

**Ist Internal Examination, 2019**  
**BBA I Year**  
**Financial Accounting**  
**Set B**

**A. Multiple Choice Questions**

[1\*10=10]

1. (b) Set
2. The Process of transferring the debit and credit items from a Journal to their respective accounts in the Ledger is termed as-  
 (b) Posting
3. Mathematically
4. (a) True
5. Balancing
6. (a) Credits
7. (c) Journal Proper
8. (a) Purchases
9. (c) Fixed Instalment Method
10. (c) Depreciation fund account

**B. Long type Questions:**

1.

Trial Balance

	Debit Amount	Credit Amount
Capital		1,00,000
Building	15,000	
Furniture	7,500	
Motor vehicle	25,000	
Opening Stock	40,000	
Office Exp.	15,000	
Carriage Inward	3,000	
Cash at Bank	20,600	
Drawings	18,000	
Loan from Hari		15,000
Sales		1,00,000
Bad Debts	450	
Purchases	75,000	
Commission Received	9,500	9,500
Sundry Debtors	60,000	
Sundry Creditors		55,050
Suspense		10,000
<b>Total</b>	<b>2,89,050</b>	<b>2,89,050</b>

2.

2014			2014		
April 1	To Bank a/c	30,000	Dec 31	By Depreciation a/c	2,750
Oct 1	To Bank a/c	20,000	Dec 31	(2250+500)	
				By Balance c/d	46,750
				(27750+19500)	
		50,000			50,000
2015			2015		
Jan 1	To Balance b/d (27750 +19500)	47,250	Dec 31	By Depreciation a/c	5,225
July 1	To Bank a/c	10,000	Dec 31	(2775 + 1950 + 500)	
				By Balance c/d	52,025
		57,250			57,250
2016			2016		
Jan 1	To Balance b/d (24975 + 17550 + 9500)	52,025	Jan 1	By Bank a/c	3,000
				By P&L a/c (loss)	5,325
				By Depreciation a/c	4,370
				By Balance c/d	39,330
		52,025			52,025

3.

A journal entry is the record of a financial transaction entered into a journal. The journal details all the financial transactions of the business and it makes note of which accounts these transactions affected. All journal entries are made using either the double entry or single entry method of bookkeeping.

Journal entries are typically entered in chronological order and debits are entered before credits – debits are entered in a column to the left, and credits are entered to the right. Journal entries are assigned to specific accounts using a chart of accounts, and the journal entry is then recorded in a ledger. The ledger keeps track of multiple accounts.

### **The Purpose of Journal Entries**

Journal entries provide foundational information for all of a business's other financial reports. They're used by auditors to analyze how financial transactions impact a business.

Each entry should include the date of the transaction, the parties involved, a debit from at least one account, a credit to at least one other account, a receipt or check number, and a memo describing other details involved in the transaction – anything you might not be likely to remember months or years later.

If you purchase and use accounting system software, it will most likely take care of all these details for you. But you should be able to handle your journal entries and ledger yourself with some basic understanding of the process if you don't think that kind of expense is necessary quite yet because you're just starting out.

## **Rules Of Journalizing Or Rules Of Debit And Credit**

Under the double entry system, every financial transactions of a business has a double effect. That is, each transaction involves at least two accounts. One aspect of the transaction is debited in an account and the other credited in another account. The debiting and crediting of the accounts are done on the basis of certain rules. These rules are called rules of journalizing i.e debit and credit. There are two alternative bases for the rules of debit and credit such as follows.

1. Rules Of Debit And Credit Based On The Types Of Account
2. Rules Of Debit And credit Based On The Accounting Equation

### ***1. Rules Of Debit And Credit Based On The Types Of Account***

Under double-entry system an account is classified into three types. They are personal account, real account and nominal account. For each of these types of account, there are three separate rules of debiting and crediting the financial transactions. The rules of debit and credit under different types of account are as follows.

#### **A. Personal Account**

Personal account is a account of a person. A person can be a natural person such as people like us, an artificial person such as firms, organizations and institutions and a representative person such as debtors and creditors. Since a person, be it a natural, artificial or representative, can be the receiver of benefits or giver of benefits, the rule of debiting and crediting the account of the person is as follows:

**\* Debit the receiver of benefits**

**\* Credit the giver of benefits**

This rule states that whenever a person receives benefits is debited by the amount of the benefit received. On the contrary, whenever the person gives the benefits is credited by the amount of benefits given. For example, if cash is paid to Michael (Michael is a natural person), his account (Michael's account) is debited since he is the receiver of the benefit (cash). If cash is received from City Enterprises (City Enterprises is an artificial person), its account (City enterprises account) is credited because it is the giver of benefits (cash).