

Decision making using financial accounting
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Lecture - 18
Ledger Posting - 2

We continue in the process, let us move to what is called as a 12th transaction. If I move to the 12th; sorry 13th transaction; if I move to a 13th transaction; 13th transaction says sold goods for cash to Pataudi. When I say sold goods for cash to Pataudi what is journal entry I made? I made something called as cash account debited to Pataudi's account.

You can go back and check; the set that cash account debited to sales or Pataudi's account. Cash account debited, we are not even worried about to whom if you go back, you can actually see we will say cash account debited to sales is the journal entry that is basically what we made in this particular case out here.

(Refer Slide Time: 01:00)

The whiteboard shows the following handwritten journal entries:

CASH AC - DR	900										
TO Sales (GOODS) - CR		900									
<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Sales Returns (GOODS) - DR</td> <td style="width: 10%; text-align: right;">900</td> <td style="width: 30%;"></td> </tr> <tr> <td style="padding-left: 20px;">TO CASH</td> <td style="text-align: right;">850</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">to gain -> S.R - CR</td> <td></td> <td style="text-align: right;">50</td> </tr> </table>			Sales Returns (GOODS) - DR	900		TO CASH	850		to gain -> S.R - CR		50
Sales Returns (GOODS) - DR	900										
TO CASH	850										
to gain -> S.R - CR		50									
Drs (Chandra) -> DR	400										
TO Sales (GOODS) -> CR		400									

Cash account debited to sales that is about roughly about amount was something around 900; cash account debited to sales that is what we made basically made out here, this is what you will actually see in this particular case. Now, let me take the same journal entry and let me try and see if I can post it out here.

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to BANK 1000	By Purchases 2000	By Cash 700
to Dts 30	(Gross)	By Dts 700
to P.R. 100	By Purch (Sub) 900	(V.M) 700
	By Purch (Gross) 300	By 75 600
		(SS) 600
		By Cash 900
		By Dts 400
		By Cash 375
		By Cash 400

IN BANK AC Cr TO PURCHASE AC



If I have to look at posting it out here ah; what happens is sales account debited in the process; sales account debited to what is called as; in this particular case in this particular case cash account debited to sales out here; sales account has been credited by cash how much? That is sales to Pataudi in this particular case is 900 out here.

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Dr CASH AC Cr		Dr CAPITAL AC Cr	
to Capital (inv) 10000	By BANK 3000		By Cash 1000
to Sales 700	By Purch 200		
to Dts (Vn) 680	By Amoun 200		
to Sales 900	By off Rent 150	Dr Stat Exp	
to Cals 375	By off Sal 250	By Cash 250	
to Bank 1000	By Gen Exp 25		
to sales 400	By Stat Exp 25		



Now, in this particular case that is done; so; that means, what is happening? The other account that is are getting effected in this particular case is basically cash account. Cash account in this particular case to sales that is 900 out here.

Move on further I move to the 14th transaction sold goods to Chandrashekhar on credit. When I said sold goods to Chandrashekhar on credit; if we actually see this 14th transaction; what did we do? We said debtors account debited to what is called as sales account that is Chandrashekhar's account that debtors account debited to what is called as sales account out here.

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DEBTORS A/c Cr		DISCOUNT A/c Cr	
To Sales (V) 700	By Cash 680	To Dis 20	By Crs 30
To Sales (S) 600	By Dis 20	Bal C/d 10	
To Sales 400	By BANK 500		
	By S.R. 20		
	Bal C/d 480		
1700	1700		

DRAWINGS A/c	
	to Bank 500



So, what happens? Debtors account debited to what is called as sales; what is the amount out here? Amount in this particular case is 400 out there. And then I will say, I will move to what is called as my; say I will to move to what is called as my sales account, I will say by debtors; that is amount in this particular case is 400 in this particular case out here.

Now, if I have to know as of this date; what is the total sales that is happen? 700 plus 700 plus 600 plus 900 plus 400; now, I will say I do not have to go transaction by transaction to find out what is the total sale, I can rather look at it and then tell me what is the total sales that is happened out there.

Now, if I have to say what is the total outstanding that is there that is I have to pay; if I just look at the creditors account; I will say what is the total outstanding 2000 plus 900 minus 1030 is the amount that is basically outstanding. Now, we understand the purpose of doing the journal account; that is I need to group all this things together and pull out

what is the (Refer Time: 03:23) balance in each of this particular account out there that is the idea out here.

Now, the next 15th transaction if I look at Jayasimha returned goods rupees 20; what is the entry we pass in this case? We pass the journal entry that is 15th transaction. If we look at the journal entry out here 15th transaction; if I have to say why if I have to look at what is called as my journal entry out here my 15th transaction in this particular case, I say purchase returns account, then in this particular case is 20 dollars out here sorry it is my sales returns account out here to debtor's account; that is basically sales returns account basically to what is called as my debtors account out there that is; what is 20 dollars out there.

We pass these entry as a sales returns account debited to debtors account. Now what is our happening? Debtors do not has been credited basically by what is called as my sales returns out there; sales returns is basically what is called as 20 dollars. Now, what is happening? What is debtors balance give you? Debtors balance give you that is the amount that is due that is I am liable eligible to receive. What is the amount that I am eligible to receive? 700 plus 600 plus 400 that is the amount that I am eligible to receive; 1700 is what I am eligible to receive.

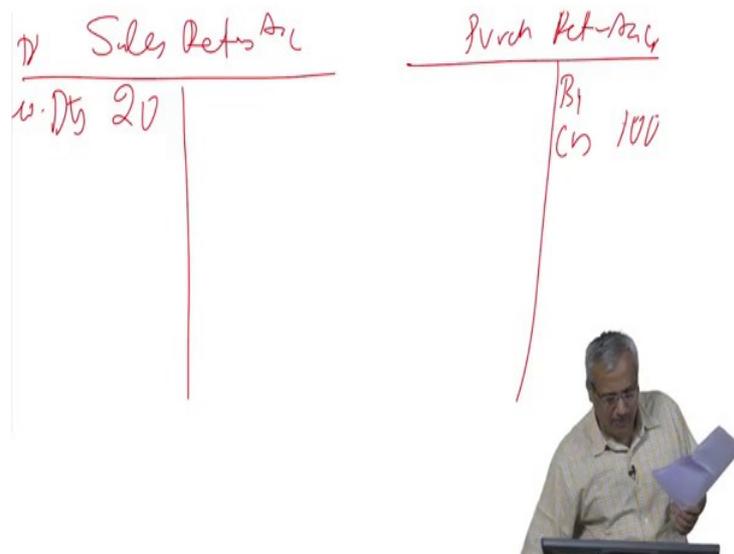
Out of these this amount, I have received either in the form of cash or in the form of discount or in the form of sales return. Now, what is the amount due? That is this right side of debtors side; debit side minus the credit side is the total amount of debtors that is receivable as on this particular day; that is what we call it as we are grouping all this netting all this transactions out here in this particular case.

Now 16th transaction if I have to see we had 28 transactions; I am at the 16th transaction; it says returned goods to E engineer rupees 100. Now, that is basically what is happening that is returned goods that is I am doing the return; I have purchased, I am returning the good and that is what we call it as purchase returns; that is what we call it as what we call it as purchase returns out here. When I say purchase returns creditors to purchase returns; what is journal entry we pass? Creditors, that is E engineer account debited to purchase returns.

If you want you go back and see in this particular case out here; you will see creditors E engineers account debited to what is called as in this particular case to purchase account

return credited. So, what the; what do we do? Creditors account has been debited by what is called as my purchase returns. Creditors account has been debited, but to creditors account been account debited to purchase returns rupees 100 out there. Now, the same thing I will have to open what is called as a purchase returns account and a sales returns account. Purchase returns and a sales return account is something, which I have already opened out here, in this earlier case I did not do that sales returns account.

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I will say sales returns account for the previous transaction, I will have to do the sales returns account and I will have to do what is called as purchase returns account. If I go back to the previous transaction, it says sales returns account debited to debtors rupees 20; in this case purchase returns account is credited by creditors rupees 100 out there; rupees 100 out there.

That is this will tell me consolidated how much of the goods that I am selling is returning. It will tell me consolidated how much of the goods I am purchasing; I am returning. If this amount is; obviously, large then you will decide whether to change your vendor or whether you are do quality control if sales returns is high. If purchase returns is high whether you have to change your vendor or whatever it is etcetera. That is the reason why I am grouping all this transactions out there. 17th transaction cash purchases rupees 200.

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Dr BANK A/c Cr		Dr PURCHASES A/c Cr	
To Cash 3000	By Crs 1000	To Crs (Eqs) 2000	
To Dts 500	By Cash 1000	To Crs (Sub) 900	
	By Dms 500	To Cash 200	
	By Crs 1000	To Crs 300	
		To Crs 100	
			3500



All that has happened in this particular cases moment I say cash purchases that is all that happens is purchases account; that is if you look at cash purchases what is the entry? Purchases account debited to cash account rupees 200 in this particular case.

I just go to my cash account down somewhere out here; cash purchases that is basically what I did was correct by purchases; that is about 200 in this process. So, what do you; what do you basically worth why purchases 200? So, what is happening, when I say in this particular case the debit side is all the cash balance. Whenever you are selling capital is contributed debtors; you are receiving etcetera, move on credit side the cash that is going out basically is recorded out here.

If you move to the next transaction out here that is transaction number 18; if you see cash sales moment, there is a cash sale. What happens? Cash account debited to sales account out here that is cash account debited to sales account 375 and then what happens? I move to my sales account out here. I think sales account out here I will say by cash 375 out there; I know what is the total sale I just how to total all this that is all.

I just how to total all this and that will give me my total sale in the process out here. If I go to my 19th transaction out here, if I go to my 19th transaction it says withdraw from bank for office use; withdrawal from bank for office use. What is journal entry we said? We said bank account debited to what is called as cash account and how much is the amount? Bank account debited to cash rupees 1000. I will go my cash account out there

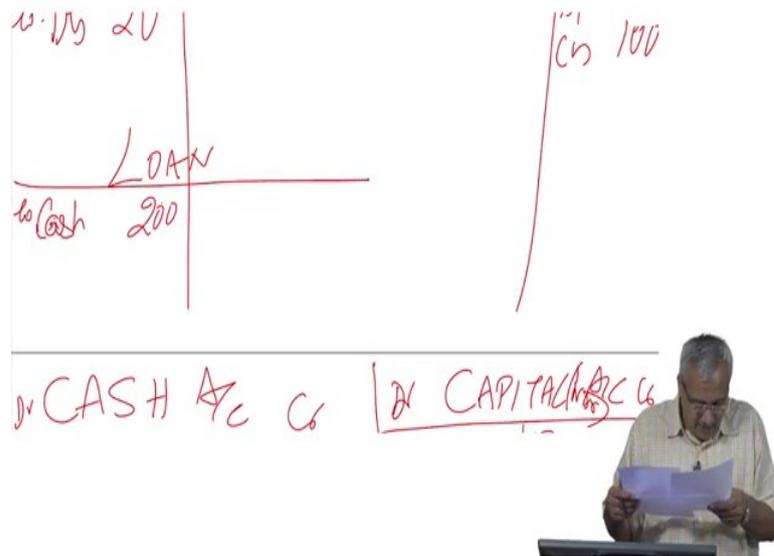
and say cash account by basically what is happening is bank account debited to cash out there. So, in this particular case; cash account is credited by what is called as by bank out there rupees 1000. We come to what is called as the 19th journal entry out here; the 19th entry says withdrew from bank for office use rupees 1000.

When you withdraw from bank for office use, what is happens? There is a cash that comes in; cash account debited to there is a bank account; debit what comes in credit what goes out. So, what is coming in? Cash is coming in; cash account debited, what is happening? Bank balance is reducing; bank is credited. So, what happens? Bank account is credited by cash rupees 1000 and then cash account is debited what is called as to bank rupees 1000 sorry just 1000; so, basically that is the journal entry out there.

Now, I move to the next transaction out there 20th transaction provided loan to Amaranth. When I provide loan to Amaranth, you go back and check your journal entry it says cash account and then Amaranth account; basically provided loan to Amaranth; is it is a provided loan? It says provided loan to Amaranth. So, what is happening? Out here, it says provided loan to Amaranth out here; I am providing loan to Amaranth.

So, what is happening? Cash is going out of my business, when cash is going out of a business what is happening? Debit the receiver and then what is called as who is receiving? Amaranth is receiving? Amaranth loans account debited to what is called as cash account. Cash account has been credited by Amaranth's loan account; that is what do you call it as Amaranth loan account is another 200 out there. And then I open another account out here that is what is called as basically; in this particular case, I will say another account that is called as loan account out here.

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The loan account has been debited to what is called as cash out here; to cash out here and then amount is basically in this particular case amount is 200 out there. Now, I go to the 21st transaction in this particular case; I go to the 21st transaction in this particular case out here. If you go to my 21st transaction in this particular case; it says bought goods from Savega; Savdega rupees 300 when I say bought goods from Savdega rupees 300 what is the entry?

It basically purchases account debited to creditors account out here in this particular case. So, what happens? I go to my purchase account out here and then purchase account debited to what is called as my creditors out here. And then creditors is 300 out there and then what is happening purchases account debtor to creditors account. And then I just go to my creditors account is there and then I say it has been credited by purchases out there; Savdega how much is it? It is been doing by 300 out there; with you on this?

Now, I move on further; I move on further in this particular case I move to the 22nd transaction, I move to the 22nd transaction; 22nd transaction says sold goods to Thankad for cash. When I sell goods to Thankad for cash, what is the entry? Cash account debited to sales account out there. So, what happens? My sales account has been credited by cash out there; what is the cash out there in this particular case? Cash is 400 out there and then my cash account out there if I will just go to my cash account in this particular case and then my cash account in this particular case; we will say to what is called as sales 400; in

this particular case 400 out there. Move on further 23rd transaction I got another 1, 2, 3, 4, 5, 6 transactions; I will finish the 6 transactions as of now and then maybe will take up the PL balance sheet and P and L in the next few minutes out here.

It says paid office rent rupees 150; when you pay office rent what happens? What is the entry? What we say office rent account debited that is debit all expenses and losses and then to cash. Cash is going out; that it is cash is credited by office rent rupees what is called as office rent is 150.

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Dr OFF RENT AC.		Dr OFF SAL.	
To Cash	150	To Cash	250
		Gen Exp	
		To Cash	25



Now, I can open another account out here what is called as my office rent account. I will say office rent account has been debited to cash rupees; what we call it as rupees 150. The next 24th transaction if you see this; paid for office salaries rupees 250. What is the journal entry we said? We said that what we call it as office salaries account debited to cash account.

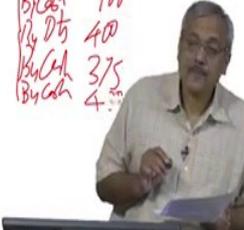
Now office salaries account I open another account out here; office salaries account debited to cash how much is it? It is about 250. I go to my cash account out here and then I will say by office salaries 250; please note I have got my excel out here and I will pose this excel, you can just verify all this transactions as after we finish this particular aspect out here.

Further, 25th transaction last three transactions out here; paid for general expenses rupees 25. General what is say; general expenses account debited to cash account cash is credited by general sorry general expenditure rupees 25 out here. And then open another account that is what is called as general expenditure account out here general expenditure account has been debited to cash rupees 25.

Next, I say 26th transaction out here purchase goods from Abid Ali rupees 100. So, what did we say that in this particular case? The transaction that we had was purchases account debtor to creditors account out here. Purchases account out here I will say I go to the purchases account debited to creditors account out here. My purchases account out here has been basically debited to what is called as my creditors; in this case Abid Ali that is 100 out here purchase account and then I go to my creditors account out here.

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Dr CREDITORS A/c Cr		Dr SALES A/c Cr	
to BANK	1000	By Purchases	2000
to D/O	30	By (Gross)	
to P.R.	100	By Purch (Sub)	900
		By Draw (Sub)	300
		By Purch	100
		By Cash	700
		By D/O	700
		By P.R.	600
		By (S)	
		By Cash	900
		By D/O	400
		By Cash	375
		By Cash	400



Creditors account has been credited by purchases to the extent of what we call it as 100 rupees out here. Next transaction withdrew from bank for personal use rupees 500. Bank balance is reducing in this particular case; moment I say bank balance bank balance is reducing that is drawings account debited to bank account is what (Refer Time: 17:14). Bank account has been credited by drawings; drawings about 500 out here, I can open another account out here; in this particular case I can open an account what we call it as we I call it as drawings account.

Drawings account has been debited to bank account that is what is called as about 500 in the process. Last transaction what we have bought stationery for cash; when I say bought stationery for cash the entry was stationery expenditure debited to what is called as cash account out here. Stationery expenditure debited to cash account; cash account has been credited by stationary expenditure account.

That is stationary expenditure account that is again 25 dollars out here, I will open a stationery expenditure account out here and stationery expenditure account has been debited to cash rupees 25 out here. Now, that brings me to the end of all the transactions; all that I have to do is I need to know what is the balance of cash, what is the balance of bank, what is the balance of debtors etcetera all that I need to know what is the balance of debtors.

I have every time there is an increase in debtors out there; my debit balance will increase. Every time there is a reduction in debtors out there my credit balance will increase my credit balance will be there. So, the net of these if I have to say what is my total debtors at the end of this particular period; my total debtors on this end of this particular period is 680 plus 20; 700, 700 plus 500 is the 1200; 1220 that is this is 1220 this is about 1700 minus 1220 that is this total is about 1700 and then 1220 if I sort of reduce out here; that means, 480 is the balance carried down; that is if I say today what is my total debtors balance out here.

My debtors balance in this particular case at the end of this particular period is rupees 480 is what will go to the balance sheet. I think I am right to the total can I just check the total sir? 680, 700; 700.

Student: My debtor is credited.

I my total is correct; my total is correct out there my total is correct in this particular case out there. Now, what is the discount out there? If I say discount I have sought of received; I have sought of given out there; I given 30 dollars discount I have received 10 dollars discount out here my discount balance that I am carrying it down is 10 dollars out there; that is my accounting balance. This is what is called as the net discount income minus discount income minus discount expenditure this is what is my net discount what I am incurring out there.

Student: Sir, that will be profit and loss?

That will go the profit; profit I mean we will go to the profit and loss or to the balance sheet either way it we; we will looking at it. Now, if I have to move further in this particular case that is say what is the bank balance I have? My bank balance I have what happens, every time there is in increase in balance; it comes on the debit side every time there is a reduction in the balance it comes on a; what is the net amount that should be there in the bank?

Net amount that should be there in the bank is 3500 minus 2500. The net bank balance that is balance carried down in this case will be 1000. As of today my bank balance should be rupees 1000 dollars out there; all I have done basically is, I have consolidated all this account I will know what is my total purchases; what is my total bank balance. What is my total purchases? My total purchases out here is 2900 plus 200 3100 plus 300 is 3400 plus 100 is 3500; my total purchases is 3500 out here; if I have to say that it which will go in to my total purchases; if I had a account that is basically nothing, but I just total all these during that particular.

Imagine that all the transactions happen over a period of 1 year or 1 month whatever. What is the total consolidated purchases during this year? All I have do is I have to just total out there. So, like that similarly you can do for all this basic transactions out here; all this basic transaction. Let us take cash itself, cash itself all this is cash in inflow all this is basically cash out flow out here. Your cash inflow is 10700 plus 680 plus 900 plus 375 plus 1000 plus 400 minus all this is the net cash balance what; you have we can do all that as we go along ok.

So, now, we will sort of look at balancing finding out this, taking it to the P and L and then the balance sheet; that is the a next two things what we will do in next class out there.

Thank you.