CHAPTER - 2

DOUBLE ENTRY BOOK KEEPING

Book keeping is the art of recording the business transactions in the books of accounts in a systematic manner.

Every businessman aims at profit of his business. Thus, the businessman is very anxious to know the result of his business - profit or loss - at the end of a year or end of particular period. As the business is a continuous process, unless the businessman records all the particulars of his business such as purchases, sales, incomes, expenses and other particulars, he may not know whether his business has earned a profit or incurred a loss. So, all the particulars of the business, otherwise, all the transactions of the business must be properly recorded in the books of accounts to find the profit / loss. Thus, the process of recording the business transactions in the books of accounts in a systematic manner is called book-keeping.

The advantages (object) of book keeping are :

(i) It is a permanent record
(ii) It Helps calculation of profit / loss
(iii) Knowing the financial position as on a date
(iv) Calculation of borrowings and dues are possible
(v) Ascertainment of growth of business is made.
(vi) Ascertainment of financial position of business
(vii) Identifying the Do's and Dont's

TYPES OF BOOK - KEEPING

There are two different types of book-keeping. They are -

1. Single entry system of book-keeping.
2. Double entry system of book-keeping.

Single entry system of book-keeping is a system where only the personal aspects of the transactions and cash are recorded and the impersonal aspects (real & nominal) are ignored. This system is incomplete, inaccurate and unscientific.

Double entry system of book-keeping is a system where both the aspects of a transaction - debit and credit - are recorded in the books. This is the most scientific, complete and accurate system of accounting.

DOUBLE ENTRY SYSTEM OF BOOK - KEEPING

Every transaction has two aspects - debit aspect & credit aspect. Depends upon the type of a transaction, out of the two aspects, one aspects may be in the form of receiving or incoming or expense. The other aspect may be in the form of giving or outgoing or income. The aspect which is in the form of receiving / incoming / expense is called debit aspect. The aspect which is in the form of giving/outgoing/income is called credit aspect. Both these aspects of a transaction - debit & credit - are recorded in the books of accounts. Thus, double entry system of book-keeping is a system where both the aspect of a transaction - debit and credit are recorded in the books of the business. This is the most scientific, complete and accurate system of accounting.

Advantages of double entry system :

1. This system gives full accounting information about the business transaction.
2. The accuracy of accounting records can be verified by preparing the trial balance.
3. Helps preparation of final accounts.
4. The value of assets and liabilities can be known through the balance sheet.
5. Helps detection and prevention of errors.
6. Correct tax assessment is possible with this system.

Difference between Double Entry and Single Entry System

Double Entry	Single Entry
1. Both the debit are credit aspects of a transaction are recorded	1. Only one aspect of a transaction is recorded.
2. There are personal accounts, real accounts and nominal accounts	2. There are personal accounts and cash accounts only
3. Trial Balance can be prepared	3. Trial balance cannot be prepared.
4. Trading a/c, profit & loss a/c and balance sheet can be prepared.	4. Trading a/c, profit & loss a/c, and balance sheet cannot be prepared
5. Errors can be located	5. Errors cannot be located
6. It is a perfect system of book-keeping	6. It is an imperfect system of book-keeping.
7. Tax authorities accept this method	7. Tax authorities do not accept this method

BOOKS OF ACCOUNTS :

Business concerns which follow the double entry system of book-keeping maintain two account books, namely journal and ledger.

JOURNAL

Journal is the book where the transactions are first entered. The transactions are entered in the order in which they occur. This book is called book of original entry or book of prime entry or the day book.

Form of Journal :

Date	Particulars	L.F	Debit	Credit

JOURNALISING

The process of recording the transaction in the journal is called 'journalising'.

Below each journal entry a brief explanation of the transaction is given within brackets. This is called **'narration'**.

CLASSIFICATIONS OF ACCOUNTS

To enable journalising the transactions are grouped under three accounts. They are Personal accounts, Real accounts and Nominal accounts.

1. Personal Accounts :

These accounts refer to accounts of persons, institutions, organisations etc. (e.g) Rajan a/c, Bank a/c, College a/c, Hospital a/c, etc.,

2. Real Accounts :

These accounts refer to accounts of real things which can be seen and touched.
(e.g) Cash a/c, Building a/c, Furniture a/c, Book a/c etc.

3. Nominal Accounts :

These accounts refer to accounts of fictitious things. They do not really exist. We cannot see, but only feel it.
(eg) Salary a/c, Rent a/c, Commission a/c, etc.

RULES FOR JOURNALISING

Any transaction involves two aspects (accounts). We should identify these two accounts and write the journal entry following the fundamental rules.

S.No.	Nature of Account	Rule of Account
1.	Personal a/c	*Debit*, the receiver *Credit*, the giver
2.	Real a/c	*Debit*, what comes in *Credit*, what goes out
3.	Nominal a/c	*Debit*, all expenses and losses *Credit*, all incomes and gains

Illustration : 1

Journalise the following transactions in the books of Glory.

2005
Jan 1 Started business with cash ₹ 9000
" 2 Purchased goods for cash ₹ 2100
" 3 Sold goods for cash ₹ 700
" 4 Deposited into Canara Bank ₹ 3000
" 5 Cash received from Rajan ₹ 400
" 6 Cash paid to Ananda Traders ₹ 1000
" 7 Paid salary ₹ 300
" 8 Paid Rent ₹ 400
" 9 Received commission ₹ 200
" 10 Withdrew from Canara Bank ₹.1200

Solution :

Journals in the books of Glory

Date	Particulars		L.F.	Debit	Credit
2005				₹	
Jan 1	Cash a/c	Dr		9,000	
	To Capital a/c				9,000
	(Being the business started)				
" 2	Purchases a/c	Dr		2,100	
	To Cash a/c				2,100
	(Being purchases made)				
" 3	Cash a/c	Dr		700	
	To Sales a/c				700
	(Being sales made)				
" 4	Canara Bank a/c	Dr		3,000	
	To Cash a/c				3,000
	(Beng cash paid into bank)				
" 5	Cash a/c	Dr		400	
	To Rajan a/c				400
	(Being cash received from Rajan)				

Jan 6	Ananda Traders a/c Dr To Cash a/c (Being cash paid to Ananda Traders)		1,000	1,000
" 7	Salary a/c Dr To Cash a/c (Being salary paid)		300	300
" 8	Rent a/c Dr To Cash a/c (Being rent paid)		400	400
" 9	Cash a/c Dr To Commission a/c (Being commission received)		200	200
" 10	Cash a/c Dr To Canara Bank a/c (Being cash withdrawn from bank)		1200	1200
	Total		18300	18300

Illustration 2 :

Journalise the following transactions:

2005

Jan11 Purchased goods for ₹ 1500

" 12 Purchased goods from Jeyam Stores ₹ 900

" 13 Sold goods for ₹ 1100

" 14 Sold goods to Raju ₹ 250

" 15 Bought Furniture for cash ₹ 2000

" 16 Bought Furniture from JFA Furniture Mart ₹ 800

" 17 Goods returned to Jeyam Stores ₹ 200

" 18 Raju returned goods worth ₹100

" 19 Drew for private use ₹500

" 20 Electric charges amounted ₹120

Solution

Journals

Date	Particulars	L.F.	Debit	Credit
			₹	
2005 Jan11	Purchases a/c Dr To Cash a/c (Being purchases made)		1,500	1,500
" 12	Purchases a/c Dr To Jeyam Stores a/c (Being credit purchases made)		900	900
" 13	Cash a/c Dr To Sales a/c (Being sales made)		1100	1100
" 14	Raju a/c Dr To Sales a/c (Being credit sales made)		250	250
" 15	Furniture a/c Dr To Cash a/c (Being furniture purchased)		2000	2000
" 16	Furniture a/c Dr To JFA Furniture Mart a/c (Being furniture purchased for credit)		800	800
" 17	Jeyam Stores a/c Dr To Returns Outwards a/c (Being purchases return to Jeyam Stores)		200	200
" 18	Returns Inwards a/c Dr To Raju a/c (Being sales reutrn from Raju)		100	100
" 19	Drawings a/c Dr To Cash a/c (Being cash withdrawn for personal use)		500	500
" 20	Electric Charges a/c Dr To Cash a/c (Being electric charges paid)		120	120
	Total		7470	7470

Illustration : 3

Journalise the following transactions

2005

Jan21 Withdrew from Bank for personal use ₹1000

" 22 Purchased goods and paid by cheque ₹2500

" 23 Purchased from Jeya Stores ₹2000

" 24 Sold goods to Baskar ₹1000

" 25 Paid Jeya Stores amount due to them less 10% discount

" 26 Basker settled his account by giving ₹950

" 27 Paid 'Advertisement Charges' to 'The Daily Thanthi' ₹600.

" 28 Received cheque from Abi ₹1400.

" 29 The proprietor has brought into the business further cash ₹7000, Furniture worth ₹3000, Stock worth ₹5000 and gave for business purpose Building worth ₹25,000

" 30 Got a loan from mMurali ₹5000

" 31 Drawn from Bank for office use ₹2700

Solution :

Journals

Date	Particulars		L.F.	Debit	Credit
2005				₹	
Jan 21	Drawings a/c	Dr		1000	
	To Bank a/c				1000
	(Being cash withdrawn from Bank for personal expeneses)				
" 22	Purchases a/c	Dr		2500	
	To Bank a/c				2500
	(Being purchases made by cheque)				
" 23	Purchases a/c	Dr		2000	
	To Jeya Stores a/c				2000
	(Being credit purchases made)				

" 24	Baskar a/c	Dr		1000	
	To Sales a/c				1000
	(Being credit sales made)				
" 25	Jeya Stores a/c	Dr		2000	
	To Cash a/c				1800
	To Discount a/c				200
	(Being Jeya Stores a/c settled)				
" 26	Cash a/c	Dr		950	
	Discount a/c	Dr		50	
	To Baskar a/c				1000
	(Being Basker settled his account)				
" 27	Advertisement a/c	Dr		600	
	To Cash a/c				600
	(Being advertisement charges paid)				
" 28	Cash a/c	Dr		1,400	
	To Abi a/c				1,400
	(Being cheque received from Abi)				
" 29	Cash a/c	Dr		7,000	
	Furniture a/c	Dr		3,000	
	Stock a/c	Dr		5,000	
	Buildings a/c	Dr		25,000	
	To Capital a/c				40,000
	(Being varians assets brought in to the business)				
" 30	Cash a/c	Dr		5,000	
	To Murali's Loan a/c				5,000
	(Being loan got from Murali)				
" 31	Cash a/c	Dr		2,700	
	To Bank a/c				2,700
	(Being withdrawal from bank)				
	Total			59,200	59,200

Illustration 4 :

Pass necessary journal entries for the following transaction in the books of Rajan

2009 May

11 ₹ 2,000 was stolen from the office

18 Given on charity cash ₹ 400; Goods ₹ 800 and a fan ₹ 1,000

20 Received cash from Raj bad debts written of last year ₹ 1,800

24 Goods worth ₹ 1,500 stolen by an employee

26 Installation charges ₹ 600

27 Goods worth ₹ 800 destroyed by fire

30 Goods worth ₹ 500 distributed as sample

Solution :

Date	Particulars		L.F.	Debit	Credit
2009 May 11	Loss by theft a/c	Dr.		1,000	
	To Cash				1,000
	(Being cash stolen from the office)				
18	Charity a/c	Dr.		2,200	
	To Cash				400
	To Goods				800
	To Fan				1,000
	(Being the cash, goods and fan given as charity)				
20	Cash a/c	Dr.		1,800	
	To Bad debts received				1,800
	(Being the amount received from Raj part of the bad debts)				
24	Loss by theft a/c	Dr.		1,500	
	To Purchases a/c				1,500
	(Being loss of goods by theft)				
26	Installation charges a/c	Dr.		600	
	To Cash				600
	(Being installation charges paid)				
27	Loss by fire a/c	Dr.		800	
	To Purchases a/c				800
	(Being goods lost by fire)				
30	Free samplesa/c	Dr.		500	
	To Purchases				500
	(Being goods distributed as sample)				

LEDGER

Ledger is the book of main or principal entry. Transactions recorded in the journal are transferred to the concerned accounts in the ledger in a summarised and classified form. The transferring process is known as **'posting'**. After posting, the accounts are **'balanced'**.

Form of Ledger :

Name of Account

Dr | Cr

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount

Ledger consists of numerous accounts. These are of persons, firms, properties, expenses, income, etc.

Difference between Journal and Ledger

Journal	Ledger
1. Book of prime entry	1. Book of principal entry
2. Transactions are entered datewise	2. Transactions are not entered datewise
3. Recording in journal is called 'Journalising'	3. Recording in ledger is called 'posting'
4. Journal contains journal entries	4. Leger contains numerous accounts
5. Transactions are first entered in journal	5. Journals are posted to concerned accounts in ledge.

Illustration : 5

Journalise the following transactions and prepare ledger accounts.

2005

Feb 1 Sold goods for cash ₹1300 1500

" 2 Purchased goods ₹ 400 500

" 3 Purchased goods from Kumar ₹ ~~3,000~~ 4000

" 4 Sold goods to Prabu ₹ 2,000 3000

" 5 Received cash from Prabu ₹ 1200 1500

" 6 Paid to Kumar ₹ 1000 2000

" 7 Paid salary ₹ 700 800

Solution :

Journals

Date	Particulars		L.F.	Debit	Credit
2005				₹	
Feb 1	Cash a/c	Dr		1,300	
	To Sales a/c				1,300
	(Being sales made)				
" 2	Purchases a/c	Dr		400	
	To Cash a/c				400
	(Being Purchases made)				
" 3	Purchases a/c	Dr		3,000	
	To Kumar a/c				3,000
	(Being credit purchase made)				
" 4	Prabu a/c	Dr		2,000	
	To Sales a/c				2,000
	(Being credit sales made)				
" 5	Cash a/c	Dr		1,200	
	To Prabu a/c				1,200
	(Being cash received from Prabu)				
" 6	Kumar a/c	Dr		1,000	
	To Cash a/c				1,000
	(Being cash paid to Kumar)				
" 7	Salary a/c	Dr		700	
	To Cash				700
	(Being salary paid)				
		Total		9,600	9,600

Ledger :

Cash Account

Dr | Cr

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
			₹	2005			₹
2005				Feb2	By Purchases a/c		400
Feb1	To Sales a/c		1,300	Feb6	" Kumar a/c		1,000
" 5	" Prabu a/c		1,200	Feb7	" Salary a/c		700
				Feb28	" Balance c/d		400
			2,500				2,500
Mar1	To Balance b/d		400				

Sales Account

Dr | Cr

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
			₹				₹
2005				2005			
Feb				Feb1	By Cash a/c		1,300
				" 4	" Prabu a/c		2,000
" 28	To Balance c/d		3,300				
			3,300				3,300
				Mar1	" Balance b/d		3,300

Purchases Account

Dr | Cr

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
			₹				₹
2005				2005			
Feb2	To Cash a/c		400	Feb			
" 3	" Kumar a/c		3,000				
				" 28	By Balance c/d		3,400
			3,400				3,400
Mar.1	" Balance b/d		3,400				

Dr **Kumar Account** Cr

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
			₹				₹
2005				2005			
Feb6	To Cash a/c		1,000	Feb3	By purchases a/c		3,000
" 28	" Balance c/d		2,000				
			3,000				3,000
				Mar1	By Balance b/d		2,000

Dr **Prabu Account** Cr

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
			₹				₹
2005				2005			
Feb4	To Sales a/c		2,000	Feb5	By Cash a/c		1,200
				" 28	By Balance c/d		800
			2,000				2,000
Mar1	To Balance b/d		800				

Dr **Salary Account** Cr

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
			₹				₹
2005				2005			
Feb7	To Cash a/c		700	Feb28	By Balance c/d		700
			700				700
Mar1	To Balance b/d		700				

TRIAL BALANCE

The balance of various ledger accounts at the end of a period are listed down in the form of a statement called 'trial balance'.

Thus, **trial balance is a statement which contains the balances of ledger accounts.** If the total of the debit side and total of the credit side of the trial balance are equal, it means that the accounts so far recorded are arithmatically correct. Trial balance is a statement. It is not an account.

Functions of trial balance

(i) Trial balance is prepared to know the arithmatic accuracy of accounts

(ii) It helps in preparing the final accounts and balance sheet.

(iii) It presents to the business a consolidated list of ledger balances.

Form of Trial Balance :

TRIAL BALANCE

S.No	Particulars	LF	Debit	Credit

Illustration : 6

Prepare trial balance with the help of Illustration No.: 5

Trial Balance

S.No	Particulars	LF	Debit	Credit
1.	Cash a/c		400	-
2.	Purchases a/c		3,400	-
3.	Sales a/c		-	3,300
4.	Kumar a/c		-	2,000
5.	Anbu a/c		800	-
6.	Salary a/c		700	-
	Total		5, 300	5, 300

Illustration : 7

From the following list of balances, prepare a trial balance as on 31.3.2000

Capital ₹ 1,00,000 C ; Buildings ₹ 15,000 ; D
Drawings ₹ 18,000 D ; Furniture ₹ 7,500 ; D
Motor Van ₹ 25,000 D ; Loan from Arun ₹ 15,000 ; C
Interest Paid ₹ 900 D ; Sales ₹ 1,00,000 ; C
Purchases ₹ 75,000 D ; Stock ₹ 25,000 ; D
Wages ₹ 3000 D ; Salaries ₹ 15,000 D
Commission received ₹ 7,500 C ; Debtors ₹ 28,100 ; D
Bank Balance ₹ 20,000 D ; Creditors ₹ 10,000 C

(M.S. University Ap. 2004)

Solution :

Trial balance as on 31.3.2000

S.No	Particulars	LF	Debit	Credit
			₹	
1.	Capital		-	1,00,000
2.	Buildings		15,000	-
3.	Drawings		18,000	-
4.	Furniture		7,500	-
5.	Motor Van		25,000	-
6.	Loan from Arun		-	15,000
7.	Interest paid		900	-
8.	Sales		-	1,00,000
9.	Purchases		75,000	-
10.	Stock		25,000	-
11.	Wages		3,000	-
12.	Salaries		15,000	-
13.	Commission Received		-	7,500
14.	Debtors		28,100	-
15.	Bank Balance		20,000	-
16.	Creditors		-	10,000
	Total		2,32,500	2,32,500

Illustration : 8

Correct the following trial balance on 31.3.97

Returns outwards C	16,000	Debtors D	15,000
Opening Stock D	34,200	Rent paid D	5,000
Salaries D	12,000	Capital C	55,200
Creditors C	48,000	Machinery D	18,000
Bank D	45,000	Returns inwards D	3,000
Carriage inwards D	6,000	Discount received C	4,000
Rent received C	3,000	General expenses D	6,000
Discount allowed D	2,000	Sales C	1,40,000
Purchases D	1,00,000	Building D	20,000
	2,66,200		2,66,200

(M.S. University Nov 99, Nov 2002, Ap 2004)

Solution :

Trial Balance as on 31.3.1997

S.No	Particulars	LF	Debit	Credit
1.	Returns outwards		-	16,000
2.	Opening Stock		34,200	
3.	Salaries		12,000	
4.	Creditors		-	48,000
5.	Bank		45,000	-
6.	Carriage inwards		6,000	-
7.	Rent received		-	3,000
8.	Discount allowed		2,000	-
9.	Purchases		1,00,000	-
10.	Debtors		15,000	-
11.	Rent paid		5,000	-
12.	Capital		-	55,200
13.	Machinery		18,000	-
14.	Returns inwards		3,000	-
15.	Discount received		-	4,000
16.	General expenses		6,000	-
17.	Sales		-	1,40,000
18.	Building		20,000	-
	Total		2,66,200	2,66,200

Illustration : 9

The following Trial Balance has been prepared wrongly and you are required to prepare the Trial Balance correctly

Particulars	Debit	Credit
Capital C	22,000	
Stock D		10,000
Debtors D	8,000	
Creditors C		12,000
Machinery D		20,000
Cash in hand D		2,000
Bank overdraft C	14,000	
Sales return D		8,000
Purchase return C	4,000	
Miscellaneous Expenses D	12,000	
Sales C		44,000
Purchases D	26,000	
Wages D	10,000	
Salaries D		12,000
Prepaid insurance D		200
Bills payable C	10,800	
Outstanding Salaries C	1,400	
TOTAL	1,08,200	1,08,200

Solution :

Trial Balance

Particulars	Debit	Particulars	Credit
Stock	10,000	Capital	22,000
Debtors	8,000	Creditors	12,000
Machinery	20,000	Bank overdraft	14,000
Cash in hand	2,000	Purchases return	4,000
Sales return	8,000	Sales	44,000
Miscellaneous Expenses	12,000	Bills payable	10,800
Purchases	26,000	Outstanding salaries	1,400
Wages	10,000		
Salaries	12,000		
Prepaid insurance	200		
	1,08,200		1,08,200

EXERCISES

1. Journalise the following transactions

1996		
April	1	Started business with a capital of ₹5,000
"	3	Purchased goods from Mr. Guru ₹ 1,500
"	5	Sold goods to Mr. Kamal ₹ 500
"	7	Cash sales ₹ 1,300
"	8	Purchased Furniture for ₹ 1,000
"	9	Received Interest ₹ 50
"	11	Withdrew cash from bank for personal use ₹200
"	15	Deposited cash into bank ₹ 2,000

(M.S. Universtiy, April 2000)

2. Journalise the following transactions :

	₹
i) Salary paid to santhosh	15,000
ii) Bought goods from shyam	10,000
iii) Sold goods to Raja	12,000
iv) Purchased furniture from Hari & Co. for cash	1,500
v) Cash received from Raj	18,000
vi) Paid cash to Shyam	6, 000
vii) Cash received from 'S' ₹ 1,900 and discount allowed to him ₹100/-	

(M.S.University, Nov 2004)

3. From the information below journalise it :
   - i) Salary paid ₹ 5000
   - ii) Rent paid to house owner ₹ 1000
   - iii) Credit purchases from Mr. A. ₹ 2000
   - iv) Discount received ₹ 500
   - v) Cash sales ₹ 10,000

(M.S. University, Nov 2000)

4. Journalise the following transactions in the books of Martin

1.7.97	Bought a cycle for office use for ₹ 1600 in cash
4.7.97	Sold goods on credit to the following customers.

		₹
Deva	-	2000
Kanna	-	3000
Krishna	-	4000

9.7.97 Martin the proprietor has broght in further to the business

		₹
Cash	-	7000
Furniture	-	3000
Stock	-	5000

The same for business purpose building worth ₹ 25,000

13.7.97 Bought goods from Ravindra & Bros for ₹ 2400 on credit

(M.S. University, Nov 99)

5. Journalise the following transactions in the book of a Trader :

April 1, 1994 : Cash in hand ₹ 8,000, Cash at bank ₹ 25,600, Stock of goods ₹ 20,000, Furniture ₹ 4000, Building ₹ 10,000.

Debtors : Vijay ₹ 2,700, Anil ₹ 1,500, Akbar ₹ 2,000, Anbu ₹ 1,800, Madhu ₹ 100

Creditors : Anand ₹ 5,400, Ahamed and Co ₹ 7,700, Balu ₹ 5,200, Loan from wife ₹ 10,000.

April 1994
1. Purchased goods worth ₹ 5,000 and 20% trade discount and 5% cash discount.
3. ₹ 2,646 received from Vijay, allowed him discount of ₹ 54.
8. Goods worth ₹ 500 were damaged in transit and a claim was made on the railway authorities for the same.
10. Anbu is declared insolvent and a dividend of 50 paise in the rupee is received from him in full settlement.

(M.S. Unversity, April 2000)

6. Prepare A's account from the following transactions :

1995

Jan
3. A bought goods for ₹ 5,000 subject to a trade discount of 15%
6. Bought goods from A for ₹ 2,500
8. Sold goods to A for cash ₹3,000
10. Damaged goods returned by A ₹ 200
14. Received cash from A ₹ 1,000 ; allowed him discount ₹ 100
15. A sold goods for ₹ 1,000 subject to trade discount of 10%
20. Sold good to A on credit ₹ 2,000
30. A settled his account

7. From the following balances extracted from the books of mahimaidoss, prepare a trial balance as on 31st march, 1992.

		₹			₹
Capital	-	24,500	Loan (Cr)	-	7,880
Drawings	-	2,000	Sales	-	65,360
General expenses	-	3,500	Purchases	-	47,000
Buildings	-	11,000	Motar car	-	2,000
Machinery	-	9,340	Reserve fund	-	900
Stock	-	16,000	Commission (Cr)	-	2,370
Taxes and Insurance	-	1,315	Car expenses	-	1,800
Wages	-	7,200	Bills payable	-	3,800
Debtors	-	7,280	Cash	-	80
Bad Debts	-	550	Bank overdraft	-	4,300
Creditors	-	2,500	Charity	-	105
			Discount	-	2440

(Ans : Trial balance Total 1, 11, 610)
(M.S. University, 2003)

8. The following are the balances extracted from the books of Mohamed as on 31st December, 1999. Prepare a trial balance.

	₹
Capital	20,000
Cash in hand	5,000
Buildings	20,000
Stock on 1-1-1999	3000
Sundry creditors	6000
Commission paid	700
Rent and Rates	300
Purchases	60,000
Purchase Returns	750
Furniture & Fixture	1600

Loan to Ram	1000
Discount Allowed	50
Bad Debts	350
Drawings	5000
Cash at Bank	8000
Machinery	6000
Sundry debtors	8000
Repairs	400
Wages	1700
Insurance Premium	300
Sales	96,000
Sales Returns	400
Carriage	200
Telephone charges	250
Salaries	600
Discount Earned	100

(Ans : Trial balance Amount 1,22,850)

(M.S. University April 2000)

9. The following balances were taken from the books of Mr. Mukesh on 31.12.1999. Prepare Trial balance from them

Particulars	₹	Particulars	₹
Capital	30,000	Sales	96,000
Cash	5,000	Sales returns	400
Buildings	30,000	Commission received	100
Op. Stock	3,000	Discount allowed	700
Debtors	8,000	Rent and taxes	300
Drawings	5,000	Purchases	60,000
Bank (Dr)	8,000	Purcheses return	750
Machinary	6,000	Furniture	1,600
Creditors	6,000	Loan to Raman	1,000
Repairs	400	Commission allowed	50
Wages	1,700	Bad debts	350
Insurance premium	300	Advertisement	200
Salaries	850		

(Ans : Trial balance total Amount 1,32,850)

(M.S. University, Nov 2002)

10. Redraw correctly the trial balance given below :

Debit	₹	Credit	₹
Capital	8,000	Debtors	7,580
Bad debts recovered	250	Bank deposite	2,750
Creditors	1,250	Discount allowed	40
Returns outwards	350	Drawings	600
Bank overdraft	1,570	Returns inwards	450
Rent	360	Sales	14,690
Salaries	850	Bills payable	1,350
Postage	300		
Cash in hand	210		
Opening stock	2,450		
Purchases	11,870		
	27,460		27,460

(M.S. University April 2000)

11. Following are the balances of accounts in the ledger of a business on 31-12-2005. Prepare a Trial Balance on that date.

	₹
Capital a/c	1,00,000
Machinery a/c	25,000
B/R.a/c	7,500
B/Pa/c	6,500
Purchases a/c	1,25,000
Stock (1.4.2004)	27,500
Rent paid a/c	8,000
Salary a/c	15,000
Sales a/c	1,75,000
Return inwards a/c	2,000
Return outwards a/c	2,500
Drawings a/c	10,000
Wages	10,000
Cash on hand	5,000
Discount allowance	1,500

Discount received	3,000
Creditors a/c	25,000
Debtors a/c	22,500
Fixed Assets	50,000
Bad Debts	3,000

(Ans: Trail Balance Total 3,12,000)

12. From the following balance of accounts prepare trial balance

Capital a/c ₹ 40000; Buildings a/c ₹ 6000; Bank a/c ₹ 4000; Interest paid a/c ₹ 350; B/R a/c ₹ 8000; Debtors a/c ₹ 30000; B/P a/c ₹ 15900; Furniture a/c ₹ 6500; Discount Received a/c ₹ 1200; Discount allowed a/c ₹ 2100; Machinery a/c ₹ 8000; Creditors a/c ₹ 7850.

(M.S. Universtiy 2006)

(Ans: Trail Balance Total 64,950)

13. Prepare Trial Balance from the following

	₹
Capital	75,000
Sales	1,25,000
Stock	30,000
Debtors	40,000
Purchases	50,000
Salary	10,000
Interest (Cr)	5,000
Loan to Rajan	25,000
B/P	9,000
Wages	3,000
Bad debts	2,000
Cash	12,000
Buildings	42,000

(Ans : Trail Balance Total 2,14,000)

[M.S. Universtiy Nov 2006]

14. Prepare Trial Balance as on 31-12-08 from the following balance extracted from the ledger accounts

	₹		₹
Sales	64,000	Bills receivable	2,600
Trading Expenses	1,250	Loan from Satish	5,000
Commission Paid	50	Discount earned	2,000
Rent	1,000	Drawings	3,000
Bank over draft	3,000	Capital	12,000
Purchases	35,400	Sundry Creditors	21,500
Fittings	2,250	Bills payable	2,000
Opening Stock	23,500	Sundry debtors	25,000
Cash in Hand	450	Cash at bank	6,250
Tax 1	750	Salaries	4,750
Purchase returns	550	Sales returns	500
Travelling Expenses	2,300		

(Ans : Trial balance total 1,10,050)

Theory Questions

Part - A

Short Questions:

1. What is Book Keeping?
2. What is Double Entry System of Book Keeping?
3. What is Journal?
4. Explain Personal Account, Real Account and Nominal Account.
5. Explain Ledger.
6. What is meant by 'Posting' and 'Balancing'?
7. What is Trial-Balance

Choose the best answer :

1. Bank account will show ________ balance
   a) Debit b) Credit
   c) Debit (or) Credit d) None of the above (Ans : a)

2. The object of preparing trial balance is
   a) to know the financial position of the concern
   b) to check the arithmatic accuracy of accounts
   c) to know the gross profit of the concern
   d) to know the net profit of the concern (Ans : b)

3. A list of all the balances standing in the ledger accounts and cash book of a concern at any given date are shown in
   a) Debtors statement b) Balance sheet
   c) Trial Balance d) Capital (Ans : c)

4. Trial Balance is a
   a) Real account b) Nominal account
   c) Personal account d) Statement (Ans : d)

5. Journal is a book of
   a) Prime entry b) Compound entry
   c) Closing entry d) Adjusting entry (Ans : a)

6. Amount received in advance is
   a) a liability b) an asset
   c) an expenditure d) loss (Ans : a)

7. Drawings Account is
   a) Personal a/c b) Real a/c
   c) Nominal a/c d) None of the above (Ans : c)

8. Journal is the book of
   a) Original entry b) Final entry
   c) Assets d) None of the above (Ans : a)

9. Coolie, Rent, Salary etc relates to
   a) Personal Account b) Real accent
   c) Nominal Account d) Capital Account (Ans : c)

10. The ru]le for Nominal account is
   a) Debit what comes in and credit what goes out
   b) Debit the receiver and credit the giver
   c) Debit all expenses and losses and credit all incomes and gains
   d) Debit what comes in and credit all incomes and gains (Ans :c)

11. Personal Account relates to
   a) Persons b) Assets
   c) Expenses and Incomes d) Impersonal (Ans : a)

12. Journal is
   a) Primary record of transactions
   b) Final record of transactions
   c) Secondary record of transactions
   d) Compound entry (Ans : a)

13. The incomple system of accounting
   a) Double entry system b) Single entry system
   c) Double account system d) None (Ans : b)

14. Accounts of persons with whom the business deals is known as
   a) Personal account b) Real account
   c) Nominal account d) profit & loss account (Ans : a)

15. The principal of 'debit hat comes in and credit what goes out' applies to
   a) Personal account b) Real account
   c) Nominal account d) capital account (Ans : b)

16. Cash account will show
   a) Debit b) Credit
   c) Debit or Credit d) None of the above (Ans : a)

17. Nominal Account relates to
   a) Personal Account b) Impersonal Account
   c) Asset Account d) Bank Account (Ans: d)

18. The debts owing to others by business concern is known as
   a) Liabilities b) Creditors
   c) Debtors d) a and b (Ans: d)

19. A Trial Balance is a
   a) Real a/c b) Nominal a/c
   c) Income Expenditure a/c d) None of the above (Ans: d)

20. Ledger is a principal book in which

a) All accounts are kept b) Only personal accounts are kept

c) Only real accounts are kept d) Only sales account are kept

(Ans: a)

21. The cash balance in bank account is

a) Debit balance b) Credit balance

c) Payable d) Receivable (Ans: a)

22. Cash discount received in an organization is

a) An Income b) A gain

c) An asset d) A liability (Ans: b)

23. Money received by a business from the proprietor

a) Capital b) Investment

c) Loan d) Deposit (Ans: a)

24. Which of the following is treated as Journal and ledger

a) Purchases book b) Sales book

c) Cash book d) Balance sheet (Ans: c)

25. The arithmetical accuracy of posting is the main principles of

a) Trial Balance b) Journal book

c) Transactions d) Ledger book (Ans: a)

Part - B

1. Define accounting? What are its functions?
2. Define accounting, state its rules.
3. What are accounting concepts?
4. What are the principles of accounting?
5. Write the accounting conventions?
6. What are the differences between double entry system and single entry system?
7. How accounts are classified under double entry system?
8. Differenciate journal with ledger
9. What is trial balance? Bring out the objectives of preparing the trial balance?