

## 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, Freight, 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:**

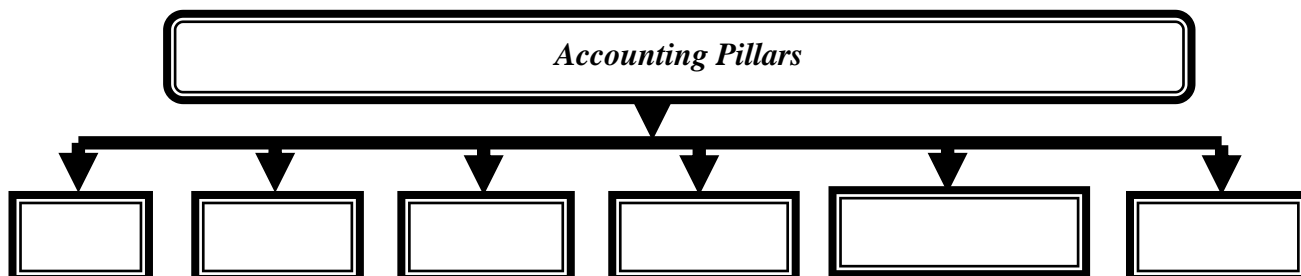
Any assets invested by owner may be in form of monetary or physical assets.

**Revenue:**

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

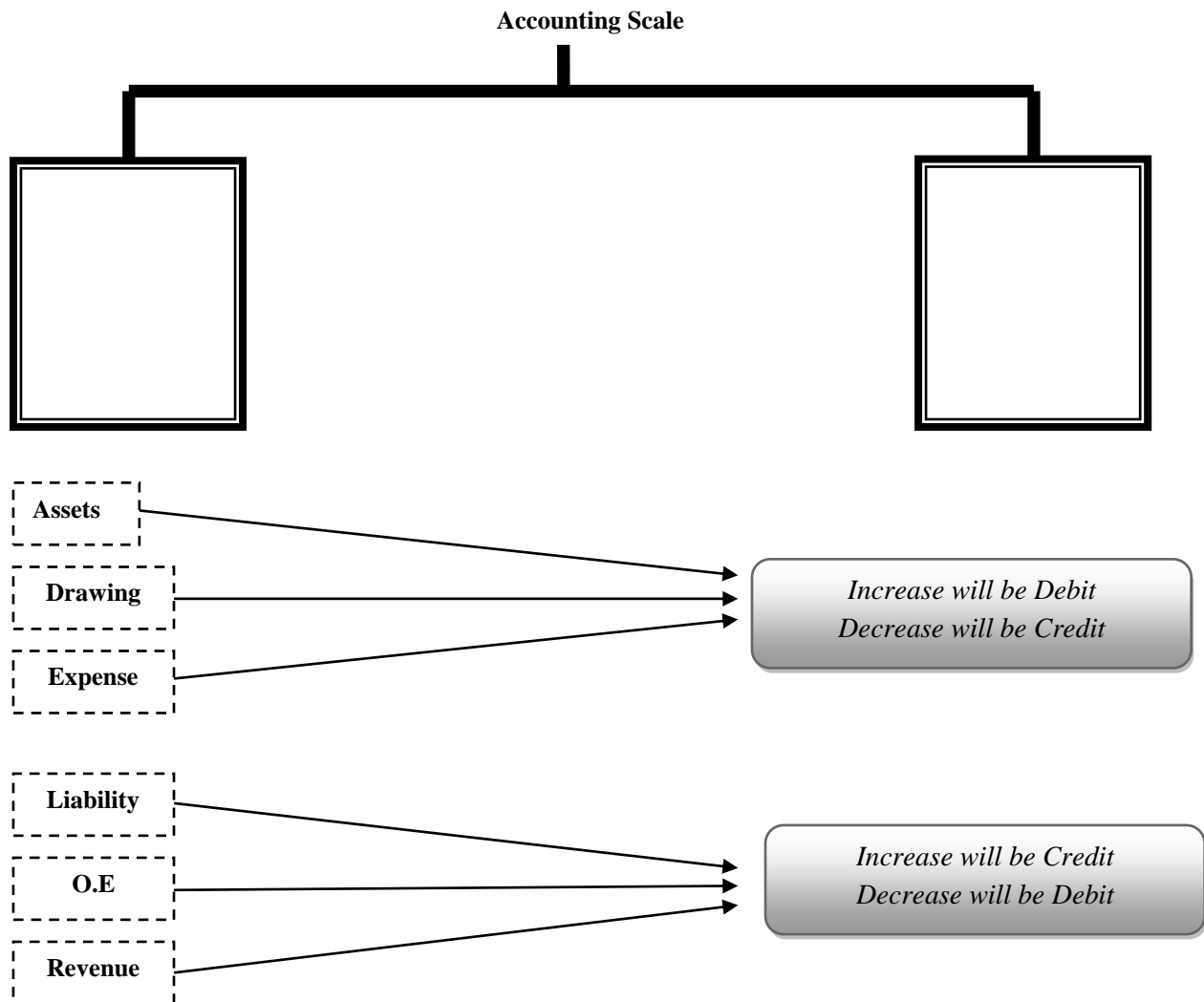
## 5.2 Accounting Pillars

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.
Assets		
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
Cash at bank		
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

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

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

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

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit

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



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

(Hint: Reducing Liability)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit

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

(Hint: Assets realized or conversion of assets)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit

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

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

(Hint: Sales return is always debited)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit

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

(Hint: Purchase return is always credited)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit

Jan. 21 Received commission of worth Rs. 700.

(Hint: Revenue always credited with its own Name)

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit

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



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

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

Charts of Accounts	Accounting Pillars	Reasons	Debit	Credit

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

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

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