30 items @ Rs.4 per item.

It is the practice to allow 15% trade discount and 5% cash discount on sale.

Prepare Cash Memo.

CHAPTER 7: JOURNAL**MEANING AND DEFINITION OF JOURNAL:**

The word 'Journal' is derived (taken) from the French word 'Jour' which means a 'Day'. Journal, therefore, means daily record of business transaction. Journal is the book of first entry, (Prime Entry) i.e., every transaction is recorded first in the journal. It is also called a book of prime entry.

A Journal is the book of original entry because transaction is first written in the Journal from which it is posted to the ledger at any convenient time. All the transactions are recorded in journal in a chronological order i.e. date wise.

In India, it is called 'ROCNAMA'. It is recorded systematically in the form of debit and credit.

Need for a Journal:

- 1) From the business view point it creates a basic record which can be processed further to arrive at the various given objectives.
- 2) From legal view point, it creates a proof or an evidence for all the statutory purposes.
- 3) For an interested outsider, it can be the basis to view the standing of the business, account wise, system wise and procedurally.

PRACTICAL QUESTIONS:

Q.1. Pass the journal entries in the books of Amar of Bombay:

2001

Mar 1	Started business with cash.	10,000
2	Goods purchased for cash	500
3	Sold goods for cash	300
7	Goods purchased from Premlal	250
9	Sold goods to Ramlal	400
10	Purchase of Furniture	1,000
14	Paid Rent	450
25	Paid to Premlal	350
28	Received cash from Ramlal	200
30	Paid for Salary	1,000

Q.2. Give journal entries for the following transactions.

2001

April 1	Bought goods from Vinay	Rs.100
2	Sold goods to Suman	Rs. 90
3	Received cash from Suman	Rs. 90
4	Paid Cash to Vinay	Rs.100
5	Bought goods for Cash	Rs. 50
6	Sold goods for cash	Rs.100
7	Paid cash for Salaries	Rs.100
8	Received cash for commission	Rs. 50

Q.3. Journalise the following transactions in the books of Shri Rajan.

2001

Aug.1	Shri Rajan invested in business.	20,000
2	Opened an account with the Bank of India by depositing cash.	10,000
3	Purchased goods for cash.	500
4	Purchased machinery for cash.	800

5 Cash purchases of goods.	500
6 Cash Sales.	900
15 Withdraw cash for personal use.	200
16 Purchased goods from Preetam & Sons on credit.	600
25 Received cash on account from Ramanand.	350
26 Paid cash to Minakshi Bros.	250
29 Paid rent	125
30 Received Commission	175
30 M/s Ram & Sons returned goods.	100

Q.4. Journalise the following transactions :

2001

- June 1 Sold goods for Rs.400.
2 Sold goods of Rs.800 to Samir.
3 Paid rent Rs.20.
4 Sold goods of Rs.800 to Karim.
5 Samir paid up Rs.500 on account.
6 Purchased goods of Rs.1,000 from Amir.
7 Returned goods of Rs.50 to Amir.
8 Received commission of Rs.15 from Manik.
9 Withdrew Rs.200 from bank for office use.
10 Withdrew Rs.50 from the office cash for personal use.

Q.5. Journalise the following transactions in the books of Neeraj of Nashik.

2001

- Jan.1 Commenced business with Cash. 6,000
3 Opened Bank A/c in Nashik Merchant Bank by depositing Cash 3,000
6 Drawing in cash 500
7 Paid Office Expenses 100
9 Bought a horse. 2,000
12 Purchased goods from Mohan 1,800
15 Sold goods to Shankar 2,000
19 Returned goods to Mohan 500
25 Received goods returned by Shankar 300
29 Gave cash to Mohan 1,500
30 Received cash from Shankar. 1,700
31 Goods were used by Mr. Neeraj for personal use. 275

Q.6. Journalise the following transactions in the books of Tina enterprises

2000

- Mar.1 Cash invested in business Rs.17,000.
2. Gave Rs.200 as gift in the marriage of friend.
2 Withdrawn Rs.500 from bank, for office use.
3 Borrowed Rs.5,000 from Vinay.
4 Withdrew Rs.50 from bank for repair of house furniture.
5 A clerk has stolen Rs.200 from office.
6 Gave an order to Mr.Chotelal for purchase of goods worth Rs.900.
7 Received goods from Chotelal as per order.

Q.7. Journalise the following transactions.

2001

- Feb.1 Paid salary to Bhushan Rs.550.
- 2 Sold goods to Bajaj worth Rs.800 on cash.
- 3 Life Insurance Premium paid Rs.250.
- 4 Sold goods worth Rs.880.
- 5 Rent paid to Dinesh Rs.700.
- 6 Bought 100 shares in Hindustan Ltd. of Rs.1,200 brokerage paid Rs.50.
- 7 Bought goods worth Rs.1,000.
- 8 Old furniture sold for Rs.2,000.

Q.8. Journalise the following transactions:

2001

- Mar 1 Commenced business with a capital of Rs.20,000
- 4 Bought goods from Babita Rs.2,000.
- 5 Paid to Babita Rs.1,000.
- 7 Salary paid to Chotu Rs.500.
- 9 Bought furniture Rs.250.
- 20 Paid to Babita in full settlement Rs.900.
- 28 Goods worth Rs.200 distributed as free samples.
- 31 Borrowed from Gopal Rs.5,000.

Q.9. A Journalise the following transactions in the Journal of Gurudev.

2000

- Jan.1 Gurudev started business with cash Rs.10,000.
- Jan.2 Opened Bank A/c in Dena Bank by depositing Rs.2,000
- Jan.3 Bought goods worth Rs.2,000 at 5% Trade Discount.
- Jan.4 Withdrawn goods worth Rs.100 by Gurudev for self use.
- Jan.5 Received Rs.475 from Kiran in full settlement of his account of Rs.485.
- Jan.6 Paid Ramarao The amt. of Rs.1,000 in full settlement Rs.1,020.
- Jan 7 Paid insurance premium of Rs.175 on the property of business.
- Jan 8 Paid sundry expenses Rs.50.

Q.10. Journalise the following transactions.

2002

- Dec.1 Purchased furniture against a cheque Rs. 10,000.
- 4 Goods costing Rs.1,200 were distributed as free samples.
- 6 Sold goods worth Rs.12,000/- to Bhavesh on credit.
- 10 Bhavesh paid Rs. 11,800 in full settlement.
- 15 Borrowed from Bank 10,000 at 12% interest p.a
- 20 Bhavesh returned goods Rs. 200.
- 21 Withdrawn for private use Rs. 600
- 26 Interest charged by bank Rs. 100.
- 28 Paid Rent Rs. 500
- 31 Purchased goods worth Rs. 5,000 from Chitresh on cash.

Q.11. Journalise the following transactions :

2001

- Jan 1 Pankaj started business with cash Rs.20,000 and goods worth Rs.8,000.
- 3 Paid into bank Rs.2,000
- 4 Cash sales Rs.1,000.
- 5 Cash purchase Rs.1,800.

- 7 Purchased goods from Bhola & Co. worth Rs.2,000 less 3% T.D.
- 10 Paid Salary by cheque Rs.200 & by cash Rs.300.
- 15 Rs.200 withdrawn from bank for office use.
- 18 Paid to Bhola & Co 500 and they allowed us a discount Rs.100.
- 31 Goods worth Rs.200 withdrawn by a proprietor for personal use.

Q.12. Pass the journals entries in the books of Sharma

2001

- July 1 Sharma started his business with cash Rs.3,000, Buildings Rs.20,000 & Goods Rs.5,000.
- 2 Cash sales Rs.200.
 - 3 Sold goods worth Rs.2,000 on cash.
 - 4 Drew from business for domestic use cash of Rs.700 and goods worth Rs.200.
 - 7 Exchange old furniture worth Rs.5,000 by receiving goods worth Rs.4,000 & balance in cash.
 - 12 Paid to Verma cash of Rs.4,800 in full settlement of his account Rs.4,900.
 - 18 Borrowed Rs.5,000 from Sister-in-law for expansion of business.
 - 25 Goods worth Rs.200 destroyed by fire.
 - 30 Paid Rs.2,400 to Kishor & earned discount of Rs.100.

Q.13. Journalise the following transactions.

2001

- June 1. Mr.Sachin started business with cash Rs.20,000 and goods Rs. 10,000.
3. He borrowed from his friend Mr.Ajay Rs.10,000
 5. Purchased goods worth Rs.10,000 less 20% trade discount & 5% cash discount.
 9. Purchased goods worth Rs.10,000 Rs.5,000 paid in cash and for remaining issued cheque.
 11. Withdrawn goods worth Rs.4,000 & cash Rs.1,000 from the business for self use.
 12. Sold goods to Vinod worth Rs.5,000. Half the amount received in cash.
 14. Purchased goods from Mr. Anil worth Rs.5,000.
 19. Sold goods to Mr. Amit for Rs.7,000.
 20. Received Rs.6,800 from Amit in full settlement.
 21. Paid Rs.5,000 to Anil
 25. Purchased goods from Vinay of Rs.10,000 at 10% T.D. and 5% C.D.
 28. Purchased goods from Mr. Avinash at 4% Trade Discount worth Rs.7,000.
 30. Sold goods to Sanjay worth Rs.8,000 at 5% Cash Discount
 30. Sold goods to Mahesh at 10% Trade Discount and 3% Cash Discount worth Rs.20,000. Half of the amount was received in cash.

Q.14. Journalise the following transactions in the books of Jaya Malhotra.

2003

- May 1 Commenced business with cash Rs.60,000 goods worth Rs.20,000, Furniture Rs.15,000 & Machinery Rs.10,000.
- 3 Received Rs.8,900 from Desai & allowed him discount Rs.100.
 - 4 Paid L.I.C Premium Rs.1000 & premium for insurance on goods Rs.2,000.
 - 8 Paid Salaries Rs.3000 & Wages Rs.2000 for the month of May & also paid rent for Rs.500 for the same month.
 - 12 Sold goods worth Rs.8000 to Shri. Merchant & received 50% of the amount on the spot.
 - 17 Bought goods worth Rs.5000 from Mr. Laxman and paid half the amount

immediately.

- 18 Drew from business cash Rs.1000 & goods worth Rs.500 for personal use.
- 21 Sold goods to James worth Rs.2,000 at 5% T.D and 2% C.D and received half the amount in cash.
- 25 Distributed goods of Rs.1700 as free samples.
- 28 Introduced further capital Rs.10,000 in business.

Q.15. Journalise the following transaction in the books of Mr. Sharma: -
2003

- Mar. 1 Commenced business with cash Rs. 5000, Goods of Rs.7000, Debtors of Rs.10,000 and creditors of Rs. 3000.
- 2 Borrowed Loan from bank and deposited into bank A/c Rs. 50,000.
- 2 Bought goods from Kartiki at 15% T.D and 4% C.D for Rs10,000 and paid her $\frac{1}{4}$ th amount in cash and $\frac{1}{4}$ th amount by cheque.
- 2 Purchase goods from Mr.' X' 6000 at 10% T.D.
- 4 Sold goods for cash Rs. 9,000/- at 5% C.D.
- 5 Received cash on account of Ravi Rs. 7,000/-
- 7 Mr. Vaibhav our debtor for Rs.1,000 is declared insolvent and we could realise only 70% of the dues.
- 9 Sold goods to Mr. Abhijit for Rs. 9,000/- for which half the amount received cash while other half by cheque.
- 10 Placed an order for goods with Ramnivas for Rs. 2000/-
- 15 Purchased goods of Rs. 20,000 @ 10% T.D. and 5% C.D. from Dipmala and paid her 50 paise in a rupee by cheque
- 19 Cash received from Ravi Rs. 2500/- in full settlement of his a/c Rs. 2850/-
- 22 Goods worth Rs.5000 destroyed by fire & Insurance Co. admitted the claim for Rs.4000/-
- 26 Sold goods for cash worth Rs.900.
- 28 Sold goods to Mangal worth Rs. 3000/- at 10% T.D. & 5% C.D.

Q.16. Journalise the following transactions in the books of Mr.D'Souza for Mar.2001.
2001.

- Mar 1 Mr. D'Souza started business with cash Rs.15,000, Goods Rs. 5,000 & building Rs.25,000.
- 2 Opened a bank a/c with Bank of Baroda by depositing Rs. 1,000/-
- 3 Purchased machinery for Rs. 20,000 from Mr. Avinash.
- 7 Purchased goods from Mr. Bipsin for Rs. 5,000 and paid half the amount in cash.
- 10 Sold goods worth Rs. 9,000 and received cash Rs. 3,000 and a cheque of Rs.6,000.
- 12 Goods worth Rs. 5,000 were burnt by fire.
- 14 Taken loan from bank of Baroda @ 12% interest p.a for Rs. 20,000.
- 15 Paid General insurance premium Rs. 300/- and life insurance premium Rs.200/-
- 20 Sold goods for Rs. 4,000 at 10% Trade discount and 5% cash discount terms.
- 25 Received commission by cheque Rs. 2,500.

Q.17. A Journalise the following transactions in the books of Rahul for Aug 99.
1999.

- Aug. 1 Commenced business with cash Rs. 80,000/-, Goods Rs. 20,000/- Furniture Rs12,000/-, Bank balance Rs. 8,000/-.
- Aug 3 Bought goods worth Rs. 8,000/- @ 10% Trade discount.
- Aug 7 Bought furniture worth Rs. 4,000/- from Sachin @ 5% Trade discount and paid half the amount in cash.

- Aug 9 Goods worth Rs. 7,500/- were destroyed by fire and insurance Company admitted the claim of Rs. 6,500/-
- Aug 10 Purchased machinery worth Rs. 20,000 from Sandesh who in exchange accepted personal Furniture of Rs. 5000 of residential house and balance paid by cheque.
- Aug 11 Goods worth Rs. 1,000/- were distributed as free samples.
- Aug 19 Goods sold to Anita worth Rs. 12000/- @ 10% T.D. and 5% cash discount and received half of the amount in cash.
- Aug 23 Suresh paid Rs. 980/- to Rahul in full settlement of Rs. 1,000/-
- Aug 25 Anita become insolvent, only 50% dues received from her estates.
- Aug 27 Machinery purchased on cash costing Rs. 10,500/- on which installation charges paid Rs 1,500/-
- Aug 30 Paid salary Rs.1,000, Rent Rs.2000, Commission Rs.3,000 and received interest Rs. 4,000/-.

Q.18. Journalise the following transactions.

- 1) Started business with a Capital, Cash Rs.3,000, Bank Rs.2,000 & Plant Rs.5,000.
- 2) Sold goods to Mr.Arun on credit Rs.1,000.
- 3) Paid Repairs Rs.500.
- 4) Interest on deposit allowed by Bank Rs.300.
- 5) Purchased a Plant for Cash Rs.3,000 paid by cheque & paid carriage in cash Rs.50.
- 6) Old furniture contributed to the business from personal stock, valued at Rs.500.
- 7) Purchased furniture for re-sale Rs.1,000.
- 8) Purchased two horses at Rs.1,000 each & a Cart for Rs.1,000.
- 9) Bank collected dividend & credited to our A/c Rs.700.
- 10) Withdrew Cash from Bank for personal use Rs.1,000.
- 11) Sold to Ramu goods on Cash for Rs.3,000 less Trade Discount Rs.100.
- 12) Bought Stationery Rs.200.
- 13) Paid Rs.960 to Rajesh in full settlement of Rs.1,000.
- 14) Cash sales Rs.4,000 & Cash purchases Rs.2,000.
- 15) Borrowed Rs.10,000 from wife for business.
- 16) Received Rs.7,000 from Vishal out of this cash Rs.5,000 deposited into bank.
- 17) Deposited Rs.1,000 into bank.
- 18) Invested Rs.5,000 into shares of L & T.
- 19) Paid Income Tax Rs.5000, Life Insurance Premium Rs.200, Wages Rs.100, Rent Rs.150.

Q.19. Journalise the following transactions in the books of Mahesh:

2002

- Jan. 1 Commenced business with Cash Rs.3,000, Goods Rs. 2,000 & Bank Balance Rs. 5,000.
- 2 Drew Cash from bank for office use Rs. 900/- & for personal use Rs.300/-
 - 3 Sold Goods worth Rs.4,000 to Asha Less 15% T.D. & paid carriage on her behalf Rs.30.
 - 4 Under instruction from Merchant, dispatched goods worth Rs. 4,000 to Asha on Merchant's account.
 - 5 Borrowed from Chetan Rs. 10,000/- @ 20% p.a. for business purpose.
 - 6 Bought motor car for Rs. 20,000/- and paid permit charges Rs. 1,000/-
 - 7 Till taking Rs. 5,000/-
 - 8 Paid for the following expenses
 - 1) Office rent Rs. 500/- 2) Salaries Rs. 1,000/-

- 9 Invoiced goods to Amirchand Rs. 2,000/-
- 10 Goods returned by Sudhir to us Rs. 25/-
- 20 Goods purchased from Dipmala, sold to Jaymala on behalf of Gunmala at its original price less 10% T.D.
- 24 Purchased cash counter from furniture dealer for Rs. 2000 & amount paid in cash.
- 25 Purchase TV set for Rs. 15,000 for household use & amount paid from business bank A/c

Q.20. Journalise the following transaction in the books of Ram.

2003

- June 1 Ram started business by selling Building Rs. 60,000/-, Gold Rs. 20,000/- and borrowed Rs.40,000/- from bank.
- 2 Purchased goods of Rs. 12,000/- from Prakash & Co. at 5% Trade Discount.
- 4 Sold out Personal Maruti Car for Rs. 60,000 & purchased a new Indica car for business with the proceeds and paid Rs.10,000/-
- 6 Till taking Rs. 14,000/-
- 8 Paid advance Office rent Rs. 1,400/- and House rent Rs. 600/-
- 10 Suresh place an order of Rs. 10,000/- at 10% T.D.
- 12 Goods return to Prakash & Co. of Rs. 500/-
- 14 Paid to Prakash & Co., and received Rs. 400/- discount.
- 16 Execute the order by Suresh
- 18 Paid Ram's medical bill Rs. 2000/-
- 20 Purchased 100 shares of Rs. 100/- each and paid brokerage at 10%.
- 21 Invoiced goods to Vinod of Rs. 4000/- at 5% Trade discount.
- 22 Commission due from Gupta Rs. 200/-
- 23 Gave charity Rs. 500/-
- 23 A debtor become insolvent & amount receivable from him Rs. 2000/- is irrecoverable.
- 25 Goods worth Rs. 5000 destroyed by fire & the insurance co admitted a claim of Rs. 4500.
- 26 Sold 80 shares for Rs. 110/- each and paid brokerage Rs. 800/-
- 27 Goods having selling price Rs. 800 and cost price Rs. 650 distributed as free samples.

Additional questions

Q.21 (a) Journalise the following transactions:

2001 March

1. Salary paid Rs. 2,000.
2. Rent paid Rs. 300.
3. Commission paid Rs. 100
4. Interest paid Rs. 50.
5. Wages paid Rs. 20
6. Royalty Paid Rs. 140
7. Insurance premium paid Rs. 700.
8. Octroi paid Rs. 20.
9. Advertisement paid Rs. 150.
10. Telephone charges paid Rs. 200.

Q. 21 (B) Journalise the following transaction in the books of Ram.

2003 June

1. Rent received Rs. 500
2. Carriage paid Rs. 100.
3. Import duty paid Rs. 200.
4. Commission received Rs. 200
5. Interest Received Rs. 20.
6. Sundry expenses paid Rs. 120
7. Dividend Received Rs. 250.
8. General expenses paid Rs. 140.
9. Office expenses paid Rs. 50
- Freight paid Rs. 10.

Q. 21 (C) Journalise the following transaction in the books of Ram.

2001

- June 1st Purchase goods for cash Rs. 500.
June 2nd Sold goods for Cash Rs. 300.
June 5th Purchased goods worth Rs. 350.
June 7th Sold goods worth Rs. 450.
June 9th Sold goods to Ram for Rs. 550.
June 15th Purchased goods from Ramesh worth Rs. 250 for cash.
June 20th Purchased goods from sandesh for Rs. 150 on credit.
June 25th Goods sold to Chotelal for Rs. 170.
June 29th Goods purchased for Rs. 850.

Q. 21 (D) Journalise the following transaction in the books of Ram.

2003

- Mar 1st Purchased furniture for Rs. 250.
2nd Purchased Computer for Rs. 150
Mar 5th Purchased Machinery for Rs. 2,150..
Mar 10th Purchased Typewriter for Rs. 1,000
Mar 14th Purchased Building for Rs. 10,000.
Mar 18th Purchased Land for Rs. 5,000.
Mar 20th Purchased 2 Cows for Rs 1,000 each.
Mar 25th Purchased Motor car for Rs. 20,000.
Mar 28th Purchased two chairs for Rs. 150 each and five tables for Rs. 500.

Q. 21 (E) Journalise the following transaction in the books of Ram.

- 2014 Jan 4th Sold old Building for Rs. 2,000.
Jan 15th Sold Motor car for Rs. 10,000.
Jan 18th Sold Furniture and Fixture for Rs. 15,000.
Jan 20th Sold Horses for Rs. 5,000.
Jan 22nd Machinery sold for Rs. 1,000.
Jan 25th Xerox machine sold for Rs. 2,000.
Jan 28th Sold old sofa set for Rs. 1,500.
Jan 31st Sold old computers for Rs15,000.

CHAPTER 8: LEDGER POSTING:

Q.23. Journalise the following transactions and post them to the ledger A/c's and balance them.

2001

Jan.1	Received cash from Sudesh.	2,400
2	Bought goods for cash.	1,200
3	Sold goods to Sudesh on Credit.	170
4	Paid for carriage.	30
5	Invoiced goods to Sudesh.	400
6	Goods returned from Sudesh.	250
7	Goods brought for cash from Amin.	310
8	Received cash on account from Sudesh.	370
9	Sold goods to Raju for cash.	930

Q.24. Journalise the following transactions, prepare necessary Ledger Accounts and balance them.

2001

- Feb.1 Commenced business with cash Rs. 11,000 and Goods Rs. 20,000.
 5 Cash deposited into bank Rs. 5,000.
 7 Goods sold at 1% Trade discount and 2% Cash discount for Rs. 1,200.
 12 Paid Rent by cheque Rs. 1,000.
 15 Cash withdrawn from bank for office use Rs. 2,000
 20 Personal computer worth Rs. 15,000 brought into business.
 28 Paid salaries to staff Rs. 3,000 in cash and Rs. 500 by cheque

Q.25. Journalise following transactions & post them to the ledger A/c's and balance them

2001

- Jan.1 Bought goods worth Rs.5,000 from Kishor at 5% Trade discount.
 4 Paid carriage on purchases Rs.100.
 6 Sold goods worth Rs.3,000 to Ashok at 2% Trade discount.
 12 Paid Rs.3,950 to Kishor and earned cash discount of Rs.50.
 15 Received Rs.4960 from Ashok and allowed cash discount of Rs.40.
 20 Borrowed Rs.10,000 from wife for expansion of business.
 24 Withdrawn cash Rs.1,500 from the business for self use.

Q.26. Journalise the following transactions and post them to the Cash A/c, Goods A/c, Bank A/c and Deepak's A/c.

2001

- April 1 Opening balance Cash A/c Rs.500 and Bank A/c Rs.15,000.
 2 Purchased goods from Deepak Rs.10,000 @10% T.D.
 5 Withdraw cash from bank Rs.2,000 for office use.
 7 Issued a cheque of Rs.2,000 to Deepak.
 10 Sold goods of Rs.4,000 to Naresh @ 5% C.D and received from him half of the amount by cheque.
 12 Bought goods from Deepak Rs.10,000.
 15 Cash sales Rs.6,000.
 17 Paid School fees Rs.150 from business cash.
 19 Purchased furniture of Rs.2,000.
 21 Paid Salary Rs.1,200 by cheque.
 23 Placed an order for goods worth Rs.6,000 with Deepak.
 25 Deepak supplied goods as per our order placed on 23rd April, 1999.

- 27 Borrowed Loan from wife Rs.20,000 for business.
- 28 Deposited Rs.10,000 into bank.
- 30 Goods of Rs.500 is stolen

Q.27. Journalise the following transactions and prepare only the following ledger accounts in the books of Shri. Santosh:-

(i) Cash A/c (ii) Machinery A/c (iii) Sharmila's A/c (iv) Drawings Account
2003

Jan.1. **Opening Balances:** Cash A/c Rs.25,000, Sharmila's A/c (Creditors) Rs.12,000,
Machinery A/c Rs.15,000, Drawings A/c Rs.5,000

- 4. Goods Withdrawn for home consumption costing Rs.3,000.
- 7. Machinery Sold for Rs.7,000.
- 10. Goods purchased from Sharmila Rs.1,500
- 20. Cash Paid to Sharmila Rs.11,000.
- 22. Life Insurance Premium paid Rs.200.
- 23. Goods distributed as free samples costing Rs.1,000
- 24. Goods destroyed by fire for Rs.3,000 and insurance company admitted a claim of Rs.2,000.
- 25. Received cash Rs.2,000 from insurance company for claim.
- 26. Cash purchases Rs.1,200 and cash sales Rs.2,000
- 28. Goods return to Sharmila for Rs.150.

Q.28. Journalise the following transactions and post them to the ledger of Mr.Nene.
2001

- June.1 Invested in the business Rs.6,000 and goods worth Rs.3,000.
- 2 Borrowed from bank Rs.80,000.
 - 3 Purchased goods for cash Rs.5,000.
 - 4 Sold goods to Jaikishan Rs.3,000.
 - 5 Cash received from Jaikishan Rs.2,850 in full settlement of his dues.
 - 7 Aamirkhan sold goods to us worth Rs.6,000.
 - 17 Received commission from Anup Rs.2,300.
 - 21 Cash deposited into bank Rs.40,000.
 - 25 Paid Salary Rs.5,000, Rent Rs.2,000.
 - 27 Paid to Aamirkhan Rs.5,800 in full settlement.

Q.29. Journalise the following transaction & post them to the Cash A/c Capital A/c & Goods A/c.

2001

- June1 Ram started business by selling Building Rs. 60,000/-, Gold Rs. 20,000/- and borrowed Rs.40,000/- from bank.
- 2 Purchased goods of Rs. 12,000/- from Prakash & Co. at 5% Trade Discount.
 - 3 Sold out Personal Maruti Car for Rs. 60,000 & purchased a new Indica car for business with the proceeds and paid Rs. 10,000/-
 - 6 Till taking Rs. 14,000/-
 - 8 Paid advance Office rent Rs. 1,400/- and House rent Rs. 600/-
 - 10 Suresh place an order of Rs. 10,000/- at 10% T.D.
 - 12 Goods return to Prakash & Co. of Rs. 500/-
 - 14 Paid to Prakash & Co., and received Rs. 400/- discount.
 - 16 Execute the order by Suresh
 - 18 Paid Ram's medical bill Rs. 2000/-
 - 20 Purchased 100 shares of Rs. 100/- each and paid brokerage at 10%.
 - 21 Invoiced goods to Vinod of Rs. 4000/- at 5% Trade discount.

- 22 Commission due from Gupta Rs. 200/-
- 23 Gave charity Rs. 500/-
- 24 A debtor become insolvent and amount receivable from him Rs. 2000/- is irrecoverable.
- 25 Goods worth s. 5000 destroyed by fire & the insurance co admitted a claim of Rs. 4500.
- 26 Sold 80 shares for Rs. 110/- each and paid brokerage Rs. 800/-
- 27 Goods having selling price Rs. 800/- and cost price Rs. 650/- Distributed as free sample.
- 28 Mr. Rajesh appointed as a clerk for salary payment of Rs. 5000/- p.m.
- 29 Received free samples from Lalan Trading Co., of Rs. 550/-

Q.30. The following balances appear in the ledger of Mr. Barucha as on 1st Jan,2001.

	Dr. Balances (Rs.)		Cr. Balances (Rs)
Madanlal	2,500	Sohanlal	3,100
Goods a/c	1,300	Capital A/c	5,700

Enter following transactions in Journal & post them to the respective ledger Accounts:-
2001

- Jan.1 Mr. Barucha brought additional capital of Rs.6,000 in cash.
- 2 Paid to Sohanlal Rs.2,800.
- 3 Sold goods to Madanlal on credit Rs.500.
- 4 Purchased goods from Sohanlal worth Rs.2,500 on credit.
- 7 Goods worth Rs.300 were returned by Madanlal, which were sent back to Sohanlal.
- 10 Paid for repairs for machinery Rs.120.
- 13 Goods worth Rs.85 were withdrawn by Mr. Barucha for his personal use.
- 15 Received for commission from Maniklal Rs.55.
- 20 Goods worth Rs.200 were burnt by fire & claim of Rs.180 was made to the insurance company. The insurance co. settled the claim for Rs.125.
- 25 Cash received from Madanlal Rs.2,500 in full settlement of his account.
- 31 Cash Paid to Sohanlal Rs.5,200 & a discount of Rs.100 was earned.

Q.31. Following balances appear in the books of Mr. Shyam as on 1st Jan, 2001, prepare the following account for given transaction.

2001

Jan.1. Opening Balances:

Goods A/c – Rs.15,000

Cash A/c – Rs.25,000

Machinery A/c – Rs.5,000

Sonia's A/c(Creditor) – Rs.12,000

4. Goods withdrawn for home construction costing Rs.3,000.
7. Machinery sold for Rs.7,000 at a profit of Rs.2,000.
10. Goods purchased from Sonia for Rs.1,500.
20. Cash paid to Sonia Rs.11,000.
22. Life Insurance Premium paid Rs.200.
23. Goods distributed as free samples costing Rs.1,000.
24. Goods destroyed by fire worth Rs.8,000 and insurance company admitted a claim of Rs.2,000
26. Cash purchases Rs.1,200.
27. Cash Sales Rs.2,200.
28. Goods returned to Sonia Rs.150.

Q.32. Prepare only Personal Account & Nominal Account of M/s Balaji Traders.

2001

July 1. Opening Balances:

Cash A/c – Rs.40,000

Goods A/c – Rs.35,000

Rita's A/c(Debtor) – Rs.5,000

Salary A/c – Rs.1,000

Capital A/c – Rs.59,000

Geeta's A/c(Creditor) –Rs.22,000

2. Received cash Rs.3,000 from Rita.

3. Purchased goods from Geeta Rs.3,000 at 12% T.D.

10. Paid Salary of Rs.7,000.

12. Purchased 10 shares of Rs.10 each @ Rs.20 each and paid 2% brokerage.

15. Paid to Geeta Rs.2,500 and received discount of Rs.200.

20. Received from Rita Rs.1,200 and allowed a discount of Rs.20.

25. Delivered goods to Mitra on Rita's A/c of Rs.550.

27. Paid to Naresh Rs.200.

28. Received Commission Rs.500 from Mahesh.

29. Sold goods to Naresh for Rs.100.

29. Placed an order for purchase of goods from M/s Mehta Agencies worth Rs.10,000 at 10% T.D.

30. Introduced further capital of Rs.6,000

OBJECTIVES:

(A) Fill in the blanks:

- 1) Book keeping is a _____ and an _____ of recording financial transactions in the books of accounts.
- 2) Transaction is a dealing between _____ or _____ persons.
- 3) There must be a least _____ persons to a transaction.
- 4) Journal is a book of _____.
- 5) Ledger is maintained for keeping _____ of persons, properties and expenses.
- 6) Left hand side of ledger is called _____ and the right hand side is called _____.
- 7) Narration is an _____ of any entry.
- 8) Property belonging to the person is called _____.
- 9) An amount of cash due from other person is called _____.
- 10) A person from whom debt is receivable is called _____ and a person to whom debt is payable is called _____.
- 11) The summarised form in which transaction is recorded in journal is known as _____.
- 12) _____ Means page of a journal or ledger.
- 13) Process of transferring an accounting entry from journal to ledger is known as _____.
- 14) A person whose assets are less than business liabilities is known as _____.
- 15) _____ Means totaling the books of accounts.

(B) State whether the following statements are true or False.

- 1) Book Keeping is only a science of recording financial transaction in a separate set of books.
- 2) The main objective of Book Keeping is to keep permanent records of business transactions.
- 3) In credit transaction goods or services are purchased for cash only.
- 4) In Cash transaction goods or services are purchased for certain value to be paid in future.
- 5) In Journal only cash transactions are recorded.
- 6) Amount due from other person is known as debt.

- 7) Capital = Liabilities-Assets.
8) Drawings made by the businessman increases his capital.
9) Withdrawals of cash made by proprietor from business for self use is called capital.
10) The liabilities of a solvent trader are always less than his assets.

(C) Match the following

Column A	Column B
1. Journal	a) Page of Journal or ledger
2. Ledger	b) Transferring entry from journal or ledger
3. Folio	c) Totalling journal or ledger
4. Posting	d) A book in which individual A/c's are Maintained
5. Casting	e) A book of daily records.

CHAPTER 9: SUBSIDIARY BOOKS**INTRODUCTION:**

In the previous chapters, we have considered two important Books of Accounts i.e. Journal & Ledger. Initially, when a business is newly started a business man does not find any difficulty in book-keeping with the help of these two books. In earlier days, the business transactions were very few, hence it was easy to record all types of entries in one journal only. Even today in small business only one journal is maintained for recording all the business transactions.

But, for larger business it is inconvenient to record all transactions in journal. If all transactions are recorded in one journal only it would become very bulky (large) & item would not be completed in time. Therefore, in modern book-keeping the journal is split up into a number of separate journal & a particular journal is split up into a number of separate journal & a particular journal is used for recording particular type of transaction. These separate journal are known as Subsidiary. The businessman may maintain separate journal purchases, sales, purchases return, sales returns etc. In such case all transactions of purchases of goods are entered through purchase book, Sales are entered through Sales Book & so on.

These books are also called as the books of origin entries of Prime Entry because the transactions are first recorded in subsidiary book then the posting is made in the ledger.

SUB-DIVISION OF JOURNAL:

The journal is sub-divided into the following subsidiary books:-

- 1) **Purchases Book:** This book is used to record all credit purchases of goods only.
- 2) **Sales Book:** This book is used to record all credit sales of goods only.
- 3) **Purchases Returns Book:-** It is also known as Returns outwards book. This Book is used to record goods returned to suppliers out of credit purchases of goods.
- 4) **Sales Returns Book:** It is also known as Returns inwards book. This Book is used to record goods returned to customers out of credit sales of goods.
- 5) **Cash Book:** This book is used to record all cash transactions only.
- 6) **Analytical Petty Cash Book:** It is used to record petty payments.
- 7) **Journal Proper:** It is used to record only those transactions which can be entered in any of the above eight books.

ADVANTAGES:

The Following are the main advantages of maintaining subsidiary books:

- 1) As separate books are maintained, the division of accounting work is possible among the staff members. Hence, it is easy to keep the book up-to-date.
- 2) The ledger-keeper can post the transactions in the ledger at his convenience. Hence, the work of writing up of subsidiary books is not held up.
- 3) It reduces clerical work, & save time & labour.
- 4) Duplication of work is avoided.
- 5) Internal check is made more effective.
- 6) Any information to account is easily available.
- 7) Sub-division of the books make easy reference.

1) PURCHASES BOOK:-

This book is also known as Bought Day Book or Purchases Journal. *It is used for recording only credit purchases of goods.*

In other words, the following conditions should be satisfied in order to record the transactions in this book:

1) Purchases should be made on credit basis.

It means cash purchases should not be entered in this book.

2) Credit purchases of goods only.

It means the purchases of assets should not be recorded In the purchases book.

All entries made in a purchase book are on the basis of Invoice* received from the supplier of goods.

INVOICE:

An invoice is a statement sent by the supplier to the buyer giving a full description of goods supplied. The specimen of an invoice is as follows:-

<u>Name and Address of Seller</u> _____				
INVOICE				
No: _____		Date: _____		
M/s. <u>Name & Address of Buyer</u> _____				
Sr.No.	Particulars	Qty	Rate	Amount
For M/s _____				
E. & O.E.		Authorised Signatory		

2) SALES BOOK:-

This book is also known as Sales Day Book or Sales Journal. *It is used for recording only credit sales of goods.*

In other words, the following conditions should be satisfied in order to record the transactions in this book:

1) Sales should be made on credit basis.

It means cash sales should not be entered in this book.

2) Credit Sales of goods only.

It means the sales of assets should not be recorded In the sales book.

When a businessman sells goods on credit basis he prepares his invoice. In this invoice, he prints the name and address of his business and issues to his customers. All entries in the Sales Book is made on the basis of such invoices only.

3) PURCHASE RETURN BOOK.

This book is also called as "Return Outward Book". It is used to record return of goods purchased on credit basis. Goods may be returned due to various reasons like inferior goods, not as per sample, delay in delivery etc.

If some discount is adjusted while recording purchase then the same has to be adjusted when (gross) purchase returns are given.

All entries in Purchase Return Book is made on the basis of a Debit Note.

Debit Note:

A debit note is a statement sent by the buyer to the seller stating the details of goods returned. It is sent to inform the supplier that his account has been debited for the amount of goods returned in the books of the buyer.

The specimen of a debit note is as follows:-

<u>Name and Address of buyer</u> _____				
Debit Note No: _____		Date : _____		
M/s _____				
We hereby inform you that we have debited your account with Rs. _____ for the goods returned by us. The details of the same are as follows:				
Invoice No.	Particulars	Qty	Rate	Amount
E.& O.E.		For M/s _____		
(Authorised Signatory)				

4) SALES RETURN BOOK.

This book is also called as "Return Inward Book". It is used to record return of goods sold on credit basis. If some discount is adjusted while recording sales then the same has to be adjusted when (gross) sales returns are given.

All entries in Sales Return Book is made on the basis of a Credit Note.

Credit Note:

A credit note is a statement sent by the Seller to the Buyer stating the details of goods returned. It is sent to inform the buyer that his account has been credited for the amount of goods returned in the books of the seller.

The specimen of a Credit note is as follows:-

<u>Name and Address of Seller</u>				

Credit Note No: _____	Date : _____			
M/s _____				

We hereby inform you that we have credited your account with Rs. _____ for the goods returned by you. The details of the same are as follows:				
Invoice No.	Particulars	Qty	Rate	Amount
E. & O.E.		For M/s _____		
		(Authorised Signatory)		

PRACTICAL QUESTIONS

Q.1. Record the following transactions in the Purchases book.

2001

Mar.1	Purchased goods from Mr. Sharma & Co. for	1,000
2.	Bought furniture from A-1 furniture Marts.	2,000
13	Cash purchases	3,000
14	Ramesh & Co. invoiced goods to us.	4,000
17	Placed an order with Giridhari for purchase of goods worth Rs.	6,000
26	Goods received from Giridhari.	
31	Lal Brothers sold goods to us Rs.1,000 less 10% T.D.	

Q.2. Record the following transactions in the Sales Book of Ramakant a cloth merchant.

2001

May 1	Sold 10 meters cloth to Desai @ Rs.50 per meter.	
10	Khan purchased 5 Sarees from Ramakant @ Rs.200 each at 10% T.D.	
15	Cash Sales Rs.5,000.	
18	A Table sold to Din Bandhu at Rs.1,000.	
25	Sold 20 shirts to M/s Bobby & Co @ Rs.150 each.	
31	Sold goods to Karishma Rs.5,000.	

Q.3. Record the following transactions in the Purchase Return Book
2001

- June 1 Goods returned to Ram Trading Co. Rs.500.
- 10 Returned goods of Rs.1000 to the Vinod Trading Co.
- 15 Goods returned to Pawan & Co. not being according to the sample worth Rs.600.

Q.4. Prepare Sales Return Book to record the following transactions:
2000

- July 5 Goods returned by Radha & Co. Rs.1,000.
- 10 Goods returned by Sudha & Co. Rs.1,500.
- 15 Anita returned goods to us Rs.2,000.

Q.5. Mr. Rane gives you the following details and request you to prepare his purchases, Sales, Purchases return & Sales Return Journal for the month of March 2002.
2002

- Mar.1 Purchased goods on credit from Prashant Rs.2,000 at 10% T.D. & sold goods to Pratibha Rs.2,000 at 7 ½ % T.D.
- 7 Placed an order with Daruwala for goods Rs.8,000 less 5% T.D.
- 10 Invoiced goods to Gopi Rs.1,000.
- 14 Daruwala executed our order placed on 7th March
- 18 Sold goods to Nandalal Rs.1,000 less 10% T.D and 5% C.D terms.
- 19 Sold machinery Rs.2,000.
- 21 Gopi returned goods to us Rs.200.
- 26 Returned goods to Prashant Rs.800 (gross).
- 28 Returned goods to Daruwala Rs.200 (net).
- 29 Goods returned from Nandalal Rs. 500.
- 30 Cash purchases Rs.1,000.
- 31 Cash Sales Rs.2,000.

Q.6. Enter the following transactions in the purchase book, sales book, purchase return book, sales return book of Aaditya and Co for the month of Jan 2007
2008

- Jan 1 Purchased goods from Raj Traders Rs. 5,400 at 10% trade discount
- 3 Preeti Enterprises invoiced goods to us Rs 6,250
- 6 Sold goods to Vinita stores Rs. 6,250
- 9 Mitesh Associates invoiced goods to us Rs. 6,000 at 2 ½ % trade discount
- 12 Returned goods to Raj Traders Rs. 550 (net)
- 15 Vinita Traders returned goods to us and they were damaged in transit Rs. 2,000 (Gross)
- 18 Returned goods to Preeti Rs. 1,250
- 23 Placed an order with Novel Stores for goods worth Rs. 28,000
- 25 Novel Stores supplied goods worth Rs. 17,000 only
- 26 Returned goods to Novel Stores as they were not as per specification Rs. 1,530
- 28 Sold goods to Deepika Rs. 1,400 at 8% trade discount
- 30 Deepika returned goods of Rs. 3,000 (Gross)

Q.7. Enter the following transactions in the subsidiary books of M/s. Kranti Stores.
2001

- July 1 Vijay sold goods to M/s. Kranti stores Rs.5,500 at 10% T.D.
- 2 Cash sales Rs.500.
- 4 Cash purchases Rs.1,000.
- 6 Purchased goods from Vikrant Rs.3,000.

- 8 Mehta Brothers purchased goods from Kranti Stores Rs.2,000.
- 15 Received goods from Ahuja with an invoice of 8,000 less 5%T.D.
- 17 Purchased office furniture credit from Nagar Stores Rs.5,000.
- 19 Shah bought goods from us worth Rs.4,000 at 7 1/2% T.D.
- 20 Sold goods to Tendulkar for Rs.9,000.Tendulkar paid a cheque of Rs.7,000 against the goods.
- 22 Returned goods worth Rs.1,000(gross) to Ahuja.
- 24 Sent a credit note for Rs.500 to Tendulkar for defective goods returned by him.
- 28 Bhanjanlal sent us samples worth Rs.200 free of cost.
- 29 Received an order from Gavaskar for goods of Rs.1,000.Terms 10% T.D.
- 30 Executed the order received from Gavaskar.

Q.8. Mr.Anil Kapoor gives you the following details & request you to prepare Purchases, Sales, Purchase Returns & Sales returns Registers for the month of Jan.2002.
2002

- Jan.1 Purchased goods on credit from Miss.Neetu Singh Rs.9,000 at 10% T.D
- 2 Sold goods on credit to Miss.Shah & Co.Rs.10,000.
- 5 Bought furniture on credit from M/s.Poonam Jain Rs.5,000.
- 6 Sold goods M/s.Jain & Associates on credit Rs.12,000 at 7 1/2 % T.D.
- 7 Miss Shah & Co.returned goods worth Rs.3,500.
- 10 Bought goods worth Rs.15,000 on credit from D.H & Co.at 12% T.D.
- 12 Return goods to Miss Neetu Singh Rs.3,900.
- 15 Sold machinery on credit to Ajay & Co Rs.7,000.
- 18 Returned goods to D.H & Co.Rs.4,000.
- 20 Paid to Neetu singh the account due for purchase made on 1st Jan.2002.
- 31 Received back goods worth Rs.450 from Miss Shah & Co.

Q.9. The following information taken from the books of Gandhi, you are required to prepare the Purchase & Sales book, Purchase return book & Sales return books.
2001

- Dec.1 Purchased goods on credit from M/s.Dilip Sales Agencies Rs.30,000 at T.D 10%
- 3 M/s.Patil & Co. sold goods to Gandhi for Rs.7,500 on credit at a T.D 2%.
- 7 Sold goods to Desai at a trade discount of 12% for Rs.30,000 as follows:-
Rs.15,000 on Cash basis, Rs.15,000 on Credit basis
- 10 Returned back goods worth Rs.1,000(gross) to M/s. Dilip Sale Agencies.
- 14 Purchased furniture on credit from Vijay furniture mart for Rs.6,000.
- 20 Returned goods worth Rs.1,500 to M/s.Patil & Co.
- 25 Purchased goods worth Rs.5,000 from M/s.Sindhu & Sons for which payment is to be made after two months.
- 28 Sold goods on credit to M/s. Soni & sons for Rs.10,000 at a T.D of 7 1/2%

Q.10. Mr. Businessman gives you the following information you are required to record them in appropriate subsidiary books & post them in to ledger accounts.
2001

- Mar1 Purchased goods from Ajay Rs.2,400 at a Trade Discount of 2%.
- 2 Sold goods to Vijay worth Rs.1,500.
- 3 Bought goods from Sanjay Rs.2,000.
- 5 Dhananjay sold goods to Mrs. Businessman Rs.1,200.
- 6 Vijay returned goods worth Rs.400.
- 7 Returned above goods of Rs.300 to Ajay.
- 10 Sold goods to Pankaj Rs.2,000.
- 15 Goods returned by Pankaj Rs.500.

- 18 Goods returned by Pankaj sold to Tara Rs.300.
- 19 Shri Hari & Co. supplied us goods of the catalogue price of Rs.5,000 at 10% T.D.& 5% cash discount.
- 20 Placed an order with Sudhir & Co. for the supply of goods of Rs.10,000.
- 31 Wani & Co. bought from us goods worth Rs.10,000 at 10% T.D

Q.11. From the following information prepare Purchase book, Purchase Return book, Sales book, Sales return book and post them in ledger accounts of Nikita Traders. 2001

- July 1 Sold to Prakash goods of Rs.12,000 at 10% trade discount and half the amount receive in cash.
- 2 Bought from Suraj goods of Rs.2,000 less 10% trade discount.
 - 3 Purchased from Amit furniture Rs.6,000 for office use.
 - 4 Mr. Prakash return goods of the value of RS.1,500.
 - 5 Sold to Mukesh goods of Rs.15,000 less 15% trade discount.
 - 6 Sold to Amita for Rs.2,000 old typewriter with a book value of Rs.1,700.
 - 7 Placed an order with Ramesh for goods of Rs.2,500.
 - 8 Received from Ramesh free samples worth Rs.200
 - 9 Purchased from Roshan goods of Rs.5,000.
 - 10 Sold goods to Kapil Rs.5,000.
 - 11 Kapil returned us goods of Rs.2,000.
 - 12 Return goods worth Rs.2,000 to Roshan.
 - 13 Sold to Manish for Rs.500 old furniture .
 - 20 As per order Ramesh supplied us goods.

Q.12. Record the following transactions in the proper subsidiary books :

- May 1 Bought goods from Ramesh Rs.1,500 at 10% T.D & 5% C.D terms.
- 3 Purchased goods from Laxmikant Rs.800 at 5% T.D.
 - 4 Sold goods to Laxmikant for Rs.900 at 10% T.D.
 - 6 Placed an order with Kailash for goods Rs.2,000 at 15% T.D.
 - 10 Invoiced goods of Rs.500 to Dinesh.
 - 13 Returned goods to Laxmikant Rs.100(net).
 - 15 Cash sales Rs.700.
 - 16 Ramesh received goods returned by us Rs.25.
 - 18 Dinesh returned goods to us of Rs.150.
 - 18 Kailash supplied goods to us as per our order dated 6th May.
 - 19 As the goods of Rs.100 were defective were returned to Kailash.
 - 23 Sold furniture on credit to Seeta worth Rs.6,200 at 10% C.D.
 - 26 Sold goods to Neeta Rs.1000 at 10% T.D.
 - 31 Purchased Motor Car for Rs.50,000.

Q.13. Record the following transactions in Purchase Book, Sales Book, Return inward book, Return outward book and post them into respective ledger accounts.

- May 1 Bought goods from Rita Rs.1500 at 10% Trade discount and 5% C.D .
- 3 Leena invoiced goods to us worth Rs.800 at 5% Trade discount.
 - 4 Sold goods to Leena for Rs.900 at 10% Trade discount & 2% C.D terms.
 - 6 Placed an order with Kavita for goods worth Rs.2000 at 15% T.D.
 - 9 Veena purchased goods from us Rs.700.
 - 10 Invoiced goods of Rs.500 to Deepa.
 - 13 Returned goods to Leena Rs.100 (gross)
 - 15 Cash sales Rs.700.
 - 16 Rita received goods returned by us Rs.500 (net).

- 18 Deepa returned goods to us Rs.150.
- 20 Kavita executed order dated 6th May, 1996.
- 25 Invoiced goods to Neeta Rs.1000 at 10% Trade discount.
- 31 Purchased a motor car worth Rs.50,000.

Q.14. Enter the following transaction of Agrawal Trading Co. in the subsidiary books.
2001

- Oct.1 Purchased goods from Sachin Tendulkar worth Rs.30,000 at 15% T.D
- 2 Sold to Kapil dev goods worth Rs.1,200 at 10% Trade discount.
- 4 Purchased machinery on credit from Sunil Gavaskar Rs.4,500.
- 6 Goods purchased for cash from Pravin Amre Rs.9,500.
- 7 Placed an order with Mohinder Amarnath for supply of goods Rs.7,000.
- 9 Sold goods to Imran Khan worth Rs.11,000 at 7 ½% Trade discount.
- 10 Manoj Prabhakar sent us free samples worth Rs.600.
- 13 Sent a debit note to Sachin Tendulkar for returning half the goods.
- 14 Received a debit note from David Boon of Rs.700 for defective goods.
- 15 V.Richard purchased goods worth Rs.4,500 at 3% trade discount.
- 16 Purchased goods from Bedi costing Rs.5,000 less 20% T.D. & directed them to despatch the goods to Kiran More to whom an invoice of Rs.6,000 was sent
- 25 Kiran More returned half the goods which were forwarded to the supplier.

Q.15. From the following particulars prepare the sales book of Shri Rama, a cloth merchant & post them in his ledger.

1998

- July 1 Sold 600 meters to Shirting @ 15 per meter to Bharat @ 5% T.D.
- 2 Received cash for the sale on the next day.
- 4 Sold 800 meters of poplin @Rs. 8 and 1000 meters of long cloth @ Rs.5 per meter to Laxman on credit for 3 months.
- 5 Laxman returned these goods on the ground that goods were defective.
- 6 Ravana purchased 2 bales of cloth for a lumpsum price of Rs.10,000 per bales.
- 7 Sold old furniture to Sita for Rs.1,500.
- 10 Kumbhakarna makes cash purchase worth Rs.8,000 @ 5% T.D.
- 14 Received an order from Hanuman for 1,500 meters terrywool of Vimal Mills Ltd. @Rs.50 per meter. Terms 5% trade discount & 10% C.D.
- 15 Executed the order received from Hanuman.
- 18 Rama took 20 metres of terry wool @ Rs.25 per meter for his personal use & sent 5 sarees @ Rs.100 each to his wife for her personal use.
- 26 Sold to Bali 2 bales of cloth for Rs.40,000 @ 5% discount.

Q.16. Enter the following transactions in proper subsidiary books.

1998

- Aug.1 Purchased goods from Radheshyam Rs.1,500 less 10% Trade discount and 5% Cash discount terms.
- 3 Purchased goods from Laxmidhar Rs.800 less 5% Trade discount.
- 4 Sold goods to Laxmidhar Rs.900 less 10% Trade and 2% C.D terms.
- 5 Placed an order with Kamal for goods Rs.2,000 less 15% trade discount.
- 9 Vidhyadhar bought goods from us Rs.700.
- 10 Invoiced goods of Rs.500 to Dandekar.
- 13 Returned goods to laxmidhar Rs.100 (gross).
- 15 Cash Sales Rs.700/-
- 15 Radheshyam received goods returned by us Rs.500.
- 18 Dandekar returned goods Rs.150.

- 20 Kamal executed our order placed on 5th August.
- 23 Sold goods to Shri.Banerajee Rs.1,000 less 10% trade discount.
- 25 Sold machinery for Rs.3,000.

Q.17. Record the given transactions in the proper subsidiary Books & prepare ledger A/c 1988

- May 1 Purchased goods from Sagar Rs..8000 at 10% T.
- 4 Sold goods to Arjun Rs..12,000 at 20% T.D.
- 7 Sanjay sold goods to us Rs.20,000.
- 12 Returned goods to Sagar Rs.1000(gross).
- 18 Arjun returned goods to us Rs..8,000 (net).
- 21 Invoiced goods to Prashant Rs... 15,000.
- 27 Prashant returned goods to us Rs.500
- 29 Purchased furniture worth Rs.12,000 from A & Co. on credit.
- 30 Purchased goods from B & Co. worth Rs.5,000 at 5% T.D & 5% C.D.
- 31 Returned goods to Sanjay Rs.1,000.

Q.18. Following are the transactions of General Merchant, You are required to record them in subsidiary books of goods & post them into the ledger.

2001

- Nov.1 Goods purchased from Mahendra Shah Rs.11,500.
- 3 Bought goods from Madhusudan for Rs.6000.
- 4 Sold goods to Ravi on credit for Rs.2,500 after deducting Rs.100 T.D
- 5 Returned goods of Rs.1,400 to Mahendra Shah as they were of inferior quality.
- 7 Returned goods to Madhusudan worth Rs.1,000(net)
- 8 Goods worth Rs.900(net)were rejected by Mr.Ravi but we asked him to hand over the same to Yogesh, our customer. A bill in the name of Yogesh was prepared for Rs.850 & a credit note was issued to Ravi.
- 12 Sold goods to Rajendra for Rs.4,000 subject to 2% Trade discount and Rs.50 cash discount if payment is received within 15 days.
- 14 Bought goods of Narayan for Rs.4,800 & sold half of it at 25% profit to Desai on credit.
- 19 Sold old furniture for Rs.285 to Mr.Yogesh on credit.
- 23 Desai returned goods worth Rs.1,000 the same were returned to Narayan from whom we had purchased them.

Q.19. Following are Mr. Kapil's transactions for Jan 1999. Prepare subsidiary books & also prepare ledger accounts.

- Jan.1 Bought from Anil goods of Rs.12,000 as per his invoice No.4189 of 26/2/99.
- 2 Purchased from Brij goods of Rs.11,870 less trade discount of Rs.370
- 5 Purchased from Charan goods of Rs.12,000 less 20% trade discount
- 7 Bought of Dilip goods of Rs.11,000 less 25% trade discount
- 8 Bought from Ekta furniture for Rs.13,000 vide invoice No.814 of 8-3-99.
- 10 Purchased from Farha goods of Rs.12,000 less 20% trade discount
- 12 Sold to Suraj goods of Rs.1,500 vide Sales Invoice No.2187.
- 13 Sold to Raj goods of Rs.2,780 less trade discount of Rs.80, vide Invoice No.2188.
- 14 Sold to Naresh goods of Rs.4,000 less 20% trade discount.
- 16 Sold to prem goods of Rs..4,640 less trade discount of 30% vide invoice No.2189.
- 18 Sold to Sachin goods of Rs 1,960 less trade discount of 25% vide invoice No.2190.
- 21 Suraj returned goods of Rs.500 vide our credit Note No.114.
- 23 Naresh returned goods of Rs.150 vide our Credit Note No.115.
- 24 Prem returned goods of Rs.600 vide our Credit Note No.116

- 26 Returned to Anil goods of Rs.1,200 vide our Debit Note No.19.
- 28 Returned to Brij goods of Rs.1,300 vide our Debit Note No.20.
- 30 Returned to Dilip, goods of Rs.1,100 vide our Debit Note No.21.

Q.20. Enter the given transactions in proper subsidiary books of M/s.Babhubhai & Co. 2000

- Mar.1st Sold to M/s. Ramanand worth Rs.1,000 on 10% trade discount.
- 7th M/s. Dharmendra sold us goods worth Rs.19,000 at 5% trade discount.
- 8th M/s. Ramanand returned goods worth Rs.100 (net).
- 10th Sold goods to Shashi worth Rs.6,000.
- 12th Invoiced goods from M/s Deo & Co worth Rs.7,000.
- 14th Shashi returned goods worth Rs.400.
- 18th Sent a Debit note alongwith goods to M/s Deo & Co worth Rs.250 (net).
- 21st M/s K & Sons sent us their invoice with goods worth Rs.7,000 allowing 2% T.D
- 24th Received a credit note from Shashi with defective goods worth Rs.90.
- 27th Sold our old furniture to Mr. Shashi worth Rs.9,000.

Q.21. From the following prepare subsidiary books of M/s. Malvila General Stores. 2001

- June 1 Purchased goods worth Rs.5,000 from Rajashree as per invoice No.234.
- 5 Purchased furniture worth Rs.1,200 from Modern Steel Ltd. as per their invoice No.986.
- 7 Patel Brothers purchased goods from us for Rs.3,000 as per Invoice No.256.
- 8 Sold goods to Raja & Co. for Rs.1,000 as per invoice No.257.
- 10 Patel Brothers returned goods worth Rs.500 for which they were given credit note No.70.
- 12 Goods worth Rs.1,000 returned to Rajshree & issued Debit Note No.28.
- 15 Sold old furniture to Gopalan for Rs.800.
- 20 Sold goods to Narendra for Rs.800 as per invoice no.258 and purchased from him goods worth Rs.200 as per his invoice No.212.
- 26 Amol Traders purchased goods from M/s.Malvila General Stores for 2,000 on 10% T.D terms as per Invoice No.259.
- 27 Rupesh supplied goods to M/s.Malvila General Stores for worth Rs.2,000 Invoice No.79.
- 28 Amol Traders returned goods worth Rs.350 being defective credit note no.48 issued to them.
- 31 Returned goods worth Rs.600 to Rupesh & issued debit Note No.29.

Q.22. Record the following transactions of Maria Enterprises in the subsidiary books. 2000

- Feb.1 Purchased from Rekha & Co.goods worth Rs.10,000 less 10% T.D. & 5% C.D.
- 2 Laxmi invoiced goods to us worth Rs.5,000 less 5% Trade Discount.
- 4 A part of the goods received from Laxmi were defective and the same valued at Rs.300 were returned to the supplier.
- 5 Booked order for purchase of goods with Kashmira for Rs.4,000 less 10% T.D.
- 6 Invoiced goods worth Rs.6,500 to Lalita on 10% TD & 5% CD terms.
- 7 Purchased goods from Rajashree costing Rs.4,000 less 20% TD directing her to despatch the goods to Sarika to whom a invoice of Rs.4,000 was sent.
- 11 Purchased from Reema furniture worth Rs.5,000.
- 13 Cash purchase & Cash sales amounted to Rs.1,200 & Rs.1,600 respectively.
- 14 Sarika returned half of the goods which were forwarded to the supplier.
- 16 Lalita returned $\frac{1}{2}$ the goods.

OBJECTIVES:

(A) Fill in the blanks:

- 1) Purchase book is used for recording _____ of goods.
- 2) Sales book is used for recording _____ of goods.
- 3) Debit note number column is provided in the _____ book.
- 4) Statement showing all the particulars of goods sold is known as _____.
- 5) Return inward book records the transactions pertaining to _____.
- 6) Note which informs the suppliers that his account is credited in the books of buyer is known as _____.
- 7) When goods are received back from customer a _____ note is issued in his favour.

(B) State whether the following statements are True or False.

- 1) Credit purchases of assets are recorded in Purchase book.
- 2) Credit sale of assets are recorded in the sales book.
- 3) Goods returned by a customer are recorded in the Returns Inward book.
- 4) Sale of old machine on credit is recorded in Sales book.
- 5) Credit note is prepared by buyer and given to supplier.
- 6) Inward invoice No. column is provided in the Sales book.
- 7) Trade discount is recorded in the Subsidiary books.

(C) Match the following.

A Column	B Column
1. Subsidiary Books	a) Credit purchase of Goods
2. Purchase Book	b) Credit Sales of Goods
3. Sales book	c) Each of divided part of Journal
4. Purchase Return Book	d) Return of Goods by customer
5. Sales Return book	e) Return of Goods to Supplier

CHAPTER 10: CASH BOOK**INTRODUCTION:**

Cash book is one of the most important subsidiary books. All type of cash transactions are recorded in cash book. The cash book is just like a cash A/c, hence no separate Cash A/c is opened in the ledger. The cash is an asset of the business so cash book always shows a debit balance. The cash book has two sides such as Receipt side & Payment side. The left hand side is called as Receipt side and the right hand side as Payment side. Any cash receipt is entered on the receipt side, whereas any cash paid is entered on the payment side of the cash book. Cash column can never have a debit balance because a person can never pay more than the money that he has.

(1) MEANING OF CASH BOOK:

Cash Book is a book where in all day-to-day cash transactions are directly recorded. It is a book of original entry. It is also known as Cash Journal.

(2) OBJECTS OF CASH BOOK:

Following are the main four objects of maintaining cash book :-

- (i) to record the receipts of cash
- (ii) to record the payments of cash
- (iii) to ascertain the balance of cash in hand on any particular date
- (iv) to verify the correctness of cash and bank balance.

(3) FEATURES OF CASH BOOK:

- (i) It is a book of original entry.
- (ii) It functions as a cash journal as well as a ledger account for cash.
- (iii) Only cash transactions are recorded in a Cash Book.
- (iv) Cash Memos, Receipts & Vouchers form the basis for writing a cash book.
- (v) It shows receipts and payments of cash.

(4) TYPES OF CASH BOOK:

There are different types/kinds of cash book. It depends upon the nature of business.

The different types of cash books are as under :-

- (i) Simple Cash Book / Single Column Cash Book.
- (ii) Two Columns Cash Book with cash & discount columns.
- (iii) Three Columns Cash Book.
- (iv) Petty Cash Book.

PRACTICAL QUESTIONS**I. SIMPLE CASH BOOK**

Q.1. Enter the following transactions in a Simple Cash Book.

2001

- April 1 Opening Cash balance Rs.1,000.
2 Purchased goods Rs.500.
4 Sold goods Rs.450.
7 Paid rent Rs.250.
10 Received from Juliet Rs.300.
15 Paid to Krishna Rs.100.
25 Received commission of Rs.50.
27 Withdraw Rs.200 from business for personal use.
30 Paid wages Rs.150.

Q.2. Record the following transactions in the Cash book of Mr. Thomas
2001

- May 1 Commenced business with cash Rs.5,000.
- 2 Cash purchases Rs.2,000.
- 6 Sales Rs.1,800.
- 9 Paid into bank Rs.3,800.
- 12 Rent received Rs.200 and paid salaries Rs.500.
- 18 Purchased furniture Rs.1,000.
- 25 Paid interest Rs.750 to Dinanath.
- 30 Introduced additional Capital Rs.1,050.

Q.3. Enter the following business transaction in a Simple Cash Book for the month.
2001.

- Feb 1 The Proprietor introduced Rs.40,000 as capital, to start with the business.
- 4 Purchased goods for Rs.15,000.
- 6 Purchased furniture for Rs.8,000.
- 9 Purchased from Amit goods of Rs.1,800 less 10% trade discount, on cash.
- 10 Purchased from Mr.Mehta goods of Rs.13,000 less 20% trade discount on cash.
- 11 Paid sundry expenses Rs.150.
- 14 Paid Carriage Rs.100.
- 17 Sold goods for Rs.11,000 less 5% trade discount on cash.
- 19 Sold to Chandrakant goods of Rs.12,000 less 5% trade discount on cash.
- 21 Received from Deepak a commission of Rs.1,000.
- 23 Paid rent Rs.1,450.
- 25 Purchased furniture of Rs.4,200 from Eric, on cash.
- 27 Cash Purchased Rs.10,000.
- 28 Cash Sales Rs.15,000.

Q.4. Prepare the Simple Cash book from the following.
2001

Jan.1	Balance of Cash in hand	14,000
2	Bought goods for cash.	12,000
3	Sold goods for cash	16,000
4	Goods Sold to Mr.Prakash	3,000
5	Paid wages	4,000
6	Received commission	16,000
7	Deposited into bank	50,000
8	Introduced additional capital into business	60,000
9	Paid rent	7,000
10	Received from Mr.Prakash	15,000
11	Paid to Mr.Balaji	8,000

Q.5. Enter the following transactions in cash book of Mr.Ashok.
2001

- Jan.1 Started business with Cash Rs.26,000, Goods worth Rs.24,000 and Machinery of Rs.30,000.
- 2 Obtained a loan from the S B I & invested same in the business Rs.40,000.
- 3 Goods purchased for Rs.40,000 at 10% trade discount.
- 4 Withdrawn cash for personal use Rs.4,100.
- 6 Cash sales Rs.27,000
- 9 Paid rent Rs.4,100.
- 10 Paid salaries Rs.3,400.

- 12 Cash purchases Rs.23,000.
- 15 Received commission Rs.4,000 from Ramesh.
- 18 Purchase Cupboard for Rs.12,000.

Q.6. Enter the following transactions in Cash Book of Shri Ramakant for the month .

2001

Feb. 1	Cash in hand	3,000
3	Cash Sales	4,000
4	Received Cash from Hari	2,500
6	Paid Travelling expenses	100
8	Bought goods for cash	1,500
10	Received a money order from a customer	200
18	Paid Postal order application fees	50
19	Paid to Mr.Ram	1,200
21	Received cash from Mr.Datta	8,000
22	Deposited into bank	1,000
26	Withdrawn from bank	2,000

Q.8. Enter the following transactions in a simple cash book.

2001

- Feb.1 Opening cash balance Rs.40,000.
- 2 The businessman invested further cash Rs.30,000 into the business.
- 4 Purchased goods worth Rs.40,000 at 5% trade discount.
- 7 Received commission Rs.2,000 from Joshi Brothers.
- 9 Paid Rs.4,000 to Avinash on account.
- 12 Cash sales Rs.36,000 of 10% trade discount.
- 14 Deposited into the bank Rs.25,000.
- 17 Received Rs.22,000 from Kamlakar, on account.
- 19 Paid salaries Rs. 12,500 to staff
- 22 Withdraw Rs. 16,000 from business for personal use.
- 24 Withdraw Rs.3,700 from business for personal use.
- 27 Borrowed Rs.25,000 from wife for doing further business.

Q.9. Prepare Simple Cash Book from the following details :-

2001

- Jan.1 Started business with cash Rs.45,000/- ,Goods worth Rs.50,000/-
- 2 Deposited into the bank Rs.15,000/-
- 7 Purchased furniture costing Rs.12,000/- for office use.
- 8 Paid carriage on purchased of goods Rs.150/-
- 10 Paid to Ramesh on account Rs.1,250/-
- 12 Cash sales Rs.23,000/-
- 13 Received Rs.2,600/- from Mr. Bhandari.
- 16 Received interest Rs.2,150/- from bank due on deposits.
- 19 Paid salaries Rs.1,500/- to staff.
- 20 Withdrew Rs.1,200/- for personal use.
- 24 Withdrew Rs.13,000/- from bank for office use.

Q.10. Enter the following transactions in a Simple Cash Book.

2001

- Jan.1 Started business with cash Rs.3000/-.
- 2 Received from Chetan Chauhan Rs.2180/-.
- 8 Paid to Manoj Prabhakar on account Rs.1250/-

- 10 Paid commission to Ajit Wadekar Rs.200/-
- 15 Sold goods to Kapil Dev for cash Rs.1500/-
- 18 Cash purchases Rs.2200/-
- 19 Received from Satish on account Rs.375/-
- 20 Bought office furniture Rs.225/-
- 22 Introduced further capital in business Rs.4000/-
- 23 Withdraw cash for personal use Rs.150/-
- 24 Cash sales Rs.5000/-
- 27 Gave loan to Rahul Dravid Rs.2500/-
- 28 Paid Rs.2400/- for salaries, Rs.1200/- for wages & Rs.1500/- for rent.

Q.11. Enter the following transactions in a Simple Cash book of Shri Navinchand. 2001

- Feb.1 Opening cash balance Rs.36,000.
- 2 Introduced further cash Rs.25,000 into the business.
- 3 Deposited Rs.24,000 into the bank.
- 4 Received Rs.21,000 from Madhukar on account.
- 5 Cash purchases Rs.27,000.
- 9 Purchased furniture for office use for Rs.12,000.
- 10 Cash sales Rs.24,000.
- 11 Paid Rs.2,000 to Ananta on account.
- 14 Paid salaries Rs.11,500 to staff.
- 17 Paid rent Rs.1,150 to landlord.
- 18 Received Rs.1,500 as commission.
- 19 Withdrew Rs.14,500 from the bank for office use.
- 22 Withdrew Rs.2,500 from the business for personal use.
- 24 Paid Rs.1,200 as insurance premium on the life of the proprietor.

Q.12. Enter the following transactions in the simple cash book and balance the same 2000

- Jan.1 Cash at commencement Rs.7,000.
- 2 Paid into the bank Rs.2,000.
- 3 Cash Purchases Rs.3,000.
- 6 Paid Carriage Rs.50.
- 7 Received from Govind Rao Rs.500.
- 9 Cash Sales Rs.2,000.
- 10 Received commission Rs.150.
- 14 Sold goods for cash Rs.500.
- 15 Purchased goods on cash Rs.1,000.
- 16 Withdrew Rs.1,000 from the bank for office use.
- 17 Purchased old typewriter for Rs.500 for office use.
- 19 Proprietor sold his old car for Rs.5,000 & invested same amount in the business.
- 22 Withdrew for personal use Rs.1,000.
- 24 Paid for salary Rs.200 and for printing and stationery Rs.25.
- 27 Received interest Rs.125 and dividend Rs.100 from our investors

Q.13. Prepare the Simple Cash book from the following transactions. 1999

- Jan.1 Started business with Cash Rs.25,000.
- 2 Deposited into the bank Rs.15,000.
- 7 Purchased furniture costing Rs.2,000 for office use.
- 8 Paid carriage on purchase of goods Rs.50.

- 10 Paid to Ramesh on account Rs.250.
- 12 Cash Sales Rs.3,000.
- 14 Received Rs.600 from Mr. Bhandari.
- 16 Received interest of Rs.150 from Bank due on deposits.
- 19 Paid salaries Rs.500 to staff.
- 20 Withdrew Rs.200 for personal use.
- 24 Withdrew Rs.3,000 from bank for office use.

Q.14. The Cash book of Mr.Roshan shows balance of Rs.8,975 as on 1st July., 1996. You are required to prepare the Cash Book for the month of July,96 from the following transactions.(without Narration)

1996

- July. 1 Deposited Rs.3,500 with the bank.
- 2 Purchased good for Rs.2,100.
- 6 Sold goods for Rs.3,250.
- 9 Received Rs.900 from Mr.Ramesh.
- 12 Paid on account to Mr.Kamlesh Rs.1,250.
- 15 Issued a cheque of Rs.750 to M/s.Ram-Naresh.
- 18 Received a crossed cheque of Rs.1,500 from M/s.Sohankumar.
- 21 Withdrawn from Bank for office use Rs.1,000.
- 22 Withdrawn for personal use from Bank Rs.500.
- 23 Paid salaries of Rs.750 to Ramu, a staff.
- 24 Received Rs.1,200 as an Advance.
- 25 Paid rent of Rs.300 for the month of July.
- 26 Received Rs.1,875 from Kumar & Sons for cash sales.
- 28 Paid Rs.150 as Commission.
- 30 Purchased a typewriter for cash of Rs.1,300.

Q.15. Record the following transactions in the Cash Book of Sitaram:

- June 1 Cash Balance Rs.8,000.
- 5 Cash Sale Rs.2,000.
- 7 Paid to Lal Rs.900 in full settlement of Rs.1,000.
- 9 Received cash from Trimurti Rs.200 less 10% discount.
- 15 Purchased goods at 10% T.D Rs.5,000 & paid cash.
- 20 Paid salaries Rs.600.
- 25 Received from Ramu Rs.650 and discount allowed Rs.50.
- 28 Bills payable paid Rs.200.

Q.16. Enter the following transactions in a Cash book

2001

- April 1 Started business with cash Rs.1,40,000 and Bank balance Rs.60,000.
- 2 Deposited Rs.18,000 into the bank.
- 8 Sold goods for Rs.40,000 less 10% trade discount and 5% cash discount.
- 14 Purchased goods for Rs.35,000 less 10% cash discount.
- 18 Received Rs.11,930 from Mr.Patel in full settlement of Rs.12,000.
- 22 Paid Rs.18,000 to Mr.Suresh and earned from him a discount of Rs.200.
- 24 Received commission of Rs.2,000 from Mr.Mahesh.
- 26 Paid salaries Rs.2,600 to staff.
- 28 Withdrawn from bank Rs.10,000 for office use.
- 28 Withdrawn from office Rs.4,000 for personal use.

Q.17. Prepare cash book from the following details:-

2001

- Mar. 1 Opening cash balance Rs.80,000, Stock of goods Rs. 20,000.
2 Deposited into the bank Rs.10,000.
4 Purchased goods worth Rs.25,000 at 10% trade discount and 5% cash discount.
5 Paid carriage and cartage Rs.200.
6 Paid commission to our agent Rs.450
8 Cash sales Rs. 25,000 at 5% discount.
12 Received Rs.2,550 from Ramesh in full settlement of Rs.2,600.
13 Paid salaries to staff Rs. 12,000.
15 Paid Rs. 1,440 to Madhavan in full settlement of Rs.1,450
17 Purchased tables and chairs for Rs.4,000 for office use.
18 Paid Rs. 1,250 as insurance premium on the property of the business.
20 Received Rs.1,250 as interest on our investment.
24 Borrowed Rs.12,000 from wife for doing further business.
27 Withdrew Rs.2,700 from business for personal use.

Q.18. Enter the following transactions in a Cash book.

- Aug 1 Opening cash balance Rs.40,000.
2 Received Rs.11,950 from Miss Smita in full settlement of Rs.12,000.
4 Received Rs.14,800 from Miss.Sharmila & allowed her cash discount of Rs.100
6 Cash Sales Rs.10,000.
9 Sold goods of Rs.6,000 to Mr.Kiran @ 10% T.D and 5% C.D.
10 Purchased goods of Rs.15,000 @ 10% T.D and 5% cash discount, from Mr.Iyer.
12 Paid Rs.5,700 (net) to Mr.Sadanand after earning a cash discount of 5%.
16 Cash purchases Rs.40,000.
27 Purchased furniture for Rs.15,000 for office use.

Q.19. Enter the following transaction in a Cash Book:

2009

Oct

- 1 Cash Balance Rs. 6,000
2 Cash received from Bhima Rs. 10,000
5 Purchased goods from Arjun for Rs. 10,000 less 10% cash discount on cash basis
6 Sold goods to Nakul of Rs. 3,000 less 5% cash discount. He settled his account on the spot
7 Purchased goods from Sahadev of Rs. 10,000 less 10% TD and 5% CD terms and cash paid for the same.
8 Paid Rs. 8,500 to Panchali in full settlement.
11 Purchased 2 cupboards worth Rs. 20,000 each from Steelman Furniture on cash.
18 Sold old motor car as scrap for Rs. 25,000
18 Paid Salary Rs. 2,000 to office staff
19 Cash Sales Rs. 15,000 less 10% CD
28 Repaid bank loan of Rs. 7,500

II. DOUBLE COLUMN CASH BOOK:

Q.20. From the following particulars prepare double column cash book.

2001

- May. 1 Mr.X started his business with cash Rs.4,000.
3 Deposited in the bank Rs.2,000.
4 Purchased goods from Kamal Rs.800.

- 5 Sold goods to Narayan Rs.600.
- 7 Paid to Kamal by cheque of Rs.780 in full settlement of his account.
- 10 Ramdev, a customer deposited Rs. 2,000 in Mr.X 's A/c directly.
- 15 Received cash from Narayan Rs.550 in full settlement of his dues .
- 25 Salary paid Rs.600.
- 28 Insured goods against fire for Rs.20,000 and paid Insurance premium 2,500 by cheque.,

Q.21. Record the following transactions in the Double Column Cash Book.

1993

- May.1 Balances : Cash Rs.5,000 and Bank Rs.7,000.
- 2 Introduced additional capital Rs.15,000 in cash.
 - 5 Deposited Rs.6,000 in the bank.
 - 7 Received from Kiran Rs.8,900 and allowed him discount Rs.100.
 - 14 Bought goods for cash Rs.3,000.
 - 17 Sold goods for cash Rs.8,000.
 - 20 Purchased furniture by cheque Rs.2,500.
 - 22 Received crossed cheque of Rs.3,900 from Rajan.
 - 25 Withdraw for personal use Rs.500.
 - 27 Paid to Krishna Rs.1850 by cheque.
 - 29 Received dividend by an cheque Rs.300 and deposited the cheque in the bank.
 - 30 Paid rent Rs.700 and wages Rs.2,000.

Q.22. The cash book of Mr. Roshan shows balance of Rs.8,975 as on 1st July,2001. You are required to prepare a Double column Cash Book for the month of July,96 2001

- July 1 Deposited Rs.3,500 with the bank.
- 3 Purchased goods for Rs.2, 100.
 - 6 Sold goods for Rs.3, 250.
 - 9 Received Rs.900 from Mr. Ramesh.
 - 12 Paid on account to Mr. Kamlesh Rs.1,250.
 - 15 Issued a cheque of Rs.750 to M/s. Ram-Naresh.
 - 18 Received a crossed cheque of Rs.1,500 from M/s.Sohankumars.
 - 21 Withdrawn from bank for office use Rs.1,000.
 - 22 Withdrawn for personal use from bank Rs.500.
 - 23 Paid salaries of Rs.750 to Ramu, a staff.
 - 24 Received Rs.1,200 as an advance.
 - 25 Paid rent of Rs.300 for the month of July.
 - 26 Received Rs.1,875 from Kumar & Sons for cash sales.
 - 28 Paid Rs.150 as commission.
 - 30 Purchased a typewriter for cash of Rs.1,300.

Q.23. Prepare the double column cash book from the following & balance the same. 2000

- June.1 Mr. Ashok started business with cash Rs.40,000 and goods Rs.50,000.
- 2 Opened bank a/c by depositing cash Rs.24,000.
 - 4 Purchased goods worth Rs.25,000 half payment is made by cash and balance by cheque.
 - 6 Bought goods worth Rs.12,000 at 10% T.D from M/s.Rajendra & Co.
 - 7 Cash sales Rs.43,000.
 - 9 Sold goods to M/s. Narayan & Co. worth Rs.22,000.
 - 12 Issued a cheque for Rs.10,700 to Rajendra and Co.in full settlement.

- 13 Received a cheque for Rs.21,500 from Narayan and Co.in full settlement and deposited same cheque into the bank.
- 17 Cheque received from Narayan and Co. returned dishonoured and received amount of the cheque in cash.
- 18 Received cheque for Rs.4,500 from Ravi on account.
- 20 Deposited Ravi's cheque into the bank.
- 24 Purchased cupboard for Rs.11,500 on cash.
- 25 Our bank received dividend of Rs.2,100 and interest of Rs.3,150 and same were credited into our account.
- 27 As per our instruction bank paid insurance premium of Rs.1,200 on the property of the business and the same was debited into our account.
- 29 Withdrew from the bank Rs.11,000 for office use and Rs.2,500 for personal use.
- 30 Transfer Rs.4,000 from saving A/c to current a/c.

Q.24. Record the following transactions into Double Columns Cash Book with cash, bank, Discount columns.

1996

- May 1 Cash in hand Rs.7,000 and bank balance(Dr.) Rs.5,500.
- 3 Deposited into bank A/c Rs.1,000.
 - 5 Received a cheque from Suvarna & Co. Rs.800 in full settlement of s.850.
 - 7 Paid Salary by cheque Rs.600.
 - 9 Cash Sales Rs.3,000 of which Rs.2,000 were banked.
 - 12 Suvarna & Co's cheque deposited into bank.
 - 14 Bought by cheque Rs.700.
 - 16 Suvarna & Co's cheque was returned dishonoured.
 - 17 Received a cheque from Vidhata for Rs.1,000 on sale of old furniture and the cheque was banked.
 - 21 Paid to Shri Prakash Rs.500.
 - 26 Transferred from Current Bank A/c to saving bank A/c Rs.4,000.
 - 28 Withdrawn from bank Rs.600 & Rs.400 for office use & for personal use respectively.

Q.25. Enter the transactions in a Cash Book with Cash, Bank & Discount columns and balance the cash book.

1996

- Sep1 Cash in hand Rs.2,430 & Bank Balance Rs.4,500.
- 2 Received from Vinod Khanna cash Rs.1,250 and a cheque of Rs.450
 - 3 Paid by cheque to Karishma Rs.350 in full settlement of Rs.370.
 - 5 Cheque received on 2nd September,1996 deposited in Bank.
 - 9 Deposited into bank Rs.500.
 - 11 Purchased goods from Anupam Kher for cash Rs.1,300.
 - 13 Cheque received from Vinod Khanna returned dishonoured.
 - 14 Received crossed cheque of Rs.7,000 from Amitabh and deposited it into bank.
 - 16 Bank commission debited by bank in the Pass Book Rs.17.
 - 17 Mr.Amir Khan has directly deposited Rs.3,500 in our bank account.
 - 18 The bank has collected interest on Investment Rs.250.
 - 20 The bank has paid Insurance Premium Rs.300.
 - 22 Purchased goods of Rs.1000 at 5% cash discount.
 - 23 Sold goods of Rs.500 at 2% cash discount.
 - 25 Paid sundry expenses Rs.30 and salaries Rs.500.
 - 27 Received commission Rs.1,000 from Johny lever.
 - 28 Withdrawn by cheque Rs.450 for office use and Rs.150 for personal use.

Q.26. Complete a triple column cash book from the following transactions:

2000

- Dec 1 Cash in hand Rs.5,000, Bank Balance Rs.15,000.
2 Received cash from Mr. Das Rs.1,500 and allowed him discount of Rs.100.
5 Deposited into bank Rs.1,000.
8 Received from Gupte Brothers Rs.975 in full settlement of Rs.1,000 by cheque.
11 Deposited cheque of Gupte Brothers in the bank.
13 Drew for personal use Rs.250 in cash and Rs.400 by cheque.
15 Paid to Rashmi Traders Rs.500 in cash and Rs.1,000 by cheque.
18 Cheque issued to Rashmi Traders returned dishonoured.
20 Issued another cheque to Rashmi Traders in full settlement of their account.
22 Received Rs.6,300 from sale of goods.
24 Mr.Hasmukh deposited Rs.1,000 into our bank a/c.
26 Paid Rs.90 for advertisement in Mid day.
27 Purchased an electric fan for office and paid by cheque Rs.800.
29 Transferred from Current A/c to Savings A/c Rs.450.

Q.27. Prepare a double column cash book from the following particulars and balance it.

2001

- Aug.1 Balance of cash in hand Rs.6,000.
4 Brought additional capital in cash Rs.10,000
5 Deposited Rs.7,500 into bank.
6 Cash sale of goods Rs.4,200.
7 Cash received from Deepak Rs.10,800 and cash discount allowed Rs.200.
10 Paid cash to Kamal Rs.8,900 and cash discount received Rs.100
11 Commission paid to agent Rs.850.
14 Purchased office furniture from RadheKrishna & Sons on credit Rs.21,500.
15 Paid rent Rs.650 through cheque.
16 Paid electricity charges Rs.770 by cheque.
17 Drew a cheque for personal expenses Rs.840.
18 Cash sales Rs.3,200.
20 Cash Purchases Rs.5,500.
21 Deposited Rs.4,000 in bank.
22 Drew Rs.3,000 for office use from bank.
23 Received cheque for Rs.1,000 from Vikas.
24 Endorsed Vikas Cheque to Prakash.
24 Received a cheque of Rs.1,300 from Jay Kumar.
25 Cheque received from Jay Kumar deposited into bank.
26 Issued a cheque of Rs.1,150 to Aniket and received a discount of Rs.50.
27 Cheque received from Jay Kumar was dishonoured.
29 Deposited in the bank Rs.5,000.

Q.28. Prepare cash book with cash and Bank columns

2001

- Oct.1 Started business with cash Rs.45,000 and goods worth Rs.40,000.
2 Opened bank account in the bank by depositing cash Rs.15,000.
4 Received from Mr. S. Desai Rs.10,880 and allowed him discount of Rs.120.
6 Cash Sales Rs.15,000 amount thereby received by cheque.
7 Cash received from sale of shares worth Rs.16,000 and same invested into the business.
8 Cheque received on 6th deposited into bank.
10 Paid electricity bill Rs.1,120.

- 12 Cash purchases Rs.17,000 & issued a cheque for payment of the amount.
- 14 Withdrawn from the bank Rs.6,000 for office use and Rs.2,500 for self use.
- 17 Sold goods costing Rs.12,000 to Kiran at 5% trade discount term.
- 19 Received a cheque for Rs.11,250 from Kiran in full settlement of his dues.
- 21 Deposited a cheque received from Kiran.
- 23 Kiran's cheque of Rs.11,250 returned dishonoured by our bank.
- 25 Informed Kiran about dishonour of his cheque and immediately received Rs.11,250 in cash from Kiran.
- 27 Paid salaries Rs.6,000 to staff.
- 28 Bank had credited our account for Rs.3,500 for collection of interest and debited on account for Rs.450 for payment of Insurance premium due on life policy.
- 29 Transferred Rs.5000 from Current account to Fixed Deposit Account.

Q.29. Prepare the double columns cash book from the following information and balance the same.

2000

- Nov.1 Mr.Narendra started business with cash Rs.45,000.
- 2 Opened bank account with the Canara Bank by depositing cash Rs.25,000.
 - 3 Purchased goods worth Rs.16,000 at 10% T.D. & 5% C.D. 50% payment made by issue of cheque & balance by cash.
 - 6 Bought goods worth Rs.13,000 at 10% T.D and 5% C.D.
 - 8 Cash sales Rs.24,000 at Naresh at 5% T.D.
 - 11 Sold goods worth Rs.12,000 to Narmada.
 - 15 Received a cheque of Rs.11,700 from Narmada in full settlement.
 - 20 Purchased furniture for office use for Rs.11,700 and paid by cheque.
 - 21 Bank received dividend of Rs.2,100 and interest of Rs.1,200 and were credited into our account.
 - 23 Endorsed Narmada's Cheque to Narendra in full settlement of Rs.12,000
 - 24 Withdraw Rs.12,000 for office use and Rs.2,700 for personal use from bank.
 - 26 Transfer Rs.6,000 from Saving account to current account.

Q.30. Prepare the double Columnar Cash Book having Cash and Bank Columns, in the books of L.P.Traders:

1999

- Nov.1 Cash in hand Rs.5,700 & Bank Balance Rs.12,500.
- 2 Cash Purchases of Rs.3,000 at 5% C.D by cheque.
 - 4 Cash sales to Mohan worth Rs.4,000 at Rs.300 cash discount.
 - 6 Deposited Rs.5,000 into bank.
 - 9 Paid Salary to peon Rs.500.
 - 12 Received a cheque of Rs.950 in full settlement of Rs.1,000 from Mr.Ashok.
 - 14 Purchased furniture from Ameen Furniture Mart of Rs.2,250.
 - 15 Ashoks cheque deposited into bank.
 - 18 Issued a cheque of Rs.2,150 in full settlement to Ameen Furniture Mart.
 - 20 Sold old typewriter to Anilkumar & received a crossed cheque of Rs.1,100.
 - 21 Anilkumars cheque deposited in bank.
 - 22 Cheque issued to Ameen Furniture Mart returned dishonoured.
 - 24 Withdrawn for personal use Rs.500 & office use Rs.1,000.
 - 25 Received a Crossed cheque of Rs.1,500 from Ahuja Traders & allowed Rs.25 as discount.
 - 28 Ahuja's Cheque endorsed to Mitwa in full settlement.

Q.31. Prepare double column cash book for the following & balance the cash book.
2001

- Aug.1 Balance of cash in hand Rs.35,000 and in bank Rs.24,500.
2 Received a cheque of Rs.11,000 from Ramesh in full settlement Rs.11,500 and deposited same into the bank.
4 Purchased goods worth Rs.22,000 & amount paid by cheque.
5 Issued a cheque of Rs.2,980 to Ahmed in full settlement of Rs.3,000.
7 Cash sales Rs.21,000 at 10% trade discount and 5% cash discount.
9 Cheques issued to Ahmed returned dishonoured & amount due is paid by cheque.
11 Received interest Rs.2150 by the bank on our behalf.
12 Paid by bank insurance premium on the life of the proprietor Rs.1,150.
14 Bank debited our accounts by Rs.250 as bank charges
15 Transfer Rs.11,000 for fixed deposit account to current account
17 Paid salaries Rs.10,000 and commission of Rs.250 in cash.
20 Pramod directly deposited Rs.12,000 in our account.
24 Deposited cash Rs.7000 into the bank.
26 Purchased machineries for Rs.28,000 & spent Rs.2,000 on its installation.
28 Sold old furniture costing Rs.5,000 for Rs.3,500.

Q.32. Enter the following transactions in Meena's Cash Book with cash and bank columns.

2001

- May 1 Opening cash balance Rs.25,000 and bank balance Rs.18,000.
2 Purchased goods worth Rs.25,000 at 10% trade discount and 5% cash discount term. Half of amount paid in cash and half amount by cheque.
4 Cash Sales Rs..22,000 at 10% trade discount and 5% C.D
5 Received a cheque of Rs.5,750 from Manohar & deposited same into bank.
7 Paid to Sandhya by cheque of Rs.4,900 and earned discount of Rs.100.
9 Cheque received from Manohar and deposited same into bank.
10 Draw from bank Rs.4,000 for office use.
11 Draw from office Rs.2,200 and from bank Rs.2,500 for personal use.
14 Ramakant directly deposited Rs.6,000 in our bank account.
15 Bank debited our account with Rs.400 as bank charges and for interest Rs.450.
16 Transferred Rs.12,000 from fixed account to current account.
18 Bought goods of Rs. 40,000 at 10% TD from M/s.Kamakshi & Sons.
20 Sold goods costing Rs.30,000 at 5% C.D.
24 Purchased machinery costing Rs.15,000 for business use from M/s.Usha Machinery Works on cash basis.
24 Paid salaries by cheque Rs.6,000 and paid commission Rs.500 by cash.
26 Received cheque of Rs.5,000 from Ramesh on account.
28 Deposited cheque received from Ramesh into Bank A/c.
30 Deposited all cash in bank in excess of Rs.10,000.

Q.33. From the following transactions, prepare a Cash book with double columns :-
1999

- Jan.1 Cash balance Rs.8000. Bank have various accounts and balances in each of the a/c is as follows: Current A/c 25000, Saving A/c 50,000 & Fixed Deposit 15,000.
3 Purchase goods from Suresh of Rs.10,000 at 5% T.D.
5 Sold goods to Ramesh of Rs..20,000 at 10% T.D.
7 Issued cheque to Suresh on account and received 500 discount.
9 Received cheque from Ramesh on account.
12 Cash deposited into the bank of Rs.1,000.

- 15 Cheque received from Ramesh deposited into the bank.
- 18 Received Cheque from Rahul of Rs.1800 in full settlement of his account of Rs.2200 and the said cheque endorsed to Rajkumar in full settlement of his account of Rs.2,000.
- 20 Transfer Rs.600 from saving A/c to Current A/c.
- 22 Bank has debited Rs.500 as bank charges and credited Rs.1,000 as interest on investment.
- 25 Mr. Govinda, our customer directly deposited Rs.500 to the bank.
- 27 Withdraw cash from the bank for office use Rs.600 and Rs.300 for personal purpose.
- 29 Paid Salary wages of Rs.1,000 and 500 respectively and received rent of Rs.2,000.
- 30 Deposited all the cash except Rs.2,000.

Q.34. Prepare double column Cash Book for the month of Dec.1990.

1990

- Dec.1. M/s. Avinash & Brothers had cash in hand Rs.2,350. Bank balance Rs.5,430.
- 3 Received out of Sales, cash Rs.1650 and a crossed cheque from Ishwar for Rs.3,650.
 - 7 Paid Rs.150 as advance to clerk & a cheque for Rs.600 for insurance premium for office.
 - 10 Paid by cheque Rs.2,870 to settle a/c with Vasant & Sons for Rs.3,000.
 - 12 Paid Rs.400 for life insurance policy in cash & Rs.500 by cheque for House Rent.
 - 18 Received Rs.2,800 from cash sales.
 - 24 Received two bearer cheques, Rs.1,750 from Kher & another for Rs.1,580 from Khare on a/c.
 - 30 Kher's cheque was endorsed to Kulkarni to settle the A/c for Rs.1800.
 - 31 Khare's cheque deposited into bank.
 - 30 Deposited all the cash except Rs.500 into the bank a/c.

Q.35. Enter the following transactions in 2 columnar cash book of Shri Sachin:

2001

- July.1 Cash in hand Rs.10,000 and Bank Overdraft Rs.15,000.
- 3 Received a cheque of Rs.500 and cash Rs.400 from Azhar after allowing him a discount of Rs.50. The cheque was deposited into the bank.
 - 4 Received for cash sales a crossed cheque from Jadeja Rs.600.
 - 7 Ganguly bought goods from us worth Rs.500 on cash at 10% cash discount.
 - 9 Deposited into bank cheque of Rs.600 received from Jadeja.
 - 11 Received a cheque of Rs.220 from Kumble in full settlement of Rs.230.
 - 18 Transferred Rs.3000 from Fixed Deposit to current A/c.
 - 20 Withdrawn from bank, Rs.1000 for office use and Rs.500 for personal use.
 - 24 Sachin won a lottery price of Rs.21,000 in his personal capacity and deposited the same into bank A/c of the business.
 - 26 Bank credited interest on investments to our account Rs.300 and charged Rs.30 as commission.
 - 28 Bank charges debited to our account by bank Rs.250.
 - 30 Purchased shares of Reliance Industries Ltd. at Rs.950.
 - 31 Deposited into bank all cash in excess of Rs.4,000.

OBJECTIVES**A) Fill in the Blanks:**

- 1) The Cash book is used for recording _____ transactions.
- 2) Cash book shows _____ balance.
- 3) Cash discount is given for the purpose of _____.
- 4) Trade discount is given to the retailer by the wholesaler for _____.
- 5) The entry which appears on both the sides of the cash book is called _____.
- 5) Cash book is one of the important _____ books.
- 6) _____ cheque is more safer than any other types of cheque.
- 7) Cheque on which two parallel transverse lines are drawn, is known as _____ cheque.
- 8) Refusal on the part of the bank to honour the cheque is called _____ of a cheque.

B) State Whether the following statements are true or False.

- 1) Current account is more useful to businessman.
- 2) There is no restriction on the operation of Current A/c.
- 3) In Saving A/c no restrictions are put on withdrawal of cash.
- 4) In fixed deposit A/c money once deposited can be withdrawn at any time .
- 5) Contra entry does not appear on the both the sides of the cash book.
- 6) When cheque is issued to outside party it is recorded on the credit side of the cash book in bank column.
- 7) Cash book is used for recording the credit transactions of the business.
- 8) When cash book is maintained no ledger posting and journalising of cash transactions are required.
- 9) Cash discount allowed is a gain and cash discount received is a loss.
- 10) Trade discount is deducted from invoice price.
- 13) Trade discount is never recorded in the Cash book.

C) Match the following.

Group 'A'	Group 'B'
1) Cash book	a) Does not appear in Cash book
2) Cash discount	b) Appears in the Cash book
3) Trade discount	c) All types of cash transactions are recorded.
4) Double Columns Cash book	d) Discount column is provided along with cash.
	e) Only small payment transactions are recorded.

Group 'A'	Group 'B'
1) Current A/c	a) Used for withdrawal of cash from bank
2) Savings A/c	b) Fixed sum deposited every after a regular interval
3) Fixed Deposit A/c	c) A/c opened for increasing savings
4) Recurring Deposit A/c	d) Running A/c.
5) Cheque	e) Blocked A/c.

CHAPTER 11: PETTY CASH BOOK

Every businessman has to spend small (sundry) sums of money e.g. a pencil, paper, carriage, cartage, coolie hire, postage, refreshment to customers and so on. If the number of such transactions is small then they can be recorded in the Cash Book. But when their number increases, then they are recorded in a separate book called as "Petty Cash Book". If all these payments are entered in details in the main cash book, much valuable time of main cashier would be wasted.

Meaning Of Petty Cash Book:

A petty cash book is one of the subsidiary book in which all small payment or petty expenses are recorded. The word "Petty" means small cash book.

The petty cash book is just like the Cash Book. The amount received by the petty cashier from the main cashier are entered on the 'Debit Side' of the Petty Cash Book & payments on the 'Credit Side' of the Petty Cash Book. The excess of the debit side total over that of the credit side should agree with the balance on hand with the petty cashier.

PRACTICAL QUESTIONS

Q.1. Ramprasad maintains an Analytical Petty Cash Book. From the particulars given below, prepare his Petty Cash Book :
2000

- Mar.1 Received Rs.100 from Cashier.
2 Paid postage Rs.3
3 Paid for duster & clips Rs.7
5 Paid to Coolie Rs.5.
7 Paid Carriage Rs.8
10 Purchased Newspaper for Office Rs.2.
15 Paid conveyance to clerk Rs.12.
15 Purchase postal stamps Rs.10.

Q.2. Enter the following transactions in an analytical petty cash book of K.Kapoor.
2000

- Jan.1 Received a cheque from Chief Cashier Rs.200.
3 Paid for advertisement to Indian Express Rs.40
5 Purchased 4 ink bottles @ Rs.4 each.
7 Paid postage Rs.3 & sundry Expenses Rs.6.
10 Paid to Rishi as advance Rs.20.
13 Paid Telephone Bill Rs.7
14 Purchased & paid for a Table Rs.22.
15 Paid for Telegram Rs.6
16 Paid Tips to Peon Rs.2 and wages Rs.9.

Q.3. The following payments were made by the Petty Cashier. Please record them in Mrs. Karuna's analytical Petty Cash Book.

	Voucher No.	Rs.
2001.		
Dec.1 Petty Cashier received cash in advance	----	150.00
3 Bought Stationery	786	3.00
4 Refreshment Charges paid	787	4.00
6 Paid for Electricity Charges	788	7.00
7 Paper & Gum bottle purchased	789	8.00

9	Washing Charges paid to peon	790	5.00
11	Paid to peon Shri Ramu	791	10.00
13	Tanga hire paid	792	6.00
15	Paid Charity	793	11.00
17	Paid for cold drinks	794	7.00
19	Three dozen Foolscap paper purchased	795	9.00
21	Taxi fare paid	796	3.00
25	Postal charged for registered letters	797	7.50
26	Revenue Stamp purchased	798	3.20
28	Diwali Baksheesh paid to peon	799	5.00
29	Purchased broom for office	800	6.00
30	Bought 3 office Files	801	7.75
31	Tea Bill paid	802	11.50

Q.4. Enter the following transactions in the Petty Cash book on Imprest System, 2000.

Aug.1	Petty Cashier received money in advance	Rs.210
3	Bought Ink	Rs.2.60
5	Paid for Postage & Telegram	Rs.8.40
8	Paid for Printing charges	Rs.20.00
10	Paid for Electric Charges	Rs.12.30
12	Paid for Sundry Expenses	Rs.10.20
14	Tips Rs.5	
15	Paid tea expenses to Rakesh	Rs.20.00
17	Purchased the following:	
	4 ink bottles @ Rs.3 each	
	1 gross pencils @ Rs.10 per gross	
	3 books @ Rs.12 per dozen	
	1 chair @ Rs.50 each	
21	Paid to Radha Printing press for Printing	Rs.12
28	Paid for advertisement to Times of India (Advertisement A/c column is not maintained)	Rs.27
31	Paid for office Expenses	Rs.10.80

Q.5. Enter the following transaction in a columnar petty Cash book maintained on Imprest System, 2001.

Sep.1	Balance with Petty Cashier	Rs.10.00
2	Received cheque from Main Cashier	Rs.190.00
3	Bought Postal stamps	Rs.3.80
4	Paid Rs.20 to Indian Express for advertisement.	
2	Purchased post cards & inland letters	Rs.7.
3	Paid for carbon-papers purchased	Rs.8.80
10	Paid subscription for Ganesh Festival	Rs.11.00
14	Paid to Chotu, the peon	Rs.10.
16	Purchased 1 dozen ball pens @ Rs.1.00 each.	
19	Paid tea bill of visitors	Rs.4.50.
25	Purchased 2 chairs for office	Rs.10 each.
26	General Expenses	Rs.6.60
28	Paid Printing Bill	Rs.9.80.
29	Paid Wages to workers	Rs.7.75.
30	Paid taxi fare to manager	Rs.9.40.

Q.6. Enter the following transactions in the Petty Cash Book kept on Imprest System. 2001.

	Rs.
July.1 Amount paid to the Petty Cashier	Rs.200
3 Bought ink	Rs.1.60
5 Paid for Railway Freight	Rs.20.20
7 Paid Tips to Peon	Rs.5
9 Sent telegram to H.O	Rs.7.70
10 <u>Purchased the following :</u>	
2 dozen Excessive Book @ Rs.24 per dozen.	
6 Ball pens @ Rs.20 per dozen.	
15 Paid Tonga Hire Rs.3 & paid to coolie Rs.4.	
18 Paid for charity Rs.11.	
21 Paid Printing Bill Rs.6.	
28 Advance paid to Accountant Rs.25.	
29 Travelling Expenses Rs.8	

Q.7. Prepare a Petty Cash Book under Imprest system with analysis column for:

- a) Travelling expenses , b) Postage & Telegram, c) Printing & Stationery,
d) Sundry expenses & e) Ledger A/c.

2002.

Jan.1 Cash balance on hand Rs.25.	
1 Received a cheque of Rs.275 from head Cashier as imprest amount is fixed at Rs.300.	
2 Paid bus fare to clerk Rs.2.	
2 Purchased postal stamps for Rs.10.	
4 Gave advance to Ganpat, the peon Rs.25.	
4 Purchased two dozen pencils at Rs.1 each.	
7 Paid taxi fare to manager Rs.26.	
8 Purchased stamp pad and ink bottle for Rs.9.	
10 Telegram charges Rs.4	
11 Paid Coolie charges Rs.5.	
14 Paid for refreshment to visitors Rs.7.	
16 Paid for envelopes Rs.2.	
18 Paid sweeping charges Rs.15.	
22 Purchased carbon papers Rs.30.	
23 Gave tips to peons Rs.6	
25 Paid bus fare Rs.3.	
28 Purchased furniture (stool) for Rs.35.	
30 Paid to Patel on account Rs.40.	

Q.8. Prepare a petty cash book from the following information:-

	Rs.
2000.	
Jan. 1 Cash in hand	1,340
1 Received from head cashier cash	1,160
2 Purchased postal stamps	125
4 Sent telegram to Mr. Joshi, the executive manager & paid telegram charges	60
5 Purchased stationery for office use.	250
6 Paid for conveyance of manager	100
7 General expenses paid	200
8 Paid for wages of workers	350
10 Paid printing bill	75
14 Paid to Anita on A/c	100

15 Paid traveling exp.	80
17 Purchased 2 chairs @ Rs.60 each	
19 Sold old newspapers & magazines	220
21 Paid tips to liftman	15
24 Paid to Sunita	150
26 Paid for refreshment and tea to serve customers and guest.	80
28 Paid for office cleaning	40
30 Paid telegram charges	25

Q.9. M/s.Shah Traders maintain petty cash book on 'Imprest System'. Amount of imprest is Rs.500. From the following transactions. You are required to show petty cash book, for particular period,

1. Balance with petty cashier Rs.100.00
2. Purchased postal stamps of Rs.18.50 and paper of Rs.15.00
3. Paid telephone charges Rs.9.75 & Travelling to salesman Rs.25.00
4. Paid for tea and refreshment Rs.30.00 & Cartage Rs.35.00
5. Paid to Narendra on account Rs.45 and purchased one chair for Rs.60.00
6. Purchased pens and pencils of Rs.25.50 & paid for conveyance to Manager Rs.30.00
7. Paid for carriages Rs.15.25 and purchased post cards and postal envelopes of Rs.19.00
8. Paid for telephone charges Rs.11.50 and clearing Rs.40.00
9. Purchased Revenue stamps of Rs.18.00 and printing bill of Rs.95.

Q.10. Record following transaction in Analytical Petty Cash book & Balance the same 1999

Aug 1 Balance with Petty cashier.	Rs.130/-
1 Received a cheque from chief cashier	Rs.270/-
2 Paid for conveyance to Salesman	Rs. 42/-
4 Paid for office files.	Rs. 25/-
5 Purchased Postal stamps	Rs. 10/-
7 Purchased Revenue stamps.	Rs. 13/-
9 Paid advance to peon, Mohan	Rs. 50/-
11 Paid for charity.	Rs. 11/-
13 Paid for office cleaning	Rs. 6/-
14 Paid for Advertisement.	Rs. 75/-
16 Paid for Tea Bill	Rs. 13/-
19 Paid for Pins & Account Books	Rs. 12/-
21 Paid for Refreshments	Rs. 17/-
22 Paid wages	Rs.15/-
25 Paid for telegram charges	Rs.14/-
28 Paid taxi fare.	Rs. 8/-
29 Paid for repairs to chair	Rs.19/-
31 Paid for News paper subscription	Rs.51/-

Q.11. From the following particulars, given in the books of Sunil Traders prepare a ' Petty Cash Book ' kept on Imprest System. Amount of Imprest is Rs.600/- 1996

- May.1 Cash in hand Rs.75.00
- 2 Purchased registers & Carbon papers Rs.27.50.
 - 5 Purchased postal stamps of Rs.15.25 & Revenue stamps of Rs.30.00
 - 8 Paid for tea & refreshment for a week Rs.45.00.

- 10 Paid to Mahesh on account Rs.85.00
- 12 Paid for repairs to chair Rs.25.00
- 13 Paid for traveling of sales Manager Rs.17.50 & Salesman at Rs.5.25.
- 17 Paid outstanding wages Rs.35.00
- 20 Paid for S.T.D call Rs.19.25 to Supplier at Banglore.
- 23 Paid for Wages Rs.42 & Cleaning to Sweeper Rs.11.00.
- 29 Purchased Petty Cash Book at Rs.55.00 & paid for telegram to debtors Rs.29.50.

Q.12. Prepare Anil's columnar Petty Cash Book maintained on Imprest system for fortnight ending 15th May, 1994

- May.1 Received from Chief Cashier Rs.200/-
- 2 Paid for conveyance expenses Rs.25/-
 - 3 Paid for office expenses Rs.15/-
 - 4 Paid for postage & Telegrams Rs.15/-
 - 5 Paid for advertisement to Indian Express.(Advertisement A/c column is not maintained) Rs.35/-
 - 6 Purchased and paid for a table Rs.25/-
 - 8 Bought stationary for office Rs.15/-
 - 10 Advance paid to Clerk (Advance A/c column is not maintained) Rs.25/-
 - 15 Paid for conveyance expenses Rs.10/-

Q.13. Prepare Petty Cash Book (Columnar) in the books of Mrs. Charu Vardha. 1991

- Sep.1 Balance as on 31st Aug, 1991 Rs.25.50
- 1 Received cash from cashier Rs.126.50.
 - 3 Paid for conveyance Rs.3.50
 - 5 Purchased 2 chairs at the rate of Rs.10 & 2 tables for Rs.25
 - 11 Paid for Cleaning charges Rs.9.25.
 - 15 Paid to Mrs. Laxmi Ratanlal Rs.35.
 - 18 Purchased ink bottle of Rs.1.10, pens of Rs.5.25.
 - 20 Paid Electricity bill Rs.15.00.
 - 25 Paid for Postal orders Rs.3.30 post cards Rs.1.20.
 - 26 Sent Trunk Call by Rs.2.25.
 - 27 Paid Advance Rs.6.00.
 - 29 Paid for charity Rs.3.65.

Q.14. Prepare analytical form of petty cash book following the imprest system.

- | | |
|--|-----|
| July.1 Received a cheque from a Head Cashier | 450 |
| 2 Purchased stationary for office use. | 35 |
| 3 Paid cartage | 7 |
| 4 Bought postal stamps | 8 |
| 5 Purchased one chair for office use. | 27 |
| 6 Paid traveling allowances to Salesman Mr. Ramesh | 20 |
| 7 Paid to Mr. Suryakant | 40 |
| 8 Paid Charity | 30 |
| 9 Paid conveyance to General Manager | 50 |
| 10 Paid printing charges | 30 |
| 11 Bought one table for office use | 60 |
| 12 Clearing charges | 18 |
| 13 Paid tips to Sweeper | 10 |
| 14 Paid Advertisement bill | 30 |
| 15 Tea to office staff | 10 |

Q.15. Prepare a Petty cash book in an analytical form under imprest system for May'96

May 1 Cash balance Rs.196, Received cheque from head cashier Rs.254.

- 2 Purchased stationery for office use Rs.25.
- 3 Bought envelopes Rs.5.
- 5 Paid telegram charges Rs.7.
- 8 Purchased postal stamp Rs.7.
- 11 Paid for conveyance to Manager Rs.15.
- 13 Paid carriage and cartage Rs.5.
- 15 Paid to Prakash on account Rs.50.
- 17 Paid refreshment bill Rs.15.
- 19 Paid wages Rs.20.
- 23 Bought a table and chair for Rs.150.
- 25 Paid cleaning and sweeping charges Rs.20.
- 26 Paid for Bus fare to Salesman Rs.15.
- 28 Paid Advertising bill Rs.50.
- 31 Paid Tips to liftman Rs.21.

Q.16. Prepare Petty cash book in the books of R for March 1993.

March

1. Balance of Cash Rs.150/-
1. Received cash from Petty cashier of Rs.40/-
2. Purchased broom of Rs.1.12
3. Purchased envelopes of Rs.0.75, stamps Rs.0.30.
4. Paid to Nandkumar Rs.6/-
5. Purchased 2 Lamps of Rs.5/-each.
6. Paid electricity bill of Rs.7.50
6. Purchased stapler, ink bottle, register of Rs.3.30.
9. Registered reports to manager and expenditure is Rs.2.70.
15. Sold old News papers of Rs.0.90.
16. Paid for Magazines Rs.3.60.
- 17 Paid Freight Rs.1.20.
- 20 Paid for Conveyance Rs.3.75 to Manager.
- 23 General Expenses Rs.8.85.
- 25 Paid to Litti & Trading Co.Rs.7.25 for purchase of table.

Q. 17. From the following particulars of Mrs. Reshma for the month of Feb, 2005.

Prepare analytical petty cash book.

Feb

- 1 Balance with petty cashier Rs. 600.
- 1 Cash received from main cashier Rs. 2,400.
- 2 Purchased postal envelopes Rs. 100 & Postal stamps Rs. 60.
- 5 Purchased 2 dozen pencils of Rs. 3 per pencils; 10 pens of Rs. 5 per pen & Envelops for Rs. 50.
- 9 Papers purchased for printers Rs. 80.
- 11 Gave loan to typist Rs. 175.
- 18 Money order of Rs. 300 received from customer as an advance for goods.
- 20 Paid to postman being difference in postage for post received Rs. 12.
- 21 Purchase broom for Rs. 25.
- 23 Paid printing bill to Ashoka printers Rs. 80.
- 25 Paid charity Rs. 100.
- 27 Received from Roma against temporary advance Rs. 50.
- 28 Paid for advertisement in magazine Rs. 250
- 28 Purchased 2 wooden chair of Rs. 175 each & 3 wooden stool of Rs. 50 each.

Q.18. Enter the following transactions in the columnar petty cash book kept on the imprest system balance in July 2004.

July

- 1 Received a cheque from Head Cashier Rs. 500.
- 5 Purchased postal stamps Rs. 10.
- 8 Paid traveling expenses Rs. 20.
- 10 Purchased Ink bottle, files and papers of Rs. 30.
- 12 Paid printing bill Rs. 40.
- 15 Paid cash to Anita on Account Rs. 50.
- 18 Purchased a chair from Lucky furniture mart for Rs. 60.
- 20 Paid wages to workers Rs. 70.
- 22 Tea to office staff Rs. 25
- 25 Paid tips to liftman Rs. 5.
- 28 Sent telegrams to branch manager Rs. 35.
- 31 Paid advertisement expenses Rs. 15.

Q.19. Enter the following transactions in an analytical petty cash book on the imprest system:

2001		
Jan. 1	Received a cheque for Rs. 100 to begin with	
2	Spent for postage	5.80
3	Paid for office cleaning	7.20
7	Paid traveling expenses of manager	10.00
8	Paid to Sudarshan & Co	7.00
9	Paid wages	2.00
12	Paid for telegram	8.00
15	Paid for cartage	4.00
21	Bought stationery articles	12.00
28	Paid for Tea expenses of customers	6.00
31	Bought postage stamps	8.00

Q.20. From the following particulars, prepare the Petty Cash Book having analysis column

2005

May 1	Received from Chief Cashier	Rs.200.00
3	Paid for postal stamps	Rs.20.00
5	Paid Telephone Charges	Rs.8.00
6	Purchased Pencils	Rs.5.00
7	Purchased Revenue Stamps	Rs.20.00
9	Paid for conveyance of the manager	Rs.15.00
10	Paid to Mahesh	Rs.50.00
14	Paid for advertisement	Rs.25.00
15	Purchased files	Rs.15.00

OBJECTIVES:

A) Fill in the blanks:

- 1) _____ is a account book in which records of small payment transactions are maintained.
- 2) Simple Petty cash book is _____ in use.
- 3) In Columnar petty cash book one separate column is provided at the end for _____.
- 4) Account clerk who keeps records of minor payment transactions is known as _____.

B) True or False:

- 1) In Columnar petty cash book receipt side is bigger than payment side.
- 2) Simple Petty cash book is more popular in the business world.

CHAPTER 12: BANK RECONCILIATION STATEMENT**Q.1. What is a Bank Reconciliation Statements? Why it is prepared?**

Ans: A Bank Reconciliation Statement is a statement, which explains the difference between the bank balance as per Cash-book and as per Pass Book.

Generally it is found that the Bank Statements or Pass Book does not agree with bank column in the cash book. In order to reconcile and explain the causes of difference between the bank balance as per the cash book and same as per bank statement or pass book, as at particular date, a Bank Reconciliation Statements is prepared.

Q.2. Give reasons for disagreements between cash book balance & pass book balance.

Ans: The reasons for disagreements between cash book balance and passbook balance are:

- 1) Cheques deposited in the bank but not credited / collected by bank.
- 2) Cheques are recorded as paid into bank but not left off to be banked.
- 3) Cheques received and paid into bank but are not recorded in cash book.
- 4) Cheques issued but not presented to bank.
- 5) Cheques issued to creditors in payment are not recorded in the Bank column of cash, but recorded in any other amount column i.e. discount column or cash column of cash book.
- 6) Cheques recorded as issued in the cash book but these are not sent to the party concerned.
- 7) Payments and remittances made by the understanding orders, but in the absence of advice note from the bank, the same has not been recorded in the cashbook.
- 8) Income collected and credited by bank under standing orders, but not recorded in cash book.
- 9) Bank charges, discount, interest on overdraft charged by bank, but not recorded in cash book.
- 10) Discounted bills dishonoured and debited in the passbook but not recorded in cash book.
- 11) Interest on deposits allowed by bank, credited in the passbook, but not entered in cash book.

PRACTICAL QUESTIONS**Type 1: Balance as per cash book given:**

Q.1. From the following information, prepare Bank Reconciliation Statement as on 30th September, 1996.

- (1) Debit balance as per Cash Book Rs.12,000.
- (2) Cheque issued on 29th September, 1996 presented on 6th October Rs.3,500.
- (3) Cheque deposited on 30th September, but credited by bank on 2nd October Rs.1,800.
- (4) Interest on Bank A/c, credited by bank, but not recorded in cashbook Rs.30.
- (5) Bank Charges by bank, but not recorded in cash book Rs.20.

Q.2. Prepare a Bank Reconciliation Statement as on 30.6.89 from the following details:

- (1) Balance as per cash book is Rs.7,000.
- (2) Cheques deposited but not cleared Rs.300.
- (3) Cheques issued to Joshi but lost Rs.400.
- (4) Interest credited by the bank Rs.300.
- (5) Direct payment made by bank Rs.300.
- (6) Cheques received from Patil and deposited but dishonoured Rs.600.

- (7) Commission charged by bank Rs.100.
- (8) Cheque issued in June but encashed in July Rs.800.
- (9) Dividend collected by the bank Rs.900.

Q.3. From the following information, prepare a Bank Reconciliation Statement as at 31st December, 1990.

- (1) Bank Balance as per Cash Book Rs.12,295.
- (2) Cheques of Rs.600 deposited in 29.12.90 but not collected by bank till 31.12.90
- (3) Cheques of Rs.1,900 issued, but not presented for payment before 5.1.91
- (4) Bank interest credited in the Pass Book Rs.45.
- (5) A customer deposited Rs.200 to our Bank A/c, but intimation received on 5th January.

Q.4. From the following particulars, prepare a Bank Reconciliation Statement of Imran as on 31st December, 1995.

- (1) Bank Balance as per Cash Book Rs.40,000
- (2) Cheque amounting Rs.12,000 issued to their creditors were not presented for payment.
- (3) Two cheques of Rs.1,600 & Rs.1,400 received & sent to the bank for collection on 29th December was collected on 20th January 1996.
- (4) Interest Rs.1,000 was credited by the pass book only.
- (5) Pass book shows Rs.100 for bank charges and commission.
- (6) Under the standing instruction, the bank made the payment of Insurance Premium of Rs.700 and Electricity Bills Rs.500. No corresponding entry was found in the cash book.

Q.5. On 31st December, 2000 the cash book of Samant showed a debit balance of Rs.12,500. Prepare a Bank Reconciliation Statement from the following particulars

- (1) Cheque drawn for Rs.4,200 but not encashed by supplier before 31st Dec, 2000.
- (2) Cheque deposited for Rs.1,200 dishonoured was only recorded in the pass book.
- (3) On 18th December, 2000 bank paid Rs.1,000 as life insurance premium as per our instruction. It was not recorded in the cash book.
- (4) A cheque of Rs.2,350 deposited and encashed by the bank but was recorded in cash book as Rs.2,530.
- (5) On 21st December Rs.2,300 transferred from fixed deposit account to current account which is not recorded in the cash book.
- (6) Bank has debited our account for bank charges Rs.150 and credited our account for collection of dividend Rs.500 which are not recorded in cash book.

Q.6. From the following particulars prepare a B.R.S AS AT 31st Jan,1991 of M/s. Donald & Co. who had cash at bank as per Cash Book Rs.12,860.

- a) The following cheques were deposited on 30th January,91 but not collected by bank till 31st January, 1991: i) Rs.500 (ii) Rs.260 & (iii) Rs.240
- b) The following cheques were issued but not presented by January,1991.
 - i) Rs.439 (ii) Rs.551 (iii) Rs.1,000 & iv) Rs.180.
- c) The debit balance of Cash book shows excess by Rs.300 in December,90

Q.7. On 29th February, 1992 the Bank A/c in Ela's Cash Book showed a debit balance of Rs.9,500 on checking the pass book it was found as follows:

- (1) The following cheques were paid into the bank in February,92 but the bank credited them in March,92.

F -- Rs.400	G -- Rs.500
-------------	-------------
- (2) The cheques issued in February, 1992 but cashed in March,92.

H -- Rs.600	I -- Rs.700
-------------	-------------
- (3) The bank charges Rs.10 & bank interest Rs.15 were not entered in the cash book.

- (4) On 29th February, 1992 received a cheque of Rs.200 from Jaya and entered it in cash book but omitted to pay it into bank on that day.

Q.8. On 31st March, 1992 the cash book of Shri. Kamlesh showed a Bank balance Rs.10,000 on comparing the same with the pass book following facts disclosed.

- (1) Two cheques for Rs.1,500 and Rs.750 were deposited into bank on 29.3.1992 of which cheques for Rs.1500 was collected and credited by bank on 29th March, 1992 but the later cheque was not credited until 5th April, 1992.
- (2) On 29th March, 1992 Shri Kamlesh drew four cheques totalling to Rs.3,350 of which a cheque for Rs.500 was presented for payment upto 31st March, 1992. The remaining cheques were presented after 1st April, 1992.
- (3) Bank interest Rs.70 and bank charges for Rs.85 were entered in the pass book in March, 92 for which no entry was made in the cash book.

Q.9. The cash book of M/s. Lohia Bros. showed a bank balance of Rs.10,775 to their in on 30th April, 91 but the Pass book differed from that. The following reasons were found on comparing:

- (1) Of the cheque of Rs.3,500 deposited into bank, those for Rs.1,750 were not collected till 30th April, 1991.
- (2) Bank credited interest for Rs.230.
- (3) Bank bought shares of Rs.2,600 but no entry was passed in the cash book.
- (4) Bank had collected dividend of Rs.539, but no entry was passed in the cash book.
- (5) Of the cheques issued for Rs.4500 only those for Rs.2,000 has so far been presented for payment.
- (6) A Customer deposited Rs.1,500 direct to the bank.

Prepare Bank Reconciliation Statement as at 30th April, 91.

Q.10. From the particulars prepare a Bank Reconciliation Statement as on 31.5.1991.

- a) Bank balance as per Cash Book Rs.25,000.
- b) A number of cheques deposited in the bank on 31st May, 1991, a cheque for Rs.550 was not credited in the Pass book.
- c) Several cheques aggregating Rs.5,000 were issued but only cheque for Rs.4,500 were presented to bank for payment.
- d) The bank had directly collected dividend Rs.450 and interest Rs.330 but this was not entered in the Cash Book.
- e) As per standing instructions bank had paid Rs.1,750 for L.I.C. but the debit note was sent by bank on 4th June 1991.
- f) Bank charges Rs.20 were not entered in the Cash Book.

Q.11. On 31st December, 1991 the cash book of a firm showed a bank balance of Rs.3,000. From the following information, prepare bank reconciliation statement showing the balance as per Pass Book.

- a. Cheque had been issued for Rs.2,500 out of which cheques worth Rs.2,000 only were presented for payment.
- b. Cheques amounting to Rs.700 were paid on 28th December, 91 but had not been credited by bank. One cheque for Rs.250 was entered in the cash book on 30th December but was banked on 3rd January, 92.
- c. A Cheque from Nilesh for Rs.200 was paid in on 26th December but was dishonoured and the advice was received on 2nd January, 92.
- d. Pass book showed bank charges Rs.10 debited by the bank. It also showed Rs.100 collected by the bank as interest.
- e. One of the debtors deposited a sum of Rs.250 on the account of the firm on 20th December intimation in this respect was received from the bank on 2nd January, 92.

Q.12. Prepare a Bank Reconciliation statement as on 31st Dec.1996 from the following reasons of disagreements.

- (1) Balance as per Cash book Rs.8800.
- (2) Cheques issued during the month but not presented into bank Rs.3200.
- (3) Cheques deposited into bank before 31st Dec.1996 but not yet cleared Rs.2600.
- (4) Dividend collected by bank on our behalf not recorded into cash book Rs.560.
- (5) Bank charges debited by bank not recorded into cash book Rs.40.
- (6) One cheque issued on 15th Dec,1996 was entered twice into the cash book Rs.210.
- (7) Interest collected & credited by the bank Rs.94 but recorded in cash book as Rs.49.
- (8) As per our standing instructions bank paid Fire insurance premium Rs.200 which is not recorded into cash book.

Type 2: Balance as per pass book given:

Q.13. On June 30,1991 Maina and Naina's Pass book showed a credit balance of Rs.9,700.From the following Particulars prepare a Bank Reconciliation statement, showing the balance as per cash book.

- (1) Out of cheques of Rs.2,700 deposited into bank till 30th June,1991,cheques worth Rs.1,000 only were realise upto 30th June,1991.
- (2) Cheques issued prior to 30.6.91 but presented after the date amounted to Rs.900.
- (3) There is a debit of Rs.250 on 30th June,91 in the pass book for the dishonour of the cheque which was sent to bank for collection. No entry has been made in the cash book.
- (4) Bank has paid final call of Rs.25 each on 70 shares according to instructions of the trader but no entry was made in the cash book.
- (5) Total of bank column on the debit side of the Cash book is under cast by Rs.200.
- (6) A cheque entered as a deposit in the Cash book instead of payment Rs.220.

Q.14. Prepare a B.R.S as on 31st July,91 from the following details.

1. Balance as per Pass book Rs.5,555.
2. Direct payment for the Life Insurance Premium Rs.300.
3. Cheques issued but not encashed Rs.300.
4. Cheques deposited but not cleared Rs.400.
5. Interest credited by the bank Rs.500.
6. Cheques issued but dishonoured Rs.500.
7. Direct deposits by a customer Rs.700.
8. Bank charges Rs.80.
9. Cheques deposited but dishonoured Rs.1,000.

Q.14. From the following, prepare a Bank Reconciliation statement as 31.3.2001

- (1) Bank balance as on 31st March,92 as per Pass Book Rs.12,200.
- (2) Bank charges debited Rs.130.
- (3) Cheques issued but not presented to bank for payment Rs.2,200.
- (4) Cheques deposited to bank but not credited in the Pass Book Rs.7,000.
- (5) A cheque entered as a deposit in the Cash book instead of payment Rs.220.
- (6) Rs.364 paid into bank had been entered twice in the Cash book.
- (7) The receipt column of the cash book has been overcast by Rs.1,000.
- (8) A cheque drawn for Rs.9 had been incorrectly entered in the Cash book as Rs.99.

Q.15. Prepare a B.R.S as on 31st July,91 from the following details.

Balance as per Pass book Rs.5,555.

1. Direct payment for the Life Insurance Premium Rs.300.

2. Cheques issued but not encashed Rs.300.
3. Cheques deposited but not cleared Rs.400.
4. Interest credited by the bank Rs.500.
5. Cheques issued but dishonoured Rs.500.
6. Direct deposits by a customer Rs.700.
7. Bank charges Rs.80.
8. Cheques deposited but dishonoured Rs.1,000.

Q.16. On 30th April,1992 Pass Book disclosed a credit balance of Rs.5,000 but is different from the balance as shown in the bank column of the cash book. On scrutiny it was found that:

- (1) A cheque of Rs.500 issued on 25th April, was paid by bank on 3rd May.
- (2) Cheque amounting to Rs.2000 were deposited on 28th April for collection, but in pass book up to 30th April only a credit of Rs.1,400 was given as amount collected from the cheque.
- (3) Bank paid a premium of Rs.150 to Life Insurance Corporation, on 21st April, but it was not entered in the Cash book.
- (4) On 28th April, a customer deposited Rs.150 direct in the bank account, but it was entered only in Pass Book.
- (5) A discounted hundi of Rs.740, which was returned dishonoured by the bank on 25th April. This entry was made in cash book in May.

Prepare a Bank Reconciliation statement.

Q.17. On 31st December,1998 the Pass book of Shri Shakti showed a credit balance of Rs.8000. Prepare a Bank Reconciliation statement as on 31st Dec.,1998.

- (1) Cheques of Rs.1500 were issued on 26th December,1998 to the creditor out of which one Cheque of Rs.1000 was presented to the bank for payment on 1st January,1999 and other Cheque of Rs.500 was presented on 5th January,1999.
- (2) Out of the total cheques of Rs.4000 deposited into the bank, one cheque of Rs.500 was collected on 27th December,1998 and other 2 cheques of Rs.3,000 and Rs.500 were collected on 4th January,1999.
- (3) Bills payable paid by the bank on behalf of Shakti, but not entered in Cash Book Rs.2000.
- (4) The Pass book showed a credit of Rs.550 directly deposited by a debtor of Shakti into the bank.
- (5) Bank directly collected dividends of Rs.450 in respect of shares owned by Shakti, not recorded in Cash Book.
- (6) A Cheque of Rs.500 issued to Kapoor was encashed but it was found that it was wrongly entered in the cash column of cash book.
- (7) Receipt side of the cash book (cash column) was totalled short by Rs.10.

Q.18.Prepare bank Reconciliation statement showing the balance as per Cash Book:

1. Rs.900 paid by bank for insurance premium, but same had not been entered in the cash book
2. A customer Mr. Jacky paid Rs.2,500 directly into the bank account but advice from the bank has not been received till 31st August.
3. An amount of Rs.1,500 deposited into the bank but same was not entered in the Cash Book.
4. Out of cheques issued for Rs.10,500 in August, cheques of Rs.5,400 only were cashed.
5. Rs.700 collected by bank as interest on our investment, was not entered in the Cash book.

6. Cheques of Rs.18,000 were deposited into the bank in August, out of them cheques of Rs.10,200 were credited in September and one cheque of Rs.1000 was returned dishonoured.
 7. Pass book showed a credit of Rs.240 for interest received and debit of Rs.70 for bank charges. These entries do not appear in the Cash book.
- The balance shown by the Pass Book on August 31st was Rs.20,000.

Type 3: When overdraft as per cash book is given:

Q.19. Prepare a B.R.S of Rohtak Engineering Company as on 31 May, 1992.

- 1) Overdraft as per cash book on 31.05.1992 Rs.3,000.
- 2) Cheques issued prior to 31st May but not presented so far Rs.5,000.
- 3) Cheques paid into bank on 28th May but not cleared and credited Rs.2,500.
- 4) Dividend Rs.400 paid direct into the bank has not been recorded in the cash book.
- 5) Rs.500 in respect of dishonoured cheque appear in the Pass book but not in the cash book.
- 6) Bank charges Rs.400 are shown in the Pass book but there is no corresponding entry in the cash book.

Q.20. Prepare Bank Reconciliation Statement as on 30th November 1988. When credit balance as per cash book was Rs.17,900.

- (1) Cheque deposited but not cleared Rs.1,700.
- (2) Cheque issued but not presented Rs.1,200.
- (3) Commission debited by bank not recorded in cash book Rs.250.
- (4) Dividend collected by bank not recorded in cash book Rs.190.
- (5) Direct deposit by a customer in the bank not recorded in cash book Rs.2,300.
- (6) Interest on Overdraft debited by bank not recorded in cash book Rs.300.
- (7) Bearer cheque issue on 25th & presented on 28th November of Rs.200 was recorded in cash column of the cash book.

Q.21. The cash book of Jayanti showed an over draft of Rs.17,400 on March 31, 1991. The following discrepancies were found, which lead to the disagreement between the balance as per cash book and pass book. Prepare a Bank Reconciliation Statement to reconcile the two balances.

- (1) Cheques of Rs.1,600, Rs.1,400 and Rs.2,000 were deposited in the bank. The cheque of Rs. 1,600 was not credited till March 31.
- (2) Cheque worth Rs.2,400 issued but not presented for payment.
- (3) The debit balance of Rs.158 in cash book is carried forward on the credit side.
- (4) Bank charges debited by the bank Rs.150.
- (5) Dividend on shares of Rs.500 collected by the bank as per standing instructions.
- (6) A receipt of Rs.1,160 is recorded as Rs.1,430 in the cash book.
- (7) A cheque of Rs.400 deposited in the bank was dishonoured. No dishonour entry was passed in the cash book.

Q.22. The cash book of M/s Jagat Mokashi shown in the bank overdraft of Rs.4,250 as on 30th June 2001. Prepare Bank Reconciliation Statement for the same date from the following information:

- (1) Cheque amounting to Rs.7,200 deposited into the bank on different dates but only cheque of Rs.2,100 has been collected by the bank till 30th June 2001.
- (2) Cheque of Rs.1,900 issued and presented for payment but wrongly entered in the cash column of cash book instead of bank column.
- (3) Transferred Rs.1,800 from savings account to fixed deposit account.

- (4) Bank has paid insurance premium of Rs.1,395 on 29th June but intimation was received on 1st July 2001.
- (5) A bill receivable of Rs.3,250 was previously discounted with the bank now dishonoured by drawee but it is not recorded in cash book.
- (6) Total of cash book at credit side overcast by Rs.980.

Type 4: Overdraft as per pass book given:

Q.23. Prepare a Bank Reconciliation Statement from the following data as on 30.11.94

- (1) Balance as per Pass Book on 30.11.94 overdrawn Rs.9,204.
- (2) Cheques drawn on 30.11.94 but not cleared till Dec.1994 Rs.3,225, Rs.745 and Rs.926.
- (3) Bank overdraft interest charged on 28.11.94 not entered in cash book Rs.1,510.
- (4) Cheques received on 29.11.94 entered in Cash book but not deposited into Bank till 3rd Dec.94 Rs.11,322 & Rs.1,730.
- (5) Cheque received amounting to Rs.35 entered in Cash Book twice.
- (6) Bills receivable due on 29.11.94 was sent to bank for collection on 28.11.94 and was entered in cash book forthwith but the proceeds were not credited in Pass Book till 3rd Dec.94 Rs.2,980.
- (7) A Periodic payment by bank for Rs.80 under standing instructions not entered in Cash Book.
- (8) Cheque deposited on 30th November, 94 dishonoured but the entry thereof was not made in the Cash Book Rs.1,890.

Q.24. From the following, prepare Bank Reconciliation Statement as on 30.9.93.

- (1) Overdraft as per Bank Pass Book was Rs.12,000.
- (2) Cash received & recorded in the Bank column but not sent to Bank for collection Rs.1,000.
- (3) Cheques drawn for Rs.10,000 of these cheques of only Rs.6,000 was cashed before 30th September.
- (4) Cheques Rs.9,000 were sent for collection of these, cheques of the value of Rs.1,500 were credited on 5th October & the remaining were credited before 30th September.
- (5) Credit side of the Bank column is short by Rs.300.
- (6) Fees Rs.350 were paid in directly by the Bank but was not recorded in cash book.
- (7) In cash book, a bank charges Rs.50 was recorded twice while another bank charges Rs.40 was not recorded at all.

Q.25. Pass book of M/s Movie Magic showed a debit balance of Rs.6,200 on 31st Dec 90 which was different from the cash book balance on the same day. Information required for reconciliation purpose was collected by them, which is given below:

- (1) Interest on overdraft debited in pass book Rs.106 was not recorded in the cash book.
- (2) Out of total cheques issued during December 1990 (Rs.7,500) cheque of Rs.7,200 only were presented by 31st December.
- (3) Cash paid to Mr. Jackie Rs.2,000 was wrongly entered on receipt side of the cash book in bank column.
- (4) Debit side of the cash book was excess totaled by Rs.100.
- (5) Under instructions bank collected Rs.3,000 from Tezab Ltd. as dividend but informed us only on 7th January 1991.
- (6) Bank wrongly debited the account of M/s Movie Magic with Rs.1,100 for a cheque which was not issued by them.

(7) Mr. Anil, one of the partners of M/s Movie Magic had deposited Rs.5,000 in his personal bank account. By mistake this transaction was recorded in the cash book of M/s Movie Magic.

You are required to prepare Bank Reconciliation Statement as on 31st December 1990.

Q.26. On 31st March, 1994 James Pass book showed an overdraft of Rs.5,000. Ascertain the balance or overdraft as per his cash book from the following particulars.

- (1) Cheque recorded as issued but not sent to the supplier Rs.4,000.
- (2) Cheque lodged but not cleared Rs.8,000.
- (3) Cash sales of Rs.1,000 recorded in the bank column of the cash book.
- (4) Payment side of cash book (bank column) was undercast by Rs.200.
- (5) A cheque of Rs.5,000 was received from Maneka but it was neither entered in the cash book nor it was deposited in the bank.
- (6) On 21st March the credit total of a page of Rs.2,000 was brought forward to the debit side on the next page of cash book.
- (7) A demand draft was drawn for Rs.2,000 in favour of a creditor for which no entry was made in the cash book.

OBJECTIVES

FILL IN THE BLANKS:

1. Bank Pass Book is an _____ of account holder's transaction with the bank. (Extract)
2. Bank Reconciliation is a statement explaining the _____ of _____ between the two balances. (Causes, disagreement)
3. Normally the reconciliation is prepared at the end of the _____. (month)
4. Bank Reconciliation is a statement which attempts to explain the causes of _____ between _____ balances. (disagreement, 2)
5. Bank Reconciliation statement helps to _____ mistakes made in the pass book and cash book. (rectify)
6. Bank Reconciliation statement is prepared to reconcile the difference in _____ and _____. (Cash book Balance, Pass book Balance)
7. Bank Balance as per cash book means a _____ balance. (Debit)
8. Overdraft as per cash book means a _____ balance. (Credit)
9. Bank balance as per pass book means a _____ balance. (Credit)
10. Overdraft as per pass book means a _____ balance. (Debit)
11. Bank Reconciliation statement is prepared by _____ and sent to _____. (Bank, A/c holder)
12. A Statement showing the causes of disagreement between balance shown by cash book and pass book is known as _____. (Bank Reconciliation Statement)
13. When money is overdrawn from the bank the pass book shows a _____ balance. (Debit)
14. Direct deposit by customers will be recorded on _____ side of cash book and on _____ side of the pass book. (Debit, Credit)
15. Interest on overdraft charged by the bank will be recorded on _____ side of the cash book and on _____ side of the pass book. (Credit, Debit)
16. Cheque deposited and cleared by the bank will appear on _____ side of his pass book. (Credit)

STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE:

1. Banking transactions are recorded only in the cashbook and not in the passbook. (False)
2. The balances shown by the pass book and double columns cash book in bank columns always agree with each other. (False)
3. Bank Reconciliation is prepared by the customer of the bank to gain confidence of the bank. (False)
4. A credit balance in the pass book indicates an excess of deposits over withdrawals. (True)
5. A debit balance in the cash book under Bank column represents balance in the bank. (True)
6. Cheques issued but not presented for payment appear in the pass book only. (False)
7. Cheques deposited but not cleared appear in the cash book only. (False)
8. Credit balance in cash book indicates excess of deposits than expenses and withdrawals. (False)
9. Bank Reconciliation Statement is prepared by the businessman. (False)
10. Bank Reconciliation statement is useful for detecting errors that take place in cash book or pass book. (True)
11. Bank balance as per cash book means debit balance as per cash book. (True)
12. Cheques deposited into the bank increases the bank balance in the cash book. (True)
13. Bank charges debited by the bank increases bank balance on the pass book. (False)
14. Interest and dividend collected by the bank increase the bank balance on the pass book. (True)
15. Bank Reconciliation statement prepared by the bank increases confidence of bank customers. (True)

MATCH THE FOLLOWING

Group 'A'	Group 'B'
1. Balance as per cash book	a) Credit balance
2. Overdraft as per Cash book	b) Debit balance
3. Balance as per pass book	c) Debit balance
4. Overdraft as per pass book	d) Credit balance
5. Bank Reconciliation Statement	e) Statement prepared by bank

Ans: 1-b, 2-a, 3-d, 4-c, 5-e

CHAPTER 13: TRIAL BALANCE

**Q.1. What is Trial Balance? Why it is prepared? OR
What do you mean by Trial Balance? Why is it prepared?**

Ans: A Trial Balance is a statement or a list of debit and credit balances to totals extracted from ledger. It is not an account. The total of all debit balances must be equal to the total of all credit balances. If the total of debit balances is equal to the total of credit balances then it is to be said that the ledger posting is made correctly. Tallying of Trial Balance is not a convincing proof of accuracy of accounts, it only shows arithmetical accuracy i.e. every debit has corresponding credit. Hence, Trial Balance is prepared to ascertain the arithmetical accuracy of posting in the ledger. It is prepared before the final accounts are prepared. It, therefore, establishes a link between ledger accounts and final accounts.

Q.2. What are the objectives of preparing Trial Balance?

Ans: The following are the objectives of preparing Trial Balance:

1. It provides the balance of all the ledger accounts. Thus, there is no need to go through the pages of ledger every now and then.
2. It ensures the arithmetical accuracy of books of accounts.
3. It ensures that the fundamental principles of accounting has been observed correctly.
4. It provides material for the preparation of final accounts.

**Q.3. What are the different methods of preparing Trial Balance?
State and explain the different types of Trial Balance.**

Ans: There are two methods of preparing a Trial Balance. They are:

1. Gross Trial Balance &
2. Net Trial Balance.

1. Gross Trial Balance:-

It is list of debit and credit totals of all ledger accounts. Under this method, the debit and credit sides of each ledger account are totalled up and they are entered in the debit and credit columns of the Trial Balance.

2. Net Trial Balance:-

Under this method, the balances of each ledger account is ascertained and all debit balances are entered in the debit column and credit balances in the credit amount column of the Trial Balance. It is useful for preparing Final Accounts.

Q.4. "The agreement of Trial Balance is not the conclusive proof of granted that the books of accounts are correctly written." Comment.

Ans: The agreement of Trial Balance is only a "Prima facie" proof as to the correctness of the books of accounts i.e. arithmetical accuracy, but not a conclusive one because inspite of the agreement of the Trial Balance the following errors remain undisclosed:

1. Omission of an entry in the record i.e. complete omission.
2. Wrong entry in the original record.
3. Errors of principle.
4. Posting to wrong heads of accounts.
5. Compensating errors.

As the above error do not affect the arithmetical accuracy of the books, the Trial Balance will agree inspite of the existence of these errors.

PRACTICAL QUESTIONS:

Q.1. Following balances are extracted from the following ledger of Mr. Anmol for the year ended 31st 2000, Prepare Trial Balances:-

Particulars	Rs.
Purchases	97,000
Sales	1,47,000
Capital	40,000
Drawings	7,000
Discount received	1,500
Discount	2,000
Sundry Debtors	59,000
Sundry Creditors	30,000
Bank Balance	15,000
Commission (Cr.)	1,500
Commission (Dr.)	1,500
Purchase Returns	5,000
Sales Returns	7,000
Machinery	30,000
Furniture	6,000
Opening Stock	3,000
Salary	8,000
Conveyance	1,000
Sundry Expenses	1,000
Postage & Telegram	1,000
Motor Car expenses	2,000
Cash in hand	1,500
Loan from Mr. Bimal	16,000
Printing & Stationery	500
Interest (Cr.)	1,500

Q.2. From the following balances prepare Trial Balance as on 31st December, 2001.

Particulars	Rs.	Particulars	Rs.
Capital	65,000	Trade Expenses	1,900
Drawings	5,500	R.D.D	800
Land & Building	40,000	Carriage Expenses	900
Machinery	19,000	Royalties	2,300
Salaries	3,700	General Reserve	3,000
Sales	95,000	Purchases	45,800
Return Outwards	1,300	Return Inwards	2,000
Motor Car	13,500	Creditors	15,000
Debtors	24,600	Commission received	2,000
Discount	1,000	Insurance	1,700
Stock	25,800	Advertisement	3,000
Cash at Bank	900	Bank Loan	8,500
Rent(Cr.)	600	Goodwill	4,000
Interest	500		
Bills Payable	4,900		

Q.3. Prepare a Trial Balance from the following balances extracted from the books of Shri Chimanlal as on 31st March, 2001.

Particulars	Rs.	Particulars	Rs.
Bank Loan	55,000	Goodwill	15,000
Carriage Inwards	2,000	Purchases	3,11,000
Debtors	85,000	Salaries	12,000
Interest on Bank Loan	2,250	Stock	1,12,000
Miscell. Expenses	9,400	Creditors	1,40,000
Sales	4,50,000	Bank Overdraft	24,000
Rent	200	Rent and Rates	3,200
Bad Debts	500	Insurance	3,025
Patents	12,000	Bills payable	4,000
Reserve for Bad Debts	1,700	Cash on hand	4,800
Drawings	13,075	Land & Building	1,35,000
Furniture & Fixture	36,000	Capital	2,00,000
Wages	80,000	Plant & Machinery	60,000
Bills Receivable	30,000	Vehicles	49,050

Q.4. From the following balances prepare Trial Balance as on 31st December, 2001.

Particulars	Rs.	Particulars	Rs.
Bills Payable	48,000	Cash in Hand	10,000
Drawings	70,000	Loan taken	2,30,000
Bills Receivable	98,000	Prepaid Expenses	10,000
Land and Building	1,30,000	Debtors	8,30,000
Purchases	22,00,000	Creditors	2,20,000
Office Expenses	2,25,000	Wages	7,75,000
Sales	40,40,000	Bank Loan	30,000
Machinery	2,90,000	Depreciation	30,000
Stock	1,20,000	Travelling Expenses	10,000
Capital	2,50,000	Advertisement	15,000
Power and Fuel	5,000		

Q.5. Prepare Trial Balance from the following balances extracted from the books of Shri Donald as on 31st March 2000.

Particulars	Rs.	Particulars	Rs.
Stock (1.4.99)	7,500	Debtors	10,400
Sundry Income	350	Bills Receivable	7,600
Vehicles	10,500	Sales	92,000
Capital	60,000	Bad Debts	4,200
Cash at Bank	8,900	Traveling Expenses	4,800
Carriage Inwards	5,000	Salaries	11,700
Creditors	29,000	Rent Received	4,400
Return Inward	4,000	Prepaid Insurance	100
Building	30,000	Audit fees	700
Bills Payable	7,050	Machinery	25,500
Purchases	50,000	Wages	7,000
Insurance	1,900	Loose Tools	3,000

Q.6. Prepare Trial Balance from the following balances:

Particulars	Rs.	Particulars	Rs.
Stock (1.1.2001)	47,000	Purchases	50,000
Drawings	6,000	Import Duty	3,500
Capital	24,000	Sales	1,28,000
Sundry Creditors	43,000	Wages	9,500
Bills Payable	4,000	Royalty	1,000
Sundry Debtors	51,000	Commission (Cr.)	1,100
Bills Receivable	5,000	Postage and Telegram	4,700
Loan to Gagan	10,000	Trade Expenses	2,500
Fixture and Fitting	4,500	Rent	2,000
Cash at Bank	12,500	Interest Received	3,100
Bank Overdraft	6,000		

Q.7. From the following balances prepare Trial Balance as on 31st March, 2001.

Particulars	Rs.	Particulars	Rs.
Purchase less Returns	36,000	Capital	10,000
Sales less Returns	55,000	Bank Balance	12,000
Loose Tools	6,000	Stock (1.4.97)	3,000
Salaries	2,500	Cash on Hand	2,000
Legal charges	1,500	Discount (Cr.)	1,000
Discount	2,000	Bad Debts	1,000
Rent (cr.)	1,000	Audit Fees	500
Travelling Expenses	2,000	Advertisement	1,500
Reserve Fund	2,000	Bills Payable	1,000
Investments	5,000	Creditors	15,000
Debtors	10,000	R.D.D	2,000
		Drawings	2,000

Q.8. Prepare Trial Balance from the following balances as on 31st December, 2000.

Particulars	Rs.	Particulars	Rs.
Himalaya's Capital	10,000	Printing and stationery	200
Loose Tools	2,000	Commission Received	520
Bills Receivable	1,800	Return Outward	400
Loan from I.F.C	12,000	Office Furniture	800
Sundry Creditors	16,000	Cash at Bank	3,800
Wages	1,800	Drawings	1,120
Sundry Debtors	26,000	Stock (1.1.97)	10,000
Loan to Indu	1,200	Sales	44,400
Carriage Outwards	1,160	Purchases	30,000
Salaries	1,200	Insurance	180
Carriage Inward	680	Interest Paid	720
Bills Payable	1,600	Return Inward	1,040
Trade Expenses	220	Cash Balance	200
Rent and Taxes	800		

Q.9. From the following balances prepare Trial Balance as on 31st March, 2001.

Particulars	Rs.	Particulars	Rs.
Jitesh's Capital	90,000	Sundry Debtors	21,600
Cash in bank	26,500	Discount	800
Drawings	15,000	R.D.D	1,400

Cash in Hand	2,100	Postage and Telegram	800
Plant and Machinery	24,100	Return Outwards	2,000
Wages	15,000	Furniture and Fixture	5,500
Stock (1.4.2000)	24,000	Freight and Duty	1,500
Salaries	6,300	Carriage Outwards	500
Purchases	73,000	Sales	1,19,000
Return Inwar4ds	2,500	Sundry Creditors	10,200
Insurance	200	Trade Expenses	400
Rent, Rates and Taxes	2,800	Advertisement	2,000
		Reserve Fund	2,000

Q.10. From the following balances extracted from the books of Kunal as on 31st March, 2000 you are required to prepare Trial Balance.

Particulars	Rs.	Particulars	Rs.
Kunal's capital	1,25,000	Bad Debts	1,500
Drawings	25,000	Sales	76,300
Stock on 1.4.98	20,000	Purchases	52,000
Plant and Machinery	45,000	Wages	7,500
Furniture and Fixtures	10,300	Freight and Carriage	1,500
Sundry Debtors	47,000	Factory Insurance	1,200
R.D.D	2,000	Salaries and Wages	3,300
Rent (cr.)	500	Investments	15,000
Interest Paid	1,200	Sundry Creditors	19,000
Cash on hand and Bank	600	Bank Overdraft	20,000
Royalty	5,000	Dock Charges	5,000
Repairs	300	Legal Charges	600
Returns Outwards	400	Lighting Charges	500
		Return Inwards	700

Q.11. Prepare Trial Balance from the following.

Particulars	Rs.	Particulars	Rs.
Freehold Premises	12,300	Sales	62,000
Purchases	45,000	Creditors	18,890
Cash on Hand	5,225	Return Inwards	2,000
Bank Overdraft	7,000	Carriage Outwards	1,200
Salaries	2,190	Carriage Inwards	790
Furniture	2,200	Plant and Machinery	2,000
Unproductive Wages	8,900	Capital	40,000
Productive Wages	11,300	Motor Lorries	6,300
Return outwards	2,190	Motor Unkeep	285
Drawings	2,500	Factory Power	1,700
Debtors	21,400	Bills Receivable	8,150
Bills Payable	7,900	Loss by fire	1,240
Loan (Dr.)	6,300	Loan (cr.)	3,000

Q.12. Prepare a Trial Balance from the following balances appearing in a ledger of the trader on 30th September, 2002.

Particulars	Rs.	Particulars	Rs.
Capital	20,000	Discount allowed	300
Loan (taken)	4,000	Leasehold Property	3,000
Outstanding Wages	500	Excise Duty	500

Prepaid Salary	800	Interest on Investments	1,000
Bills Receivable	2,000	Loss by Fire	400
Opening Stock	4,000	Bad Debts	400
Purchases	8,000	Reserve for doubtful debts	500
Sales	6,000	Debtors	5,200
Investments	10,000	General Reserve	4,000
Legal Charges	200	Freight	1,200

Q.13. From the list of balances below prepare Trial Balance of Sameer.

Particulars	Rs.		
Building	1,30,000	Drawing	49,000
Land	60,000	Capital	3,34,250
Furniture	22,000	Carriage	16,700
General Reserve	2,000	Wages	1,14,000
Bad Debts Reserve	7,800	Salaries	29,000
Sales	9,40,000	Discount Received	4,650
Return Outward	16,000	Discount Allowed	2,100
Purchases	4,96,000	Opening Stock	75,000
Return Inward	9,000	Bills Received	7,200
Customers Account	2,60,000	Bills Payable	3,000
Suppliers Account	1,42,000	Bank Balance	62,000
General Expenses	18,700	Loan from Pawan	36,000
Rent, Rates and Taxes	7,000	Investment in Shares	48,000
Machinery	80,000		

Q.14. Prepare a Net Trial Balance of Shri. Ashok as 31st Dec.2000 from the following

Particulars	Rs.	Particulars	Rs.
Cash of Bank	20,000	Sales	1,25,000
Plant & Machinery	50,000	Purchases Returns.	5,000
Cash A/c	15,000	Sales Returns	5,000
Bills Receivable	10,000	Wages	2,000
Goodwill	35,000	Opening Stock	5,000
Bills Payable	20,000	Commission Received	3,000
Sundry Debtors	25,000	Discount Allowed.	4,000
Furniture	5,000	Drawings	5,000
Sundry Creditors	35,000	Bad Debts	4,000
Purchases	65,000	Capital A/c	62,000

Q.15. From the following balances prepare Trial Balance as on 31st March 1988.

Particulars	Rs.	Particulars	Rs.
Opening Stock	20,000	Insurance	1,300
Sundry Debtors	28,000	Plant & Machinery	30,000
Bills Payable	10,101	Sundry Creditors	21,500
Purchases	40,000	Rent	1,800
Wages	8,500	Sales	70,000
Returns Outward	2,500	Reserve for Doubtful Debts	400
Salaries	2,700	Travelling Expenses.	1,400
Office Expenses	2,446	Return Inward	3,500
Land & Building	44,800	General Reserve	4,000
Bills Receivable	4,000	Interest due but not received	1,000
Bank	6,655	Outstanding Wages	2,000

Capital	90,000	Prepaid Insurance	1,000
Drawings	2,400	Commission Received	
Bank Overdraft	3,000	in advance	500
Furniture	4,500		

Q.16. From the following ledger balances, prepare a Trial Balance as at 31.12.99.

Particulars	Rs.	Particulars	Rs.
Purchases	1,49,000	Interest	3,000
Salaries	4,000	Bad Debt Reserve	2,000
Creditors	10,000	Stationary	1,400
Debtors	24,000	Postage	460
Capital	1,00,000	Furniture	2,000
Drawing	16,000	Wages	7,000
Sales	2,17,000	Machinery	30,000
Purchase Return	1,600	Carriage	1,240
Sales Return	6,000	Fuel	2,000
Rent	1,800	Factory Insurance	400
Discount	400	Bad Debts	1,200
Opening Stock	35,000	Bills Receivable	1,700
Building	50,000		

OBJECTIVES

FILL IN THE BLANKS:

- 1) Trial Balance is a _____ showing a list of _____ and _____ balances of ledger account on a particular date. (Statement, debit, credit)
- 2) Trial balance is prepared at the _____. (Accounting Year)
- 3) Trial balance is useful for preparation of _____. (Final A/c)
- 4) All types of assets should be recorded in _____ column of the trial balance (Debit)
- 5) Real A/c shows a _____ balance. (Debit)
- 6) All types of liabilities shows _____ balances and therefore they are to be posted in _____ columns of the trial balance. (Credit)
- 7) An agreement of the trial balance proves the _____ of the books of accounts. (Arithmetical accuracy)
- 8) Trial balance contains all _____ as on a certain date. (Ledger balances)
- 9) The General Reserve a/c shows a _____ balance. (Credit)
- 10) If the trial balance shows a short debit, the suspense a/c will have a _____ balance. (Debit)
- 11) Expenses which are not paid even when they are due is called _____. (Outstanding expenses)
- 12) _____ Trial Balance is more convenient in preparation of final accounts at the end of the year. (Net)
- 13) Difference in Trial Balance is transferred to _____ account. (Suspense)
- 14) Capital accounts always shows _____ balance. (Credit)

State whether the following statements are True or False:-

- 1) The Trial Balance is not a part of the final accounts. (True).
- 2) All ledger balances are transferred to the Trial Balance. (False)
- 3) The agreement of the Trial Balance proves that the books accounts are absolutely correct. (False)
- 4) A Trial Balance is an important ledger account. (False)
- 5) Overdraft as per Pass Book is shown on the credit side of the Trial Balance. (False)

- 6) Trial Balance can be prepared only once a year. (False)
- 7) A Trial Balance will agree inspite of any number of two-sided errors. (True)
- 8) Closing stock usually does not appear in the trial balance. (True)
- 9) Balance in trial balance is temporarily transferred to suspense a/c. (True)
- 10) Trial balance is prepared just before preparation of final accounts. (True)
- 11) Wrong balancing of an account will not affect the trial balance. (False)
- 12) Trial Balance is prepared at the end of the accounting year. (True)
- 13) Horizontal trial balance is also called as ledger form trial balance. (True)
- 14) Net Trial balance is more popular than gross trial balance. (True)
- 15) Horizontal trial balance is also called as ledger form trial balance. (True)

HERAMB

CHAPTER 14: RECTIFICATION OF ERRORS**Q.1. What do you mean by Rectification of Errors?**

Ans: Rectification of Errors involved the following two steps:-

1. To detect the errors &
2. To rectify the errors.

1. To Detect the errors:-

The errors may be of omission, commission, principle of compensating. Errors may or may not be disclosed by the Trial Balance. The errors disclosed by Trial Balance are called one sided errors (i.e. when Trial Balance does not agree) and errors which are not disclosed by Trial Balance are called two-sided errors. The errors are to be detected by adopting suitable method.

2. To rectify errors:-

Generally, the rectification of two side errors has two-fold purpose:

- g) To nullify (Remove) the wrong effect, and ii) To give correct effect.

One-sided errors are rectified by giving rectifying effect only i.e. no journal entry is required (when suspense account is not opened), whereas two sided errors are rectified by passing a rectification entry.

Q.2. Explain the following:-

- i) One-sided errors ii) Two-sided errors.

i) One-sided errors:-

The errors which affect only one sided i.e. the debit or credit side of an account, are called one-sided errors. These errors show arithmetical inaccuracy. Therefore, no journal entry is necessary to rectify these errors. Following are the examples of one-sided errors.

- a) Omission to post an entry for many subsidiary book.
- b) Posting a wrong amount to a ledger account.
- c) Posting an amount on the wrong side of ledger account.
- d) Errors in casting subsidiary records or ledger accounts.
- e) Errors in balancing any ledger account.
- f) Omission to include a balance of an account in the Trial Balance.

ii) Two-sided errors:

The errors which effect the two-fold aspects or both the sides i.e. debit as well as credit aspect of entries are called two-sided errors. Hence journal entry is necessary to rectify the errors. Following are the examples of two-sided errors.

- a) Omission of an entry in the original record i.e. complete omission.
- b) Wrong entry in the original record.
- c) Errors of principles.
- d) Compensating errors.
- e) Posting to wrong heads of accounts.

Q.3. Write Short Notes:**1. Errors of Principles:**

The entries which are not made as per fundamental principles of accountancy are called errors of principles. It means the rules of debit and credit and the proper classification of accounts are not properly observed. e.g. Purchase of machinery recorded in Purchase Book.

2. Errors of Omission:

These include :

- i) Complete omission
- ii) Partial Omission

i) Complete Omission : Errors of complete omission take place when transactions are remained to be recorded i.e. not Recorded at all in the books of accounts; to rectify these types of mistakes usual journal entries are passed.

ii) Partial Omission: Errors of partial omission take place when an entry is remained to be posted to one account only. To rectify this type of error, no journal entry is required. Only posting to that particular account is to be made. E.g purchase of goods from "X" is not posted to X's account.

3. Errors of Commission:

Incorrect entries in the original record wrong postings, wrong castings, wrong calculations, carry forwards etc. are called Errors of Commission. Presence of these errors are disclosed by Trial Balance.

4. Compensating Errors:

When one error compensates / nullifies the wrong effect of another error, it is called compensating error. These types of errors are not disclosed by the Trial Balance. e.g. the debit side of Printing & Stationery Account is Undercast by Rs.100 and the credit of commission Account is also undercast by Rs.100. This will not affect the Agreement of Trial Balance as both the errors are compensating each other.

5. Suspense Account :

Before the final accounts are prepared, it is necessary that the Trial Balance should agree. Even a small discrepancy in the Trial Balance may involve arithmetical inaccuracy. However, sometimes the preparation of Final Accounts cannot be postponed. In such cases, Trial Balance is made to agree by entering the differences on the lighter side under "Suspense Account". Subsequently, whenever the errors are located, a proper debit or credit is given to the correct account. When all the errors are corrected the Suspense A/c stands closed. Until this is done the balance in the Suspense A/c will be included in the Balance Sheet. The debit balance in the Suspense A/c will be shown as an asset, while the credit balance will be shown as a liability.

A) Errors of Principle:

Q.1. The accountant Shri. Satish committed the following errors of principle while writing books of accounts. You are requested to correct the errors by passing necessary rectifying entries:

- 1) Wages of Rs.290 paid for installation of a new machinery was charged to Wages A/c.
- 2) A dividend of Rs.350 received on investment was credited to the Investment A/c.

- 3) Bad debts previously written off as bad and now recovered was credited to the personal account of debtor Rs.200
- 4) Mr. Kundan purchased furniture costing Rs.300 & recorded same in the purchase book.
- 5) Salary of Rs.240 paid to a clerk was debited to his personal A/c.
- 6) An old motor car sold for Rs.6,000 to Bharat Textiles credited to Sales Account.

B) Error of Commission:

Q.2. Rectify the following mistakes committed by an inexperienced clerk of Shri. Banarasidas.

- 1) Goods sold to Narayan for Rs.900 was entered in the Purchase book
- 2) Goods purchased from Shri Sahil for Rs.320 was recorded in the Purchase book as for Rs.230.
- 3) Goods sold to Shri Bandhu and entered in the Sales book as Rs.540 was posted to the debit of Bandhu's A/c as Rs.54.
- 4) The sales book was undercast by Rs.210.
- 5) The purchase book total of the first page Rs.45,960 was carried forward to the next page as Rs.45,690.
- 6) The postal expenses of Rs.12 in the total column of Petty Cash Book was extended to the Postage Column as Rs.21.
- 7) Cash purchase of Rs.215 from Gupta was recorded both in the Purchase book as well as Cash book and Posted accordingly.
- 8) Due to mistake in calculation, the sale invoice was prepared for Rs.321 instead of Rs.426 and recorded in the Sales Book as Rs.321 and posted to Naresh's A/c accordingly.

C) Errors of Omission:

Q.3. How you will rectify the following errors of omission.

- 1) A credit purchase of goods from Arun for Rs.468 was left off unrecorded in the Purchase book.
- 2) A sale item of Rs.131 was left off unposted in Pravin's Account in the ledger.
- 3) Sales book was left off uncast, though the respective parties in the sales return book were properly credited in their ledger accounts for an aggregate amount.
- 4) Rs.20 spent for purchase of stationery was entered in the total column of petty cash book, but the same was not extended to stationery column.
- 5) Last year's balance of Rs.100 in Ratna's A/c. was not carried forward in the new year.

D) Errors of Compensating:

Q.4. The accountant of Mr. Prasad committed the following errors and yet he contended that the accounts were quite correct, simply because the Trial Balance agreed. State why you disagree with his contention taking the following mistakes committed by him in your support. Rectify the mistakes.

1. Sales book total was taken short by Rs.150.
2. Purchase book item of Rs.350 was posted to the credit of Ganpat as Rs.530
3. Discount of Rs.30 allowed to Krishna was not posted to his credit from the Cash Book.

PRACTICAL QUESTIONS

Extra Question:

RECTIFY THE FOLLOWING ERRORS

- 1) Goods purchased from Mr. Amit Rs. 4,500 was posted to Anil's A/c.
- 2) Wages of Rs. 1,000 paid to our employee Mr. Ajay was debited to his personal a/c.
- 3) Goods purchased from Bagade stationery shop Rs. 7,500 was recorded in sales book.
- 4) Paid carriage inward for installation of Plant Rs. 3,000 wrongly debited to carriage inward.
- 5) An amount of Rs. 2,500 paid for rent was debited to personal account of Mr. Bhagavat the landlord of the premises.
- 6) Life insurance premium of the proprietor paid Rs. 1,000 was debited to insurance account.
- 7) Sold old furniture for Rs. 5,000 to Laxman was posted to sales account.
- 8) Purchased furniture for Rs. 30,000 from Vilas furniture Mart was debited to purchase account
- 9) Received interest Rs. 500 was posted to commission account.
- 10) An amount of Rs. 5,000 withdrawn by proprietor for his personal use was debited to sundry expenses account.
- 11) Machinery for Rs. 12,500 was recorded through purchase book.
- 12) Rs. 900 paid for purchase of furniture has been debited to goods account.
- 13) Rs. 250 paid on account of the businessman's private expenses stood debited to sundry expenses account.
- 14) Rs. 2,000 paid for purchase of furniture had been debited to Goods a/c.
- 15) Machinery for Rs. 12,500 was recorded through purchase book.
- 16) Rs. 900 paid for purchase of furniture has been debited to goods account.
- 17) Rs. 250 paid on account of the businessman's private expenses stood debited to sundry expenses account.
- 18) Rs. 2,000 paid for purchase of furniture had been debited to Goods a/c.
- 19) Rs. 300 paid to Rajiv as a salary for the month of March 2012 had been debited to his personal a/c.
- 20) Insurance premium of Rs. 500 paid on the insurance policy of businessman was debited to insurance charges A/c.
- 21) Cash purchase of furniture for Rs. 5,000 was posted to the repairs account.
- 22) Cash Rs. 200 drawn by proprietor for his personal use was posted to the debit of general expenses account.
- 23) An amount of Rs. 200 written off as bad debt last year and now received from Imam was credited to his personal account.
- 24) Purchase of Typewriter for office use Rs. 2,400 has been entered in purchase day book.
- 25) Rent of Rs. 500 paid to Mr. Niketan has been debited to his personal account
- 26) Repairs to machinery Rs. 500 have been debited to Machinery account.

- 27) Rs. 200 drawn by businessman for his personal use sands debited to sundry expenses account.

OBJECTIVES

FILL IN THE BLANKS:

- 1) A Sale to Pravin entered in purchase book is an error of posting through wrong subsidiary books.
- 2) If a transaction is not recorded at all, it is an error of complete omission
- 3) Under casting of sales book is an error of commission.
- 4) If a cash purchase of goods for Rs.200 has been posted as for Rs.20 the purchase a/c will have to be corrected.
- 5) Mistakes involving wrong recordings or posting are called errors of commission.
- 6) In an error of principle, the debit and the credit are equal
- 7) Two-sided errors originate in the subsidiary books.
- 8) Unless otherwise specified, mistakes are assumed to be detected before the preparation of the trial balance.
- 9) All errors that cannot be corrected through journal entries are called one sided errors.
- 10) Rectifying entries are generally recorded through the journal proper.
- 11) If the transactions are not recorded as per the fundamental rules of accountancy the error is said to be errors of principle.

MATCH THE FOLLOWING:

A	B
1. Error of Omission	a) An error nullifies the wrong effect of another error.
2. Errors of Commission	b) Posting to wrong A/c. in the ledger.
3. Error of Principle	c) Incorrect entries in the original record etc.
4. Errors of compensating	d) A transaction is remained to be recorded.

Ans. (1-d), (2-c), (3-b), (4-a).

A	B
1. Under casting of purchase book is an error of;	a) One-sided errors.
2. Trial Balance which is more convenient for preparation of final accounts.	b) Partial Omission. Commission.
3. Trial Balance discloses.	d) Net Trial Balance.
4. Receipt of cash not posted to Ganesh's A/c.	

Ans.(1-c), (2-d), (3-a), (4-b).

CHAPTER 15: DEPRECIATION**I. FIXED INSTALMENT METHOD**

Q.1. Sudhir purchased machinery worth Rs.90,000 on 1st January, 2002. He spent Rs.2,000 for loading and unloading, Rs.4,600 for carriage, Rs.1,300 for octroi and Rs.2,100 as installation charges. Prepare Machinery Account and Depreciation Account for first 3 years assuming that Sudhir closes his books of accounts on 31st December, each year and depreciation is charged @ 10% p.a. on Cost.

Q.2. M/s Amul Industries, Pune purchases machinery for Rs.19,400 on 1st January, 1998 and spent Rs.600 for its erection. On 1st July, 1998 additional machinery costing Rs.10,000 was acquired. On 1st July, 2000 the machinery purchased on 1st January, 1998 was sold for Rs.12,000 and on the same date a new machinery was purchased at a cost of Rs.16,000. Depreciation was provided annually on 31st December at 10%p.a. on Original cost. Give the Machinery A/c & Depreciation A/c for the years 1998 to 2000.

Q.3. Arun Traders, Nasik, purchased machinery on 1st July, 2000 for Rs.14,000 and decided to depreciate it at 10%p.a under the Straight Line Method. On 1.1.2001 new machinery was purchased for Rs.20,000. On 1.7.2002, the machinery purchased on 1st July, 2000, was sold for Rs. 10,000 and on 31st December, 2002, further machinery was purchased for Rs. 25,000. Prepare the Machinery A/c and the Depreciation A/c for the years 2000, 2001 & 2002 assuming that the years ends on 31st December every year.

Q.4. On 1st January, 1996, Ram and Shyam purchased a machine for Rs.2,00,000 and spent Rs.10,000 on its installation. On 1st July, 1996, they purchased another machine for Rs.1,50,000 On 31st March, 1997, the machine purchased on 1st January, 1996 was sold for Rs.1,60,000. On 1st January, 1998, a new machine was purchased for Rs.1,75,000. Depreciation was charged at 10% p.a. on the original cost and the accounts were closed on 31st December every year. Show the Machinery A/c and the Depreciation A/c for the years 1996,1997, 1998.

Q.5. M/s Tarachand Traders purchased machinery worth Rs. 45,000 on 1st January 2000. On 30th June, 2000 additional machinery worth Rs. 25,000 was purchased. On 31st December, 2001, machinery which had cost Rs. 4,000 on 1st Jan., 2000 was sold for Rs. 3,200. On 31st December, 2002, a machinery costing Rs.10,000 which was purchased on 1st January, 2000, was sold for Rs. 6,250. It was decided to charge depreciation @ 10% p.a. under Fixed Installment method. Prepare Machinery A/c and Depreciation A/c for 2000, 2001 and 2002.

Q.6. Ravindra Trading Company purchased machinery for Rs.55,000 on 1st April 1996 and spent Rs.5,000 on its fixation and erection. In the same year on 1st October additional machinery costing Rs.40,000 was purchased. On 1st October 1998 the machinery purchased on 1st April 1996 became obsolete and was sold for Rs.43,000. On 1st January 1999 a new machinery was also purchased for Rs.20,000. Depreciation was provided annually on 31st March every year @ 10% p.a. on Fixed Instalment Method. Prepare Machinery Account and Depreciation Account for three years.

Q.7. Vishal Traders purchased machinery on 1st July 2000 for Rs.80,000. On 1st April 2001 another machinery was purchased for Rs.40,000. On 1st October 2002 they sold half of the machinery purchased on 1st July 2000 for Rs.46,000. On 31st March, every year they charge depreciation @ 10% p.a. under Fixed Instalment Method. Prepare Machinery Account & Depreciation Account for the concerned three years i.e. 2000-01, 2001-02 and 2002-03.

Q.8. J.K. Company, Mumbai, purchased machinery for Rs.80,000 on 1st April, 2002. Company purchased additional machinery for Rs.36,000 on 1st October, 2003. The company charges depreciation @ 10% p.a. on the original cost. The financial year of the company ends on 31st March each year. On 30th September, 2004 a part of the machinery, original cost of which was Rs.30,000 on 1st April, 2002 was sold by the company for Rs.22,000. Prepare Machinery Account for 3 years and give journal entries for the year 2002-2003.

Q.9. On 1st April, 2002 Ganesh Trading Company Ltd., Pune purchased machinery Costing Rs.80,000. On 1st October, 2002 additional machinery was purchased for Rs.40,000. On 1st October, 2004 the machinery purchased on 1st April 2002 was sold for Rs.50,000. On the same date new machinery was purchased for Rs.20,000. Assuming that machinery is depreciated on 31st March every year @ 10% p.a. by the fixed installment method. Prepare Machinery Account and Depreciation Account for the years 2002-03, 2003-04 and 2004-05.

Q.10. M/s Om computers, Satara purchased 2 computers on 1.4.2000 for Rs.68,000. The installation charges amounted to Rs.2000. They decided to depreciate the computers at 10% p.a. under fixed installment method. On 1.10.2002 one computer having original cost Rs.25,000 was sold for Rs.25,000 and on the same date a new computer was purchased for Rs.30,000. Write up computers account and depreciation A/c from 1.4.2000 to 31.3.2003. The accounts being closed on 31st March every year.

Q.11. Vijay Printers, purchased a furniture on 1st April 1998 for Rs.40,000. In the same year on 1st October another furniture costing Rs.20000 was purchased. On 30th September, 2000 the furniture purchased on 1st April 1998 was sold for Rs.25,000 and on the same date a new furniture was purchased at a cost of Rs.30,000. Depreciation was provided annually on 31st March @ 10% p.a. on the original cost. Prepare Furniture Account and Depreciation Account for the years 1998-99, 1999-00 and 2000-01.

II. REDUCING BALANCE METHOD

Q.12. Seema Automobile Ltd., purchased a machine for Rs.60,000 on 1st July, 1998. On 1st Jan, 1999, company purchased an additional machine costing Rs.20,000. On 31st Dec., 2000, the machinery purchased on 1st July, 1998, became obsolete and was sold for Rs.40,000. Depreciation was provided annually on 31st December @ 10% p.a. on the Reducing Balance Method. Prepare Machinery A/c & Depreciation A/c for the period from 1998 to 2000.

Q.13. Sunil Traders purchased a machinery on 1.1.1995 for Rs.20,000 It further purchased a machinery on 1-7-1995 costing Rs.10,000. On 1.7.97, they sold off the first machinery purchased on 1.1.95 for Rs.6,000 and bought another for Rs.10,000 on the same day. Depreciation was provided on the machinery @ 10 % p.a. on Diminishing

Balance Method Financial Year closes on 31st December every year. Prepare machinery A/c and depreciation A/c for the years 1995,1996,1997,1998.

Q.14. Manohar and co., purchased following plant and machineries on the dates mentioned here under:

Date	Amount
1.1.1992	5,000
1.4.1994	6,000
1.7.1993	4,000
1.4.1993	2,000

On 1st July, 1995 they sold the machine bought on 1st January, 1992 for Rs.4,000. They write off depreciation on the Reducing Balance Method @ 10 % p.a. Prepare Machinery A/c in the ledger for the years 1992 to 1995. Accounting year ends on 31st December every year.

Q.15. Dinesh Electronics Ltd., purchased a machinery for Rs.30,000 on 1st October, 1990. On 1st April 1992 company purchased an additional machine costing Rs.10,000. On 31st March, 1994 the machinery purchased on 1st October 1990 became obsolete and was sold for Rs.20,000. Depreciation was provided annually on 31st March every year @ 10% p.a. Reducing Balance Method. Prepare Machinery account and Depreciation Account for the period from 1.4.90 to 31.3.94.

Q.16. Amarjit purchased machinery worth Rs.1,00,000 on 1.4.2000. On 1st April 2001, the company purchased additional machinery for Rs.20,000. On 1st October 2002, the company sold the machine purchased on 1st April 2001 for Rs. 16,000. Company writes off depreciation @10% on reducing balance method. The accounts being closed on 31st of March every year Show Machinery & Depreciation Account for 3 years.

Q.17. On 1st April, 1995 Avadhoot Trader, Aurangabad, purchased machinery for Rs.40,000. On 1st October, 1995 they purchased further machinery costing Rs.20,000. On 1st October, 1997 they sold machinery which was purchased on 1st April, 1995 for Rs.28,780. Depreciation on machinery was provided at the rate of 10% p.a. on Diminishing Balance Method. The financial year closes on every 31st March. Prepare Machinery Account and Depreciation Account for three years 1995-96, 1996-97, 1997-98.

Q.18. Renuka Trading Company purchased furniture on 1st April 2002, for Rs.50,000. In the same year on 1st October additional furniture was purchased for Rs.20,000. On 1st October 2003 the furniture purchased on 1st April 2002 was sold for Rs.30,000 and on the same date, new furniture was purchased for Rs.25,000. The company charges depreciation @ 10% p.a. on Reducing Balance Method. Prepare Furniture Account and Depreciation Account for the year ended on 31.3.2003, 31.3.2004 and 31.3.2005.

Q.19. On 1st April 2004, Saikripa Enterprises purchased two computers of Rs.40,000 each. On 1st October, 2004 they purchased one more computer for Rs.40,000. On 1st October, 2006 they sold one of the computer, which was purchased on 1st April, 2004 for Rs.18,780. Depreciation on Computers was provided @ 10% p.a. on diminishing balance method and the financial year closes on 31st March every year. Prepare Computer Account and Depreciation Account for the years 2004-05, 2005-06 and 2006-07.

Q.20. On 1.4.1995, Rajani traders purchased machinery for Rs.40,000. On 1st October 1995 it purchased further machinery Rs.20,000. On 1st October 97, they sold machinery which was purchased on 1st April 95 for Rs.28,780. Depreciation on Machinery is to be provided @ 10% p.a. on diminishing balance method. The accounts being closed on 31st of March every year. Prepare Machinery and Depreciation account for the year ended 1995-96, 96-97, 97-98.

Q. 21. Shri Yashraj and Company, Kolhapur, purchased furniture for Rs. 60,000 on 1.4.2007. On 1.10.2009 the company sold out a part of the furniture for Rs.6,000, the original cost of which on 1.4.2007 was Rs. 12,000. The company charges depreciation at the rate of 10% p. a. on RBM. The financial year of the company ends on 31st March, every year. Prepare: Furniture Account and Depreciation A/c for the years 2007-08, 2008-09, 2009-10.

Extra Questions

Q.1. Vinayak purchased machinery worth Rs.90,000 on 1st January, 2002. He spent Rs.10,000 as installation charges. Prepare Machinery Account and Depreciation Account for first 3 years assuming that Vinayak closes his books of accounts on 31st December, each year and depreciation is charged @ 10% p.a. on Cost.

Q.2. M/s Siddhesh Industries, Nagapur purchases machinery for Rs.49,400 on 1st January, 2008 and spent Rs.600 for its erection. On 1st July, 2008 additional machinery costing Rs.10,000 was acquired. On 1st July, 2010 a new machinery was purchased at a cost of Rs.16,000. Depreciation was provided annually on 31st December at 10%p.a. on Original cost. Give the Machinery A/c & Depreciation A/c for the years 2008 to 2010.

Q.3. Vishal Traders, Nasik, purchased machinery on 1st July, 2001 for Rs.10,000 and decided to depreciate it at 10%p.a under the Straight Line Method. On 1.1.2002 new machinery was purchased for Rs.20,000. On 1.7.2003 further machinery was purchased for Rs. 25,000.

Prepare the Machinery A/c and the Depreciation A/c for the years 2001, 2002 & 2003 assuming that the years ends on 31st December every year.

sQ.4. On 1st January, 2006, Sanjay purchased a machine for Rs.4,90,000 and spent Rs.10,000 on its installation. On 1st July, 2006, they purchased another machine for Rs.2,50,000. On 1st January, 2008, a new machine was purchased for Rs.2,50,000. Depreciation was charged at 10% p.a. on the original cost and the accounts were closed on 31st December every year. Show the Machinery A/c and the Depreciation A/c for the years 2006, 2007, 2008 & 2009

Q.5. Rajaram Trading Company purchased machinery for Rs.75,000 on 1st April 1996 and spent Rs.5,000 on its fixation and erection. In the same year on 1st October additional machinery costing Rs.30,000 was purchased. On 1st January 1999 a new machinery was also purchased for Rs.10,000. Depreciation was provided annually on 31st December every year @ 10% p.a. on Fixed Instalment Method. Prepare Machinery Account and Depreciation Account for three years.

Q.6. Vidarbha Traders purchased machinery on 1st July 2001 for Rs1,00,000. On 1st April 2002 another machinery was purchased for Rs.60,000. On 31st March, every year they charge depreciation @ 10% p.a. under Fixed Instalment Method. Prepare Machinery

Account & Depreciation Account for the concerned three years i.e. 2000-01, 2001-02 and 2002-03.

Q.7. On 1st April, 2003 Gunpati Trading Company Ltd., Pune purchased machinery Costing Rs.80,000. On 1st October, 2003 additional machinery was purchased for Rs.50,000. On 1st October, 2004 new machinery was purchased for Rs.20,000. Assuming that machinery is depreciated on 31st March every year @ 10% p.a. by the fixed installment method. Prepare Machinery Account and Depreciation Account for the years 2002-03, 2003-04 and 2004-05.

Q.8. M/s Talent computers, Kalyan purchased computers on 1.4.2002 for Rs.68,000. The installation charges amounted to Rs.2000. On 31.12.2003 they purchased second computer for Rs. 25,000. They decided to depreciate the computers at 10% p.a. under fixed installment method. On 1.10.2004 a new computer was purchased for Rs.30,000. Write up computers account and depreciation A/c from 1.4.2000 to 31.3.2003. The accounts being closed on 31st March every year.

III. REDUCING BALANCE METHOD

Q.9. Big Bazar, purchased a furniture on 1st April 2008 for Rs.50,000. In the same year on 30th September another furniture costing Rs.20,000 was purchased. On 30th June, 2000 a new furniture was purchased at a cost of Rs.30,000. Depreciation was provided annually on 31st March @ 10% p.a. on the original cost. Prepare Furniture Account and Depreciation Account for the years 2008-09, 2009-10 and 2010-11.

Q.10. Vardhaman Automobile Ltd., purchased a machine for Rs.60,000 on 1st Oct,1988. On 1st Jan, 1989, company purchased an additional machine costing Rs.40,000. On 31st Dec., 1990, company purchased another machine worth Rs. 20,000. Depreciation was provided annually on 31st December @ 10% p.a. on the Reducing Balance Method. Prepare Machinery A/c & Depreciation A/c for the period from 1988 to 1990.

Q.11. Devdas Traders purchased a Furniture on 1.1.2005 for Rs.10,000 It further purchased a Furniture on 1-7-2005 costing Rs.5,000. On 1.7.07, they bought another for Rs.2000. Depreciation was provided on the machinery @ 10 % p.a. on Diminishing Balance Method Financial Year closes on 31st December every year. Prepare Furniture A/c and depreciation A/c for the years 1995,1996,1997,1998.

Q.12. Rahul Electronics Ltd., purchased a machinery for Rs.60,000 on 1st October, 2010. On 1st April 2012 company purchased an additional machine costing Rs.10,000. On 31st March, 2014 Company purchased additional Machinery Rs.20,000. Depreciation was provided annually on 31st March every year @ 10% p.a. Reducing Balance Method. Prepare Machinery account and Depreciation Account for the period from 1.4.10 to 31.3.14.

Q.13. Suryavanshi purchased machinery worth Rs.10,000 on 1.4.2002. On 1st April 2003, the company purchased additional machinery for Rs.50,000. On 1st October 2002, they purchased another machinery worth Rs. 30,000. Company writes off depreciation @10% on reducing balance method. The accounts being closed on 31st of March every year Show Machinery & Depreciation Account for 3 years.

Q.14. On 1st April, 2005 Arvind Trader, Amaravati, purchased machinery for Rs.50,000. On 1st October, 2005 they purchased further machinery costing Rs.30,000. On 1st October, 2007 company purchased another machinery worth Rs. 20,000. Depreciation on machinery was provided at the rate of 10% p.a. on Diminishing Balance Method. The financial year closes on every 31st March. Prepare Machinery Account and Depreciation Account for three years 2005-06, 2006-07, 2007-08.

Q.15. Jalinder Trading Company purchased furniture on 1st April 1992, for Rs.60,000. In the same year on 1st October additional furniture was purchased for Rs.40,000. On 1st October 1993 new furniture was purchased for Rs.25,000. The company charges depreciation @ 10% p.a. on Reducing Balance Method. Prepare Furniture Account and Depreciation Account for the year ended on 31.3.1993, 31.3.1994 and 31.3.1995.

Q.16. On 1st April 2004, Samartha Enterprises purchased two computers of Rs.80,000 each. On 1st October, 2004 they purchased one more computer for Rs.50,000.. Depreciation on Computers was provided @ 10% p.a. on diminishing balance method and the financial year closes on 31st March every year. Prepare Computer Account and Depreciation Account for the years 2004-05, 2005-06 and 2006-07.

CHAPTER 16: FINAL ACCOUNT OF SOLE TRADER**Q.1. What do you understand by Final accounts? Why are they prepared?**

Ans: Final accounts are prepared at the end of each accounting year for the following two reasons:

- 1) To know the results of the transactions conducted during the year.
- 2) To know the financial position of the business on the last day of the year.

Final Accounts include the following:

- 1) **Trading Account:** It is prepared to know the Gross Profit or Gross Loss for a given period on the buying and selling of goods
- 2) **Profit & Loss Account:** It is prepared to know the Net Profit or Net Loss earned or suffered during a particular period, after taking into account all expenses and incomes of the business.
- 3) **Balance Sheet:** It is a statement. It is prepared to know the financial position of business in the form of assets & liabilities on a given date.

Q.2. What do you mean by Trading Account?

Ans: Trading Account is an account of trade transactions i.e. Purchases & Sales. It is an account of direct expenses relating to convert raw material into finished or saleable products. It shows "Gross Profit" or "Gross Loss" for a particular year.

Q.3. How & Why Trading Account is prepared ?

Ans: Trading Account is debited with the Opening stock (in case of old firms) Purchases less returns, carriage, freight etc. on purchases and other various direct expenses relating to convert the raw material into finished or saleable products and, it is credited with sales less returns and closing stock (i.e. unsold goods on hand) of goods on the date of Final Accounts.

It is prepared to know the gross profit or gross loss of the business during a particular period. If debit side of Trading Account is heavier than the credit side, the balance is to be said as "Gross Loss" If credit side of Trading Account is heavier than the debit side, the balance is to be said as "Gross Profit".

Q.4. What is Profit & Loss account?

Ans: Profit & Loss Account is an account of indirect expenses i.e. sales and administrative expenses and losses, indirect incomes i.e. income for which business is not formed (intended). It is an account which shows "Net Profit or Net loss" earned or suffered by the business during a particular year.

Q.5. How and Why Profit & Loss Account is prepared?

Ans: The Gross Profit or gross Loss is first transferred from Trading Account to the Profit & Loss Account on credit or debit side, thereafter, Profit & Loss Account, further is debited with selling & distribution expenses, office and management expenses, financial expenses and other incidental expenses & losses (i.e. depreciation, repairs etc).

The Profit & Loss A/c further, credited with the incomes like interest, commission, discount, rent, dividend and other miscellaneous receipts.

It shows the net profit earned or net loss suffered by the business during a particular period. Net profit is a balance or result of excess of credit side over debit side and Net Losses is a result or balance of excess of debit side over credit side.

Q.6. What is a Balance Sheet?

Ans: Balance Sheet is not an account. It is a statement. It shows financial position of a business on a particular date. It is a statement of assets and liabilities.

Q.7. What are different types of assets? Explain in detail.

Ans: Assets are classified into:

- a) Fixed Assets
- b) Floating Assets and
- c) Fictitious Assets.

a) Fixed Assets:

The assets which are of permanent nature are known as fixed assets. These assets are used in business over and over again. The business is carried on with the help of these assets.

The examples of fixed assets are land, Building, Machinery, office Equipments etc.

b) Floating Assets:

The assets which are of temporary nature are known as floating assets (circulating assets). Cash in hand, cash with bank, sundry debtors, bills receivable are the examples of floating assets.

c) Fictitious Assets:

The assets which do not represent anything concrete are known as fictitious assets. These are intangible assets. Preliminary expenses, goodwill, etc. are the example of fictitious assets.

Q.8. In what respect does a Balance Sheet resemble or differ from Trial Balance?

Ans: Difference between Trial Balance & Balance Sheet:

- 1) Trial Balance contains the balances of all accounts-personal, real and nominal account Whereas Balance Sheet contains only the Balances of Real & Personal Accounts including capital.
- 2) Trial Balance does not give any idea about the financial state of the business, whereas Balance Sheet furnishes a clear and concise information regarding the financial position of a business at a particular date.
- 3) Trial Balance does not provide any idea regarding the business and also cannot determine rise or fall in capital, whereas Balance Sheet shows how the capital of the proprietor stand invested on a particular date (increased or decreased).

Q.9. What do you mean by adjustments?

Ans: Adjustments means to adjust i.e. to record the items in the final accounts which have not been included in the Trial Balance. Trial Balance is not a complete tool for preparing final accounts. It contains those items which have already been recorded in the books of accounts.

Therefore, it does not consider the items like prepaid expenses, outstanding incomes, depreciation on assets etc.

Preparation Of Trading Account:

Q.1. From the following particulars prepare trading account for the year ended 31st December, 2001.

Opening Stock	17,000	Carriage Inward	150
Purchases	20,000	Power and Fuel	200
Sales	30,000	Freight	120
Purchase Returns	2,000	Closing Stock	25,000

Sales Returns	1,000	Wages	600
---------------	-------	-------	-----

Q.2. From the following particulars prepare Trading & Profit & Loss A/c for the year ending 31st Dec.2001.

Opening Stock	65,000	Freight	500
Sales	1,20,000	Carriage Inwards	100
Wages	40,000	Royalties	700
Purchases	72,000	Factory Rent	225
Sales Returns	1,500	Power & Fuel	170
Purchase Return	2,000	Closing Stock	40,000

Q.3. Prepare the Trading A/c for the year ended 31st March 2001 from the following particulars:-

Purchases	85,000	Royalties	700
Carriage Inward	500	Power & Fuel	600
Freight	600	Purchases Returns	1,500
Sales	1,10,000	Sales Returns	1,800
Wages	1,500	Opening Stock	70,000
Factory Rent	400	Closing Stock	85,000

Preparation of Trading Account and Profit and Loss Account:

Q.4. From the following particulars prepare Trading & Profit & Loss A/c for the year ending 31st Dec, 2001.

Opening Stock	25,000	Interest Received	400
Purchases	40,000	Commission Allowed	150
Wages	5,000	Commission Received	280
Carriage Inward	125	Depreciation	600
Freight	70	Purchases Returns	150
Salaries	2,500	Sales Returns	200
Rent paid	650	Power & Fuel	85
Postage & Telegram	80	Sales	75,000
Discount Allowed	70	Printing & Stationery	125
Discount Received	120	Royalties	600
Sundry Expenses	540	Closing Stocks	20,000

Q.5. From the following particulars Prepare Trading & Profit & Loss A/c for the year ending 31st March, 2001

Opening Stock	75,000	Salaries	4,000
Purchases	60,000	Rent paid	520
Wages	10,000	Interest Received	180
Sales	1,05,000	Commission Paid	75
Freight	1,050	Commission Received	95
Printing & Stationery	165	Postage & Telegram	85
Sundry Expenses	250	Bad Debts	445
General Expenses	155	Factory Rent	350
Power & Fuel	85	Carriage Inward	175
Purchases Returns	1,400	Sales Returns	1,200
Interest Paid	80	Closing Stocks	45,000
Depreciation	400		

Q.6. Prepare Trading & Profit & Loss A/c for the year ending 31/3/2001

Purchases	40,000	Royalties	605
Purchases Returns	1,600	Power & Fuel	600
Freight	600	Factory Rent	200
Sales	60,000	Carriage Inward	151
Sales Returns	800	Closing Stock	25,000
Wages	3,500	Printing & Stationery	150
Opening Stock	18,000	Audit Fees	175
Salaries	2,600	General Expenses	225
Rent Paid	700	Bad Debts	185
Insurance	800	Commission Paid	205
Sundry Expenses	600	Interest Paid	65
Postage & Telegrams	85	Advertisement	135
Commission Received	165	Discount Allowed	65
Carriage Outward	155		
Travelling Expenses	215		

Preparation of Final Account Without Adjustment:

Q.7. From the following particulars prepare the trading account and profit and loss account and balance sheet,

Trial balance as on 31st Dec.2000.

Sr.No.	Name of the account	L.F	Debit	Credit
1	Sundry Debtors		15,000	
2	Buildings		40,000	
3	Goodwill		30,000	
4	Bills Payable			45,000
5	Sundry Creditors			25,000
6	Plant & Machinery		60,000	
7	Opening Stock		35,000	
8	Sales			1,40,000
9	Bank Overdraft			1,25,000
10	Bills Receivable		40,000	
11	Purchases		1,25,000	
12	Sales Returns		1,000	
13	Wages		45,000	
14	Purchase Returns			1,500
15	Carriage inwards		600	
16	Carriage Outwards		300	
17	Salaries		12,000	
18	Rent		500	
19	Commission		600	
20	Postage & Telegram		100	
21	Depreciation		500	
22	Printing & Stationery		45	
23	Bad Debts		200	
24	Prepaid Insurance		150	
25	Cash in hand		6,000	
26	Cash at bank		9,000	
27	Income receivable		400	
28	Capital A/c.			90,000
29	Drawings		5,105	
			4,26,500	4,26,500

Q.8. From the following trial balance you are required to prepare trading A/c. Profit & Loss A/c and balance sheet for the year ended 31st December, 2001.

No.	Particulars	Debit	Credit
1	Capital A/c.		80,000
2	Drawing	4,000	
3	Opening Stock	50,000	
4	Sales		1,00,000
5	Purchases	60,000	
6	Land & Buildings	40,000	
7	Plant & Machinery	30,000	
8	Furniture & Fixtures	18,100	
9	Returns	1,000	1,500
10	Sundry Debtors	15,000	
11	Sundry Creditors		10,000
12	Bills Receivable	7,500	
13	Bills Payable		6,500
14	Bank Overdraft		50,000
15	Cash in hand	4,000	
16	Cash at Bank	6,000	
17	Salaries	5,000	
18	Wages	7,000	
19	Repairs	600	
20	Interest paid	400	
21	Commission received.		600
		2,48,600	2,48,600

Q.9. From the following trial balance, prepare final accounts as on 31.3.1997

Debit balances	Rs.	Credit balances	Rs.
Buildings	80,000	Capital	80,000
Investment	10,000	Sundry Creditors	20,000
Plant & Machinery	25,000	Sales	1,50,000
Stock (1.4.96)	60,000	Outstanding Wages	3,500
Wages	10,500	Return outwards	2,000
Purchases	96,000	Bills payable	43,000
Carriage inward	4,500	Bank Overdraft	40,000
Carriage outward	3,400	Loan A/c.	59,000
Rent, Rates & Taxes	4,995	Commission Recd.	1,500
Salaries	24,000	Outstanding rent.	395
Prepaid insurance	600		
Sundry Debtors	12,000		
Bad debts	1,500		
Drawings	6,000		
Return inwards	1,200		
Furniture	14,000		
Discount	1,700		
Cash in hand	6,000		
Cash at bank	12,000		
Sundry expenses	8,000		
Printing & Stationery	2,000		
Bills receivable	16,000		
	3,99,335		3,99,335

Preparation of Final Accounts with Adjustments:

Q.10. From the following trial balance prepare trading and Profit and loss account for the year ending 31st December 2001, and a balance sheet as on that date, after taking into consideration the following adjustments.

Debit Balances	Rs.	Credit Balances	Rs.
Opening Stock	20,000	Bills Payable	10,000
Sundry Debtors	28,000	Returns outwards	2,500
Purchases	40,000	Sundry creditors	21,500
Wages	8,500	Sales	70,000
Salaries	2,700	R.D.D	400
Office expenses	2,445	Capital A/c.	90,000
Insurance	1,300	10% Loan (taken on 1 st July 2001)	3,000
Plant & Machinery	30,000	Commission	1,000
Rent	1,800	Discount (received)	500
Travelling Expenses	1,400	Rent (received)	700
Return inwards	3,500		
Land & Building	44,800		
Bills Receivable	4,000		
Bank Balance	6,655		
Furniture	2,400		
Sundry expenses	800		
Bad Debts	600		
Advertisement	700		
	1,99,600		1,99,600

Adjustments:

- 1) Closing stock valued at 15,000/-
- 2) Outstanding wages Rs.500/-, outstanding salaries Rs.300
- 3) Prepaid insurance Rs.300/-
- 4) Depreciate plant & machinery at 10%. Land and Building at 15% and furniture at 5%.
- 5) Provide Rs.500 for further bad debts & maintain R.D.D at 5%.
- 6) Provide 5% interest on capital.

Q.11. From the following Trial balance and additional information as on December 31st, 2001, you are required to prepare Trading A/c. Profit and loss A/c and Balance sheet as on December 31st, 2001.

Debit Balance	Rs.	Credit Balance	Rs.
Bills Receivable	10,000	Outstanding salaries	5,600
Drawings	6,000	Capital	1,60,000
Salaries	7,500	Rent Received	36,000
Purchases	34,500	Sales	90,000
Furniture	45,000	Bills Payable	27,600
Sales Returns	2,500	Purchases Returns	2,400
Cash at Bank	13,000	Provisions for bad debts	4,000
Cash in hand	14,000	Sundry Creditors	66,000
Stock (1.1.2001)	65,000	Loan	40,000
Postage & Telegrams	1,250	Commission	18,000
Sundry Debtors	75,000		
Printing & Stationery	2,500		
Rates & Insurance	3,600		
Discount	2,150		
Wages	9,600		
Office expenses	2,400		

Carriage	3,600		
Buildings	60,000		
Interest Paid	5,000		
Rent paid	7,000		
Plant & Machinery	70,000		
Repairs	6,000		
Bad debts	3,000		
Prepaid expenses	1,000		
	4,49,600		4,49,600

- Closing stock at the end of the year was valued at Rs.65,000/-
- Goods worth Rs.6,000 was withdrawn by the proprietor for self use.
- Goods worth Rs.8,500/- destroyed by fire and insurance claim was admitted for Rs.7,000/-
- Outstanding expenses were wages Rs.6,000, Salaries Rs.3,000.
- Insurance prepaid Rs.600/-
- Depreciate Plant & Machinery, buildings and Furniture at 10%, 15%, 5% p.a. respectively.
- Provide interest at the rate of 12%p.a. on capital and 6 %p.a. on drawings.

Q.12. From the following trial balance prepare trading and Profit and loss account for the year ending 31st December 2001, and a balance sheet as on that date, after taking into consideration the following adjustments.

Trial balance as on 31st December 2001.

Debit Balances	Rs.	Credit Balances	Rs.
Opening Stock	1,20,000	Reserve for Bad Debts	1,000
Salaries	4,000	Sundry Creditors	32,600
Wages	8,000	Returns Outwards	1,500
Freight	3,000	Capital A/c.	50,000
Purchases	1,22,000	Bank Loan	59,000
Bills Receivable	7,500	Outstanding Interest	1,200
Rent	1,200	Discount (Earned)	800
Bad Debts	300	Sales	2,53,000
Plant & Machinery	20,000		
Travelling Expenses	1,000		
Repairs to Plant	1,600		
Cash at Bank	6,000		
Return Inwards	1,000		
Sundry Debtors	35,000		
Office expenses	5,000		
Drawing	6,500		
Insurance	3,200		
Printing & Stationery	1,800		
Commission	1,500		
Discount	500		
Land & Building	50,000		
	3,99,100		3,99,100

- Closing stock valued at 80,000/-
- Outstanding wages Rs.2,000/-, outstanding salaries Rs.1,000.
- Prepaid insurance Rs.800/-
- Provide 10% Depreciate plant and machinery, 5% on Land and Building

- 5) Provide Rs.400 for further bad debts and maintain reserve for bad and doubtful debts at 5% on Sundry Debtors.
6) Allowed 5% interest on capital.

Q.13. Prepare final accounts of Shri. R from the following Trial Balance as on 31.12.2000

Particulars	Debit Rs.	Credit Rs.
Purchases	85,000	
Sales		1,90,000
Opening Stock	5,000	
Sales Returns	1,000	
Purchases Returns		2,000
Octroi Duty	1,000	
Wages	3,000	
Carriage Outward	2,000	
Salaries	9,000	
Carriage Inward	3,000	
Insurance Paid	2,000	
Commission Received		1,000
Bad Debts	4,000	
R.B.D.D		1,000
Advertisement for 3 years	9,000	
Cash	30,000	
Bills Receivable	10,000	
Bills Payable		10,000
Sundry Debtors	30,000	
Sundry Creditors		30,000
Drawing A/c.	6,000	
Capital A/c		26,000
Building	60,000	
	2,60,000	2,60,000

Adjustment:-

- 1) Closing Stock Rs.20,000.
- 2) Provide for R.B.D.D. @ 5% on debtors.
- 3) Provide Depreciation @ 5% on building.
- 4) Outstanding salaries Rs.1,000 & prepaid wages Rs.1,000.
- 5) Charges interest on Drawing & Capital @ 5% each.

Q.14. The following is the Trial balance, taken out on 31st March,1997 from the books of Shri. Pathak. You are required to prepare a Trading & Profit and loss A/c for the year ended & Balance Sheet as on 31st March.

Particulars	Debit	Credit
1) Wages & Salaries	6,000	
2) Sales		26,000
3) Capital		34,000
4) Drawings	2,000	
5) Purchases	18,000	
6) Sales Returns	300	
7) Office furniture	4,000	
8) Buildings	12,000	
9) Office expenses	800	

10) Advertisements	500	
11) Discount earned		340
12) Opening stock	5,000	
13) Rent, Rates & taxes	400	
14) Commission	200	
15) Purchase Returns		460
16) Bills Receivable	800	
17) Travelling expenses	250	
18) Trade expenses	350	
19) Bad debts	190	
20) Provision for doubtful debts		1,500
21) Sundry creditors		2,800
22) Sundry Debtors	11,000	
23) Cash in hand	1,800	
24) Bank overdraft		1,300
25) Postage	50	
26) Freight on purchases	210	
27) Investments	2,000	
28) Income from Investments		250
29) Fuel & Power (Factory)	800	
	66,650	66,650

Adjustments:

1. Depreciation to be provided on building & furniture at 10%.
2. Rent outstanding was Rs.120.
3. Provision for doubtful debts to be maintained at 5%.
4. Interest accrued but not received was Rs.50.
5. Goods of the value of Rs.100 were given away free as samples.
6. Closing stock was valued at Rs.8200.

Q.15. Prepare final accounts in the books of Pavitra Bhatt for the year ended 31.12.81.

Particulars	Rs.	Particulars	Rs.
Drawings	3,600	Capital	55,000
Stock (1-1-81)	25,400	Sales	1,20,000
Purchases	85,000	Sundry Creditors	18,000
Insurance	2,400	Bills Payable	3,500
Sundry Debtors	20,000	Purchase Returns	850
Rent	2,000	Bank Overdraft	15,000
Wages	8,500	6% Loan(taken on 1.4.81)	20,000
Motor Lorry	17,000		
Furniture	8,000		
General Expenses	2,500		
Sales Returns	750		
Cash at Bank	14,600		
Prepaid Insurance	400		
Land & Building	36,000		
Bills Receivable	6,200		
	2,32,350		2,32,350

- 1) Stock at 31st December,1981 was valued at Rs.30,000
- 2) Outstanding expenses Rent Rs.500, Wages Rs.1500
- 3) Depreciate Motor 15%, Furniture 5% & Land & Building 10%.
- 4) Provide further bad debts Rs.600 & Maintain R.D.D at 5% on Sundry Debtors.
- 5) Allowed interest on capital at 9% p.a.

Q.16. Prepare final accounts for the year ending 31.12.99 of Mr. Vinod Punjabi

Debit balances	Rs	Credit Balances	Rs.
Stock 1.1.99	44,000	Sales	3,20,000
Purchases	1,70,000	Bank loan	32,000
Return Inward	10,000	Sundry Creditors	40,000
Carriage	4,000	Commission	4,000
Motive Power	6,000	Capital	1,60,000
Wages	56,000		
Trade Expenses	4,000		
Sundry Debtors	72,000		
Salaries	38,000		
Insurance	2,400		
Postage	3,600		
Commission	5,000		
Plant and Machinery	60,000		
Furniture	16,000		
Advertising	8,000		
Office Rent	10,000		
Drawings	20,000		
Building	24,000		
Cash in hand	3,000		
	5,56,000		5,56,000

- 1) Closing stock was valued at cost price Rs.72,000 & the market price was Rs.75,000.
- 2) Depreciate Plant and Machinery and Building at 20% and 10% respectively.
- 3) Prepaid insurance was Rs.600 and Office Rent was outstanding Rs.2,000.
- 4) Provide Reserve for doubtful debts at 5% on Sundry Debtors.

Q.17. Prepare final accounts for the year ended on 31.12.96.

Debit Balances	Rs.	Credit Balances	Rs.
Stock (1-1-96)	75,000	Capital	1,00,000
Bills Receivable	15,000	Sales	1,00,350
Purchases	60,000	Returns Outwards	3,000
Returns Inward	2,000	Creditors	15,000
Drawings	6,000	Commission	2,000
Salaries & Wages	10,000	Interest	1,500
Insurance	3,500	Discount	4,500
Carriage Inward	1,500	Bills Payable	12,000
Carriage Outward	850		
Debtors	18,000		
Commission	3,000		
Interest	4,500		
Discount	3,500		
Printing & Stationery	2,500		
Trade Expenses	1,500		
Furniture	11,000		
Cash in hand	6,000		
Cash at Bank	12,000		
Rent & Taxes	2,500		
	2,38,350		2,38,350

Adjustments:

- 1) Closing stock cost price Rs.85,000 and Market Price Rs.90,000.
- 2) Depreciate Furniture by 15%.
- 3) Outstanding salaries Rs.3,000.
- 4) Rent paid in advance Rs.500.

Q.18. Prepare Trading A/c, Profit & Loss A/c., Balance Sheet or Raghuraj,
Trial Balance as on 30th June,1984.

Particulars	Amount	Particulars	Amount
Land & Building	50,000	Sales	1,92,400
Goodwill	40,000	Returns	3,700
Purchase	1,10,000	Discount	900
Stock on 1 st July,1983	8,000	Capital	96,700
Returns	4,700	Loan (Sudhakar)	18,000
Wages	7,800	Commission	1,400
Salaries	11,000	Bills Payable	8,000
Office Expenses	2,500	Creditors	30,000
Carriage Inwards	1,000	R.D.D	2,000
Carriage Outwards	1,200		
Discount	1,500		
Bad Debts	400		
Insurance	1,600		
Furniture	8,000		
Plant & Machinery	20,000		
Bills Receivable	5,500		
Debtors	30,000		
Cash in hand	4,700		
Cash at Bank	8,400		
8% Investment	20,000		
(Purchased on 1-1-84)			
Office Equipments	10,000		
Rent, Rates & Taxes	1,500		
Miscellaneous Expenses	2,300		
Drawings	3,000		
	3,53,100		3,53,100

Adjustments:

- 1) Stock on 30/6/1984 Rs.17,500.
- 2) Depreciation:
Land & Building @ 2% Plant & Machinery @ 4% Furniture @ 6%
Office Equipment @ 8%
- 3) Outstanding Expenses on 30/6/84
Wages Rs.7000
Salaries Rs.1000
Miscellaneous Rs.700
- 4) Prepaid Insurance Rs.400
- 5) Loan from Sudhakar has been taken on 1/10/83 @ 5% p.a.
- 6) Maintain R.D.D at 10% on debtors.
- 7) Credit purchase of Rs.2000 have not been recorded in books of accounts.

Q.19. From the following Trial Balance of Mr. Ajit Sen, you are required to prepare Trading, Profit & Loss A/c. For the year ended 31st Dec.1995 & Balance Sheet as on that date.

Particulars	Debit	Credit
Opening Stock	10,000	----
Purchases & Sales	1,21,000	1,62,000
Capital & Drawings	1,500	22,500
Returns	2,000	1,000
Debtors & Creditors	25,000	18,000
Wages & Salaries	11,000	----
Insurance	2,400	----
Insurance Claim	700	----
Plant & Machinery	15,000	----
Loan	----	12,500
Office Expenses	3,300	----
Bad Debts	1,100	----
Land & Building	27,000	----
Sundry Income	----	4,000
	2,20,000	2,20,000

Adjustments:

1. Depreciate Plant & Machinery at 10% p.a. & Land & Building at 5% p.a.
2. Closing stock as on 31st Dec.1995 was valued at cost Rs.25,000 and at market Rs.22,000.
3. Outstanding are wages of Rs.2,000 & Salaries of Rs.500.
4. Prepaid Insurance of Rs.400 included in insurance.

OBJECTIVES**FILL IN THE BLANKS**

- 1) Bank Account Column provided in the cash book is Personal A/c.
- 2) Bank makes immediate cash payment on the counter on Bearer cheque.
- 3) In case of crossed cheque, bank makes payment to the person whose name appears on the cheque.
- 4) Cash withdrawn from bank for office use is entered on the receipt side of cash book in the cash column, and on payment side of the cash book in the bank column.
- 5) Amounts deposited in the bank is recorded on the receipt side of cash book of in the bank column.
- 6) Amounts deposited in the bank is recorded on the payment side of cash book in the cash column.
- 7) A person who draws a cheque is a drawer.
- 8) A person whose favour a cheque is drawn is a payee.
- 9) Drawing two parallel lines across the face of cheque is called crossing.
- 10) All expenses are recorded on the credit side of cash book.
- 11) When cash deposited in the bank, bank account is debited and cash account is credited.
- 12) The clerk appointed to look after small payment transactions is called petty cashier.
- 13) Petty cashier is permitted by the head cashier to spend amount on various small expenses.
- 14) Petty cash book is classified as simple & analytical.
- 15) Simple Petty Cash Book is similar to Simple cash book.
- 16) In Columnar petty cash book one separate column is provided at the end for ledger A/c's
- 17) The most convenient method of maintaining a petty cash book is known as Analytical Petty Cash Book.
- 18) Small expenses of daily business routines are recorded in the Petty Cash book.

- 19) Bank Reconciliation Statement is prepared to reconcile the differences in Cash Book & Bank Pass Book.
- 20) For a credit balance in the cash book is a debit balance in the pass book.
- 21) For a debit balance in pass book, there is credit balance in the cash book.
- 22) Bank Reconciliation Statement explaining the causes of differences between two balances.
- 23) Normally the Reconciliation Statement is prepared at the end of the month.
- 24) If you start with Cash Book Balance, you have to less the amount of cheque deposited and not realised to arrive at the balance as per cash book.
- 25) To the favorable pass book balance, it is necessary to add bank charges in order to get the cash book balance.
- 26) A Sale to Pravin entered in purchase book is an error of posting through wrong subsidiary books.
- 27) If a transaction is not recorded at all, it is an error of complete omission.
- 28) Under casting of sales book is an error of commission.
- 29) Trial Balance is prepared at the end of accounting period.
- 30) Trial Balance ensures Arithmetical accuracy.
- 31) Trial balance is useful for preparation of final accounts.
- 32) All types of assets should be recorded in debit column of trial balance.
- 33) All types of liabilities should be recorded in credit column of trial balance.
- 34) Errors which cannot be corrected through journal entries are called one-sided errors.
- 35) If the transactions are not recorded as per fundamental rules of accountancy the error is said to be error of principle.
- 36) If an accountant fails to record the transaction in the books of accounts the error is said to be error of omission.
- 37) If one or more error on one side of account nullifies the effect of error on the other side of the account, the error is said to be compensating error.
- 38) Trading account is prepared to know Gross Profit.
- 39) Carriage outward cannot be charged to Trading account.
- 40) Balance Sheet shows the financial position of a business.
- 41) Closing stock appears on the credit side of Trading account.
- 42) Outstanding expenses appear on the liabilities side of the Balance Sheet.
- 43) Capital is the excess of assets over liabilities.
- 44) Prepaid expenses appear in the Assets side of Balance Sheet.
- 45) The profit & Loss account shows Net Profit.
- 46) A debit balance in Trading account represents Gross Loss.
- 47) A credit balance in Trading account represents Gross Profit.
- 48) Gross profit is shown on the credit side of profit & Loss A/c.
- 49) Net profit is transferred to capital Account.
- 50) Drawings are shown by way of deduction from capital in Balance Sheet.
- 51) Discount received is entered on the credit side of the Profit & Loss account.
- 52) Closing stock is shown on the Assets side of Balance Sheet.
- 53) Opening stock is entered in a trading account on the debit side.
- 54) Rent received is an income but rent paid is an expense.

TRUE OR FALSE:

- 1) Current A/c. is not a running account. False.
- 2) Contra entry does not appear on both sides of the cash book. False.
- 3) When cheque is issued to outside party it is recorded on the credit side of the cash book in bank column. True.
- 4) Cheque received from a customer, but not deposited in the bank, cannot be recorded in the cashbook. False.

- 5) Cash columns of the cash book always show a credit balance. False.
- 6) Every entry in the cash book is posted to the reverse side of the relevant A/c. True.
- 7) A trader who maintains a three column cash book does not open a bank account in the ledger. True.
- 8) The totals of discount columns in the cash book are posted to the discount accounts. True.
- 9) The Bank column of the cash book is treated as a Bank A/c. True.
- 10) Cheques received from the customers are recorded on the credit side of the columnar cash book. False.
- 11) A Bank Reconciliation Statement is an Account prepared by a trader. False.
- 12) Bank charges debited in the pass book increases bank balances as per cash book. True.
- 13) A Bank Reconciliation is prepared on a particular date. True.
- 14) Petty Cashier is permitted to spend amount on various petty expenses. True.
- 15) In Columnar Petty Cash book receipt side is bigger than payment side. False.
- 16) Simple Petty cash book is more popular in the business world. False.
- 17) Columnar Petty Cash Book is less in use in the business. False.
- 18) A B.R.S is prepared to know cash balance. False.
- 19) For a credit balance in the pass book is debit balance in the cash book. True.
- 20) When balance as per cash book is given, the bank charges debited by bank is to be added to cash book balance. False.
- 21) Trial Balance is prepared from Journal. False.
- 22) Final Accounts can be prepared from Final Accounts. True.
- 23) Accounts are absolutely free from errors if Trial Balance total tallies. False.
- 24) If transaction is completely omitted from accounts it is an error of commission. False.
- 25) Goods sold to Anju but debited to Manju affects the agreement of Trial Balance. False.
- 26) Trial Balance will agree inspite of a number of two-sided errors. True.
- 27) The Trial Balance is not a part of the Final Accounts. True.
- 28) All ledger balances are transferred to the Trial Balance. True.
- 29) All items in Trial Balance are transferred to either the Trading A/c, profit & Loss A/c or the balance Sheet. True.
- 30) Agreement of Trial Balance proves that the books of accounts are absolutely correct. False.
- 31) Goodwill is an intangible asset. True.
- 32) Depreciation is a loss. True.
- 33) Machinery is an asset. True.
- 34) Creditors are liabilities of business. True.
- 35) Errors of Principles are not disclosed by trial balance. True.
- 36) Sales A/c. is transferred to the debit side of Trading A/c. False.
- 37) Purchases A/c. is transferred to the credit side of Trading Account. False.
- 38) Closing stock is entered on the liabilities side of Balance Sheet. False.
- 39) Prepaid expenses are shown on the assets side of Balance Sheet. True.
- 40) A net profit increases capital. True.
- 41) Insurance paid in advance is an outstanding expense. False.
- 42) The Drawing A/c is real A/c. False.
- 43) The amount which the businessman introduces in business is called his loan. False.
- 44) Trading account is part of Final A/c. True.
- 45) All factory expenses are debited to Trading Account. True.

ANSWER IN ONE SENTENCE:**1. What is Trial Balance?**

Ans. Trial balance is a statement showing list of debit and credit balances of ledger accounts on a particular Date.

2. What is Gross Trial Balance?

Ans. A Gross trial balance is a statement, which shows the list of accounts with their debit and credit balances.

3. What is a Net Trial Balance?

Ans. Net Trial Balance is a statement showing the list of debit and credit balances.

4. Why is a Trial Balance drawn?

Ans. A Trial Balance is drawn to check the arithmetical accuracy of accounts i.e. accuracy of posting.

5. Is Trial Balance an "account"?

Ans. No, it is a statement of debit and credit balances of ledger A/c's

6. What are compensation errors?

Ans. The errors which nullify the wrong effect of another errors are called compensation errors.

7. What is a error of omission?

Ans. When transaction is remained to be recorded in the books of account is called error of commission.

8. What is Trading Account?

Ans. Trading account deals with the trading transactions and shows the gross profit or gross loss for the Given period.

9. What is Petty Cash Book?

Ans. A Book which is used for recording small expenses is known as Petty Cash Book.

10. What are direct expenses?

Ans. Expenses relating to convert raw materials into finished products, etc. are called direct expenses.

11. What is Gross Profit?

Ans. The profit which results from the sale of goods deducting from it the expenses of carrying business is called Gross Profit. OR Excess of credit over Trading Account is a Gross Profit.

12. What is a Net Profit?

Ans. The profit that remains after deducting all business expenses from gross profit is known as Net profit.

13. What is Profit & Loss Account?

Ans. Profit & Loss account is an account of indirect expenses (administrative expenses) and indirect incomes It shows the net profit or net loss.

14. What is a Balance Sheet?

Ans. Balance Sheet is a statement of Assets & Liabilities, it shows the financial position on a particular date.

15. What is Cheque?

Ans. A Cheque is unconditional order drawn on a bank to pay on demand on certain sum of money to stated Person or bearer or his order.

16. What is Pass Book?

Ans. A Book which contains complete record of all banking transactions is called Pass Book.

17. What is Contra Entry?

Ans. An entry which is made on both the sides of Triple Column cashbook is called Contra Entry.

18. What is depreciation?

Ans. Reduction in the value of asset due to use or wear & tear is called depreciation.

19. What are outstanding liabilities?

Ans. The expenses, which are due on a particular date but have not been paid are called outstanding liabilities.

20. What do you mean by prepaid expenses?

Ans. The expenses which are paid in advance are called Prepaid expenses.

MATCH THE FOLLOWING

A	B
1. Outstanding Expenses	a) Rent received in advance
2. Outstanding income	b) Wages unpaid
3. Prepaid expenses	c) Interest due but not received.
4. Unearned income	d) Insurance premium paid in advance

Ans. (1-b), (2-c), (3-d), (4-a).

A	B
1. Trading account	a) Deduction from capital.
2. Profit & Loss account	b) Personal account.
3. Balance Sheet	c) Statement
4. Capital account	d) Net Profit
5. Drawings account	e) Gross Profit

Ans. (1-e), (2-d), (3-c), (4-b), (5-a).

A	B
1. Carriage Inward	a) Debit side of Trading A/c.
2. Closing Stock	b) Debit balance
3. Opening Stock	c) Debit side of Trading A/c.
4. Gross Loss	d) Credit side

Ans. (1-c), (2-d), (3-a), (4-b).