

Trading Business-Accounting Cycle (Perpetual Inventory System)

Your Choice

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
2008 Aug	1 Cash		500,000	
	Office Supplies		10,000	
	Furniture		40,000	
	Capital-Bhollo			550,000
	(Invested various assets into business)			
	1 Merchandise		101,000	
	Cash			101,000
	(Purchased merchandise on cash and paid frieght)			
	1 Merchandise		310,000	
	Accounts Payable			300000
	Cash			10,000
	(Purchased merchandise on credit and paid import duty)			
	2 Prepaid Rent		40,000	
	Cash			40,000
	(Paid rent in advance)			

Your Choice

General Journal

Date		Account Titles and Explanation	Post Ref.	Debit	Credit
2008					
Aug	3	Cash		1000	
		Accounts Payable		5000	
		Merchandise			6000
		(Returned defective goods on cash and on credit)			
	4	Accounts Payable		195000	
		Cash			194000
		Merchandise			1000
		(Made payment and availed discount)			
	6	Bank		30000	
		Cash			30000
		(Deposited cash into bank)			
	10	Cash		50000	
		Sales			50000
		(Sold goods on cash)			
	10	Cost of Goods Sold		30000	
		Merchandise			30000
		(To record cost of sales)			

Your Choice
General Journal

Date		Account Titles and Explanation	Post Ref.	Debit	Credit
2008					
Aug	12	Accounts Receivable		150000	
		Sales			150000
		(Sold goods on credit)			
	12	Cost of Goods Sold		100000	
		Merchandise			100000
		(To record cost of sales)			
	12	Freight Expense		5000	
		Cash			5000
		(Paid Freight Expense)			
	13	Sales Return and Allowance		5000	
		Cash			5000
		(To record sales return and allowance on cash)			
	13	Merchandise		3000	
		Cost of Goods Sold			3000
		(To record cost of merchandise returned)			

Your Choice
General Journal

Date		Account Titles and Explanation	Post Ref.	Debit	Credit
2008					
Aug	13	Sales Return and Allowance		10000	
		Accounts Receivable			10000
		(To record sales return and allowance on credit)			
	13	Merchandise		6667	
		Cost of Goods Sold			6667
		(To record cost of merchandise returned)			
	18	Bank		98000	
		Sales Discount		2000	
		Accounts Receivable			100000
		(Collected cheque from customer deposited into bank and allowed discount)			
	20	Advertising Expense		1000	
		Bank			1000
		(Paid advertising expense by cheque)			
	23	Merchandise		20000	
		Bank			20000
		(Purchased goods and paid by cheque)			

Your Choice

General Journal

Date		Account Titles and Explanation	Post Ref.	Debit	Credit
2008					
Aug	25	Cash		60000	
		Sales			60000
		(Sold good on cash)			
	25	Cost of Goods Sold		40000	
		Merchandise			40000
		(To record cost of sales)			
	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	Merchandise	101,000
3	Merchandise	1,000	1	Merchandise	10,000
10	Sales	50,000	2	Prepaid Rent	40,000
25	Sales	60,000	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	Merchandise	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			

Merchandise					
2008 Aug 1	Cash	101,000	2008 Aug 3	Cash	1,000
1	Accounts Payable	300,000		Accounts Payable	5,000
	Cash	10,000	4	Accounts Payable	1,000
13	Cost of Goods Sold	3,000	10	Cost of Goods Sold	30,000
13	Cost of Goods Sold	6,667	12	Cost of Goods Sold	100,000
23	Bank	20,000	25	Cost of Goods Sold	40,000
			31	Balance	263,667
		440,667			440,667
Sep 1	Balance	263,667			
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	Merchandise	5,000	2008 Aug 1	Accounts Payable	300,000
4	Cash	194,000			
	Merchandise	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			

Cost of Goods Sold

2008 Aug 10	Merchandise	30,000	2008 Aug 13	Merchandise	3,000
12	Merchandise	100,000	13	Merchandise	6,667
25	Merchandise	40,000			
			31	Balance	160,333
		170,000			170,000
Sep 1	Balance	160,333			

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****Rz.**

S.no	Account Titles	A/c No.	Debit	Credit
1	Cash		198,000	
2	Bank		107,000	
3	Accounts Receivable		40,000	
4	Merchandise		263,667	
5	Office Supplies		10,000	
6	Prepaid Rent		40,000	
7	Furniture		40,000	
8	Accounts Payable			100,000
9	Capital-Bhollo			550,000
10	Sales			260,000
11	Sales Return & Allowance		15,000	
12	Sales Discount		2,000	
13	Cost of Goods Sold		160,333	
14	Freight Expense		5,000	
15	Advertising Expense		1,000	
16	Utilities Expense		8,000	
17	Salaries Expense		20,000	
	Total		910,000	910,000

Your Choice General Journal

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

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

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	Inventory		263,667	
6	Office Supplies		10,000	
7	Prepaid Rent (W-2)		10,000	
8	Prepaid Salaries		10,000	
9	Prepaid Advertising		500	
10	Prepaid Freight		3,000	
11	Furniture		40,000	
12	Accumulated Depreciation -Furniture			5,000
13	Accounts Payable			100,000
14	Salaries Payable			5,000
15	Capital-Bhollo			550,000
16	Sales			260,000
17	Sales Return & Allowance		15,000	
18	Sales Discount		2,000	
19	Cost of Goods Sold		160,333	
20	Freight Expense (W-4)		2,000	
21	Salaries Expense (W-1)		15,000	
22	Utilities Expense		8,000	
23	Advertising Expense (W-3)		500	
24	Depreciation Expense		5,000	
25	Rent Expense		30,000	
26	Bad Debts Expense		4,000	
	Total		924,000	924,000

Your Choice

Income Statement

For the period ended Aug 31, 2008 Rs.

Revenue

Sales		260,000	
Less: Sales Return & Allowance	15,000		
Sales Discount	<u>2,000</u>	<u>(17,000)</u>	
Net Sales			243,000
Less: Cost of Goods Sold			<u>(160,333)</u>
Gross Profit			82,667
Less: Operating Expenses:			
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>
Net Income			<u>18,167</u>

Your Choice

General Journal

Rs.

Date		Account Titles and Explanation	Post Ref.	Debit	Credit
2008 Aug 31		(Closing)			
	1	Sales		260,000	
		Income Summary			260,000
		(To close sales account)			
	2	Income Summary		241,833	
		Sales Return and Allowance			15,000
		Sales Discount			2,000
		Cost of Goods Sold			160,333
		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			4,000
		(To close contra revenue accounts and all expense accounts)			
	3	Income Summary		18,167	
		Capital-Bhollo			18,167
		(To close income summary 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			
	Cost of Goods Sold	160,333			
	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	4,000			
(3)	Capital	18,167			
		260,000			260,000

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
Statement of Changes in Owner's Equity
For the period ended Aug 31, 2008 **Rs.**

Capital-Beg			550,000
Add: Net Income			18,167
Capital-End			568,167

Your Choice**Post-Closing 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	Inventory		263,667	
6	Office Supplies		10,000	
7	Prepaid Rent (W-2)		10,000	
8	Prepaid Salaries		10,000	
9	Prepaid Advertising		500	
10	Prepaid Freight		3,000	
11	Furniture		40,000	
12	Accumulated Depreciation -Furniture			5,000
13	Accounts Payable			100,000
14	Salaries Payable			5,000
15	Capital-Bhollo			568,167
	Total		682,167	682,167

**Your Choice
Balance Sheet
As on Aug 31, 2008**

Rs.

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

Your Choice

General Journal

Rs.

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
2008 Sep	(Opening)			
	1 Cash		198,000	
	Bank		107,000	
	Accounts Receivable		40,000	
	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)			