

Books of Original Entry — Journal

LEARNING OBJECTIVES

After studying this Chapter, you should be able to understand :

- Names of Books of Original Entry
- Meaning of Journal
- Features of Journal
- Advantages and Limitations of Journal
- Rules of Journalising
- Recording of Transactions in Journal

The books in which a transaction is recorded for the first time from a source document are called 'Books of Original Entry'. Journal is one of the basic books of original entry in which transactions are originally recorded in a chronological (day-to-day) order according to the principles of double entry system. When the size of the business is a small one, then it is possible to enter each and every transaction in the Journal. But when the size of the business grows, it becomes no longer possible to record each and every transaction in the Journal. As such, the Journal is sub-divided into a number of **Sub-Journals** known as **special purpose subsidiary books or books of original entry**. Each type of transaction is recorded in a separate subsidiary book. The subsidiary books may be enumerated as under :—

- | | |
|--------------------------|--------------------------|
| 1. Cash Book | 5. Sales Return Book |
| 2. Purchases Book | 6. Bills Receivable Book |
| 3. Sales Book | 7. Bills Payable Book |
| 4. Purchases Return Book | 8. Journal Proper |

These books are termed as 'books of original entry' because transactions are first of all recorded in these books. A businessman need not maintain all of the above mentioned subsidiary books, but he may maintain any of the above books according to the needs and requirements of his business.

In this chapter, only the 'Journal' has been discussed. Subsidiary books have been discussed in subsequent chapters.

JOURNAL

Journal is a book of original entry in which the transactions are recorded first of all, as and when they take place.

According to **Professor Carter**, “The Journal as originally used, is a book of prime entry in which transactions are copied in order of date from a memorandum or waste book. The entries as they are copied are classified into debits and credits, so as to facilitate their being correctly posted, afterwards in the ledger.”

Thus, the Journal provides a date-wise record of all the transactions with details of the accounts debited and credited, and the amount of each transaction. Prior to recording in Journal, the transactions may also be recorded in a rough book called ‘Waste book’ or ‘Memorandum book’. Maintenance of waste book is not necessary but where the number of everyday transactions is so large that it is not possible for a businessman to remember all of them, the use of waste book may prove helpful. Later on with the help of waste book recording is made in Journal.

Features or Characteristics of a Journal :

The Chief features of journal may be stated as under :

- (i) Journal is a book in which the transactions are recorded first of all, as and when they take place. For this reason, it is called a book of original entry.
- (ii) A journal is only a book of primary (original) entry. All the transactions recorded in the journal are subsequently transferred to ledger which is the principal book of accounts.
- (iii) A journal is a daily accounting record, *i.e.* each day’s transactions are recorded in the journal on the same day.
- (iv) In journal, transactions are recorded in a Chronological order, *i.e.* in a date-wise order.
- (v) It maintains the identity of each transaction and provides a complete picture of the same in one entry.
- (vi) A journal records both debit and credit aspects of a transaction according to the double entry system of book-keeping.
- (vii) Each entry in the journal is followed by a brief explanation of the transaction which is called ‘Narration’.
- (viii) A single journal entry is capable of recording more than one transaction involving more than two accounts. Such an entry is called compound entry.

Functions of a Journal :

- (i) To keep a chronological (*i.e.* date-wise) record of all transactions.
- (ii) To analyse each transaction into debit and credit aspects by using double entry system of book-keeping.
- (iii) To provide a basis for posting into ledger.
- (iv) To maintain the identity of each transaction by keeping a complete record of each transaction at one place on a permanent basis.

Advantages of a Journal

Although it is not necessary to maintain a journal and the transactions can be recorded directly in the ledger accounts, a journal, still is used for the following reasons:

- (i) As transactions in journal are entered as and when they take place, the possibility of omission of a transaction in the books of accounts is minimized.

- (ii) As transactions in journal are recorded in chronological order, it is very easy to locate a particular transaction when required.
- (iii) By analysing each transaction into debit and credit aspects, the journal facilitates the posting into ledger.
- (iv) Each entry in the journal carries narration which gives a brief explanation of the transaction. Hence, postings in the ledger can be made without explanation.
- (v) Journal facilitates cross checking of ledger accounts in case a trial balance does not agree.
- (vi) Since entire transaction is recorded at one place in the journal, the identity of each transaction is maintained on a permanent basis.
- (vii) Once the transaction is recorded in journal, posting in the ledger can be made as and when convenient.

Limitations of Journal :

- (i) When the number of transactions is large, it is not possible to record all the transactions in Journal. It will become bulky and voluminous. Hence, the usual practice is to have separate journals or books for different classes of transactions such as purchase book, sales book etc.
- (ii) Many transactions are repetitive in nature and if all transactions are recorded in journal it will involve debiting and crediting the same accounts time and again. It will involve repetitive posting labour also.
- (iii) In order to ascertain cash balance everyday, cash transactions are usually recorded in a separate book called 'Cash book'. Thus cash transactions need not be recorded in journal.
- (iv) Journal does not provide the required information on prompt basis.

Format of Journal

JOURNAL

Date	Particulars	Ledger Folio	Amount Dr. ₹	Amount Cr. ₹
(1)	(2)	(3)	(4)	(5)

The columns have been numbered only to show how the Journal is written up, otherwise the columns are not numbered.

1. **Date** :— In the first column, the date of the transaction is entered. The year and the month is written only once, till they change. The sequence of the dates and months should be strictly maintained.

2. **Particulars** :— Each transaction affects two accounts out of which one account is debited and the other account is credited. The name of the account to be debited is written first and the word 'Dr.' is also written towards the end of the column. In the second line, the name of the account to be credited is written. The credit account starts with the word 'To', a few space away from the margin to make it distinct from the debit account (A practice is now developing to omit the writing of the words 'Dr.' and 'To' from Journal entries).

Narration :— After each entry, a brief explanation of the transaction together with necessary details is given. This explanation is called 'Narration'. The narration helps to know in future the reason for the entry and also as to why a particular account was debited or credited. It is necessary to write the narration after each entry and should be short, complete and clear.

3. **Ledger Folio or L.F.** :— All entries from the Journal are later posted into the ledger accounts. The page number or folio number of the ledger account where the posting has been made from the Journal is recorded in the L.F. column of the Journal. For example, if we make a posting in Machinery A/c which is prepared at page 40 of the ledger, we shall write 40 in the L.F. column against Machinery A/c in the Journal. There are many advantages of writing the folio numbers :—

I. The L.F. column in journal shows whether an entry has been posted or not. If the page number of the ledger does not appear against an entry, it will indicate that the entry has not been posted to the ledger, so far.

II. Page number written in the L.F. column in Journal is indicative of the page number of ledger where such posting has been made. It helps in understanding and checking the ledger posting at a glance in future.

III. If the trial balance does not agree, the posting of each and every entry has to be checked. Such checking will not be possible without the help of L.F. column.

(4) **Amount Dr.** :— In the fourth column, the amount of the account being debited is written.

(5) **Amount Cr.** :— In the fifth column, the amount of the account being credited is written.

Steps in Journalising

(1) Before recording a Journal entry, it is essential to analyse a transaction in order to determine the two accounts which are affected. Then, on the basis of rules of journalising, it must be decided as to which account is to be debited and which account is to be credited.

(2) It is not necessary to use the word 'Account' or A/c after the personal accounts.

(3) After every Journal entry, a line should be drawn in particulars column, so that each entry is separated from the preceding one.

(4) At the end of each page, both the Dr. and Cr. columns are totalled up just in front of each other. These totals must be equal because the amount debited in each entry equals the amount credited. These totals are carried forward to the next page progressively upto the end of accounting period. For this purpose, the words 'carried forward or C/F' are written in particulars column at the end of each page and the words 'Brought Forward or B/F' are written at the start of each page.

Rules of Journalising

On the basis of the rules discussed in the chapter on double entry system the accounts to be debited or credited will be determined. The same rules are again explained here in a simplified manner :—

(1) **Personal Accounts** :— According to the rule of 'Debit the receiver', the personal account of the person to whom we give some money or goods is debited. For

example, if we gave ₹2,000 to Gopal, the entry will be :—

Gopal	Dr.	2,000	
To Cash A/c			2,000
(Cash paid to Gopal)			

In the same way, according to the rule of 'Credit the giver', the personal account of the person from whom we receive some money or goods is credited. For example, if we received ₹5,000 from Govind, the entry will be :—

Cash A/c	Dr.	5,000	
To Govind			5,000
(Cash received from Govind)			

(2) **Real Accounts** :— According to the rule of 'Debit what comes in and credit what goes out', the account of the cash or other property which is received by the business firm is debited and in the same way, the account of the Cash or other property which goes out of the business is credited. For example, if Machinery is bought for ₹10,000 :—

Machinery A/c	Dr.	10,000	
To Cash A/c			10,000
(Machinery purchased for cash)			

(3) **Nominal Accounts** :— According to the rule of 'Debit all Expenses', the accounts of all expenses and losses are debited. For example, if ₹2,000 are paid for salary, the entry will be :—

Salary A/c	Dr.	2,000	
To Cash A/c			2,000
(Salary paid)			

Similarly, according to the rule of 'Credit all Incomes', the accounts of all incomes and profits are credited. For example, if ₹500 are received for commission. The entry will be :—

Cash A/c	Dr.	500	
To Commission A/c			500
(Commission received)			

Meaning of Goods

Goods are those things which are purchased for resale. In other words, goods are the commodities in which the business deals. For example, if a cloth merchant purchases cloth, the cloth will be termed as 'purchases'. But if the same cloth merchant purchases some furniture, say chairs and a sofa set for the seating of customers, the furniture so purchased will not be termed as purchases, but will be an asset of his business and in this case 'Furniture A/c' will be debited instead of 'Purchases A/c'. It means that the purchases of asset are not termed as purchases in accounting terminology because these assets are not meant for sale.

Goods Account is classified into five accounts for the purpose of passing the Journal entries :—

(I) **Purchases A/c** :— When goods are purchased, instead of debiting Goods A/c 'Purchase A/c' is debited. Purchase A/c is a nominal account and while passing a

Journal entry 'Purchase A/c' should always be debited because of the rule of "Debit all Expenses and Losses."

(II) **Sales A/c** :— When goods are sold, instead of crediting Goods A/c 'Sales A/c' is credited. Sales A/c is a nominal account and while passing a Journal entry 'Sales A/c' should always be credited because of the rule of "Credit all Incomes and Gains".

(III) **Purchases Return A/c** : This account is also named as 'Return Outward'. It is a nominal account and should always be credited because purchases *i.e.*, expenses are reduced.

(IV) **Sales Return A/c** :— This account is also named as 'Return Inward'. It is a nominal account and should always be debited because sales *i.e.*, incomes are reduced.

(V) **Stock A/c**

Important Considerations :

In the transactions relating to the purchase and sale of goods, it has to be decided whether a transaction is for cash or for credit, because the entry is passed accordingly.

Following points should be considered for this :

1. If, in the transaction relating to purchase or sale of goods, the name of purchaser or seller is not given, it is considered as a cash transaction.
For example, Goods sold for ₹50,000.
2. If, in the transaction relating to purchase or sale of goods, the name of purchaser or seller is given alongwith cash, it is considered as a cash transaction.
For example, 'Goods sold to Gopal for Cash'.
3. If, in the transaction relating to purchase or sale of goods, the name of purchaser or seller is given and it is not stated whether it is a cash or credit transaction, it is considered to be a credit transaction.
For example, 'Goods sold to Gopal'.

In Case of Expenses : Even if the name of party receiving or making payment is given, it is still considered as a cash transaction.

For example : Salary paid to Mukesh ₹10,000. The entry will be :

Salary A/c	Dr.	10,000	
To Cash A/c			10,000

ILLUSTRATION 1.

Enter the following transactions in the Journal of Siya Ram & Sons :—

2019		₹
April 1	Siya Ram & Sons started business with cash	50,000
2	Purchased goods for cash	20,000
4	Purchased goods from Subhash	12,000
5	Purchased Furniture for cash	6,000
7	Sold goods for cash	13,000
9	Sold goods to Mahesh	15,000
10	Paid cash to Subhash	8,000
12	Received cash from Mahesh	10,000
16	Purchased goods from Ravi for cash	7,500
17	Purchased goods from Ravi	5,000
18	Sold goods to Suresh for cash	12,600

19	Sold goods to Suresh	7,000
20	Bought Machinery for cash	8,000
24	Withdrew cash from office for personal use	2,500
27	Paid rent	400
29	Paid wages	450
30	Paid salary to Gopal	1,200
30	Received Commission	200

SOLUTION:

JOURNAL OF SIYA RAM & SONS

Date	Particulars	L. F.	Amount	
			Dr.	Cr.
2019			₹	₹
April 1	Cash A/c To Capital A/c (Cash brought into the business by Siya Ram & Sons as capital)	Dr.	50,000	50,000
April 2	Purchases A/c To Cash A/c (Goods purchased for cash)	Dr.	20,000	20,000
April 4	Purchases A/c To Subhash (Goods purchased from Subhash on credit)	Dr.	12,000	12,000
April 5	Furniture A/c To Cash A/c (Furniture purchased for cash)	Dr.	6,000	6,000
April 7	Cash A/c To Sales A/c (Goods sold for cash)	Dr.	13,000	13,000
April 9	Mahesh To Sales A/c (Goods sold to Mahesh on credit)	Dr.	15,000	15,000
April 10	Subhash To Cash A/c (Cash paid to Subhash)	Dr.	8,000	8,000
April 12	Cash A/c To Mahesh (Cash received from Mahesh)	Dr.	10,000	10,000
April 16	Purchases A/c To Cash A/c (Goods purchased for cash)	Dr.	7,500	7,500
April 17	Purchases A/c To Ravi (Goods purchased from Ravi on credit)	Dr.	5,000	5,000
April 18	Cash A/c To Sales A/c (Goods sold for cash)	Dr.	12,600	12,600
	Carried Forward (C/F)		1,59,100	1,59,100

Brought Forward (B/F)			1,59,100	1,59,100
April 19	Suresh To Sales A/c (Goods sold to Suresh on credit)	Dr.	7,000	7,000
April 20	Machinery A/c To Cash A/c (Machinery purchased for cash)	Dr.	8,000	8,000
April 24	Drawings A/c To Cash A/c (Amount withdrew for personal use)	Dr.	2,500	2,500
April 27	Rent A/c To Cash A/c (Rent paid)	Dr.	400	400
April 29	Wages A/c To Cash A/c (Wages paid)	Dr.	450	450
April 30	Salary A/c To Cash A/c (Salary paid)	Dr.	1,200	1,200
April 30	Cash A/c To Commission Received A/c (Commission received)	Dr.	200	200
Total ₹			1,78,850	1,78,850

Explanation of the above mentioned entries

April 1. **Siya Ram & Sons started business with cash** :— A business unit is always considered to be separate and distinct from the proprietor. All the transactions are recorded in the books of the business from the point of view of the business. Cash coming into the business will be debited according to the rule of real account, *i.e.*, 'debit what comes in'. Proprietor is the giver of cash to the business, therefore, his capital account will be credited according to the rule of personal account, *i.e.*, 'Credit the giver'.

April 2. **Purchased goods for Cash** :— The two accounts affected in this transaction are 'Purchases A/c' and 'Cash A/c'. Purchases A/c is a nominal account and will be debited because of the rule of 'Debit all expenses'. Cash A/c is a real account and will be credited because of the rule of 'Credit What goes out'.

April 4. **Purchased goods from Subhash** :— When the name of the seller is given and it is not mentioned that the goods have been purchased for cash, it will be assumed that the goods have been purchased on credit. Purchases A/c will be debited according to the rule of nominal account *i.e.* 'Debit all expenses'. Subhash is the giver of goods, as such, his personal account will be credited according to the rule of 'Credit the giver'.

April 5. **Purchased Furniture for Cash** :— Both the accounts involved, *i.e.*, furniture account and cash account are real accounts. Furniture is coming into the business, therefore, it will be debited and as cash is going out, it will be credited.

April 7. **Sold goods for Cash** :— The two accounts affected are Cash A/c and Sales A/c. Cash is coming into the business and hence it will be debited as per the rule of real account *i.e.* 'Debit what comes in'. Sales A/c is a nominal account and will be credited as per the rule of 'Credit all incomes'.

April 9. **Sold goods to Mahesh** :— In this transaction the name of the purchaser is given and it is not mentioned that the goods have been sold for cash and hence it will be assumed that the goods have been sold on credit. Mahesh is the receiver of goods, as such, his personal account has been debited according to the rule of personal account, *i.e.*, 'Debit the receiver'. Sales A/c will be credited according to the rule of nominal account *i.e.* 'Credit all incomes'.

April 10. **Paid Cash to Subhash** :— Subhash is the receiver of cash, as such, his personal account has been debited according to the rule of 'debit the receiver'. Cash is going out, hence, it will be credited according to the rule of real account 'Credit what goes out'.

April 12. **Received Cash from Mahesh** :— Cash is coming into the business, therefore, the account of cash will be debited. Mahesh is the giver of cash, therefore, the account of Mahesh has been credited.

April 16. **Purchased goods from Ravi for Cash** :— Purchases A/c will be debited according to the rule of nominal account *i.e.* 'Debit all expenses'. Cash A/c will be credited because of the rule of 'Credit what goes out'.

April 17. **Purchased goods from Ravi** :— The word 'cash' is not mentioned in this transaction, as such, it will be treated as a credit purchase of goods from Ravi. Purchases A/c will be debited as per the rule of nominal account *i.e.* 'Debit all expenses'. Ravi is the giver of goods and hence the account of Ravi will be credited as per the rule of personal account, *i.e.* 'Credit the giver'.

April 18. **Sold goods to Suresh for Cash** :— The two accounts affected in this transaction are Cash and Sales. Cash is coming into the business, therefore, it will be debited and sales account will be credited according to the rule of nominal account *i.e.*, 'Credit all incomes'.

April 19. **Sold goods to Suresh** :— The word 'cash' is not mentioned in this transaction. Therefore, it will be treated as a credit sale of goods to Suresh. Suresh is the receiver of goods, as such, the account of Suresh will be debited as per the rule of personal account *i.e.* 'Debit the receiver'. Sales A/c will be credited as per the rule of nominal account *i.e.*, 'Credit all incomes'.

April 20. **Bought Machinery for Cash** :— Both the accounts involved, *i.e.*, Machinery Account and Cash Account are real accounts. Machinery is coming into the business, therefore, it will be debited and as Cash is going out, it will be Credited.

April 24. **Withdrew cash from office for personal use** :— When the proprietor introduces cash into the business, it is credited to his capital account and when he withdraws cash from the business for his personal use, it is debited to his Drawings account. Drawings account is a personal account of the proprietor. In this transaction, Drawings account will be debited, as the proprietor is the receiver of cash. Cash account will be credited because it is going out of the business.

April 27. **Paid Rent** :— This transaction affects Rent account and cash account. Rent is a nominal account and because this is an expense of business, as such, the Rent account will be debited according to the rule of 'debit all expenses'. Cash account will be credited, as cash is going out of the business.

April 29. **Paid Wages** :— Wages is a nominal account and because this is an expense of business, as such, Wages account will be debited according to the rule of 'debit all expenses'. Cash account will be credited, as cash is going out of the business.

April 30. **Paid salary to Gopal** :— The two accounts affected in this transaction are 'Salary account' and 'Cash account'. Purpose of paying to Gopal is 'salary' and when purpose of payment is given in the question, the personal account of receiver is not debited.

Salary is a nominal account and because this is an expense of business, as such, the Salary account will be debited according to the rule of 'debit all expenses'. Cash account will be credited, as cash is going out of the business.

April 30. **Received Commission** :— The two accounts affected in this transaction are 'Cash account' and 'Commission Received account'. Cash account will be debited, as cash is coming into the business. Commission is a nominal account and because this is an income, as such, Commission Received account will be credited according to the rule of 'credit all incomes'.

ILLUSTRATION 2.

Record the following transactions in the Journal of Vishal Bros. :—

2019		₹
May 1	Commenced business with cash	5,00,000
2	Goods purchased from Mohan for cash	50,000
3	Goods purchased from Ajay	1,20,000
4	Goods returned to Ajay	5,000
8	Goods sold to Rajiv	40,000
12	Rajiv returned 10% of goods	

SOLUTION:

JOURNAL OF VISHAL BROS.

Date	Particulars	L. F.	Amount	
			Dr.	Cr.
2019			₹	₹
May 1	Cash A/c To Capital A/c (Amount brought in by Vishal Bros. as capital)	Dr.	5,00,000	5,00,000
May 2	Purchases A/c To Cash A/c (Goods purchased from Mohan for cash)	Dr.	50,000	50,000
May 3	Purchases A/c To Ajay (Goods purchased from Ajay)	Dr.	1,20,000	1,20,000
May 4	Ajay To Purchases Return A/c (Goods returned to Ajay)	Dr.	5,000	5,000
	Carried Forward (C/F)		6,75,000	6,75,000

		Brought Forward (B/F)			
May 8	Rajiv			6,75,000	6,75,000
	To Sales A/c (Goods sold to Rajiv)	Dr.		40,000	40,000
May 12	Sales Return A/c				
	To Rajiv (10% of goods sold to Rajiv returned by him : 10% of 40,000 = ₹4,000)	Dr.		4,000	4,000
		Total	₹	7,19,000	7,19,000

Discount

Discount is of two types :

- (1) Trade Discount, and
- (2) Cash Discount

(1) **Trade Discount** :— This discount is allowed by wholesaler or manufacturer to the retailer at a fixed percentage on the listed price of goods. It is allowed when goods are purchased in bulk, *i.e.*, large quantity. This discount is allowed both on credit as well as cash transactions since it is related to the purchases and not to the payment. No separate entry is passed for the Trade discount, as it is deducted from the cash memo or invoice of the goods. For example, if a trader sells goods of the list price of ₹10,000 at 20% trade discount for cash, the entry will be :—

Cash A/c	Dr.	8,000	
To Sales A/c			8,000

If the goods sold at trade discount are returned by the customer, the amount of trade discount is again deducted from the list price of the returned goods.

(2) **Cash Discount** :— This discount is allowed to the customers for making prompt or early payment. In other words, cash discount is allowed only if the customer makes the payment within a fixed period. Such discount motivates the customer to make the payment at the earliest. As the discount is allowed at the time of making payment, so the entry for cash discount is recorded alongwith the entry for payment. Discount is a nominal account and as such, it is debited when it is allowed to a customer and credited when it is received.

Distinction between Trade Discount and Cash Discount

Basis of Distinction	Trade Discount	Cash Discount
1. Meaning	Trade discount is allowed by wholesaler or manufacturer to the retailers at a fixed percentage on the printed price list.	Cash discount is allowed if the customer makes the payment immediately or within a fixed period.
2. When allowed?	It is allowed when goods are purchased in a specified quantity.	It is allowed when payment is made on or before a specified date.

3. Object	Generally, it is allowed to the retailers to enable them to make some profit even if they sell the goods at their catalogue price.	It is allowed to encourage quick or prompt payment.
4. Recording in the books of accounts	It is not recorded separately in the books of accounts.	It is recorded separately in the books of accounts.
5. Deduction from Invoice	It is deducted from the invoice.	It is not deducted from the invoice.

Sometimes, a customer is allowed both the discounts, *i.e.*, trade discount as well as cash discount. In such a case, first trade discount is to be deducted from the price of the goods and then, cash discount is to be calculated on the balance of the amount.

For example, if a trader sells goods of the list price of ₹20,000 at 10% trade discount and 2% cash discount, the net amount will be calculated as under :

	₹
List Price	20,000
Less: Trade Discount @ 10%	2,000
	18,000
Less: Cash Discount @ 2% $18,000 \times \frac{2}{100}$	360
	17,640

It means that ₹17,640 will be paid if the payment is made in cash.

Advantages of Trade Discount :

To the Retailer :

1. It reduces the cost of purchase and thus, increases the margin of profit.
2. It enables the retailer to make some profit even if he sells the goods at their catalogue price.

To the Wholesaler or Manufacturer :

1. It increases sales by encouraging the retailers to make bulk purchases by offering higher rate of discount for orders of large quantities.
2. A change in the rate of trade discount may prove to be an effective weapon to face competition.
3. Different prices can be charged from regular customers and occasional customers simply by altering the rate of trade discount.
4. Change in rate of trade discount is an easy method to make changes in prices without reprinting of catalogues.

Advantages of Cash Discount :

To the Seller :

1. Seller receives the amount within a stipulated time because cash discount is allowed only if the customer makes the payment within the specified period.
2. Cash received in time improves the cash inflow of the business and the cash may be put to better use.

3. The possibility of bad debts is minimised.
4. Prompt payment reduces the clerical work of maintaining of debtors accounts and of sending frequent reminders to debtors.

To the Buyer :

1. The earlier the buyer pays the higher he earns in cash discount.
2. A buyer who earns higher cash discount can sell the goods to his customers at lower rates.
3. Early payment enhances the reputation or goodwill of the buyer.

Compound Journal Entries

Sometimes, two or more transactions relating to one particular account take place on the same date. In such cases, instead of passing separate entries for all such transactions, only one entry is passed. Such a Journal entry is termed as Compound Journal Entry. For example, on 31st March ₹50,000 are paid for salaries and ₹20,000 are paid for rent, the entry will be :—

31st March	Salary A/c	Dr.	50,000	
	Rent A/c	Dr.	20,000	
	To Cash A/c			70,000
	(Expenses paid)			

Such entries can be passed in either of the following three ways :—

1. By debiting one account and crediting two or more accounts.
2. By crediting one account and debiting two or more accounts.
3. By debiting two or more accounts and crediting two or more accounts, such as the 'Opening Entry'.

ILLUSTRATION 3.

Record the following transactions in the Journal of Naresh & Co. :

2018		₹
June 1	Paid cash to Mahesh and discount received from him	9,600 400
June 4	Received cash from Arun and discount allowed to him	4,900 100
June 10	Goods sold to Harish	30,000
June 12	Harish returned goods	2,000
June 14	Received cash from Harish ₹27,500 in full settlement of his account.	
June 20	Sold goods to Gopal of the list price of ₹60,000 at 10% trade discount.	
June 23	Purchased goods from Ravi of the list price of ₹20,000 at 15% trade discount.	

SOLUTION :

JOURNAL OF NARESH & CO.

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
2018			₹	₹
June 1	Mahesh Dr.		10,000	
	To Cash A/c			9,600
	To Discount Received A/c			400
	(Cash paid to Mahesh and discount received)			
	Carried Forward (C/F)		10,000	10,000

		Brought Forward (B/F)		
June 4	Cash A/c	Dr.	10,000	10,000
	Discount Allowed A/c	Dr.	4,900	
	To Arun		100	
	(Cash received from Arun and discount allowed)			5,000
June 10	Harish	Dr.	30,000	
	To Sales A/c			30,000
	(Good sold to Harish)			
June 12	Sales Return A/c	Dr.	2,000	
	To Harish			2,000
	(Goods returned by Harish)			
June 14	Cash A/c	Dr.	27,500	
	Discount Allowed A/c	Dr.	500	
	To Harish			28,000
	(Cash received from Harish and discount allowed to him)			
June 20	Gopal	Dr.	54,000	
	To Sales A/c			54,000
	(Goods of the list price of ₹60,000 sold at 10% trade discount)			
June 23	Purchases A/c	Dr.	17,000	
	To Ravi			17,000
	(Goods of the list price of ₹20,000 purchased at 15% trade discount)			
		Total ₹	1,46,000	1,46,000

ILLUSTRATION 4.

Give Journal entries for the following transactions in the books of Partap Rai & Sons :—

2018		₹
March 2	Cash purchases	48,000
March 3	Sold goods to Vasudev	10,000
March 6	Returned defective goods by Vasudev	1,000
March 8	Received cash from Vasudev and Discount allowed	8,800
		200
March 9	Chanderkant sold goods to us	20,000
March 10	Pritam purchased goods from us	12,000
March 10	Paid insurance premium by Cheque	500
March 12	Paid for Life Insurance Premium of Sh. Partap Rai by Cheque	2,000
March 15	Paid Cash to Chanderkant and Discount allowed by him	13,780
		220
March 18	Bought goods from Pawan, list price ₹15,000 less 20% trade discount	
March 22	Paid to Pawan	8,000
March 26	Received Cash from Pritam	6,000
March 31	Paid wages ₹2,000, Advertisement Expenses ₹2,500 and Salaries paid ₹9,000	
March 31	Received Interest	500
March 31	Received Commission	2,000

SOLUTION:**JOURNAL OF PARTAP RAI & SONS**

Date	Particulars	L. F.	Amount	Amount
			Dr.	Cr.
			₹	₹
2018 March 2	Purchases A/c To Cash A/c (Goods purchased for cash)	Dr.	48,000	48,000
March 3	Vasudev To Sales A/c (Goods sold to Vasudev)	Dr.	10,000	10,000
March 6	Sales Return A/c To Vasudev (Goods returned by Vasudev)	Dr.	1,000	1,000
March 8	Cash A/c Discount Allowed A/c To Vasudev (Cash received from Vasudev and discount allowed)	Dr. Dr.	8,800 200	9,000
March 9	Purchases A/c To Chanderkant (Goods purchased from Chanderkant)	Dr.	20,000	20,000
March 10	Pritam To Sales A/c (Goods sold to Pritam)	Dr.	12,000	12,000
March 10	Insurance Premium A/c To Bank A/c (Insurance premium paid)	Dr.	500	500
March 12	Drawings A/c To Bank A/c (Life Insurance Premium paid)	Dr.	2,000	2,000
March 15	Chanderkant To Cash A/c To Discount Received A/c (Cash paid to Chanderkant and discount received)	Dr.	14,000	13,780 220
March 18	Purchases A/c To Pawan (Goods purchased less trade discount)	Dr.	12,000	12,000
March 22	Pawan To Cash A/c (Amount paid to Pawan)	Dr.	8,000	8,000
March 26	Cash A/c To Pritam (Cash received)	Dr.	6,000	6,000
			1,42,500	1,42,500
		C/F		

		B/F		1,42,500	1,42,500
March 31	Wages A/c	Dr.		2,000	
	Advertisement Expenses A/c	Dr.		2,500	
	Salaries A/c	Dr.		9,000	
	To Cash A/c				13,500
	(Expenses paid)				
March 31	Cash A/c	Dr.		2,500	
	To Interest Received A/c				500
	To Commission Received A/c				2,000
	(Income received)				
	Total	₹		1,58,500	1,58,500

ILLUSTRATION 5.

Enter the following transactions in the Journal of Hari & Co. :

2018

April 1 Purchased goods from Vinod of the list price of ₹40,000 at 10% trade discount.

April 2 Returned goods to Vinod of the list price of ₹1,000.

April 6 Paid Cash to Vinod ₹34,000 in full settlement of his account.

SOLUTION :**JOURNAL OF HARI & CO.**

Date	Particulars	L. F.	Amount	
			Dr.	Cr.
2018			₹	₹
April 1	Purchases A/c To Vinod (Goods of the list price of ₹40,000 purchased at 10% trade discount)	Dr.	36,000	36,000
April 2	Vinod To Purchases Return A/c (Goods of the list price of ₹1,000, returned to Vinod; Actual price being ₹1,000 less 10% trade discount)	Dr.	900	900
April 6	Vinod To Cash A/c To Discount Received A/c (See Note 1) (Cash paid to Vinod and discount received from him)	Dr.	35,100	34,000 1,100
	Total	₹	72,000	72,000

Note 1. Discount received from Vinod has been calculated as follows :

	₹
Purchases	36,000
Less : Purchases Return	900
Net Amount due to Vinod	35,100
Less : Amount paid in full settlement of his account	34,000
Discount received from him	<u>1,100</u>

ILLUSTRATION 6.

Enter the following transactions in the Journal of Gaurav Bros. :

2017	
May 10	Sold goods to Kailash of the list price of ₹1,00,000 at trade discount of 15%.
May 13	Kailash returned goods of the list price of ₹4,000.
May 18	Received from Kailash the amount due from him, under a cash discount of 5%.

SOLUTION:**JOURNAL OF GAURAV BROS.**

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
2017			₹	₹
May 10	Kailash To Sales A/c (Goods of the list price of ₹1,00,000 sold at 15% trade discount)	Dr.	85,000	85,000
May 13	Sales Return A/c To Kailash (Goods of the list price of ₹4,000 returned by Kailash; Actual price being ₹4,000 less 15% trade discount)	Dr.	3,400	3,400
May 18	Cash A/c (See Note 1) Discount Allowed A/c To Kailash (Cash received from Kailash and discount allowed to him)	Dr. Dr.	77,520 4,080	81,600
	Total	₹	1,70,000	1,70,000

Note 1. Cash received from Kailash has been calculated as follows :

Sales	₹ 85,000
Less : Sales Return	3,400
Amount due from Kailash	<u>81,600</u>
Discount allowed to him : $81,600 \times \frac{5}{100}$	4,080
Cash received from Kailash	<u>77,520</u>

ILLUSTRATION 7.

Pass Journal Entries for the following transactions :

- (i) Bought goods from Mohan of the list price of ₹10,000 at 15% trade discount.
- (ii) Settled the account of Mohan by paying cash, under a discount of 4%.
- (iii) Bought goods for cash of the list price of ₹50,000 at 20% trade discount and 5% cash discount.
- (iv) Sold goods for cash of the list price of ₹20,000 at 10% trade discount and 3% cash discount.

- .. 20 Cleared the account of Sahdev by paying cash at a discount of 5%.
 .. 21 Sold goods to Aakriti ₹20,000 and Shikha ₹32,000.
 .. 24 Received cash from Aakriti ₹19,600 in full settlement of her account.
 Paid insurance premium ₹1,500.
 .. 25 Paid ₹2,400 for insurance premium for proprietor.
 .. 26 Purchased goods for ₹16,000 for cash at a trade discount of 10% and cash discount of 2%.
 .. 27 Received full payment from Shikha at a discount of 5% in full settlement of his account.
 .. 28 Paid for advertisement ₹2,000, salaries ₹8,000 and rent ₹1,600.
 .. 30 Received Commission ₹1,000.

SOLUTION:**Journal of Himanshu Chauhan**

Date	Particulars	L. F.	Amount	
			Dr.	Cr.
2019			₹	₹
April 1	Cash A/c Furniture A/c Purchases A/c (or Stock A/c) To Capital A/c (Business started with cash, furniture and goods)	Dr. Dr. Dr.	1,50,000 10,000 60,000	2,20,000
.. 4	Partap To Sales A/c (Goods of the list price of ₹20,000 sold at 10% discount)	Dr.	18,000	18,000
.. 6	Sales Returns A/c To Partap (Goods returned for ₹2,000 less 10% trade discount)	Dr.	1,800	1,800
.. 10	Cash A/c Discount Allowed A/c (Note 1) To Partap (Cash received from Partap and discount allowed to him)	Dr. Dr.	16,000 200	16,200
.. 15	Furniture A/c To Cash A/c (Furniture purchased for cash)	Dr.	12,000	12,000
.. 15	Purchases A/c To Sahdev (Goods of the list price of ₹50,000 purchased at 12% trade discount)	Dr.	44,000	44,000
.. 18	Sahdev To Purchases Returns A/c (Goods returned for ₹4,000 less 12% trade discount)	Dr.	3,520	3,520
			3,15,520	3,15,520
		C/F		

		B/F		3,15,520	3,15,520
			Dr.	40,480	
" 20	Sahdev				38,456
	To Cash A/c				2,024
	To Discount Received A/c				
	(Cash paid to Sahdev and discount received)				
" 21	Aakriti		Dr.	20,000	
	Shikha		Dr.	32,000	
	To Sales				52,000
	(Goods sold on credit)				
" 24	Cash A/c		Dr.	19,600	
	Discount Allowed A/c		Dr.	400	
	To Aakriti				20,000
	(Cash received and discount allowed)				
" 24	Insurance Expenses A/c		Dr.	1,500	
	To Cash A/c				1,500
	(Insurance premium paid)				
" 25	Drawings A/c		Dr.	2,400	
	To Cash				2,400
	(Paid for insurance premium for proprietor)				
" 26	Purchases A/c		Dr.	14,400	
	To Cash A/c ⁽³⁾				14,112
	To Discount Received A/c				288
	(Goods purchased at 10% trade discount and 2% cash discount)				
" 27	Cash A/c		Dr.	30,400	
	Discount Allowed A/c		Dr.	1,600	
	To Shikha				32,000
	(Cash received and discount allowed)				
" 28	Advertisement Expenses A/c		Dr.	2,000	
	Salaries A/c		Dr.	8,000	
	Rent A/c		Dr.	1,600	
	To Cash A/c				11,600
	(Expenses paid)				
" 30	Cash A/c		Dr.	1,000	
	To Commission Received A/c				1,000
	(Commission received)				
		Total ₹		4,90,900	4,90,900

ote :

(1) Discount allowed to Partap is calculated as follows :

Sales	₹	18,000
Less : Sales Returns		1,800
Amount due from Partap		<u>16,200</u>
Amount received from him in full settlement		16,000
Discount allowed		<u>200</u>

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(2) Discount received from Sahdev is calculated as follows :

Purchases	44,000
Less : Purchases Returns	3,520
Net amount due to Sahdev	<u>40,480</u>
Discount received from him : $40,480 \times \frac{5}{100}$	2,024
Amount paid to him in full settlement	<u>38,456</u>

(3) Invoice price of goods purchased

Less : Trade Discount @ 10%	1,600
	<u>14,400</u>
Less : Cash Discount @ 2%	288
	<u>14,112</u>

ILLUSTRATION 9.

Pass journal entries for the following :

2019

- March 1 Bought goods from Vishwas worth ₹1,00,000 at 20% trade discount and 5% cash discount. Paid full amount at the time of purchase itself.
- March 3 Bought goods from Trisha for ₹2,00,000 at 5% cash discount and 10% trade discount. Half of the amount paid by cheque at the time of purchase.
- March 4 Sold goods to Nupur for ₹50,000 at terms 4% cash discount and 20% trade discount. Half the amount received by cash and balance half by cheque on the same day.
- March 6 Sold goods to Anuradha for ₹1,00,000 on terms 10% trade discount and 5% cash discount if the payment is received within fifteen days. 80% payment is received on March 18th by cheque.
- March 20 Sold goods to Sudha for ₹1,00,000 at 20% trade discount and 10% cash discount if the payment is received within ten days. She paid half the amount on March 26th and 30% of the remainder on March 31st.

SOLUTION :

JOURNAL

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
2019			₹	₹
March 1	Purchases A/c Dr.		80,000	
	To Cash A/c			76,000
	To Discount Received A/c			4,000
	(Goods purchased from Vishwas at 20% trade discount and 5% cash discount)			
March 3	Purchases A/c Dr.		1,80,000	
	To Bank A/c			85,500
	To Discount Received A/c			4,500
	To Trisha			90,000
	(Goods purchased from Trisha at 10% trade discount and 5% cash discount on half of the amount paid)			
	C/F		2,60,000	2,60,000

		B/F	2,60,000	2,60,000
March 4	Cash A/c	Dr.	19,200	
	Bank A/c*	Dr.	19,200	
	Discount Allowed A/c	Dr.	1,600	
	To Sales A/c (Goods sold to Nupur at 20% trade discount and 4% cash discount)			40,000
March 6	Anuradha	Dr.	90,000	
	To Sales A/c (Goods sold at 10% trade discount)			90,000
March 18	Bank A/c*	Dr.	68,400	
	Discount Allowed A/c To Anuradha (80% amount due from Anuradha received after allowing 5% cash discount)	Dr.	3,600	72,000
March 20	Sudha	Dr.	80,000	
	To Sales A/c (Goods sold at 20% trade discount)			80,000
March 26	Cash A/c	Dr.	36,000	
	Discount Allowed A/c	Dr.	4,000	
	To Sudha (Half of the amount due from Sudha received after allowing 10% cash discount)			40,000
March 31	Cash A/c	Dr.	12,000	
	To Sudha (Receipt of 30% of the remainder amount of ₹40,000)			12,000
		Total	₹ 5,94,000	5,94,000

*In case there is no information as to the date of deposit of the cheque, it is assumed that the cheque is deposited into the bank on the same day.

Working Notes :

March 1 Invoice price of goods	₹ 1,00,000
Less : Trade Discount @20%	<u>20,000</u>
	80,000
Less : Cash Discount @5%	<u>4,000</u>
	<u>76,000</u>
March 3 Invoice price of goods	2,00,000
Less : Trade Discount @10%	<u>20,000</u>
	<u>1,80,000</u>
(i) Cash Transaction (1/2 of 1,80,000)	90,000
Less : Cash Discount @5%	<u>4,500</u>
	<u>85,500</u>
(ii) Credit Transaction (1/2 of 1,80,000)	<u>90,000</u>

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		5.23
March 4	Invoice price of goods	50,000
	Less : Trade Discount @20%	<u>10,000</u>
		40,000
	Less : Cash Discount @4%	<u>1,600</u>
		<u>38,400</u>
	Cash : 1/2 of 38,400 = ₹19,200; Cheque : 1/2 of 38,400 = ₹19,200	
March 6	Invoice price of goods	1,00,000
	Less : Trade Discount @10%	<u>10,000</u>
		90,000
	Cash received : 80% of ₹90,000	<u>72,000</u>
	Less : Cash Discount @5%	<u>3,600</u>
		<u>68,400</u>
March 20	Invoice price of goods	1,00,000
	Less : Trade Discount @20%	<u>20,000</u>
		80,000
	Cash received on March 26th : 1/2 of 80,000 =	40,000
	Less : Cash Discount @10%	<u>4,000</u>
		<u>36,000</u>

ILLUSTRATION 10.

Journalise the following transactions in the books of Mathur Bros.

2018	
Feb. 1	Started business contributing ₹50,000 in cash; ₹4,50,000 in cheque and building valued ₹20,00,000.
Feb. 5	Purchased goods from Manohar Lal of the list price of ₹50,000 for ₹46,000
Feb. 17	Purchased goods costing ₹1,00,000 from Sahil & Co. Paid 60% immediately by cheque to avail 5% discount.
Feb. 24	Sold goods to Kishore & Co. of the list price of ₹40,000 for ₹38,000.
Feb. 26	Sold to Kanika & Co. goods costing ₹1,00,000 at 20% profit, allowing 10% trade discount and 5% cash discount. Kanika & Co. made 40% payment immediately by cheque.

SOLUTION:

JOURNAL OF MATHUR BROS.

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
2018			₹	₹
Feb. 1	Cash A/c	Dr.	50,000	
	Bank A/c	Dr.	4,50,000	
	Building A/c	Dr.	20,00,000	
	To Capital A/c			25,00,000
	(Started business with Cash, Cheque and Building)			
		C/F	25,00,000	25,00,000

		B/F	25,00,000	25,00,000
Feb. 5	Purchases A/c To Manohar Lal (Goods of list price of ₹50,000 purchased for ₹46,000)	Dr.	46,000	46,000
Feb. 17	Purchases A/c To Bank A/c To Discount Received A/c To Sahil & Co. (Goods purchased paying 60% availing 5% discount)	Dr.	1,00,000	57,000 3,000 40,000
Feb. 24	Kishore & Co. To Sales A/c (Goods of list price of ₹40,000 sold for ₹38,000)	Dr.	38,000	38,000
Feb. 26	Bank A/c* (Note 1) Discount Allowed A/c Kanika & Co. To Sales A/c (Goods sold and discount allowed)	Dr. Dr. Dr.	41,040 2,160 64,800	1,08,000
		Total	₹ 27,92,000	27,92,000

*It is assumed that the cheque is deposited into the bank on the same day.

Working Note :

(1) Cost of goods

Add : 20% of ₹1,00,000

Less : Trade Discount : ₹1,20,000 × $\frac{10}{100}$

₹	1,00,000
	<u>20,000</u>
	1,20,000
	12,000
	<u><u>1,08,000</u></u>

Cash Sales : 40% of ₹1,08,000

Less : Cash Discount (5% of ₹43,200)

Amount Received

Credit Sales : 60% of ₹1,08,000

₹	43,200
	<u>2,160</u>
	41,040
	64,800

Recording of Banking Transactions

S.No.	Transaction	Entry
1.	When cash is deposited into the bank.	Bank A/c To Cash A/c Dr.
2.	When cash is withdrawn from the bank.	Cash A/c To Bank A/c Dr.
3.	When cheques, drafts etc. received from the customers are deposited into the bank on the same day.	Bank A/c To Customer's Personal A/c Dr.

4.	When cheques, drafts etc. received from the customers are not sent to bank on the same day.	Cheques in Hand A/c To Customer's Personal A/c	Dr.
5.	On the date when above cheques, drafts etc. are sent to the bank.	Bank A/c To Cheques in Hand A/c	Dr.
6.	When a customer directly deposits the amount in our bank account.	Bank A/c To Customer's Personal A/c	Dr.
7.	When a cheque previously deposited into the bank is dishonoured.	Customer's Personal A/c To Bank A/c	Dr.
8. A	When a cheque is received from a customer and discount is allowed to him, and if the cheque is deposited into the bank on the same day.	Bank A/c Discount Allowed A/c To Customer's Personal A/c	Dr. Dr.
8. B	In case the above cheque is dishonoured, the discount allowed to the customer will also be withdrawn.	Customer's Personal A/c To Bank A/c To Discount Allowed A/c	Dr.
9.	When payment is made by issue of a cheque.	Personal A/c To Bank A/c	Dr.
10.	When expenses are paid by the issue of a cheque.	Expenses A/c To Bank A/c	Dr.
11.	When cash is withdrawn from the bank for the personal use of the proprietor.	Drawings A/c To Bank A/c	Dr.
12. A	When interest is charged by the bank.	Interest A/c To Bank A/c	Dr.
12. B	When interest is allowed by the bank.	Bank A/c To Interest Received A/c	Dr.
13.	When bank charges some amount for the services rendered by the bank.	Bank Charges A/c To Bank A/c	Dr.

ILLUSTRATION 11.

Pass Journal Entries for the following :

2018		₹
March 1	Paid into bank for opening a Current Account	25,000
5	Goods purchased and payment made by cheque	10,000
8	Cash sales ₹40,000, out of this amount ₹30,000 deposited in bank.	5,000
10	Withdrawn for private use	4,000
12	Withdrawn from bank for private use	12,000
15	Withdrawn from bank	
20	Placed on fixed deposit account at bank by transferring from Current Account	20,000

SOLUTION:

JOURNAL

Date	Particulars	L. F.	Amount	Amount
			Dr.	Cr.
			₹	₹
2018 March 1	Bank A/c To Cash A/c (Cash deposited into bank)	Dr.	25,000	25,000
March 5	Purchases A/c To Bank A/c (Goods purchased and payment made through cheque)	Dr.	10,000	10,000
March 8	Cash A/c Bank A/c To Sales A/c (Cash sales)	Dr. Dr.	10,000 30,000	40,000
March 10	Drawings A/c To Cash A/c (Amount withdrawn for private use)	Dr.	5,000	5,000
March 12	Drawings A/c To Bank A/c (Amount withdrawn from bank for private use)	Dr.	4,000	4,000
March 15	Cash A/c To Bank A/c (Amount withdrawn from bank for office use)	Dr.	12,000	12,000
March 20	Fixed Deposit A/c To Bank A/c (Amount transferred from current account to fixed deposit account)	Dr.	20,000	20,000
		Total ₹	1,16,000	1,16,000

Opening Entry

Every firm starts its new books in the beginning of each year. Since the closing balances of last year have to be carried forward to the next year, the first entry in each year's Journal will be to record the previous year's closing balances of all the assets and liabilities. As it is the first entry, it is called the opening entry. In this entry the accounts of all assets are debited because assets always show debit balances and the accounts of liabilities and capital are credited because they always show credit balances. If the balance of the capital account is not given in the question, it will be found out by deducting the total of liabilities from the total of assets. On the contrary, if the total of liabilities exceeds the total of assets, the difference will be treated as the amount of Goodwill and the same will be debited in the opening entry.

For example, the following balances appeared in the books of Gopal Traders on 1st April 2018 :

Assets : Cash ₹8,000; Bank Balance ₹20,000; Stock ₹54,000; Debtors ₹47,000 (Ashok ₹12,000, Pawan ₹15,000, Vivek ₹20,000); Machinery ₹ 60,000.

Liabilities : Creditors ₹20,000 (Chaman Lal ₹7,000, Om Pal ₹13,000), Capital ₹2,00,000.

The Opening Entry will be :

Date	Particulars	L. F.	Amount	
			Dr.	Cr.
2018 April 1			₹	₹
	Cash A/c	Dr.	8,000	
	Bank A/c	Dr.	20,000	
	Stock A/c	Dr.	54,000	
	Ashok	Dr.	12,000	
	Pawan	Dr.	15,000	
	Vivek	Dr.	20,000	
	Machinery A/c	Dr.	60,000	
	Goodwill A/c (Balancing Figure)	Dr.	31,000	
	(i.e. Total of Liabilities ₹2,20,000 less Total of Assets ₹1,89,000)			
	To Chaman Lal			7,000
	To Om Pal			13,000
	To Capital			2,00,000
	(Assets and liabilities brought forward)			

Bad Debts

When the goods are sold to a customer on credit, and if the amount becomes irrecoverable due to his insolvency or for some other reason, the amount not recovered is called bad debts. For recording it, bad debts account is debited and the customer's account is credited.

For example, Ravi who owed us ₹10,000 is declared insolvent and 30 Paise in a rupee is received from his estate. The journal entry will be :

Cash A/c	Dr.	3,000	
Bad Debts A/c	Dr.	7,000	
To Ravi			10,000
(30 p. in the rupee received from Ravi on his insolvency)			

ILLUSTRATION 12.

The following balances appeared in the books of Vishal Stores on 1st April 2018:

Assets :— Cash ₹15,000; Bank balance ₹5,000; Stock ₹40,000; Furniture ₹3,600; Debtors ₹24,000 (X ₹6,000; Y ₹8,000 and Z ₹10,000).

Liabilities :— Bank Loan ₹10,000; Creditors ₹12,500 (Ajay ₹5,000, Vijay ₹7,500).

Following transactions took place during April 2018 :

April 2	Bought goods from Kailash for ₹20,000 at a trade discount of 10% and cash discount of 2%. Paid 60% amount immediately.
April 4	Sold goods to X for ₹9,000.

- April 5 Received ₹14,800 from X in full settlement of his account.
- April 6 Cash deposited into bank ₹10,000.
- April 8 Cheque received from Y for ₹7,850 in full settlement of his account. This cheque was immediately deposited into bank.
- April 10 Received a cheque from Z ₹2,000.
- April 12 Cheque received from Z deposited into bank.
- April 15 Cheque received from Y dishonoured.
- April 16 Cash sales ₹15,000; Out of this amount ₹12,000 deposited into bank.
- April 16 Amount due to Ajay paid by Cheque.
- April 18 Old newspapers sold ₹50.
Old furniture sold ₹750
- April 20 Z became insolvent and 40 paise in a rupee could be received from his estate by cheque which is deposited into bank.
- April 22 Purchased goods from Gopal and paid by cheque ₹8,000.
- April 24 Sold half of the above goods to Chanderkant at a profit of 30% on cost.
- April 25 Proprietor withdrew for private use ₹2,000 from office and ₹3,000 from bank.
- April 30 Paid salary to Motilal by Cheque ₹2,000.
- April 30 Paid Rent by cheque ₹1,500.
- April 30 Paid trade expenses ₹500.

SOLUTION: JOURNAL OF VISHAL STORES

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
2018			₹	₹
April 1	Cash A/c	Dr.	15,000	
	Bank A/c	Dr.	5,000	
	Stock A/c	Dr.	40,000	
	Furniture A/c	Dr.	3,600	
	X	Dr.	6,000	
	Y	Dr.	8,000	
	Z	Dr.	10,000	
	To Loan from Bank			10,000
	To Ajay			5,000
	To Vijay			7,500
	To Capital (balancing figure)			65,100
	(Assets and liabilities brought forward)			
April 2	Purchases A/c	Dr.	18,000	
	To Cash A/c ⁽¹⁾			10,584
	To Discount Received A/c			216
	To Kailash			7,200
	(Goods purchased and discount received)			
April 4	X	Dr.	9,000	
	To Sales A/c			9,000
	(Goods sold on credit)			
	C/F		1,14,600	1,14,600

		B/F		1,14,600	1,14,600
April 5	Cash A/c	Dr.		14,800	
	Discount Allowed A/c To X (Cash received and discount allowed)	Dr.		200	15,000
April 6	Bank A/c To Cash A/c (Cash deposited into Bank)	Dr.		10,000	10,000
April 8	Bank A/c	Dr.		7,850	
	Discount Allowed A/c To Y (Cheque received and deposited into bank)	Dr.		150	8,000
April 10	Cheques in Hand A/c To Z (Cheque received)	Dr.		2,000	2,000
April 12	Bank A/c To Cheques in Hand A/c (Cheque received from Z now deposited into Bank)	Dr.		2,000	2,000
April 15	Y To Bank A/c To Discount Allowed A/c (Cheque dishonoured, and discount withdrawn)	Dr.		8,000	7,850 150
April 16	Cash A/c	Dr.		3,000	
	Bank A/c To Sales A/c (Cash sales)	Dr.		12,000	15,000
April 16	Ajay To Bank A/c (Cheque given to Ajay)	Dr.		5,000	5,000
April 18	Cash A/c To Miscellaneous Income A/c To Furniture A/c (Old newspapers and old furniture sold)	Dr.		800	50 750
April 20	Bank A/c	Dr.		3,200	
	Bad Debts A/c To Z (Amount received and bad-debts written off)	Dr.		4,800	8,000
April 22	Purchases A/c To Bank A/c (Goods purchased by cheque)	Dr.		8,000	8,000
April 24	Chanderkant To Sales A/c (Goods sold on credit)	Dr.		5,200	5,200
		C/F		2,01,600	2,01,600

		B/F	2,01,600	2,01,600
April 25	Drawings A/c	Dr.	5,000	
	To Cash A/c			2,000
	To Bank A/c			3,000
(Amount withdrawn for private use)				
April 30	Salary A/c	Dr.	2,000	
	Rent A/c	Dr.	1,500	
	To Bank A/c			3,500
(Expenses paid by cheque)				
April 30	Trade Expenses A/c	Dr.	500	
	To Cash A/c			500
	(Expenses paid in cash)			
		Total ₹	2,10,600	2,10,600

Note :

(1)

Total Amount	₹ 20,000
Less : 10% Trade Discount	2,000
	<u>18,000</u>
Cash Purchases : 60% of 18,000 =	10,800
Less : Cash Discount (2% of 10,800)	216
Amount paid	<u>10,584</u>
Credit Purchase : 40% of 18,000 =	7,200

Some Special Entries

(1) **Bad Debts Recovered** :— Sometimes, it so happens that the bad debts previously written off are subsequently recovered. In such cases, the following entry is passed :—

Cash A/c	Dr.
To Bad Debts Recovered A/c	

Care should be taken that the personal account of the debtor should not be credited because the Debtor's account must have been credited while passing the entry for bad debts.

(2) **Outstanding Expenses** :— It is quite common for a business enterprise to be left with some expenses which are yet to be paid at the end of the accounting year due to one reason or the other. Such expenses are termed as outstanding expenses. These are the expenses which should have been paid during the current year but which have not been paid. For example, if an employee is paid salary @ ₹1,000 per month, and if during the year only 11 months' salary amounting to ₹11,000 has been paid to him, ₹1,000 for one month will be the outstanding salary. The entry will be :—

Salary A/c	Dr.	1,000	
To Outstanding Salary A/c			1,000

Outstanding Salary Account is a liability. It has been credited because it is a representative personal account, representing the employees to whom salaries are to be paid.

(3) **Prepaid Expenses** :— There are certain expenses which are related to the next year but have been paid during the current year in advance. These are called prepaid expenses. The benefit of such expenses will be received during the next accounting year. For example, Insurance premium amounting to ₹1,200 is paid on 1st July, 2017 for one year. Entry on 1st July, 2017 will be made as under :—

Insurance Premium A/c	Dr.	1,200	
To Cash A/c			1,200

When the books will be closed on 31st March, 2018, insurance premium for 3 months, *i.e.*, from 1st April, 2018 to 30th June, 2018 will be treated as prepaid insurance and the following entry will be passed for it on 31st March, 2018 :—

Prepaid Insurance A/c	Dr.	300	
To Insurance Premium A/c			300

Prepaid Insurance Account is an asset. It has been debited because it is a representative personal account and represents those persons to whom payment has been made in advance.

(4) **Depreciation** :— It is the permanent and continuing decrease in the value of an asset on account of wear and tear and passage of time. It is a business expense though it is not paid in cash. Depreciation is a nominal account since it represents a loss and hence is debited. Asset account will be credited as its value is reduced due to depreciation. Journal Entry will be :

Depreciation A/c	Dr.	
To Asset A/c		

(5) **Interest on Capital** : In order to ascertain the true efficiency of the business it is a normal practice to charge business with interest on proprietor's capital. Profits left after charging the amount of such interest are the real profits earned by the business. Such interest is a loss from the point of view of the business and therefore according to the rule of nominal accounts Interest A/c is debited in the Journal entry. The amount of such interest is a gain from the point of view of the proprietor. His capital is increased by the amount of interest and therefore the capital account is credited in the Journal entry.

(6) **Interest on Drawings** : If the firm allows interest on capital, it should also charge interest on drawings made by the proprietor. Such an interest is an expense for the proprietor and a gain to the business. Hence an entry is made by debiting the drawings account and crediting interest account.

ILLUSTRATION 13.

Pass Journal Entries for the following :—

- (1) Received ₹20,000 from Subhash, which were written off as bad debts in the previous year.
- (2) Salaries due to clerks ₹50,000.
- (3) Out of the rent paid this year, ₹10,000 is related to next year.
- (4) Provide 10% depreciation on furniture costing ₹50,000.
- (5) Provide 12% interest on capital amounting to ₹10,00,000.
- (6) Charge interest on drawings ₹8,000.

SOLUTION:**JOURNAL**

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
			₹	₹
(1)	Cash A/c To Bad Debts Recovered A/c (Cash received from Subhash, previously written off as bad debts)	Dr.	20,000	20,000
(2)	Salaries A/c To Outstanding Salaries A/c (Salaries due to clerks)	Dr.	50,000	50,000
(3)	Prepaid Rent A/c To Rent A/c (Rent paid in advance)	Dr.	10,000	10,000
(4)	Depreciation A/c To Furniture A/c (Depreciation provided on furniture)	Dr.	5,000	5,000
(5)	Interest on Capital A/c To Capital A/c (Interest provided on capital)	Dr.	1,20,000	1,20,000
(6)	Drawings A/c To Interest on Drawings A/c (Interest charged on drawings)	Dr.	8,000	8,000
	Total		₹ 2,13,000	2,13,000

Expenditure on the installation of Machinery and on the erection of Building:

Machinery and Building are the assets of the business. As such, any expenditure incurred on the carriage and installation of machinery such as freight, transit expenses, installation expenses, wages paid for the installation etc. is treated as capital expenditure and is debited to the Machinery Account. Similarly, any expenditure incurred for the construction of a Building such as the purchase of materials and the payment of wages are also treated as capital expenditure and as such debited to the Building Account. However, repair charges incurred on an asset which is already appearing in the books are debited to repairs account.

ILLUSTRATION 14.

Journalise the following items in the books of Radha Kamal & Sons giving suitable narrations :—

- (i) Bought goods from Nilesh for Cash ₹50,000. Also paid ₹1,000 for their carriage.
- (ii) Paid to Sita ₹9,650 in full payment of her dues of ₹10,000.
- (iii) Purchased a machinery by giving a cheque of ₹3,00,000 and paid ₹25,000 in Cash as wages on its installation.
- (iv) Bricks for ₹15,00,000 and timber for ₹10,00,000 purchased for the construction of building. The payment was made by cheque.

- (v) Purchased an old machinery for ₹1,00,000 and spent ₹5,000 on its carriage and ₹20,000 on its immediate repairs. Entire payment is made by cheque.
- (vi) Paid ₹2,500 for repairing the office furniture.

SOLUTION: JOURNAL OF RADHA KAMAL & SONS

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
S. No.			₹	₹
(i)	Purchases A/c Carriage Inwards A/c To Cash A/c (Goods purchased for cash)	Dr. Dr.	50,000 1,000	51,000
(ii)	Sita To Cash A/c To Discount Received A/c (Cash paid to Sita and discount received)	Dr.	10,000	9,650 350
(iii)	Machinery A/c To Bank A/c To Cash A/c (Machinery purchased for ₹3,00,000 and wages for ₹25,000 paid for its installation.)	Dr.	3,25,000	3,00,000 25,000
(iv)	Building A/c To Bank A/c (Bricks for ₹15,00,000 and timber for ₹10,00,000 purchased for the construction of building)	Dr.	25,00,000	25,00,000
(v)	Machinery A/c To Bank A/c (Machinery purchased for ₹1,00,000 and spent ₹5,000 on its carriage and ₹20,000 on its repairs)	Dr.	1,25,000	1,25,000
(vi)	Repairs A/c To Cash A/c (Payment made for the repairs of old furniture)	Dr.	2,500	2,500
	Total	₹	30,13,500	30,13,500

ILLUSTRATION 15.

Enter the following transactions in the Journal of Shankar Stores.

2019	
April 1	Started business with ₹5,00,000; paid into bank ₹4,00,000.
April 4	Purchased goods for ₹1,40,000 in all, out of which half the goods was on credit from Mr. Sudhir.
April 7	Purchased building for ₹2,00,000 and paid 2% brokerage on its purchase. Also incurred ₹24,000 on its registration. Payment for building was made by cheque and brokerage and registration charges were paid in cash.
April 12	Sold goods to Arun for ₹2,00,000. Arun pays one-fourth amount in cash.
April 14	A cheque of ₹1,48,000 is received from Arun in full settlement and the cheque is immediately deposited into bank.

April 16	Paid stationery expenses ₹180.
April 17	Paid fire insurance premium on building by cheque ₹1,000 and Shankar's life insurance premium by cheque ₹4,000.
April 20	Paid for office cleaning ₹200.
April 28	Received a sum of ₹2,500 being rent for a portion of the building let out.
April 28	Paid for advertisement in 'The Hindustan Times' ₹2,000.

SOLUTION:**JOURNAL OF SHANKAR STORES**

Date	Particulars	L. F.	Amount	
			Dr.	Cr.
2019			₹	₹
April 1	Cash A/c Bank A/c To Capital A/c (Business started with ₹5,00,000 and out of this amount ₹4,00,000 deposited into bank)	Dr. Dr.	1,00,000 4,00,000	5,00,000
April 4	Purchases A/c To Cash A/c To Sudhir (Goods purchased)	Dr.	1,40,000	70,000 70,000
April 7	Building A/c To Bank A/c To Cash A/c (Purchased building for ₹2,00,000 and paid brokerage at 2% and registration charges of ₹24,000 on it)	Dr.	2,28,000	2,00,000 28,000
April 12	Cash A/c Arun To Sales A/c (Goods sold to Arun)	Dr. Dr.	50,000 1,50,000	2,00,000
April 14	Bank A/c Discount Allowed A/c To Arun (Cheque received from Arun in full settlement)	Dr. Dr.	1,48,000 2,000	1,50,000
April 16	Stationery A/c To Cash A/c (Payment made for stationery)	Dr.	180	180
April 17	Insurance Premium A/c Drawings A/c To Bank A/c (The payment of fire insurance and life insurance premium)	Dr. Dr.	1,000 4,000	5,000
April 20	Office Expenses A/c To Cash A/c (Expenditure on office cleaning)	Dr.	200	200
		C/F	12,23,380	12,23,380

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		B/F	12,23,380	12,23,380
April 28	Cash A/c	Dr.	2,500	2,500
	To Rent Received A/c (Rent received for letting out a portion of the building)			
April 28	Advertisement Expenses A/c	Dr.	2,000	2,000
	To Cash A/c (Payment made for advertisement in 'The Hindustan Times')			
		Total ₹	12,27,880	12,27,880

ILLUSTRATION 16.

Journalise the following transactions in the books of Murlidhar & Sons, timber merchant, giving suitable narrations :—

- Received a Cheque from J. Peterson ₹5,450. Allowed him discount ₹150. Cheque is immediately deposited into bank.
- Returned goods to Sudershan of the value of ₹350.
- Issued a Cheque in favour of M/s Karanvir Timber Co. on account of the purchase of Timber of ₹7,500.
- Purchased machinery for ₹50,000 by cheque and installation charges of machinery ₹2,500 paid in cash.
- Purchased goods for ₹1,00,000 from Ajay and supplied it to Vijay for ₹1,20,000. Out of this Vijay returned goods worth ₹36,000 which in turn was returned to Ajay.

SOLUTION:**JOURNAL OF MURLIDHAR & SONS**

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
S. No.			₹	₹
(i)	Bank A/c	Dr.	5,450	
	Discount Allowed A/c	Dr.	150	
	To J. Peterson (Cheque received and discount allowed)			5,600
(ii)	Sudershan	Dr.	350	
	To Purchase Returns A/c (Goods returned to Sudershan)			350
(iii)	Purchases A/c	Dr.	7,500	
	To Bank A/c [Cheque issued for timber (goods) purchased]			7,500
(iv)	Machinery A/c	Dr.	52,500	
	To Bank A/c			50,000
	To Cash A/c (Machinery purchased for ₹50,000 and installation charges of ₹2,500 paid in cash)			2,500
		C/F	65,950	65,950

		B/F	65,950	65,950
(v)	Purchases A/c To Ajay (Goods purchased from Ajay)	Dr.	1,00,000	1,00,000
	Vijay To Sales A/c (Goods sold to Vijay)	Dr.	1,20,000	1,20,000
	Sales Return A/c To Vijay (Goods returned by Vijay)	Dr.	36,000	36,000
	Ajay To Purchases Return A/c (Goods returned to Ajay)	Dr.	30,000 ⁽¹⁾	30,000
		Total ₹	3,51,950	3,51,950

Note (1) :— Goods sold to Vijay for ₹1,20,000 was purchased for ₹1,00,000. Hence, goods returned by Vijay for ₹36,000 was purchased for $\text{₹} \frac{1,00,000}{1,20,000} \times 36,000 = \text{₹}30,000$

ILLUSTRATION 17.

Journalise the following transactions in the books of Chandan Bros. :

- Received ₹38,000 from Krishan Swaroop in full settlement of his account for ₹40,000.
- Received ₹38,000 from Dushyant on his account for ₹40,000
- Biroo who owed us ₹15,000 is declared Insolvent and 65 paise in a rupee is received as final dividend from his estate.
- Sold goods to Kitty list price ₹20,000, trade discount 10% and cash discount 5%. He paid the amount on the same day and availed the cash discount.
- Supplied goods costing ₹6,000 to Shakuntla, issued invoice at 10% above cost less 5% trade discount.

SOLUTION:

JOURNAL OF CHANDAN BROS.

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
S. No.			₹	₹
(i)	Cash A/c Discount Allowed A/c To Krishan Swaroop (Cash received from Krishan Swaroop after allowing him discount of ₹2,000)	Dr. Dr.	38,000 2,000	40,000
(ii)	Cash A/c To Dushyant (Cash received from Dushyant on account)	Dr.	38,000	38,000
		C/F	78,000	78,000

	B/F		78,000	78,000
(iii)	Cash A/c	Dr.	9,750	
	Bad-debts A/c	Dr.	5,250	
	To Biroo			15,000
	(Cash received and Bad-debts written off)			
(iv)	Cash A/c	Dr.	17,100	
	Discount Allowed A/c	Dr.	900	
	To Sales A/c			18,000
	(Goods of the list price of ₹20,000 sold at 10% trade discount and 5% cash discount)			
(v)	Shakuntla	Dr.	6,270 ⁽¹⁾	
	To Sales A/c			6,270
	(Goods sold to Shakuntla at 10% above cost and allowed 5% trade discount)			
	Total	₹	1,17,270	1,17,270

Note : 1 :— Cost of Goods
Add : 10% of 6,000

$$\text{Less : } 6,600 \times \frac{5}{100} =$$

₹
6,000
600
<u>6,600</u>
330
<u><u>6,270</u></u>

Special Transactions Relating to Goods

(1) **Drawings in Goods** :— Sometimes the proprietor withdraws goods from the business for his personal use. The entry for recording this transaction will be :—

Drawings A/c	Dr.
To Purchases A/c	
(Goods taken for personal use)	

Purchase account is credited because as a result of the transaction the net amount of purchases of the business is reduced. Sales account should not be credited since the sale has not taken place. Also when the goods go out of business at cost price, purchase account should be credited and not Sales account.

(2) **Goods given away as Charity** :— Charity is an expense of the business, as such charity account will be debited. Goods are going out of the business at cost price, hence purchases are reduced to that extent and as such, purchases account will be credited. The entry will be :—

Charity A/c	Dr.
To Purchases A/c	
(Goods given away as Charity)	

(3) **Goods distributed as free sample** :— Sometimes the goods are distributed as free samples to the potential buyers in order to promote sales. As such, free samples can legitimately be treated as expenses on advertisement. The entry will be :—

Advertisement Expenses A/c
 To Purchases A/c
 (Goods distributed as free samples)

Dr.

(4) **Loss of goods by Theft or Loss by fire** :— The entry will be :—

Loss by Theft A/c
 Loss by Fire A/c
 To Purchases A/c
 (Goods lost by theft and goods destroyed by fire)

Dr.

Dr.

In case goods were insured :

Insurance Company or Insurance Claim A/c
 To Loss by Theft or Loss by Fire
 (Insurance Claim lodged with the Insurance Co.)

Dr.

If the full amount of claim is received from the Insurance Company :

Bank A/c
 To Insurance Company
 (Insurance Claim received)

Dr.

If the Insurance Company does not admit full claim :

Bank A/c
 Profit and Loss A/c
 To Insurance Company A/c
 (Insurance claim partially admitted and received)

Dr.

(Amount received for claim admitted)

Dr.

(Claim not admitted)

ILLUSTRATION 18.

Pass Journal Entries for the following :—

- (1) Proprietor withdrew for his personal use cash ₹20,000 and goods worth ₹10,000.
- (2) Goods for ₹50,000 were given away as Charity. (Sale Price ₹60,000)
- (3) Goods worth ₹25,000 were distributed as free samples.
- (4) Goods worth ₹50,000 and cash ₹20,000 were stolen by an employee.
- (5) Goods worth ₹1,00,000 were destroyed by fire. Insurance Company admitted and paid claim for 60% amount.

SOLUTION :

Date	Particulars	L. F.	Amount	
			Dr.	Cr.
			₹	₹
S. No.				
(1)	Drawings A/c To Cash A/c To Purchases A/c (Cash and goods taken away for personal use)	Dr.	30,000	20,000 10,000
(2)	Charity A/c To Purchases A/c (Goods given away as Charity)	Dr.	50,000	50,000
		C/F	80,000	80,000

		B/F		80,000	80,000
(3)	Advertisement Expenses A/c		Dr.	25,000	
	To Purchases A/c				25,000
	(Goods distributed as free samples)				
(4)	Loss by theft A/c		Dr.	70,000	
	To Purchases A/c				50,000
	To Cash A/c				20,000
	(Goods and Cash stolen by an employee)				
(5)	Loss by Fire A/c		Dr.	1,00,000	
	To Purchases A/c				1,00,000
	(Goods destroyed by fire)				
	Insurance Company		Dr.	1,00,000	
	To Loss by Fire A/c				1,00,000
	(Insurance claim lodged with the Insurance Company)				
	Bank A/c		Dr.	60,000	
	Profit and Loss A/c		Dr.	40,000	
	To Insurance Company				1,00,000
	(Insurance claim of ₹1,00,000 accepted and received at ₹60,000)				
		Total	₹	4,75,000	4,75,000

ILLUSTRATION 19.

Journalise the following transactions in the books of Harpreet Bros :

- (a) ₹10,000 due from Rohit are now bad debts.
- (b) Goods worth ₹20,000 were used by the proprietor.
- (c) Charge depreciation @ 10% p.a. for two months on machine costing ₹3,00,000.
- (d) Provide interest on capital of ₹15,00,000 at 6% p.a. for 9 months.
- (e) Rahul who owed us ₹20,000 becomes insolvent and a final dividend of 60 paise in a rupee is received from his estate by cheque.
- (f) Goods costing ₹80,000 sold to Mohan for ₹1,00,000.

SOLUTION:

BOOKS OF HARPREET BROS.
JOURNAL

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
S. No.			₹	₹
(a)	Bad Debts A/c	Dr.	10,000	
	To Rohit			10,000
	(Amount due from Rohit written off as bad debt)			
(b)	Drawings A/c	Dr.	20,000	
	To Purchases A/c			20,000
	(Goods taken away by proprietor for personal use)			
(c)	Depreciation A/c	Dr.	5,000	
	To Machine A/c			5,000
	(Depreciation charged on machine)			
		C/F	35,000	35,000

5.40

		B/F			
			Dr.	35,000	35,000
				67,500	67,500
(d)	Interest on Capital A/c To Capital A/c (Interest provided on Capital)		Dr.	12,000	
			Dr.	8,000	
(e)	Bank A/c Bad Debts A/c To Rahul (Cheque received and bad debts written off)				20,000
			Dr.	1,00,000	
(f)	Mohan To Sales (Sold goods on profit)				1,00,000
				2,22,500	2,22,500
	Total	₹			

ILLUSTRATION 20.

Prepare Journal from the transactions given below :

- (a) Cash paid for installation of machine
- (b) Goods given away as charity
- (c) Interest charged on capital @ 7% p.a. when total capital was ₹ 7,00,000
- (d) Received ₹ 12,000 of a bad debt written off last year.
- (e) Goods destroyed by fire
- (f) Rent outstanding
- (g) Interest on drawing
- (h) Sudhir Kumar who owed me ₹ 30,000 has failed to pay the amount. He pays me a compensation of 45 p. in a ₹ by cheque.

SOLUTION :

BOOKS OF
JOURNAL

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
S. No.			₹	₹
(a)	Machine A/c To Cash A/c (Cash paid for installation of machine)	Dr.	5,000	5,000
(b)	Charity A/c To Purchases A/c (Goods given away as charity)	Dr.	20,000	20,000
(c)	Interest on Capital A/c To Capital A/c (Interest charged on capital)	Dr.	49,000	49,000
(d)	Cash A/c To Bad Debts Recovered A/c (Amount received of bad debt written off last year)	Dr.	12,000	12,000
(e)	Loss by Fire A/c To Purchases A/c (Goods destroyed by fire)	Dr.	20,000	20,000
		C/F	1,06,000	1,06,000

(f)	Rent A/c	B/F	1,06,000	1,06,000
	To Outstanding Rent A/c (Rent outstanding)	Dr.	10,000	10,000
(g)	Drawings A/c			
	To Interest on drawings A/c (Interest charged on drawings)	Dr.	9,000	9,000
(h)	Bank A/c			
	Bad Debts A/c	Dr.	13,500	
	To Sudhir Kumar	Dr.	16,500	
	(Cheque received and bad debts written off)			30,000
	Total	₹	1,55,000	1,55,000

ILLUSTRATION 21.

On July 1, 2017, Rathore & Sons started business as a computer dealer by investing ₹40,000 in cash, ₹2,00,000 cash at bank, computers worth ₹5,00,000, furniture worth ₹1,20,000 and his private car worth ₹1,00,000 which will henceforth be used solely for business purposes.

He entered into the following transactions during the month of July 2017 :

- | | |
|---------|---------------------------------------------------------------------------------------------------------------------------|
| July 2 | Employed Mr. Vimal, at an agreed salary of ₹25,000 per month to be paid at the end of each month. |
| July 3 | Purchased 10 computers @ ₹40,000 each from Zed Computers for stock. |
| July 5 | Purchased 2 computers @ ₹30,000 each from Zed Computers for business use. |
| July 8 | Returned one computer from stock and another from business use to Zed Computers. |
| July 8 | Computers for ₹8,60,000 kept in stock insured for ₹6,45,000 at 1% premium. Payment made by cheque. |
| July 10 | Invested further capital ₹50,000. |
| July 12 | Loss on insured goods due to fire ₹40,000. |
| July 20 | Insurance Company admits a claim of ₹30,000 and pays the amount by cheque which is duly deposited into the bank. |
| July 20 | Sold 5 computers @ ₹50,000 each for cash. Banked ₹2,00,000. |
| July 21 | Settled the account of Zed Computers by cheque. |
| July 25 | Paid landlord by cheque ₹30,000 for rent. One-fourth of the premises is occupied by the proprietor for his own residence. |
| July 26 | Issued a cheque for ₹20,000 in favour of S. Kumar for goods purchased from him in the previous month. |
| July 28 | Sold old office equipment for ₹5,000 and deposited the proceeds in his private bank account. |
| July 31 | Paid Vimal his salary for the month of July. |

Show journal entries to record the above transactions.

SOLUTION:**Books of Rathore & Sons
JOURNAL**

Date	Particulars	L. F.	Amount	
			Dr.	Cr.
			₹	₹
2017				
July 1	Cash A/c Bank A/c Purchases (or Stock) A/c Furniture A/c Motor Car A/c To Capital A/c (Business started with sundry assets)	Dr. Dr. Dr. Dr. Dr.	40,000 2,00,000 5,00,000 1,20,000 1,00,000	
				9,60,000
July 3	Purchases A/c To Zed Computers A/c (Purchase of 10 computers @ ₹40,000 each on credit for stock purposes)	Dr.	4,00,000	4,00,000
July 5	Office Equipment A/c To Zed Computers A/c (Purchase of 2 computers @ ₹30,000 each on credit for use in the office)	Dr.	60,000	60,000
July 8	Zed Computers A/c To Purchases Return A/c To Office Equipment A/c (Computer worth ₹40,000 returned from stock and worth ₹30,000 from office use)	Dr.	70,000	40,000 30,000
July 8	Insurance Premium A/c To Bank A/c (Payment of insurance premium @ 1% on ₹6,45,000)	Dr.	6,450	6,450
July 10	Cash A/c To Capital A/c (Cash introduced as further capital)	Dr.	50,000	50,000
July 12	Loss by Fire A/c To Purchases A/c (Loss by fire)	Dr.	40,000	40,000
July 20	Insurance Company A/c To Loss by Fire A/c (Insurance Claim lodged with the insurance company)	Dr.	40,000	40,000
July 20	Bank A/c Profit and Loss A/c To Insurance Company A/c (Cheque received from insurance company deposited into bank)	Dr. Dr.	30,000 10,000	40,000
		C/F	16,66,450	16,66,450

July 20	Cash A/c	B/F	16,66,450	16,66,450
	Bank A/c	Dr.	50,000	
	To Sales A/c	Dr.	2,00,000	
	(Sale of 5 computers @ ₹50,000 each)			2,50,000
July 21	Zed Computers A/c	Dr.	3,90,000	
	To Bank A/c			3,90,000
	(Payment made to Zed Computers ₹3,90,000, i.e. ₹4,00,000 + ₹60,000 – ₹70,000)			
July 25	Rent A/c (3/4 of ₹30,000)	Dr.	22,500	
	Drawings A/c (1/4 of ₹30,000)	Dr.	7,500	
	To Bank A/c			30,000
	(Rent paid to landlord, 1/4th of the premises is occupied by the proprietor for own residence)			
July 26	S. Kumar	Dr.	20,000 ⁽¹⁾	
	To Bank			20,000
	(Payment made to S. Kumar for goods purchased from him in the last month)			
July 28	Drawings A/c	Dr.	5,000	
	To Office Equipment A/c			5,000
	(Sale of old office equipment and proceeds deposited in private bank account)			
July 31	Salary A/c	Dr.	25,000	
	To Cash A/c			25,000
	(Paid salary to Mr. Vimal)			
		Total ₹	23,86,450	23,86,450

Note (1) : Purchase A/c was debited and S. Kumar's A/c was credited when goods were purchased in the last month. Hence, S. Kumar's A/c is debited on payment being made.

ILLUSTRATION 22.

Pass Journal Entries for the following :—

2018

- March 2. Purchased an Iron Safe for business for ₹1,00,000 and payment made by cheque.
- March 3. Purchased filing cabinet for office use ₹40,000 and paid ₹200 as cartage on it.
- March 4. Purchased a Computer from Radha Kishan & Co. for ₹80,000 on Credit.
- March 5. Purchased an electric fan for ₹20,000.
- March 6. Purchased a 'Horse' for business for ₹1,50,000 and payment made by Cheque.
- March 7. Purchased Post Cards for ₹250; Envelopes for ₹500 and Stamps for ₹1,000.
- March 8. Prurchased office stationery for ₹4,000.
- March 15. Gave as Charity — Cash ₹2,000 and Goods ₹4,000.
- March 20. The horse bought on March 6 died, its carcass was sold for ₹10,000.
- March 25. Sold household furniture for ₹1,00,000 and paid the money into business.
- March 31. Paid to Landlord by cheque ₹1,20,000 for rent. One third of the building is occupied by the proprietor for residential use.

SOLUTION:**JOURNAL**

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
2018			₹	₹
March 2	Office Equipment A/c To Bank A/c (Iron-safe purchased)	Dr.	1,00,000	1,00,000
March 3	Office Equipment A/c To Cash A/c (Filing cabinet purchased for ₹40,000 and cartage paid on it ₹200)	Dr.	40,200	40,200
March 4	Office Equipment A/c To Radha Kishan & Co. (Computer purchased)	Dr.	80,000	80,000
March 5	Fixtures A/c To Cash A/c (Electric fan purchased)	Dr.	20,000	20,000
March 6	Live Stock A/c To Bank A/c (A horse purchased for business)	Dr.	1,50,000	1,50,000
March 7	Postage A/c To Cash A/c (Post Cards, envelopes and stamps purchased)	Dr.	1,750	1,750
March 8	Stationery A/c To Cash A/c (Stationery purchased for office use)	Dr.	4,000	4,000
March 9	Charity A/c To Cash A/c To Purchases A/c (Cash and goods given as Charity)	Dr.	6,000	2,000 4,000
Jan.20	Cash A/c Profit & Loss A/c To Live Stock A/c (Cash received for sale of Carcass of dead horse)	Dr. Dr.	10,000 1,40,000	1,50,000
Jan. 25	Cash A/c To Capital A/c (Sale proceeds of house furniture paid into the business)	Dr.	1,00,000	1,00,000
Jan. 31	Rent A/c (2/3rd of ₹1,20,000) Drawings A/c To Bank A/c (Rent paid to landlord, 1/3rd of the building is occupied by the proprietor for residential use)	Dr. Dr.	80,000 40,000	1,20,000
		Total ₹	7,71,950	7,71,950

ILLUSTRATION 23.

Journalise the following transactions :

- (i) Sold goods costing ₹60,000 to Dinesh against cheque at a profit of 40% on cost less 20% Trade Discount and paid carriage ₹500 (not to be charged from the customer).
- (ii) Sold goods costing ₹45,000 to Manoj at a profit of $33\frac{1}{3}$ on cost less 20% Trade Discount and paid carriage ₹400 (to be charged from the customer).
- (iii) Paid by Cheque ₹6,000 as fire insurance premium for a period of 12 months starting 1st July 2017. Financial year closes on 31st March every year.
- (iv) Spent ₹300 for refreshment of a customer.

SOLUTION :

JOURNAL

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
S. No.			₹	₹
(i)	Bank A/c* To Sales A/c (Goods sold to Dinesh against Cheque)	Dr.	67,200	67,200
	Carriage Outwards A/c To Cash A/c (Carriage paid)	Dr.	500	500
(ii)	Manoj To Sales A/c To Cash A/c (Goods sold to Manoj on Credit and paid carriage on his behalf)	Dr.	48,400	48,000 400
(iii) 2017 July 1	Insurance Premium A/c To Bank A/c (Paid Insurance premium)	Dr.	6,000	6,000
2018 March 31	Prepaid Insurance A/c To Insurance Premium A/c (Prepaid insurance from 1st April 2018 to 30th June 2018)	Dr.	1,500	1,500
(iv)	Sundry Expenses A/c To Cash (Amount spent for refreshment of a customer)	Dr.	300	300
	Total ₹		1,23,900	1,23,900

* It is assumed that the cheque is deposited into the Bank on the same day.

Working Notes (1) :

Cost	₹ 60,000
Add : Profit 40% on ₹60,000	24,000
	<u>84,000</u>
Less : Trade Discount : 20% on ₹84,000	16,800
	<u>67,200</u>

(2)

Cost

$$\text{Add : Profit : } 45,000 \times \frac{100}{3} \times \frac{1}{100}$$

Less : Trade Discount : 20% on ₹60,000

Add : Carriage

Total

₹
45,000
15,000
60,000
12,000
48,000
400
48,400

(3)

Insurance Premium paid from 1st July 2017 to 30th June 2018
Since accounts will be closed on 31st March 2018, insurance premium for 3 months i.e., from 1st April 2018 to 30th June 2018 will be

$$\text{prepaid : } 6,000 \times \frac{3}{12}$$

₹
6,000
1,500

ILLUSTRATION 24.

Journalise the following transactions in the books of Ganesh & Co. :

2018	
March 5	Purchased furniture worth ₹20,000 and tools worth ₹5,000.
March 10	Opened bank account with Dena Bank for ₹5,000.
March 12	Banked (Cash sent to bank) ₹1,00,000.
March 16	Withdrawn from bank by Ganesh for personal use ₹10,000.
March 18	Withdrawn from bank ₹40,000.
March 22	Bought shares in 'Colgate Ltd.' for ₹50,000 and brokerage paid @ 2%. All the payment is made by cheque.
March 24	Purchased postage ₹100.
March 25	Paid to Ashok out of business funds for the repair of Ganesh's residential house ₹4,000
March 28	Paid electricity bill ₹1,800 and miscellaneous expenses ₹120.
March 31	Salaries unpaid ₹15,000 and rent due to landlord ₹3,000.
March 31	Provide interest on capital (₹2,00,000) @ 8% p.a. from 1st April 2017 to 31st March 2018.

SOLUTION:**JOURNAL OF GANESH & CO.**

Date	Particulars	L. F.	Amount	
			Dr.	Cr.
2018			₹	₹
March 5	Furniture A/c Tools A/c To Cash A/c (Amount paid for the purchase of assets)	Dr. Dr.	20,000 5,000	25,000
March 10	Bank A/c To Cash A/c (Amount deposited in Dena Bank)	Dr.	5,000	5,000
March 12	Bank A/c To Cash A/c (Amount deposited into bank)	Dr.	1,00,000	1,00,000
		C/F	1,30,000	1,30,000

March 16	Drawings A/c To Bank A/c (Amount withdrawn from bank for personal use)	B/F Dr.	1,30,000 10,000	1,30,000 10,000
March 18	Cash A/c To Bank A/c (Cash withdrawn from bank for office use)	Dr.	40,000	40,000
March 22	Investments A/c To Bank A/c (Purchase of shares in 'Colgate Ltd.' for ₹50,000 and brokerage paid @ 2%.)	Dr.	51,000	51,000
March 24	Postage A/c To Cash A/c (Amount spent on postage)	Dr.	100	100
March 25	Drawings A/c To Cash A/c (Amount paid for the repair of proprietor's residential house)	Dr.	4,000	4,000
March 28	Electricity Expenses A/c Miscellaneous Expenses A/c To Cash A/c (Payment made for electricity bill and miscellaneous expenses)	Dr. Dr.	1,800 120	1,920
March 31	Salaries A/c To Outstanding Salaries A/c (Salaries due)	Dr.	15,000	15,000
March 31	Rent A/c To Outstanding Rent A/c (Rent due to landlord)	Dr.	3,000	3,000
March 31	Interest on Capital A/c To Capital A/c (Interest provided on capital)	Dr.	16,000	16,000
		Total ₹	2,71,020	2,71,020

ILLUSTRATION 25.

Journalise the following :

2018	
March 1	Mukesh Bros. invested ₹2,00,000 in business of general stores.
March 2	Paid into Current Account ₹1,20,000.
March 4	Purchased goods for ₹60,000 and paid ₹2,000 for carriage on these goods.
March 6	Purchased goods for ₹1,00,000 on credit from Raghunath Brothers, paid ₹1,200 for carriage on these goods.
March 10	Purchased machinery for ₹10,000 and spent ₹100 for its carriage.
March 12	Received an order of goods for ₹1,25,000 from Sunil.
March 13	Payment made to Raghunath Brothers by cheque after getting 10% discount for prompt payment.
March 15	Sunil's order was executed and cartage ₹3,000 was paid in this connection.

- March 16 Additional cash introduced by the proprietor ₹50,000.
 March 17 Spent ₹25,000 for showcase.
 March 20 Purchased goods from Ravi for ₹12,000 and the payment was made by cheque.
 March 22 Sold $\frac{1}{5}$ th of above goods at a profit of $33\frac{1}{3}\%$ on cost.
 March 28 Bank charges for its services ₹200.

SOLUTION:**JOURNAL OF MUKESH BROS.**

Date	Particulars	L. F.	Amount	
			Dr. ₹	Cr. ₹
2018 March 1	Cash A/c To Capital A/c (Amount of capital invested by Mukesh Bros.)	Dr.	2,00,000	2,00,000
March 2	Bank A/c To Cash A/c (Amount deposited into Bank)	Dr.	1,20,000	1,20,000
March 4	Purchases A/c Carriage Inwards A/c To Cash A/c (Goods purchased and carriage paid)	Dr. Dr.	60,000 2,000	62,000
March 6	(i) Purchases A/c To Raghunath Brothers (Goods purchased on credit)	Dr.	1,00,000	1,00,000
	(ii) Carriage Inwards A/c To Cash A/c (Carriage paid for the purchase of above goods)	Dr.	1,200	1,200
March 10	Machinery A/c To Cash A/c (Machinery purchased for ₹10,000 and carriage paid for the same ₹100)	Dr.	10,100	10,100
March 12	No Entry			
March 13	Raghunath Brothers To Bank A/c To Discount Received A/c (Settlement of his account of ₹1,00,000 under 10% discount)	Dr.	1,00,000	90,000 10,000
March 15	Sunil To Sales A/c To Cash A/c (Goods sold and carriage paid)	Dr.	1,28,000	1,25,000 3,000
March 16	Cash A/c To Capital A/c (Additional capital invested by the proprietor)	Dr.	50,000	50,000
		C/F	7,71,300	7,71,300

March 17	Furniture A/c	B/F	7,71,300	7,71,300
	To Cash A/c (Amount spent for show-case)	Dr.	25,000	
March 20	Purchases A/c			25,000
	To Bank A/c (Goods purchased from Ravi)	Dr.	12,000	
March 22	Cash A/c			12,000
	To Sales A/c ($\frac{1}{5}$ th of the above goods sold at a profit of $33\frac{1}{3}\%$ on cost)	Dr.	3,200	3,200
March 28	Bank Charges A/c			
	To Bank A/c (Recording of bank charges)	Dr.	200	200
Total ₹			8,11,700	8,11,700

ILLUSTRATION 26.

Journalise the following :

- (i) Received an order for ₹50,000 from Ghanshyam for supply of goods and received ₹30,000 as an advance together with the order.
- (ii) Goods worth ₹50,000 supplied to Ghanshyam against the order.
- (iii) Received a V.P.P. from Ram for ₹20,000. Sent a peon to collect it who paid ₹150 as cartage.
- (iv) Paid ₹3,000 for subscribing for newspapers and magazines.
- (v) Received ₹500 from sale of old newspapers and magazines.
- (vi) Received ₹10,000 from sale of old chairs, tables etc.
- (vii) Paid interest on loan ₹6,000.
- (viii) Withdrawn goods for personal use ₹8,000.
- (ix) Goods stolen Cost Price ₹48,000.
- (x) Goods destroyed by fire — Cost Price ₹1,60,000.
- (xi) Sold goods to X on credit ₹6,00,000.
- (xii) X returned $\frac{1}{6}$ th of the goods sold to him.
- (xiii) X settles his account after deducting 10% discount for prompt payment.
- (xiv) Salaries paid ₹80,000 and salaries owing (due) ₹20,000.
- (xv) Paid Income Tax ₹80,000 by cheque.

SOLUTION :

JOURNAL

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
S. No.			₹	₹
(i)	Cash A/c	Dr.	30,000	
	To Advance from Ghanshyam (Advance received from Ghanshyam against the order)			30,000
		C/F	30,000	30,000

	B/F		
			30,000
			30,000
(ii)	Dr.	Ghanshyam	20,000
	Dr.	Advance from Ghanshyam	30,000
		To Sales A/c	
		(Goods supplied to Ghanshyam against advance previously received)	50,000
(iii)	Dr.	Purchase A/c	20,000
	Dr.	Cartage A/c	150
		To Cash A/c	
		(V.P.P.* received and cartage paid)	20,150
(iv)	Dr.	Miscellaneous Expenditure A/c	3,000
		To Cash A/c	
		(Amount paid for newspapers and magazines)	3,000
(v)	Dr.	Cash A/c	500
		To Miscellaneous Income A/c	
		(Amount received from sales of old newspapers and magazines)	500
(vi)	Dr.	Cash A/c	10,000
		To Furniture A/c	
		(Amount received from sales of old chairs, tables etc.)	10,000
(vii)	Dr.	Interest on Loan A/c	6,000
		To Cash A/c	
		(Payment of interest on loan)	6,000
(viii)	Dr.	Drawings A/c	8,000
		To Purchases A/c	
		(Goods costing ₹8,000 taken by the proprietor for personal use)	8,000
(ix)	Dr.	Loss by theft A/c	48,000
		To Purchases A/c	
		(Goods costing ₹48,000 stolen)	48,000
(x)	Dr.	Loss by Fire A/c	1,60,000
		To Purchases A/c	
		(Goods costing ₹1,60,000 destroyed by fire)	1,60,000
(xi)	Dr.	X	6,00,000
		To Sales A/c	
		(Goods sold to X on credit)	6,00,000
(xii)	Dr.	Sales Return A/c	1,00,000
		To X	
		(Goods returned by X)	1,00,000
(xiii)	Dr.	Cash A/c	4,50,000
	Dr.	Discount Allowed A/c	50,000
		To X	
		(Amount received from X)	5,00,000
	C/F		15,35,650
			15,35,650

(xiv)	Salaries A/c	B/F	15,35,650	15,35,650
	To Cash A/c	Dr.	1,00,000	
	To Salaries Outstanding A/c			80,000
	(Recording of salaries paid and outstanding)			20,000
(xv)	Drawings A/c			
	To Bank A/c	Dr.	80,000	
	(Payment of income tax)			80,000
		Total ₹	17,15,650	17,15,650

* **V.P.P. (Value Payable Post)** :— Under this system seller sends the goods through Post Office. Buyer pays the value of goods to the Post Office and gets the delivery of goods from Post Office.

ILLUSTRATION 27.

Journalise the following transactions :

2018	
April 1	Received an order for goods for ₹1,20,000 from M/s Gauri Shankar & Sons.
April 3	Received order for goods from M/s Ranbir & Co. of ₹5,00,000 alongwith a cheque for ₹1,80,000 as advance.
April 5	Placed order for goods with M/s Kohli & Sons of ₹2,50,000; paid them ₹1,00,000 by cheque in advance.
April 7	Kohli & Sons. supplied goods of ₹2,50,000.
April 10	Paid a cheque for 60% of the balance amount due to Kohli & Sons on account.
April 15	Goods for ₹20,000 and furniture of the book value of 10,000 destroyed by fire.
April 20	Goods costing ₹50,000 were damaged in transit; a claim was made on railway authorities for the same.
April 22	Received from Salesman ₹60,000 for goods sold by him after deducting his travelling expenses ₹4,000.
April 25	Sold goods to Vishesh costing ₹40,000 at a profit of 25% and allowed him 10% trade discount and paid for cartage ₹1,000 to be charged from him.
April 28	Received a cheque of ₹40,000 from the railway authorities in full settlement of claim for damages in transit.

SOLUTION :

JOURNAL

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
			₹	₹
2018				
April 1	No Entry			
April 3	Bank A/c	Dr.	1,80,000	
	To Ranbir & Co. (Advance)			1,80,000
	(Advance received against an order of ₹5,00,000)			
April 5	Kohli & Sons (Advance)	Dr.	1,00,000	
	To Bank A/c			1,00,000
	(Paid advance against an order of ₹2,50,000)			
April 7	Purchases A/c	Dr.	2,50,000	
	To Kohli & Sons			2,50,000
	(Goods purchased)			
		C/F	5,30,000	5,30,000

		B/F		5,30,000	5,30,000
April 10	Kohli & Sons To Bank A/c (60% of ₹1,50,000 paid on account)	Dr.		90,000	90,000
April 15	Loss by fire A/c To Purchases A/c To Furniture A/c (Goods and furniture destroyed by fire)	Dr.		30,000	20,000 10,000
April 20	Railway Claim A/c To Purchases A/c (Claim made for goods damaged in transit)	Dr.		50,000	50,000
April 22	Cash A/c Travelling Expenses A/c To Sales A/c (Cash received from salesman after deducting his travelling expenses)	Dr. Dr.		60,000 4,000	64,000
April 25	Vishesh (Note 1) To Sales A/c To Cash A/c (Goods sold on credit and paid for cartage ₹1,000 to be charged from him)	Dr.		46,000	45,000 1,000
April 28	Bank A/c Profit & Loss A/c To Railway Claim A/c (Claim received from Railway)	Dr. Dr.		40,000 10,000	50,000
			Total ₹	8,60,000	8,60,000

Working Notes :

(1) Cost of Goods	40,000
Add : Profit : 25% of ₹40,000	10,000
	<u>50,000</u>
Less : Trade Discount : 10% of ₹50,000	5,000
	<u>45,000</u>
Add : Cartage	1,000
	<u><u>46,000</u></u>

(2) It is assumed that the cheques received are deposited into the bank on the same day.

ILLUSTRATION 28.

Give the journal entries corresponding to the narration given below :

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
2017 Dec. 5	(Furniture purchased for ₹20,000 and paid ₹100 for its carriage)		₹	₹

Dec. 12	To	Dr.		
	(Goods of the list price of ₹40,000 sold at 15% trade discount and 3% cash discount)	Dr.		
Dec. 20	To Bank A/c	Dr.	30,000	
	(Purchase of a computer for ₹30,000 and an electric fan for ₹10,000)	Dr.	10,000	40,000
Dec. 24	To	Dr.		
	(Goods costing ₹6,000 taken by the proprietor)			
Dec. 25	(Goods costing ₹20,000 sold to X at a profit of 25% on cost less 10% trade discount)			
Dec. 28	Bank A/c	Dr.		
	A/c	Dr.	4,200	
	To			
	(30 paise per ₹ received from the estate of Chakravarti on his insolvency)			
Dec. 31	To	Dr.		
	To			
	(Rent paid ₹25,000 and due ₹5,000)			

SOLUTION:

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
2017			₹	₹
Dec. 5	Furniture A/c	Dr.	20,100	
	To Cash A/c			20,100
	(Furniture purchased for ₹20,000 and paid ₹100 for its carriage)			
Dec. 12	Cash A/c	Dr.	32,980	
	Discount Allowed A/c	Dr.	1,020	
	To Sales A/c			34,000
	(Goods for ₹40,000 sold at 15% trade discount and 3% cash discount)			
Dec. 20	Office Equipment A/c	Dr.	30,000	
	Fixtures A/c	Dr.	10,000	
	To Bank A/c			40,000
	(Purchase of a Computer for ₹30,000 and an electric fan for ₹10,000)			
		C/F	94,100	94,100

		B/F			
Dec. 24	Drawings A/c		Dr.	94,100	94,100
	To Purchases A/c (Goods taken away by the proprietor for personal use)			6,000	6,000
Dec. 25	X		Dr.	22,500	22,500
	To Sales A/c (Goods costing ₹20,000 sold at a profit of 25% on cost less 10% trade discount)				
Dec. 28	Bank A/c		Dr.	1,800	
	Bad Debts A/c To Chakravarti (Receipt of 30 paise per ₹)		Dr.	4,200	6,000
Dec. 31	Rent A/c		Dr.	30,000	
	To Cash A/c To Outstanding Rent A/c (Rent paid and due)				25,000 5,000
			Total ₹	1,58,600	1,58,600

ILLUSTRATION 29.

Rectify the following entries assuming that the narration in each case is correct :

Date	Particulars	L. F.	Amount	
			Dr.	Cr.
2017			₹	₹
Nov. 2	Machinery A/c	Dr.	2,00,000	
	Carriage A/c	Dr.	2,000	
	Installation Charges A/c	Dr.	1,000	
	To Cash A/c (Machinery purchased and carriage and installation charges paid for it)			2,03,000
Nov. 6	Miscellaneous Expenses A/c	Dr.	5,000	
	To Sales A/c (Goods costing ₹5,000 stolen from the godown)			5,000
Nov. 12	Purchases A/c	Dr.	11,400	
	To Cash A/c (Goods for ₹15,000 purchased at 20% trade discount and 5% cash discount)			11,400
Nov. 20	Cash A/c	Dr.	5,150	
	To Sales A/c To Newspapers A/c (Sale of old machinery for ₹5,000 and old newspapers for ₹150)			5,000 150

Nov. 24	Fire Insurance Premium A/c Life Insurance Premium A/c To Bank A/c (Payment of fire insurance premium and life insurance premium)	Dr. Dr.	2,500 7,500	10,000
Nov. 30	Bank Charges A/c To Cash A/c (Charges made by bank for its services)	Dr.	120	120

SOLUTION:

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
2017			₹	₹
Nov. 2	Machinery A/c To Cash A/c (Machinery purchased for ₹2,00,000 and carriage ₹2,000 and installation charges ₹1,000 paid for it)	Dr.	2,03,000	2,03,000
Nov. 6	Loss by Theft A/c To Purchase A/c (Goods stolen from the godown)	Dr.	5,000	5,000
Nov. 12	Purchases A/c To Cash A/c To Discount Received A/c (Goods for ₹15,000 purchased at 20% trade discount and 5% cash discount)	Dr.	12,000	11,400 600
Nov. 20	Cash A/c To Machinery A/c To Miscellaneous Income A/c (Sale of old machinery and newspapers)	Dr.	5,150	5,000 150
Nov. 24	Insurance Premium A/c Drawings A/c To Bank A/c (Payment of fire insurance premium and life insurance premium)	Dr. Dr.	2,500 7,500	10,000
Nov. 30	Bank Charges A/c To Bank A/c (Charges made by bank for its services)	Dr.	120	120
			Total ₹	2,35,270
				2,35,270

SHORT ANSWER QUESTIONS

1. What are books of original entry?
2. What are compound journal entries? Give an example.
3. What is Trade Discount? Give an example.
4. Distinguish between Trade Discount and Cash Discount.

5. Is it possible to pass a single journal entry for two or more transactions?

OBJECTIVE TYPE QUESTIONS

(A) Select the most suitable alternative :

- Purchase of goods from X for Cash should be Credited to :—
 (a) Purchase (b) Cash
 (c) X
- Main object of preparing a 'Journal' is :
 (a) To ascertain the financial position of the business.
 (b) To journalise the cash transactions
 (c) To make posting in the ledger
 (d) To record the business transactions first of all.
- Personal accounts are related to :
 (a) Assets and Liabilities (b) Expenses, losses and incomes
 (c) Debtors, Creditors etc.
- Real accounts are related to
 (a) Assets (b) Expenses, losses and incomes
 (c) Debtors, Creditors etc.
- Nominal Accounts are related to :
 (a) Assets and Liabilities (b) Expenses, losses and incomes
 (c) Debtors, Creditors etc.
- Goods worth ₹7,000 given away as charity would be credited to :
 (a) Sales A/c (b) Purchases A/c
 (c) Charity A/c (d) Trustee A/c
- Payment of ₹6,000 as wages to workmen for installation of a machine should be debited to :
 (a) Wages A/c (b) Repairs A/c
 (c) Machinery A/c
- What shall be the amount of Capital if Cash is ₹5,000; Furniture ₹12,000; Stock ₹30,000 and Creditors ₹6,000.
 (a) ₹53,000 (b) ₹47,000
 (c) ₹41,000
- Gopal is our debtor for ₹10,000. He became insolvent and only 60 paise is received from him. The balance of ₹4,000 would be entered to the :
 (a) Debit of Discount A/c (b) Credit of Discount A/c
 (c) Debit of Bad Debts A/c (d) Credit of Bad Debts A/c
- ₹5,000 received from Mohan whose account was written off as bad in the previous year should be credited to :
 (a) Mohan's A/c (b) Bad Debts A/c
 (c) Bad Debts Recovered A/c (d) None of these

11. Cash received from Kajal ₹36,000 after allowing her discount @10%. Amount debited to discount account will be :
 (a) ₹ 3,600 (b) ₹ 4,000
 (c) ₹ 4,400 (d) ₹40,000
12. Loss of goods by fire should be credited to :
 (a) Sales A/c (b) Loss A/c
 (c) Profit & Loss A/c (d) Purchase A/c
13. Goods costing ₹30,000 supplied to Mohan at a profit of 25% of sales price less Trade discount @5% will be credited to Sales A/c with :
 (a) ₹35,625 (b) ₹38,000
 (c) ₹37,500 (d) ₹34,200
14. Goods costing ₹20,000 is sold at a profit of 20% on cost and trade discount is allowed @ 10% and cash discount of 10% is also allowed. Half the payment was received at the time of sale. What is the amount of cash received at the time of sale?
 (a) ₹ 9,720 (b) ₹10,800
 (c) ₹11,880 (d) ₹10,820
15. Paid to Rahul on behalf of Sanjay ₹12,000 will be debited to
 (a) Rahul's Personal Account (b) Sanjay's Account
 (c) Drawings Account (d) Cash Account
16. Sold goods worth list price of ₹8,000 at 10% trade discount and 2% cash discount. 25% received at the time of transaction only. The amount posted to discount account will be :
 (a) ₹ 36 on Debit side (b) ₹144 on Credit side
 (c) ₹144 on Debit side (d) ₹ 40 on Credit side
17. Journal records the transactions of a firm in a
 (a) Periodical manner (b) Chronological order
 (c) Summarised manner (d) Systematic order
18. Rent of proprietor's house paid from account on cash will
 (a) Decrease the profit
 (b) Increase the profit
 (c) Reduce the capital of business
 (d) Reduce the cash as well as capital of the business.

[Ans. : 1. (b); 2. (d); 3. (c); 4. (a); 5. (b); 6. (b); 7. (c); 8. (c); 9. (c); 10. (c)
 11. (b); 12. (d); 13. (b); 14. (a); 15. (b); 16. (a); 17. (b); 18. (d).]

(B) State whether the following statements are true or false :

1. Personal accounts always show debit balance.
2. Nominal accounts always show debit balance.
3. Real accounts generally show debit balance.
4. Opening entry is passed for the first transaction of each day.
5. Purchase Account is always debited.

6. Sales Account is always credited.
7. Purchase Return Account is always debited.
8. Sales Return Account is always credited.
9. The system of recording transactions on the basis of their two-fold aspect is called double account system.
10. Goods bought for resale are referred to as sales.

[Ans. : True : 3, 5, 6.]

(C) Fill in the blanks :—

1. Sale of goods to X for Cash will be Credited to A/c.
2. Goods taken by the proprietor for personal use will be credited to A/c.
3. Loss of goods by fire should be credited to A/c.
4. For goods returned by customer A/c is debited.
5. Salary paid to Mohan will be debited to A/c.
6. Cash received from Surender as rent will be credited to A/c.
7. Premium paid on the life insurance policy of the proprietor will be debited to A/c.
8. Outstanding rent will be debited to A/c.

[Ans. : (1) Sales; (2) Purchase; (3) Purchase; (4) Sale Return; (5) Salary; (6) Rent; (7) Drawings; (8) Rent]

(D) Fill in the blanks :—

1. Rule of A/c is “debit what comes in and credit what goes out”.
2. Rule of A/c is “debit the receiver and credit the giver”.
3. Rule of A/c is “debit all expenses and losses and credit all incomes and gains”.
4. Journal is a book of

[Ans. : 1. Real; 2. Personal; 3. Nominal; 4. Original or Primary entry]

(E) Rectify the following journal entries assuming that the narration is correct :

			₹	₹
(i)	Cash A/c To Vikas (Interest received from Vikas)	Dr.	1,500	1,500
(ii)	Mohan To Salary A/c (Salary paid to Mohan)	Dr.	5,000	5,000
(iii)	Furniture A/c To Cash (Sofa-set purchased for the proprietor)	Dr.	12,000	12,000
(iv)	Purchase Return A/c To X (Goods returned to X)	Dr.	2,000	2,000

(v)	Insurance Premium A/c To Cash	Dr.	1,200	1,200
	(Insurance premium paid for next year)			
(vi)	Purchases A/c To Cash	Dr.	8,000	8,000
	(Furniture purchased for Cash)			

- Ans. :** (i) Interest Received A/c will be credited instead of Vikas.
(ii) Salary will be debited and Cash will be credited.
(iii) Drawing will be debited instead of Furniture.
(iv) Entry will be reversed.
(v) Prepaid Exp. will be debited instead of Insurance Premium.
(vi) Furniture will be debited instead of Purchases.

PRACTICAL QUESTIONS

(Question No. 1 to 29 are strictly in the serial order of Illustrations)

Q. 1. Enter the following transactions in the Journal of Manohar Lal & Sons :—

2019		₹
March 1	Manohar Lal & Sons started business with cash	60,000
2	Purchased furniture for cash	10,000
4	Purchased goods for cash	25,000
5	Bought goods from Kamlesh	15,000
6	Sold goods for cash	36,000
8	Sold goods to Hari	30,000
10	Paid cash to Kamlesh	15,000
14	Received cash from Hari	18,000
16	Purchased goods from Sohan	6,000
18	Purchased goods from Sohan for cash	8,000
20	Paid rent for the office	1,000
26	Received Commission	750
27	Paid Salary to Gopal	1,200
28	Received cash from Hari	12,000
29	Withdrew cash from office for personal use	4,000
30	Wages paid	7,200
30	Bought Machinery for Cash	8,000

[Ans. Total ₹2,57,150.]

Q. 2. Enter the following transactions in the Journal of Sahil Bros.:

2018		₹
October 1	Purchased goods from Anil for Cash	40,000
3	Purchased goods from Atul	75,000
6	Returned goods to Atul	3,000
8	Paid cash to Atul	50,000
10	Sold goods to Charu	1,00,000
12	Charu returned 20% of goods	2,000
15	Paid rent	10,000
20	Sahil withdrew for personal use	

[Ans. Total ₹3,00,000.]

Q. 3. Enter the following transactions in the Journal of Ganesh Bros. :

2018	₹
March 3	1,00,000
5	98,000
6	80,000
8	1,000
15	78,200
16	19,500
20	500
20	4,700
25	300

[Ans. Total ₹4,05,000.]

Q. 4. Pass Journal entries in the books of Hari Shankar & Co. from the following:

2018	₹
April 1	50,000
2	20,000
4	15,000
6	1,000
10	13,800
12	200
12	10,000
14	
15	10,000
16	5,000
18	
20	
24	
25	
30	

[Ans. Total ₹1,67,000.]

Hints : April 16 : Rent of Hari Shankar's (i.e., proprietor's) residence is treated as drawings.
April 24 : Discount will be ₹150.

Q. 5. Enter the following transactions in the Journal of Marutinandan Stores :

2018	
Jan. 10	Purchased goods from Ghanshyam of the list price of ₹50,000 at 15% trade discount.
13	Returned goods to Ghanshyam of the list price of ₹2,000.
15	Paid cash to Ghanshyam ₹40,000 in full settlement of his account.
20	Purchased goods from Raghu of the list price of ₹60,000 at 10% trade discount.
22	Returned goods to Raghu of the list price of ₹5,000.
25	Paid cash to Raghu ₹49,000 in full settlement of his account.

[Ans. Total ₹1,93,000. Cash discount on Jan. 15 ₹800 and on Jan. 25 ₹500.]

Q. 6. Pass Journal Entries for the following transactions :

2018

- Jan. 6 Sold goods to Muskan of the list price of ₹2,00,000 at trade discount of 20%.
 8 Muskan returned goods of the list price of ₹5,000.
 15 Received from Muskan the full payment under a cash discount of 4%.

[Ans. Total ₹3,20,000; Cash Discount ₹6,240.]

Q. 7. Give Journal Entries for the following transactions in the books of Raja Ram & Co.:

2018

- March 3 Bought goods for cash of the list price of ₹80,000 at 10% trade discount and $2\frac{1}{2}\%$ cash discount.
 5 Sold goods for cash of the list price of ₹1,00,000 at 15% trade discount and 3% cash discount.
 6 Sold goods to Nagpal of the list price of ₹50,000 at 20% trade discount.
 8 Nagpal returned one-fourth of the above goods.
 10 Nagpal settled the account by paying cash under a discount of 5%.

[Ans. Total ₹2,37,000; Cash Discount on March 3 ₹1,800; on March 5 ₹2,550 and on March 10 ₹1,500.]

Q. 8. Pass Journal entries in the books of Raghunath Bros. from the following transactions :—

2016

- June 1 Raghunath Bros. started business with cash ₹80,000; Goods ₹40,000 and furniture ₹20,000.
 June 2 Sold goods to Nandlal of the list price of ₹20,000 at trade discount of 10%.
 June 4 Nandlal returned goods of the list price of ₹4,000.
 June 8 Received from Nandlal ₹14,150 in full settlement of his account.
 June 10 Purchased goods from Brij Mohan of the list price of ₹10,000 at 15% trade discount.
 June 13 Returned goods to Brij Mohan of the list price of ₹1,000.
 June 16 Settled the account of Brij Mohan by paying cash, under a discount of 4%.
 June 18 Purchased goods from Anil ₹5,000; Sunil ₹10,000.
 June 19 Paid cash to Anil ₹1,900 and discount received ₹100.
 June 20 Paid ₹9,800 to Sunil in full settlement of his account.
 June 20 Bought a 'Table Fan' for ₹8,000 for the domestic use of Raghunath.
 June 25 Sold goods for cash of the list price of ₹8,000 at 10% trade discount and 3% cash discount.
 June 30 Paid Rent ₹8,000; Trade Expenses ₹7,000 and Travelling Expenses ₹3,800.

[Ans. Total ₹2,54,000.]

Hints : June 4 : Goods returned by Nandlal will be valued at ₹3,600.

June 8 : Discount allowed to Nandlal ₹250.

June 13 : Goods returned to Brij Mohan will be valued at ₹850.

June 16 : Paid to Brij Mohan ₹7,344; Discount Received ₹306.

June 20 : Purchase of Table Fan for domestic use will be treated as drawings.

June 25 : Sales ₹7,200; Cash received ₹6,984; Discount allowed ₹216.

Q. 9. Pass journal entries for the following :

2019	
Jan. 6	Purchased goods from Henry for ₹50,000 on 10% trade discount and 4% cash discount and paid 60% amount by cheque.
Jan. 15	Bought goods from Amit for ₹2,00,000 at terms 5% cash discount and 20% trade discount. Paid 3/4th of the amount in cash at the time of purchase.
Jan. 18	Sold goods to Sherpa at the list price of ₹50,000 less 20% trade discount and 4% cash discount if the payment is made within 7 days. 75% payment is received by cheque on Jan. 23rd.
Jan. 25	Sold goods to Garima for ₹1,00,000, allowed her 20% trade discount and 5% cash discount if the payment is made within 15 days. She paid 1/4th of the amount by cheque on Feb. 5th and 60% of the remainder on Feb. 15th in cash.

[Ans. Cash Discount on Jan. 6th ₹1,080; On Jan. 15th ₹6,000; on Jan. 23rd ₹1,200; and on Feb. 5th ₹1,000.]

Q. 10. Journalise the following transactions in the books of Dixit & Sons. :

2018	
March 2	Sold goods to Dilip of the list price of ₹62,000 for ₹60,000.
16	Purchased goods costing ₹2,00,000 from Hari & Co. Paid 75% immediately by cheque to avail 4% discount.
20	Sold goods to Vishal Traders costing ₹40,000 at 25% profit, allowing 10% trade discount and 10% cash discount. Received 80% payment immediately by cheque.
26	Sold goods to Brij & Co. costing ₹50,000 at 40% profit, allowing 10% trade discount and 5% cash discount. Brij & Co. paid the full amount by cheque and availed cash discount.

[Ans. Total ₹3,68,000; Cash Discount on March 16 ₹6,000; March 20 ₹3,600 and March 26 ₹3,150.]

Q. 11. Journalise the following transactions :

2018		₹
Jan. 1	Paid into bank for opening a Current Account	10,000
3	Goods sold for ₹50,000 and the amount was deposited into the bank	
7	Amount withdrawn from bank	20,000
10	Goods sold for Cash	15,000
12	Amount deposited into bank	12,000
14	Goods purchased and payment made by cheque	25,000

[Ans. Total ₹1,32,000.]

Q. 12 (A). Following balances appeared in the books of Radhika Traders as on 1st April, 2018 :—

Assets : Cash ₹8,000; Cash at Bank ₹7,000; Stock ₹30,000; Debtors ₹36,000 (Mohan ₹10,000; Sohan ₹12,000; Dinesh ₹14,000); Furniture ₹5,000; Building ₹25,000.

Liabilities :— Creditors—X ₹5,000; Y ₹6,000.

In April, 2018, the following transactions took place :

2018		₹
April 2	Bought goods of the list price of ₹6,000 from Khanna Brothers less 15% trade discount and 2% cash discount and paid 40% price at the same time.	
3	Received a draft from Mohan in full settlement and deposited it into Bank	9,750
5	Purchased goods from Suresh of the list price of ₹8,000 at 20% trade discount and paid him by cheque.	
8	Sold goods and received a cheque	25,000
10	Deposited the above cheque into Bank	
12	Sohan deposited in our Bank A/c	4,000
16	Paid Income Tax by Cheque	5,600
20	Received a cheque from Sohan and sent to Bank	7,800
	Discount allowed	200
21	Withdrew from Bank—for office	2,000
	for private use	4,000
23	Sent a cheque to X in full settlement of his A/c	4,900
27	Cheque of Sohan returned by the bank as dishonoured.	
28	Dinesh was declared insolvent and a payment of 60 paise in a ₹ received from his estate by a Cheque	
30	Bank allowed Interest	350
	Paid for Rent by cheque	1,500
	Paid for travelling expenses by cheque	500

Pass Journal entries for the above transactions.

[Ans. Capital ₹1,00,000; Total ₹2,35,450.]

- Hints :**
- April 2 : Cash paid ₹1,999; Cash discount ₹41.
 - April 8 : Cheques in Hand account will be debited and Sales account will be credited.
 - April 10 : Bank account will be debited and Cheques in Hand account will be credited.
 - April 16 : Income Tax is the personal expenses of the proprietor, hence, will be treated as drawings.
 - April 27 : Sohan will be debited from ₹8,000; Bank will be credited from ₹7,800 and Discount Allowed account will be credited from ₹200.
 - April 30 : Bank account will be debited and interest received account will be credited for the amount of interest.

Q. 12 (B). Following was the position of Harish & Co. as on 1st April 2018 :—

Cash in Hand ₹10,000; Cash at Bank ₹16,800; Furniture ₹8,000; Stock ₹50,000; Debtors— Ram ₹8,000; Shyam ₹12,000; Creditors — Anil ₹4,000; Sunil ₹5,000.

Following transactions took place during April 2018 :—

2018	
April 2	Received a Cheque from Ram in full settlement of his account after deducting 5% cash discount.
4	Deposited the above cheque into Bank.

- 5 Goods purchased for ₹20,000 at 10% trade discount and 5% cash discount. Payment made by cheque.
- 6 Received a cheque from Shyam for ₹3,860 and discount allowed to him ₹140. Cheque deposited into the bank on the same day.
- 10 Cash paid to Anil after deducting 2% cash discount.
- 15 Old furniture sold for ₹800.
- 16 Sold goods to Shiv Parshad of the list price of ₹10,000 at a trade discount of 15%.
- 18 Shiv Parshad returned goods of the list price of ₹1,000.
- 20 Paid for furniture repairs to Bahadur Singh ₹100.
- 25 Received a cheque from Shiv Parshad after deducting 4% cash discount. Cheque was deposited into bank.
- 28 Bank charged ₹50 for 'Bank Charges'.
- 30 Received Commission ₹200.

[Ans. Capital ₹95,800; Total ₹1,64,550.]

Hints :

- (1) On April 2, Cheques in Hand A/c will be debited.
- (2) On April 4, Bank A/c will be debited and Cheques in Hand A/c will be Credited.
- (3) On April 20th, Repairs Account will be debited and Cash Account will be credited.
- (4) On April 25th, Cash discount allowed to Shiv Parshad = $7,650 \times \frac{4}{100} = ₹306$
- (5) On April 28th, Bank Charges Account will be debited and Bank Account will be credited.

Q. 13. Pass Journal Entries for the following transactions :—

1. Provide depreciation on Furniture ₹500 and on Machinery ₹2,000.
2. Received cash ₹1,000 for bad-debts written off last year.
3. Ajay Singh was declared bankrupt. He owed ₹2,500 to us. Nothing could be recovered from his estate.
4. ₹20,000 for wages and ₹4,000 for salaries are outstanding.
5. Purchased furniture for ₹6,000 for the proprietor and paid the amount by cheque.
6. Provide 9% interest on capital amounting to ₹2,00,000.
7. Provide interest on drawings ₹1,000.

[Ans. Total ₹55,000.]

Q. 14. Pass journal entries for the following :

- Jan. 5 Purchased goods for Cash ₹10,000 and spent ₹200 for their carriage.
- Jan. 10 Purchased machinery for Cash ₹50,000 and spent ₹500 for its carriage.
- Jan. 15 Paid ₹20,000 for Cement, ₹10,000 for timber and ₹5,000 as wages for the construction of building.
- Jan. 17 Purchased an old machinery for ₹20,000 and spent ₹2,500 on its immediate repairs.
- Jan. 20 Paid ₹500 for repairing some other machinery.

[Ans. Total ₹1,18,700.]

Hints :

(i) (Jan. 15) Building A/c	Dr.	35,000	
To Cash A/c			35,000
<hr/>			
(ii) (Jan. 17) Machinery A/c	Dr.	22,500	
To Cash A/c			22,500
<hr/>			
(iii) (Jan. 20) Repairs A/c	Dr.	500	
To Cash A/c			500

Q. 15. Enter the following transactions in the Journal of Arun Govil & Co. :

2018	
June 1	Arun Govil & Co. paid into bank as capital ₹6,00,000.
June 3	Purchased goods from Mukesh of the list price of ₹2,00,000 at 10% trade discount.
June 4	One-fourth of the above goods returned to Mukesh for not being upto specifications.
June 6	Issued a cheque to Mukesh for the amount due to him after deducting 2% as cash discount.
June 7	Withdrew from bank ₹2,50,000 for office use and ₹10,000 for personal use.
June 10	Purchased a machinery for ₹1,00,000 and spent ₹5,000 on its installation. Payment for machinery was made by cheque and installation expenses were paid in cash.
June 12	Sold goods for ₹1,00,000 to Amar.
June 13	Amar clears his account by giving a cheque of ₹98,500. Cheque is immediately sent to bank.
June 15	Purchased stationery for personal use ₹3,000 and for office use ₹5,000.
June 20	Purchased land for ₹2,00,000 and paid 1% as brokerage and ₹15,000 as registration charges on it. Entire payment is made by cheque.
June 30	Wages due to labourers ₹20,000 and salary due to the clerk ₹30,000.

[Ans. Total ₹18,00,000.]

- Hints :**
- On June 6, Cheque issued to Mukesh will be for ₹1,32,300.
 - On June 10, Machinery A/c will be debited by ₹1,05,000.
 - On June 20, Land A/c will be debited by ₹2,17,000.

Q. 16. Journalise the following transactions of Raj Kumar Traders timber merchants :—

- Purchased timber from Kuldeep Kumar, for cash ₹2,000 and credit ₹10,000.
- Paid to Kuldeep Kumar in full settlement of his account ₹9,950.
- Paid rent in advance ₹10,000.
- Purchased machinery for ₹1,00,000 by cheque and carriage ₹2,000 and installation charges ₹1,000 paid in cash.
- Purchased goods for ₹50,000 from Govind and sold it to Manohar for ₹65,000. Out of this Manohar returned goods worth ₹13,000, which in turn was returned to Govind.

[Ans. Total ₹2,73,000.]

- Hints :** In item No. (4) Machinery A/c Dr. 1,03,000
 To Bank A/c 1,00,000
 To Cash A/c 3,000

In item No. (5) Purchases returns will be valued at ₹10,000.

Q. 17. Pass Journal entries for the following transactions :—

- Purchased Machinery for ₹20,000 and paid ₹200 for its carriage.
- Received a cheque of ₹4,850 from X in full settlement of his account of ₹5,000.
- Received by cheque first and final payment of 60 paise in a ₹ from Y who owed us ₹10,000.
- Sold goods to Z for ₹10,000 at a trade discount of 20%. Next day a cheque was received from him after deducting 5% cash discount. Cheque was immediately deposited into Bank.

5. Goods costing ₹20,000 sold to Manoj at a profit of 20% on cost less 10% trade discount.

[Ans. Total ₹72,800.]

Q. 18. Journalise the following transactions :—

1. Goods for ₹50,000 were destroyed by fire.
2. Goods worth ₹18,000 were distributed as free samples and ₹20,000 were given away as charity in cash.
3. Goods worth ₹25,000 and cash ₹40,000 were taken away by the proprietor for his personal use.
4. Goods worth ₹20,000 and cash ₹5,000 were given away as charity.
5. Cash ₹1,00,000 was stolen from the Iron Safe of the trader.

[Ans. Total ₹2,78,000.]

Q. 19. Journalise the following transactions :—

- (i) Sold goods to Brijesh of the list price of ₹10,000 at trade discount of 5%. Received full payment in cash.
- (ii) Goods given away as charity ₹1,000.
- (iii) Charge interest on capital of ₹5,00,000 @ 7% p.a.
- (iv) Outstanding wages ₹3,000.
- (v) ₹5,000 due from Sunny are now bad debts.
- (vi) ₹50,000 cash sales (of goods costing ₹40,000).

[Ans. Total ₹1,03,500]

Q. 20. Prepare journal from the transactions given below :—

- (a) Proprietor withdrew for private use ₹10,000 from bank.
- (b) Goods costing ₹50,000 were burnt by fire.
- (c) Purchased machinery for cash ₹1,50,000 and paid ₹2,000 on its installation.
- (d) Charge 5% depreciation on building costing ₹2,00,000 and 8% depreciation on furniture costing ₹5,000.
- (e) Prepaid salary ₹2,000.
- (f) Kapil who owed us ₹20,000 becomes insolvent and nothing is received from his estate.

[Ans. Total ₹2,44,400]

Q. 21. Tanishk Traders deal in Motor Cars. Record the following transactions in their journal :

- (i) Purchased 4 Motor Cars @ ₹1,20,000 each from Maruti Ltd. for stock.
- (ii) Purchased 1 Motor Car for ₹75,000 from Maruti Ltd. for business use.
- (iii) Returned one Motor Car from stock to Maruti Ltd.
- (iv) Sold 3 Motor Cars for ₹4,50,000 (Banked ₹4,25,000).
- (v) Purchased an accounting machine for ₹40,000.
- (vi) Bought on credit from Tata Motors, 5 Motor Cars for ₹8,00,000 for resale.
- (vii) Received credit note from Tata Motors for One car returned to them.
- (viii) Paid to Tata Motors by cheque the amount owing.
- (ix) Drew a cheque for self ₹1,00,000 and drew out of cash for self ₹20,000.
- (x) Mr. Tanishk brought his own car into the business valuing ₹1,80,000 for sale.

[Ans. Total ₹30,65,000.]

Hints : In item No. (v), Office Equipment A/c will be debited.
In item No. (vii), Tata Motors will be debited and Purchases Return A/c will be credited by ₹1,60,000.

In item No. (ix), Drawings A/c will be debited by ₹1,20,000;
Bank A/c will be credited by ₹1,00,000,
and Cash A/c will be credited by ₹20,000.
In item No. (x), Purchases A/c will be debited and Capital A/c will be credited.

Q. 22. Journalise the following transactions in the Journal of Navin Gupta & Sons:

1. Out of Insurance premium paid this year, ₹15,000 is related to next year.
2. Credit purchases from Ram & Co. for ₹50,000. Cash discount will be received at 5% on payment of bill within 10 days.
3. Cash paid to Ram & Co. and discount availed of.
4. Paid Income Tax ₹20,000 by cheque.
5. Goods costing ₹2,00,000 sold for cash at a profit of 10%.
6. Purchased iron safe for ₹2,00,000, filing cabinet for ₹50,000 and computer for ₹1,00,000.

[Ans. Total ₹7,05,000.]

Hints : In transaction No. 1, Prepaid Insurance A/c will be debited and Insurance A/c will be credited.

In transaction No. 5, Entry will be passed for cash sales of ₹2,20,000.

In transaction No. 6, Office Equipment A/c will be debited by ₹3,50,000.

Q. 23. Journalise the following transactions in the books of Kanishk Traders :

- (i) Sold goods costing ₹1,20,000 to Charu at a profit of $33\frac{1}{3}\%$ on cost less 15% Trade Discount.
- (ii) Sold goods Costing ₹80,000 to Arun against cheque at a profit of 25% on cost less 15% Trade Discount.
- (iii) Paid by Cheque ₹8,400 as insurance premium for a period of 12 months starting 1st August 2016. Financial year closes on 31st March every year.

[Ans. Total ₹2,32,200]

Hints : In transaction (i) Sales will be Credited by ₹1,36,000.

In transaction (ii) Sales will be Credited by ₹85,000.

In transaction (iii) Prepaid Insurance ₹2,800.

Q. 24. Journalise the following :

2018	
March 4	Purchased building for ₹1,50,000 and incurred expenses of ₹10,000 on its purchase.
March 10	Satish who owed us ₹20,000 is declared insolvent and 60 paise per ₹ is received from his estate.
March 15	Paid ₹500 for repairing the office furniture.
March 18	Proprietor withdrew for his personal use cash ₹5,000 and goods worth ₹2,000.
March 20	Purchased the following items for business : Iron Safe ₹15,000; Filing Cabinet ₹5,000; Computer ₹12,000; Postage ₹200 and Stationery ₹150.
March 28	Paid electricity charges ₹1,600.
March 31	Charge depreciation on Machinery @ 10% for one year (Machinery ₹75,000)
March 31	Outstanding Wages at the end of the year ₹6,000.

[Ans. Total ₹2,34,950.]

- Hints :**
- (i) On March 4th; Building A/c will be debited by ₹1,60,000.
 - (ii) On March 15th; Repairs A/c will be debited.
 - (iii) On March 20th; Purchase of Iron safe, filing cabinet and computer will be debited to Office Equipment A/c. Hence, Office Equipment A/c will be debited from ₹32,000

Q. 25. Journalise the following :

1. Purchased goods for ₹25,000 for Cash and paid ₹200 for carriage on these goods.
2. Purchased goods for ₹40,000 on Credit from Sudhir and paid ₹500 for carriage on these goods.
3. Received an order of goods for ₹50,000 from Gopal.
4. Purchased machinery for ₹20,000 and spent ₹500 on its carriage and ₹300 on its installation.
5. Purchased goods from Anil for ₹15,000.
6. Sold $\frac{1}{3}$ rd of the above goods at a profit of 20% on cost.
7. Gopal's order was executed and cartage ₹2,000 was paid in this connection.
8. Goods costing ₹12,000 sold to Mr. X, issued invoice at 25% above cost less 10% trade discount.
9. Provide 20% depreciation on furniture costing ₹10,000.
10. Gave as charity — Cash ₹500 and Goods ₹2,000.

[Ans. Total ₹1,77,500.]

Q. 26. Journalise the following :

- (i) Received a V.P.P. from Mohan Lal for ₹25,000. Sent a peon to collect it who paid ₹200 as cartage.
- (ii) Received ₹1,000 from sales of old newspapers and ₹5,000 from sales of old chairs.
- (iii) Goods costing ₹7,000 given away as charity.
- (iv) Arun pays us ₹63,000 after getting 10% discount for prompt payment.
- (v) Received Cash from a debtor written off as bad-debt last year ₹20,000.
- (vi) Sold goods costing ₹50,000 to Ashok on credit at a profit of 20% on cost.
- (vii) Sold goods costing ₹1,00,000 for ₹1,40,000.
- (viii) Provide ₹50,000 as interest on Capital.
- (ix) Paid rent of building ₹60,000 by cheque. Half the building is used by the proprietor for residential purpose.
- (x) Outstanding salary at the end of the year ₹30,000.

[Ans. Total ₹4,68,200.]

- Hints :** In transaction (iv) Discount Allowed A/c will be debited from ₹7,000.
In transaction (v) Cash A/c will be debited and Bad debts recovered A/c will be credited.

Q. 27. Journalise the following transactions :

2018

- April 1 Purchased goods for ₹1,00,000 from Manoj and availed discount of ₹10,000.
- 2 Paid amount due to Manoj by cheque and availed discount of ₹4,500.
- 5 Cash ₹5,000 paid to Desai and discount allowed by him ₹200.
- 10 Cash ₹10,000 received from Govardhan and allowed him discount ₹500.

- 12 Sold personal Car of the proprietor for ₹ 80,000 against cheque, which was deposited into the firm's bank account.
- 16 Sold personal Car of the proprietor for ₹1,50,000 against cheque, which was deposited into the proprietor's personal bank account.
- 20 Sold goods to Gaurav costing ₹1,00,000 at a profit of 40% and allowed him 10% trade discount and paid for cartage ₹3,000 not to be charged from him.
- 24 Placed an order with Rudra & Co. for supply of goods of ₹80,000 and a cheque for 40% amount is sent to them as an advance.

[Ans. Total ₹4,36,700.]

- Hints :**
- On April 1, Debit Purchases A/c and Credit Manoj by ₹90,000.
 - On April 5, Debit Desai by ₹5,200.
 - On April 10, Credit Govardhan by ₹10,500.
 - On April 16, No Entry.
 - On April 20, Debit Gaurav and Credit Sales A/c by ₹1,26,000.
Debit Carriage outwards and credit Cash A/c by ₹3,000.

Q. 28. Give the journal entries corresponding to the narration given below :

Date	Particulars	L.		Amount	
		F.	Dr.	Dr.	Cr.
2017				₹	₹
April 5	Dr. To Bank A/c To (Goods of the list price of ₹60,000 purchased at 25% trade discount and 10% cash discount)				
April 6	(Building purchased for ₹2,00,000 and brokerage paid on its purchase @ $2\frac{1}{2}\%$. Entire payment is made by cheque)				
April 9	Dr. To (Goods costing ₹20,000 destroyed by fire)				
April 13	Bank A/c A/c To (60 paise per rupee received from the estate of Hukam Chand on his insolvency)	Dr.	Dr.	48,000	
April 20	To Bank A/c (Goods purchased for ₹1,00,000 and carriage paid ₹500)				
April 25	Cash A/c A/c	Dr.	Dr.		1,200

April 30	To (Gopal cleared our account after deducting four percent discount)	Dr.		
	To To (Wages paid ₹15,000 and due ₹3,000)			

[Ans.]

- April 5 Purchases will be debited by ₹45,000; Bank A/c will be credited by ₹40,500 and discount received account will be credited by ₹4,500.
- April 6 Building will be debited and Bank A/c will be credited by ₹2,05,000.
- April 9 Loss by fire will be debited and purchase will be credited by ₹20,000.
- April 13 Bank will be debited by ₹48,000; bad debts will be debited by ₹32,000 and Hukam Chand will be credited by ₹80,000.
- April 20 Purchases will be debited by ₹1,00,000; Carriage will be debited by ₹500 and Bank A/c will be credited by ₹1,00,500.
- April 25 Cash will be debited by ₹28,800; Discount Allowed A/c will be debited by ₹1,200; and Gopal will be credited by ₹30,000.
- April 30 Wages will be debited by ₹18,000; Cash will be credited by ₹15,000 and Outstanding Wages will be credited by ₹3,000.
- Total ₹4,98,500]

Q. 29. Rectify the following entries assuming that the narration in each case is correct :

Date	Particulars	L. F.	Amount Dr.	Amount Cr.
2018			₹	₹
March 1	Bricks A/c Timber A/c To Cash A/c (Bricks for ₹2,00,000 and timber for ₹1,20,000 purchased for the construction of building and the payment is made by cheque)	Dr. Dr.	2,00,000 1,20,000	3,20,000
March 5	Z Discount A/c To Sales A/c (Goods costing ₹30,000 sold to Z at $33\frac{1}{3}\%$ profit on cost less 20% trade discount)	Dr. Dr.	32,000 8,000	40,000
March 13	Furniture A/c To Cash A/c (Payment of repair charges of office furniture)	Dr.	500	500
March 16	General Expenses A/c To Sales A/c (Goods costing ₹3,000 given away as charity)	Dr.	3,000	3,000

March 22	Cash A/c To Ghanshyam (Amount received from Ghanshyam, which were written off as bad debts last year)	Dr.	6,000	6,000
March 27	Income-tax A/c To Bank A/c (Payment of Income-tax by cheque)	Dr.	4,000	4,000
March 31	Cash A/c To Interest Received A/c (Interest allowed by bank)	Dr.	300	300

[Ans.

- March 1 Building will be debited instead of bricks and timber and bank will be credited instead of cash.
 - March 5 Discount will not be debited and sales will be credited by ₹32,000 instead of ₹40,000.
 - March 13 Repair will be debited instead of furniture.
 - March 16 Charity will be debited by ₹3,000 instead of general expenses and purchases will be credited by ₹3,000 instead of sales.
 - March 22 Bad-debts recovered will be credited instead of Ghanshyam.
 - March 27 Drawings will be debited instead of Income-tax.
 - March 31 Bank will be debited instead of cash.
- Total ₹3,65,800.]

ADDITIONAL QUESTIONS

Q. 30. Journalise the following transactions :—

	₹
1. Charge depreciation on Machinery	20,000
2. Salary due to Office Clerks	1,00,000
3. Received cash for Bad-Debts written off last year	5,000
4. Purchased goods from Ashok & Co. for ₹50,000 at 20% Trade Discount. Half the payment was made in cash.	
5. Issued cheque to Ashok & Co. in full settlement	19,500
6. Paid Life Insurance Premium by cheque	6,000
7. Proprietor used goods for household purposes	20,000
8. Goods given free to a hospital out of business	10,000

[Ans. Total ₹2,21,000.]

Q. 31. Journalise the following transactions :—

2019	₹
March 1 Started business with cash	50,000
2 Purchased Machinery for cash	20,000
Paid installation charges on machinery	2,000
5 Purchased goods from X of the list price of ₹25,000, Trade Discount 20% and cash discount 5%. Payment was made in cash immediately.	

10	Sold goods to Y costing ₹10,000 at 30% profit on cost less 10% trade discount.	
15	Paid Rent	1,000
20	Goods stolen from business	2,000
22	Gave as charity : Cash	100
	Goods	200
31	Purchased Post Cards and Envelopes	50
31	Purchased a Computer for business	25,000

[Ans. Total ₹1,32,050.]

Q. 32. Journalise the following transactions :—

1. Purchased a Motor Car for ₹3,00,000 and paid ₹25,000 for its repair and renewal. Entire payment is made by cheque.
2. Received Rent ₹5,000.
3. Goods worth ₹20,000 were distributed as free samples.
4. Charge depreciation on Motor Car ₹32,500.
5. Rent due to Landlord ₹10,000 and Salary due to Clerks ₹80,000.
6. Charge interest on Capital ₹20,000.
7. ₹5,000 due from Sanjay Gupta are bad-debts.
8. Goods worth ₹50,000 were destroyed by fire.
9. Cash ₹5,000 and goods worth ₹20,000 were stolen by an employee.

[Ans. Total ₹5,72,500.]

Hints : In transaction 1, Motor Car A/c will be debited by ₹3,25,000.

Q. 33. Journalise the following transactions :

- (i) Bought goods from Arun for ₹2,00,000 at a trade discount of 15% and cash discount of 2%. Paid 80% amount immediately.
- (ii) Purchased goods for ₹20,000 from X and supplied it to Y for ₹26,000. Y returned goods worth ₹7,800 which in turn were returned to X.
- (iii) Cash withdrawn from bank ₹5,000 for personal use and ₹25,000 for office use.
- (iv) Goods destroyed by fire ₹40,000.
- (v) Provide 20% depreciation on machinery costing ₹50,000.
- (vi) Out of insurance paid this year, ₹3,000 is related to next year.
- (vii) Allow ₹5,000 as interest on capital and charge ₹1,000 as interest on drawings.
- (viii) Sohan who owed us ₹25,000 was declared insolvent and a cheque of 40 paise in a ₹ is received from him in full settlement.
- (ix) Paid Income Tax ₹10,000 by cheque.
- (x) Salary paid ₹80,000 and Salary Outstanding ₹20,000.

[Ans. Total ₹4,53,800.]

Hints : In transaction No. (i) Cash discount will be ₹2,720.

In transaction No. (ii) Entry for purchase return will be passed for ₹6,000.

Q. 34. Journalise the following transactions :

- (i) Paid Customs duty ₹11,000 by cheque on import of a new machinery.
- (ii) Goods sold costing ₹10,000 to M/s Abbas & Sons at a invoice price 10% above cost Less 10% Trade discount.

[Ans. Total ₹20,900]

Hint : In transaction (i) Machinery A/c will be debited and Bank A/c will be credited.

- Q. 35.** Record the following Transactions in a Journal :—
- Withdrawn goods for personal use (Cost ₹5,000, Sales Price ₹7,000).
 - Received ₹9,750 from Hari in full settlement of his Account for ₹10,000.
 - A cheque for ₹50,000 received from Rajiv deposited into Bank was Returned dishonoured.
 - Paid ₹19,000 to Ganesh on his account for ₹20,000.

Hints :

In Serial No. (i) Entry will be passed for ₹5,000.

In Serial No. (iv) Entry will be passed for ₹19,000. Discount has not been received.

- Q. 36.** Journalise the following in the books of Som Nath & Sons :

2019

- | | |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| May 1 | Purchased a Machinery for ₹1,00,000 and the payment was made by issuing a cheque from Proprietor's saving bank account. |
| 4 | Received an order from Chakravarti for goods of ₹4,00,000 alongwith a cheque of 10% of the order as advance. |
| 8 | Paid cash ₹8,000 to Dushyant and discount allowed by him ₹800. |
| 10 | Goods stolen by an employee (Sale Price ₹20,000; Cost ₹15,000). |
| 15 | Purchased stationery worth ₹8,000 for office use and ₹2,000 for personal use. |
| 20 | Manoj pays us ₹5,400 after deducting 10% for prompt payment. |
| 28 | Sold goods to Kuber costing ₹2,00,000 at 25% above cost less trade discount of 10% and cash discount of 5%. Kuber did not avail the cash discount. |

[Ans. Total ₹4,04,800.]

Hints : May 8, Debit Dushyant by ₹8,800.

May 10, Debit Loss by Theft by ₹15,000.

May 20, If amount received is ₹90, amount due = ₹100

If amount received is ₹5,400 amount due = $\frac{100}{90} \times 5,400 = ₹6,000$

Hence, Discount Allowed = ₹6,000 – ₹5,400 = ₹600

May 28, Debit Kuber and Credit Sales A/c by ₹2,25,000.

- Q. 37.** Journalise the following transactions in the books of Prakash :

- Opened a current account with Punjab National Bank ₹1,00,000.
- Received a cheque of ₹12,900 from Chandradev and allowed discount ₹300 to him. The cheque was deposited into Bank on the same day.
- Purchased machinery for ₹1,00,000, payment made by cheque. Installation charge of machinery ₹6,000 paid in cash.
- Purchased a horse for business for ₹20,000.
- Sold goods to Gokul at a list price of ₹4,000. Trade discount 10% and cash discount 5%. He paid the amount on the same day and availed the cash discount.
- Purchased goods for ₹10,000 and paid ₹400 for carriage on these goods.
- Additional cash introduced by the proprietor ₹40,000.
- Purchased stationery ₹800 and postal stamps ₹100.
- Withdrawn form Bank ₹20,000.

- (x) Received an order to supply goods of ₹40,000 from Manu and received ₹10,000 as an advance together with the order.
- (xi) Cash ₹10,000 and goods worth ₹4,000 were stolen.
- (xii) Purchased goods from Devendra for ₹40,000 and the payment was made by cheque.
- (xiii) Sold 1/4th of the above goods at a profit of 25% on cash.

[Ans. Total ₹3,90,600.]

Hints : In transaction No. (iii) Machinery A/c will be debited by ₹1,06,000.
In transaction No. (vi) Purchases A/c will be debited by ₹10,000 and Carriage Inwards A/c will be debited by ₹400.

HIGH ORDER THINKING SKILLS (HOTS) QUESTIONS

1. Why do the transactions are entered in a Journal rather than straight into Ledger?
2. Is Capital Account a Personal or Real Account and why?
3. State one situation when Capital Account is Debited and one situation when Capital Account is Credited.
4. What does a Credit Balance in a Capital Account signify?
5. No account is opened in the name of the Proprietor in the books of the firm. Give reason.
6. 'If debts written off as bad are recovered subsequently it should be credited to Debtors Account'. Do you agree?
7. Ashok purchased goods from Delhi Traders for ₹2,00,000. As per the terms, if Ashok made full payment within 21 days, he will get cash discount at 2.5%. Ashok paid ₹1,50,000 within the stipulated time. How much discount will he get?
8. Ravi purchased on credit goods for ₹5,00,000 Less 20% trade discount. As per the terms, he can deduct 4% cash discount if he pays the full amount within 15 days. What amount he will have to pay to avail he Cash Dsicount?
9. Increase in an Asset Account is recorded on its debit side. Give reason.
10. Increase in a Liability Account is recorded on its credit side. Give reason.
11. Rent is paid by cheque. Which account will be credited and why?
12. What entry is passed when cheques received from the customers are not sent to bank on the same day?
13. A furniture of book value of ₹15,000 was sold for ₹6,000 and new furniture was purchased for ₹20,000. Furniture Account is debited with ₹.....

Ans.

1. Journal contains all important information relating to a transaction whereas ledger contains only the summary.

2. Capital Account is a Personal Account because it represents the Proprietor of the business who is a human being.
3. Capital Account is debited when there is a loss during the year and it is credited when there is a profit.
4. Credit Balance in Capital Account shows positive capital balance or the amount owed by the firm to the Proprietor.
5. Proprietor is represented by Capital Account.
6. No. It should not be credited to Debtors Account because Debtors Account has already been credited while recording bad debts. It should now be treated as gain and be credited to 'Bad Debts Recovered A/c'.
7. He will not get any discount because he has not paid the full amount.
- 8.

	₹
Purchase Amount	5,00,000
Less : Trade Discount @ 20%	1,00,000
	<u>4,00,000</u>
Less : Cash Discount @ 4% on ₹4,00,000	16,000
Amount to be paid	<u><u>3,84,000</u></u>

9. Asset Account is a Real Account and thus the rule applicable is 'Debit what comes in, Credit what goes out'. Increase in Asset means that the Asset has come in. Hence, the Asset is debited.
10. Liability is a Personal Account and thus the rule applicable is 'Debit the receiver, Credit the giver'. Increase in Liability (suppose creditor) means that he has given goods or some other benefit. Hence liability is credited.
11. Bank will be credited. Reason is that Bank is a Personal Account and the rule applicable is 'Credit the Giver'. Bank is the Giver on behalf of the firm.
12. Cheques in Hand A/c Dr.
 To Customer's Personal A/c
13. Furniture Account will be debited with ₹20,000. Amount related to sale of furniture will be Credited to Furniture Account.