

RANKERS' COMMERCE (KANKARBAGH PATNA)

call: - 9386035411, 7870266699

Tutorial notes 3

Journal (Recording of Transaction)

A journal is considered a detailed account used for recording all the financial transactions that take place in a business. These entries in the journal are used in future for reconciliation of accounts. The transaction information that is there in the journal is transferred to another official private account which is called a ledger account. A journal gives valuable information such as the date, time, amount and nature of the transaction. The transactions are recorded in the journal in a double-entry method. Single-entry bookkeeping is rarely used in journals. A journal can act as proof in the court of law.

Format of Journal

| Date | Particulars | L.F. | Amount (Rs.) Dr. | Amount (Rs.) Cr. |
|------|-------------|------|------------------|------------------|
| | | | | |

Ledger Folio (L.F.): Ledger Folio is the page No. of Ledger on which the Debit A/C & Credit A/C are to be posted.

Other word Ledger Folio is the page number of the ledger account on which the relevant account appears. All entries from the Journal are posted in the ledger accounts. This page number or the folio number of the ledger account, where the posting has been made, is recorded in the L.F. column of the Journal

Types of Entries

Simple Entry: It is that entry in which only two accounts are affected i.e. one account is debited and another account is credited with an equal amount.

Compound Entry: It is that entry in which more than two accounts are involved. Compound Entries can further be classified into single compound entry and double compound entry.

In Single Compound Entry several accounts are to be debited and only one account is to be credited or only one account is to be debited and several accounts are to be credited.

1. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

Accounts by Nitesh Sir

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Opening Entry: The entry passed to record the closing balances of the previous year is called opening entry. While passing an opening entry, all assets accounts are debited and all liabilities accounts are credited.

DEBIT-CREDIT-MATHEMATICS OF ACCOUNTS

“Debit” and “Credit” are like “Plus” and “Minus”

But a very Important Difference is there....

“Plus” always means To ‘ADD’

“Minus” always means to ‘SUBTRACT’

Whereas, MEANING (use) of DEBIT & CREDIT depends upon the NATURE OF ACCOUNT.

In case of: Assets and Expense “Debit” is “Plus” & “Credit” is Minus”

| | For Increase (Plus) + | For Decrease (Minus) – |
|----------|-----------------------|------------------------|
| Assets | Debit ↑↑ | Credit ↓↓ |
| Expenses | Debit ↑↑ | Credit ↓↓ |

For Liabilities, Capital and Revenue” “Credit” means “Plus” & “Debit” means “Minus

| | For Increase (Pluse) + | For Decrease (Minus) – |
|------------|------------------------|------------------------|
| Liabilites | Credit ↑↑ | Debit ↓↓ |
| Revenue | Credit ↑↑ | Debit ↓↓ |
| Capital | Credit ↑↑ | Debit ↓↓ |

NOTE: - The Accounts of Assets and Expenses show Debit Balance

Accounts of Liabilities, Capital and Revenue showed Credit Balance.

2. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)
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ASSIGNMENT NO 1

A. To Record the following Business Transaction:

- i. Started Business with the cash Rs 1000000 and machinery Rs. 50000
- ii. Open a Bank Account into SBI Rs. 20000
- iii. Purchase of computer Amount to Rs 25000
- iv. Sale of computer Amount to Rs 15000
- v. Bank deposit Amount to Rs 5000
- vi. Purchase of plant amount to Rs 350000
- vii. Electricity Bill paid Rs 5000
- viii. Cash withdraw from bank Rs 2000
- ix. Printing & Stationery paid Rs 5000
- x. Bank interest Received Rs 35000
- xi. Commission Received Rs 10000
- xii. Sale of plant Amount to Rs 3000
- xiii. Rent paid Amount to Rs 4000
- xiv. Advertisement paid by cash Rs 6000
- xv. Dividend Received by cash Rs 15000

B. To Record the following Business Transaction:

- i. Started Business with cash Rs 400000 and Machinery Rs 300000
- ii. Loan taken from SBI Amount to Rs 100000
- iii. Purchase of goods Amount to Rs 40000
- iv. Purchase of land & building Amount Rs 450000
- v. Sale of goods Amount to Rs 15000
- vi. Sale of Land & building Amount to Rs 700000
- vii. Electricity Bill Paid to NTPC Rs 4000
- viii. Telephone Bill paid to BSNL RS 17000
- ix. Dividend Received from Reliance Amount Rs 9000
- x. Rent Received from Mr.Raju Rs 8000
- xi. Bank Deposit Amount to Rs 9000
- xii. Cash withdraw from Bank Rs 1000
- xiii. Purchase of Goods by Cash Rs 13000
- xiv. Sale of Goods by Bank Cheque Rs 6000
- xv. Purchase of plant by Cash Rs 300000

3. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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C. To Record the following Business Transaction:

- i. Started business with cash Rs 5000,00
- ii. Open a Bank Account Amount Rs 35000
- iii. Purchase of computer Amount to Rs 40000
- iv. Salary paid Amount to Rs 6000
- v. Telephone Bill Paid Amount to Rs 15000
- vi. Commission Received Amount to Rs 25000
- vii. Interest Received Amount to Rs 10000
- viii. Purchase of Goods Amount to Rs 50000
- ix. Loan taken from Bank Rs 45000
- x. Sale of Goods Amount to Rs 30000
- xi. Bank deposit Amount to Rs 50000
- xii. Sale of Computer Amount to Rs 5000
- xiii. Cash withdraw from Bank Rs 30000
- xiv. Purchase of Goods by Cash Rs 40000
- xv. Sale of Goods by Cash Rs 15000

ASSIGNMENT No 2

To Record the following Business Transaction:

- i. Started Business with cash Rs 800000 and Building Rs 1000,000
- ii. Purchase of Goods by Bank Cheque Rs 30000
- iii. Sale of Goods by Bank Cheque Rs 20000
- iv. Loan taken from HDFC Bank Rs 50000
- v. Purchase of land & building by Cash Rs 400000
- vi. Open a bank account Amount to Rs 55000
- vii. Rent paid to Landlord Amount to Rs 4000
- viii. Dividend Received from Reliance CO Rs 50000
- ix. Commission Received from LIC Rs 40000
- x. Electricity Bill Paid Amount to Rs 10000 to Tata CO LTD
- xi. Sale of computer by Bank cheque Amount to Rs 8000
- xii. Purchase of Machinery by cash Rs 15000
- xiii. Cash withdraw from Bank Rs 35000
- xiv. Amount Deposited into Bank Rs 10000
- xv. Repayment of HDFC Bank Loan Amount to Rs 50000

4. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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- xvi. Interest Received from Bank Rs 10000
- xvii. Purchase of motor car amount to Rs 400000
- xviii. Purchase of goods by Bank Cheque Rs 4000

ASSIGNMENT NO 3

To Record the following Transaction:

- i. Started Business with Cash Rs 500000 and Stock Rs 30000
- ii. Purchase of computer Amount to Rs 60000
- iii. Purchase of Plant Amount to Rs 300000 by Cash
- iv. Purchase of Machinery Amount to Rs 5000 by Bank Cheque.
- v. Purchase of plants & Machinery Rs 700000 from Reliance CO by Cash.
- vi. Purchase of furniture from Mr. Shyam Rs 4000 by SBI Cheque.
- vii. Purchase of Table on Credit Rs 3000
- viii. Purchase of Building from Mr. Raju Rs 900000.
- ix. Purchase of Land from Tata Co Ltd Rs 450000 on credit.
- x. Purchase of Land & Building from Reliance co Rs 900000 but Immediately payment made Rs 500000

ASSIGNMENT NO 4

To Record the following Transaction:

- i. Started business with cash Rs 300000 and Stock Rs 200000
- ii. Purchase of Goods Amount to Rs 10000
- iii. Purchase of Goods by Cash Rs 20000
- iv. Purchase of Goods from Reliance company by cash Rs 40000
- v. Purchase of Goods from Tata CO by SBI Bank Cheque Rs 25000
- vi. Purchase of Goods by Bank Cheque Rs 30000
- vii. Purchase of Goods on Credit Rs 15000
- viii. Purchase of Goods from Sohan Rs 25000
- ix. Purchase of Goods from Sohan on Credit Rs 50000
- x. Purchase of Goods from Mr. Ram Rs 300000 but immediately payment made Rs 200000
- xi. Purchase of Goods from Jindal Ltd Rs 400000 but immediately payment made Rs 250000 by Bank Cheque

5. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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- xii. Purchase of Goods Amount to Rs 500000 but immediately only payment made 60% of the bill value.

ASSIGNMENT NO 5

To Record the following Transaction:

- i. Started Business with cash Rs 600000 and Stock Rs 200000
- ii. Sale of Machine Amount to Rs 60000
- iii. Sale of plant to Mr. Ramesh by Cash Rs 300000
- iv. Sale of plant by SBI Bank Cheque Rs 450000
- v. Sale of Land & building on Credit Rs 800000
- vi. Sale of computer to Mr. Raju Rs 60000
- vii. Sale of building to Reliance Co Rs 350000 on credit.
- viii. All outstanding Bill Amount received from Reliance co
- ix. Purchase of plant from Tata co Rs 350000
- x. All outstanding Bill Amount paid to Tata co
- xi. Purchase of Goods on Credit Rs 30000
- xii. Rs 2000 paid to creditor.

ASSIGNMENT NO 6

To Record the following Transaction:

- i. Started Business with Cash Rs 300000 and Machinery Rs 200000 and Stock Rs 50000
- ii. Sale of Goods Amount to Rs 40000
- iii. Sale of Goods to Mr. Raju by cash Rs 25000
- iv. Sale of Goods by cash Rs 15000
- v. Sale of Goods by Bank Cheque Rs 20000
- vi. Sale of Goods to Mr. Mohan by SBI Bank Cheque Rs 30000
- vii. Sale of Goods on Credit Rs 50000
- viii. Sale of Goods to Reliance co Rs 20000
- ix. Sale of Goods to Tata co Rs 35000 on credit
- x. Sale of Goods to Reliance co Rs 40000 but immediately payment received Rs 200000

6. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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ASSIGNMENT NO 7

To Record the following Transaction:

- i. Purchase of Goods from Mr. Shyam Rs 500000
- ii. All outstanding Bill Amount paid to Mr. Shyam
- iii. Purchase of Goods from Mr. Rahul Rs 200000
- iv. Rs 30000 paid to Mr. Rahul
- v. Sale of goods to Mr. Mohan Rs 150000
- vi. All outstanding Bill Amount received from Mr. Mohan
- vii. Sale of Goods to Mr. Verma Rs 90000
- viii. Rs 10000 received from Mr. Verma
- ix. Sale of Goods to Reliance co Rs 150000 on credit
- x. Rs 150000 Received from Reliance co by sbi bank cheque

ASSIGNMENT NO 8

To Record the following Transaction:

- i. Started Business with cash Rs 500000 and plant Rs 300000
- ii. Open a Bank A/C Rs 50000
- iii. Rs 4000 withdraw from Bank
- iv. Rs 6000 withdraw from Bank for personal use
- v. Rs 2000 withdraw from Bank for Business use
- vi. Rs 6000 Amount of Goods withdraw by owner for personal use.
- vii. Rs 10000 Amount of furniture withdraw by proprietor for domestic use
- viii. Sale of goods on credit Rs 10000
- ix. All outstanding bill amounts received from debtor.
- x. Rs 8000 withdraw from business for personal use

7. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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ASSIGNMENT NO 9

To Record the following Transaction:

- i. Started Business with cash Rs 500000 and Machinery Rs 300000
- ii. Depreciation Charged on Machinery Rs 30000
- iii. Purchase of plant by bank cheque Rs 600000
- iv. Depreciation charged on plant @ 10% p.a.
- v. Purchase of Land Amount to Rs 500000
- vi. Appreciation of Land @20% p.a.
- vii. Purchase of Jewellery Amount to Rs 300000 on credit
- viii. Appreciation of Jewellery Rs 40000
- ix. Outstanding Rent Amount to Rs 50000
- x. Outstanding Rent paid by Bank Cheque Rs 50000
- xi. Electricity bill due Rs 6000 but not yet payment made.
- xii. Outstanding Electricity bill paid Rs 6000

ASSIGNMENT NO 10

To Record the following Transaction:

- i. Started Business with cash Rs 500000 and Stock Rs 400000
- ii. Advance Electricity Bill paid Rs 50000
- iii. Advance Electricity Bill adjusted from actual electricity bill amount Rs 50000
- iv. Prepaid Rent paid for 3 months Rs 30000
- v. Two months Actual Rent Adjusted from Prepaid Rent
- vi. Accrued Commission Income Rs 10000
- vii. Accrued Commission Income received by Bank Cheque Rs 10000
- viii. Bank interest Income due Rs 4000 but not yet received.
- ix. Accrued Bank Interest Received Rs 4000
- x. Outstanding salary during the month Rs 5000
- xi. Outstanding salary paid Rs 5000
- xii. Telephone bill due Amount to Rs 10000 but not yet paid.

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ASSIGNMENT NO 11

To Record the following Transaction:

- i. Purchase of Goods Rs 500000 and Received 10% Trade Discount.
- ii. Purchase of Machinery Rs 600000 and Received Rs 50000 Trade Discount.
- iii. Sale of Goods on credit Rs 800000 and Allow 20% Trade Discount
- iv. Sale of Machinery Rs 500000 and Allow Rs 20000 Trade Discount.
- v. Sale of Goods to Reliance co. Rs 40000
- vi. All outstanding Bill amount Receive from Reliance.co and Allow 20% Discount
- vii. Sale of Goods on credit to Mr. Raju Rs 800000
- viii. Rs 500000 received from Raju and Allow 20% Cash Discount.
- ix. Sale of Goods to Tata.co Ltd Rs 200000
- x. Rs 180000 received from Tata Co. Ltd and full and final Settlement.
- xi. Purchase of Goods from ITC Co. Ltd Rs 300000.
- xii. All outstanding Bill Amount Paid to ITC Co Ltd and Received Rs 20000 cash discount
- xiii. Purchase of Goods from Shyam Rs 150000
- xiv. Rs 100000 paid to Mr. Shyam and Full and Final Settlement.
- xv. Purchase of Goods on Credit Rs 500000 and Received 10% trade discount
- xvi. Rs 400000 paid to creditor and also received Rs 20% cash discount
- xvii. Purchase of goods from mr shyam Rs 500000 and received 10% trade discount and immediately payment made Rs 400000 and also received 20% cash discount
- xviii. Purchase of Furniture from Tata Co Ltd Rs 400000 and received Rs 10000 trade discount and immediately payment made Rs 200000 and also received Rs20000 cash discount
- xix. Sale of Furniture to Tata Motors Ltd Rs 300000 and Allow 10% trade discount and immediately payment Received Rs 150000 and also Allow 25% cash discount
- xx. Sale of Goods on Credit Rs 250000 and Allow 10% trade discount and immediately payment Received Rs 100000 and also Allow Rs 15000 cash discount
- xxi. Sale of goods to mr rahman Rs 50000 and allow 10% trade discount
- xxii. Sales return from mr rahman Rs 20000

9. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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ASSIGNMENT NO 12

To Record the following Transaction:

- i. Sale of Goods to Mr. Shyam Rs 20000.
- ii. Cheque received from Mr. Shyam Rs 20000
- iii. Sale of Goods to Mr rahman Rs 25000
- iv. Cheque received from Mr.Rahman Rs 25000 but deposited into Bank next day.
- v. Cheque received from Mr. Shyam Rs 20000 and deposited but dishonored by Bank.
- vi. Sale of Goods to Mr. Shyam Rs 500000
- vii. Bad debts Amount Rs 500000 against the Shyam outstanding Bill Amount.
- viii. Sale of goods to Mr Raja Rs 50000
- ix. Mr.Raja become Insolvent and only received @30 paisa of Rs 1. From private property.
- x. Bad debts recovered Rs 50000 from Mr.Shyam.

ASSIGNMENT NO 13

To Record the following Transaction:

- i. Goods lost by fire Rs 5000
- ii. Furniture lost by accident Rs 10000
- iii. Cash stolen by peon Rs 3000
- iv. Goods lost by Accident Rs 250000 but Insurance co Admitted claim.
- v. Furniture lost by fire Rs 6000 but Insurance co admitted claim same day.
- vi. Cash stolen by peon but Insurance co Admitted claim next day Rs 10000.
- vii. Goods lost by Accident Rs 20000 but Insurance co admitted claim only 60% the value.
- viii. Goods lost by Fire Rs 20000 but Insurance co admitted claim only 80% the value next day
- ix. Goods distributed as free sample of Rs 50000
- x. Advance received from customers Rs 100000

10. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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Goods and Services tax (GST)

GST is an indirect tax levied on the sale of goods and rendering of services.

GST came into effect from July 1, 2017 and replaced existing multiple cascading taxes levied by the Central and State Governments.

GST is levied at every step in the production process, but is refunded to all parties in the chain of production other than the final consumer.

Goods and Services are divided into five tax slabs for collection of tax i.e. 9%, 5%, 12%, 18% and 28% except petroleum products and alcoholic drinks.

Characteristics of GST

Most of the indirect taxes of the Centre and states are integrated under the GST.

The Centre and States will store GST tax revenues at 50:50 ratios (except the IGST). The GST going to the centre is called Central GST and that goes to the states is known as State GST.

GST belongs to the VAT family as tax revenues are collected on the basis of value added i.e. GST paid (Input GST) is SET OFF AGAINST GST COLLECTED (OUTPUT GST) and thus GST is levied on the incremental value of goods or services supplied.

GST integrates goods and service taxes into one unified tax regime. Earlier goods and services were imposed and administered differently.

GST proposes a four-tier rate structure. The tax slabs are fixed at 5%, 12%, 18% and 28% besides the 0% tax on essentials.

Objectives of Goods and Services Tax

GST has eased the doing of business as most of the indirect taxes of centre and states are integrated under it (GST).

GST reduces the cost of goods as GST paid (input GST) is set off against GST collected (output GST) and thus tax on tax is eliminated.

GST ensure timely collection of taxes and electronic return filing which reduces the possibilities of tax evasion.

Introduction of GST and removal of multiple indirect taxes will increase foreign direct investment also in the country.

11. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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GST integrates goods and service taxes into one unified tax regime by eliminating various unnecessary indirect taxes.

Types of Taxes Under GST

GST is levied under following three types

- Central GST (CGST)
- State/UT GST (SGST/UTGST)
- Integrated GST (IGST)

Both CGST and SGST are levied on intra-state supply (i.e. Sales within the state).

Suppose the rate of GST is 18% then 9% will be levied as CGST and 9% as SGST.

CGST indicate the share of Central Government while SGST indicate the share of State Government.

Union Territory like Delhi. Union territory GST (UTGST) is levied instead of SGST along with CGST.

Integrated GST (IGST) is levied on interstate supply (i.e. sales outside the state).

IGST entire amount will go to Central Government.

GST paid is categorized into input CGST, input SGST/UTGST and input IGST.

GST collected is categorized into output CGST, output SGST/UTGST and output IGST.

GST paid is set off against GST collected in the prescribed order as given in the diagram.

| | | |
|-----------------|-----------------|-----------------|
| Input IGST paid | Input CGST paid | Input SGST paid |
| ↓↓ | ↓↓ | ↓↓ |
| Set off against | Set off against | Set off against |
| Output IGST | Output IGST | Output IGST |
| Output CGST | Output IGST | Output IGST |
| Output SGST | Output IGST | Output IGST |

Note:

Input IGST is first set off against output IGST, then against output CGST and then against output SGST.

Input CGST is first set off against output CGST & then against output IGST.

12. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)
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Similarly Input SGST is set off first against output SGST and then against output IGST.

Accounting Entries/Journals Entries involving GST

(i) For Purchas of Goods for Purchas of Goods

Purchase A/c Dr.
Input CGST A/c Dr.
Input SGST A/c Dr.
 To Creditors/Bank A/c

(ii) For Sale of Goods

Debtors/Bank A/c Dr.
 To Sales A/c
 To output CGST A/c
 To output SGST A/c

(ii) For payment of expense

Expense A/c Dr.
Input CGST A/c Dr.
Input SGST Dr.
 To Bank A/c

(iv) For distributing goods as free samples

Advertisement A/c Dr.
 To Purchases A/c
 To Input CGST A/c
 To Input SGST A/c

13. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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(v) For Purchase returns

Creditor's A/c Dr.
 To purchase returns A/c
 To Input CGST A/c
 To Input SGST A/c

(vi) For Sales Returns

Sales Return A/c Dr.
Output CGST A/c Dr.
Output SGST Dr.
 To Debtor's A/c

(vii) For Purchase of Fixed Assets.

Fixed Asset A/c Dr.
Input CGST A/c Dr.
Input SGST A/c Dr.
 To Bank/Vendor A/c

(viii) For setting off Input CGST against output CGST.

Output CGST A/c Dr.
 To Input CGST A/c
 To GST PAYBLE A/C

(ix) For setting off input SGST against output SGST.

Output SGST A/c Dr.
 To Input SGST
 To GST PAYBLE A/C

14. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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(x) For setting off input IGST against output IGST

Output IGST A/c Dr.

To Input IGST A/c

To GST PAYBLE A/C

(xi) For payment of GST to Government.

GST PAYBLE A/C (OUTPUT IGST+CGST+SGST)

To Bank A/c

Pass Journal Entries In the book of Mohan Brothers, assuming all transaction entered in same state, charging CGST and SGST @ 9% each

- Purchase goods Rs 500000 from Shayam
- Goods return to shyam of Rs 50000
- Sold goods to Mehta & Co of Rs 800000
- Goods Return by Mehta & Co of Rs 60000
- Goods withdrew for personal use Rs 20000
- Goods Distributed as free sample of Rs 40000
- Paid advertisement Expenses of Rs 70000 by Cheque
- Paid Rent of Rs 60000
- Received Interest of Rs 90000
- Commission received from LIC of Rs 100000
- Purchase furniture of Rs 120000 for office use
- Pass the necessary adjustment of SGST and CGST and determine GST payable /Refundable Amount
- Payment of GST payable amount to government

15. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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16. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)
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Ledger Account

Ledger is the collection of different accounts of assets, liabilities, capital, revenue and expenses. When transactions are recorded in the Journal (Book of Original Entry), these are transferred or posted to their respective accounts in Ledgers. These are called Book of Secondary or Final Entry. Ledger contains all accounts of a business enterprise, irrespective of whether they are personal, real or nominal.

After recording the business transactions in the Journal or special purpose Subsidiary Books, the next step is to transfer the entries to the respective accounts in the Ledger

Ledger is a book where all the transactions related to a particular account are collected at one place.

Other Word the Ledger is the main or principal book of accounts in which all the business transactions would ultimately find their place under various accounts in a duly classified form

All the items from the journal are recorded in ledger accounts and this process is known as posting entries from Journal to ledger accounts.

Features of Ledger Account

1. Ledger book is an accounts book to which various transactions of an enterprise are posted under different accounts.
2. It follows the double-entry system.
3. It is also known as the Principal book of account as it is the book of final entry of transactions after the journal or all-purpose books.
4. In the ledger, all the types of accounts relating to assets, liabilities, capital and revenue are maintained.
5. It is the only record of the business transaction classified into relevant accounts.
6. It facilitates the preparation of financial statements in future.



- **Ledger Posting** is the process of transferring entries from the Journal or other subsidiary books to the ledger accounts. When transactions are recorded in the book of original entry or a Journal, these transactions are posted in their respective ledger accounts.

17. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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- **Casting means** to add up a column of figures
- **Balancing an account means** ascertaining the net effect of the transaction therefore all the ledger accounts are required to be balanced.

Debit balance

The difference between the debit and credit side of the ledger account. Thus, when the debit side of the ledger account exceeds the credit side, the balancing figure is termed as Debit Balance. All the assets, expenses and losses show Debit Balance.

Credit balance

When credit side of the ledger account exceeds the debit side, then the balancing figure is termed as Credit Balance. All Liabilities, Incomes and Gains and Capital show Credit Balance.

Carried down (c/d) balance indicates **closing** balance.

Brought down(b/d) balance indicates **opening** balance

Explanation:

Carried down balance indicates the closing balance of an account that is required to be carried forward to the next accounting period and becomes the opening balance in the next accounting year.

Performa for Ledger

Each ledger account is divided into two equal parts.

Left Hand Side →→ Debit side (Dr.)

Right Hand Side →→ Credit side (Cr.)

Name of the Account

| Dr. | | | | Cr. | | | |
|------|-------------|-----|--------------|------|-------------|-----|--------------|
| Date | Particulars | J.F | Amount (Rs.) | Date | Particulars | J.F | Amount (Rs.) |
| | | | | | | | |

Posting in the Ledger: This will be dealt separately from Journal Entries and each Subsidiary Book.

Case I : Posting from Journal Entries

- If an account is debited in the journal entry, the posting in the ledger should be made on the debit side of that particular account. In the particulars column the name of the other account (which has been credited in the Journal entry) should be written for reference.
- For the Accounts credited in the Journal entry, the posting in the ledger should be made on the credit side of that particular Account. In the particulars column, the name of the other account that has been debited (in the Journal entry) is written for reference.

18. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

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Important

- 'To' is written before the A/c which appear on the debit side of Ledger
- "By" is written before the A/c appearing on the credit side Ledger.

Example 1 : Simple Journal Entry.

On 1st August 2011, goods are sold for cash Rs. 2,000.

SOLUTION - Journal Entry

| | (₹) | (₹) |
|----------------------------------|-------|-------|
| Cash A/c Dr. | 2,000 | |
| To Sales A/c (for cash sales) | | 2,000 |

| Dr | | | | Cr | | | |
|---------------|--------------|-----|-------|------|-------------|-----|-----|
| Date | Particular | J.F | (₹) | Date | Particulars | J.F | (₹) |
| 2011 Aug.1 | To sales A/c | | 2,000 | | | | |

Sales A/c (extract)

| Dr | | | | Cr | | | |
|------|------------|-----|-----|-------|-------------|-----|-------|
| Date | Particular | J.F | (₹) | Date | Particulars | J.F | (₹) |
| 2011 | | | | Aug.1 | By Cash A/c | | 2,000 |

From the following transactions prepare necessary ledger accounts and balance them.

- 2020 Jan. 1 Sachin started Business with Cash Rs 10,000 and Machinery Rs 15,000
- 1 Purchased goods for cash Rs 3,000.
 - 3 Sold goods for cash Rs 4,000.
 - 5 Purchased furniture on credit from Poona Traders Rs 7,000.
 - 8 Purchased goods on credit from Mr. Dilip Rs 2,000 at 10% T.D.
 - 10 Sold goods on credit to Mr. Mahendra Rs 8,000 at 12.5% T.D.
 - 15 Paid Rent Rs 600.
 - 28 Withdraw cash for personal use Rs 1,000.
 - 20 Paid cash to Mr. Dilip Rs 1,800.
 - 25 Received cash from Mr. Mahendra Rs 6,800.
 - 31 Paid to Miss Sunita Rs 400 for salaries

19. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

Accounts by Nitesh Sir

RANKERS' COMMERCE (KANKARBAGH PATNA)

call: - 9386035411, 7870266699

ANSWER:

Cash Account

| Dr. | | | | Cr. | | | |
|----------|--------------|------|---------------|----------|---------------|------|---------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 | | | | Jan 2020 | | | |
| 1 | Capital A/c | | 10,000 | 1 | Purchases A/c | | 3,000 |
| 3 | Sales A/c | | 4,000 | 15 | Rent A/c | | 600 |
| 25 | Mahendra A/c | | 6,800 | 28 | Drawings A/c | | 1,000 |
| | | | | 20 | Dilip A/c | | 1,800 |
| | | | | 31 | Salary A/c | | 400 |
| | | | | 31 | Balance c/d | | 14,000 |
| | | | 20,800 | | | | 20,800 |

Machinery Account

| Dr. | | | | Cr. | | | |
|----------|-------------|------|---------------|----------|-------------|------|---------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 | | | | Jan 2020 | | | |
| 1 | Capital A/c | | 15,000 | 31 | Balance c/d | | 15,000 |
| | | | 15,000 | | | | 15,000 |

Capital Account

| Dr. | | | | Cr. | | | |
|----------|-------------|------|---------------|----------|-------------|------|---------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 | | | | Jan 2020 | | | |
| 31 | Balance c/d | | 25,000 | 1 | Cash A/c | | 10,000 |
| | | | | 1 | Machine A/c | | 15,000 |
| | | | 25,000 | | | | 25,000 |

20. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

Accounts by Nitesh Sir

RANKERS' COMMERCE (KANKARBAGH PATNA)

call: - 9386035411, 7870266699

Purchases Account

| Dr. | | | | Cr. | | | |
|----------|-------------|------|--------------|----------|-------------|------|--------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 | | | | Jan 2020 | | | |
| 1 | Cash A/c | | 3,000 | 31 | Balance c/d | | 4,800 |
| 8 | Dilip's A/c | | 1,800 | | | | |
| | | | 4,800 | | | | 4,800 |
| | | | | | | | |

Sales Account

| Dr. | | | | Cr. | | | |
|----------|-------------|------|---------------|----------|----------------|------|---------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 | | | | Jan 2020 | | | |
| 31 | Balance c/d | | 11,000 | 3 | Cash A/c | | 4,000 |
| | | | | 10 | Mahendra's A/c | | 7,000 |
| | | | 11,000 | | | | 11,000 |
| | | | | | | | |

Furniture Account

| Dr. | | | | Cr. | | | |
|----------|-------------------|------|--------------|----------|-------------|------|--------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 | | | | Jan 2020 | | | |
| 5 | Poona Traders A/c | | 7,000 | 31 | Balance c/d | | 7,000 |
| | | | 7,000 | | | | 7,000 |
| | | | | | | | |

21. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

Accounts by Nitesh Sir

RANKERS' COMMERCE (KANKARBAGH PATNA)

call: - 9386035411, 7870266699

Poona Traders Account

| Dr. | | | | Cr. | | | |
|----------------|-------------|------|--------------|---------------|---------------|------|--------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 31 | Balance c/d | | 7,000 | Jan 2020 5 | Furniture A/c | | 7,000 |
| | | | 7,000 | | | | 7,000 |

Dilip's Account

| Dr. | | | | Cr. | | | |
|----------------|-------------|------|--------------|---------------|---------------|------|--------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 20 | Cash A/c | | 1,800 | Jan 2020 8 | Purchases A/c | | 1,800 |
| | | | 1,800 | | | | 1,800 |

Mahendra's Account

| Dr. | | | | Cr. | | | |
|----------------|-------------|------|--------------|----------------|--------------|------|--------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 10 | Sales A/c | | 7,000 | Jan 2020 25 | Cash A/c | | 6,800 |
| | | | 7,000 | Jan 2020 31 | Balances c/d | | 200 |
| | | | | | | | 7,000 |

Rent Account

| Dr. | | | | Cr. | | | |
|----------------|-------------|------|-------------|----------------|--------------|------|-------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 15 | Cash A/c | | 600 | Jan 2020 31 | Balances c/d | | 600 |
| | | | 600 | | | | 600 |

22. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

Accounts by Nitesh Sir

RANKERS' COMMERCE (KANKARBAGH PATNA)

call: - 9386035411, 7870266699

Drawings Account

| Dr. | | | | Cr. | | | |
|-------------|-------------|------|--------------|-------------|--------------|------|--------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 28 | Cash A/c | | 1,000 | Jan 2020 31 | Balances c/d | | 1,000 |
| | | | 1,000 | | | | 1,000 |

Salaries Account

| Dr. | | | | Cr. | | | |
|-------------|-------------|------|-------------|-------------|--------------|------|-------------|
| Date | Particulars | J.F. | Amount (Rs) | Date | Particulars | J.F. | Amount (Rs) |
| Jan 2020 31 | Cash A/c | | 400 | Jan 2020 31 | Balances c/d | | 400 |
| | | | 400 | | | | 400 |

Assignment 1

To Record the following Transaction and prepare ledger account

1. Started business with cash Rs 500000 and machinery Rs 400000
2. Open a bank account Rs 50000
3. Purchase of goods on credit Rs 40000
4. Return of goods to creditors Rs 2000
5. Payment to creditors of Rs 15000 and received 20% cash discount
6. Sale of Goods by cash Rs 150000
7. Sale of goods on credit Rs 80000
8. Sales return from customers Rs 5000
9. Payment received from customers Rs 30000 and allow 10% cash discount
10. Purchase of Land Rs 600000
11. Sale of machinery Rs 100000
12. Purchase of Furniture Rs 80000 and received Rs 10000 trade discount
13. Depreciation charged on machinery of Rs 10000

23. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

Accounts by Nitesh Sir

RANKERS' COMMERCE (KANKARBAGH PATNA)

call: - 9386035411, 7870266699

14. Appreciation of Land Rs 50000
15. Loan taken from bank Rs 200000
16. Salary paid to ram Rs 4000
17. Rent due Rs 15000 but not yet paid
18. Dividend received of Rs 8000
19. Commission received from LIC Rs 15000
20. Prepaid telephone bill Rs 25000
21. interest Income due Rs 30000 but not yet received
22. Lost by Fire of goods Rs 2000
23. Sale of machinery cost Rs 20000 at Rs 25000
24. Sale of Furniture Cost Rs 3000 at Rs 2000
25. Rs 10000 withdrew from bank for personal use
26. Wages paid Rs 6000
27. Carriage paid by cheque Rs 3000
28. Electricity bill paid Rs 15000
29. Investment in Reliance Company shares Rs 25000
30. Bad debts written off Rs 3000
31. Bad debts recovered Rs 1000
32. Duties & Taxes Paid to PMC Rs 4000

Assignment 2

Enter the following transaction into Ledger Accounts, balance the accounts and prepare a Trial Balance.

2020

June 1. **Assets** : Cash in hand Rs. 20,000; **Debtors** : Amit and Co. Rs. 15,000, Sumit Bros. Rs. 30,000, Stock Rs. 1,75,000, Machinery Rs. 1,20,000, Furniture Rs. 40,000.

Liabilities : Bank overdraft Rs. 33,000, **Creditors** : Virat and Co. Rs. 24,000, Vishal Rs. 16,000.

June 2 Purchased from Ramesh and Sons goods of the list price of Rs. 20,000 at 10% trade discount.

June 5 Returned to Ramesh & Sons goods of the list price of Rs. 2,000.

June 10 Issued a cheque to Ramesh and Sons in full settlement of their account.

June 12 Sold to Amit and Co., goods worth Rs. 25,000.

June 15 Received cash Rs. 10,000 and a cheque for Rs. 8,000 from Amit and Co. The cheque was immediately deposited into the bank.

June 16 Withdraw for personal use cash Rs. 5,000 and goods for Rs. 3,000.

June 17 Accepted a bill for 45 days drawn by Virat and Co. for the amount due to him.

24. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)

Accounts by Nitesh Sir

RANKERS' COMMERCE (KANKARBAGH PATNA)

call: - 9386035411, 7870266699

- June 18 Acceptance received from Sumit Bros. for the amount due from them payable after 30 days.
- June 19 Sold to Mohit Bros., goods for Rs. 16,000.
- June 20 Cash purchases Rs. 15,000.
- June 22 Withdraw from bank for office use Rs. 10,000.
- June 23 Purchased from Vishal goods valued Rs. 24,000.
- June 24 Amit and Co. returned goods worth Rs. 2,000.
- June 25 Received from Mohit Bros. Rs. 10,000.
- June 27 Accepted a bill for Rs. 25,000 for 1 month draw by Vishal.
- June 27. Paid by cheque, Rent Rs. 2,800
- June 27 Received Commission in Cash Rs. 800
- June 30 Paid salaries Rs. 5,000.

25. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)
Accounts by Nitesh Sir