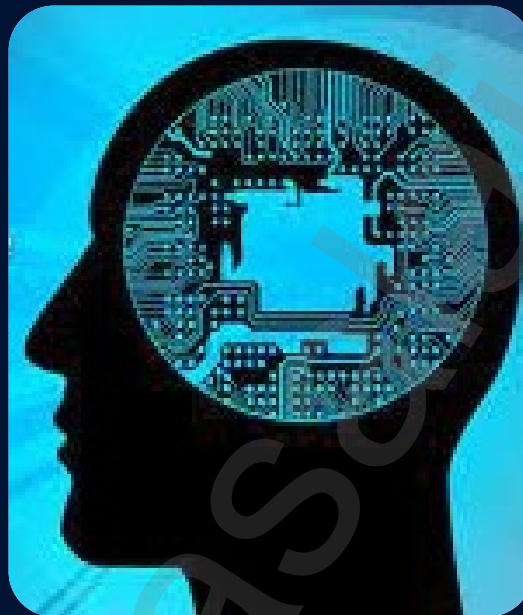


11th ACCOUNTANCY [EM]

PRACTICE GUIDE

2022 - 2023



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PRINCIPAL

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Unit 3

BOOKS OF PRIME ENTRY

Illustration 1

Complete the missing items.

	Assets ₹ =	Liabilities ₹ +	Capital ₹
(a)	30,000	20,000	?
(b)	60,000	25,000	?
(c)	?	25,000	30,000
(d)	?	10,000	80,000
(e)	25,000	?	15,000
(f)	40,000	?	30,000

Illustration 2

Show the accounting equation on the basis of the following transactions for Rani, who is dealing in automobiles.

- | | | |
|-------|------------------------------------|----------|
| (i) | Started business with cash | ₹ 80,000 |
| (ii) | Goods bought on credit from Ramesh | ₹ 10,000 |
| (iii) | Purchased furniture for cash | ₹ 6,000 |
| (iv) | Paid creditors by cash | ₹ 8,000 |
| (v) | Purchased goods for cash | ₹ 2,000 |
| (vi) | Paid rent by cash | ₹ 500 |

Illustration 3

Selvi is a dealer in furniture. Show the accounting equation for the following transactions.

- | | | |
|-------|---|------------|
| (i) | Started business with cash | ₹ 1,00,000 |
| (ii) | Deposited cash into bank | ₹ 60,000 |
| (iii) | Borrowed loan from bank | ₹ 25,000 |
| (iv) | Bought goods and paid by cheque | ₹ 10,000 |
| (v) | Cash withdrawn for personal use | ₹ 5,000 |
| (vi) | Cash withdrawn from bank for office use | ₹ 3,000 |

Illustration 4

Show the effect of following business transactions on the accounting equation.

- | | |
|--|---------|
| (i) Anbu started business with cash ₹ 20,000; goods ₹ 12,000 and machine | ₹ 8,000 |
| (ii) Purchased goods from Ramani on credit | ₹ 7,000 |
| (iii) Payment made to Ramani in full settlement | ₹ 6,900 |
| (iv) Sold goods to Rajan on credit costing ₹ 5,400 for | ₹ 6,000 |
| (v) Received from Rajan ₹ 5,800 in full settlement of his account | |
| (vi) Wages outstanding | ₹ 400 |

Illustration 5

Classify the following into personal, real and nominal accounts.

- | | |
|-------------------------|--------------|
| (a) Capital | (b) Building |
| (c) Carriage inwards | (d) Cash |
| (e) Commission received | (f) Bank |
| (g) Purchases | (h) Chandru |
| (i) Outstanding wages | |

Illustration 6

Jeyaseeli is a sole proprietor having a provisions store. Following are the transactions during the month of January, 2018. Journalise them.

Jan.	₹
1 Commenced business with cash	80,000
2 Deposited cash with bank	40,000
3 Purchased goods by paying cash	5,000
4 Purchased goods from Lipton & Co. on credit	10,000
5 Sold goods to Joy and received cash	11,000
6 Paid salaries by cash	5,000
7 Paid Lipton & Co. by cheque for the purchases made on 4th Jan.	
8 Bought furniture by cash	4,000
9 Paid electricity charges by cash	1,000
10 Bank paid insurance premium as per standing instructions	300

Illustration 7

Ananth is a trader dealing in textiles. For the following transactions, pass journal entries for the month of January, 2018.

Jan.	₹
1 Commenced business with cash	70,000
2 Purchased goods from X and Co. on credit	30,000
3 Cash deposited into bank	40,000
4 Bought a building from L and Co. on credit	95,000
5 Cash withdrawn from bank for office use	5,000
6 Cash withdrawn from bank for personal use of Ananthu	4,000
7 Towels given as charities	3,000
8 Shirts taken over by Ananth for personal use	12,000
9 Sarees distributed as free samples	3,000
10 Goods (table clothes) used for office use	200

Illustration 8

Bragathish is a trader dealing in electronic goods who commenced his business in 2015. For the following transactions took place in the month of March 2018, pass journal entries.

March	₹
1. Purchased goods from Y and Co. on credit	60,000
2. Sold goods to D and Co. on credit	30,000
3. Paid Y and Co. through bank in full settlement	58,000
4. D and Co. accepted a bill drawn by Bragathish	30,000
5. Sold goods to L on credit	20,000
6. Sold goods to M on credit	40,000
7. Received a cheque from M in full settlement and deposited the same to the bank	39,000
8. Goods returned to Y and Co.	4,000
9. L became insolvent and only 90 paise per rupee is received by cash in final settlement	
10. Goods returned by M	3,000

Illustration 9

Valluvar is a sole trader dealing in textiles. From the following transactions, pass journal entries for the month of March, 2018.

March	₹
1 Commenced business with cash	90,000
with goods	60,000
2 Purchased 20 readymade shirts from X and Co. on credit	10,000
3 Cash deposited into bank through Cash Deposit Machine	30,000
4 Purchased 10 readymade sarees from Y and Co. by cash	6,000
5 Paid X and Co. through NEFT	
6 Sold 5 sarees to A and Co. on credit	4,000
7 A and Co. deposited the amount due in Cash Deposit Machine	
8 Purchased 20 sarees from Z & Co. and paid through debit card	12,000
9 Stationery purchased for and paid through net banking	6,000
10 Bank charges levied	200

Illustration 10

Deri is a sole trader dealing in automobiles. From the following transactions, pass journal entries for the month of January, 2018.

Jan.		₹
1	Commenced business with cash	1,00,000
	with goods	2,00,000
	with buildings	5,00,000
2	Purchased goods from A and Co. on credit	3,00,000
3	Cash deposited into bank	80,000
4	Purchased goods from B and Co. and payment made through debit card	5,000
5	Paid A and Co. through RTGS	
6	Sold goods to C and Co. and cheque received	50,000
7	Deposited the cheque received from C and Co. with the bank	
8	Purchased goods from Z & Co. and paid through debit card	12,000
9	Stationery purchased for and paid through net banking	6,000
10	Income tax of Deri is paid by cheque	10,000

Illustration 11

Chandran is a sole trader dealing in sports items. From the following transactions, pass journal entries for the month of March, 2018.

March		₹
1	Commenced business with cash	4,00,000
2	Cash deposited into bank	3,00,000
3	Purchased goods from Ravi and payment made through net banking	90,000
4	Sales made to Kumar, who deposited the money through CDM	10,000
5	Sales made to Vivek, who made the payment by debit card	60,000
6	Sold goods to Keerthana, who made the payment through credit card	50,000
7	Dividend directly received by bank	2,000
8	Money withdrawn from ATM	3,000
9	Salaries paid through ECS	6,000
10	Cricket bats donated to a trust	10,000

Illustration 12

Deepak is a dealer in stationery items. From the following transactions, pass journal entries for the month of January and February, 2018.

Jan.	₹
1 Commenced business with cash	2,00,000
2 Opened a bank account by depositing cash	1,00,000
3 'A 4 papers' sold on credit to Padmini and Co.	60,000
4 Bills received from Padmini and Co. for the amount due	
5 Bills received from Padmini and Co. discounted with the bank	58,000
Feb.	
15 Bills of Padmini and Co. dishonoured	

IV Exercises

1. Complete the accounting equation

(a) Assets	=	Capital	+	Liabilities
₹ 1,00,000	=	₹ 80,000	+	?

(b) Assets	=	Capital	+	Liabilities
₹ 2,00,000	=	?	+	₹ 40,000

(c) Assets	=	Capital	+	Creditors
?	=	₹ 1, 60,000	+	₹ 80,000

2. For the following transactions, show the effect on accounting equation.

(a) Raj Started business with cash	₹ 40,000
(b) Opened bank account with a deposit of	₹ 30,000
(c) Bought goods from Hari on credit for	₹ 12,000
(d) Raj withdrew cash for personal use	₹ 1,000
(e) Bought furniture by using debit card for	₹ 10,000
(f) Sold goods to Murugan and cash received	₹ 6,000
(g) Money withdrawn from bank for office use	₹ 1,000

3. Prepare accounting equation for the following transactions.

- (a) Murugan commenced business with cash ₹ 80,000
- (b) Purchased goods for cash ₹ 30,000
- (c) Paid salaries by cash ₹ 5,000
- (d) Bought goods from Kumar for ₹ 5,000 and deposited the money in CDM.
- (e) Introduced additional capital of ₹ 10,000

4. What will be the effect of the following on the accounting equation?
- Sunil started business with ₹ 1,40,000 cash and goods worth ₹ 60,000
 - Purchased furniture worth ₹ 20,000 by cash
 - Depreciation on furniture ₹ 800
 - Deposited into bank ₹ 40,000
 - Paid electricity charges through net banking ₹ 500
 - Sold goods to Ravi costing ₹ 10,000 for ₹ 15,000
 - Goods returned by Ravi ₹ 7,500 (costing ₹ 5,000)
5. Create an accounting equation on the basis of the following transactions:
- Rakesh started business with a capital of ₹ 1,50,000
 - Deposited money with the bank ₹ 80,000
 - Purchased goods from Mahesh and paid through debit card ₹ 25,000
 - Sold goods (costing ₹ 10,000) to Mohan for ₹ 14,000 who pays through debit card
 - Commission received by cheque and deposited the same in the bank ₹ 2,000
 - Paid office rent through ECS ₹ 6,000
6. Create an accounting equation on the basis of the following transactions:
- Started business with cash ₹ 80,000 and goods ₹ 75,000
 - Sold goods to Shanmugam on credit for ₹ 50,000
 - Received cash from Shanmugam in full settlement ₹ 49,000
 - Salary outstanding ₹ 3,000
 - Goods costing ₹ 1,000 given as charity
 - Insurance premium paid ₹ 3000
 - Out of insurance premium paid, prepaid is ₹ 500
7. Enter the following transactions in the journal of Manohar who is dealing in textiles:

2018

March	₹
1 Manohar started business with cash	60,000
2 Purchased furniture for cash	10,000
3 Bought goods for cash	25,000
6 Bought goods from Kamalesh on credit	15,000
8 Sold goods for cash	28,000
10 Sold goods to Hari on credit	10,000
14 Paid Kamalesh	12,000
18 Paid rent	500
25 Received from Hari	8,000
28 Withdrew cash for personal use	4,000

8. Pass journal entries in the books of Sasi Kumar who is dealing in automobiles.

2017

Oct		₹
1	Commenced business with goods	40,000
3	Cash introduced in the business	60,000
4	Purchased goods from Arul on credit	70,000
6	Returned goods to Arul	10,000
10	Paid cash to Arul on account	60,000
15	Sold goods to Chandar on credit	30,000
18	Chandar returned goods worth	6,000
20	Received cash from Chandar in full settlement	23,000
25	Paid salaries through ECS	2,000
30	Sasi Kumar took for personal use goods worth	10,000

9. Journalise the following transactions in the books of Ramesh who is dealing in computers:

2018

March

1	Ramesh started business with cash ₹ 3,00,000, Goods ₹ 80,000 and Furniture ₹ 27,000.
2	Money deposited into bank ₹ 2,00,000
3	Bought furniture from M/s Jayalakshmi Furniture for ₹ 28,000 on credit.
4	Purchased goods from Asohan for ₹ 5,000 by paying through debit card.
5	Purchased goods from Guna and paid through net banking for cash ₹ 10,000
6	Purchased goods from Kannan and paid through credit card ₹ 20,000
7	Purchased goods from Shyam on credit for ₹ 50,000
8	Bill drawn by Shyam was accepted for ₹ 50,000
9	Paid half the amount owed to M/s Jayalakshmi Furniture by cheque
10	Shyam's bill was paid

10. Raja has a hotel. The following transactions took place in his business. Journalise them.

Jan.

	₹
1	Started business with cash 3,00,000
2	Purchased goods from Rajiv on credit 1,00,000
3	Cash deposited with the bank 2,00,000
20	Borrowed loan from bank 1,00,000
22	Withdrew from bank for personal use 800
23	Amount paid to Rajiv in full settlement through NEFT 99,000
25	Paid club bill of the proprietor by cheque 200
26	Paid electricity bill of the proprietor's house through debit card 2,000
31	Lunch provided at free of cost to a charity 1,000
31	Bank levied charges for locker rent 1,000

11. From the following transactions of Shyam, a stationery dealer, pass journal entries for the month of August 2017.

Aug.

- 1 Commenced business with cash ₹ 4,00,000, Goods ₹ 5,00,000
- 2 Sold goods to A and money received through RTGS ₹ 2,50,000
- 3 Goods sold to Z on credit for ₹ 20,000
- 5 Bill drawn on Z and accepted by him ₹ 20,000
- 8 Bill received from Z is discounted with the bank for ₹ 19,000
- 10 Goods sold to M on credit ₹ 12,000
- 12 Goods distributed as free samples for ₹ 2,000
- 16 Goods taken for office use ₹ 5,000
- 17 M became insolvent and only 0.80 per rupee is received in final settlement
- 20 Bill of Z discounted with the bank is dishonoured

12. Mary is a rice dealer having business for more than 5 years. Pass journal entries in her books for the period of March, 2018.

March

	₹
1 Ricebags bought on credit from Sibi	20,000
2 Electricity charges paid through net banking	500
3 Returned goods bought from Sibi	5,000
4 Ricebags taken for personal use	1,000
5 Advertisement expenses paid	2,000
6 Goods sold to Mano	20,000
7 Goods returned by Mano	5,000
8 Payment received from Mano through NEFT	



Student activity

Fill in the missing information in the following journal entries:

Date	Particulars	L.F.	Debit ₹	Credit ₹
A/c Dr.		-----	
	ToA/c			-----
	(Goods purchased for cash ₹ 20,000)			
A/c Dr.		-----	
A/c Dr.		-----	
	To Niha A/c			-----
	(Received ₹ 18,800 from in full settlement of the due ₹ 19,000)			



Student activity

Write the narration with reference to the following journal entries.

In the books of Shyam

Journal entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
2018	Cash A/c Dr.		3,00,000	
April 1	To Shyam's capital A/c (.....)			3,00,000
2	Bank A/c Dr.		2,70,000	
	To Cash A/c (.....)			2,70,000

Unit 4

LEDGER

Illustration 1

Pass journal entries for the following transactions and post them in the ledger accounts.

2017

- June 1 Basu started business with cash ₹ 50,000
- 4 Purchased furniture by paying cash for ₹ 6,000
- 7 Purchased machinery on credit from Harish ₹ 10,000
- 10 Bought goods for cash ₹ 4,000
- 18 Paid insurance premium ₹ 100

Illustration 2

Prepare necessary ledger accounts in the books of Joy from the following opening entry:

In the books of Joy Journal entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
2017				
Jan 1	Cash A/c Dr.		45,000	
	Stock A/c Dr.		50,000	
	Sohan A/c Dr.		35,000	
	Furniture A/c Dr.		50,000	
	To Ram A/c			20,000
	To Joy's capital A/c			1,60,000
	(Balances of assets and liabilities brought forward)			

Illustration 3

Journalise the following transactions and post them to ledger. On May 20, 2018, Ram paid salaries ₹ 15,000; Electricity charges ₹ 8,000 and wages ₹ 2,000.

Illustration 4

Thmizhanban started book selling business on 1st January, 2018. Following are the transactions took place in his business for the month of January, 2018. Pass journal entries and prepare ledger accounts.

2018

- Jan. 1 Started business with cash ₹ 3,00,000
 2 Opened bank account by depositing ₹ 2,00,000
 5 Goods bought from Tamilnadu Textbook Corporation for cash ₹ 10,000
 15 Sold goods to MM Traders for cash ₹ 5,000
 22 Purchased goods from X and Co. for ₹ 15,000 and the payment is made through net banking.
 25 Sold goods to Y and Co. for ₹ 30,000 and the payment is received through NEFT

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Illustration 5

Prepare cash account from the following transactions for the month of January 2018.

- Jan 1 Commenced business with cash ₹ 62,000
 3 Goods purchased for cash ₹ 12,000
 10 Goods sold for cash ₹ 10,000
 12 Wages paid ₹ 4,000
 25 Furniture purchased for cash ₹ 6,000

Illustration 6

The following are the transactions of Kumaran, dealing in stationery items. Prepare ledger accounts.

2017

- June 5 Started business with cash ₹ 2,00,000
 8 Opened bank account by depositing ₹ 80,000
 12 Bought goods on credit from Sri Ram for ₹ 30,000
 15 Sold goods on credit to Selva for ₹ 10,000
 22 Goods sold for cash ₹ 15,000
 25 Paid Sri Ram ₹ 30,000 through NEFT
 28 Received a cheque from Selva and deposited the same in bank ₹ 10,000

IV Exercises

1. Journalise the following transactions and post them to ledger.

2016	₹
Jan 1 Started business with cash	10,000
5 Paid into bank	5,000
7 Purchased goods from Ram for cash	1,000

2. Pass journal entries for the following transactions and post them to ledger.

2017	₹
Aug. 1 Dharma started business with cash	70,000
6 Cash received from Ganesan	10,000
10 Rent paid	3000
20 Received commission from Anand	5000

3. The following balances appeared in the books of Vinoth on Jan 1, 2018
 Assets: Cash ₹ 40,000; Stock ₹ 50,000; Amount due from Ram ₹ 20,000;
 Machinery ₹ 40,000 Liabilities: Amount due to Vijay ₹ 10,000
 Pass the opening journal entry and post them to Vinoth's Capital account.

4. Prepare Furniture A/c from the following transactions

2016	₹
Jan 1 Furniture in hand	2,000
1 Purchased furniture for cash	4,000
30 Sold furniture	400

5. The following balances appeared in the books of Kumaran on April 1, 2017.
 Assets: Cash ₹ 1,00,000; Stock ₹ 40,000; Amount due from Rohit ₹ 10,000;
 Furniture ₹ 10,000; Liabilities: Amount due to Anush ₹ 40,000;
 Kumaran's capital ₹ 1,20,000
 Find the capital and show the ledger posting for the above opening balances.

6. Give journal entries and post them to cash account.

2016		₹
June 1	Commenced business with cash	1,10,000
10	Introduced additional capital	50,000
28	Withdrawn for personal use	20,000

7. Give Journal entries for the following transactions and post them to Cash a/c and Sales A/c.

2017		₹
Aug 10	Sold goods and cheque received but not deposited	30,000
14	Sold goods on credit to Gopi	12,000
20	Received cash from Gopi	12,000

8. Enter the following transactions in the books of Ganesan and post them into ledger.

2017		₹
Oct 1	Started business with cash	25,000
5	Deposited into bank	12,500
10	Purchased furniture and payment by cheque	2,000
15	Goods purchased for cash	5,000
19	Sold goods to Vasu on credit	4,000
22	Goods worth ₹ 500 taken for personal use	

9. Journalise the following transactions in the books of Vasu and post them to ledger accounts.

2017 Nov 1	Cash in hand ₹ 1,00,000; Cash at bank: ₹ 30,000
2	Vasu sold goods to Jothi for ₹ 25,000 against a cheque and deposited the same in the bank
4	Received as commission ₹ 5,000
8	Bank paid ₹ 15,000 directly for insurance premium of Vasu.
15	Cash deposited into bank ₹ 30,000
20	Cash withdrawn from bank for personal use ₹ 45,000.

10. Prepare Anand's account from the following details.

2017		₹
July 1	Credit balance of Anand's A/c	4,000
15	Amount paid to Anand	2,000
18	Goods purchased from Anand on credit	8,000
20	Paid to Anand	3,960
	Discount allowed by him	40
25	Goods purchased from Anand	5,000

11. Show the direct ledger postings for the following transactions:

2017		
June 1	Raja commenced business with cash ₹ 50,000,	
6	Sold goods for cash ₹ 8,000	
8	Sold goods to Devi on credit ₹ 9,000	
15	Goods purchased for cash ₹ 4,000	
20	Goods purchased from Shanthi on credit ₹ 5,000	

Unit 5

TRIAL BALANCE

Illustration 1

State whether the balance of each of the following accounts should be placed in the debit or the credit column of the trial balance:

- | | | | |
|-------------------|---------------------|------------------------|-------------------|
| 1) Sundry debtors | 2) Sundry creditors | 3) Cash in hand | 4) Bank overdraft |
| 5) Salary | 6) Discount allowed | 7) Plant and machinery | 8) Furniture |

Illustration 2

From the following balances extracted from the books of Raju a trader on automobiles, prepare trial balance as on 31st March, 2017:

Particulars	₹	Particulars	₹
Cash in hand	5,500	Direct expenses	5,000
Discount received	300	Carriage outwards	3,500
Creditors	15,000	Capital	45,000
Buildings	50,000	Purchases	49,700
Opening stock	6,000	Sales	59,400

Illustration 3

From the following balances extracted from the books of Pearl, a trader, prepare trial balance as on 31st March, 2017.

Particulars	₹	Particulars	₹
Capital	44,000	Interest on investment	2,000
Bills receivable	5,000	Customs duty	3,000
Wages	800	Computer	20,000
Drawings	4,000	Sales	72,000
Purchases	75,000	Opening stock	10,200

Illustration 4

The following balances are extracted from the books of Prabhu, as on 31st March, 2017. Prepare trial balance and transfer the difference if any to suspense account.

Particulars	₹	Particulars	₹
Discount allowed	250	Loan borrowed	7,000
Cash in hand	4,200	Lighting	12,000
Capital	50,000	Commission paid	3,000
Salaries	12,000	Purchases	29,050
Furniture	7,500	Sales	35,000

Illustration 5

The following trial balance has certain errors. Redraft it.

Trial balance as on 31st March, 2017

Name of account	Debit balance ₹	Credit balance ₹
Building	60,000	
Machinery	17,000	
Returns outward	2,600	
Bad debts	2,000	
Cash	400	
Discount received	3,000	
Bank overdraft	10,000	
Creditors	50,000	
Purchases	1,00,000	
Capital		72,800
Fixtures		5,600
Sales		1,04,000
Debtors		60,000
Interest received		2,600
Total	2,45,000	2,45,000

IV Exercises

1. Prepare a trial balance with the following information:

Name of the account	₹	Name of the account	₹
Purchases	1,00,000	Sales	1,50,000
Bank Loan	75,000	Creditors	50,000
Debtors	1,50,000	Cash	90,000
Stock	35,000	Capital	1,00,000

2. Prepare the trial balance from the following information:

Name of the account	₹	Name of the account	₹
Bank loan	2,00,000	Purchases	1,80,000
Bills payable	1,00,000	Sales	3,00,000
Stock	70,000	Debtors	4,00,000
Capital	2,50,000	Bank	2,00,000

3. Prepare the trial balance from the following balances of Chandramohan as on 31st March, 2017.

	₹		₹
Capital	1,24,500	Bank overdraft	5,800
Drawings	2,000	Motor car	20,000
Loan borrowed	7,000	General expenses	2,500
Sales	53,400	Building	1,10,000
Purchases	40,000	Stock	16,200

4. Prepare the trial balance from the following balances of Babu as on 31st March, 2016.

	₹		₹
Cash in hand	7,000	Bills receivable	7,000
Sundry debtors	5,400	Sundry creditors	11,800
Salaries	6,800	Capital	25,000
Bad debts	200	Purchases	45,000
Opening stock	15,400	Sales	50,000

5. Prepare the trial balance from the following balances of Rajesh as on 31st March, 2017.

	₹		₹
Bills receivable	13,000	Drawings	7,000
Bank charges	750	Sundry debtors	17,100
Conveyance charges	350	Bills payable	12,000
Discount received	1,300	Capital	25,900
Cash in hand	1,000		

6. The following balances are extracted from the books of Ravichandran on 31st December, 2016. Prepare the trial balance.

	₹		₹
Capital	1,50,000	Sales	75,000
Debtors	22,800	Return inwards	1,000
Rent received	500	Discount allowed	800
Bank overdraft	3,100	Discount received	1,000
Creditors	5,500	Wages	2,900
Premises	1,46,000	Salaries	3,500
Opening stock	10,000	Commission paid	1,100
Purchases	45,000	General expenses	2,000

7. From the following balances, prepare trial balance of Baskar as on 31st March, 2017. Transfer the difference, if any, to suspense account.

	₹		₹
Opening stock	40,000	Debtors	25,000
Capital	90,000	Carriage inwards	16,500
Sales	1,77,200	Bills receivable	20,000
Salaries	12,000	Commission received	5,550
Bills payable	9,450	Cash at bank	17,000
Telephone charges	2,350	Furniture	19,000
Creditors	16,000	Plant & Machinery	55,800
Purchases	85,000	Repairs	550

8. Correct the following trial balance:

Particulars	Debit Balance ₹	Credit Balance ₹
Opening Stock	1,00,000	
Salaries	36,000	
Creditors	1,32,000	
Bank	35,000	
Carriage inwards	18,000	
Rent received	9,000	
Discount allowed	6,000	
Purchases	3,48,000	
Bills payable	60,000	
Debtors		45,000
Carriage outwards		15,000
Capital		1,63,000
Returns inward		9,000
Discount received		12,000
Trade expenses		18,000
Sales		3,68,000
Building		1,14,000
Total	7,44,000	7,44,000

 **CASE STUDY**

Mary runs a textile store. She has prepared the following trial balance from her ledger balances. Her trial balance does not tally. She needs your help to check whether what she has done is correct.

S. No.	Name of account	L.F.	Debit balance ₹	Credit balance ₹
1	Capital		50,000	
2	Discount received			3,000
3	Rent paid			15,000
4	Salaries paid		1,000	
5	Purchases of textiles			20,000
6	Sale of textiles			30,000
7	Salesmen commission paid			9,000
8	Transport charges paid		6,000	
9	Cash balance		32,000	
	Total		89,000	77,000

Unit 6

SUBSIDIARY BOOKS - I

Illustration 1

Record the following transactions in the purchases book of Shanthi Furniture Mart: 2017

March 1	Purchased from Mohan Furniture Mart, Madurai 20 chairs @ ₹ 450 each 2 tables @ ₹ 1,000 each Less: Trade discount @ 10%
March 6	Purchased for cash from Welcome Furniture, Vellore 2 almirahs @ ₹ 2,000 each
March 7	Bought from Ramesh & Co., Royapettah 2 stools @ ₹ 500 each 10 rolling chairs @ ₹ 200 each Delivery charges and cartage ₹ 150
March 20	Purchased 2 computers for office use from Anandan & Co., Adyar on credit for ₹15,550 each
March 21	Purchased from Kamal & Co., Karaikkal 10 chairs @ ₹ 750 each 15 steel cabinets @ ₹ 1,500 each Packing and delivery charges ₹ 250 Less: Trade discount @ 10%
March 25	Purchased from Jemini & Sons, Chennai 2 typewriters @ ₹ 7,750 for office use

Illustration 2

From the following transactions of Ram Home Appliances for July, 2017 prepare purchases book and ledger accounts connected with this book:

2017 July 5	Purchased on credit from Kannan & Co. 50 iron boxes @ ₹ 500 each 10 grinders @ ₹ 3,000 each
July 6	Purchased for cash from Siva & Bros. 25 fans @ ₹ 1,250 each
July 10	Purchased from Balan & Co. on credit 20 grinders @ ₹ 2,500 each 10 mixies @ ₹ 3,000 each Trade discount 10% Delivery charges ₹ 1,000
July 20	Purchased on credit, one copier machine from Kumar for ₹ 35,000

Illustration 3

Enter the following transactions in the purchases returns book of Hari who is dealing in automobiles and post them into the ledger.

2017

- Jan. 5 Returned to Anand 5 clutch plates @ ₹ 200 each, not in accordance with order.
 Jan. 14 Returned to Chandran 4 brake shoes @ ₹ 200 each and 10 rear view mirrors @ ₹ 350 each, due to inferior quality.

Illustration 4

From the transactions given below, prepare the sales book of Kumar Stationery for July 2017.

2017

- July 5 Sold on credit to Saravana Traders of Sayalkudi
 10 packs of A4 sheets @ ₹ 250 per pack
 10 dozens of writing pads @ ₹ 850 per dozen
 Less : 10% trade discount for both
- July 8 Sold to Raja for cash
 15 packs of A4 sheets @ ₹ 250 per pack
- July 20 Sold to Mohan & Co. of Mudukulathur
 5 white boards @ ₹ 2,200 each
 10 dozens of writing pads @ ₹ 850 per dozen
- July 23 Sold on credit to Narayanan old motor car for ₹ 5,000
- July 28 Sold to Kumaran for cash 15 packets of marker pens @ ₹ 250 per packet

Illustration 5

Enter the following transactions in returns inward book of Magesh a textile dealer:

2017 April 6	Returned by Shankar 30 shirts each costing ₹ 150 due to inferior quality.
April 8	Amar Tailors returned 10 T-shirts, each costing ₹ 100, on account of being not in accordance with their order.
April 21	Prema Stores returned 12 Salwar sets each costing ₹ 200, being not in accordance with order.

Illustration 6

Record the following transactions of Vijay Electrical & Co., in the purchases book, purchases returns book, sales book and sales returns book.

2017

- Jan 1 Purchased on credit from Preethi & Co.,
25 table fans @ ₹ 1,400 each
10 fans @ ₹ 2,000 each
Add: Auto charges @ ₹ 100
- Jan 5 Sold on credit to Sheela & co.,
10 electric iron box @ ₹ 1,250 each
20 electric stoves @ ₹ 450 each
Less: 10% Trade discount
- Jan 10 Purchased for cash from Brinda & Co.,
10 electric stoves @ ₹ 1,300 each
- Jan 18 Returned to Preethi & Co.,
5 table fans being defective for which cash is not received
- Jan 20 Purchased from Sathya & Co.,
10 fans @ ₹ 1,200 each
Less: Trade discount 5%
- Jan 21 Sheela & Co., returned 3 electric iron boxes as defective for which cash is not paid
- Jan 23 Purchased from Elizabeth & Co., 10 water purifiers @ ₹ 4,700 each on credit
- Jan 25 Sold on credit to M/s. Bhavani & Co., 7 fans @ ₹ 1,450 each
- Jan 27 Returned to Sathya & Co., 2 damaged fans for which cash is not received

IV Exercises

1. Enter the following transactions in the Purchases book of M/s. Subhashree Electric Co., which deals in electric goods.

2017

- April 5 Purchased from Karthik Electric Co., on credit
10 Electric iron box @ ₹ 2,500 each
5 electric stoves @ ₹ 2,000 each
- April 19 Purchased on credit from Khaitan Electric Co.,
3 electric heaters @ ₹ 6,000 each
- April 25 Purchased from Polar Electric Co., on credit
10 Fans @ ₹ 2,000 each
- April 29 Purchased from M & Co. for cash
10 electric stoves @ ₹ 3,000 each

2. From the following transactions write up the Sales day book of M/s. Ram & Co., a stationery merchant.

2017

- Jan. 1 Sold to Anbu& Co., on credit 20 reams of white paper @ ₹ 150 per ream
 Jan. 2 Sold to Jagadish& Sons on credit 6 dozen pens @ ₹ 360 per dozen
 Jan. 10 Sold old newspapers for cash @ ₹ 620
 Jan. 15 Sold on credit M/s. Elango& Co., 10 drawing boards @ ₹ 170 per piece
 Jan. 20 Sold to Kani & Co., 4 writing tables at ₹ 1,520 per table for cash

3. Prepare Purchases book and Sales book in the books of Santhosh Textiles Ltd., from the following transactions given for April, 2017.

2017

- April 1 Purchased goods from Prasad, Kancheepuram on credit
 100 meters Silk @ ₹ 450 per meter
 75 meters Velvet @ ₹ 180 per meter
 April 10 Sold goods to Rathinam, Chennai on credit
 60 meters Silk @ ₹ 490 per meter
 50 meters Velvet @ ₹ 210 per meter
 April 18 Nathan & Sons purchased from us on credit
 100 meters Silk @ ₹ 510 per meter
 April 20 Purchased goods from Hari Ram & Sons, Madurai on credit
 50 rolls kada cloth @ ₹ 730 per roll
 80 rolls cotton cloth @ ₹ 650 per roll
 April 24 Purchased from Mohan, Karur for cash
 Shirting cloth @ ₹ 7,000
 Sarees @ ₹ 25,000

4. From the following information, prepare purchase day book and purchases returns book for the month of June, 2017 and post them into ledger accounts in the books of Robert Furniture Mart.

2017

- June 1 Purchased from Balu Traders 20 chairs @ ₹ 150 each on credit
 June 13 Bought from Subash @ Co., on credit
 2 Almirah @ ₹ 3,100 each
 10 tables @ ₹ 1,500 each
 15 chairs @ ₹ 200 each
 Less: 10 % Trade discount on all items
 Add: Freight charges ₹ 220
 June 21 Returned 2 damaged chairs to Balu Traders and cash not received
 June 24 Purchased from Sunrise Furniture Mart on credit
 25 Almirahs @ ₹ 1,300 each
 June 27 Purchased from Mouli Traders on credit
 10 executive tables @ ₹ 3,275 each
 June 29 Returned 3 Almirahs to Sunrise Furniture Mart and cash not received

5. Record the following transactions in the sales book and sales returns book of M/s. Ponni & Co., and post them to ledger.

2017

- Aug 1 Sold goods to Senthil as per Invoice No. 68 for ₹ 20,500 on credit
 Aug 4 Sold goods to Madhavan as per Invoice No. 74 for ₹ 12,800 on credit
 Aug 7 Sold goods to Kanagasabai as per Invoice No. 78 for ₹ 7,500 on credit
 Aug 15 Returns inward by Senthil as per Credit Note no. 7 for ₹ 1,500 for which cash is not paid
 Aug 20 Sold goods to Selvam for ₹ 13,300 for cash
 Aug 25 Sales returns of ₹ 1,800 by Madhavan as per Credit Note No. 11 for which cash is not paid

6. From the following information, prepare the necessary subsidiary books for Nalanda Book Stores.

2017

- Dec. 1 Bought from M/s. Umadevi on credit
100 copies Business Statistics Book @ ₹ 80 each
100 copies Accountancy Book @ ₹ 150 each
- Dec. 7 Sold to Sridevi & Co., on credit
240 copies Business Statistics @ ₹ 90 each
250 copies Accountancy books @ ₹ 170 each
- Dec. 10 Bought from Subha & Co.,
40 Copies Economics books @ ₹ 80 each
Less: 15% Trade Discount
- Dec. 15 Returned to M/s. Uma Devi 10 copies of damaged Accountancy book for which cash is not received
- Dec. 18 Sold to Gupta Bros., on credit
200 copies of Economics book @ ₹ 95 each
- Dec. 26 Returned 6 copies of Economics books to Subha & Co.,

7. Prepare necessary subsidiary books in the books of Niranjana and also Sachin account and Mukil account from the following transactions for the month of February, 2017.

2017		₹
Feb. 1	Purchased goods from Mukil Traders on credit	12,480
Feb. 4	Goods sold to Sachin Traders on credit	15,000
Feb. 6	Sold goods to Manish Traders on credit	12,100
Feb. 7	Sachin Traders returned goods for which cash is not paid	1,200
Feb. 9	Returned goods to Mukil Traders for which cash is not received	1,500
Feb. 10	Sold goods to Manish & Co., on credit	13,300
Feb. 14	Purchased from Mukil Traders on credit	15,200

Unit 7**SUBSIDIARY BOOKS - II****CASH BOOK****Illustration 1**

Enter the following transactions in a simple cash book of Kunal:

2017		₹
Jan.		
1	Cash in hand	11,200
5	Received from Ramesh	300
7	Paid rent	30
8	Sold goods for cash	300
10	Paid Mohan	700
27	Purchased furniture for cash	200
31	Paid salaries	100

Illustration 2

Enter the following transactions in a single column cash book of Pradeep for April, 2017

April		₹
1	Commenced business with cash	27,000
5	Bought goods for cash	6,000
10	Goods sold for cash	11,000
13	Paid into bank	5,000
14	Goods sold to Sangeetha for cash	9,000
17	Goods purchased from Preethi on credit	13,000
21	Purchased stationery by cash	200
25	Paid Murugan by cash	14,000
26	Commission paid by cash	700
29	Drew from bank for office use	4,000
30	Rent paid by cheque	3,000

Illustration 3

Enter the following transactions in a cash book with cash and discount columns:

2017		₹
Jan 1	Cash in hand	11,500
Jan 5	Paid to Ramanathan by depositing in cash deposit machine	300
	Discount allowed by him	10
Jan 8	Purchased goods for cash	400
Jan 10	Cash received from Rajagopal	980
	Discount allowed	20
Jan 15	Sold goods for cash	400
Jan 21	Paid cash to Shanthi	295
	Discount received	5
Jan 25	Paid wages by cash	50
Jan 31	Paid to Sanjeev ₹ 390 in full settlement of his account	400

Illustration 4

Prepare three column cash book in the books of Thiru Durairaj.

2017		₹
March 1	Cash in hand	12,000
	Cash at bank	15,000
2	Cash paid into bank	11,000
3	Goods sold ₹ 18,500. Half of it is received in cash and half of it is received by cheque which is immediately deposited in the bank	
4	Sold on credit to Jayaraj for	7,000
8	Jayaraj sent a cheque in full settlement	6,900
12	Jayaraj's cheque was sent to bank	
14	Bought goods from Iqbal and issued a cheque to him immediately	8,500
15	Bought goods from Murali on credit	4,000
19	Received a cheque from Kannappan in full settlement of his account of ₹ 2,000	1,975
20	Drew cash ₹ 3,000 and by cheque ₹ 5,000 for personal use	
25	Paid Vinod by cheque in full settlement of his account of ₹ 2,000	1,850

Illustration 5

Record the following transactions in three column cash book of Gunasekaran.

2017

Jan		₹
1	Cash in hand	50,000
1	Cash at bank	90,000
2	Goods sold on credit to Rohini	15,000
5	Cheque received from Rohini in full settlement and deposited into bank	14,500
6	Cash deposited into bank through cash deposit machine	18,000
7	Goods sold to Sridhar for ₹ 12,000. He made the payment of ₹ 11,800 by debit card in full settlement by availing a cash discount of ₹ 200	
10	Money withdrawn from bank for office use	2,000
12	Purchased goods from Raja for ₹ 10,000 and paid through credit card in full settlement by availing a cash discount of ₹ 200	9,800
14	Nathiya who owed money made the payment through NEFT	18,000
27	Cheque of Rohini dishonoured	

Illustration 6

Prepare a analytical petty cash book from the following information on the imprest system:

2017		₹
Jan. 1	Received for petty cash	500
Jan. 2	Paid rickshaw charges	5
	Paid cartage	12
Jan. 3	Paid for postage	15
	Paid wages to casual labourer	66
Jan. 4	Paid for stationery	134
	Paid for auto charges	18
Jan. 5	Paid for repairs	65
	Paid for bus fare	11
	Paid for cartage	24

IV Exercises**Single Column Cash Book**

1. Enter the following transactions in a single column cash book of Seshadri for May, 2017.

May		₹
1	Cash in hand	40,000
5	Cash received from Swathi	4,000
7	Paid wages in cash	2,000
10	Purchased goods from Sasikala for cash	6,000
15	Sold goods for cash	9,000
18	Purchased computer	15,000
22	Cash paid to Sabapathi	5,000
28	paid salary	2,500
30	Interest received	500

2. Enter the following transactions in a single column cash book of Ramalingam for month of July, 2017.

July		₹
1	Cash in hand	32,000
5	Received from Keerthana	5,000
6	Paid packing charges in cash	300
7	Cash purchases	12,400
8	Sold goods for cash	2,600
10	Paid salary to manager in cash	7,000
11	Paid to Bala	3,000
12	Purchased goods from Bose	2,500
24	Cash deposited into bank through CDM	4,000
27	Withdraw cash from bank	2,000
31	Paid office rent in cash	6,000

Double column cash book

3. Enter the following transactions in Ahamed's cash book with discount and cash columns.

2017

Oct		₹
1	Cash balance	37,500
3	Cash Sales	33,000
7	Paid to Velan Rs. 15,850 and Discount allowed by him	150
13	Sold goods to Perumal on credit	19,200
15	Cash withdrawn for personal expenses	4,800
16	Purchased goods from Subramanian	14,300
22	Paid to Bank	22,700
25	Cash received from Perumal in full settlement	19,000
26	Draw a cheque for office use	17,500
27	Paid cash to Gopalakrishnan	2,950
	Discount received from him	50
28	Paid cash to Subramanian and settled his account	14,200
29	Cash purchases	13,500
30	Cash paid for advertising	1,500

4. Enter the following transactions in cash book with discount and cash column of Anand

2017

Dec.		₹
1	Cash in hand	19,500
4	Sold goods for cash	32,000
5	Credit purchases from Gandhi	20,000
9	Received from Gopu	11,800
	Discount allowed to him	200
15	Cash paid for Electricity charges	12,500
17	Bought computer and its accessories by cash	16,800
25	Paid cash to Gandhi ₹ 19,700 in full settlement of his account	
28	Received cash from Thiruvengadam	8,900
	Discount allowed to him	100
30	Paid trade expenses in cash	3,500

Three column cash book

5. Enter the following transactions in the three column cash book of Kalyana Sundaram

2017

Jan.

	₹
1 Balance in hand	42,500
Balance at bank	35,000
3 Received for cash sales	15,700
4 Cash paid into bank	11,500
6 Cash purchases	14,300
9 Received dividend directly by the bank through ECS	2,000
10 Pongal advance to staff paid through bank	17,000
12 Received cash from Nagarajan and allowed him discount	11,850 150
17 Paid Magesh in full settlement of his account ₹ 20,000	19,700
20 Cash withdrawn for personal expenses	20,000
30 Withdrawn cash from ATM for office use	1,500

6. Record the following transactions in the three column cash book of John.

2017

Dec.

	₹
1 Cash balance brought forward	12,600
1 Bank overdraft brought forward	36,000
1 Advance paid to petty cashier by cheque	3,000
5 Goods sold for cash	12,000
7 Dividend on shares collected by the banker	1,000
13 Cash paid into Bank	10,000
14 Interest charged by the bank for bank overdraft	1,500
18 Cheque issued to Siddique Discount received from him	8,000 200
24 Insurance claim received by cheque and deposited into bank	17,000
28 Cash received from Baskar Discount allowed to him	15,000 150
31 Deposited into Bank all cash excess of ₹18,600	

7. Prepare a triple column cash book of Rahim from the following transactions:

2017		₹
Feb.		
1	Cash in hand	25,000
	Cash at bank	10,000
5	Water purifier purchased for office use by cheque	8,000
6	Purchased goods for cash	9,000
8	Received cash from Daniel	9,900
	Discount allowed to him	100
10	Cheque received for goods sold and deposited in the bank	40,000
12	Paid to Amala by cheque	14,500
	Discount received from her	500
13	Paid transport charges by cash	5,000
14	Withdrawn cash from bank for office use	20,000
24	Cheque received from Kumar and deposited into the bank	15,000
28	Kumar's cheque dishonoured	

Petty cash book

8. Prepare analytical petty cash book from the following particulars under imprest system:

2017 July		₹
1	Received advance form cashier	2,000
7	Paid for writing pads and registers	100
8	Purchased white papers	50
10	Paid auto charges	200
15	Paid wages	300
18	Postal charges	100
21	Purchased stationery	450
23	Tea expenses	60
25	Paid for speed post	150
27	Refreshment expenses	250
31	Paid for carriage	150

Unit 8

BANK RECONCILIATION STATEMENT

When balances of cash book and/or bank statement is given:

Illustration 1 (When balance as per cash book is favourable)

From the following information, prepare bank reconciliation statement to find out balance as per bank statement on 31st March, 2017.

Particulars	₹
(i) Cheques deposited but not yet collected by the bank	500
(ii) Cheque issued but not yet presented for payment	1,000
(iii) Bank interest charged	100
(iv) Rent paid by bank as per standing instruction	200
(v) Cash book balance	300

Illustration 2

On 31st March, 2018, the bank column of the cash book of Senthamarai Traders showed a debit balance of ₹ 40,200. On examining the cash book and the bank statement, it was found that:

- A cheque for ₹ 2,240 deposited on 29th March, 2018 was credited by the bank only on 4th April, 2018.
- A payment made through net banking for ₹ 180 has been entered twice in the cash book.
- Cheques amounting to ₹ 500 which were issued to trade payables and entered in the cash book before 31st March, 2018 were not presented for payment until that date.
- Cheque amounting to ₹ 2,000 had been recorded in the cash book as having been deposited into the bank on 30th March, 2018, but was entered in the bank statement on 3rd April, 2018.
- Transport subsidy amounting to ₹ 3,000 received from the Government of Tamilnadu directly by the bank, but not advised to the Senthamarai Traders.
- A sum of ₹ 1,500 was wrongly debited to Senthamarai Traders by the bank, for which no details are available.

Illustration 3 (When balance as per cash book shows overdraft)

From the following information, prepare bank reconciliation statement as on 31st December, 2017 to find out the balance as per bank statement.

Particulars	₹
(i) Overdraft as per cash book	10,000
(ii) Cheques deposited but not yet credited	5,000
(iii) Cheque issued but not yet presented for payment	1,000
(iv) Payment received from the customer directly by the bank	500
(v) Interest on overdraft debited by bank	1,000
(vi) Amount wrongly debited by bank	300

Illustration 4

Rony is the proprietor of Veena photos. The bank column of cash account of his business was balanced on 31st March 2018. It showed an overdraft of ₹ 12,000. The bank statement of Veena photos showed a credit balance of ₹ 5,000. Prepare a bank reconciliation statement taking the following into account.

- The bank had directly collected dividend ₹ 11,200 but was not entered in the cash book.
- Cheques amounting to ₹ 9,000 were issued on 27th March, 2018, of which, cheques amounting to ₹ 7,000 were not presented for payment before 31st March 2018.
- Cheque book charges of ₹ 200 debited by the bank but not recorded in cash book.
- Bank locker rent of ₹ 1,000 debited by the bank but not recorded in cash book.

Illustration 5 (When balance as per bank statement is favourable)

Prepare bank reconciliation statement as on 31st December, 2017 from the following information:

- Balance as per bank statement (pass book) is ₹ 25,000
- No record has been made in the cash book for a dishonour of a cheque for ₹ 250
- Cheques deposited into bank amounting to ₹ 3,500 were not yet collected
- Bank charges of ₹ 300 have not been entered in the cash book.
- Cheques issued amounting to ₹ 9,000 have not been presented for payment

Illustration 6

From the following information, prepare bank reconciliation statement as on 31st December, 2017 to find out the balance as per bank statement.

Particulars	₹
(i) Balance as per bank statement	6,000
(ii) Cheques deposited on 28th December, 2017 but not yet credited	2,000
(iii) Cheques issued for 10,000 on 20th December, 2017 but not yet presented for payment	3,000
(iv) Interest on debentures directly collected by the bank not recorded in cash book	4,000
(v) Insurance premium on building directly paid by the bank	1,000
(vi) Amount wrongly credited by bank	500

Illustration 7 (When balance as per bank statement is an overdraft)

From the following data, ascertain the cash book balance as on 31st December, 2017.

Particulars	₹
1) Overdraft balance as per bank statement	6,500
2) Cheques deposited into the bank but not yet credited	10,500
3) Cheques issued, but not yet presented for payment	3,000
4) Wrong debit by the bank	500
5) Interest and bank charges debited by bank	180
6) Insurance premium on goods directly paid by the bank as per standing instructions	100

Illustration 8

The bank statement of Sudha and Company showed an overdraft of ₹ 10,000 on 31st December, 2017, prepare a bank reconciliation statement.

- A cheque deposited on 30th December 2017 for ₹ 15,000 was not credited by the bank.
- Interest on term loan ₹ 500 was debited by bank on 31st December, 2017 but not accounted in the books of Sudha and Company.
- A cheque issued for ₹ 550 on 24th December, 2017 was paid by the bank. It was recorded as ₹ 505 in the bank column of the cash book.
- One outgoing cheque on 27th December, 2017 of ₹ 200 was recorded twice in the cash book.
- Bank recorded a cash deposit of ₹ 2,598 as ₹ 2,589.
- A sum of ₹ 2,000 deposited in cash deposit machine by a customer of the business on 31st December, 2017 was not recorded in the books of Sudha and Company.
- Interest on overdraft of ₹ 600 was not recorded in the books of Sudha and Company.
- Two cheques issued on 29th December, 2017 for ₹ 500 and ₹ 700, but only the first cheque was presented for payment before 31st December, 2017.

Illustration 9 (When an extract of cash book and bank statement is given)

Given below are the entries in the bank column of the cash book and the bank statement. Prepare a bank reconciliation statement as on 31st October, 2017.

Cash book
(Bank column)

Dr.

Cr.

Date	Receipts	Amount ₹	Date	Payments	Amount ₹
2017			2017		
Oct. 1	To Balance b/d	20,525	Oct. 8	By Kamala A/c	12,000
18	To Ram A/c	6,943	26	By Magesh A/c	9,740
19	To Sales A/c (Ravi)	450	28	By Mala A/c	11,780
20	To Commission A/c (Kala)	200	30	By Salaries A/c	720
20	To Nirmala A/c	7,810	31	By Balance c/d	1,688
		35,928			35,928
Nov. 1	To Balance b/d	1,688			

Bank statement

Date	Particulars	Dr. Withdrawals ₹	Cr. Deposits ₹	Balance Dr./Cr. ₹
1.10.17	By Balance b/d			20525 Cr
9.10.17	To Kamala	12,000		8525 Cr
19.10.17	By Ram		6,943	15468 Cr
25.10.17	By Ravi		450	15918 Cr
26.10.17	To Magesh	9,740		6178 Cr
27.10.17	By Kala		200	6378 Cr
28.10.17	To Rajan (salaries)	720		5658 Cr
30.10.17	By Bills receivable		20,000	25658 Cr
	By Interest on Investment		1,820	27478 Cr
31.10.17	To Bills payable	4,000		23478 Cr

IV Exercises

- From the following particulars prepare a bank reconciliation statement of Jayakumar as on 31st December, 2016.
 - Balance as per cash book ₹ 7,130
 - Cheque deposited but not cleared ₹ 1,000
 - A customer has deposited ₹ 800 into the bank directly
- From the following particulars of Kamakshi traders, prepare a bank reconciliation statement as on 31st March, 2018.
 - Debit balance as per cash book ₹ 10,500
 - Cheque deposited into bank amounting to ₹5,500 credited by bank, but entered twice in the cash book
 - Cheques issued and presented for payment amounting to ₹ 7,000 omitted in the cash book
 - Cheque book charges debited by the bank ₹ 200 not recorded in the cash book.
 - Cash of ₹ 1,000 deposited by a customer of the business in cash deposit machine not recorded in the cash book.

3. From the following information, prepare bank reconciliation statement to find out the bank statement balance as on 31st December, 2017.

Particulars	₹
1. Balance as per cash book	15,000
2. Cheques deposited but not yet credited	1,000
3. Cheques issued and entered in the cash book before 31st December 2017 but not presented for payment until that date	1,500
4. Dividend directly received by bank	200
5. Direct payment made by bank for rent	1,000
6. Locker rent charged by the bank not recorded in cash book	1,200
7. Wrong debit given by the bank on 30th December 2017	500
8. A payment made through net banking has been entered twice in the cash book	300

4. From the following particulars of Raheem traders, prepare a bank reconciliation statement as on 31st March, 2018.

- (a) Overdraft as per cash book ₹ 2,500. On the same day the balance as per bank statement is ₹ 1,99,000.
- (b) Interest on debentures of ₹ 700 was received by the bank directly.
- (c) Amount received by bank through RTGS amounting to ₹ 2,00,000, omitted in the cash book.
- (d) Two cheques issued for ₹ 1,800 and ₹ 2,000 on 29th March 2018. Only the second cheque is presented for payment.
- (e) Insurance premium on car for ₹ 1,000 paid by the bank as per standing instruction not recorded in the cash book.

5. From the following information, prepare bank reconciliation statement as on 31st December, 2017 to find out the balance as per bank statement.

Particulars	₹
(i) Bank overdraft as per cash book	20,000
(ii) Cheques deposited but not yet credited	4,000
(iii) Cheque issued but not yet presented for payment	1,000
(iv) Rent collected by the bank as per standing instruction	500
(v) Interest on overdraft debited by bank	2,000
(vi) Amount wrongly debited by bank	300
(vii) Cheque issued on 30th December 2017 dishonoured by the bank	5,000
(viii) A customer's cheque deposited in the bank dishonoured by bank not recorded in the cash book	2,000

6. Prepare bank reconciliation statement from the following data and find out the balance as per cash book as on 31st March, 2018.

Particulars	₹
(i) Bank balance as per bank statement	15,000
(ii) Cheques issued but not yet presented for payment	2,500
(iii) Bank charges not recorded in the cash book	250
(iv) Interest charged by bank not recorded in the cash book	500
(v) Bank paid insurance premium as per standing instruction but not recorded in the cash book	300
(vi) Cheques deposited but not yet credited	900

7. From the following particulars of Raja traders, prepare a bank reconciliation statement as on 31st January, 2018.

- Balance as per bank statement ₹ 5,000
- Cheques amounting to ₹ 800 had been recorded in the cash book as having been deposited into the bank on 25th January 2018, but were entered in the bank statement on 2nd February 2018.
- Amount received by bank through NEFT amounting to ₹ 3,000, omitted in the cash book.
- Two cheques issued for ₹ 3,000 and ₹ 2,000 on 29th March 2018. Only the first cheque is presented for payment.
- Insurance premium on motor vehicles for ₹1,000 paid by the bank as per standing instruction not recorded in the cash book.
- Credit side of cash book was undercast by ₹ 700
- Subsidy received directly by the bank from the state government amounting to ₹ 10,000, not entered in cash book.

8. From the following particulars of Simon traders, prepare a bank reconciliation statement as on 31st March, 2018.

- Debit balance as per bank statement ₹2,500
- Cheques deposited amounting to ₹ 10,000, not yet credited by bank.
- Payment through net banking for ₹2,000, omitted in the cash book

9. From the following particulars, ascertain the cash book balance as on 31st December, 2016.
- Overdraft balance as per bank statement ₹1,26,640
 - Interest on overdraft entered in the bank statement, but not yet recorded in cash book ₹ 3,200
 - Bank charges entered in bank statement, but not found in cash book ₹600
 - Cheques issued, but not yet presented for payment ₹ 23,360
 - Cheques deposited into the bank but not yet credited ₹ 43,400
 - Interest on investment collected by the bank ₹ 24,000

10. Prepare bank reconciliation statement as on 31st March, 2017 from the following extracts of cash book and bank statement.

Dr. **Cash book (Bank column only)** Cr.

Date	Receipts	Amount ₹	Date	Payments	Amount ₹
2017			2017		
March 1	To Balance b/d	9,000	Mar 4	By Drawings	1,700
3	To Ram	2,200	8	By Sumi	3,300
9	To Prem	1,500	12	By Salary	2,800
16	To Pavithra	3,400	16	By Kayal	1,700
23	To Devi	2,600	18	By Pooja	4,200
27	To Mani	1,100	26	By Sam	2,000
30	To Shankar	350	28	By Raheem	1,100
			30	By Rent	1,100
			30	By Balance c/d	2,250
		20,150			20,150

Bank statement

Date	Particulars	Dr. Withdrawals ₹	Cr. Deposits ₹	Balance Dr./Cr.
2017				
March 1	By balance b/d			9000 Cr.
4	To cheque- drawings			8,300 Cr.
5	By cheque- Ram	700	2,200	10,500 Cr.
9	To cheque – Sumi			7,200 Cr.
11	By cheque- Prem	3,300	1,500	8,700 Cr.
12	To cheque – Salary			5,900 Cr.
17	To cheque – Kayal	2,800		4,200 Cr.
20	By cheque- Devi	1,700	2,600	6,800 Cr.
30	By interest received		900	7,700 Cr.
30	To bank charges	15		7,685 Cr.

Unit 9**RECTIFICATION OF ERRORS****Illustration 1 (Errors in casting)**

The following errors were detected before the preparation of trial balance. Rectify them.

- (a) Sales book is undercast by ₹ 100
- (b) Sales book is overcast by ₹ 200
- (c) Purchases book is undercast by ₹ 300
- (d) Purchases book is overcast by ₹ 400

Illustration 2 (Errors in casting)

The following errors were detected before preparation of trial balance. Rectify them.

- (a) Purchases returns book is undercast by ₹ 500.
- (b) Purchases returns book is overcast by ₹ 600.
- (c) Sales returns book is undercast by ₹ 700.
- (d) Sales returns book is overcast by ₹ 800.

Illustration 3 (Errors in carry forward)

The following errors were detected before preparation of trial balance. Rectify them.

- (a) The total of purchases book is carried forward to the next page ₹ 100 short.
- (b) The total of purchases returns book is carried forward to the next page ₹ 200 excess.
- (c) The total of sales book is carried forward to the next page ₹ 300 excess.
- (d) The total of sales returns book is carried forward to the next page ₹ 400 short.

Illustration 4 (Errors in carry forward)

The following errors were detected before preparation of trial balance. Rectify them.

- (a) The total of rent received account is carried forward ₹ 900 short.
- (b) The total of rent received account is carried forward ₹ 1,000 excess.
- (c) The total of salary account is carried forward ₹ 1,100 short.
- (d) The total of salary account is carried forward ₹ 1,200 excess.

Illustration 5 (Errors in posting)

The following errors were detected before preparation of the trial balance. Rectify them.

- (a) A sum of ₹ 5,000 written off as depreciation on buildings has not been posted to depreciation account.
- (b) Payment of wages ₹ 2,000 to Venkat was posted twice to wages account.
- (c) An amount of ₹ 250 for a credit sale of goods to Nila, although correctly entered in the sales book, has been posted as ₹ 200.

Illustration 6

The following errors were located before the preparation of the trial balance. Rectify them.

- (a) Goods sold to Anand for ₹ 1,000 on credit was not entered in the sales book.
- (b) An amount of ₹ 400 paid for repairs to the machinery stands wrongly posted to machinery account.
- (c) Salaries ₹ 2,000 paid to Gandhiraj was wrongly debited to his personal account in the ledger.

Illustration 7

The following errors were located before the preparation of the trial balance. Rectify them.

- (a) Paid ₹ 500 to Angappan were wrongly debited to Angannan's account.
- (b) Sale of furniture for ₹ 750 was credited to sales account.
- (c) Purchase of goods from Bagya for ₹ 2,100 was wrongly passed through sales book.
- (d) Wages ₹ 1,000 paid on erection of machinery were debited to wages account.

Illustration 8

The following errors were located at the time of preparation of the trial balance. Rectify them.

- (a) Sale of goods to Akila on credit for ₹ 1,520 posted to her account as ₹ 1,250.
- (b) Bought goods from Narendran on credit for ₹ 5,500, credited to his account as ₹ 5,050.
- (c) Purchase of furniture from Ravivarman for ₹ 404 on credit were debited to furniture account as ₹ 440.
- (d) Purchased machinery for cash ₹ 2,000 was not posted to machinery account.
- (e) The total of purchases book ₹ 899 was carried forward as ₹ 989.

Illustration 9

The following errors were located at the time of preparation of the trial balance. Pass rectifying entries.

- (a) Goods of the value of ₹ 100 returned by Bhuvana were included in stock, but no entry was made in the books.
- (b) Sale of goods to Mani on credit for ₹ 475 has been wrongly entered in the sales book as ₹ 745.
- (c) A cheque of ₹ 500 received from Sandhiya was dishonoured and debited to allowances account.
- (d) A sum of ₹ 300 drawn by the proprietor for personal use was debited to wages account.

Illustration 10

The following errors were located after the preparation of the trial balance. Assume that there exists a suspense account. Rectify them.

- (a) Sale of goods on credit to Arun for ₹ 152 posted to his account as ₹ 125.
- (b) Bought goods from Lakshmi on credit for ₹ 550, credited to her account as ₹ 505.
- (c) Purchase of furniture from Abirupa for ₹ 404 on credit was debited to furniture account as ₹ 440.
- (d) Purchased machinery for cash ₹ 200 was not posted to machinery account.
- (e) The total of purchases book ₹ 89 was carried forward as ₹ 98.

Illustration 11

The following errors were located after the preparation of the trial balance. Assume that there exists a suspense account. Pass journal entries to rectify them.

- (a) The total of purchases book was undercast by ₹ 100.
- (b) The total of the discount column on the debit side of cash book ₹ 575 were not posted.
- (c) The total of one page of the sales book for ₹ 5,975 were carried forward to the next page as ₹ 5,795.
- (d) Salaries ₹ 1,800 were posted as ₹ 18,000.
- (e) Purchase of goods on credit from Mukilan for ₹ 150 have been posted to his account as ₹ 1,500.

Illustration 12

The following errors were located after the preparation of the trial balance. Rectify them.

- Paid ₹ 50 to Anitha was wrongly debited to Vanitha account.
- Sale of furniture for ₹ 500 was credited to sales account.
- Purchased goods from Natarajan on credit for ₹ 750 were wrongly passed through sales book.
- Wages ₹ 1,000 paid on erection of machinery was debited to wages account.

Illustration 13

Rectify the following journal entries.

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Purchases A/c To Cash A/c (Furniture purchased for cash)	Dr.	5,000	5,000
b	Nila A/c To Cash A/c (Salary paid to Nila)	Dr.	8,000	8,000
c	Kuralamudhu A/c To Cash A/c (Rent paid to Kuralamudhu)	Dr.	2,000	2,000
d	Cash A/c To Sales A/c (Furniture sold for cash)	Dr.	9,000	9,000
e	Cash A/c To Kothaimalar A/c (Goods sold to Kothaimalar for cash)	Dr.	6,000	6,000

Illustration 14 (One-sided errors and two-sided errors)

Pass journal entries to rectify the following errors located after the preparation of the trial balance. Assume that there exists a suspense account.

- The total of sales book was undercast by ₹ 2,000.
- The purchase of machinery for ₹ 3,000 was entered in the purchases book.
- A credit sale of goods for ₹ 45 to Mathi was posted in his account as ₹ 54.
- The purchases returns book was overcast by ₹ 200.
- The total of sales book ₹ 1,122 were wrongly posted in the ledger as ₹ 1,222.

Illustration 15 (One-sided errors and two-sided errors with preparation of suspense account)

A book-keeper finds that the debit column of the trial balance is short by ₹ 308 and the difference is put to a suspense account. Subsequently, the following errors were located.

- (a) An entry for sale of goods on credit for ₹ 102 to Mekala was posted to her account as ₹ 120.
- (b) ₹ 100 being the monthly total of discount allowed to customers was credited to discount received account in the ledger.
- (c) ₹ 275 paid by Mannan was credited to Kannan account.
- (d) ₹ 26 appearing in the cash book as paid for the purchase of stationery for office use has not been posted to ledger.
- (e) The purchases book was undercast by ₹ 100.

Rectify the errors and prepare suspense account.

IV Exercises

1. State the account/s affected in each of the following errors:
 - (a) Goods purchased on credit from Saranya for ₹ 150 was posted to the debit side of her account.
 - (b) The total of purchases book ₹ 4,500 was posted twice.
2. Rectify the following errors discovered before the preparation of the trial balance:
 - (a) Sales book was undercast by ₹ 100
 - (b) Purchases returns book was overcast by ₹ 200
3. Rectify the following errors assuming that the trial balance is yet to be prepared:
 - (a) Sales book was undercast by ₹ 400
 - (b) Sales returns book was overcast by ₹ 500
 - (c) Purchases book was undercast by ₹ 600
 - (d) Purchases returns book was overcast by ₹ 700
 - (e) Bills receivable book was undercast by ₹ 800
4. Rectify the following errors before preparing trial balance:
 - (a) The total of purchases book was carried forward ₹ 90 less.
 - (b) The total of purchases book was carried forward ₹ 180 more.
 - (c) The total of sales book was carried forward ₹ 270 less.
 - (d) The total of sales returns book was carried forward ₹ 360 more.
 - (e) The total of purchase returns book was carried forward ₹ 450 less.

5. The following errors were located by the accountant before preparation of trial balance. Rectify them.

- (a) The total of the discount column of ₹ 1,100 on the debit side of the cash book was not yet posted.
- (b) The total of the discount column on the credit side of the cash book was undercast by ₹ 500.
- (c) Purchased goods from Anbuchelvan on credit for ₹ 700 was posted to the debit side of his account.
- (d) Sale of goods to Ponmukil on credit for ₹ 78 was posted to her account as ₹ 87.
- (e) The total of sales returns book of ₹ 550 was posted twice.

6. Rectify the following errors which were located before preparing the trial balance.

- (a) Wages paid ₹ 2,000 for the erection of machinery was debited to wages account.
- (b) Sales returns book was short totalled by ₹ 1,000.
- (c) Goods purchased for ₹ 200 was posted as ₹ 2,000 to purchases account.
- (d) The sales book was overcast by ₹ 1,500.
- (e) Cash paid to Mukil ₹ 2,800 which was debited to Akhil's account as ₹ 2,000.

7. The following errors were located at the time of preparing trial balance. Rectify them.

- (a) A personal expense of the proprietor ₹ 200 was debited to travelling expenses account.
- (b) Goods of ₹ 400 purchased from Ramesh on credit was wrongly credited to Ganesh's account.
- (c) An amount of ₹ 500 paid as salaries to Mathi was debited to his personal account.
- (d) An amount of ₹ 2,700 paid for extension of the building was debited to repairs account.
- (e) A credit sale of goods of ₹ 700 on credit to Mekala was posted to Krishnan's account.

8. Rectify the following errors discovered after the preparation of the trial balance:

- (a) Rent paid was carried forward to the next page ₹ 500 short.
- (b) Wages paid was carried forward ₹ 250 excess.

9. Give journal entries to rectify the following errors discovered after the preparation of trial balance:

- Purchases book was overcast by ₹ 10,000.
- Repairs to furniture of ₹ 500 was debited to furniture account.
- A credit sale of goods to Akilnilavan for ₹ 456 was credited to his account as ₹ 654.

10. The following errors were located after the preparation of trial balance. Pass journal entries to rectify them. Assume that there exists a suspense account.

- The total of sales book was undercast by ₹ 350.
- The total of the discount column on the debit side of cash book ₹ 420 was not posted.
- The total of one page of the purchases book of ₹ 5,353 was carried forward to the next page as ₹ 5,533.
- Salaries ₹ 2,400 was posted as ₹ 24,000.
- Purchase of goods from Sembiyanmadevi on credit for ₹ 180 was posted to her account as ₹ 1,800

11. Rectify the following journal entries.

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Kumanan A/c To Cash A/c (Salary paid to Kumanan)	Dr.	10,000	10,000
b	Senguttuvan A/c To Cash A/c (Rent paid to Senguttuvan)	Dr.	6,000	6,000
c	Cash A/c To Sales A/c (Furniture sold for cash)	Dr.	2,000	2,000
d	Cash A/c To Kumararaja A/c (Goods sold to Kumararaja for cash)	Dr.	10,000	10,000
e	Manimaran A/c To Purchases A/c (Goods taken by the proprietor Mr. Manimaran for his personal use)	Dr.	1,000	1,000

12. The accountant of a firm located the following errors after preparing the trial balance. Rectify them assuming that there is a suspense account.

- (a) Machinery purchased for ₹ 3,500 was debited to purchases account.
- (b) ₹ 1,800 paid to Raina as salary was debited to his personal account.
- (c) Interest received ₹ 200 was credited to commission account.
- (d) Goods worth ₹ 1,800 purchased from Amudhanila on credit was not recorded in the books of accounts.
- (e) Used furniture sold for ₹ 350 was credited to sales account.

13. The book-keeper of a firm found that the trial balance was out by ₹ 922 (excess credit). He placed the amount in the suspense account and subsequently found the following errors:

- (a) The total of discount column on the credit side of the cash book ₹ 78 was not posted in the ledger.
 - (b) The total of purchases book was short by ₹ 1,000.
 - (c) A credit sale of goods to Natarajan for ₹ 375 was entered in the sales book as ₹ 735.
 - (d) A credit sale of goods to Mekala for ₹ 700 was entered in the purchases book.
- You are required to give rectification entries and prepare suspense account.

Unit 10

DEPRECIATION ACCOUNTING

Illustration 1

On 1.1.2017 a firm purchased a machine at a cost of ₹ 1,00,000. Its life was estimated to be 10 years with a scrap value of ₹ 10,000. Compute the amount of depreciation to be charged at the end of each year.

Illustration 2

From the following information, calculate the amount of depreciation and rate of depreciation under straight line method.

Purchase price of machine	₹ 80,000
Expenses to be capitalised	₹ 20,000
Estimated residual value	₹ 35,000
Expected useful life	5 years

Illustration 3

Find out the rate of depreciation under straight line method from the following details:

Original cost of the asset	= ₹ 10,000
Estimated life of the asset	= 10 years
Estimated scrap value at the end	= ₹ 2,000

Illustration 4

A firm purchased a plant on 1.1.2018 for ₹ 9,000 and spent ₹ 1,000 as erection charges. Calculate the amount of depreciation for the year 2018 @ 15% per annum under the written down value method. Accounts are closed on 31st March every year.

Illustration 5

Calculate the amount of depreciation and depreciation rate from the following by using 'straight line method'. Also give journal entries for the first two years. The books are closed on 31st December every year.

January 1, 2016 Payment to vendor for purchase of machinery	₹ 1,40,000
January 1, 2016 Transportation cost	₹ 1,000
January 1, 2016 Installation cost	₹ 9,000
Estimated scrap value at the end of the life	₹ 45,000
Estimated life	7 years

Illustration 6

Ramu Brothers purchased a machine on 1st July 2016 at a cost of ₹ 14,000 and spent ₹ 1,000 on its installation. The firm writes off depreciation at 10% of original cost every year. The books are closed on 31st December every year. Give journal entries and prepare machinery account and depreciation account for 2 years.

Illustration 7

Anand bought a machinery for ₹ 1,00,000 on 1-1-2015. On 1-6-2016, he bought another machine for ₹ 50,000. On 1-10-2017, he purchased another machine for ₹ 20,000. Provide depreciation at 10% p.a. on straight line method. Prepare machinery account for the years 2015 to 2017 by using accounts by assuming accounts are closed on 31st December every year.

Illustration 8

Joy and Co. purchased machinery on 1st April 2016 for ₹ 75,000. On 31st March 2018, it sold the machinery for ₹ 62,000. Depreciation is to be provided every year at 10% per annum on the fixed instalment method. Accounts are closed on 31st March every year. Find out the profit or loss on sale of machinery.

Illustration 9

On 1st April 2015, Kumar purchased a machine for ₹ 80,000 and spent ₹ 20,000 on its installation. The residual value at the end of its expected useful life of 8 years is estimated at ₹ 4,000. On 30th September 2017, the machine is sold for ₹ 50,000. Depreciation is to be provided according to straight line method. Prepare Machinery Account. Accounts are closed on 31st December every year.

Illustration 10

M/s Ramco textile mills purchased machinery on 1st April 2014 for ₹ 2,00,000 on credit from M/s. Nila & Co. and spent ₹ 10,000 on its installation. Depreciation is provided at 10% per annum on the written down value method. Prepare machinery account and depreciation account for the first three years. Books are closed on 31st March every year.

Illustration 11

A Ltd., purchased a machine on 1st January 2014 for ₹ 60,000. On 1st July 2014, it purchased another machine for ₹ 50,000. On 1st July 2015, the company sold the machine purchased on 1st January 2014 for ₹ 40,000. It was decided that the machine be depreciated at 10% per annum on diminishing balance method. Show the machinery account for the years 2014 to 2016. The accounts are closed on December 31st, every year.

IV Exercises**Straight line method**

1. A firm purchased a plant for ₹ 40,000. Erection charges amounted to ₹ 2,000. Effective life of the plant is 5 years. Calculate the amount of depreciation per year under straight line method.
2. A company purchased a building for ₹ 50,000. The useful life of the building is 10 years and the residual value is ₹ 5,000. Find out the amount and rate of depreciation under straight line method.
3. Furniture was purchased for ₹ 1,00,000 on 1.7.2016. It is expected to last for 5 years. Estimated scrap at the end of five years is ₹ 10,000. Find out the rate of depreciation under straight line method.
4. Calculate the rate of depreciation under straight line method from the following information:
Purchased a second hand machinery on 1.1.2018 for ₹ 38,000
On 1.1.2018 spent ₹12,000 on its repairs
Expected useful life of machine is 4 years
Estimated residual value ₹6,000

5. Machinery was purchased on 1st January 2015 for ₹ 4,00,000. ₹ 15,000 was spent on its erection and ₹ 10,000 on its freight charges. Depreciation is charged at 10% per annum on straight line method. The books are closed on 31st March each year. Calculate the amount of depreciation on machinery for the first two years.

6. An asset is purchased on 1.1.2016 for ₹50,000. Depreciation is to be provided annually according to straight line method. The useful life of the asset is 10 years and its residual value is ₹ 10,000. Accounts are closed on 31st December every year. You are required to find out the rate of depreciation and give journal entries for first two years.

7. From the following particulars, give journal entries for 2 years and prepare machinery account under straight line method of providing depreciation:

Machinery was purchased on 1.1.2016

Price of the machine ₹ 36,000

Freight charges ₹ 2,500

Installation charges ₹ 1,500

Life of the machine 5 years

8. A manufacturing company purchased on 1 April, 2010, a plant and machinery for ₹4,50,000 and spent ₹ 50,000 on its installation. After having used it for three years, it was sold for ₹ 3,85,000. Depreciation is to be provided every year at the rate of 15% per annum on the fixed instalment method. Accounts are closed on 31st March every year. Calculate profit or loss on sale of machinery.

9. On 1st April 2008, Sudha and Company purchased machinery for ₹ 64,000. To instal the machinery expenses incurred was ₹ 28,000. Depreciate machinery 10% p.a. under straight line method. On 30th June, 2010 the worn out machinery was sold for ₹ 52,000. The books are closed on 31st December every year. Show machinery account.

10. Ragul purchased machinery on April 1, 2014 for ₹ 2,00,000. On 1st October 2015, a new machine costing ₹ 1,20,000 was purchased. On 30th September 2016, the machinery purchased on April 1, 2014 was sold for ₹ 1,20,000. Books of accounts are closed on 31st March and depreciation is to be provided at 10% p.a. on straight line method. Prepare machinery account and depreciation account for the years 2014-15 to 2016-17.

Written down value method

11. An asset is purchased for ₹ 50,000. The rate of depreciation is 15% p.a. Calculate the annual depreciation for the first two years under diminishing balance method.

12. A boiler was purchased on 1st January 2015 from abroad for ₹10,000. Shipping and forwarding charges amounted to ₹2,000. Import duty ₹7,000 and expenses of installation amounted to ₹1,000. Calculate depreciation for the first 3 years @10% p.a. on diminishing balance method assuming that the accounts are closed 31st December each year.
13. A furniture costing ₹5,000 was purchased on 1.1.2016, the installation charges being ₹1,000. The furniture is to be depreciated @10% p.a. on the diminishing balance method. Pass journal entries for the first two years.
14. A firm acquired a machine on 1st April 2015 at a cost of ₹50,000. Its life is 6 years. The firm writes off depreciation @30% p.a. on the diminishing balance method. The firm closes its books on 31st December every year. Show the machinery account and depreciation account for three years starting from 1st April 2015.
15. On 1st October 2014, a truck was purchased for ₹8,00,000 by Laxmi Transports Ltd. Depreciation was provided @15% p.a. under diminishing balance method. On 31st March 2017, the above truck was sold for ₹5,00,000. Accounts are closed on 31st March every year. Find out the profit or loss made on the sale of the truck.
16. Raj & Co purchased a machine on 1st January 2014 for ₹90,000. On 1st July 2014, they purchased another machine for ₹60,000. On 1st January 2015, they sold the machine purchased on 1st January 2014 for ₹40,000. It was decided that the machine be depreciated at 10% per annum on diminishing balance method. Accounts are closed on 31st December every year. Show the machinery account for the years 2014 and 2015.

Unit 11

CAPITAL AND REVENUE TRANSACTIONS

Illustration 1

State with reasons whether the following are capital or revenue expenditure:

- (i) Expenses incurred in connection with obtaining a licence for starting the factory for ₹25,000.
- (ii) A factory shed was constructed at a cost of ₹2,00,000. A sum of ₹10,000 had been incurred in the construction of temporary huts for storing building material.
- (iii) Overhaul expenses of second-hand machinery purchased amounted to ₹5,000.

Illustration 2

State with reasons whether the following are capital or revenue or deferred revenue expenditure:

- (i) Advertisement expenses amounted to ₹ 10 crores to introduce a new product.
- (ii) Expenses on freight for purchasing new machinery.
- (iii) Freight and insurance on the new machinery and cartage paid to bring the new machinery to the factory.

Illustration 3

State whether the following are capital, revenue or deferred revenue expenditure.

- (i) Carriage of ₹ 1,000 spent on machinery purchased and installed.
- (ii) Office rent paid ₹ 2,000.
- (iii) Wages of ₹ 5,000 paid to machine operators.
- (iv) Hire charges for the use of motor vehicle, hired for five years, but paid yearly.

Illustration 4

State whether the following are capital or revenue items.

- (i) ₹ 5,000 spent towards additions to buildings.
- (ii) Second-hand motor car purchased for ₹30,000 and paid ₹2,000 as repairs immediately.
- (iii) ₹ 10,000 was spent on painting the new factory.
- (iv) Freight and cartage on the new machine ₹ 150, erection charges ₹ 200.
- (v) ₹ 150 spent on repairs before using a second hand car purchased recently.

Illustration 5

Classify the following expenses as capital or revenue.

- (i) The sum of ₹ 3,200 has been spent on a machine as follows:
 - a) ₹ 2,000 for additions to double the output.
 - b) ₹ 1,200 for repairs necessitated by negligence.
- (ii) Overhauling expenses of ₹ 25,000 for the engine of a motor car to get better fuel efficiency.

Illustration 6

Classify the following expenditures and receipts as capital or revenue:

- (i) ₹ 10,000 spent as travelling expenses of the directors on trips abroad for the purchase of fixed assets.
- (ii) Amount received from trade receivables during the year.
- (iii) Amount spent on demolition of building to construct a large building on the same site.
- (iv) Insurance claim received on account of a machinery damaged by fire.

EXERCISE

1. State whether the following expenditures are capital, revenue or deferred revenue.
 - (i) Advertising expenditure, the benefits of which will last for three years.
 - (ii) Registration fees paid at the time of registration of a building.
 - (iii) Expenditure incurred on repairs and whitewashing at the time of purchase of old building in order to make it usable.

2. Classify the following items into capital and revenue.
 - (i) Registration expenses incurred for the purchase of land.
 - (ii) Repairing charges paid for remodelling the old building purchased.
 - (iii) Carriage paid on goods purchased.
 - (iv) Legal expenses paid for raising of loans

3. State whether they are capital and revenue.
 - (i) Construction of building ₹ 10,00,000.
 - (ii) Repairs to furniture ₹ 50,000.
 - (iii) White-washing the building ₹ 80,000
 - (iv) Pulling down the old building and rebuilding ₹ 4,00,000

4. Classify the following items into capital and revenue.
 - (i) ₹ 50,000 spent for railway siding.
 - (ii) Loss on sale of old furniture
 - (iii) Carriage paid on goods sold.

5. State whether the following are capital, revenue and deferred revenue.
 - (i) Legal fees paid to the lawyer for acquiring a land ₹ 20,000.
 - (ii) Heavy advertising cost of ₹ 12,00,000 spent on introducing a new product.
 - (iii) Renewal of factory licence ₹ 12,000.
 - (iv) A sum of ₹ 4,000 was spent on painting the factory.

6. Classify the following receipts into capital and revenue.
- Sale proceeds of goods ₹ 75,000.
 - Loan borrowed from bank ₹ 2,50,000
 - Sale of investment ₹ 1,20,000.
 - Commission received ₹ 30,000.
 - ₹ 1,400 wages paid in connection with the erection of new machinery.

7. Identify the following items into capital or revenue.
- Audit fees paid ₹ 10,000.
 - Labour welfare expenses ₹ 5,000.
 - ₹ 2,000 paid for servicing the company vehicle.
 - Repair to furniture purchased second hand ₹ 3,000.
 - Rent paid for the factory ₹ 12,000

Unit 12

FINAL ACCOUNTS OF SOLE PROPRIETORS - I

Illustration 1

From the following information, prepare trading account for the year ended 31.12.2016.

Particulars	₹
Opening stock (1.1.2016)	10,000
Purchases	26,100
Sales	40,600
Closing Stock (31.12.2016)	13,500

Illustration 2

From the following balances extracted from the books of M/s. Lavanya and sons, prepare trading account for the year ended 31st March, 2017:

Particulars	₹	Particulars	₹
Opening stock	16,500	Carriage inwards	1,200
Purchases	45,000	Wages	4,800
Sales	72,000	Fuel and power	3,200
Purchases returns	500	Closing stock	18,000
Sales returns	1,500		

Illustration 3

From the following information, prepare trading account for the year ending 31st December, 2017.

Particulars	₹	Particulars	₹
Opening stock	50,000	Dock charges on purchases	4,000
Cost of goods manufactured	12,000	Import duty on purchases	3,500
Cash purchases	60,000	Wages	11,000
Cash sales	85,000	Sales returns	3,000
Purchases returns	2,000	Credit purchases	35,000
Carriage inwards	4,000	Credit sales	60,000
Freight outwards	3,000	Other direct expenses	7,000
Coal and fuel	2,500		

Illustration 4

Compute cost of goods sold from the following information:

Particulars	₹
Opening stock	8,000
Purchases	60,000
Direct expenses	5,000
Indirect expenses	6,000
Closing stock	9,000

Illustration 5

Find out the amount of sales from the following information.

Particulars	₹
Opening stock	20,000
Purchases less returns	70,000
Direct expenses	10,000
Closing stock	30,000
Gross profit margin (on sales)	20%

Illustration 6

From the following information, prepare profit and loss account for the year ended 31st March, 2018.

Particulars	₹	Particulars	₹
Gross profit b/d	1,50,000	Advertisement expenses	3,800
Carriage outward	25,500	Bad debts	8,500
Office rent	7,000	Dividend received	9,000
Office stationery	3,500	Discount received	4,600
Distribution expenses	2,000	Rent received	7,000

Illustration 7

From the following information, prepare profit and loss account for the year ended 31st December, 2017.

Particulars	₹	Particulars	₹
Gross profit b/d	60,000	Interest received	2,100
Freight outward	15,000	Financial charges	4,000
Packing charges (on sales)	12,000	Repairs on vehicles used in office	8,000
Salesmen commission paid	1,300	Depreciation on vehicles used in office	3,000
Promotional expenses	10,200	Interest paid	9,000
Office telephone expenses	22,400	Rent received	7,000
Bad debts recovered	4,000	Carriage inwards	4,000

Illustration 8

From the following balances of Niruban, prepare balance sheet as on 31st December, 2017.

Particulars	Dr. ₹	Cr. ₹
Plant and machinery	8,00,000	
Land and building	6,00,000	
Furniture	1,50,000	
Cash in hand	20,000	
Bank overdraft		1,80,000
Debtors and Creditors	3,20,000	2,40,000
Bills receivable and Bills payable	1,00,000	60,000
Closing stock	4,00,000	
Investments (short-term)	80,000	
Capital		15,00,000
Drawings	1,30,000	
Net Profit		6,20,000
	26,00,000	26,00,000

Illustration 9

From the following trial balance of Sharan, prepare trading and profit and loss account for the year ending 31st December, 2017 and balance sheet as on that date. The closing stock on 31st December, 2017 was valued at ₹ 2,50,000.

Debit Balances	₹	Credit Balances	₹
Stock (1-1-2017)	2,00,000	Sundry creditors	12,000
Purchases	7,50,000	Purchases returns	30,000
Carriage inwards	75,000	Sales	10,20,000
Wages	3,65,000	Commission received	53,000
Salaries	1,20,000	Capital	33,00,000
Repairs	12,000		
Rent and taxes	2,80,000		
Cash in hand	97,000		
Land	21,50,000		
Drawings	1,66,000		
Bank deposits	2,00,000		
	44,15,000		44,15,000

EXERCISE

1. Prepare trading account in the books of Mr.Sanjay for the year ended 31st December 2017:

Particulars	₹	Particulars	₹
Opening stock	570	Purchases	15,800
Sales	26,200	Purchases returns	90
Sales returns	60	Closing stock	860

2. From the following balances taken from the books of Saravanan, calculate gross profit for the year ended December 31, 2017

Particulars	₹	Particulars	₹
Opening stock	1,50,000	Net sales during the year	4,00,000
Direct expenses	8,000	Net purchases during the year	1,50,000
Closing Stock	25,000		

3. From the following details for the year ended 31st March, 2018, prepare trading account.

Particulars	₹	Particulars	₹
Opening stock	2,500	Returns inwards	7,000
Purchases	27,000	Coal and gas	3,300
Sales	40,000	Carriage inwards	2,600
Wages	2,500	Closing stock	5,200
Returns outwards	5,200		

4. From the following balances taken from the books of Victor, prepare trading account for the year ended December 31, 2017:

Particulars	₹	Particulars	₹
Adjusted purchases	80,000	Closing stock	7,000
Sales	90,000	Carriage inwards	3,000
Royalty on purchases of goods	4,000	Import duty on purchases of goods	6,000
Octroi on purchase of goods	2,000	Dock charges on purchases	5,000
Cost of goods manufactured	5,000		

5. Compute cost of goods sold from the following information:

Particulars	₹	Particulars	₹
Opening stock	10,000	Indirect expenses	5,000
Purchases	80,000	Closing stock	15,000
Direct expenses	7,000		

6. Find out the amount of sales from the following information:

Particulars	₹	Particulars	₹
Opening stock	30,000	Closing stock	20,000
Purchases less returns	2,00,000	Gross profit margin (on sales)	30%

7. From the following details, prepare profit and loss account.

Particulars	₹	Particulars	₹
Gross profit	50,000	Interest received	2,000
Office rent	10,000	Discount received	3,000
Depreciation on office assets	8,000	Carriage outwards	2,500
Discount allowed	12,000	Insurance on office building	3,500
Advertisement	4,000	General expenses	3,000
Audit fees	1,000	Freight inwards	1,000

8. From the following information, prepare profit and loss account for the year ending 31st December, 2016.

Particulars	₹	Particulars	₹
Gross loss	60,000	Printing and stationery (office)	2,000
Promotional expenses	5,000	Legal charges	5,000
Distribution expenses	15,000	Bad debts	1,000
Commission paid	7,000	Depreciation	2,000
Interest on loan paid	5,000	Rent received	4,000
Packing charges (on sales)	4,000	Loss by fire not covered by insurance	3,000
Dividend received	3,000		

9. From the following balances obtained from the books of Mr. Ganesh, prepare trading and profit and loss account.

Particulars	₹	Particulars	₹
Stock on 01.01.2017	8,000	Bad debts	1,200
Purchases for the year	22,000	Trade expenses	1,200
Sales for the year	42,000	Discount allowed	600
Expenses on purchases	2,500	Commission allowed	1,100
Financial charges paid	3,500	Selling expenses	600
Expenses on sale	1,000	Repairs on office vehicles	600

Closing stock on December 31.12.2017 was ₹ 4,500

10. From the following particulars, prepare balance sheet in the books of Bragathish as on 31st December, 2017:

Particulars	₹	Particulars	₹
Capital	80,000	Cash in hand	20,000
Debtors	12,800	Net profit	4,800
Drawings	8,800	Plant	43,200

11. Prepare trading and profit and loss account in the books of Ramasundari for the year ended 31st December, 2017 and balance sheet as on that date from the following information:

Particulars	₹	Particulars	₹
Opening stock	2,500	Sales	7,000
Wages	2,700	Purchases	3,300
Closing Stock	4,000	Salary	2,600
Discount received	2,500	Capital	52,000
Machinery	52,000	Cash at Bank	6,400
Creditors	8,000		

12. Prepare trading and profit and loss account and balance sheet in the books of Deri, a trader, from the following balances as on March 31, 2018.

Debit Balances	₹	Credit Balances	₹
Stock	10,000	Sales	1,22,500
Cash	2,500	Creditors	5,000
Bank	5,000	Bills payable	2,000
Freight inwards	750	Capital	1,00,000
Purchases	95,000		
Drawings	4,500		
Wages	27,500		
Machinery	50,000		
Debtors	13,500		
Postage (office)	150		
Sundry expenses	850		
Rent paid	2,500		
Furniture	17,250		
	2,29,500		2,29,500

Closing stock (31st March, 2018) ₹ 8,000

Unit 13

FINAL ACCOUNTS OF SOLE PROPRIETORS-II

Illustration 1

Show necessary entries to adjust the following on 31st December, 2017.

- | | |
|---------------------------------------|--|
| (i) Outstanding salaries ₹ 1,200 | (ii) Outstanding rent ₹ 300 |
| (iii) Prepaid insurance premium ₹ 450 | (iv) Interest on investments accrued ₹ 400 |
| (v) Bad debts written off ₹ 200 | |

Illustration 2

Pass adjusting entries for the following on 31st March, 2018.

- (i) Charge interest on drawings at ₹ 50
- (ii) Write off bad debts by ₹ 500
- (iii) Depreciate furniture by ₹ 1,000

Illustration 3

Sundry debtors as per trial balance as on 31st March, 2016 is ₹ 10,000.

Adjustment: Write off bad debts amounting to ₹ 300.

Give adjusting entry and show how these appear in the final accounts as on 31st March, 2016.

Illustration 4

Sundry debtors as per trial balance ₹ 26,000

Bad debts as per trial balance ₹ 1,000

Adjustment: Additional bad debts amounted to ₹ 2,500

Give adjusting entry and show how these appear in the final accounts on 31st March, 2016.

Illustration 5

An abstract of the trial balance as on 31st December, 2016 is as follows:

Particulars	₹
Sundry Debtors	20,000
Bad debts	500

Adjustment: Create a provision for bad and doubtful debts @ 5% on sundry debtors. Pass the adjusting entry and show how these items will appear in final accounts.

Illustration 6

Abstracts from the trial balance as on 31st March, 2016:

Particulars	Debit ₹
Sundry debtors	52,000
Bad debts	1,000

Adjustments:

- (i) Additional bad debts ₹ 2,000
- (ii) Create 5% provision for bad and doubtful debts

You are required to pass necessary adjusting entries and show how these items will appear in final accounts.

Illustration 7

Abstracts from the trial balance as on 31st December, 2016:

Particulars	Debit ₹	Credit ₹
Sundry debtors	1,04,000	
Bad debts	5,000	
Provision for bad and doubtful debts		2,000

Adjustments:

- (i) Additional bad debts amounted to ₹ 4,000.
- (ii) Create a provision for bad and doubtful debts @ 5% on sundry debtors.

Pass necessary adjusting entries and show how the different items appear in final accounts.

Illustration 8

Prepare trading account from the following ledger balances presented by P. Sen as on 31st March, 2016.

Particulars	₹	Particulars	₹
Stock (1-4-2015)	10,000	Sales	3,00,000
Purchases	1,60,000	Returns inward	16,000
Wages	30,000	Returns outward	10,000
Carriage inwards	10,000	Gas and Fuel	8,000
Freight inwards	8,000		

Additional information:

- (a) Stock on 31st March, 2016 ₹ 20,000
- (b) Outstanding wages amounted to ₹ 4,000
- (c) Gas and fuel was paid in advance for ₹ 1,000

Illustration 9

From the following particulars presented by Thilak for the year ended 31st March, 2017, prepare profit and loss account.

Particulars	₹	Particulars	₹
Gross profit	1,00,000	Interest received	6,000
Rent paid	22,000	Bad debts	2,000
Salaries	10,000	Provision for bad debts (1-4-2016)	4,000
Commission (Cr.)	12,000	Sundry debtors	40,000
Discount received	2,000	Buildings	80,000
Insurance premium paid	8,000		

Adjustments:

- Outstanding salaries amounted to ₹4,000
- Rent paid for 11 months
- Interest due but not received amounted to ₹2,000
- Prepaid insurance amounted to ₹2,000
- Depreciate buildings by 10%
- Further bad debts amounted to ₹3,000 and make a provision for bad debts @ 5% on sundry debtors
- Commission received in advance amounted to ₹2,000

Illustration 10

From the following balances as on 31st December, 2017, prepare profit and loss account.

Particulars	₹	Particulars	₹
Gross profit	50,000	Rent received	2,000
Salaries	18,000	Discount received	3,000
Office rent paid	12,000	Carriage outwards	2,500
Advertisement	8,000	Fire insurance premium	6,500

Adjustments:

- Rent accrued but not yet received ₹500
- Fire insurance premium prepaid to the extent of ₹1,500
- Provide manager's commission at 10% on profits before charging such commission.

Illustration 11

From the following balances obtained from the books of Siva, prepare trading and profit and loss account.

Particulars	₹	Particulars	₹
Stock on 01.01.2016	9,000	Bad debts	1,200
Purchases	22,000	Sundry expenses	1,800
Sales	42,000	Discount allowed	1,700
Expenses on purchases	1,500	Expenses on sale	1,000
Bank charges paid	3,500	Repairs on office furniture	600

Adjustments:

- Closing stock on, 31st December, 2016 was ₹ 4,500
- Manager is entitled to receive commission @ 5% of net profit after providing such commission.

Illustration 12

Given below are the balances extracted from the books of Nagarajan as on 31st March, 2016.

Particulars	₹	Particulars	₹
Purchases	10,000	Sales	15,100
Wages	600	Commission received	1,900
Freight inwards	750	Rent received	600
Advertisement	500	Creditors	2,400
Carriage outwards	400	Capital	5,000
Cash	1,200		
Machinery	8,000		
Debtors	2,250		
Bills receivable	300		
Stock on 1st January, 2016	1,000		
	25,000		25,000

Prepare the trading and profit and loss account for the year ended 31st March, 2016 and the balance sheet as on that date after adjusting the following:

- Commission received in advance ₹ 400
- Advertisement paid in advance ₹ 150
- Wages outstanding ₹ 200
- Closing stock on 31st March 2016, ₹ 2,100

Illustration 13

Consider the following balances extracted from the books of Jain as on 31st December, 2016. Prepare the final accounts.

Particulars	₹	Particulars	₹
Capital	20,000	Office Salaries	6,600
Debtors	8,000	Establishment expenses	4,500
Creditors	10,500	Selling expenses	2,300
Purchases	60,000	Furniture	10,000
Sales	80,000	Cash at bank	2,400
Income tax of Jain paid	500	Miscellaneous receipts	600
Opening stock	12,000	Drawings	4,800

Adjustments

- Salaries outstanding for December, 2016 amounted to ₹ 600
- Provide depreciation on furniture @ 10% p.a.
- Provide interest on capital for the year @ 5% p.a.
- Stock on 31st December, 2016 ₹ 14,000

Illustration 14

Edward's books show the following balances. Prepare his trading and profit and loss A/c for the year ended 31st December, 2016 and a balance sheet on at that date.

Debit balances	₹	Credit balances	₹
Drawings	5,000	Capital	1,31,500
Sundry debtors	60,000	Loan at 6% p.a.	20,000
Coal, gas and water	10,500	Sales	3,56,500
Returns inward	2,500	Interest on investments	2,550
Purchases	2,56,500	Sundry creditors	40,000
Stock on 1-1-2016	89,700		
Travelling expenses	51,250		
Interest on loan paid	300		
Petty cash	710		
Repairs	4,090		
Investments	70,000		
	5,50,550		5,50,550

Adjustments:

- Closing stock was ₹ 1,30,000 on 31st December, 2016.
- Create 5% provision for bad and doubtful debts on sundry debtors
- Create provision at 2% for discount on debtors
- Interest on loan due for 9 months.

Illustration 15

Given below are the balances of Pandian as on 31st March, 2016.

Particulars	Debit ₹	Credit ₹
Capital		1,20,000
Sundry debtors and creditors	22,000	22,500
Sales		59,700
Drawings	2,000	
Cash in hand	8,200	
Cash at bank	30,000	
Wages	2,500	
Purchases	10,000	
Opening stock	30,000	
Business premises	60,000	
Bills receivable	14,500	
Office telephone expenses	3,500	
General expenses	9,000	
Goodwill	10,500	
	2,02,200	2,02,200

Adjustments:

- The stock value at the end of the accounting period was ₹ 5,000
- Interest on capital at 6% is to be provided
- Interest on drawing at 5% is to be provided
- Write off bad debts amounting to ₹ 2,000
- Create provision for bad and doubtful debts on sundry debtors @ 10%

Prepare final accounts for the year ended 31st March, 2016.

Illustration 16

From the trial balance of Ajith and the adjustments given below, prepare trading and profit and loss A/c for the year ended 31st March, 2016 and the balance sheet as on that date.

Particulars	Debit ₹	Particulars	Credit ₹
Opening stock	15,000	Capital	25,000
Furniture and fixtures	30,000	Returns outward	1,000
Purchases	40,000	Bills payable	10,000
Sales returns	2,000	Sales	1,24,000
Carriage inwards	10,000	Provision for doubtful debts	500
Office rent	23,000	Provision for discount on debtors	100
Sundry debtors	20,100		
Bank balance	19,600		
Bad debts	900		
	1,60,600		1,60,600

Adjustments:

- Stock at the end of the year was ₹ 8,000
- Further bad debts amounted to ₹ 100
- Create 2% provision for doubtful debts on sundry debtors
- Create 1% provision for discount on sundry debtors

Illustration 17

The following trial balance has been extracted from the books of Rajesh on 31st December, 2016.

Debit balance	₹	Credit balance	₹
Drawings	44,000	Capital	1,76,000
Plant and machinery	1,00,000	Cash sales	1,72,000
Opening stock	20,000	Provision for bad and doubtful debts	2,000
Purchases	2,70,000	Bank overdraft	20,000
Wages	62,000	Discount received	6,000
Salaries	70,000	Credit sales	3,00,000
Insurance	45,000	Sundry creditors	24,000
Rent and taxes	17,000		
Sundry debtors	50,000		
Suspense A/c	22,000		
	7,00,000		7,00,000

The following adjustments are to be made:

- Stock on 31st December, 2016 was ₹28,000
- Unexpired insurance was ₹15,000
- Provision for doubtful debts is to be maintained at 5% on sundry debtors.
- Depreciate plant and machinery at 20%.

You are required to prepare trading and profit and loss account for the year ended 31st December, 2016 and a balance sheet as on that date.

IV Exercises

1. Pass adjusting entries for the following:

- The closing stock was valued at ₹ 5,000
- Outstanding salaries ₹ 150
- Insurance prepaid ₹ 450
- ₹20,000 was received in advance for commission.
- Accrued interest on investments is ₹ 1,000.

2. For the following adjustments, pass adjusting entries:

- Outstanding wages ₹ 5,000.
- Depreciate machinery by ₹ 1,000.
- Interest on capital @ 5% (Capital: ₹20,000)
- Interest on drawings ₹ 50
- Write off bad debts ₹ 500

3. On preparing final accounts of Suresh, bad debt account has a balance of ₹ 800 and sundry debtors account has a balance of ₹ 16,000 of which ₹ 1,200 is to be written off as further bad debts. Pass adjusting entry for bad debts. And also show how it would appear in profit and loss account and balance sheet.

4. The trial balance on March 31, 2016 shows the following:

Sundry debtors ₹ 30,000; Bad debts ₹ 1,200

It is found that 3% of sundry debtors is doubtful of recovery and is to be provided for. Pass journal entry for the amount of provision and also show how it would appear in the profit and loss account and balance sheet.

5. The trial balance of a trader on 31st December, 2016 shows sundry debtors as ₹ 50,000.

Adjustments:

- (a) Write off ₹ 1,000 as bad debts
- (b) Provide 5% for doubtful debts
- (c) Provide 2% for discount on debtors

Show how these items will appear in the profit and loss A/c and balance sheet of the trader.

6. The following are the extracts from the trial balance.

Sundry debtors ₹ 30,000; Bad debts ₹ 5,000

Additional information:

- (a) Write off further bad debts ₹ 3,000.
- (b) Create 10% provision for bad and doubtful debts.

You are required to pass necessary adjusting entries and show how these items will appear in profit and loss account and balance sheet.

7. The following are the extracts from the trial balance.

Particulars	Debit ₹	Credit ₹
Sundry debtors	50,000	
Provision for doubtful debts		5,000
Bad debts	3,000	

Additional information:

- (a) Additional bad debts ₹ 3,000.

- (b) Keep a provision for bad and doubtful debts @ 10% on sundry debtors.

You are required to pass necessary adjusting entries and show how these items will appear in profit and loss account and balance sheet.

8. The following are the extracts from the trial balance.

Particulars	Debit ₹	Credit ₹
Sundry debtors	50,000	
Discount on debtors	2,000	
Bad debts	3,000	

Additional information:

(a) Create a provision for doubtful debts @ 10% on sundry debtors.

(b) Create a provision for discount on debtors @ 5% on sundry debtors.

You are required to pass necessary adjusting entries and show how these items will appear in the final accounts.

9. Prepare trading account of Archana for the year ending 31st December, 2016 from the following information.

Debit balance	₹	Credit balance	₹
Opening stock	80,000	Purchases returns	10,000
Purchases	8,60,000	Sales returns	3,16,000
Freight inwards	52,000	Import duty on purchases	30,000
Wages	24,000	Sales	14,40,000

Adjustments:

(a) Closing stock ₹ 1,00,000

(b) Wages outstanding ₹ 12,000

(c) Freight inwards paid in advance ₹ 5,000

10. Prepare profit and loss account of Manoj for the year ending on 31st March, 2016

Particulars	₹	Particulars	₹
Gross profit	25,000	Travelling expenses	500
Salaries	5,600	Stationery	75
Insurance	200	Rent	650
Discount allowed	400	Interest on loan	225
Discount received	300	Repairs	125
Commission received	100	Office expenses	55
Advertisement	450	General expenses	875
Printing charges	375	Postage	175

Adjustments:

(i) Salary outstanding ₹ 400

(ii) Rent paid in advance ₹ 50

(iii) Commission receivable ₹ 100

11. From the trial balance of Sumathi and the adjustments prepare the trading and profit and loss account for the year ended 31st March, 2016, and a balance sheet as on that date.

Particulars	Debit ₹	Credit ₹
Stock on April 1, 2015	900	
Purchases	2,000	
Sales		4,000
10% Loan		2,000
Carriage on purchases	200	
Rent from tenant		250
Interest on loan	100	
Machinery	400	
Postage	100	
Salary	650	
Commission received		200
Cash in hand	75	
Furniture	4,000	
Capital		1,975
	8,425	8,425

Adjustments

- Six months interest on loan is outstanding.
- Two months rent is due from tenant, the monthly rent being ₹ 25.
- Salary for the month of March 2016, ₹ 75 is unpaid.
- Stock in hand on March 31, 2016 was valued at ₹ 1,030.

12. The following trial balance was extracted from the books of Arun Traders as on 31st March, 2018.

Particulars	Debit ₹	Credit ₹
Buildings	17,500	
Plant and machinery	12,000	
Cash purchases	30,000	
Credit purchases	8,500	
Sales		63,250
Bills receivable	6,750	
Coal and water	1,625	
Office expenses	5,250	
Rent received		1,750
Carriage outwards	2,875	
Repairs and maintenance	500	
Wages	9,250	
Debtors and creditors	9,000	8,500
Cash	2,000	
Capital		44,750
Opening stock	13,000	
	1,18,250	1,18,250

Prepare trading and profit and loss account for the year ending 31st March, 2018 and balance sheet as on that date after considering the following:

- Depreciate Plant and machinery @ 20%
- Wages outstanding amounts to ₹ 750.
- Half of repairs and maintenance paid is for the next year.
- Closing stock was valued at ₹ 15,000.

13. From the following trial balance of Ramesh as on 31st March, 2017, prepare the trading and profit and loss account and the balance sheet as on that date.

Particulars	Debit ₹	Credit ₹
Stock (01.04.2016)	40,000	
Purchases	85,000	
Sales		1,90,000
Sundry creditors		48,000
Furniture and fixtures	65,000	
Debtors	45,000	
Cash at bank	21,000	
Wages	37,500	
Drawings	15,000	
Telephone charges	3,000	
Bad debts	2,000	
Provision for bad debts		2,500
Discount received		3,000
Capital		85,000
Advertising	15,000	
	3,28,500	3,28,500

Adjustments:

- Closing stock was valued at ₹ 35,000
- Unexpired advertising ₹ 250
- Provision for bad and doubtful debts is to be increased to ₹ 3,000
- Provide 2% for discount on debtors.
- Charge interest on drawings @ 10%.

14. Following are the ledger balances of Devi as on 31st December, 2016.

Debit balance	₹	Credit balance	₹
Purchases	35,000	Goodwill	40,000
Salaries	11,750	Sundry debtors	20,500
Drawings	4,500	Furniture	31,000
Opening Stock	6,250	General expenses	3,250
Capital	50,000	Commission received	2,750
Sales	78,500	Loan	44,000
Carriage inwards	21,800	Cash at bank	3,100
Bad debts	600	Provision for bad debts	2,500

Prepare trading and profit and loss account for the year ended 31st December, 2016 and balance sheet as on that date.

- Stock on 31st December, 2016 ₹ 5,800.
- Write off bad debts ₹ 500.
- Make a provision for bad debts @ 5%.
- Provide for discount on debtors @ 2%.

15. Prepare trading and profit and loss account and balance sheet from the following trial balance of Madan as on 31st March, 2018

Debit balance	₹	Credit balance	₹
Sundry debtors	61,000	Capital	70,000
Plant and machinery	80,000	Purchases return	2,000
Bank charges	4,200	Sales	2,55,000
Wages	7,000	Bank overdraft	77,000
Sales return	5,000		
Purchases	1,52,000		
Opening stock	30,000		
Drawings	22,000		
Establishment expenses	20,000		
Bad debts	800		
Business premises	22,000		
	4,04,000		4,04,000

Adjustments:

- The closing stock was ₹ 80,000
- Provide depreciation on plant and machinery @ 20%
- Write off ₹ 800 as further bad debts
- Provide the doubtful debts @ 5% on sundry debtors

16. From the following information prepare trading and profit and loss account and balance sheet of Kumar for the year ending 31st December, 2017.

Debit balance	₹	Credit balance	₹
Purchases	14,500	Sales	20,100
Coal and fuel	600	Bills payable	400
Carriage inwards	750	Rent received	2,500
Advertisement	500	Creditors	2,000
Carriage outwards	400	Capital	5,000
Bank	1,200		
Furniture	8,000		
Debtors	2,250		
Bills receivable	300		
Stock on 1st January, 2017	1,500		
	30,000		30,000

Adjustments:

- The closing stock on 31st December, 2017 was valued at ₹ 3,900.
- Carriage inwards prepaid ₹ 250
- Rent received in advance ₹ 100
- Manager is entitled to receive commission @ 5% of net profit after providing such commission.

17. From the following information, prepare trading and profit and loss account and balance sheet in the books of Sangeetha for the year ending 31st March, 2018.

Particulars	₹	Particulars	₹
Capital	20,000	Salaries	6,600
Bills receivable	8,000	Establishment expenses	4,500
Bills payable	10,500	Advertisement	2,300
Purchases	75,000	Furniture	10,000
Sales	95,000	Cash at bank	3,200
Opening stock	12,000	Miscellaneous receipts	600
Drawings	4,500		

Adjustments:

- Stock on 31st March, 2018 ₹14,200
- Income tax of Sangeetha paid ₹800
- Provide interest on capital @ 10%
- Provide managerial remuneration @ 10% of net profit before charging such commission.

***** All the Best *****