

## **CHAPTER 3**

# **Accounting Books and Records**

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The purpose of preparation of Trading, Profit and Loss Account and Balance Sheet to ascertain the profit or loss made by business and to know the financial soundness of the concern as a whole. In order to achieve the objectives of the firm, it is essential to maintain several books and records. The number of books and records are maintained by an enterprise for the evidence of the recording business transactions. Cash Receipts, Invoice, Cash Memo, Cheque and other vouchers are the examples of documentary evidence supported for preparation of income statements.

According to double entry system of accounting each transaction is recorded in the books of accounts to ascertain the profits earned during a particular period. "Transaction" of a business refers to an event the recognition of which gives rise to an entry in account records.

While analyzing the review of accounting cycle, the whole process of accounting consists of the following important stages :

- (1) Recording the transactions are done through Journals or Subsidiary Books.
- (2) Classifying the transactions are achieved by Ledger.
- (3) Summarizing the transactions are done through Trial Balance.
- (4) The last stage is concerned with preparing Income Statements (Trading, Profit and Loss Account and Balance Sheet).

### **JOURNAL**

In the first stage of double entry system each transactions are recorded in the 'Journal' or "Subsidiary Books." Journal is the book of "Original Entry or First Entry" which is used for recording of all business transactions in chronological order. Then it is posted to ledger. This process is known as "Entering." In other words record of the each transaction is called as "Journal Entry." The process of recording in the Journal is called as "Journalizing."

### Specimen Ruling of Journal

The specimen ruling of Journal is shown below :

<i>Date</i> (1)	<i>Particulars</i> (2)	<i>L.F.</i> (3)	<i>Dr.</i> (4) <i>Rs.</i>	<i>Cr.</i> (5) <i>Rs.</i>
Date, Month	Name of Accounts to be Debited	...	...	...
a Year	Name of Accounts to be Credited	...	...	...

From the above specimen ruling of Journal, we can observe the following points:

- Column 1* : It indicates the date, month and year on which each transaction takes place.
- Column 2* : It represents (a) name of account to be debited; (b) name of account to be credited.
- Column 3* : L.F. Stands for Ledger Folio, i.e., reference to the main book.
- Column 4* : Dr. Stands for Debit, i.e., amount to be debited.
- Column 5* : Cr. Stands for Credit, i.e., amount to be credited.

If two or more transactions of similar nature occur on the same day and either the debit account or credit account is common, such transactions can be conveniently entered in the Journal in the form of a Combined Journal Entry instead of making a separate entry for each transaction. Such type of entry is a "Compound Journal Entry."

### Types of Journals

Journals broadly classified into (1) General Journals and (2) Special Journals. Special Journals are subsidiary books which are as follows :

1. Sales Book
2. Purchase Book
3. Purchase Returns Book
4. Sales Returns Book
5. Bills Receivable Book
6. Bills Payable Book
7. Cash Book.

These subsidiary books which are used for recording of each transactions. The following points to be considered before making journal entry :

**(1) Capital Account :** The initial influx of capital in the form of cash provided by the proprietor is known as "Capital." It may be further converted into plant and machinery, building etc. Hence it should be debited to Cash A/c or Plant & Machinery Property A/c and credited to Proprietor's A/c.

**(2) Drawing Account :** When proprietors withdrawn money or goods from business for personal use, it should be debited to Drawing A/c and credited Cash A/c or Purchase A/c.

**(3) Goods Account :** If any transactions relating to purchase or sale of goods, instead of making journal entries in one Goods Account, separate accounts may be maintained as Sales A/c, Purchase A/c, Sales Returns A/c, and Purchase Returns A/c.

- (a) **Sales Account:** is meant for recording sale of goods. It should be credited to Sales A/c.
- (b) **Purchase Account:** is meant for recording purchase of goods. It should be debited to Purchase A/c.
- (c) **Sales Returns Account:** is concerned with recording return of the goods from customers. It should be debited to Sales Return A/c.
- (d) **Purchase Return Account:** is meant for recording purchased goods return to suppliers. It should be credited to Purchase Return A/c.
- (4) While making journal entry, a brief explanation will be given is known as "Narration."
- (5) To apply the rule of debit and credit in each type of account such as :
- (a) **Personal Account:** Debit the Receiver, Credit the Giver.
- (b) **Real Account:** Debit what comes in, Credit what goes out.
- (c) **Nominal Account:** Debit all Expenses & Losses, Credit all Incomes and Gains.

**Illustration: 1**

Journalize the following transactions in the books of Nancy Ltd.

2003 March		Rs. in lakhs
1	Started business with Cash	4,500
1	Paid into bank	2,500
2	Goods purchased for Cash	1,500
3	Purchase of furniture and payment by cheque	500
5	Sold goods for cash	600
8	Sold goods to Rosy	400
10	Goods Purchased from Thomas	700
12	Goods Return to Thomas	100
15	Sold goods to Rahavan for cash	250
18	Cash received from Rosy Rs.396 & discount allowed to her Rs.4	
21	Withdraw from bank for private use	100
21	Withdraw from bank for use in the business	500
25	Paid telephone rent for one year	40
28	Cash paid to Rosy in full settlement of her account	594
30	Paid for Stationery	20
	Rent paid	100
	Salaries to Staff	250

**Journal of Nancy Ltd.**

(Rs. in lakhs)

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2003 March 1	Cash Account Dr. To Capital Account (Being cash brought in to start business)		4,500	4,500
March 1	Bank Account Dr. To Cash Account (Being Cash paid into Bank)		2,500	2,500

2	Purchased Account To Cash Account (Being goods purchased for cash)	Dr.	1,500	1,500
3	Furniture Account To Bank Account (Being purchase of furniture and payment made by cheque)	Dr.	500	500
5	Cash Account To Sales Account (Being the goods sold for cash)	Dr.	600	600
8	Rosy Account To Sales Account (Being the goods sold for credit)	Dr.	400	400
12	Thomas Account To Returns Outward Account (Being the goods returned)	Dr.	100	100
15	Cash Account To Sales Account (Being the goods sold for cash)	Dr.	250	250
18	Cash Account Discount Account Dr. To Rosy Account (Being Rs. 396 received from Rosy and Rs. 4 discount allowed to her)	Dr.	396 4	400
21	Drawing Account Cash Account To Bank Account (Being cash withdrawn for both office and personal use)	Dr. Dr.	100 500	600
25	Telephone Rent Account To Cash Account (Being payment of telephone rent)	Dr.	40	40
28	Rosy Account To Cash Account To Discount Account (Being cash paid to Rosy and discount allowed to her)	Dr.	600	596 4
30	Stationery Account Rent Account Salaries Account To Cash Account (Being payment of stationery, rent and salaries)	Dr. Dr. Dr.	20 100 250	370
	<b>Total</b>		<b>13,060</b>	<b>13,060</b>

**Illustration: 2**

Journalize the following transactions:

2003 Jan.		Rs. in lakhs
1	Purchased machinery for cash	5,000
2	Sold goods to Ramesh for cash	2,000
3	Sold goods to Kannan	1,000
4	Cash received from Murugan	700
5	Cash withdrawn from bank	500
6	Paid salaries	800
7	Purchased goods worth of Rs. 1000 less 10% trade discount	
8	The erection charges of machinery amounted to Rs. 500 which were paid in cash	
9	Cash paid to Ramasamy	400
10	Paid interest	400
11	Returned goods to Premkumar	300
12	Returned goods by Periasamy	200
13	Received dividend on shares	500
14	Paid rent	400
15	Old furniture sold for	200

**Journal**

(Rs. in lakhs)

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2003 Jan.				
1	Machinery Account Dr. To Cash Account (Being Machinery purchased for cash)		5,000	5,000
2	Cash Account Dr. To Sales Account (Being goods sold for cash)		2,000	2,000
3	Kannan Account Dr. To Sales Account (Being goods sold for credit)		1,000	1,000
4	Cash Account Dr. To Murugan Account (Being cash received from Murugan)		700	700
5	Cash Account Dr. To Bank Account (Being cash withdrawn from Bank)		500	500
6	Salaries Account Dr. To Cash Account (Being cash paid for salaries)		800	800
Jan. 7	Purchase of goods Account Dr. To Cash Account To Discount Account (Being goods Purchased and discount allowed for Rs. 100)		1,000	900 100

8	Machinery Account To Cash Account (Being the erection charges paid for machinery)	Dr.	500	500
9	Ramasamy Account To Cash Account (Being cash paid to Ramasamy)	Dr.	400	400
10	Interest Account To Cash Account (Being cash paid for Interest)	Dr.	400	400
11	Premkumar Account To Purchase Return Account (Being goods returned to Premkumar)	Dr.	300	300
12	Sales Return Account To Periyasamy Account (Being goods returned by Periyasamy)	Dr.	200	200
13	Cash Account To Dividend on Shares Account (Being dividend received on shares)	Dr.	500	500
14	Rent Account To Cash Account (Being rent paid for cash)	Dr.	400	400
15	Cash Account To Old Furniture Account (Being old furniture sold for cash)	Dr.	200	200
	<b>Total</b>		<b>13,900</b>	<b>13,900</b>

**Illustration: 3**

Journalize the following transactions in the books of Mr. Sharma:

Jan. 2003

- Sharma started business by investing cash of Rs. 40,000. He brought goods of Rs. 10,000, Furniture Rs. 5,000 and Machinery Rs. 10,000
- Purchase building Rs. 5,000
- Sale of goods worth Rs. 7,000 less 10% trade discount
- Purchase of goods worth Rs. 6,000 less 5% cash discount
- Sold goods to William on credit Rs. 2,500
- Amount withdrawn from bank Rs. 800 for office use
- Paid freight Rs. 500
- Sold 50 shares in National Ltd @ Rs. 20 per share and commission paid Rs. 30
- Received cheque from Vijay and deposited in Bank Rs. 5,000
- Paid to Anderson in full settlement of Rs. 1,500
- Amount withdrawn from bank for personal use Rs. 500
- Paid rent Rs. 400 and Salaries Rs. 1,000
- Paid insurance premium Rs. 300
- Dividend received Rs. 300
- Cheque for Rs. 1,000 received from Murgan in settlement of a debt of Rs. 1,250 returned dishonoured

- 16 Bank collected interest on our investments Rs. 1,500  
 17 Charge of depreciation on Machinery @ 10% for six months (Machinery Rs. 20,000)  
 18 Sold goods to Balu Rs. 2,000

**Journal of Mr. Sharma Account**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Debit Rs.</i>	<i>Credit Rs.</i>
2003. Jan.				
1	Cash Account Dr. Goods Account Dr. Machinery Account Dr. Furniture Account Dr. To Capital Account (Being the cash, goods, furniture and machinery brought to start business)		40,000 10,000 10,000 5,000	65,000
2	Buildings Account Dr. To Cash Account (Being the buildings purchased)		5,000	5,000
3	Cash Account Dr. Discount Account Dr. To Sales Account (Being the goods sold and discount allowed)		6,300 700	7,000
4	Purchase Account Dr. To Cash Account To Discount Allowed Account (Being the goods purchased and discount allowed)		6,000	5,700 300
5	William Account Dr. To Sales Account (Being goods sold on credit)		2,500	2,500
6	Cash Account Dr. To Bank Account (Being amount withdrawn for office use)		800	800
7	Freights Account Dr. To Cash Account (Being cash paid for freight)		500	500
8	Cash Account Dr. To Investment in Shares Account (Being 50 shares in National Ltd. sold @ Rs.20 per share less commission )		970	970
9	Bank Account Dr. To Vijay Account (Being cheque received and deposited in bank)		5,000	5,000

10	Anderson Account To Cash Account (Being the cash paid in full settlement)	Dr.	1,500	1,500
11	Drawing Account To Bank Account (Being amount withdrawn for personal use)	Dr.	500	500
12	Rent Account Salaries Account To Cash Account (Being paid rent and salaries)	Dr. Dr.	400 1,000	1,400
13	Bank Account To Dividend Account (Being Dividend received)	Dr.	300	300
14	Murugan Account To Bank Account To Discount Allowed Account (Being Cheque received from Murugan in settlement of a debt of Rs.1250 dishonoured and discount allowed)	Dr.	1,250	1,000 250
15	Bank Account To Interest on Investment account (Being Bank collected interest on investment)	Dr.	1,500	1,500
16	Depreciation Account To Machinery Account (Being depreciation on machinery charged @ 10% P.a. on Rs. 2000 for six months)	Dr.	1,000	1,000
17	Balu Account To Sales Account (Being goods sold to Balu)	Dr.	2,000	2,000

**Illustration: 4**

Journalize the following transactions :

Jan. 2003

		Rs.
1	Ravi Commenced business with	42,000
3	Goods purchased for cash	18,400
6	Goods sold to Ramesh on credit	11,200
7	Brought goods from Ram	6,600
10	Cash received from Ramesh	7,200
12	Paid Ram on account	4,200
16	Goods sold to Rajive	7,500
20	Goods sold for cash	15,000
27	Amount paid to Ram	2,400
29	Cash received from Rajive	7,500
31	Paid rent in cash	900
31	Salary paid to office staff	1,400



**Solution:****Journal**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Debit Rs.</i>	<i>Credit Rs.</i>
2003 Jan.1	Cash Account Dr. To Capital Account (Being the amount invested in cash)		42,000	42,000
3	Purchase Account Dr. To Cash Account (Being cash purchased of goods)		18,400	18,400
6	Ramesh Account Dr. To Sales Account (Being credit sales of goods)		11,200	11,200
7	Purchase Account Dr. To Ram Account (Being credit purchase of goods)		6,600	6,600
10	Cash Account Dr. To Ramesh Account (Being cash received from Ramesh)		7,200	7,200
12	Ram Account Dr. To Cash Account (Being cash paid to Ram)		4,200	4,200
16	Rajive Account Dr. To Sales Account (Being Credit Sales)		7,500	7,500
20	Cash Account Dr. To Sales Account (Being Goods sold for cash)		15,000	15,000
27	Ram Account Dr. To Cash Account (Being amount paid to Ram)		2,400	2,400
29	Cash Account Dr. To Rajive Account (Being cash received from Rajive)		7,500	7,500
31	Rent Account Dr. To Cash Account (Being cash paid for rent)		900	900
31	Salaries Account Dr. To Cash Account (Being cash paid for salaries)		1,400	1,400

**Illustration: 5**

Journalize the transactions given below in the books of Sakesha & Co. :

2003

- Jan.1 Sakesha starts business with Rs. 40,000  
 1 Paid in to bank Rs. 36,000  
 2 Bought furniture for 1,700 and typewriter for Rs. 3,000, payment made by cheque  
 5 Goods purchased from Ramasamy & Co. for 11,200 on credit  
 7 Goods purchased from Porwal & Co. for Cash Rs. 2,200  
 8 Goods sold on credit to Gupta & Co. Rs. 3,000  
 10 Goods sold on credit to Chandra & Co. Rs. 5,600  
 11 Paid for office stationery Rs. 500  
 12 Paid rent Rs. 400  
 14 Brought fixtures for Rs. 2,000  
 17 Received cash from Gupta & Co. Rs. 2940; allowed them discount Rs. 60  
 20 Issued cheque for Rs. 11,000 in full settlement (i.e., nothing more is due them) to Ramasamy & Co.  
 25 Paid in to bank Rs. 2,400  
 30 Paid insurance premium Rs. 900 by cheque

**Solution:**

**Journal of Sakesha & Co.**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
Jan.1	Cash Account Dr. To Capital Account (Being commenced with business Rs. 40,000)		40,000	40,000
1	Bank Account Dr. To Cash Account (Being cash paid in to bank)		36,000	36,000
2	Furniture Account Dr. Typewriter Account Dr. To Bank Account (Being bought furniture & typewriter)		1,700 3,000	4,700
5	Goods Purchased Account Dr. To Ramasamy & Co. (Being goods purchased on credit)		11,200	11,200
7	Good Purchased Account Dr. To Cash Account (Being goods received from Porwal & Co.)		2,200	2,200
8	Gupta & Co. Account Dr. To Sales Account (Being goods sold on credit)		3,000	3,000
10	Chandra & Co. Account Dr. To Sales Account (Being goods sold on credit)		5,600	5,600
11	Office Stationery Account Dr. To Cash Account (Being bought office stationery)		500	500

12	Rent Account To Cash Account (Being Rent Paid)	Dr.	400	400
14	Fixtures Account To Cash Account (Being bought fixtures)	Dr.	2,000	2,000
17	Cash Account To Gupta & Co. Account To Discount Allowed A/c (Being cash received in full statement)	Dr.	3,000	2,940 60
20	Ramasamy & Co. Account To Bank Account (Being cheque issued to Ramasamy & Co.)	Dr.	11,000	11,000
25	Bank Account To Cash Account (Being cash paid into bank)	Dr.	2,400	2,400
30	Insurance Premium Account To Bank Account (Being insurance premium paid by cheque)	Dr.	900	900

**Illustration: 6**

Journalize the following transactions :

2003

- March 1 K. Singh started business with cash Rs. 80,000  
 2 Paid in to bank Rs. 4,000  
 4 Goods purchased from Prasad & Co. for cash Rs. 30,000  
 7 Goods sold for cash Rs. 12,000  
 9 Bought furniture from Kapur & Co. for Rs. 10,000 and paid by cheque  
 11 Goods sold to Sethi & Co. for Rs. 8000 on credit  
 13 Goods purchased from Gupta & Co. Rs. 20,000 on credit  
 15 Damaged goods returned to Gupta & Co. Rs. 10,000  
 16 Cash received from Sethi & Co. Rs. 7880 in full settlement  
 17 Withdraw goods for personal use Rs. 2000  
 19 Withdraw cash from business for personal use Rs. 4000  
 21 Paid telephone rent Rs. 2000  
 24 Paid cash to Gupta & Co. in full settlement of Rs. 9800  
 29 Brought stationery Rs. 400  
 Paid rent to office building Rs. 1000  
 Paid salaries to office staff Rs. 4000  
 31 Paid advertisement expenses of Rs. 2000

**Journal**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Debit Rs.</i>	<i>Credit Rs.</i>
2003 Mar. 1	Cash Account Dr. To Capital Account (Being commenced of business)		80,000	80,000
2	Bank Account Dr. To Cash Account (Being cash paid in to bank)		4,000	4,000
4	Purchase Account Dr. To Cash Account (Being goods purchased for cash)		30,000	30,000
7	Cash Account Dr. To Sales Account (Being goods sold for cash)		12,000	12,000
9	Furniture Account Dr. To Bank Account (Being purchase of furniture)		10,000	10,000
11	Sethi & Co. Account Dr. To Sales Account (Being goods sold on credit)		8,000	8,000
13	Purchase Account Dr. To Gupta & Co. Account (Being goods purchased on credit)		20,000	20,000
15	Gupta & Co. Account Dr. To Purchase Return Account (Being damaged goods returned)		10,000	10,000
16	Cash Account Dr. Discount Account Dr. To Sethi & Co. Account (Being cash received from Sethi & Co. in full settlement and allowed Rs. 140 as discount)		7,880 120	8,000
17	Drawings Account Dr. To Purchases Account (Being withdrawal of goods for personal use)		2,000	2,000
19	Drawings Account Dr. To Cash Account (Being cash withdrawal from the business for personal use)		4,000	4,000
21	Telephone Rent Account Dr. To Cash Account (Being telephone rent paid)		2,000	2,000
24	Gupta & Co. Account Dr. To Cash Account To Discount Account (Being cash paid to Gupta & Co. and allowed discount Rs. 200)		10,000	9,800 200

29	Stationery Account	Dr.	400	
	Rent Account	Dr.	1,000	
	Salaries Account	Dr.	4,000	
	To Cash Account (Being expenses paid)			5,400
31	Advertisement Expenses A/c	Dr.	2,000	
	To Cash Account (Being advertisement expenses paid)			2,000

**QUESTIONS**

1. What do you understand by accounting books and records?
2. What is meant by Journal?
3. Explain the different types of Journals.
4. Draw a specimen ruling of Journal.
5. What are the factors to be considered while making journal entry?
6. What do you understand by source of document? Explain briefly various sources of documents.

**PRACTICAL PROBLEMS**

- (1) Journalize the following transactions in the books of Mrs. Sharma & Co. :

2003

	Rs.
Jan. 1 Commenced business with cash	2,00,000
1 Purchased Machinery	25,000
2 Purchased goods on Credit from Ram	10,000
3 Purchase goods for cash	20,000
5 Sold goods for cash	10,000
7 Goods purchased from Ramesh	5,000
9 Goods return to Ram	500
10 Goods sold to Murugan	15,000
13 Goods returned by Murugan	300
15 Draw cash from bank for office use	1,000
17 Draw cash from bank for private use	2,000
19 Purchased furniture	5,000
22 Paid for office rent	1,500
25 Paid for Salaries	20,000
27 Paid for Advertisement	4,000
30 Sold goods Rs. 25,000 less 10% Discount.	

- (2) Pass the necessary Journal entries of Mrs. Gupta & Co.:

April 2003

	Rs.
1 Paid into Bank	50,000
2 Purchased Furniture for cash	10,000
5 Deposited into Bank	15,000
6 Purchased goods from Rahul	5,000
7 Sold goods on credit to Siva	7,000
9 Cash Sales	9,000
10 Cash Purchases	15,000
11 Amount withdrawn from bank for office use	3,000
15 Paid insurance premium	5,000
17 Dividend received	3,000
19 Paid rent	2,000
22 Paid Salaries	15,000
24 Drawn cash from bank for personal use	4,000
25 Goods returned from Siva	300
27 Goods returned to Rahul	200
30 Paid for Advertisement	1,000

- (3) Journalize the following transactions in the books of Ramesh & Co.:

2003

- Jan. 1 Started business with Rs. 50,000 and paid into Bank Rs. 25,000  
 3 Sold goods for cash Rs. 20,000  
 5 Brought Furniture for Rs. 7,000  
 7 Purchased goods from Pandey & Co. Rs. 15,000  
 9 Withdrawn Rs. 700 from bank for office use  
 11 Sold goods to Jain & Co. Rs. 10,000  
 13 Paid Salaries Rs. 20,000  
 15 Paid Telephone charges Rs. 1,000  
 17 Paid into Bank Rs. 50,00  
 19 Sold goods to Mrs. Gowda on credit for Rs. 15,000 less 10% Discount  
 21 Goods returned from Pandey Rs. 500  
 25 Received cash from Jain & Co. Rs. 5,500 Discount allowed Rs. 250  
 27 Withdraw Rs. 1,500 from bank for personal use  
 31 Paid for advertisement Rs. 2,000

- (4) Journalize the following transactions in the books of Mrs. Sam & Co.:

2003

- |  | Rs.      |
|--|----------|
| Jan. 1 Started business with cash  | 2,00,000 |
| 1 Paid in to Bank  | 50,000   |
| 2 Furniture purchased for cash   | 25,000   |
| 5 Machinery purchased  | 30,000   |
| 7 Goods sold for cash  | 10,000   |
| 9 Purchased goods from Reddy & Co.                                       | 20,000   |
| 10 Goods returned to Gupta.  | 500      |
| 13 Goods Returned from Reddy & Co.                                       | 1,000    |
| 15 Cash received from Jain Rs. 8,000 and discount allowed to him Rs. 100 |          |
| 17 Withdrawn from bank for office use                                    | 3,000    |
| 19 Paid Telephone rent   | 4,000    |
| 21 Paid Salaries   | 25,000   |
| 23 Goods sold to Ram on credit for                                       | 8,000    |
| 25 Paid rent and rates   | 1,000    |
| 27 Withdrawn from bank for personal use                                  | 2,000    |
| 29 Cash paid to Reddy & Co. for full settlement of his account           | 15,000   |
| 31 Goods sold to Ramesh for 10,000 less 10% trade discount.              |          |

- (5) Journalize the following transactions, in the books of Hariprasad & Co.:

2003

- Jan. 1 Business started with cash Rs. 2,50,000  
 1 Cash deposited into Bank Rs. 25,000  
 2 Machinery purchased from Krishna on credit for Rs. 10,000  
 2 Furniture purchased for cash Rs. 5,000  
 3 Sold goods to Murugan less trade discount of 10% for Rs. 20,000  
 5 Goods purchased from Jain for Rs. 5,000 at 10% trade discount.  
 7 Goods returned from Murugan for Rs. 250  
 9 Goods returned to Jain for Rs. 100  
 11 Withdrawn Rs. 5,000 from bank for office use  
 13 Paid for Advertisement Rs. 2,000  
 15 Goods purchased for cash Rs. 5,000  
 17 Paid salaries for Rs. 30,000  
 19 Goods sold for cash Rs. 10,000  
 21 Paid interest Rs. 2,000  
 23 Dividend received for Rs. 4,000  
 25 Withdrawn cash from bank for personal use for Rs. 1,000  
 27 Cash paid to Jain in full settlement of his account for Rs. 5,000  
 29 Deposited cash into Bank Rs. 3,000  
 31 Sold goods to Karthik on credit Rs. 7,000

## (6) Journalize the following transactions :

2003

- Jan. 1 Started business with Rs. 2,00,000; paid in to Bank Rs. 1,00,000  
3 Purchased furniture for cash Rs. 10,000  
7 Goods Purchased for cash Rs. 60,000  
8 Goods Sold for cash Rs. 12,000  
10 Purchased one typewriter for Rs. 4,000 from Ram & Co. on credit  
12 Goods sold to Kannan & Co. for Rs. 10,000 on credit  
15 Bought goods from Mahandra & Co. for Rs. 20,000 on credit  
16 Paid Rs. 5,000 for advertisement  
24 Goods sold to Varma & Co. Rs. 8,000 for cash  
25 Paid salaries to office staff Rs. 5,000  
27 Paid telephone rent Rs. 1,000  
30 Withdraw from bank Rs. 2,500 for private use  
31 Bought one delivery van for Rs. 40,000 from Mumbai Motor Co. on credit.

## (7) Journalize the following transactions :

2003

- Aprl. 1 Gill Commenced business with Rs. 1,00,000  
2 Paid in to Bank Rs. 60,000  
3 Purchased goods from Lindo Rs. 40,000  
5 Sold goods to Moorthi Rs. 30,000  
7 Purchased Furniture for Rs. 2,500  
8 Returned goods to Lindo Rs. 5,000  
10 Stationery purchased for Rs. 250  
11 Paid Lindo Rs. 35,000 by cheque  
14 Moorthi returned goods worth Rs. 2,000  
16 Moorthi paid us Rs. 28,000  
18 Cash sales Rs. 1,500  
19 Purchased goods from Gopal Rs. 10,000  
20 Sales to Meenashi & Co. Rs. 6,000  
21 Cash purchases Rs. 3,000  
22 Returned goods to Gopal Rs. 2,000  
23 Paid Gopal by cheque Rs. 8,000  
25 Received cheque from Meenashi & Co. Rs. 6,000  
26 Drawings Rs. 2,500  
27 Sold goods to Valen and cash received Rs. 1,500  
28 Paid rent Rs. 1,500 by cheque  
30 Paid Salary Rs. 2,000

## (8) Journalize the following transactions :

2003

- Mar. 1 Goods purchased for cash from Murthy Rs. 34,000  
3 Goods sold to Narayan Rs. 34,000 on credit  
5 Returned damaged goods to Dinkar Rs. 1,000  
7 Paid salaries Rs. 1,700  
10 Commission received for Rs. 1,400  
15 Goods sold to Rajendra for cash Rs. 4,000  
19 Goods sold on cash Rs. 10,000  
23 Purchased furniture from Prasad & Co. at Rs. 9,000 on credit  
25 Paid cash to Prasad & Co. Rs. 9,000  
31 Paid Rent Rs. 2,500

## (9) Journalize the following transactions :

2003

- Mar. 1 P.S. Rao started business with cash Rs. 10,000 and bank balance Rs. 1,60,000,  
building Rs. 60,000 and furniture Rs. 4,000  
2 Purchased goods from Rajendra Rs. 1,00,000  
3 Goods sold to Prasad Rs. 24,000

- 5 Goods purchased from Ghosh and paid by cheque Rs. 10,000
- 6 Damaged goods returned to Rajendra Rs. 10,000
- 7 Received goods returned by Prasad Rs. 4,000
- 8 Received cheque from Prasad Rs. 20,000
- 10 Paid in to bank to Rs. 20,000
- 11 Paid Rajendra by cheque Rs. 90,000
- 12 Commission received Rs. 6,000
- 14 Purchased plant and machinery
- 15 Withdrawn from bank Rs. 4,000
- 17 Goods sold to Rajan and cheque received Rs. 4,000
- 20 Paid in to bank Rs. 6,000
- 23 Cash received from Ashok Rs. 40,000
- 25 Commission paid to broker Rs. 1,000
- 30 Paid advertisement Rs. 5,000

- (10) The following are the transactions of Rajan Nair & Co. for the month of April 2003, Journalize the transactions :

2003

- Aprl. 1 Capital paid in to bank Rs. 50,000
- 1 Bought stationery for cash Rs. 300
  - 2 Bought office furniture from Gupta & Co. Rs. 5,000
  - 3 Goods sold to Anand Rs. 10,000
  - 5 Goods purchased for cash Rs. 21,000
  - 7 Received cheque from Bharathan Rs. 10,000
  - 10 Bought postage stamps Rs. 100
  - 12 Goods sold for cash Rs. 7,500
  - 15 Paid salaries to office staff Rs. 2,500
  - 16 Paid Gupta & Co. by cheque Rs. 5,000
  - 17 Goods sold to Ashok & Co. Rs. 5,000
  - 19 Goods purchased from Lakshman & Co. Rs. 7,000
  - 21 Goods purchased for cash from Thaker & Co. Rs. 2,250
  - 25 Goods sold to Anand Rs. 3,500
  - 27 Cheque received from Ashok & Co. Rs. 5,000
  - 29 Paid Thaker & Co. by cheque in full settlement of Rs. 2,250
  - 30 Withdrawn from bank Rs. 2,500

- (11) Pass journal entries in the books of Jain & Co. from the following transactions :

2004

- Mar. 1 Jain & Co. started business with cash Rs. 80,000; Goods Rs. 80,000 and furniture Rs. 20,000
- 5 Goods sold to Ravi for cash Rs. 20,000
  - 7 Damaged goods returned from Ravi Rs. 4,000
  - 9 Received from Ravi Rs. 15,980 in full settlement of his account
  - 13 Bought goods from Sherlekar of the list price of Rs. 20,000 at Rs. 15 trade discount
  - 17 Goods returned to Sherlekar of the list price of Rs. 2,000
  - 22 Settled the account of Sherlekar by paying cash, under a discount of 10%
  - 25 Bought a furniture for Rs. 2,400 for the domestic use of Jain & Co.
  - 31 Paid for trade expenses Rs. 1,400
  - 31 Paid for travelling expenses Rs. 760

- (12) Journalize the following transactions :

2004

- Jan. 1 Nataraj started with cash Rs. 2,00,000
- 2 Paid in to bank Rs. 2,00,000
  - 4 Purchased goods from Thangam & Co. on credit Rs. 10,000
  - 5 Paid Postage & Telegram Rs. 500
  - 7 Bought furniture Rs. 10,000
  - 8 Purchased adding machine Rs. 20,000
  - 9 Goods sold for cash Rs. 25,000
  - 15 Sold goods on credit to Mohan & Co. Rs. 50,000
  - 16 Paid to Thangam & Co. Rs. 9,950 and discount allowed by him Rs. 50
  - 20 Sold goods to Ramesh & Co. Rs. 15,000



- 24 Received cheque from Mohan & Co. in full settlement of amount due to them Rs. 49,500
- 31 Paid rent by cheque Rs. 5,000

(13) Pass journal entries for the following transactions :

- (1) Goods purchased from Kapil Dev for Rs. 80,000 at a trade discount of 10% and cash discount of 2% paid 75% of the amount immediately
- (2) Received a cheque from Prem Kumar for Rs. 16,000 this cheque was deposited in to bank the next day
- (3) Cheque received from Premkumar was dishonoured
- (4) Sold old news papers Rs. 100
- (5) Bought goods from Raj & Co. and paid by cheque Rs. 14,000
- (6) Sold half of the above goods to Sam & Co. at a profit of 35% on cost

(14) Record the following transactions in the account of Hari & Co. :

2004

- Jan. 1 Goods sold to Swaminathan Rs. 12,000  
3 Cash received from Swaminathan Rs. 11,600  
and allowed him discount Rs. 400  
15 Bought goods from Rajan on Credit Rs. 16,000  
20 Paid cash to Rajan in full settlement of his account Rs. 15,900  
25 Paid cash for trade expenses Rs. 200  
27 Paid cash for stationery Rs. 375  
29 Paid wages Rs. 500  
30 Cash Sales Rs. 12,000

(15) Journalize the following transactions :

- (1) Bought goods for cash Rs. 50,000
- (2) Paid cash for stationery Rs. 500
- (3) Bought furniture for cash Rs. 4,000
- (4) Sold goods for cash Rs. 16,000
- (5) Sold goods to Jhon on credit Rs. 5,000
- (6) Sold goods to William for cash Rs. 7,000
- (7) Paid rent Rs. 1,500
- (8) Paid salary Rs. 1,000
- (9) Paid freight on goods purchased Rs. 500
- (10) Paid wages Rs. 700
- (11) Received from James Rs. 5,000
- (12) Received Interest from James Rs. 1,000

## LEDGER

### Meaning and Definition

Ledger refers to the book of Main Entry and it contains various accounts such as Personal Accounts, Real Accounts and Nominal Accounts. In the first stage of accounting cycle, all business transactions are recorded separately through Journal or Subsidiary Books during a particular date or period. Hence, Journal fails to bring the similar transactions together and it is not useful for any reference. In order to have a consolidated view of the similar transactions, the transactions entered in the journal will have to be posted to Ledger Account.

A Ledger Account may be defined as a “Summary Statement of all transactions relating to a person, asset, expense or income which have taken place during a given period of time and showing their net effect.” From the above definition, we can observe that Ledger is designed as the book of second stage in the accounting cycle which is used for recorded transactions which are classified and grouped into different heads of accounts.

### Specimen Rulings of Ledger

The specimen of ruling of each account in the ledger is as follows :

Dr.				Name of Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
	To Name of Debit A/c				By Name of Credit A/c						

From the above specimen rulings of ledger account, we can observe the following points :

- (1) Ledger Account is usually in the "T" form which contain two sides—Debit side and Credit side.
- (2) Left hand side is called Debit Side (Dr.)
- (3) Right hand side is called Credit Side (Cr.)
- (4) Each side further divided into four columns :
  - (a) Column 1 meant for date, month and year.
  - (b) Column 2 meant for particulars.
  - (c) 'F' stands for Folio (Page Number) of the Journal or Subsidiary Books.
  - (d) Accounts to be Debited or Credited.
- (5) The name of accounts to be debited find an entry on the left side.
- (6) The name of accounts to be credited find an entry on the right side.

### Posting of Journal to Ledger

The term "Posting" refers to the process of entering in the ledger the information given in the journal. In other words, the process of transferring the transactions from the journal to the ledger during the particular period is known as "Posting." Accordingly separate account should be opened into the ledger for posting the transactions relating to the individual persons, assets, expenses or losses as shown in the journal. The following example will make you clear the process of posting.

Jan.1

2003, Kannan Sold goods to Gupta Rs. 5,000.

#### Journal Entry

2003	Particulars	Debit Rs.	Credit Rs.
Jan.1	Gupta Account Dr. To Sales Account (Being goods Sold to Gupta on Credit)	5,000	5,000

Dr.				Gupta Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.1	To Sales A/c		5,000								

Dr.				Sales Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.				
				2003 Jan.1	By Gupta A/c		5,000				

### Balancing of Ledger Account

In order to prepare the financial statements, balancing of various accounts in the ledger is essential. The following procedure to be adopted while balancing of various accounts in the ledger.

- (1) Debit and Credit sides of an accounts are totalled separately.
- (2) Find the difference between the total of both sides.
- (3) The difference is entered on the side on which the total is smaller and this difference is the closing balance shown by the account and this will be carried forward to the next year as the "opening balance" in the account.
- (4) If the debit side of an amount is more, it is called Debit Balance and it is entered on the credit side to close the account and written as by balance c/d.
- (5) If the credit side of an amount is more it is called Credit Balance and it is entered on the debit side to close the account and written as To Balance c/d.

### Difference between Journal and Ledger

In the process of accounting cycle, both the Journal and Ledger serve as important books which are indispensable for each other. The following are the important points that differentiate the Journal and Ledger:

<i>Journal</i>	<i>Ledger</i>
(1) Journal is the book of Original Entry or First Entry	(1) Ledger is the book of Second entry
(2) It is the book of Chronological Record	(2) It is the book of Analytical Record
(3) The process of recording in the journal is called journalizing	(3) The process of recording in ledger is posting
(4) Journal as a book supported by greater sources of evidence	(4) Ledger is dependent on journal
(5) Journal lays focus on recording transactions	(5) Ledger focuses on process of classification of grouping of different heads of accounts.
(6) The process of Journalizing is a continuous one.	(6) The process of posting in ledger to be done according to the needs and convenience.

### Illustration: 7

By Solving illustration 1, Chapter 3, "Accounting Books and Records."

**Solution:****Ledger .****Dr. Capital Account (Rs. In lakhs) Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 31	To Balance c/d		4,500	2003 Mar.1	By Cash A/c		4,500
			4,500				4,500
				Apr.1	By Balance b/d		4,500

**Dr. Cash Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 1	To Capital A/c		4,500	2003 Mar. 1	By Bank A/c		2,500
5	To Sales A/c		600	2	By Purchase A/c		1,500
15	To Sales A/c		250	25	By Telephone rent A/c		40
18	To Rosy A/c		396	28	By Rosy A/c		594
21	To Bank A/c		500	30	By Stationery A/c		20
				30	By Rent A/c		100
				30	By Salaries A/c		250
				31	By Balance c/d		1,242
			6,246				6,246
Apr. 1	To Balance b/d		1,242				

**Dr. Bank Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar.1	To Cash A/c		2,500	2003 Mar.3	By Furniture A/c		500
				3	By Cash A/c		500
				21	By Drawings A/c		100
				31	By Balance c/d		1,400
			2,500				2,500
Apr. 1	To Balance b/d		1,400				

**Dr. Purchases Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar.2	To Cash A/c		1,500	2003 Mar.31	By Balance c/d		1,500
			1,500				1,500
Apr.1	To Balance b/d		1,500				

**Dr. Furniture Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 2	To Bank A/c		500	2003 Mar.31	By Balance c/d		500
			500				500
Aprl. 1	To Balance b/d		500				

**Dr. Sales Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar.31	To Balance c/d		1,250	2003 Mar.6	By Cash A/c		600
				8	By Rosy A/c		400
				15	By Cash A/c		250
			1,250				1,250
				Aprl.1	By Balance b/d		1,250

**Dr. Thomas Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 12	To Return onwards A/c		100	2003 Mar.31	By Balance c/d		100
			100				100
Aprl. 1	To Balance b/d		100				

**Dr. Return Outwards Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar.31	To Balance c/d		100	2003 Mar.12	By Thomas A/c		100
			100				100
				Aprl.1	By Balance b/d		100

**Dr. Rosy Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 31	To Sales A/c		400	2003 Mar. 18	By Cash A/c		396
28	To Cash A/c		594	18	By Discount A/c		4
28	To Discount A/c		6	31	By Balance c/d		600
			1,000				1,000
Aprl. 1	To Balance b/d		1,000				

Dr.				Discount Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.				
2003				2003							
Mar.18	To Rosy A/c		4	Mar.28	By Rosy A/c		6				
31	To Balance c/d		2								
			6				6				
				Aprl.1	By Balance b/d		2				

Dr.				Drawings Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.				
2003				2003							
Mar. 21	To Bank A/c		100	Mar. 31	By Balance c/d		100				
			100				100				
Aprl. 1	To Balance b/d		100								

Dr.				Telephone Rent Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.				
2003				2003							
Mar. 25	To Cash A/c		40	Mar. 31	By Balance c/d		40				
			40				40				
Aprl. 1	To Balance b/d		40								

Dr.				Stationery Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.				
2003				2003							
Mar. 30	To Cash A/c		20	Mar.31	By Balance c/d		20				
			20				20				
Aprl. 1	To Balance b/d		20								

Dr.				Rent Account				Cr.			
Date	Particulars	J.F.	Amounts Rs.	Date	Particulars	J.F.	Amount Rs.				
2003				2003							
Mar.30	To Cash A/c		100	Mar.31	By Balance c/d		100				
			100				100				
Aprl.1	To Balance b/d		100								

Dr. Salaries Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar.30	To Cash A/c		250	2003 Mar.31	By Balance c/d		250
			250				250
Apr.1	To Balance b/d		250				

**Illustration: 8**

By Solving illustration 2, Chapter 3, "Accounting Books and Records."

**Solution:**

Dr. Machinery Account				Cr. (Rs. in lakhs)			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.1	To Cash A/c		5,000	2003 Jan.31	By Balance c/d		5,500
31	To Cash A/c		500				5,500
			5,500				
Feb.1	To Balance b/d		5,500				

Dr. Cash Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.1	To Sales A/c		2,000	2003 Jan.1	By Machinery A/c		5,000
4	To Murugan A/c		700	6	By Salaries A/c		800
5	To Bank A/c		500	7	By Purchase of goods A/c		900
13	To Dividend A/c		500	8	By Machinery A/c		500
15	To Old Furniture A/c		200	9	By Ramasamy A/c		400
31	To Balance c/d		4,500	10	By Interest A/c		400
			8,400	14	By Rent A/c		400
				Api. 1	By Balance b/d		4,500

Dr. Sales Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 31	To Balance c/d		3,000	2003 Jan. 2	By Cash A/c		2,000
			3,000	2	By Kannan A/c		1,000
				Feb. 1	By Balance b/d		3,000

**Dr. Kannan Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 2	To Sales A/c		1,000	2003 Jan. 31	By Balance c/d		1,000
			1,000				1,000
Feb. 1	To Balance b/d		1,000				

**Dr. Murugan Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 31	To Balance c/d		700	2003 Jan. 4	By Cash A/c		700
			700				700
				Feb. 1	By Balance b/d		700

**Dr. Bank Account Cr.**

Date	Particulars	J.F.	Amounts Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 31	To Balance c/d		500	2003 Jan. 5	By Cash A/c		500
			500				500
				Feb. 1	By Balance b/d		500

**Dr. Salaries Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 6	To Cash A/c		800	2003 Jan. 31	By Balance c/d		800
			800				800
Feb. 1	To Balance b/d		800				

**Dr. Purchases of Goods Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 7	To Cash A/c		900	2003 Jan. 31	By Balance c/d		1,000
Jan. 7	To Discount A/c		100				1,000
			1,000				
Feb. 1	To Balance b/d		1,000				

**Dr. Discount Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 31	To Balance c/d		100	2003 Jan. 7	By Purchase of Goods A/c }		100
			100				100
				Feb. 1	By Balance b/d		100



Dr. <b>Ramasamy Account</b>				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.9	To Cash A/c		400	2003 Jan.4	By Balance c/d		400
			400				400
Feb.1	To Balance b/d		400				

Dr. <b>Interest Account</b>				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.10	To Cash A/c		400	2003 Jan.31	By Balance c/d		400
			400				400
Feb.1	To Balance b/d		400				

Dr. <b>Premkumar Account</b>				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.11	To Purchase Return A/c		300	2003 Jan.31	By Balance c/d		300
			300				300
Feb.1	To Balance b/d		300				

Dr. <b>Purchases Return Account</b>				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.31	To Balance c/d		300	2003 Jan.11	By Premkumar A/c		300
			300				300
				Feb.1	By Balance b/d		300

Dr. <b>Sales Return Account</b>				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.12	To Periyasamy A/c		200	2003 Jan.31	By Balance c/d		200
			200				200
Feb.1	To Balance b/d		200				

Dr. <b>Periyasamy Account</b>				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.31	To Balance c/d		200	2003 Jan.12	By Sales Return A/c		200
			200				200
				Feb.1	By Balance b/d		200

**Dr. Dividend on Shares Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.31	To Balance c/d		500	2003 Jan.13	By Cash A/c		500
			500				500
				Feb.1	By Balance b/d		500

**Dr. Rent Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.14	To Cash A/c		400	2003 Jan.31	By Balance c/d		400
			400				400
Feb.1	To Balance b/d		400				

**Dr. Old Furniture Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.31	To Balance c/d		200	2003 Jan.15	By Cash A/c		200
			200				200
				Feb.1	By Balance b/d		200

**Illustration: 9**

By Solving illustration 3, Chapter 3 of "Accounting Books and Records."

**Solution:**

**Ledger**

**Dr. Capital Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.31	To Balance c/d		65,000	2003 Jan.1	By Cash A/c		40,000
				1	By Goods A/c		10,000
				1	By Machinery A/c		10,000
				1	By Furniture A/c		5,000
			65,000				65,000
				Apr.1	By Balance b/d		65,000

**Dr. Bank Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Jan.1	To Capital A/c		40,000	Jan.2	By Buildings A/c		5,000
3	To Sales A/c		6,300	4	By Purchase A/c		5,700
6	To Bank A/c		800	7	By Freight A/c		500
8	To Share Capital A/c		970	10	By Anderson A/c		1,500
				12	By Rent A/c		400
				12	By Salaries A/c		1,000
				31	By Balance c/d		33,970
			48,070				48,070
Feb.1	To Balance b/d		33,970				

**Dr. Goods Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Jan.1	To Capital A/c		10,000	Jan.31	By Balance c/d		10,000
			10,000				10,000
Feb.1	To Balance b/d		10,000				

**Dr. Machinery Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Jan.1	To Capital A/c		10,000	Jan.19	By Depreciation A/c		1,000
				31	By Balance c/d		9,000
			10,000				10,000
Feb.1	To Balance b/d		9,000				

**Dr. Furniture Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Jan.1	To Capital A/c		5,000	Jan.31	By Balance c/d		5,000
			5,000				5,000
Feb.1	To Balance b/d		5,000				

**Dr. Buildings Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Jan.1	To Cash A/c		5,000	Jan.31	By Balance c/d		5,000
			5,000				5,000
Feb.1	To Balance b/d		5,000				

**Dr. Discount Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Jan.3	To Sales A/c		700	Jan.4	By Purchases A/c		300
15	By Murugan A/c		250	31	By Balance c/d		150
			700				700
Feb.1	To Balance b/d		150				

**Dr. Sales Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Jan.31	To Balance c/d		11,500	Jan.3	By Cash A/c		6,300
				3	By Discount A/c		700
				5	By William A/c		2,500
				20	By Balu A/c		2,000
			11,500				11,500
				Feb.1	By Balance b/d		11,500

**Dr. Purchases Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Jan.4	To Cash A/c		5,700	Jan.31	By Balance c/d		6,000
4	To Discount A/c		300				6,000
			6,000				
Feb.1	To Balance b/d		6,000				

**Dr. William Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Jan.5	To Sales A/c		2,500	Jan.31	By Balance c/d		2,500
			2,500				2,500
Feb.1	To Balance b/d		2,500				

**Dr. Bank Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Jan. 9	To Vijay A/c		5,000	Jan.6	By Cash A/c		800
14	To Dividend A/c		300	11	By Drawings A/c		500
16	To Interest on Investment A/c		1,500	15	By Murugan A/c		1,000
			6,800	31	By Balance c/d		4,500
							6,800
Feb.1	To Balance b/d		4,500				

**Dr. Freight Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.7	To Cash A/c		500	2003 Jan.31	By Balance c/d		500
			500				500
Feb.1	To Balance b/d		500				

**Dr. Share Capital Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.31	To Balance c/d		970	2003 Jan.31	By Cash A/c		970
			970				970
				Feb.1	By Balance b/d		970

**Dr. Vijay Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.31	To Balance c/d		5,000	2003 Jan.9	By Bank A/c		5,000
			5,000				5,000
				Feb.1	By Balance b/d		5,000

**Dr. Anderson Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.10	To Cash A/c		1,500	2003 Jan.31	By Balance c/d		1,500
			1,500				1,500
Feb.1	To Balance b/d		1,500				

**Dr. Drawings Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.11	To Bank A/c		500	2003 Jan.31	By Balance c/d		500
			500				500
Feb.1	To Balance b/d		500				

**Dr. Rent Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.12	To Cash A/c		400	2003 Jan.31	By Balance c/d		400
			400				400
Feb.1	To Balance b/d		400				

**Dr. Salaries Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.12	To Cash A/c		1,000	2003 Jan.31	By Balance c/d		1,000
			1,000				1,000
Feb.1	To Balance b/d		1,000				

**Dr. Dividend Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.31	To Balance c/d		300	2003 Jan.14	By Bank A/c		300
			300				300
				Feb.1	By Balance b/d		300

**Dr. Murugan Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.15	To Bank A/c		1,000	2003 Jan.31	By Balance c/d		1,250
15	To Discount A/c		250				1,250
			1,250				
Feb.1	To Balance b/d		1,250				

**Dr. Interest on Investment Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.31	To Balance c/d		1,500	2003 Jan.16	By Bank A/c		1,500
			1,500				1,500
				Feb.1	By Balance b/d		1,500

**Dr. Depreciation Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.19	To Machinery A/c		1,000	2003 Jan.31	By Balance c/d		1,000
			1,000				1,000
Feb.1	To Balance b/d		1,000				

**Dr. Balu Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan.20	To Sales A/c		2,000	2003 Jan.31	By Balance c/d		2,000
			2,000				2,000
Feb.1	To Balance b/d		2,000				

**QUESTIONS**

1. What do you understand by Ledger?
2. Draw a specimen ruling of ledger. Explain it briefly.
3. What are the differences between Journal and Ledger?

**PRACTICAL PROBLEMS**

- (1) Record the following transactions in the Ledger of Mrs. Pandey & Co.:

2003		Rs.
Jan.	1 Commenced business with cash	4,00,000
	1 Purchased Machinery	50,000
	2 Purchased goods on credit from Ram	20,000
	3 Purchased goods for cash	20,000
	5 Sold goods for cash	10,000
	7 Goods purchased from Ramesh	10,000
	9 Goods Return to Ram	1,000
	10 Goods Sold to Murugan	30,000
	13 Goods returned by Murugan	500
	15 Draw cash from bank for office use	2,000
	17 Draw cash from bank for private use	5,000
	19 Purchased furniture	10,000
	22 Paid for office rent	4,000
	25 Paid for Salaries	30,000
	27 Paid for Advertisement	4,000
	30 Sold goods of Rs. 35,000 less 10% discount	

- (2) From the following transactions, you are required to prepare Journal and Ledger Account of Ram & Co.:

2003		Rs.
Jan.1	Paid into Bank	50,000
	2 Purchased Furniture for cash	10,000
	5 Deposited into Bank	15,000
	6 Purchased goods from Rahul	5,000
	7 Sold goods on credit to Siva	7,000
	9 Cash Sales	9,000
	10 Cash Purchases	15,000
	11 Amount withdrawn from Bank for office use	3,000
	15 Paid insurance premium	5,000
	17 Dividend paid by cheque	2,000
	17 Dividend received	5,000
	19 Paid rent	1,500
	22 Paid salaries to office staff	15,000
	24 Draw cash from bank for personal use	4,000
	25 Goods returned from Siva	300
	27 Goods returned to Rahul	200
	30 Paid for Advertisement	1,000

- (3) Enter the following transactions in a Ledger Account of Ramesh & Co.:

2003	
Jan.	1 Started business with Rs. 50,000 and paid into Bank Rs. 25,000
	3 Sold goods for cash Rs. 20,000
	5 Brought Furniture for Rs. 7,000
	7 Purchased goods from Pandey & Co. Rs. 15,000
	9 Withdrawn Rs. 700 from bank for office use
	11 Sold goods to Jain & Co. Rs. 10,000
	13 Paid Salaries Rs. 20,000
	15 Paid Telephone charges of Rs. 1,000
	17 Paid into Bank Rs. 5,000
	19 Sold goods to Mrs. Gowda & Co. on Credit for Rs. 15,000 less 10% discount

- 21 Goods returned from Pandey Rs. 500
  - 25 Received cash from Jain & Co. Rs. 5,500 discount allowed Rs. 250
  - 27 Withdrawn Rs. 1,500 from bank for personal use
  - 31 Paid for advertisement Rs. 2,000
- (4) From the following transactions, you are required to prepare Journal and Ledger Account of Mrs. Sam & Co.:

2003

- Jan. 1 Started business with cash Rs. 2,00,000
- 1 Paid into Bank Rs. 50,000
  - 2 Goods sold to Ramesh for Rs. 10,000 less 10% trade discount
  - 4 Furniture purchased for cash Rs. 25,000
  - 7 Withdrawn from bank for personal use Rs. 2,000
  - 9 Machinery Purchased for cash Rs. 30,000
  - 11 Goods sold to Ram on credit for Rs. 8,000
  - 13 Good sold for cash Rs. 10,000
  - 15 Purchased goods from Reddy & Co. Rs. 20,000
  - 17 Goods returned from Reddy & Co. Rs. 1,000
  - 20 Goods returned to Gupta Rs. 500
  - 23 Cash paid to Reddy & Co. for full settlement of his account Rs. 15,000
  - 25 Withdrawn cash from bank for office use Rs. 3,000
  - 27 Paid telephone rent Rs. 1,500
  - 27 Paid salaries to office staff Rs. 25,000
  - 29 Cash received from John & Co. Rs. 8,000 and discount allowed to him Rs. 100
  - 31 Goods sold for cash Rs. 5,000

- (5) From the following transactions, you are required to prepare Journal and Ledger Account in the books of Hari Prasad & Co.:

2003

- Jan. 1 Business started with cash Rs. 3,00,000
- 1 Cash paid into Bank Rs. 25,000
  - 1 Purchased Furniture Rs. 5,000
  - 2 Machinery purchased from Krishna on credit for Rs. 10,000
  - 3 Goods sold for cash Rs. 10,000
  - 5 Goods sold to Murugan less trade discount of 10% for Rs. 20,000
  - 7 Goods purchased from Ramesh for Rs. 5,000 at 10% trade discount
  - 9 Goods returned from Murugan for Rs. 500
  - 11 Goods returned to Ramesh for Rs. 3,000
  - 14 Paid for Advertisement Rs. 2,000
  - 15 Withdrawn Rs.4,000 from bank for office use
  - 17 Goods purchased for cash Rs. 5,000
  - 19 Paid salaries to office staff Rs. 18,000
  - 21 Goods sold for cash Rs. 10,000
  - 23 Paid interest Rs. 1,500
  - 25 Dividend received Rs. 3,400
  - 27 Withdrawn cash from bank for personal use for Rs. 1,400
  - 29 Cash paid to Ramesh in full settlement of his account for Rs. 5,000
  - 30 Deposited cash into bank Rs. 3,000
  - 31 Sold goods to Karthik on credit for Rs. 5,000

## TRIAL BALANCE

### Meaning

To ensure the proof of completion and arithmetical correctness of the books of account, it is essential to prepare the trial balance. In the first stage of accounting all business transactions are recorded in Journal or Subsidiary Books. Then they are transferred to ledger by posting to relevant accounts. The fundamental principle of double entry system of accounting is that for every debit, there must be a corresponding and equal credit. Therefore, when all the accounts of a concern are thus balanced in the ledger at the end of the



period, a statement is prepared to show the list of debit balances on one side and credit balances on the other side. This list so prepared is called as "Trial Balance." Accordingly the total of the debit side of trial balance must be equal to that of its credit side.

### Objectives of Trial Balance

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

- (1) To ensure the arithmetical correctness of the book of accounts.
- (2) It is the statement that shows a summary of all business transactions recorded in the ledger accounts and reveals the net position at glance.
- (3) To ensure that the preparation of Journal and Ledger are based on the principles of double entry system.
- (4) To have a basis for preparation of income statements such as Trading, Profit and Loss Accounts.

### Errors Not Disclosed by Trial Balance

The statement of Trial Balance is not a final and conclusive proof of the complete correctness of books. This is because, there are certain errors in the books of accounts which may be committed while recording, classifying or summarizing the financial transactions which are not disclosed by the trial balance. The following are some of the errors which will not affect the agreement of Trial Balance:

### Classification of Errors

Errors can be classified on the basis of its nature :

- I. Errors of Omission.
- II. Errors of Commission.
- III. Errors of Principles.
- IV. Compensating Errors.

**I. Errors of Omission :** Errors of Omission refers to recording the transaction which is completely omitted in the books of journal or subsidiary books. Therefore errors are not disclosed by trial balance due to the transactions not being recorded and omitted in the book of original entry.

**II. Errors of Commission :** Errors of Commission may be occurred by wrong recording in the books of original entry. The committed errors arise due to the negligence of the Accountant while recording, totaling, carrying forward and balancing the accounting process. Therefore errors not disclosed by Trial Balance due to the errors committed by the negligence of the Accountants. The errors of commission may arise due to the following ways :

- (1) Entering the wrong amount to the correct side of correct subsidiary books
- (2) Entering the correct amount to the wrong side of correct subsidiary books
- (3) Entering the correct amount to the correct side of wrong subsidiary books
- (4) Posting wrong amount to the correct side of the accounts
- (5) Posting correct amount to the wrong side of the accounts
- (6) Posting to the correct side of the account but making double posting.

**III. Errors of Principles :** Transactions are recorded on the basis of the fundamental principles of double entry system of accounting. Errors of principles arise due to ignorance of the principles of accounting. Such errors do not affect the agreement of trial balance. The errors of principles occur due to the following ways :

- (1) Errors committed due to inability to properly allocate between revenue and capital items.
- (2) Errors committed due to inability to make the difference between capital expenditure and revenue expenditure.
- (3) Errors committed due to inability to make the difference between productive expenses and unproductive expenses.

**IV. Compensating Errors :** Compensating errors refer to those errors which are compensated by each other. In other words, the effect of one error is compensated by the other. Such errors which do not affect the agreement of the trial balance. For example, if wage paid Rs. 1,000 is debited in the Wage Account at Rs. 1,500 and dividend received Rs. 1,500 is credited in the Dividend Account at Rs. 2,000, the excess debit in Wage Account is compensated by an excess credit of Rs. 500 in Dividend Account.

#### **Errors Disclosed by Trial Balance**

A Trial Balance disclosed any errors due to affect the one side of account. The following are the examples of errors disclosed by the trial balance :

- (a) Errors committed in casting the books of subsidiary books.
- (b) Errors committed in carrying forward the total amount from one page to another.
- (c) Errors committed during posting from the books of journal or subsidiary books to ledger.
- (d) Errors committed in balancing the ledger accounts.
- (e) Errors committed during preparation of debtors' and creditors' list of accounts.
- (f) Errors committed due to ignorance in carrying forward a balance of an account to the Trial Balance.

#### **Location of Errors**

If the trial balance disagrees, it is essential to find out errors before proceeding further. The following is the usual procedure adopted to find out the errors :

- (1) Check the total of two side of the trial balance once again.
- (2) Divide the difference of the two sides of the trial balance by two and find out whether there appears an entry for the same amount either sides of the trial balance. It is possible that a balance may have been recorded in the wrong side of the trial balance thus resulting in the difference of double the amount.
- (3) If the mistake is not located by the first step then divide difference by 9. If the difference is evenly divisible by 9, the error can be an error of transposition of figure. For example, if Rs. 816 is written as Rs. 618 the difference is Rs. 198, and Rs. 198 is evenly divisible by 9. Thus, it can be concluded that where the difference is divisible by 9 there can be a possibility of this type of error.
- (4) Check the list of total balances of all debtors and creditors to find out the errors.
- (5) Check whether balances of cash and balances of bank have been taken in the trial balance or not.

- (6) Check the totals of different ledger accounts and carry forward to trial balances.
- (7) See the casting and carrying forward of subsidiary books.
- (8) Check the posting from the subsidiary books to ledger.

### **Suspense Account**

If the efforts are not to locate the errors, the difference of the trial balance is temporarily transferred to the Suspense Account. This is made because, the preparation of financial statements cannot be delayed further. In Suspense Account all those errors can be rectified only by making suitable journal entries.

### **Methods of Preparation of Trial Balance**

The following are the two methods of preparing the Trial Balance :

- I. Total Method.
- II. Balance Method.

**I. Total Method:** Under this method, the total of debits and credits of all accounts are shown in the respective debit and credit side of the trial balance.

**II. Balance Method:** In this method, only balance of each account of ledger is recorded in trial balance. In other words, all the list of debit balances recorded in one column and the list of credit balances recorded in the other. Of the two methods, this method is very widely used in practice.

### **Specimen Ruling of Trial Balance**

The following is the specimen ruling of Trial Balance:

**Trial Balance as on Mrs. I. M. Pandey's Book**

<i>S. No.</i>	<i>Name of Accounts</i>	<i>L.F.</i>	<i>Debit Balance Rs.</i>	<i>Credit Balance Rs.</i>

### **Illustration: 10**

From the accounts prepared in illustration 7, of Chapter 3 [Accounting Books and Records], you are required to prepare a Trial Balance :

**Solution:****Trial Balance as on 30<sup>th</sup> April 2003***(Rs. in Lakhs)*

S. No.	Name of Accounts	L.F.	Debit Balance Rs.	Credit Balance Rs.
1	Capital Account		—	4,500
2	Cash Account		1,242	
3	Bank Account		1,400	
4	Purchase Account		1,500	
5	Furniture Account		500	
6	Sales Account		—	1,250
7	Thomas Account		100	—
8	Return Outwards Account		—	100
9	Rosy Account		600	—
10	Discount Account		—	2
11	Drawing Account		100	
12	Telephone Account		40	
13	Stationery Account		20	
14	Rent Account		100	
15	Salaries Account		250	
	<b>Total</b>		<b>5,852</b>	<b>5,852</b>

**Illustration: 11**

From the accounts prepared in illustration 8, of Chapter 3 [Accounting Books and Records], you are required to prepare a Trial Balance :

**Solution:****Trial Balance as on Feb. 2003***(Rs in Lakhs)*

S. No.	Name of Accounts	L.F.	Debit Balance Rs.	Credit Balance Rs.
1	Machinery Account		5,500	—
2	Cash Account		—	4,500
3	Sales Account		—	3,000
4	Kannan Account		1,000	—
5	Murugan Account		—	700
6	Bank Account		—	500
7	Salaries Account		800	—
8	Purchase of Goods Account		1,000	—
9	Discount Account		—	100
10	Ramasamy Account		400	—
11	Interest Account		400	—
12	Premkumar Account		300	—
13	Purchase Return Account		—	300
14	Sales Return Account		200	—
15	Periasamy Account		—	200
16	Dividend on Shares Account		—	500
17	Rent Account		400	—
18	Old Furniture Account		—	200
	<b>Total</b>		<b>10,000</b>	<b>10,000</b>

**Illustration: 12**

From the accounts prepared in illustration 9, of Chapter 3 [Accounting Books and Records], you are requested to prepare a Trial Balance :

**Solution:****Trial Balance as on 29<sup>th</sup> Feb. 2003**

S. No.	Name of Accounts	L.F.	Debit Balance Rs.	Credit Balance Rs.
1	Capital Account		—	65,000
2	Cash Account		33,970	—
3	Goods Account		10,000	—
4	Machinery Account		9,000	—
5	Furniture Account		5,000	—
6	Buildings Account		5,000	—
7	Discount Account		150	—
8	Sales Account		—	11,500
9	Purchase Account		6,000	—
10	William Account		2,500	—
11	Bank Account		4,500	—
12	Freight Account		500	—
13	Share Capital Account		—	970
14	Vijay Account		—	5,000
15	Anderson Account		1,500	—
16	Drawings Account		500	—
17	Rent Account		400	—
18	Salaries Account		1,000	—
19	Dividend Account		—	300
20	Murugan Account		1,250	—
21	Interest on Investment		—	1,500
22	Depreciation Account		1,000	—
23	Balu Account		2,000	—
	Total		84,270	84,270

**Illustration: 13**

Journalize the following transactions. Post in the ledger. Extract balances and prepare list of such balances:

2003

- Mar.1 Jain commenced business with Rs. 80,000 cash and also brought into business furniture worth Rs. 10,000; motor car valued for Rs. 24,000 and stock worth Rs. 40,000
- 4 Paid in to bank Rs. 76,000
- 5 Goods purchased from Ramesh on credit for Rs. 18,000
- 7 Goods sold to James on credit for Rs. 12,000
- 8 Brought stationery from Javier & Co. for cash Rs. 400
- 10 Goods Sold to Ram & Co. for cash Rs. 4,000
- 11 Paid traveling expenses to manager for Rs. 1,200
- 13 Withdrawn cash Rs. 2,000 from bank for personal use
- 15 Withdrawn from the bank Rs. 6,000 for office use
- 17 Issued by cheque Rs.17,600 to Ramesh in full settlement of his account

- 21 Paid clearing charges Rs. 800  
 24 Received cheque for Rs. 12,000 from James  
 29 Paid Rs. 600 by cheque to owner's house being the house rent of Jain  
 30 Interest credit by bank for Rs. 400  
 31 Bank charges Rs. 50 debited in Jain A/c

## Journal

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Debit Rs.</i>	<i>Credit Rs.</i>
2003 Mar. 1	Cash A/c Furniture A/c Dr. Motor Car A/c Dr. Stock A/c Dr. To Jain's Capital A/c (Being Jain's commenced business)		Dr. 10,000 24,000 40,000	80,000   1,54,000
4	Bank A/c Dr. To Cash A/c (Being cash paid in to bank)		76,000	76,000
5	Purchases A/c Dr. To Ramesh A/c (Being goods purchased on credit )		18,000	18,000
7	James A/c Dr. To Sales A/c (Being goods sold on credit)		12,000	12,000
8	Stationery A/c Dr. To Cash A/c (Being office stationery purchased)		400	400
10	Cash A/c Dr. To Sales A/c (Being goods sold for cash)		4,000	4,000
11	Traveling expenses A/c Dr. To Cash A/c (Being payment of traveling expenses)		1,200	1,200
13	Drawing A/c Dr. To Bank A/c (Being amount withdrawn for personal use)		2,000	2,000
15	Cash A/c Dr. To Bank A/c (Being amount withdrawn for office use)		6,000	6,000
17	Ramesh A/c Dr. To Bank A/c To Discount A/c (Being received cheque in full settlement)		18,000	17,600 400
21	Clearing Charges A/c Dr. To Cash A/c (Being expenses paid)		800	800

24	Bank A/c To James A/c (Being cheque received from James)	Dr.	12,000	12,000
29	Drawing A/c To Bank A/c (Being payment to owner's house towards rent)	Dr.	600	600
30	Bank A/c To Interest A/c (Being interest credited by bank)	Dr.	400	400
31	Bank Charges A/c To Bank A/c (Being bank charges debited to Jain A/c)	Dr.	50	50

**Ledger****Dr. Cash Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 1	To Capital		80,000	2003 Mar. 4	By Bank		76,000
" 10	To Sales		4,000	" 8	By Stationery		400
" 15	To Bank		6,000	" 11	By Traveling Expenses } By Clearing charges		1,200
				" 21			800
				" 31	By Balance c/d		11,600
			90,000				90,000
Apr. 1	To Balance b/d		11,600				

**Dr. Bank Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 4	To Cash		76,000	2003 Mar. 13	By Drawings		2,000
" 24	To James		12,000	" 15	By Cash		6,000
" 30	To Interest		400	" 17	By Ramesh		17,600
				" 29	By Drawings		600
				" 31	By Bank charges		50
				" 31	By Balance c/d		62,150
			88,400				88,400
Apr. 1	To Balance b/d		62,150				

**Dr. Purchase Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 5	To Ramesh		18,000	2003 Mar. 31	By Balance c/d		18,000
			18,000				18,000
Apr. 1	To Balance b/d		18,000				

**Dr. Sales Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 31	To Balance c/d		16,000	2003 Mar. 7 "10	By James By Ram & Co		12,000 4,000
			16,000				16,000
				Aprl. 1	By Balance b/d		16,000

**Dr. Ramesh Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 31 " 17	To Bank To Discount		17,600 400	2003 Mar. 5	By Purchases		18,000
			18,000				18,000

**Dr. Jain's Capital Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 31	To Balance c/d		1,54,000	2003 Mar. 1 " 1 " 1 " 1	By Cash By Furniture By Motor car By Stock		80,000 10,000 24,000 40,000
			1,54,000				1,54,000
Aprl. 1	By Balance b/d		1,54,000				

**Dr. Furniture Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 1	To Capital		10,000	2003 Mar. 31	By Balance c/d		10,000
			10,000				10,000
Aprl. 1	To Balance b/d		10,000				

**Dr. Motor Car Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 1	To Capital		24,000	2003 Mar. 31	By Balance c/d		24,000
			24,000				24,000
Aprl. 1	To Balance b/d		24,000				



**Dr. Stock Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 1	To Capital A/c		40,000	2003 Mar. 31	By Balance c/d		40,000
			40,000				40,000
Apr. 1	To Balance b/d		40,000				

**Dr. James Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 7	To Sales		12,000	2003 Mar. 24	By Bank		12,000
			12,000				12,000

**Dr. Stationery Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 8	To Cash		400	2003 Mar. 31	By Balance c/d		400
			400				400
Apr. 1	To Balance b/d		400				

**Dr. Traveling Expenses Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 11	To Cash		1,200	2003 Mar. 31	By Balance c/d		1,200
			1,200				1,200
Apr. 1	To Balance b/d		1,200				

**Dr. Drawing Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 13 "29	To Bank To Bank		2,000 600	2003 Mar. 31	By Balance c/d		2,600
			2,600				2,600
Apr. 1	To Balance b/d		2,600				

**Dr. Discount Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 31	To Balance c/d		400	2003 Mar. 17	By Ramesh		400
			400				400
				Apr. 1	By Balance b/d		400

**Dr. Clearing Charges Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 21	To Cash		800	2003 Mar. 31	By Balance c/d		800
			800				800
Aprl. 1	To Balance b/d		800				

**Dr. Interest Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 31	To Balance c/d		400	2003 Mar. 30	By Bank		400
			400				400
				Aprl. 1	By Balance b/d		400

**Dr. Bank Charges Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 31	To Bank		50	2003 Mar. 31	By Balance c/d		50
			50				50
Aprl. 1	By Balance b/d		50				

**Trial Balance**

<i>Name of Accounts</i>	<i>Debit Balance Rs.</i>	<i>Credit Balance Rs.</i>
Cash Account	11,600	—
Bank Account	62,150	—
Purchases Account	18,000	—
Sales Account	—	16,000
Jain's Capital Account	—	1,54,000
Furniture Account	10,000	—
Motor Car Account	24,000	—
Stock Account	40,000	—
Stationery Account	400	—
Traveling Expenses Account	1,200	—
Drawing Account	2,600	—
Discount Account	—	400
Clearing Charges Account	800	—
Interest Account	—	400
Bank Charges Account	50	—
	1,70,800	1,70,800

**QUESTIONS**

1. What is a Trial Balance?
2. What are the important objectives of Trial Balance?
3. Explain the errors which are disclosed by the Trial Balance.
4. Discuss the classification of Errors.
5. What do you meant by Suspense Account?
6. What are the procedures adopted for locating errors?

7. Explain the methods of preparation of Trial Balance.
8. Explain the errors disclosed by Trial Balance.
9. Write short notes on :
  - (a) Errors of Commission
  - (b) Errors of Principles
  - (c) Suspense Account

**PRACTICAL PROBLEMS**

- (1) From the following incorrect Trial Balance of Gupta & Co., you are required to prepare a correct Trial Balance :

<i>Name of Accounts</i>	<i>Dr. Rs.</i>	<i>Cr. Rs.</i>
Sales	5,00,000	—
Sales Return	10,000	—
Purchases	—	3,00,000
Purchase Return	—	5,000
Sundry Debtors	4,00,000	—
Sundry Creditors	1,50,000	—
Fixed Assets	—	2,50,000
Opening Stock	—	1,50,000
Closing Stock	2,00,000	—
Capital	—	4,70,000
Operating Expenses	1,00,000	—
General Reserve	—	1,00,000
Outstanding Expenses	—	10,000
Cash at Bank	—	25,000
Suspense Account	—	50,000
<b>Total</b>	<b>13,60,000</b>	<b>13,60,000</b>

[Ans : Total Trial Balance Rs. 12,35,000]

- (2) From the following wrong trial balance of Mrs. Sharma & Co., you are required to prepare a correct Trial Balance:

<i>Name of Accounts</i>	<i>Dr. Rs.</i>	<i>Cr. Rs.</i>
Sales	—	42,000
Purchase	1,76,000	—
Stock	—	4,00,000
Furniture	40,000	—
Buildings	2,00,000	—
Cash in hand	—	11,600
Interest	4,000	—
Bank A/c	5,00,000	—
Plant	—	1,06,000
Kumar	20,000	—
Capital	40,000	—
Govind's Loan A/c	—	2,00,000
Ramesh A/c	—	1,00,000
Bad Debits	6,000	—
Discount Account	—	7,600
Jain A/c	—	1,00,000
Salary	40,000	—
Drawings	4,000	—
Interest on Loan	10,000	—
<b>Total</b>	<b>10,40,000</b>	<b>9,67,200</b>

- (3) From the following information, you are required to prepare a Trial Balance of M & S & Co.:

	<i>Rs.</i>
Purchases	35,400
Purchase Return	550
Sales	64,000

Sales Return	500
Opening Stock	23,500
Manufacturing Expenses	1,250
Salaries	4,750
Interest paid	2,300
Dividend paid	50
Discount received	2,000
Rent and Rates	1,000
Tax paid	1,750
Bank Overdraft	3,000
Cash in hand	6,700
Sundry Debtors	25,000
Bills Payable	2,000
Bills Receivable	2,600
Drawings	3,000
Machinery	2,250
Debenture	5,000
Capital	12,000
Sundry Creditors	21,500

[Ans : Total of Trial Balance Rs. 2,20,100]

- (4) The following balances are extracted from the books Patel & Co. as on 31<sup>st</sup> December 2003.

	Rs.		Rs.
Capital	1,00,000	Salaries	25,000
Drawings	25,000	Rent	10,000
Purchases	4,50,000	Taxes	1,500
Sales	6,50,000	Insurance	3,000
Return Inwards	3,500	Sundry Debtors	40,000
Return Outwards	4,500	Sundry Creditors	30,000
Carriage Inwards	5,500	Cash on hand	2,500
Carriage Outwards	4,000	Cash at bank	12,500
Duty on Purchases	10,000	Furniture	5,000
Stock on (31.12.2003)	55,000	Land	1,02,000
Motor Van	30,000		

Prepare a Trial Balance as at 31.12.2003

[Ans : Total Trial Balance of Rs.7,84,500]

- (5) Prepare the Trial Balance of Ramesh as at 31<sup>st</sup> March 2004

	Rs.		Rs.
Cash	3,700	Land and Buildings	2,80,000
Opening Stock	57,000	Rent Received	50,000
Debtors	32,000	Electricity	65,000
Sales	6,39,000	Bills Receivable	17,000
Wages	1,32,000	Traveling Expenses	23,000
Sundry Creditors	52,000	Insurance	36,000
Bad Debts Reserve	4,000	Purchases	1,20,000
Carriage	3,000	Purchases Returns	5,000
Trade Marks	53,000	Discount	3,000
Advertising	12,500	Bad Debts	7,000
Salaries	1,09,000	Bank	85,000
Machinery	2,89,000	Capital	5,87,200

[Ans : Trial Balance Total Rs.13,32,200]

(6) The following trial balance<sup>2</sup> of Rajive & Co., although it adds up to the same total on both sides, is incorrect :

	Dr. Rs.	Cr. Rs.
Capital 1 <sup>st</sup> Jan. 2003	8,950	—
Drawings	—	1,050
Stock 1 <sup>st</sup> Jan. 2003	3,725	—
Purchases	23,100	—
Sales	—	39,425
Wages and Salaries	6,205	—
Lighting and heating	310	—
Equipment	3,600	—
Carriage Outward	—	230
Return Inwards	105	—
Return Outwards	—	290
Provision for bad debts	350	—
Discount allowed	285	—
Discount received	—	315
Rent, Rates and Insurance	1,115	—
Motor Vehicles	1,475	—
Cash in hand	110	—
Sundry Creditors	4,925	—
Sundry Debtors	—	13,920
Bank overdraft	975	—
	55,230	55,230

(7) The following Trial Balance of a firm as on 31<sup>st</sup> March 2004 is not correct. Recast it correctly.

	Debit Balances Rs.		Credit Balances Rs.
Debtors	65,000	Discount allowed	26,000
Purchases	3,20,000	Carriage	5,500
Wages	1,30,000	Cash in hand	4,500
Salaries	40,000	Bank Balances	60,500
Traveling Expenses	10,000	Repairs	2,100
Insurance	3,000	Sundry Expenses	1,100
Mortgage Interest	3,000	Sales	6,00,000
Buildings	80,000	Capital	2,50,000
Machinery	1,30,000	Rent & Taxes	16,500
Furniture	15,000		
Stock	54,000		
Mortgage loan	70,000		
Creditors	42,000		
Commission earned	4,200		
	9,66,200		9,66,200

(8) Prepare a Trial Balance from the following balances :

	Rs.		Rs.
Opening Stock	1,20,000	Cash at bank	2,41,000
Machinery	3,00,000	Sundry Debtors	2,35,000
Sales	9,00,000	Wages	1,18,000
Sundry Creditors	1,88,000	Postage & Telegrams	1,000
Rent Received	27,000	Advertising	9,100
Repairs	5,500	Printing & Stationery	6,200
Salaries	60,000	Cash on hand	5,200
Purchases	5,30,000	Land & Buildings	6,50,000
General Expenses	22,000	Furniture	12,000
Capital	12,00,000		

[Ans : Trial Balance Total Rs. 23,15,000]

(9) From the following balance, prepare a Trial Balance as on December 31, 2003:

	Rs.		Rs.
Capital (1.1.2003)	1,80,000	Purchases	1,60,000
Stock of goods	50,000	Plant	1,80,000
Insurance	3,000	Discount earned	2,000
Wages	80,000	Creditors	65,000
Bad Debts	3,250	Salaries	8,000
Sales	3,80,000	Debtors	56,500
Cash at bank	34,000	Rent	20,000
Returns Inwards	10,750	General Expenses	13,000
Cash in hand	6,000	Discount allowed	2,500

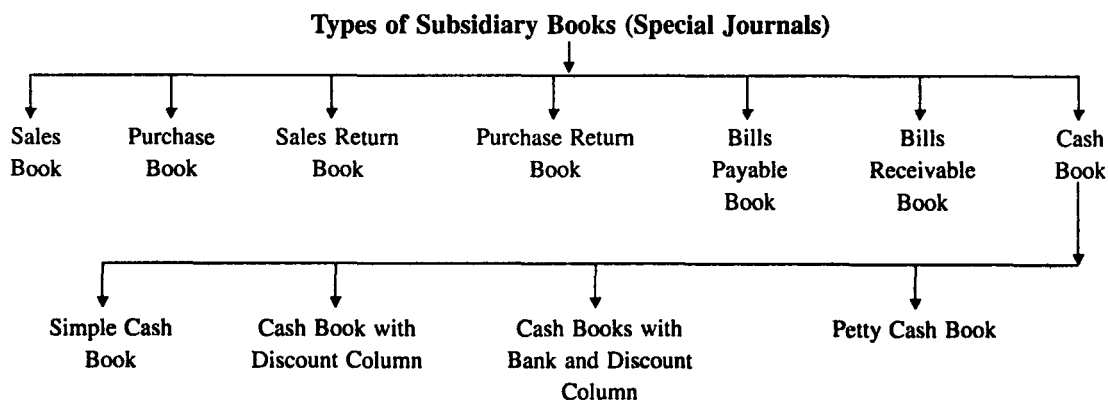
[Ans : Trial Balance Total Rs. 6,27,000]

### Subsidiary Books (Special Journals)

In order to understand the procedure of recording transactions of business, it is necessary to consider the special journals of each book are given below:

- (1) Sales Book
- (2) Purchase Book
- (3) Sales Returns Book
- (4) Purchase Returns Book
- (5) Bills Receivable Book
- (6) Bills Payable Book
- (7) Cash Book :
  - (a) Simple Cash Book
  - (b) Cash Book with Discount Column
  - (c) Cash Book with Bank and Discount Column
  - (d) Petty Cash Book

These Books can be exhibited in the following chart :



### Purpose of Subsidiary Books

The following are the purpose of subsidiary books summarized as :

- (1) Sales Book : To record credit sales of goods.
- (2) Purchase Book : To record credit purchases of goods.
- (3) Sales Return Book : To record return outwards to suppliers.
- (4) Purchase Return Book : To record return inwards from customers.
- (5) Bills Receivable Book : To record bills received.
- (6) Bills Payable Book : To record bills payable accepted.
- (7) Cash Books : To record all cash receipts and payments.

**(1) Sales Book:** Sales Book is also termed as “Day Book.” This book deals with recording sale of goods on credit. In other words all credit sales are recorded in this book. Cash Sales are not recorded in Sales Journal.

**(2) Purchases Book:** Purchases Book is also known as “Brought Day Book” or “Invoice Book” or “Invoice Journal.” This book deals with recording purchase of goods on credit. In other words all credit purchases are recorded in this book. The purchase of goods which are meant for resale. Cash purchase of goods are not recorded in Purchase Books, it will be recorded in the Cash Books only.

**(3) Sales Returns Book:** This book is also called as “Return Inwards Book.” This book is meant for recording transactions relating to sales return made by the customers to whom the goods have been sold on credit. As soon as goods return from the customers a ‘Credit Notes’ sent to the customers indicating that his account has been credited.

**(4) Purchase Returns Book:** It is also known as “Purchase Outward Book” or “Purchase Outward Journal.” This book is maintained to record of transactions relating to return of purchased goods on credit. As soon as goods are return to the supplier a “Debit Note” has been prepared and sent to the supplier indicating that his account has been debited.

**(5) Bills Receivable Book:** This is otherwise termed as “Bills Receivable Journal.” This book is used for recording the details of bills received from the customers. In other words, it is the document acknowledge the amount of receivable from the customer or drawer.

**(6) Bills Payable Book:** This book is also called as “Bills Payable Journal.” It is used for recording the details of bills accepted by the firm. In other words, it is the written proof prepared by the firm to acknowledge the amount payable to supplier.

### Illustration: 14

Enter the following transactions in the purchase book of Ravi & Co. :

2003

January 1 Goods purchased from Raju & Co., Mumbai on credit 100 bags rice @ Rs.200, trade discount allowed 10%.

” 10 Bought goods from Gupta & Co., New Delhi on credit 200 bags coffee @ Rs.100, less 10% Trade Discount.

” 30 Bought goods from Ram & Co., Bangalore on credit 100 tins of ghee @ Rs. 500 less 10% discount

**Solution:****Purchase Journal**

<i>Date</i>	<i>Name of Suppliers</i>	<i>L.F.</i>	<i>Debit Note</i>	<i>Amount</i>	
2003 Jan. 1	Raju & Co. 100 bags of rice @ 200 Less : 10% Trade Discount			20,000 2,000	18,000
" 10	Gupta & Co. 200 bags coffee & 100 Less : 10% Trade Discount			20,000 2,000	18,000
" 30	Ram & Co. 100 tins of ghee @ 500 Less : 10% discount			50,000 5,000	45,000
	Purchase A/c				81,000

**Illustration: 15**

Record the following transactions in the Sales Day Book and post them in to the ledger :

2003

- March 1 Sold to James & Co.  
10 Meters Silk @ Rs.20  
10 Meters Wool @ Rs.30
- March 15 Sold to William & Co.  
10 Meters Cotton @ Rs.100  
20 Meters Velvet @ Rs.50
- March 30 Sold to Ram & Co.  
10 Meters Silk @ Rs.30  
30 Meters Knitted @ Rs.50

**Solution:****Sales Journal**

<i>Date</i>	<i>Name of Suppliers</i>	<i>L.F.</i>	<i>Outward Invoice No.</i>	<i>Amount</i>
2004 Mar. 1	James & Co. 10 Meters Silk @ Rs.20 10 Meters Wool @ Rs.30			200 300
" 15	Williams & Co. 10 Meters Cotton @ Rs.100 20 Meters Velvet @ Rs.50			1,000 1,000
" 30	Ram & Co. 10 Meters Silk @ Rs.50 30 Meters Knitted @ Rs.50			500 1,500
	Sales A/c			4,500

Dr.

**Ledger  
James & Co.**

Cr.

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Mar. 1	To Sales A/c		500	2003 Mar. 31	By Balance c/d		500
			500				500
Apr. 1	To Balance b/d		500				



**Dr. Williams & Co. Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 15	To Sales A/c		2000	2003 Mar.31	By Balance c/d		2000
			2000				2000
Aprl. 1	To Balance b/d		2000				

**Dr. Ram & Co. Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 30	To Sales A/c		2000	2003 Mar. 31	By Balance c/d		2000
			2000				2000
Aprl. 1	To Balance b/d		2000				

**Dr. Williams & Co. Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 31	To Balance c/d		4500	2003 Mar. 31	By James & Co.		500
				" 15	By William & Co.		2000
				" 30	By Ram & Co.		2000
			4500				4500
				Aprl. 1	By Balance b/d		4500

**Illustration: 16**

From the following transaction of M/s J. Chandra, you are required to prepare a Bills Receivable Book and Bills Payable Book

2003

- Jan. 1 Acceptance received from Jhon payable six months after date for Rs. 13,000
- 7 Accepted Mary Ellen's draft for Rs. 8,000 for 4 months
- 10 Draw a bill on Dixon for Rs. 5,000 for 6 months
- 21 Gave Ram our acceptance for Rs. 10,000 payable 6 months after date
- 25 Jhon's acceptance for Rs. 13,000 was retired under a rebate of Rs. 200
- 26 Received a bill from Reddy for Rs. 2,000 for 2 months
- 27 Accepted a bill of Edward for Rs. 9,000 for 3 months
- 30 Accepted May Ellen's draft Rs. 4,000 for 2 months
- 31 Drew a bill on Dixon for 4,000 for 3 months and accepted by him payable at State Bank of India, Madras.

**Solution:**

**Bills Receivable Book**

**Bills Payable Book**

### Bills Receivable Book

<i>Bills S.No</i>	<i>Date of Receipts</i>	<i>From Whom Received</i>	<i>Name of Acceptor</i>	<i>Date of Bill</i>	<i>Term</i>	<i>Date of Maturity</i>	<i>Where Payable</i>	<i>L.F.</i>	<i>Amount</i>	<i>Remarks</i>
1	2003 Jan. 1	Jhon	Self	2003 Jan. 1	6 Months	2003 June 4	SBI, Madras		13,000	Retired
2	" 10	Dixon	Self	" 10	6 Months	June 13			5,000	
3	" 26	Reddy	Self	" 26	2 Months	March 29			2,000	
4	"31	Dixon	Self	" 31	13 Months	May 3			4,000	
									24,000	

### Bills Payable Book

<i>Bills S.No.</i>	<i>Date of Bill</i>	<i>Name of the Drawer</i>	<i>Name of the Payee</i>	<i>Term</i>	<i>When Due</i>	<i>L.F.</i>	<i>Where Payable</i>	<i>Amount</i>	<i>Remarks</i>
1	2003 Jan. 7	Mary - Ellens	Mary - Ellens	4 Months	2003 May - 10			8,000	
2	"21	Ram	Ram	6 Months	July - 24			10,000	
3	"27	Edward	Edward	2 Months	April - 30			9,000	
4	"30	Mary - Ellens	Mary - Ellens	3 Months	April - 3			4,000	
								31,000	

**Ledger Account  
Jhon Account**

**Dr.****Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Jan. 31	To Balance c/d		13,000	2003 Jan. 1	By Bills Receivable A/c ]		13,000
			13,000				13,000
				Feb. 1	By Balance b/d		13,000

**Ledger A/c  
Jhon A/c**

**Dr.****Dixon Account****Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Jan. 31	To Balance c/d		9,000	2003 Jan. 10	By Bills Receivable A/c ]		5,000
				" 31	By Bills Receivable A/c ]		4,000
			9,000				9,000
				Feb. 1	By Balance b/d		9,000

**Dr.****Reddy Account****Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Jan. 31	To Balance c/d		2,000	2003 Jan. 26	By Bills Receivable A/c ]		2,000
			2,000				2,000
				Feb. 1	By Balance b/d		2,000

**Dr.****Bills Receivable Account****Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Jan. 1	To Jhon		13,000	2003 Jan. 31	By Balance c/d		24,000
" 10	To Dixon		5,000				
" 26	To Reddy		2,000				
" 31	To Dixon		4,000				
			24,000				24,000
Feb. 1	By Balance b/d		24,000				

Dr. Mary Ellens Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 7 " 30	To Bills Payable A/c To Bills Payable A/c		8,000 4,000 12,000	2003 Jan. 31	By Balance c/d		12,000 12,000
Feb. 1	By Balance b/d		12,000				

Dr. Ram Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 21	To Bills Payable A/c		10,000 10,000	2003 Jan. 31	By Balance c/d		10,000 10,000
Feb. 1	By Balance b/d		10,000				

Dr. Edward Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 27	To Bills Payable A/c		9,000 9,000	2003 Jan. 31	By Balance c/d		9,000 9,000
Feb. 1	To Balance B/d		9,000				

Dr. Bills Payable Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 31	To Balance c/d		31,000 31,000	2003 Jan. 7 " 21 " 27 " 30	By Mary Ellens By Ram By Edward By Mary Ellens		8,000 10,000 9,000 4,000 31,000
				Feb. 1	By Balance b/d		31,000

**Illustration: 17**

Enter the following transactions in proper subsidiary books and post in to ledger:

2003

- January 1 Goods purchased from Ahuja & Co. Rs. 40,000  
 3 Goods sold to Sharma & Co. Rs. 20,000  
 5 Kumar & Co Sold Goods to us Rs. 20,000  
 10 William purchased goods from us Rs. 14,000  
 15 Damaged goods returned by Sharma & Co. Rs. 1,600  
 20 Damaged gods returned to Ahuja & Co. Rs. 1,000  
 22 Damaged goods returned by William 1,800  
 25 Goods sold to Ravi & Co. for cash Rs.10,000  
 27 Bought goods from Jhon & Co. Rs.12,000  
 29 Damaged goods returned to James & Co. Rs.2000  
 31 Goods sold to Ram & Co. Rs.12,000

**Solution:****Purchases Book**

<i>Date</i>	<i>Name of suppliers</i>	<i>L.F.</i>	<i>Inward Invoice No.</i>	<i>Amount Rs.</i>
2003				
Jan. 1	Ahuja & Co.			40,000
" 5	Kumar & Co.			20,000
" 27	Jhon & Co.			12,000
				72,000

**Sales Book**

<i>Date</i>	<i>Name of Customers</i>	<i>L.F.</i>	<i>Outward Invoice No.</i>	<i>Amount Rs.</i>
2003				
Jan. 3	Sharma & Co.			20,000
" 10	William			14,000
" 25	Ravi & Co.			10,000
" 31	Ram & Co.			12,000
				56,000

**Purchases Return Book**

<i>Date</i>	<i>Name of Suppliers</i>	<i>L.F.</i>	<i>Debit Note No.</i>	<i>Amount Rs.</i>
2003				
Jan. 20	Ahuja & Co.			1,000
" 29	James & Co.			2,000
				3,000

**Sales Return Book**

<i>Date</i>	<i>Name of Customers</i>	<i>L.F.</i>	<i>Credit Note No.</i>	<i>Amount Rs.</i>
2003				
Jan. 15	Sharma & Co.			1,600
" 22	William & Co.			1,800
				3,400

**Ledger****Dr.****Ahuja & Co. Account****Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003				2003			
Jan. 20	To Purchase Return		1,000	Jan. 31	By Purchases		40,000
" 31	To Balance c/d		39,000				
			40,000				40,000
				Feb. 1	By Balance b/d		39,000

**Dr. Kumar & Co. Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Jan. 31	To Balance c/d		20,000	2003 Jan. 31	By Purchases		20,000
			20,000				20,000
				Feb. 1	By Balance b/d		20,000

**Dr. Jhon & Co. Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Jan. 31	To Balance c/d		12,000	2003 Jan. 27	By Purchases		12,000
			12,000				20,000
				2003 Feb. 1	By Balance b/d		12,000

**Dr. Purchases Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Jan. 1	To Ahuja & Co		40,000	2003 Jan. 31	By Balance c/d		72,000
" 5	To Kumar & Co		20,000				
" 27	To Jhon & Co		12,000				72,000
			72,000				
Feb. 1	To Balance b/d		72,000				

**Dr. Sharma & Co. Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Jan. 3	To Sales		20,000	2003 Jan. 15	By Sales Return		1,600
				" 31	By Balance c/d		18,400
			20,000				20,000
Feb. 1	To Balance b/d		18,400				

**Dr. William Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 Jan. 10	To Sales		14,000	2003 Jan. 22	By Sales Return		1,800
				" 31	By Balance c/d		12,200
			14,000				14,000
Feb. 1	To Balance b/d		12,200				

Dr. Ravi & Co. Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 25	To Ravi & Co.		10,000	2003 Jan. 31	By Balance c/d		10,000
			10,000				10,000
Feb. 1	To Balance b/d		10,000				

Dr. Sales Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 31	To Ram & Co.		12,000	2003 Jan. 31	By Balance c/d		12,000
			12,000				12,000
Feb. 1	To Balance b/d		12,000				

Dr. Sales Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 31	To Balance c/d		56,000	2003 Jan. 3	By Sharma & Co.		20,000
				" 10	By William		14,000
				" 25	By Ravi & Co.		10,000
				" 31	By Ram & Co.		12,000
			56,000				56,000
				Feb. 1	By Balance b/d		56,000

Dr. James & Co. Account				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 31	To Purchase Return		2,000	2003 Jan. 31	By Balance c/d		2,000
			2,000				2,000
Feb. 1	To Balance b/d		2,000				

Dr. Purchase Return A/c				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Jan. 31	To Balance c/d		3,000	2003 Jan. 20	By Ahuja & Co.		1,000
				" 29	By James & Co.		2,000
			3,000				3,000
				Feb. 1	To Balance b/d		3,000

Dr. Sales Return A/c				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Jan. 15	To Sharma & Co.		1,600	Jan. 31	By Balance c/d		3,400
" 22	To William & Co.		1,800				
			3,400				3,400
Feb. 1	To Balance b/d		3,400				

**Illustration: 18**

From the following transactions, you are required to enter in the related subsidiary books and post them in the ledger :

2003

- March 1 Purchase of goods from Sharma Rs. 2,000
- 2 Sold goods to Varma Rs. 5,000
- 3 Goods return to Sharma Rs. 200
- 4 Sold goods to Murugan Rs. 10,000
- 5 Goods return by Varma Rs. 400
- 16 Goods return by Murugan Rs. 200
- 28 Goods Purchased from Aravind Rs. 4,000
- 30 Sold goods to Mahesh Rs. 7,000

**Solution:****Purchases Book**

Date	Name of Suppliers	L.F.	Inward Invoice No.	Amount Rs.
2003				
March 1	Sharma	...		2,000
28	Aravind	...		4,000
				6,000

**Sales Book**

Date	Name of Customers	L.F.	Outward Invoice No.	Amount Rs.
2003				
March 1	Varma	...		5,000
4	Murugan	...		10,000
30	Mahesh	...		7,000
				22,000

**Purchases Return Book**

Date	Name of Suppliers	L.F.	Debit Note No.	Amount Rs.
2003				
March 3	Sharma	...		200
		...		200



**Sales Return Book**

<i>Date</i>	<i>Name of Customers</i>	<i>L.F.</i>	<i>Credit Note No.</i>	<i>Amount Rs.</i>
2003 March 5	Varma	...		400
16	Murugan	...		200
				600

**Ledger****Dr. Sharma Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 March 31	1 to Purchase Return To Balance c/d		200 1,800	2003 March 1	By Purchases		2,000
			2,000				2,000
				Feb. 1	By Balance b/d		1,800

**Dr. Aravind Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 March 31	To Balance c/d		4000	2003 Mar. 28	By Purchases		4000 4000
			4000				4000
				Feb. 1	By Balance b/d		4000

**Dr. Purchase Account Cr.**

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 March 1 28	To Sharma To Aravind		2,000 4,000	2003 Mar. 31	By Balance c/d		6,000
			6,000				6,000
Feb. 1	To Balance b/d		6,000				

**Dr. Varma Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 Mar. 2	To sales		5,000	2003 Mar. 5 " 31	By Sales Returns By Balance c/d		400 4,600
			5,000				5,000
Feb. 1	To Balance b/d		4,600				

**Dr. Murugan Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 March 4	To Sales		10,000	2003 Mar. 16 " 31	By Sales Return By Balance c/d		200 9,800
			10,000				10,000
Feb.1	To Balance b/d		9,800				

**Dr. Mahesh Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 March 4	To Sales		7,000	2003 Mar. 31	By Balance c/d		7,000
			7,000				7,000
Feb. 1	To Balance b/d		7,000				

**Dr. Sales Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 March 2 31	To Balance c/d		22,000	2003 Mar. 31 " 4 " 30	By Varma By Murugan By Mahesh		5,000 10,000 7,000
			22,000				22,000
				Feb. 1	By Balance b/d		22,000

<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount Rs.</i>
2003 March 31	To Balance c/d		200	2003 Mar. 3	By Sharma		200
			200				200
				Feb. 1	To Balance b/d		200

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
March 5	To Varma		400	Mar. 31	By Balance c/d		600
16	To Murugan		200				
			600				600
Feb. 1	To Balance b/d		600				

- (1) Simple Cash Book (Single Column)
- (2) Two Column Cash Book (Cash Book with Discount Column)
- (3) Three Column Cash Book (Cash Book with Bank and Discount Column)
- (4) Petty Cash Book

[illegible]

From the above specimen of Simple Cash Book Journal the following points can be observed :

- (1) It has divided into two parts, i.e., Debit Side and Credit Side.
- (2) All receipts of cash are recorded in Debit Side and all payments of cash are recorded in Credit Side of Cash Book.
- (3) L.F. – Stands for Ledger Folio, i.e., reference to Main Book
- (4) R.N. – Stands for Receipt No., i.e., reference for Receipts.
- (5) V.N. – Stands for Voucher No., i.e., reference for Payments

### Illustration: 19

From the information given below, you are required to prepare Simple Cash Book of Mr. John :

2003

Jan. 1	Cash in hand Rs. 10,000
1	Cash paid into Bank Rs. 20,000
3	Goods purchased for cash Rs. 15,000
5	Cash received from David Rs. 10,000
7	Goods sold for cash Rs. 30,000
9	Paid for stationery Rs. 5,000
10	Paid to rent Rs. 4,000
13	Paid into Bank Rs. 15,000
15	Cash received from Govind Rs. 7,000
17	Paid for advertisement Rs. 5,000
18	Sold goods for cash Rs. 10,000
20	Dividend received Rs. 3,000
23	Paid Interest Rs. 2,000
25	Bought goods for cash Rs. 10,000
27	Cash received from Ram Rs. 15,000
31	Paid for repair charges Rs. 1,000

### Solution:

Dr.					Cash Book of John (Single Column)					Cr.
Date	Receipts Particulars	V.N.	L.F.	Amount Rs.	Date	Payment Particulars	V.N.	L.F.	Amount Rs.	
2003					2003					
Jan.1	To Balance b/d			10,000	Jan.1	By Bank			20,000	
5	To David			10,000	3	By Purchases			15,000	
7	To Sales			30,000	9	By Stationery			5,000	
15	To Govind			7,000	10	By Rent			4,000	
18	To Sales			10,000	13	By Bank			15,000	
20	To Dividend			3,000	17	By Advertisement			5,000	
27	To Ram			15,000	23	By Interest			2,000	
					25	By Purchases			10,000	
					31	By Repair Charges			1,000	
					31	By Balance c/d			8,000	
				85,000					85,000	
Feb.1	To Balance b/d			8,000						

**Illustration: 20**

Enter the following transactions in the cash book of James & Co.:

2003

- Mar. 1 James & Co. commences business with Rs. 60,000 in cash  
 3 Goods purchased for cash from Pande & Co. Rs. 7,400  
 16 Cash Sales Rs. 9,000  
 25 Paid cash to Chandra & Co. Rs. 3,000  
 26 Paid cash for furniture Rs. 4,000  
 27 Paid commission Rs. 300  
 28 Paid salaries to office staff Rs. 500  
 29 Paid for Advertising Rs. 400  
 30 Received commission Rs. 500  
 31 Paid office rent Rs. 1,000

**Solution:**

Dr. Simple Cash Book				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003				2003			
Mar. 1	To Capital		60,000	Mar. 3	By Purchases		7,400
" 16	To Sales		9,000	" 25	By Chandra & Co.		3,000
" 30	To Commission		500	" 26	By Furniture A/c		4,000
				" 27	By Commission		300
				" 29	By Salaries		500
				" 29	By Advertising		400
				" 31	By Office Rent		1,000
				" 31	By Balance c/d		52,900
			69,500				69,500
Apr. 1	To Balance b/d		52,900				

**(2) Two Column Cash Book**

It is also known as Cash Book with Discount Column. This Cash Book is meant for recording transactions relating to all receipts and payments of cash and discount. In the two column cash book, on each side there are two columns which are as follows :

- Two columns with each side:  
 Cash and Discount Columns with Debit Side.  
 Cash and Discount Columns with Credit Side.
- Discount Column indicates: recording all discounts allowed and received:  
*Debit Side:* recording all discounts allowed by firm.  
*Credit Side:* recording all discounts received by firm.
- Cash Column indicates : recording all cash receipts and cash payments:  
*Debit Side:* recording all cash receipts.  
*Credit Side:* recording all cash payments.

**Illustration: 21**

From the following transactions, you are required to prepare a Cash Book with Cash and Discount Columns:

2003

- March 1 Balance of cash in hand Rs. 10,000  
 2 Paid into Bank Rs. 8,000  
 3 Purchased goods and paid by cheque Rs. 2,000  
 4 Paid for advertising Rs. 100  
 5 Purchased furniture and paid by cheque Rs. 200  
 6 Received for cash sales Rs. 1,000  
 7 Received a cheque for Rs. 1,400 from Mr. M and allowed him a discount of Rs. 15  
 8 Gave a cheque for Rs. 1,700 and was allowed a discount of Rs. 20  
 10 Mr. R directly paid into Bank in our account Rs. 900  
 14 Paid into Bank Rs. 2,000  
 17 Withdraw for office use Rs. 100  
 27 Received from Mr. K by money order Rs. 95  
 29 Withdraw by cheque for personal use Rs. 75

**Solution:**

Dr.					Cr.				
Cash Book (Double Columns)									
Date	Particulars	L.F.	Discount Rs.	Cash Rs.	Date	Particulars	L.F.	Discount Rs.	Cash Rs.
2003					2003				
Mar.1	To Balance b/d			10,000	Mar.2	By Bank			8,000
6	To Sales			1,000	3	By Purchases			2,000
7	To Mr. M		15	1,400	4	By Advertisement			100
17	To Bank			100	5	By Furniture			200
27	To Mr. K			95	8	By Bank		20	1,700
					10	By Mr. R			900
31	To Balance c/d			2,380	14	By Bank			2,000
					29	By Drawings			75
			15	14,975				20	14,975
					Apr.1	By Balance b/d			2,380

**Illustration: 22**

From the following particulars, you are required to prepare a Cash Book with Cash and Discount Columns only :

2003

- Jan.1 Cash in hand Rs. 20,000  
 2 Paid into Bank Rs. 10,000  
 3 Purchase office furniture by cheque Rs. 5,000  
 4 Sold goods for cash Rs. 3,000  
 7 Paid Sharma Rs.1,000 and was allowed a discount of Rs. 60  
 10 Received Rs. 2,000 from cash Sales  
 11 Paid for cash purchases Rs. 2,840 and received Rs. 160 as discount  
 13 Withdrawn for personal use Rs. 2,000  
 20 Drawn from bank for office use Rs. 500

- 25 Paid salaries in cash Rs. 500  
 29 Received for cash sales Rs. 1,500  
 31 Deposited in bank Rs. 5,000

**Solution:**

Dr.					Cr.				
Cash Book (Double Columns)									
Date	Particulars	L.F.	Discount Rs.	Cash Rs.	Date	Particulars	L.F.	Discount Rs.	Cash Rs.
2003					2003				
Jan.1	To Balance b/d			20,000	Jan.2	By Bank			10,000
4	To Sales			3,000	3	By Furniture			5,000
10	To Sales			2,000	7	By Sharma		60	1,000
20	To Bank			500	11	By Purchases		160	2,840
29	To Sales			1,500	13	By Drawings			2,000
					25	By Rent			500
					31	By Bank			5,000
					31	By Balance c/d			660
				27,000				220	27,000
Feb.1	To Balance b/d			660					

### Illustration: 23

From the following transactions of Chandha & Co., you are required to prepare a Double Column Cash Book :

2003

- Mar.1 Balances of cash in hand Rs. 3,200  
 4 Paid to Srivastava (discount allowed Rs. 40) Rs. 1,460  
 6 Goods sold to Ram for cash Rs. 800  
 8 Brought furniture for cash Rs. 3,000  
 10 Sale of old newspapers Rs. 40  
 12 Received cash from Basu & Co. in full settlement of his debt Rs. 1,200 (Rs. 1,140)  
 13 Received cash from Shukla & Co. (discount allowed Rs. 30) Rs. 800  
 15 Paid Salaries to office staff Rs. 1,000  
 20 Received from Tandan & Co. against debt previously written off Rs. 300  
 25 withdraw from bank Rs. 800  
 31 Sale of old furniture Rs. 600

Dr.					Cr.				
Cash Book (Double Column)									
Date	Particulars	L.F.	Discount Rs.	Cash Rs.	Date	Particulars	L.F.	Discount Rs.	Cash Rs.
2003					2003				
Mar.1	To Balance b/d			3,200	Mar.4	By Srivastava A/c		40	1,560
"6	To Sales A/c			800	" 8	By Furniture A/c			3,000
"10	To Old Newspaper's A/c ( Sales for Cash)	}		40	" 15	By Salaries A/c			1,000
"12	To Basu & Co. A/c		60	1,140	" 31	By Balance c/d			3,120
"13	To Shukla & Co. A/c		30	800					

"20	To Bad Debts A/c		300				
"25	To Bank A/c	}	800				
	(Withdrawals)						
"31	To Old Furniture A/c		600				
	(Sale of Old furniture)						
			90	7,680		40	7,680
Aprl. 1	To Balance b/d		3,120				

### (3) Three Column Cash Book

Three Column Cash Book is also known as "Cash Book with Discount and Bank Column." This cash book has divided into three columns on each side which are as follows :

#### (1) Three Columns with Each Side:

- (a) Cash, Discount and Bank Columns with Debit Side.
- (b) Cash, Discount and Bank Columns with Credit Side.

#### (2) Cash Column Indicates : Recording all Cash Receipts and Cash Payments.

*Debit Side* : Recording all Cash Receipts.

*Credit Side* : Recording all Cash Payments.

#### (3) Discount Column Indicates : Recording all discounts allowed and discounts received.

*Debit Side* : Recording all discounts allowed by firm.

*Credit Side* : Recording all discounts received by firm.

#### (4) Bank Column Indicates : Recording all deposits and withdrawals made in the bank.

*Debit Side* : Recording all deposits (both cash and cheque) are made in the bank.

*Credit Side* : Recording all withdrawals from the bank.

#### (5) 'C' – Stands for reference.

#### (6) L.F. – Stands for Ledger Folio reference to main book.

#### (7) Contra Entries : When the deposit is made in the bank, it is entered in debit side (receipts side) and credited in cash column on the credit side of the cash book. Similarly, when any amount withdrawn from bank for business purposes, it is recorded in debit side (receipts side) of cash column and bank column is credited on the payment side. Thus, both cash column and bank column in the cash book serves as Cash Account and Bank Account. There is no need to post them in ledger. Such type of entry appearing on both sides of the cash book is known as "Contra Entry." The capital letter 'C' is used for this purpose.

#### (8) Cheque Received : When the cheque is received and it is encashed or deposited on the same day then it is directly recorded in the transactions on the debit side of bank column without entering in the cash column. If the cheques are received and they are encashed or deposited on the different dates, Contra Entry will be recorded in the cash book by entering debited in bank column and credited in cash column on the debit side of the cash book. Similarly, cheque payments are recorded on the credit side of the bank column in cash book.

#### (9) Cheques Dishonoured : When the cheque is dishonoured, it should be recorded transactions credited in the bank column on the credit side of the cash book.



**Illustration: 24**

From the following transactions, you are required to Prepare Three Column Cash Book of Ramesh for the month of Jan. 2003:

2003

- Jan.1 Cash balance Rs. 10,000  
 1 Bank balance Rs. 5,000  
 2 Paid into Bank Rs. 2,000  
 3 Paid office rent by cheque Rs. 500  
 5 Paid Salaries Rs. 5,000  
 7 Goods sold for cash Rs. 10,000  
 8 Goods purchased by cheque Rs. 7,000  
 11 Deposited into bank Rs. 5,000  
 14 Goods purchased by cash Rs. 2,000  
 17 Withdrawn from bank for office use Rs. 500  
 18 Withdrawn from bank for personal use Rs. 400  
 20 Nancy settled her account for Rs. 4,000 by giving a cheque for Rs. 3,850  
 23 Received from Sharma Rs. 4,900 in full settlement of Rs. 5,000  
 25 Paid into bank Rs. 4,000  
 26 Goods purchased from Murugan for Rs. 1,500 by cheque  
 30 Paid telephone charges Rs. 500

**Solution:**

**CASH BOOK OF RAMESH (Three Columns)**

Date	Particulars	V.N.	L.F.	Dis- count Rs.	Cash Rs.	Bank Rs.	Date	Particulars	V.N.	L.F.	Dis- count Rs.	Cash Rs.	Bank Rs.
2003							2003						
Jan.1	To Balance b/d				10,000	5,000	Jan.2	By Bank A/c (c)				2,000	
2	To Cash A/c (c)					2,000	3	By Rent					500
7	To Sales A/c				10,000		5	By Salaries A/c				5,000	
11	To Cash (c)					5,000	8	By Purchase					7,000
17	To Bank (c)				500		11	By Bank A/c (c)				5,000	
20	To Nancy A/c			150		3,850	14	By Purchase				2,000	
23	To Sharma A/c			100		4,900	17	By Cash A/c (c)					500
25	To Cash A/c (c)					4,000	18	By Drawings					400
							25	By Bank A/c (c)				4,000	
							26	By Murugan					1,500
						500	30	By Telephone Charges					500
							31	By Balance c/d				2,500	14,350
				250	20,500	24,750						20,500	24,750
Feb1	To Balance b/d				2,500	14,350							

**Illustration: 25**

Enter the following transactions in Cash Book with Bank and Discount Columns :

2003

- Jan.1 Jhon commenced business with Rs. 4,500  
 3 Remitted in to current account with Indian Bank Rs. 3,500  
 5 Issued a cheque to William for acquired a building Rs. 2,500  
 8 Paid to Ram for office furniture by cheque Rs. 500  
 12 Purchased goods by cheque Rs. 400  
 14 Drawn Rs. 50 from bank  
 17 Goods sold to Kumar for Rs. 600  
 22 Deposits in to bank Rs. 1,000  
 24 Goods purchased for Rs. 500  
 25 Goods sold to Wilson by Cheque Rs. 750  
 27 Paid Rs. 50 by cheque as the premium for insuring building against fire  
 28 Paid office rent Rs. 25  
 29 Withdrew from bank for personal use Rs. 250  
 30 Paid wages Rs. 45  
 31 Paid to James Rs. 540 in full settlement by cheque we owed to James Rs. 550 for goods purchased  
 31 Received from Ravi & Co. a cheque for Rs.740 in full settlement of Rs. 755

**Solution:**

Dr.						Cr.					
Cash Book (Three Column)											
Date	Particulars	L.F.	Dis- count Rs.	Bank Rs.	Cash Rs.	Date	Particulars	L.F.	Dis- count Rs.	Bank Rs.	Cash Rs.
2003						2003					
Jan. 1	To Capital				4,500	Jan.3	By Bank	C			3,500
" 3	To Cash	C		3,500		" 5	By Building			2,500	
" 14	To Bank	C			50	" 8	By Office Furniture			500	
" 17	To Sales				600	" 12	By Purchases			400	
" 22	To Cash	C		1,000		" 14	By Cash	C		50	
" 25	To Sales		15	750		" 22	By Bank	C			1,000
" 31	To Ravi & Co			740		" 24	By Purchases				500
						" 27	By Insurance Premium			50	
						" 28	By Office rent				25
						" 29	By Drawings			250	
						" 30	By Wages				45
						" 31	By James		10	540	
						" 31	By Balance c/d			1,700	80
			15	5,990	5,150				10	5,990	5,150
Feb. 1	To Balance b/d			1,700	80						

**Illustration: 26**

Enter the following transactions in the appropriate type of cash books :

2003

- Mar.1 Opening balance :  
 Cash in hand Rs. 15,000  
 Cash at Bank Rs. 20,000  
 3 Rent paid by cheque Rs. 10,000  
 5 Cash received on account of sale of merchandise Rs. 15,000  
 10 Paid to Mahesh & Co. by cheque Rs. 10,000 and earned Rs. 1,000 as cash discount



**Illustration: 27**

Enter the following transactions in a columnar Petty Cash book of Ram & Co. The cashier Mr. Anand started with an imprest of Rs. 250 on 1st March 2003, and was reimbursed the total amount expected at the end of the month.

2003

March 2	Typing papers Rs. 10, Telegrams Rs. 15
3	Postage Rs. 6, Conveyance Rs. 17
5	Traveling Rs. 18, Postage Rs. 14
7	Postage Rs. 10
10	Typing Papers Rs. 7
12	Telephone Charges Rs. 10
15	Office Cleaning Rs. 8
17	Telegrams Rs. 9
19	Miscellaneous Expenses Rs. 15
20	Stationery Rs. 16
23	Conveyance Rs. 15
27	Postage Rs. 16
29	Ink and Typing Paper Rs. 10
30	Telegrams Rs. 10

## Solution:

## Petty Cash Book

Date	Particulars of Receipts	C.F.	Total Rs.	Date	Particulars of Payments	V. No.	Stationery Rs.	Postage Rs.	Telegrams Rs.	Travelling Rs.	Conveyance Rs.	Office Cleaning Rs.	Miscellaneous Rs.	Total Rs.
2003 Mar. 1	Cash from Cashier		250	2003 Mar. 2	By Typing paper & Telegram		10		15					25
				3	Postage & Conveyance			6			17			23
				5	Traveling & Postage			14		18				32
				7	Postage			10						10
				10	Typing paper		7							7
				12	Telephone Expenses			10						10
				15	Office Cleaning							8		8
				17	Telegrams				9					9
				19	Miscellaneous								15	15
				20	Stationery		16							16
				23	Conveyance						15			15
				27	Postage			16						16
				29	Ink and Type Paper		10							10
				30	Telegrams				10					10
			250				43	56	34	18	32	8	15	206
2003 Apr. 1	To balance b/d		44		By Balance c/d									44
1	To cash from Cashier		206											250

**Illustration: 28**

A petty cashier received Rs.300 as the petty cash imprest on Monday, the 2<sup>nd</sup> January 2004. During the week his expenses were as under :

- Jan. 3 Paid for carriage Rs. 12
- 4 Postage stamps purchased Rs. 25
- 6 Purchased stationery Rs. 30
- 8 Purchased stationery for office use Rs. 40
- 10 Paid newspaper Rs. 15
- 15 Paid Telegram Rs. 15
- 19 Paid for cool drinks Rs. 20
- 25 Purchased postal stamps Rs. 25
- 30 Wages to Clerk Ram Rs. 40

You are required to prepare a Petty Cash Book for the month of January 2004.

Solution:

Petty Cash Book

<i>Date</i>	<i>Particulars of receipts</i>	<i>C.F.</i>	<i>Total Rs.</i>	<i>Date</i>	<i>Particulars of Payments</i>	<i>V. No.</i>	<i>Stationery Rs.</i>	<i>Telegrams Rs.</i>	<i>Postages Rs.</i>	<i>Carrage Rs.</i>	<i>Sundry Expenses</i>	<i>Wages Rs.</i>	<i>Total Rs.</i>
2004 Jan. 2	To Cash from Cashier		300	2004 Jan.3	Carriage					12			12
				" 4	Postage				25				25
				" 6	Stationery		30						30
				" 8	Stationery		40						40
				" 10	News Papers					15			15
				" 15	Telegram			15					15
				" 19	Cold Drinks						20		20
				" 25	Postage Stamps				25				25
				" 30	Wages							40	40
			300				70	15	50	27	20	40	222
2004 Feb. 1	To Balance b/d		78	Jan.31	To Balance c/d								78
"1	To Cash from Cashier		222										300

**QUESTIONS**

1. What do you understand by Special Journal?
2. What are the different types of Subsidiary Books?
3. Briefly explain the purpose of Subsidiary Books?
4. What are the types of Cash Book? Explain it briefly.
5. What do you understand by Contra Entries?
6. Write short notes on :
  - (a) Two Column Cash Book.
  - (b) Contra Entries.
  - (c) Sales Return Book.
  - (d) Bills Payable Book.
7. Draw a specimen ruling of Three Column Cash Book? Explain it briefly.
8. What do you understand by Petty Cash Book?
9. How do you prepare a Petty Cash Book? Explain it briefly.

**PRACTICAL PROBLEMS**

- (1) From the following particulars, you are required to prepare a Cash Book with Cash and Discount Columns:

2003

- Jan. 1 Cash in hand Rs. 5,000  
 3 Cash received from Ramesh Rs. 600 and discount allowed of Rs. 15  
 5 Purchased goods for cash Rs. 1,800  
 7 Paid Ramkumar Rs. 200 and was allowed a discount of Rs. 20  
 10 Purchased stationery Rs. 40  
 12 Received from Cash Sales Rs. 1,300  
 15 Brought furniture for Rs. 250  
 17 Paid for Advertisement Rs. 175  
 19 Ramesh who owed Rs. 535 settled his account by paying Rs. 500  
 29 Received from William Rs. 400 and allowed him a discount of Rs. 10  
 31 Paid Salaries Rs. 120

[Ans : Cash Balance : Rs. 4515]

- (2) From the following particulars, you are required to prepare a Cash Book with Cash and Discount Columns :

2003

- Jan. 1 Cash in hand Rs. 15,000  
 2 Paid into Bank Rs. 20,000  
 4 Cash withdrawn for personal use Rs. 2,400  
 6 Cash Sales Rs. 15,000  
 8 Paid Kumar Rs. 10,850 and discount allowed of Rs. 50  
 9 Goods sold for cash Rs. 18,000  
 11 Goods purchased from Ram on Credit Rs. 10,000  
 13 Paid Kumar Rs. 5,000 in full settlement of his account  
 15 Goods purchased from Ram on Credit of Rs. 4,000  
 22 Paid Salaries Rs. 8,000  
 23 Paid rent Rs. 4,000  
 24 Purchased goods from Ram on Credit Rs. 4,300  
 25 Cash Purchases Rs. 13,500  
 25 Paid interest Rs. 600  
 26 Cash withdrawn for office use Rs. 17,500  
 27 Paid into Bank Rs. 6,250  
 28 Paid cash to Ram less discount Rs. 14,200  
 29 Cash received from William Rs. 19,000 and was discount allowed him for Rs. 200  
 31 Paid cash to Sharma Rs. 2,950 and was discount received from him for Rs. 50

[Ans : Cash Balance Rs. 3,750]

- (3) From the given informations, you are required to prepare Cash Book with Discount and Bank Columns :

2003

- Jan. 1 Cash in hand Rs. 5,000  
 Cash paid into Bank Rs. 5,900



- 5 Purchased goods for cash Rs. 700
- 7 Cash received from Bank for office use Rs. 350
- 9 Goods sold for cash Rs. 100 and cheque Rs. 190
- 11 Paid into Bank Rs. 4,000
- 13 Received from William Rs. 1,500 and allowed him a discount of Rs. 20
- 15 Paid James by cheque Rs. 570 in settlement of his account for Rs. 600
- 17 Received commission by cheque Rs. 220
- 19 Paid advertisement expenses Rs. 50
- 23 Cash received from Bank for personal use Rs. 170
- 25 Paid rent by cheque Rs. 200
- 27 Sam paid direct into our account in the Bank Rs. 620
- 29 Received from Kumar a cheque for Rs. 490 and allowed a discount of Rs. 10
- 30 Cash in excess of Rs. 400 was paid into Bank

[Ans : Cash Balance Rs. 400, Bank Balance Rs. 11,640]

- (4) From the following transactions, you are required to prepare Simple Cash Book :

2003

- Jan. 1 Cash in hand Rs. 4,000
- 3 Goods sold for cash Rs. 7,500
- 5 Goods purchased for cash Rs. 3,000
- 7 Cash received from Govind Rs. 20,000
- 8 Goods sold to Ramesh for cash Rs. 7,500
- 12 Purchased goods from John for cash Rs. 3,500
- 15 Paid salaries to office staff Rs. 6,000
- 18 Paid rent Rs. 2,000
- 19 Paid advertisement expenses Rs. 3,000
- 20 Goods sold for cash Rs. 10,000
- 21 Dividend received Rs. 6,000
- 23 Paid interest Rs. 3,000
- 25 Goods purchased from Murugan for cash Rs. 30,000
- 26 Cash paid into Bank Rs. 1,00,000
- 29 Goods purchased for cash Rs. 20,000
- 31 Cash received from John Rs. 90,000

[Ans : Closing Cash Balance : Rs. 75,500]

- (5) Enter the following transactions in the Purchase Book and Sales Book of Mr. Jain:

2003

- Jan. 1 Goods sold to Murugan Rs. 50,000
- 3 Goods purchased from Ramu Rs. 25,000
- 5 Sold goods to Govind Rs. 10,000
- 7 Bought goods from Ramesh Rs. 20,000
- 9 Goods purchased from John Rs. 30,000
- 11 Goods sold to Sharma Rs. 50,000
- 15 Bought goods from Srinivasan Rs. 25,000
- 17 Goods sold to Ram Rs. 15,000

[Ans : Total of Purchase Book Rs. 1,00,000

Total of Sales Book Rs. 1,25,000]

- (6) From the following particulars, you are required to prepare Purchase Book, Sales Book, Purchase Return Book and Sales Return Book :

2003

- Jan. 1 Goods Purchased from Gupta Rs. 15,000
- 2 Brought goods from Jain Rs. 25,000
- 3 Returned goods to Gupta Rs. 700
- 5 Goods sold to Reddy Rs. 5,000
- 7 Sold goods to Sultan Rs. 15,000
- 15 Purchased goods from Pandey Rs. 20,000
- 17 Goods returned from Reddy Rs. 500
- 19 Received goods returned by Sultan Rs. 1,000

- 22 Sold goods to Kalyani Rs. 25,000
- 23 Bought goods from Gowda Rs. 30,000
- 25 Kalyani returned goods worth Rs. 1,500
- 29 Returned goods to Gowda Rs. 1,700
- 31 Goods sold to Ramesh Rs. 10,000

[Ans : Total of Purchase book Rs. 90,000  
 Purchase Returns Books Rs. 2,400  
 Sales Book Rs. 55,000, Sales Returns Book Rs. 3,000]

- (7) From the following information, you are required to prepare a Petty Cash Book under Imprest System:

2003

- Jan. 1 Amount received from Cashier for Petty Payments Rs. 400
- 3 Office cleaning Rs. 25
  - 4 Postage Rs. 10
  - 5 Stationery Rs. 15
  - 6 Telegram Rs. 9
  - 7 Cartage Rs. 12
  - 10 Conveyance Rs. 15
  - 12 Postage Rs. 10
  - 13 Traveling Expenses Rs. 15
  - 15 Cartage Rs. 10
  - 16 Office Cleaning Rs. 15
  - 19 Stamp Rs. 10
  - 21 Telegrams Rs. 20
  - 25 Stationery Rs. 17
  - 27 Typing Paper Rs. 10
  - 29 Ink and Typing Paper Rs. 15
  - 31 Entertainment Rs. 20

[Ans : Closing Balance Rs. 172]

- (8) From the information given below, you are required to Prepare a Petty Cash Book Under Imprest System :

2003

- Jan. 1 Cash received from Cashier Rs. 500
- 2 Postage Rs. 20
  - 3 Stationery Rs. 15
  - 4 Office Cleaning Rs. 15
  - 6 Typing Paper Rs. 10
  - 7 Entertainment Rs. 25
  - 9 Conveyance Rs. 30
  - 10 Telegram Rs. 15
  - 12 Cartage Rs. 20
  - 14 Traveling expenses Rs. 15
  - 17 Postage Rs. 10
  - 19 Telegram Rs. 20
  - 21 Typewriting ribbon Rs. 10
  - 22 Office cleaning Rs. 14
  - 23 Windowpanes Rs. 17
  - 25 Ink Bottle Rs. 22
  - 27 Cartage & Coolie Rs. 14
  - 29 Postage Rs. 15
  - 31 Stationery Rs. 10

[Ans : Closing Balance Rs. 203]

- (9) Enter the following transactions in the Bills Receivable Book and Bills Payable Book and Post them in to ledger :

2003

- Mar. 1 Received from Ravi his Promissory Note for Rs. 600
- 10 Accepted a bill of 3 months for Rs. 1,500 drawn by Vimal & Co.
  - 15 Sent out acceptance to Rahul & Co. for Rs. 750
  - 20 Jawahar & Co. drew upon us for 4 months and acceptance given for Rs. 690

- 25 Sent our draft to Kannan who returned it to us duly accepted for Rs. 300
- 30 Did not accept a bill drawn by Kumar & Co. for Rs. 400 payable after 3 months

(10) From the following particulars, you are required to prepare a purchase book :

2004

- Jan. 1 Bought of Ramesh & Co. Mumbai 20 bags of rice @ Rs. 1,200 per bag 40 tons of wheat @ Rs. 1,500 per ton, Trade discount 15%
- 7 Purchased from Sharma & Co. Bangalore Desi Ghee 20 tins, each containing 16kg @ Rs.120 per kg. Lubricant oil 1,000 litre @ Rs. 6 per litre Trade discount 10%
- 15 Purchased from Pandey & Co, Madras wheat 30 quintals @ Rs. 500 per quintal; Gram 20 quintals @ Rs. 1,200 per quintal; rice 10 quintals @ Rs. 1,400 per quintal; cartage and other expenses paid in cash Rs. 700
- 25 Purchased goods from Moorthi & Co. for cash New Delhi, 50 bales of cotton @ Rs. 1,500 per bale
- 30 Brought furniture for office use from cartage house, Cochin, on credit, 20 Godraj chairs @ Rs. 300 per chair, 20 Godraj Tables @ Rs. 1600 per table

[Ans : Total of purchase book Rs. 1,64,360]

(11) Enter the following transactions in the Sales Book and Post them in to ledger :

2004

- Mar. 1 Sold Goods to Murthy & Co. : 200 pieces long cloth @ 100  
200 pieces shirting @ 75 Packaging and delivery Rs.50
- 15 Sold goods to Raman & Co.  
30 pieces coating @ Rs.100
- 20 Sold to Srivastava & Co.  
250 blankets @ Rs.75  
125 blankets @ Rs.100

[Ans : Total Sales Book Rs. 69,350]

(12) Record the following transactions in Bills Receivable Book and Bill Payable Book of Ram Lal & Co. and post them in to ledger :

2004

- Jan. 1 Received a bill from Govind at 2 months for Rs. 3,000
- 7 Accepted a bill for Rs. 8,000 drawn by Kumaram & Co. for 3 months
- 15 Drew a bill for Rs. 2,600 by Murugan & Co. was accepted this date for one month
- 20 Acceptance received from Ram & Co. for 3 months for Rs. 2,500
- 25 Gave acceptance to Gopal's bill for Rs. 2,400 payable for 2 months
- 30 Did not accept a bill drawn by Kumar & Co. for Rs. 2,500 payable after 3 months

(13) Vasudavan & Co. start business with Rs. 20,000 on 1<sup>st</sup> January 2003. Of this he pays Rs. 18,000 in to his bank account. His cash transactions during the month of July were :

- July 1 Bought furniture for cash Rs. 4,000
  - 4 Purchased goods for cash Rs. 65,000
  - 7 Purchase stationery fixtures Rs. 20,000
  - 9 Goods sold for cash Rs. 15,000
  - 13 Received from Mishra & Co. Cash as advance Rs. 20,000
  - 15 Paid to Varma & Co, cash Rs. 14,000
  - 25 Paid for signboard Rs. 13,000
  - 27 Goods sold for cash Rs. 16,000
  - 30 Purchased old machinery Rs. 30,000
- Make out the cash book (Single Column)

[Ans : Balance in hand Rs. 5,000]

(14) Tandon & Co. owned Rs. 28,000 to the bank and had cash in hand Rs. 4,600 on 1<sup>st</sup> April 2003. During the month his cash transactions were as under :

2003

- Aprl. 2 Drew cash for office use Rs. 16,000
- 3 Paid salaries Rs. 10,000
- 5 Paid rent Rs. 2,000
- 6 Drew for domestic use cash Rs. 3,000

- 7 Goods sold for cash Rs. 4,000
- 8 Goods purchased for cash Rs. 5,000
- 8 Received cheque from Basu & Co. Rs. 13,000 in full settlement of his debt of Rs. 14,000
- 9 Issued cheque in favour of Sundram & Co. in full settlement of the amount due to them of Rs. 8,000 and 2.5 per cent discount
- 9 Received by sale of old packing cases etc. Rs. 2,000 Received from Kapur & Co. cheque for Rs. 8000; discount allowed Rs. 200
- 10 Bought fixtures, paid by cheque Rs. 5,000
- 15 Paid rent in cash Rs. 2,000
- 17 Cheque received from Dewett & Co. returned dishonoured by bank. The bank charges Rs. 100 as expenses
- 23 Issued cheque in favour of Singh & Co. for Rs. 9,600 discount received 4 per cent
- 24 Received from the estate of Varma & Co. against debt previously written off Rs. 5,000
- 27 Own cheque to Singh & Co. returned dishonoured because of wrong stamping
- 30 Issued new cheque to Singh & Co. for full amount of original debt

Prepare triple column cash book from the above particulars. Also post the ledger accounts.

- (15) Enter the following transactions in a cash book with cash, Bank and discount columns. Balance the cash book and bring down the balance :

2003

- July 1 Cash Balance Rs.350  
 1 Bank Balance Rs.2,450  
 2 Cash received on sale of shares Rs.4,000  
 3 Paid in to bank Rs.3,150  
 4 Paid to Mani & Co Rs.750 Discount allowed by him Rs.25  
 5 Paid wages Rs.50  
 6 Received from Kannan Rs.350 Allowed him discount Rs.50  
 12 Sold goods for cash Rs.510  
 15 Bought goods for cash Rs.1,000  
 18 Cash withdrawn for personal expenses Rs.200  
 20 Paid in to bank Rs.500  
 22 Received from Kishore Rs.1,250 Allowed him discount Rs.60  
 25 Paid cheque for cash purchase Rs.350  
 28 Drew cheque for office use Rs.200  
 31 Paid cheque for office rent Rs.80

[Ans : Cash Balance Rs.1010 ; Bank balance Rs.5,470]

- (16) Enter the following transactions in Kapur's Cash Book with cash, bank and discount columns and strike the balances at the end of the period :

2003

- July 1 Balances of Cash Rs.13,600  
 1 Balance at Bank Rs.36,800  
 4 Paid Kumar by cheque Rs.12,500  
 7 Goods sold for cash Rs.5,300  
 10 Paid in to bank Rs.4,200  
 15 Goods purchased and paid by cheque less 8% discount Rs.24,000  
 20 Received Rs.630 from Kannan in settlement of his debt for Rs.6,500  
 25 Bought fixtures for cash Rs.1,800  
 31 Withdrawn Rs.2,200 from bank and paid for purchases Rs.2,000

[Ans : Balances Rs.19,400 ; Bank Balance Rs.4,220]

- (17) Record the following transactions in Peter's Three columnar cash book :

2003

- Jan.1 Cash Balance Rs.1,200  
 1 Bank Balance Rs.14,600  
 5 Goods sold to Jhon for cash Rs.4,000  
 7 Paid in to bank Rs.2,000  
 14 Withdrew from bank Rs.10,000  
 17 Paid wages in cash Rs.12,000  
 20 Received cheque Rs.16,000 from Raman & Co. and allowed discount Rs.1,600

- 23 Withdrew from bank Rs.1,600
  - 25 Brought furniture by cheque Rs.400
  - 31 Paid salary to office staff by cheque Rs.3,000
- [Ans : Cash Balance Rs.18,800 ; Bank Balance Rs.1,600]

(18) Prepare a petty cash book on the imprest system from the following :

2003

- Mar.1 A Petty cashier in a firm received a cash of Rs.150 for petty cash
- 2 Traveling expenses Rs.5
- 3 Wages to casual workers Rs.15
- 4 Bus fare to workmen Rs.2
- 5 Stationery purchased Rs.10
- 6 Paid for postage Rs.4
- 8 Paid for Telegram Rs.10
- 10 Paid for revenue stamps Rs.5
- 12 Repairs to typewriter Rs.4
- 17 Paid electric lighting charges Rs.17
- 20 Paid wages to coolies Rs.4
- 23 Bus fare Rs.5
- 25 Paid Telegram Rs.10
- 27 Locks purchased Rs.8
- 29 Paid for stationery Rs.4
- 31 Refreshment to customers Rs.2

(19) Record the following transactions in an analytical petty cash book and balance the same. On 1<sup>st</sup> January 2003, the petty cashier started with an imprest of Rs.100 :

2003

- Jan.1 Postage stamp purchased Rs.5
- 3 Sweeper and scavenger paid Rs.5
- 5 Conveyance to manager Rs.2
- 6 Telegram to Delhi Rs.1
- 7 Stationery purchased Rs.5
- 10 Lorry hire for goods sent Rs.15
- 11 Greeting cards purchased Rs.5
- 13 Cartage and coolly Rs.7
- 17 Salary to office boy Rs.15
- 18 Repairs to cycles Rs.9
- 19 Serving charges to Typewriters Rs.6
- 22 Ink and Gum purchased Rs.3
- 24 Advertisement charges Rs.8
- 27 Subscription paid to newspaper Rs.7
- 30 Tea to customers Rs.3

