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Accounting Exercise and Practice

Exercise: Journalize the Following Transactions (No Trial Balance, P&L and Balance sheet required) All are independent Transactions

1. Siva started a Business with his own Goodwill reputation with his friends worth of 50000USD and 75000 USD cash and 30000 USD Furniture whose market value is 25000
2. Siva Borrowed 75000 USD from his Father in Law for the purpose of business
3. Siva purchased a Building for 200000 USD through a Bank loan of which 25% is on Cash Down and balance through Loan
4. Siva purchased a second hand Mercedes Benz car for USD 20000 whose market value is 25000 USD
5. Ajay asked John to deposit a sum of USD 50000 on behalf of Ajay directly in Siva Bank Account through Bank Transfer
6. The Benz car purchased by Siva has to be depreciated @10% on Written Down Value method for 10 years
7. Siva paid for Printing and Stationery using his credit card for 500 USD and which he paid through his Bank account at the end of the month
8. Siva purchased a Patent rights of a book for 5 years and the cost of which is 50000 USD
9. Siva has taken over the business of Ajay for a consideration of 100000 USD where as the net worth of the assets taken over is 80000 USD
10. Siva met the Citi Bank Manager for a Loan of 500000 USD which was agreed and document papers were signed
11. Siva sold the goods cost price of 10000 USD at 20% margin on selling price
12. Siva has purchased few assets on Hire Purchase worth of 10000 USD for 11000 USD and the balance 1000 USD in interest and it needs to be paid in 10 Installments
13. Siva transferred Goods worth of 25000 USD of which 3000 USD spoiled in transit to a Customer
14. Siva placed advertisement hoardings for 30000 USD in the main city mall and the benefit of which is expected to be available for three years
15. Salary Provision to the tune of 7500 USD to be made
16. Provision for tax to be made for 3000 USD
17. Insurance premium paid for 12000 USD of which 5000 USD is in advance
18. Siva purchased a small business for 30000 USD whose net worth value is 35000 USD
19. Siva signed an Indemnity Bond for a friend to buy a house for 500000 USD
20. Siva purchased shares worth of 500 shares @ 18 USD which he sold it for 26 USD per share. A Commission of 1% payable to Broker on both purchase and sale of shares.

Capital / Revenue Expenditure Quiz

http://www.tutor2u.net/quiz/accounting/jquiz_accounting_capital_expenditure.htm

Case Study

Parry Confectionery Ltd is Traders of Caramilk, Lactoking and Coconut Punch Chocolates. Their Statement of Affairs as on 31-Mar-2006 is as follows

Balance sheet as on 31-March-2006

Liabilities	Amount in Rs	Assets	Amount in Rs
Share Capital	500000	Fixed Assets	
Long term Loans		Building	250000
8% Debentures	500000	Plant and Machinery	750000
Long Term Loan from ICICI	250000	Investments	200000
Current Liabilities		Current Assets	
Sundry Creditors	500000	Inventory	250000
		Sundry Debtors	200000
		Bank	75000
		Cash	25000
Total Liabilities	1750000	Total Assets	1750000

During the Year 01-Apr-2006 to 31-March-2007 following Transactions took place

1. Purchased Goods worth of Rs.60 Lakhs of which 60% on Credit
2. Purchased Packing Material for cash Rs.250000
3. Freight on credit Rs.50000
4. Closing Stock of Inventory Rs.200000
5. Power and fuel expenses for the period Rs.250000
6. Travel and Administrative Expenses amounted to Rs.200000
7. Sold Goods for Cash Rs.3200000
8. Sold Goods on Credit for Rs.6500000
9. Deposited Cash into Bank Rs.400000
10. Paid Salary and Wages to Workers – Rs 900000
11. With drawl from Bank for Office use – Rs.750000
12. Purchased Toner for Rs.2500 which will is likely to be exhausted in 18 months
13. Purchased Patent for Rigley's Chewing Gum For Rs.100000 which will be available for next 5 years
14. Spent on Massive Advertisement campaign in Gulf for promotion of Goods for Rs.200000 which is likely to give benefit for 4 years
15. Depreciation for the year is chargeable on Straight line basis @10% on Building and 25% on Machinery
16. Interest on Investments @8% due on 31-Dec-2006 which is likely to be realized only on 31-May-2007
17. The Company is chargeable to Income Tax @30%
18. Company has declared an interim dividend of 10% which is to be paid on 01-Apr-2007
19. Closing Sundry Drs.350000 and Sundry Crs.600000

Sl.No	Description	Nature of Account	Dr	Cr
1	Inventory A/c Dr To Suppliers A/c To Bank A/c	Real Personal A/c Real A/c	60,00,000	36,00,000 24,00,000
2	Packing Materials A/c Dr To Bank	Nominal Real	2,50,000	2,50,000
3	Freight A/c Dr To Suppliers A/c	Nominal Personal	50,000	50,000
5	Power & Fuel A/c Dr To Bank	Nominal Real	250000	250000
6	Travel and Admn Exp A/c Dr To Bank	Nominal Real	200000	200000
7	Bank A/c Dr To Sales/Revenue	Real Nominal	3200000	3200000
8	Sundry Drs/Receivables A/c To Revenue A/c	Real Nominal	6500000	6500000
9	Bank A/c Dr To Cash A/c	Real Real	400000	400000
10	Salary & Wages A/c Dr To Bank	Nominal Real	900000	900000
11	Cash A/c Dr To Bank	Real Real	750000	750000
12	Printing and Stationery A/c Dr To Bank	Nominal Real	2500	2500
13	Patent Rights A/c Dr To Bank	Real Real	100000	100000
13A	Patents Write off A/c Dr To Patents Account	Nominal Real	20000	20000
Sl.No	Description	Nature of	Dr	Cr

		Account		
14	Advt Hoard(D Rev Exp) A/c Dr	Real	200000	
	To Bank	Real		200000
14A	Advertisement A/c Dr	Nominal	50000	
	To Adv Hoardings A/c	Real		50000
14	Depreciation A/c Dr	Nominal	212500	
	To Accumulated Depreciation Building <u>250000@10%</u> Machinery 750000@25%	Real		212500
15	Interest Receivable A/c Dr	Real	16000	
	To Interest Received A/c	Nominal		16000
16	Dividend A/c Dr	Nominal	50000	
	To Proposed Dividend A/c	Real A/c		50000
17	Income Tax A/c Dr	Nominal	504300	
	To Provision for Income Tax	Real		504300

Trial Balance for the Period 01-Apr-2006 to 31-Mar-2007

Sl.No	Description	Type of Account	Dr. Bal	Cr.Bal
1	Share Capital	Personal		500000
2	8% Debentures	Personal		500000
3	Long Term Loans from ICICI	Personal		250000
4	Sundry Creditors	Personal		600000
5	Provision for Tax	Real		
6	Provision for dividend	Real		50000
7	Accumulated Depreciation	Real		212500
8	Building	Real	250000	
9	Plant & Machinery	Real	750000	
10	Investments	Real	200000	
11	Inventory	Real	200000	
12	Bank A/c	Real	1472500	
13	Cash A/c	Real	375000	
14	Patent Rights	Real	100000	
15	Def Rev Exp – Advt Hoardings	Real	200000	
16	Salary and Wages	Nominal	900000	
17	Power & fuel	Nominal	250000	
18	Traveling and Administration	Nominal	200000	
19	Depreciation	Nominal	212500	
20	Advertisement	Nominal		
21	Patent Write off	Nominal		
22	Income Tax	Nominal		
23	Dividend	Nominal	50000	
24	Packing Materials	Nominal	250000	
25	Interest Income	Nominal		16000
26	Interest Receivable	Real	16000	
27	Freight Account	Nominal	50000	
28	Sales/Revenue	Nominal		9700000
29	Cost of Goods Sold	Nominal	6050000	
30	Printing & Stationery	Nominal	2500	
31	Creditors for Freight	Personal		50000
32	Sundry Debtors	Personal	350000	
	Total		11878500	11878500

Sundry Creditors/Liabilities A/c

To Payment to Crs	3500000	By Op.Balance	500000
To Balance	600000	By Purchases	3600000
	4100000		4100000

Sundry Debtors / Receivables A/c

To Op.Bal	200000	By Cash recd from Drs	6350000
To Credit Sales	6500000	By Closing Balance	350000
	6700000		6700000

Inventory Account

To Op.Bal	250000	By Cost of Goods Sold	6050000
To Inventory Purchased	6000000	By Closing Stock	200000
	6250000		6250000

Cash Account

To Op.Bal	25000	By Bank Deposit	400000
To Bank	750000	By Closing balance	375000
	775000		775000

Bank Account

To Op.Bal	75000	By Inventory	2400000
To S.Drs/Receivables	6350000	By S.Crs/Liabilities	3500000
To Cash Sales	3200000	By Packing Material	250000
To Cash	400000	By Power	250000
		By Travel & Admin	200000
		By Cash	750000
		By Salary & Wages	900000
		By Printing & Stationery	2500
		By Advertisement Hoardings	200000
		By Patent	100000
		By Closing Balance	1472500
	10025000		10025000

Trading and Profit and Loss Account for the Period 01-Apr-2006 to 31-Mar-2007

Revenues

Income from Operations

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Sales revenue	9700000	
Interest Income	16000	
	=====	
	9716000	(A)
	=====	

Expenses

Cost of Goods Sold	6050000	
Freight	50000	
Packing Materials	250000	
Salary & Wages	900000	
Power & Fuel	250000	
Travel and Administration	200000	
Depreciation	212500	
Advertisement	50000	
Printing and Stationery	2500	
Patent Write off	20000	
Dividend	50000	
	=====	
Total Expenses	8035000	(B)
	=====	

Profit before Tax **1681000**

Tax @30% 504300

Profit after Tax **1176700**

Balance Sheet as on 31-March-2007

Liabilities	Amount in Rs	Assets	Amount in Rs
Share Capital	500000	Fixed Assets	
Res & Surplus		Building	250000
Profit & Loss A/C	1176700	Plant and Mach	750000
Long Term Loans		Investments	200000
8% Debentures	500000	Patent	80000
Long Term Loan from ICICI	250000	Advertisement Hoardings	150000
Current Liabilities		Current Assets	
Sundry Creditors	600000	Inventory	200000
Creditor for Freight	50000	Sundry Debtors	350000
Provision for Tax	504300	Bank	1472500
Provision for Dividend	50000	Cash	375000
Accumulated Depreciation	212500	Interest Receivable	16000
Total Liabilities	3843500	Total Assets	3843500

Disclaimer: This Document was created with my own assumptions to explain the concept of accounting and the names of the companies used in this Example like Parry Confectionery, Oracle are only to explain the accounting concept with data assumptions and none of the Company is not responsible for the Data provided in this article.