

## Trading Business-Accounting Cycle

(Periodic Inventory System)

Your Choice

## General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
<b>2008</b>				
<b>Aug</b>				
	<b>1 Cash</b>		<b>500,000</b>	
	<b>Office Supplies</b>		<b>10,000</b>	
	<b>Furniture</b>		<b>40,000</b>	
	<b>Capital-Bhollo</b>			<b>550,000</b>
	<b>(Invested various assets into business)</b>			
	<b>1 Purchases</b>		<b>100,000</b>	
	<b>Freight-in</b>		<b>1,000</b>	
	<b>Cash</b>			<b>101,000</b>
	<b>(Purchased merchandise on cash and paid freight)</b>			
	<b>1 Purchases</b>		<b>300,000</b>	
	<b>Import Duty</b>		<b>10,000</b>	
	<b>Accounts Payable</b>			<b>300000</b>
	<b>Cash</b>			<b>10,000</b>
	<b>(Purchased merchandise on credit and paid import duty)</b>			
	<b>2 Prepaid Rent</b>		<b>40,000</b>	
	<b>Cash</b>			<b>40,000</b>
	<b>(Paid rent in advance)</b>			
	<b>3 Cash</b>		<b>1000</b>	
	<b>Accounts Payable</b>		<b>5000</b>	
	<b>Purchase Return and Allowance</b>			<b>6000</b>
	<b>(Returned defective goods on cash and on credit)</b>			

## Your Choice

## General Journal

Date		Account Titles and Explanation	Post Ref.	Debit	Credit
2008					
Aug	4	Accounts Payable		195000	
		Cash			194000
		Purchase Discount			1000
		(Made payment and availed discount)			
	6	Bank		30000	
		Cash			30000
		(Deposited cash into bank)			
	10	Cash		50000	
		Sales			50000
		(Sold goods on cash)			
	12	Accounts Receivable		150000	
		Sales			150000
		(Sold goods on credit)			
	12	Freight Expense		5000	
		Cash			5000
		(Paid Freight Expense)			

*Your Choice*  
*General Journal*

<i>Date</i>		<i>Account Titles and Explanation</i>	<i>Post Ref.</i>	<i>Debit</i>	<i>Credit</i>
<b>2008</b>					
<b>Aug</b>	<b>13</b>	<b>Sales Return and Allowance</b>		<b>5000</b>	
		<b>Cash</b>			<b>5000</b>
		<b>(To record sales return and allowance on cash)</b>			
	<b>13</b>	<b>Sales Return and Allowance</b>		<b>10000</b>	
		<b>Accounts Receivable</b>			<b>10000</b>
		<b>(To record sales return and allowance on credit)</b>			
	<b>18</b>	<b>Bank</b>		<b>98000</b>	
		<b>Sales Discount</b>		<b>2000</b>	
		<b>Accounts Receivable</b>			<b>100000</b>
		<b>(Collected cheque from customer deposited into bank and allowed discount)</b>			
	<b>20</b>	<b>Advertising Expense</b>		<b>1000</b>	
		<b>Bank</b>			<b>1000</b>
		<b>(Paid advertising expense by cheque)</b>			

## Your Choice

## General Journal

Date		Account Titles and Explanation	Post Ref.	Debit	Credit
2008					
Aug	23	Purchases		20000	
		Bank			20000
		(Purchased goods and paid by cheque)			
	25	Cash		60000	
		Sales			60000
		(Sold good on cash)			
	31	Utilities Expense		8000	
		Cash			8000
		(Paid utilities)			
	31	Salaries Expense		20000	
		Cash			20000
		(Paid salaries)			

## Your Choice General Ledger

### Cash

2008 Aug 1	Capital	500,000	2008 Aug 1	Purchases	100,000
3	Purchase Return & Allowance	1,000		Freight -in	1,000
10	Sales	50,000	1	Import Duty	10,000
25	Sales	60,000	2	Prepaid Rent	40,000
			4	Accounts Payable	194,000
			6	Bank	30,000
			12	Freight Expense	5,000
			13	Sales Return & Allowance	5,000
			31	Utilities Expense	8,000
			31	Salaries Expense	20,000
			31	Balance	198,000
		611,000			611,000
Sep 1	Balance	198,000			

### Bank

2008 Aug 6	Cash	30,000	2008 Aug 20	Advertising Expense	1,000
18	Accounts Receivable	98,000	23	Purchases	20,000
			31	Balance	107,000
		128,000			128,000
Sep 1	Balance	107,000			

### Accounts Receivable

2008 Aug 12	Sales	150,000	2008 Aug 13	Sales Return & Allowance	10,000
			18	Bank	98,000
				Sales Discount	2,000
			31	Balance	40,000
		150,000			150,000
Sep 1	Balance	40,000			

**Office Supplies**

2008 Aug 1	Capital	10,000			
			2008 Aug 31	Balance	10,000
		10,000			10,000
Sep 1	Balance	10,000			

**Prepaid Rent**

2008 Aug 2	Cash	40,000			
			2008 Aug 31	Balance	40,000
		40,000			40,000
Sep 1	Balance	40,000			

**Furniture**

2008 Aug 1	Capital	40,000			
			2008 Aug 31	Balance	40,000
		40,000			40,000
Sep 1	Balance	40,000			

**Accounts Payable**

2008 Aug 3	Purchase Return & Allowance	5,000	2008 Aug 1	Purchases	300,000
4	Cash	194,000			
	Purchase Discount	1,000			
31	Balance	100,000			
		300,000			300,000
			Sep 1	Balance	100,000

**Capital-Bhollo**

			2008 Aug 1	Cash	500,000
				Office Supplies	10,000
				Furniture	40,000
2008 Aug 31	Balance	550,000			
		550,000			550,000
			Sep 1	Balance	550,000

**Sales**

			2008 Aug 10	Cash	50,000
			12	Accounts Receivable	150,000
			25	Cash	60,000
2008 Aug 31	Balance	260,000			
		260,000			260,000
			Sep 1	Balance	260,000

**Sales Return & Allowance**

2008 Aug 13	Cash	5,000			
13	Accounts Receivable	10,000			
			2008 Aug 31	Balance	15,000
		15,000			15,000
Sep 1	Balance	15,000			

**Sales Discount**

2008 Aug 18	Accounts Receivable	2,000			
			2008 Aug 31	Balance	2,000
		2,000			2,000
Sep 1	Balance	2,000			

**Purchases**

2008 Aug 1	Cash	100,000			
1	Accounts Payable	300,000			
23	Bank	20,000			
			2008 Aug 31	Balance	420,000
		420,000			420,000
Sep 1	Balance	420,000			

**Purchase Return & Allowance**

			2008 Aug 3	Cash	1,000
				Accounts Payable	5,000
2008 Aug 31	Balance	6,000			
		6,000			6,000
			Sep 1	Balance	6,000

**Purchase Discount**

			2008 Aug 4	Accounts Payable	1,000
2008 Aug 31	Balance	1,000			
		1,000			1,000
			Sep 1	Balance	1,000



**Freight-in**

2008 Aug 1	Cash	1,000			
			2008 Aug 31	Balance	1,000
		1,000			1,000
Sep 1	Balance	1,000			

**Import Duty**

2008 Aug 1	Cash	10,000			
			2008 Aug 31	Balance	10,000
		10,000			10,000
Sep 1	Balance	10,000			

**Freight Expense**

2008 Aug 12	Cash	5,000			
			2008 Aug 31	Balance	5,000
		5,000			5,000
Sep 1	Balance	5,000			

**Advertising Expense**

2008 Aug 20	Bank	1,000			
			2008 Aug 31	Balance	1,000
		1,000			1,000
Sep 1	Balance	1,000			

**Utilities Expense**

2008 Aug 31	Cash	8,000			
			2008 Aug 31	Balance	8,000
		8,000			8,000
Sep 1	Balance	8,000			

**Salaries Expense**

2008 Aug 31	Cash	20,000			
			2008 Aug 31	Balance	20,000
		20,000			20,000
Sep 1	Balance	20,000			

**Your Choice****Pre-Closing Trial Balance****Aug 31, 2008****Rs.**

<b>S.no</b>	<b>Account Titles</b>	<b>A/c No.</b>	<b>Debit</b>	<b>Credit</b>
<b>1</b>	<b>Cash</b>		<b>198,000</b>	
<b>2</b>	<b>Bank</b>		<b>107,000</b>	
<b>3</b>	<b>Accounts Receivable</b>		<b>40,000</b>	
<b>4</b>	<b>Office Supplies</b>		<b>10,000</b>	
<b>5</b>	<b>Prepaid Rent</b>		<b>40,000</b>	
<b>6</b>	<b>Furniture</b>		<b>40,000</b>	
<b>7</b>	<b>Accounts Payable</b>			<b>100,000</b>
<b>8</b>	<b>Capital-Bhollo</b>			<b>550,000</b>
<b>9</b>	<b>Sales</b>			<b>260,000</b>
<b>10</b>	<b>Sales Return &amp; Allowance</b>		<b>15,000</b>	
<b>11</b>	<b>Sales Discount</b>		<b>2,000</b>	
<b>12</b>	<b>Purchases</b>		<b>420,000</b>	
<b>13</b>	<b>Purchase Return &amp; Allowance</b>			<b>6,000</b>
<b>14</b>	<b>Purchase Discount</b>			<b>1,000</b>
<b>15</b>	<b>Freight-in</b>		<b>1,000</b>	
<b>16</b>	<b>Import Duty</b>		<b>10,000</b>	
<b>17</b>	<b>Freight Expense</b>		<b>5,000</b>	
<b>18</b>	<b>Advertising Expense</b>		<b>1,000</b>	
<b>19</b>	<b>Utilities Expense</b>		<b>8,000</b>	
<b>20</b>	<b>Salaries Expense</b>		<b>20,000</b>	
	<b>Total</b>		<b>917,000</b>	<b>917,000</b>

## Your Choice General Journal

Date		Account Titles and Explanation	Post Ref.	Debit	Credit
<b>2008 Aug 31</b>		<b>(Adjustments)</b>			
	<b>1</b>	<b>Salaries Expense v</b>		<b>5,000</b>	
		<b>Salaries Payable</b>			<b>5,000</b>
		<b>(To adjust salaries expense)</b>			
	<b>2</b>	<b>Prepaid Salaries</b>		<b>10,000</b>	
		<b>Salaries Expense v</b>			<b>10,000</b>
		<b>(To record prepaid salaries)</b>			
	<b>3</b>	<b>Rent Expense</b>		<b>30,000</b>	
		<b>Prepaid Rent v</b>			<b>30000</b>
		<b>(To adjust prepaid rent)</b>			
	<b>4</b>	<b>Prepaid Advertising</b>		<b>500</b>	
		<b>Advertising Expense v</b>			<b>500</b>
		<b>(To adjust advertising expense)</b>			
	<b>5</b>	<b>Prepaid Freight</b>		<b>3,000</b>	
		<b>Freight Expense v</b>			<b>3000</b>
		<b>(To adjust freight expense)</b>			
	<b>6</b>	<b>Depreciation Expense</b>		<b>5,000</b>	
		<b>Accumulated Depreciation -Furniture</b>			<b>5,000</b>
		<b>(To record estimated depreciation)</b>			
	<b>7</b>	<b>Bad Debts Expense(40000x10%)</b>		<b>4,000</b>	
		<b>Allowance for Bad Debts</b>			<b>4,000</b>
		<b>(To record estimated bad debts)</b>			

<b>General Ledger</b>					
<b>(W-1) Salaries Expense</b>					
2008 Aug 31	Balance	20,000	2008 Aug 31(2)	Adj	10,000
1	Adj	5,000			
<b>Balance</b>	<b>15,000</b>				
<b>(W-2) Prepaid Rent</b>					
2008 Aug 31	Balance	40,000	2008 Aug 31(3)	Adj	30,000
<b>Balance</b>	<b>10,000</b>				
<b>(W-3) Advertising Expense</b>					
2008 Aug 31	Balance	1,000	2008 Aug 31(4)	Adj	500
<b>Balance</b>	<b>500</b>				
<b>(W-4) Freight Expense</b>					
2008 Aug 31	Balance	5,000	2008 Aug 31(5)	Adj	3,000
<b>Balance</b>	<b>2,000</b>				

**Your Choice**  
**Adjusted Trial Balance**

**Aug 31, 2008**

**Rs.**

S.no	Account Titles	A/c No.	Debit	Credit
1	Cash		198,000	
2	Bank		107,000	
3	Accounts Receivable		40,000	
4	Allowance for Bad Debts			4,000
5	Office Supplies		10,000	
6	Prepaid Rent (W-2)		10,000	
7	Prepaid Salaries		10,000	
8	Prepaid Advertising		500	
9	Prepaid Freight		3,000	
10	Furniture		40,000	
11	Accumulated Depreciation -Furniture			5,000
12	Accounts Payable			100,000
13	Salaries Payable			5,000
14	Capital-Bhollo			550,000
15	Sales			260,000
16	Sales Return & Allowance		15,000	
17	Sales Discount		2,000	
18	Purchases		420,000	
19	Purchase Return & Allowance			6,000
20	Purchase Discount			1,000
21	Freight-in		1,000	
22	Import Duty		10,000	
23	Freight Expense (W-4)		2,000	
24	Salaries Expense (W-1)		15,000	
25	Utilities Expense		8,000	
26	Advertising Expense (W-3)		500	
27	Depreciation Expense		5,000	
28	Rent Expense		30,000	
29	Bad Debts Expense		4,000	
	<b>Total</b>		<b>931,000</b>	<b>931,000</b>

## Your Choice

## Income Statement

For the period ended Aug 31, 2008

Rs.

<b>Revenue</b>					
Sales				260,000	
Less: Sales Return & Allowance		15,000			
Sales Discount		<u>2,000</u>	<u>(17,000)</u>		
Net Sales					243,000
<b>Less: Cost of Goods Sold</b>					
Add: Purchases				420,000	
Less: Purchase Return & Allowance		6,000			
Purchase Discount		<u>1,000</u>	<u>(7,000)</u>		
Net Purchases				413,000	
Add: Freight-in		1,000			
Import Duty		<u>10,000</u>	<u>11,000</u>		
Cost of Goods available for Sale				424,000	
Less: Ending Inventory			<u>(263,667)</u>		
Cost of Goods Sold					<u>(160,333)</u>
Gross Profit					82,667
<b>Less: Operating Expenses:</b>					
Freight Expense (W-4)				2,000	
Salaries Expense (W-1)				15,000	
Utilities Expense				8,000	
Advertising Expense (W-3)				500	
Depreciation Expense				5,000	
Rent Expense				30,000	
Bad Debts Expense				<u>4,000</u>	
Total Operating Expense					<u>(64,500)</u>
<b>Net Income</b>					<b><u>18,167</u></b>

## Your Choice General Journal

Date		Account Titles and Explanation	Post Ref.	Debit	Credit
2008 Aug 31	1	(Closing)			
		Sales		260,000	
		Purchase Return & Allowance		6,000	
		Purchase Discount		1,000	
		Ending Inventory		263,667	
		Income Summary			530,667
		(To close sales account, contra expense accounts and record ending inventory)			
	2	Income Summary		512,500	
		Sales Return & Allowance			15,000
		Sales Discount			2,000
		Purchases			420,000
		Freight-in			1,000
		Import Duty			10,000
		Freight Expense(W-4)			2,000
		Salaries Expense(W-1)			15,000
		Utilities Expense			8,000
		Advertising Expense(W-3)			500
		Depreciation Expense			5,000
		Bad Debts Expense			4,000
		Rent Expense			30,000
		(To close contra revenue accounts and all expense accounts)			
	3	Income Summary		18,167	
		Capital-Bhollo			18,167
		(To adjust capital account)			



**Your Choice  
General Ledger  
Income Summary**

2008 Aug 31 (2)	Sales Return & Allowance	15,000	2008 Aug 31(1)	Sales	260,000
	Sales Discount	2,000		Purchase Return & Allowance	6,000
	Purchases	420,000		Purchase Discount	1,000
	Freight-in	1,000		Ending Inventory	263,667
	Import Duty	10,000			
	Freight Expense(W-4)	2,000			
	Salaries Expense(W-1)	15,000			
	Utilities Expense	8,000			
	Advertising Expense(W-3)	500			
	Depreciation Expense	5,000			
	Bad Debts Expense	4,000			
	Rent Expense	30,000			
(3)	Capital	18,167			
		530,667			530,667

**Closing Process:**

- 1 Step no 1: Close all accounts with credit balances by debiting them and transfer their balances from them to income summary account by crediting it.
- 2 Step no 2: Close all accounts with debit balances by crediting them and transfer their balances from them to income summary account by debiting it.
- 3 Step no 3: Close 'Income Summary Account':
  - a) If Revenue > Expense i.e. Income Summary Account has credit balance(Net Income), close it by debiting it and transfer its balance into 'Capital Account' by crediting it.
  - b) If Expense > Revenue i.e. Income Summary Account has debit balance(Net Loss), close it by crediting it and transfer its balance into 'Capital Account' by debiting it.
- 4 Step no 4: Close 'Drawing Account':
  - Close 'Drawing Account' by crediting it and transfer its balance into 'Capital Account' by debiting it.

**Your Choice****Post-Closing Trial Balance****Aug 31, 2008****Rs.**

<b>S.no</b>	<b>Account Titles</b>	<b>A/c No.</b>	<b>Debit</b>	<b>Credit</b>
<b>1</b>	<b>Cash</b>		<b>198,000</b>	
<b>2</b>	<b>Bank</b>		<b>107,000</b>	
<b>3</b>	<b>Accounts Receivable</b>		<b>40,000</b>	
<b>4</b>	<b>Allowance for Bad Debts</b>			<b>4,000</b>
<b>5</b>	<b>Ending Inventory</b>		<b>263,667</b>	
<b>6</b>	<b>Office Supplies</b>		<b>10,000</b>	
<b>7</b>	<b>Prepaid Rent (W-2)</b>		<b>10,000</b>	
<b>8</b>	<b>Prepaid Salaries</b>		<b>10,000</b>	
<b>9</b>	<b>Prepaid Advertising</b>		<b>500</b>	
<b>10</b>	<b>Prepaid Freight</b>		<b>3,000</b>	
<b>11</b>	<b>Furniture</b>		<b>40,000</b>	
<b>12</b>	<b>Accumulated Depreciation -Furniture</b>			<b>5,000</b>
<b>13</b>	<b>Accounts Payable</b>			<b>100,000</b>
<b>14</b>	<b>Salaries Payable</b>			<b>5,000</b>
<b>15</b>	<b>Capital-Bhollo</b>			<b>568,167</b>
	<b>Total</b>		<b>682,167</b>	<b>682,167</b>

Your Choice

Balance Sheet

As on Aug 31, 2008

Rs.

ASSETS				EQUITIES			
<u>Current Assets</u>				<u>Liabilities</u>			
Cash		198,000		Accounts Payable		100,000	
Bank		107,000		Salaries Payable		<u>5,000</u>	
Accounts Receivable	40,000			Total Liabilities			105,000
Less: Allowance for Bad Debts	<u>(4,000)</u>	36,000					
Ending Inventory		263,667		<u>Owner's Equity</u>			
Office Supplies		10,000		Capital-Beg		550,000	
Prepaid Rent (W-2)		10,000		Add: Net Income		<u>18,167</u>	
Prepaid Salaries		10,000		Total Owner's Equity			568,167
Prepaid Advertising		500					
Prepaid Freight		<u>3,000</u>					
Total Current Assets			638,167				
<u>Non-Current Assets</u>							
Furniture		40,000					
Less: Accumulated Depreciation		<u>(5,000)</u>					
Total Non-Current Assets			35,000				
<b>Total Assets</b>			<b><u>673,167</u></b>	<b>Total Equities</b>			<b><u>673,167</u></b>

# Your Choice General Journal

Date		Account Titles and Explanation	Post Ref.	Debit	Credit
2008 Sep		(Opening)			
	1	Cash		198,000	
		Bank		107,000	
		Accounts Receivable		40,000	
		Ending Inventory		263,667	
		Office Supplies		10,000	
		Prepaid Rent(W-2)		10,000	
		Prepaid Salaries		10,000	
		Prepaid Advertising		500	
		Prepaid Freight		3,000	
		Furniture		40,000	
		Allowance for Bad Debts			4,000
		Accumulated Depreciation-Furniture			5,000
		Accounts Payable			100,000
		Salaries Payable			5,000
		Capital-Bhollo			568,167
		(To open all accounts)			