Principles Accounting

Lecture. No: 1 **Unit: I**

Introduction:

The word “money” is so important to survive in the human society just like as blood in the human structure. It is well said that “Nothing is impossible when money is available and nothing is possible when the money is not available”. The source of money is created by way of undertaking a job, engaging in agriculture, business or profession etc. The availability of money is depend upon the manner in which money is expended. This means if a person or business concern is careless in spending money; the day may come when he or it does not have a single rupee. In other words, the availability of money is not merely depend upon the earning of income but very much depend upon the manner in which the earned income is expended.

Thus the proper management of income and expenditures is quite important to survive as well as to grow. It requires preparing and maintaining proper records and books in the systematic manner. For this purpose, a technique or tool named as “accounting” has been in the use since the ancient period.

Meaning of Accounting:

The modern system of accounting is based what is known as the Double Entry principle. Accounting is a science because it has some definite objects to be fulfilled and is an art as it prescribes the process through which the object can be achieved. Non-financial transactions cannot be recorded in accounting, i.e., only transactions of financial nature are the subject – matter of accounting. To be more clear, only those transactions which are expressed in terms of money are recorded.

Accounting is an art of recording transactions according to size, nature and type of business transactions – cash transactions, credit transactions, frequent transactions etc. When the recording in journal or subsidiary books is done, they are to be classified by grouping the transactions or entries of one nature at place. This is done by opening accounts in a book called ledger. Then such ledgers are summarized in order to give useful information to the management or interested parties. This is done by preparing trading and profit and loss account and balance sheet of whole accounting record. Finally, it is an art of interpreting the result of the financial transactions and communicating the result thereof. The aspect of interpretation falls under management accounting.

Accounting and Book keeping:

Book keeping may be defined as the art and science of correctly and systematically recording in the books of account the business transactions of an individual or a concern in a way to show clearly the monetary effect of each such transactions. The work of book-keeping is usually entrusted to junior employees, who maintain various books of accounts, journal, subsidiary books, ledgers etc, can be called as book–keepers. The books of original record, by themselves, do not give an idea of the company‟s financial position. When one has to make a judgment regarding the financial position of the
firm, the information contained in these books has to be analysed and interpreted.

Need for Accounting:

It is common experience of all of us that money must be spent carefully. A firm receives money from certain sources like sale of goods, interest on bank deposits. It has to spend money on a number of items like salary, rent, electricity, water, advertisement. The firm should manage its affairs in such a way as will enable it to receive more than it spends. Otherwise, it will have to meet expenses from the original amount invested by the owner for starting the business.

Objectives of Accounting:

Following are the objectives for which accounting is aimed at:

i. To provides the permanent record.
ii. To provides the most effective way to the management for fixing of objectives of the business.
iii. To provides the most vital information to the management to preparing budgets.
iv. To facilitates the business concern to know the profit or loss for a given period.
v. To facilitates to know the soundness of a business concern by providing balance sheet.
vi. To enables to prepare a list of customers and suppliers to ascertain amount to be received or paid.
vii. To gives opportunities to review the business policies in the light of the past records.
viii. To comply with provisions of Companies Act 1956, it is necessary to maintain accounting records.
ix. To be useful for business loss, provision of licenses, assessment of taxes etc.,

Functions of Accounting:

Accounting has the following functions:

i. Function of Book-keeping:

The primary functions of accounting relates to recording, classification and summary of financial transactions – journalisation, posting and preparation of final statements. The purpose of this function is to report regularly to the interested parties by means of financial statements.

ii. Function of Language:

Accounting is the language of business. Various transactions are communicated through accounting. There are many parties. Owners, Creditors, Government, Employees etc., who are interested in knowing the results of the firm and this can be communicated only through accounting. The accounting shows a real and true position of the firm on the business.

iii. Function of legality:

Auditing is compulsory in case of registered firms. Auditing is not possible without accounting. Thus accounting becomes compulsory to comply with legal requirements. Accounting is a base and with its help various returns, documents, statements etc., are prepared.

iv. Function of management:

Decision making programme is greatly assisted by accounting. The managerial function and decision making programmes, without accounting, may mislead. The day-today operations are compares with some pre-determined standard. The various of actual operations with pre – determined standards and their analysis are possible only with the help of accounting.

Classification of Accounting:

Accounting can be classified into the following categories:

i. Financial Accounting:

The main purpose of this type of accounting is to record business transactions in the books of accounts in such a way that operating results for a particular period and financial condition on a particular date can be known for the information of the various persons.

ii. Cost Accounting:

It relates to the collection, classification, ascertainment of cost and its accounting and cost control relating to the various elements of cost, that is, materials, labour and overheads.

iii. Management Accounting:

It relates to the use of accounting data collected with the help of financial accounting and cost accounting for the purpose of policy formulation, planning, control and decision-making by the management. The accounting which is prepared exclusively for the use of management is called management accounting.

Methods of Accounting:

Following are the three methods of accounting:

i. Cash Basis of Accounting:

Under this method, all incomes are considered to be earned when they are actually received in cash. Similarly, expenses are deemed to be incurred only when they are actually paid in cash. In other words, importance is attached to cash receipts and payments but non-cash items, such as outstanding, pre-paid expenses, accrued incomes or income received in advance are ignored. This method is adopted in those concerns where only cash transactions take place. Generally this system is followed by individuals like Doctors, Lawyers, Auditors, Engineers, Brokers, and Small Traders etc.

ii. Accrual Basis or Mercantile Basis of Accounting:

This method is commonly adopted by business concerns. Incomes are recorded or credited to the period in which they are earned irrespective of the fact whether the same has actually been received or not. Similarly, expenses are charged to the period in which they relate irrespective of the fact that they have actually been paid or not. In other words, all items of incomes and expenditures, both cash items as well as non – cash items such as pre-paid expenses, accrued incomes or income received in advance etc, are taken into account.

iii. Hybrid or Mixed Basis of Accounting:

Under this method, both cash basis and accrual basis are followed. Incomes are recorded on cash basis whereas expenses are taken on accrual basis. The net income is ascertained by matching expenses on accrual basis with income on cash basis. This is the most conservative basis of ascertaining income because all possible expenses relating to the period whether actually paid or not are considered whereas income only received in cash in taken into consideration. This system is followed by professional like Doctors, Lawyers, and Chartered Accountants etc.,

Lecture.No: 3 **Unit: I**

CONCEPTS AND CONVENTIONS OF ACCOUNTING

Accounting is the language of business and information about business is communicated to outsiders through accounting statements. In order to make these statements easily understandable and meaningful, it is necessary that accounting should be based on certain uniform scientifically laid down norms, which are called accounting principles. The accounting principles are rules of action or a body of doctrine universally adopted while recording the business transactions. Adopting uniform principles in recording the trans

actions will ensure uniformity, clarity and understanding.

Meaning of Accounting Concepts:

There are some assumptions on which accounting is based. Accounting is the language of business. Business firms communicate their affairs and financial positions to the outsiders through the medium of accounting, which is the language of business in the form of financial statements,. To make the language convey the same meaning to all interested parties, accountants have agreed on a number of concepts which they try to follow. The messages so communicated should easily understood by the people for whom it is intended. Accounting concepts can be described as something which signifies a general notion regarding accounting principle. The assumptions, so made, are most natural and are not forced ones. A concept is self-evident proposition i.e., something taken for granted. There is no authoritative list of these concepts.

1. Business Entity Concept:

Business is treated as separate from the proprietor. This concept is important and implies that a business is separate and distinct from the persons who supplied capital to the firm. All transactions of the business are recorded in the books of the firm. If business affairs and private affairs are mixed, the true picture of the business will not be available. The proprietor is treated as a creditor to the extent of his capital. Capital is thus a liability to the firm and the proprietor is the creditor of the business. The proprietor-sole trader, partners of a partnership firm etc.-may draw amount out of the business and this reduces the liability of the firm. Because of this concept, financial position of the business can be easily found out and earning capacity of the firm can be easily ascertained. It is important to note that transactions of the business affairs and private affairs are separated for recording only and in law, no such distinction is recognised except for an incorporated company.

2. Money Measurement Concept:

Only those transactions, which can be expressed in monetary terms, are recorded in accounting though their quantitative records may also be kept. All business transactions should be expressed only in money. Thus transactions, which cannot be expressed in money, will not be recorded in accounting books. Thus labour-management relations, sales policy, labour unrest, effectiveness of competition etc., which are of vital importance to business concept, do not find place in accounting. Another limitation of this concept makes the assumption that the money value is constant. It is contrary to fact as there are fluctuations in the money value. For instance, a land, purchased for Rs 10,000 in 1980, may cost four or five times, in 2007. This because of fall in money value.

3. Going Concern Concept:

This concept relates with the long life of the business. A business is intended to continue for an indefinitely long period. For all practical purposes, a business firm comes under going concern concept, when there is no evidence to the contrary. All firms that continue to operate on a profitable footing are treated as going concerns. Accordingly, continuity of activity is assumed, thus accounting reports are fashioned as a going concern, just as against liquidation. The current disposal value is irrelevant for a continuing business. Thus under this assumption fixed assets are recorded at original cost and are depreciated in a proper manner, In Balance Sheet market price of fixed assets not considered. While preparing final accounts, record is made for outstanding expenses and pre-paid expenses with the assumption that the business will continue.

4. Accounting Period Concept:

Accounting is a continuous process in any business undertaking. Every businessman wants to know the result of his investment and efforts at frequent intervals. Accountants choose some shorter period to measure the result. Therefore, one year has been, generally, accepted as the accounting period. It may be 3 months or 2 years also. This period is called accounting period. Financial period chosen, in this regard, should be neither too long nor too short. Closing day of the accounting period is known as accounting date. At this date, accountant prepares income and position statements, shows the business operations, brings the changes of positions since the construction of last statements. The financial reports prepared facilitate to make good decision, corrective measures, expansion etc. One the basis of income and position statement, financial position and earning capacity of one year can be compared with another. Their comparison helps the business for expansion. The outsiders too draw various conclusions. One year accounting period is recognised by law and the taxation is assessed annually. Reports to the outsiders are provided on this accounting period.

5. Accrual Concept:

According to this concept the revenue is recognised on its realisation and not on its actual receipt. Similarly, the costs are recognised when they are incurred and not when payment is made. This assumption makes it necessary to give certain adjustments in the preparation of income statement regarding revenues and costs. But under cash accounting system, the revenues and costs are recognised only when they are actually received or paid. Hence, the combination of both cash and accrual system is preferable to get rid of the limitations of each system.

6. Cost Concept:

Under this concept, fixed assets are recorded in the account books at the price at which they are acquired. This price paid to acquire the assets is termed as cost and this cost is the basis for all the subsequent accounting for the asset. When an asset is acquired for Rs 5,000, it is recorded in the account books at Rs 5,000 even though the market value may be different. But the asset is shown in balance sheet year after year, at cost price minus depreciation. This value is called book value. It the business pays nothing for an item it acquired, and then this will not appear in the accounting records as an asset. Thus, all such events are ignored which affect the business but have no cost, for example, a favorable location, a good reputation with its customers, market standing etc.

7. Realisation Concept:

This concept revolves around the determination of the point of time when revenues are earned. A business firm invests money to purchase or manufacture goods for sale. To earn profit, sales have to be made. There can be no profit without realisation of sale proceeds. According to realisation concept, which is also known as the “revenue recognition concept”, revenue is considered as being earned on the date on which is realised i.e., the date on which goods and services are transferred to customers either for cash or for credit. Credit transactions create debtors and the promise of debtors to make payment is sufficient for the purpose of realising revenue. The realisation concept is important in ascertaining the exact profit earned during a period in business concern. This concept is very important as it prevents firms from inflating profits by recording sales and incomes that are likely to accrue.

8. Dual Aspect Concept:

This concept signifies that every business transaction involves a two-fold aspect a. the yielding of benefit and b. the giving of the benefit. For an exchange of value, two parties are required-a giver and a receiver. Thus, a firm sells goods worth Rs 100; the two simultaneous implications on the seller are i. Forgoing goods worth Rs 100 and ii. Receipt of cash Rs 100. And those on the purchaser would be i. Receipt of goods worth Rs 100 ii. Forgoing of cash Rs 100. Every transaction affects two accounts and entails two-fold simultaneous effect on each transaction affects receiving account and giving account equally. Technically speaking, "for every debit, there is a credit". Therefore, we can say that every debit must have a corresponding credit and vice versa. This is the only system of modern account keeping. The underlying principle of Double Entry is very simple but wonderfully effective. "Double Entry book-keeping is a system of accounting by which receiving and giving aspects of each transaction are recorded at a time". As such transaction affects giving account and receiving account equally, the assets of a business entity will always be equal to its liabilities i.e.,

Total Assets = Total Liabilities
Total Assets = Capital + Outsiders‟ liabilities
Capital = Total Assets - Outsiders‟ liabilities.

9. Matching Concept:

According to this concept, it is necessary to match the expenses incurred during the accounting period with the revenues recognised during the same period. Again, only such expenses as incurred in generating revenues during the period should be deducted from those revenues for deriving the amount of income or profit during the period. The object of accounting is that accounting record the made in such a manner that cost may be compared with revenue. All costs incurred during the period are taken. Similarly, expenses paid in advance are excluded from the total costs incurred to arrive at the expired costs. By application of this concept, proprietor can easily know about the profit or loss and he can make effort to increase earning capacity.

10. Objectivity Concept:

This concept implies that all accounting transactions should be evidenced and supported by business documents i.e., invoices, vouchers etc. These supporting documents form the basis for record of entries and of audit. Accounting record is based on documentary evidence is readily and objectively verifiable and therefore universally acceptable.

Meaning of Accounting Convention:

An accounting convention is a common practice which is universally followed in recording and presenting accounting informations of business. They are like customs that are followed in a society. As a society develops its own customs for its day to day work, conventions are developed by business to facilitate its recording of business transactions in the books of accounts. Conventions help in comparison of accounting data of different business units or of the same unit for different periods. The object is to make accounting data more useful. Following are the accounting conventions in the use:

1. Convention of Disclosure:

The convention requires that accounting statements should be honesty prepared and all significant information should be disclosed therein. That is, while making accountancy records, care should be taken to disclose all material information. Here the emphasis is only on material information and not on immaterial information. The purpose of this convention is to communicate all material and relevant facts of the financial position and the results of operations, which have material interests to proprietor, creditors and investors.

2. Convention of Conservatism:

"Anticipate no profit and provide for all possible losses" is the essence of this convention. Future is uncertain. Fluctuations and uncertainties are not uncommon. Conservatism refers to the policy of choosing the procedure the leads to under-statement as against overstatement of resources and income. The consequences of an error of understatement are likely to be less serious that of an error of overstatement. For example, closing stock is valued at cost or market price whichever is lower. This is a convention of caution or playing safe and is adhered to while preparing financial statements. Showing a position better than what it is, is not permitted.

3. Convention of Materiality:

Materiality of an item depends on its amount and its nature. Theoretically, all items, large or small, should be treated alike. Materiality convention implies that the economic significance of an item will to some extent affect its accounting treatment. Materiality in its essence is of relative significance. In the sense that some of the unimportant items are either left out or included with other items. It should also noted that an item considered to be material in a year may not be material in the subsequent years. Similarly, most of the companies publish their financial statements in whole rupees-round figures, by ignoring paise. Omission of paise is immaterial i.e., in significant when figures appear in lakhs. In short, all material information should be disclosed that it is necessary to make the financial statements clear and understandable.

4. Convention of Consistency:

Rules and practices of accounting should be continuously observed and applied. In order to enable the management to draw conclusions about the operation of a company over a number of years, it is essential that the practices and methods of accounting remain unchanged from one period to another. Comparisons are possible only if a consistent policy of accounting is followed. Comparison of accounting period with that in the past is possible only when the convention of consistency is adhered to. According to Anthony, "The consistency requires that once a company had decided on one method, it will treat all subsequent events of the same character in the same fashion unless it has a sound reason to do otherwise." This convention plays its role particularly when alternative accounting practice is equally acceptable. More ever, consistency serves to eliminate personal bias. But if a change becomes desirable, the change and its effect should be clearly stated in the financial statements. Accounts should lend themselves easily to comparisons and contrasts. This convention increases accuracy and comparability of accounting information for prediction or decision making. This convention does not prohibit changes. If there is any change, its effect should be clearly stated in the financial statements.

Lecture.No:4 **Unit: I**

ACCOUNTING PROCEDURE

Introduction:

In the previous two chapters we have discussed basic elements, concepts and conventions of accounting. In the present chapter we are going to discuss the various procedures involved in the process of accounting starting with journal and ending with trial balance.

Journal :

Meaning:

Journal is the day-by-day of the business, wherein both the aspects of all business transaction are recorded in chronological order i.e. date – wise. The journal is, thus, a Book of Prime Entry. It is otherwise known as the Book of Original Entry. These entries are then posted from the journal into the ledger. As such, the ledger is known as the Principal Book or the Main Book. The journal merely helps the posting of entries from the journal into the ledger. Hence, journal is known as Subsidiary Record or Subsidiary Book. Journalising is an act of recording the debit and credit aspects of a business transaction in journal together with an explanation of the transaction, known as Narration.

Rules of Journals (or) Principles of Accountancy:

The act of recording the transaction in journal is called journalising. This recording is made according to certain rules and these rules are called rules of journalising. The business must enter into transactions with a number of persons or firms, possess some property, for example, cash, furniture, machinery etc., to carry on the business, pay certain expenses for example, rent salaries, wages etc., and receive certain incomes , for example, interest, commission etc. The following accounts are required to be maintained. Rules for Debit and Credit are

i. Personal Accounts	ii. Real Accounts	iii. Nominal Accounts
Debit the Receiver	Debit what comes in	Debit all expenses and losses
Credit the Giver	Credit what goes out	Credit all incomes and gains.

Compound Journal:

When many transactions of the same nature occur on a particular day, such transactions can be entered in the journal by means of combined Composite. Journal entries, known as Compound Journal Entry. Make sure that the amount in the debit column equals to the amount in the credit column, based on the double entry system of book-keeping. One amount in the debit column must be equal to two or more amounts in the credit column or one amount in the credit column equals to two or more amounts in the debit column or under compound entry, a few debits it will be equal to a few credits. The rule for jounalising is the same as that of simple journal.

Steps in Journalising:

The following are the steps in journalising:

i) Determine the two accounts which are involved in the transactions.
ii) Classify the above two accounts under Personal, Real or Nominal.
iii) Find out the rules of debit and credit for the above two accounts.
iv) Identify which accounts are to be debited and which account is to be credited.
v) Record the date of transaction in the date column. The years and month are written once, till they change, the sequence of the dates and months should be strictly maintained.
vi) Enter the name of the account to be debited in the particulars column very close to the left hand side of the particulars column followed by the abbreviation Dr. in the same line against this, the amount to be debited is written in the debit amount, column in the same line.
vii) Write the name of the account to be credited in the second line starts with the word „To‟a few space away from the margin in the particulars column. Against this, the amount to be credited is written in the credit amount column in the same line.
viii) Write the narration within brackets in the next line in the particulars column.
ix). Draw a line across the entire particular column to separate one journal entry from the other.

Advantages:

The main advantages of the journal are:

i. It reduces the possibility of errors
ii. It provides an explanation of the transactions
iii. It provides a chronological record of all transactions.

Limitations:

The limitations of the journal are:

i. It will be too long if all transactions re recorded here
ii. It is difficult to ascertain the balance of each account.

Types of Accounting:

There are two systems of accounting namely Single Entry System and Double Entry System.

i. Single Entry System:

The single entry system is not a really a system because in some cases record may be one – sided; and in some other cases no record is maintained at all. It is more appropriate to call it an incomplete system of recording transactions. Double effect of every transaction is ignored and only the accounts relating to suppliers and customers an cash account are found. Thus, the system is incomplete, inaccurate and unscientific system of recording business transactions.

ii. Double Entry System:

The modern system of accounting is based on what is known as double entry principle. It refers to that system of book keeping where each transaction is recorded in both of its aspects. viz.

i. receiving of the benefit of the transaction and
ii. giving away of the benefit of the transaction.

For a complete record of transactions, it should be presented in both the accounts. Business transactions affect two aspects of the accounts in the opposite direction. If are account receives a benefit there must be another account to give the benefit. It is like the two sides of a coin. Thus, every transaction involves two accounts, one which gives the benefit of the transactions and another which receives the same.

Groups Interested in Accounting:

There are a number of parties who are interested in the accounting information relating to business. Because, accounting is the language employed to communicate financial information to the General public. The following are the groups who use the accounting statements:

i. Owners:

The owners provide funds or capital for the organisation. They possess curiosity in knowing whether the business is being conducted on sound lines or not and whether the capital is being employed properly or not. Owners, being businessmen, always keep an eye on the returns from the investments. Comparing the accounts of various years helps in getting good pieces of information. Properly kept accounts are good proof in dispute. They determine the amount of goodwill and facilitate in assessing various taxes.

ii. Management:

The management of the business is greatly interested in knowing the position of the firm. The accounts are the basis the management can study the merits and demerits of the business activity. Thus, the management is interested in financial accounting to find whether the business carried on is profitable or not. The financial accounting is the “eyes and ears of management and facilitates in drawing future course of action, further expansion etc.,

iii. Creditors:

Creditors are the persons who supply goods on credit, or bankers or lenders of money. It is usual that these groups are interested to know the financial soundness before granting credit. The progress and prosperity of the firm, to which credits are extended, are largely watched by creditors from the point of view of security and further credit. Profit and Loss Account and Balance Sheet are nerves centers to know the soundness of the firm.

iv. Employees:

Payment of bonus depends upon the size of profit earned by the firm. The more important point is that the worker expects regular income for the food. The demand for wage rise, bonus, better working conditions etc. depend upon the profitability of the firm and in turn depends upon financial position. For these reasons, this group is interested in accounting.

v. Investors:

The prospective investors, who want to invest their money in a firm, of course wish to see the progress and prosperity of the firm, before investing their amount, by going through the financial statements of the firm. This is to safeguard the investments. For this, this group is eager to go through the accounting which enables them to know the safety of investments.

vi. Government:

Government keeps a close watch on the firms which yield good amount of profits. The State and Central Governments interested in the financial statements to know the earnings for the purpose of taxation. To compile national accounts the accounting is essential.

vii. Consumers:

These groups are interested in getting the goods at reduced price. Therefore, they wish to know the establishment of a proper accounting control, which in turn will reduce to cost of production, in turn less price to be paid by the consumers.

viii. Research Scholars:

Accounting information, being a mirror of the financial performance of a business organisation, is of immense value to the research scholar who wants to make a study into the financial operations of a particular firm. To make a study into the financial operations of a particular firm, the research scholar needs detailed accounting information relating to purchase, sales, expenses, cost of materials used, current assets, current liabilities, fixed assets, long – term liabilities and share holders funds which is available in the accounting records maintained by the firm.

Lecture.No: 6 **Unit: I**

1. Jouranlise the following transactions in the books of Miss Amudha.
   01.01.2007 Amudha commenced business with cash 50,000
   02.01.2007 Purchased goods for cash 10,000
   05.01.2007 Purchased goods from Mohan on credit 6,000
   07.01.2007 Paid into Bank 5,000
   10.01.2007 Purchased furniture 2,000
   20.01.2007 Sold goods to Suresh on credit 5,000
   25.01.2007 Cash sales 3,500
   26.01.2007 Paid to Mohan on account 3,000
   31.01.2007 Paid salaries 2,800

2. Journalise the following transactions of Miss. Banu for the year 2007.
   Jan 1 Banu commenced business with cash 30,000
   Jan 2 Paid into bank 21,000
   Jan 3 Purchased goods by cheque 15,000
   Jan 7 Drew cash from bank for office use 3,000
   Jan 15 Purchased goods from Siva 15,000
   Jan 20 Cash sales 30,000
   Jan 25 Paid to Siva 14,000" Discount Received 250
   Jan 31 Paid rent 500" Paid Salaries 2,000

3. Journalise the following transactions of Mr.Arun for the Month of January 2007.
   Jan 3 Received cash from Ramkumar 60,000
   4 Purchased goods for cash 15,000
   11 Sold goods to Damodaran 22,000
   13 Paid to Ramkumar 40,000
   17 Received from Damodaran 20,000
   20 Bought furniture from Jagadeesan 5,000
   27 Paid rent 1,200
   30 Paid salary 2,500

4. Journalise the following transactions of Mr.Balaji for the Month of January 2007
   Jan 1 Received cash form Siva 75,000
   7 Paid cash to Sayeed 45,000
   10 Bought goods for cash 27,000
   12 Bought goods on credit form David 48,000
   15 Sold goods for cash 70,000

1. Journalise the following transactions of Mr.Cheran for the Month of January 2007
   - Jan 3 Bought goods for Cash 84,500
   - 7 Sold goods to Dhanalakshmi on credit 55,000
   - 9 Received Commission 3,000
   - 10 Cash Sales 1,09,000
   - 12 Bought goods from Mahalashmi 60,000
   - 15 Received five chairs from Revathi & Co at Rs. 400 each
   - 20 Paid Revathi & Co, cash for five chairs
   - 28 Paid Salaries 10,000
   - 29 Paid Rent 5,000
2. Journalise the following transactions of Mr.Dhayalan for the Month of January 2007.
   - Jan 1 Sold goods on credit to Mohanasundaram 75,000
   - 12 Purchased goods on credit from Bashyam 70,000
   - 15 Sold goods for cash form David 50,000
   - 20 Received from Mohanasundaram 70,000
   - 25 Paid to Bashyam 50,000
3. Journalise the following transactions of Mr.Arun for the Month of January 2007
   - Jan.1 Started business with cash 1,25,000
   - 3 Purchased goods 20,000
   - 5 Cash sales 37,000
   - 6 Cash sales 18,000
   - 7 Purchasesd from Mr. Velusamy 50,000
   - 8 Crdit sales to Mr. Palani 60,000
   - 12 Bought furniture 7,000
   - 18 Sales to Mr. Selvendran 18,000
   - 24 Purchased goods 1,30.000
   - 28 Cash sales 55,000
   - 30 Cash received from Palani 60,000
   - 30 Paid to Mr. Velusamy 50,000
4. Journalise the following transactions of Mr.Favourable for the Month of Jan 2007.
   - Jan 1 Started business with cash 2,50,000
   - 6 Bought furniture 15,000
   - 7 Cash purchase 90,000
   - 9 Cash sales 40,000
   - 10 Cash purchase 25,000
   - 14 Credit sales to Moorthy 15,000
   - 15 Credit purchase from Mr. Venkat 15,000
   - 16 Cash sales 44,000
   - 17 Received from Moorthy 14,500
   - 17 Allowed discount 500
   - 21 Paid to Venkat 14,700
   - 21 Discount allowed by him 300
   - 26 Advertisement 4,000
   - 27 Electricity 2,700
   - 30 Sales 72,000
   - 31 Rent 4,000

Lecture.No: 8 **Unit: I**

1. Journalise the following transactions of Miss. Chitra and post them in the ledger and balance the same
relating to June 2007.
1 Chitra invested Rs. 5, 00,000 cash in the business.
3 Paid into Bank Rs. 80,000
5 Purchased building for Rs. 3, 00,000
7 Purchased goods for Rs. 70,000
10 Sold goods for Rs. 80,000
15 Withdrew cash from bank Rs. 10,000
25 Electricity Charges Rs. 3,000
31 Salaries Rs. 15,000

2. Journalise the following transactions of Mr.Karuna and post them to proper ledger accounts relating
to the month of January 2007.
Jan. 1 He started business with a capital of 10,000
4 Bought goods from Velan 6,750
7 Cash Purchases 3,000
10 Cash Sales 4,000
13 Bought goods from Velan 2,000
16 Sold goods to Gurunath 5,000
18 Paid Cash to. Velan 2,850
19 Sold goods to Gurunath 500
24 Paid Velan on account 2,400
26 Received cash from Gurunath 1,650
27 Paid Salaries 1,250

Lecture.No: 9 **Unit: I**

1. Journalise the following transactions of Mr.Lallu and post them to proper ledger accounts relating to
the month of January 2007.

Jan 1 Started business with 4,50,000
3 Goods purchased 70,000
5 Goods sold 15,000
10 Goods purchased from Rangasamy 2,00,000
16 Goods returned to Rangasamy 5,000
23 Drew from bank 30,000
26 Furniture purchased 10,000
26 Settled Rangasamy‟s account
31 Salaries paid. 12,000

2. Journalise the following transactions of Mr.Murugan and post them to proper ledger accounts relating to the month of January 2007.

Jan 1 He started business with 3,00,000
3 Opened a current account with Indian Overseas Bank 50,000
12 Bought goods from Tmt. Sumathi 90,000
18 Paid to Tmt. Sumathi 90,000
20 Sold goods to Tmt. Chitra 1,26,000
26 Tmt. Chitra settled her account

3. Journalise the following transactions of Mr. Naresh and post them to proper ledger accounts relating
to the month of January 2007.

Jan 5 Sold goods to Arumugam on Credit 17,500
9 Bought goods for cash from Chellappan 22,500
12 Met Travelling expenses 2,500
15 Sivakumar Received from us loan 80,000
21 Paid wages to workers 3,000

Lecture.No: 10 **Unit: I**

1. The following balances are extracted from the books of Miss.Dhivya. Prepare trial balance as on 30.12.2007.

Particulars	Rs.		
Capital	4,70,000	Cash in hand	6,000
Building	3,20,000	Stock	33,000
Sundry creditors	26,000	Commission paid	750
Rent & Taxes	6,300	Purchases	1,65,000
Salaries	70,600	Discount allowed	650
Drawings	5,000	Bad debts	1,350
Machinery	1,58,800	Sundry Debtors	48,000
Repairs	5,400	Insurance premium	3,300
Sales	2,90,000	Telephone charge	6,450
Furniture	11,000	Discount earned	1,100
Loan from Mohammed	51,000	Reserve fund	5,900
Bills receivable	8,600	Bills payable	6,000

2. Miss. Eswari provides the following particulars as on 31.12.2007, prepare Trial Balance as on the above date.

Commenced business capital 5,00,000
Purchases Furniture for 20,000
Purchases goods 1,00,000
Purchases goods on credit form Guna 2,00,000
Cash sales 1,50,000
Credit sales 2,00,000
Salarise paid 10,000
Interest Received 5,000

1. Prepare Trial Balance as on 31.3.2004 from the books of Miss Quick.

Capital	2,49,000	General expenses	97,000
Machinery	1,18,000	Wages	14,000
Bad debts	1,100	Sales	3,30,000
Commission	5,500	Bills payable	7,700
Bank overdraft	28,600	Discount	1,210
Drawings	24,000	Building	78,000
Stock	1,32,400	Insurance	2,610
Creditors	5,000	Loan Cr.	75,000
Purchases	2,10,800	Reserve Fund	15,000
Cash in hand	25, 320		

2 .Prepare trial balance as on 31.12.2002 from the following balances of Mr. Raghul.

Drawings	74,800	Stock 1.1.2007.	30,000	Capital	2,50,000
Furniture	33,000	Sundry creditors	75,000	Printing charges	1,500
Bank loan	1,20,000	Freight	3,500	Income tax	9,500
Machinery	2,15,400	Purchases	2,95,700	Discount received	1,000
Discount allowed	950	Sales	3,35,350	Rent	72,500
Sundry expenses	21,000	Bills receivable	52,500	Carriage outwards	1,500
Insurance	1,200	Bills payable	31,700		