

Journal

Solution 1

(A) Analysis of Business Transaction: Accounting Equation Approach

The accounting equation is Assets = Liabilities + Capital

S.No.	ASSETS					=	CAPITAL	+	LIABILITY
	CASH	+	BANK	+	FURN.	=	CAPITAL	+	LIABILITY
(a)	-	+	4,000	+	-	=	4,000	+	-
(b)	+200	+	-200	+	-	=	-	+	-
(c)	-	+	500	+	-	=	-	+	500
(d)	-	+	-300	+	-	=	-400	+	100
(e)	-	+	-500	+	500	=	-	+	-
	200	+	3,500	+	500	=	3,600	+	600

(B) Analysis of Business Transactions: Traditional Approach

Transaction	Account Affected and Nature of Account	Rule	Entry
Introduction of ₹ 4,000 through bank by the proprietor	Bank–Personal Capital–Personal	Debit the receiver Credit the giver	Debit Bank Credit Capital
Cash Withdrawn from Bank ₹ 200	Cash–Real Bank–Personal	Debit what comes in Credit the giver	Debit Cash Credit Bank
Loan from Y ₹ 500	Bank–Personal Y's Loan–Personal	Debit the receiver Credit the giver	Debit Bank Credit Y's Loan
Salary paid ₹ 300 & still payable ₹ 100	Salary- Nominal Bank–Personal Salary O/s- Personal	Debit all expenses Credit the giver Credit the giver	Debit Salary (400) Credit Bank (300) Credit Salary O/s (100)
Furniture purchased ₹ 500	Furniture- Real Bank–Personal	Debit what comes in Credit the giver	Debit Furniture Credit Bank

Solution 2

Journal Entries

S.No.	Date	Particulars	Nature of Account	L.F.	Debit	Credit
1.	Dec.1	Bank A/c Dr.	Personal A/c		4,00,000	
		To Capital A/c	Personal A/c			4,00,000
		(Being commencement of business)				
2.	Dec.3	Cash A/c Dr.	Real A/c		2,000	
		To Bank A/c	Personal A/c			2,000
		(Being cash withdrawn from Bank)				
3.	Dec.5	Purchases A/c Dr.	Nominal A/c		15,000	
		To Bank A/c	Personal A/c			15,000
		(Being purchase of goods for cash)				
4.	Dec.8	Bank A/c Dr.	Personal A/c		16,000	
		To Sales A/c	Nominal A/c			16,000
		(Being goods sold for cash)				
5.	Dec.10	Furniture A/c Dr.	Real A/c		2,500	
		To Bank A/c	Personal A/c			2,500
		(Being purchase of furniture, paid by cheque)				
6.	Dec.12	Arvind A/c Dr.	Personal A/c		2,400	
		To Sales A/c	Nominal A/c			2,400
		(Being sale of goods)				

The copyright of these notes is with C.A. Nitin Goel

No part of these notes may be reproduced in any manner without his prior permission in writing

7.	Dec.14	Purchases A/c Dr.	Nominal A/c		10,000	
		To Amrit A/c	Personal A/c			10,000
		(Being purchase of goods)				
8.	Dec.15	Amrit A/c Dr.	Personal A/c		500	
		To Purchases Return A/c	Nominal A/c			500
		(Being goods returned to Amrit)				
9.	Dec.16	Bank Account Dr	Personal A/c		2,300	
		Discount Account Dr.	Nominal A/c		100	
		To Arvind A/c	Personal A/c			2,400
		(Being cash received from Arvind in full settlement and allowed him ₹ 100 as discount)				
10	Dec.18	Drawings A/c Dr.	Personal A/c		1,000	
		To Purchases A/c	Nominal A/c			1,000
		(Being withdrawal of goods for personal use)				
11.	Dec.20	Drawings Account Dr.	Personal A/c		2,000	
		To Cash Account	Real A/c			2,000
		(Being cash withdrawal from the business for personal use)				
12.	Dec.24	Telephone Expenses A/c Dr.	Nominal A/c		110	
		To Bank Account	Personal A/c			110
		(Being telephone expenses paid)				
13.	Dec.26	Amrit A/c Dr.	Personal A/c		9,500	
		To Bank Account	Personal A/c			9,450
		To Discount Account	Nominal A/c			50
		(Being cash paid to Amrit and he allowed ₹ 50 as discount)				
14.	Dec.31	Stationery Expenses A/c Dr.	Nominal A/c		200	
		Rent Account Dr.	Nominal A/c		5,000	
		Salaries Account Dr.	Nominal A/c		2,000	
		To Bank Account	Personal A/c			7,200
		(Being expenses paid)				
15.	Dec.31	Advertisement Expenses A/c Dr.	Nominal A/c		2,000	
		To Purchases Account	Nominal A/c			2,000
		(Being distribution of goods by way of free samples)				

Solution 3

Nature of Account

S. No.	Title of Account	Traditional Approach	Accounting Equation Approach
(a)	Building	Real	Asset
(b)	Purchases	Nominal	Expense
(c)	Sales	Nominal	Revenue
(d)	Bank Fixed Deposit	Personal	Asset
(e)	Rent	Nominal	Expense
(f)	Rent Outstanding	Personal	Liability
(g)	Cash	Real	Asset
(h)	Adjusted Purchases	Nominal	Expense
(i)	Closing Inventory	Real	Asset
(j)	Investment	Real	Asset

The copyright of these notes is with C.A. Nitin Goel

No part of these notes may be reproduced in any manner without his prior permission in writing

(k)	Trade receivables	Personal	Asset
(l)	GST Payable	Personal	Liability
(m)	Discount Allowed	Nominal	Expense
(n)	Bad Debts	Nominal	Expense
(o)	Capital	Personal	Capital
(p)	Drawings	Personal	Capital – Drawings
(q)	Interest receivable	Personal	Asset
(r)	Rent received in advance	Personal	Liability
(s)	Prepaid salary	Personal	Asset
(t)	Bad debts recovered	Nominal	Gain
(u)	Depreciation	Nominal	Expense
(v)	Personal Income Tax	Personal (Drawing)	Capital – Drawings

Solution 4

Journal Entries

Date	Particulars	L.F.	Debit	Credit
Apr.1	Bank A/c Dr.		10,00,000	
	To Capital A/c			10,00,000
	(Being commencement of business)			
Apr.3	Purchases A/c Dr.		50,000	
	To Bank A/c			50,000
	(Being purchase of goods)			
Apr.5	Cash A/c Dr.		10,000	
	To Bank A/c			10,000
	(Being cash withdrawn from Bank)			
Apr.13	Krishna A/c Dr.		1,50,000	
	To Sales A/c			1,50,000
	(Being sale of goods)			
Apr.20	Purchases A/c Dr.		2,25,000	
	To Shyam A/c			2,25,000
	(Being purchase of goods)			
Apr.24	Bank Account Dr		1,45,000	
	Discount Account Dr.		5,000	
	To Krishna A/c			1,50,000
	(Being cash received from Krishna in full settlement and allowed him as discount)			
Apr.28	Shyam A/c Dr.		2,25,000	
	To Bank Account			2,15,000
	To Discount Account			10,000
	(Being cash paid to Shyam and he allowed discount)			
Apr.30	Bank A/c Dr.		8,00,000	
	To Sales A/c			8,00,000
	(Being goods sold for cash)			
Apr.30	Rent Account Dr.		50,000	
	Salaries Account Dr.		1,00,000	
	To Bank Account			1,50,000
	(Being expenses paid)			

Solution 5

These have been solved using the Accounting Equation: Assets = Capital + Liabilities

- (a) 12,50,000
- (b) 2,25,000
- (c) 75,000
- (d) 59,80,000

Solution 6

S.No.	Inc (+) / Dec (-) / No Change (0)	Reasons
(a)	+	Furniture has been purchased making it an increase in assets and also it being purchased on credit it increases liability and there is no outflow of assets like cash or bank.
(b)	+	Cash has flowed in for services provided making it an increase in assets.
(c)	+	Here with goods sold there is a decrease in inventory (assets) but given there is an increase in debtors there will be a net increase in assets. Though if goods are sold at cost it will result in no change whereas sale at below cost will result in decrease in assets.
(d)	-	Here cash has been withdrawn from business resulting in decrease in assets and capital.
(e)	0	Only hiring of employee has been done resulting in no change in assets.
(f)	-	Outflow of goods has resulted in decrease in assets while money owed to creditors reduce on the liability side.
(g)	-	Here both assets and liabilities reduce by same amounts meaning a decrease in assets.
(h)	0	Only a purchase agreement has been entered into with no transaction taking place yet.

Solution 7

Trade Receivable Balance (B) = Sales- Amount received during the year
= ₹ (15,55,000 - 15,00,000)
= ₹ 55,000.

Since, we know Assets = Capital + Liabilities Therefore, balance of assets is also ₹ 14,15,000

So, Total Assets:

Particulars	₹
Total Assets	14,15,000
Less: Machinery	(12,00,000)
Less: Inventory	(60,000)
Less: Bank	(80,000)
Less: Receivables	(55,000)
Cash (A)	20,000

Computation of Closing Capital (D):

Particulars	₹
Opening Capital	10,00,000
Add: Introduced during the year	1,00,000
Less: Loss incurred during the year	(35,000)
Closing Capital	10,65,000

So, Loan amount (C) = Total Liabilities and capital - Closing Capital - Trade Payables
= ₹ (14,15,000 - 10,65,000 - 1,00,000)
= ₹ 2,50,000

Solution 8

We know Assets = Equity + Liabilities

For the year ended 31.03.2020

Equity = Capital = 1,00,000

Liabilities = Bank Loan + Trade Payables = 1,00,000+75,000 = 1,75,000

Assets = Fixed Assets + Trade Receivables + Inventory + Cash & Bank
= 1,25,000+75,000+70,000+5,000 = 2,75,000

Equity + Liabilities = Assets

1,00,000+1,75,000 = 2,75,000

For the year ended 31.03.2021

Assets = 1,10,000+80,000+80,000+6,000 = 2,76,000

Liabilities = 1,00,000+70,000 = 1,70,000

Equity = 2,76,000 – 1,70,000 = 1,06,000

Profit = Closing Equity – Opening Equity

= 1,06,000 – 1,00,000

= 6,000

Solution 9

Journal Entries

Date	Particulars	L.F.	Debit	Credit
(i)	Bank A/c Dr.		9,000	
	Discount Allowed A/c Dr.		1,000	
	To Hari Krishan A/c			10,000
	(Being Amount received from Hari Krishan after allowing discount of 1,000)			
(ii)	Drawings A/c Dr.		7,000	
	To Purchases A/c			6,000
	To Cash A/c			1,000
	(Being goods & cash withdrawn for personal use)			
(iii)	Free Samples/Sales Promotion A/c Dr.		3,000	
	To Purchases A/c			3,000
	(Being goods distributed as free samples)			
(iv)	Bank A/c Dr.		10,000	
	To Commission A/c			10,000
	(Being commission received)			
	Commission A/c Dr.		5,000	
	To Commission received in Advance A/c			5,000
	(Being commission received in advance adjusted)			
(v)	Machinery A/c Dr		30,000	
	To Bank A/c			30,000
	(Being machinery purchased from Jawahar)			
	Machinery A/c Dr		9,000	
	To Purchases A/c			9,000
	(Being goods used in repairs of Machinery)			
(vi)	Machinery A/c Dr		3,00,000	
	Input CGST A/c Dr		18,000	

The copyright of these notes is with C.A. Nitin Goel

No part of these notes may be reproduced in any manner without his prior permission in writing

Input SGST A/c Dr		18,000	
To Bank A/c			1,00,000
To Jawahar Industries A/c			2,36,000
(Being machinery purchased from Jawahar & paid 1,00,000 immediately, CGST & SGST @6% each)			

Solution 10

Transactions are first entered in a book called 'Journal' to show which account should be debited and which should be credited. Journal creates preliminary records and, is also called subsidiary book.

All transactions are first recorded in the journal as and when they occur, the record is chronological, otherwise it would be difficult to maintain the records in an ordinary manner.

Journal gives details regarding any transaction. Thus journal tells the amounts to be debited and credited and also the accounts involved.

Solution 11

IMPORTANCE OF JOURNAL:

- Chronological Order:** As transactions are recorded on chronological order, one can get complete information about the business transactions on time basis.
- Narration:** Entries recorded in the journal are supported by a note termed as narration, which is a precise explanation of the transaction for the proper understanding of the entry. One can know the correctness of the entry through these narrations.
- Basis of Posting:** Journal forms the basis for posting the entries in the ledger. This eases the accountant in their work and reduces the chances of error.

Solution 12

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
April, 5	Bank A/c Dr.		19,600	
	Discounting Charges A/c (20,000X2%) Dr.		400	
	To Bills Receivable A/c			20,000
	(Being bill discounted from bank at 2%)			
April, 8	Malik's A/c Dr.		25,200	
	To Sales			22,500
	To Output CGST A/c			1,350
	To Output SGST A/c			1,350
	(Being goods sold at a profit of 25% and trade discount of 10% CGST and SGST at 6% each)			
April 10	Purchases A/c Dr.		8,000	
	Input CGST A/c Dr.		480	
	Input SGST A/c Dr.		480	
	To Trends Industries			8,960
	(Being goods purchased and CGST and SGST payable at 6% each)			
April, 16	Cash A/c Dr.		5,800	
	Discount Allowed A/c Dr.		200	
	To Amar Singh			6,000
	(Being cash received from Amar Singh after allowing him discount of ₹ 200)			
April, 19	Charity A/c Dr.		896	
	To Purchases A/c			800

	To Input CGST A/c			48
	To Input SGST A/c			48
	(Being goods given as charity, input CGST and input SGST debited at the time of purchases reversed)			
April,23	Cash A/c Dr.		510	
	Discount allowed A/c Dr.		60	
	To Ganesh's A/c			600
	(Being cash received form Ganesh on account)			
April,25	Interest on Loan A/c Dr.		1,000	
	To Interest on Loan Outstanding A/c			1,000
	(Being interest on loan due but not paid)			

Solution 13

Journal entries in the books of Mr. Kapil

S No.	Particulars	L.F.	Amount Dr.	Amount Cr.
(i)	Purchases A/c Dr.		1,35,000	
	Input CGST A/c Dr.		8,100	
	Input SGST A/c Dr.		8,100	
	To Sonu's A/c			1,51,200
	(Being goods purchased from Sonu, CGST and SGST payable @6% each)			
(ii)	Bank A/c Dr.		22,000	
	Mohit's A/c Dr.		33,000	
	To Sales A/c			50,000
	To Output CGST A/c			2,500
	To Output SGST A/c			2,500
	(Being goods sold to Mohit, charged CGST and SGST @ 5% each and received 40% in cash)			
(iii)	Drawings A/c Dr.		28,000	
	To Purchase A/c			25,000
	To Input CGST A/c			1,500
	To Input SGST A/c			1,500
	(Being goods withdrawn for personal use and input CGST and input SGST debited at the time of purchase reversed)			
(iv)	Machinery A/c Dr.		2,00,000	
	Input CGST A/c Dr.		18,000	
	Input SGST A/c Dr.		18,000	
	To Bank A/c			1,00,000
	To Bright Industries			1,36,000
	(Being machinery purchased and paid ₹ 1,00,000 immediately, CGST and SGST @ 9% each)			

Solution 14

Journal Entries in the books of Harpreet

	Particulars	Dr.	Cr.
(i)	Customers (Debtors) A/c Dr.	4,400	
	To Bank A/c		4,000
	To Discount Allowed A/c		400
	(Being customer cheque returned unpaid by bank, cash discount allowed earlier)		

The copyright of these notes is with C.A. Nitin Goel

No part of these notes may be reproduced in any manner without his prior permission in writing

(ii)	Drawings A/c	Dr.	8,500	
	To Petty Cash A/c			8,500
	(Being the income tax of proprietor paid out of business money)			
(iii)	Cash A/c	Dr.	3,000	
	Profit and Loss A/c	Dr.	2,000	
	To Sales A/c			5,000
	(Being defective goods costing ₹ 5,000 were sold for a loss of ₹ 2,000)			
(iv)	Purchase A/c	Dr.	19,000	
	To Bank A/c			18,800
	To Discount Received A/c			200
	(Being the goods purchased from Sunny for ₹ 19,000 @ 5% trade discount and cash discount of ₹ 200)			
(v)	Purchases A/c	Dr.	50,000	
	Input CGST A/c	Dr.	3,000	
	Input SGST A/c	Dr.	3,000	
	To Sarah Industries			56,000
	(Being goods purchased and CGST and SGST payable at 6% each)			
(vi)	Charity A/c	Dr.	1,792	
	To Purchases A/c			1,600
	To Input CGST A/c			96
	To Input SGST A/c			96
	(Being goods given as charity, input CGST and input SGST debited at the time of purchases reversed)			