



ACCOUNTS

BOOKS - SULTAN CHAND & SONS ACCOUNTS (HINGLISH)

ACCOUNTING PROCEDURES - RULES OF DEBIT AND CREDIT

Illustrations

1. Classify the following accounts into Personal , Real and Nominal

Accounts :

(i) Cash

(ii) Bank

(iii) Outstanding Salaries

(iv) Sales

(v) Accrued Interest

(vi) Leasehold Property

(vii) Drawings

- (viii) Discount Received
- (ix) Bad Debts Written off
- (x) Purchases
- (xi) Bad Debts Recovered
- (xii) Plant and Machinery
- (xiii) Capital
- (xiv) Interest (Paid)
- (xv) Bank Overdraft
- (xvi) Prepaid Rent
- (xvii) Carriage Inwards
- (xviii) Goodwill



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2. State the nature of account (Personal , Real or Nominal) and show which will be credited :

- (i) Rent received
- (ii) Machinery purchased
- (iii) Goods purchased

(vi) Capital introduced

(v) Rent paid

(vi) Interest received

(vii) Building sold

(viii) Discount allowed

(ix) Goods sold



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3. From the following transactions ,state the nature of accounts and state which account will be debited and which account will be credited :

	₹
1. Mohan started business with cash	5,00,000
2. Purchased goods for cash	1,00,000
3. Sold goods for cash	1,50,000
4. Received interest from Ram in cash	500
5. Sold goods to Ashok	60,000
6. Purchased furniture for cash	50,000
7. Paid wages	20,000



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4. On which side will the increase in following accounts be recorded ?

Also , mention the nature of the account on the basis of Modern

Classification of Accounts :

(i) Buildings A/c

(ii) Creditor's A/c

(iii) Abhishek (Proprietor)

(iv) Purchase A/c

(v) Carriage Inwards A/c

(vi) Cash A/c

(vii) Rent Received A/c

(viii) Interest Payable A/c

(ix) Bills Payable A/c

(x) Debtors A/c

(xi) Accrued Commission A/c

(xii) Bills Receivable A/c



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5. Analyse the following transactions , state the nature of accounts and state which account will be debited and which account will be credited on the basis of Modern Classification of Accounts :

	₹
1. Dinesh started business with cash	5,00,000
2. Borrowed from Naresh	1,00,000
3. Purchased furniture for cash from Raj Furniture House	20,000
4. Purchased furniture from Delhi Safe	40,000
5. Purchased goods for cash	15,000
6. Purchased goods from Mahesh	30,000
7. Sold goods for cash to Karim	25,000
8. Sold goods to shyam on credit	30,000
9. Cash received from Shyam	20,000
10. Cash paid to Mahesh	10,000



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6. Analyse the following transactions, state the nature of accounts and state which account will be debited and which account will be credited:

	₹
1. Anuj started business with cash	1,00,000
2. Deposited cash into bank for opening an account	50,000
3. Withdrew cash for personal use	5,000
4. Withdrew cash from bank for office use	10,000
5. Received a cheque from debtor Shyam	5,000
6. Deposited Shyam's cheque next day.	
7. Paid to a creditor Mahesh by cheque	10,000
8. Paid salary to staff	20,000
9. Paid rent by cheque	6,000
10. Paid interest on loan	5,000

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7. Open a 'T' shape account for furniture and write the following transactions on the proper side

- | | | | |
|------------------------------|--------|----------------------------|-------|
| 1. Furniture purchased | 50,000 | | 2. |
| 3. Furniture purchased | 15,000 | 4. Old furniture discarded | 5,000 |
| 5. Depreciation of furniture | 3,000 | | |

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8. Open a 'T' shape account of a creditor , Mohan , and write the following transactions on the proper side :

	₹
1. Purchased goods from Mohan on credit	50,000
2. Paid to Mohan	30,000
3. Goods returned to Mohan	3,000
4. Repurchased goods from Mohan on credit	10,000

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9. Write the following transactions in Debtor's Account , Creditor's Account and Cash Account :

	₹	
1. Cash sales	50,000	2. Sold goods to X on credit
3. Cash received from X	56,000	4. Purchase goods from Y on credit
5. Paid to Y	30,000	6. Cash purchases from Y

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10. From the following particulars , prepare the account of D . Budhiraja , the proprietor of a business :

	₹
(i) Capital introduced	30,000
(ii) Drawings made by him	6,500
(iii) Further Capital introduced	22,000
(iv) Profits for the period	7,500

Balance the same and explain what the closing balance indicates .



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Higher Order Thinking Skills Hots

1. To record a purchase of an asset , why Asset Account is debited ?



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2. To record an increase in a Liability Account , it must be credited . Why ?



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3. When an asset is purchased in cash or an expense is incurred in cash , cash is debited . Why ?



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4. A liability is met by issuing a cheque . Which account will you credit and why ?



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5. Rent is paid for the month of April , 2019 in March , 2019 . The accounting year ended on 31st March , 2019 . The accountant has shown it on the assets side of the Balance Sheet. Has he given the correct treatment ? Give reasons.



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6. Ajay , a dealer in furniture , received advance against sales of tables and chairs . In your opinion how should this advance be treated and why ?



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7. Profit earned by the business means an increase in the proprietor's capital . Is it correct ?



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8. A debit balance always signifies a balance in the Assets Account . Is it correct ?



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9. A credit balance always signifies a balance in the Liabilities Account . Is it correct ?





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10. Name the side on which increase in Capital Account is recorded .



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11. Why are the rules of debit and credit same for liability and capital ?



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Multiple Choice Questions

1. Debit means

- A. an increase in asset
- B. an increase in liability
- C. an increase in the proprietor's equity

D. a decrease in asset

Answer: A



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2. Credit means

A. an increase in asset

B. an increase in liability

C. a decrease in liability

D. a decrease in proprietor's equity

Answer: B



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3. Sale of goods to Ram for cash is debited to

- A. Ram
- B. Cash A/c
- C. Sales A/c
- D. None of these

Answer: B

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4. Withdrawal of cash from business by the proprietor is credited to

- A. Drawings A/c
- B. Capital A/c
- C. Cash A/c
- D. Profit and Loss A/c

Answer: C

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5. Bank account is a

- A. Personal Account
- B. Real Account
- C. Nominal Account
- D. None of these

Answer: A



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6. Drawings Account is a

- A. Personal Account
- B. Real Account
- C. Nominal Account

D. None of these

Answer: A



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7. Goodwill account is a

A. Personal Account

B. Real Account

C. Nominal Account

D. None of these

Answer: B



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8. Which of the following accounts has a credit balance ?

- A. Carriage Inward
- B. Discount Received
- C. Carriage Account
- D. Discount Allowed

Answer: B

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9. Balance of Capital Account is shown as

- A. Capital Account
- B. Liability Account
- C. Revenue Account
- D. None of these

Answer: A

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10. Sundry Creditors Account is a

- A. Revenue Account
- B. Capital Account
- C. Liability Account
- D. None of these

Answer: C



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11. Sales Account is a

- A. Revenue Account
- B. Liability Account
- C. Capital Account

D. None of these

Answer: A



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12. Salaries Account is

A. an Expense Account

B. an Asset Account

C. a Liability Account

D. None of these

Answer: A



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13. Capital Account is a

- A. Natural Personal Account
- B. Artificial Personal Account
- C. Representative Personal Account
- D. None of these

Answer: A

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14. An increase in which of the following account will be recorded on the debit side ?

- A. Building Account
- B. Capital Account
- C. Bills Payable Account
- D. Rent Received Account

Answer: A

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15. Outstanding salary is a

- A. Real Account
- B. Personal Account
- C. Nominal Account
- D. None of these

Answer: B

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16. Nominal Accounts are related to

- A. Assets and Liabilities
- B. Expenses and Revenue
- C. Debtors and Creditors

D. None of these

Answer: B

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Very Short Answer Type Questions

1. What is an Account ?

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2. When is Capital Account debited ?

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3. When is Capital Account credited ?

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4. What is an Asset Account ?

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5. What is the rule for an Asset Account ?

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6. What is Liability Account ?

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7. What is the rule for Liability Account ?

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8. What are the two sides of an Account called ?

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9. What is the objective of preparing an Account ?

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10. What is the rule for Expense Account ?

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11. What is the rule for Revenue or Income Account ?

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12. Give two examples of Liability Account .



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13. Give two examples of Asset Account .



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14. Give two examples of Expense Account



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15. What does debit in an Asset Account signify ?



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16. What does credit in an Asset Account signify ?



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17. What does debit in an Expense Accounts signify ?

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18. What does credit in an Income Account signify ?

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19. What does credit balance in a Capital Account signify ?

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20. What is signified by a debit cash balance ?

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21. What is signified by a debit bank balance ?



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22. What is signified by a credit bank balance ?



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23. Is Capital Account a Personal Account or a Real Account ?



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Practical Problems

1. Following accounts are being maintained in the books of Shri Ashok .

Classify them into Personal , Real and Nominal Accounts :

(i) Land and Building

(ii) Excise Duty

(iii) Creditors

(iv) Capital

(v) Motor Vehicles

(vi) Goodwill

(vii) Investments

(viii) Salary

(ix) Debtors

(x) Bad Debts

(xi) Depreciation

(xii) Wages

(xiii) Repairs

(xiv) Ramesh , a debtor

(xv) Interest Received

(xvi) Bank Overdraft

(xvii) Purchase Returns

(xviii) Drawings

(xix) Freight

(xx) Return Inwards .



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

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



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3. Classify the following into Assets , Liabilities , Capital , Revenue and Expenses :

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



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4. On which side will the increase in the following accounts be recorded ?

Also , state the nature of the account :

(i) Furniture A/c (ii) Mohan (Proprietor)

(iii) Furniture A/c (iv) Purchases A/c

(v) Sales A/c (vi) Interest Paid A/c

(vii) Sohan (Creditor) (viii) Ram (Debtor)



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5. On which side will the decrease in the following accounts be recorded ?

Also state the nature of the account :

(i) Cash (ii) Bank Overdraft

(iii) Outstanding Salary paid (iv) Outstanding Rent

(v) Prepaid Insurance (vi) Mohan , Proprietor of the business



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

	₹
(i) Machinery purchased	40,000
(ii) Machinery sold	10,000
(iii) Machinery purchased	8,000
(iv) Machinery discarded	14,000
(v) Depreciation on machinery	1,000



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7. Open a 'T' shape Cash Account with the following transactions :

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



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

	₹
(i) Goods purchased from Rakesh on credit	50,000
(ii) Goods returned to Rakesh for	5,000
(iii) Paid to Rakesh	20,000
(iv) Purchased goods from Rakesh on credit	10,000



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

	₹
(i) Sold goods tp Brij on credit	25,000
(ii) Cash received from Brij	10,000
Discount allowed to him	500
(iii) Goods returned by Brij	5,000



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

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

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11. From the following particulars , prepare the proprietor's Capital Account :

	₹
1st April , 2018 - Commenced business with cash	2,00,000
31st March , 2019 - Net Loss as per Profit and Loss Account	18,000
31st March, 2019 - Drawings during the period	15,000

Balance the same and explain what the closing balance indicates .

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

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



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