UNIT 7 : ACCOUNT CURRENT

LEARNING OUTCOMES

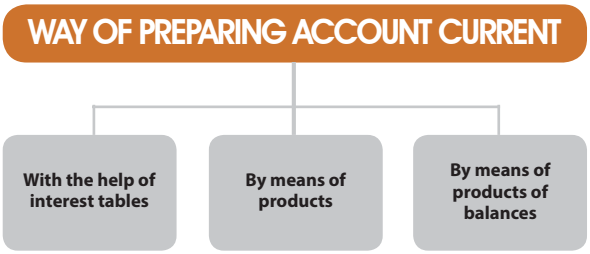
After studying this unit, you will be able to:

a) Understand the meaning of Account Current.

b) Learn the methods of preparing Account Current, namely preparation of Account Current with the help of interest tables, by means of product and by means of balances.

c) Understand the calculation procedure involved in the preparation of Account Current.

UNIT OVERVIEW



7.1 INTRODUCTION

An Account Current is a running statement of transactions between parties for a given period of time and includes interest allowed or charged on various items. It takes the form of an ledger account.

Some of the situations when account current is prepared are:

1. It is prepared when frequent transactions regularly take place between two parties. An example is of a manufacturer who sells goods frequently to a merchant on credit and receives payments from him in instalments at different intervals and charges interest on the amount which remains outstanding.
2. A consignee of goods can also prepare an Account Current, if the latter is to settle the account at the end of the consignment & interest is chargeable on outstanding balance.
3. An Account Current also is frequently prepared to set out the transactions taking place between a banker and his customer.
4. It is prepared when two or more persons are in joint venture and each co-venture is entitled to interest on their investment. Also, no separate set of book is maintained for it.

An Account Current has two parties - one who renders the account and the other to whom the account is rendered. This is indicated in the heading of an Account Current, which is like the following: "A in Account Current with B". It implies that A is the customer, and the account is being rendered to him by B.

7.2 PREPARATION OF ACCOUNT CURRENT

There are three ways of preparing an Account Current:

(i) With help of interest table

(ii) By means of products

(iii) By means of products of balances

7.2.1 Method 1: Preparation of Account Current with the help of Interest Tables-Individual Method

According to this method, all the transactions are arranged in the form of an account. There are two additional columns on both the sides of such an account.

(a) One column is meant to indicate the number of days counted from the due date of each transaction to the date of rendering the account. If no specific date is mentioned as the date on which payment is due, the date of the transactions is presumed to be the due date.

(b) The other column is meant for writing interest.

With the help of ready made tables, interest due on different amounts at given rates for different periods of time is found out and this is entered against each item separately.

The interest columns of both the sides are totalled up and the balance is drawn.

ILLUSTRATION 1

Prepare Account Current for Nath Brothers in respect of the following transactions with Shyam:

2015		₹	
September 16	*Goods sold to Shyam*	*200*	*due 1st Oct.*
October 1	*Cash received from Shyam*	*90*	
October 21	*Good purchased from Shyam*	*500*	*due 1st Dec.*
November 1	*Paid to Shyam*	*330*	
December 1	*Paid to Shyam*	*330*	
December 5	*Goods purchased from Shyam*	*500*	*due 1st Jan.*
December 10	*Goods purchased from Shyam*	*200*	*due 1st Jan.*
2016			
January 1	*Paid to Shyam*	*600*	
January 9	*Goods sold to Shyam*	*20*	*due 1st Feb.*

The account is to be prepared upto 1st February. Calculate interest @ 6% per annum. (1 year = 365 days)

SOLUTION

Shyam in Account Current with Nath Brothers
(Interest to 1st February, 2016 @ 6% p.a.)

Date 2015	Particulars	Due date	Amount ₹	Days	Interest	Date 2015	Particulars	Due date	Amount ₹	Days	Interest
Sept.16	To Sales A/c	1st Oct.	200	123	4.04	Oct. 1	By Cash A/c	1st Oct.	90	123	1.82
Nov.1	To Cash A/c	1st Nov.	330	92	5	Oct. 21	By Purchase A/c	1st Dec.	500	62	5.1
Dec. 1	To Cash A/c	1st Dec.	330	62	3.36	Dec. 5	By Purchase A/c	1st Jan.	500	31	2.55
						Dec.10	By Purchase A/c	1st Jan.	200	31	1.02
2016						2016					
Jan. 1	To Cash A/c	1st Jan.	600	31	3.06	Feb. 1	By Balance of Interest				4.97
Jan. 9	To sales A/c	1st Feb.	20			Feb.1	By Balance c/d		194.97		-
Feb. 1	To Interest		4.97								
			1,484.97		15.46				1,484.97		15.46

Tutorial Notes:

(1) While counting the number of days, the date of due date is ignored and the date upto which the account is prepared, is included.

(2) While counting the number of days, for opening balances, the opening date as well as date upto which the account is prepared, is counted.

Calculation of days:

Transaction 2014	Due Date	Oct.	Nov.	Dec.	Jan.	Feb.	Total Days
16th Sept.	1st Oct.	30+	30+	31+	31+	1 =	123
1st Oct.	1st Oct.	30+	30+	31+	31+	1 =	123
21st Oct.	1st Dec.	-	-	30+	31+	1 =	62
1st Nov.	1st Nov.	-	29+	31+	31+	1 =	92
1st Dec.	1st Dec.	-	-	30+	31+	1 =	62
5th Dec.	1st Jan.	-	-	-	30+	1 =	31
10th Dec.	1st Jan.	-	-	-	30+	1 =	31
2015							
1st Jan.	1st Feb.	-	-	-	30+	1 =	31
9st Jan.	1st Feb.	-	-	-	-	- =	0

7.2.2 Method 2: Preparation of Account Current by means of Products; Product Method

When this method is followed, the way of preparing the Account Current remains the same. In this method is only the method of calculating interest is different.

Under the previous method, interest columns are provided on both the sides of the Account Current, and interest in respect of each item is found out from the ready-made interest tables. In this method, interest columns are replaced by "product" columns. Product in this case is the amount multiplied by the number of days for which it has been outstanding. Interest on a certain sum of money for a certain number of days is the same thing as interest on the product for one day. In other words, with a view to reduce the period of each transaction to one day, the amount of each transaction is multiplied by the number of days. This product is entered against each transaction the product column.

The remaining steps are as follows:

(a) Find out the balance of the products on the two sides.

(b) Calculate interest at the given rate on the balance of the products for a single day.

(c) Enter interest on the appropriate side in the amount column. This entry is made on the side other than that on which the balance of products appears.

Taking Illustration 1 Account Current by means of Product is explained below :

Shyam in Account Current with Nath Brothers

(Interest to 1st February, 2016 @ 6% p.a.)

Date 2015	Particulars	Due date	Amount ₹	Days ₹	Product ₹	Date 2015	Particulars	Due date	Amount ₹	Days ₹	Product ₹
Sept. 16	To Sales A/c	1st Oct	200	123	24,600	Oct. 1	By Cash A/c	Oct.1	90	123	11,070
1 Nov.	To Cash A/c	1st Nov	330	92	30,360	Oct.21	By Purchase A/c	Dec.1	500	62	31,000
1 Dec.	To Cash A/c	1st Dec	330	62	20,460	Dec.5	By Purchase A/c	Jan. 1	500	31	15,500
						Dec.10	By Purchase A/c	1-Jan	200	31	6,200
2016						2016					
Jan.1	To Cash A/c	1-Jan	600	31	18,600	Feb.1	By Balance of products				30,250
Jan.9	To Sales A/c	1-Feb	20			Feb.1	By Balance c/d		194.97		
Feb.1	To Interest (30,250x6%)/365		4.97								
			1,484.97		94,020				1,484.97		94,020
2016 Feb	To Balance b/d		194.97								

7.2.3 Method of Computing the numbers of Days

Usually any of the following two methods is used for calculating the number of days.

1. Forward Method- Under this method the number of days are calculated from the due date of the transaction to the date of closing the account.

2. Backward (or Epoque Method)- Under this method, the number of the days are calculated from the opening date of statement to the due date of transaction.

EXAMPLE

From the following particulars, make up an Account Current to be rendered by Mr. X to Mr. Y on 31st December, 2016 taking interest into account at the rate of 18% p.a.

01.07. 2016	*Balance owing by Mr. Y*	*₹ 600*
30.07. 2016	*Goods sold to Mr. Y (Credit Period allowed 1 month)*	*₹ 300*
01.08. 2016	*Good purchased from Mr. Y (Credit Period received 1 month)*	*₹ 200*
01.09. 2016	*Cash received from Mr. Y*	*₹ 100*
01.09. 2016	*Mr. Y accepted Mr. X's Draft at 3 Months date*	*₹ 400*

You are required to prepare the Account Current according to interest on individual transaction under the Forward and Backward methods.

SOLUTION

(a) Product of individual Transaction Method (Forward Method)

Mr. Y in Account Current with Mr. X (interest to 31st Dec. 2016 @ 18% p.a.)

Date	Particulars	Due date	Amt. ₹	Days	Product ₹	Date	Particulars	Due date	Amt. ₹	Days	Product ₹
01.07.2016	To Balance b/d		600	184	1,10,400	01.08.2016	By Purchase A/c	Sep. 1	200	121	24,200
30.07.2016	To Sales A/c	Aug 30	300	123	36,900	01.09.2016	By Cash A/c	Sep. 1	100	121	12,100
31.12. 2016	To Interest on Balance for 1 day @ 18% $\left[\frac{1,00,200 \times 18 \times 1}{100 \times 365}\right]$		49			01.09.2016	By B/R A/c	Dec. 4	400	27	10,800
						31.12.2017	By Balance of Products				1,00,200
						31.12.2017	By Balance c/d		249		
			949		1,47,300				949		1,47,300

b) Product of individual Transaction Method (Epoque Method)

Mr. Y in Account Current with Mr. X (interest to 31st Dec. 2016 @ 18% p.a.)

Date	Particulars	Due date	Amt. ₹	Days	Product ₹	Date	Particulars	Due date	Amt. ₹	Days	Product ₹
01.07.2016	To Balance b/d		600			01.08.2016	By Purchase A/c	Sep. 1	200	63	12,600
30.07.2016	To Sales A/c	30-Aug	300	61	18,300	01.09.2016	By Cash A/c	Sep. 1	100	63	6,300
31.12.2016	To Balance of Product				1,00,200	01.09.2016	By B/R A/c	Dec. 4	400	157	62,800
31.12.2016	To Interest on Balance for 1 day @ 18% $\left[\frac{1,00,200 \times 18 \times 1}{100 \times 365}\right]$		49			31.12.2016	By Balance of Products [200 x 184]				36,800
						31.12.2016	By Balance c/d		249		
			949	-	1,18,500				949		1,18,500

ILLUSTRATION 2

From the following particulars prepare the account current to be rendered by Mr. Singh to Mr. Paul as on 31st August, 2016. Interest must be calculated @ 10% p.a. (1 year = 365 days)

2014		₹
June 11	*Goods sent to Mr. Paul*	*1,020*
June 15	*Cash received from Mr. Paul*	*500*
June 20	*Goods sent to Mr. Paul*	*650*
July 7	*Goods sent to Mr. Paul*	*700*
Aug 8	*Cash received from Mr. Paul*	*1,100*

SOLUTION

Mr. Paul in Account Current with Mr. Singh
(Interest to 31st August, 2016 @ 10% p.a.)

Date 2016	Particulars	Due Date	Amount ₹	Days	Product	Date 2016	Particulars	Due Date	Amount ₹	Days	Product
June 11	To Sales A/c	June 11	1,020	81	82,620	June 15	By Cash A/c	June 15	500	77	38,500
June 20	To Sales A/c	June 20	650	72	46,800	Aug.8	By Cash A/c	Aug.8	1,100	23	25,300
July 7	To Sales A/c	July 7	700	55	38,500	Aug.31	By Balance of product				1,04,120
Aug.31	To Interest A/c $\frac{1,04,120}{365} \times \frac{10}{100}$		28.53			Aug. 31	Balance c/d		798.53		
			2,398.53		1,67,920				2,398.53		1,67,920
Sept.	To Balance b/d		798.53								

ILLUSTRATION 3

From the following particulars make up an Account Current to be rendered by S. Dasgupta to A. Halder at 31st Dec. reckoning interest at 5% p.a. (assume 1 year = 365 days)

2016		₹
June 30	*Balance owing by A. Halder*	*520*
July 17	*Goods sold to A. Halder*	*40*
Aug. 1	*Cash received from A. Halder*	*500*
Aug. 19	*Goods sold to A. Halder*	*720*
Aug. 30	*Goods sold to A. Halder*	*50*
Sept. 1	*Cash received from A. Halder*	*400*
Sept. 1	*A. Halder accepted Dasgupta's Bill at 3 month date for*	*300*
Oct. 22	*Goods bought from A. Halder*	*20*
Nov. 12	*Goods sold to A. Halder*	*14*
Dec. 14	*Cash received from A. Halder*	*50*

SOLUTION

A. Halder in Current Account with Mr. S. Dasgupta
(Interest to 31st December, 2016 @ 5% p.a.)

Date 2016	Particulars	Due Date	Amount ₹	Days	Product	Date 2016	Particulars	Due Date	Amount ₹	Days	Product
June 30	To Balance b/d		520	185	96,200	Aug.1	By Cash A/c	Aug.1	500	152	76,000
July 17	To Sales A/c	July 17	40	167	6,680	Sep.1	By Cash A/c	Sep.1	400	121	48,400
Aug.19	To Sales A/c	Aug.19	720	134	96,480	Sep.1	By Bills Receivable A/c (Note : 1)	Dec.4	300	27	8,100
Aug. 30	To Sales A/c	Aug.30	50	123	6,150	Oct.22	By Purchases A/c	Oct.22	20	70	1,400
Nov.12	To Sales A/c	Nov.12	14	49	686	Dec.14	By Cash A/c	Dec.14	50	17	850
						Dec.31	By Balance of product				71,446
31 Dec.	To Interest A/c $\frac{71,446 \times 5\%}{365}$		9.79			Dec.31	By Balance b/d		83.79		-------
			1,353.79		2,06,196				1,353.79		2,06,196

Note: It is assumed that the bill was honoured on due date. The due date of the bill should be treated as date of payment and days to be calculated from the due date of account.

Workings:

Calculation of Days

Date of Transactions :	Due date	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Opening Balance		1	+31	+31	+30	+31	+30	+31	= 185
July 17	July 17	-	14	+31	+30	+31	+30	+31	= 167
Aug. 1	Aug. 1	-	-	30	+30	+31	+30	+31	= 152
Aug. 19	Aug. 19	-	-	12	+30	+31	+30	+31	= 134
Aug. 30	Aug. 30	-	-	1	+30	+31	+30	+31	= 123
Sep. 1	Sep. 1	-	-	-	29	+31	+30	+31	= 121
Sep. 1	Dec. 4	-	-	-	-	-	-	27	= 27
Oct. 22	Oct. 22	-	-	-	-	9	+30	+31	= 70
Nov. 12	Nov. 12	-	-	-	-	-	18	+31	= 49
Dec. 14	Dec. 14	-	-	-	-	-	-	17	= 17

Note: While counting the number of days, for opening balances, the opening date as well as date upto which the account is prepared, is counted.

ILLUSTRATION 4

From the following prepare an account current, as sent by A to B on 30th June, 2016 by means of products method charging interest @ 6% p.a:

2016		₹
Jan. 1	*Balance due from B*	*600*
Jan.11	*Sold goods to B*	*520*
Jan. 18	*B returns Goods*	*125*
Feb 11	*B Paid by cheque*	*400*
Feb 14	*B accepted a bill drawn by A for one month*	*300*
Apr. 29	*Goods sold to B*	*615*
May 15	*Received cash from B*	*700*

SOLUTION

B in Account Current with A

for the period ending on 30th June, 2016

Date 2016	Particulars	Amount ₹	Days	Products	Date 2016	Particulars	Amount ₹	Days	Products
Jan.1	To Balance b/d	600	182	1,09,200	Jan.18	By Sales Returns	125	164	20,500
Jan. 11	To Sales A/c	520	171	88,920	Feb. 11	By Bank A/c	400	140	56,000
Apr. 29	To Sales A/c	615	62	38,130	Feb. 14	By B/R A/c (due date: March 17)	300	105	31,500
June 30	To Interest A/c	15.75			May 15	By Cash A/c	700	46	32,200
					June 30	By Balance of products			96,050
						By Balance c/d	225.75		
		1,750.75		2,36,250			1,750.75		2,36,250

Calculation of interest:

$$\text{Interest} = \frac{96,050}{366} \times \frac{6}{100} = ₹\ 15.75$$

Red - Ink Interest: In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in "Red-Ink" in the appropriate side of the 'Account current'. This interest is called Red-Ink interest. This Red Ink interest is treated as negative interest. In actual practice, however the product of such bill [value of bill X (due date-closing date) is written in ordinary ink in the opposite side on which the bill is entered]. It means interest from future date from date of account current i.e., present date. In earlier periods, it was written in red ink; hence it got the name of red ink interest. It implies that rebate will be allowed on interest paid/ received, if settlement of future due transaction is done on account current date

This can also be understood in a different way. In an account current, interest is calculated on the amount of a bill from the date of transaction to the closing date of the period concerned. In case the due date of the bill falls after the closing date of the accounts, then no interest is allowed for that period. Such interest is customarily written in red ink in the appropriate side of the account current. The interest is called Red-Ink interest and is treated as negative interest.

ILLUSTRATION 5

Following transaction took place between X and Y during the month of April, 2016.

April		₹
1	*Amount payable by X to Y*	*10,000*
7	*Received acceptance of X to Y for 2 months*	*5,000*
10	*Bills receivable (accepted by Y) on 7.2.2016is honoured on this due date*	
10	*X sold goods to Y (invoice dated 10.5.2016)*	*15,000*
12	*X received cheque form Y dated 15.5.2016*	*7,500*
15	*Y sold goods to X (invoice dated 15.5.2016)*	*6,000*
20	*X returned goods sold by Y on 15.4.2016*	*1,000*
20	*Bill accepted by Y is dishonoured on this due date*	*5,000*

You are required to make out an account current by products method to be rendered by X to Y as on 30.4.2016, taking interest into account @ 10% p.a. (assume 1 year = 365 days)

SOLUTION

'Y' In Account Current with 'X'
(Interest to 30th April, 2016 @ 10% p.a.)

Date 2016	Particulars	Due Date 2016	Amount ₹	Days	Product	Date 2016	Particulars	Due Date 2016	Amount ₹	Days	Product
April 7	To Bills Payable	June 10	5,000	-	-	April 1	By Balance b/d		10,000	30	3,00,000
April 10	To Sales A/c	May 10	15,000	-	-	April 12	By Bank A/c (Cheque received dated 15.5.2016)	May 15	7,500	-	-
April 20	To Purchase Returns	May 15	1,000	-	-	April 15	By Purchase A/c (invoice dated 15.5.2016)	May 15	6,000	-	-
April 20	To Bill Receivable A/c	April 20	5,000	10	50,000						

April 30	To Red Ink Product (₹ 7,500 x15) as per contra	May 15		15	1,12,500	April 30	By Red Ink Product as per contra (5,000 x 41)	June10	-	41	2,05,000
April 30	To Red Ink Product (₹ 6,000 x15) as per contra	May 15		15	90,000	April 30	By Red Ink Product as per contra (15,000 x 10)	May 10	-	10	1,50,000
April 30	To Balance of product				4,17,500	April 30	By Red Ink Product as per contra (1,000 x 15)	May 15	-	-	15,000
						April 30	By Interest A/c $4,17,500 \times \frac{10}{100} \times \frac{1}{365}$		114.38		
						April 30	By Balance c/d		2,385.62		
			26,000		6,70,000				26,000		6,70,000

No entry is required for matured bill on 10th April since party is not contracted.

7.2.4 Method 3: Preparation of Account Current by Means of Product of Balances in case of Banks.

This method, also known as periodic balance method, is usually adopted in the case of banks where the balance of account is taken out after every transaction. In this case, the number of days written against each transaction are the days counted from its date or due date to the date of the following transaction. In the case of the last transaction, the number of days is counted to the close of the period.

Each amount is multiplied with the number of days. If the amount represents a debit balance, the product is entered in the Dr. Product column; and if it represents a credit balance, the product is written in the Cr. Product column. The Dr. Product and Cr. Product columns are then totalled up. Interest is calculated on each total at the given rate of interest; and the net interest is ascertained. If net interest is payable to the customer, it will appear as "By Interest A/c", and if it is due from the customer, it will appear as "To Interest A/c".

ILLUSTRATION 6

On 2nd January, 2016 Vinod opened a current account with the Allahabad Bank Limited; and deposited a sum of ₹ 30,000.

He further deposited the following amounts:	₹
15th January	*12,000*
12th March	*8,000*
10th May	*16,000*

His withdrawals were as follows :	
15th February	*26,000*
10th April	*30,000*
15th June	*14,000*

Show Vinod's a/c in the ledger of the Allahabad Bank. Interest is to be calculated at 5% on the debit balance and 2% on credit balance. The account to be prepared as on 30th June, 2016. Calculation may be made correct to the nearest rupee.

SOLUTION

Vinod Current Account with Allahabad Bank Ltd.

Date	Particular	Dr.	Cr.	Dr. or Cr.	Balance	Days	Dr. Product	Cr. Product
2016								
Jan. 2	By Cash Account	-	30,000	Cr.	30,000	13	-	3,90,000
Jan. 15	By Cash Account	-	12,000	Cr.	42,000	31	-	13,02,000
Feb. 15	To Self	26,000	-	Cr.	16,000	25	-	4,00,000
Mar. 12	By Cash Account	-	8,000	Cr.	24,000	29	-	6,96,000
April 10	To Self	30,000	-	Dr.	6,000	30	1,80,000	-
May 10	By Cash Account	-	16,000	Cr.	10,000	36	-	3,60,000
June 15	To Self	14,000	-	Dr.	4,000	16	64,000	-
June 30	By Interest A/c	-	140	Dr.	3,860		-	-
June 30	By Balance c/d		3,860	-				
		70,000	70,000				2,44,000	31,48,000
July 1	To Balance b/d	3,860						

* Interest is calculated as follows:

On ₹ 31,48,000 @ 2% for 1 day = ₹ 172.49

On ₹ 2,44,000 @ 5% for 1 day = ₹ 33.42

Net Interest = ₹ 139.07 (₹ 172.49- ₹ 33.42)

SUMMARY

- When interest calculation becomes an integral part of the account. The account maintained is called "Account Current".

  Some examples where it is maintained are:

  (i) Frequent transactions between two parties.

  (ii) Goods sent on consignment

  (iii) Frequent transactions between a banker and his customers

  (iv) In case of Joint venture when no separate set of books is maintained for joint venture

- There are three ways of preparing an Account Current :

  (i) With the help of interest tables

  (ii) By means of products

  (iii) By means of products of balances

TEST YOUR KNOWLEDGE

Multiple Choice Questions

1 Red ink interest is
   (a) really not interest
   (b) negative interest
   (c) used in connection with average due date.

2 An account current is a statement of mutual transactions
   (a) between two parties
   (b) in lieu of average due date
   (c) prepared for a particular accounting period.

3 In account current, while counting the number of days, the due date is ignored and date up to which the accounts are prepared, is
   (a) included (b) excluded (c) ignored

Theoretical Questions

1. Define Account Current. Explain ways of preparing an Account Current
2. Write short note on Red-ink interest.

Practical Questions

1. Roshan has a current account with partnership firm. It has debit balance of ₹ 75,000 as on 01-07-2016. He has further deposited the following amounts:

Date	Amount (₹)
14-07-2016	1,38,000
18-08-2016	22,000

He withdrew the following amounts :

Date	Amount (₹)
29-07-2016	97,000
09-09-2016	11,000

Show Roshan's A/c in the ledger of the firm. Interest is to be calculated at 10% on debit balance and 8% on credit balance. You are required to prepare current account as on 30th September, 2016 by means of product of balances method.

2. From the following particulars prepare a account current, as sent by Mr. Ram to Mr. Siva as on 31st October 2016 by means of product method charging interest @ 5% p.a.

2016	Particulars	₹
1st July	Balance due from Siva	750
15th August	Sold goods to Siva	1250
20th August	Goods returned by Siva	200
22nd Sep	Siva paid by cheque	800
15th Oct	Received cash from Siva	500

ANSWERS/HINTS

MCQs

1. (b) 2. (a) 3. (a)

Theoretical Questions

1. An Account Current is a running statement of transactions between parties for a given period of time and includes interest allowed or charged on various items. It takes the form of an ledger account.

   There are three ways of preparing an Account Current:

   (i) With help of interest table.

   (ii) By means of products.

   (iii) By means of products of balances.

2. In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in "Red-Ink" in the appropriate side of the 'Account current'. This interest is called Red-Ink interest. This Red Ink interest is treated as negative interest. In actual practice, however the product of such bill [value of bill X (due date-closing date) is written in ordinary ink in the opposite side on which the bill is entered]. It means interest from future date from date of account current i.e., present date. In earlier periods, it was written in red ink; hence it got the name of red ink interest. It implies that rebate will be allowed on interest paid/ received, if settlement of future due transaction is done on account current date

Practical Questions

Answers 1

Roshan's Current Account with Partnership firm (as on 30.9.2016)

Date	Particulars	Dr (₹)	Cr (₹)	Balance (₹)	Dr. or Cr.	Days	Dr Product (₹)	Cr Product (₹)
01.07.16	To Bal b/d	75,000		75,000	Dr.	13	9,75,000	
14.07.16	By Cash A/c		1,38,000	63,000	Cr.	15		9,45,000
29.07.16	To Self	97,000		34,000	Dr.	20	6,80,000	
18.08.16	By Cash A/c		22,000	12,000	Dr.	22	2,64,000	
09.09.16	To Self	11,000		23,000	Dr.	22	5,06,000	
30.09.16	To Interest A/c	457		23,457	Dr.			
30.09.16	By Bal. c/d		23,457					
		1,83,457	1,83,457				24,25,000	9,45,000

Interest Calculation:

On ₹ 24,25,000x 10% x 1/365	=	664
On ₹ 9,45,000 x 8% x 1/365	=	(₹ 207)
Net interest to be debited	=	(₹ 457)

Answers 2

Siva in Account Current with Ram as on 31st Oct, 2016

		₹	Days	Product (₹)			₹	Days	Product (₹)
01.07.16	To Bal. b/d	750	123	92,250	20.08.16	By Sales Returns	200	72	14,400
15.8.16	To Sales	1,250	77	96,250	22.09.16	By Bank	800	39	31,200
31.10.16	To Interest	18.48			15.10.16	By Cash	500	16	8,000
						By Balance of Products			1,34,900
					31.10.16	By Bal. c/d	518.48		
		2018.48		1,88,500			2018.48		1,88,500

Interest = ₹ 1,34,900 x $\frac{5}{100}$ x $\frac{1}{365}$ = ₹ 18.48