

PART-C

- 1. Record the following the transaction in the journal of Mr.Radhakrishnan and post them in the ledger and balance the same.**

2004Jan1 Radha Krishnan commenced business with cash Rs15, 00,000

3 paid in to bank Rs5, 00,000

5 bought goods for Rs 3, 60,000

7 paid traveling charges Rs 5,000

10sold goods for Rs2, 50,000

15 sold goods to balan Rs 2, 40,000

20 purchased goods from Rs 2, 10,000

25 withdrew cash Rs60, 000

Journal entries of Mr.Radha Krishnan.

Date 2004	Particulars	Lf	Debit Rs	Credit Rs
Jan1	Cash A/c Dr To Radha Krishnan A/c [started business with cash]		15,00,00	15,00,000
3	Bank A/c Dr To cash A/c [cash paid in to bank]		5,00,000	5,00,000
5	Purchases A/c Dr To cash A/c [cash purchases]		3,60,000	3,60,000
7	Traveling expenses A/c Dr To cash A/c [traveling expenses incurred]		5,000	5,000
10	Cash A/c Dr To sales A/c [cash sales]		2,50,000	2,50,000
15	Balan A/c Dr To sales A/c [credit sales]		2,40,000	2,40,000
20	Purchases A/c Dr To narayananA/c [credit purchases]		2,10,000	2,10,000
25	Cash A/c Dr To bank A/c [cash with drawn]		60,000	60,000

- 2. Enter the following transactions in the appropriate special journal of m/s sita &co.**

2002 Oct 2bought goods from satish Rs2, 400 as per invoice no.63

4 sold goods to sivagami goods Rs 1,600 as per invoice no.71

7 returned to satish goods of Rs 250 as per debit note no.4

8 sivagami returned goods Rs 150 as per credit note no.8
 12 sold to Vijaya goods of Rs 950 as per invoice no.72
 14 purchased from velan goods worth Rs 1,100
 18 returned to sampath goods of Rs150 as per debit note no5
 22 vijaya returned goods of Rs 240 credit note no9

PURCHASE BOOK

date	particulars	Lf	Inward Invoice no	amount		Remarks
				Details Rs	Total Rs	
2002oct2	satish		63		2400	
14	velan		64		1,100	
	total				3,500	

SALES BOOK

Date	particulars	Lf	creditnoteno	amount		remarks
2002				Details Rs	Total Rs	
Oct 4	sivagami		71		1,600	
12	Vijaya				950	
	total				2,550	

PURCHASES RETURN BOOK

Date	particulars	Lf	Outward invoice no	Amount		remarks
2002				Details Rs	Total Rs	
7	satish		4		250	
18	velan		5		150	
	Total				400	

SALES RETURN BOOK

DATE	particulars	Lf	Credit note no	amount		remarks
2002				Details Rs	Total Rs	
8	sivagami		8		150	
22	vijaya		9		240	

3. What are the difference between trade discount and cash discount?

s.no	Basis of distinction	Trade discount	Cash discount
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1	Parties	It is a granted by a manufacturer /supplier	It is a reduction granted by a whole – saler (creditor)and to the buyer(debtor)
2.	purpose	To help the retailer to earn some profit	To encourage prompt payment when the stipulated period.
3.	Time when allowed	It is allowed on the purchase of goods	It is allowed when payment is made with in the specified period.
4.	variation	It is usually gives at the same rate which is applicable to all the customers and will vary with the quantity purchased.	It is varies from the customer depending on the time and period of payment.
5.	Disclosure	It is shown by way of deduction in the invoice itself.	It is not shown in the invoice.

4.From the following particulars, ascertain the bank column balance as per cash book of Mr.muthu as at 31march 2003.

(a)credit balance as per passbook as on31.3.2003

(b) Bank charges of Rs60had not been entered in the cashbook.

© Out of the cheques of Rs3, 500paid into the bank, cheques of Rs1, 000was not yet credited by the banker.

(d) out of the cheques of issued for Rs4,500,chequesof Rs3,800 only were presented for payment

(e) A dividend of Rs400was collected by the banker directly but not entered in the cash book.

(f) A cheques of Rs 600 had been dishonored prior to 31.3.2003, but not entered was made in the cash book

BANK RECOILATIONSTATEMENT.OF AS ON321STMARCH2003

SNO	Particulars	Amount	Amount
a	Credit balance as per balance book	Rs	Rs
			2,500

b	Add: 1.acheques was dishonored prior to 31.3.2003made in the cashbook. 2.out of the cheques was not yet credited by the banker 3.bank charger to entered in the cashbook	600 1,000 60	1,660
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	c.less; 1.out of the cheques of Rs3,800only were presented For payment [4,500-3,800]=700 2.dividend directly collectedly but not entered in the cashbook	700 400	1,100
	Balance as per cashbook		3,600

5. Prepare the following balances from the following balances of Mrs. Devi as on 31.3.2002

particular	Rs	particular	Rs
Capital	4,20,000	Cash in hand	25,000
Building	1,15,000	Cash in bank	84,700
Machinery	60,000	Salaries	94,000
Furniture	11,000	Rent	48,000
Car	68,000	Commission	1,400
Opening stock	86,000	Rate and taxes	2,600
Purchases	94,000	Bad debts	3,200
Sales	1,96,000	Insurance	2,400
Sundry debtors	7,300	General expenses	800
Reserve for doubtful debts		Sundry creditors	68,000

s.no	particulars	Lf	Debit Rs	Credit Rs
i	Capital			4,20,000
	Building		1,15,000	
	Machinery		60,000	
	Furniture		11,000	
	Car		68,000	
	Opening stock		86,000	
	Purchases		94,000	
	Sales			
	Sundry debtors		16,200	1,96,000
	Reserve for doubtful debts			
	Cash in hand		25,000	7,300
	Cash in bank		, 84,700	
	Salaries		94,000	
	Rent		1,400	
	Commission		2,600	
	Rates and taxes		, 3,200	
	Bad debts		2,400	
	Insurance		800	
	General expenses			
	Sundry creditors			68,000
	Suspense account			21,000

	Total		7,12,300	7,12,300

6) Write notes on provision for bad and doubtful debts.

Every business suffers a percentage of bad debts over and above the debts definitely known as irrecoverable and written off as bad (bad debts written off). If sundry debtors figure is to be shown correctly in the Balance sheet, provision for bad and doubtful debts must be adjusted. This provision for bad and doubtful debts is generally provided at a certain percentage on Debtors, based on past experience.

While preparing final accounts, the bad debts written off given in adjustment is first deducted from the sundry debtors. Then on the balance amount (sundry debtors- Bad debts written off) provision for bad and doubtful debts calculated.

Provision for bad and doubtful debts will be shown:

- i) On the debit side of profit and loss account and
- ii) On the assets side of the balance sheet by way of deduction from sundry debtors (after bad debts written off if any).

7. What is Depreciation Fund Method” of depreciation?

Under Depreciation Fund Method or Sinking Fund Method, funds are made available for the replacement of asset at the end of its useful life. The depreciation remains the same year after year and is charged to profit and loss account every year through the creation of depreciation fund.

The amount of annual depreciation is invested in good securities bearing interest at a specific rate. The aggregate amount of interest and annual provision is invested every year. When the asset is completely written off or is to be replaced, the securities are sold and the amount so realized by selling securities is used to replace the old asset.

8. Briefly explain the various accounting concepts.

Basic concepts of accounting are-

- a) **Dual aspect concept:** Dual aspect principle is the basis of double entry system of book-keeping. All business transactions recorded in accounts have two aspects- receiving benefit and giving benefit. For example, when a business acquires an asset (receiving of benefit) it must by cash (giving of benefit).
- b) **Revenue realization concept:** According to this concept revenue is considered as the income earned on the date when it is realized. Unearned or unrealized revenue should not be taken in to account. This realization concept is vital for determining income pertaining to an accounting period. It avoids the possibility of inflating incomes and profits.
- c) **Historical cost concept:** Under this concept assets are recorded at the price X paid to acquire them and this cost is the basis for all subsequent accounting for the asset. For example if a piece of land is purchased for Rs 5, 00,000. And its market value is 8, 00,000. At the time of preparing final accounts the land value is recorded is only Rs 5, 00,000. Thus the balance sheet is does not indicate the price at which the asset could be sold for.

- d) **Matching concept:** Matching the revenues earned during an accounting period with the cost associated with the period of ascertain the result of the business concern is called the matching concept. It is the basis for finding accurate profit which can be safely distributed to the owners for a period.
- e) **Full disclosure concept:** Accounting statement should disclose fully and completely all the significant information. Based on this, decisions can be taken by various interested parties. It involves proper classification and explanation of accounting information which are published in financial statements.
- f) **Verifiable and objective evidence concept:** This principle requires that each recorded business transactions in the book of accounts should have an adequate evidence to support it. For example cash receipt for payments made. This documentary evidence of transactions should be free from any basis.
- g) **Verifiable and objective evidence concept:** This principle requires that each recorded business transactions in the book of accounts should have an adequate evidence to support it. For example, cash receipt for payments made. The documentary evidence of transactions should be free from any basis. As accounting records are based on documentary evidence which are capable of verification, it universally acceptable.

9. What are the advantages of subsidiary books?

The advantages of maintaining subsidiary books are as following:

1. **Division of labour:** The division of journal resulting in division of work, ensures more clerks working independently in recording original entries in this subsidiary books.
2. **Efficiency:** the division of labour also helps the reduction in works and, saving in time and stationery. It also gives advantages of specialization leading to efficiency.
3. **Prevents errors and frauds:** The accounting work can be dividing in such a manner that the work of one person is automatically checked by another person. With the use of internal check, the possibility of occurrence of errors and frauds may be avoided.
4. **Easy Reference:** It facilitates easy reference to any particular item. For instance total credit sales for a month can be easily obtained from the sales book.
5. **Easy postings:** Posting from the subsidiary books are made at convenient intervals depending up on the nature of business.

10. Journalise the following transaction of Mr Ravi and post them in the ledger and balance the same.

2004 Jan 1 Ravi invested Rs5, 00,000 cash in the business

3 paid in to the bank Rs80, 000

5 purchased building for Rs3, 00,000

7 purchased goods for Rs70, 000

10 sold goods for Rs80, 000

15 with drew cash from bank Rs10, 000

25 paid electric chrges Rs3, 000

30 paid salary Rs15, 000

JOURNAL ENTRIES OF Mr. RAVI

Date 2004	particulars	Lf	Debit Rs	Credit Rs
Jun1	Cash A/c Dr To Ravi's capital A/c [started business with cash]		5,00,000	5,00,000
3	Bank A/c Dr To cash A/c [cash paid in to bank]		80,000	80,000
7	Purchases A/c Dr To cash A/c [cash purchases]		3,00,000	3,00,000
5	Building A/c Dr To cash A/c [building purchases]		70,000	70,000
10	Cash A/c Dr To sales A/c [cash sales]		80,000	80,000
15	Cash a/c Dr To bank a/c [cash with drawn from bank]		10,000	10,000
25	Electric charges A/c Dr To cash A/c [electric charges paid]		3,000	3,000
30	Salary A/c Dr To cash A/c [paid salaries]		15,000	15,000

Ledger account Ravi's Account

Date	particulars	JF	Rs	Rs	Date	Particulars	JF	Rs	Rs
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Bank Account

Date	particulars	JF	Rs	Rs	Date	particulars	JF	Rs	Rs
30.6.04	To balanceA/d			10,000	15.6.04	By cash A/c			10,000
				10,000					10,000
					1.7.04	By balancec/d			10,000

Sales account

date	particulars	JF	Rs	RS	Date	particulars	JF	Rs	RS
30.6.04	To balance			80,000	10.6.04	By cash A/c			80,000

	c/d								
				80,000					80,000
					1.6.04	By balance b/d			80,000

Cash Account

Date	particulars	JF	Rs	Rs	Date	particulars	JF	RS	RS
2004 Jan1	To ravi,scapitalA/c			50,000	2004 Jan 3	By bank a/c			80,000
10	To sales			80,000	5	By building			3,00,000
15	To bankA/c			10,000	7	By purchasesA/c			70,000
					25	By electric chargesA/c			3,000
					30	By salary A/c			15,000
					7	By balance c/d A/c			1,22,000
				5,90,000					5,90,000
	To balance b/d			1,22,000					

Building account

Date	Jf	Rs	RS	Date	particulars	JF	Rs	Rs
5.6..04			3,00,000	15.6.04	By balance c/d			3,00,000
			3,00,000					3,00,000
1.7.04			3,00,000					

Electric charges account

Date	Particulars	JF	Rs	RS	date	particulars	JF	Rs	Rs
25.6.04	To cash A/c			3,000	30.6.04	By balance c/d			3,000
				3,000					3,0000
1.7.04	To balance b/d			3,000					

Salary account

	particulars	JF	RS	Rs	Date	particulars	JF	Rs	RS
30.6.04	To cash A/c			15,000	30.6.04	By balance			3,000

				15,000					15,000
1.7.04	To balance b/d			15,000					

10. Write note on

Trading account (b) profit and loss account (c) balance sheet

To know the financial performance of the business we have to ascertain the profit and loss at the yearly intervals and the financial position on a given date. By preparing the final account we can come to know the performance.

Final accounts include the performance of

(i) Trading A/c

(ii) profit and loss/c and Balance sheet

To know the financial performance of the business, we have to ascertain the profit and loss at yearly intervals and financial position on the given date. By preparing the final accounts to make a continuous assessment of a business for a completely period. It must be kept in mind the expenses and income for the full accounting period are to be taken into account