Recording of Transactions – I

Standard difficulty · 20 questions · 40 marks · Time: 45 minutes

Name: _____ Date: _____ Score: ____ / 40

Show your working for Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. An increase in an asset is recorded on the:
(a) either side **(b)** neither side **(c)** credit side **(d)** debit side

2. Paid salaries in cash ₹23,000. Which journal entry records this transaction?
(a) Salaries A/c Dr.; To Cash A/c **(b)** Cash A/c Dr.; To Salaries A/c
(c) Salaries A/c Dr.; To Capital A/c **(d)** Drawings A/c Dr.; To Cash A/c

3. Received commission in cash ₹5,500. What is its effect on the accounting equation?
(a) Assets −₹5,500, Liabilities no change, Capital −₹5,500
(b) Assets +₹5,500, Liabilities +₹5,500, Capital no change
(c) Assets no change, Liabilities no change, Capital no change
(d) Assets +₹5,500, Liabilities no change, Capital +₹5,500

4. Interest Received A/c is an account of the type:
(a) revenue **(b)** asset **(c)** liability **(d)** expense

5. When a liability decreases, the account is:
(a) balanced **(b)** debited **(c)** closed **(d)** not recorded

6. A business has these transactions: Started business with cash ₹2,70,000. The owner took goods for personal use costing ₹2,500. Received commission in cash ₹6,000. Bought goods on credit from Pooja ₹35,000. What are its total assets now?
(a) ₹3,08,500 **(b)** ₹3,43,500 **(c)** ₹3,07,500 **(d)** ₹3,44,500

7. These cash transactions are posted to the cash account: Started business with cash ₹2,20,000. Deposited cash into the bank ₹30,000. Withdrew cash for personal use ₹5,000. Paid salaries in cash ₹13,500. What is the balance of the cash account?
(a) ₹2,20,000 **(b)** ₹2,31,500 **(c)** ₹1,70,500 **(d)** ₹1,71,500

8. The source document for goods returned to a supplier is a:
(a) pay-in-slip **(b)** debit note **(c)** cheque **(d)** receipt

Section B — Short answer — 8 × 2 = 16 marks

9. What is a source document? Give two examples.

10. Write the journal entry with narration: Received commission in cash ₹4,500.

11. Journalise: The owner took goods for personal use costing ₹4,000.

12. Show the accounting equation after these transactions. Find (a) assets (b) liabilities (c) capital. (1) Started business with cash ₹2,80,000. (2) The owner took goods for personal use costing ₹1,000. (3) Bought goods on credit from Asha ₹5,000.

13. Is each an asset, liability, capital, expense or revenue account? (a) Rent A/c (b) Commission Received A/c

14. Is the account debited or credited? (a) when an asset decreases (b) when a liability decreases

15. Goods were sold on credit to Neel for ₹13,500 and ₹24,500; Neel paid ₹6,000 in cash. (a) What is the balance of Neel's account? (b) Is it a debit or a credit balance?

16. A business starts with cash ₹1,30,000, takes a bank loan of ₹35,000 (into the bank account) and buys goods on credit for ₹9,000. Find (a) assets (b) liabilities (c) capital.

Section C — Word problems — 4 × 4 = 16 marks

17. Explain the rules of debit and credit for all five kinds of accounts.

18. Journalise these transactions of a new business: (1) Started business with cash ₹2,10,000. (2) The owner took goods for personal use costing ₹4,000. (3) Paid salaries in cash ₹8,000. (4) Took a loan from the bank, credited to the bank account, ₹30,000. (5) Bought goods on credit from Kabir ₹27,000.

19. Show the accounting equation after each transaction: (1) Started business with cash ₹2,90,000. (2) Deposited cash into the bank ₹24,000. (3) Withdrew cash from the bank for office use ₹7,000. (4) Withdrew cash for personal use ₹9,500. (5) Received commission in cash ₹5,500.

20. Post these transactions to the cash account and balance it: (1) Started business with cash ₹2,50,000. (2) Paid rent in cash ₹9,000. (3) Sold goods for cash ₹20,000. (4) Withdrew cash for personal use ₹4,000. (5) Paid salaries in cash ₹21,500.

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Answer key

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Q	Answer	Working
1	**(d) debit side**	—
2	**(a) Salaries A/c Dr.; To Cash A/c**	Salaries A/c Dr. ₹23,000 To Cash A/c ₹23,000 (Being salaries paid)
3	**(d) Assets +₹5,500, Liabilities no change, Capital +₹5,500**	A = L + C after the change
4	**(a) revenue**	—
5	**(b) debited**	—
6	**(a) ₹3,08,500**	Capital ₹2,73,500 + liabilities ₹35,000 = ₹3,08,500
7	**(d) ₹1,71,500**	Cash A/c Dr. side: To Capital A/c ₹2,20,000 Cr. side: By Bank A/c ₹30,000; By Drawings A/c ₹5,000; By Salaries A/c ₹13,500; By Balance c/d ₹1,71,500 Totals: ₹2,20,000 on each side. Balance: ₹1,71,500 debit, brought down as “To Balance b/d”.
8	**(b) debit note**	—
9	**A written document that gives evidence of a transaction: cash memo, invoice, receipt, pay-in-slip or cheque.**	—
10	**Cash A/c Dr. ₹4,500 To Commission Received A/c ₹4,500 (Being commission received)**	Debit the account that receives or increases in assets/expenses; credit the giver or the source
11	**Drawings A/c Dr. ₹4,000 To Purchases A/c ₹4,000 (Being goods taken for personal use)**	—
12	**(a) ₹2,84,000; (b) ₹5,000; (c) ₹2,79,000**	A ₹2,84,000 = L ₹5,000 + C ₹2,79,000
13	**(a) expense (b) revenue**	—
14	**(a) credited (b) debited**	—
15	**(a) ₹32,000; (b) debit**	Neel A/c Dr. side: To Sales A/c ₹13,500; To Sales A/c ₹24,500 Cr. side: By Cash A/c ₹6,000; By Balance c/d ₹32,000 Totals: ₹38,000 on each side. Balance: ₹32,000 debit, brought down as “To Balance b/d”.
16	**(a) ₹1,74,000; (b) ₹44,000; (c) ₹1,30,000**	A ₹1,74,000 = L ₹44,000 + C ₹1,30,000
17	**Assets and expenses increase with a debit and decrease with a credit; liabilities, capital and revenues increase with a credit and decrease with a debit.**	—
18	**(i) Cash A/c Dr. ₹2,10,000 To Capital A/c ₹2,10,000 (Being business started with cash) (ii) Drawings A/c Dr. ₹4,000 To Purchases A/c ₹4,000**	—

Q	Answer	Working
	(Being goods taken for personal use) **(iii) Salaries A/c Dr. ₹8,000** **To Cash A/c ₹8,000** **(Being salaries paid)** **(iv) Bank A/c Dr. ₹30,000** **To Bank Loan A/c ₹30,000** **(Being loan taken from the bank)** **(v) Purchases A/c Dr. ₹27,000** **To Kabir A/c ₹27,000** **(Being goods bought on credit from Kabir)** **Total of the journal: Dr. ₹2,79,000 = Cr. ₹2,79,000**	
19	**(1) A ₹2,90,000 = L ₹0 + C ₹2,90,000** **(2) A ₹2,90,000 = L ₹0 + C ₹2,90,000** **(3) A ₹2,90,000 = L ₹0 + C ₹2,90,000** **(4) A ₹2,80,500 = L ₹0 + C ₹2,80,500** **(5) A ₹2,86,000 = L ₹0 + C ₹2,86,000**	Each line still balances: A = L + C
20	**Cash A/c** **Dr. side: To Capital A/c ₹2,50,000; To Sales A/c ₹20,000** **Cr. side: By Rent A/c ₹9,000; By Drawings A/c ₹4,000; By Salaries A/c ₹21,500; By Balance c/d ₹2,35,500** **Totals: ₹2,70,000 on each side.** **Balance: ₹2,35,500 debit, brought down as “To Balance b/d”.**	Receipts ₹2,70,000 − payments ₹34,500