

The words 'Balance carried down' (Balance c/d) are written in the particular column. The total of two sides are made which must be equal.

On the next day, when the opening balance is to be written, the debit balance is written on the debit side and credit balance is written on the credit side. For example, in the above cash account, the debit balance of Rs. 25,000 will be written on the debit side as an opening balance and the words written are 'Balance brought down.' (Balanced b/d) with the prefix 'To' on debit side.

**Illustration 3 :**

Record the following transactions of Shri Jaymin Parikh, in his Journal, post them to ledger accounts, find out the balances and say whether they are debit or credit balances :

2023

- May 1 : Jaymin started business with cash of Rs. 5,00,000.
- 3 : Purchased goods of Rs. 1,50,000 at a trade discount of 10% from Jasmin.
- 5 : Paid to Jasmin Rs. 1,00,000 on account.
- 7 : Sold goods of Rs. 70,000 to Jaimini for cash and opened a bank account with that amount.
- 9 : Purchased a Computer for Rs. 85,000.
- 12 : Sold goods for cash at a trade discount of 10% to Jayshree for Rs. 1,20,000.
- 14 : Sold goods of Rs. 50,000 purchased from Jasmin to Jigar at a profit of 10%.
- 18 : Jigar returned goods of Rs. 11,000 which we returned to Jasmin.
- 24 : Received Rs. 30,000 by a cheque from Jigar.
- 31 : Paid Rs. 15,000 for Rent by a cheque.

**Solution :**

**Journal of Shri Jaymin Parikh**

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
2023 May, 1	Cash Account Dr. To Capital Account (Started business with cash brought in.)		5,00,000	5,00,000

**CMA ABHISHEK JAIN**

May 3	Purchases Account To Jasmin Account (Purchased goods at a trade discount of 10 % on-credit from Jasmin.)	Dr.	1,35,000	1,35,000
5	Jasmin Account To Cash Account (Cash paid to Jasmin.)	Dr.	1,00,000	1,00,000
7	Cash Account To Sales Account (Good sold for cash.)	Dr.	70,000	70,000
7	Bank Account. To Cash Account (The amount of cash sales paid into the bank.)	Dr.	70,000	70,000
9	Computer Account To Cash Account (Computer purchased on cash for office.)	Dr.	85,000	85,000
12	Cash Account To Sales Account (Sold goods worth Rs. 1,20,000 to Jayshree for cash at a trade discount of 10%. )	Dr.	1,08,000	1,08,000
14	Jigar Account To Sales Account (Sold goods of Rs. 50,000 to Jigar at a profit of 10%.)	Dr.	55,000	55,000
18	Sales Returns Account To Jigar Account (Defective goods returned by Jigar.)	Dr.	11,000	11,000
18	Jasmin Account To Purchases Returns Account (The return of defective goods to Jasmine which was sold to Jigar at a profit of 10%.)	Dr.	10,000	10,000
24	Bank Account To Jigar Account (Cheque received from Jigar deposited into the bank.)	Dr.	30,000	30,000

May 31	Rent Account	Dr.	15,000	
	To Bank Account			15,000
	(Paid rent by cheque.)			
	Total		11,89,000	11,89,000

Note : The goods of Rs. 11,000 returned by Jigar were sold to him at a profit of 10%. Hence its cost will be  $11,000 \times 100 / 110 = \text{Rs. } 10,000$ . Hence, we have debited Jasmin's Account with Rs. 10,000 at which we purchased goods from him.

Jaymin Parikh's Ledger :

Dr. Cash Account Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2023				2023			
May 1	To Capital A/c		5,00,000	May 5	By Jasmin A/c		1,00,000
7	To Sales A/c		70,000	7	By Bank A/c		70,000
12	To Sales A/c		1,08,000	9	By Computer A/c		85,000
				31	By Balance c/d		4,23,000
			6,78,000				6,78,000
June 1	To Balance b/d		4,23,000				

Dr. Capital Account Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2023				2023			
May 31	To Balance c/d		5,00,000	May 1	By Cash A/c		5,00,000
			5,00,000				5,00,000
				June 1	By Balance b/d		5,00,000

Dr. Purchases Account Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2023				2023			
May 3	To Jasmin A/c		1,35,000	May 31	By Balance c/d		1,35,000
			1,35,000				1,35,000
June 1	To Balance b/d		1,35,000				

**Dr. Jasmin's Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2023				2023			
May 5	To Cash A/c		1,00,000	May 3	By Purchases A/c		1,35,000
18	To Purchases						
	Returns A/c		10,000				
31	To Balance c/d		25,000				
			<u>1,35,000</u>				<u>1,35,000</u>
				June 1	By Balance b/d		<u>1,35,000</u>

**Dr. Purchases Returns Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2023				2023			
May 31	To Balance c/d		10,000	May 18	By Jasmin A/c		10,000
			<u>10,000</u>				<u>10,000</u>
				June 1	By Balance b/d		<u>10,000</u>

**Dr. Sales Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2023				2023			
May 31	To Balance c/d		2,33,000	May 7	By Cash A/c		70,000
				12	By Cash A/c		1,08,000
				14	By Jigar A/c		55,000
			<u>2,33,000</u>				<u>2,33,000</u>
				June 1	By Balance b/d		<u>2,33,000</u>

**Dr. Bank Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2023				2023			
May 7	To Cash A/c		70,000	May 31	By Rent A/c		15,000
May 24	To Jigar A/c		30,000	„	By Balance c/d		85,000
			<u>1,00,000</u>				<u>1,00,000</u>
June 1	To Balance b/d		<u>85,000</u>				

**Dr. Computer Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2023				2023			
May 9	To Cash A/c		85,000	May 31	By Balance c/d		85,000
			85,000				85,000
June 1	To Balance b/d		85,000				

**Dr. Jigar's Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2023				2023			
May 14	To Sales A/c		55,000	May 18	By Sales		
					Returns A/c		11,000
				,, 24	By Bank A/c		30,000
				,, 31	By Balance c/d		14,000
			55,000				55,000
June 1	To Balance b/d		14,000				

**Dr. Sales Returns Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2023				2023			
May 18	To Jigar A/c		11,000	May 31	By Balance c/d		11,000
			11,000				11,000
June 1	To Balance b/d		11,000				

**Dr. Rent Account Cr.**

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2023				2023			
May 31	To Bank A/c		15,000	May 31	By Balance c/d		15,000
			15,000				15,000
June 1	To Balance b/d		15,000				

**Statement of Balances (Trial Balance)**

Debit Balances	Rs.	Credit Balances	Rs.
Cash A/c	4,23,000	Capital A/c	5,00,000
Purchases A/c	1,35,000	Jasmin's A/c	25,000
Bank A/c	85,000	Sales A/c	2,33,000
Computer A/c	85,000	Purchase Returns A/c	10,000
Jigar's A/c	14,000		
Sales Returns A/c	11,000		
Rent A/c	15,000		
	7,68,000		7,68,000

**Note :** In double entry system, every debit has a corresponding credit. Hence, the total of credit balances and the total of debit balances must be equal. Then the accounts are said to be arithmetically correct.

At the end of the year, a statement of such balances is prepared to verify the arithmetical accuracy of accounts. Such a statement is called "Trial Balance" which we have discussed in detail in a separate chapter.

**Illustration 4 :**

From the following particulars prepare Three Columnar Cash Book of Shree Ishwar for the first fortnight of April, 2023 :

2023

April 1 : Cash on hand Rs. 3,000, Bank balance Rs. 10,000.

3 : Purchased goods worth Rs. 30,000 from Sanjay at 2% cash discount and paid the amount through RTGS. Bank debited Rs. 80 as bank charges for RTGS Service.

5 : Sold goods of Rs. 10,000 to Suresh. He paid the amount through NEFT.

6 : Sold goods worth Rs. 40,000 at 2% cash discount to Mohan. He paid the amount through RTGS.

7 : Paid Rs. 1,000 towards Insurance Premium through NEFT. Bank debited Rs. 30 as NEFT charge.

9 : Paid salaries in cash Rs. 1,500.

10 : Cash Sales Rs. 3,000.

11 : Withdrew Rs. 1,000 from the bank for household expenses.

12 : Paid in cash Rs. 1,200 to Natvar towards his debt.

13 : Gopi paid Rs. 2,200 through NEFT towards our dues.

14 : Paid rent Rs. 500.

15 : Dividend collected and credited by the bank in the pass book Rs. 300.

**JAIN INSTITUTE OF COMMERCE, CTM-VASTRAL  
[YOUR PARTNER IN CMA JOURNEY]**

**Solution :**

Dr.							Three Columnar Cash Book of Shree Ishwar						Cr.
Date	Receipts	L.F.	Rec. No.	Discount Rs.	Cash Rs.	Bank Rs.	Date	Payments	L.F.	Voucher No.	Discount Rs.	Cash Rs.	Bank Rs.
2023							2023						
April 1	To Balance b/d			—	3,000	10,000	April 3	By Purchases A/c			600	—	29,400
5	„ Sales A/c			—	—	10,000	3	„ Bank Charges			—	—	80
6	„ Sales A/c			800	—	39,200	7	„ Ins. Prem. A/c			—	—	1,000
10	„ Sales A/c			—	3,000	—	7	„ Bank Charges			—	—	30
13	„ Gopi A/c			—	—	2,200	9	„ Salaries A/c			—	1,500	—
15	„ Dividend A/c			—	—	300	11	„ Drawing A/c			—	—	1,000
							12	„ Natvar A/c			—	1,200	—
							14	„ Rent A/c			—	500	—
							15	„ Balance c/d			—	2,800	30,190
				800	6,000	61,700					600	6,000	61,700

**Illustration 2:****JAIN INSTITUTE OF COMMERCE, CTM-VASTRAL****[YOUR PARTNER IN CMA JOURNEY]**

In the following Trial Balance, there are some errors. Correct them and prepare a correct Trial Balance as on 31-3-2023 :

Name of the Account	L.F.	Debit Balance Rs.	Credit Balance Rs.
Cash balance		5,400	—
Bank balance		26,300	—
Purchases		—	4,06,750
Sales		9,87,800	—
Wages		1,04,800	—
Power and Fuel		47,300	—
Carriage inward		—	32,000
Carriage outward		20,400	—
Opening stock of goods		—	57,600
Building		—	3,00,000
Land		1,00,000	—
Sales return		—	6,800
Purchases return		5,000	—
Salary		1,50,000	—
Machinery and Tools		2,75,000	—
Postages, telegrams and stationery		13,000	—
Railway Freight		8,000	—
Trade Expenses		2,000	—
Office Expenses		7,000	—
Discount received		—	5,000
Insurance		6,000	—
Drawings		—	52,450
Capital		—	7,10,000
Debtors		1,50,000	—
Creditors		—	63,000
Total		19,08,000	16,33,600

Solution :

Trial Balance as on 31-3-2023

Name of the Account	L.F.	Debit Balance Rs.	Credit Balance Rs.
Cash balance		5,400	—
Bank balance		26,300	—
* Purchases		4,06,750	—
* Sales		—	9,87,800
Wages		1,04,800	—
Power and Fuel		47,300	—
* Carriage inward		32,000	—
Carriage outward		20,400	—
* Opening stock of goods		57,600	—
* Building		3,00,000	—
Land		1,00,000	—
* Sales return		6,800	—
* Purchases return		—	5,000
Salary		1,50,000	—
Machinery and Tools		2,75,000	—
Postages, telegrams and stationery		13,000	—
Railway Freight		8,000	—
Trade Expenses		2,000	—
Office Expenses		7,000	—
Discount received		—	5,000
Insurance		6,000	—
* Drawings		52,450	—
Capital		—	7,10,000
Debtors		1,50,000	—
Creditors		—	63,000
Total		17,70,800	17,70,800

Notes : The accounts having asteriks \* have been duly corrected.

**Illustration 1 :**

From the following Trial Balance and Adjustments of Ruchita Patel, prepare Trading and Profit & Loss Account for the year ending on 31st March, 2023 and a Balance Sheet as on that date :

**Trial Balance**

<b>Debit balances</b>	<b>Rs.</b>	<b>Credit balances</b>	<b>Rs.</b>
Opening Stock (1-4-2022)	17,000	Capital	1,00,000
Purchases	96,100	Creditors	55,600
Wages	7,400	Sales	1,72,000
Carriage inward	5,400	Rent	2,400
Carriage outward	2,000		
Salary	6,000		
Buildings	80,000		
Furniture	4,600		

Depreciation on Furniture	500	
Debtors	81,000	
Insurance Premium	1,600	
Printing & Stationery	2,500	
Sundry Expenses	4,400	
Repairs	-1,000	
Cash on hand	12,500	
Drawings	8,000	
	<b>3,30,000</b>	<b>3,30,000</b>

**Adjustments :**

- (1) Closing stock was valued at Rs. 7,600.
- (2) Rs. 1,200 was outstanding for salaries.
- (3) Depreciate Building at 5%.
- (4) Insurance premium paid in advance is Rs. 100.
- (5) Rent received in advance is Rs. 300.
- (6) Credit Purchases of Rs. 700 was not recorded in the Books of Accounts.

**Solution :**

**Trading Account of Ruchita Patel**  
**for the year ended on 31-3-2023**

Dr.	Rs.	Cr.	Rs.
To Opening Stock	17,000	By Sales	1,72,000
To Purchases 96,100		By Closing Stock	7,600
+ Unrecorded 700	96,800		
<b>Expenses relating to Purchases :</b>			
To Wages	7,400		
To Carriage inward	5,400		
Gross Profit			
- carried in P & L A/c	53,000		
	<b>1,79,600</b>		<b>1,79,600</b>

Profit & Loss Account of Ruchita Patel

Dr. for the year ended on 31-3-2023 Cr.

Particulars	Rs.	Particulars	Rs.
<b>Administrative Expenses :</b>		Gross Profit	
To Salaries 6,000		– brought from Trading A/c	53,000
+ Unpaid 1,200	7,200	<b>Incomes :</b>	
To Insurance Premium 1,600		By Rent 2,400	
– Prepaid 100	1,500	– Recd. in advance 300	2,100
To Printing & Stationery	2,500		
To Sundry Expenses	4,400		
To Repairs	1,000		
<b>Selling &amp; Distribution Expenses :</b>			
To Carriage outward	2,000		
<b>Other Expenses &amp; Losses :</b>			
To Depreciation :			
On Building 4,000			
On Furniture 500	4,500		
<b>Net Profit</b>			
– transferred to Capital A/c	32,000		
	<u>55,100</u>		<u>55,100</u>

Balance Sheet of Ruchita Patel as on 31-3-2023

Liabilities	Rs.	Assets	Rs.
<b>Capital :</b>		<b>Non-Current Assets :</b>	
Opening balance 1,00,000		<b>Fixed Assets :</b>	
+ Net Profit 32,000		Building 80,000	
1,32,000		– 5% Depreciation 4,000	76,000
– Drawings 8,000	1,24,000	Furniture	4,600
<b>Current Liabilities :</b>		<b>Current Assets :</b>	
Creditors 55,600		Closing Stock	7,600
+ Unrecorded		Debtors	81,000
Purchases 700	56,300	Cash on hand	12,500
Unpaid Salary 1,200		Prepaid Insurance Premium	100
Rent received in advance 300			
	<u>1,81,800</u>		<u>1,81,800</u>

Notes : (1) Depreciation on Furniture is given in the trial balance, which suggests that depreciation has already been written off on the asset. Hence, it

**1.** From the following Trial Balance of Shri Sujal Patel, prepare Trading Account and Profit & Loss Account for the year ended on 31st March, 2023 and a Balance Sheet as on that date :

**CMA ABHISHEK JAIN**

Debit balances	Rs.	Credit balances	Rs.
Stock (1-4-2022)	20,000	Capital	6,00,000
Carriage Inward	4,000	Sales	6,20,000
Purchases	5,20,000	Creditors	40,000
Salary	60,000	Purchases Returns	4,000
Carriage Outward	3,000	Bank Loan	72,000
Furniture & Fittings	60,000	Discount received	5,000
Debtors	90,000	Commission	9,000
Cash on hand	59,000		
Bank balance	1,60,400		
Bad Debts	3,000		
Advertisement Expenses	12,000		
Machinery	1,60,000		
Office Expenses	3,600		
Interest on Bank Loan	9,000		
Drawings	48,000		
Insurance Premium	16,000		
Building	1,20,000		
Sales Returns	2,000		
	<b>13,50,000</b>		<b>13,50,000</b>

The value of the closing stock on 31st March, 2023 was Rs. 62,000.

[Ans. : Gross Profit Rs. 1,40,000, Net Profit Rs. 47,400, Total of Balance

Sheet No. 7 11 4001

**3.** From the following ledger balances of Jeetesh Navadiya, prepare Trading Account and Profit & Loss Account for the year ending on 31-3-2023 and the Balance Sheet as on that date :

Name of Accounts	Debit Rs.	Credit Rs.
Capital	-	53,000
Drawings	5,000	-
Insurance Premium	1,200	-
Cash on hand	1,000	-
Bank Overdraft	-	10,000
Salary	6,000	-
Stock (1-4-2022)	4,000	-
Purchases returns	-	2,000
Sales returns	1,000	-
Carriage inward	1,300	-
Carriage outward	1,400	-
Purchases	60,000	-
Sales	-	80,000
Furnitures & Fixtures	10,000	-
Rent, rates and taxes	1,000	-
Wages	2,000	-
Discount allowed	900	-
Discount received	-	1,000
Plant & Machinery	20,000	-
Stationery & Printing	500	-
Motor-car	9,000	-

224

SUDHIR PRAKASHAN

Bad debts	100	—
Goodwill	10,000	—
Debtors	20,000	—
Creditors	—	8,300
Bills Receivable	1,700	—
Bills Payable	—	1,300
Commission	—	500
	<b>1,56,100</b>	<b>1,56,100</b>

**Adjustments :**

- (1) Stock on 31-3-2023 is valued at Rs. 12,000.
- (2) Salary unpaid is Rs. 1,000.
- (3) Calculate interest on capital at 10%.

[Ans. : Gross Profit Rs. 25,700, Net Profit Rs. 9,800, Total of Balance Sheet Rs. 83,700, Interest on Capital Rs. 5,300.]