

TUITO INTERNATIONAL SCHOOL

HOLIDAY HOME WORK 2020-21

SUBMISSION - ON OPENING OF SCHOOL

INSTRUCTIONS

CLASS – XI

- Do all the questions in your notebook.
- Please revise all the work done till now.
- In case of any queries contact your subject teacher.
- Use graph paper where required and stick in the notebook.

ENGLISH

1. Write an article on “Covid -19 and the Earth” in almost 100 words.
2. Write a speech on “Bio war-as a III world war” in almost 200 words.
3. Write arguments for and against Online Classes.
4. Write a complain letter to the Jaipur Nagar Nigam for your location not being sanitized as a precautionary measure during Covid -19.

HINDI

1. अपने राज्य सरकार को एक पत्र लिखें जिसमें प्रवासी मजदूर की मदद की माँग हो।
2. कोरोना से कैसे बचा जा सकता है सचित्र चार्ट तैयार करें।
3. खाली डब्बे से कोई क्राफ्ट आइटम बनावे।
4. शब्द - विचार को पूरे तरह कॉपी में स्पष्ट करें।
5. निबंध लिखें:- विषय:- 1) अतिवृष्टि का वह दिन 2) आतंकवाद एक वैश्विक समस्या।
6. अपने जीवन का कोई एक रोचक संस्मरण घटना का विस्तृत प्रस्तुतिकरण करें।
7. प्रेरणास्पद लघु कहानियों का एक संकलन लेखक का नाम व कहानी से प्राप्त शिक्षा सहित लिखें।

MATHS

Holiday Homework

CORONA VIRUS STATISTICS

Collect the data, number of reported cases and number of people deceased, related to Corona Virus of all states of India and calculate the mean, median and mode of the two data tables.

Chapter 1 | Complete Lesson in ONE Video

<https://youtu.be/enHai1y5Knc>

CHEMISTRY

Holiday Homework

Dear students please write down the given topic:

1. 1 to 20 elements with electronic configuration.
2. Positive ions and negative ions with making molecular formula.
3. Calculate molecular mass with suitable example.
4. Calculate mass percentage of the elements in the given compound with taking suitable example.
5. Mole concept with different types of numerical which already done by mine.
6. Concentration such as molarity molality normality mass percentage mole fraction with definition formula formation and numerical which are already done by mine.
7. Stoichiometry and non-stoichiometry with example.
8. Limitations reagent with example.

Basic Concepts of Chemistry

<https://www.youtube.com/playlist?list=PLCzaIJYXP5YeFtzDdDusazLEdAM2XVlrb>

PHYSICS

Holiday Homework

- Q. 1 what do you understand by differentiation. Write all the formula.
Q. 2 what do you understand by integration. Write all the formula.
Q. 3 define the term physical quantity and classified it.
Q. 4 what is system of unit. define it's classification.
Q. 5 what is dimension of any physical quantity. calculate the dimension all the physical quantity. (only those which is given in the book)

Note :- You have to do all the questions in fair copy. It will be checked when the school opens.

Links relates to the topics

1 -Introduction of differentiation

<https://youtu.be/URvh5GOgzQ0>

2 - Introduction of integration

<https://youtu.be/AbVEUiwds50>

<https://youtu.be/dmHLxqbXYU>

3 - System of unit

https://youtu.be/13Ic_vMtd1k

4 - dimension of physical quantity

<https://youtu.be/F3zIxVfPSpY>

ECONOMICS

Holiday Homework

1. Make a report on impact of covid-19 on world's economies
2. Revise chapter 1 to 3 in economics and make notes
3. Search on Google about World Bank

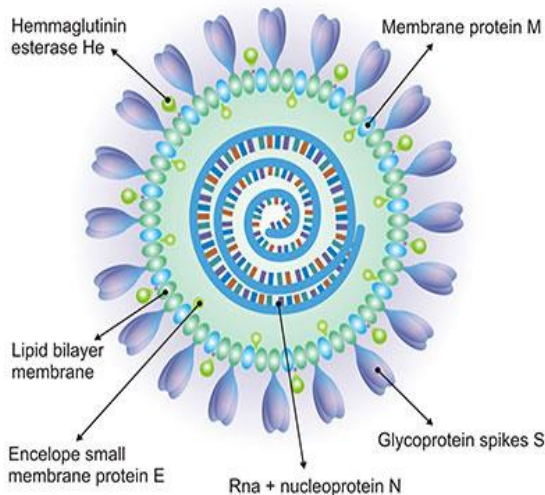
Some Important Links

1. Introduction to Economics - <https://youtu.be/YmvRUaDGjbY>
2. Status of Indian economy on eve of Independence - <https://youtu.be/4vYTnCWgAzQ>
3. Status of infrastructure on eve of Independence - <https://youtu.be/YmvRUaDGjbY>

BIOLOGY

Holiday Homework

1. Why corona virus is living in living body and non-living in non-living body?
2. Share your experience about Corona virus epidemic in 150 words?
3. Draw well labelled diagram of:
 - a. Bones of Rib-Cages
 - b. L.S. Heart
 - c. Arrangement of different type of teeth in the jaw.
 - d. TMV Virus.
4. Draw the given diagram of Novel-corona virus & describe its detail.



Some Important Links

1. <https://youtu.be/T6o62vw-RMU>
2. <https://www.youtube.com/playlist?list=PLsgHooHkqhhPUDzoVnKVXtc3B6LrfF1jH>
3. <https://www.youtube.com/playlist?list=PLsgHooHkqhhNT6Rtl-OjylHnOT2II5-ci>

These 3 links related with video lectures of all chapters which are taught by me in online classes for all those student who are unable to take online

Classes please go through with these videos and notes

BUSINESS STUDIES

Holiday Homework

1. Search on Google about World Trade Organization and write 2 pages about it
2. Revise chapter 1 and make notes
3. Search on Google about International trade between India and other countries and list out main partners of India And which products are trade, write minimum 2 pages

Some Important Links

1. Objectives of Business -
<https://www.toppr.com/guides/business-studies/nature-and-purpose-of-business/objectives-of-business/>

2. What is sole proprietorship - <https://youtu.be/W3nwYGC3AnU>
3. What is Partnership - <https://youtu.be/EgQCnwxN1Zw> Economics

ACCOUNTS

Please check the attachment and link given below.

Link no.1 to 32 in this unit (Total 56 lectures). Please add 1 to 32 lectures.

This is link no.1

1. https://www.youtube.com/playlist?list=PLfwl6GH_DzV7MzMAA4-FUA6kG7KADocfQ

INTRODUCTION TO ACCOUNTING

Learning Objectives

After studying this Chapter, you will be able to:

Understand the Need, Meaning, Definition, Objectives and Advantages of Book-Keeping.

Know the Need, Definition, Objectives and Process of Accounting.

Distinguish between Book-Keeping and Accounting.

Identify the Users of Accounting Information and their Need.

Know the Basic Accounting Terms.

“Accounting is as old as money itself”. Since in early ages commercial activities were based on barter system, record keeping was not a necessity. The Industrial Revolution of 19th century along with rapid rise in population, paved way for the development of commercial activities, mass production and credit terms. Thus recording of business transaction has become an important feature. In recent years with the change of technologies and marketing along with stiff competition, accounting system has undergone remarkable changes.

Need and Importance of Accounting

When a person starts a business, whether large or small, his main aim is to earn profit. He receives money from certain sources like sale of goods, interest on bank deposits etc. He has to spend money on certain items like purchase of goods, salary, rent, etc. These activities take place during the normal course of his business. He would naturally be anxious at the year end, to know the progress of his business. Business transactions are numerous, that it is not possible to recall his memory as to how the money had been earned and spent. At the same time, if he had noted down his incomes and expenditures, he can readily get the required information. Hence, the details of the business transactions have to be recorded in a clear and systematic manner to get answers easily and accurately for the following questions at any time he likes.

1. What has happened to his investment?
2. What is the result of the business transactions?
3. What are the earnings and expenses?
4. How much amount is receivable from customers to whom goods have been sold on credit?
5. How much amount is payable to suppliers on account of credit purchases?
6. What are the nature and value of assets possessed by the business concern?
7. What are the nature and value of liabilities of the business concern?

These and several other questions are answered with the help of accounting. The need for recording business transactions in a clear and systematic manner is the basis which gives rise to Book-keeping.

Book-keeping

Book-keeping is that branch of knowledge which tells us how to keep a record of business transactions. It is often routine and clerical in nature. It is important to note that only those transactions related to business which can be expressed in terms of money are recorded. The

activities of book-keeping include recording in the journal, posting to the ledger and balancing of accounts.

Definition

R.N. Carter says, "Book-keeping is the science and art of correctly recording in the books of account all those business transactions that result in the transfer of money or money's worth".

Objectives

The objectives of book-keeping are

1. To have permanent record of all the business transactions.
2. To keep records of income and expenses in such a way that the net profit or net loss may be calculated.
3. To keep records of assets and liabilities in such a way that the financial position of the business may be ascertained.
4. To keep control on expenses with a view to minimize the same in order to maximize profit.
5. To know the names of the customers and the amount due from them.
6. To know the names of suppliers and the amount due to them.
7. To have important information for legal and tax purposes.

Advantages

From the above objectives of book-keeping, the following advantages can be noted

- i. Permanent and Reliable Record:** Book-keeping provides permanent record for all business transactions, replacing the memory which fails to remember everything.
- ii. Arithmetical Accuracy of the Accounts:** With the help of book keeping trial balance can be easily prepared. This is used to check the arithmetical accuracy of accounts.
- iii. Net Result of Business Operations:** The result (Profit or Loss) of business can be correctly calculated.
- iv. Ascertainment of Financial Position:** It is not enough to know the profit or loss; the proprietor should have a full picture of his financial position in business. Once the full picture (say for a year) is known, this helps him to plan for the next year's business.
- v. Ascertainment of the Progress of Business:** When a proprietor prepares financial statements every year, he will be in a position to compare the statements. This will enable him to ascertain the growth of his business. Thus book keeping enables a long range planning of business activities besides satisfying the short term objective of calculation of annual profits or losses.
- vi. Calculation of Dues :** For certain transactions payments may be made later. Therefore, the businessman has to know how much he has to pay others.
- vii. Control over Assets:** In the course of business, the proprietor acquires various assets like building, machines, furniture's, etc. He has to keep a check over them and find out their values year after year.
- viii. Control over Borrowings:** Many businessmen borrow from banks and other sources. These loans are repayable. Just as he must have a control over assets, he should have control over liabilities.

ix. Identifying Do's and Don'ts: Book keeping enables the proprietor to make an intelligent and periodic analysis of various aspects of the business such as purchases, sales, expenditures and incomes. From such analysis, it will be possible to focus his attention on what should be done and what should not be done to enhance his profit earning capacity.

x. Fixing the Selling Price: In fixing the selling price, the businessmen have to consider many aspects of accounting information such as cost of production, cost of purchases and other expenses. Accounting information is essential in determining selling prices.

xi. Taxation: Businessmen pay sales tax, income tax, etc. The tax authorities require them to submit their accounts. For this purpose, they have to maintain a record of all their business transactions.

xii. Management Decision-making: Planning, reviewing, revising, controlling and decision-making functions of the management are well aided by book-keeping records and reports.

xiii. Legal Requirements: Claims against and for the firm in relation to outsiders can be confirmed and established by producing the records as evidence in the court.

Accounting

Book-keeping does not present a clear financial picture of the state of affairs of a business. When one has to make a judgment regarding the financial position of the firm, the information contained in these books of accounts has to be analyzed and interpreted. It is with the purpose of giving such information that accounting came into being.

Accounting is considered as a system which collects and processes financial information of a business. This information is reported to the users to enable them to make appropriate decisions.

Definition

American Accounting Association defines accounting as “the process of identifying, measuring and communicating economic information to permit informed judgments and decision by users of the information”.

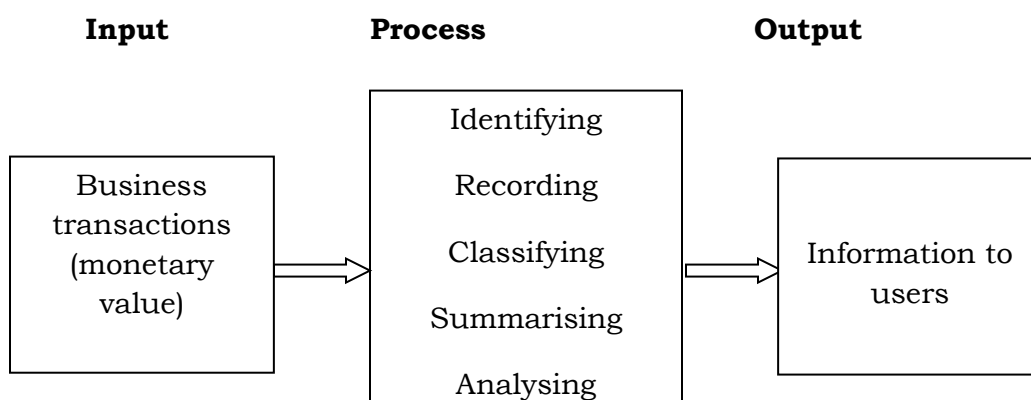
Objectives

The main objectives of accounting are

- 1) To maintain accounting records.
- 2) To calculate the result of operations.
- 3) To ascertain the financial position.
- 4) To communicate the information to users.

Process

The process of accounting as per the above definition is given below:

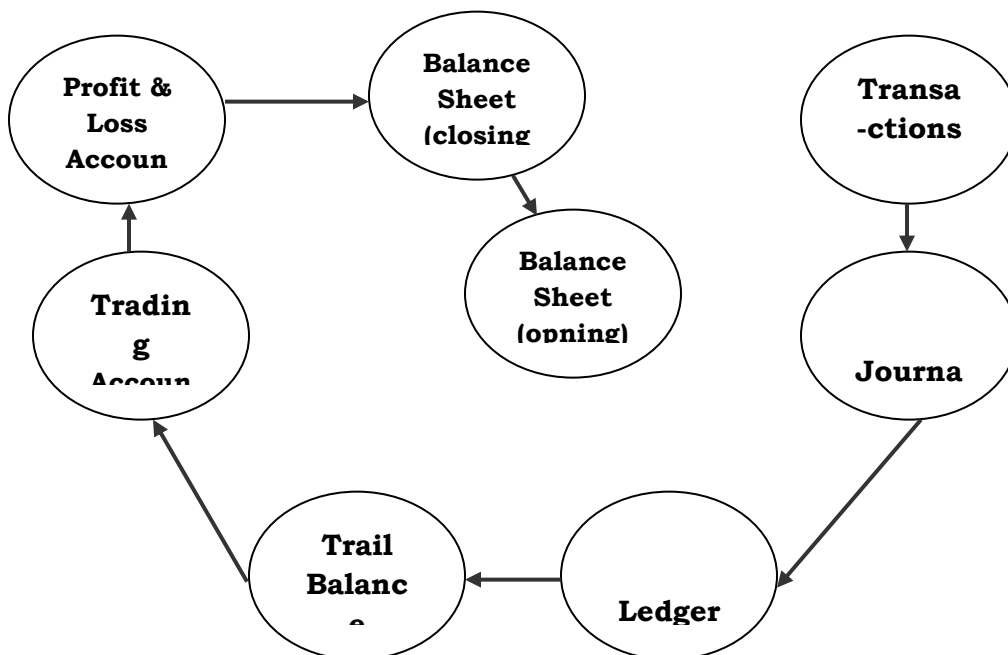


- **Identifying:** Identifying the business transactions from the source documents.
- **Recording:** The next function of accounting is to keep a systematic record of all business transactions, which are identified in an orderly manner, soon after their occurrence in the journal or subsidiary books.
- **Classifying:** This is concerned with the classification of the recorded business transactions so as to group the transactions of similar type at one place. i.e., in ledger accounts. In order to verify the arithmetical accuracy of the accounts, trial balance is prepared.
- **Summarizing :** The classified information available from the trial balance are used to prepare profit and loss account and balance sheet in a manner useful to the users of accounting information.
- **Analyzing:** It establishes the relationship between the items of the profit and loss account and the balance sheet. The purpose of analyzing is to identify the financial strength and weakness of the business. It provides the basis for interpretation.
- **Interpreting:** It is concerned with explaining the meaning and significance of the relationship so established by the analysis. Interpretation should be useful to the users, so as to enable them to take correct decisions.
- **Communicating:** The results obtained from the summarized, analysed and interpreted information are communicated to the interested parties.

Meaning of Accounting Cycle

An accounting cycle is a complete sequence of accounting process that begins with the recording of business transactions and ends with the preparation of final accounts.

Accounting Cycle



When a businessman starts his business activities, he records the day-to-day transactions in the Journal. From the journal the transactions move further to the ledger where accounts are written up. Here, the combined effect of debit and credit pertaining to each account is arrived at in the form of balances.

To prove the accuracy of the work done, these balances are transferred to a statement called trial balance. Preparation of trading and profit and loss account is the next step. The balancing of profit and loss account gives the net result of the business transactions. To know the financial position of the business concern balance sheet is prepared at the end.

These transactions which have completed the current accounting year, once again come to the starting point – the journal – and they move with new transactions of the next year. Thus, this **cyclic movement of the transactions through the books of accounts (accounting cycle) is a continuous process.**

Accountancy, Accounting and Book-keeping

Accountancy refers to a systematic knowledge of accounting. It explains “why to do” and “how to do” of various aspects of accounting. It tells us why and how to prepare the books of accounts and how to summarize the accounting information and communicate it to the interested parties.

Accounting refers to the actual process of preparing and presenting the accounts. In other words, it is the art of putting the academic knowledge of accountancy into practice.

Book-keeping is a part of accounting and is concerned with record keeping or maintenance of books of accounts. It is often routine and clerical in nature.

Relationship between Accountancy, Accounting and Book-keeping

Book-keeping provides the basis for accounting and it is complementary to accounting process. Accounting begins where book-keeping ends. Accountancy includes accounting and book-keeping. The terms Accounting and Accountancy are used synonymously. This relationship can be easily understood with the help of the following diagram.

Distinction between Book-keeping and Accounting

In general the following are the differences between book-keeping and accounting.

S.No.	Basis of Distinction	Book-keeping	Accounting
1.	Scope	Recording and maintenance	It is not only recording and maintenance of books

		of books of accounts.	of accounts but also includes analysis, interpreting and communicating the Information.
2.	Stage	Primary Stage	Secondary Stage
3.	Objective	Objective To maintain systematic records of business transactions.	To ascertain the net result of the business operation.
4.	Nature	Often routine and clerical in nature.	Analytical and executive in Nature
5.	Responsibility	A book-keeper is responsible for recording business transactions.	An accountant is also responsible for the work of a book-keeper.
6.	Supervision	The book-keeper does not supervise and check the work of an Accountant.	An accountant supervises and checks the work of the book-keeper.
7.	Staff Involved	Work is done by the junior involved staff of the organization.	Senior staff performs the accounting work.

Users of Accounting Information

The basic objective of accounting is to provide information which is useful for persons and groups inside and outside the organization.

I. Internal users: Internal users are those individuals or groups who are within the organisation like owners, management, employees and trade unions.

II. External users: External users are those individuals or groups who are outside the organisation like creditors, investors, banks and other lending institutions, present and potential investors, Government, tax authorities, regulatory agencies and researchers.

The users and their need for information are as follows:

Users	Need for Information
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Internal	
i. Owners	To know the profitability and financial soundness of the business.
ii. Management	To Take prompt decisions to manage the business efficiently.
iii. Employees and Trade unions	To form judgement about the earning capacity of the business since their remuneration and bonus depend on it.
External	
i. Creditors, banks and other lending institutions	To determine whether the principal and the interest thereof will be paid in when due.
ii. Present investor	To know the position, progress and prosperity of the business in order to ensure the safety of their investment.
iii. Potential investor	To decide whether to invest in the business or not.

- 1) **Transactions:** Transactions are those activities of a business, which involve transfer of money or goods or services between two persons or two accounts. *For example*, purchase of goods, sale of goods, borrowing from bank, lending of money, salaries paid, rent paid, commission received and dividend received. Transactions are of two types, namely, cash and credit transactions.
- 2) **Cash Transaction** is one where cash receipt or payment is involved in the transaction. *For example*, When Ram buys goods from Kannan paying the price of goods by cash immediately, it is a cash transaction
- 3) **Credit Transaction** is one where cash is not involved immediately but will be paid or received later. In the above example, if Ram, does not pay cash immediately but promises to pay later, it is credit transaction.
- 4) **Proprietor:** A person who owns a business is called its proprietor. He contributes capital to the business with the intention of earning profit.

- 5) **Capital:** It is the amount invested by the proprietor/s in the business. This amount is increased by the amount of profits earned and the amount of additional capital introduced. It is decreased by the amount of losses incurred and the amounts withdrawn. *For example*, if Mr. Anand starts business with Rs.5,00,000, his capital would be Rs.5,00,000.
- 6) **Assets:** Assets are the properties of every description belonging to the business. Cash in hand, plant and machinery, furniture and fittings, bank balance, debtors, bills receivable, stock of goods, investments, Goodwill are examples for assets. Assets can be classified into tangible and intangible. **Tangible Assets:** These assets are those having physical existence. It can be seen and touched. For example, plant & machinery, cash, etc. **Intangible Assets:** Intangible assets are those assets having no physical existence but their possession gives rise to some rights and benefits to the owner. It cannot be seen and touched. Goodwill, patents, trademarks are some of the examples.
- 7) **Liabilities:** Liabilities refer to the financial obligations of a business. These denote the amounts which a business owes to others, e.g., loans from banks or other persons, creditors for goods supplied, bills payable, outstanding expenses, bank overdraft etc.
- 8) **Drawings:** It is the amount of cash or value of goods withdrawn from the business by the proprietor for his personal use. It is deducted from the capital.
- 9) **Debtors:** A person (individual or firm) who receives a benefit without giving money or money's worth immediately, but liable to pay in future or in due course of time is a debtor. The debtors are shown as an asset in the balance sheet. *For example*, Mr. Arul bought goods on credit from Mr. Babu for Rs.10,000. Mr. Arul is a debtor to Mr. Babu till he pays the value of the goods.
- 10) **Creditors:** A person who gives a benefit without receiving money or money's worth immediately but to claim in future, is a creditor. The creditors are shown as a liability in the balance sheet. In the above example Mr. Babu is a creditor to Mr. Arul till he receive the value of the goods.
- 11) **Purchases:** Purchases refers to the amount of goods bought by a business for resale or for use in the production. Goods purchased for cash are called **cash purchases**. If it is purchased on credit, it is called as **credit purchases**. Total purchases include both cash and credit purchases.
- 12) **Purchases Return or Returns Outward:** When goods are returned to the suppliers due to defective quality or not as per the terms of purchase, it is called as purchases return. To find net purchases, purchases return is deducted from the total purchases.
- 13) **Sales:** Sales refers to the amount of goods sold that are already bought or manufactured by the business. When goods are sold for cash, they are **cash sales** but if goods are sold and payment is not received at the time of sale, it is **credit sales**. Total sales includes both cash and credit sales.
- 14) **Sales Return or Returns Inward:** When goods are returned from the customers due to defective quality or not as per the terms of sale, it is called sales return or returns inward. To find out net sales, sales return is deducted from total sales.
- 15) **Stock:** Stock includes goods unsold on a particular date. Stock may be opening and closing stock. The term opening stock means goods unsold in the beginning of the accounting period. Whereas the term closing stock includes goods unsold at the end of the accounting period. For example, if 4,000 units purchased @ Rs. 20 per unit remain unsold, the closing stock is Rs.80,000. This will be opening stock of the subsequent year.

- 16) Revenue:** Revenue means the amount receivable or realised from sale of goods and earnings from interest, dividend, commission, etc.
- 17) Expense:** It is the amount spent in order to produce and sell the goods and services. For example, purchase of raw materials, payment of salaries, wages, etc.
- 18) Income:** Income is the difference between revenue and expense.
- 19) Voucher:** It is a written document in support of a transaction. It is a proof that a particular transaction has taken place for the value stated in the voucher. It may be in the form of cash receipt, invoice, cash memo, bank pay-in-slip etc. Voucher is necessary to audit the accounts.
- 20) Invoice:** Invoice is a business document which is prepared when one sell goods to another. The statement is prepared by the seller of goods. It contains the information relating to name and address of the seller and the buyer, the date of sale and the clear description of goods with quantity and price.
- 21) Receipt:** Receipt is an acknowledgement for cash received. It is issued to the party paying cash. Receipts form the basis for entries in cash book.
- 22) Account:** Account is a summary of relevant business transactions at one place relating to a person, asset, expense or revenue named in the heading. An account is a brief history of financial transactions of a particular person or item. An account has two sides called debit side and credit side.

QUESTIONS

I. Objective Type:

a) Fill in the blanks:

1. The amount which the proprietor has invested in the business is _____.
2. Book-keeping is an art of recording _____ in the book of accounts.
3. _____ is a written document in support of a transaction.
4. Accounting begins where _____ ends.
5. Liabilities refer to the _____ obligations of a business.
6. Owner of the business is called _____.
7. An account is a _____ of relevant business transactions at one place relating to a person, assets, expense or revenue named in the heading.
8. Receipt is an acknowledgement for _____.
9. Income is the difference between revenue and _____.

[Answers: 1. capital; 2. business transactions; 3. voucher; 4. bookkeeping; 5. financial; 6. Proprietor; 7. summary; 8. cash received; 9. expense]

b) Choose the correct answer:

1. The debts owing to others by the business is known as
a) Liabilities b) expenses c) debtors

2. Assets minus liabilities is
 - a) Drawings
 - b) capital
 - c) credit
3. A written document in support of a transaction is called
 - a) Receipt
 - b) credit note
 - c) voucher
4. Business transactions may be classified into
 - a) Three
 - b) two
 - c) one
5. Purchases return means goods returned to the supplier due to
 - a) Good quality
 - b) Defective quality
 - c) Super quality
6. Amount spent in order to produce and sell the goods and services is called
 - a) Expense
 - b) income
 - c) revenue

[Answers: 1. (a), 2. (b), 3. (c), 4. (b), 5. (b), 6. (a)]

II. Other Questions:

1. What is book-keeping?
2. Define Book-keeping.
3. What are the objectives of book-keeping?
4. What are the advantages of book-keeping?
5. What information can a businessman obtain from his book-keeping?
6. What do you mean by accounting?
7. Define Accounting.
8. What is accounting process?
9. What are the differences between book-keeping and accounting?
10. Explain the inter-relationship between book-keeping, accounting and accountancy.
11. Briefly explain the users and their need for accounting information.
12. What are the branches of accounting?
13. Write short notes on :
 - a) Debtors
 - b) Creditors
 - c) Stock
14. Briefly explain the following terms
 - a) Voucher
 - b) Invoice
 - c) Account
15. Write short note on
 - a) Revenue
 - b) Purchase
 - c) Assets

CONCEPTUAL FRAME WORK OF ACCOUNTING

Accounting is the language of business. It records business transactions taking place during the accounting period. Accounting communicates the result of the business transactions in the form of final accounts. With a view to make the accounting results understood in the same sense by all interested parties, certain accounting assumptions, concepts and principles have been developed over a course of period.

Basic Assumptions

The basic assumptions of accounting are like the foundation pillars on which the structure of accounting is based. The four basic assumptions are as follows:

Accounting Entity Assumption

According to this assumption, business is treated as a unit or entity apart from its owners, creditors and others. In other words, the proprietor of a business concern is always considered to be separate and distinct from the business which he controls. All the business transactions are recorded in the books of accounts from the view point of the business. Even the proprietor is treated as a creditor to the extent of his capital.

Money Measurement Assumption

In accounting, only those business transactions and events which are of financial nature are recorded. For example, when Sales Manager is not on good terms with Production Manager, the business is bound to suffer. This fact will not be recorded, because it cannot be measured in terms of money.

Accounting Period Assumption

The users of financial statements need periodical reports to know the operational result and the financial position of the business concern. Hence it becomes necessary to close the accounts at regular intervals. Usually a period of 365 days or 52 weeks or 1 year is considered as the accounting period.

Going Concern Assumption

As per this assumption, the business will exist for a long period and transactions are recorded from this point of view. There is neither the intention nor the necessity to wind up the business in the foreseeable future.

Basic Concepts of Accounting

These concepts guide how business transactions are reported. On the basis of the above four assumptions the following concepts (principles) of accounting have been developed.

Dual Aspect Concept

Dual aspect principle is the basis for Double Entry System of book-keeping. All business transactions recorded in accounts have two aspects - receiving benefit and giving benefit. For example, when a business acquires an asset (receiving of benefit) it must pay cash (giving of benefit).

Revenue Realisation Concept

According to this concept, revenue is considered as the income earned on the date when it is realised. Unearned or unrealised revenue should not be taken into account. The realisation concept is vital for determining income pertaining to an accounting period. It avoids the possibility of inflating incomes and profits.

Historical Cost Concept

Under this concept, assets are recorded at the price paid to acquire them and this cost is the basis for all subsequent accounting for the asset. For example, if a piece of land is purchased for Rs.5,00,000 and its market value is Rs.8,00,000 at the time of preparing final accounts the land value is recorded only for Rs.5,00,000. Thus, the balance sheet does not indicate the price at which the asset could be sold for.

Matching Concept

Matching the revenues earned during an accounting period with the cost associated with the period to ascertain the result of the business concern is called the matching concept. It is the basis for finding accurate profit for a period which can be safely distributed to the owners.

Full Disclosure Concept

Accounting statements should disclose fully and completely all the significant information. Based on this, decisions can be taken by various interested parties. It involves proper classification and explanations of accounting information which are published in the financial statements.

Verifiable and Objective Evidence Concept

This principle requires that each recorded business transactions in the books of accounts should have an adequate evidence to support it. For example, cash receipt for payments made. The documentary evidence of transactions should be free from any bias. As accounting records are based on documentary evidence which are capable of Verification it is universally acceptable.

Modifying Principles

To make the accounting information useful to various interested parties, the basic assumptions and concepts discussed earlier have been modified. These modifying principles are as under.

Cost Benefit Principle

This modifying principle states that the cost of applying a principle should not be more than the benefit derived from it. If the cost is more than the benefit then that principle should be modified.

Materiality Principle

The materiality principle requires all relatively relevant information should be disclosed in the financial statements. Unimportant and immaterial information are either left out or merged with other items.

Consistency Principle

The aim of consistency principle is to preserve the comparability of financial statements. The rules, practices, concepts and principles used in accounting should be continuously observed and applied year after year. Comparisons of financial results of the business among different accounting period can be significant and meaningful only when consistent practices were followed in ascertaining them. For example, depreciation of assets can be provided under different methods, whichever method is followed, it should be followed regularly.

Prudence (Conservatism) Principle

Prudence principle takes into consideration all prospective losses but leaves all prospective profits. The essence of this principle is “anticipate no profit and provide for all possible losses”. For example, while valuing stock in trade, market price or cost price whichever is less is considered.

Frame Work of Accounting

Accounting Standards

To promote world-wide uniformity in published accounts, the **International Accounting Standards Committee** (IASC) has been set up in June 1973 with nine nations as founder members. The purpose of this committee is to formulate and publish in public interest, standards to be observed in the presentation of audited financial statements and to promote their world-wide acceptance and observance. IASC exist to reduce the differences between different countries' accounting practices. This process of harmonization will make it easier for the users and preparers of financial statement to operate across international boundaries. In our country, the **Institute of Chartered Accountants of India** has constituted **Accounting Standard Board** (ASB) in 1977. The ASB has been empowered to formulate and issue accounting standards that should be followed by all business concerns in India

QUESTIONS I. Objective Type:

a) Fill in the Blanks:

1. Stock in trade are to be recorded at cost or market price whichever is less is based on _____ principle.
2. The assets are recorded in books of accounts in the cost of acquisition is based on _____ concept.
3. The benefits to be derived from the accounting information should exceed its cost is based on _____ principle.
4. Transactions between owner and business are recorded separately due to _____ assumption.
5. Business concern must prepare financial statements at least once in a year is based on _____ assumption.
6. _____ principle requires that the same accounting methods should be followed from one accounting period to the next.

[Answers : 1. prudence, 2. historical cost, 3. cost benefit, 4. business

entity, 5. accounting period, 6. consistency]

b) Choose the correct answer:

1. As per the business entity assumption, the business is different from the
a) owners b) banker c) government
2. Going concern assumption tell us the life of the business is
a) very short b) very long c) none
3. Cost incurred should be matched with the revenues of the particular period is based on

a) matching concept b) historical cost concept c) full disclosure concept

4. As per dual aspect concept, every business transaction has

a) three aspects b) one aspect c) two aspects

[Answers : 1. (a), 2. (b), 3. (a), 4. (c)]

II. Other Questions :

1. What are the basic assumptions of accounting?

2. What do you mean by business entity assumption?

3. Write short notes on the following assumption.

a) Money measurement b) Accounting period

4. What do you mean by going concern assumption?

5. What are the basic concepts of accounting?

6. What do you understand by revenue realisation concept?

7. What do you mean by historical cost concept?

8. Describe the following concepts

a) Matching b) Full disclosure

9. What do you understand by verifiable and objective evidence concept?

10. Explain in detail the modifying principles of accounting.

11. What do you mean by materiality principle?

12. What do you understand by consistency principle?

13. Write short notes on

a) Prudence principle b) Dual aspect concept

14. Briefly explain the various accounting concepts.

15. Briefly explain the various accounting assumptions.

BASIC ACCOUNTING PROCEDURES - I

DOUBLE ENTRY SYSTEM OF BOOK KEEPING

Definition

According to **J.R.Batliboi** “Every business transaction has a two-fold effect and that it affects two accounts in opposite directions and if a complete record were to be made of each such transaction, it would be necessary to debit one account and credit another account. It is this recording of the two fold effect of every transaction that has given rise to the term Double Entry System”.

Features

- i. Every business transaction affects two accounts.
- ii. Each transaction has two aspects, i.e., debit and credit.
- iii. It is based upon accounting assumptions concepts and principles.
- iv. Helps in preparing trial balance which is a test of arithmetical accuracy in accounting.
- v. Preparation of final accounts with the help of trial balance.

Approaches of Recording

There are two approaches for recording a transaction.

- I. Accounting Equation Approach
- II. Traditional Approach

I. Accounting Equation Approach

This approach is also called as the **American Approach**. Under this method transactions are recorded based on the accounting equation, i.e.,

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

This will be discussed in detail in the next chapter.

II. Traditional Approach

This approach is also called as the **British Approach**. Recording of business transactions under this method are formed on the basis of the existence of two aspects (debit and credit) in each of the transactions. All the business transactions are recorded in the books of accounts under the 'Double Entry System'.

Advantages

The advantages of this system are as follows:

- **Scientific system:** This is the only scientific system of recording business transactions. It helps to attain the objectives of accounting.
- **Complete record of transactions:** This system maintains a complete record of all business transactions.
- **A check on the accuracy of accounts:** By the use of this system the accuracy of the accounting work can be established by the preparation of trial balance.
- **Ascertainment of profit or loss:** The profit earned or loss occurred during a period can be ascertained by the preparation of profit and loss account.
- **Knowledge of the financial position:** The financial position of the concern can be ascertained at the end of each period through the preparation of balance sheet.
- **Full details for control:** This system permits accounts to be kept in a very detailed form, and thereby provides sufficient in formations for the purpose of control.
- **Comparative study:** The results of one year may be compared with those of previous years and the reasons for change may be ascertained.
- **Helps in decision making:** The management may be able to obtain sufficient information for its work, especially for making decisions. Weaknesses can be detected and remedial measures may be applied.
- **Detection of fraud:** The systematic and scientific recording of business transactions on the basis of this system minimizes the chances of fraud.

Account

Every transaction has two aspects and each aspect has an account. It is stated that '**an account is a summary of relevant transactions at one place relating to a particular head**'.

Classification of Accounts

Transactions can be divided into three categories.

1. Transactions relating to individuals and firms
2. Transactions relating to properties, goods or cash
3. Transactions relating to expenses or losses and incomes or gains.

Accounts

I. Personal Accounts : The accounts which relate to persons. Personal accounts include the following.

Natural Persons : Accounts which relate to individuals. For example, Mohan's A/c, Shyam's A/c etc.

Artificial persons: Accounts which relate to a group of persons or firms or institutions. For example, HMT Ltd., Indian Overseas Bank, Life Insurance Corporation of India, Cosmopolitan club etc.

Representative Persons: Accounts which represent a particular person or group of persons. For example, outstanding salary account, prepaid insurance account, etc. The business concern may keep business relations with all the above personal accounts, because of buying goods from them or selling goods to them or borrowing from them or lending to them. Thus they become either Debtors or Creditors.

The proprietor being an individual his capital account and his drawings account are also personal accounts.

II. Impersonal Accounts: All those accounts which are not personal accounts. This is further divided into two types viz. Real and Nominal accounts.

Real Accounts: Accounts relating to properties and assets which are owned by the business concern. Real accounts include tangible and intangible accounts. For example, Land, Building, Goodwill, Purchases, etc.

Nominal Accounts: These accounts do not have any existence, form or shape. They relate to incomes and expenses and gains and losses of a business concern. For example, Salary Account, Dividend Account, etc.

Illustration: 1 Classify the following items into Personal, Real and Nominal Accounts.

- | | |
|------------------|-----------------------|
| 1. Capital | 2. Sales |
| 3. Drawings | 4. Outstanding salary |
| 5. Cash | 6. Rent |
| 7. Interest paid | 8. Indian Bank |

- | | |
|-----------------------------|-------------------|
| 9. Discount received | 10. Building |
| 11. Bank | 12. Chandrasekhar |
| 13. Murugan Lending Library | 14. Advertisement |
| 15. Purchases | |

Solution:

- | | |
|----------------------|--------------------------------------|
| 1. Personal account | 2. Real account |
| 3. Personal account | 4. Personal (Representative) account |
| 5. Real account | 6. Nominal account |
| 7. Nominal account | 8. Personal (Legal Body) account |
| 9. Nominal account | 10. Real account |
| 11. Personal account | 12. Personal account |
| 13. Personal account | 14. Nominal account |
| 15. Real account | |

Golden Rules of Accounting

All the business transactions are recorded on the basis of the following rules.

S. No.	Name of Account	Debit Aspect	Credit Aspect
1.	Personal	The receiver	The giver
2.	Real	What comes in	What goes out
3.	Nominal	All expenses and losses	All incomes and gains

QUESTIONS

I. Objective Type:

a) Fill in the blanks:

- The author of the famous book "Arthashastra" is _____.
- Every business transaction reveals _____ aspects.
- The incoming aspect of a transaction is called _____ and the outgoing aspect of a transaction is called _____.
- Traditional approach of accounting is also called as _____ approach.
- The American approach is otherwise known as _____ approach.
- Impersonal accounts are classified into _____ types.
- Plant and machinery is an example of _____ account.
- Capital account is an example of _____ account.

9. Commission received will be classified under _____ account.

[Answers: 1. Kautilya, 2. two, 3. debit, credit, 4. British, 5. Accounting equation, 6. two, 7. real, 8. personal, 9. nominal]

b) Choose the correct answer:

1. The receiving aspect in a transaction is called as
 - a) debit aspect b) credit aspect c) neither of the two
2. The giving aspect in a transaction is called as
 - a) debit aspect b) credit aspect c) neither of the two
3. Murali account is an example for
 - a) personal A/c b) real A/c c) nominal A/c
4. Capital account is classified under
 - a) personal A/c b) real A/c c) nominal A/c
5. Goodwill is an example of
 - a) tangible real A/c b) intangible real A/c c) nominal A/c
6. Commission received is an example of
 - a) real A/c b) personal A/c c) nominal A/c
7. Outstanding rent A/c is an example for
 - a) nominal account b) personal account c) representative personal account
8. Nominal Account is classified under
 - a) personal A/c b) impersonal A/c c) neither of the two
9. Drawings account is classified under
 - a) real A/c. b) personal A/c. c) nominal A/c.

[Answers : 1. (a), 2. (b), 3. (a), 4. (a), 5. (b), 6. (c), 7. (c), 8. (b), 9. (b)].

II. Other Questions:

1. Explain the meaning of Double Entry System.
2. Define Double Entry System.
3. What are the advantages of Double Entry System?
4. How are accounts classified?
5. Write notes on personal accounts.
6. Write notes on real accounts.
7. Explain nominal accounts.
8. What are the golden rules of Accounting?
9. Classify the following items into real, personal and nominal accounts
 - a. Capital
 - f. State Bank of India

- b. Purchases
- c. Goodwill
- d. Copyright
- e. Latha
- g. Electricity Charges
- h. Dividend
- i. Ramesh
- j. Outstanding rent

Answers: Personal account – (a), (e), (f), (i), (j)
 Real account – (b), (c), (d)
 Nominal account – (g), (h)

BASIC ACCOUNTING PROCEDURES - II

JOURNAL

Accounting process starts with identifying the transactions to be recorded in the books of accounts. Accounting identifies only those transactions and events which involve money. They should be of financial character. Accountant does so by sorting out various cash memos, invoices, bills, receipts and vouchers. In the accounting process, the first step is the recording of transactions in the books of accounts. The origin of a transaction is derived from the source document.

Accounting Equation

The source document is the origin of a transaction and it initiates the accounting process, whose starting point is the accounting equation. Accounting equation is based on dual aspect concept (Debit and Credit). It emphasizes on the fact that every transaction has a two sided effect i.e., on the assets and claims on assets. Always the total claims (those of outsiders and of the proprietors) will be equal to the total assets of the business concern. The claims are also known as equities, are of two types: i.) Owners equity (Capital); ii.) Outsiders' equity (Liabilities).

$$\text{Assets} = \text{Equities}$$

$$\text{Assets} = \text{Capital} + \text{Liabilities} \quad (A = C+L)$$

$$\text{Capital} = \text{Assets} - \text{Liabilities} \quad (C = A-L)$$

$$\text{Liabilities} = \text{Assets} - \text{Capital} \quad (L = A - C)$$

Effect of Transactions on Accounting Equation:

Illustration 1

If the capital of a business is Rs.3,00,000 and other liabilities are Rs.2,00,000, calculate the total assets of the business.

Solution

$$\begin{aligned} \text{Assets} &= \text{Capital} + \text{Liabilities} \\ \text{Capital} &+ \text{Liabilities} = \text{Assets} \\ \text{Rs.3,00,000} + \text{Rs.2,00,000} &= \text{Rs.5,00,000} \end{aligned}$$

Illustration 2

If the total assets of a business are Rs.3,60,000 and capital is Rs.2,00,000, calculate liabilities.

Solution

$$\begin{aligned} \text{Assets} &= \text{Capital} + \text{Liabilities} \\ \text{Liabilities} &= \text{Assets} - \text{Capital} \\ \text{Assets} - \text{Capital} &= \text{Liabilities} \\ \text{Rs. 3,60,000} - \text{Rs. 2,00,000} &= \text{Rs. 1,60,000} \end{aligned}$$

Illustration 3

If the total assets of a business are Rs.4,50,000 and outside liabilities are Rs.2,50,000, calculate the capital.

Solution:

$$\begin{aligned} \text{Capital} &= \text{Assets} - \text{Liabilities} \\ \text{Assets} - \text{Liabilities} &= \text{Capital} \\ \text{Rs. 4,50,000} - \text{Rs. 2,50,000} &= \text{Rs.2,00,000} \end{aligned}$$

Illustration - 4

Transaction 1: Murugan started business with Rs.50,000 as capital. The business unit has received assets totalling Rs.50,000 in the form of cash and the claims against the firm are also Rs.50,000 in the form of capital. The transaction can be expressed in the form of an

accounting equation as follows:

$$\begin{array}{rclclcl} \text{Assets} & = & \text{Capital} & + & \text{Liabilities} \\ \text{Cash} & = & \text{Capital} & + & \text{Liabilities} \\ \text{Rs. 50,000} & = & \text{Rs. 50,000} & + & 0 \end{array}$$

Transaction 2: Murugan purchased furniture for cash Rs.5,000. The cash is reduced by Rs,5,000 but a new asset (furniture) of the same amount has been acquired. This transaction decreases one asset (cash) and at the same time increases the other asset (furniture) with the same amount, leaving the total of the assets of the business unchanged. The accounting equation now is as follows:

$$\begin{array}{rclclcl} & & \text{Assets} & = & \text{Capital} & + & \text{Liabilities} \\ & & \text{Cash} & + & \text{Furniture} & = & \text{Capital} & + & \text{Liabilities} \\ \text{Transaction 1} & & 50,000 & + & 0 & = & 50,000 & + & 0 \\ \text{Transaction 2} & & (-) 5,000 & + & 5,000 & = & 0 & + & 0 \\ \hline \text{Equation} & & \mathbf{45,000} & + & \mathbf{5,000} & = & \mathbf{50,000} & + & \mathbf{0} \end{array}$$

Transaction 3: He purchased goods for cash Rs.30,000.

As a result, cash balance is reduced by the goods purchased, leaving the total of the assets unchanged.

$$\begin{array}{rclclcl} & & \text{Assets} & = & \text{Capital} & + & \text{Liabilities} \\ & & \text{Cash} & + & \text{Furniture} & + & \text{Stock} & = & \text{Capital} & + & \text{Liabilities} \\ & & & & \text{(Goods)} & & & & & & \\ \text{Transaction 1\&2} & & 45,000 & + & 5,000 & + & 0 & = & 50,000 & + & 0 \\ \text{Transaction 3 (-)} & & 30,000 & + & 0 & + & 30,000 & = & 0 & + & 0 \end{array}$$

Equation **15,000 + 5,000 + 30,000 = 50,000 + 0**

Transaction 4: He purchased goods on credit for Rs.20,000. The above transaction will increase the value of stock on the assets side and will create a liability in the form of creditors.

$$\text{Assets} = \text{Capital} + \text{Liabilities}$$

$$\text{Cash} + \text{Furniture} + \text{Stock} = \text{Capital} + \text{Creditors}$$

Transaction 1-3 15,000 + 5,000 + 30,000 = 50,000 + 0

Transaction 4 0 + 0 + 20,000 = 0 + 20,000

Equation **15,000 + 5,000 + 50,000 = 50,000 + 20,000**

Transaction 6: Rent paid Rs.3,000. It reduces cash and the rent is an expense, it results in a loss which decreases the capital.

$$\text{Assets} = \text{Capital} + \text{Liabilities}$$

$$\text{Cash} + \text{Furniture} + \text{Stock} + \text{Debtors} = \text{Capital} + \text{Creditors}$$

Transaction 1-5 15,000 + 5,000 + 25,000 + 35,000 = 60,000 + 20,000

Transaction 6 - 3,000 + 0 + 0 + 0 = -3,000 + 0

Equation **12,000 + 5,000 + 25,000 + 35,000 = 57,000 + 20,000**

From the above transactions, it may be concluded that every transaction has a double effect and in each case - Assets = Capital + Liabilities, i.e., **'Accounting equation is true in all cases'**. The last equation appearing in the books of Mr. Murugan may also be presented in the form of a statement called Balance Sheet. It will appear as below:

Balance Sheet of Mr. Murugan

as on

Liabilities	Rs.	Assets	Rs.
Capital	57,000	Cash	12,000
Creditors	20,000	Stock	25,000
		Debtors	35,000
		Furniture	5,000
	<u>77,000</u>		<u>77,000</u>

Note : Increase in one asset will be automatically either decrease in another asset or increase in liability or increase in capital. Likewise decrease in asset by way of either in increase in another asset or decrease in liability or capital.

Illustration 5

Show the Accounting Equation on the basis of the following transactions and prepare a Balance Sheet on the basis of the last equation.

	Rs.
1. Maharajan commenced business with cash	1,00,000
2. Purchased goods for cash	70,000
3. Purchased goods on credit	80,000
4. Purchased furniture for cash	3,000
5. Paid rent	2,000
6. Sold goods for cash costing Rs.45,000	60,000
7. Paid to creditors	20,000
8. Withdrew cash for private use	10,000
9. Paid salaries	5,000
10. Sold goods on credit (cost price Rs.60,000)	80,000

No.	Transaction	Assets						=	Capital	+	Liabilities	
		Cash		Stock		Furniture		Debtors		Capital		Liabilities
1.	Maharajan commenced business with cash 1,00,000/-	1,00,000	+	0	+	0	+	0	=	1,00,000	+	0
2.	Purchase goods for cash	1,00,000	+	0	+	0	+	0	=	1,00,000	+	0
		(-) 70,000	+	70,000	+	0	+	0	=	0	+	0
3.	Purchase goods on credit	30,000	+	70,000	+	0	+	0	=	1,00,000	+	0
		0	+	80,000	+	0	+	0	=	0	+	80,000
4.	Purchase furniture	30,000	+	1,50,000	+	0	+	0	=	1,00,000	+	80,000
		(-)3,000	+	0	+	3,000	+	0	=	0	+	0
5.	Paid Rent	27,000	+	1,50,000	+	3,000	+	0	=	1,00,000	+	80,000
		(-) 2,000	+	0	+	0	+	0	=	(-) 2,000	+	0

6.	Sold goods for cash	25,000	+	1,50,000	+	3,000	+	0	=	98,000	+	80,000
		(+)20,000	+	(-)45,000	+	0	+	0	=	15,000	+	0
7.	Paid to creditors	85,000	+	1,05,000	+	3,000	+	0	=	1,13,000	+	80,000
		(-)20,000	+	0	+	0	+	0	=	0	+	(-)20,000
8.	Withdrew cash for private use	65,000	+	1,05,000	+	3,000	+	0	=	1,13,000	+	60,000
		(-)10,000	+	0	+	0	+	0	=	(-)10000	+	0
9.	Paid salaries	55,000	+	1,05,000	+	3,000	+	0	=	1,03,000	+	60,000
		(-)5,000	+	(-)60,000	+	0	+	0	=	(-)5,000	+	0
10.	Sold goods on credit costing Rs. 60,000	50,000	+	1,05,000	+	3,000	+	0	=	98,000	+	60,000
		0	+	(-)60,000	+	0	+	80,000	=	20,000	+	0
	Equation	50,000	+	45,000	+	3,000	+	80,000	=	1,18,000	+	60,000
								1,78,000	=	1,78,000		

Explanation:

S.No.	Transation	Accounts Affected	
		Assets	Capital & Liabilites
1.	Capital brought in	Cash increases (comes in)	Capital increases (created)
2.	Cash Purchase	Stock increase Cash decrease	---
3.	Credit purchase	Stock increase	Creditors increase
4.	Furniture bought	Cash decrease Furniture increase (comes in)	---
5.	Rent paid	Cash decrease	Capital decrease (rent is an expenses it results in a loss)
6.	Cash sales	Cash increases Stock decrease	---
7.	Payment to creditors	Cash decrease	Creditors decrease

8.	Withdrawal of cash for private use (Drawings)	Cash decrease	Capital decrease
9.	Salaries paid	Cash decrease	Capital decrease (salary is an expenses & loss)
10.	Credit sales	Stock decrease Debtors increase	---

Balance Sheet of Mr. Maharajan

As on.....

Liabilities	Rs.	Assets	Rs.
Capital	1,18,000	Cash	50,000
Creditors	60,000	Stock	45,000
		Debtors	80,000
		Furniture	3,000
	1,78,000		1,78,000

Rules for Debiting and Crediting

In actual practice, the individual transactions of similar nature are recorded, added and subtracted at one place. Such place is customarily the meaning of debit and credit, it is essential to understand the meaning and form of an account.

An account is a record of all business transactions relating to a particular person or asset or liability or expense or income. In accounting, we keep a separate record of each individual, asset, liability, expense or income. The place where such a record is maintained is termed as an 'Account'.

All accounts are divided into two sides. The left hand side of an account is called Debit side and the right hand side of an account is called Credit side. In the abbreviated form Debit is written as Dr. and Credit is written as Cr. For example, the transactions relating to cash are recorded in an account; entitled 'Cash Account' and its format will be as given below:

Debit (Dr.)	Cash Account	Credit (Cr.)

In order to decide when to write on the debit side of an account and when to write on the credit side of an account, there are two approaches. They are: 1) Accounting Equation Approach, 2) Traditional Approach.

Nature of Account

The accounting equation is a statement of equality between the debits and the credits. The rules of debit and credit depend on the nature of an account. For this purpose, all the accounts are classified into the following five categories in the accounting equation approach:-

1. Assets Accounts
2. Capital Account
3. Liabilities Accounts
4. Revenues or Incomes Accounts
5. Expenses or Losses Accounts

If there is an increase or decrease in one account, there will be equal decrease or increase in another account. Accordingly, the following rules of debit and credit in respect of the various categories of accounts can be obtained.

The rules may be summarized as below:-

1. Increases in assets are debits;
Decreases in assets are credits.
2. Increases in capital are credits;
Decreases in capital are debits.
3. Increases in liabilities are credits;
Decreases in liabilities are debits.
4. Increases in incomes and gains are credits;
Decreases in incomes and gains are debits.
5. Increases in expenses and losses are debits;
Decreases in expenses and losses are credits.

<i>Elements of Accounting Equation</i>	<i>Debit</i>	<i>Credit</i>
Assets	Increase	Decrease
Liabilities	Decrease	Increase
Capital	Decrease	Increase
Revenue	Decrease	Increase
Expenses	Increase	Decrease

In the traditional approach, all the accounts are classified into the following three types.

1. Personal Accounts
2. Real Accounts
3. Nominal Accounts

Golden Rules for Debit and Credit:

1. Personal Accounts – a) Debit the receiver
 b) Credit the giver
2. Real Accounts – a) Debit what comes in
 b) Credit what goes out
3. Nominal Accounts – a) Debit all expenses and losses
 b) Credit all incomes and gains

Books of Original Entry

The books in which a transaction is recorded for the first time from a source document are called *Books of Original Entry* or *Prime Entry*. *Journal* is one of the books of original entry in which transactions are originally recorded in a chronological (day-to-day) order according to the principles of Double Entry System.

Journal

Journal is a date-wise record of all the transactions with details of the accounts debited and credited and the amount of each transaction.

Format

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.

Explanation:

- 1) **Date:** In the first column, the date of the transaction is entered. The year and the month is written only once, till they change. The sequence of the dates and months should be strictly maintained.
- 2) **Particulars:** Each transaction affects two accounts, out of which one account is debited and the other account is credited. The name of the account to be debited is written first, very near to the line of particulars column and the word **Dr.** is also written at the end of the particulars column. In the second line, the name of the account to be credited is written, starts with the word **'To'**, a few space away from the margin in the particulars column to the make it distinct from the debit account.

- 3) **Narration:** After each entry, a brief explanation of the transaction together with necessary details is given in the particulars column with in brackets called **narration**. The words 'For' or 'Being' are used before starting to write down narration. Now, it is not necessary to use the word 'For' or 'Being'.
- 4) **Ledger Folio (L.F):** All entries from the journal are later posted into the ledger accounts. The page number or folio number of the Ledger, where the posting has been made from the Journal is recorded in the L.F column of the Journal. Till such time, this column remains blank.
- 5) **Debit Amount:** In this column, the amount of the account being debited is written.
- 6) **Credit Amount:** In this column, the amount of the account being credited is written.

Steps in Journalizing

The process of analysing the business transactions under the heads of debit and credit and recording them in the Journal is called **Journalizing**. An entry made in the journal is called a '**Journal Entry**'.

1. Determine the two accounts which are involved in the transaction.
2. Classify the above two accounts under Personal, Real or Nominal.
3. Find out the rules of debit and credit for the above two accounts.
4. Identify which account is to be debited and which account is to be credited.
5. Record the date of transaction in the date column. The year and month is written once, till they change. The sequence of the dates and months should be strictly maintained.
6. Enter the name of the account to be debited in the particulars column very close to the left hand side of the particulars column followed by the abbreviation Dr. in the same line. Against this, the amount to be debited is written in the debit amount column in the same line.
7. Write the name of the account to be credited in the second line starts with the word '**To**' a few space away from the margin in the particulars column. Against this, the amount to be credited is written in the credit amount column in the same line.
8. Write the narration within brackets in the next line in the particulars column.
9. Draw a line across the entire particulars column to separate one journal entry from the other.

Illustrations

Example 1:

January 1, 2004 – Saravanan started business with Rs. 1,00,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Cash Account	Capital Account
Step 2	Classify the accounts under personal, real, nominal.	Real Account	Personal Account
Step 3	Find out the rules of debit and credit.	2(a) debit what comes in.	1(b) credit the giver

step 4	Identify which account is to be debited and credited.	Cash A/c is to be debited	Capital A/c is to be credited
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Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004 Jan 1	Cash A/c Dr. To Capital A/c (The amount invested in the business)		1,00,000	1,00,000

The Ledger Folio column indicates 12 against Cash Account which means that Cash Account is found in page 12 in the ledger and this debit of Rs.1,00,000 to Cash A/c can be seen on that page. Similarly 45 against Capital A/c indicates the page number in which Capital account is found and the credit of Rs.1,00,000 indicated there in.

Example 2:

Jan. 3, 2004 : Received cash from Ram Rs. 25,000

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Cash Account	Ram Account
Step 2	Classify the accounts under personal, real, nominal.	Real Account	Personal Account
Step 3	Find out the rules of debit and credit.	2(a) debit what comes in.	1(b) credit the giver
step 4	Identify which account is to be debited and credited.	Cash A/c is to be debited	Ram A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
------	-------------	------	------------------	-------------------

2004	Cash A/c	Dr.	25,000	
Jan 3	To Ram's A/c			25,000
	(Cash recived from Ram)			

The Ledger Folio column indicates 12 against Cash Account which means that Cash Account is found in page 12 in the ledger and this debit of Rs.25,000 to Cash A/c can be seen on that page. Similarly 81 against Balan A/c indicates the page number in which Balance Account is found and the credit of Rs.25,000 indicated there in.

Example 3:

July 7, 2004 – Paid cash to Perumal Rs.37,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Perumal Account	Cash Account
Step 2	Classify the accounts under personal, real, nominal.	Personal Account	Real Account
Step 3	Find out the rules of debit and credit.	2(a) debit the receiver	1(b) credit what goes out
step 4	Identify which account is to be debited and credited.	Perumal A/c is to be debited	Cash A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004	Perumal's A/c	Dr.	37,000	
July 7	To Cash A/c			37,000
	(Cash paid to perumal)			

Example 4: Feb. 7, 2004 – Bought goods for cash Rs. 80,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Purchase Account	Cash Account
Step 2	Classify the accounts under	Real Account	Real Account

	personal, real, nominal.		
Step 3	Find out the rules of debit and credit.	2(a) debit what comes in.	1(b) credit what goes out
step 4	Identify which account is to be debited and credited.	Purchase A/c is to be debited	Cash A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004	Purchase A/c Dr.		80,000	
Feb 7	To Cash A/c (Cash purchase of goods)			80,000

Example 5: March 10, 2004 – Cash sales Rs.90,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Cash Account	Sales Account
Step 2	Classify the accounts under personal, real, nominal.	Real Account	Real Account
Step 3	Find out the rules of debit and credit.	2(a) debit what comes in.	1(b) credit what goes out
step 4	Identify which account is to be debited and credited.	Cash A/c is to be debited	Sales A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
------	-------------	------	------------------	-------------------

2004	Cash A/c	Dr.		90,000	
March 10	To Sales A/c				90,000
	(Cash sales)				

Example 6: March 15, 2004 – Sold goods to Jaleel on credit Rs.1,00,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Jaleel Account	Sales Account
Step 2	Classify the accounts under personal, real, nominal.	Personal Account	Real Account
Step 3	Find out the rules of debit and credit.	2(a) debit the receiver	1(b) credit what goes out
step 4	Identify which account is to be debited and credited.	Jaleel A/c is to be debited	Sales A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004	Jaleel's A/c	Dr.	1,00,000	
Mar 15	To Sales A/c			1,00,000
	(Credit sales of goods)			

Example 7: March 18, 2004 – Purchased goods from James on credit Rs.1,50,000

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Purchase Account	James Account
Step 2	Classify the accounts under personal, real, nominal.	Real Account	Personal Account

Step 3	Find out the rules of debit and credit.	2(a) debit what comes in	1(b) credit the giver
step 4	Identify which account is to be debited and credited.	Purchase A/c is to be debited	James A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004 Mar 18	Purchase A/c Dr. To James's A/c (Credit purchase of goods)		1,50,000	1,50,000

Example 8: March 20, 2004 – Returned goods from Jaleel Rs.5,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Sales Return Account	Jaleel Account
Step 2	Classify the accounts under personal, real, nominal.	Real Account	Personal Account
Step 3	Find out the rules of debit and credit.	2(a) debit what comes in	1(b) credit the giver
step 4	Identify which account is to be debited and credited.	Sales Return A/c is to be debited	Jaleel A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004 Mar 20	Sales Return A/c Dr. To Jaleel's A/c (Returned goods)		5,000	5,000

Example 9: March 25, 2004 – Goods returned to James Rs.7,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	James Account	Purchase Return Account
Step 2	Classify the accounts under personal, real, nominal.	Personal Account	Real Account
Step 3	Find out the rules of debit and credit.	2(a) debit the receiver	1(b) credit what goes out
step 4	Identify which account is to be debited and credited.	James A/c is to be debited	Purchase Return A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004 Mar 25	James's A/c Dr. To Purchase Returns A/c (Goods returned)		7,000	7,000

Example 10: March 25, 2004 – Paid salaries in cash Rs.6,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Salaries Account	Cash Account
Step 2	Classify the accounts under personal, real, nominal.	Nominal Account	Real Account
Step 3	Find out the rules of debit and credit.	2(a) debit all expenses and losses	1(b) credit what goes out
step 4	Identify which account is to be debited and credited.	Salaries A/c is to be debited	Cash A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004 Mar 25	Salaries A/c Dr. To Cash A/c (Salaries paid)		6,000	6,000

Example 11: April 14, 2004 – Commission received Rs.5,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Cash Account	Commission Account
Step 2	Classify the accounts under personal, real, nominal.	Real Account	Nominal Account
Step 3	Find out the rules of debit and credit.	2(a) debit what comes in	1(b) credit all income and gains
step 4	Identify which account is to be debited and credited.	Cash A/c is to be debited	Commission A/c is to be credited

Solution :

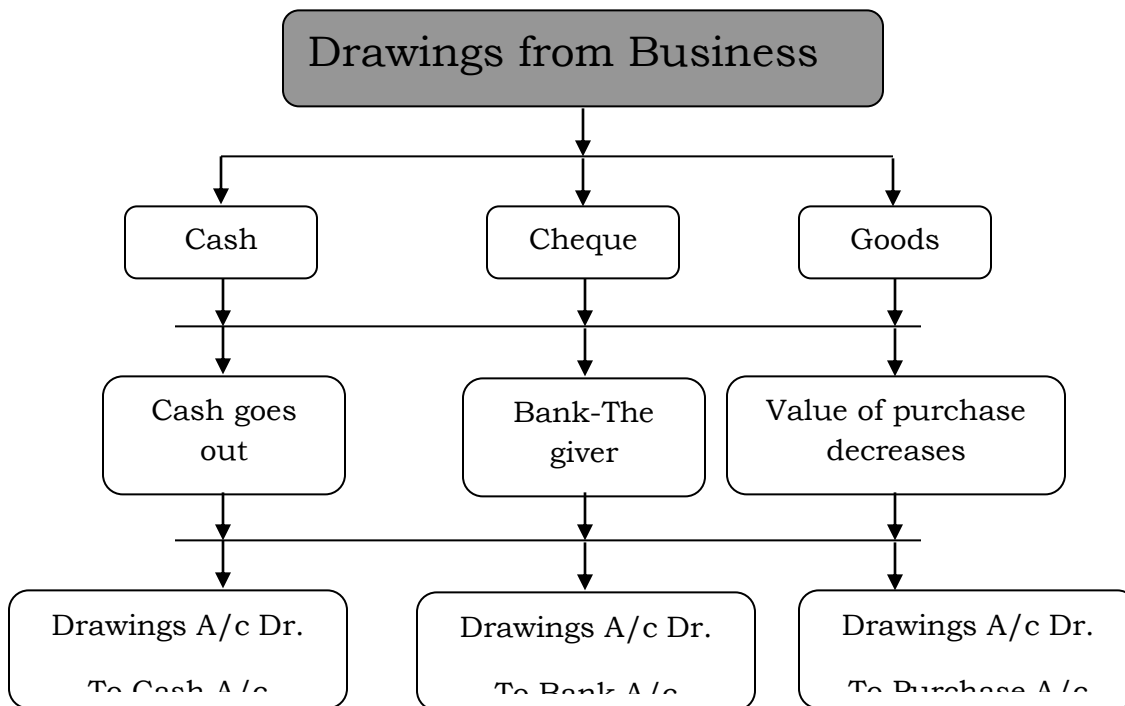
Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004 Apr 14	Cash A/c Dr. To Commission A/c (commission received)		5,000	5,000

Capital and Drawings

It is important to note that business is treated as a separate entity from the business man. All transactions of the business have to be analysed from the business point of view and not from the proprietor's point of view. The amount with which a trader starts the business is known as **Capital**.

The proprietor may withdraw certain amounts from the business to meet personal expense or goods for personal use. It is called **Drawings**.



Example 12: January 31, 2004 – Saravanan withdrew for personal use Rs. 20,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Drawings Account	Cash Account
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Step 2	Classify the accounts under personal, real, nominal.	Personal Account	Real Account
Step 3	Find out the rules of debit and credit.	2(a) debit the receiver	1(b) credit what goes out
step 4	Identify which account is to be debited and credited.	Drawings A/c is to be debited	Cash A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004 Jan 31	Drawings A/c Dr. To Cash A/c (The amount withdrawn for personal use)		20,000	20,000

Bank Transactions

Bank transactions that occur often in the business concerns are cash paid into bank, cheques and bills received from customers paid into bank for collection, payment of cheques for expenses and cheques issued to suppliers or creditors. When a cheque is received treat it as cash.

Example 13: January 18, 2004 – Opened a current account with Indian Overseas Bank Rs.10,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Bank Account	Cash Account
Step 2	Classify the accounts under personal, real, nominal.	Personal Account	Real Account
Step 3	Find out the rules of debit and credit.	2(a) debit the receiver	1(b) credit what goes out
step 4	Identify which account is to be debited and credited.	Bank A/c is to be debited	Cash A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
------	-------------	------	------------------	-------------------

2004	Indian ov. Bank A/c Dr.		10,000	
Jan 18	To Cash A/c			10,000
	(Opened a current A/c.)			

Example 14: Feb 3, 2004 – Rent paid by cheque Rs. 5,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Rent Account	Bank Account
Step 2	Classify the accounts under personal, real, nominal.	Nominal Account	Personal Account
Step 3	Find out the rules of debit and credit.	2(a) debit all expenses and losses	1(b) credit the giver
step 4	Identify which account is to be debited and credited.	Rent A/c is to be debited	Bank A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004	Rent A/c Dr.		5,000	
Feb 3	To Bank A/c			5,000
	(Rent paid by cheque)			

Example 15: March 5, 2004 – Received cheque from Elavarasan Rs.20,000.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Cash Account	Elavarasan Account
Step 2	Classify the accounts under personal, real, nominal.	Real Account	Personal Account
Step 3	Find out the rules of debit and credit.	2(a) debit what comes in	1(b) credit the giver
step 4	Identify which account is to be	Cash A/c is to	Elavarasan A/c

	debited and credited.	be debited	is to be credited
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Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004 Mar 5	Cash A/c Dr. To Elavarasan's A/c (Cheque recived but not paid into bank.)		20,000	20,000

Example 16: March 15, 2004 – Cheque received from Santhosh Rs.30,000 and immediately banked.

Analysis of Transaction

Step 1	Determine the two accounts involved in the transaction.	Bank Account	Santosh Account
Step 2	Classify the accounts under personal, real, nominal.	Personal Account	Personal Account
Step 3	Find out the rules of debit and credit.	2(a) debit the receiver	1(b) credit the giver
step 4	Identify which account is to be debited and credited.	Bank A/c is to be debited	Santosh A/c is to be credited

Solution :

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004 Jan 1	Bank A/c Dr. To Santosh's A/c (Cheque received and immediately banked)		30,000	30,000

Compound Journal Entry

Here cash received is Rs.24,700 in full settlement of Rs.25,000 so the difference Rs.300 is discount allowed.

Solution:

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004	Cash A/c Dr.		24,700	
July 13	Discount Allowed A/c Dr. To Shantanu's A/c (Shantanu settled her account)		300	25,000

Example 20: July 14, 2003 – Paid cash to Tarun Rs.14,500, in full settlement of her account of Rs.15,000.

Here cash paid Rs.14,500 in settlement of Rs.15,000 so the difference Rs. 500 is discount received.

Solution:

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004	Tarun's A/c Dr.		15,000	
July 14	To Cash A/c To Discount Received A/c (Settled Tarun account)			14,500 25,000

Bad Debts

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

Example 21: Jamuna who owed us Rs.10,000 is declared insolvent and 25 paise in a rupee is received from her on 15th July, 2003.

Solution:

Journal

Date	Particulars	L.F.	Debit	Credit
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			Amount Rs.	Amount Rs.
2004	Cash A/c Dr.		2,500	
July 15	Bad Debts A/c Dr. To Jamuna's A/c (25 paise in a rupee recived on her insolvency)		7,500	10,000

Bad Debts Recovered

Some times, it so happens that the bad debts previously written off are subsequently recovered. In such case, cash account is debited and bad debts recovered account is credited because the amount so received is a gain to the business.

Example 22: Received cash for a Bad debt written off last year Rs.7,500 on 18th January, 2004.

Solution:

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004	Cash A/c Dr.		7,500	
July 15	To Bad Debts Recov. A/c (Bad debts recovered)			7,500

Opening Entry

Opening Entry is an entry which is passed in the beginning of each current year to record the closing balance of assets and liabilities of the previous year. In this entry asset accounts are debited and liabilities and capital account are credited. If capital is not given in the question, it will be found out by deducting total of liabilities from total of assets.

Example 23: The following balances appeared in the books of Madan as on 1st January 2004 – Cash Rs. 7,000, Bank Rs.70,000, Stock Rs.80,000, Furniture Rs.10,000, Computer Rs.50,000, Debtors Rs.33,000 and Creditors Rs.90,000. The opening entry is

Journal

Date	Particulars	L.F.	Debit Amount Rs.	Credit Amount Rs.
2004	Cash A/c Dr.		7,000	
Jan 1	Bank A/c Dr.		70,000	
	Stock A/c Dr.		80,000	
	Debtors A/c Dr.		33,000	
	Furniture A/c Dr.		10,000	
	Computer A/c Dr.		50,000	

To Creditors A/c		90,000
To Capital A/c (b/f)		1,60,000
(Assets and liabilities brought forward)		

Advantages

The main advantages of the Journal are:

1. It reduces the possibility of errors.
2. It provides an explanation of the transaction.
3. It provides a chronological record of all transactions.

Limitations

The limitations of the Journal are:

1. It will be too long if all transactions are recorded here.
2. It is difficult to ascertain the balance of each account.

QUESTIONS

I. Objective Type:

a) Fill in the Blanks:

1. The source document gives information about the nature of the _____.
2. The accounting equation is a statement of _____ between the debits and credits.
3. In double entry book-keeping, every transaction affects at least two _____.
4. Assets are always equal to liabilities plus _____.
5. A transaction which increases the capital is called _____.
6. The journal is a book of _____.
7. Recording of transaction in the journal is called _____.
8. The _____ column of journal represents the place of posting of an entry in the ledger account.
9. _____ account is debited for the amount not recovered from the customer.
10. The assets of a business on 31st December, 2002 were worth Rs.50,000 and its capital was Rs.35,000. Its liabilities on that date were Rs. _____.

[Answer : 1. transactions, 2. equality, 3. accounts, 4. capital, 5. revenue or income, 6. original entry, 7. journalising, 8. L.F, 9. bad debts, 10. Rs.15,000]

b) Choose the correct answer

1. The origin of a transaction is derived from the
 - a) Source document b) Journal c) Accounting equation
2. Which of the following is correct?
 - a) Capital = Assets + Liabilities
 - b) Capital = Assets – Liabilities
 - c) Assets = Liabilities – Capital
3. Amount owned by the proprietor is called
 - a) Assets b) Liabilities c) Capital
4. The Accounting Equation is connected with
 - a) Assets only b) Liabilities only c) Assets, Liabilities and capital
5. Goods sold to Srinivasan should be debited to
 - a) Cash A/c b) Srinivasan A/c. c) Sales A/c.
6. Purchased goods from Venkat for cash should be credited to
 - a) Venkat A/c b) Cash A/c c) Purchases A/c
7. Withdrawals of cash from bank by the proprietor for office use should be credited to
 - a) Drawings A/c b) Bank A/c c) Cash A/c
8. Purchased goods from Murthy on credit should be credited to
 - a) Murthy A/c b) Cash A/c c) Purchases A/c
9. An entry is passed in the beginning of each current year is called
 - a) Original entry b) Final entry c) Opening entry
10. The liabilities of a business are Rs.30,000; the capital of the proprietor is Rs.70,000. The total assets are:
 - a) Rs.70,000 b) Rs.1,00,000 c) Rs.40,000

[Answers : 1. (a), 2. (b), 3. (c), 4. (c), 5. (b), 6. (b), 7. (b), 8. (a), 9.(c), 10 (b)]

II. Other Questions :

1. Explain the meaning of source documents.
2. What is cash memo?
3. What is an invoice?
4. What is a receipt?
5. What is pay-in-slip?
6. What is a debit note?
7. What is a credit note?
8. Explain the meaning of Accounting Equation.
9. What is a Journal?
10. Mention the five categories of Accounts.
11. How is the Journal ruled?
12. What is Journalising?

13. What do you mean by L.F.? How do you fill in this column?
14. What is a narration?
15. What is capital?
16. What is drawings?
17. What is a Compound Journal Entry?
18. Explain the rules for journalising.
19. Explain the steps in journalising?
20. Bring out the advantages and the limitations of journal.

III. Problems:

1. On 31st December 2003, the total assets and liabilities were Rs.1,00,000 and Rs.30,000 respectively. Calculate capital.
2. Indicate how assets, liabilities and capital are affected by each of the following transactions with an accounting equation:
 - i. Purchase of machinery for cash Rs. 3,00,000.
 - ii. Receipt of cash from a debtor Rs. 50,000.
 - iii. Cash payment of a creditor Rs.30,000.
3. Give transactions with imaginary figures involving the following:
 - i. Increase in assets and capital,
 - ii. Increase and decrease in assets,
 - iii. Increase in an asset and a liability,
 - iv. Decrease of an asset and owner's capital.
4. Supply the missing amounts on the basis of Accounting Equation

Assets = Liabilities + Capital

	Assets	=	Liabilities	+	Capital
i.	20,000	=	15,000	+	?
ii.	?	=	5,000	+	10,000
iii.	10,000	=	?	+	8,000
5. State the nature of account and show which account will be debited and which account will be credited?
 1. Rent received
 2. Building purchased
 3. Machinery sold
 4. Discount allowed
 5. Discount received
6. Correct the following entries wherever you think:
 - i. Brought capital in to business:

Capital A/c Dr.

 To Cash A/c

ii. Cash Purchases:

Cash A/c Dr.

 To Sales A/c

iii. Salaries paid to clerk Mr.K:

Salaries A/c Dr.

 To K's A/c

iv. Paid carriage:

Carriage A/c Dr.

 To Cash A/c

7. What do the following Journal Entries mean?

i. Cash A/c Dr.

 To Furniture A/c

ii. Rent A/c Dr.

 To Cash A/c

iii. Bank A/c Dr.

 To Cash A/c

iv. T's A/c Dr.

 To Sales A/c

8. Show the accounting equation on the basis of the following transactions.

1) Ramya started business with cash	25,000
2) Purchased goods from Shobana	20,000
3) Sold goods to Amala costing Rs.18,000	25,000
4) Ramya withdrew from business	5,000

[Assets Rs. 47,000 = Capital Rs.27,000 + Liabilities Rs.20,000]

9. Prepare accounting equation and balance sheet on the basis of the following :

	Rs.
1) Pallavan started business with cash	60,000
2) He purchased furniture	10,000
3) He paid rent	2,000
4) He purchased goods on credit from Mr.Mahendran	30,000
5) He sold goods (cost price Rs.20,000) for cash	25,000

[Assets Rs. 93,000 = Capital Rs.63,000 + Liabilities Rs.30,000]

10. Journalise the following Opening Entry:

	Rs.
Cash in hand	2,000

Plant	50,000
Furniture	5,000
Creditors	13,000
Debtors	18,000

11. Journalise the following transactions in the books of Aman

Rs.

2004, Jan.

1 Tmt. Amutha commenced business with cash	50,000
2 Purchased goods for cash	10,000
5 Purchased goods from Mohan on credit	6,000
7 Paid into Bank	5,000
10 Purchased furniture	2,000
20 Sold goods to Suresh on credit	5,000
25 Cash sales	3,500
26 Paid to Mohan on account	3,000
31 Paid salaries	2,800

12. Journalise the following transactions of Mrs. Rama

Rs.

2004, Jan

1 Mrs. Rama commenced business with cash	30,000
2 Paid into bank	21,000
3 Purchased goods by cheque	15,000
7 Drew cash from bank for office use	3,000
15 Purchased goods from Siva	15,000
20 Cash sales	30,000
25 Paid to Siva	14,750
Discount Received	250
31 Paid rent	500
Paid Salaries	2,000

13. Journalise the following transactions of Mr. Moorthi

Rs.

2004, June

3 Received cash from Ram	60,000
4 Purchased goods for cash	15,000
11 Sold goods to Damodar	22,000

13 Paid to Ram	40,000
17 Received from Damodar	20,000
20 Bought furniture from Jay	5,000
27 Paid rent	1,200
30 Paid salary	2,500

14. Journalise the following in the Journal of Gori Shankar

Rs.

2003, Oct.

1 Received cash from Siva	75,000
7 Paid cash to Seema	45,000
10 Bought goods for cash	27,000
12 Bought goods on credit from David	48,000
15 Sold goods for cash	70,000

15. Record the following transactions in the Journal of Ram.

Rs.

2004, Feb.

3 Bought goods for cash Rs.	84,500
7 Sold goods to Dhana lakshmi on credit Rs.	55,000
9 Received commission Rs.	3,000
10 Cash Sales Rs.	1,09,000
12 Bought goods from Maha lakshmi Rs.	60,000
15 Received five chairs from Revathi & Co. at Rs.400 each	
20 Paid Revathi & Co., cash for five chairs	
28 Paid Salaries Rs.	10,000
Paid Rent Rs.	5,000

16. Journalise the following transactions in the books of Rohan

2004, March

- 1 Sold goods on credit to Mohan Rs.75,000.
- 12 Purchased goods on credit from Bushan Rs.70,000.
- 15 Sold goods for cash to David Rs.50,000.
- 20 Received from Mohan Rs.70,000.
- 25 Paid to Bushan Rs.50,000.

TEST XI

1. Proprietor commenced business with cash from Rs. 500000/- Rs.40000/-&furniture Rs. 80000/-
2. Bought good from Indian & Co. Rs of Rs.75000
3. Machinery purchased from Aditya Birla Group of cash- 100000/.
4. Paid shop expenses of Rs.215/-.
5. Sold goods of Sharma& Co. of Rs.55000/-.
6. Cash sale of Rs. 50000/-.
7. Land purchased of Rs.150000/-.
8. Received cash form Sharma & Co.8800 and discount allowed Rs.200.
9. Paid Expenses of machinery repair Rs.3200/-.
10. Stationary purchased of Rs. 250/- for office use.
11. Cash withdrew from P.N Bank Rs.2500/-for domestic use.
12. Paid trade expenses Rs.700/-, Shop Exp .Rs.180/-&Traveling Expenses of Rs.380/-.
13. Bought goods from Ramones & Co.Rs.20000/-at 10% trade discount &cash discount of 2% paid amount immediately.
14. Provide 10% depreciation on furniture Costing Rs.5000/-.
15. Received a cheque from Sharma&Co.of Rs.50000/-.
16. Proprietor withdrawal cash for private use Rs.2500/-from office & Rs.3000 from bank.
17. Paid Fire Insurance Premium on building by cheque of Rs.1000/-.
18. Salary paid to Gopal of Rs.7000/-.
19. Purchased goods for Rs.140000/- in all out of which half the goos were on credit from Jindal & Company.

20. Interest due from Ram of Rs.4200/-.

JOURNAL ENTERIES

Date

Jan. 1, 09 Cash-in-hand Rs.1,600 and at Bank Rs.10,000

Jan. 2, 09 Bought goods by cheque for Rs.8,000.

Jan. 4, 09 Purchase Old Machinery to Avi for Rs.1,00,000

Jan. 5, 09 Bought goods by cash for Rs.1,000

Jan. 6, 09 Paid Trade Expenses Rs.500.

Jan. 8, 09 Received payment of a loan of Rs.3,000 & deposited out of it Rs.2,500 in bank.

Jan. 9, 09 Cash deposited into Bank for Rs.5,00,000.

Jan. 10, 09 Bought Shares in JSM Ltd. for Rs.1,00,000 and brokerage paid @ 2%. All the payment made by Cheque.

Jan. 11, 09 Cash Rs.10,000 was stolen from the Iron Safe of the trader.

Jan. 14, 09 Borrowed Rs.25,000 from Rahul and Rs.30,000 from Bank.

Jan. 15, 09 Salary paid to Ram & Shyam for Rs. 1200 & Rs.1000.

Jan. 16, 09 Life Insurance Prem. Paid for Rs.3000.

Jan. 16, 09 Depreciation of Machinery provided @ 10% costing 25,000.

Jan. 18, 09 Cash withdrawn for personal use for Rs.5,000

Jan. 20, 09 Cash withdrawn from bank for Office use Rs.2,500 and personal use Rs.1,500.

Jan. 21, 09 Bank charges for Rs.750

Jan. 22, 09 Opening Bank A/c with PNB Bank for Rs.11,000.

Jan. 24, 09 Received from Bad-debts Rs.4,000.

Jan. 24, 09 Rent paid to Rahul for Rs.15,000.

Jan. 26, 09 Received a Cheque form Aarav for Rs.5,000.

Jan. 27, 09 Goods worth Rs.400 given as charity.

Jan. 28, 09 Bought goods of the list price of Rs.15,000 from Ram Niwas & Co. less 10% trade discount and 5% cash discount. 60% amount paid immediately.

Jan. 30, 09 Rent due to S.Sharma for Rs.5,000.

Jan. 31, 09 Cheque dishonoured by bank for Rs.500.

Jan. 31, 09 Paid Income Tax- 800