

EXERCISE V

SELF-BALANCING LEDGER

Problem No. 1

From the following details, write up the General Ledger Adjustment accounts and the Bought and Sold Ledger Adjustment accounts as on 31st January, 2012 :—

Debtors (1st January, 2012)	Dr.	1,74,250
Do. Do.	Cr.	3,200
Creditors Do.	Cr.	2,74,000
Do. Do.	Dr.	2,000
Purchases ..		2,52,000
Sales ..		2,82,090
Sales Returns ..		2,000
Purchases Returns ..		7,150
Cash paid to creditors ..		1,27,000
Bills received from debtors ..		93,000
Bills dishonoured ..		32,000
Bills accepted for creditors ..		74,000
Discount allowed to debtors ..		2,150
Discount allowed to debtors but later on disallowed ..		1,000
Cash received from debtors ..		87,000
Discount allowed by creditors ..		10,200
Cash paid to debtors ..		25,000
Transfers from Debtors Ledger to Creditors Ledger ..		12,400
Cash purchases ..		1,43,200
Cash sales ..		2,74,000
Bad debts written off (after deducting bad debts recovered ₹ 2,000) ..		2,150

Solution :

In General Ledger Sales Ledger Adjustment Account					
	Dr.			Cr.	
2012		₹	2012		₹
Jan. 1	To Balance <i>b/fd.</i>	1,74,250	Jan. 1	By Balance <i>b/fd.</i>	3,200
" 31	To General Ledger Adjustment Account in Sales Ledger as under :—		" 31	By General Ledger Adjustment Account in Sales Ledger as under :—	
	Sales	2,82,090		Sales Returns	2,000
	Bills Dishonoured	32,000		Bills Receivable	93,000
	Discount Disallowed	1,000		Discount	2,150
	Cash Paid	250		Cash	87,000
				Transfers	12,400
				Bad Debts	4,150
			" "	By Balance <i>c/d.</i>	2,85,590
		4,89,590			4,89,590
2012					
Feb. 1	To Balance <i>b/d.</i>	2,85,590			

Bought Ledger Adjustment Account					
	Dr.			Cr.	
2012		₹	2012		₹
Jan. 1	To Balance <i>b/fd.</i>	2,040	Jan. 1	By Balance <i>b/fd.</i>	2,74,000
" 31	To General Ledger Adjustment Account in		" "	By General Ledger Adjustment Account in Bought	

		₹			₹
2012			2012		
Jan. 31	Bought Ledger as under :—		Jan. 31	Ledger as under :—	
	Purchase Returns	7,140		Purchases	2,52,000
	Cash	1,27,000			
	Bills Payable	74,000			
	Discount	10,200			
	Transfers	12,420			
" "	To Balance <i>c/d</i>	2,93,280			
		5,26,080			5,26,080
			2012		
			Feb. 1	By Balance <i>b/d</i>	2,93,280

In Sales Ledger

Dr.		General Ledger Adjustment Account		Cr.	
2012		₹	2012		₹
Jan. 1	To Balance <i>b/fd</i>	3,200	Jan. 1	By Balance <i>b/fd</i>	1,74,250
" 31	To Sales Ledger Adjustment Account in General Ledger as under :—		" 31	By Sales Ledger Adjustment Account in General Ledger as under :—	
	Sales Returns	2,080		Sales	2,82,090
	Bills Receivable	93,000		Bills Dishonoured	32,000
	Discount	2,150		Discount Allowed	1,000
	Cash	87,000		Cash Paid	250
	Transfers	12,420			
	Bad Debts	4,150			
" "	To Balance <i>c/d</i>	2,85,590			
		4,89,590			4,89,590
			2012		
			Feb. 1	By Balance <i>b/d</i>	2,85,590

In Bought Ledger

Dr.		General Ledger Adjustment Account		Cr.	
2012		₹	2012		₹
Jan. 31	To Balance <i>b/fd</i>	2,74,080	Jan. 1	By Balance <i>b/fd</i>	2,040
" 31	To Bought Ledger Adjustment Account in General Ledger as under :—		" 31	By Bought Ledger Adjustment Account in Sales Ledger as under :—	
	Purchases	2,52,000		Purchase Returns	7,140
				Cash	1,27,000
				Bills Payable	74,000
				Discount	10,200
				Transfers	12,420
			" "	By Balance <i>c/d</i>	2,93,280
		5,26,080			5,26,080
2012					
Feb. 1	To Balance <i>b/d</i>	2,93,280			

Problem No. 2

A firm keeps its sold and bought ledgers on self-balancing system. From the following particulars, prepare the control accounts in the sold and bought ledgers:

	₹ '000
Trade debtors on 1st April, 2011	620
Trade creditors on 1st April, 2011	250
Credit purchases	1,030
Credit sales	1,340
Cash received from trade debtors	780
Returns inward	30
Acceptances given	400
Returns outward	25
Acceptances from trade debtors dishonored	50
Discount allowed to trade debtors	10
Bad debts written off	20
Bad debts written off in the previous year now recovered	50
Trade creditors on 31st March, 2012	105
Trade debtors on 31st March, 2012	1,170

Solution :

In the Sold Ledger

Dr. General Ledger Adjustment Account

		₹ '000			₹ '000
2012			2011		
March 31	To Sold Ledger Adjustment Account in General Ledger as under:		Apr. 1	By Balance b/d	620
	Cash received	780	2012		
	Returns inward	30	March 31	By Sold Ledger Adjustment Account as under:	
	Discount allowed to trade debtors	10		Credit Sales	1,340
	Bad debts	20		Acceptance from trade debtors dishonored	50
March 31	To Balance c/d	1,170			
		2,010			2,010
			2012		
			Apr. 1	By Balance b/d	1,170

In Bought Ledger

Dr. General Ledger Adjustment Account

		₹ '000			₹ '000
2011			2012		
Apr. 1	Balance b/d	250	Mar. 31	By Bought Ledger Adjustment Account in General Ledger as under	
2012				Acceptances	400
March 31	To Bought Ledger Adjustment Accounts in General Ledger as under:			Return outwards (balancing figure)	780
	Credit Purchases	1,030		By Balance c/d	1,280
		1,280			1,280
2012					
Apr. 1	To Balance b/d	105			

Problem No. 3

From the following information, prepare sales ledger adjustment account and purchases ledger adjustment account in the general ledger.

	₹
Debit balances in purchases ledger on 1.4.2011	10,000
Credit balances in purchases ledger on 1.4.2011	96,000
Debit balances in sales ledger on 1.4.2011	1,41,880
Credit balances in sales ledger on 1.4.2011	2,240

The following were the relevant transactions during the year ended 31st March, 2012:

	₹
Credit purchases	5,40,000
Purchases returns	15,400
Credit Sales	7,48,000
Sales returns	10,000
Cash received from debtors	6,24,000
Discount allowed to debtors	11,200
Cash paid to suppliers	4,80,000
Bills accepted in favor of suppliers	30,000
Transfers from sales ledger to purchases ledger	20,800
Discount received	7,200
Bills receivable received	40,000
Cash paid to customers	1,840
Bills receivable dishonoured	6,000

On 31st March, 2012, debit balances in purchases ledger totalled ₹ 5,400.

Solution :

In General Ledger					
Sales Ledger Adjustment Account			Purchases Ledger Adjustment Account		
Dr.		₹	Cr.		₹
2011			2011		
Apr. 1	To Balance b/fd	1,41,880	Apr. 1	By Balance b/fd	2,240
2012			2012		
Mar. 31	To General Ledger Adjustment Account in sales ledgers as under:		Mar. 31	By General Ledger Adjustment Account in sales ledger as under:	
	Credit sales	7,48,000		Sales returns	10,000
	Cash paid	1,840		Cash received	6,24,000
	Bills receivable dishonoured	6,000		Discount allowed	11,200
				Transfers	20,800
				Bills receivable	40,000
			By Balance c/d	1,89,480
		8,97,720			8,97,720
2012					
Apr. 1	To Balance b/d	1,89,480			
Purchases Ledger Adjustment Account					
2011			2011		
Apr. 1	To Balance b/fd	10,000	Apr. 1	By Balance b/fd	96,000
2012			2012		
Mar. 31	To General Ledger Adjustment Account in purchases ledger as under:		Mar. 31	By General Ledger Adjustment Account in purchases ledgers under:	
	Purchases Returns	15,400		Credit purchases	5,40,000
	Cash paid	4,80,000	By Balance c/d	5,400
	Bills payable	30,000			
	Transfers	20,800			
	Discount received	7,200			
.. ..	To Balance c/d	78,000			
		6,41,400			6,41,400
2012			2012		
Apr. 1	Balance b/d	5,400	Apr. 1	By Balance b/d	78,000

Problem No. 4

The undermentioned particulars have been extracted from the books of D.D. Boot House. You are required to prepare the Sales Ledger Adjustment Account as on 31st March, 2012 :—

Debtors on 1st March, 2012	₹	55,842
Transactions during the month were :		
Sales (including Cash Sales, ₹ 10,000)	..	1,08,602
Cash received from Debtors	..	88,753
Discount allowed to Debtors	..	480
Acceptances received from Debtors	..	7,120
Returns from Debtors	..	5,430
Bills Receivable dishonoured	..	1,120
Bad Debts written off	..	3,890
Sundry Charges debited to customers	..	378
Transfers to Bought Ledger	..	100
Provision for doubtful debts	..	2,500

Solution :

Books of D.D. Boot House
In General Ledger
Sales Ledger Adjustment Account

Dr.

		₹			₹
2012			2012		
Mar. 1	To Balance <i>bfd</i>	55,842	Mar. 31	By General Ledger Adjustment Account in Sales Ledger as under :—	
" 31	To General Ledger Adjustment Account in Sales Ledger as under :—			Cash	88,753
	Sales	98,602		Discount	480
	Bills Receivable Dishonoured	1,120		Bills Receivable	7,120
	Sundry Charges	378		Sales Returns	5,430
				Bad Debts	3,890
				Transfers	100
			" "	By Balance <i>c/d</i>	50,169
		1,55,942			1,55,942
2012					
Apr. 1	To Balance <i>b/d</i>	50,169			

Problem No. 5

From the following information, prepare a Total Debtors Account as on 31st December, 2011 :—

Debtors on 1st December, 2011	₹	8,965
Bills Receivable (received during the month)		4,500
Sales		36,041
Cash paid		68
Cash received		30,550
Discount allowed		1,319
Returns		181
Credit Transfers to Bought Ledger		87
Bills Receivable dishonoured		1,300

The balances extracted from the Sales Ledger on 31st December, 2011 amounted to ₹ 9,800 and the Company's Total Balance on that date showed a difference of ₹ 63. What conclusion would you draw from this difference?

Solution :

In General Ledger
Total Debtors Account

Dr.

		₹			₹
2011			2011		
Dec. 1	To Balance <i>bfd</i>	8,965	Dec. 31	By Bills Receivable Account	4,500
" 31	To Sales Account	36,041	" "	By Cash	30,550
" "	To Cash	68	" "	By Discount Account	1,319
					1,300

2011		₹	2011		₹
Dec. 31	To Bills Receivable (Dishonoured)	1,300	Dec. 31	By Sales Returns Account	181
			" "	By Total Creditors Account (Transfers)	87
			" "	By Balance <i>c/d</i>	9,737
		46,374			46,374
2012					
Jan. 1	To Balance <i>b/d</i>	9,737			

In the trial balance, the balance ₹ 9,737 shown by Total Debtors Account must have been included. This results in a difference of ₹ 63 suggesting that the total (₹ 9,800) of the schedule of debtors is correct. Perhaps in Total Debtors Account returns of ₹ 118 have been recorded as ₹ 181.

Problem No. 6

A trading concern divides its Sales Ledger into two sections, Delhi and Aligarh, each being self-balancing. The following were the material figures obtained from the books in connection with the monthly balancing at the end of March, 2011 :—

			Delhi ₹	Aligarh ₹
Ledger Balances :	28th February	Dr.	31,750	19,420
" "	" "	Cr.	280	60
" "	31st March	Dr.	43,270	17,090
" "	" "	Cr.	470	170
Sales for the month		23,600	7,020	
Returns			650	220
Cash received			8,970	9,740
Discount allowed			130	150
Bad Debts written off			80	120
Bills Receivable received			1,670	—

Draw up the respective Adjustment Accounts and suggest any inference which you consider may be drawn from the results.

Solution :

In General Ledger Delhi Sales Ledger Adjustment Account					
Dr.			Cr.		
2011		₹	2011		₹
Mar. 31	To Balance <i>b/fd</i>	31,750	Mar. 1	By Balance <i>b/fd</i>	280
Mar. 31	To General Ledger Adjustment Account in Delhi Sales Ledger as under :—		Mar. 31	By General Ledger Adjustment Account in Delhi Sales Ledger as under :—	
	Sales	23,600		Sales Returns	650
Mar. 31	To Balance <i>c/d</i>	470		Cash	8,970
				Discount	130
				Bad Debts	80
				Bills Receivable	1,670
		55,820	Mar. 31	By Balance <i>c/d</i>	43,270
					55,050
2011			2011		
April 1	To Balance <i>b/d</i>	43,270	April 1	By Balance <i>b/d</i>	470

Dr. **Aligarh Sales Ledger Adjustment Account**

		₹			
2011			2011		
Mar. 1	To Balance <i>b/fd</i>	19,420	Mar. 31	By Balance <i>b/fd</i>	
Mar. 31	To General Ledger Adjustment Account in Aligarh Sales Ledger as under :—		Mar. 31	By General Ledger Adjustment Account in Aligarh Sales Ledger as under :—	
	Sales	7,020		Returns	22
" "	To Balance <i>c/d</i>	170		Cash	9,74
				Discount	15
			" "	Bad Debts	12
				By Balance <i>c/d</i>	17,09
		26,610			27,38
2011			2011		
April 1	To Balance <i>b/d</i>	17,090	April 1	By Balance <i>b/d</i>	17,09

When Delhi Sales Ledger Adjustment Account and Aligarh Sales Ledger Adjustment Account have been prepared one finds that there is a difference of ₹ 770 in the debit and credit totals of the Delhi and Aligarh adjustment accounts. The inference is that the difference seems to be due to wrong postings of cash received. Cash received from Delhi debtors seems to have been treated as cash received from Aligarh debtors and cash received from Aligarh debtors seems to have been treated as cash received from Delhi debtors.

Problem No. 7

From the following particulars, write up the Savings Ledger Control Account in the ledger of the City Bank Ltd.

Balance (opening)	..	25,13,000
Cash deposited by clients	..	1,96,700
Cheques deposited by clients	..	4,37,300
Cash withdrawn	..	1,37,500
Cheques presented through the Clearing House	..	1,53,850
Charges in respect of outstation cheques	..	1,200
Other charges debited	..	2,350
Interest credited	..	5,000
Cheques deposited by customers returned unpaid	..	6,800

Solution :**Books of City Bank Ltd.**

Dr. **Savings Ledger Control Account**

		₹			
To Cash		1,37,500	By Balance <i>b/fd</i>		25,13,000
To Charges		1,200	By Cash deposited by clients		1,96,700
To Other Charges		2,350	By Cheques deposited by clients		4,37,300
To Cheques dishonoured		6,800	By Interest		5,000
To Cheques presented through the clearing house		1,53,850			
To Balance <i>c/d</i>		28,51,090			
		31,52,790			31,52,790
			By Balance <i>b/d</i>		28,51,090

Rectification of errors under the system**Problem No. 8**

The following errors were discovered in the books of National Gas Co. who maintain its books on the self-balance system :—

- (a) A bill of exchange from M/s Shah & Co. for ₹ 1,600 was debited to Allowances Account on dishonour.
 (b) Cash received, ₹ 350, from Shah & Co., a customer, was posted to the debit of Shah & Shah as ₹ 530 in the Creditors Ledger.
 (c) A return of goods, ₹ 340, from Mohan & Co., was entered in the Returns Outwards Account.
 Give journal entries to rectify the above noted errors.

Solution :

Journal of National Gas Co.

		Dr.	Cr.
		₹	₹
(a)	M/s. Shah & Co. . . Dr. To Allowances Account For the dishonoured bill debited to Allowances Account instead of to Shah & Co.	1,600	1,600
	Sold Ledger Adjustment Account (In General Ledger) . . Dr. To General Ledger Adjustment Account (In Sold Ledger) Correction of the entry in total or control accounts relating to Shah & Co.	1,600	1,600
(b)	Credit Shah & Co. (In Sold Ledger) Credit Shah & Shah (In Bought Ledger) Cash received from Shah & Co., a customer wrongly posted to the debit of Shah & Shah, a creditor; error now corrected.*		350 530
(c)	Returns Inwards Account . . Dr. Returns Outwards Account . . Dr. To Mohan & Co. (In Sold Ledger) To Mohan & Co. (In Bought Ledger) Correction of the entry by which returns from Mohan & Co. were wrongly treated as returns to them. Presumably from Returns Outwards Book, Mohan & Co. were debited in the Bought Ledger.	340 340	340 340
	General Ledger Adjustment Account (In Bought Ledger) . . Dr. To Bought Ledger Adjustment Account (In General Ledger) Correction resulting from the above relating to the Bought Ledger.	340	340
	General Ledger Adjustment Account (In Sold Ledger) . . Dr. To Sold Ledger Adjustment Account (In General Ledger) Correction resulting from the above relating to the Sold Ledger.	340	340

*The Control Accounts must have been correctly posted.

Problem No. 9

During the course of the audit of G & Co. Ltd., it was found that net total balance of ₹ 2,82,000 extracted from the Sales Ledger on 31st March, 2012 did not agree with the net balance in the Sales Ledger Control Account. On checking, the following errors were discovered after the adjustment of which the books balanced and the corrected net total of Sales Ledger balances agreed with the amended balance in the Control Account :—

- (i) A debit balance of ₹ 8,600 and credit balances amounting to ₹ 1,400 had been omitted from the list of balances.
- (ii) The Sales Returns Book had been undercast by ₹ 10,000.
- (iii) The list of balances had been overcast by ₹ 1,000.
- (iv) A balance owing by S of ₹ 1,800 had been written off as irrecoverable on 31st March, 2010 and debited to Bad Debts, but no entry had been made in the Control Account.
- (v) A debit balance of ₹ 1,400 in the Sales Ledger had been listed as a credit balance.
- (vi) No entries had been made in the Control Accounts in respect of a transfer of ₹ 4,100 standing to the credit of G's Account in the Purchases Ledger to his account in the Sales Ledger.
- (vii) B's account had been credited with ₹ 3,400 for goods returned by him but no other entry had been made in the books.
- (viii) A discount of ₹ 500 allowed to B had been correctly recorded and posted in the books. This was subsequently disallowed and a corresponding amount entered in the Discounts Received column in the Cash Book and posted to B's account in the Purchases Ledger and included in the total of discounts received.
- Prepare : (i) a statement reconciling the original net balances extracted from the Sales Ledger with the adjusted final balance in the Sales Ledger Control Account;
- (ii) the Sales Ledger Control Account showing the necessary adjustments and the balance in the account before and after these adjustments.

Solution :

- (i)
- Statement showing the Balance in the Sales Ledger Control Account after Adjustment**

Net Balance as per Sales Ledger		2,82,000
Add : Omission of debit balance (i)		8,600
Debit balance written as credit balance (v)		2,800
Omission of entry for discounts disallowed in the Sales Ledger (viii)		500
		<u>2,93,900</u>
		₹
Less : Omission of credit balance (i)		1,400
Overcasting of the list of balance (iii)		1,000
		<u>2,91,500</u>
Balance in Sales Ledger Control Account		2,91,500

Dr.

(ii) **Sales Ledger Control Account**

2012		₹	2012		₹
Mar. 31	To Balance <i>b/d</i> (balancing figure)	3,10,300	Mar. 31	By Sales Returns Account (undercasting)	10,000
" "	To Discount (disallowed)	500	" "	By Bad Debts Account	1,800
			" "	By Purchases Ledger Control Account (transfer)	4,100
			" "	By Sales Returns Account (omission rectified)	3,400
			" "	By Balance <i>c/d</i>	2,91,500
		<u>3,10,800</u>			<u>3,10,800</u>
April 1	To Balance <i>b/d</i>	2,91,500			

Problem No. 10

From the following particulars, prepare the General Ledger Adjustment Account for March 2012 :—

- (i) Purchased goods from X, ₹ 20,000.

- (ii) Paid ₹ 16,000 after adjusting the initial advance in full given to X.
 (iii) Paid ₹ 10,000 to R towards purchases made in February in full settlement of the amount due, ₹ 10,500.
 (iv) Paid advance to Y, ₹ 30,000.
 (v) Purchased from A, ₹ 40,000.
 (vi) Goods returned to A, ₹ 5,000; settled the balances at a discount of 2%.
 (vii) Purchased from Y ₹ 25,000; advance adjusted to the extent of 50% of the purchase.
 (viii) Received back advance given to P on 20th February, 2000, ₹ 4,000 after adjustment of purchase, ₹ 16,000.
 (ix) Goods returned to Q, ₹ 7,500; the purchase was made in February, 2010.
 (x) Purchased goods from B, ₹ 20,000.

Solution :

Dr.		In the Purchases Ledger General Ledger Adjustment Account		Cr.	
2012		₹	2012		₹
March 1	To Balance <i>b/fd</i>	18,000	March 1	By Balance <i>b/fd</i>	24,000
" 31	To Purchases Ledger Adjustment Account in General Ledger as under :—		" 31	By Purchases Ledger Adjustment Account in General Ledger as under:—	
	Purchases	1,21,000		Cash	90,300
	Cash	4,000		Discount Received	1,200
" "	To Balance <i>c/d</i>	17,500	" "	Goods Returned	12,500
				By Balance <i>c/d</i>	32,500
		1,60,500			1,60,500
April 1	To Balance <i>b/d</i>	32,500	April 1	By Balance <i>b/d</i>	17,500

Working Notes :

(i) Balances on March 1, 2012 :	Debit Balances	Credit Balances	
	₹	₹	
X	4,000		
R		10,500	
P	20,000		
Q		7,500	
	24,000	18,000	
(ii) Balances on March 31, 2012 :			
Y	17,050	12,500	
B		20,000	
	17,500	32,500	
(iii) Payments and Purchases :	Payments	Discount	Purchases
	₹	₹	₹
X	16,000		20,000
R	10,000	500	
Y	30,000		25,000
A	34,300	700	40,000
P			10,600
B			20,000
	90,300	1,200	1,21,000
(iv) Purchases Returns = ₹ 5,000 (A) + ₹ 7,500 (Q) = ₹ 12,500.			