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CHAPTER

SUBSIDIARY BOOKS

Q.1 The Rough Book of M/s. Narain & Co. contains the following :
2022 Feb.

1. Purchased from Brown & Co. on credit : 5 gross pencils @ ₹100 per gross, gross register @ ₹ 240 per doz. Less : Trade Discount @ 10%
 2. Purchased for cash from the Stationery Mart; 10 gross exercise books @ ₹ 300 per doz.
 3. Purchased computer for office use from M/s. office Goods Co. on credit for ₹ 30,000.
 4. Purchased on credit from The Paper Co.
5 reams of white paper @ ₹100 per ream.
10 reams of ruled paper @ ₹150 per ream. Less : Trade Discount @ 10%
 5. Purchased one dozen gel pens @ ₹15 each from M/s. Verma Bros. on credit.
- Make out the Purchase Book of M/s. Narain & Co.

Ans. Purchases Book

Date	Particulars	Details	Amount
2022		₹	₹
Feb. 1	M/s. Brown & Co. 5 gross pencils @ ₹ 100 per gross 1 gross register @ ₹ 240 per doz.	500.00 <u>2880.00</u> 3380.00	
	Less : 10% trade discount	(338)	3,042
"4	The Paper Co. 5 reams white paper @ ₹ 100 per ream 10 reams ruled paper @ ₹ 150 per ream	500.00 <u>1500.00</u> 2,000.00	
	Less : 10% trade discount	(200.00)	1,800
5	M/s. Verma Bros. 1 doz. gel pens @ ₹ 15 each	180 <u>180</u>	
		Total	5022

Note : Purchases of cash and purchase of computer are not recorded in the Purchase Book.

Q.2 Enter the following transactions in Purchase Book and post them into ledger.
2022

April 4 Purchased from Ajay Enterprises, Delhi

100 Doz. Rexona Hawai Chappal @ ₹ 120 per doz. 200 Doz. Palki Leather Chappal @ ₹ 300 per Doz.

Less : Trade discount @ 10% Freight charged ₹ 150.

April 15 Purchased from Balaji Traders, Delhi 50 doz. Max Shoes @ ₹ 400 per doz.

100 pair Sports Shoes @ ₹ 140 per pair. Less : Trade discount @ 10%.

Freight charged ₹ 200.

April 28 Purchased from Tripti Industries, Bahadurgarh 40 pair leather shoes @ ₹ 400 per pair
100 doz. Rosy Hawaii Chappal @ ₹ 180 per doz. Less : Trade discount @ 10%.

Freight charged ₹ 100.

Ans

Purchase Book

Date 2022	Particulars	Details	Gross Amount	Trade Discount	Net Price	Freight	Total Amount
April 4	Ajay Enterprises 100 doz Rexona Hawaii chappal @ ₹ 120 per doz - ₹ 12,000 200 doz Palki Leather Chappal @ ₹ 300 per doz - ₹ 60,000	12,000 60,000					
	Less: trade discount @ 10%		72,000	7,200	64,800	150	64,950
April 15	Balaji Traders, Delhi 50 doz max Shoes @ ₹ 400 per doz - ₹ 20,000 100 pair Sports shoes @ ₹ 140 per pair - ₹ 14,000 Less: Trade discount @ 10%	20,000 14,000					
			34,000	3,400	30,600	200	30,800
April 28	Tripti Industries, Bahadurgarh						
	40 pair Leather shoes @ ₹ 400 per pair - ₹ 16,000	16,000					
	100 doz Rosy Hawaii Chappal: @ ₹ 180 per doz - ₹ 18,000	18,000					
	Less: Trade discount @ 10%		34,000	3,400	30,600	100	30,700
			1,40,000	14,000	1,26,000	450	1,26,450

Ledgers

Purchases A/c

Dr.

Cr.

2022		₹	2022		₹
April 30	To amount as per purchase book	1,26,000			

Freight A/c

2022		₹	2022		₹
April 30	To amount as per purchase book	450			

**Ajay Enterprises**

Dr.				Cr.	
2022		₹	2022		₹
			April 4	By Purchase A/c (From Purchase Book)	64,800
				By Freight A/c (From Purchase Book)	150

Dr.					Balaji Traders		Cr.
2022		₹	2022			₹	
			April 15	By Purchase A/c (From Purchase Book)		30,600	
				By Freight A/c (From Purchase Book)		200	

Dr. Tripati Industries					Cr.
2022		₹	2022		₹
			April 28	By Purchase A/c (From Purchase Book)	30,600
				By Freight A/c (From Purchase Book)	100

- Q.3** The following are some of the transaction of M/s Kishore & Sons of the year 2022 as per their Waste Book. Make out their Sales Book.
- Sold to M/s. Gupta & Verma on credit: 30 shirts @ ₹ 800 per shirt.
- 20 trousers @ ₹1,000 per trouser.
- Less : Trade Discount @ 10%
- Sold furniture to M/s. Sehgal & Co. on credit ₹8,000. Sold 50 shirts to M/s. Jain & Sons @ ₹800 per shirt. Sold 13 shirts to Cheap Stores @ ₹750 each for cash. Sold on credit to M/s. Mathur & Jain.
- 100 shirts @ ₹750 per shirt
- 10 overcoats @ ₹5,000 per overcoat. Less: Trade Discount @ 10%

Ans**Sales Book**

Date	Particulars	Details ₹	Amount ₹
2022	M/s. Gupta & Verma		
	30 shirts @ ₹800	24,000	
	20 Trousers @ ₹1,000	20,000	
		44,000	
	Less : 10%	(4,400)	
	Sales as per invoice no. dated		39,600

M/s. Jain & Sons 50 shirts @ ₹800			
Sale as per invoice no. dated			40,000
M/s Mathur & Jain			
100 shirts @ ₹750	75,000		
10 overcoats @ ₹5,000	50,000		
	1,25,000		
Less : 10%	(12,500)		
Sales as per invoice no. dated.....			1,12,500
	Total		1,92,100

Note : Cash sale and sale of furniture are not entered in Sales Book.

Q.4 Post the following into the ledger
Returns Outward Book

Date	Particulars	Details ₹	Amount ₹
Nov. 20	Rajindra Prakash & Sons One		
	36" Usha Ceiling Fan Less :	200.00	
		(20.00)	180.00
" 30	Trade Discount @ 10% Modern		100.00
	Electric Company		
	Total		280.00

Ans

Ledger

Dr. Rajindra Parkash & Sons				Cr.			
Date 2022	Particulars	Folio	Amount	Date	Particulars	Folio	Amount
Nov. 20	To Returns Outward A/c (From Returns Outward Book)		180.00				

Dr. Modern Electric Co.				Cr.			
Date 2022	Particulars	Folio	Amount	Date	Particulars	Folio	Amount
Nov. 30	To Returns Outward A/c (From Returns Outward)		100.00				

Dr. Returns Outward Account				Cr.			
Date 2022	Particulars	Folio	Amount	Date	Particulars	Folio	Amount
				Nov. 30	By Sundries as per Returns Outward Book		280.00



Q.5 From the following transactions, prepare the Purchases Returns Book of Alpha & Co., a saree dealer :

Date	Debit Note No.	Particulars
04.01.2022	101	Returned to Goyal Mills, Surat - 5 polyester sarees @ ₹ 1,000.
09.01.2022		Garg Mills, Kota - accepted the return of goods (which were purchased for cash) from us - 5 Kota sarees @ ₹ 400.
16.01.2022	102	Returned to Mittal Mills, Bangalore - 5 silk sarees @ ₹ 2,600.
30.01.2022		Returned one computer (being defective) @ ₹ 35,000 to B & Co.

Ans Purchase Returns Book

Date	Debit Note No.	Name of supplier	L.F.	Amount
2022				
Jan. 4	101	Goyal Mills, Surat		5,000
Jan. 16	102	Mittal Mills, Bangalore		13,000
Jan. 31		Purchases Returns Account (Cr.)		18,000

Q.6 Enter the following transactions in Sales Book of M/s. Pranat Engineers Ltd., Delhi. 2022

Jan. 2. Sold to M/s. Ajanta Electricals, Delhi 5 pieces of Ovens @ ₹6,000/- each less Trade discount @ 10%.

8 Sold to M/s. Electronics Plaza, 10 pieces of Tablets @ ₹ 8,000/- each less trade discount 5%.

15 Sold to M/s. Haryana Traders, 5 pieces of Juicers @ ₹3,500/- each less trade discount @ 10%.

Ans. Sales Book

Date	Particulars	Gross Amount(₹)	Trade Discount(₹)	Net Price(₹)
2022				
Jan. 2	M/s. Ajanta Electricals			
	5 pieces of Ovens @ ₹ 6,000 each			
	Less: 10% discount	30,000	3,000	27,000
8	M/s. Electronics Plaza			
	10 pieces of Tablets @ ₹ 8,000 each, less 5% trade discount	80,000	4,000	76,000
15	M/s. Haryana Traders			
	5 pieces of Juicers @ ₹ 3,500 each, less 10% trade discount	17,500	1,750	15,750
		1,27,500	8,750	1,18,750

Q.7 Post into the ledger, the entries of Sales Book prepared in Question1.

Ans.

Ledger

M/s. Ajanta Electricals

Date 2022	Particulars	L.F.	Amount (₹)	Date 2022	Particulars	L.F.	Amount(₹)
Jan. 2	To Sales A/c (From Sales Book)		27,000				

M/s. Electronics Plaza

Date 2022	Particulars	L.F.	Amount(₹)	Date 2022	Particulars	L.F.	Amount(₹)
Jan. 8	To Sales A/c (From Sales Book)		76,000				

M/s. Haryana Traders

Date 2022	Particulars	L.F.	Amount (₹)	Date 2022	Particulars	L.F.	Amount(₹)
Jan. 15	To Sales A/c (From Sales Book)		15,750				

Q.8 Enter the following transactions in Sales Book of Gurgaon Engineers, Gurgaon for January 2022:

2022 January	
5	Sold to Praneet Electricals 10 pieces of microwaves@ ₹ 8,500/- each less trade discount 15%
10	Sold to Ajanta plaza 8 pieces of Mixer grinders@ ₹ 12,500/- each less trade discount 10%.
20	Sold to Naveen traders, 15 pieces of juicers@ ₹ 5,500/- each less trade discount 5%

Ans

In the Books of Gurgaon Engineers Sales Book

Date	Particulars	Gross Amount (₹)	Trade Discount (₹)	Net Price (₹)
2022 Jan. 5	Praneet Electricals 10 pieces of Microwaves @ ₹ 8,500 each			
	Less: 15% discount	85,000	12,750	72,250
10	Ajanta Plaza 8 pieces of Mixer Grinders @ ₹ 12,500 each,			
	Less: 10% trade discount	1,00,000	10,000	90,000
20	Naveen Traders 15 pieces of			



Juicers @ ₹ 5,500 each,				
Less: 5% trade discount		<u>82,500</u>	<u>4,125</u>	<u>78,375</u>
		2,67,500	26,875	2,40,625

Q.9 One of your clients Mr. X asked you to finalize his account for the year ended 31st March, 2022. As a basis for audit, Mr. X furnished you with the following statement:

	Dr.	Cr.
X's Capital		4,668
X's Drawings	1,692	
Leasehold Premises	2,250	
Sales		8,250
Due from customers		1,590
Purchases	3,777	
Purchase Return	792	
Loan from Bank		768
Trade Expense	2,100	
Trade Payable	1,584	
Bills Payable	300	
Salaries and Wages	1,800	
Cash at Bank	678	
Opening Inventory		792
Rent and Rates	1,389	
Sales Return		294
	16,362	16,362

The closing inventory was ₹1,722. Mr. X claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any.

Ans Corrected Trial Balance of Mr. X as on 31st March, 2022

Particulars	Dr. Amount ₹	Cr. Amount ₹
X's Capital		4,668
X's Drawings	1,692	
Leasehold premises	2,250	
Sales		8,250
Due from customers	1,590	
Purchases	3,777	
Purchases returns		792
Loan from Bank		768
Trade expenses	2,100	
Trade Payable		1,584
Bills payable		300
Salaries and Wages	1,800	
Cash at Bank	678	
Inventory (1.4.2021)	792	
Rent and rates	1,389	
Sales return	294	
	16,362	16,362

Reasons:

1. Due from customers is an asset, so its balance will be a debit balance.
2. Purchases return account always shows a credit balance because assets goes out.
3. Trade Payable is a liability, so its balance will be a credit balance.
4. Bills payable is a liability, so its balance will be a credit balance.
5. Inventory (opening) represents assets, so it will have a debit balance.
6. Sales return account always shows a debit balance because assets come in.

Q.10 From the following information, draw up a Trial Balance in the books of Shri M as on 31st March, 2021:

Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	1,40,000	Purchases	36,000
Discount Allowed	1,200	Carriage Inward	8,700
Carriage Outwards	2,300	Sales	60,000
Return Inward	300	Return Outwards	700
Rent and Taxes	1,200	Plant and Machinery	80,700
Stock on 1st April 2020	15,500	Sundry Debtors	20,200
Sundry Creditors	12,000	Investments	3,600
Commission Received	1,800	Cash in Hand	100
Cash at bank	10,100	Motor Cycle	34,600
Stock on 31st March, 2021	20,500		

Ans Trial Balance of Shri. M as on 31st March, 2021

Particulars	Dr. Amount ₹	Cr. Amount ₹
Capital		1,40,000
Purchases	36,000	
Discount Allowed	1,200	
Carriage Inward	8,700	
Carriage Outwards	2,300	
Sales		60,000
Return Inward	300	
Return Outwards		700
Rent and taxes	1,200	
Plant and Machinery	80,700	
Stock on 1st April, 2020	15,500	
Sundry Debtors	20,200	
Sundry Creditors		12,000
Investments	3,600	
Commission Received		1,800
Cash in Hand	100	
Cash at Bank	10,100	
Motor Cycle	34,600	
	2,14,500	2,14,500



Note : Stock as on 31st March, 2021 will not appear in trail balance.

Q.11 From the following information prepare the Purchase. Book of Mis. Shyam & Company:

- (i) Purchased from Red & Company on credit:
 10 pairs of black shoes. @ ₹ 800 per
 Pair. 5 pairs of brown shoes @ 900 per
 pair Less: Trade Discount @ 10%
- (ii) Purchased Computer from M/s. Rahul. Enterprises on credit for ₹ 40,000.
- (iii) Purchased from Blue & Company in cash: 5 pairs of black shoes @ ₹ 700 per pair 15
 pairs of brown shoes @ ₹ 100 per pair
 Less: Trade Discount @ 15%

Ans PURCHASES BOOK

Date	Particulars	L.F.	Amount ₹
(i)	Red & Co.		
	10 pair of black shoes @ ₹ 800		8,000
	5 pair of Brown shoes @ ₹ 900		<u>4,500</u>
			12,500
	Less: 10% trade discount		<u>(1,250)</u>
			11,250

Note:

- Purchases made in cash are entered in cash book not in purchase book.
- Purchase of computer cannot be entered in the Purchase Book but entered in journal proper.

Q.12 The following are some of the transactions of M/s. Kamal & Sons for the year ended 31st March, 2020. You are required to make out their Sales Book.

- (i) Sold to M/s. Ashok & Mukesh on
 Credit : 40 Shirts @ ₹ 900 per shirt 30 trousers @ ₹ 1,000 per trouser
 Less: Trade discount @ 10%
- (ii) Sold furniture to M/s. XYZ & Co. on credit ₹ 8,000
- (iii) Sold 15 shirts to Aman @ ₹ 750 each for cash.

Ans

SALES BOOK

Date	Particulars	Details ₹	L.F.	Amount ₹
31.03.2020	M/s. Ashok & Mukesh			
	40 shirts @ ₹ 900 per shirt	36,000		
	30 Trousers @ ₹1,000 per trouser	30,000		
		66,000		
	Less : 10% Trade Discount	<u>(6,600)</u>		
	(Sales as per invoice no. dated)			59,400

Note:

- Cash sale entered in cash book and sale of furniture are entered in journal not in Sales Book.
- It has been assumed that M/s Kamal & Sons is in business of selling shirts and trousers.

Q.13 An inexperienced book keeper has drawn up a Trial balance for the year ended 31st March, 2019.

Particulars	Debit (₹)	Credit (₹)
Provision for Doubtful Debts	250	-
Cash Credit Account	1,654	-
Capital	-	4,591
Trade payables	-	1,637
Due from customers	2,983	-
Discount Received	252	-
Discount Allowed	-	733
Drawings	1,200	-
Office Furniture	2,155	-
Carriage Inward	-	829
Purchases	10,923	-
Returns Inward	-	330
Rent & Rates	314	-
Salaries	2,520	-
Sales	-	16,882
Inventory	2,418	-
Provision for Depreciation on Furniture	364	-
Total	25,033	25,002

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a suspense account.

Ans Trial Balance as on 31st March, 2019

Heads of Accounts	Dr. ₹	Cr. ₹
Provision for Doubtful Debts	-	250
Cash credit account (Bank overdraft)	-	1,654
Capital	-	4,591
Trade payables	-	1,637
Dues from customers	2,983	-
Discount Received	-	252
Discount allowed	733	-
Drawings	1,200	-
Office furniture	2,155	-
Carriage inward	829	-
Purchases	10,923	-
Returns Inward	330	-
Rent & Rates	314	-
Salaries	2,520	-
Inventory*	2,418	-
Provision for Depreciation on Furniture	-	364
Sales	-	16,882
Suspense Account (Balancing figure)	1,225	-



Total	25,630	25,630
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Q.14 M/s Puneet & Co. find the following errors in their books of account before preparation of Trial Balance. You are required to pass necessary journal entries:

A purchase of ₹ 5,600 from M/s Ajeet & Co. was recorded in the accounts of M/s Amit & Co. as ₹ 6,500. Day Book entry has also been passed incorrectly.

Ans Journal Proper of Puneet & Co. Rectification Entries

	Particulars	Dr.	Cr.
		Amount	Amount
		₹	₹
(i)	M/s Amit & Co. A/c To M/s Ajeet & Co. A/c To Purchases A/c (Rectification of purchase entry for ₹ 5,600 dated....as ₹ 6,500 in M/s Amit & Co.'s Account in place of M/s Ajeet & Co. A/c).	6,500	5,600 900
(ii)	M/s Bantu Bros. A/c To Sales A/c To M/s Bindu & Co. A/c Discount Allowed A/c To Commission A/c To M/s Sapna Bros. A/c (Rectification of wrong posting of discount in commission account and omission of discount transaction dated....). M/s Bantu Bros. A/c To Bhakt & Co. A/c (Wrong posting for the dishonoured cheque dated.... is being rectified). (Rectification of sale entry for ₹ 9,800 datedas ₹ 8,900 in M/s Bindu & Co.'s Account in place of M/s Bantu Bros. A/c).	9,800 650 9,700	900 8,900 560 90 9,700
(iii)	Discount Allowed A/c To Commission A/c To M/s Sapna Bros. A/c (Rectification of wrong posting of discount in commission account and omission of discount transaction dated....).	650	560 90
(iv)	M/s Bantu Bros. A/c To Bhakt & Co. A/c (Wrong posting for the dishonoured cheque dated.... is being rectified).	9,700	9,700

Since all the errors are two-sided in nature, Trial Balance would have tallied even if the rectifications have not done.

Q.15 Pass a journal entries in the following cases.

(i) A running business was purchased by Mohan with following assets and liabilities:

Cash ₹ 12,000, Land ₹ 24,000, Furniture ₹ 6,000, Stock ₹ 12,000, Creditors ₹ 6,000, Bank Overdraft ₹ 12,000.

- (ii) Goods distributed by way of free samples, ₹ 6,000.
- (iii) Purchase of goods from Naveen of the list price of ₹ 12,000. He allowed 10% trade discount, ₹ 300 cash discount was also allowed for quick payment.
- (iv) Income tax liability of proprietor ₹ 10,200 was paid out of petty cash.
- (v) Sumit became an insolvent and could pay only 50 paise in a rupee.
Amount due from him ₹ 3,600.

Ans

S No.	Particulars	Amount (Dr)	Amount (Cr)
(i)	Cash A/c Dr. Land A/c Dr. Furniture A/c Dr. Stock A/c Dr. To Creditors To Bank overdraft To Capital A/c (Being commencement of business by mohan by taking over a running business.)	12,000 24,000 6,000 12,000	 6,000 12,000 36,000
(ii)	Advertisement Expenses A/c Dr. To Purchases A/c (Being goods distributed as free samples)	6,000	6,000
(iii)	Purchase A/c Dr. To Cash A/c To Discount Received A/c (Being the goods purchased from Naveen for ₹ 12,000 @ 10% trade discount and cash discount of ₹ 300)	10,800	10,500 300
(iv)	Drawings A/c Dr. To Petty Cash A/c (Being the income tax of proprietor paid out of business money)	10,200	10,200
(v)	Cash A/c Dr. Bad Debts A/c Dr. To Sumit (Being Sumit became insolvent 50 paise in a rupee could be recovered)	1,800 1,800	3,600

Q.16 Prepare Journal Entries for the following transactions in the books of Honey Singh

- (i) Employees had taken stock worth ₹ 10,000 (Cost price ₹ 7,500) on the eve of Gurupuarb and the same was deducted from their salaries in the subsequent month.
- (ii) Income tax liability of proprietor ₹ 8,500 was paid out of petty cash.
- (iii) Goods costing ₹10,000 distributed as free samples (Sale Price ₹ 1,2000)



- (iv) Purchase of goods from Sunny of the list price of ₹ 15,000. He allowed 10% trade discount, ₹ 200 cash discount was also allowed for quick payment.

Ans

Journal Entries in the books of Honey Singh

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(i)	Salaries A/c To Purchase A/c (Being entry made for stock taken by employees)	7,500	7,500
(ii)	Drawings A/c To Petty Cash A/c (Being the income tax of proprietor paid out of business money)	8,500	8,500
(iii)	Sales Promotion A/c To Purchases A/c (Being the goods costing ₹ 10,000 distributed as free Samples)	10,000	10,000
(iv)	Purchase A/c To Bank A/c To Discount Received A/c (Being the goods purchased from Sunny for ₹ 15,000 @ 10% trade discount and cash discount of ₹ 200)	13,500	13,300 200

Q.17 You are required to pass necessary journal entries in the books of Kewal:

- Cheque amounting ₹ 9,000 from Hari Krishan in full settlement of his account for ₹ 10,000.
- Withdrawn for personal use: Goods (Sales Price ₹ 8,000, Cost ₹ 6,000), cash ₹ 1,000
- Goods costing ₹ 3,000 (Sale price ₹ 4,000) distributed as free samples.
- Received commission ₹ 10,000, half of which does not relate of current year and is received in advance.
- Purchased second hand machinery from Jawahar for ₹ 30,000 against a cheque. Goods of ₹ 12,000 (Cost ₹ 9,000) used in repairs of this machinery which is necessary to make it ready for working.

Ans In the books of Kewal Journal entries

	Particulars	Dr. Amount ₹	Cr. Amount ₹
(i)	Bank A/c Dr. Discount allowed A/c Dr. To Hari Krishan A/c (Amount received from Hari Krishan after allowing discount of 1,000).	9,000 1,000	10,000
(ii)	Drawings Dr. To Purchases A/c To Cash A/c	7,000	6,000 1,000

(iii)	(Goods and cash withdrawn for personal use).		
	Free Samples/Sales promotion A/c Dr. To Purchases A/c (Being the goods distributes as free samples).	3,000	3,000
(iv)	Bank A/c Dr. To Commission A/c (Commission received).	10,000	10,000
	Commission A/c Dr. To Commission received in Advance A/c (Commission received in advance adjusted).	5,000	5,000
(v)	Machinery A/c Dr. To Bank A/c (Machinery purchased from Jawahar)	30,000	30,000
	Machinery A/c Dr. To Purchases A/c (Goods used in repairs of Machinery).	9,000	9,000

Q.18 M/s Shyam Textiles & Co. find the following errors in their books of account before preparation of Trial Balance. You are required to pass necessary journal entries:

- A purchase of ₹ 4,700 from M/s Timber & Co. was recorded in the accounts of M/s Ginger & Co. as ₹ 7,400. Day Book entry has also been passed incorrectly.
- A sale of ₹ 9,500 to M/s Aman Bros. was recorded in M/s Manan Bros account as ₹ 5,900. Day Book entry has also been incorrectly passed.
- Discount allowed ₹ 230 (as per Cash Book) has been posted to Commission Account. But the Cash Book total should be ₹ 320, because discount allowed of ₹ 90 to M/s Aman Bros. has been omitted.
- A cheque of ₹ 6,400 drawn by M/s Aman Bros. has been dishonoured, but wrongly debited to M/s Manan Bros.

How will the above errors impact trial balance?

Ans Journal Proper of Shyam Textiles & Co. Rectification Entries

	Particulars	Dr. Amount ₹	Cr. Amount ₹
(i)	M/s Ginger & Co. A/c To M/s Timber & Co. A/c To Purchases A/c (Rectification of purchase entry for ₹ 4,700 dated....as ₹ 7,400 in M/s Ginger & Co A/c in place of M/s. Timber & Co.'s A/c).	7,400	4,700 2,700
(ii)	M/s Aman Bros. A/c To Sales A/c To M/s Manan Bros. A/c (Rectification of sale entry for ₹ 9,500 datedas ₹ 5,900 in M/s Manan Bros A/c in place of M/s Aman Bros. A/c).	9,500	5,900 3,600
(iii)	Discount Allowed A/c	320	



	To Commission A/c		230
	To M/s Aman Bros. A/c		90
	(Rectification of wrong posting of discount in commission account and omission of discount transaction dated....).		
(iv)	M/s Aman Bros. A/c	6,400	
	To Manan Bros A/c		6,400
	(Wrong posting for the dishonoured cheque dated.... is being rectified).		

Since all the errors are two-sided in nature, Trial Balance will tally even if the rectifications are not done.

- Q.19** (i) Employees had taken stock worth ₹ 25,000 (Cost price ₹ 22,500) on the eve of Deepawali and the same was deducted from their salaries in the subsequent month.
- (ii) Wages paid for erection of Machinery ₹ 16,000.
- (iii) Income tax liability of proprietor ₹ 3,400 was paid out of petty cash.
- (iv) Purchase of goods from Naveen of the list price of ₹ 20,000. He allowed 10% trade discount, ₹ 500 cash discount was also allowed for quick payment.

Ans

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(i)	Salaries A/c To Purchase A/c (Being entry made for stock taken by employees)	22,500	22,500
(ii)	Machinery A/c To Cash A/c (Being wages paid for erection of machinery)	16,000	16,000
(iii)	Drawings A/c To Petty Cash A/c (Being the income tax of proprietor paid out of business money)	3,400	3,400
(iv)	Purchase A/c To Cash A/c To Discount Received A/c (Being the goods purchased from Naveen for ₹ 20,000 @ 10% trade discount and cash discount of ₹ 500)	18,000	17,500 500

Q.20 Pass a journal entry in each of the following cases:

- (i) A running business was purchased by Mohan with following assets and liabilities:
Cash ₹ 2,000, Land ₹ 4,000, Furniture ₹ 1,000, Stock ₹ 2,000, Creditors ₹ 1,000, Bank Overdraft ₹ 2,000.
- (ii) Goods distributed by way of free samples, ₹ 1,000.
- (iii) Rahim became an insolvent and could pay only 50 paise in a rupee. Amount due from him ₹ 600.

Ans

- (i)
- ₹ ₹

- | | | |
|-------------------|-----|-------|
| Cash A/c | Dr. | 2,000 |
| Land A/c | Dr. | 4,000 |
| Furniture A/c | Dr. | 1,000 |
| Stock A/c | Dr. | 2,000 |
| To Creditors | | 1,000 |
| To Bank overdraft | | 2,000 |
| To Capital A/c | | 6,000 |
- (Being commencement of business by Mohan by taking over a running business).
- (ii) Advertisement Expenses A/c Dr. 1,000
 To Purchases A/c 1,000
- (iii) Cash A/c Dr. 300
 Bad Debts A/c Dr. 300
 To Rahim ₹ 600

Q.21 Give journal entries (narrations not required) to rectify the following:

- (i) Purchase of Furniture on credit from Nigam for ₹ 3,000 posted to Subham account as ₹ 300.
- (ii) A Sales Return of ₹ 5,000 to Jyothy was not entered in the financial accounts though it was duly taken in the stock book.
- (iii) Investments were sold for ₹ 75,000 at a profit of ₹ 15,000 and passed through Sales account.
- (iv) An amount of ₹ 10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account.

Ans Journal Entries

	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Subham A/c	Dr.	300	
	Furniture A/c	Dr.	2,700	
	To Nigam A/c			3,000
(ii)	Sales Returns A/c	Dr.	5,000	
	To Jyothy A/c			5,000
(iii)	Sales A/c	Dr.	75,000	
	To P & L A/c (Gain on sale of investments)			15,000
	To Investments A/c			60,000
	Drawings A/c	Dr.	10,000	
(iv)	To Trade Expenses A/c			10,000

Q.22 Pass a journal entry in each of the following cases:

- (i) A running business was purchased by Mohan with following assets and liabilities:



Cash ₹ 2,000, Land ₹ 4,000, Furniture ₹ 1,000, Stock ₹ 2,000, Creditors ₹ 1,000, Bank Overdraft ₹ 2,000.

- (i) Goods distributed by way of free samples, ₹ 1,000.
- (ii) Rahim became an insolvent and could pay only 50 paise in a rupee. Amount due from him ₹ 600.

Ans

- (i)

Cash A/c	Dr.	2,000
Land A/c	Dr.	4,000
Furniture A/c	Dr.	1,000
Stock A/c	Dr.	2,000
To Creditors		1,000
To Bank overdraft		2,000
To Capital A/c		6,000

(Being commencement of business by Mohan by taking over a running business).

- (ii)

Advertisement Expenses A/c	Dr.	1,000
To Purchases	A/c	1,000
- (iii)

Cash A/c	Dr.	300
Bad Debts A/c	Dr.	300
To Rahim		₹ 600

Q.23 M/s Suman & Co. find the following errors in their books of account before preparation of Trial Balance. You are required to pass necessary journal entries:

- (i) A purchase of ₹ 5,600 from M/s Minu & Co. was recorded in the accounts of M/s Mintu & Co. as ₹ 6,500. Day Book entry has also been passed incorrectly.
- (ii) A sale of ₹ 9,800 to M/s Bantu Bros. was recorded in M/s Bindu & Co.'s account as ₹ 8,900. Day Book entry has also been incorrectly passed.
- (iii) Discount allowed ₹ 560 (as per Cash Book) has been posted to Commission Account. But the Cash Book total should be ₹ 650, because discount allowed of ₹ 90 to M/s Bantu Bros. has been omitted.
- (iv) A cheque of ₹ 9,700 drawn by M/s Bantu Bros. has been dishonoured, but wrongly debited to M/s Bhakt & Co.

Should the Trial Balance tally without rectification of errors?

Ans

Journal Proper of Suman & Co. Rectification Entries

	Particulars	Dr. Amount ₹	Cr. Amount ₹
(i)	M/s Mintu & Co. A/c To M/s Minu & Co. A/c To Purchases A/c (Rectification of purchase entry for ₹ 5,600 dated....as ₹ 6,500 in M/s Mintu & Co.'s Account in place of M/s Minu & Co. A/c).	6,500	5,600 900

(ii)	M/s Bantu Bros. A/c To Sales A/c To M/s Bindu & Co. A/c (Rectification of sale entry for ₹ 9,800 datedas ₹ 8,900 in M/s Bindu & Co.'s Account in place of M/s Bantu Bros. A/c).	9,800	900 8,900
(iii)	Discount Allowed A/c To Commission A/c To M/s Bantu Bros. A/c (Rectification of wrong posting of discount in commission account and omission of discount transaction dated....).	650	560 90
(iv)	M/s Bantu Bros. A/c To Bhakt & Co. A/c (Wrong posting for the dishonoured cheque dated.... is being rectified).	9,700	9,700

Since all the errors are two-sided in nature, Trial Balance would have tallied even if the rectifications are not done.

Q.24 Pass a journal entry in each of the following cases.

- A running business was purchased by Mohan with following assets and liabilities:
Cash ₹ 2,000, Land ₹ 4,000, Furniture ₹ 1,000, Stock ₹ 2,000, Creditors ₹ 1,000, Bank Overdraft ₹ 2,000.
- Goods distributed by way of free samples, ₹ 1,000.
- Rahim became an insolvent and could pay only 50 paise in a rupee. Amount due from him ₹ 600.

Ans	(i)	₹	₹
		Cash A/c Dr.	2,000
		Land A/c Dr.	4,000
		Furniture A/c Dr.	1,000
		Stock A/c Dr.	2,000
		To Creditors	1,000
		To Bank overdraft	2,000
		To Capital A/c	6,000
		(Being commencement of business by mohan by taking over a running business).	
	(ii)	Advertisement Expenses A/c Dr.	1,000
		To Purchases A/c	1,000
	(iii)	Cash A/c Dr.	300
		Bad Debts A/c Dr.	300
		To Rahim	600

Q.25 Prepare Journal Entries for the following transactions in the books of Gamma Bros.

- Employees had taken stock worth ₹ 10,000 (Cost price ₹ 7,500) on the eve of Deepawali and the same was deducted from their salaries in the subsequent month.
- Wages paid for erection of Machinery ₹ 8,000.



- c. Income tax liability of proprietor ₹ 1,700 was paid out of petty cash.
- d. Purchase of goods from Naveen of the list price of ₹ 2,000. He allowed 10% trade discount, ₹ 50 cash discount was also allowed for quick payment.

Ans Journal Entries in the books of Gamma Bros.

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(i)	Salaries A/c To Purchase A/c (Being entry made for stock taken by employees)	7,500	7,500
(ii)	Machinery A/c To Cash A/c (Being wages paid for erection of machinery)	8,000	8,000
(iii)	Drawings A/c To Petty Cash A/c (Being the income tax of proprietor paid out of business money)	1,700	1,700
(iv)	Purchase A/c To Cash A/c To Discount Received A/c (Being the goods purchased from Naveen for ₹ 2,000 @ 10% trade discount and cash discount of ₹ 50)	1,800	1,750 50