

## Financial Accounting I -IV

BBA | BBA-BI | BBA-TT | BCIS 1st

### PU 2012 Spring Q. No. 2

Three members started a small firm in Pokhara Valley. The firm will provide consultancy service to small business. The following are the transactions during the first month of its operation.

Jan 1: Deposited Rs. 25,000 from each of the members in a bank in the exchange of shares @ of Rs. 100 each to start the business.

Jan 5: Purchased office supplies on account for Rs. 5,000.

Jan 10: Signed a promissory note and received cash Rs. 10,000 from the bank. The interest on the note is 12% payable at end.

Jan 12: Cash received from the customers for service to be provide in future Rs. 2,000.

Jan 15: Billed customers for service provided for Rs. 2,500. The amount of bill will be received after a week.

Jan 18: Paid Rs. 1,500 for advertisement to Kantipur Advertising Agency.

Jan 22: Received the amount billed the client on Jan 15.

Jan 26: Received cash of Rs. 2,800 for service provided during the month.

Jan 29: Paid Rs. 10,000 of salaries and wages for January.

Jan 30: Received and paid Rs. 1,400 in gas, electricity, and water bills.

**Required :** (i) Journal entries (ii) T-Accounts (iii) Trial Balance at January 31.

### Solution

#### i. Journal Entries

In the book of Pokhara Valley

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Jan 1

Bank a/c Dr. Rs. 75,000

Share capital a/c   Rs. 75,000

(To record the deposit of cash on the bank by three owners in exchange of shares)

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Jan 5

Office supplies a/c Dr. Rs. 5,000

Account payable a/c               Rs. 5,000

(To record the purchase of office supplies on account)

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Jan 10

Cash a/c Dr.   Rs. 10,000

Notes payable a/c   Rs. 10,000

(To record the receipt of cash in exchange of note)

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Jan 12

Cash a/c Dr.     Rs. 2,000

Unearned service revenue or advance income a/c Rs. 2,000

(To record the received of cash in advance.)

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Jan 15

Bills receivable a/c Dr. Rs. 2,500

Service revenue a/c       Rs. 2,500

(To record the bills receivable from the customer.)



Cash a/c

Rs. 1,400

(To record the payment for gas, electricity, and water bills)

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## **ii. T-Accounts**

Bank a/c	Share capital a/c	Office supplies
(1) 75,000	75,000 (1)	(5) 5,000
<u>61d 75,000</u>	<u>75,000 61d</u>	<u>61d 5,000</u>

Account payable
5,000 (5)
<u>5,000 61d</u>

Cash	
(10) 10,000	1,500 (9)
(12) 2,000	10,000 (29)
(22) 2,500	1,400 (20)
(26) 2,800	
<u>61d 24,400</u>	

Notes payable a/c
10,000 (10)
<u>10,000 (61d)</u>

Advance income
2,000 (2)
<u>2,000 61d</u>

Service revenue
2,500 (15)
2,800 (26)
<u>5,300 (61d)</u>

Bill receivable	
(15) 2,500	2,500 (2)
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Advertisement expenses
(18) 1,500
<u>(61d) 1,500</u>

Salary & wages expenses
(29) 10,000
<u>(61d) 10,000</u>

Utility expenses
(20) 1,400
<u>(61d) 1,400</u>

accounts

T-

### iii. Trial balance

January 31

S.N. Particulars/ details	Dr. Rs.	Cr. Rs.
1. Bank a/c	75,000	
2. Share capital a/c		75,000
3. Cash a/c	4,400	
4. Office supplies a/c	5,000	
5. Account payable a/c		
6. Notes payable a/c		5,000
7. Advance income a/c		10,000
8. Service revenue a/c		2,000
9. Bills receivable a/c	-	5,300
10. Advertisement expenses a/c	1,500	-
11. Salary & wages expenses a/c	10,000	
12. Utility expenses a/c	1,400	
Total	Rs. 97,300	Rs. 97,300

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