

Financial Accounting 12 – Journal Entries III

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Adjusting Entry

Transaction

Entries

Bala Sir welcomed the SHG members, and said that in this class, he would discuss some additional transactions for another company. He said, that this was felt necessary for reinforcing the ideas. Here are some Practice Exercises for Transaction entries.

TKP CO. takes a fresh bank loan of Rs. 100,000

TKP CO. repays Rs. 50,000 of the bank loan

TKP CO. buys inventory for Rs. 10,000

TKP CO. issues shares worth 50,000 to repay the bank loan

Practice Exercises for journal entries and T accounts

1. TKP CO. issues 100,000 fresh shares of Rs. 10 par value for Rs. 12.5 each Journal entry:

#1. Oct. 17, 2022 Shares issue Dr. Cash 1,250,000

Cr. Shareholders Equity 1,000,000

Reversing Entry

Cr. Share Premium 250,000

T-Accounts

Cash	
Debit	Credit
1,250,000 (1)	

	Shareholders' Equity		
	Debit	Credit	
		1,000,000 (1)	
	Share Premium		
Debit		Credit	
		250,000 (1)	

2. TKP CO. purchases a building for Rs. 5,500,000, pays Rs. 750,000 in cash and signs a mortgage for the balance amount of 4,750,000

Journal entry:

#2. Oct. 17, 2022 Building purchase

Dr. Building 5,500,000

Cr. Cash 750,000

Cr. Mortgage Payable 4,750,000

T-Accounts

Building	
Debit	Credit
5,500,000 (2)	

Cash		
Debit	Credit	
1,250,000 (1)		
	750,000 (2)	

Mortgage Payable		
Debit	Credit	
	4,750,000 (2)	

- 3. TKP CO. takes a 3-year fire insurance policy, and pays a single premium of Rs. 30,000. Journal entry:
 - #3. Oct. 17, 2022 Buy fire insurance

Dr. Prepaid Insurance 30,000 Cr. Cash 30,000

T-Accounts

Cash		
Debit	Credit	
1,250,000 (1)		
	750,000 (2)	
	30,000 (3)	

Prepaid Insurance	
Debit	Credit
30,000	
(3)	

4. TKP CO. gets a. some office supplies on account, valued at Rs. 100,000 and b. some merchandise inventory worth Rs. 250,000.

Journal entry:

#4a. Oct. 17, 2022 Buy office supplies.

Dr. Office Supplies 100,000

Cr. Accounts Payable 100,000

#4b. Oct. 17, 2022 Buy merchandise inventory Dr. Merchandise Inventory. 250,000

Cr. Accounts Payable

250,000 T-Accounts

Office Supplies		Accour	nts Payable
Debit	Credit	Debit	Credit
100,000 (4a)			100,000 (4a)
			250,000 (4b)

Merchandise Inventory		
Debit	Credit	
250,000 (4b)		

Bala Sir suggested that they try the following transactions on their own. He would take up the solutions in the next class.

- 5. TKP CO. pays back Rs. 25,000 to its suppliers.
- 6. TKP CO. acquires a piece of land for its future expansion, in exchange of an old building. The book value of the building was Rs. 200,000.
- 7. TKP CO. pays back outstanding loan of Rs. 1 million through the issue of 50,000 shares of par value Rs. 10 each.
- 8. TKP CO. gets an order for Rs. 50,000 of merchandise to be delivered next month. The customer pays Rs. 5,000 at the time of placing the order.
- 9. *** TKP CO. announces a dividend of Rs. 7.50 per share. There are 10,000 shareholders. It pays the dividend in cash.

