

## ACCOUNTING VARIATION PROFORMA

S.No	Transaction	Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit

### 5.1 Chart of Accounts

**Assets:**

Machinery, Furniture, Leasehold Premises, Building, Equipment, Plant, Account Receivables, Note Receivables, Land, Car, Marketable Securities, Cash, Goodwill, Leasehold building, Bank, Computer, Fixture and Fittings, Copy Rights, Leasehold land, Inventories, Loan to employees, Prepaid items etc. etc.

**Drawing:**

Any withdrawal made by Owner in the form of Physical assets like furniture, inventory etc. or in the form of Financial asset like cash etc.

**Expense:**

Wages, Salaries, Rent, Octri, Frieght, Carriage, Repairs, Maintenance, Discount, Rebate, Transportation, Commission, Miscellaneous Expense, Entertainment Expense (which have debit balance or paid)

**Liability:**

Note Payable, Account Payable, Bank Loan, Debenture, Bonds, Mortgage Loan and any outstanding or payables and unearned

**Owner Equity:**

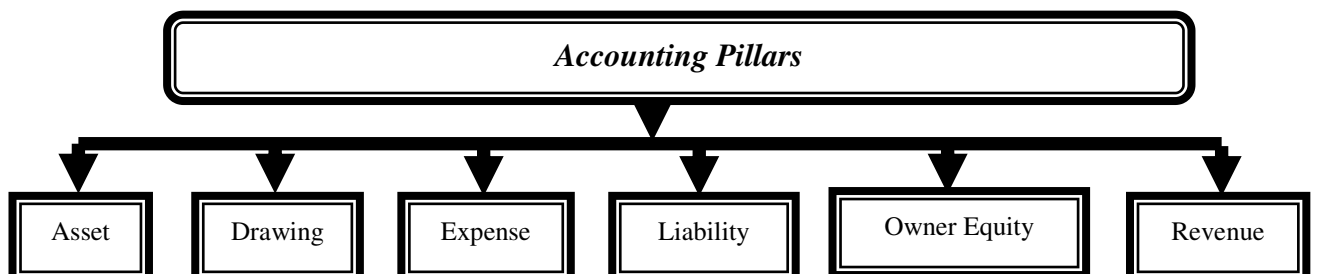
Any assets invested by owner may be in form of monetary or physical assets.

**Revenue:**

Sales, fees etc. all accounts have credit balance like commission (Cr) or received like discount received

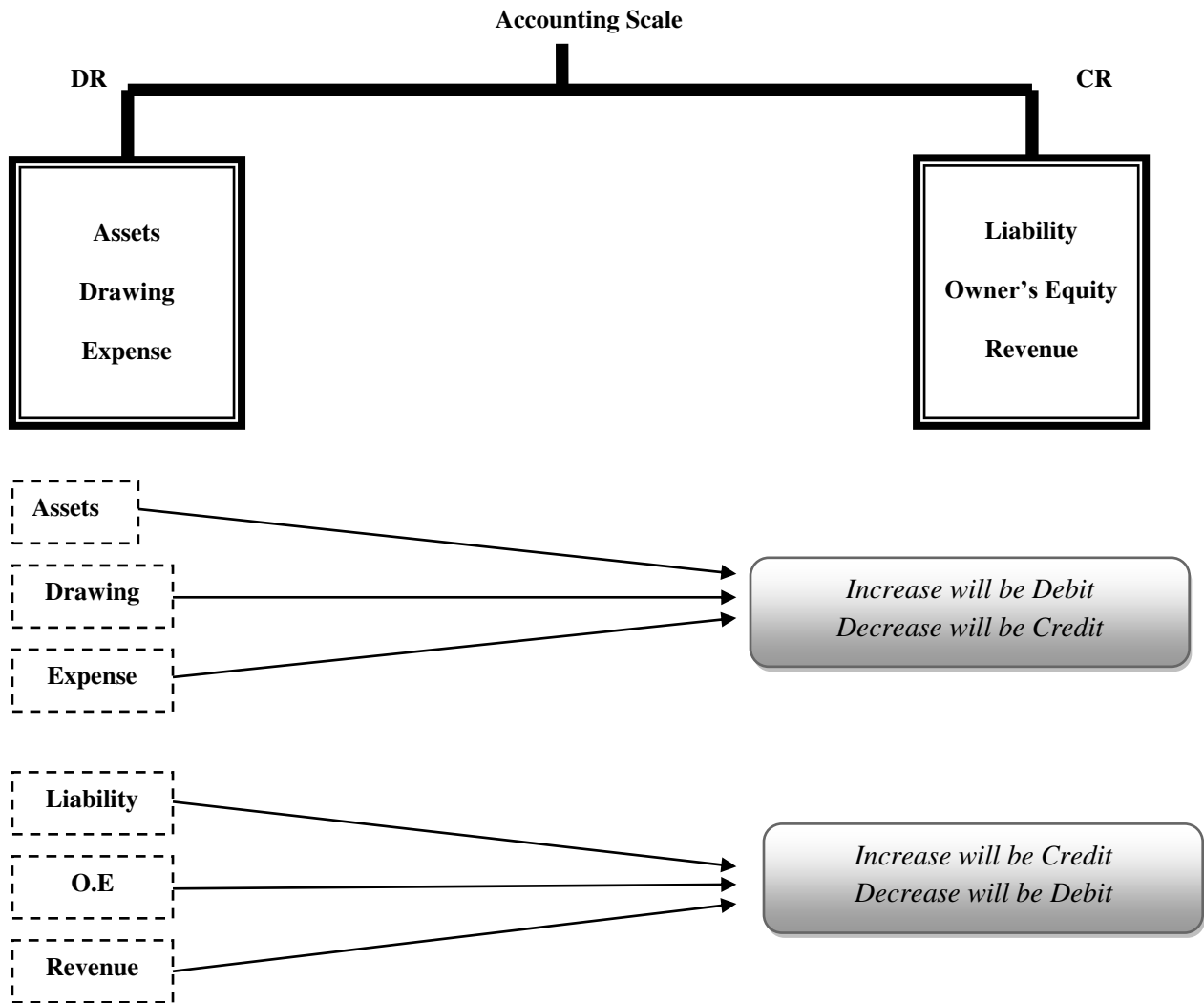
### 5.2 Accounting Pillars

There are six Pillars of Accounting



### 5.3 Golden Rules of Debit and Credit

- ◆ The term debit means left, and credit means right. They do not mean increase or decrease
- ◆ Debit is abbreviated Dr and credit is abbreviated Cr
- ◆ The act of entering an amount of the left side of an account is called debiting. Making an entry on the right side is called crediting
- ◆ When the totals of the two sides are compared, an account will have a debit balance if the left side (Dr side) is greater. Conversely, the account will have a credit balance if the right side (Cr side) is greater



### 5.4 Contra Accounts

1. Purchase Return .....	Return Outward .....	Contra Expense .....	Cr Balance
2. Sales Return .....	Return Inward .....	Contra Revenue .....	Dr Balance
3. Accumulated Depreciation .....		Contra Assets .....	Cr Balance
4. Provision for Bad Debts .....		Contra Assets .....	Cr Balance

## 5.5 Normal Balances

Items	Normal Balance	
	Dr.	Cr.
<i>Assets</i>	<i>Debit Balance</i>	
Liabilities		
Expenses		
Revenue		
Owner's Equity		
Drawing		
Purchase Return/ Return Outward		
Sales Return/ Return Inward		
Accumulated Depreciation		
Provision for Bad Debts		

**Example 5.1:** For each of the following items write Accounting Pillars and Normal Balances:

Items	Accounting Pillars	Normal Balance
<i>Cash at bank</i>	<i>Assets</i>	<i>Dr</i>
Financial charges paid		
Accumulated Depreciation		
Stock in trade		
Salaries payable		
Advance deposit and prepayments		
Carriage inward		
Commission received		
Sundry debtors		
Purchases Return/ Return outward		
Investment by Owner		
Bank charges (Dr)		
Profit or Capital gain		
Provision for bad debts		
Cash in hand		
Mark up (Cr)		
Sundry creditors		
Transportation outward		
Due from customers		
Unearned Revenue		
Deinvestment by owner for personal use		
Sales Return/ Return Inward		
Outstanding wages		

**Example 5.2:** Use Accounting Variation Proforma for following transactions

Jan. 2 Owners invested Cash of Rs. 70,000 in new business (Hint: Owner's Equity is Source)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Cash	Asset	Increase	70,000	
Owner's Equity	Owner's Equity	Increase		70,000

Jan. 3 An additional Rs. 10,000 was borrowed from a local bank as bank loan (Hint: Liability is Source)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit

Jan. 5 Paid Rs. 1,500 in office Rent for the month (Hint: Expenses always debited with its own Name)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit

Jan. 6 Cash Sales Rs. 1,000 (Hint: Revenue always credited with its own Name)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Cash	Asset	Increase	1,000	
Sales	Revenue	Increase		1,000

Jan. 9 Inventory costing Rs. 2,000 were purchased on account (Hint: Account Payable for credit buying)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Account Payable	Liability	Increase		2,000

Jan. 10 Credit Sales Rs. 3,000 (Hint: Account Receivable for credit sales)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Sales	Revenue	Increase		3,000

Jan. 12 Purchase goods for Rs. 6,000 cash (Hint: When goods or merchandising bought we debit purchase account)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
	Expense	Increase	6,000	
	Asset	Decrease		6,000

Jan. 14 Rs. 1,200 was paid on account to the vendor/supplier

*(Hint: Reducing Liability)*

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
		Decrease	1,200	
		Decrease		1,200

Jan. 15 Received cash from customer Rs. 3,000

*(Hint: Assets realized or conversion of assets)*

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Cash			3,000	
Account Receivable				3,000

Jan. 17 Paid insurance premium for two years Rs. 2,400

*(Hint: More than one year expense is asset)*

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Prepaid Insurance	Asset	Increase	2,400	
				2,400

Jan. 19 Goods return by cash customer of Rs. 200

*(Hint: Sales return is always debited)*

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Sales Return				

Jan. 20 Goods return to credit supplier of Rs. 500

*(Hint: Purchase return is always credited)*

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Purchase Return				

Jan. 21 Received commission of worth Rs. 700

*(Hint: Revenue always credited with its own Name)*

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Commission	Revenue	Increase		700

Jan. 22 Purchase Machinery of Rs. 10,000; Rs. 2,500 paid and for remaining sign a Note

*(Hint: Compound entry)*

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Machinery	Asset	Increase	10,000	

Jan. 22 Total services performed for Rs. 4,500, cash received Rs. 2,000 and remaining Note receivable

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
	Asset	Increase	2,000	
	Asset	Increase	2,500	
	Revenue	Increase		4,500

Jan. 22 Sales for client who have paid in advance in March 12

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Unearned Sales	Liability	Decrease	3,000	

Jan. 25 Account receivable collected for Rs.1,500

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit

Jan. 28 Purchased supplies of worth Rs. 25,000; paid 10,000 cash and remaining account payable

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Supplies			25,000	
Cash				10,000
Account Payable				15,000

Jan. 30 Received Rs. 3,000 cash from customer to whom sales to be delivered in future

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit
Cash	Asset	Increase	3,000	
Unearned Sales	Liability	Increase		3,000

### Practice MCQs

[www.accountancyknowledge.com/accounting-variation-proforma-mcq/](http://www.accountancyknowledge.com/accounting-variation-proforma-mcq/)

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[www.accountancyknowledge.com/accounting-variation-proforma-problems-and-solutions/](http://www.accountancyknowledge.com/accounting-variation-proforma-problems-and-solutions/)