

# **Chapter 3- Accounting Procedures Rules of Debit & Credit**

**Q.1 Following accounts are being maintained in the books of Shri Ashok. Classify them into Personal, Real and Nominal Accounts:**

- (i) Land and Building**
- (ii) Excise Duty**
- (iii) Creditors**
- (iv) Capital**
- (v) Motor Vehicles**
- (vi) Goodwill**
- (vii) Investments**
- (viii) Salary**
- (ix) Debtors**
- (x) Bad Debts**
- (xi) Depreciation**
- (xii) Wages**
- (xiii) Repairs**
- (xiv) Ramesh, a debtor**
- (xv) Interest Received**
- (xvi) Bank Overdraft**
- (xvii) Purchase Returns**
- (xviii) Drawings**
- (xix) Freight**
- (xx) Return Inwards.**

The account classification is made as follows

| Personal  | Real  | Nominal   |
|---|---|---|
| (iii) Creditors<br>(iv) Capital<br>(ix) Debtors<br>(xiv) Ramesh, a debtor<br>(xvi) Bank Overdraft<br>(xviii) Drawings | (i) Land and Building<br>(v) Motor Vehicles<br>(vi) Goodwill<br>(vii) Investments | (ii) Excise Duty<br>(viii) Salary<br>(x) Bad Debts<br>(xi) Depreciation<br>(xii) Wages<br>(xiii) Repairs<br>(xv) Interest Received<br>(xvii) Purchase Returns<br>(xix) Freight<br>(xx) Return Inwards |

**Q.2 Classify the following into Assets, Liabilities, Capital, Expenses and Revenue:**

- (i) Land**
- (ii) Investments**
- (iii) Building**
- (iv) Interest Received**
- (v) Salary**
- (vi) Bank Overdraft**
- (vii) Debtors**
- (viii) Creditors**
- (ix) Bad Debts**
- (x) Capital**
- (xi) Depreciation**
- (xii) Motor Vehicles**
- (xiii) Freight**
- (xiv) Wages**
- (xv) Goodwill**
- (xvi) Repairs**

The classification is made as follows

| Assets   | Liabilities                             | Capital     | Expenses  | Revenue                |
|--|---|-------------|---|------------------------|
| (i) Land<br>(ii) Investments<br>(iii) Building<br>(vii) Debtors<br>(xii) Motor Vehicles<br>(xv) Goodwill | (vi) Bank Overdraft<br>(viii) Creditors | (x) Capital | (v) Salary<br>(ix) Bad Debts<br>(xi) Depreciation<br>(xiii) Freight<br>(xiv) Wages<br>(xvi) Repairs | (iv) Interest Received |

**Q.3 Classify the following into assets, liabilities, capital, revenue, and expenses:**

**(i) Plant and Machinery**

**(ii) Bank Loan**

**(iii) Sales**

**(iv) Rent**

**(v) Discount Received**

**(vi) Carriage Inwards**

**(vii) Carriage outwards**

**(viii) Purchases**

**(ix) Bills Payable**

**(x) Wages**

**(xi) Advance Income**

**(xii) Accrued Income**

**(xiii) Goodwill**

**(xiv) Furniture and Fixtures**

**(xv) Outstanding Expenses**

**(xvi) Capital**

The classification is made as follows

| Assets   | Liabilities  | Capital       | Revenue                              | Expenses   |
|--|--|---------------|--------------------------------------|--|
| (i) Plant and Machinery<br>(xii) Accrued Income<br>(xiii) Goodwill<br>(xiv) Furniture and Fixtures | (ii) Bank Loan<br>(ix) Bills Payable<br>(xi) Advance Income<br>(xv) Outstanding Expenses | (xvi) Capital | (iii) Sales<br>(v) Discount Received | (iv) Rent<br>(vi) Carriage Inwards<br>(vii) Carriage Outwards<br>(viii) Purchases<br>(x) Wages |

**Q4. On which side will the increase in the following accounts be recorded? Also, state the nature of the account:**

- (i) Furniture A/c**
- (ii) Mohan (proprietor)**
- (iii) Salary A/c**
- (iv) Purchases A/c**
- (v) Sales A/c**
- (vi) Interest Paid A/c**
- (vii) Sohan (Creditor)**
- (viii) Ram (Debtor)**

The solution for this question is as follows:

| <b>Name of Accounts</b> | <b>Consequence of increase</b> | <b>Modern Approach</b> | <b>Nature of Account</b> |
|-------------------------|--------------------------------|------------------------|--------------------------|
| (i) Furniture           | Debit                          | Assets                 | Real Account             |
| (ii) Mohan (Proprietor) | Credit                         | Capital                | Personal Account         |
| (iii) Salary            | Debit                          | Expense                | Nominal Account          |
| (iv) Purchases          | Debit                          | Expense                | Nominal Account          |
| (v) Sales               | Credit                         | Revenue                | Nominal Account          |
| (vi) Interest Paid      | Debit                          | Expense                | Nominal Account          |
| (vii) Sohan (Creditor)  | Credit                         | Liabilities            | Personal Account         |
| (viii) Ram (Debtor)     | Debit                          | Assets                 | Personal Account         |

**Q.5 On which side will the decrease in the following accounts be recorded? Also, state the nature of the account:**

- (i) Cash**
- (ii) Bank Overdraft**
- (iii) Outstanding salary paid**
- (iv) Outstanding Rent**
- (v) Prepaid Insurance**
- (vi) Mohan, Proprietor of the business**

The solution for this question is as follows:

| Name of Accounts                       | Consequence of decrease | Modern Approach | Nature of Account |
|--|-------------------------|-----------------|-------------------|
| (i) Cash                               | Credit                  | Assets          | Real Account      |
| (ii) Bank Overdraft                    | Debit                   | Liability       | Personal Account  |
| (iii) Outstanding Salary Paid          | Debit                   | Liability       | Personal Account  |
| (iv) Outstanding Rent                  | Debit                   | Liability       | Personal Account  |
| (v) Prepaid Insurance                  | Credit                  | Asset           | Personal Account  |
| (vi) Mohan, proprietor of the business | Debit                   | Capital         | Real Account      |

**Q.6 From the following Transactions, state the nature of account and state which account will be debited and which account credited:**

- (i) Manu started business with cash – ₹ 1,00,000**
- (ii) He purchased furniture for business – ₹ 20,000**
- (iii) Purchase goods on credit from Anshul – ₹ 6,000**
- (iv) Paid to his creditor, Anshul – ₹ 2,000**
- (v) Paid salary to his clerk – ₹ 1,000**
- (vi) Paid Rent – ₹ 500**
- (vii) Received Interest – ₹ 200**

The solution for this question is as follows:

| Transactions                          | Nature of Account    |                      |
|---------------------------------------|----------------------|----------------------|
| Manu started business with cash       | Cash A/c- Debit      | Capital A/c- Credit  |
| He purchased furniture for business   | Furniture A/c- Debit | Cash A/c- Credit     |
| Purchased goods on credit from Anshul | Purchases A/c- Debit | Creditor A/c- Credit |
| Paid to his creditor, Anshul          | Creditor A/c- Debit  | Cash A/c- Credit     |
| Paid salary to his clerk              | Salary A/c- Debit    | Cash A/c- Credit     |
| Paid rent                             | Rent A/c- Debit      | Cash A/c- Credit     |
| Received interest                     | Cash A/c- Debit      | Interest A/c- Credit |

**Q.7 Open a 'T' shape account for machinery and put the following transactions on the proper side:**

|            |                            | ₹             |
|------------|----------------------------|---------------|
| <b>(i)</b> | <b>Machinery purchased</b> | <b>40,000</b> |

|       |                           |        |
|-------|---------------------------|--------|
| (ii)  | Machinery sold            | 10,000 |
| (iii) | Machinery purchased       | 8,000  |
| (iv)  | Machinery discarded       | 14,000 |
| (v)   | Depreciation on machinery | 1,000  |
|       |                           |        |

The solution for this question is as follows:

**Machinery (Asset) Account**

| Dr.  |                  |            | Cr.              |            |
|------|------------------|------------|------------------|------------|
| Date | Particulars      | Amount (₹) | Particulars      | Amount (₹) |
|      | Bank (Purchased) | 40,000     | Bank (Sale)      | 10,000     |
|      | Bank (Purchased) | 8,000      | Bank (Discarded) | 14,000     |
|      |                  |            | Depreciation     | 1,000      |
|      |                  |            | Balance c/d      | 23,000     |
|      |                  | 48,000     |                  | 48,000     |
|      |                  |            |                  |            |

**Q8. Open a 'T' shape Cash Account. Put the following transactions on the proper side and balance the account:**

- (i) Mohan started business with cash – ₹ 40,000**
- (ii) Purchased Goods – ₹ 20,000**
- (iii) Sold Goods – ₹ 24,000**
- (iv) Paid Rent – ₹ 400**
- (v) Paid salaries – ₹ 600**
- (vi) Drew for personal use – ₹ 1,000**

The solution for this question is as follows:

**Cash Account**

| Dr.   |             |      |            | Cr.  |             |      |            |
|-------|-------------|------|------------|------|-------------|------|------------|
| Date  | Particulars | J.F. | Amount (₹) | Date | Particulars | J.F. | Amount (₹) |
| (i)   | Capital     |      | 40,000     | (ii) | Purchases   |      | 20,000     |
| (iii) | Sales       |      | 24,000     | (iv) | Rent        |      | 400        |
|       |             |      |            | (v)  | Salaries    |      | 600        |
|       |             |      |            | (vi) | Drawings    |      | 1,000      |
|       |             |      |            |      | Balance c/d |      | 42,000     |
|       |             |      | 64,000     |      |             |      | 64,000     |
|       |             |      |            |      |             |      |            |

**Q.9 Open a 'T' shape account of creditor, Rakesh and write the following transactions on the proper side:**

**(i) Goods purchased from Rakesh on credit – ₹ 50,000**

**(ii) Goods returned to Rakesh for – ₹ 5,000**

**(iii) Paid to Rakesh – ₹ 20,000**

**(iv) Purchase goods from Rakesh on credit – ₹ 10,000**

The solution for this question is as follows:

**Rakesh**

| Dr.   |                  |      |            | Cr.  |             |      |            |
|-------|------------------|------|------------|------|-------------|------|------------|
| Date  | Particulars      | J.F. | Amount (₹) | Date | Particulars | J.F. | Amount (₹) |
| (ii)  | Purchases Return |      | 5,000      | (i)  | Purchases   |      | 50,000     |
| (iii) | Cash             |      | 20,000     | (iv) | Purchases   |      | 10,000     |
|       | Balance c/d      |      | 35,000     |      |             |      |            |
|       |                  |      | 60,000     |      |             |      | 60,000     |
|       |                  |      |            |      |             |      |            |

**Q.10 Open a 'T' shape account of debtor 'Brij' and write the following transactions on the proper side:**

**(i) Sold goods to Brij on credit – ₹ 25,000**

**(ii) Cash received from Brij – ₹ 10,000**

**Discount allowed to him – ₹ 500**

**(iii) Goods returned by Brij – ₹ 5,000**

The solution for this question is as follows:

**Brij (Debtors)**

| Dr.  |             |      |               | Cr.   |                   |      |               |
|------|-------------|------|---------------|-------|-------------------|------|---------------|
| Date | Particulars | J.F. | Amount<br>(₹) | Date  | Particulars       | J.F. | Amount<br>(₹) |
| (i)  | Sales       |      | 25,000        | (ii)  | Cash              |      | 10,000        |
|      |             |      |               |       | Discount Received |      | 500           |
|      |             |      |               | (iii) | Sales Return      |      | 5,000         |
|      |             |      |               |       | Balance c/d       |      | 9,500         |
|      |             |      | 25,000        |       |                   |      | 25,000        |
|      |             |      |               |       |                   |      |               |

**Q.11 Put the following on the proper side of a Cash Account, a Debtor's Account and a Creditor's Account:**

- (i) Sold goods to Sanjay on credit – ₹ 50,000**
- (ii) Sold goods to Mohan for cash – ₹ 20,000**
- (iii) Purchased goods from Ram on credit – ₹ 25,000**
- (iv) Cash received from Sanjay – ₹ 19,000**
- (v) Goods returned by Sanjay – ₹ 2,000**
- (vi) Paid rent – ₹ 500**
- (vii) Cash paid to Ram – ₹ 15,000**

The solution for this question is as follows:



**Cash Account**

| Dr.  |             |      |            | Cr.   |             |      |            |
|------|-------------|------|------------|-------|-------------|------|------------|
| Date | Particulars | J.F. | Amount (₹) | Date  | Particulars | J.F. | Amount (₹) |
| (ii) | Sales       |      | 20,000     | (vi)  | Rent        |      | 500        |
| (iv) | Sanjay      |      | 19,000     | (vii) | Ram         |      | 15,000     |
|      |             |      |            |       | Balance c/d |      | 23,500     |
|      |             |      | 39,000     |       |             |      | 39,000     |

**Sanjay (Debtors)**

| Dr.  |             |      |            | Cr.  |              |      |            |
|------|-------------|------|------------|------|--------------|------|------------|
| Date | Particulars | J.F. | Amount (₹) | Date | Particulars  | J.F. | Amount (₹) |
| (i)  | Sales       |      | 50,000     | (iv) | Cash         |      | 19,000     |
|      |             |      |            | (v)  | Sales Return |      | 2,000      |
|      |             |      |            |      | Balance c/d  |      | 29,000     |
|      |             |      | 50,000     |      |              |      | 50,000     |

**Ram (Creditors)**

| Dr.   |             |      |            | Cr.   |             |      |            |
|-------|-------------|------|------------|-------|-------------|------|------------|
| Date  | Particulars | J.F. | Amount (₹) | Date  | Particulars | J.F. | Amount (₹) |
| (vii) | Cash        |      | 15,000     | (iii) | Purchase    |      | 25,000     |
|       | Balance c/d |      | 10,000     |       |             |      |            |
|       |             |      | 25,000     |       |             |      | 25,000     |

**Q.12 From the following particulars, prepare the proprietor's Capital Account:**

₹

**1st April, 2018 – Commenced business with cash 2,00,000**

**31st March, 2019 – Net Loss as per Profit and Loss Account 18,000**

**31st March, 2019 – Drawings during the period 15,000**

**Balance the same and explain what the closing balance indicates.**

The solution for this question is as follows:

**Capital Account**

| Dr.              |                                |      |            | Cr.              |             |      |            |
|------------------|--------------------------------|------|------------|------------------|-------------|------|------------|
| Date             | Particulars                    | J.F. | Amount (₹) | Date             | Particulars | J.F. | Amount (₹) |
| 2019<br>March 31 | Profit and Loss A/c (Net Loss) |      | 18,000     | 2018<br>April 01 | Cash        |      | 2,00,000   |
| March 31         | Drawings                       |      | 15,000     |                  |             |      |            |
| March 31         | Balance c/d                    |      | 1,67,000   |                  |             |      |            |
|                  |                                |      | 2,00,000   |                  |             |      | 2,00,000   |

**Q.13 From the following particulars, prepare the proprietor's Capital Account:**

| <b>2013</b> |   | ₹      |
|-------------|---|--------|
| April 1     | Started business with                   | 45,000 |
| May 10      | Withdrew from business for personal use | 10,000 |
| July 15     | Further Capital introduced              | 55,000 |
| Nov. 30     | Income tax paid                         | 5,000  |
| <b>2014</b> |   |        |
| Mar. 31     | Profit for the year                     | 30,000 |

The solution for this question is as follows:

**Proprietor's Capital Account**

| Dr.    |                           |                 | Cr.     |                     |                 |
|--------|---------------------------|-----------------|---------|---------------------|-----------------|
| Date   | Particulars               | Amount (₹)      | Date    | Particulars         | Amount (₹)      |
| 2013   |                           |                 | 2013    |                     |                 |
| Mar.10 | Drawings A/c              | 10,000          | Apr.01  | Cash A/c            | 45,000          |
| Nov.30 | Drawings A/c (Income Tax) | 5,000           | July 15 | Cash A/c            | 55,000          |
| 2014   |                           |                 | 2014    |                     |                 |
| Mar.31 | Balance c/d               | 1,15,000        | Mar.31  | Profit and Loss A/c | 30,000          |
|        |                           | <u>1,30,000</u> |         |                     | <u>1,30,000</u> |