

Journal

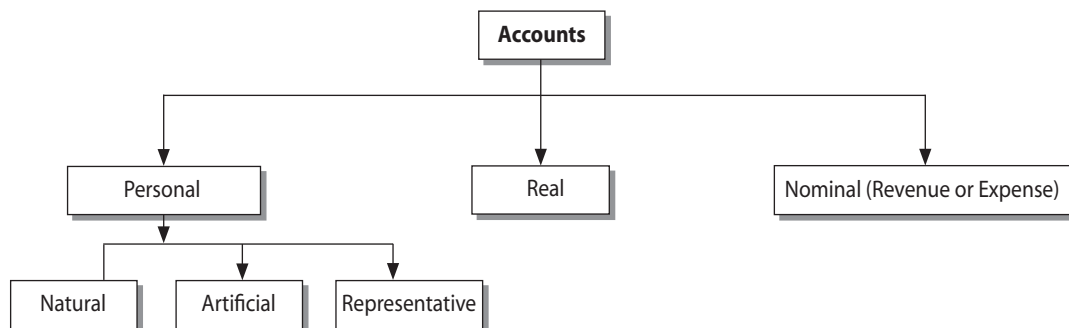
MEANING OF KEY TERMS USED IN THE CHAPTER

- | | |
|-----------------------------------|--|
| 1. Journal | It is the primary book of account in which transactions are first recorded in a chronological order (<i>i.e.</i> , as they take place). |
| 2. Book of Original Entry | It is the book in which a transaction is first recorded. Hence, it is a Book of Original Entry. |
| 3. Journalising | Recording of transactions in the Journal is called Journalising . |
| 4. Account | It is a summary of transactions of one nature or transactions relating to a particular head at one place. |
| 5. Bad Debts | It is the amount which is not recoverable and hence, written off. |
| 6. Bad Debts Recovered | It is the amount that was earlier written off as Bad Debt and is later recovered, in full or in part. |
| 7. Discount | There are two types of discount that are allowed to customers: |
| (i) Trade Discount | It is a discount allowed to the purchaser of goods when goods are purchased in large quantity. Purchases and Sales are recorded in the books of account at net of Trade Discount. |
| (ii) Cash Discount | It is a discount allowed on receipt of amount promptly, <i>i.e.</i> , by the due date. Cash Discount allowed or received is recorded separately as expense and income respectively. |
| 8. Rebate | It is allowed because of reasons other than for which trade discount and cash discount is allowed. For example, rebate may be allowed for poor quality of goods sold or goods being not as per specification, etc. |
| 9. Simple Journal Entry | It is a Journal entry in which only two accounts are affected, <i>i.e.</i> , one account is debited and another account is credited. |
| 10. Compound Journal Entry | It is a Journal entry in which more than two accounts are affected, <i>i.e.</i> , one or more accounts are debited and/or credited. |
| 11. Opening Entry | It is the first entry passed in the Journal book incorporating the closing balances of previous year. |
| 12. Ledger | Ledger is an accounting book in which various accounts are maintained in classified form. |

CHAPTER SUMMARY

- **An account** is a summarised record of relevant transactions at one place relating to a particular head. It records not only the amount of transactions but also their effect and direction.

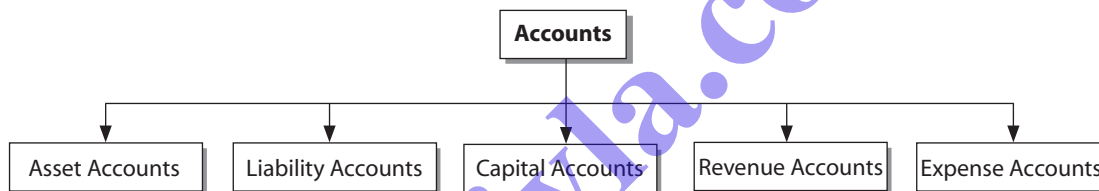
• **Traditional Approach for Classification of Accounts**



Rules for Debit and Credit when the accounts are classified as Personal, Real and Nominal.

Types of Account	Rules for Debit	Rules for Credit
1. For Personal Account	Debit the receiver.	Credit the giver.
2. For Real Account	Debit what comes in.	Credit what goes out.
3. For Nominal Account	Debit all expenses and losses.	Credit all gains and incomes.

• **Modern Approach for Classification of Accounts**



RULES FOR DEBIT AND CREDIT

Types of Account	Accounts to be Debited	Accounts to be Credited
1. Asset Accounts	Increase	Decrease
2. Liability Accounts	Decrease	Increase
3. Capital Accounts	Decrease	Increase
4. Revenue Accounts	Decrease	Increase
5. Expense Accounts	Increase	Decrease

According to modern classification, for Capital or Liability or Revenue Account—debit means decrease while credit means increase, whereas for any Asset or Expense Account—debit means increase while credit means decrease.

- **Source Documents.** Documents on the basis of which entries are recorded in the accounts are termed as **source documents**.
- **Double Entry Book Keeping.** Double Entry Book Keeping refers to a system of accounting in which every transaction is recorded under two aspects. Each debit has a corresponding credit of equal amount and each credit has a corresponding debit of equal amount.
- **Journal** is the primary book of account in which transactions are originally recorded in a chronological order, *i.e.*, in the order they take place.
- **Journal** is a book of original entry because a transaction is first entered in the Journal from where it is posted to the Ledger.

The process of recording transactions in a Journal is termed as **Journalising**. The transactions in a Journal are recorded on the basis of rules of debit and credit.

- **Journal entry** may be (i) Simple Journal Entry or (ii) Compound Journal Entry.
 - Simple Journal Entry* is a Journal entry in which one account is debited and another account is credited.
 - Compound Journal Entry* is a Journal entry, which involves more than two accounts. It means it is an entry in which more than one account is debited or credited.
- **Opening Entry.** In case of an existing business, assets and liabilities appearing in the previous year's Balance Sheet will have to be brought forward to the current year. This is done by means of a Journal entry termed as '**Opening Entry**'.

Steps in Journalising

- Step 1.* Identify the accounts involved in the transaction.
- Step 2.* Determine the nature of accounts, e.g., Real, Nominal or Personal.
- Step 3.* Apply the rule for 'Debit' and 'Credit'.
- Step 4.* Draw ruling of a Journal and record the transaction.

Advantages of a Journal

1. It reduces the possibility of errors.
2. It provides an explanation to an entry by way of narration.
3. It provides a chronological record of transactions.

Solved Questions

Illustration 1.

Record the following transactions in Journal:

2020		₹
Jan. 1	Paid to Mohan ₹ 9,500 in full settlement of his account of ₹ 10,000	
Jan. 5	Received from Ram ₹ 12,000 in cash and allowed him discount	100
Jan. 7	Paid Salaries	5,000
Jan. 7	Paid Rent	3,000
Jan. 7	Paid Wages	1,000
Jan. 10	Purchased goods for ₹ 20,000 from Shyam Lal out of which goods of ₹ 12,000 were on credit.	
Jan. 15	Sold goods to Rakesh for ₹ 2,000. He paid ₹ 1,000 immediately.	

Solution:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020				
Jan. 1	Mohan ...Dr. To Cash A/c To Discount Received A/c (Being the payment to Mohan in full settlement of his account)		10,000	9,500 500
Jan. 5	Cash A/c ...Dr. Discount Allowed A/c ...Dr. To Ram (Being the receipt of money from Ram and the discount allowed to him)		12,000 100	12,100
Jan. 7	Salaries A/c ...Dr. Rent A/c ...Dr. Wages A/c ...Dr. To Cash A/c (Being the payment of salaries, rent and wages)		5,000 3,000 1,000	9,000

Jan.	10	Purchases A/c	...Dr.	20,000	
		To Cash A/c			8,000
		To Shyam Lal			12,000
		(Being the goods purchased for cash ₹ 8,000 and on credit from Shyam Lal for ₹ 12,000)			
Jan.	15	Rakesh	...Dr.	1,000	
		Cash A/c	...Dr.	1,000	
		To Sales A/c			2,000
		(Being the goods sold to Rakesh for cash and credit)			

Illustration 2.

Journalise the following transactions in the books of a trader:

1st April, 2020

Debit Balances: Cash in Hand—₹ 18,000; Cash at Bank—₹ 25,600; Stock of Goods—₹ 50,000; Furniture—₹ 10,000; and Building—₹ 4,51,400. Debtors: Vijay—₹ 2,700; Anil—₹ 1,500; Ashwani—₹ 2,000; Anupam—₹ 1,800; and Madhu—₹ 5,000.

Credit Balances: Creditors: Anand—₹ 5,400; Arya & Co.—₹ 77,000 and Balwant Rai—₹ 52,000; Mrs. Anita's Loan—₹ 1,00,000.

2020

- April 1 Purchased goods worth ₹ 50,000 less 20% trade discount and 5% cash discount. Paid ₹ 25,000 by cheque and balance in cash.
- April 3 ₹ 2,646 received from Vijay and allowed him discount ₹ 54.
- April 5 Bought 100 shares in Bharat Ltd. @ ₹ 15 per share, brokerage paid ₹ 30.
- April 8 Goods costing ₹ 500 were damaged in transit; a claim was made on the railway authorities for the same.
- April 10 Paid ₹ 5,292 cash to Anand and discount allowed by him ₹ 108.
- April 13 Received cheque from the railway in full settlement of claim for goods damaged in transit.
- April 15 Anupam is declared insolvent and a dividend of 50 paise in a rupee is received from him in full settlement.
- April 18 Sold 40 shares in Bharat Ltd. @ ₹ 18 per share, brokerage paid ₹ 15.
- April 20 Bought a Delivery Van for ₹ 21,000 for delivering goods to customers.
- April 22 Paid for: Charity ₹ 501
Postage ₹ 200
Stationery ₹ 199
- April 30 One month's interest on Mrs. Anita's Loan @ 12% p.a. became due but was not paid.
- April 30 The Delivery Van bought on April 20 met with an accident and was sold for ₹ 10,000.
- April 30 Received from travelling salesman ₹ 3,000 for goods sold by him after deducting his travelling expenses ₹ 150.
- April 30 Paid for: Salaries ₹ 3,500
Rent ₹ 1,500
- April 30 Sold goods worth ₹ 12,000 less 10% trade discount.

Solution:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020				
April 1	Cash A/c ...Dr. Bank A/c ...Dr. Stock A/c ...Dr. Furniture A/c ...Dr. Building A/c ...Dr. Vijay ...Dr. Anil ...Dr. Ashwani ...Dr. Anupam ...Dr. Madhu ...Dr. To Anand To Arya & Co. To Balwant Rai To Mrs. Anita's Loan A/c To Capital A/c (Balancing Figure) (Being the balances of assets, liabilities and capital brought in from last year)		18,000 25,600 50,000 10,000 4,51,400 2,700 1,500 2,000 1,800 5,000	5,400 77,000 52,000 1,00,000 3,33,600
April 1	Purchases A/c ...Dr. To Bank A/c To Cash A/c To Discount Received A/c (Being the goods worth ₹ 50,000 bought at 20% trade discount and 5% cash discount paid ₹ 25,000 by cheque and balance in cash) Note: Trade discount is not shown but cash discount is shown in the books.		40,000	25,000 13,000 2,000
April 3	Cash A/c ...Dr. Discount Allowed A/c ...Dr. To Vijay (Being the cash received from Vijay and allowed him discount)		2,646 54	2,700
April 5	Investments A/c ...Dr. To Cash A/c (Being the purchase of 100 shares in Bharat Ltd. @ ₹ 15 per share plus brokerage ₹ 30)		1,530	1,530
April 8	Railway Claim A/c ...Dr. To Purchases A/c (Being the claim sent to railway for goods damaged in transit)		500	500
April 10	Anand ...Dr. To Cash A/c To Discount Received A/c (Being the cash paid to Anand and discount allowed by him)		5,400	5,292 108
April 13	Bank A/c ...Dr. To Railway Claim A/c (Being the cheque received in full settlement of claim for damages from railway)		500	500
April 15	Cash A/c ...Dr. Bad Debts A/c ...Dr. To Anupam (Being the 50 per cent of amount due received from Anupam and balance written off as bad debts)		900 900	1,800

April 18	Cash A/c To Investments A/c (Being 40 shares in Bharat Ltd. sold @ ₹ 18 per share less brokerage ₹ 15)	...Dr.	705	705
April 20	Delivery Van A/c To Bank A/c (Being the delivery van bought for delivering goods to customers)	...Dr.	21,000	21,000
April 22	Charity A/c Postage A/c Stationery A/c To Cash A/c (Being the cash paid for charity, postage and stationery)	...Dr. ...Dr. ...Dr.	501 200 199	900
April 30	Interest A/c To Mrs. Anita's Loan A/c (Being the interest payable on Mrs. Anita Loan ₹ 1,00,000 @ 12% p.a. for one month)	...Dr.	1,000	1,000
April 30	Cash A/c Loss on Sale of Delivery Van A/c To Delivery Van A/c (Being the delivery van sold for cash after accident and balance of cost written off as loss)	...Dr. ...Dr.	10,000 11,000	21,000
April 30	Cash A/c Travelling Expenses A/c To Sales A/c (Being ₹ 3,000 cash received for sales from travelling salesman after deducting his travelling expenses ₹ 150)	...Dr. ...Dr.	3,000 150	3,150
April 30	Salaries A/c Rent A/c To Cash A/c (Being the payment of salaries and rent)	...Dr. ...Dr.	3,500 1,500	5,000
April 30	Cash A/c To Sales A/c (Being the sales of goods worth ₹ 12,000 less 10% trade discount)	...Dr.	10,800	10,800

Illustration 3.

Pass the Journal entry for each of the following items:

- (i) Acquired running business of Rama & Co. for cash ₹ 40,000, by taking over the following assets and liabilities at values stated against them.
Stock of Goods ₹ 25,000; Furniture ₹ 10,000; Debtors ₹ 7,000; Machinery ₹ 8,000; Creditors ₹ 22,000.
Out of ₹ 40,000 payable to Rama & Co., ₹ 10,000 were borrowed from B.
- (ii) Took loan of ₹ 1,00,000 from M but he paid the amount after deducting interest in advance for one year at 6% p.a.
- (iii) Bought from D & Co. goods for ₹ 6,000 less 15% trade discount and 2% cash discount terms and paid them half the amount in cash.
- (iv) Sold to L goods worth ₹ 600 less 2½% cash discount and received payment by cheque.
- (v) L's cheque returned unpaid by Bank, marked 'Insufficient Funds'.
- (vi) Paid to D & Co. ₹ 2,500 in full settlement of their account.

- (vii) Withdrew cash ₹ 500 and goods worth ₹ 200 for personal use. These goods were bought from *D & Co.* getting Trade Discount of 15%.
- (viii) Encashed a cheque of ₹ 3,000 for *T* charging him ₹ 10 commission.
- (ix) *L* is declared insolvent and only 40 paise in a rupee is received from his estate.
- (x) Sold personal car for ₹ 50,000 and bought a new one for business with the proceeds *plus* ₹ 1,50,000 from office cash.
- (xi) Out of the goods worth ₹ 5,000 insured for ₹ 4,000, a part is burnt by fire, the loss amounted ₹ 400. The insurers admitted the claim for a proportionate loss and paid cash.
- (xii) Goods worth ₹ 600 were spoiled and sold to *K* for ₹ 300 only.
- (xiii) Old furniture appearing in the books at ₹ 6,000 is exchanged for new furniture of ₹ 12,000. The old furniture has been valued at ₹ 4,000 for exchange purpose.

Solution:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Stock A/c ...Dr. Furniture A/c ...Dr. Debtors A/c ...Dr. Machinery A/c ...Dr. Goodwill A/c (Note) ...Dr. To Creditors A/c To <i>B's</i> Loan A/c To Cash A/c (Being the running business of <i>Rama & Co.</i> acquired for ₹ 40,000; out of ₹ 40,000 paid to <i>Rama & Co.</i> , ₹ 10,000 borrowed from <i>B.</i> ₹ 12,000 paid in excess of the net intrinsic worth—assets <i>minus</i> liabilities—of the business transferred to Goodwill Account)		25,000 10,000 7,000 8,000 12,000	22,000 10,000 30,000
(ii)	Cash A/c ...Dr. Interest A/c ...Dr. To <i>M's</i> Loan A/c (Being the loan of ₹ 1,00,000 from <i>M</i> , interest @ 6% p.a. on ₹ 1,00,000 deducted in advance for one year)		94,000 6,000	1,00,000
(iii)	Purchases A/c ...Dr. To Cash A/c To Discount Received A/c To <i>D & Co.</i> (Being the goods worth ₹ 6,000 <i>less</i> 15% trade discount bought from <i>D & Co.</i> ; half of the amount of ₹ 5,100 paid in cash to avail 2% cash discount)		5,100	2,499 51 2,550
(iv)	Bank A/c ...Dr. Discount Allowed A/c ...Dr. To Sales A/c (Being the goods worth ₹ 600 sold for cash <i>less</i> 2½% cash discount)		585 15	600
(v)	<i>L</i> ...Dr. To Bank A/c To Discount Allowed A/c (Being the <i>L's</i> cheque returned unpaid by Bank; cash discount allowed to <i>L</i> written back)		600	585 15

(vi)	D & Co. ...Dr. To Cash A/c To Discount Received A/c (Being the amount of ₹ 2,500 paid to D & Co. in full settlement of their account of ₹ 2,550; ₹ 50 gain credited to Discount Received Account)	2,550	2,500 50
(vii)	Drawings A/c ...Dr. To Cash A/c To Purchases A/c (₹ 200 less 15% Trade Discount) (Being the cash and goods withdrawn for personal use; 15% deducted from goods because these were purchased from D & Co. at 15% trade discount)	670	500 170
(viii)	Bank A/c ...Dr. To Cash A/c To Commission A/c (Being the cheque of ₹ 3,000 encashed for T charging him ₹ 10 commission)	3,000	2,990 10
(ix)	Bank A/c ...Dr. 240 Bad Debts A/c ...Dr. 360 To L (Being 40% of the amount of ₹ 600 due from L received and balance written off as bad debts on his being declared insolvent)	240 360	600
(x)	Car A/c ...Dr. To Capital A/c To Cash A/c (Being the sale of personal car for ₹ 50,000 and bought a new car with the proceeds of personal car for business plus ₹ 1,50,000 cash paid from office)	2,00,000	50,000 1,50,000
(xi)	Cash A/c ...Dr. 320 Loss of Stock by Fire A/c (Profit and Loss A/c) ...Dr. 80 To Purchases A/c (Being the amount of insurance claim received for 4/5 of the goods destroyed; 1/5 of the goods destroyed being loss—claim not admitted by the insurance company—transferred to Profit and Loss Account)	320 80	400
(xii)	K ...Dr. 300 Damaged Goods A/c (Profit and Loss A/c) ...Dr. 300 To Sales A/c (Being the goods worth ₹ 600 spoiled and sold to K at a loss of ₹ 300)	300 300	600
(xiii)	Furniture A/c (New) ...Dr. 12,000 Loss on Sale of Furniture A/c (Profit and Loss A/c) ...Dr. 2,000 To Furniture A/c (Old) To Vendor (Being the old furniture having book value of ₹ 6,000 valued at ₹ 4,000 exchanged for new furniture of ₹ 12,000)	12,000 2,000	6,000 8,000

Note:

$$\begin{aligned} \text{Goodwill} &= \text{Purchase Price} - \text{Net Assets}^* \text{ (i.e., Assets - Liabilities)} \\ &= ₹ 40,000 - ₹ 28,000 = ₹ 12,000. \end{aligned}$$

$$\begin{aligned} \text{*Net Assets} &= ₹ 25,000 \text{ (Stock)} + ₹ 10,000 \text{ (Furniture)} + ₹ 7,000 \text{ (Debtors)} + ₹ 8,000 \\ &\quad \text{(Machinery)} - ₹ 22,000 \text{ (Creditors)} \\ &= ₹ 28,000. \end{aligned}$$

Advanced Level Question

Illustration 4.

Pass Journal entries in the books of Puneet, Delhi for the following:

- (i) Received an order from Karan & Co. for supply of goods of ₹ 50,000.
- (ii) Received an order from AK & Co. for goods of ₹ 1,00,000 along with a cheque for ₹ 25,000 as advance.
- (iii) Paid to staff ₹ 40,000 against outstanding salary of ₹ 60,000.
- (iv) Sold goods to Bharat, Kaithal (Haryana) of ₹ 10,000 out of which 1/5th were returned being defective.
- (v) Cheque of ₹ 20,000 issued by Feroz was dishonoured.
- (vi) Received 40 paise in a rupee from Feroz against the above dues.
- (vii) Received a cheque of ₹ 25,000 from Mohan after banking hours.
- (viii) Purchased goods from Barun of Chandigarh of ₹ 10,000 and sold them to Arun of Shimla (HP) at ₹ 20,650.
- (ix) Arun returned goods of ₹ 5,900, which were returned to Barun.
- (x) Purchased 10 TV sets @ ₹ 20,000 per set. It sold all the sets @ ₹ 25,000 per set.
- (xi) Paid insurance of ₹ 12,000 for a period of one year.
- (xii) Sold personal car for ₹ 1,00,000 and invested the amount in the firm.
- (xiii) Goods costing ₹ 1,00,000 were destroyed in fire. Insurance company admitted the claim for ₹ 75,000.
- (xiv) Purchased machinery for ₹ 50,000 and paid cartage and installation charges thereon ₹ 5,000 and ₹ 10,000 respectively.
- (xv) Goods costing ₹ 40,000 sold to Amit at a profit of 20% on sales less 10% Trade Discount and received a cheque under 2% cash discount.
- (xvi) Purchased machinery from New Machinery House for ₹ 50,000 and paid it by means of a bank draft purchased from bank. Paid bank charges ₹ 50.

Solution:
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	No Entry			
(ii)	Bank A/c To Advance from AK & Co. A/c (Being the advance received against the order of ₹ 1,00,000)	...Dr.	25,000	25,000
(iii)	Outstanding Salaries A/c To Bank A/c (Being the outstanding salaries paid)	...Dr.	40,000	40,000

7.10

Double Entry Book Keeping—ISC XI

(iv) (a)	Bharat To Sales A/c (Being the sale of goods to Bharat)	...Dr.	10,000	10,000
(b)	Returns Inward A/c To Bharat (Being 1/5th of the goods sold to Bharat returned by him)	...Dr.	2,000	2,000
(v)	Feroz To Bank A/c (Being the cheque issued by Feroz dishonoured)	...Dr.	20,000	20,000
(vi)	Cash/Bank A/c Bad Debts A/c To Feroz (Being 40 paise in a rupee received from Feroz against his dues)	...Dr. ...Dr.	8,000 12,000	20,000
(vii)	Cash A/c To Mohan (Being the cheque received from Mohan)	...Dr.	25,000	25,000
(viii) (a)	Purchases A/c To Barun (Being the purchase of goods from Barun)	...Dr.	10,000	10,000
(b)	Arun To Sales A/c (Being the sale of goods to Arun)	...Dr.	20,650	20,650
(ix) (a)	Returns Inward A/c To Arun (Being the goods returned by Arun)	...Dr.	5,900	5,900
(b)	Barun To Returns Outward A/c (Being the goods returned to Barun)	...Dr.	2,857	2,857
(x) (a)	Purchases A/c To Bank A/c (Being the goods purchased for ₹ 2,00,000)	...Dr.	2,00,000	2,00,000
(b)	Bank A/c To Sales A/c (Being the goods sold for ₹ 2,50,000)	...Dr.	2,50,000	2,50,000
(xi)	Insurance Premium A/c To Bank A/c (Being the insurance premium paid)	...Dr.	12,000	12,000
(xii)	Cash/Bank A/c To Capital A/c (Being the sale proceeds of personal car brought in business by the proprietor)	...Dr.	1,00,000	1,00,000

(xiii)	Insurance Co. ...Dr. Loss of Stock by Fire A/c ...Dr. To Purchases A/c (Being the company admitted claim for loss of goods by fire against the goods purchased)	75,000 25,000	1,00,000
(xiv)	Machinery A/c ...Dr. To Bank A/c (Being the machinery purchased for ₹ 50,000 paid ₹ 5,000 for its cartage, ₹ 10,000 installation)	65,000	65,000
(xv)	Bank A/c (Note) ...Dr. Discount Allowed A/c ...Dr. To Sales A/c (Being the sale of goods at a profit of 20% on sales less 10% trade discount and 2% cash discount)	44,100 900	45,000
(xvi)	Machinery A/c ...Dr. Bank Charges A/c ...Dr. To Bank A/c (Being the machinery purchased against draft)	50,000 50	50,050

Note: Cost of Goods Sold ₹ 40,000

*Profit = 20% of Sales = 25% of Cost = ₹ 10,000

[*Let Sales = ₹ 100; Profit = ₹ 20; Cost = ₹ 80; Profit on Cost (%) = $\frac{₹ 20}{₹ 80} \times 100 = 25\%$.]

Cost	₹ 40,000
Add: Profit on Cost (25%)	10,000
List Price	50,000
Less: Trade Discount	5,000
	<u>45,000</u>
Cash Discount @ 2%	900
Amount received from Amit = ₹ 45,000 – ₹ 900 = ₹ 44,100.	

Unsolved Questions

- Jaspal and Ayub entered into the following transactions during February, 2020:
 - Feb. 1 Jaspal sold 100 calculators to Ayub @ ₹ 100 each; Trade Discount allowed @ 20%.
 - Feb. 5 Sale by Jaspal of 10 calculators to Ayub in January, 2019 @ ₹ 70 each; Trade Discount 20%, were returned by Ayub.
 - Feb. 17 Jaspal sold 10 keyboards @ ₹ 500 each less Trade Discount 20%.
 - Feb. 20 Ayub paid Jaspal by cheque ₹ 10,000 on account.
 - Feb. 29 Ayub paid the balance amount by cheque after deducting Cash Discount @ 2%.
 Pass Journal entries.

2. Mohan was carrying on business as a cloth dealer. On 1st April, 2020 his assets were: Furniture and Office Equipment, ₹ 12,500; Stock of Cloth ₹ 1,25,000; Cash in Hand ₹ 2,250; Bank Balance ₹ 42,500; Amount due from B ₹ 6,000; Amount due from G ₹ 7,500. On that date he owed ₹ 10,000 to M and ₹ 7,250 to P. His transactions during April, 2020 were as follows:

Date	Particulars	₹
2020		
April 1	Sold cloth on credit to G.....	2,500
April 2	Purchased cloth from A on credit	10,000
April 3	Paid rent for the month of March by cheque	1,500
April 4	Purchases of cloth (paid by cheque).....	4,000
	Cash sales.....	2,250
April 5	Cheque received from B.....	4,900
	Allowed him discount	100
April 6	Paid for stationery.....	250
April 8	Drew cash for personal use	2,500
April 10	Drew cash from Bank for office.....	7,500
April 12	B's cheque returned dishonoured by Bank which charges ₹ 25 for expenses	
April 13	Purchased goods on credit from M.....	12,500
April 15	Sent cheque to M in full settlement of amount due on 1st April.....	9,750
	Sent cheque to P.....	7,250
April 16	Sold goods on credit to G.....	9,000
April 17	Paid telephone charges.....	2,400
April 18	Cash sales.....	5,500
	Paid for advertising	1,750
April 20	Paid income-tax.....	9,500
	Received letter from P saying that he has not received the cheque; cancelled the cheque and paid cash.	
April 21	B becomes insolvent; only 50% received from his estate	
April 22	Cash purchases.....	4,500
April 24	Purchased filing cabinet and paid by cheque.....	2,500
April 27	Paid salaries for the month.....	10,000

Journalise the transactions. Note that cheques received are immediately sent to the Bank.

3. Journalise the following transactions in the books of Shiv Mohan. On 1st April, 2020, his assets and liabilities were as follows:

Assets: Furniture—₹ 5,000; Machinery—₹ 10,000; Stock—₹ 4,000; Cash in Hand—₹ 550; Cash at Bank—₹ 7,450; **Debtors:** Ramesh—₹ 1,000; and Suresh—₹ 2,000.

Liabilities: Creditors: Ram & Co.—₹ 4,500; Ranjeet & Co.—₹ 2,000; and Shyam Sunder—₹ 1,500.

Date	Particulars	₹
2020		
Apr. 1	Purchased Goods from Ajay Kumar.....	4,500
Apr. 3	Sold Goods for Cash.....	1,500
Apr. 5	Withdrew from Bank for personal use.....	2,500
Apr. 10	Sold Goods on Credit to Mukesh.....	1,700
Apr. 15	Paid for Postage.....	100
Apr. 16	Received Cash from Rakesh.....	2,200
Apr. 16	Deposited in Bank.....	2,800
Apr. 17	Paid telephone charges	250
Apr. 18	Cash Sales.....	1,500
Apr. 20	Purchased Government Securities.....	5,000

Apr. 22	Purchased goods worth ₹ 16,000, less 20% trade discount and 5% cash discount from Malhotra & Co. for cash and supplied them to Ramesh & Co. at list price less 10% trade discount	
Apr. 25	Cash Purchases.....	16,500
Apr. 27	Goods worth ₹ 500 were damaged in transit, a claim was made on the railway authorities for the same	
Apr. 28	Suresh is declared insolvent and a dividend of 50 paise in a rupee is received from him in full settlement	
Apr. 28	Purchased Machinery from Rajiv for ₹ 50,000 and paid him by means of a bank draft purchased from bank for ₹ 50,050	
Apr. 30	Received Commission ₹ 10,000 half of which is in advance	
Apr. 31	Allowed interest on capital @ 8% p.a. for one year	
Apr. 31	Paid for: Salaries.....	5,500
	Rent.....	1,000

4. Journalise the following transactions of Singh Enterprises, Delhi:

2019		₹
June 1	Started business with cash.....	50,000
June 2	Deposited cheque from Savings Account in firm's account.....	2,00,000
June 3	Received cash from Ram.....	50,000
June 4	Purchased goods for cash.....	15,000
June 11	Sold goods to M/s. Hari Sales, Delhi.....	12,000
June 13	Paid to Ramavtar.....	40,000
June 17	Received from M/s. Hari Sales.....	10,000
June 20	Bought furniture from S.R. Furnishers against Cash.....	20,000
June 27	Paid rent.....	28,000
June 30	Paid salary.....	50,000

Comprehensive Question

5. Pass the Journal entries for the following:

- (i) Goods worth ₹ 500 given as charity.
- (ii) Received ₹ 975 from Harikrishna in settlement of his account for ₹ 1,000.
- (iii) Received a first and final dividend of 60 paise in a rupee from the official receiver of Rajan, who owed us ₹ 1,000.
- (iv) Sold goods to Mohan of ₹ 12,000 less 2½% cash discount and received from him ₹ 11,700 net on account by cheque.
- (v) Bought goods from Raja & Co. of ₹ 30,000 at 15% trade discount and 2% cash discount and paid them half the amount in cash.
- (vi) Charged depreciation @ 10% for one month on Machinery of ₹ 50,000.
- (vii) Rent outstanding ₹ 500.
- (viii) Received interest on loan from the debtor ₹ 250.

- (ix) Provided interest on capital at 6% p.a. for six months on ₹ 50,000.
- (x) Sold goods to Manohar, list price ₹ 4,000, trade discount 10% and cash discount 5%. He paid the amount on the same day and availed the cash discount.
- (xi) Supplied goods costing ₹ 1,200 to Sohan, issued invoice at 10% above cost less 5% trade discount.
- (xii) Received commission ₹ 5,000, half of which is in advance.
- (xiii) Paid to landlord ₹ 1,200 for rent. One-third of the premises is occupied by the proprietor for his own residence.
- (xiv) Goods costing ₹ 500 were used by the proprietor for domestic purposes.
- (xv) Goods uninsured costing ₹ 3,000 were destroyed by fire.
- (xvi) Supplied goods costing ₹ 600 to Mohan issued at 10% above cost less 5% trade discount.
- (xvii) Goods costing ₹ 8,000 were destroyed by fire; insurance company admitted the claim in full and paid the amount by cheque.
- (xviii) Paid ₹ 2,500 in cash as wages on installation of a machinery.
- (xix) Issued a cheque in favour of M/s Parmatma Singh & Sons on account of purchase of goods worth ₹ 7,500.
- (xx) Goods sold costing ₹ 6,000 to M/s Kalu & Sons at an invoice price of 10% above cost less 5% trade discount.
- (xxi) Received cash ₹ 500 from a debtor which was written off as bad debt last year.
- (xxii) Interest charged on drawings @ 5% when total drawings were ₹ 10,000.
- (xxiii) Received a cheque from J. Peterson ₹ 5,450. Allowed him discount of ₹ 150.
- (xxiv) Returned goods to Sudershan of the value of ₹ 350.
- (xxv) Bought 50 shares of X Ltd. at ₹ 60 per share, brokerage paid ₹ 100.
- (xxvi) Goods worth ₹ 600 were damaged and sold to M for ₹ 300 only.
- (xxvii) Sold goods to Kitty at a list price of ₹ 2,000. Sale subject to 10% trade discount and 5% cash discount if payment is made immediately. Kitty availed of cash discount.
- (xxviii) Supplied goods costing ₹ 600 to Shakuntala. Issued invoice at 10% above cost less 5% trade discount.