Chapter 3: Recording of Transactions — I

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Short Answers — Questions for Practice — Short Answers

Q1 State the three fundamental steps in the accounting process.

SOLUTION

The three fundamental steps in the accounting process are:

1. Recording — Every business transaction is first recorded in the books of original entry (journal) based on source documents.

2. Classifying — The recorded transactions are grouped (posted) into individual accounts in the ledger so that all transactions relating to a particular account appear together.

3. Summarising — The classified data is summarised into financial statements (Trial Balance, Trading and Profit & Loss Account, Balance Sheet) to communicate financial information to users.

Answer: The three steps are: (1) Recording transactions in the journal, (2) Classifying by posting to the ledger, and (3) Summarising into financial statements.

Q2 Why is the evidence provided by source documents important to accounting?

SOLUTION

Source documents (cash memos, invoices, pay-in-slips, cheques, salary slips, etc.) are the foundation of accounting because:

1. They provide authentic evidence that a transaction has actually taken place, preventing the recording of fictitious or fraudulent entries.

2. They supply the details needed for recording — the date, parties involved, nature, and amount of the transaction.

3. They serve as a basis for preparing accounting vouchers, which in turn are used to make journal entries.

4. In case of disputes or audits, source documents act as legal proof to verify the correctness of the accounts.

In short, without source documents accounting records lose their reliability and verifiability.

Answer: Source documents provide authentic evidence of transactions, supply the details needed for recording, support preparation of vouchers, and serve as legal proof during audits.

Q3 Should a transaction be first recorded in a journal or ledger? Why?

SOLUTION

A transaction should be first recorded in the journal (book of original entry) and then posted to the ledger.

Reason: The journal provides a chronological, day-by-day record of every transaction with a narration. It captures both the debit and credit aspects of each transaction in one place, making it easy to trace any entry back to its source document.

If transactions were recorded directly in the ledger, the complete picture of a transaction would be scattered across different accounts, making it difficult to identify errors and understand the full effect of any single transaction.

Thus, the journal acts as the primary book that ensures completeness and reduces the risk of omission, while the ledger provides a classified summary of each account.

Answer: A transaction should be recorded first in the journal because it provides a complete chronological record with both debit and credit aspects together, making the ledger posting accurate and traceable.

Q4 Are debits or credits listed first in journal entries? Are debits or credits indented?

SOLUTION

In a journal entry, debits are always listed first.

Credits are indented — the credit account name is written with an indentation (shifted slightly to the right, often with 'To' prefixed) below the debit account.

This convention makes it visually clear which account is debited and which is credited, and it is a standard practice followed in all journal entries.

Answer: Debits are listed first; credits are indented (written below and to the right, prefixed with 'To').

Q5 Why are some accounting systems called double accounting systems?

SOLUTION

Accounting systems are called double-entry systems (not 'double accounting') because every business transaction affects at least two accounts — one account is debited and another is credited — for the same amount.

This dual effect reflects the two-fold (give and take) nature of every transaction. For example, when cash is received for a sale, the Cash account is debited (asset increases) and the Sales

account is credited (revenue increases).

The system ensures that the accounting equation (Assets = Liabilities + Capital) always remains balanced, and it provides a built-in check against errors since total debits must always equal total credits.

Answer: Because every transaction has a dual effect — one account is debited and another credited for the same amount — keeping the accounting equation balanced at all times.

Q6 Give a specimen of an account.

SOLUTION

A ledger account (T-account) has two sides: the left side is the Debit (Dr.) side and the right side is the Credit (Cr.) side.

Specimen of a Cash Account:

Dr. Cash Account Cr.

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2017				2017			
Jan.1	To Capital	1	50,000	Jan.3	By Purchases	2	10,000
				Jan.31	By Balance c/d		40,000
	Total		50,000		Total		50,000

The account records all increases (debits) on the left and all decreases (credits) on the right, with the balance carried down at the end of the period.

Answer: A ledger account has a Dr. (left) side and a Cr. (right) side, each recording date, particulars, journal folio, and amount. The difference between the two sides is the closing balance.

Q7 Why are the rules of debit and credit same for both liability and capital?

SOLUTION

Capital is treated as a special liability of the business towards its owner (proprietor). Under the business entity concept, the business and the owner are separate entities, so the amount invested by the owner is a liability of the business to the owner.

Since both liabilities and capital represent amounts owed by the business (to outsiders and to the owner respectively), the same rules apply:

- An increase in liability or capital is recorded as a CREDIT.
- A decrease in liability or capital is recorded as a DEBIT.

This is consistent with the accounting equation: Assets = Liabilities + Capital. Both liabilities and capital appear on the same side (right side) of the equation, so they follow identical

debit/credit treatment.

Answer: Capital is treated as a liability of the business to the owner (business entity concept), so both follow the same rule: increase = credit, decrease = debit.

Q8 What is the purpose of posting J.F numbers that are entered in the journal at the time entries are posted to the accounts.

SOLUTION

J.F. (Journal Folio) numbers serve the following purposes:

1. Cross-referencing: They provide a link between the journal and the ledger. The journal folio number written in the ledger indicates the journal page from which the entry was posted, and the ledger folio number in the journal indicates the ledger page to which it was posted.

2. Traceability: Any entry in the ledger can be traced back to the original journal entry and its supporting source document, making it easy to verify and audit.

3. Completeness check: If a J.F. number is not entered in the ledger, it signals that the posting has not yet been done, preventing omission of entries.

4. Error detection: Cross-references help in locating and correcting errors quickly.

Answer: J.F. numbers cross-reference the journal and ledger, allowing any ledger entry to be traced back to the journal (and source document), confirming completeness and aiding error detection.

Q9 What entry (debit or credit) would you make to: (a) increase revenue (b) decrease in expense, (c) record drawings (d) record the fresh capital introduced by the owner.

SOLUTION

(a) Increase revenue — CREDIT. Revenue accounts are credited when they increase (e.g., Sales A/c Cr., Commission Received A/c Cr.).

(b) Decrease in expense — CREDIT. Expense accounts normally have a debit balance; a decrease in expense (e.g., reversal or prepayment recovery) is recorded as a credit.

(c) Record drawings — DEBIT. Drawings reduce capital, so the Drawings A/c (or Capital A/c) is debited.

(d) Fresh capital introduced by the owner — CREDIT. Capital A/c is credited when the owner brings in additional funds, increasing the liability of the business towards the owner.

Answer: (a) Credit; (b) Credit; (c) Debit; (d) Credit.

Q10 If a transaction has the effect of decreasing an asset, is the decrease recorded as a debit or as a credit? If the transaction has the effect of decreasing a liability, is the decrease recorded as a debit or as a credit?

SOLUTION

Decrease in an asset — recorded as a CREDIT.
Assets have a normal debit balance; any decrease in an asset is recorded on the credit side of that asset account.
Example: When cash is paid out, Cash A/c is credited.

Decrease in a liability — recorded as a DEBIT.
Liabilities have a normal credit balance; any decrease in a liability is recorded on the debit side of that liability account.
Example: When a creditor is paid off, Creditors A/c is debited.

Answer: A decrease in an asset is recorded as a credit; a decrease in a liability is recorded as a debit.

Long Answers — Questions for Practice — Long Answers

Q1 Describe the events recorded in accounting systems and the importance of source documents in those systems?

SOLUTION

Events Recorded in Accounting Systems:

Not all events are recorded in accounting — only those that have a monetary value and affect the financial position of the business. These include:
1. External transactions — exchanges between the business and outsiders, e.g., purchase/sale of goods, receipt/payment of cash, borrowing.
2. Internal events — events within the business that have financial impact, e.g., depreciation of assets, accrual of expenses, goods used by the owner.
3. Only measurable transactions — events that can be expressed in money terms are recorded.

Importance of Source Documents:

A source document (voucher) is written evidence of a transaction — cash memo, invoice, cheque, salary slip, pay-in-slip, etc. Their importance lies in:

1. Authenticity: They prove that a transaction actually occurred, preventing fictitious entries.
2. Basis of recording: All journal entries are made on the basis of vouchers; no entry is passed without documentary evidence.
3. Legal proof: In disputes or tax assessments, source documents serve as legal evidence of business dealings.
4. Audit trail: Auditors verify accounts against source documents to ensure accuracy and completeness.
5. Internal control: Requiring authorised vouchers for every transaction discourages fraud and misappropriation.
6. Chronological filing: Vouchers are serially numbered, dated, and filed, creating a permanent record for future reference.

Answer: Accounting records monetary transactions (external and internal) that affect financial position. Source documents provide authentic evidence for every entry, serve as legal proof, and form the basis of the audit trail.

Q2 Describe how debits and credits are used to analyse transactions.

SOLUTION

Every business transaction has a dual effect — it affects at least two accounts. The double-entry system uses debits and credits to record this dual effect.

Rules of Debit and Credit:

For Real Accounts (assets):
- Debit what comes in (asset increases).

- Credit what goes out (asset decreases).

For Personal Accounts (persons, debtors, creditors):
- Debit the receiver.
- Credit the giver.

For Nominal Accounts (expenses, losses, income, gains):
- Debit expenses and losses.
- Credit income and gains.

Capital and liabilities follow the same rule: increase = credit, decrease = debit.

Analytical Process:
Step 1 — Identify the two accounts affected by the transaction.
Step 2 — Classify each account (real, personal, or nominal).
Step 3 — Apply the appropriate debit/credit rule to each account.
Step 4 — Record: debit one account, credit the other for the same amount.

Example: Cash paid for rent Rs 2,000.
- Rent A/c (nominal — expense) is debited.
- Cash A/c (real — goes out) is credited.
Journal entry: Rent A/c Dr. Rs 2,000 / To Cash A/c Rs 2,000.

Answer: Transactions are analysed by identifying the two affected accounts, classifying them (real/personal/nominal), applying debit/credit rules, and recording equal debit and credit amounts.

Q3 Describe how accounts are used to record information about the effects of transactions?

SOLUTION

An account is a formal record that summarises all transactions relating to a particular item (asset, liability, capital, income, or expense). It has a T-shape with a debit (left) side and a credit (right) side.

How accounts record transaction effects:

1. Each transaction is first recorded in the journal, identifying which accounts are debited and which are credited.

2. Journal entries are then posted to individual ledger accounts. Each debit entry in the journal is posted to the debit side of the relevant account, and each credit entry to the credit side.

3. By collecting all debits and credits relating to a single item, the account shows:
- Total increases and decreases in that item during the period.
- The net balance (debit balance if debits exceed credits, credit balance if credits exceed debits).

4. Asset and expense accounts normally carry debit balances; liability, capital, and revenue accounts normally carry credit balances.

5. At the end of the period, the balances of all accounts are extracted to prepare a trial balance

and ultimately the financial statements.

Example: The Cash account collects every cash receipt (debit) and payment (credit); its closing debit balance shows cash on hand.

Answer: Accounts collect all debits and credits for a single item in one place, showing total increases, decreases, and the net balance, which flows into the trial balance and financial statements.

Q4 What is a journal? Give a specimen of journal showing at least five entries.

SOLUTION

A journal is the book of original (primary) entry in which business transactions are recorded chronologically as they occur, based on source documents. It is also called the 'Day Book'.

Features of a journal:
- Transactions are recorded date-wise.
- Both the debit and credit aspects of each transaction are recorded together.
- A brief narration explaining the transaction is written below each entry.
- Journal Folio (J.F.) numbers link the journal to the ledger.

Format: Date | Particulars | L.F. | Debit (Rs) | Credit (Rs)

Specimen Journal Entries in the books of Himanshu (December 2017):

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Dec.01	Cash A/c Dr.		75,000	
	To Capital A/c			75,000
	(Business started with cash)			
Dec.07	Purchases A/c Dr.		10,000	
	To Cash A/c			10,000
	(Goods purchased for cash)			
Dec.09	Swati A/c Dr.		5,000	
	To Sales A/c			5,000
	(Goods sold to Swati on credit)			
Dec.12	Furniture A/c Dr.		3,000	
	To Cash A/c			3,000
	(Furniture purchased for cash)			
Dec.25	Rent A/c Dr.		1,000	

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	To Cash A/c			1,000
	(Rent paid)			

Answer: A journal is the book of original entry recording transactions chronologically with date, debit account, credit account, and narration. See specimen above for five representative entries.

Q5 Differentiate between source documents and vouchers.

SOLUTION

Source Documents vs Vouchers:

Basis	Source Documents	Vouchers
Meaning	Original documents generated by parties to a transaction (external or internal)	Documents prepared by the accountant/authorised person based on source documents to authorise recording
Origin	Generated externally (by seller, bank, etc.) or internally (salary slip, etc.)	Prepared internally by the accounting department
Purpose	Serve as primary evidence that a transaction occurred	Authorise the entry in books of account
Examples	Cash memo, invoice, cheque, pay-in-slip, salary slip	Debit voucher, credit voucher, journal voucher
Authorisation	Signed by the transacting parties	Prepared and approved by authorised persons within the firm
Recording basis	Basis for preparing vouchers	Basis for making journal entries

In essence, source documents provide the raw evidence, and vouchers are the internal accounting instrument prepared from that evidence to initiate recording.

Answer: Source documents are external/internal evidence of a transaction (invoice, cheque, etc.); vouchers are internally prepared documents based on source documents that authorise the journal entry.

Q6 Accounting equation remains intact under all circumstances. Justify the statement with the help of an example.

SOLUTION

The fundamental accounting equation is: Assets = Liabilities + Capital

This equation remains balanced under all types of transactions because every transaction affects at least two sides of the equation in a way that maintains equality.

Illustration (Harsha's transactions):

Transaction	Assets	Liabilities	Capital	Balance?
(a) Started business with cash Rs 2,00,000	Cash +2,00,000		Capital +2,00,000	2,00,000 = 0 + 2,00,000 Yes
(b) Purchased goods for cash Rs 40,000	Cash -40,000; Goods +40,000			2,00,000 = 0 + 2,00,000 Yes
(c) Sold goods costing Rs 10,000 for Rs 12,000 (credit)	Goods -10,000; Debtors +12,000		Capital +2,000 (profit)	2,02,000 = 0 + 2,02,000 Yes
(d) Bought furniture on credit Rs 7,000	Furniture +7,000	Creditors +7,000		2,09,000 = 7,000 + 2,02,000 Yes

Final position: Assets = Cash Rs 1,60,000 + Goods Rs 30,000 + Debtors Rs 12,000 + Furniture Rs 7,000 = Rs 2,09,000
Liabilities + Capital = Creditors Rs 7,000 + Capital Rs 2,02,000 = Rs 2,09,000

The equation remains balanced at every step because:
- A transaction that increases one asset decreases another (no net change).
- A transaction that increases an asset also increases a liability or capital.
- An income transaction increases capital = increases assets.
- An expense transaction decreases capital = decreases assets.

Answer: The accounting equation (Assets = Liabilities + Capital) remains balanced because every transaction has a dual effect that keeps both sides equal, as shown above where the equation holds after each transaction.

Q7 Explain the double entry mechanism with an illustrative example.

SOLUTION

Double Entry Mechanism:

Every business transaction has two aspects — a debit aspect and a credit aspect. The double entry system records both aspects simultaneously in at least two accounts for the same

amount.

Principle: For every debit, there is an equal and corresponding credit.

The rules applied are:
- Real accounts: Debit what comes in, Credit what goes out.
- Personal accounts: Debit the receiver, Credit the giver.
- Nominal accounts: Debit expenses and losses, Credit income and gains.

Illustrative Example — Transactions of Himanshu (December 2017):

1. Dec. 01: Business started with cash Rs 75,000.
   - Cash A/c (real — comes in) — Debit Rs 75,000
   - Capital A/c (personal — owner gives) — Credit Rs 75,000
2. Dec. 07: Purchased goods for cash Rs 10,000.
   - Purchases A/c (nominal — expense) — Debit Rs 10,000
   - Cash A/c (real — goes out) — Credit Rs 10,000
3. Dec. 09: Sold goods to Swati on credit Rs 5,000.
   - Swati A/c (personal — receiver) — Debit Rs 5,000
   - Sales A/c (nominal — income) — Credit Rs 5,000
4. Dec. 18: Received Rs 4,000 from Swati in full settlement (discount Rs 1,000).
   - Cash A/c Dr. Rs 4,000 (received)
   - Discount Allowed A/c Dr. Rs 1,000 (loss)
   - Swati A/c Cr. Rs 5,000 (debt cleared)

In each case, total debits = total credits, keeping the books balanced.

Result: The double entry system ensures arithmetical accuracy (total debits = total credits), completeness, and the maintenance of the accounting equation.

Answer: The double-entry mechanism records both the debit and credit aspects of every transaction in at least two accounts for equal amounts, ensuring total debits always equal total credits and the accounting equation stays balanced.

Numerical Questions — Questions for Practice — Numerical Questions

Q1 Prepare accounting equation on the basis of the following: (a) Harsha started business with cash Rs 2,00,000 (b) Purchased goods from Naman for cash Rs 40,000 (c) Sold goods to Bhanu costing Rs 10,000 for Rs 12,000 (d) Bought furniture on credit Rs 7,000

SOLUTION

Transaction	Assets (Cash + Goods + Debtors + Furniture)	Liabilities (Creditors)	Capital
(a) Started with cash	+2,00,000		+2,00,000
Balance	2,00,000		2,00,000
(b) Purchased goods for cash	-40,000 (Cash) +40,000 (Goods)		
Balance	1,60,000 + 40,000 = 2,00,000		2,00,000
(c) Sold goods (cost 10,000) for 12,000 credit	-10,000 (Goods) +12,000 (Debtors)		+2,000 (profit)
Balance	1,60,000 + 30,000 + 12,000 = 2,02,000		2,02,000
(d) Bought furniture on credit	+7,000 (Furniture)	+7,000	
Final Balance	1,60,000 + 30,000 + 12,000 + 7,000 = 2,09,000	7,000	2,02,000

Verification: Assets = Creditors + Capital
Rs 2,09,000 = Rs 7,000 + Rs 2,02,000 = Rs 2,09,000 ✓

Answer: Assets: Cash Rs 1,60,000 + Goods Rs 30,000 + Debtors Rs 12,000 + Furniture Rs 7,000 = Rs 2,09,000; Liabilities: Creditors Rs 7,000 + Capital Rs 2,02,000 = Rs 2,09,000.

Q2 Prepare accounting equation from the following: (a) Kunal started business with cash Rs 2,50,000 (b) He purchased furniture for cash Rs 35,000 (c) He paid commission Rs 2,000 (d) He purchases goods on credit Rs 40,000 (e) He sold goods (costing Rs 20,000) for cash Rs 26,000

SOLUTION

Transaction	Cash	Furniture	Goods	Creditors	Capital
(a) Started with cash	+2,50,000				+2,50,000
(b) Purchased furniture cash	-35,000	+35,000			
Balance	2,15,000	35,000			2,50,000

Transaction	Cash	Furniture	Goods	Creditors	Capital
(c) Paid commission (expense)	-2,000				-2,000
Balance	2,13,000	35,000			2,48,000
(d) Goods on credit			+40,000	+40,000	
Balance	2,13,000	35,000	40,000	40,000	2,48,000
(e) Sold goods (cost 20,000) for cash 26,000	+26,000		-20,000		+6,000 (profit)
Final Balance	2,39,000	35,000	20,000	40,000	2,54,000

Total Assets = 2,39,000 + 35,000 + 20,000 = Rs 2,94,000
Creditors + Capital = 40,000 + 2,54,000 = Rs 2,94,000 ✓

Answer: Assets: Cash Rs 2,39,000 + Furniture Rs 35,000 + Goods Rs 20,000 = Rs 2,94,000; Liabilities: Creditors Rs 40,000 + Capital Rs 2,54,000 = Rs 2,94,000.

Q3 Mohit has the following transactions, prepare accounting equation: (a) Business started with cash Rs 1,75,000 (b) Purchased goods from Rohit Rs 50,000 (c) Sales goods on credit to Manish (Costing Rs 17,500) Rs 20,000 (d) Purchased furniture for office use Rs 10,000 (e) Cash paid to Rohit in full settlement Rs 48,500 (f) Cash received from Manish Rs 20,000 (g) Rent paid Rs 1,000 (h) Cash withdrew for personal use Rs 3,000

SOLUTION

Transaction	Cash	Goods	Debtors	Furniture	Creditors	Capital
(a) Started with cash	+1,75,000					+1,75,000
(b) Goods from Rohit (credit)		+50,000			+50,000	
(c) Sold to Manish (cost 17,500) for 20,000 credit		-17,500	+20,000			+2,500 (profit)
(d) Purchased furniture cash	-10,000			+10,000		
(e) Paid Rohit 48,500 (full settlement — discount 1,500)	-48,500				-50,000	+1,500 (disc. recd.)
(f) Cash from Manish 20,000	+20,000		-20,000			
(g) Rent paid	-1,000					-1,000
(h) Withdrew for personal use	-3,000					-3,000
Final	1,32,500	32,500	0	10,000	0	1,75,000

Total Assets = 1,32,500 + 32,500 + 10,000 = Rs 1,75,000
Capital = Rs 1,75,000 ✓ (No liabilities remaining)

Answer: Assets: Cash Rs 1,32,500 + Goods Rs 32,500 + Furniture Rs 10,000 = Rs 1,75,000; Liabilities: Capital Rs 1,75,000.

Q4 Rohit has the following transactions: (a) Commenced business with cash Rs 1,50,000 (b) Purchased machinery on credit Rs 40,000 (c) Purchased goods for cash Rs 20,000 (d) Purchased car for personal use Rs 80,000 (e) Paid to creditors in full settlement Rs 38,000 (f) Sold goods for cash costing Rs 5,000 for Rs 4,500 (g) Paid rent Rs 1,000 (h) Commission received in advance Rs 2,000. Prepare the Accounting Equation to show the effect of the above transactions on the assets, liabilities and capital.

SOLUTION

Note: (d) Car purchased for PERSONAL use — reduces Capital (drawings), cash goes out.
(e) Full settlement of Rs 40,000 machinery creditor for Rs 38,000 — discount received Rs 2,000.
(f) Goods sold at a loss of Rs 500 (selling price 4,500 < cost 5,000).
(h) Commission received in advance is a liability (deferred income).

Transaction	Cash	Machinery	Goods	Comm.Adv.(Liab.)	Creditors	Capital
(a) Started	+1,50,000					+1,50,000
(b) Machinery on credit		+40,000			+40,000	
(c) Goods cash	-20,000		+20,000			
(d) Car personal (drawings)	-80,000					-80,000
(e) Paid creditor 38,000 (disc. 2,000)	-38,000				-40,000	+2,000
(f) Sold goods cost 5,000 for 4,500 (loss)	+4,500		-5,000			-500
(g) Rent paid	-1,000					-1,000
(h) Commission in advance	+2,000			+2,000		
Final	17,500	40,000	15,000	2,000	0	70,500

Total Assets = 17,500 + 40,000 + 15,000 = Rs 72,500
Liabilities + Capital = 2,000 + 70,500 = Rs 72,500 ✓

Answer: Assets: Cash Rs 17,500 + Machine Rs 40,000 + Goods Rs 15,000 = Rs 72,500; Liabilities: Commission received in advance Rs 2,000 + Capital Rs 70,500 = Rs 72,500.

Q5 Use accounting equation to show the effect of the following transactions of M/s Royal Traders: (a) Started business with cash Rs 1,20,000 (b) Purchased goods for cash Rs 10,000 (c) Rent received Rs 5,000 (d) Salary outstanding Rs 2,000 (e) Prepaid Insurance Rs 1,000 (f) Received interest Rs 700 (g) Sold goods for cash (Costing Rs 5,000) Rs 7,000 (h) Goods destroyed by fire Rs 500

SOLUTION

Note on (d): Outstanding salary is an expense incurred — reduces Capital, creates a liability.
Note on (e): Prepaid insurance — cash goes out, new asset (prepaid) comes in.
Note on (h): Goods destroyed by fire — loss reduces goods and Capital.
Note: The printed answer shows Cash Rs 1,21,200; our step-by-step calculation gives Rs 1,21,700. The total of Assets (Rs 1,27,200) and L+C (Rs 1,27,200) is consistent — the Rs 500 difference in the printed cash figure appears to be a printing error in the textbook.

Transaction	Cash	Goods	Prepaid Ins.	O/S Salary (Liab.)	Capital
(a) Started	+1,20,000				+1,20,000
(b) Goods cash	-10,000	+10,000			
(c) Rent received	+5,000				+5,000
(d) Salary outstanding				+2,000	-2,000
(e) Prepaid insurance	-1,000		+1,000		
(f) Interest received	+700				+700
(g) Goods sold (cost 5,000) cash 7,000	+7,000	-5,000			+2,000
(h) Goods destroyed by fire		-500			-500
Final	1,21,700	4,500	1,000	2,000	1,25,200

Total Assets = 1,21,700 + 4,500 + 1,000 = Rs 1,27,200
Liabilities + Capital = 2,000 + 1,25,200 = Rs 1,27,200 ✓

Answer: Assets: Cash Rs 1,21,700 + Goods Rs 4,500 + Prepaid Insurance Rs 1,000 = Rs 1,27,200; Liabilities: Outstanding Salary Rs 2,000 + Capital Rs 1,25,200 = Rs 1,27,200. (Printed answer shows Cash Rs 1,21,200, which appears to be a textbook misprint; the total is correct.)

Q6 Show the accounting equation on the basis of the following transaction: (a) Udit started business with (i) Cash Rs 5,00,000 (ii) Goods Rs 1,00,000 (b) Purchased building for cash Rs 2,00,000 (c) Purchased goods from Himani Rs 50,000 (d) Sold goods to Ashu (Cost Rs 25,000) Rs 36,000 (e) Paid insurance premium Rs 3,000 (f) Rent outstanding Rs 5,000 (g) Depreciation on building Rs 8,000 (h) Cash withdrawn for personal use Rs 20,000 (i) Rent received in advance Rs 5,000 (j) Cash paid to Himani on account Rs 20,000 (k) Cash received from Ashu Rs 30,000

SOLUTION

Transaction	Cash	Goods	Building	Debtors	Creditors	O/S Rent	Rent Adv.	Capital
(a) Started	+5,00,000	+1,00,000						+6,00,000
(b) Building cash	-2,00,000		+2,00,000					
(c) Goods from Himani (credit)		+50,000			+50,000			
(d) Sold to Ashu credit (cost 25,000) for 36,000		-25,000		+36,000				+11,000
(e) Insurance paid	-3,000							-3,000
(f) Rent outstanding						+5,000		-5,000
(g) Depreciation on building			-8,000					-8,000
(h) Withdrew personal use	-20,000							-20,000
(i) Rent received in advance	+5,000						+5,000	
(j) Cash to Himani (on account)	-20,000				-20,000			
(k) Cash from Ashu	+30,000			-30,000				
Final	2,92,000	1,25,000	1,92,000	6,000	30,000	5,000	5,000	5,75,000

Total Assets = 2,92,000 + 1,25,000 + 1,92,000 + 6,000 = Rs 6,15,000
Liabilities + Capital = 30,000 + 5,000 + 5,000 + 5,75,000 = Rs 6,15,000 ✓

Answer: Assets: Cash Rs 2,92,000 + Goods Rs 1,25,000 + Building Rs 1,92,000 + Debtors Rs 6,000 = Rs 6,15,000; Liabilities: Creditors Rs 30,000 + Outstanding Rent Rs 5,000 + Rent Received in Advance Rs 5,000 + Capital Rs 5,75,000 = Rs 6,15,000.

Q7 Show the effect of the following transactions on Assets, Liabilities and Capital through accounting equation: (a) Started business with cash Rs 1,20,000 (b) Rent received Rs 10,000 (c) Invested in shares Rs 50,000 (d) Received dividend Rs 5,000 (e) Purchase goods on credit from Ragani Rs 35,000 (f) Paid cash for house hold Expenses Rs 7,000 (g) Sold goods for cash (costing Rs 10,000) Rs 14,000 (h) Cash paid to Ragani Rs 35,000 (i) Deposited into bank Rs 20,000

SOLUTION

Note: (f) Household expenses = drawings (personal), reduces Capital.

Transaction	Cash	Shares	Goods	Bank	Creditors	Capital
(a) Started	+1,20,000					+1,20,000
(b) Rent received	+10,000					+10,000
(c) Invested in shares	-50,000	+50,000				
(d) Dividend received	+5,000					+5,000
(e) Goods on credit			+35,000		+35,000	
(f) Household expenses (drawings)	-7,000					-7,000
(g) Sold goods (cost 10,000) cash 14,000	+14,000		-10,000			+4,000
(h) Paid Ragani	-35,000				-35,000	
(i) Deposited into bank	-20,000			+20,000		
Final	37,000	50,000	25,000	20,000	0	1,32,000

Total Assets = 37,000 + 50,000 + 25,000 + 20,000 = Rs 1,32,000
Capital = Rs 1,32,000 ✓ (No liabilities)

Answer: Assets: Cash Rs 37,000 + Shares Rs 50,000 + Goods Rs 25,000 + Bank Rs 20,000 = Rs 1,32,000; Liabilities: Capital Rs 1,32,000.

Q8 Show the effect of following transaction on the accounting equation: (a) Manoj started business with (i) Cash Rs 2,30,000 (ii) Goods Rs 1,00,000 (iii) Building Rs 2,00,000 (b) He purchased goods for cash Rs 50,000 (c) He sold goods (costing Rs 20,000) Rs 35,000 (d) He purchased goods from Rahul Rs 55,000 (e) He sold goods to Varun (Costing Rs 52,000) Rs 60,000 (f) He paid cash to Rahul in full settlement Rs 53,000 (g) Salary paid by him Rs 20,000 (h) Received cash from Varun in full settlement Rs 59,000 (i) Rent outstanding Rs 3,000 (j) Prepaid Insurance Rs 2,000 (k) Commission received by him Rs 13,000 (l) Amount withdrawn by him for personal use Rs 20,000 (m) Depreciation charge on building Rs 10,000 (n) Fresh capital invested Rs 50,000 (o) Purchased goods from Rakhi Rs 10,000

SOLUTION

Opening: Capital = Cash 2,30,000 + Goods 1,00,000 + Building 2,00,000 = Rs 5,30,000

Key notes:
(f) Paid Rahul Rs 53,000 in full settlement of Rs 55,000 — discount received Rs 2,000 (income, increases Capital).
(h) Received Rs 59,000 from Varun in full settlement of Rs 60,000 — discount allowed Rs 1,000 (expense, reduces Capital).
(i) Outstanding rent — liability created, Capital reduced.
(j) Prepaid insurance — cash out, new asset in.

Step-by-step running balance:
After (a): Cash=2,30,000; Goods=1,00,000; Building=2,00,000; Capital=5,30,000
After (b): Cash=1,80,000; Goods=1,50,000; Capital=5,30,000
After (c): Cash=2,15,000; Goods=1,30,000; Capital=5,45,000 (+15,000 profit)
After (d): Goods=1,85,000; Creditors(Rahul)=55,000
After (e): Goods=1,33,000; Debtors(Varun)=60,000; Capital=5,53,000 (+8,000 profit)
After (f): Cash=1,62,000; Creditors(Rahul)=0; Capital=5,55,000 (+2,000 disc.recd.)
After (g): Cash=1,42,000; Capital=5,35,000 (-20,000 salary)
After (h): Cash=2,01,000; Debtors=0; Capital=5,34,000 (-1,000 disc.allowed)
After (i): O/S Rent=3,000; Capital=5,31,000
After (j): Cash=1,99,000; Prepaid=2,000
After (k): Cash=2,12,000; Capital=5,44,000 (+13,000)
After (l): Cash=1,92,000; Capital=5,24,000
After (m): Building=1,90,000; Capital=5,14,000
After (n): Cash=2,42,000; Capital=5,64,000
After (o): Goods=1,43,000; Creditors(Rakhi)=10,000

Final: Cash=2,42,000; Goods=1,43,000; Building=1,90,000; Prepaid=2,000; Debtors=0
Total Assets = 2,42,000 + 1,43,000 + 1,90,000 + 2,000 = Rs 5,77,000
O/S Rent=3,000; Creditors(Rakhi)=10,000; Capital=5,64,000
L + C = 3,000 + 10,000 + 5,64,000 = Rs 5,77,000 ✓

Answer: Assets: Cash Rs 2,42,000 + Goods Rs 1,43,000 + Building Rs 1,90,000 + Prepaid Insurance Rs 2,000 = Rs 5,77,000; Liabilities: Outstanding Rent Rs 3,000 + Creditors Rs 10,000 + Capital Rs 5,64,000 = Rs 5,77,000.

Q9 Transactions of M/s Vipin Traders are given below. Show the effects on Assets, Liabilities and Capital with the help of accounting Equation. (a) Business started with cash Rs 1,25,000 (b) Purchased goods for cash Rs 50,000 (c) Purchase furniture from R.K. Furniture Rs 10,000 (d) Sold goods to Parul Traders (Costing Rs 7,000 vide bill no. 5674) Rs 9,000 (e) Paid cartage Rs 100 (f) Cash Paid to R.K. furniture in full settlement Rs 9,700 (g) Cash sales (costing Rs 10,000) Rs 12,000 (h) Rent received Rs 4,000 (i) Cash withdrew for personal use Rs 3,000

SOLUTION

Note: (c) Furniture from R.K. Furniture — on credit (no cash mentioned).
(f) Full settlement of Rs 10,000 furniture creditor for Rs 9,700 — discount received Rs 300.

Transaction	Cash	Goods	Furniture	Debtors	Creditors	Capital
(a) Started	+1,25,000					+1,25,000
(b) Goods cash	-50,000	+50,000				
(c) Furniture on credit			+10,000		+10,000	
(d) Sold to Parul (cost 7,000) credit 9,000		-7,000		+9,000		+2,000
(e) Cartage paid	-100					-100
(f) Paid R.K. Furniture 9,700 (disc. 300)	-9,700				-10,000	+300
(g) Cash sales (cost 10,000) 12,000	+12,000	-10,000				+2,000
(h) Rent received	+4,000					+4,000
(i) Withdrew personal	-3,000					-3,000
Final	78,200	33,000	10,000	9,000	0	1,30,200

Total Assets = 78,200 + 33,000 + 10,000 + 9,000 = Rs 1,30,200
Capital = Rs 1,30,200 ✓

Answer: Assets: Cash Rs 78,200 + Goods Rs 33,000 + Furniture Rs 10,000 + Debtors Rs 9,000 = Rs 1,30,200; Liabilities: Capital Rs 1,30,200.

Q10 Bobby opened a consulting firm and completed these transactions during November, 2017: (a) Invested Rs 4,00,000 cash and office equipment with Rs 1,50,000 in a business called Bobbie Consulting. (b) Purchased land and a small office building. The land was worth Rs 1,50,000 and the building worth Rs 3,50,000. The purchase price was paid with Rs 2,00,000 cash and a long term note payable for Rs 3,00,000. (c) Purchased office supplies on credit for Rs 12,000. (d) Bobbie transferred title of motor car to the business. The motor car was worth Rs 90,000. (e) Purchased for Rs 30,000 additional office equipment on credit. (f) Paid Rs 7,500 salary to the office manager. (g) Provided services to a client and collected Rs 30,000 (h) Paid Rs 4,000 for the month's utilities. (i) Paid supplier created in transaction c. (j) Purchase new office equipment by paying Rs 93,000 cash and trading in old equipment with a recorded cost of Rs 7,000. (k) Completed services of a client for Rs 26,000. This amount is to be paid within 30 days. (l) Received Rs 19,000 payment from the client created in transaction k. (m) Bobby withdrew Rs 20,000 from the business. Analyse the above stated transactions and open the following T-accounts: Cash, client, office supplies, motor car, building, land, long term payables, capital, withdrawals, salary expense and utilities expense.

SOLUTION

Opening Capital: Cash Rs 4,00,000 + Office Equipment Rs 1,50,000 = Rs 5,50,000
After (d): Motor Car Rs 90,000 added → Capital = Rs 6,40,000

T-Account Balances (Dr. side unless stated Cr.):

Cash A/c (Dr.):
Opening: 4,00,000
(b) Paid for land+building: -2,00,000
(f) Salary paid: -7,500
(g) Services received: +30,000
(h) Utilities paid: -4,000
(i) Paid office supplies creditor: -12,000
(j) New equipment cash paid: -93,000
(l) Received from client: +19,000
(m) Bobby withdrew: -20,000
Closing Cash Balance: Rs 1,12,500 (Dr.)

Client Receivable A/c (Dr.):
(k) Services billed: 26,000
(l) Cash received: -19,000
Closing: Rs 7,000 (Dr.)

Office Supplies A/c: Rs 12,000 (Dr.) — paid off in (i), so balance = 0
Wait — supplies bought on credit (c), paid in (i). Asset consumed or still on hand?
The question does not specify consumption, so: Supplies asset Rs 12,000, paid off creditor; balance = Rs 12,000 (Dr.)

Motor Car A/c: Rs 90,000 (Dr.)

Building A/c: Rs 3,50,000 (Dr.)

Land A/c: Rs 1,50,000 (Dr.)

Office Equipment A/c:
Opening: 1,50,000 + (e) 30,000 = 1,80,000
(j) Trade-in old (cost 7,000): -7,000 + new 1,00,000 (cost): net +93,000 cash + 7,000 traded
New equipment cost = 1,00,000 (paid 93,000 cash + traded 7,000)
OEq = 1,80,000 - 7,000 + 1,00,000 = Rs 2,73,000 (Dr.)

Long Term Note Payable A/c: Rs 3,00,000 (Cr.)

Office Equipment Creditor (from e): Rs 30,000 (Cr.)

Capital A/c: Rs 6,64,500 (Cr.) [5,50,000 + 90,000 (car) + 30,000 (services g) + 26,000 (services k) - 7,500 (salary) - 4,000 (utilities) - 20,000 (drawings)]

Verification — Total Assets:
Cash 1,12,500 + Client 7,000 + Supplies 12,000 + Motor Car 90,000 + Building 3,50,000 + Land 1,50,000 + OEq 2,73,000 = Rs 9,94,500
Long Term Note 3,00,000 + Eq. Creditor 30,000 + Capital 6,64,500 = Rs 9,94,500 ✓

Answer: T-account balances: Cash Rs 1,12,500; Client Receivable Rs 7,000; Office Supplies Rs 12,000; Motor Car Rs 90,000; Building Rs 3,50,000; Land Rs 1,50,000; Office Equipment Rs 2,73,000; Long Term Note Payable Rs 3,00,000; Equipment Creditor Rs 30,000; Capital Rs 6,64,500.

Q11 Journalise the following transactions in the books of Himanshu: Dec.01 Business started with cash Rs 75,000; Dec.07 Purchased goods for cash Rs 10,000; Dec.09 Sold goods to Swati Rs 5,000; Dec.12 Purchased furniture Rs 3,000; Dec.18 Cash received from Swati in full settlement Rs 4,000; Dec.25 Paid rent Rs 1,000; Dec.30 Paid salary Rs 1,500

SOLUTION

Journal in the Books of Himanshu

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Dec.01	Cash A/c Dr.		75,000	
	To Capital A/c			75,000
	(Business started with cash)			
Dec.07	Purchases A/c Dr.		10,000	
	To Cash A/c			10,000
	(Goods purchased for cash)			
Dec.09	Swati A/c Dr.		5,000	

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	To Sales A/c			5,000
	(Goods sold to Swati on credit)			
Dec.12	Furniture A/c Dr.		3,000	
	To Cash A/c			3,000
	(Furniture purchased for cash)			
Dec.18	Cash A/c Dr.		4,000	
	Discount Allowed A/c Dr.		1,000	
	To Swati A/c			5,000
	(Cash Rs 4,000 received from Swati in full settlement of Rs 5,000; discount allowed Rs 1,000)			
Dec.25	Rent A/c Dr.		1,000	
	To Cash A/c			1,000
	(Rent paid)			
Dec.30	Salary A/c Dr.		1,500	
	To Cash A/c			1,500
	(Salary paid)			

Answer: Seven journal entries passed: Capital intro, Purchases (cash), Sales to Swati (credit), Furniture, Cash receipt with discount Rs 1,000 from Swati, Rent, and Salary.

Q12 Enter the following Transactions in the Journal of Mudit: Jan.01 Commenced business with cash Rs 1,75,000; Jan.01 Building Rs 1,00,000; Jan.02 Goods purchased for cash Rs 75,000; Jan.03 Sold goods to Ramesh Rs 30,000; Jan.04 Paid wages Rs 10,000; Jan.06 Sold goods for cash Rs 700; Jan.10 Paid for trade expenses Rs 500; Jan.12 Cash received from Ramesh Rs 29,500; Discount allowed Rs 500; Jan.14 Goods purchased from Sudhir Rs 27,000; Jan.18 Cartage paid Rs 1,000; Jan.20 Drew cash for personal use Rs 5,000; Jan.22 Goods used for household Rs 2,000; Jan.25 Cash paid to Sudhir Rs 26,700; Discount received Rs 300

SOLUTION

Journal in the Books of Mudit

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Jan.01	Cash A/c Dr.		1,75,000	
	Building A/c Dr.		1,00,000	
	To Capital A/c			2,75,000
	(Business commenced with cash and building)			
Jan.02	Purchases A/c Dr.		75,000	
	To Cash A/c			75,000
	(Goods purchased for cash)			
Jan.03	Ramesh A/c Dr.		30,000	
	To Sales A/c			30,000
	(Goods sold to Ramesh on credit)			
Jan.04	Wages A/c Dr.		10,000	
	To Cash A/c			10,000
	(Wages paid)			
Jan.06	Cash A/c Dr.		700	
	To Sales A/c			700
	(Goods sold for cash)			
Jan.10	Trade Expenses A/c Dr.		500	
	To Cash A/c			500
	(Trade expenses paid)			

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Jan.12	Cash A/c Dr.		29,500	
	Discount Allowed A/c Dr.		500	
	To Ramesh A/c			30,000
	(Cash received from Ramesh in full settlement; discount allowed Rs 500)			
Jan.14	Purchases A/c Dr.		27,000	
	To Sudhir A/c			27,000
	(Goods purchased from Sudhir on credit)			
Jan.18	Cartage A/c Dr.		1,000	
	To Cash A/c			1,000
	(Cartage paid)			
Jan.20	Drawings A/c Dr.		5,000	
	To Cash A/c			5,000
	(Cash drawn for personal use)			
Jan.22	Drawings A/c Dr.		2,000	
	To Purchases A/c			2,000
	(Goods taken for household use)			
Jan.25	Sudhir A/c Dr.		27,000	
	To Cash A/c			26,700
	To Discount Received A/c			300
	(Cash paid to Sudhir Rs 26,700 in full settlement; discount received Rs 300)			

Answer: Thirteen journal entries passed covering capital intro (cash + building), purchases, sales, wages, cash sales, trade expenses, receipts with discount, credit purchase, cartage, drawings (cash and goods), and payment with discount.

Q13 Journalise the following transactions: Dec.01 Hema started business with cash Rs 1,00,000; Dec.02 Open a bank account with SBI Rs 30,000; Dec.04 Purchased goods from Ashu Rs 20,000; Dec.06 Sold goods to Rahul for cash Rs 15,000; Dec.10 Bought goods from Tara for cash Rs 40,000; Dec.13 Sold goods to Suman Rs 20,000; Dec.16 Received cheque from Suman Rs 19,500; Dec.20 Cheque given to Ashu on account; Dec.22 Rent paid by cheque Rs 2,000; Dec.23 Deposited into bank Rs 16,000; Dec.25 Machine purchased from Parigya Rs 10,000; Dec.26 Trade expenses Rs 2,000; Dec.28 Cheque issued to Parigya Rs 10,000; Dec.29 Paid telephone expenses by cheque Rs 1,200; Dec.31 Paid salary Rs 4,500; Discount allowed Rs 500

SOLUTION

Note: Dec.16 — Received cheque from Suman Rs 19,500 (full settlement of Rs 20,000); discount Rs 500.

Dec.20 — No amount given in source; this entry cannot be completed without an amount. Omitting pending clarification.

Dec.31 — Salary Rs 4,500 and discount allowed Rs 500 appear to relate to separate transactions.

Journal in the Books of Hema

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Dec.01	Cash A/c Dr.		1,00,000	
	To Capital A/c			1,00,000
	(Business started with cash)			
Dec.02	Bank A/c Dr.		30,000	
	To Cash A/c			30,000
	(Cash deposited into SBI bank account)			
Dec.04	Purchases A/c Dr.		20,000	
	To Ashu A/c			20,000
	(Goods purchased from Ashu on credit)			
Dec.06	Cash A/c Dr.		15,000	
	To Sales A/c			15,000
	(Goods sold to Rahul for cash)			
Dec.10	Purchases A/c Dr.		40,000	
	To Cash A/c			40,000
	(Goods purchased from Tara for cash)			

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Dec.13	Suman A/c Dr.		20,000	
	To Sales A/c			20,000
	(Goods sold to Suman on credit)			
Dec.16	Bank A/c Dr.		19,500	
	Discount Allowed A/c Dr.		500	
	To Suman A/c			20,000
	(Cheque received from Suman in full settlement; discount Rs 500)			
Dec.22	Rent A/c Dr.		2,000	
	To Bank A/c			2,000
	(Rent paid by cheque)			
Dec.23	Bank A/c Dr.		16,000	
	To Cash A/c			16,000
	(Cash deposited into bank)			
Dec.25	Machinery A/c Dr.		10,000	
	To Parigya A/c			10,000
	(Machine purchased from Parigya on credit)			
Dec.26	Trade Expenses A/c Dr.		2,000	
	To Cash A/c			2,000
	(Trade expenses paid)			
Dec.28	Parigya A/c Dr.		10,000	
	To Bank A/c			10,000
	(Cheque issued to Parigya in full payment)			
Dec.29	Telephone Expenses A/c Dr.		1,200	
	To Bank A/c			1,200
	(Telephone expenses paid by cheque)			
Dec.31	Salary A/c Dr.		4,500	
	To Cash A/c			4,500

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	(Salary paid)			

Answer: Fourteen journal entries covering capital, bank opening, credit purchase, cash/credit sales, cash purchase, receipts with discount, rent by cheque, deposit, machinery on credit, trade expenses, cheque payments, telephone, and salary.

Q14 Journalise the following transactions in the books of Harpreet Bros.: (a) Rs 1,000 due from Rohit are now bad debts. (b) Goods worth Rs 2,000 were used by the proprietor. (c) Charge depreciation @ 10% p.a for two months on machine costing Rs 30,000. (d) Provide interest on capital of Rs 1,50,000 at 6% p.a. for 9 months. (e) Rahul become insolvent, who owed Rs 2,000; a final dividend of 60 paise in a rupee is received from his estate.

SOLUTION

Workings:

(c) Depreciation = 30,000 × 10/100 × 2/12 = Rs 500

(d) Interest on capital = 1,50,000 × 6/100 × 9/12 = Rs 6,750

(e) Cash received from Rahul = 2,000 × 0.60 = Rs 1,200; Bad debts = 2,000 - 1,200 = Rs 800

Journal in the Books of Harpreet Bros.

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(a)	Bad Debts A/c Dr.		1,000	
	To Rohit A/c			1,000
	(Amount due from Rohit written off as bad debt)			
(b)	Drawings A/c Dr.		2,000	
	To Purchases A/c			2,000
	(Goods worth Rs 2,000 taken by proprietor for personal use)			
(c)	Depreciation A/c Dr.		500	
	To Machinery A/c			500
	(Depreciation charged @ 10% p.a. for 2 months on machine Rs 30,000)			
(d)	Interest on Capital A/c Dr.		6,750	
	To Capital A/c			6,750
	(Interest @ 6% p.a. for 9 months on capital Rs 1,50,000)			

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(e)	Cash A/c Dr.		1,200	
	Bad Debts A/c Dr.		800	
	To Rahul A/c			2,000
	(Rahul insolvent; received 60 paise per rupee on Rs 2,000 due; balance written off as bad debt)			

Answer: Five entries: Bad debts (Rohit Rs 1,000), Drawings (goods Rs 2,000), Depreciation (Rs 500), Interest on Capital (Rs 6,750), and Rahul insolvency — Cash Rs 1,200 + Bad Debts Rs 800 / To Rahul Rs 2,000.

Q15 Prepare Journal from the transactions given below: (a) Cash paid for installation of machine Rs 500 (b) Goods given as charity Rs 2,000 (c) Interest charge on capital @ 7% p.a. when total capital were Rs 70,000 (d) Received Rs 1,200 of a bad debts written-off last year. (e) Goods destroyed by fire Rs 2,000 (f) Rent outstanding Rs 1,000 (g) Interest on drawings Rs 900 (h) Sudhir Kumar who owed me Rs 3,000 has failed to pay the amount. He pays me a compensation of 45 paise in a rupee. (i) Commission received in advance Rs 7,000

SOLUTION

Workings:

(c) Interest on capital = 70,000 × 7/100 = Rs 4,900

(h) Cash from Sudhir = 3,000 × 0.45 = Rs 1,350; Bad debts = 3,000 - 1,350 = Rs 1,650

Journal

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(a)	Machinery A/c Dr.		500	
	To Cash A/c			500
	(Installation charges capitalised — added to machine cost)			
(b)	Charity A/c Dr.		2,000	
	To Purchases A/c			2,000
	(Goods given as charity)			
(c)	Interest on Capital A/c Dr.		4,900	

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	To Capital A/c			4,900
	(Interest @ 7% p.a. on capital Rs 70,000)			
(d)	Cash A/c Dr.		1,200	
	To Bad Debts Recovered A/c			1,200
	(Bad debt written off last year now recovered)			
(e)	Loss by Fire A/c Dr.		2,000	
	To Purchases A/c			2,000
	(Goods destroyed by fire)			
(f)	Rent A/c Dr.		1,000	
	To Outstanding Rent A/c			1,000
	(Rent due but not yet paid)			
(g)	Drawings A/c Dr.		900	
	To Interest on Drawings A/c			900
	(Interest charged on drawings)			
(h)	Cash A/c Dr.		1,350	
	Bad Debts A/c Dr.		1,650	
	To Sudhir Kumar A/c			3,000
	(Sudhir Kumar insolvent; 45 paise per rupee received on Rs 3,000; balance written off)			
(i)	Cash A/c Dr.		7,000	
	To Commission Received in Advance A/c			7,000
	(Commission received in advance — deferred liability)			

Answer: Nine entries: Machine installation (Rs 500), Charity (Rs 2,000), Interest on Capital (Rs 4,900), Bad debt recovered (Rs 1,200), Loss by fire (Rs 2,000), Outstanding rent (Rs 1,000), Interest on drawings (Rs 900), Sudhir Kumar insolvency (cash Rs 1,350 + bad debt Rs 1,650), and advance commission (Rs 7,000).

Q16 Journalise the following transactions, post to the ledger: Nov.01 Business started with (i) Cash Rs 50,000 (ii) Goods Rs 1,50,000; Nov.03 Purchased goods from Harish Rs 30,000; Nov.05 Sold goods for cash Rs 12,000; Nov.08 Purchase furniture for cash Rs 5,000; Nov.10 Cash paid to Harish on account Rs 15,000; Nov.13 Paid sundry expenses Rs 200; Nov.15 Cash sales Rs 15,000; Nov.18 Deposited into bank Rs 5,000; Nov.20 Drew cash for personal use Rs 1,000; Nov.22 Cash paid to Harish in full settlement of account Rs 14,700; Nov.25 Goods sold to Nitesh Rs 7,000; Nov.26 Cartage paid Rs 200; Nov.27 Rent paid Rs 1,500; Nov.29 Received cash from Nitesh Rs 6,800; Discount allowed Rs 200; Nov.30 Salary paid Rs 3,000

SOLUTION

Note: Harish balance before Nov.22: Rs 30,000 - Rs 15,000 = Rs 15,000 outstanding.
Paid Rs 14,700 in full settlement → discount received = Rs 15,000 - Rs 14,700 = Rs 300.
Nitesh owed Rs 7,000; received Rs 6,800 → discount allowed Rs 200 (matches source).

Journal in the Books of (Business)

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Nov.01	Cash A/c Dr.		50,000	
	Goods (Stock) A/c Dr.		1,50,000	
	To Capital A/c			2,00,000
	(Business started with cash and goods)			
Nov.03	Purchases A/c Dr.		30,000	
	To Harish A/c			30,000
	(Goods purchased from Harish on credit)			
Nov.05	Cash A/c Dr.		12,000	
	To Sales A/c			12,000
	(Goods sold for cash)			
Nov.08	Furniture A/c Dr.		5,000	
	To Cash A/c			5,000
	(Furniture purchased for cash)			
Nov.10	Harish A/c Dr.		15,000	
	To Cash A/c			15,000
	(Cash paid to Harish on account)			

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Nov.13	Sundry Expenses A/c Dr.		200	
	To Cash A/c			200
	(Sundry expenses paid)			
Nov.15	Cash A/c Dr.		15,000	
	To Sales A/c			15,000
	(Cash sales)			
Nov.18	Bank A/c Dr.		5,000	
	To Cash A/c			5,000
	(Cash deposited into bank)			
Nov.20	Drawings A/c Dr.		1,000	
	To Cash A/c			1,000
	(Cash drawn for personal use)			
Nov.22	Harish A/c Dr.		15,000	
	To Cash A/c			14,700
	To Discount Received A/c			300
	(Cash paid to Harish Rs 14,700 in full settlement; discount received Rs 300)			
Nov.25	Nitesh A/c Dr.		7,000	
	To Sales A/c			7,000
	(Goods sold to Nitesh on credit)			
Nov.26	Cartage A/c Dr.		200	
	To Cash A/c			200
	(Cartage paid)			
Nov.27	Rent A/c Dr.		1,500	
	To Cash A/c			1,500
	(Rent paid)			

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Nov.29	Cash A/c Dr.		6,800	
	Discount Allowed A/c Dr.		200	
	To Nitesh A/c			7,000
	(Cash received from Nitesh in full settlement; discount allowed Rs 200)			
Nov.30	Salary A/c Dr.		3,000	
	To Cash A/c			3,000
	(Salary paid)			

Key Ledger Account Balances (after posting):
Cash A/c: Dr. total = 50,000+12,000+15,000+6,800 = 83,800; Cr. total = 5,000+15,000+15,000+5,000+1,000+14,700+200+1,500+3,000 = 60,400; Balance = Rs 23,400 Dr.
Capital A/c: Rs 2,00,000 Cr.
Sales A/c: Rs 34,000 Cr. (12,000+15,000+7,000)
Harish A/c: Nil (fully settled)
Nitesh A/c: Nil (fully settled)

Answer: Fourteen journal entries passed. Key closing balances: Cash Rs 23,400 (Dr.); Sales Rs 34,000 (Cr.); Harish and Nitesh accounts — Nil (fully settled).

Q17 Journalise the following transactions in the journal of M/s Goel Brothers and post them to the ledger: Jan.01 Started business with cash Rs 1,65,000; Jan.02 Opened bank account in PNB Rs 80,000; Jan.04 Goods purchased from Tara Rs 22,000; Jan.05 Goods purchased for cash Rs 30,000; Jan.08 Goods sold to Naman Rs 12,000; Jan.10 Cash paid to Tara Rs 22,000; Jan.15 Cash received from Naman Rs 11,700; Discount allowed Rs 300; Jan.16 Paid wages Rs 200; Jan.18 Furniture purchased for office use Rs 5,000; Jan.20 Withdrawn from bank for personal use Rs 4,000; Jan.22 Issued cheque for rent Rs 3,000; Jan.23 Goods issued for household purpose Rs 2,000; Jan.24 Drew cash from bank for office use Rs 6,000; Jan.26 Commission received Rs 1,000; Jan.27 Bank charges Rs 200; Jan.28 Cheque given for insurance premium Rs 3,000; Jan.29 Paid salary Rs 7,000; Jan.30 Cash sales Rs 10,000

SOLUTION

Note: Jan.15 — Naman owed Rs 12,000; received Rs 11,700 → discount allowed Rs 300 ✓.
Jan.20 — Withdrawn from bank for personal use → Drawings A/c Dr. / Bank A/c Cr.
Jan.24 — Drew cash from bank for office use → Cash A/c Dr. / Bank A/c Cr.

Journal in the Books of M/s Goel Brothers

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Jan.01	Cash A/c Dr.		1,65,000	
	To Capital A/c			1,65,000
	(Business started with cash)			
Jan.02	Bank A/c Dr.		80,000	
	To Cash A/c			80,000
	(Cash deposited to open PNB account)			
Jan.04	Purchases A/c Dr.		22,000	
	To Tara A/c			22,000
	(Goods purchased from Tara on credit)			
Jan.05	Purchases A/c Dr.		30,000	
	To Cash A/c			30,000
	(Goods purchased for cash)			
Jan.08	Naman A/c Dr.		12,000	
	To Sales A/c			12,000
	(Goods sold to Naman on credit)			
Jan.10	Tara A/c Dr.		22,000	
	To Cash A/c			22,000
	(Cash paid to Tara in full)			
Jan.15	Cash A/c Dr.		11,700	
	Discount Allowed A/c Dr.		300	
	To Naman A/c			12,000
	(Cash received from Naman in full settlement; discount Rs 300)			
Jan.16	Wages A/c Dr.		200	
	To Cash A/c			200
	(Wages paid)			
Jan.18	Furniture A/c Dr.		5,000	

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	To Cash A/c			5,000
	(Furniture purchased for office use)			
Jan.20	Drawings A/c Dr.		4,000	
	To Bank A/c			4,000
	(Withdrawn from bank for personal use)			
Jan.22	Rent A/c Dr.		3,000	
	To Bank A/c			3,000
	(Rent paid by cheque)			
Jan.23	Drawings A/c Dr.		2,000	
	To Purchases A/c			2,000
	(Goods taken for household use)			
Jan.24	Cash A/c Dr.		6,000	
	To Bank A/c			6,000
	(Cash withdrawn from bank for office use)			
Jan.26	Cash A/c Dr.		1,000	
	To Commission A/c			1,000
	(Commission received)			
Jan.27	Bank Charges A/c Dr.		200	
	To Bank A/c			200
	(Bank charges debited by PNB)			
Jan.28	Insurance Premium A/c Dr.		3,000	
	To Bank A/c			3,000
	(Insurance premium paid by cheque)			
Jan.29	Salary A/c Dr.		7,000	
	To Cash A/c			7,000
	(Salary paid)			
Jan.30	Cash A/c Dr.		10,000	

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	To Sales A/c			10,000
	(Cash sales)			

Answer: Nineteen journal entries covering capital, bank, credit and cash purchases, credit sales, receipts/payments with discount, wages, furniture, drawings (bank and goods), rent, commission, bank charges, insurance, salary, and cash sales. Post each to the relevant ledger account.

Q18 Give journal entries of M/s Mohit traders, Post them to the Ledger from the following transactions (August 2017): Aug.1 Commenced business with cash Rs 1,10,000; Aug.2 Opened bank account with H.D.F.C. Rs 50,000; Aug.3 Purchased furniture Rs 20,000; Aug.7 Bought goods for cash from M/s Rupa Traders Rs 30,000; Aug.8 Purchased goods from M/s Hema Traders Rs 42,000; Aug.10 Sold goods for cash Rs 30,000; Aug.14 Sold goods on credit to M/s. Gupta Traders Rs 12,000; Aug.16 Rent paid Rs 4,000; Aug.18 Paid trade expenses Rs 1,000; Aug.20 Received cash from Gupta Traders Rs 12,000; Aug.22 Goods return to Hema Traders Rs 2,000; Aug.23 Cash paid to Hema Traders Rs 40,000; Aug.25 Bought postage stamps Rs 100; Aug.30 Paid salary to Rishabh Rs 4,000

SOLUTION

Note: Aug.22 — Goods returned to Hema Traders → Purchase Returns A/c Dr. / Hema Traders A/c Cr. Rs 2,000.
Hema balance: 42,000 - 2,000 = 40,000 outstanding; paid Rs 40,000 → fully settled.

Journal in the Books of M/s Mohit Traders

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Aug.1	Cash A/c Dr.		1,10,000	
	To Capital A/c			1,10,000
	(Business commenced with cash)			
Aug.2	Bank A/c Dr.		50,000	
	To Cash A/c			50,000
	(Cash deposited in HDFC)			
Aug.3	Furniture A/c Dr.		20,000	
	To Cash A/c			20,000
	(Furniture purchased for cash)			
Aug.7	Purchases A/c Dr.		30,000	

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	To Cash A/c			30,000
	(Goods purchased for cash from Rupa Traders)			
Aug.8	Purchases A/c Dr.		42,000	
	To Hema Traders A/c			42,000
	(Goods purchased from Hema Traders on credit)			
Aug.10	Cash A/c Dr.		30,000	
	To Sales A/c			30,000
	(Goods sold for cash)			
Aug.14	Gupta Traders A/c Dr.		12,000	
	To Sales A/c			12,000
	(Goods sold to Gupta Traders on credit)			
Aug.16	Rent A/c Dr.		4,000	
	To Cash A/c			4,000
	(Rent paid)			
Aug.18	Trade Expenses A/c Dr.		1,000	
	To Cash A/c			1,000
	(Trade expenses paid)			
Aug.20	Cash A/c Dr.		12,000	
	To Gupta Traders A/c			12,000
	(Cash received from Gupta Traders in full)			
Aug.22	Hema Traders A/c Dr.		2,000	
	To Purchase Returns A/c			2,000
	(Goods returned to Hema Traders)			
Aug.23	Hema Traders A/c Dr.		40,000	
	To Cash A/c			40,000
	(Cash paid to Hema Traders in full settlement)			
Aug.25	Postage & Stationery A/c Dr.		100	

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	To Cash A/c			100
	(Postage stamps purchased)			
Aug.30	Salary A/c Dr.		4,000	
	To Cash A/c			4,000
	(Salary paid to Rishabh)			

Answer: Fourteen journal entries. Post to ledger: Cash (Dr. 1,52,000; Cr. 1,49,100; balance Rs 2,900 Dr.), Capital Rs 1,10,000 Cr., Hema Traders fully settled (Nil), Gupta Traders fully settled (Nil).

Q19 Journalise the following transaction in the Books of M/s Bhanu Traders and Post them into the Ledger: Dec.1 Started business with cash Rs 92,000; Dec.2 Deposited into bank Rs 60,000; Dec.4 Bought goods on credit from Himani Rs 40,000; Dec.6 Purchased goods from cash Rs 20,000; Dec.8 Returned goods to Himani Rs 4,000; Dec.10 Sold goods for cash Rs 20,000; Dec.14 Cheque given to Himani Rs 36,000

SOLUTION

Note: Himani balance after return: 40,000 - 4,000 = Rs 36,000; paid Rs 36,000 by cheque → fully settled.

Journal in the Books of M/s Bhanu Traders

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Dec.1	Cash A/c Dr.		92,000	
	To Capital A/c			92,000
	(Business started with cash)			
Dec.2	Bank A/c Dr.		60,000	
	To Cash A/c			60,000
	(Cash deposited into bank)			
Dec.4	Purchases A/c Dr.		40,000	
	To Himani A/c			40,000
	(Goods purchased from Himani on credit)			
Dec.6	Purchases A/c Dr.		20,000	

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	To Cash A/c			20,000
	(Goods purchased for cash)			
Dec.8	Himani A/c Dr.		4,000	
	To Purchase Returns A/c			4,000
	(Goods returned to Himani)			
Dec.10	Cash A/c Dr.		20,000	
	To Sales A/c			20,000
	(Goods sold for cash)			
Dec.14	Himani A/c Dr.		36,000	
	To Bank A/c			36,000
	(Cheque issued to Himani in full settlement)			

Answer: Seven entries. Himani A/c balance: Nil (fully settled). Cash balance: Rs 32,000 Dr. Bank balance: Rs 24,000 Dr.

Q20 Journalise the following transaction in the Book of M/s Beauti traders. Also post them in the ledger: Dec.1 Started business with cash Rs 2,00,000; Dec.2 Bought office furniture Rs 30,000; Dec.3 Paid into bank to open a current account Rs 1,00,000; Dec.5 Purchased a computer and paid by cheque Rs 2,50,000; Dec.6 Bought goods on credit from Ritika Rs 60,000; Dec.8 Cash sales Rs 30,000; Dec.9 Sold goods to Karishna on credit Rs 25,000; Dec.12 Cash paid to Mansi on account Rs 30,000; Dec.14 Goods returned to Ritika Rs 2,000; Dec.15 Stationery purchased for cash Rs 3,000; Dec.16 Paid wages Rs 1,000; Dec.18 Goods returned by Karishna Rs 2,000; Dec.20 Cheque given to Ritika Rs 28,000; Dec.22 Cash received from Karishna on account Rs 15,000; Dec.24 Insurance premium paid by cheque Rs 4,000; Dec.26 Cheque received from Karishna Rs 8,000; Dec.28 Rent paid by cheque Rs 3,000; Dec.29 Purchased goods on credit from Meena Traders Rs 20,000; Dec.30 Cash sales Rs 14,000

SOLUTION

Note: Dec.12 — Cash paid to Mansi Rs 30,000 (Mansi not introduced earlier; treat as payment to a creditor or prior balance).

Ritika: 60,000 - 2,000 (returns) = 58,000 outstanding; paid Rs 28,000 by cheque on Dec.20 (partial).

Karishna: 25,000 - 2,000 (returns) = 23,000 due; received 15,000 + 8,000 = 23,000 fully settled.

Journal in the Books of M/s Beauti Traders

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Dec.1	Cash A/c Dr.		2,00,000	
	To Capital A/c			2,00,000
	(Business started with cash)			
Dec.2	Furniture A/c Dr.		30,000	
	To Cash A/c			30,000
	(Office furniture purchased for cash)			
Dec.3	Bank A/c Dr.		1,00,000	
	To Cash A/c			1,00,000
	(Cash deposited to open current account)			
Dec.5	Computer A/c Dr.		2,50,000	
	To Bank A/c			2,50,000
	(Computer purchased by cheque)			
Dec.6	Purchases A/c Dr.		60,000	
	To Ritika A/c			60,000
	(Goods purchased from Ritika on credit)			
Dec.8	Cash A/c Dr.		30,000	
	To Sales A/c			30,000
	(Cash sales)			
Dec.9	Karishna A/c Dr.		25,000	
	To Sales A/c			25,000
	(Goods sold to Karishna on credit)			
Dec.12	Mansi A/c Dr.		30,000	
	To Cash A/c			30,000
	(Cash paid to Mansi on account)			
Dec.14	Ritika A/c Dr.		2,000	
	To Purchase Returns A/c			2,000
	(Goods returned to Ritika)			

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Dec.15	Stationery A/c Dr.		3,000	
	To Cash A/c			3,000
	(Stationery purchased for cash)			
Dec.16	Wages A/c Dr.		1,000	
	To Cash A/c			1,000
	(Wages paid)			
Dec.18	Sales Returns A/c Dr.		2,000	
	To Karishna A/c			2,000
	(Goods returned by Karishna)			
Dec.20	Ritika A/c Dr.		28,000	
	To Bank A/c			28,000
	(Cheque given to Ritika — partial payment)			
Dec.22	Cash A/c Dr.		15,000	
	To Karishna A/c			15,000
	(Cash received from Karishna on account)			
Dec.24	Insurance Premium A/c Dr.		4,000	
	To Bank A/c			4,000
	(Insurance premium paid by cheque)			
Dec.26	Bank A/c Dr.		8,000	
	To Karishna A/c			8,000
	(Cheque received from Karishna — balance cleared)			
Dec.28	Rent A/c Dr.		3,000	
	To Bank A/c			3,000
	(Rent paid by cheque)			
Dec.29	Purchases A/c Dr.		20,000	
	To Meena Traders A/c			20,000
	(Goods purchased on credit from Meena Traders)			

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Dec.30	Cash A/c Dr.		14,000	
	To Sales A/c			14,000
	(Cash sales)			

Answer: Twenty journal entries. Key balances: Karishna A/c — Nil (fully settled); Ritika A/c — Rs 30,000 Cr. (balance outstanding); Meena Traders — Rs 20,000 Cr.; Sales Rs 69,000 Cr.; Bank closing balance Rs 1,04,000 - 2,50,000 - 28,000 - 4,000 - 3,000 + 8,000 = negative (computer Rs 2,50,000 > funds; implies bank overdraft or a pre-existing bank balance).

Q21 Journalise the following transaction in the books of Sanjana and post them into the ledger: Jan.1 Cash in hand Rs 6,000; Cash at bank Rs 55,000; Stock of goods Rs 40,000; Due to Rohan Rs 6,000; Due from Tarun Rs 10,000; Jan.3 Sold goods to Karuna Rs 15,000; Jan.4 Cash sales Rs 10,000; Jan.6 Goods sold to Heena Rs 5,000; Jan.8 Purchased goods from Rupali Rs 30,000; Jan.10 Goods returned from Karuna Rs 2,000; Jan.14 Cash received from Karuna Rs 13,000; Jan.15 Cheque given to Rohan Rs 6,000; Jan.16 Cash received from Heena Rs 3,000; Jan.20 Cheque received from Tarun Rs 10,000; Jan.22 Cheque received from Heena Rs 2,000; Jan.25 Cash given to Rupali Rs 18,000; Jan.26 Paid cartage Rs 1,000; Jan.27 Paid salary Rs 8,000; Jan.28 Cash sale Rs 7,000; Jan.29 Cheque given to Rupali Rs 12,000; Jan.30 Sanjana took goods for personal use Rs 4,000; Jan.31 Paid general expense Rs 500

SOLUTION

Opening Journal Entry (Jan.1):
Assets: Cash 6,000 + Bank 55,000 + Stock 40,000 + Debtors (Tarun) 10,000 = Rs 1,11,000
Liabilities: Creditors (Rohan) 6,000; Capital = 1,11,000 - 6,000 = Rs 1,05,000

Karuna: sold 15,000 - return 2,000 = Rs 13,000 due; received Rs 13,000 → settled.
Heena: sold 5,000; received cash 3,000 + cheque 2,000 = 5,000 → settled.
Tarun: debtor 10,000; received cheque 10,000 → settled.
Rupali: purchased 30,000; paid cash 18,000 + cheque 12,000 = 30,000 → settled.
Rohan: creditor 6,000; paid cheque 6,000 → settled.

Journal in the Books of Sanjana

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Jan.1	Cash A/c Dr.		6,000	
	Bank A/c Dr.		55,000	
	Stock A/c Dr.		40,000	
	Tarun A/c Dr.		10,000	

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	To Rohan A/c			6,000
	To Capital A/c			1,05,000
	(Opening entry — assets and liabilities brought forward)			
Jan.3	Karuna A/c Dr.		15,000	
	To Sales A/c			15,000
	(Goods sold to Karuna on credit)			
Jan.4	Cash A/c Dr.		10,000	
	To Sales A/c			10,000
	(Cash sales)			
Jan.6	Heena A/c Dr.		5,000	
	To Sales A/c			5,000
	(Goods sold to Heena on credit)			
Jan.8	Purchases A/c Dr.		30,000	
	To Rupali A/c			30,000
	(Goods purchased from Rupali on credit)			
Jan.10	Sales Returns A/c Dr.		2,000	
	To Karuna A/c			2,000
	(Goods returned from Karuna)			
Jan.14	Cash A/c Dr.		13,000	
	To Karuna A/c			13,000
	(Cash received from Karuna in full settlement)			
Jan.15	Rohan A/c Dr.		6,000	
	To Bank A/c			6,000
	(Cheque given to Rohan in full)			
Jan.16	Cash A/c Dr.		3,000	
	To Heena A/c			3,000
	(Cash received from Heena)			

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
Jan.20	Bank A/c Dr.		10,000	
	To Tarun A/c			10,000
	(Cheque received from Tarun in full)			
Jan.22	Bank A/c Dr.		2,000	
	To Heena A/c			2,000
	(Cheque received from Heena — balance cleared)			
Jan.25	Rupali A/c Dr.		18,000	
	To Cash A/c			18,000
	(Cash paid to Rupali on account)			
Jan.26	Cartage A/c Dr.		1,000	
	To Cash A/c			1,000
	(Cartage paid)			
Jan.27	Salary A/c Dr.		8,000	
	To Cash A/c			8,000
	(Salary paid)			
Jan.28	Cash A/c Dr.		7,000	
	To Sales A/c			7,000
	(Cash sales)			
Jan.29	Rupali A/c Dr.		12,000	
	To Bank A/c			12,000
	(Cheque given to Rupali — balance settled)			
Jan.30	Drawings A/c Dr.		4,000	
	To Purchases A/c			4,000
	(Goods taken by Sanjana for personal use)			
Jan.31	General Expenses A/c Dr.		500	
	To Cash A/c			500
	(General expenses paid)			

Answer: Opening entry + eighteen subsequent entries. All personal accounts (Karuna, Heena, Tarun, Rohan, Rupali) close at Nil by month-end.

Q22 Record journal entries for the following transactions in the books of Anudeep of Delhi: (a) Bought goods Rs 2,00,000 from Kanta of Delhi (CGST @ 9%, SGST @ 9%) (b) Bought goods Rs 1,00,000 for cash from Rajasthan (IGST @ 12%) (c) Sold goods Rs 1,50,000 to Sudhir of Punjab (IGST @ 18%) (d) Paid for Railway Transport Rs 10,000 (CGST @ 5%, SGST @ 5%) (e) Sold goods Rs 1,20,000 to Sidhu of Delhi (CGST @ 9%, SGST @ 9%) (f) Bought Air-Condition for office use Rs 60,000 (CGST @ 9%, SGST @ 9%) (g) Sold goods Rs 1,50,000 for cash to Sunil to Uttar Pradesh (IGST 18%) (h) Bought Motor Cycle for business use Rs 50,000 (CGST 14%, SGST @ 14%) (i) Paid for Broadband services Rs 4,000 (CGST @ 9%, SGST @ 0%) (j) Bought goods Rs 50,000 from Rajesh, Delhi (CGST @ 9%, SGST @ 9%)

SOLUTION

GST Framework:
Intra-state (same state) transactions use CGST + SGST. Input GST paid is Input Tax Credit (ITC).
Inter-state transactions use IGST. Anudeep is in Delhi.

Workings:
(a) Kanta (Delhi) → intra-state: CGST=18,000; SGST=18,000; Creditor total=2,36,000
(b) Rajasthan → inter-state: IGST=12,000; Cash total=1,12,000
(c) Sudhir (Punjab) → inter-state: IGST=27,000
(d) Railway transport → intra-state service: CGST=500; SGST=500
(e) Sidhu (Delhi) → intra-state: CGST=10,800; SGST=10,800
(f) AC for office → intra-state capital goods (ITC eligible): CGST=5,400; SGST=5,400
(g) Sunil (UP) → inter-state: IGST=27,000; Cash total=1,77,000
(h) Motorcycle business → intra-state: CGST=7,000; SGST=7,000
(i) Broadband → CGST only=360; SGST=0 (as per question)
(j) Rajesh (Delhi) → intra-state: CGST=4,500; SGST=4,500

Journal in the Books of Anudeep, Delhi

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(a)	Purchases A/c Dr.		2,00,000	
	Input CGST A/c Dr.		18,000	
	Input SGST A/c Dr.		18,000	
	To Kanta A/c			2,36,000
	(Goods purchased from Kanta, Delhi; CGST+SGST @9% each)			
(b)	Purchases A/c Dr.		1,00,000	

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	Input IGST A/c Dr.		12,000	
	To Cash A/c			1,12,000
	(Goods purchased for cash from Rajasthan; IGST @12%)			
(c)	Sudhir A/c Dr.		1,77,000	
	To Sales A/c			1,50,000
	To Output IGST A/c			27,000
	(Goods sold to Sudhir of Punjab; IGST @18%)			
(d)	Transport/Freight A/c Dr.		10,000	
	Input CGST A/c Dr.		500	
	Input SGST A/c Dr.		500	
	To Cash A/c			11,000
	(Railway transport charges paid; CGST+SGST @5% each)			
(e)	Sidhu A/c Dr.		1,41,600	
	To Sales A/c			1,20,000
	To Output CGST A/c			10,800
	To Output SGST A/c			10,800
	(Goods sold to Sidhu of Delhi; CGST+SGST @9% each)			
(f)	Air Conditioner A/c Dr.		60,000	
	Input CGST A/c Dr.		5,400	
	Input SGST A/c Dr.		5,400	
	To Cash A/c			70,800
	(AC purchased for office; CGST+SGST @9% each)			
(g)	Cash A/c Dr.		1,77,000	
	To Sales A/c			1,50,000
	To Output IGST A/c			27,000
	(Goods sold for cash to Sunil, UP; IGST @18%)			
(h)	Motor Cycle A/c Dr.		50,000	

Date	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	Input CGST A/c Dr.		7,000	
	Input SGST A/c Dr.		7,000	
	To Cash A/c			64,000
	(Motorcycle purchased for business; CGST+SGST @14% each)			
(i)	Broadband Expenses A/c Dr.		4,000	
	Input CGST A/c Dr.		360	
	To Cash A/c			4,360
	(Broadband charges; CGST @9%; SGST @0%)			
(j)	Purchases A/c Dr.		50,000	
	Input CGST A/c Dr.		4,500	
	Input SGST A/c Dr.		4,500	
	To Rajesh A/c			59,000
	(Goods purchased from Rajesh, Delhi; CGST+SGST @9% each)			

Answer: Ten GST journal entries: intra-state purchases (a, j) and sales (e) use CGST+SGST; inter-state purchase (b) and sales (c, g) use IGST; capital goods (f, h) and services (d, i) claim Input Tax Credit on GST paid.