

### **From unit III Processing and reporting Business Transactions**

The solution to this question journal entries, T accounts & Trail Balance

#### **2018 Fall Q. No. 11**

Kantipur Delivery Service is incorporated on January 2, 2018, and enters into the following transactions during its first month of operations:

January 2: Filed articles of incorporation with the state and issued 100,000 shares of capital stock. Cash of Rs. 100,000 is received from the new owners for the shares.

Jan 3: Purchased a warehouse and land for Rs. 80,000 in cash. An appraiser values the land at Rs. 20,000 and the warehouse at Rs. 60,000.

Jan 4: Signed a three-year promissory note at Third State Bank in the amount of Rs. 50,000.

Jan 6: Purchased five new delivery trucks for a total of Rs. 45,000 in cash.

Jan 15: Performed services on account that amount to Rs. 16,000 during the month.

Jan 25: Cash amounting to Rs. 7,500 was received from customers on the account during the month.

Jan 31: Established an open account at a local service station at the beginning of the month. Purchases of gas and oil during January amounted to Rs. 3000. Kantipur has until the 10<sup>th</sup> of the following month.

Required

1. Prepare journal entries for each transaction.
2. Post each transaction to the appropriate T accounts.
3. Prepare trail balance.

### **The solution to this question journal entries, T accounts & Trail Balance**

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**a.**

**Journal entries**

**In the book of Kantipur Delivery Service Incorporation**

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Jan 2   Cash a/c           Dr.      Rs. 100,000

                            Share capital a/c           Rs. 100,000

(To record the issue of shares on cash and paid up)

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Jan 3   Land a/c           Dr.      Rs. 20,000

            Warehouse a/c           Dr.      Rs. 60,000

                            Cash a/c                      Rs. 80,000

(To record the purchase of land and warehouse on cash)

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Jan 4   Cash a/c           Dr.      Rs. 50,000

                            Notes payable a/c           Rs. 50,000

(To record the exchange of notes for cash)

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Jan 6   Delivery trucks a/c    Dr.      Rs. 45,000

                            Cash a/c                      Rs. 45,000

(To record the purchase of five new delivery trucks on cash)

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Jan 15  Account receivable a/c  Dr.      Rs. 16,000

                            Service revenue a/c                      Rs. 16,000

(To record the service performed on account)

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Jan25   Cash a/c           Dr.              Rs. 7,500

Account receivable a/c                   Rs. 7,500

(To record the cash due received from service provided)

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Jan 31 Utility expenses a/c   Dr.       Rs.3,000

  Utilities payable a/c                   Rs.3,000

(To record the utility expenses payable)

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### **b. T accounts**



## T accounts

<u>Cash Acc Cr</u>	
(2) 100,000	80,000 (3)
(4) 50,000	45,000 (6)
(25) 7,500	
b/d 32,500	

<u>Share capital Acc Cr</u>	
100,000 (2)	
b/d 100,000	

<u>Land Acc Cr</u>	
(3) 20,000	
b/d 20,000	

<u>Warehouse Acc Cr</u>	<u>Notes payable Acc Cr</u>
(3) 60,000	50,000 (4)
b/d 60,000	50,000 b/d

<u>Delivery truck Cr</u>	<u>Account Receivable Cr</u>
(6) 45,000	(15) 16,000
(b/d) 45,000	7,500 (25)
	b/d 8,500

<u>Service revenues Cr</u>	
16,000 (5)	
16,000 (b/d)	

<u>Utilities expenses Cr</u>	
(31) 3,000	
b/d 3,000	

<u>Utilities payable Cr</u>	
3,000 (31)	
3,000 (b/d)	

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c.

**Trail Balance**

**In the book of Kantipur Delivery Service**

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<b>Particulars</b>	<b>Dr. Amount Rs.</b>	<b>Cr. Amount Rs.</b>
Cash a/c	Rs. 32,500	
Share capital a/c		Rs. 100,000
Land a/c	20,000	
Warehouse a/c	60,000	
Notes payable a/c		50,000
Delivery trucks a/c	45,000	
Account receivable a/c	8,500	
Service revenue a/c		16,000
Utility expenses a/c	3,000	
Utilities payable a/c		3000
<b>Total Rs.</b>	<b>Rs.1, 69,000</b>	<b>Rs.1, 69,000</b>

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