

allowance (discount) which is an income and is credited to **Account.**

Illustration containing all types of Transactions:

Illustration 12: Write the following transactions of Shri Akash in his Journal:

2022

June, 1 : Akash started business with cash ₹ 1,00,000, furniture ₹ 50,000 and stock of goods ₹ 10,000.

1 : As more money is needed in business, a loan of ₹ 1,50,000 at 8% interest is taken from Vikram.

4 : Opened a bank account and paid ₹ 75,000 in it.

6 : Sold goods to Sapna ₹ 25,000, for which cash ₹ 15,000 is received.

8 : Purchased a table and chair of ₹ 5,000 for shop and a cupboard of ₹ 8,000 for home from A-1 Furniture Mart for cash.

10 : Sold goods on credit to Vallary ₹ 20,000 and to Nishith for cash ₹ 15,000.

14 : Bought goods of ₹ 80,000 at 10% trade discount from Sharvari, on the condition that 5% cash discount will be allowed if payment is made within 15 days. Paid half the amount by cheque.

15 : Given goods worth ₹ 5,000 to flood relief fund.

- 16: Received an order from Sheeba for supplying goods ₹ 20,000.
 17: Sent goods to Sheeba as per order.
 20: Paid salary in cash to Shilpa ₹ 10,000 and paid by cheque ₹ 8,000 for stationery.
 23: Purchased a shop for ₹ 3,00,000 by a cheque and paid ₹ 20,000 in cash for brokerage etc.
 24: Joy was employed as an apprentice and ₹ 10,000 is received from him as an apprentice premium.
 25: Vallary is declared insolvent and the amount due from her is written off.
 27: Paid the amount due to Sharvari in cash.
 28: Akash paid ₹ 25,000 for his son's tuition fees.
 30: Sapna paid ₹ 9,500 and settled her account.
 31: Paid interest for one month on Vikram's loan.

Solution:

Journal of Shri Akash

Date	Particulars	L. F.	Debit ₹	Credit ₹
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Illustration 14: Shishir starts a new business. Transactions for the month of March, 2022 are given below. Journalise the transactions:

- Mar. 1 : Commenced business with Cash ₹ 1,00,000, Furniture ₹ 75,000, Stock of goods ₹ 40,000 and Creditors of ₹ 15,000.
- 1 : Expenses incurred in inauguration of shop ₹ 18,000.
- 3 : Opened bank account with ₹ 70,000.
- 5 : Bought from Shamik goods 2,000 kg. at ₹ 10 per kilo at a trade discount of 10% and cash discount of 5% and paid the amount by cheque.
- 8 : Goods purchased from Shamik now sold to Shailesh at a profit of 20% on cost.
- 10 : Purchased stationery of ₹ 3,000 from Shailendra Stationery Mart.
- 13 : Paid life insurance premium ₹ 5,000 and fire insurance premium of ₹ 6,000 by cheque.
- 14 : Received a cheque of ₹ 16,600 from Shailesh on account.
- 16 : Cheque received from Shailesh paid into the bank.
- 18 : Purchased 1,000 kg. of goods at ₹ 50 per kg. from auction.
- 19 : Withdrawn goods of ₹ 2,000 from Shop and withdrawn from Bank ₹ 3,000 for personal use.
- 21 : Paid ₹ 1,100 and ₹ 5,100 as 'Chanllo' on the occasion of the marriage of Munim's son and Uncle's son respectively.
- 24 : Paid salary to the Munim ₹ 10,000 in cash and paid rent ₹ 15,000 by cheque.
- 25 : Amount due from Shailesh is written off as he is declared insolvent.
- 27 : Purchased a machine for ₹ 50,000 and paid installation charges ₹ 1,000. The total amount is paid in cash.
- 28 : Paid advertisement bill of ₹ 5,000 to 'Divya Bhaskar'.
- 29 : Our salesman sold goods for ₹ 10,000 from which he deducted ₹ 500 for travelling expenses and paid the balance in cash.
- 30 : Sold furniture worth ₹ 5,000 for ₹ 3,000.
- 31 : A Duplicate currency note of ₹ 500 is received when a currency notes of ₹ 5,000 were exchanged.

Solution:

Journal of Shri Shishir

Date	Particulars	L. F.	Debit ₹	Credit ₹
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Illustration 13: The transactions of Shri Pulin for the month of February, 2022 are given below. Write necessary journal entries:

Feb. 1 : Pulin commenced business with Cash ₹ 50,000, Debtors ₹ 10,000 and

Stock of goods ₹ 30,000.

2 : Due to need for more money in business, he sold his personal car for

₹ 1,00,000 and brought half the amount in business.

4 : Bought from Prashant goods of ₹ 16,000 at a Trade Disc. of 10%.

5 : Out of the goods bought from Prashant, $\frac{3}{4}$ of the goods were sold to

Premal at 10% profit on cost.

6 : Opened a bank account and paid ₹ 30,000 in it.

7 : Premal returned goods of ₹ 1,100 being not according to samples, and we immediately returned these goods to Prashant.

11 : Premal settled his account by giving a crossed cheque of ₹ 10,700.

12 : Gave a cheque to Prashant for the amount due to him after deducting a discount of ₹ 400.

14 : Sold goods to Pranav for ₹ 28,500 and paid ₹ 500 for carriage on his behalf.

18 : Sold goods on behalf of Paritosh and received commission for it ₹ 1,500.

21 : Punit sent goods of ₹ 40,000 to Parag on our instruction for which we sent an invoice of ₹ 46,000 to Parag.

22 : Sold goods of cost price of ₹ 8,000 to Pushkar so as to get a profit of 20% on Sales price.

26 : Purchased shares of Pritam Textile Mills for ₹ 10,000 and paid the amount by a cheque including brokerage at 1%.

28 : ₹ 29,000 is due from Pranav. But only ₹ 15,000 could be recovered from him, as he has become insolvent. The remaining is to be written off.

Solution:

Journal of Shri Pulin

Date	Particulars	L.	Debit	Credit
2022	Cash A/c			

less 10% discount ₹ 1,500. (8) 29th: Bad debts ₹ 5,000. (9) 30th: Bad debts recovered ₹ 1,500.]

Bank Transactions:

Ex. 7: Journalise the following transactions of Shridhar Chakravarti for 2022:

June 1 : Commenced business with Cash ₹ 3,60,000, Debtors ₹ 50,000, Creditors ₹ 20,000 and Bank overdraft ₹ 1,70,000.

2 : Opened a bank account with State Bank of India with ₹ 1,50,000.

5 : Sold goods at 10% trade discount ₹ 1,00,000 and the money was received by a cheque.

6 : Sold goods to Smita Nadkarni at 10% Cash Discount ₹ 80,000 and she paid half the amount by a crossed cheque.

7 : Bank collected dividend ₹ 10,000 on behalf of Chakravarti and charged interest ₹ 1,000 on bank overdraft.

8 : Paid life insurance premium by cheque ₹ 8,000.

9 : Gave a bearer cheque of ₹ 5,000 to the Draught Relief Fund.

10 : Withdrawn from bank ₹ 1,000 for household expenses and ₹ 2,000 for office expenses.

[Ans.: 6th June: ₹ 40,000 less 10% cash discount ₹ 4,000 = ₹ 36,000 amount of crossed cheque.]

Ex. 8: Record the following bank transactions in the Journal of Shri Ajay Mehra:

(1) Opened bank account with Dena Bank with ₹ 1,00,000.

(2) Bought goods worth ₹ 30,000 from Akshya Patel at 10% trade discount and 5% cash discount. A cross cheque was given for half the amount.

(3) Paid life insurance premium ₹ 5,000 by a cheque.

(4) ₹ 5,100 was due from Nisha and a crossed cheque of ₹ 5,000 was received from her in full settlement.

(5) Received income-tax refund ₹ 5,000 by a crossed cheque.

(6) Received a crossed cheque of ₹ 54,000 from Sunil Traders on account. Allowed 10% discount to them.

(7) Repaid in full, bank overdraft of ₹ 1,00,000 and interest ₹ 1,000.

(8) Cheque received from Sunita Traders is dishonoured. They were declared insolvent and 50 paise in a rupee could be recovered from them.

(9) Bank refunded ₹ 250 for bank charges overcharged.

So, when a cheque is received, we debit 'Cash Account'. But situation would be different when a crossed cheque is received. The bank does not pay cash at the counter for a crossed cheque. The amount of such cheque is received only through our bank account. So, such a cheque has to be paid into the bank account and the bank becomes the receiver. So, Bank Account is debited. Thus whenever a crossed cheque is received, Bank A/c is debited and Giver's A/c is credited.

Entry when a crossed cheque is received:

	Dr.		✓	✓
Bank A/c				
To Debtor's A/c				

(5) Bank credits interest on our Savings Account twice during the year. Our bank balance increases due to interest. So, Bank Account is debited. Interest is our income and according to rule all incomes are credited. So Interest Account is credited.

(6) When the bank debits interest on overdraft, our bank balance is reduced. So, Bank Account is credited.

In short, Whenever Bank balance increases, Bank Account is debited.
Whenever Bank balance decreases, Bank Account is credited.

Illustration 11: Enter the following transactions of Shri Ram in his Journal:

2022

July 1 : Opened a bank account with ₹ 10,000.

2 : Received a cheque from Krishna ₹ 5,000.

3 : Cheque received from Krishna is paid into bank.

4 : Received a crossed cheque from Gopal ₹ 20,000, which was paid into bank.

5 : A machine was purchased for ₹ 50,000 and paid for it by a cheque. The installation charges of the machine ₹ 1,000 is paid in cash.

6 : Sold goods for cash ₹ 2,000 and paid half the amount into the bank.

7 : Withdrawn ₹ 1,000 for personal use and ₹ 2,000 for office use from bank.

8 : Given a cheque of ₹ 5,000 to Jagannath on account.

9 : Paid ₹ 8,000 for salary in cash and fire insurance premium ₹ 12,000 by a cheque.

10 : Bank has debited ₹ 50 to our account for bank charges and credited ₹ 100 for interest.

11 : Given a cheque of ₹ 11,500 to Kanaiya in full settlement of our dues of ₹ 11,000 to him.

Solution:

Journal of Shri Ram

Date	Particulars	L. F.	Debit ₹	Credit ₹
2022 July 1	Bank A/c To Cash A/c (Opened a bank account with cash.)	Dr.	10,000	10,000

2	Cash A/c To Krishna's A/c (Received a cheque from Krishna.)	Dr.	5,000	5,000
3	Bank A/c To Cash A/c (Paid Krishna's cheque into bank.)	Dr.	5,000	5,000
4	Bank A/c To Gopal's A/c (Received a crossed cheque from Gopal.)	Dr.	20,000	20,000
5	Machinery A/c To Cash A/c To Bank A/c (Purchased machinery for which a cheque given and paid installation charge in cash.)	Dr.	51,000	1,000 50,000
6 (A)	Cash A/c To Sales A/c (Sold goods for Cash.)	Dr.	2,000	2,000
6 (B)	Bank A/c To Cash A/c (Paid cash into the bank.)	Dr.	1,000	1,000
7	Drawings A/c Cash A/c To Bank A/c (Withdraw from bank for personal and office use.)	Dr. Dr.	1,000 2,000	3,000
8	Jagannath's A/c To Bank A/c (Given a cheque to Jagannath on account.)	Dr.	5,000	5,000
9 (1)	Salary A/c To Cash A/c (Paid salary in cash.)	Dr.	8,000	8,000
9 (2)	Insurance Premium A/c To Bank A/c (Paid fire ins. prm.by a cheque.)	Dr.	12,000	12,000
10 (1)	Bank Charges A/c To Bank A/c (Bank has debited bank charges to our A/c.)	Dr.	50	50
10 (2)	Bank A/c To Interest A/c (Bank has credited interest to our account.)	Dr.	100	100
11	Kanaiya's A/c To Bank A/c To Allowance (Discount) A/c (Given a cheque and get allowance)	Dr.	11,500	11,000 500
Total			1,33,650	1,33,650

Notes: (1) Bank is a person. When cash is paid into bank for opening a bank account, bank is the receiver and so Bank Account is debited.

(2) When a cheque is received and it is not stated that it is a crossed cheque or that it is paid into the bank immediately, then it is treated as cash received.

(3) When the same cheque is later on paid into the bank, Bank Account is debited and Cash Account is credited.

(4) Here, it is stated that a crossed cheque is received, it is believed that the cheque is paid into the bank account. So, Bank Account is debited.

(5) When a cheque is given for purchasing a machine, bank becomes the giver and Bank Account is credited. But installation charges are paid in cash and so Cash Account is credited. Both expenses are for purchasing a machine and so the total amount is debited to the Machinery Account.

(6) The amount withdrawn for personal use is debited to Drawings Account and the amount withdrawn for office use is debited to Cash Account, because cash comes into the business. For both, bank is the giver and so the total amount is credited to Bank Account.

(7) When a cheque is given to somebody, the receiver's account is debited and the bank account is credited.

(8) There are two transactions, on 8th July. One is bank charges which is an expense of business and is debited to Bank Charges Account. Another item is interest credited, which is our income and so, it is credited to Interest Account.

(9) Out of the total amount of ₹ 11,500 due to Kanaiya, we have paid ₹ 11,000 by a cheque, which is credited to Bank Account and the balance of ₹ 500 is an allowance (discount) which is an income and is credited to Allowance (Discount) Account.

Illustration containing all types of Transactions:

Illustration 12: Write the following transactions of Shri Akash in his Journal: 2022

June, 1 : Akash started business with cash ₹ 1,00,000, furniture ₹ 50,000 and stock of goods ₹ 10,000.

1 : As more money is needed in business, a loan of ₹ 1,50,000 at 8% interest is taken from Vikram.

4 : Opened a bank account and paid ₹ 75,000 in it.

6 : Sold goods to Sapna ₹ 25,000, for which cash ₹ 15,000 is received.

8 : Purchased a table and chair of ₹ 5,000 for shop and a cupboard of ₹ 8,000 for home from A-1 Furniture Mart for cash.

10 : Sold goods on credit to Vallary ₹ 20,000 and to Nishith for cash ₹ 15,000.

14 : Bought goods of ₹ 80,000 at 10% trade discount from Sharvari, on the condition that 5% cash discount will be allowed if payment is made within 15 days. Paid half the amount by cheque.

15 : Given goods worth ₹ 5,000 to flood relief fund.

- 16: Received an order from Sheeba for supplying goods ₹ 20,000.
 17: Sent goods to Sheeba as per order.
 20: Paid salary in cash to Shilpa ₹ 10,000 and paid by cheque ₹ 8,000 for stationery.
 23: Purchased a shop for ₹ 3,00,000 by a cheque and paid ₹ 20,000 in cash for brokerage etc.
 24: Joy was employed as an apprentice and ₹ 10,000 is received from him as an apprentice premium.
 25: Vallary is declared insolvent and the amount due from her is written off.
 27: Paid the amount due to Sharvari in cash.
 28: Akash paid ₹ 25,000 for his son's tuition fees.
 30: Sapna paid ₹ 9,500 and settled her account.
 31: Paid interest for one month on Vikram's loan.

Solution:

Journal of Shri Akash

Date	Particulars	L. F.	Debit ₹	Credit ₹
2022 June 1	Cash A/c Dr. Furniture A/c Dr. Stock of Goods A/c Dr. To Capital A/c (Started business with cash, furniture and stock of goods.)		1,00,000 50,000 10,000	1,60,000
1	Cash A/c Dr. To Vikram's Loan A/c (Loan taken from Vikram at 8% interest p.a.)		1,50,000	1,50,000
4	Bank A/c Dr. To Cash A/c (Opened a bank account and paid cash in it.)		75,000	75,000
6	Cash A/c Dr. Sapna's A/c Dr. To Sales A/c (Sold goods of ₹ 25,000 to Sapna for which Sapna has paid only ₹ 15,000.)		15,000 10,000	25,000
8	Furniture A/c Dr. Drawings A/c Dr. To Cash A/c (Purchased furniture for personal use and also for office use.)		5,000 8,000	13,000
10	Vallary's A/c Dr. To Sales A/c (Sold goods to Vallary on credit.)		20,000	20,000
	Total C/f		4,43,000	4,43,000

	Total B/f	Dr.	4,43,000	4,43,000
10	Cash A/c To Sales A/c (Sold goods for cash.)	Dr.	15,000	15,000
14	Purchases A/c To Bank A/c To Discount A/c To Sharvari's A/c (Purchased goods from Shavari at a TD of 10% and CD of 5% and paid half the amount by cheque.)	Dr.	72,000	34,200 1,800 36,000
15	Charity A/c To Goods given as Charity A/c (Or To Purchases A/c) (Goods given to flood relief fund.)	Dr.	5,000	5,000
16	No entry will be made, because of no transaction.			
17	Sheeba's A/c To Sales A/c (Sold goods to Sheeba as per her order.)	Dr.	20,000	20,000
20	Salary A/c To Cash A/c (Paid salary to Shilpa in cash.)	Dr.	10,000	10,000
20	Stationery A/c To Bank A/c (Purchased stationery and paid by cheque)	Dr.	8,000	8,000
23	Buildings A/c To Bank A/c To Cash A/c (Purchased a building for shop for ₹ 3,00,000 by cheque and paid expenses of ₹ 20,000 in cash.)	Dr.	3,20,000	3,00,000 20,000
24	Cash A/c To Apprentice Premium A/c (Recd. premium from apprentice employed.)	Dr.	10,000	10,000
25	Bad Debts A/c To Vallary's A/c (Amount due from Vallary is written off.)	Dr.	20,000	20,000
27	Sharvari's A/c To Cash A/c To Discount A/c (Amount due to Sharvari ₹ 36,000 is paid to her in cash by deducting cash discount at 5%)	Dr.	36,000	34,200 1,800
	Total C/f		9,59,000	9,59,000

Journal		Total B/f		9,59,000	9,59,000
28	Drawings A/c To Cash A/c (Paid for son's tuition fees.)	Dr.		25,000	25,000
30	Cash A/c Allowance (Discount) A/c To Sapna's A/c (Amount due from Sapna is received and ₹ 500 is allowed as deduction.)	Dr. Dr.		9,500 500	10,000
31	Interest on Vikram's Loan A/c To Cash A/c (Paid one month's interest at 8% on the Vikram's Loan of ₹ 1,50,000.)	Dr.		1,000	1,000
		Total		9,95,000	9,95,000

Notes:

- (1) **June 1:** The personal assets which the proprietor brings into the business for capital are all debited to individual Assets Accounts and is credited to Capital Account.
- (2) **June 1:** When money is borrowed, it is credited to Giver's Loan Account.
- (3) **June 8:** Cupboard bought for personal use is the drawings of the proprietor and so Drawings Account is debited.
- (4) **June 14:** Goods of ₹ 80,000 are purchased at a trade discount of 10%. So the net amount is ₹ 72,000, out of which half the amount ₹ 36,000 is paid immediately. A cash discount of ₹ 1,800 at 5% is received, which is credited to Discount Account. The remaining amount of ₹ 36,000 paid on 27th, i.e. within 15 days of the transaction and cash discount of ₹ 1,800 at 5% is also received.
- (5) **June 23:** The Registration expenses, brokerage etc. paid on purchase of building is added to the cost of the building and so the total amount is debited to Buildings Account.
- (6) **June 24:** Apprentice premium is received from the candidate is an income of business. So, it is credited to Apprentice Premium Account.
- (7) **June 25:** Goods of ₹ 20,000 was sold to Vallary and this amount was due from her. As she is declared insolvent, this amount is not receivable and so it is written off and debited to Bad Debts Account.
- (8) **June 28:** Tuition fees for the son of the proprietor is a personal expense and will be debited to Drawings Account.
- (9) **June 29:** Goods of ₹ 2,50,000 was sold to Sapna, of which she had paid ₹ 15,000. Now, ₹ 10,000 is due from her and she pays only ₹ 9,500 and settles her account. Hence ₹ 500 is considered as a rebate which is debited to Allowance Account.

Illustration 13: The transactions of Shri Pulin for the month of February, 2022 are given below. Write necessary journal entries:

Feb. 1 : Pulin commenced business with Cash ₹ 50,000, Debtors ₹ 10,000 and Stock of goods ₹ 30,000.

2 : Due to need for more money in business, he sold his personal car for ₹ 1,00,000 and brought half the amount in business.

4 : Bought from Prashant goods of ₹ 16,000 at a Trade Disc. of 10%.

5 : Out of the goods bought from Prashant, $\frac{3}{4}$ of the goods were sold to Premal at 10% profit on cost.

6 : Opened a bank account and paid ₹ 30,000 in it.

7 : Premal returned goods of ₹ 1,100 being not according to samples, and we immediately returned these goods to Prashant.

11 : Premal settled his account by giving a crossed cheque of ₹ 10,700.

12 : Gave a cheque to Prashant for the amount due to him after deducting a discount of ₹ 400.

14 : Sold goods to Pranav for ₹ 28,500 and paid ₹ 500 for carriage on his behalf.

18 : Sold goods on behalf of Paritosh and received commission for it ₹ 1,500.

21 : Punit sent goods of ₹ 40,000 to Parag on our instruction for which we sent an invoice of ₹ 46,000 to Parag.

22 : Sold goods of cost price of ₹ 8,000 to Pushkar so as to get a profit of 20% on Sales price.

26 : Purchased shares of Pritam Textile Mills for ₹ 10,000 and paid the amount by a cheque including brokerage at 1%.

28 : ₹ 29,000 is due from Pranav. But only ₹ 15,000 could be recovered from him, as he has become insolvent. The remaining is to be written off.

Solution:

Journal of Shri Pulin

Date	Particulars	L. F.	Debit ₹	Credit ₹
2022	Cash A/c			
Feb. 1	Debtors A/c Dr.		50,000	
	Stock of Goods A/c Dr.		10,000	
	To Capital A/c Dr.		30,000	
	(Commenced business with Cash, Debtors and Stock of goods.)			90,000
2	Cash A/c			
	To Capital A/c Dr.		50,000	
	(Sold personal car for ₹ 1,00,000 and brought half the amount as capital.)			50,000
	Total C/f		1,40,000	1,40,000

	Total B/f		1,40,000	1,40,000
4	Purchases A/c Dr. To Prashant's A/c (Bought goods of ₹ 16,000 from Prashant at 10% trade discount.)		14,400	14,400
5	Premal's A/c Dr. To Sales A/c (3/4 of the goods purchased from Prashant (₹ 10,800 = $14,400 \times 3/4$) sold to Premal at 10% profit ($10,800 + 1,080 = 11,880$.)		11,880	11,880
6	Bank A/c Dr. To Cash A/c (Opened a bank A/c and paid cash ₹ 30,000.)		30,000	30,000
7	Sales Returns A/c Dr. To Premal's A/c (Goods sold to Premal now returned by him.)		1,100	1,100
8	Prashant's A/c Dr. To Purchase Returns A/c (Goods returned by Premal now returned to Prashant from whom it was purchased.)		1,000	1,000
11	Bank A/c Dr. Allowance*(Discount) A/c Dr. To Premal's A/c (Received ₹ 10,700 from Premal by a cheque in full settlement of his dues of ₹ 10,780, the difference transferred to allowance.)		10,700 80	10,780
12	Prashant's A/c Dr. To Bank A/c To Discount A/c (Settled Prashant's A/c by giving a cheque of ₹ 13,000 after deducting discount of ₹ 400.)		13,400	13,000 400
14	Pranav's A/c Dr. To Sales A/c To Cash A/c (Sold goods of ₹ 28,500 to Pranav and paid ₹ 500 for carriage on his behalf.)		29,000	28,500 500
18	Cash A/c Dr. To Commission A/c (Received commission from Paritosh for selling goods on his behalf.)		1,500	1,500
	Total C/f		2,53,060	2,53,060

108				
	Total B/f	Dr.	2,53,060	2,53,060
21(A)	Purchases A/c To Punit's A/c (Punit sent goods to Parag on our instructions.)	Dr.	40,000	40,000
21(B)	Parag's A/c To Sales A/c (Sent an invoice of ₹ 46,000 for goods sent to Parag by Punit.)	Dr.	46,000	46,000
22	Pushkar's A/c To Sales A/c (Sold goods of ₹ 8,000 at a profit of 20% on sales price.)	Dr.	10,000	10,000
26	Pritam Textile Mill's Shares A/c To Bank A/c (Purchased shares of ₹ 10,000 and paid the total amount by cheque including 1% brokerage.)	Dr.	10,100	10,100
28	Cash A/c Bad Debts A/c To Pranav's A/c (Received only ₹ 15,000 from Pranav for the amount of ₹ 29,000 due from him and the balance is written off as bad debts.)	Dr. Dr.	15,000 14,000	29,000
	Total		3,88,160	3,88,160

Notes: (1) Feb 1: The sale of personal car cannot be recorded in the books of accounts of business. But half the amount out of this brought into the business will be credited to Capital Account.

(2) Feb 8: Goods returned by Premal to us, are returned by us to Prashant from whom we had purchased them. One is Sales Return and the other is Purchase Return. Mark the difference between the prices of both. There is a difference of 10%.

(3) Feb 11: The allowance given to Premal will be arrived as follows: Sales ₹ 11,880 – Sales Return ₹ 1,100 = Due from Premal ₹ 10,780 – Received ₹ 10,700 from Premal by a cheque in full settlement of his dues = Allowance allowed to Premal ₹ 80.

(4) Feb 14: We have paid ₹ 500 for carriage on behalf of Pranav. This is not the expense of our business, but is paid on behalf of Pranav. So, Pranav's Account is debited for it. Thus Pranav's Account is debited with the total amount of ₹ 29,000 (28,500 + 500).

(5) Feb 26: When shares are purchased, it is an asset called investment. When asset comes in, it is debited. Hence, Investment Account is debited alongwith the expenses incurred to purchase it.

Illustration 14: Shishir starts a new business. Transactions for the month of March, 2022 are given below. Journalise the transactions:

2022

Mar. 1 : Commenced business with Cash ₹ 1,00,000, Furniture ₹ 75,000, Stock of goods ₹ 40,000 and Creditors of ₹ 15,000.

1 : Expenses incurred in inauguration of shop ₹ 18,000.

3 : Opened bank account with ₹ 70,000.

5 : Bought from Shamik goods 2,000 kg. at ₹ 10 per kilo at a trade discount of 10% and cash discount of 5% and paid the amount by cheque.

8 : Goods purchased from Shamik now sold to Shailesh at a profit of 20% on cost.

10 : Purchased stationery of ₹ 3,000 from Shailendra Stationery Mart.

13 : Paid life insurance premium ₹ 5,000 and fire insurance premium of ₹ 6,000 by cheque.

14 : Received a cheque of ₹ 16,600 from Shailesh on account.

16 : Cheque received from Shailesh paid into the bank.

18 : Purchased 1,000 kg. of goods at ₹ 50 per kg. from auction.

19 : Withdrawn goods of ₹ 2,000 from Shop and withdrawn from Bank ₹ 3,000 for personal use.

21 : Paid ₹ 1,100 and ₹ 5,100 as 'Chanllo' on the occasion of the marriage of Munim's son and Uncle's son respectively.

24 : Paid salary to the Munim ₹ 10,000 in cash and paid rent ₹ 15,000 by cheque.

25 : Amount due from Shailesh is written off as he is declared insolvent.

27 : Purchased a machine for ₹ 50,000 and paid installation charges ₹ 1,000.

The total amount is paid in cash.

28 : Paid advertisement bill of ₹ 5,000 to 'Divya Bhaskar'.

29 : Our salesman sold goods for ₹ 10,000 from which he deducted ₹ 500 for travelling expenses and paid the balance in cash.

30 : Sold furniture worth ₹ 5,000 for ₹ 3,000.

31 : A Duplicate currency note of ₹ 500 is received when a currency notes of ₹ 5,000 were exchanged.

Solution:

Journal of Shri Shishir

Date	Particulars	L. F.	Debit ₹	Credit ₹
2022 Mar. 1	Cash A/c Furniture A/c Stock of Goods A/c To Creditors A/c To Capital A/c (Started business with Cash, Furniture, Stock and Creditors brought in the business as Capital.)	Dr. Dr. Dr.	1,00,000 75,000 40,000	15,000 2,00,000

		Dr.	18,000	18,000
1	Sundry Expenses A/c To Cash A/c (Incurred expenses on inauguration of the shop.)	Dr.	70,000	70,000
3	Bank A/c To Cash A/c (Opened bank account with cash ₹ 70,000.)	Dr.	18,000	900
5	Purchases A/c To Discount A/c To Bank A/c (Purchased 2,000 kg. of goods at ₹ 100 per kg. at a trade discount of 10% and cash discount of 5% and paid by cheque.)	Dr.	21,600	17,100
8	Shailesh's A/c To Sales A/c (Sold goods to Shailesh costing ₹ 18,000 at a profit of 20%)	Dr.	3,000	21,600
10	Stationery A/c To Shailendra Stationery Mart A/c (Purchased stationery on credit.)	Dr.	5,000	3,000
13	Drawings A/c Fire Ins. Premium A/c To Bank A/c (Paid life insurance premium and also fire insurance premium.)	Dr. Dr.	6,000	11,000
14	Cash A/c To Shailesh's A/c (Shailesh gave a cheque on account.)		16,600	16,600
16	Bank A/c To Cash A/c (Cheque received from Shailesh paid into the bank.)	Dr.	16,600	16,600
18	Purchases A/c To Cash A/c (Purchased 1,000 kg. of goods at ₹ 50 per kg. from auction.)	Dr.	50,000	50,000
19	Drawings A/c To Goods withdrawn for personal use A/c (or Purchases A/c) To Bank A/c (Withdrawn goods and cash from bank for personal use.)	Dr.	5,000	2,000 3,000

21	Sundry Expenses A/c Drawings A/c To Cash A/c (Given ₹ 1,100 and ₹ 5,100 as channo on marriage of Munim's son and Uncle's son.)	Dr. Dr.	1,100 5,100		6,200
24	Salary A/c To Cash A/c (Paid salary to Munim in cash.)	Dr.	10,000		10,000
24	Rent A/c To Bank A/c (Paid rent by a cheque.)	Dr.	15,000		15,000
25	Bad Debts A/c To Shailesh's A/c (Amount due from Shailesh written off)	Dr.	5,000		5,000
27	Machinery A/c To Cash A/c (Purchased a machinery for ₹ 50,000 and paid ₹ 1,000 as installation charges in cash.)	Dr.	51,000		51,000
28	Advertisement A/c To Cash A/c (Paid advertisement bill to 'Divya Bhaskar.')	Dr.	5,000		5,000
29	Cash A/c Travelling Expenses A/c To Sales A/c (Received from salesman for sales made by him after deducting travelling expenses.)	Dr. Dr.	9,500 500		10,000
30	Cash A/c Loss due to sale of Furniture A/c To furniture A/c (Furniture of ₹ 5,000 Sold for ₹ 3,000.)	Dr. Dr.	3,000 2,000		5,000
31	Sundry Expenses A/c To Cash A/c (Duplicate ₹ 500 Currency Note cancelled.)	Dr.	500		500
	Total		5,52,500	5,52,500	

Notes:

(1) **Mar. 1:** When some debt is brought into the business, alongwith assets, it is deducted from assets to get the net amount of Capital. Capital = Assets - Liabilities. Here assets are: Cash 1,00,000 + Furniture ₹ 75,000 + Stock ₹ 40,000 = ₹ 2,15,000 - Liabilities ₹ 15,000 = ₹ 2,00,000 Capital.

- (2) **Mar. 13:** Life insurance premium is a personal expense and is debited to Drawings Account, while fire insurance premium is a business expense and is debited to that account.
- (3) **Mar. 19:** Amount withdrawn from bank for personal use is debited to Drawings Account.
- (4) **Mar. 21:** The amount of gift on the occasion of marriage for business purpose is a business expense and is debited to Sundry Expenses Account, while channlo given to personal relative is a personal expense and is debited to Drawings Account.
- (5) **Mar. 31:** A duplicate currency note of ₹ 500 is received which results in loss, Hence, it will be debited to Sundry Expenses Account.

8. IMPORTANT POINTS:

(1) **Definition:** The book in which transactions are first recorded when they take place is called book of original entry. Journal is a book of original entry.

(2) **Details:** There are five columns in journal. One each for Date, Particulars, Ledger Folio, Debit amount and Credit amount. Besides, the description of the transaction is also written which is called 'Narration'.

(3) **Record of Capital:** When the proprietor of business brings money in the business, Capital Account is credited. The businessman gives the benefit to the business and we are writing the books of the business. The businessman becomes the giver of benefit to business. Hence, his account called Capital Account is credited. When he brings some debt also in addition to assets, then the amount credited to Capital Account is the net amount after deducting debts from total assets.

(4) **Drawings:** When a businessman withdraws money or goods from business or pays personal expenses from business, it is debited to his personal account called "Drawings Account", e.g. when he pays from business the college fees of his son, Life insurance premium or Income-tax, his Drawings Account is debited.

(5) **Goods Accounts:** Whenever goods are purchased, goods come into the business and so Purchases Account is debited. Similarly, when some customers return goods sold to them, the goods come into the business and so Sales Return Account is debited. When goods go out of business due to Sale, Purchase return etc. the particular goods account is credited, e.g. Sales Account, Purchase Returns Account, Goods burnt by Fire Account etc. are credited.

(6) **Discount:** The manufacturer or wholesaler allows some rebate to the retailer on the printed price of the goods, so that the retailer can sell goods at printed price and yet make a profit. Such rebate is called trade discount. It is deducted from the invoice and entry in the books of account is made with the net amount only. It means that Trade Discount is not recorded in books of account. But when a customer is allowed a rebate for prompt payment of cash, it is called cash discount. Cash discount is always recorded in the books of account. If

discount is allowed to customers, Discount Account is debited, because it is a loss. If discount is received, Discount Account is credited, because it is an income. Cash and Discount always go together.

(7) Purchase or Sale of Assets: When an asset is purchased, it comes in so Asset Account is debited. If some expenses are paid on purchasing an asset, they are added to the cost of the asset and so they are also debited to Asset Account. If goods are given in exchange of purchase of an asset, then Sales Account is credited with the value of the asset.

When an asset is sold, asset goes out. Hence, Asset Account is credited.

(8) Insurance Premium: The fire insurance premium is an expense of business. So it is debited to Insurance Premium Account. But Life Insurance Premium of the proprietor is his personal expense and so it is debited to Drawings Account.

(9) Loan Transactions: When loan is received from some person for business, Cash Account is debited and Loan Account is credited. The name of the person from whom loan is received is prefixed to the word Loan. Similarly, if the loan is given to somebody, Loan Account is debited and cash or bank account is credited.

(10) Bad Debts: When some amount due from customers is not likely to be received, it is written off as bad debts. As it is a loss, it is debited to Bad Debts Account and the Debtor's Account is credited. If some amount written off as Bad debts in the past, is received now, it is an income and is credited to Bad Debts Recovered Account.

(11) Bank Transactions: Bank is considered to be a person and the rule of Personal Account applies to bank transactions. When money is deposited in the bank, the bank becomes the receiver of benefit so Bank Account is debited. When bank balance increases, Bank Account must be debited. When we make payment by a cheque or when we withdraw money from the bank, the bank gives the benefit and Bank Account is credited. When bank balance decreases, Bank Account is credited. When a cheque is received, it is treated as cash received and is debited to Cash Account. When this cheque is paid in the bank, Bank Account is debited and Cash Account is credited. But when a crossed cheque is received, it has to be paid into the bank so Bank Account is debited and Giver's Account is credited.

(12) Credit Transaction: In a credit transaction, one personal account is always affected and so Personal Account is debited or credited. While in cash transaction, Cash Account is always debited or credited.

► EXERCISES:

A. THEORY:

- (1) What is Journal and why is it called a book of original entry?
- (2) Give a ruling of Journal and explain the details.

- (3) Give a ruling of journal and show how it is written up by taking two imaginary transactions.
- (4) Explain the importance of the Journal.
- (5) Explain how goods transactions are recorded in Journal, taking three such transactions.
- (6) How can goods go out besides sales? How are such transactions recorded in Journal?
- (7) Explain briefly the Banking Transactions relating to a business.
- (8) Distinguish between:
- (1) Trade Discount and Cash Discount.
 - (2) Capital and Drawings.
 - (3) Goods and Assets.
 - (4) Life Insurance Premium and Fire Insurance Premium.

B. OBJECTIVES:

Ex. 1: Choose the correct option out of the four options given at the end of each questions:

- (1) Journal is a –

(A) Primary Book	(B) Secondary Book
(C) Book of original entry	(D) Rough Book
- (2) How many Minimum Accounts are involved in a Journal entry?

(A) One	(B) Two
(C) Three	(D) Four
- (3) When an entry contains more than one debit or more than one credit is called –

(A) Journal Entry	(B) Multiple Journal Entry
(C) Compound Journal Entry	(D) Third Entry
- (4) In a Journal, business transactions are recorded –

(A) In order of the date	(B) As per alphabetical order
(C) At random	(D) Any one of the above.
- (5) From the following, which one is not recorded in the books of account?

(A) Allowance	(B) Bad debts
(C) Trade discount	(D) Cash discount
- (6) The totals of the Debit and Credit columns of a Journal –

(A) must be equal	(B) arrive unevenly
(C) subtracted from each other	(D) are squared up
- (7) When the trader takes away goods from the business –

(A) is called sales	(B) is called Drawings
(C) is an expense of the business	(D) None of these.

[Ans.: (B) is called Drawings.]
- (8) When an amount of bad debts is recovered –

(A) Debtor's Account is credited	(B) Sales Account is credited
(C) Bad Debts Account is credited	
(D) Bad Debts Recovered Account is credited.	

- (9) The payment of wages for installation of a machinery will be debited to –
(A) Wages Account (B) Machinery Account
(C) Cash Account (D) Vendor Account
- (10) When folio number of ledger is entered in L. F. (Ledger Folio) column?
(A) After passing a Journal entry
(B) After totalling of the Debit and Credit columns of a journal
(C) After posting of a journal entry into the ledger
(D) At the end of a particular day
- (11) When goods purchased are returned to the trader it is called –
(A) Returns outwards (B) Returns inwards.
(C) Issue of materials (D) Non-economic transaction.
- (12) Withdrawal from a bank for personal expense will be debited to –
(A) Capital Account (B) Drawings Account
(C) Bank Account (D) Cash Account
- (13) Which account will be credited when a cheque received for income-tax refund is deposited into the firm's bank account?
(A) Bank Account (B) Capital Account
(C) Income Tax Account (D) Dividend Account
- (14) The payment of cartage ₹ 185 on behalf of Raman will be debited to –
(A) Cash Account (B) Raman's Account
(C) Cartage Account (D) Purchases Account
- (15) Which account will be debited when a cheque is issued on the business bank account for the payment of income tax?
(A) Bank Account (B) Drawings Account
(C) Income Tax Account (D) Capital Account

[Ans.: (1) (C); (2) (B); (3) (C); (4) (A); (5) (C); (6) (A); (7) (B); (8) (D); (9) (B); (10) (C); (11) (A); (12) (B); (13) (B); (14) (B); (15) (B)]

Ex. 2: Give answers in one sentence:

(1) What is Journal?

[Ans.: A Journal is a basic book of account, in which business transactions are recorded in order of their happenings.]

(2) What is Compound Entry?

[Ans.: A journal entry in which two or more accounts are debited or credited is called a Compound or Combined Entry.]

(3) What is Discount?

[Ans.: When some less amount is paid or received than the value of goods purchased or sold, such amount is called Discount.]

(4) State the types of Discount.

[Ans.: There are two types of Discount: (1) Trade Discount, and (2) Cash Discount.]

(5) What is Purchase Returns of the goods?

[Ans.: Because of some reasons, when goods are returned to the trader from whom we purchased them, then such return is called as Purchase Returns of the goods.]

(6) What is Sales Returns of the goods?

[Ans.: Due to some reasons, the goods are returned by the customers to whom we sold them, then such return is called as Sales Returns of the goods.]

(7) Which account is debited when the goods are distributed as free samples?

[Ans.: The 'Advertisement Account' is debited when the goods are distributed as free samples.]

(8) Which type of discount is not recorded in the books of accounts?

[Ans.: The 'Trade Discount' is not recorded in the books of accounts.]

(9) Which type of discount is recorded in the books of accounts?

[Ans.: The 'Cash Discount' is recorded in the books of accounts.]

(10) Generally, which account does not involve in a transaction of the income-expenditure?

[Ans.: Generally, a Person's Account is not involved in a transaction of the income-expenditure.]

(11) Give three reasons due to which goods go out except the sale of the goods.

[Ans.: (1) Goods Burnt by Fire, (2) Goods given as Charity, and (3) Goods Distributed as free samples.]

(12) Which discount is allowed at the same rate?

[Ans.: The Cash Discount is allowed at the same rate.]

(13) Which discount is allowed at the different rate?

[Ans.: The Trade Discount is allowed at the different rate.]

(14) What is an Allowance?

[Ans.: The Allowance is a Lump sum amount which is allowed to the customer at the time of settlement of account.]

(15) Which account is debited when installation charges are paid at the time of purchase of a machine?

[Ans.: Installation charges are debited to Machine Account.]

(16) Which account is credited when an owner brings in the personal asset into the business?

[Ans.: The Capital Account is credited when an owner brings in the personal asset into the business.]

(17) What is Narration?

[Ans.: The 'Narration' is the explanation given at the end of every entry in the Journal which provides detailed description of the transaction.]

(18) Which account is debited when the Life Insurance Premium is paid?

[Ans.: The payment of Life Insurance Premium is debited to Drawings A/c.]

(19) Which account is debited when an amount is withdrawn from the bank for Office Expenses?

[Ans.: Cash A/c is debited when an amount is withdrawn from the bank for Office Expes.]

Ex. 3: Fill in the blanks:

- (1) Proprietor's own account in the business is called as _____ Account.
- (2) A _____ is a book of account in which economic transactions of a business are recorded.
- (3) It is not compulsory to keep a _____.
- (4) In Journal, _____ Column is meant for writing the amount of the account which is to be debited.
- (5) The Allowance is also called as _____.
- (6) The Sales Returns is also called as _____.
- (7) The Purchase Returns is also called as _____.
- (8) The goods distributed free as samples is considered as _____ expenses.
- (9) Goods withdrawn for personal use is debited to _____ Account.
- (10) _____ Discount is not recorded in the books of accounts.
- (11) _____ Discount is always recorded in the books of accounts.
- (12) _____ Account will be credited when the proprietor issues a cheque on the personal bank account for the purchase of the goods.
- (13) Milan Stationery Mart will debit _____ Account, when it purchases furniture, but Neelam Furniture Mart will debit _____ Account when it purchases furniture.
- (14) When rent of shop is paid to the landlord Shri Ram, _____ Account is debited and _____ is credited.
- (15) When a trader sells his personal house and brings money into the business, _____ Account is credited.
- (16) Expenses incurred on purchase of an asset are debited to _____ Account.

[Ans.: (1) Capital, (2) Journal, (3) Waste book, (4) Fourth, (5) Discount, (6) Returns inwards, (7) Returns outwards, (8) Advertisement, (9) Drawings, (10) Trade, (11) Cash, (12) Capital, (13) Furniture, Purchases, (14) Rent, Cash, (15) Capital, (16) Asset.]

Ex. 4: State whether the following statements are True or False:

- (1) Journal is a principal book of account.
- (2) Both Trade Discount and Cash Discount are debited to Discount Account.
- (3) Life insurance premium and Fire insurance premium are both business expenses.
- (4) When an order is received for supplying the goods, No entry is made in the books of accounts.
- (5) Income tax is a business expense and is debited to Income-tax Account.
- (6) Personal expenses paid from business are debited to 'Sundry Expenses Account.'
- (7) A businessman writes a transaction in the Journal immediately when it takes place.

- (8) When salary is paid to an accountant, it is debited to Accountant's Account.
 (9) When rent is paid to Shop Owner, it is debited to Shop Owner's Account.
 (10) Shop rent and House rent of the owner are both business expenses.
 (11) When the payment is made to a creditor through a cheque, the creditors and the bank balance both are reduced.

(12) Bank Account is debited when a cross cheque is issued.

[Ans.: (4), (7) and (11) are True, others are False.]

C. PRACTICAL:

Transactions relating to Capital and Drawings:

Ex. 1: Journalise the following transactions of Shri Vijay Patel:

2022

Jan 1 : He started business with cash of ₹ 4,00,000.

2 : Brought goods of ₹ 1,00,000 in business.

5 : Sold personal Car for ₹ 6,00,000 and brought ₹ 4,00,000 out of it in the business.

7 : Brought furniture ₹ 1,00,000, Goods ₹ 1,50,000 and 15% Palak Parikh's Loan of ₹ 2,00,000 in the business.

10 : Paid for life insurance premium ₹ 25,000.

12 : Paid for son Chirantan's college fees ₹ 10,000.

15 : Withdrawn goods of ₹ 12,000 from business for personal use.

[Ans.: The first four transactions relate to capital and Capital Account will be credited. The last three transactions are regarding Drawings and will be debited to Drawings Account.]

Transactions relating to Goods:

Ex. 2: Record the following transactions in Journal:

2022

April 1 : Avani started business with cash ₹ 1,50,000.

2 : Bought goods from Riddhi ₹ 75,000.

4 : Bought goods from Siddhi for cash ₹ 10,500.

7 : Rubina sold us goods for cash ₹ 60,000.

9 : Sold goods ₹ 30,000.

11 : Sold goods to Nirali ₹ 15,000.

16 : Received an order for supplying goods from Neelam ₹ 15,000.

19 : Avani took away goods of ₹ 3,000 for personal use.

22 : Sent goods to Neelam as per her order.

25 : Settled account of Siddhi by paying cash ₹ 10,500.

27 : Received from Nirali in full settlement ₹ 15,000.

29 : Neelam returned goods of ₹ 3,000.

[Ans.: There is no transaction on 16th and so no entry will be passed. On 22nd when goods are supplied according to order, an entry for credit sale will be made.]

Ex. 3: Write the following transactions of Sharvil Shah in his Journal for April, 2022:

- Apr. 1 : Bought goods at 10% trade discount from Vimal ₹ 20,000 and sold them to Apurva at a profit of 20%.
- 7 : Purchased goods for cash from Malav ₹ 20,000.
- 9 : Apurva returned goods ₹ 24,000, which Sharvil returned to Vimal.
- 11 : Goods of ₹ 5,000 were burnt by fire, for which insurance company accepted a claim of ₹ 3,000.
- 14 : Goods stolen from the shop ₹ 500.
- 15 : Goods distributed free as samples ₹ 2,500.
- 16 : Goods given to Banaskantha Draught Relief Fund ₹ 5,000.
- 18 : Goods stolen from railways ₹ 15,000 for which the railways paid ₹ 14,000.
- 22 : Goods of ₹ 4,000 were damaged by rain and were sold for ₹ 1,000.
- 25 : Goods of ₹ 1,000 were received as samples which were sold for ₹ 1,200.
- 27 : Due to fire in the godown goods of ₹ 12,000 were damaged, for which the insurance co. accepted a claim of ₹ 6,000 and damaged goods were sold for ₹ 3,000.
- 29 : Goods of ₹ 50,000 coming by sea, was lost as the ship sank. The Insurance Company paid the full amount.

[Ans.: (1) Sales of 1st ₹ 21,600, (7) It is a cash transaction, (9) Goods returned to Vimal ₹ 2,000 (Sales return of ₹ 2,400 was purchased by us from Vimal for ₹ 2,000), (11) ₹ 3,000 debited to Insurance Co. and ₹ 2,000 debited to Loss by Fire A/c and the full amount credited to Goods Burnt by Fire A/c, (14) Full amount debited to Loss by Theft A/c, (15) Full amount debited to Advertisement A/c, (22) ₹ 3,000 debited to Loss by Rain A/c.]

Transactions relating to Assets:

Ex. 4: Show how you will record the following transactions of Shri Babubhai Biscuitwala in his Journal:

- (1) A machine of ₹ 50,000 was purchased by a cheque for use in business and paid ₹ 1,000 cash for wages for installing it.
 - (2) Purchased Shares of Arvind Mills ₹ 80,000 and paid ₹ 400 for brokerage in cash.
 - (3) Sold old furniture for ₹ 2,000.
 - (4) Purchased weights and balance ₹ 1,000.
 - (5) Purchased a TV for domestic use ₹ 9,000.
 - (6) Purchased a cupboard for ₹ 50,000 and gave goods worth ₹ 42,000 in exchange.
 - (7) Bought a sofa set for office use ₹ 1,50,000.
- [Ans.: In 6th transaction, Furniture A/c is debited with ₹ 50,000 and Sales A/c is credited with ₹ 50,000.]

Transactions of Incomes and Expenses:

Ex. 5: Record the following transactions in the Journal of Nishkam Nanavati:

- (1) Paid for Muhurt expenses for the shop ₹ 8,000.
- (2) Paid office salaries ₹ 30,000.
- (3) Purchased stationery ₹ 4,000.
- (4) Paid wages ₹ 2,000 and carriage ₹ 1,000.
- (5) Paid fire insurance premium ₹ 4,500 and life insurance premium ₹ 7,500.
- (6) Purchased a machine for cash from Priya Machinery Stores ₹ 2,00,000 and paid wages for its installation ₹ 15,000.
- (7) Shop rent paid ₹ 2,000 and residence rent paid ₹ 7,500.
- (8) Received dividend on shares of Arvind Mills ₹ 12,000.
- (9) Paid advertisement bill of Gujarat Samachar ₹ 30,000.

[Ans.: (1) Shop muhurt expenses to be debited to Sundry Expenses A/c. (6) Wages for installation of machinery should be debited to Machinery A/c. (5) Life insurance premium is a personal expense and is therefore debited to Drawings A/c. But fire ins. premium is an expense of business and will be debited to 'Insurance Premium A/c'.]

Transactions involving Trade and Cash Discount and Bad Debts:

Ex. 6: Shri Navin Parikh commenced business on 1/8/2021. His transactions till 31/8/2021 are as follows. Enter them in his Journal:

- Aug.1: Started business with cash of his own ₹ 1,00,000 and loan from Mrs. Parikh ₹ 50,000. In addition, he brought debtors of ₹ 80,000 and goods of ₹ 50,000 in business.
- 3: Bought goods of ₹ 50,000 from Vishal & Co. at a trade Disc. 10%.
- 4: Sold goods to Gajanan & Sons ₹ 10,000.
- 10: Bought goods of ₹ 40,000 from Mihir & Sons at a trade discount of 15% and cash discount of 5%. Paid half the amount in cash.
- 12: Settled account of Vishal & Co. with cash payment of ₹ 40,000. Paid the balance amount due to Mihir & Sons after deducting cash discount of ₹ 500.
- 17: Sold goods worth ₹ 10,000 to Khanna & Sons at a trade discount of 5% and cash discount of 10%. He paid the full amount.
- 20: Received an order from Parimal for supplying goods of ₹ 30,000.
- 22: Bought goods of ₹ 30,000 at a trade discount of ₹ 2,000 and a cash discount of 5%. Paid 3/4th amount to Kantilal Raval.
- 24: Out of goods purchased from Kantilal Raval, half the amount was sold to Pramanik Stores at a profit of 25% on cost and it was agreed to allow 10% cash discount if payment is made within one month.
- 27: Pramanik Stores paid half the amount in cash.
- 29: ₹ 1,000 was due from Gajanan & Co. and a final dividend of 50 paise in a rupee was received today from his receiver.

30: Gajanan & Co. paid ₹ 1,500 cash towards bad debts written off previously.

[Ans.: (1) 10th: Purchases ₹ 34,000, Half purchases ₹ 17,000 less ₹ 850 Cash discount = ₹ 16,150 Cash payment. (2) 12th: Cash discount received ₹ 5,000, Cash paid to Mihir & Sons ₹ 17,000 – ₹ 500 = ₹ 16,500. (3) 17th: Cash discount ₹ 950. (4) 20th: No entry will be passed as No transaction. (5) 22nd: Goods purchased ₹ 28,000 $\times \frac{3}{4}$ = ₹ 21,000 less ₹ 1,050 cash discount = ₹ 19,950. (6) 24th: Cost of goods = 28,000 $\times \frac{1}{2}$ = ₹ 14,000 + 25% profit ₹ 3,500 = ₹ 17,500 selling price. (7) 27th: Cash paid by Pramanik Stores = ₹ 17,500 $\times \frac{1}{2}$ = ₹ 8,750 less 10% discount ₹ 875 = ₹ 7,875. (8) 29th: Bad debts ₹ 5,000. (9) 30th: Bad debts recovered ₹ 1,500.]

Bank Transactions:

Ex. 7: Journalise the following transactions of Shridhar Chakravarti for 2022:

June 1: Commenced business with Cash ₹ 3,60,000, Debtors ₹ 50,000, Creditors ₹ 20,000 and Bank overdraft ₹ 1,70,000.

2: Opened a bank account with State Bank of India with ₹ 1,50,000.

5: Sold goods at 10% trade discount ₹ 1,00,000 and the money was received by a cheque.

6: Sold goods to Smita Nadkarni at 10% Cash Discount ₹ 80,000 and she paid half the amount by a crossed cheque.

7: Bank collected dividend ₹ 10,000 on behalf of Chakravarti and charged interest ₹ 1,000 on bank overdraft.

8: Paid life insurance premium by cheque ₹ 8,000.

9: Gave a bearer cheque of ₹ 5,000 to the Draught Relief Fund.

10: Withdrawn from bank ₹ 1,000 for household expenses and ₹ 2,000 for office expenses.

[Ans.: 6th June: ₹ 40,000 less 10% cash discount ₹ 4,000 = ₹ 36,000 amount of crossed cheque.]

Ex. 8: Record the following bank transactions in the Journal of Shri Ajay Mehra:

(1) Opened bank account with Dena Bank with ₹ 1,00,000.

(2) Bought goods worth ₹ 30,000 from Akshya Patel at 10% trade discount and 5% cash discount. A cross cheque was given for half the amount.

(3) Paid life insurance premium ₹ 5,000 by a cheque.

(4) ₹ 5,100 was due from Nisha and a crossed cheque of ₹ 5,000 was received from her in full settlement.

(5) Received income-tax refund ₹ 5,000 by a crossed cheque.

(6) Received a crossed cheque of ₹ 54,000 from Sunil Traders on account. Allowed 10% discount to them.

(7) Repaid in full, bank overdraft of ₹ 1,00,000 and interest ₹ 1,000.

(8) Cheque received from Sunita Traders is dishonoured. They were declared insolvent and 50 paise in a rupee could be recovered from them.

(9) Bank refunded ₹ 250 for bank charges overcharged.

[Ans.: (3) Life insurance premium, being a personal expense, is debited to Drawings A/c (4) Whenever a crossed cheque is received, bank A/c is debited because it has to be paid into the bank (6) If we allow 10% discount on ₹ 100 due then we get ₹ 90 in cash. Here, we have received ₹ 54,000 in cash. Therefore the amount due is $54,000 \times 1,000/900 = ₹ 60,000$. So ₹ 60,000 will be credited to Sunita Traders, and ₹ 6,000 will be debited to Discount A/c and ₹ 54,000 to Bank A/c. (7) When bank overdraft is repaid, Bank A/c is debited because bank is the receiver. Cash goes out and so Cash A/c is credited. Interest is debited to Interest A/c. (8) When Sunita Traders' cheque, which we had paid into the bank, is dishonoured, our bank balance is reduced. So, Bank A/c is credited and Sunita Traders A/c is debited. The whole entry will be ₹ 60,000 debited to Sunita Traders, ₹ 6,000 credited to Discount A/c and ₹ 54,000 credited to Bank A/c. (9) When bank gives refund, our Bank balance increases, so Bank A/c is debited and bank charges A/c is credited.]

Bank and Loan Transactions:

Ex. 9: Journalise the following transactions of Mohanlal Mithaiwala:

2022

May 1 : Opened a bank account with Dena Bank with ₹ 50,000.

2 : Withdrew ₹ 5,000 from bank for office use.

3 : Purchased a cupboard for office use for ₹ 6,000 and paid by cheque.

4 : Sunil paid a cheque for the full amount of sales made to him for ₹ 5,000.

5 : Cheque received from Sunil paid into bank.

7 : Purchased goods worth ₹ 50,000 from Rajesh Khanna at 5% cash discount and paid half the amount by a cheque.

21 : Borrowed from Apurva Dalal ₹ 50,000.

23 : Received from Dipesh Shah ₹ 1,500 for interest on loan given to him.

25 : Gave a loan of ₹ 10,000 to Himmatlal Rathod.

30 : Received ₹ 20,000 from the loan given to Mahesh Patel.

31 : ₹ 1,250 is due for interest on loan given to Chiman Marwadi.

[Ans: (1) May 1: Bank A/c is debited and Cash A/c is credited. (2) Cash A/c debited and Bank A/c credited. (3) Furniture A/c debited and Bank A/c credited. (4) Cheque is received for which Cash A/c is debited. (5) When cheque is paid into bank, Bank A/c is debited and Cash A/c is credited. (30) When loan amount is returned, Mahesh's Loan A/c is credited. (31) When interest is due, Chiman Marwadi's Loan A/c is debited and Interest A/c is credited.]

Ex. 10: Journalise the following transactions of Shri Anil Kapoor for March, 2022:

2022

Mar. 1 : Purchased goods from Akshaykumar at 10% trade discount and 5% cash discount ₹ 2,00,000. Paid the amount by a cheque.

2 : Paid by cheques life insurance premium ₹ 20,000 and fire insurance premium ₹ 10,000.

Total B/f				
5.	Cash A/c	Dr.	27,000	27,000
	To Gangaram and Sons A/c		3,000	
	(The amount received from Gangaram & Sons at 40 paise in a rupee towards the amount written off as bad debts last year.)			3,000
Total			30,000	30,000

[Ans.: (1) Correct, (2) Wrong: Correct entry: Salary A/c Dr. To Bank A/c (3) Wrong: Correct entry: Cash A/c Dr. To Sales A/c. (4) Wrong: Correct entry: Purchases A/c Dr. To Vora Bros. A/c. (5) Wrong: Correct entry: Cash A/c Dr. To Bad Debts Recovered A/c.]

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