

**KUNTHAVAI NAACHIYAR GOVERNMENT ARTS COLLEGE FOR WOMEN (A) THANJAVUR-7
DEPARTMENT OF BUSINESS ADMINISTRATION**

Code: **18K3BB05 - FINANCIAL AND MANAGEMENT ACCOUNTING**

UNIT – I

Concepts – Double Entry Vs single entry – Journal – Ledger – Trial Balance. Definition of Account – Accounting principles – Nature of Accounting.

Definition of Account:

Accounting is the process of recording financial transactions pertaining to a business. The **accounting** process includes summarizing, analyzing, and reporting these transactions to oversight agencies, regulators, and tax collection entities.

Basics of Accounting:

| | |
|---|--|
| Systematic record of business transaction: 1. Capital - Amount Invested By Owner 2. Asset - Economic benefit 3. Liability - Obligations of business 4. Income/Revenue - Earnings in Business 5. Expenses - in conducting business 6. Gain - incidental to business 7. Loss - No benefit in return 8. Debtors - Who owe us money? 9. Creditors - we owe to others. | Basics Accounting Concepts: 1. Business Entity concept 2. Money measurement concept 3. Cost concept 4. Revenue Recognition concept 5. Going Concern concept 6. Accounting period concept 7. Full disclosure concept 8. Consistency concept 9. Conservation concept 10. Materiality concept 11. Objectivity concept |
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Single Entry system of Accounting:

- It refers to the accounting system where the business transactions are recorded in a single entry in a journal or transactional log.
- Single entry system of accounting is suitable only for the small businesses and which effectively reports only on a cash basis of accounting.
- It is also called as “accounts from incomplete Records”.

Determination of profit & Loss Account in **SINGLE ENTRY SYSTEM:**

The Balance sheet Approach or Statement of Affairs Approach or Net-Worth Approach.

The Transaction Approach or Conversion Approach.

Double Entry system of Accounting:

Source: Financial Accounting - S.Manikandan & R.Rakesh Shankar

- Double Entry system of Book-keeping is a system of Book-keeping where the transactions are recorded in two aspects and will have dual entry effects in the books of accounts.
- It is the system of accounting where most of the businesses maintain their business transactions.

DEBIT = CREDIT

Accounting principles:

- Cost Principle
- Accrual Accounting Principle
- Matching Principle
- Full Disclosure Principle.

| | |
|---|--|
| <p style="text-align: center;">Cost Principle</p> <ul style="list-style-type: none"> •Record and report assets based on their actual cost incurred to acquire them, not the free-market value of the acquired assets themselves. •This principle is reliable and lessens the opportunity for factors such as biased market values to interfere with the accounting. •However, this principle may be viewed as irrelevant as it relates to the actual value of assets. <p style="text-align: center;">AccountingCorner.org</p> | <p style="text-align: center;">Accrual Principle</p> <ul style="list-style-type: none"> •Record and report revenue at the time it is earned and realized by the business, not when the cash for the revenue is received by the business. •Known as accrual basis accounting. The purpose of this principle is to actually show what work has been completed and not what is to be done in the future. <p style="text-align: center;">AccountingCorner.org</p> |
| <p style="text-align: center;">Matching Principle</p> <ul style="list-style-type: none"> •This principle allows for real time analysis of the expenses and revenues. •Using this principle will show just how well the business has done financially and how effective it was. •Somewhat like the Accrual Principle, expenses in this case can only be recorded and reported when revenue is to which such expenses are related was earned. <p style="text-align: center;">AccountingCorner.org</p> | <p style="text-align: center;">Disclosure Principle</p> <ul style="list-style-type: none"> •The accounting records of a business must be disclosed so that judgment about the financial status of a business can be easily made. •However, the disclosure of accounting and financial information should not cause the business to accrue unreasonable expenses or cause erroneous opinions. <p style="text-align: center;">AccountingCorner.org</p> |

Nature of Accounting:

Nature of Accounting: We know **Accounting** is the systematic recording of financial transactions and presentation of the related information of the appropriate persons. ...**Accounting** is identified as a process as it performs the specific task of collecting, processing and communicating financial information.

Journal:

A **journal entry** is a record of the business transactions in the **accounting** books of a business. A properly documented **journal entry** consists of the correct date, amounts to be debited and credited, description of the transaction and a unique reference number. A **journal entry** is the first step in the **accounting** cycle.

Ledger:

A **ledger** is a book containing accounts in which the classified and summarized information from the journals is posted as debits and credits. ... The **ledger** contains the information that is required to prepare financial statements. It includes accounts for assets, liabilities, owners' equity, revenues and expenses.

Trial balance:

A **trial balance** is a list of all the general ledger accounts (both revenue and capital) contained in the ledger of a business. This list will contain the name of each nominal ledger account and the value of that nominal ledger **balance**. Each nominal ledger account will hold either a debit **balance** or a credit **balance**.

Accounting Cycle:

Golden rules of double entry system:

| | | |
|------------------|-------------------------------|------------------------------|
| Personal Account | Debit the receiver | Credit the Giver |
| Real Account | Debit What comes in | Credit What goes out |
| Nominal Account | Debit all Expenses and Losses | Credit all Incomes and Gains |

Patents Account, Trade Marks Account, Copy Right Account
Illustration 4. Classify the following accounts into personal, real and nominal :
 (a) Drawings Account ; (b) Bank Account ; (c) Cash Account ; (d) Discount Account ; (e) Patent Account ; (f) Arihant Industries Ltd. Account ; (g) Goodwill Account ; (h) Salaries Account ; (i) Bad Debts Account ; (j) Capital Account ; (k) Machinery Account ; (l) Salary Outstanding Account ; (m) Unexpired (or prepaid) Insurance Account ; (n) Stock Account ; (o) Bank Overdraft ; (p) Purchases A/c ; (q) Bills Receivable A/c ; (r) Reserve for Discount on Creditors.

Solution
 (a) Drawings Account = Personal
 (b) Bank Account = Personal. It can also be real account if Bank Account shows cash at bank. Dealings with bank are to be treated as dealings with a party, so it is better to treat Bank Account as a personal account.

Introduction

(c) Cash Account = Real Account
 (d) Discount Account = Nominal Account
 (e) Patent = Real Account
 (f) Arihant Industries Ltd. Account = Personal Account
 (g) Goodwill Account = Real Account
 (h) Salaries Account = Nominal Account
 (i) Bad Debts Account = Nominal Account
 (j) Capital Account = Personal Account
 (k) Machinery Account = Real Account
 (l) Salary Outstanding Account = Personal Account
 (m) Unexpired Insurance Account = Personal Account
 (n) Stock Account = Real Account
 (o) Bank Overdraft = Personal Account
 (p) Purchases = Real Account
 (q) Bills Receivable Account = Real Account
 (r) Reserve for Discount on Creditors = Nominal Account.

(a) Rent paid. (g) Outstanding for salaries.
 (b) Salaries paid. (h) Telephone charges paid.
 (c) Interest received. (i) Paid to Suresh.
 (d) Dividends received. (j) Received from Mohan (the proprietor).
 (e) Furniture purchased for cash. (k) Lighting
 (f) Machinery sold.

Solution:

| Transaction | Accounts involved | Nature of Accounts | Debit/Credit |
|--|--|-----------------------------|-----------------|
| (a) Rent paid | Rent A/c Cash A/c | Nominal A/c Real A/c | Debit Credit |
| (b) Salaries paid | Salaries A/c Cash A/c | Nominal A/c Real A/c | Debit Credit |
| (c) Interest received | Cash A/c Interest A/c | Real A/c Nominal A/c | Debit Credit |
| (d) Dividends received | Cash A/c Dividends A/c | Real A/c Nominal A/c | Debit Credit |
| (e) Furniture purchased | Furniture A/c Cash A/c | Real A/c Real A/c | Debit Credit |
| (f) Machinery sold | Cash A/c Machinery A/c | Real A/c Real A/c | Debit Credit |
| (g) Outstanding for salaries | Salaries A/c Outstanding salaries A/c | Nominal A/c Personal A/c | Debit Credit |
| (h) Telephone charges paid | Telephone charges A/c Cash A/c | Nominal A/c Real A/c | Debit Credit |
| (i) Paid to Suresh | Suresh Cash A/c | Personal A/c Real A/c | Debit Credit |
| (j) Received from Mohan (the proprietor) | Cash A/c Capital A/c | Real A/c Personal A/c | Debit Credit |
| (k) Lighting | Lighting A/c Cash A/c | Nominal A/c Real A/c | Debit Credit |

1. Journalise the following transactions in the books of Jegan: (problem: 1)

| S.No | Particulars Jan '2019 | Rs: |
|-------------|---|---------------|
| 1 | Commenced business with cash | 80,000 |
| 2 | Deposited cash with bank | 40,000 |
| 3 | Purchased goods by paying cash | 5,000 |
| 4 | Purchased goods from Lipton & Co. on credit | 10,000 |
| 5 | Sold goods to joy and received cash | 11,000 |
| 6 | Paid salaries by cash | 5,000 |
| 7 | Paid Lipton & Co. by cheque for the purchases made on 4 th Jan | |
| 8 | Bought furniture by cash | 4,000 |
| 9 | Paid electricity charges by cash | 1,000 |
| 10 | Bank paid insurance premium on furniture as per standing instructions | 300 |

1. Journal of Jegan: (Answer: 1)

| Date | particulars | L.F | Dr.Amount | Cr.Amount |
|--------------|--|-----|-----------|-----------|
| 2019 Jan1 | Cash A/C Dr. To Jegan's Capital A/C (Jegan commenced business with cash) | | 80,000 | 80,000 |
| 2 | Bank A/C Dr. To Cash A/C (Deposited cash into Bank) | | 40,000 | 40,000 |
| 3 | Purchase A/C Dr. To Cash A/C (Goods purchased by cash) | | 5,000 | 5,000 |
| 4 | Purchase A/C Dr. To Lipton & Co. A/C (Goods purchased by credit) | | 10,000 | 10,000 |
| 5 | Cash A/C Dr. To Sales A/C (cash sales made) | | 11,000 | 11,000 |

| Date | particulars | L.F | Dr.Amount | Cr.Amount |
|---------------|--|-----|-----------|-----------|
| 2019 Jan-6 | Salaries A/C Dr. To Cash A/C (Salaries Paid) | | 5,000 | 5,000 |
| 7 | Lipton & Co. A/C Dr. To Bank A/C (payment made by cheque) | | 10,000 | 10,000 |
| 8 | Furniture A/C Dr. To Cash A/C (Furniture bought for cash) | | 4,000 | 4,000 |
| 9 | Electricity charges A/C Dr. To Cash A/C (Electricity charges Paid) | | 1,000 | 1,000 |

Source: Financial Accounting - S.Manikandan & R.Rakesh Shankar

| | | | | | |
|----|---|-----|--|-----|-----|
| 10 | Insurance premium A/C To Bank A/C (Insurance premium on furniture paid) | Dr. | | 300 | 300 |
|----|---|-----|--|-----|-----|

Ledger Book:

| Dr. | | | | Cr. | | | |
|------------|------------------------|---------|--------|------|----------------------------|---------|--------|
| Cash | | | | A/C | | | |
| Date | Particulars | J.F. No | Amount | Date | Particulars | J.F. No | Amount |
| 2019 Jan-1 | To Jegan's Capital A/C | | 80,000 | 2 | By Bank A/C | | 40,000 |
| 2 | To Sales A/C | | 11,000 | 3 | By Purchase A/C | | 5,000 |
| | | | | 6 | By Salaries A/C | | 5,000 |
| | | | | 8 | By Furniture A/C | | 4,000 |
| | | | | 9 | By Electricity charges A/C | | 1,000 |
| | | | | 31 | By Balance C/d | | 36,000 |
| | | | 91,000 | | | | 91,000 |
| 1/2/19 | To Balance B/d | | 36,000 | | | | |

| Dr. | | | | Cr. | | | |
|------------|----------------|---------|--------|------|--------------------------|---------|--------|
| Bank | | | | A/C | | | |
| Date | Particulars | J.F. No | Amount | Date | Particulars | J.F. No | Amount |
| 2019 Jan-2 | To Cash A/C | | 40,000 | 7 | By Lipton & Co. A/C | | 10,000 |
| | | | | 10 | By Insurance premium A/C | | 300 |
| | | | | 31 | By Balance C/d | | 29,700 |
| | | | 40,000 | | | | 40,000 |
| 1/2/19 | To Balance B/d | | 29,700 | | | | |

| Dr. | | | | Cr. | | | |
|------------|---------------------|---------|--------|------|----------------|---------|--------|
| Purchase | | | | A/C | | | |
| Date | Particulars | J.F. No | Amount | Date | Particulars | J.F. No | Amount |
| 2019 Jan-3 | To Cash A/C | | 5,000 | 31 | By Balance C/d | | 15,000 |
| 4 | To Lipton & Co. A/C | | 10,000 | | | | |
| | | | 15,000 | | | | 15,000 |
| 1/2/19 | To Balance B/d | | 15,000 | | | | |

Source: Financial Accounting - S.Manikandan & R.Rakesh Shankar

Trial Balance :(as on 31 Jan 2019)

| Particulars | Debit Rs: | Credit Rs: |
|-------------------------|---------------|---------------|
| Cash A/C | 36,000 | |
| Capital A/C | | 80,000 |
| Bank A/C | 29,700 | |
| Purchase A/C | 15,000 | |
| Sales A/C | | 11,000 |
| Salary A/C | 5,000 | |
| Furniture A/C | 4,000 | |
| Electricity charges A/C | 1,000 | |
| Insurance premium A/C | 300 | |
| Total | 91,000 | 91,000 |

Illustration 4
Journalise the following transactions, in the Books of Sri. Malai, post them to the ledger and prepare a Trial Balance:

2009
January 1 Mr. Malai commenced business with cash Rs.1,00,000, Furniture & Fixture Rs. 40,000, Land & Buildings Rs.50,000.
2 Purchased goods for cash Rs. 20,000 and cartage paid Rs.500 for bringing in the goods.
4 Sold goods to M/S. Nathan & sons Rs.17,500
7 SBI Bank account opened cash deposited into bank Rs.40,000
10 Paid for electricity charges Rs. 572
13 Paid for Telephone deposit to BSNL Rs.1000 by cheque (Cheq. No: 216901)
17 Cash sales for Rs.5,000
20 Received commission from Naresh Rs.2,200
23 Withdrew from bank Rs.10,000 for office expenses.
26 Paid for Republic day celebration Rs.250
31 Paid salary to staff Rs.5,000

Journal Entries in the books of Mr. Malai

| Date | Particulars | L.F | Debit Rs. | Credit Rs. |
|---------------|---|-----|-----------|------------|
| 2009 Jan 1 | Cash A/c | | | |
| | Furniture & Fixtures A/c | Dr. | 1,00,000 | |
| | Land & Buildings A/c | Dr. | 40,000 | |
| | To Malai's Capital A/c | Dr. | 50,000 | |
| | [Being Mr. Malai commenced business with cash, Furniture & Fixtures and Land & Buildings] | | | 1,90,000 |

| Date | Particulars | L.F | Debit Rs. | Credit Rs. |
|---------------|---|-----|-----------|------------|
| 2009 Jan 2 | Purchases A/c | Dr. | 20,000 | |
| | Cartage A/c | Dr. | 500 | |
| | To Cash A/c | | | 20,500 |
| | [Being cash purchases made and cartage Paid there on] | | | |
| 4 | M/s. Nathan & Sons.a/c | Dr. | 17,500 | |
| | To Sales A/c | | | 17,500 |
| 7 | Bank A/c | Dr. | 40,000 | |
| | To Cash A/c | | | 40,000 |
| | [Being Bank account opened and cash deposited in SBI] | | | |
| 10 | Electricity charges A/c | Dr. | 572 | |
| | To Cash A/c | | | 572 |
| | [Being electricity charges paid] | | | |
| 13 | BSNL Telephone Deposit A/c | Dr. | 1,000 | |
| | To Bank A/c | | | 1,000 |
| | [Being BSNL Telephone deposit paid by cheque (No.216901)] | | | |
| 17 | Cash A/c | Dr. | 5,000 | |
| | To sales A/c | | | 5,000 |
| | [Being cash sales made] | | | |
| 20 | Cash A/c | Dr. | 2,200 | |
| | To Commission A/c | | | 2,200 |
| | [Being Commission received from Naresh] | | | |
| 23 | Cash A/c | Dr. | 10,000 | |
| | To Bank A/c | | | 10,000 |
| | [Being cash withdrawn from bank] | | | |

| Date | Particulars | L.F | Debit Rs. | Credit Rs. |
|------|--|-----|-----------|------------|
| 26 | Festival expenses A/c Dr. To Cash A/c [Being Republic Day expenses paid] | | 250 | 250 |
| 31 | Salary A/c Dr. To cash A/c [Being salary paid to staff] | | 5,000 | 5,000 |

Ledger Accounts
General Ledger
Mr. Malai's Capital Account

| Dr. | | | | Cr. | | | |
|-------------|----------------|-----|----------|------------|-----------------------------|-----|----------|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| | | | | 2009 Jan 1 | By Cash A/c | | 1,00,000 |
| | | | | 1 | By Furniture & Fixtures A/c | | 40,000 |
| 2009 Jan 31 | To Balance c/d | | 1,90,000 | 1 | By Land & Building A/c | | 50,000 |
| | | | 1,90,000 | | | | 1,90,000 |
| | | | | 2009 Feb 1 | By Balance b/d | | 1,90,000 |

Cash A/c

| Dr. | | | | Cr. | | | |
|------------|------------------------|-----|----------|------------|----------------------------|-----|----------|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 1 | To Malai's Capital A/c | | 1,00,000 | 2009 Jan 2 | By Purchases A/c | | 20,000 |
| 17 | To Sales A/c | | 5,000 | 2 | By Cartage A/c | | 500 |
| 20 | To Commission A/c | | 2,200 | 7 | By Bank A/c | | 40,000 |
| 26 | To Bank A/c | | 10,000 | 10 | By Electricity Charges A/c | | 572 |
| | | | | 26 | By Festival Expenses A/c | | 250 |
| | | | | 31 | By Salary A/c | | 5,000 |
| | | | 1,17,200 | 31 | By Balance b/d | | 50,878 |
| 2009 Feb 1 | To Balance b/d | | 50,878 | | | | 1,17,200 |

SBI Bank Account

| Dr. | | | | Cr. | | | |
|------------|----------------|-----|--------|-------------|--------------------------|-----|--------|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 7 | To Cash A/c | | 40,000 | 2009 Jan 13 | By Telephone deposit A/c | | 1,000 |
| | | | | 23 | By Cash A/c | | 10,000 |
| | | | | 31 | By Balance c/d | | 29,000 |
| | | | 40,000 | | | | 40,000 |
| 2009 Feb 1 | To Balance b/d | | 29,000 | | | | |

Purchases Account

| Dr. | | | | Cr. | | | |
|------------|----------------|-----|--------|-------------|----------------|-----|--------|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 2 | To Cash A/c | | 20,000 | 2009 Jan 31 | By Balance c/d | | 20,000 |
| | | | 20,000 | | | | 20,000 |
| 2009 Feb 1 | To Balance b/d | | 20,000 | | | | |

Cartage Account

| Dr. | | | | Cr. | | | |
|------------|----------------|-----|-----|-------------|----------------|-----|-----|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 2 | To Cash A/c | | 500 | 2009 Jan 31 | By Balance c/d | | 500 |
| | | | 500 | | | | 500 |
| 2009 Feb 1 | To Balance b/d | | 500 | | | | |

Sales Account

| Dr. | | | | Cr. | | | |
|-------------|----------------|-----|--------|------------|---------------------------|-----|--------|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 31 | To Balance c/d | | 22,500 | 2009 Jan 4 | By M/s. Nathan & Sons A/c | | 17,500 |
| | | | | 17 | By Cash A/c | | 5,000 |
| | | | 22,500 | | | | 22,500 |
| 2009 Feb 1 | To Balance b/d | | 22,500 | | | | |

Furnitures & Fixtures Account

| Dr. | | | | Cr. | | | |
|---------------|--------------------------|-----|--------|----------------|----------------|-----|--------|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 1 | To Mala's Capital A/c | | 40,000 | 2009 Jan 31 | By Balance c/d | | 40,000 |
| | | | 40,000 | | | | 40,000 |
| 2009 Feb 1 | To Balance b/d | | 40,000 | | | | |

Land & Building Account

| Dr. | | | | Cr. | | | |
|---------------|--------------------------|-----|--------|----------------|----------------|-----|--------|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 1 | To Mala's Capital A/c | | 50,000 | 2009 Jan 31 | By Balance c/d | | 50,000 |
| | | | 50,000 | | | | 50,000 |
| 2009 Feb 1 | To Balance b/d | | 50,000 | | | | |

Electricity Charges Account

| Dr. | | | | Cr. | | | |
|----------------|----------------|-----|-----|----------------|----------------|-----|-----|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 10 | To Cash A/c | | 572 | 2009 Jan 31 | By Balance c/d | | 572 |
| | | | 572 | | | | 572 |
| 2009 Feb 1 | To Balance b/d | | 572 | | | | |

BSNL Telephone Deposit Account

| Dr. | | | | Cr. | | | |
|----------------|-----------------|-----|-------|----------------|----------------|-----|-------|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 13 | To SBI Bank A/c | | 1,000 | 2009 Jan 31 | By Balance c/d | | 1,000 |
| | | | 1,000 | | | | 1,000 |
| 2009 Feb 1 | To Balance b/d | | 1,000 | | | | |

Commission Account

| Dr. | | | | Cr. | | | |
|----------------|----------------|-----|-------|----------------|----------------|-----|-------|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 31 | To Balance c/d | | 2,200 | 2009 Jan 20 | By Cash c/d | | 2,200 |
| | | | 2,200 | | | | 2,200 |
| | | | | 2009 Feb 1 | By Balance b/d | | 2,200 |

Festival Day Expenses Account

| Dr. | | | | Cr. | | | |
|----------------|----------------|-----|-----|----------------|----------------|-----|-----|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 26 | To Cash A/c | | 250 | 2009 Jan 31 | By Balance c/d | | 250 |
| | | | 250 | | | | 250 |
| 2009 Feb 1 | To Balance b/d | | 250 | | | | |

Salary Account

| Dr. | | | | Cr. | | | |
|----------------|----------------|-----|-------|----------------|----------------|-----|-------|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 31 | To Cash A/c | | 5,000 | 2009 Jan 31 | By Balance c/d | | 5,000 |
| | | | 5,000 | | | | 5,000 |
| 2009 Feb 1 | To Balance b/d | | 5,000 | | | | |

Debtors Ledger

M/s.Nathan & Sons Account

| Dr. | | | | Cr. | | | |
|---------------|----------------|-----|--------|----------------|----------------|-----|--------|
| Date | Particulars | J.F | Rs. | Date | Particulars | J.F | Rs. |
| 2009 Jan 4 | To Sales A/c | | 17,500 | 2009 Jan 31 | By Balance c/d | | 17,500 |
| | | | 17,500 | | | | 17,500 |
| 2009 Feb 1 | To Balance b/d | | 17,500 | | | | |

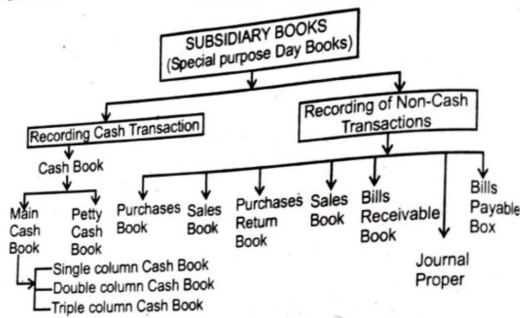
Trial Balance of Mr. Malai as on 31st Jan 2009

| S.No | Particulars | L.F | Debit Rs. | Credit Rs. |
|------|------------------------------------|-----|-----------------|-----------------|
| 1. | Mr. Malai's Capital | | | 1,90,000 |
| 2. | Cash | | 50,878 | |
| 3. | SBI Bank account | | 29,000 | |
| 4. | Purchases | | 20,000 | |
| 5. | Cartage | | 500 | |
| 6. | Sales | | | 22,500 |
| 7. | Furniture & Fixtures | | 40,000 | |
| 8. | Land & Building | | 50,000 | |
| 9. | Electricity charges | | 572 | |
| 10. | BSNL Telephone Deposit | | 1,000 | |
| 11. | Commission | | | 2,200 |
| 12. | Festival day expenses | | 250 | |
| 13. | Salary | | 5,000 | |
| 14. | Sundry debtors - M/s Nathan & Sons | | 17,500 | |
| | Total | | 2,14,700 | 2,14,700 |

UNIT - II

Subsidiary Books – Purchase Book, Sales Book, Purchase Return Book, Sales Return Book and Cash Book:- Simple Cash Book and Petty Cash Book.

6.2 Financial Accounts Unit - II



6.2.4 Format

Purchases Book

| Date | Particulars | Inward invoice No. | L.F. | Amount | | Remarks |
|------|-------------|--------------------|------|-------------|-----------|---------|
| | | | | Details Rs. | Total Rs. | |
| | | | | | | |

- i. **Date Column** – Represents the date on which the transaction took place.
- ii. **Particulars Column** – This column includes the name of the seller and the particulars of goods purchased.
- iii. **Inward Invoice No. Column** – Reveals the serial number of the inward invoice.
- iv. **L.F. Column** – This column shows the page number of the suppliers account in the ledger accounts.
- v. **Details Column** – Reveals the amount of goods purchased and the amount of trade discount.
- vi. **Total Column** – This column represents the net price of the goods, i.e. the amount which is payable to the creditors after adjusting discount and expenses if any.

6.1.2 Purpose

- i. **Purchases Book** records only credit purchases of goods by the trader.
- ii. **Sales Book** is meant for entering only credit sales of goods by the trader.
- iii. **Purchases Return Book** records the goods returned by the trader to suppliers.
- iv. **Sales Return Book** deals with goods returned (out of previous sales) by the customers.
- v. **Bills Receivable Book** records the receipts of bills (Bills Receivable).
- vi. **Bills Payable Book** records the issue of bills (Bills Payable).
- vii. **Cash Book** is used for recording only cash transactions i.e., receipts and payments of cash.

6.3 Sales Book

The sales book is used to record all credit sales of goods dealt with by the trader in his business. **Cash sales, cash and credit sales of assets are not entered in this book.** The entries in the sales book are on the basis of the invoices issued to the customers with the net amount of sale. The format of sales book is shown below:-

6.3.1 Format

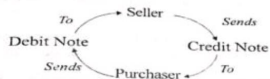
Sales Book

| Date | Particulars | Outward Invoice No. | L.F. | Amount | | Remarks |
|------|-------------|---------------------|------|-------------|-----------|---------|
| | | | | Details Rs. | Total Rs. | |
| | | | | | | |

- i. **Date Column** – Represents the date on which the transaction took place.
- ii. **Particulars Column** – This column includes the name of purchasers and the particulars of goods sold.
- iii. **Outward Invoice No. Column** – Reveals the serial number of the outward invoice.
- iv. **L.F. Column** – The page number of the customers accounts in the Ledger is recorded.
- v. **Details Column** – Contains the amount of goods sold and the amount of trade discount if any.

6.4.3 Sales Return Book

This book is used to record all returns of goods to the business by the customers. The entries in the sales return book are usually on the basis of credit notes issued to the customers or debit notes issued by the customers.



6.4.3.1 Format

| Date | Particulars | Credit Note No. | L.F. | Amount | | Remarks |
|------|-------------|-----------------|------|-------------|-----------|---------|
| | | | | Details Rs. | Total Rs. | |
| | | | | | | |

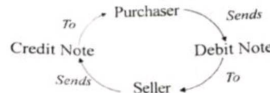
Note : Remarks column is meant to record the reason for return of goods.

Posting and Balancing

The individual entries and the periodic total of sales return book are posted into the ledger as under.

Step 1 → Individual amounts are daily posted to the credit of customers account by writing "By Sales return A/c" in the particulars column.

Step 2 → Periodic total is posted to the debit of sales return account by writing "To Sundries as per sales return book" in the particulars column.



6.4.2.1 Format

| Date | Particulars | Debit Note No. | L.F. | Amount | | Remarks |
|------|-------------|----------------|------|-------------|-----------|---------|
| | | | | Details Rs. | Total Rs. | |
| | | | | | | |

Note : The reason for goods returned is recorded in Remarks column.

Posting and Balancing

The individual entries and the periodic total of the Purchase Return Book are posted into the Ledger as under:

Step 1 → Individual amounts are daily posted to the debit of supplier accounts by writing "To Purchases Return A/c" in the particulars column.

Step 2 → Periodic total is posted to the credit of purchases return account by writing "By Sundries as per Purchases Return Book" in the particulars column.

Analytical Petty Cash Book of.....

| Dr. | | Cr. Analysis of Payments | | | | | | | | | | | | | | | | | | | | | |
|---------|---------|--------------------------|-------------|------|----------------|----|-----------------------|----|-------------------------|----|----------|----|---------------------|----|---------------------------|----|----------|----|------|----|-------------------|----|-----|
| Receipt | C.B.F.N | Date | Particulars | V.N. | Total Payments | | Postage and Telegrams | | Printing and Stationery | | Carriage | | Travelling expenses | | Office Expenses & Repairs | | Sundries | | L.F. | | Personal Accounts | | |
| | | | | | Rs. | P. | Rs. | P. | Rs. | P. | Rs. | P. | Rs. | P. | Rs. | P. | Rs. | P. | Rs. | P. | Rs. | P. | Rs. |
| | | | | | | | | | | | | | | | | | | | | | | | |

7.3.1 Single Column Cash Book

Single column cash book (simple cash book) has one amount column in each side. All cash receipts are recorded on the debit side and all cash payments on the credit side. In fact, this book is nothing but a Cash Account. Hence, there is no need to open cash account in the ledger. The format of a single column cash book is given below.

Format

| Debit Side | | | | Credit Side | | | | | |
|------------|-------------|------|------|-------------|------|-------------|------|------|------------|
| Date | Particulars | R.N. | L.F. | Amount Rs. | Date | Particulars | V.N. | L.F. | Amount Rs. |
| | | | | | | | | | |

Explanation :

- i. **Date :** This column appears in both the debit and credit side. It records the date of receiving cash at debit side and paying cash at credit side.
- ii. **Particulars :** This column is used at both debit and credit side. It records the names of parties (personal account), heads (nominal account) and items (real account) from whom payment has been received and to whom payment has been made.
- iii. **Receipt Number (R.N):** This refers to the serial number of the cash receipt.

Problem 12

Enter the following transactions in a simple cash book for the month of March 2009

- 2009
- March 1 Cash Pn hand Rs: 25,000
- 3 Bought goods for cash 1,500
- 5 Received from Mr-A 600

| | | |
|----|------------------------------|-------|
| 6 | Goods sold for cash | 2,600 |
| 8 | Paid Mr. B | 3,200 |
| 10 | Received cheque from Mr. C | 4,400 |
| 11 | Paid into Bank | 2,100 |
| 15 | Purchased furniture | 1,400 |
| 21 | Purchased stationery | 200 |
| 22 | Goods sold to Raja on credit | 5,000 |
| 27 | Received commission | 1,100 |
| 30 | Drawn from Bank | 3,000 |
| 31 | Paid telephone charges | 500 |
| 31 | Paid salaries | 2,200 |

olution : 2

Cash Book (Single column)

| | | | | Cr. | | | | | |
|-------|----------------------|-----|-----|---------------|-------|-----------------------------|-----|-----|--------------|
| Date | Receipts | R.N | L.F | Amount Rs. | Date | Payments | V.N | L.F | Amount Rs |
| | | | | | 2009 | | | | |
| Mar 1 | To Balance b/d | | | 25,000 | Mar 3 | By Purchase A/c | | | 1,500 |
| 5 | To Mr. A A/c | | | 600 | 8 | By Mr. B A/c | | | 3,200 |
| 6 | To Sales A/c | | | 2,600 | 11 | By Bank A/c | | | 2,100 |
| 10 | To Mr. C A/c | | | 4,400 | 15 | By Furniture A/c | | | 1,400 |
| 27 | To Comm- sion A/c | | | 1,100 | 21 | By Stationery A/c | | | 200 |
| 30 | To Bank A/c | | | 3,000 | 31 | By Telephone charges A/c | | | 500 |
| | | | | | 31 | By Salaries A/c | | | 2,200 |
| | | | | | 31 | By Balance c/d | | | 25,600 |
| | | | | 36,700 | | | | | 36,700 |
| Apr 1 | To Balance b/d | | | 25,600 | | | | | |

Illustration 2

Enter the following transactions in the cash book of Lilly Bros and

| | | Rs. |
|-------|---|----------|
| 2009 | | |
| Dec 1 | Cash in hand | 51,000 |
| 2 | Cash sales | 55,000 |
| 5 | Commission received | 8,000 |
| 8 | Paid into bank | 1,00,000 |
| 9 | Paid for courier | 2,000 |
| 10 | Paid salary | 4,000 |
| 12 | Received interest on investments | 2,000 |
| 20 | Withdraw from Bank for office purpose | 22,000 |
| 25 | Cash purchases | 30,000 |
| 26 | Cash Sales | 24,000 |
| 28 | Received from customer against credit sales | 11,000 |
| 30 | Deposited into bank all cash excess of | 10,000 |

Cash Book of Lilly Bros.

| | | | | Cr. | | | | | |
|---------------|--|-----|-----|---------------|-------|--------------------------------|-----|-----|--------------|
| Dr. | | | | | | | | | |
| Date | Receipts | R.N | L.F | Amount Rs. | Date | Payments | V.N | L.F | Amount Rs |
| | | | | | 2009 | | | | |
| Dec 1 | To Balance b/d | | | 51,000 | Dec 8 | By Bank A/c | | | 1,00,000 |
| 2 | To Sales A/c | | | 56,000 | 9 | By Courier A/c | | | 2,000 |
| 5 | To Commis- sion A/c | | | 8,000 | 10 | By Salary A/c | | | 4,000 |
| 12 | To interest on invest- ments A/c | | | 2,000 | 25 | By Purchases A/c | | | 30,000 |
| 20 | To Bank A/c | | | 22,000 | 30 | By Bank A/c (Balancing Fig) | | | 28,000 |
| 26 | To Sales A/c | | | 24,000 | 31 | By Balance C/d | | | 10,000 |
| 28 | To customer A/c | | | 11,000 | | | | | |
| | | | | 1,74,000 | | | | | 1,74,000 |
| 2010 Jan 1 | To balance b/d | | | 10,000 | | | | | |

Note: In this problem, the closing balance is said to be Rs. 10,000. The balance cash in hand other than the closing balance is said to be deposited into the bank and hence it is found as a balancing figure.

III. Problems:

1. From the following particulars, prepare single column cash book of Ms. Kokila.

- 2002
- Jan 1 Cash in hand Rs.20,000.
- 4 Cash purchases Rs.4,000.
- 7 Cash sales Rs.8,000.
- 8 Paid to Balan Rs. 5,000
- 9 Received cash from Cheran Rs.10,000.
- 13 Paid into bank Rs.10,000.
- 14 Cash withdrawn from bank Rs.4,000.
- 18 Paid salaries Rs.1,000.
- 20 Bought furniture Rs.3,000.
- 28 Rent paid Rs. 1,000.

| Date | Particulars | Amnt | Date | Particulars | Amnt |
|------|----------------|--------|------|------------------|--------|
| 2002 | | | | | |
| 1 | To Balance b/d | 20,000 | 4 | By purchase A/c | 4,000 |
| 7 | To sales A/c | 8,000 | 8 | By Balan A/c | 5,000 |
| 9 | To Cheran A/c | 10,000 | 13 | By Bank A/c | 10,000 |
| 14 | To Bank A/c | 4,000 | 18 | By salaries A/c | 1,000 |
| | | | 20 | By Furniture A/c | 3,000 |
| | | | 28 | By Rent A/c | 1,000 |
| | | | 30 | By Balance c/d | 18,000 |
| | | 42,000 | | | 42,000 |
| 4-2 | To Balance b/d | 18,000 | | | |

Enter the following transactions in the purchases return book of Hari and post them into the ledger.

- 2003 Jan 5 Returned goods to Anand 5 chairs @ Rs.200 each, not in accordance with order.
- 14 Returned goods to Chandran 4 chairs @ Rs.200 each and 10 tables @ Rs.350 each, due to inferior quality.

Purchases Return Book

| Date | Particulars | Debit Note No. | L.F. | Amount | |
|-------|---|----------------|------|--------------|--------------|
| | | | | Details Rs. | Total Rs. |
| 2003 | | | | | |
| Jan 5 | Anand 5 Chairs @ Rs.200 | | | | 1,000 |
| 14 | Chandran 4 Chairs @ Rs.200 10 Tables @ Rs.350 | | | 800 3,500 | 4,300 |
| | Total | | | | 5,300 |

Enter the following transactions in the Sales Books of M/s. Bombay Dyeing, Mumbai.

- 2009
- Mar 2 Sold to Textile India, Chennai (Invoice No. TEX 01)
2000 pieces of shirt @ Rs. 74 each
3000 pieces of sleeveless T-shirt @ Rs. 110 each
Trade discount @ 12%
- 5 Sold to Kumar shirts, Hyderabad.
(Invoice No: 32389)
400 pieces of pants @ Rs. 175 each
20 pieces of neck Tie @ Rs. 40 each
Trade discount @ 20%
- 9 Sold to Lemon Tree Stores, Bangalore.
(Invoice No: 090406)
10 pieces of Peter England coat @ Rs.4,000 each
32 pieces of Royal shirt @ Rs. 700 each
- 25 Sold old furniture M/s. Nahata & Co. for Rs. 10,000

Sales Book

| Date | Name of the customer particular | L.F. | Outward invoice No. | Amount Rs. | Amount Rs. |
|-------|---|------|---------------------|--|-----------------|
| 2009 | | | | | |
| Mar 2 | Textile India, Chennai 2000 pieces of shirt @ Rs. 74 each 3000 pieces of sleeveless T-shirt @ Rs. 110 each Less: Trade discount @ 12% | | TEX 01 | 1,48,000 3,30,000 4,78,000 57,360 | 4,20,640 |
| 5 | Kumar Shirts, Hyderabad. 400 pieces of pants @ Rs. 175 each 20 pieces of pants @ Rs. 40 each Less: Trade discount @ 20% | | 32389 | 70,000 800 70,800 14,160 | 56,640 |
| 9 | Lemon Tree stores, Bangalore 10 pieces peter England coat @ Rs.4000 each 32 pieces of Royal shirt @ Rs.700 each Less: Trade discount @ 5% | | 090406 | 40,000 22,400 62,400 3,120 | 59,280 |
| | TOTAL | | | | 5,36,560 |

Enter the following transactions in purchase book of M/s. Naveen & Co for the month of June and post them into ledger

| 2008 | | |
|------|----|------------------------------------|
| June | 4 | Purchased from A Rs. 5,240 |
| | 17 | Purchased goods for Cash Rs. 8,000 |
| | 19 | Purchased goods from B Rs. 3,160 |
| | 24 | Purchased goods from C Rs. 1,200 |

Solution

Purchases Book

| Date | Particulars | L.F | inward invoice No. | Amount Rs. | Amount Rs. |
|--------|--------------|-----|--------------------|------------|--------------|
| 2008 | | | | | |
| June 4 | A | | | | 5,240 |
| 19 | B | | | | 3,160 |
| 24 | C | | | | 1,200 |
| | TOTAL | | | | 9,600 |

PROBLEM 11

- 2003
 April 6 Returned by Shankar 30 shirts each costing Rs.150, due to inferior quality.
 8 Amar Tailors returned 10 Baba suits, each costing Rs.100, on account of being not in accordance with their order.
 21 T.N. Stores returned 12 Salwar sets each costing Rs.200, being not in accordance with order.

Solution:

Sales Return Book

| Date | Particulars | Credit Note No. | L.F. | Details Rs. | Amount Rs. | Remarks |
|---------|--------------------------------------|-----------------|------|-------------|--------------|----------------------------------|
| 2003 | | | | | | |
| April 6 | Shankar 30 shirts @ Rs.150 | | | 4,500 | | Due to inferior quality |
| 8 | Amar Tailors 10 Baba suits @ Rs. 100 | | | 1,000 | | Not in accordance with the order |
| 21 | T.N Stores 12 Salwar sets @ Rs.200 | | | 2,400 | | Not in accordance with the order |
| | Total | | | | 7,900 | |

From the following transactions write up the subsidiary books of M/s Ezhilkothai stores and post them to the ledger.

| 2009 | | Rs. |
|-------|---|--------|
| Jan 1 | Cash in hand | 3,000 |
| | Bank overdraft | 40,000 |
| 2 | Purchased goods from Ms. Shrikanth & Sons. at a list price. Trade discount @ 20% (Invoice No.L42) | 10,000 |
| 4 | Sold half of the above goods to Sundaraganesh Enterprises at the list price (Invoice no. 02/12) | |
| 12 | Accepted the order of Smile Pvt. Ltd. for supply of goods | 3,600 |
| 9 | R.Vini & Sons invoice for goods supplied to us (Invoice no: 32) | 3,900 |

- | | | |
|----|--|----------|
| 17 | Send Debit Note (No: 1/09) to M/s. Shrikanth & Sons. for receiving defective goods | 1,000 |
| 18 | Partiban & Co. Supplied us goods worth Trade discount @ 25% Paid Rs.1,000 as advance by cheque | 2,000 |
| 19 | Smile Pvt. Ltd. cancelled their order | |
| 20 | Returned goods by Sundaraganesh Enterprises | 1,400 |
| 21 | We sent a order to Jasmine Associates for supply of goods | 5,200 |
| 24 | Purchased stationery from A.S. Mart on credit | 450 |
| 28 | Monthly cash sales amount received from salesmans report | 1,21,700 |
| 28 | Cash deposit in bank | 50,000 |

Solution

Books of M/s. Ezhilkotnu
Purchases Book

| Date | Name of the supplier (particulars) | L.F | Inward invoice no. | Amount Rs. | Amount Rs. |
|---------------|--|-----|--------------------|-----------------|------------|
| 2009 Feb 2 | M/s. Shrikanth & Sons. Less: Trade discount @ 20% | | L 42 | 10,000 2,000 | 8,000 |
| 9 | R.Vini & Sons, | | 32 | | 3,900 |
| 18 | Partiban & Co. Less: Trade discount @ 25% | | - | 2,000 500 | 1,500 |
| | Total | | | | 13,400 |

Sales Book

| Date | Name of the Customer (particulars) | L.F | Outward Invoice no. | Amount Rs. | Amount Rs. |
|---------------|------------------------------------|-----|---------------------|------------|------------|
| 2009 Feb 4 | M/s. Sundaraganesh Enterprises. | | 02/12/09 | | 5,000 |
| | Total | | | | 5,000 |

Purchases Returns Book

| Date | Name of the Customer (particulars) | L.F | Debit Note No. | Amount Rs. | Amount Rs. |
|----------------|------------------------------------|-----|----------------|------------|------------|
| 2009 Feb 17 | M/s. Shrikanth & Sons | | 1/09 | | 1,000 |
| | Total | | | | 1,000 |

Sales Returns Book

| Date | Name of the Customer (particulars) | L.F | Credit Note No. | Amount Rs. | Amount Rs. |
|----------------|------------------------------------|-----|-----------------|------------|------------|
| 2009 Feb 20 | M/s. Sundaraganesh Enterprises | | | | 1,400 |
| | Total | | | | 1,400 |