

Chapter - 3

Recording of Transactions - I

Section-A: One Mark Questions:

I: Fill in the blanks:-

1. Business transactions are exchanges of economic between parties.
2. Business transactions have effects.
3. Business transactions are usually evidence by an appropriate
4. A document which provides evidence of the transactions is called the
5. All recording in books of account is done on the basis of
6. Voucher must be preserved in any case till the of the accounts.
7. A transactions with one debit and one credit is a..... transaction.
8. Voucher which records a transaction that entails multiple debits/credits and one credit/debit is called voucher.
9. Transactions with multiple debits and multiple credits are called..... transactions.
10. Accounting equation signifies that the assets of a business are always equal to the total of its liabilities and
11. $\text{Assets} = \text{Liabilities} + \dots\dots\dots$
12. The balance sheet is a statement of ,Liabilities and Capital.
13. The properties and outsiders provide the of the business.
14. Accounting equation always remain
15. Every transaction involves..... aspects.
16. Every debit must have a corresponding
17. An account looks like the letter
18. All accounts are divided into categories for the purpose of recording the transactions.
19. Increase in an asset is
20. Decrease in an asset is
21. Increase in expenses is.....
22. Decrease in expenses is.....
23. Increase in liabilities is.....
24. Decrease in liabilities is.....

25. Increase in revenue is... ..
26. Decrease in revenue is... ..
27. Increase in capital is... ..
28. Decrease in capital is... ..
29. The book in which the transaction is recorded is for the first time is called
30. The process of recording transactions in journal is called
31. The process of transferring journal entry to individual account is called... ..
32. Journal is a book of
33. Ledger account is the principal book of
34. In journal, transactions are recorded in the order.
35. A brief description of the transaction is called the
36. When only two accounts are involved to record a transaction ,it is called a
37. The goods account is divided intoaccounts.
38. When the number and accounts to be debited or credited is more than one the transaction is called journal entry.
39. Ledger contains different
40. L.F is filled up at time of
41. All ledger accounts are put intocategories.
42. All permanent accounts appear in the
43. All assets, liabilities and capital accounts areaccounts
44. All revenue and expense areaccounts
45. Posting from the journal is done
46. Issued a cheque for Rs.10,000 to pay rent. The account to be debited is
47. Purchased office stationary for Rs.5000 account to be credited is.....

II: Multiple Choice Questions:-

- 1) The L.F column of journal is used to
 - a) Record the date on which amount posted to a ledger account
 - b) Record the number of ledger account to which information is posted
 - c) Record the number of amounts posted to the ledger account
 - d) Record the page number of the ledger account
- 2) When an entry has made in journal
 - a) Assets are listed first
 - b) Accounts to be debited listed first
 - c) Accounts to be credited listed first
 - d) Accounts may be listed in any order
- 3) Out of the following equations which is correct?
 - a) $C = A + L$
 - b) $C = A - L$
 - c) $C = A + L - \text{profit}$
 - d) $C = L - A$
- 4) Journal records the transactions of the firm in an
 - a) Analytical manner
 - b) chronological manner
 - c) Periodical manner
 - d) summarized manner
- 5) Ledger book is popularly known as
 - a) Secondary book of accounts
 - b) Principal book of accounts
 - c) Subsidiary books of accounts
 - d) None of the above
- 6) Ledger records transaction in
 - a) Chronological order
 - b) Analytical order
 - c) Both the above
 - d) None
- 7) Goods worth Rs. 50000 were sold to Manoj @15% discount on credit. Manoj's account will be debited
 - a) By Rs. 7500
 - b) By Rs.42500
 - c) By Rs.50000
 - d) By Rs.57500
- 8) Debit signifies
 - a) Increase in assets account
 - b) Decrease in liabilities
 - c) Increase in expenses account
 - d) All the above
- 9) What is the nature of drawing goods?
 - a) Income
 - b) Expense
 - c) Introduction of capital
 - d) Withdrawal of capital

- 10) Goods worth Rs.21000 distributed as free sample. The account to be credited is
- a) Purchase account
 - b) Sales account
 - c) Free sample account
 - d) P and L account
- 11) Income tax worth Rs.5000 of the proprietor paid by a firm, the account to be debited is
- a) Income tax account
 - b) Bank account
 - b) Drawing account
 - c) Expenses account
- 12) Rent paid to land lord is credited to
- a) Rent account
 - b) Land lord account
 - c) Cash account
 - d) None of the above
- 13) Voucher is prepared for
- a) Cash received and paid
 - b) Cash/ credit sales
 - c) Cash/ credit purchase
 - d) All the above
- 14) Voucher is prepared from
- a) Documentary evidence
 - b) Journal entry
 - c) Ledger account
 - d) All of the above
- 15) How many sides does an account have?
- a) One
 - b) Two
 - c) Three
 - d) None of the above
- 16) Which of the following is correct?
- a) $L = A + C$
 - b) $A = L - C$
 - c) $C = A - L$
 - d) $C = A + L$
- 17) The book in which all accounts are maintained is known as
- a) Cash book
 - b) Journal
 - c) Purchase book
 - d) Ledger

- 18) Recording of transaction in the journal is called
- a) Casting
 - b) Recording
 - c) Journalizing
 - d) Posting
- 19) Journal entry to record salaries will include
- a) Debit salaries, credit cash
 - b) Debit capital, credit cash
 - c) Debit cash, credit salary
 - d) Debit salary, credit creditors

III: True or False:-

- 1. Business transactions have two-fold effect.
- 2. Voucher must be preserved till the audit of the accounts.
- 3. $\text{Assets} - \text{Liabilities} = \text{Capital}$
- 4. The Balance Sheet is the statement of Assets, Liabilities and Capital.
- 5. All accounts are divided into five categories.
- 6. Increase in an asset is to be debited.
- 7. Decrease in an asset is to be debited.
- 8. Increase in Liability is debited.
- 9. Increase in income is credited.
- 10. Increase in Capital is credited.
- 11. All permanent accounts appear in the Balance Sheet.
- 12. A brief description about the transaction is called Narration.
- 13. Journal is a book of original entry.
- 14. L.F is filled-up at the time of posting.
- 15. The process of recording in the ledger is called posting.

IV: Very Short Answer Questions:-

- 1. What is source document/voucher?
- 2. Give an example for voucher.
- 3. Give an accounting equation.
- 4. Give the Debit Rule of Asset.
- 5. Give the Credit Rule of Asset.
- 6. Give the Debit Rule of Liability.
- 7. Give the Credit Rule of Liability.
- 8. Give the Debit Rule of Capital.
- 9. Give the Credit Rule of Capital.
- 10. Give the Debit Rule of Expense.
- 11. Give the Credit Rule of Expense.
- 12. Give the Debit Rule of Income.
- 13. Give the Credit Rule of Income.

14. What is Ledger?
15. What is Journalising?
16. What is Posting?
17. Expand J.F.
18. What is simple Journal Entry?
19. What is compound Journal Entry?
20. What do you mean by simple transaction?
21. What is debit voucher?
22. What is credit voucher?
23. What is complex voucher?
24. What is balance sheet?
25. Who provides resources of the business?
26. What is capital?
27. What is a liability?
28. Why the balance sheet is prepared?
29. What is journal?
30. What is journal entry?
31. What is narration
32. What is ledger?
33. What do you mean by debit balance?
34. What do you mean by credit balance?
35. When do you record in the JF column?
36. What are temporary Accounts?
37. Where do you record all the permanent Accounts?

Section-B:Short Answer Questions for Two Marks:-

1. What do you mean by source document or voucher?
2. What do you mean by compound voucher?
3. What do you mean by complex transaction?
4. What is double entry accounting?
5. State the categories of Accounts
6. State the rules of debit and credit of revenue
7. State the rules of debit and credit of expenses
8. State the rules of debit and credit of Assets
9. State the rules of debit and credit of liabilities
10. State the rules of debit and credit of capital
11. What is balancing of an Account?
12. What is the broad classification of ledger Accounts?
13. State the 3 fundamental steps in Accounting process
14. Why is the evidence provided by source document important to accounting?
15. Should a transaction be first recorded in a journal or ledger? Why?

16. Give the specimen of an Account?
17. Give the specimen of journal
18. Give the journal entry for goods distributed as free samples
19. Distinguish between source documents and voucher.

Section-C: Six Marks Questions/Short Problems:-

1. Prepare Accounting Equation on the basis of the following:
 - a. Harish started business with cash Rs 2,00,000
 - b. Purchased goods from Naman for cash Rs 1,40,000
 - c. Sold goods to Bhanu costing Rs. 10,000
 - d. Bought furniture on credit Rs. 7,000
 - e. Withdrawn cash for personal use Rs. 2,000
 - f. Deposited cash into bank Rs.5,000
2. Prepare Accounting Equation on the basis of the following:
 - a. Kunal started business with cash Rs 2,50,000
 - b. He purchased furniture for cash Rs. 35,000
 - c. He paid commission of Rs. 2,000
 - d. He sold good (costing Rs. 20,000) for Rs. 22,000
 - e. He purchased goods on credit Rs. 40,000
 - f. He gave loan to Anil Rs.5,000
3. Mohit has the following transactions, prepare Accounting Equation:
 - a. Business started with cash Rs.1,00,000
 - b. Purchased office furniture for office use Rs.10,000
 - c. Cash withdrawn for personal use Rs. 20,000
 - d. Commission received in advance Rs. 8,000
 - e. Rent paid Rs. 12,000
 - f. Sold goods for cash Rs. 10,000
4. Rohit has the following transactions. Prepare Accounting Equation:
 - a. Commenced business with cash 2,00,000
 - b. Purchased machinery on credit Rs. 25,000 from Mohit Traders
 - c. Paid to Mohit Traders creditors in full settlement Rs. 23,000
 - d. Repair charge on machinery Rs. 2,500
 - e. Paid rent Rs. 5,000
 - f. Cash purchases Rs,5000
5. Use Accounting Equation to show the effect of the following transactions of Ravi Traders.
 - a. Started business with cash 1,00,000
 - b. Bought goods for cash Rs.20,000
 - c. Rent received Rs. 5,000
 - d. Salary outstanding Rs. 10,000
 - e. Goods destroyed by fire Rs. 13,000
 - f. Paid for charity Rs 200

6. Transactions of Mohan Traders are given below. Show the effects of these transactions on assets, liabilities and capital with the help of Accounting equation.
- Business started with cash Rs. 1,00,000
 - Cash purchase Rs. 50,000
 - Cash sale of Rs. 60,000
 - Purchase furniture for cash Rs. 5,000
 - Paid rent Rs 4,000
 - Bought from Ratan Rs.8,000
7. Prepare accounting equation from the following transactions:
- Started business with cash of Rs. 1,00,000
 - Bought from Navin Traders Rs. 50,000
 - Returned goods to Navin Traders Rs. 5,000
 - Cash received from Navin Traders Rs. 43,000 in full settlement.
 - Opened Bank Account with Rs. 5,000
 - Withdrawn from Bank Rs. 2,000 for office use
8. Classify the following Accounts into Assets, Liabilities, capital, Expenses/Losses and revenue/gains:
- | | |
|-------------------------------|-----------------------------|
| a. Cash Account | b. Purchases Account |
| c. Drawings Account | d. Computer Account |
| e. Building Account | f. Salary Account |
| g. Interest on Investment A/c | h. Sales Account |
| i. O/S salary Account | j. Creditors Account |
| k. Purchases Returns A/c | l. Bills Receivable Account |
9. Classify the following into Assets, Capital, Expenses/Losses and Revenue/Gains under Accounting Equation Method
- | | |
|-----------------------------|-----------------------------|
| a. Furniture Account | b. O/S Rent A/c |
| c. Bad debt Account | d. Interest Receivables A/c |
| e. Rent received in advance | f. Prepaid salary Account |
| g. Capital Account | h. Bills Payable Account |
| i. Investment Account | j. Capital Account |

10. Prepare the ledger Account from the following transactions and balance the same.
- 01.01.2017 Started business with cash `10,000
- 10.01.2017 Cash purchases `5,000
- 20.01.2017 Goods deposited sold cash for cash into `bank 8,000 `24,000

Section-D: Twelve marks Problems

1. Journalize the following transactions of Swoop Traders: 2017-Jan
- 01) Business started with cash `1,00,000
Opened bank Account with SBI `5,000
- a) Purchased goods for cash `10,000
a) Sold goods to Suma `20,000
c) Goods returned from Suma `2,000
a) Cash received from Suma `17,500 in full settlement of her A/c.
a) Paid for stationary `1,000
Paid rent by cheque `4,000
Drew for personal use Rs. 3,000
Purchased furniture on credit from Anu Steels, Hubli `10,000
Salary outstanding `60,000
2. Journalise the following transactions of Anant Traders:
- 2017 Jan 01) Started business with cash Rs. 80,000
Jan 03) Cash Purchases Rs. 25,000
Jan 05) Cash Sales Rs. 20,000
Jan 08) Goods destroyed by fire Rs. 3,000
Jan 10) Sold goods for cash (costing Rs. 6,000) Rs. 9,000
Jan 12) Prepaid insurance Rs. 2,000
Jan 15) Sold goods to Ashu (Cost Rs. 7,000) Rs. 9,000
Jan 18) Cash received from Ashu Rs. 6,000
Jan 21) Invested in shares of Tata Co. Ltd Rs. 5,000
Jan 23) Paid cash for household expenses Rs. 8,000
Jan 25) Bought computer for office use Rs. 10,000
Jan 28) Commission received in advance Rs. 7,000

3. Journalise the following transactions

2017 Jan

- 1). Started business with Cash Rs. 2,30,000
Goods Rs. 1,00,000
Buildings Rs. 2,00,000
- 4). Bought goods for cash Rs. 5,000
8). Sold goods (costing Rs. 30,000) Rs. 35,000
10). Purchased goods from Rahul Rs. 55,000
14). Sold of goods to Varun (costing Rs. 50,000) Rs. 60,000
18). Paid cash to Rahul in full settlement Rs. 53,000
20). Received cash from Varun in full settlement Rs. 59,000
25). Depreciation charge on building Rs. 10,000
30). Fresh capital introduced Rs. 50,000

4. Journalise the following transaction in the books of Harpreet Brothers.

- 2017 Jan 01 Started business with cash Rs.1, 65,000
- 11. Bought goods from Tara Rs.22, 000
 - 13. Cash paid to Tara Rs.22, 000
 - 14. Sold goods to Nariman Rs. 12, 000
 - 15. Commission received Rs.1, 000
 - 16. Salary paid Rs.5, 000
 - 17. Goods issued for house hold purpose Rs 2,000
 - 18. Cash received from Nariman Rs.11, 700 and discount allowed Rs.300
- Cheque given for Insurance premium Rs.1000
- Furniture purchased for cash Rs.3, 000
- Goods destroyed by fire Rs.800.

23. Journalise the following transactions:

- 2017 Jan,01 Commenced business with cash Rs.5,000, stock of goods 20,000, machinery Rs.10,000 and bills payable Rs.1,000
- Jan,02 Borrowed Rs.5, 000 from Arun and Rs.10, 000 from Bharat.
- Jan,05 Purchased goods from Charan Rs.4,000 and from Dhanaraj Rs.6,000
- Jan,15 Sold goods to Hari Rs.8,000 and to Govind Rs 4,000
- Jan,20 Received cash from Hari Rs.7,500 and allowed him discount Rs 500
- Jan,25 Paid salary Rs.2, 000 and rent RS. 1,000

6. Journalise the following transactions

- 2017 Jan,01 Started business with Cash Rs. 50,000
- Jan,05 Deposited in to bank Rs 10,000
- Jan,07 Purchased goods from Jagadish Rs.5,000
- Jan,09 Sold goods to Nagaraj for cash Rs.10,000
- Jan,11 Paid amount to Jagadish
- Jan,13 Paid for travelling expenses Rs.500
- Jan,15 Took goods from business for domestic use at Selling price Rs.1,000
- Jan,17 Outstanding salary Rs.800

Jan,20 Took loan from bank Rs.10,000 Jan,22
Paid for Advertisement Rs.2,000 Jan,25 Paid in
as further capital Rs.12,000 Jan,27 Goods
distributed as free samples Rs800

7. Journalise the following transactions:

2017 Jan,01 Business started with cash Rs.25,000
Jan,03 Opened bank Account with SBM Rs.5,000
Jan,05 Bought goods from Satish on credit Rs.7,000
Jan,07 Returned goods to Satish Rs.500
Jan,08 Issued cheque infavour of Satish Rs 4,000
Jan,10 Gave charity Rs 500
Jan,15 Paid Electricity bill Rs 750
Jan,18 Bought office furniture Rs 3,000
Jan,20 Drew cash from Bank for personal use
Jan,22 Bought Postage stamps Rs 100
Jan,25 Drew cash for personal use Rs 1,000
Jan,28 Commission received in advance Rs.400

8. Journalise the following transactions in the books of Shree Raju:

2017 Jan,01 Commenced business with cash Rs.40,000
Jan,05 Bought goods from Ravi Rs.10,000
Jan,08 Sold goods to Vinayak Rs.15,000
Jan,10 Returned goods to Ravi Rs.300
Jan,12 Vinayak returned us goods Rs. 300
Jan,15 Paid Ravi Rs. 5,000 by cash and the balance through
cheque
Jan,18 Received cheque from Vinayak Rs.10,000 and the
balance received by cash
Jan,20 Withdrawn Cash of Rs.1, 000 and goods worth
Rs.500for domestic use.
Jan,25 Paid for printing charges Rs 500

9. Journalise the following transactions in the books of Shree Ramesh.

2017 Jan,01 Started business with cash Rs 50,000, bank balance
Rs 25,000
Jan,02 Bought goods worth Rs 20,000 less trade discount
at 10% from Naveen Traders.

Jan,05 Raj and company bought goods from us worth Rs 10,000 for which a cheque was received for Rs 4,000(which is paid into bank) balance being payable within 1month
Jan,07 Paid to Naveen Traders cash Rs 10,000 and also Rs. 7,500 by cheque in full settlement of Account.
Jan,09 Received commission Rs 1,000 and Interest RS 500
Jan,11 Paid for Rent Rs 1,000 and Cartage Rs 300

10. Journalise the following transactions

2017 Jan,01 Commenced business with cash Rs.1,00,000
Jan,02 Cash Purchases Rs 25,000
Jan,05 Till takings Rs 40,000
Jan,07 Deposited into Bank Rs 20,000
Jan,09 Outstanding rent RS 1,000
Jan,15 Cash withdrawn for personal use Rs 2,000
Jan,17 Prepaid insurance Rs.500
Jan,18 Commission receivable Rs 800
Jan,20 Bank charges Rs 200
Jan,22 Interest on Capital Rs. 2,000
Jan,25 Goods given away by Charity Rs 600
Jan,28 Drew for office use Rs 2,000

Section-E: Practical Oriented Questions for Five Marks:-

1. Write the accounting equation and find out the missing figures.
24. Pass journal entries from the given Ledger Account.
25. Draft a specimen of Debit Voucher.
26. Draft a specimen of Credit Voucher.