

INTRODUCTION OF BOOK-KEEPING & ACCOUNTANCY

❖ **Introduction:**

Every business involves exchange of goods or services. That means a businessman or business concern deals with other parties in exchange of goods or services. Such dealings, in business, are called business transactions. The business transactions include purchase of goods or services, sale of goods or services, payments, receipts etc. In a business concern, the transactions are numerous. All the details of these varied transactions cannot be remembered by the businessman.

So there was a need to record all business transaction in a systematic way and this job of recording of transactions have been later on called as “Book-keeping”.

❖ **Meaning of Book Keeping:**

Book keeping is a process of recording business transactions in the books of accounts in a systematic manner.

Booking Keeping is the process of analysing, classifying and recording transactions in a systematic manner to provide information about the financial affairs of the business concern.

❖ **Meaning of Accountancy/Accounting:**

Accountancy/Accounting is a wider concept than Book-keeping. Book-keeping is the recording branch of Accountancy. Accountancy includes Book-keeping & classifying, summarising & interpreting of the business transactions. It makes easy to take decisions relating to business. Accountancy starts where book-keeping ends.

Accountancy is concerned with the processes of recording, sorting & summarising data resulting from Business operations & events. Accountancy also refers to systematic analysis of the recorded data.

Definition of Accountancy/Accounting:

Kohler has defined, “Accountancy refers to the entire body of the theory & process of accounting.”

❖ **Distinction between Book-keeping & Accountancy**

	Book-keeping	Accountancy
1	<i>Meaning</i>	
	Book-keeping is a process of recording business transactions in the books of accounts in a systematic manner	Accountancy is concerned with the processes of recording, sorting & summarising data resulting from Business operations & events. Accountancy also refers to systematic analysis of the recorded data.
2	<i>Stage</i>	
	Book-keeping is the first stage and it comes immediately after transaction.	Accountancy comes after recording and classification. Accountancy is the next stage after Book-keeping.
3	<i>Objectives</i>	
	Book-keeping aims at keeping the record and provides primary information.	Accountancy aims at finding the profits or losses and gives financial position.
4	<i>Level of work</i>	
	In book-keeping, the level of work is less. It is done by junior staff.	In accountancy, the level of work is high. It is done by senior staff.
5	<i>Results</i>	
	Book-keeping basically results in Journal and Ledger.	The results of Accountancy is Profit and Loss A/c and Balance sheet.
6	<i>Period</i>	
	Book-keeping gives day to day details.	Accountancy gives details of entire year.
7	<i>Scope</i>	
	Book-keeping has a limited scope.	Accountancy has a wider scope.
8	<i>Procedure</i>	
	Book-keeping includes recording the entries of day-to-day transactions by following basic rules of double entry Book-keeping system.	Accountancy includes processing of Primary information available from books of accounts and preparation of financial statements.

9	<i>Principles</i>	
	Book-keeping requires principles of elementary knowledge of Journalising and Posting.	Accountancy requires all the Accounting Principles.
10	<i>User</i>	
	Book-keeping records are used by accountant as it provides the basis for accountancy.	Accounting records are used by owners, managements, Government and other stock holders.

❖ **Basis of Accountancy / Accounting:**

- 1 **Cash Basis:** Under this system only cash transactions are recorded. Under cash basis an income is recorded only when cash is actually received and expenses are recorded when cash is actually paid. The business records every cash that comes in business and every cash that goes from business.
- 2 **Accrual Basis:** An income is recorded when it is earned (whether cash received or not) and expenses is recorded when they become payable. Both cash as well as credit transactions are recorded. This is also called Mercantile Basis of Accounting.

❖ **Branches of Accounting**

In order to satisfy the needs of different people interested in the accounting information, different branches of accounting have been developed. The changing business scenario has given birth to the specialized branches of accounting which are:

- 1 **Financial Accounting:** Financial Accounting is concerned with recording of financial transactions, summarizing and interpreting them and communicating the results. It is original form of accounting that ascertains profits earned or loss suffered during a specific period (generally a year) and ascertains the financial position on the date when the accounting period ends.
- 2 **Cost Accounting:** It is the process of accounting and controlling the cost of product, operation or function. The purpose of this branch of accounting is to ascertain the cost, to control the cost and to communicate information for decision.
- 3 **Management Accounting:** It is an accounting for the management i.e. accounting which provides necessary information to the top level management for discharging its functions. Management accounting covers various areas such as cost accounting, budgetary control, inventory control, statistical methods, internal auditing etc. The purpose of this branch of accounting is to supply all information that management may need in taking decisions and to evaluate the impact of its decisions and actions.

MEANING & FUNDAMENTALS OF DOUBLE ENTRY BOOK-KEEPING SYSTEM

There are different methods of recording accounting information. They are as follows:

- 1 Indian system
- 2 English system
 - a) Single Entry system
 - b) Double Entry system
- 3 Conventional Accounting System

1 Indian system

It is the most conventional (traditional) system of accounting. It is also called Mahajani\Marwadi\Desi Nama system. Under this system records are maintained in Indian Language, such as Marathi, Hindi, Marwadi, Urdu etc. Transactions are recorded in long books known as kird and Bahi Khata. This system of accounting is not based on Double Entry system. Though this system is not scientific, it is still being used in India in small sized business.

2 English system

In English system, business transactions are recorded systematically in a separate set of books such as journal and ledger, in the English language as per modern style. English system is more advanced and extensively used now-a-days all over the world. Even in India, English system is more preferred and extensively used in almost all types of business organisations. English Book-keeping system is broadly reclassified as (A) Single entry book-keeping system and (B) Double entry book-keeping system.

(A) Single entry book-keeping system:

Under this system only Cash Book (Cash A/c) and Personal Accounts, are maintained. This system is known as incomplete system of recording because it changes with the convenience of businessman. Therefore it is not a scientific and complete method of recording. It cannot provide accurate information about the financial position of business. It is unscientific method having number of defects. It is suitable to small traders.

Due to many limitations (defects/drawbacks) now single entry system is rarely used in modern business.

(B) Double entry book-keeping system:

❖ Origin of Double Entry System:

Double Entry System of Book-keeping has emerged in process of evolution of various accounting techniques.

The credit of evolving the present Double Entry Book Keeping system goes to a philosopher turned mathematician Italian merchant “**Luca D. Bargo Pacioli**” in 1494.

❖ Meaning of Double Entry System

Every business transaction involves an exchange of money or money's worth (i.e. goods or services or anything). An exchange involves two parts i.e. receiving and giving. *The system of book-keeping which records both the aspects of transactions is known as double entry system of book-keeping.* There cannot be business transactions without two effects. When a businessman gives something, he gets something else in return. These two aspects affect two accounts - one account receives the benefit and the other account gives the benefit. A business transaction is comparable with a coin with two sides. As a coin has two sides, a transaction affects two accounts.

Double entry book-keeping does not mean the transaction is to be recorded two times. It is a complete record of business transactions, that is, recording both the aspects of a transaction i.e. debit and credit. Amount of benefit received by one account is equal to the amount of benefit given by the other account. In other words, amount of debit is always equal to the amount of credit. Today, most of the business concerns have adopted this system.

Recording dual (double) aspects of business transactions in the books of accounts in terms of Debit & credit is known as 'Double Entry System of Book-keeping'.

❖ Definition of Double Entry system:

"Every business transaction has a two fold effect and that it affects two accounts in opposite directions and if a complete record is to be made of each such transaction it would be necessary to debit one account and credit another account. It is this recording of two fold effect of every transaction that has given rise to the term Double Entry"

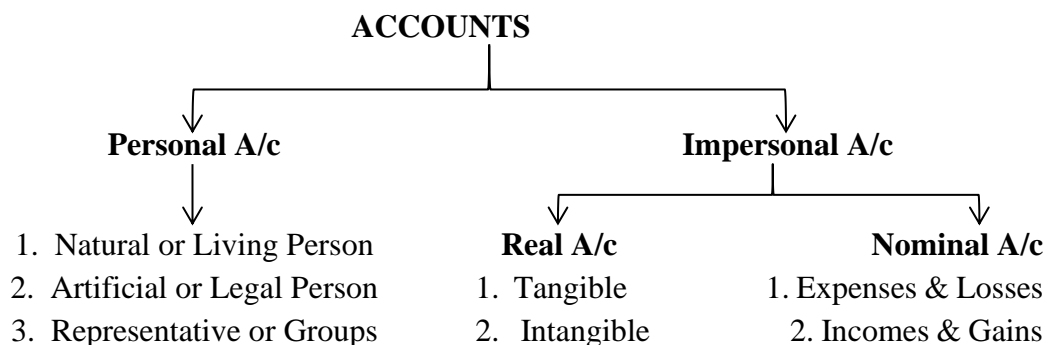
– J. R. Batliboi

CLASSIFICATION OF ACCOUNTS

Classification of Accounts:

Accounts are classified as follows:

- I) Personal Account
- II) Impersonal Account
 - a) Real Account
 - b) Nominal Account



JOURNAL

Introduction:

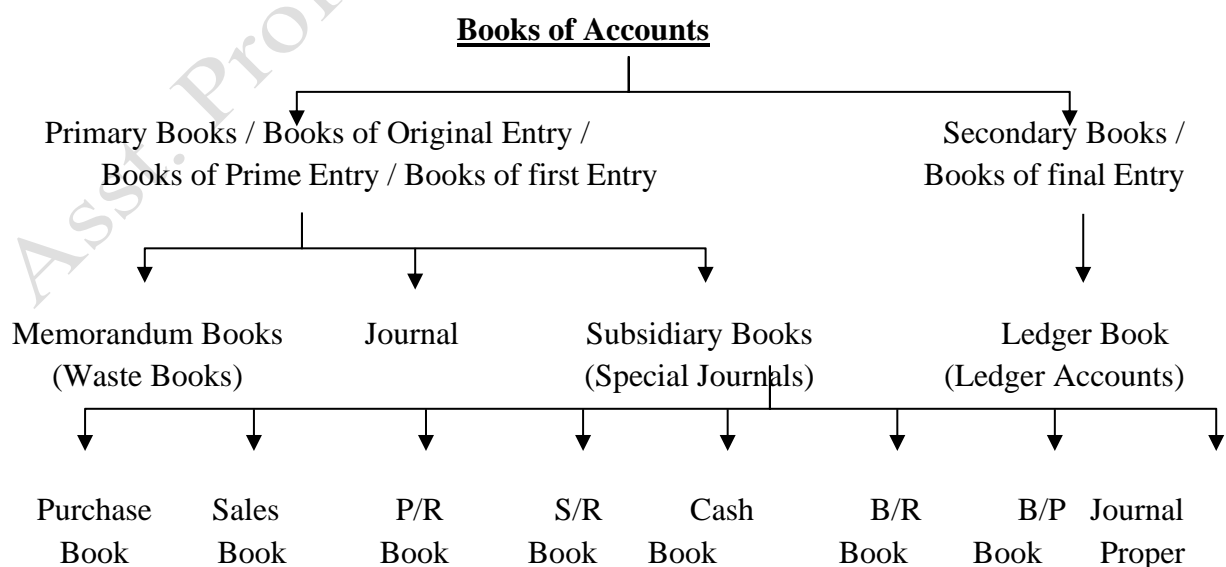
According to the principles of Double Entry System of Book-keeping, every transaction has two aspects or accounts. One aspect or account receives the benefit and the other aspect or account gives the benefit. The account receiving the benefit is debited & the account giving the benefit is credited. Books in which all the transactions are recorded first are known as Books of first entry or Books of prime entry or Books of original entry. Journal & subsidiary books are the books of prime entry. Journal means one book while subsidiary books (special journals) means a set of books. Small business organisation maintain only one book i.e. Journal because the number of transactions are few. On the other hand, in a big business organisation, journal is divided in various books known as subsidiary books or special journals.

Books of prime entry are as follows:

- 1) Journal
- 2) Subsidiary Books / special journals
 - a. Purchase Book
 - b. Sales Book.
 - c. Purchase Return Book.
 - d. Sales Return Book.
 - e. Cash Book.
 - f. Bills Receivable Book.
 - g. Bills Payable Book.
 - h. Journal Proper.

Books of Accounts:

Generally the following books of Accounts are maintained by a businessman for recording the business transactions.



Meaning of Journal:

The word 'Journal' is derived from the French word "Jour" which means a day. Therefore, Journal means a 'daily record'.

Journal is a book where all the transactions are recorded (entered) first in a chronological or date wise order (in the order of their occurrence / taken place). Therefore it is called as a book of first entry or a book of original entry or a book of prime entry.

In a journal, all types of business transactions are recorded systematically, by debiting one account & crediting another account.

The transactions are recorded in the journal on the basis of some documentary evidence which is called as a source document, such as cash memo, Invoice (Bill), receipt etc.

Journalising:

Recording of business transactions in the journal book on the basis of rules of double entry system is called as Journalising. Journalising means to enter or to record the business transactions in the journal book.

Format / Specimen / Proforma / Ruling of Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
Year Month / Date	Name of the A/c debited Dr To Name of the A/c credited (Narration of the entry)		xx	xx

Explanation of Columns of Journal

- 1 Date:** Date Column is the first column from the left. It records year, month and the date of every transaction.
- 2 Particulars:** In this column, the names of the accounts to be debited & credited are written. After debiting & crediting the accounts narration is written in bracket. In short, Journal entry and narration are written in Particulars column.
- 3 L.F. (Ledger Folio):** Folio means page number & therefore, ledger folio means page number of ledger. While recording the transactions in journal nothing has to be written in this (L.F.) Column. The Journal entries are required to be posted in the Ledger. At that time, the page number of the ledger on which the two accounts appear are entered in this column. Usually, these page numbers are written in red ink.
- 4 Debit Amount (₹) :** In this column, amount of debit account is written.
- 5 Credit Amount (₹) :** In this column, amount of credit account is written.

LEDGER

❖ **Account:**

An account is a summarised record of all the transactions related to one person, firm or one type of asset or property or one type of expense or income.

The short form of the word Account is A/c.

An account is divided into two sides. The left hand side is called “Debit Side”, and the right hand side is called the “Credit Side”.

❖ **Head of an Account:**

Head of an account means the name of the account.

The name of an account is written at the top, followed by the word “Account”. e.g. An account relating to Mahesh Shah will bear the head “Mahesh Shah Account”.

To Debit an Account:

It means to record the transaction on the left hand side i.e. the debit side of an account.

To Credit an Account:

It means to record the transaction on the right hand side i.e. the credit side of an account.

Meaning & Definition of Ledger:

All the accounts are kept in one book which is known (called) as ledger. A book in which all accounts are kept is called as ledger. Ledger is a bound book of accounts. It is called as secondary book of accounts or principal (main) book of accounts or book of final entry. Transactions cannot be directly recorded in the ledger. Each entry from the books of prime entry i.e. Journal & Subsidiary books is posted in the ledger. Therefore ledger is a derived or secondary record. Ledger provides all accounting entries in a summarised form relating to various accounts. It is a set of accounts. *An account in ledger is called ‘Ledger account’.* Separate accounts are opened for each head in the ledger book. Ledger contains Personal accounts, Real accounts & Nominal accounts. The ledger is a book containing (including) many ledger accounts. The number of ledger accounts depends upon the number of transactions of different nature & with different parties.

The term ‘Ledger’ is derived from the Dutch word ‘Legger’ which means to lie. Therefore, ledger means a book where the various account lie.

The definition of ‘Ledger’ as given in the Encyclo-pedia is as under.

“A group of accounts is known as a ledger.”

Specimen / Ruling / Format / Proforma of a Ledger Accounts:

The format of an account varies depending upon the system following in an organisation. The generally accepted forms are as under;

- 1 ‘T’ form of Account.
- 2 Statement form of Account

Or

Balance form of Account

1) **'T' form of Account**

Specimen of an account in 'T' form is as under

Specimen Or Ruling Or Standard form Or Proforma of Ledger Account

In the books of _____

Dr.		Name / Head of A/c				Cr.	
Date	Particulars	Folio <u>or</u> J.F.	Amount ₹	Date	Particulars	Folio <u>or</u> J.F.	Amount ₹
	To "The name of credit A/c"				By "The name of Debit A/c"		

Ledger Account is divided into two sides. The left hand side is known as debit side and the right hand side is known as credit side. Title (Name / Head) of the account is written at the top in the centre. The words 'Dr' & 'Cr' is written at the top on the left hand side corner & right hand side corner respectively. The columns 'Date', 'Particulars', 'J.F. / Folio' & 'amount' appear on both the sides of a ledger account.

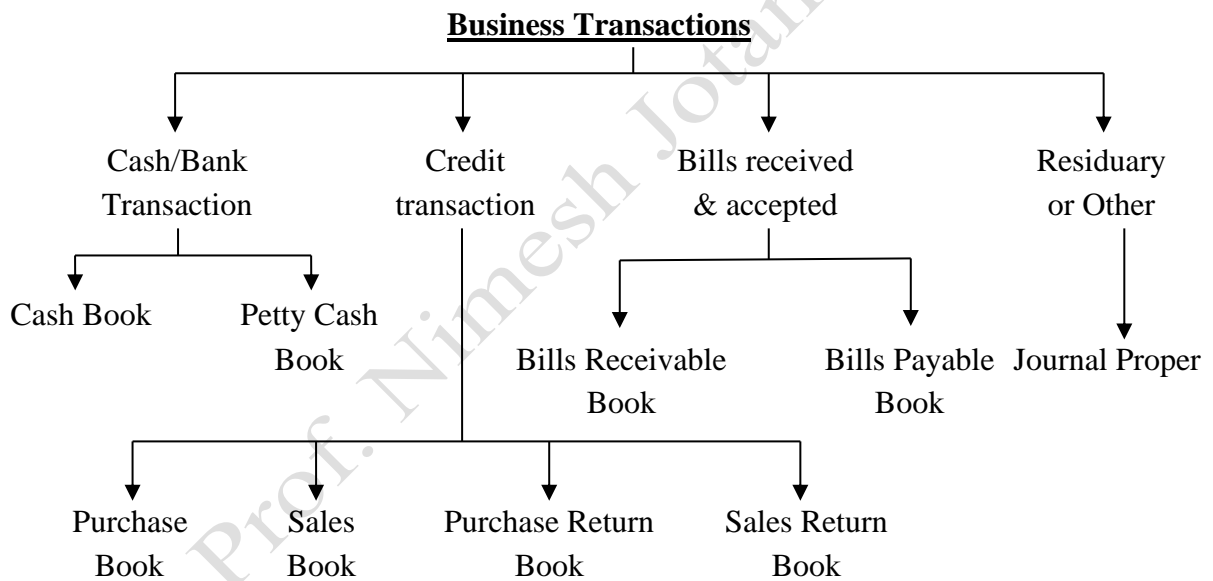
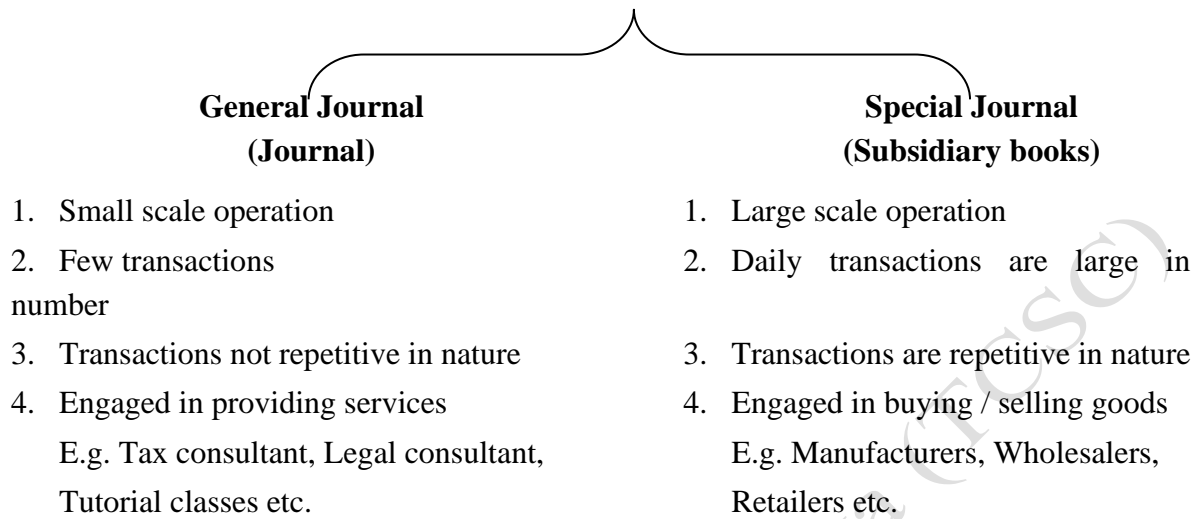
SUBSIDIARY BOOKS

Introduction / Origin of Subsidiary book:

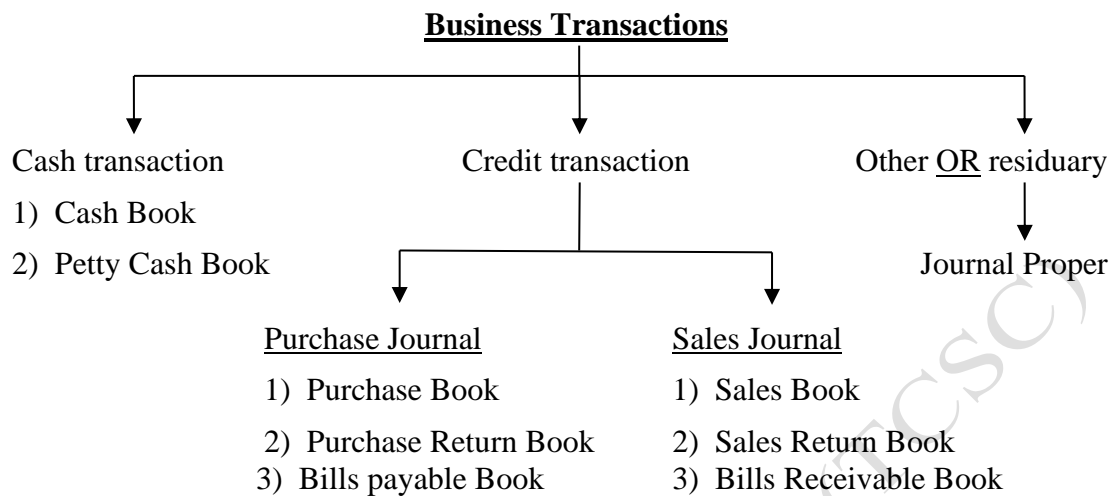
In earlier stage (times), businessmen used only one Journal for recording all the business transactions. 'Journal' as a book of accounts was convenient because the volume of business was small and the numbers of transactions are very few. But with the growth of business, the number of transactions increased & need was felt for better method of recording transactions. If all these business transactions recorded in one & the same journal, the journal would be bulky. Moreover, it is impossible for many clerks to work on the same journal at one & the same time. Under such situation, it becomes necessary to divide the whole Journal into several subsidiary journals so that work can be assigned to many at one and the same time. In each separate journal, one particular class of business transactions is recorded.

'Journal' & 'Subsidiary books' are the books of original entry or books of prime entry. In a small business, transactions are few & therefore, only one book is maintained i.e. Journal. On the other hand in a big business, numbers of transactions are large & therefore one book is not enough to record all the transactions & therefore subsidiary books maintained.

Types of Journal



OR



ACCOUNTING PROCESS

All Financial transactions are initially recorded in journal (Book of prime entry) which is in chronological order (i.e. datewise) and when these transactions are posted to ledger (Principal Book) which is prepared in Analytical order. (i.e. Account wise)

For the purpose of convenience, entire journal is subdivided in different parts as under:

- 1) **Purchase Book** → It records credit purchase of goods only.
- 2) **Sales Book** → It records credit sale of goods only.
- 3) **Purchase return Book** → It records return of goods purchased on credit basis.
- 4) **Sales return Book** → It records return of goods sold on credit basis.
- 5) **Bills Receivable Book** → It records acceptance received from customers or debtors. However, It's discounting, endorsement & dishonoured is not recorded in Bills Receivable Book.
- 6) **Bills Payable Book** → It records acceptance given to creditors or suppliers and not its dishonour.

Note:

Rule for posting:

From above six books the individual parties A/c will be posted for individual amounts on individual date but Purchase, Sales A/c etc. will have posting on the last day for total amount.

- 7) **Cash Book** → The cash book will cover all receipts & payments. The cash column in cash book represents Cash A/c and the Bank column in cash Book represents Bank A/c from where the Cash & Bank Balance are directly taken to the trial Balance. Hence, the cash Book is considered as a combination of journal and ledger. The Discount column of cash Book debit side represents Discount allowed and its total is posted to Discount allowed A/c debit side. The Discount column total on the credit side of cash Book represents Discount received and its total is posted to Discount received A/c credit side.

When a cheque is issued, the entry is passed in Bank column whether the cheque is a bearer cheque or a crossed cheque. But when the cheque is received, if it is a bearer cheque, the entry is passed in cash column. If a crossed cheque is received and it is deposited in the Bank on the same day, the entry will be recorded in Bank column, but if it is not deposited in the Bank on the same day, it will be initially recorded in the Cash column and later on, when the cheque is deposited in Bank, A contra entry is passed. When a cheque received is endorsed, it will be recorded in both the sides of the cash Book in cash column.

- 8) **Petty Cash Book** → This is prepared by a petty cashier to record petty expenses of the Business. The Balance in Petty cash Book on the month end represents petty cash Balance in hand with petty cashier which is taken to Balance sheet as an asset. If a system of maintaining a fixed Balance is maintained at the end of every month, then it is called as 'imprest system'. Imprest amount is also called as 'float'.
- 9) **Journal Proper** → This is a residual part of Journal which will record all those transactions which cannot be recorded in the special book as mentioned above for e.g. Credit Purchase or Sale of asset, dishonour of Bill of Exchange, rectification entry, opening & closing entry etc.

1 **Purchase Book:**

This is the book of prime entry which records all transactions of credit purchases of goods.

In this book, all the goods purchased on credit are recorded. Furniture or Machinery purchases on credit or goods purchase for cash etc. are not entered in the purchase book.

This book is maintained mainly to record credit purchases of goods in business. A transaction to find place in purchase book must comply two necessary conditions, (i) It should be credit transactions, (ii) it must involve purchase of "Goods" only. Cash purchases of goods are recorded in the Cash Book. Credit purchases of assets are recorded in the Journal proper.

A purchase Book is also known as purchase journal, Invoice book, Purchase Register, Bought Book, Purchase Day Book etc.

Rolling / Format / Proforma of Purchase Book:

Date	Name of Suppliers OR Particulars	L.F.	Inward Invoice No.	Amount Rs.

2 Sales Book:

This is the book of prime entry which records all transaction of credit sales of goods.

In this book, all the goods sold on Credit are recorded. Sale of old machinery on credit or goods sold on cash basis etc are not entered (recorded) in the sales Book.

As similar to Purchase Book, a separate Sales book is maintained to record all credit sales of goods. A transaction to find place in Sales Book must comply with two conditions, viz. (i) The transaction must be a credit transaction. (ii) It must involve sale of “goods” kept in business for resale purpose. Cash sales of goods are recorded in the Cash Book, while Credit Sale of assets are recorded in the Journal Proper.

A sales Book is also known as Sales Journal, Sales Register, Sales Day Book, sold Book etc.

Ruling / Format / Proforma of Sales Book:

Date	Name of Customers <u>OR</u> Particulars	L.F.	Outward Invoice No.	Amount Rs.

3. Purchase Return Book:

This is the book of prime entry which records all returns of goods purchased on credit.

In this book, all the transactions of return of goods purchased on credit are recorded. A transaction of a return of assets will not come in the purchase Return Book.

A Purchase return Book is also known as Purchase Return Journal or Return Outward Book.

Ruling / Format / Proforma of Purchase Return Book:

Date	Name of Suppliers <u>OR</u> Particulars	L.F.	Debit Note No.	Amount Rs.

4.Sales Return Book:

This is the book of prime entry which records all returns of goods sold on credit.

In this book, all the transactions of returns of goods sold on credit are recorded. A transaction of return of assets will not come in the Sales Return Book.

Sales Return means goods sold by a supplier are returned by a Customer.

A Sales Return Book is also known as Sales Return Journal or Return Inward Book.

Goods sold to customers may be returned by them if the goods supplied to them are not up to the sample or of inferior quality or damaged etc.

Ruling / Format / Proforma of Sales Return Book:

Date	Name of Customers OR Particulars	L.F.	Credit Note No.	Amount Rs.

CASH BOOK (SUBSIDIARY BOOK)**❖ Meaning:**

A subsidiary book or book of original entry in which cash transactions as well as banking transactions are recorded is known as cash book. Thus cash book is a Subsidiary Book or a book of original entry meant for the recording of all receipts & payments of cash. All cash transactions are recorded in the cash book. Credit transactions are not recorded in cash book.

Cash book is a book of original entry in which only cash receipts and cash payments are recorded. It is divided into two sides, 'Receipt side' and 'Payment side'. When cash, cheque or draft is received, the details are recorded on the left hand side which is known as Receipt side or Debit Side. When cash, cheque or draft is issued, the details are recorded on the right hand side which is known as Payment side or Credit Side. Cash book is a chronological record of all cash transactions. The cash book serves the purpose of book of original entry and also represents cash account in ledger. In fact it is more of a ledger than a journal. It is a journal since cash transactions are recorded in chronological manner. It is a ledger since it constitutes a classified record of all cash transactions in the form of ledger with narrations and helps in finding out cash balance at the end of a particular accounting period. Thus, it can be said that cash book serves dual purpose of journal as well as ledger. Hence the cash book is considered as a combination of journal & Ledger.

Types of Cash Book (Detail)

- 1 Single column cash book / Simple Cash book
- 2 Double column cash book
 - a) Cash & Discount columns
 - b) Cash & Bank columns
 - c) Bank & Discount columns
- 3 Triple column cash book having Cash, Bank & Discount columns
- 4 Petty Cash Book

I. Simple Cash Book or Single Column Cash Book (Cash Column only)**Proforma / Specimen / Format of Simple Cash Book**

Dr					Simple Cash Book					Cr	
Date	R. No.	Particulars (Receipts)	L.F.	Amt · Rs.	Date	V. No.	Particulars (Payments)	L.F.	Amt · Rs.		

OR

Dr					Simple Cash Book					Cr	
Date	Particulars (Receipts)	R. No.	L.F.	Amt · Rs.	Date	Particulars (Payments)	V. No.	L.F.	Amt · Rs.		

II. Two Column Cash Book or Double Column Cash Book (Cash & discount column)
Proforma / Specimen / Format of Double Column Cash Book

Dr Cash Book of _____ Cr
 (with Discount & Cash columns)

Date	R. No.	Particulars (Receipts)	L.F .	Dis. Rs.	Amt . Rs.	Date	V. No.	Particulars (Payments)	L.F .	Dis. Rs.	Amt . Rs.

OR

Dr Cash Book of _____ Cr
 (with Discount & Cash columns)

Date	Particulars (Receipts)	R. No.	L. F.	Dis. Rs.	Amt . Rs.	Date	Particulars (Payments)	V. No.	L. F.	Dis. Rs.	Amt. Rs.

III. Proforma / Specimen / Format of Triple column Cash Book

Dr Cash Book of _____ Cr
 (with Discount, Cash & Bank columns)

Date	R. No .	Particulars (Receipts)	L .F .	Dis . Rs.	Cash Rs.	Bank Rs.	Date	V. No .	Particulars (Payments)	L. F.	Dis . Rs.	Cash Rs.	Bank Rs.

Trial Balance

INTRODUCTION

As and when business transactions take place, same are first recorded in the journal in the summarised form and subsequently they are posted to respective ledger account. This is in short known as journalisation and ledger posting respectively. This process of journalisation and ledger posting are continuously done for one accounting year and then at the end of accounting year all ledger accounts are closed, totaled and balanced. On totaling and balancing, some ledger accounts show debit balance and some ledger accounts show credit balance. In rare cases some ledger account does not show any balance. After this process a statement is prepared by businessman or accountant where in total of debit side and credit side of every ledger account or net balance shown by every ledger account is systematically recorded to ascertain arithmetical accuracy and to detect errors or frauds committed in the business. This statement is called trial balance. Thus trial balance is an abstract or list of all ledger accounts as on a specified date showing debit total and credit total of all the accounts or their balances. In other words trial balance is a statement showing balances or total of debit and credit side of all the accounts in the ledger as on a particular date. A trial balance may be prepared on any date or at time, but it must be prepared by businessman at the close of accounting year.

The trial balance is the test of accuracy and it establishes the principle that each debit has a corresponding credit. It is called trial balance because by preparing this statement, a businessman is taking trial of arithmetic accuracy of books of accounts. Trial balance is neither books of original entry nor the part of ledger. Final A/c is prepared from trial balance. Trial balance can be prepared periodically say monthly, quarterly, six monthly or annually.

MEANING

A Trial balance is a statement showing the debit and credit balances on the various ledger accounts as on a particular date. It is also called 'Statement of Balances'. In other words, it is a list of ledger balances extracted after completing the recording and posting of all transactions up to a certain date. A trial balance is not a ledger account but simply a statement.

PROFORMA OR SPECIMEN OF A TRIAL BALANCE

(1) Journal Form:

Trial balance as on

Sr. No.	Name of the Account / Particulars	L.F.	Debit ₹	Credit ₹

(2) Ledger Form :

Trial balance as on

Sr. No.	Name of the Account (Particulars)	L.F.	Debit ₹	Sr. No.	Name of the Account (Particulars)	L.F.	Credit ₹

TYPES OF TRIAL BALANCE:

A Trial balance can be of two types. : (1) Gross Trial Balance (2) Net Trial Balance.

Difference between Gross Trial Balance and Net Trial Balance**Gross Trial Balance****Net Trial Balance**

Particulars	Debit Amt.	Credit Amt.		Particulars	Debit Amt.	Credit Amt.
Sundry Debtors	40,000	10,000		Sundry Debtors	30,000	-
Sundry Creditors	20,000	30,000		Sundry Creditors	-	10,000
Capital	-	40,000		Capital	-	40,000
Bills Payable	5,000	15,000		Bills Payable	-	10,000
Machinery	1,00,000	20,000		Machinery	80,000	-
Bank Overdraft	10,000	60,000		Bank Overdraft	-	50,000
Total	1,75,000	1,75,000		Total	1,10,000	1,10,000