

Journal

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1. Introduction

Day to day, many economic accounting transactions take place in trade, business and industry. To remember economic accounting transactions easily, some businessmen, record transactions in rough book immediately, so that recording of transactions would not be skipped. From this rough book businessmen write accounts. While some businessmen, instead of having rough book, write accounts directly from vouchers.

According to the principles of dual effect, minimum two accounts are associated for each accounting transaction. After determining the type of such accounts which account would get benefit or consideration; and which account would give benefit or consideration is determined. Applying debit credit rules of accounts, it is determined that which account will be debited and which account will be credited to record transaction.

A recording process of accounting transaction based on rules of debit and credit in the first book of accounts is journal. So, the book in which first effect of accounting transaction is made, is known as journal or journal book.

2. What is a Journal Book ?

A journal book is a fundamental book of double entry system. It is such a basic fundamental book on the basis of which the remaining books of accounts are prepared.

French word Jour means day. From which the word 'Journal' is derived, meaning of which is daily recording of business transactions. English word 'Journal' is originally of Latin language. The meaning of it is a note or a diary.

So, a journal book is known as the book of original entries. It is such a book of accounts where all accounting transactions are recorded in the order of date. It is also determined which account will be debited or credited with what amount. Transactions are first recorded here with brief explanation.

From rough book, on the basis of vouchers, accounting transactions are recorded in the journal book. Vouchers are maintained in the file in the order of date. After having entry in journal book, different accounts are opened and posting is made. On the basis of it balances of all accounts are ascertained and trial balance is prepared. In rough book transactions are not recorded in systematic manner. Thus, rough book is not treated as a component of books of accounts. Journal book is the original, fundamental, or first book of account.

3. Characteristics of Journal Book

From the above discussion, the characteristics of journal can be described as follows:

(1) **Original book:** The very first treatment of accounting transaction is recorded in the journal. Thus, journal is an original or fundamental book.

(2) **Dual effect:** According to debit credit-rule, dual effects are recorded of accounting transaction in it.

(3) **Two columns for amount:** As per dual effect, amount of debit account will be recorded in debit column and amount of credit account will be recorded in credit column.

(4) **Order of date:** In journal book, accounting transactions are recorded on daily basis in the order of date.

(5) **Narration:** After recording journal entry, a brief of transaction is mentioned below journal entry, which is known as narration. This narration provides information about transaction.

4. Significance of Journal

The significance of journal can be described as follows:

(1) **All accounting transactions:** Since in journal accounting transactions are recorded in the order of time and date, no transaction remains unrecorded.

(2) **Detailed information:** In journal book a systematic and detailed information of each transaction is maintained. Thus, when any information is required, can be obtained.

(3) **Information useful for future:** In journal, at the end a brief information of each accounting transaction is provided, thus in the future, information pertaining to transaction becomes available.

(4) **Easy for posting:** In a journal, two separate columns for debit and credit are maintained. Thus, it becomes easy that which account is to be debited and which account is to be credited.

(5) **Systematic recording:** Since before recording transactions in ledger, transaction are recorded in the journal books as per rules, the transactions are recorded in systematic manner in ledger.

(6) **Errorless accounts:** In a journal, according to rules of double entry, two effects of transactions are passed, thus the possibility of accounting errors can be minimized.

5. Specimen of Journal and its Explanation

Journal book of Shri.....

Date	Particulars	L.F.No.	Debit (₹)	Credit (₹)
2015 Jan. 1 A/c Dr To A/c [Being]

Explanation: Now, let us have explanation of above mentioned columns of the journal book.

(1) Date: In journal entry, the first column is of date. Accounting transaction is recorded in the order of time and date, in journal. In this column first of all year, then month and finally date is mentioned.

(2) Particulars: The second column in journal book is of particulars. Particulars is very important column of journal book. As per the rules of debit – credit account which account is to be debited – is to be recorded first in the column of particular. E.g. cash account debit, but instead of debit Dr is written.

Then account, which has credit effect is recorded subsequently. A credit affected account is recorded in second line and it is written after keeping some space, where the word 'To' is written, then the name of account would appear. At the end, the word 'Credit' is not written. E.g. 'To sales account' will be written. Then brief information is written as narration, which is disclosed as 'being'. As a indication of completion of transaction, line is drawn below transaction.

(3) Ledger folio: In the third column of journal, ledger folio number is to be disclosed. In short form, it is called as L.F. No. After passing of journal entry during posting of this transaction in ledger; the page no is to be written where respective posting of account is made. Due to this arrangement whenever any information is required, it can be easily availed from the concerned books.

(4) Debit: In the fourth column of journal, the amount of debited account is to be written. An account which is debited in column of particulars, the amount of it is to be written in debit column.

(5) Credit: In the fifth column of journal, the amount of credited account is to be written. An account is credited in column of particulars, the amount of it is to be written in credit column.

Finally, according to double entry system, in each transaction which ever amount is debited, the same amount is credited. Thus, the total of both the columns is always identical.

Whatever transactions are recorded in a journal on respective page, after having total, at the end of page, the word, 'balance carried forward' is written.

Above 'total' one line is to be drawn and below 'total' two lines are to be drawn, which indicates that the journal entries are completed. On subsequent page, before recording transactions, in the beginning of page again total of debit and credit is written with the words, 'balance brought forward'.

At the end of specific time period, when all the transactions are recorded, then total of debit and credit column is made and in the column of particular, the word '**total**' is written.

Explanation of journal entry through illustration:

Illustration 1 : Record the following transactions in the journal books of Priya

2014

- | | | |
|-------|----|---|
| March | 1 | Goods of ₹ 5000 is purchased on cash. |
| | 4 | Goods of ₹ 8000 is purchased from Nandan on credit. |
| | 7 | Goods of ₹ 4000 is sold to Jigna. |
| | 12 | Commission received ₹ 200. |
| | 15 | Wages expense paid ₹ 150. |

Journal book of Priya

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2014 March 1	Purchase A/c Dr To cash A/c [Being goods of ₹ 5000 purchased on cash.]		5000	5000
4	Purchase A/c Dr To Nandan A/c [Being goods of ₹ 8000 purchased from Nandan on credit.]		8000	8000
7	Jigna A/c Dr To sales A/c [Being goods of ₹ 4000 sold to Jigna on credit.]		4000	4000
12	Cash A/c Dr To commission A/c [Being commission of ₹ 200 is received.]		200	200
15	Wages A/c Dr To cash A/c [Being wages of ₹ 150 is paid.]		150	150
	Total		17,350	17,350

Explanation of transactions :

- Date 1:** This is cash transaction. Goods comes in this business transaction and as a consideration, cash is paid. In this transaction, purchase account and cash account are associated. Both these accounts are real accounts. As per rule of this account, debit what comes in and credit what goes out, purchase account will be debited and cash account will be credited.
- Date 4:** This is credit transaction. In this, goods comes in business and Nandan is benefit giver. Thus, purchase account and Nandan account are associated. Since purchase account is real account, debit what comes in and as Nandan account is personal account credit the giver account.
- Date 7:** This is credit transaction. Jigna is benefit receiver. As per the rules of personal account, Jigna's account will be debited. Goods goes out from business, sales account will be credited.
- Date 12:** This is cash transaction. In this transaction, cash comes in business. As per the rule of debit what comes in, cash account will be debited. Commission is income (revenue). As per the rule of the credit income, commission account will be credited.
- Date 15:** This is expense transaction. Wages is expense of business. As per the rule of debit expense, wages expense account will be debited and as per the rule of credit what goes out, cash goes out from business, cash account will be credited.

6. Combined Journal Entry

Generally for each accounting transaction, separate journal entry is passed. But sometimes, only one account is required to debit or credit more than one time, when multiple transactions take place in a day or during specific period of time. In this case, instead of passing separate entry, only one entry passed, is known as combined entry.

In brief, when two or more than two accounts are associated for a transaction, in such case combined journal entry can be passed.

In brief, when more than two accounts are associated at the same time in any accounting transaction, combined entry is passed.

E.g. On 15th January, 2015 for wages ₹ 300, as salary ₹ 2000 and for telephone bill ₹ 500 are paid in cash. Through this illustration, let us have explanation for combined entry. At first, let us study separate journal entry.

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2015 Jan. 15	Wages A/c Dr To cash A/c [Being ₹ 300 paid for wages.]		300	300
	Salary A/c Dr To cash A/c [Being ₹ 2000 paid for salary.]		2000	2000
	Telephone expense A/c Dr To cash A/c [Being ₹ 500 paid for telephone bill.]		500	500
	Total		2800	2800

For same transactions, combined entry will be as follows :

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2015 Jan. 15	Wages A/c Dr Salary A/c Dr Telephone expense A/c Dr To cash A/c [Being ₹ 300 paid for wages, ₹ 2000 paid for salary and ₹ 500 paid for telephone bill in cash.]		300 2000 500	2800
	Total		2800	2800

Illustration for the combined entry of mixed accounting transactions is as follows :

Illustration 2 : To commence business with the name Radhika Help Line, brought in business ₹ 20,000 in cash, Machineries of ₹ 10,000 and stock of ₹ 15,000.

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
1	Cash A/c Dr Machineries A/c Dr Stock A/c Dr To capital A/c [Being ₹ 20,000 in cash, machineries of ₹ 10,000 and stock of ₹ 15,000 brought and commenced business.]		20,000 10,000 15,000	45,000
	Total		45,000	45,000

7. Journal for Different Types of Transactions

In the business, varieties of transactions take place. Keeping in mind different types of transactions, how to write their journal entries let us study from the following illustrations:

(1) Transactions for capital and drawings when new business is commenced:

From the view point of accounting a business entity or firm and the owner of business are considered as separate, independent entities. We, as accountant have to write the accounts of the business, not of the owner of the business. Always remember this rule.

Owner invests capital in different forms at the time of commencement of business as well as in current business. This investment is made by the owner in the form of cash, in asset or as receivable (debtors). As per the rule of credit the giver, the owner of business (capital) account will be credited. Here, the owner's capital account is a liability of business entity towards its owner.

When the owner of a business consumes goods of business, asset, cash or any other service for his personal consumption, it reduces the capital of the owner. It is known as drawings. Here, since the owner of business is benefit receiver, owner's account (drawings) will be debited on the basis of the rule of debit the receiver's account. If the owner of business pays his personal expenses from business, that also is treated as drawing. e.g. payment of medical bill, life insurance premium of owner's wife, son or daughter, income tax, etc. from business.

So, drawings account is receivable of business from its owner.

Illustration 3 : Ajay has commenced his business with the name Avadh enterprise. Write Journal entries from transaction of July 2014.

2014

- July 1 Introduced capital of ₹ 50,000 and commenced business.
- 4 Brought goods of ₹ 10,000, furniture of ₹ 2000 and debtors of ₹ 30,000 in business.
- 10 Sold bike of ₹ 20,000 for ₹ 15,000 out of which ₹ 10,000 introduced in business.
- 14 Brought in business personal receivable of ₹ 6000 and payables ₹ 4000.
- 16 Paid of income tax ₹ 500.
- 20 Withdrawn ₹ 1000 from business for personal use.
- 22 Paid ₹ 200 for life insurance premium from business.
- 25 Withdrawn goods of ₹ 400 for personal use from business.
- 31 College tuition fees of son ₹ 500 paid from business.

Journal entries in the journal of Avadh Enterprise

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2014 July 1	Cash A/c Dr To capital A/c [Being ₹ 50,000 brought in and commenced business.]		50,000	50,000
4	Goods A/c Dr Furniture A/c Dr Debtors A/c Dr To capital A/c [Being goods of ₹ 10,000, furniture of ₹ 2000, and debtors of ₹ 30,000 brought in business.]		10,000 2000 30,000	42,000
10	Cash A/c Dr To capital A/c [Being personal bike sold and brought ₹ 10,000 in business.]		10,000	10,000
14	Receivable (debtors) A/c Dr To payable (creditors) A/c To capital A/c [Being personal receivable of ₹ 6000 and payable of ₹ 4000 introduced in business.]		6000	4000 2000
16	Drawings A/c Dr To cash A/c [Being ₹ 500 of income tax paid from business.]		500	500
20	Drawings A/c Dr To cash A/c [Being ₹ 1000 withdrawn from business.]		1000	1000
22	Drawings A/c Dr To cash A/c [Being ₹ 200 of life insurance premium paid from business.]		200	200
25	Drawings A/c Dr To purchase A/c [Being goods of ₹ 400 is withdrawn for personal use.]		400	400
31	Drawings A/c Dr To cash A/c [Being ₹ 500 paid from business for college fees of son.]		500	500
	Total		1,10,600	1,10,600

(2) Transactions for goods and assets: In this classification two types of accounts are included. (i) Goods related transactions (ii) Assets related transactions. For both these types of transactions, rule is the same. Debit what comes in, credit what goes out.

(i) Goods related transactions : The basic objective of business activity is to earn profit from purchase and sales of goods. Whatever commodities are traded by the businessman, that respective commodity is goods of business. e.g. cloth is goods for cloth merchant.

Goods comes in, when businessman purchases goods. Thus as per the rule debit what come in, goods account is debited. Due to day-to-day purchase of goods, purchase account is debited instead of debiting goods account. When purchased goods is defective, not as per sample, of inferior quality, in this case, goods will be returned back to the supplier from whom goods is purchased. It is known as purchase return. In this circumstances, goods goes out of business. Thus, as per the rule credit what goes out, goods account will be credited. Purchase return account is credited in the books of account.

Goods goes out, when businessman sells goods. Thus as per rule of credit what goes out, goods account is credited. Due to day-to-day sales of goods, sales account will be credited instead of crediting goods account. Goods sold by the businessman is found to be defective, not as per sample, of inferior quality, in such circumstances customer returned the goods to businessman. This is known as sales return. When goods come back, as per rule of debit what comes in, goods account will be debited. Goods coming back in this form, is debited to sales return account.

Under all such circumstances, a specific name is given to the respective goods account like purchase account, sales account, purchase return account and sales return account etc.

(ii) Assets related transactions : Funds are arranged to commence business or for expansion of business, these funds are invested in tangible or intangible items. Items for which these funds are invested are known as assets. A study pertaining to different types of assets is undertaken in chapter no 1. As per the rule of accounting, debit assets account when it comes in, and credit when it goes out. In this case land, building, plants, machineries, furniture, investments, goodwill, patent, copyrights etc are included.

At the time of acquisition of such assets, documents expense, advocate fees, stamp duty, brokerage etc expenses are to be paid. All these expenses are treated as capital expense and added in the value of respective asset. When asset is purchase for business, as per the rule of “debit what comes in”, respective asset account will be debited and when asset is sold from business, as per the rule of “credit what goes out” respective asset account will be credited.

Illustration 4 : Pass journal entries for the following transactions of Gokul Traders.

2014

- | | | |
|-------|----|---|
| April | 1 | Brought cash of ₹ 10,000, stock of ₹ 10,000 and Furniture of ₹ 5000 and commenced business. |
| | 3 | Goods purchased of ₹ 5000 from Mathura traders. |
| | 4 | Goods sold for cash ₹ 4000. |
| | 6 | Goods purchased from Rushikesh of ₹ 8000 and paid an half amount in cash. |
| | 7 | Goods of ₹ 1600 returned to Mathura Traders. |
| | 9 | Goods of ₹ 600 given for Prime Minister relief fund. |
| | 10 | Electronic weight machine purchased for ₹ 450. |
| | 15 | 100 shares of Shri Barsa Ltd. purchased at ₹ 30 and 2 % brokerage is paid. Both the payment paid by cheque. |
| | 18 | Goods of ₹ 4000 sold to Kedarnath. |
| | 20 | Goods of ₹ 1500 destroyed by fire. |
| | 22 | Half the goods returned back from Kedarnath. |
| | 25 | Goods of ₹ 500 withdrawn for personal use. |
| | 28 | furniture of ₹ 3000 purchased from Bansidhar Furniture Mart. |
| | 30 | After adding 20 %, goods of ₹ 1000 sold to Chandni. Carriages of ₹ 50 paid on her behalf. |

Journal Entry of Gokul Traders

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2014 April 1	<div style="display: flex; justify-content: space-between;"> Cash A/c Dr </div> <div style="display: flex; justify-content: space-between;"> Stock A/c Dr </div> <div style="display: flex; justify-content: space-between;"> Furniture A/c Dr </div> <div style="display: flex; justify-content: space-between;"> To capital A/c </div> <p>[Being cash of ₹ 10,000, stock of ₹ 10,000 and furniture of ₹ 5000 brought and commenced business.]</p>		<div style="display: flex; justify-content: space-between;"> 10,000 </div> <div style="display: flex; justify-content: space-between;"> 10,000 </div> <div style="display: flex; justify-content: space-between;"> 5000 </div> <div style="display: flex; justify-content: space-between;"> 25,000 </div>	
3	<div style="display: flex; justify-content: space-between;"> Purchase A/c Dr </div> <div style="display: flex; justify-content: space-between;"> To Mathura Traders A/c </div> <p>[Being goods of ₹ 5000 purchased from Mathura Traders on credit.]</p>		<div style="display: flex; justify-content: space-between;"> 5000 </div> <div style="display: flex; justify-content: space-between;"> 5000 </div>	
4	<div style="display: flex; justify-content: space-between;"> Cash A/c Dr </div> <div style="display: flex; justify-content: space-between;"> To sales A/c </div> <p>[Being goods of ₹ 4000 sold in cash.]</p>		<div style="display: flex; justify-content: space-between;"> 4000 </div> <div style="display: flex; justify-content: space-between;"> 4000 </div>	
6	<div style="display: flex; justify-content: space-between;"> Purchase A/c Dr </div> <div style="display: flex; justify-content: space-between;"> To cash A/c </div> <div style="display: flex; justify-content: space-between;"> To Rushikesh A/c </div> <p>[Being goods of ₹ 8000 purchased from Rushikesh and paid an half amount in cash.]</p>		<div style="display: flex; justify-content: space-between;"> 8000 </div> <div style="display: flex; justify-content: space-between;"> 4000 </div> <div style="display: flex; justify-content: space-between;"> 4000 </div>	
7	<div style="display: flex; justify-content: space-between;"> Mathura Traders A/c Dr </div> <div style="display: flex; justify-content: space-between;"> To purchase return A/c </div> <p>[Being goods ₹ 1600 returned to Mathura Traders account.]</p>		<div style="display: flex; justify-content: space-between;"> 1600 </div> <div style="display: flex; justify-content: space-between;"> 1600 </div>	
9	<div style="display: flex; justify-content: space-between;"> Donation A/c Dr </div> <div style="display: flex; justify-content: space-between;"> To purchase A/c </div> <p>[Being goods of ₹ 600 given for Prime Minister relief fund.]</p>		<div style="display: flex; justify-content: space-between;"> 600 </div> <div style="display: flex; justify-content: space-between;"> 600 </div>	
10	<div style="display: flex; justify-content: space-between;"> Dead stock A/c Dr </div> <div style="display: flex; justify-content: space-between;"> To cash A/c </div> <p>[Being electronic weight machine of ₹ 450 purchased.]</p>		<div style="display: flex; justify-content: space-between;"> 450 </div> <div style="display: flex; justify-content: space-between;"> 450 </div>	
15	<div style="display: flex; justify-content: space-between;"> Share of Shri Barsana Ltd. A/c Dr </div> <div style="display: flex; justify-content: space-between;"> To Bank A/c </div> <p>[Being 100 shares at ₹ 30 purchased of Shri Barsana Ltd and paid 2 % brokerage.]</p>		<div style="display: flex; justify-content: space-between;"> 3060 </div> <div style="display: flex; justify-content: space-between;"> 3060 </div>	
18	<div style="display: flex; justify-content: space-between;"> Kedarnath A/c Dr </div> <div style="display: flex; justify-content: space-between;"> To sales A/c </div> <p>[Being goods of ₹ 4000 sold on credit to Kedarnath.]</p>		<div style="display: flex; justify-content: space-between;"> 4000 </div> <div style="display: flex; justify-content: space-between;"> 4000 </div>	

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
20	Loss on goods destroyed by fire A/c Dr To purchase A/c [Being goods of ₹ 1500 destroyed by fire.]		1500	1500
22	Sales return A/c Dr To Kedarnath A/c [Being goods of ₹ 2000 returned by Kedarnath.]		2000	2000
25	Drawings A/c Dr To purchase A/c [Being goods of ₹ 500 is withdrawn for personal use.]		500	500
28	Furniture A/c Dr To Bansidhar Furniture Mart A/c [Being furniture of ₹ 3000 purchased from Bansidhar Furniture Mart.]		3000	3000
30	Chandani A/c Dr To sales A/c To cash A/c [Being goods of ₹ 1000 sold to Chandani after adding 20 % profit and paid carriage of ₹ 50 on her behalf.]		1250	1200 50
	Total		59,960	59,960

(3) Other forms of goods outward:

Apart from sales and purchase return, there are some other forms for goods outward. Under these kind of cases outward of goods is recorded at cost price. These kind of goods outward are disclose as purchase reduction of business. Thus, this amount is credited to purchase account. This explanation is given as per CPT study material of ICAI (March, 2015) page no. 2.23. It's accounting treatment is to be given accordingly, let us acquire information about it.

(a) Goods withdrawn for personal use: When owner of the business has withdrawn goods for his personal use, it is essential to give accounting treatment of goods at cost price. Here, owner is benefit receiver. Thus, as per rule of debit the receiver, business owner's account (drawings) will be debited. Here goods goes out from business, hence purchase account is credited with cost price.

(b) Goods distributed as sample for advertisement: Businessmen, distribute goods as free sample for advertisement purpose. Thus, accounting treatment at cost price of goods becomes essential. Advertisement is treated as expense of business. Thus, as per the rule debit expenses, advertisement expense account will be debited. Goods goes out from business, thus purchase account is credited with cost price.

(c) Goods given as donation: Businessmen give goods as donation from business to religious organizations and charitable trusts. Thus, as per the rule debit expense, donation expense account will be debited and goods goes out from business, thus purchase account is credited with cost price.

(d) Goods destroyed by fire: Accidently fire takes place in the shop or godown of businessman, and goods get burnt by fire. This is treated as loss of business. Thus, as per the rule of debit loss,

loss on goods destroyed by fire account will be debited and goods goes out from business. Thus purchase account is credited with cost price of goods.

If goods of business is not insured the, owner has to bear the entire loss which has taken place due to fire. If goods destroyed, is fully insured, this loss will be borne by insurance company. Insurance company would become debtor for amount of admitted claim. In this case insurance company account will be debited and purchase account will be credited.

Insurance company admits claim in proportion of insurance policy, if goods is partially insured. The remaining amount of loss will be treated as loss of business and debited to loss on goods destroyed by fire account and goods destroyed by fire account will be credited, with cost price. Likewise goods destroyed by accident, goods destroyed by rain, goods lost due to sinking of steamer etc are treated as goods destroyed which will be credited to purchase account.

(e) Goods received as free sample: For the purpose of advertisement of product, manufacturer or whole saler give goods (products) to the retailers as free sample. Generally retailer has to distribute these goods to customers for free. In this case, there is no monetary exchange for goods. Thus, it is non-economic transaction. It will not be recorded on the basis of accounts. When goods received as free sample, and are sold by the retailer, he would receive cash. In this case, cash account will be debited and sales account will be credited in the books of retailer.

(f) Thefts of goods from business: When goods are stolen from shop or godown of businessman, it is loss to the business to the extent of cost price of goods. As per the rule of debit the loss, loss on goods stolen account will be debited and as a rule, credit what goes out, purchase account will be credited.

Accounting treatments for goods related accounts, emerging from exchange of goods are as follows:

Sr. No.	Nature of transaction	Account to be debited	Account to be credited
(1)	When goods purchased on credit	Purchase Account	Trader / Creditor A/c
(2)	When goods sold on credit	Customer / Debtor A/c	Sales Account
(3)	When sales return, of credit sales	Sales Returns Account	Customer / Debtor A/c
(4)	When purchase return, of credit purchase	Trader / Creditor A/c	Purchase Returns A/c
(5)	When owner of business withdraw goods for personal use	Drawings Account	Purchase A/c (Goods withdrawn for personal use Account)
(6)	When goods given as donation	Donation Account	Purchase A/c (Goods given as Donation Account)
(7)	When goods distributed as free sample for advertisement	Advertisement Account	Purchase A/c (Goods distributed for Advertisement Account)
(8)	When goods destroyed by fire	Loss on goods destroyed by Fire Account	Purchase A/c (Goods destroyed by Fire Account)
(9)	When goods stolen	Loss on goods stolen Account	Purchase A/c (Goods stolen Account)
(10)	When goods received as free sample, sold	Cash Account	Sales Account

Now, we will write journal entries for outward of goods in different forms with illustration :

Note : Journal entry for above mentioned item no. (5) to (9) shown in bracket is also popular but in present time, this amount is credited to purchase account.

Illustration 5 : Write Journal entries for the following transactions in the books of Murlidher.

2014

- May 1 Goods of ₹ 1000 is withdrawn from business for personal use.
 3 Goods of ₹ 700 destroyed by fire. It was not insured.
 5 Goods of ₹ 500 is stolen from business.
 8 Goods stolen received back of ₹ 100 on police investigation.
 12 Goods of ₹ 2500 is destroyed by fire. Insurance company has admitted claim for it.
 15 Goods of ₹ 4000 is destroyed due to sinking of steamer. For which insurance company has admitted claim of 50 % amount.
 16 Goods of ₹ 500 given as donation
 20 Goods of ₹ 200 distributed as free sample for advertisement purpose.
 22 Goods of ₹ 400 received as a free sample from manufacturer.
 25 Goods received on 22, sold and realize ₹ 300.
 28 Goods of ₹ 1500 is destroyed by fire. Insurance company has admitted claim of ₹ 900. ₹ 200 realize from scrap of this goods.
 30 Goods of ₹ 600 destroyed in rain, which is sold for ₹ 200.

Journal Entry of Murlidhar

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2014 May 1	Drawings A/c Dr To purchase A/c. [Being goods of ₹ 1000 withdrawn for personal use]		1000	1000
3	Loss on goods destroyed by fire A/c Dr To purchase A/c [Being goods of ₹ 700 is destroyed by fire]		700	700
5	Loss on goods stolen A/c Dr To purchase A/c [Being goods of ₹ 500 is stolen]		500	500
8	Purchase A/c Dr To loss on goods stolen A/c [Being goods of ₹ 100 received back, which was stolen earlier.]		100	100
12	Insurance company A/c Dr To purchase A/c [Being claim of ₹ 2500 is admitted by insurance company]		2500	2500

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
15	Insurance company A/c Dr Loss on goods destroyed due to sinking of steamer A/c Dr To purchase A/c [Being goods of ₹ 4000 lost due to sunk of steamer, insurance co. admitted claim of ₹ 2000]		2000 2000	4000
16	Donation A/c Dr To purchase A/c [Being goods of ₹ 500 given as donation]		500	500
20	Advertisement A/c Dr To purchase A/c [Being goods of ₹ 200 is distributed as free sample]		200	200
22	Non economic transaction			
25	Cash A/c Dr To sales A/c [Being goods received as a free sample is sold for ₹ 300]		300	300
28	Insurance company A/c Dr Cash A/c Dr Loss on goods destroyed by fire A/c Dr To purchase A/c [Being goods of ₹ 1500 destroyed by fire, insurance co. admitted claim of ₹ 900, scrap sold for ₹ 200 and loss of ₹ 400 is recorded]		900 200 400	1500
30	Cash A/c Dr Loss on goods destroyed in rain A/c Dr To purchase A/c [Being goods of ₹ 600 destroyed by rain, sold for ₹ 200 and difference of ₹ 400 debited as loss]		200 400	600
	Total		11,900	11,900

8. Transactions through Bank

In present time majority of financial transactions, businessman undertake through bank. Two types of financial transactions are made with banks in business, (1) Cash transaction (2) Non-cash transaction.

(1) Cash transactions:

(a) **When cash deposited in bank:** Businessman deposits surplus cash in bank. Bank is cash receiver. Bank account is personal account. Thus as per the rule of debit the receiver, the bank account will be debited. Cash goes from business, so, as per the rule of credit what goes out, cash account is credited.

(b) When cash withdrawn from bank: Cash is withdrawn from bank for business expense or any other reason as per need of business. Business receives cash, thus as per rule debit what comes in, cash account will be debited. Bank is giver. Thus as per rule credit the giver, bank account will be credited. When businessman withdraws cash for personal use from bank account of business, in this case, drawings account is debited and bank account is credited.

(2) Non-cash transaction:

(a) When cheque received, deposited with bank: When cheque is received from debtor (customer) or any other person, its accounting treatment is given in bank account. Bank is cheque receiver, bank account is debited and customer or any other person is cheque giver, his account is credited.

(b) When payment made through cheque: Businessman, pay their almost all expenses to creditors through cheque. In each circumstances of this type, cheque receiver person account or expense account is debited. Bank is payer, thus bank account is credited.

(c) Bank Interest: When bank credits interest in the bank account of businessman, businessman obtains this information from bank pass book or bank statement. In the books of businessman bank account is debited and bank interest account is credited. If there is bank overdraft in the account of businessman, bank recovers interest from businessman. This interest is expense of business. Thus, in the books of businessman bank overdraft interest account is debited and bank account is credited.

(d) Bank charges: Bank provides services to the traders, for which bank recovers (charges) certain amount. It is known as bank charge. Since it is expense of business, bank charges is debited in the books of businessman, and bank account is credited.

In brief, remember the important rule in the context of transaction with bank, “Due to respective transaction when bank balance increase in the books of businessman debit bank account and credit bank account when bank balance reduces.

From the following illustration, now we will study journal of bank related transactions:

Illustration 6 : Write Journal in the books of shree Vasant Traders for the following transaction:

2014

- | | | |
|------|----|--|
| June | 1 | A current account is opened with SBI bank by depositing ₹ 20,000. |
| | 2 | Goods sold for ₹ 5000, the amount of which directly deposited in bank. |
| | 4 | Furniture of ₹ 10,000 is purchased, payment is made through cheque. |
| | 8 | Withdrawn from bank ₹ 400 for personal expense and ₹ 700 for office expenses. |
| | 10 | A cheque of ₹ 1500 received from Virat. |
| | 15 | Goods of ₹ 3000 sold on cash to Parthiv, Out of which 50 % amount received by cheque. |
| | 18 | Fire insurance premium ₹ 450 and life insurance premium of ₹ 300 are paid by cheque. |
| | 22 | A cheque of dividend warrant of ₹ 200 deposited in bank |
| | 25 | Bank has credited ₹ 100 for bank interest and debited ₹ 50 as bank charges to our account. |
| | 28 | A cheque of ₹ 800 issued to Param as final settlement |
| | 30 | A cheque of ₹ 600 is received from Shivaji |

Ans. :

Journal Entry of Shree Vasant Traders

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2014 June 1	SBI Bank A/c Dr To Cash A/c [Being ₹ 20,000 deposited with SBI bank and opened an account.]		20,000	20,000
2	Bank A/c Dr To Sales A/c [Being goods sold for ₹ 5000 on cash, amount deposited in bank]		5000	5000
4	Furniture A/c Dr To Bank A/c [Being furniture of ₹ 10,000 purchased and amount paid by cheque]		10,000	10,000
8	Drawings A/c Dr Cash A/c Dr To Bank A/c [Being ₹ 400 for personal use and ₹ 700 for office expense, withdrawn from bank]		400 700	1100
10	Bank A/c Dr To Virat A/c [Being a cheque of ₹ 1500 is received from Virat]		1500	1500
15	Cash A/c Dr Bank A/c Dr To Sales A/c [Being goods of ₹ 3000 sold for cash and half amount deposited in bank]		1500 1500	3000
18	Fire insurance premium A/c Dr Drawings A/c Dr To Bank A/c [Being ₹ 450 for fire insurance and ₹ 300 for life insurance premium paid by cheque]		450 300	750
22	Bank A/c Dr To Dividend A/c [Being dividend warrant of ₹ 200 deposited in bank]		200	200

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
25(A)	Bank A/c Dr To Bank Interest A/c [Being bank has credited interest of ₹ 100]		100	100
(B)	Bank charges A/c Dr To Bank A/c [Being bank has debited bank charges of ₹ 50]		50	50
28	Param A/c Dr To Bank A/c [Being a cheque of ₹ 800 issued to Param for full settlement]		800	800
30	Bank A/c Dr To Shivaji A/c [Being a cheque of ₹ 600 received from Shivaji, deposited in bank]		600	600
	Total		43,100	43,100

9. Loan and Interest on Loan

Transactions of loan and interest on loan can be categorized into two categories : (i) Loan borrowed; and paid / payable interest (ii) Loan lent; and received / receivable interest. An additional capital is required besides owner's capital to run business. In these circumstances businessman borrows money from bank, financial firm, other person or financial institutions. This obtained loan is known as loan borrowed. Many times surplus / idle funds of the business are lent to the employees or third person. It is known as lent loan. Both types of loan accounts are personal accounts. Thus, the rule of personal account is applicable to it. Interest amount is calculated at predetermined rate and at the end of specified time period. Interest on borrowed loan is an expense of business, thus interest account is debited. While interest is received on the lent loan, interest is revenue, interest account is credited. Borrowed loan is liability of business, therefore, it is credited. Lent loan is receivable of business, therefore, it is debited.

From the following illustration let us understand transactions pertaining to loan and loan interest.

Illustration 7 : Write journal entries for the following in the books of Pranam :

2015

January 1 A loan of ₹ 15,000 at 14 % is borrowed from Pawan for business.

March 1 A loan of ₹ 18,000 at 18% is given (lent) to Pushkar.

June 30 Paid interest of six month on loan borrowed from Pawan.

August 31 From Pushkar, interest on loan is received for six months.

Ans. :

Journal Entry of Pranam

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2015 January 1	Cash A/c Dr To 14% Loan of Pawan A/c [Being a loan of ₹ 15,000 at 14 % is borrowed from Pawan]		15,000	15,000

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
March 1	Loan to Pushkar A/c Dr To cash A/c [Being a loan of ₹ 18,000 at 18% is given to Pushkar]		18,000	18,000
June 30	Loan interest A/c Dr To cash A/c [Being interest on loan of ₹ 1050 is paid at 14 % for six month]		1050	1050
August 31	Cash A/c Dr To Loan interest A/c [Being interest on loan of ₹ 1620 is received at 18% for six months]		1620	1620
	Total		35,670	35,670

14 % loan is borrowed on January 1, which is liability, therefore loan account is credited. On 30th June, interest of six months is paid on this loan, which is an expense. It is debited to interest loan account and credited to cash account.

18% loan is given on March 1, which is receivable, therefore loan account is debited. On 31 st August, interest of six month is received, which is revenue. It is debited to cash account and credited to interest loan account.

10. Trade Discount, Cash Discount and Allowance

Many times, at the time of purchase or sales of goods and at the time of collection very small amount from total price is either not paid or not received. This non paid or non received small amount is discount. There are two types of discount : (1) Trade discount (2) Cash discount.

(1) Trade discount : Companies display total price on packing of commodities. Company mentions total price on packing of almost all products. At this price products are sold in open market. At the time of sale, manufacturer or wholesaler allows certain discount to retailers from selling price, which is known as trade discount. This trade discount is an expense neither for manufacturer or wholesaler nor income for retailer. Hence, **trade discount does not have any accounting treatment in the books of accounts.**

A trade discount is deducted from total price during preparation of bill for purchase or sale of goods and net amount of bill is recorded in the books of purchaser and seller. e.g. Goods of ₹ 5000 purchased from Paras at 10% trade discount. In this transaction, 10% discount will be deducted during preparation of bill. Here

₹ 5000	Total price
— ₹ 500	10 % Trade discount
₹ 4500	Net amount will be recorded in the books

(2) Cash discount : To enhance competitive sales, businessman sells goods on credit. Customers pay dues on completion of credit maturity period. Thus, business faces problem of cash scarcity. To receive back quick collection of credit sales from customers, certain fixed percentages are allowed as incentive discount. This discount is known as cash discount. Thus, cash discount is one kind of factor of attraction to pay due within prescribed time or before that. Allowed cash discount is an expense to the businessman, thus it is debited to discount account, for cash discount receiver businessman / customer, it is a revenue, thus it is credited to discount account.

Cash discount is income as well as expense, thus it is recorded in the books of businessman and customer. Remember : If amount is not paid in stipulated period of time, the benefit of cash discount is not allowable.

For example, goods of ₹ 10,000 at 10 % trade discount and 5 % cash discount purchased from Rameshwar on cash. Here, total price ₹ 10,000 – Trade discount 10 % of ₹ 1000 = ₹ 9000 purchase will be recorded. Less 5 % cash discount ₹ 450 = ₹ 8550 is net payable amount.

Difference between trade discount and cash discount :

Sr.	Trade discount	Cash discount
(1)	Trade discount is calculated on total price or catalog are price.	(1) Cash discount is calculated on net of total price and trade discount.
(2)	Trade discount is not recorded in the books.	(2) Cash discount is recorded in the books.
(3)	Trade discount is allowed because retailers sells product on total price, so that they can generate certain profit after deduction of their expenses.	(3) To attract the customers to pay due in prescribed time or before that, cash discount is allowed.
(4)	At the time of preparation of invoice trade discount is deducted.	(4) At the time of preparation of invoice cash discount is not deducted.
(5)	Sometimes customer get tempted to purchase in big quantity due to trade discount.	(5) Due to cash discount customers are tempted to pay amount in prescribed time or before that.

(3) Allowance : Many times businessman pays less amount or receives less amount at the time of final settlement. Whatever short amount is paid or received is known as allowance.

Since, such allowed allowance is an expense of business, it is debited to discount or allowance account. If such allowance is received it is an income of business, it will be credited to discount or allowance account. The accounting treatment of this allowance is identical to cash discount. There is no predetermined tradition or system for allowance. In case of allowance, after deduction of insignificant amount payables and receivables are settled. e.g. ₹ 500 paid to Varun as a final settlement against outstanding of ₹ 515. Here payables are ₹ 515 but ₹ 500 are paid, so the amount of ₹ 15 of difference is allowance.

Let us acquire explanation for above mentioned transactions through illustration:

Illustration 8 : Record the following transaction in the journal of Mahendra Sanghvi.

2014

- July 1 Goods of ₹ 10,000 purchased at 10 % trade discount from Taruna Traders.
- 5 Goods of ₹ 7000 sold to Gandhi Brothers on cash at 5 % trade discount.
- 8 Goods of ₹ 12,000 purchased from Mangaldas at 10 % trade discount and 5 % cash discount. Payment is made in cash.
- 10 Goods of ₹ 11000 sold to Viral at 10% trade discount and 5% cash discount. Payment is received in cash.
- 12 Goods of ₹ 8000 purchased from Bihari Brothers at 10 % trade discount and at 10 % cash discount. Paid half the amount immediately by cash.
- 15 Goods of ₹ 15,000 sold to Bimal at 10 % trade discount and if due is paid up to 20th July, 10 % cash discount will be allowed.
- 18 For sale of 15 July, Bimal has issued cheque for an half amount, which is deposited in bank.
- 22 Bimal has settled the remaining balance in cash.
- 25 ₹ 1020 was due from Sunita, she paid ₹ 1000 as a final settlement.
- 31 A cheque of ₹ 800 was issued to Vaishali as a final settlement for due of ₹ 810.

Ans:

Journal Entry of Mahendra Sanghvi

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2014 July 1	Purchase A/c Dr To Taruna Traders A/c [Being goods of ₹ 10,000 purchased from Taruna Traders at 10 % trade discount]		9000	9000
5	Cash A/c Dr To Sales A/c [Being goods of ₹ 7000 sold to Gandhi Brothers on 5 % trade discount]		6650	6650
8	Purchase A/c Dr To cash A/c To Discount A/c [Being goods of ₹ 12,000 purchased on cash at 10% trade discount and at 5 % cash discount]		10,800	10,260 540
10	Cash A/c Dr Discount A/c Dr To sales A/c [Being goods of ₹ 11,000 sold on cash at 10 % trade discount and at 5 % cash discount]		9405 495	9900
12	Purchase A/c Dr To Cash A/c To Discount A/c To Bihari Brothers A/c [Being goods of ₹ 8000 purchased from Bihari Brothers at 10 % trade discount and at 10 % cash discount. Half amount is paid in cash.]		7200	3240 360 3600
15	Bimal A/c Dr To Sales A/c [Being goods of ₹ 15,000 sold to Bimal at 10 % trade discount]		13,500	13,500
18	Bank A/c Dr Discount A/c Dr To Bimal A/c [Being Bimal has paid half amount and 10 % cash discount allowed to him]		6075 675	6750

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
22	Cash A/c Dr To Bimal A/c [Being Bimal has paid remaining balance of ₹ 6750]		6750	6750
25	Cash A/c Dr Discount A/c Dr To Sunita A/c [Being ₹ 1000 received from Sunita as final settlement for due of ₹ 1020]		1000 20	1020
31	Vaishali A/c Dr To Bank A/c To Discount A/c [Being for due of ₹ 810, ₹ 800 paid to Vaishali as a final settlement]		810	800 10
	Total		72,380	72,380

11. Transactions of Revenue and Expense

Regularly, different types of expenses take place during accounting period of business. Different types of revenues also take place, regularly. As per the rule of nominal account, expenses and loss are debited and revenue and gain are credited.

To operate business, certain day-to-day expenses like paper, pencil, rubber, ink, pen, statements, register etc. are sundry items of office are required, they are known as stationery. Painting work, repairing etc. are maintenance expenses of business. Besides this, salary, wages, telephone expenses etc. are also regular expenses of business.

Sundry expenses of business like tea-refreshment, hospitality expense or other entertainment expenses are debited to sundry expense account. Incomes like interest received, commission, rent, brokerage, and dividend are regular incomes of business.

Let us acquire explanation for revenue and expenses transactions from the following illustration.

Illustration 9 : Record the following transactions in the journal of Arun Parekh :

2014

- August 1 For business books of accounts purchased ₹ 650.
2 Wages of ₹ 200 and carriage of ₹ 100 paid in cash.
8 Commission received ₹ 800.
10 Paid ₹ 2500 for painting work of shop.
20 Light Bill of ₹ 1800 paid by cheque.
25 ₹ 1200 paid for refreshment at inaugural function of shop.
30 A cheque of ₹ 900 received for brokerage.
31 A currency note of ₹ 50 eaten by goat.

Ans.:

Journal Entry of Shri Arun Parekh

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2014 August 1	Stationery expense A/c Dr To Cash A/c [Being stationery of ₹ 650 is purchased]		650	650
2	Wages A/c Dr Carriage A/c Dr To Cash A/c [Being wages of ₹ 200 and carriage of ₹ 100 are paid in cash]		200 100	300
8	Cash A/c Dr To Commission A/c [Being commission received of ₹ 800]		800	800
10	Maintenance A/c Dr To Cash A/c [Being ₹ 2500 paid for painting work of shop]		2500	2500
20	Electricity expense A/c Dr To Bank A/c [Being electricity bill of ₹ 1800 paid by cheque]		1800	1800
25	Sundry expenses A/c Dr To Cash A/c [Being ₹ 1200 paid for refreshment at inaugural function of shop]		1200	1200
30	Bank A/c Dr To Brokerage A/c [Being a cheque of ₹ 900 received for brokerage]		900	900
31	Sundry expense A/c Dr To Cash A/c [Being a currency note of ₹ 50 eaten by goat]		50	50
	Total		8200	8200

Remember: If any shop (business) related expenses cannot be debited to specific or certain account, it is debited to sundry expense account.

12. Transactions of Bad Debts and Bad Debts Recovered

(1) **Bad debts** : To enhance the sales of business, goods are sold on credit to customers. When customer becomes insolvent, either entire receivable amount or partial amount due from the customer cannot be recovered. Such non-recoverable amount is known as bad debts.

Since bad debt is loss of business, it is debited, and respective customer who is unable to pay his due; the customer or debtor account is credited and finally his account will be closed. E.g. Anil becomes insolvent. Thus, receivable amount from him of ₹ 500 is to be written. In this case, by debiting Bad debts account for ₹ 500 and by crediting Anils account for ₹ 500, his account will be closed.

(2) **Bad debts recovered** : An amount is written off in the past, if the customer or debtors returns it back due to improvement in his economic condition, this amount is known as Bad debt recovered. Since Bad debts return is revenue of business, it is credited. Due to the receipt of cash, cash account is debited. In no circumstance, debtor account is credited, because in the past the account of debtor is already closed.

From the following illustration, these transactions will be understood in better form.

Illustration 10 : Record the following transactions in journal of Prerna :

2014

- March 1 Vishal is declared insolvent, thus amount due to him ₹ 2000 cannot be recovered.
5 ₹ 3000 was due from Param, he become insolvent and only ₹ 1800 are recovered.
A balance amount is written off.
10 ₹ 1500 previously written off, as Bad debts of Rohan, are received.

Ans.:

Journal Entry of Shri Prerna

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2014 March 1	Bad debts A/c Dr To Vishal A/c [Being since Vishal declared insolvent, ₹ 2000 was due from him are written off]		2000	2000
5	Cash A/c Dr Bad debts A/c Dr To Param A/c [Being ₹ 3000 was due from Param, he become insolvent only ₹ 1800 are recovered from him and balance amount is written off]		1800 1200	3000
10	Cash A/c Dr To Bad debts return A/c [Being ₹ 1500 were previously written off are recorded]		1500	1500
	Total		6500	6500

Comprehensive Illustrations:**Illustration 11 :** Record the following transactions in journal of Shri Omkar Traders :

2014

- October 1 A business is commenced with introduction of cash of ₹ 40,000, furniture of ₹ 10,000, stock of ₹ 8000 and 8 % loan of Pragna ₹ 20,000.
- 2 At the time of inaugural of shop paid for ice-cream and other expenses ₹ 3500.
- 3 Opened bank account with Bank of Broda, by depositing ₹ 25,000 in cash.
- 4 Electronic weighing machine purchased for ₹ 4000.
- 5 Machine of ₹ 5000 is purchased from Navkar Traders and paid machine installation charges ₹ 500.
- 8 Goods of ₹ 10,000 are purchased from Shivam Traders at 10% trade discount, ₹ 50 paid for carriage.
- 10 House rent paid ₹ 7000 and life insurance of ₹ 1200 paid by cheque.
- 12 Goods of ₹ 5000 sold to Akash Traders at 10% trade discount, 10 % cash discount will be allowed if due paid in 10 days.
- 15 Akash Traders paid half amount by cheque for transaction dated 12th.
- 18 Akash Traders has returned back goods of ₹ 700.
- 20 ₹ 2000 withdrawn from Bank of Baroda for shop expense.
- 21 Goods of ₹ 6000 purchased from Amar Traders at 10% trade discount and 5% cash discount. Half the amount is paid in cash
- 24 Goods worth ₹ 500 is donated to Mahila Vikas Grah
- 25 Goods of ₹ 150 is distributed as free sample.
- 26 An order is issued to Vikas Agency for goods of ₹ 3000
- 28 The business owner has withdrawn goods of ₹ 2000 and paid tuition fees of son ₹ 800 from business
- 31 Interest of 3 months, paid on 8 % loan of Pragna

Ans.:**Journal Entry of Shri Omkar Traders**

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2014 October 1	Cash A/c Dr Furniture A/c Dr Goods A/c Dr To Pragna's Loan A/c To Capital A/c [Being a business is commenced with introduction of cash ₹ 60,000, Furniture ₹ 10,000, Goods ₹ 8000 and 8 % loan of Pragna ₹ 20,000.]		60,000 10,000 8000	20,000 58,000

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2	Sundry expense A/c Dr To Cash A/c [Being ₹ 3000 paid for icecream and other expenses for inauguration of shop]		3500	3500
3	Bank A/c Dr To Cash A/c [Being an account is opened with Bank of Baroda by depositing ₹ 25,000 in cash]		25,000	25,000
4	Dead Stock A/c Dr To Cash A/c [Being electronic weighing machine of ₹ 4000 is purchased]		4000	4000
5	Machine A/c Dr To Navkar Traders A/c To Cash A/c [Being machinery of ₹ 5000 purchased on credit from Navkar traders and paid ₹ 500 in cash for installation]		5500	5000 500
8	Purchase A/c Dr Carriage A/c Dr To Shivam Traders A/c To Cash A/c [Being goods of ₹ 10,000 purchased from Shivam Traders at 10% trade discount and paid carriage of ₹ 50 in cash]		9000 50	9000 50
10	Drawings A/c Dr To Cash A/c To Bank A/c [Being house rent of ₹ 7000 paid in cash and ₹ 1200 LIC premium paid by cheque]		8200	7000 1200
12	Akash Traders A/c Dr To Sales A/c [Being goods of ₹ 5000 sold to Akash Traders at 10% trade discount]		4500	4500
15	Bank A/c Dr Discount A/c Dr To Akash Traders A/c [Being from Akash Traders for half payment of ₹ 2250 a cheque of ₹ 2025 is received and 10% discount is allowed]		2025 225	2250

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
18	Sales Returns A/c Dr To Akash Traders A/c [Being goods of ₹ 700 is returned by Akash Traders]		700	700
20	Cash A/c Dr To Bank of Baroda A/c [Being ₹ 2000 withdrawn from bank for shop expense]		2000	2000
21	Purchase A/c Dr To Cash A/c To Discount A/c To Amar Traders A/c [Being goods of ₹ 6000 purchased from Amar Traders at 10% trade discount and 5% cash discount. Half amount is paid in cash]		5400	2565 135 2700
24	Donation A/c Dr To Purchase A/c [Being goods of ₹ 5000 given for donation]		500	500
25	Advertisement expense A/c Dr To Purchase A/c [Being goods of ₹ 750 issued distribution for free sample]		750	750
26	Non-economic transaction			
28	Drawings A/c Dr To Purchase A/c To Cash A/c [Being goods of ₹ 2000 and cash ₹ 800 withdrawn for personal use]		2800	2000 800
31	Interest on loan A/c Dr To Cash A/c [Being 8% interest for three months on loan of ₹ 20,000 of Pragna is paid]		400	400
	Total		1,52,550	1,52,550

Brief explanation of transactions:

October 1 Total assets : Cash ₹ 60,000, furniture ₹ 10,000 and stock of ₹ 8000 = ₹ 78,000.

Loan obtained ₹ 20,000. Thus remaining assets of ₹ 58,000 will be capital of owner.

4 Electronic weighing machine purchase for business is treated as dead stock.

- 5 Wages paid for machine installation is added to machinery cost and debited to machinery account.
- 8 From total amount 10% cash discount is deducted and net effect is given
- 15 Under this transaction, after deduction of trade account of ₹ 500 from ₹ 5000 net will be ₹ 4500. Half amount of this ₹ 2250 and from it deduction of at 10% cash discount ₹ 225 is debited to discount account.
- 20 Under this transaction cash is withdrawn from bank. Expense is not done, thus debited to cash discount.
- 28 Owner of business withdraws goods and cash for personal use, thus debited to drawings account
- 31 Under this transaction interest on loan is calculated as follows:

₹	Months	₹ interest
100	12	8
20,000	3	?

$$= \frac{20,000 \times 3 \times 8}{100 \times 12}$$

$$= ₹ 400 \text{ Interest}$$

Illustration 12 : From the following transactions, write journal in the books of Shree Rajvir :

2014

- August 1 A business is commenced with introduction of cash of ₹ 50,000, receivables of ₹ 25,000, liability of ₹ 10,000, stock of goods of ₹ 15,000.
- 2 A 10 % loan of ₹ 30,000 is borrowed from Srimati.
 - 3 Laptop purchased from Jayveer for cash ₹ 20,000 and paid other expenses ₹ 500.
 - 4 Opened bank account with Dena Bank by depositing ₹ 15,000.
 - 5 Goods of ₹ 30,000 purchased from Royal Stores on credit at 10 % trade discount. Royal stores paid railway freight ₹ 200 and wages ₹ 1000 on our behalf.
 - 6 Goods purchased from Royal Traders out of which goods of ₹ 15,000 sold to Bhagvati at 10 % trade discount, after adding 20 % profit on it. Paid railway freight ₹ 1000 and wages ₹ 500 on their behalf.
 - 7 Goods of ₹ 50,000 purchased from Kruti at 10 % trade discount and 10 % cash discount. Half amount paid by cheque.
 - 8 Goods sold to Bhagvati, returned back, goods of ₹ 540, which we have returned back to Royal Stores.
 - 9 Goods of ₹ 15,000 after adding 20% profit sold to Nirali at 10 % trade discount and at 10% cash discount, half amount received in cash.
 - 10 Goods of ₹ 20,000 after adding 30 % profit sold to Bhaumik at 10 % trade discount and at 10 % cash discount (if amount is paid in 10 days)
 - 11 Paid ₹ 1500 for advertisement bill of Gujarat Samachar.
 - 12 Received personal dividend ₹ 800, which is deposited to bank account of business.
 - 13 Nirali returned goods ₹ 650 (from sales of 9th)
 - 14 Goods of ₹ 400 received as free sample, which is distributed to customer in free for advertisement.
 - 15 A cheque of half amount is received from Bhaumik and cash discount allowed.
 - 16 Goods returned by Nirali (of 13th), sent to Kruti

- 17 A machine purchased for ₹ 7000, and paid ₹ 500 cash for installation of machine.
- 18 Goods of ₹ 300 received as free sample.
- 19 After deducting ₹ 100 discount cheque issue to Royal Traders as final settlement
- 20 Nirali deducted allowance ₹ 50, and settled the account
- 21 On account, Bhaumik paid cash ₹ 5000 and issue cheque for remaining balance, and settled account
- 22 Goods of ₹ 4000 destroyed by fire and insurance company admitted claim for ₹ 3000, ₹ 200 realized from sale of destroyed goods.
- 23 To earn 20 % profit on selling price goods of cost price of ₹ 5000 sold.
- 24 Interest for one month paid on loan of Srimati.
- 25 Goods destroyed in railway accident ₹ 2500.
- 26 50 shares of Adani Power Ltd. purchased at market price of ₹ 300 per share and including 2 % brokerage, amount paid by cheque.
- 27 A computer of business of ₹ 2500, sold to Karuna for ₹ 1000.
- 28 A electricity bill of ₹ 1800 and telephone bill of ₹ 700 of firm paid by cheque.
- 29 Bank has credited ₹ 200 for interest and debited ₹ 100 for bank charges.
- 30 Goods of ₹ 500 was stolen and of ₹ 200 was ruined in rain.
- 31 Obtain change for ₹ 1000, but currency note of ₹ 100 was duplicate, nothing can be realized.

Ans.:

Journal Entry of Rajveer

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2014 August 1	Cash A/c Dr Debtors A/c Dr Stock of goods A/c Dr To Creditors A/c To Capital A/c [Being cash of ₹ 50,000 debtors of ₹ 25,000 stock of goods of ₹ 15,000 and creditors of ₹ 10,000 introduced and commenced business]		50,000 25,000 15,000	10,000 80,000
2	Cash A/c Dr To Smt's Loan A/c [Being 10% loan of ₹ 30,000 borrowed from Srimati]		30,000	30,000
3	Laptop A/c Dr To Cash A/c [Being laptop of ₹ 20,000 purchased and for expense of ₹ 500]		20,500	20,500

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
4	Dena Bank A/c Dr To Cash A/c [Being ₹ 15,000 deposited with Dena Bank and opened account]		15,000	15,000
5	Purchase A/c Dr Railway freight A/c Dr Wages A/c Dr To Royal Store A/c [Being goods of ₹ 30,000 purchased from Royal Stores at 10% Trade Discount and paid railway freight and wages on our behalf.]		27,000 2000 1000	30,000
6	Bhagavati A/c Dr To Sales A/c To Cash A/c [Being goods of ₹ 15,000 sold to Bhagavati by adding 20% profit at 10% trade discount and paid railway freight and wages on their behalf.]		17,700	16,200 1500
7	Purchase A/c Dr To Kruti A/c To Bank A/c To Discount A/c [Being goods of ₹ 50,000 purchased from Kruti at 10 % trade discount and 10% cash discount, and paid half amount by cheque]		45,000	22,500 20,250 2250
8	Sales returns A/c Dr To Bhagavati A/c [Being Bhagavati has returned book goods of ₹ 540]		540	540
8	Royal Stores A/c Dr To Purchase returns A/c [Being goods returned by Bhagavati Tons, sent back to Royal Traders ₹ 500]		500	500
9	Nirali A/c Dr Cash A/c Dr Discount A/c Dr To Sales A/c [Being goods of ₹ 15,000 sold to Nirali by adding 20% profit, at 10% trade discount and 10% cash discount, half amount is received in cash]		8100 7290 810	16,200

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
10	Bhaumik A/c Dr To Sales A/c [Being goods of ₹ 20,000 sold to Bhaumik by adding 30% profit on it at 10% trade discount]		23,400	23,400
11	Advertisement A/c Dr To Cash A/c [Being advertisement bill of Gujarat Samachar paid ₹ 1500]		1500	1500
12	Bank A/c Dr To Capital A/c [Being a cheque of personal dividend ₹ 800, deposited with bank account of business]		800	800
13	Sales returns A/c Dr To Nirali A/c [Being goods of ₹ 650 is returned by Nirali]		650	650
14	Non-economic transaction			
15	Bank A/c Dr Discount A/c Dr To Bhaumik A/c [Being for receivable of ₹ 11,700, a cheque of ₹ 10,530 received from Bhaumik and discount allowed ₹ 1170]		10,530 1170	11,700
16	Kruti A/c Dr To Purchase returns A/c [Being goods returned by Nirali, returned to Kruti ₹ 602]		602	602
17	Machine A/c Dr To Cash A/c [Being machine purchased for ₹ 7000 and installation ₹ 500 paid]		7500	7500
18	Non-economic transaction			

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
19	Royal Stores A/c Dr To Bank A/c To Discount A/c [Being for payable of ₹ 29,500 to Royal Stores obtain allowance ₹ 100 and account is settled by cheque]		29,500	29,400 100
20	Cash A/c Dr Discount A/c Dr To Narali A/c [Being after deducting allowance of ₹ 250 Nirali has settled account]		7400 50	7450
21	Cash A/c Dr Bank A/c Dr To Bhaumik A/c [Being for due of ₹ 11700, Bhaumik paid ₹ 5000 in cash and given cheque of ₹ 6700 and settled account]		5000 6700	11,700
22	Insurance Co. A/c Dr Cash A/c Dr Loss due to fire A/c Dr To Purchase A/c [Being goods destroyed from fire of ₹ 4000, insurance co. admitted claim for ₹ 3000, realized from sale of destroyed goods of ₹ 200 and lost of difference amount of ₹ 800.]		3000 200 800	4000
23	Cash A/c Dr To Sales A/c [Being goods of cost price of ₹ 5000 sold to earn 20% profit on selling price]		6250	6250
24	Interest on loan A/c Dr To Cash A/c [Being interest on loan for one month is paid ₹ 250]		250	250
25	Loss due to accident A/c Dr To Purchase A/c [Being goods of ₹ 2500 is destroyed in railway accident]		2500	2500

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
26	Investment in Adani Power Ltd A/c Dr To Bank A/c [Being 50 shares of Adani Power Ltd purchased at market price of ₹ 300 per share 2% brokerage]		15,300	15,300
27	Karuna A/c Dr Loss on sale of computer Dr To Computer A/c [Being computer of ₹ 2500 sold to Karuna for ₹ 1000]		1000 1500	2500
28	Electricity Expense A/c Dr Telephone Expense A/c Dr To Bank A/c [Being electricity expense ₹ 1800 and telephone expense ₹ 700 paid by cheque]		1800 700	2500
29	Bank A/c Dr To Bank Interest A/c [Being bank credited interest of ₹ 200 to our account]		200	200
29	Bank Charges A/c Dr To Bank A/c [Being bank debited bank charges ₹ 100 to our account]		100	100
30	Loss due to theft of goods A/c Dr To Purchase A/c [Being ₹ 500 is stolen]		500	500
30	Loss due to rain of goods A/c Dr To Purchase A/c [Being goods of ₹ 200 is ruined due to the rain]		200	200
31	Sundry Loss A/c Dr To Cash A/c [Being on exchange of ₹ 1000, a duplicate currency note of ₹ 100 was received]		100	100
	Total		3,94,642	3,94,642

Explanation for typical transactions is as follows:

August 1 ₹ 50,000 cash + ₹ 25,000 debtors + ₹ 5000 goods – ₹ 10,000 creditors = ₹ 80,000 capital.

- 5 Goods of ₹ 30,000 purchased from Royal Store and after deduction 10 % trade discount, net purchase of ₹ 27,000 is debited to purchase account and credited Royal Stores Account.

- 6 Computation for sales made to Bhagavati 20 % addition of profit on ₹ 15,000,

₹ Net Amount	₹ Profit
--------------	----------

100	20
-----	----

15,000	?
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$$= \frac{15,000 \times 20}{100}$$

= ₹ 3000 Profit

Selling price = ₹ 15,000 + ₹ 3000

= ₹ 18,000

Now, 10 % trade discount allowed on selling price

Net Amount = ₹ 18,000 – ₹ 1800

= ₹ 16,200 Selling price

- 7 Computation for purchase made from Kruti :

₹ 50,000	Total price
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– ₹ 5000	10 % trade discount
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₹ 45,000	Net price
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– ₹ 22,500	Non payment of half the amount
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₹ 22,500	For 10 % cash discount
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– ₹ 2250	Cash discount
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₹ 20,250	Cheque issued
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- 8 Computation for goods returned by Bhagvati :

Goods got returned back ₹ 540, which we was sold to Bhagavati. This is debited to sales returns account and credited to Bhagavati Account. This will be returned back to Royal Stores at cost price, its computation is as follows:

Assume that cost price of goods is ₹ 100 + ₹ 20 profit = Selling price ₹ 120. After deduction of 10 % trade discount ₹ 12 from it, net amount will be ₹ 108.

Goods returned	Cost price
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₹ 108	₹ 100
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₹ 540	?
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$$= \frac{540 \times 100}{108}$$

= ₹ 500 will be the cost price (see journal entry of date 8.)

- 9 Computation for goods sold to Nirali :

₹ 15000 cost price of goods + 20 % profit ₹ 3000 = ₹ 18,000 selling price from which after deduction of 10 % trade discount ₹ 1800 net will be ₹ 16,200. From this half amount ₹ 8100 is paid. Thus after deducting 10% cash discount ₹ 810, ₹ 7290 is balancing amount which is treated as cash. See journal entry of 9th.

- 10 Computation for goods sold to Bhaumik :

₹	20,000	Total price
+	₹ 6000	30 % profit $(\frac{20000 \times 30}{100})$
	<u>₹ 26,000</u>	Selling price
-	₹ 2600	10 % trade discount
	<u>₹ 23,400</u>	Net selling price

- 12 A personal dividend deposited in bank account of business is treated as capital, thus it is created to capital.

- 13 Nirali has returned goods ₹ 650, which is treated as sales returns.

- 15 Accounts of goods sold to Bhaumik :

As per transaction of 10th goods sold is of ₹ 23,400. From which half amount ₹ 11,700 is receivable. As per condition of 10 % cash discount $\frac{11700 \times 10}{100} = 1170$ are deducted and cheque of ₹ 10,530 is received. See journal entry of 15th.

- 16 Nirali has returned goods worth ₹ 650, in which 20 % profit is included. Its original cost will be ascertained as follows. Assume that after adding 20 % profit to goods of ₹ 100, selling price will be ₹ 120. After deduction of 10 % trade discount from it (120 - 12) net amount will be ₹ 108.

Goods returned	Cost price
₹ 108	₹ 100
₹ 650	?

$$= \frac{650 \times 100}{108} = ₹ 601.85$$

∴ ₹ 602 cost price. See journal entry of 16th.

- 17 Cost price of machine ₹ 7000 and machine installation wages ₹ 500 = ₹ 7500 are paid.

- 19 Accounts of Royal Stores :

Goods purchased on 5th	₹	30,000
Less : Goods returned (Transaction of 8th of Bhagavati)	₹	<u>500</u>
Payable amount	₹	29,500
Less : Discount	₹	<u>100</u>
Cheque of amount paid	₹	29,400

20 Accounts of Nirali :

Balance amount of goods sold on 9th	₹	8100
Less : Goods returned (Transaction of 13th)	₹	650
Balance receivable	₹	7450
Less : Allowance	₹	50
Amount received as final settlement	₹	7400

21 Accounts of Bhaumik :

Goods sold on 10th	₹	23,400
Less : Half amount received on 15th	₹	11,700
Balance receivable	₹	11,700

Note : Bhaumik paid after completion of discount maturity period, he would not be entitled to receive benefit of cash discount. Here cash is received of ₹ 5000 and for balancing amount a cheque of ₹ 6700 is received.

22 Goods destroyed by fire of ₹ 4000. Out of which insurance company has admitted claim of ₹ 3000 and realized ₹ 200 from sale of goods, thus total receipt is ₹ 3200. Thus, difference of ₹ 800 is loss. It is debited to loss due to fire account.

23 20 % profit is required to earn on selling price. Assume that selling price ₹ 100 and 20 % profit received on it. Thus, cost price = Selling price – Profit (100 – 20) = ₹ 80. Now,

₹ Cost price	₹ Selling price
80	100
5000	?

$$= \frac{5000 \times 100}{80} = ₹ 6250 \text{ will be selling price.}$$

24 Computation of loan on interest of Srimati.

₹	Months	Interest (₹)
100	12	10
30,000	1	?

$$= \frac{30,000 \times 1 \times 10}{100 \times 12} = ₹ 250 \text{ Interest}$$

26 Amount of investment in shares of Adani Power Ltd. :

$$50 \text{ shares} \times ₹ 300 \text{ price per share} = ₹ 15,000$$

$$+ \text{ Share brokerage } 2 \% \left(\frac{15,000 \times 2}{100} \right) = ₹ 300$$

$$\text{Amount paid by cheque} = ₹ 15,300$$

29 Bank has credited for interest, it is revenue of business and bank charges is as expense of business.

31 Exchange of ₹ 1000 was obtained from which a currency note of ₹ 100 was found to be duplicate, it is sundry loss to business, thus debited to sundry loss account, since cash goes out from business, it is credited to cash amount.

13. Transactions with GST

In chapter no. 3 explanation is given for goods and services tax (GST).

The accounting treatment of GST for business transactions is explained with relevant illustrations. Since goods and services are included in this act, thus computation and accounting treatments of GST are explained here.

The following classification of transactions is done to explain the impact of GST :

- (1) Goods related transactions and GST (Illustration no. 13)
- (2) Income-expense related transactions and GST (Illustration no. 14)
- (3) Assets related transactions and GST (Illustration no. 15)
- (4) Joint transactions and GST (Illustration no. 16)
- (5) Transactions of account settlement and GST (Illustration no. 18, 19)

Note : GST rates given in illustrations and exercise of this book are for theoretical explanation. The actual GST rates can be different.)

(1) Goods related transactions and GST :

Illustration 13 : Pass journal entries the following transactions in the books of Shri Ashwin Patel of Ahmedabad for January 2019. CGST 6 % and SGST 6 % are applicable to the business transactions of Shri Ashwin Patel. At the same time IGST 12 % is applicable. GST is not included in the following transactions. Pass journal entries by adding applicable GST.

2019

- Jan. 1 Goods of ₹ 10,000 is purchased from Sureshbhai of Surat and Railway freight ₹ 2000 and labour ₹ 500 are paid by cheque.
- 4 Goods of ₹ 8000 is purchased from Amulbhai of Anand.
- 7 Goods of ₹ 15,000 is purchased from Rajeshbhai of Jaipur (Rajasthan) and amount is paid by cheque.
- 9 Goods of ₹ 12,000 is purchased from Manojbhai of Mumbai (Maharashtra).
- 10 Goods of ₹ 2000 returned by Amulbhai of Anand.
- 12 Goods of ₹ 3000 returned to Manojbhai of Mumbai (Maharashtra).
- 15 Goods of ₹ 15,000 sold to Kevalbhai of Kesod and payment is received by cheque.
- 17 Goods of ₹ 20,000 sold to Vinodbhai of Valsad. Railway freight ₹ 1000 and ₹ 1000 of wages paid on his behalf.
- 20 Goods of ₹ 12,000 sold to Dineshbhai of Delhi and payment received by cheque.
- 22 Goods of ₹ 18,000 sold to Bhaveshbhai of Bhopal (Madhya Pradesh).
- 25 Goods of ₹ 2500 of original cost returned by Vinodbhai of Valsad. (Here cost price means excluding GST.)
- 31 Goods of ₹ 3000 returned by Bhaveshbhai of Bhopal (Madhya Pradesh)

Note : Whenever, location of business is not specified in the question, the computation of CGST and SGST of respective transaction will be considered as intra state (with in the state) transaction. For inter state transaction and name of respective state in bracket is mandatory.

Journal Entry of Shri Ashwin Patel

Date	Particular	LF No.	Debit (₹)	Credit (₹)
2019				
Jan. 1	Purchase A/c Dr		10,000	
	Railway freight A/c Dr		2000	
	Wages A/c Dr		500	
	Input CGST A/c Dr		750	
	Input SGST A/c Dr		750	
	To bank A/c			14,000
	[Being goods is purchased inclusive of GST.]			

Date	Particular	LF No.	Debit (₹)	Credit (₹)
4	Purchase A/c Dr Input CGST A/c Dr Input SGST A/c Dr To Amulbhai A/c [Being goods is purchased inclusive of GST.]		8000 480 480	8960
7	Purchase A/c Dr Input IGST A/c Dr To bank A/c [Being goods is purchased inclusive of GST.]		15,000 1800	16,800
9	Purchase A/c Dr Input IGST A/c Dr To Manojbhai A/c [Being goods is purchased inclusive of GST.]		12,000 1440	13,440
10	Amulbhai A/c Dr To purchased return A/c To input CGST A/c To input SGST A/c [Being goods purchased is returned book.]		2240	2000 120 120
12	Manojbhai A/c Dr To purchase return A/c To input IGST A/c [Being goods purchased is returned book.]		3360	3000 360
15	Bank A/c Dr To sales A/c To output CGST A/c To output SGST A/c [Being goods is sold, inclusive of tax.]		16,800	15,000 900 900
17	Vinodbhai A/c Dr To sales A/c To cash A/c To output CGST A/c To output SGST A/c [Being goods is sold, inclusive of GST.]		24,640	20,000 2000 1320 1320
20	Bank A/c Dr To sales A/c To output IGST A/c [Being goods is sold, inclusive of GST.]		13,440	12,000 1440

Date	Particular	LF No.	Debit (₹)	Credit (₹)
22	Bhavesbhai A/c Dr To sales A/c To output IGST A/c [Being goods is sold, inclusive of tax.]		20,160	18,000 2160
25	Sales return A/c Dr Output CGST A/c Dr Output SGST A/c Dr To Vinodbhai A/c [Being goods returned, inclusive of GST.]		2500 150 150	2800
31	Sales reeturn A/c Dr Output IGST A/c Dr To Bhavesbhai A/c [Being goods returned, inclusive of GST.]		3000 360	3360
	Total		1,40,000	1,40,000

Note : On 25th goods sold to Vinodbhai is returned by him. In this regard Ashwinbhai will issue credit note infavour of Vinodbhai. On the other side, Vinodbhai will issue debit note against Ashwinbhai. On the basis of this respective output GST account will be debited and Vinodbhai's account will be credited.

(2) Income-Expense related transactions and GST :

Illustration 14 : From the following services related transactions pass necessary journal entries in the books of Shreyas Trading of Ahmedabad.

Applicable GST to Shreyas Trading are CGST at 2.5 %, SGST at 2.5 % and IGST at 5 %. GST is not included for the following transactions, Add applicable GST and pass necessary journal entries.

2019

- Jan. 1 Transportation expenses paid by cheque ₹ 1800.
 4 Courier expense paid by cheque ₹ 3000.
 8 Insurance premium paid by cheque ₹ 4000.
 10 Advertisment expenses paid by cheque ₹ 6000.
 18 Rent received by cheque ₹ 5000.
 20 Carriage inward paid by cheque ₹ 8000 to the transport company having registered office in Mumbai (Maharastra).

Journal Entry in the basis of Shreya Trading

Date	Particular	LF No.	Debit (₹)	Credit (₹)
2019 Jan. 1	Transport expense A/c Dr Input CGST A/c Dr Input SGST A/c Dr To bank A/c [Being transport expense paid inclusive of GST.]		1800 45 45	1890

Date	Particular	LF No.	Debit (₹)	Credit (₹)
4	Courier expense A/c Dr Input CGST A/c Dr Input SGST A/c Dr To cash A/c [Being courier expense paid inclusive of GST.]		3000 75 75	3150
8	Insurance premium A/c Dr Input CGST A/c Dr Input SGST A/c Dr To bank A/c [Being insurance premium paid inclusive of GST.]		4000 100 100	4200
10	Advertisement expense A/c Dr Input CGST A/c Dr Input SGST A/c Dr To bank A/c [Being advertisement expense inclusive of GST.]		6000 150 150	6300
18	Bank A/c Dr To rent received A/c To output CGST A/c To output SGST A/c [Being rent received recorded with GST.]		5250	5000 125 125
20	Carriage inward A/c Dr Input IGST A/c Dr To bank A/c [Being carriage inward paid inclusive of GST.]		8000 400	8400
	Total		29,190	29,190

(3) Asset related transactions and GST :

Illustration 15 : Write journal entries from the following transactions in the books of Shri Vipul Patel of Vadodara.

Applicable GST to business of Shri Vipul Patel are CGST 9 %, SGST 9% and IGST 18 %) GST is not included for the following transactions. Add applicable GST and pass necessary journal entries.
2019

- Jan. (1) Furniture of ₹ 20,000 purchased from Surti Furniture Mart of Surat and payment made by cheque.
- (2) Computer of ₹ 30,000 purchased from 'James computer' of Jamnagar.
- (3) Machine of ₹ 1,00,000 purchased from Raj Machinery Store of Delhi and payment made by cheque.
- (4) Airconditioners of ₹ 3,00,000 are purchase for business from Sahajanad Enterprise of Ahmedabad and payment is made by cheque.

Journal Entry in the books of Shri Vipul Patel of Vadodara

Date	Particular	LF No.	Debit (₹)	Credit (₹)
2019 Jan. 1	Furniture A/c Dr Input CGST A/c Dr Input SGST A/c Dr To bank A/c [Being furniture purchased and payment made by cheque inclusive of GST.]		20,000 1800 1800	23,600
2	Computer A/c Dr Input CGST A/c Dr Input SGST A/c Dr To James Computer A/c [Being computer purchased on credit and recorded inclusive of GST.]		30,000 2700 2700	35,400
3	Machine A/c Dr Input IGST A/c Dr To bank A/c [Being machine is purchased from Delhi and recorded in book inclusive of GST.]		1,00,000 18,000	1,18,000
4	Airconditioners A/c Dr Input CGST A/c Dr Input SGST A/c Dr To bank A/c [Being airconditioners are purchased for business and payment made by cheque inclusive of GST.]		3,00,000 27,000 27,000	3,54,000
	Total		5,31,000	5,31,000

(4) Joint transactions and GST :

Illustration 16 : From the following transactions, write journal entries in the books of Shri Vishnubhai of Vapi.

The following GST rates are applicable to the business of Shri Vishnubhai. GST is not included in the following transactions. Add applicable GST amount and pass necessary journal entries.

Particular of GST	On goods	On services
CGST	6 %	2.5 %
SGST	6 %	2.5 %
IGST	12 %	5.0 %

2019

- Jun 1 Goods of ₹ 20,000 purchased at 10 % trade discount from Jayeshbhai of Jamnagar and payment made by cheque.
- 3 Goods of ₹ 30,000 purchased at 10 % trade discount and 5 % cash discount from Bhadreshbhai of Bhuneshwar (Orissa).
- 5 Goods of ₹ 25,000 sold at 10 % trade discount to Bhumikbhai of Bhopal (Madya Pradesh) and payment received through cheque.
- 8 Goods of ₹ 40,000 sold at 10 % trade discount and 5 % cash discount on credit to Anilbhai of Amreli.
- 10 $\frac{1}{3}$ goods is returned to Bhadreshbhai of Bhuneshwar (Orrisa). The proportionate IGST is adjusted.
- 15 $\frac{1}{4}$ goods is returned by Anilbhai of Amrali. The proportionate CGST and SGST are adjusted.
- 20 A machine of ₹ 50,000 purchased from Ram & Sons of Amritsar (Punjab).
- 22 Shop rent ₹ 10,000 received by cheque.
- 25 A commission of ₹ 20,000 received from trader of Mumbai.

Journal Entries in the books of Shri Vishnubhai of Vapi

Date	Particular	LF No.	Debit (₹)	Credit (₹)
2019 June 1	Purchase A/c Dr Input CGST A/c Dr Input SGST A/c Dr To bank A/c [Being goods purchased from Jamnagar and recorded inclusive of GST.]		18,000 1080 1080	20,160
3	Purchase A/c Dr Input IGST A/c Dr To Bhadreshbhai A/c [Being goods purchased on credit from Bhadreshbhai and recorded inclusive of tax.]		27,000 3240	30,240
5	Bank A/c Dr To sales A/c To output IGST A/c [Being goods sold to customer of Bhopal on cash and recorded inclusive of GST.]		25,200	22,500 2700
8	Anilbhai A/c Dr To sales A/c To output CGST A/c To output SGST A/c [Being goods sold on credit to Anilbhai and recorded inclusive of GST.]		40,320	36,000 2160 2160

Date	Particular	LF No.	Debit (₹)	Credit (₹)
10	Bhadreshbhai A/c Dr To purchase return A/c To input IGST A/c [Being purchase returned to the bhadreshbhai of Bhuneshwar and proportionate IGST is adjusted.]		10,080	9000 1080
15	Sales returned A/c Dr Output CGST A/c Dr Output SGST A/c Dr To Anilbhai A/c [Being sales returned from Anilbhai and proportionate CGST and SGST are adjusted.]		9000 540 540	10,080
20	Machine A/c Dr Input IGST A/c Dr To Ram and Sons A/c [Being machine purchased from Amritsar and recorded inclusive of GST.]		50,000 6000	56,000
22	Bank A/c Dr To rent received A/c To output CGST A/c To output SGST A/c [Being rent received and recorded inclusive of GST.]		10,500	10,000 250 250
25	Bank A/c Dr To commission received A/c To output IGST A/c [Being commission received and recorded inclusive of GST.]		21,000	20,000 1000
	Total		2,23,580	2,23,580

Illustration 17 : From the following transactions write journal entries in the books of Shri Ajitbhai Shah of Ankleshwar.

The following GST rates applicable to business transaction of Shri Ajitbhai. The amount of GST is not included in these transactions. Write journal entries after adding GST.

Particular of GST	On goods	On services
CGST	9 %	2.5 %
SGST	9 %	2.5 %
IGST	18 %	5.0 %

2019

- July 1 Goods purchased of ₹ 10,000 at 10 % trade discount from Ashishbhai of Anand.
 4 Goods purchased of ₹ 20,000 at 10 % trade discount from Ranchodbhai of Ranchi (Jharkhand). The payment is made by cheque.
 7 Goods sold of ₹ 15,000 at 10 % trade discount to Piyushbhai of Palanpur. The payment is received through cheque.
 10 Goods sold of ₹ 20,000 at 10 % trade discount on credit to Indrajit of Indore (Madhya Pradesh).
 14 Goods of ₹ 2000 returned to Ashishbhai of Anand.
 18 Goods of ₹ 5000 returned by Indrajit of Indore.
 20 A computer of ₹ 50,000 purchased from 'Noble Infotech' of Delhi and payment made through cheque.
 24 Telephone bill paid by cheque of ₹ 5000.

Journal Entries in the books of Shri Ajitbhai of Ankleshwar

Date	Particular	LF No.	Debit (₹)	Credit (₹)
2019				
July 1	Purchase A/c Dr Input CGST A/c Dr Input SGST A/c Dr To Ashishbhai A/c [Being goods purchased on credit from Anand and recorded inclusive of GST.]		9000 810 810	10,620
4	Purchase A/c Dr Input IGST A/c Dr To bank A/c [Being goods purchased by cheque from Ranchi and recorded inclusive of GST.]		18,000 3240	21,240
7	Bank A/c Dr To sales A/c To output CGST A/c To output SGST A/c [Being goods sold on cash to customer of Palanpur.]		15,930	13,500 1215 1215
10	Indrajit A/c Dr To sales A/c To output IGST A/c [Being goods sold on credit to Indrajit of Indore and recorded inclusive of GST.]		21,240	18,000 3240

Date	Particular	LF No.	Debit (₹)	Credit (₹)
14	Ashishbhai A/c Dr To purchase return A/c To input CGST A/c To input SGST A/c [Being goods purchased returned to Ashishbhai and proportionate CGST and SGST are adjusted.]		2360	2000 180 180
18	Sales return A/c Dr Output IGST A/c Dr To Indrajit A/c [Being goods returned by Indrajit and proportionate IGST is adjusted.]		5000 900	5900
20	Computer A/c Dr Input IGST A/c Dr To bank A/c [Being computer purchased from Delhi and recorded inclusive of GST.]		50,000 9000	59,000
24	Telephone bill A/c Dr Input CGST A/c Dr Input SGST A/c Dr To bank A/c [Being telephone bill paid and recorded inclusive of GST.]		5000 125 125	5250
	Total		1,41,540	1,41,540

(5) Transactions of Accounting Settlement of GST :

(Note : Illustration no. 18 and 19 are pertaining to accounting settlement of GST. These are only for information for students. These are not expected in exam.)

(I) When input GST amount is less than output GST amount :

(When GST amount of purchase is less than GST amount of sales)

Illustration 18 : Avinash of Ahmedabad has purchased goods of ₹ 2,00,000 from Rajesh of Rajkot and payment is made by cheque. The entire goods he has sold to Bhavesh of Bhavnagar for ₹ 2,40,000 and payment received through cheque.

12 % GST rate is applicable to these transactions, where CGST is 6 % and SGST is 6 %.

Pass journal entries till the accounting settlement of GST in the book of Avinash.

Journal Entries in the books of Avinash

Date	Particular	LF No.	Debit (₹)	Credit (₹)
1	Purchase A/c Dr Input CGST A/c Dr Input SGST A/c Dr To bank A/c [Being goods purchased payment is inclusive of GST.]		2,00,000 12,000 12,000	2,24,000
2	Bank A/c Dr To sales A/c To output CGST A/c To output SGST A/c [Being goods sold and amount received inclusive of GST.]		2,68,800	2,40,000 14,400 14,400
3	Output CGST A/c Dr Output SGST A/c Dr To input CGST A/c To input SGST A/c To bank A/c [Being dues of GST are paid and GST accounts are settled.]		14,400 14,400	12,000 12,000 4,800
	Total		5,21,600	5,21,600

(II) When input GST amount is more than output GST amount :

(When GST amount of purchase is more than GST amount of sales)

Illustration 19 : Avinash of Ahmedabad has purchased goods of ₹ 2,00,000 from Rajesh of Rajkot and payment is made by cheque. From this goods of ₹ 1,30,000 sold for ₹ 1,60,000 to Bhavesh of Bhavnagar and payment received through cheque.

12 % GST rate is applicable to these transactions, where CGST is 6 % and SGST is 6 %.

Pass journal entries till the accounting settlement of GST in the books of Avinash.

Journal Entries in the books of Avinash

Date	Particular	LF No.	Debit (₹)	Credit (₹)
1	Purchase A/c Dr Input CGST A/c Dr Input SGST A/c Dr To bank A/c [Being goods purchased and payment is inclusive of GST.]		2,00,000 12,000 12,000	2,24,000

Date	Particular	LF No.	Debit (₹)	Credit (₹)
2	Bank A/c Dr To sales A/c To output CGST A/c To output SGST A/c [Being goods sold and amount received inclusive of GST.]		1,79,200	1,60,000 9600 9600
3	Output CGST A/c Dr Output SGST A/c Dr To input CGST A/c To input SGST A/c [Being accounts of GST are settled.]		9600 9600	9600 9600
	Total		4,22,400	4,22,400

Note : In this question ₹ 24,000 are paid in the form of Input CGST ₹ 12,000 and Input SGST ₹ 12,000, at the time of purchase. At the time of sale ₹ 19,200 are received in the form of output CGST ₹ 9600 and output SGST ₹ 9600. So ₹ 4800 (₹ 2400 of input CGST and ₹ 2400 of input SGST) are shown as credit balance in the books of government. This amount can be adjusted against sale of future.

Exercise

1. Select appropriate option of each question :

- (1) Journal is a of accounting transactions
 - (a) Original Book
 - (b) Main Book
 - (c) Closing Book
 - (d) Other Book
- (2) An amount withdrawn from bank account for personal expense will be debited to account.
 - (a) Bank
 - (b) Cash
 - (c) Drawings
 - (d) Person
- (3) Expense incurred to purchase asset is debited to account.
 - (a) Expense
 - (b) Asset
 - (c) Cash
 - (d) Sundry
- (4) The total of debit and credit side of journal are
 - (a) Non identical
 - (b) Identical
 - (c) Debit
 - (d) Credit
- (5) Goods goes out for sample is debited to account.
 - (a) Advertisement expense
 - (b) Goods issued for sample
 - (c) Purchase
 - (d) Sale

2. Answer the following questions in one sentence :

- (1) What is Journal ?
- (2) Describe types of discounts.

- (3) When combined journal entries are written ?
- (4) When is purchase returns made ? To which account it will be credited ?
- (5) Give three illustrations of goods going out in other ways.
- (6) Describe main types of exchange transactions of business with bank.
- (7) To which account bad debts return will be credited, which is received from the debtor who became insolvent in past ?

3. Describe whether following statements are true or false:

- (1) Income tax of sole proprietor is expense of business, this will be debited to income tax accounts.
- (2) Cheque received from customer is debited to bank account.
- (3) House rent and shop rent both are business expenses.

4. Answer the following questions in brief :

- (1) Describe the characteristics of journal.
- (2) Distinguish between trade discount and cash discount.
- (3) Why journal is known as the first book of accounts ?
- (4) Write a note on the significance of journal.
- (5) Write journal for any two imaginary transactions.

5. From the following transactions write journal in the books of Pranjal:

- (1) Introduced ₹ 10,000 cash and commenced business
- (2) Goods of ₹ 5000 purchased on cash.
- (3) Goods of ₹ 8000 purchased on credit from Rajan.
- (4) Goods of ₹ 2000 given for donation.
- (5) Given order to Shivani to dispatch goods of ₹ 3000.
- (6) Shivani has dispatched the goods as per order.
- (7) Paid ₹ 2500 for life insurance premium.

6. Transactions for capital and drawings.

Write journal entries for the following transaction in the books of Shubham :

2014

- | | | |
|-----|----|--|
| Jan | 1 | Introduced goods of ₹ 10,000, cash ₹ 15,000, furniture ₹ 5000, debtors of ₹ 10,000 and commenced business. |
| | 12 | Personal motor car sold for ₹ 80,000 and introduced ₹ 50,000 in business. |
| | 13 | ₹ 1000 withdrawn from bank for personal use. |
| | 15 | Income tax refund of ₹ 500 of owner of sole proprietor deposited with bank account of business. |
| | 20 | From business goods of ₹ 1000 and cash ₹ 400 are withdrawn for personal use. |
| | 21 | Travelling expense of daughter ₹ 1500 paid from business |
| | 28 | Furniture of ₹ 2000, purchased from Ganga Furniture Mart for house |
| | 31 | Life insurance premium of ₹ 500 paid by cheque |

7. Transaction for loan and interest.

Write following transactions in the journal of Pushkar :

2014

- Feb 1 Due to additional requirement of Funds, 12 % loan of ₹ 20,000 borrowed from Ram.
- 3 ₹ 8000 lent to Laxman at interest rate of 8 %.
- 8 Received cash ₹ 800 for loan lent to Bharat and ₹ 200 for interest.
- 10 ₹ 5000 returned back to Seeta for borrowed loan and paid interest ₹ 400.
- 12 Received interest ₹ 200, for loan lent to Kaushal.
- 15 Interest for one month paid for loan obtained from Ram.
- 18 ₹ 75 became receivable for interest on loan of Laxman.

8. Transaction of Bank :

Write Journal Entry for Krishna for the following transaction:

2014

- March 1 ₹ 20,000 deposited with bank and opened account.
- 5 A cheque of ₹ 5000 received from Hari, which immediately deposited with bank.
- 6 A cheque of ₹ 2000 received from Ramaniklal for dues
- 10 Goods sold to Rupali ₹ 14,000, out of which cheque received for half amount, which deposited with bank
- 12 Goods of ₹ 10,000 purchased from Deepkala and paid half amount by cheque.
- 15 ₹ 400 withdrawn from bank for personal expenses and ₹ 800 for office expense.
- 18 Life insurance premium ₹ 300 and fire insurance premium ₹ 450 paid by cheque.
- 20 Bank has approved over draft of ₹ 25,000.
- 25 Bank has credited interest of ₹ 250 and debited bank charges of ₹ 100.
- 31 A cheque of ₹ 5000 issued for foreign visit of son of owner from business.

9. Transaction of Goods :

Write journal entry for the following transactions in the books of Ramesh :

2014

- April 1 Cash purchase ₹ 15,000 and cash sales ₹ 14,000.
- 5 A personal goods of ₹ 10,000, brought to business.
- 7 Goods of ₹ 12,000 purchased from Harsh.
- 10 Out of goods purchased due to defective goods half goods returned to Harsh.
- 12 Goods of ₹ 10,000 purchased from Ramila and half amount paid by cheque.
- 15 Goods purchased from Ramila sold to Mita after adding 30 % profit, at 10 % trade discount.
- 18 Mita returned goods of ₹ 1000.
- 20 Goods of ₹ 20,000 sold to Kalpana at 10 % trade discount and 5 % cash discount.

- 22 Goods of ₹ 2000 destroyed by fire and insurance company admitted claim of ₹ 1000.
- 25 Goods of ₹ 500 ruined in rain, ₹ 200 are realized by selling it.
- 27 Goods of ₹ 300 received as free sample.
- 29 Goods of ₹ 250 was received as free sample sold for ₹ 400.
- 30 A mobile of ₹ 1500 purchased against exchange of goods of ₹ 1000.

10. Transactions of Asset :

Write journal entry for the following transactions in the books of Shri Laxman Chandra :

- 1 A machine purchased by cheque ₹ 20,000 and paid for machine installation ₹ 500 in cash.
- 2 Furniture of ₹ 3000 purchased from Kaveri Furniture and carriage paid in cash ₹ 50.
- 3 50 shares of Maha Laxmi Mill purchased at ₹ 100 per share and brokerage 20 paise per share, paid by cheque
- 4 For furniture of ₹ 5000 goods given of ₹ 4000.
- 5 An old machine of ₹ 6000 sold for ₹ 5000.
- 6 Land purchased ₹ 50,000 and incurred ₹ 2000 for documentation and legal charges. Payment is made in cash.

11. Transaction of Revenue – Expense :

For following transactions of May 2014, write journal entry in the books of Shashank :

- 1 Paid ₹ 500 for refreshment at inaugural function of shop.
- 2 Purchased necessary books of accounts ₹ 400 for business.
- 3 Paid ₹ 200 for wages and ₹ 100 for carriage.
- 5 Paid ₹ 500 for shop rent ₹ 300 for house rent.
- 10 ₹ 400 received for commission.
- 12 A cheque of ₹ 800 received for brokerage.
- 15 Paid advertisement bill of Gujarat Samacher ₹ 300.
- 20 Received equity share dividend ₹ 500.
- 24 Essar company has paid debenture interest by cheque ₹ 1000.
- 25 ₹ 3000 paid for sign board of business.

12. Transaction of trade discount, cash discount and bad debts. Write journal entry for the following transactions in the books of Parmeshwar :

2014

- | | | |
|------|---|---|
| June | 1 | Introduced cash ₹ 50,000, stock of goods ₹ 10,000 debtors of ₹ 15,000 and commenced business. |
| | 2 | 10 % loan of ₹ 20,000 is borrowed from Smt. Sharda. |
| | 3 | Goods ₹ 8000 purchased from Rameshwar Stores at 10 % trade discount. |
| | 5 | Goods of ₹ 5000 sold to Gayatri Stores at 10 % trade discount. |

- 7 Goods of ₹ 15,000 purchased from Radha Kishan Store at 10 % trade discount and 10 % cash discount, issued cheque for half amount.
- 10 An order of ₹ 5000 received from Vibhuti to send goods.
- 12 As per order of Vibhuti, goods sent at 10 % trade discount. Paid ₹ 50 carriage in cash.
- 15 Vibhuti became insolvent and bad debts recorded of ₹ 300, a cheque received for remaining amount.
- 16 On payable amount to Anup ₹ 1050, paid ₹ 1000 by cheque and settled the account.
- 20 Received ₹ 1500 for written off bad debts of Imandar.

13. Transactions of inclusive of all :

Write journal entry of business commenced by Shri Maulik Shah with a name of Shah Traders :

2014

- | | | |
|------|----|---|
| July | 1 | Brought ₹ 50,000 cash, debtors ₹ 20,000, stock of goods ₹ 10,000 and creditors of ₹ 5000 and commenced business. |
| | 2 | Deposited cash ₹ 20,000 with Vijaya Bank and opened account. |
| | 3 | Goods of ₹ 20,000 purchased from Sumul at 10 % trade discount and 10 % cash discount. Paid half amount by cheque. |
| | 4 | A furniture of ₹ 15,000 purchased on credit from "Punit Furniture Mart". A carriage of ₹ 100 paid in cash. |
| | 5 | A defective goods of ₹ 3000 returned to Sumul. |
| | 6 | Goods of ₹ 12,000 sold to Rajshri at 10 % trade discount and 10 % cash discount. Paid half amount by cheque. |
| | 8 | Goods of ₹ 15,000 sold to Mahendra on cash at 10 % trade discount and 10 % cash discount. |
| | 10 | Withdrawn goods of ₹ 300 and cash ₹ 200 for personal use. |
| | 11 | Purchased plastic bags of ₹ 200 for goods packing by cash. |
| | 12 | ₹ 2000 paid by cheque for salary and wages. |
| | 13 | Bad debts took place ₹ 300 which was due from Rajshri and received remaining amount in cash. |
| | 14 | Due to additional requirement of funds, 12 % loan of ₹ 25,000 obtained from Axis Bank. |
| | 15 | Goods of ₹ 2000 destroyed by fire, for which insurance company has admitted claim of ₹ 1500. Realized ₹ 200 from goods burnt by fire. |
| | 16 | Both life insurance premium of son ₹ 450, and fire insurance premium of ₹ 550 paid by cheque. |
| | 18 | Nirma company gave 30 number of soap free of cost as a sample, which are sold for ₹ 250. |
| | 20 | Received ₹ 100 from Rajshri for bad debts written off. |
| | 25 | Axis Bank has charged loan interest of ₹ 250. |
| | 28 | Paid ₹ 2000 for painting work of personal building and ₹ 1000 for painting work of shop. |
| | 29 | Paid internet connection deposit ₹ 2000 by cheque. |

14. A learner student has written following journal entry. Journal entry which are incorrect, correct them and rewrite :

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
2014 August 1	Insurance Premium A/c Dr To Cash A/c [Being ₹ 700 paid for life insurance premium.]		700	700
5	Cash A/c Dr To Jay A/c To Ajay A/c [Being received ₹ 200 of brokerage from Jay and ₹ 100 of commission from Ajay]		300	200 100
7	Purchase A/c Dr To Vivek A/c [Being goods of ₹ 5000 purchased from Vivek on cash at 10 % cash discount]		4500	4500
10	Bank A/c Dr To Cash A/c [Being bank has approved over draft of ₹ 7000.]		7000	7000
11	Vivek A/c Dr To Purchase returns A/c [Being 20 % goods returned to Vivek and cash received from Vivek]		1000	1000
12	Cash A/c Dr To Debtors A/c [Being ₹ 500 received from debtor which was written off in past]		500	500
13	Repairing expenses A/c Dr To Cash A/c [Being paid cash ₹ 500 for shop repairing and ₹ 1000 for house repairing]		1500	1500
15	Wages A/c Dr To Cash A/c [Being paid cash ₹ 800 for machine installation]		800	800
	Total		16,300	16,300

15. An accountant has written following journal entry without narration. You are required to give information for transactions from the following journal entry :

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
1	Insurance company A/c Dr Loss due to accident A/c Dr To purchase A/c		2000 400	2400
2	Bank A/c Dr To Interest A/c		500	500
3	Cash A/c Dr To Bicycle A/c		1600	1600
4	Bank A/c Dr To Dividend A/c		700	700
5	Cash A/c Dr Discount A/c Dr To Sales A/c		7200 800	8000
6	Donation A/c Dr To Cash A/c To purchase A/c		2500	1000 1500
	Total		15,700	15,700

16. From the following transaction write journal entries in the books of Shri Dineshbhai of Dahod :

The following GST rates are applicable to business transactions of Shri Dineshbhai. GST is not included for following transactions. Add applicable amount of GST and write journal entries.

Particular of GST	On goods	On services
CGST	6 %	2.5 %
SGST	6 %	2.5 %
IGST	12 %	5.0 %

2019

- April 1 Goods of ₹ 50,000 purchased at 10 % trade discount from Sureshbhai of Surendranagar. The payment is made by cheque.
- 4 Goods of ₹ 40,000 purchased at 10 % cash discount from Vishnubhai of Varansi (UP).
- 7 Goods of ₹ 60,000 sold at 10 % trade discount to Himanshubhai Himatnagar.
- 11 Goods of ₹ 50,000 sold at 10 % trade discount to Shashikant of Simla (H.P.) and payment received through cheque.

- 15 $\frac{1}{4}$ goods returned to Vishnubhai and proportionate GST is adjusted.
- 18 $\frac{1}{3}$ goods returned by Himanshubhai and proportionate GST is adjusted.
- 25 A cupboard of ₹ 20,000 purchased from Sahajanand Furniture Mart of Ahmedabad.
- 28 Shop rent paid ₹ 8000.

17. From the following transactions write journal entries in the books of Kiyansh Patel of Kesod :

The following GST rates are applicable to business transactions of Shri Kiyansh. GST is not included in these transactions. Add applicable amount of GST and write journal entries :

Particular of GST	On goods	On services
CGST	9 %	2.5 %
SGST	9 %	2.5 %
IGST	18 %	5.0 %

2019

- May 1 Goods of ₹ 40,000 purchased at 10 % trade discount and 10 % cash discount from Savan Patel of Surat.
- 3 Goods of ₹ 30,000 purchased at 10 % trade discount from Ayush Shah of Amravati (Maharashtra). The payment is made by cheque.
- 5 Goods of ₹ 50,000 sold at 10 % trade discount to Ansh Avasthi of Ahmedabad. Half amount received through cheque.
- 8 Goods of ₹ 20,000 sold at 10 % trade discount and at 5 % cash discount to Neel Mehta of Nagpur (Maharashtra).
- 11 $\frac{1}{4}$ goods returned to Savan Patel of Surat. The proportionate amount of GST is adjusted.
- 16 $\frac{1}{5}$ goods received back from Neel Mehta of Nagpur the proportionate amount of GST is adjusted.
- 24 A computer of ₹ 40,000 for office from Shubh Infotech. The payment is made by cheque.
- 30 Office rent of ₹ 10,000 paid by cheque.
- 31 Godown rent of ₹ 20,000 received by cheque.
- 31 ₹ 25,000 received for commission by cheque from trader of Bhopal (Madhya Pradesh)

