

Opening Entry in a Business

When a business starts a new financial year, it must carry forward the balances of all assets and liabilities from the previous year to the new year. This is done through an opening entry, which is the first journal entry recorded in the new year's books of accounts.

The opening entry includes:

- **Assets:** All the assets owned by the business, such as cash, bank balances, inventory, machinery, buildings, etc.
- **Liabilities:** All the obligations or debts owed by the business, such as loans, creditors, and any other payable accounts.
- **Owner's Equity:** The owner's capital or equity at the start of the new financial year.

Purpose of the Opening Entry:

- **Continuity:** Ensures continuity in the accounting records by carrying forward the closing balances of the previous year.
- **Accurate Financial Position:** Reflects the true financial position of the business at the beginning of the new financial year.
- **Consistency:** Maintains consistency in accounting records, making it easier to compare financial data across different periods.

How to Record the Opening Entry

To record the opening entry:

- **Identify the Closing Balances:** Determine the closing balances of all assets, liabilities, and equity accounts from the previous financial year.
- **Create the Opening Entry:** Journalize these balances in the new year's books.

Solved Example

Assume the following closing balances from the previous year:

1. Cash: Rs. 50,000
2. Bank: Rs. 100,000
3. Inventory: Rs. 200,000
4. Machinery: Rs. 300,000
5. Building: Rs. 500,000
6. Creditors: Rs. 150,000
7. Loan: Rs. 100,000
8. Owner's Capital: Rs. 900,000

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Solution:

Journal Entry for Opening Balance

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
01/04/2024	Cash A/c	50,000	
	Bank A/c	100,000	
	Inventory A/c	200,000	
	Machinery A/c	300,000	
	Building A/c	500,000	
	To Creditors A/c		150,000
	To Loan A/c		100,000
	To Owner's Capital A/c		900,000
	(Being opening balances of assets and liabilities recorded)		

Explanation of the Entry

- Debit: All asset accounts are debited to reflect the resources owned by the business.
- Credit: All liability accounts and the owner's capital account are credited to reflect the obligations and owner's equity.

Assignment

Questions for Recording Banking Transactions

Ques 1:

On September 1, 2024, the following transactions occurred:

Opening Balances:

- Cash in hand Rs. 10,000
- Cash at bank Rs. 15,000

Transactions:

1. September 2, 2024: Paid rent Rs. 5,000 by issuing a cheque.
2. September 3, 2024: Received Rs. 8,000 from customer Ravi and deposited the same into the bank.
3. September 4, 2024: Purchased office supplies for Rs. 3,000 and paid by cheque.
4. September 5, 2024: Withdrew Rs. 2,500 from the bank for office expenses.

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5. September 6, 2024: Issued a cheque of Rs. 4,500 to supplier Mahesh.
 6. September 7, 2024: Paid Rs. 1,500 for utilities by issuing a cheque.
 7. September 8, 2024: Received a cheque of Rs. 6,000 from customer Anil and deposited it into the bank.
 8. September 9, 2024: Withdrew Rs. 2,000 from the bank for personal use by the proprietor.
 9. September 10, 2024: Bank allowed interest of Rs. 200 on the bank balance.
 10. September 11, 2024: Bank charged Rs. 100 for service charges.
- Pass journal entries for the above transactions.

Ques 2:

On October 1, 2024, the following transactions occurred:

Opening Balances:

- Cash in hand Rs. 12,000
- Cash at bank Rs. 20,000

Transactions:

1. October 2, 2024: Paid Rs. 6,000 for insurance by issuing a cheque.
 2. October 3, 2024: Received Rs. 10,000 from customer Geeta and deposited the same into the bank.
 3. October 4, 2024: Purchased machinery for Rs. 15,000 and paid by cheque.
 4. October 5, 2024: Withdrew Rs. 3,500 from the bank for office expenses.
 5. October 6, 2024: Issued a cheque of Rs. 5,500 to supplier Sohan.
 6. October 7, 2024: Paid Rs. 2,000 for electricity by issuing a cheque.
 7. October 8, 2024: Received a cheque of Rs. 7,000 from customer Manoj and deposited it into the bank.
 8. October 9, 2024: Withdrew Rs. 2,500 from the bank for personal use by the proprietor.
 9. October 10, 2024: Bank allowed interest of Rs. 300 on the bank balance.
 10. October 11, 2024: Bank charged Rs. 150 for service charges.
- Pass journal entries for the above transactions.

Ques 3:

On November 1, 2024, the following transactions occurred:

Opening Balances:

- Cash in hand Rs. 15,000
- Cash at bank Rs. 18,000

Transactions:

1. November 2, 2024: Paid Rs. 7,000 for rent by issuing a cheque.
2. November 3, 2024: Received Rs. 9,000 from customer Karan and deposited the same into the bank.



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3. November 4, 2024: Purchased office equipment for Rs. 8,000 and paid by cheque.
4. November 5, 2024: Withdrew Rs. 4,000 from the bank for office expenses.
5. November 6, 2024: Issued a cheque of Rs. 6,000 to supplier Raju.
6. November 7, 2024: Paid Rs. 2,500 for water bill by issuing a cheque.
7. November 8, 2024: Received a cheque of Rs. 8,000 from customer Neha and deposited it into the bank.
8. November 9, 2024: Withdrew Rs. 3,000 from the bank for personal use by the proprietor.
9. November 10, 2024: Bank allowed interest of Rs. 250 on the bank balance.
10. November 11, 2024: Bank charged Rs. 120 for service charges.
- Pass journal entries for the above transactions.

Ques 4:

On December 1, 2024, the following transactions occurred:

Opening Balances:

- Cash in hand Rs. 20,000
- Cash at bank Rs. 25,000

Transactions:

1. December 2, 2024: Paid Rs. 8,000 for rent by issuing a cheque.
2. December 3, 2024: Received Rs. 12,000 from customer Meena and deposited the same into the bank.
3. December 4, 2024: Purchased office furniture for Rs. 10,000 and paid by cheque.
4. December 5, 2024: Withdrew Rs. 5,000 from the bank for office expenses.
5. December 6, 2024: Issued a cheque of Rs. 7,000 to supplier Vinod.
6. December 7, 2024: Paid Rs. 3,000 for telephone bill by issuing a cheque.
7. December 8, 2024: Received a cheque of Rs. 9,000 from customer Pooja and deposited it into the bank.
8. December 9, 2024: Withdrew Rs. 4,000 from the bank for personal use by the proprietor.
9. December 10, 2024: Bank allowed interest of Rs. 400 on the bank balance.
10. December 11, 2024: Bank charged Rs. 180 for service charges.
- Pass journal entries for the above transactions.

Ques 5:

On January 1, 2025, the following transactions occurred:



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Opening Balances:

- Cash in hand Rs. 18,000
- Cash at bank Rs. 22,000

Transactions:

1. January 2, 2025: Paid Rs. 6,500 for rent by issuing a cheque.
 2. January 3, 2025: Received Rs. 11,000 from customer Rohit and deposited the same into the bank.
 3. January 4, 2025: Purchased office supplies for Rs. 9,000 and paid by cheque.
 4. January 5, 2025: Withdrew Rs. 4,500 from the bank for office expenses.
 5. January 6, 2025: Issued a cheque of Rs. 5,000 to supplier Seema.
 6. January 7, 2025: Paid Rs. 2,200 for internet bill by issuing a cheque.
 7. January 8, 2025: Received a cheque of Rs. 10,000 from customer Kiran and deposited it into the bank.
 8. January 9, 2025: Withdrew Rs. 3,500 from the bank for personal use by the proprietor.
 9. January 10, 2025: Bank allowed interest of Rs. 350 on the bank balance.
 10. January 11, 2025: Bank charged Rs. 130 for service charges.
- Pass journal entries for the above transactions.

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