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Manual Accounting - Module 9

Recording of Banking Transactions

Recording of Banking Transactions refers to the systematic process of documenting financial transactions involving a bank account in the books of accounts. This is essential for maintaining accurate and up-to-date financial records. Banking transactions include activities such as depositing cash, withdrawing cash, receiving and issuing cheques, and other financial operations involving the bank.

S. No.	Transaction Description	Journal Entry
1	When cash is deposited into Bank	Bank A/c Dr. To Cash A/c
2	When cash is withdrawn from the bank	Cash A/c Dr. To Bank A/c
3	When the cheque is received from a customer and discount is allowed to him and if the cheque is deposited into the bank on the same day	Bank A/c Dr. Discount Allowed A/c Dr. To Customer A/c
4	When the payment is made by issue of cheque	Personal A/c Dr. To Bank A/c
5	When expenses are paid by the issue of a cheque	Expenses A/c Dr. To Bank A/c
6	When cash is withdrawn from the bank for the personal use of the proprietor	Drawings A/c Dr. To Bank A/c
7	When interest is allowed by the bank	Bank A/c Dr. To Interest A/c
8	When interest is charged by the bank	Interest A/c Dr. To Bank A/c
9	When bank charges some amount for the services rendered by the bank	Bank Charges A/c Dr. To Bank A/c
10	Opening a bank account with the bank	Person Bank A/c Dr. To Cash A/c

Explanation:

1. Cash Deposit

- Entry: Bank A/c Dr. To Cash A/c
- Explanation: When cash is deposited into the bank, the bank account is debited as it increases, and the cash account is credited as it decreases.

2. Cash Withdrawal:

- Entry: Cash A/c Dr. To Bank A/c

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• Explanation: When cash is withdrawn from the bank, the cash account is debited as it increases, and the bank account is credited as it decreases.

3. Cheque Received and Deposited:

• Entry: Bank A/c Dr. Discount Allowed A/c Dr. To Cash A/c

• Explanation: When a cheque is received from a customer, the bank account is debited for the amount received, the discount allowed account is debited for the discount given, and the cash account is credited.

4. Payment by Cheque:

• Entry: Personal A/c Dr. To Bank A/c

• Explanation: When a payment is made by cheque, the respective personal account is debited, and the bank account is credited.

5. Expenses Paid by Cheque:

• Entry: Expenses A/c Dr. To Bank A/c

• Explanation: When expenses are paid by cheque, the expenses account is debited, and the bank account is credited.

6. Cash Withdrawal for Personal Use:

• Entry: Drawings A/c Dr. To Bank A/c

• Explanation: When cash is withdrawn for personal use, the drawings account is debited, and the bank account is credited.

7. Interest Allowed by Bank:

• Entry: Bank A/c Dr. To Interest A/c

• Explanation: When interest is allowed by the bank, the bank account is debited, and the interest account is credited.

8. Interest Charged by Bank:

• Entry: Interest A/c Dr. To Bank A/c

• Explanation: When interest is charged by the bank, the interest account is debited, and the bank account is credited.

9. Bank Charges:

• Entry: Bank Charges A/c Dr. To Bank A/c

• Explanation: When the bank charges for services, the bank charges account is debited, and the bank account is credited.

10. Opening a Bank Account:

• Entry: Person Bank A/c Dr. To Cash A/c

• Explanation: When a bank account is opened with cash, the personal bank account is debited, and the cash account is credited.



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These entries cover a wide range of typical banking transactions and illustrate the double-entry accounting system used to record such activities.

Solved Example

On March 1, 2024, ABC Ltd. had the following transactions:

1. Deposited Rs. 50,000 into the bank.
2. Withdrew Rs. 10,000 from the bank for office expenses.
3. Received a cheque of Rs. 25,000 from a customer and deposited it into the bank on the same day.
4. Issued a cheque of Rs. 15,000 to a supplier for goods purchased.
5. Paid Rs. 5,000 as rent by issuing a cheque.
6. Withdrew Rs. 8,000 from the bank for personal use by the proprietor.
7. The bank allowed interest of Rs. 500 on the bank balance.
8. The bank charged Rs. 200 for service charges.

Pass journal entries for the above transactions.

Solution: The journal entries in a tabular form for the transactions of ABC Ltd. on March 1, 2024.

S. No.	Date	Particulars	Debit (Rs.)	Credit (Rs.)
1	March 1, 2024	Bank A/c	50,000	
		To Cash A/c		50,000
		(Deposited cash into the bank)		
2	March 1, 2024	Office Expenses A/c	10,000	
		To Bank A/c		10,000
		(Withdrew cash from bank for office expenses)		
3	March 1, 2024	Bank A/c	25,000	
		To Customer A/c		25,000
		(Received and deposited cheque from customer)		
4	March 1, 2024	Supplier A/c	15,000	
		To Bank A/c		15,000
		(Issued cheque to supplier)		

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5	March 1, 2024	Rent A/c	5,000	
		To Bank A/c		5,000
		(Paid rent by issuing cheque)		
6	March 1, 2024	Drawings A/c	8,000	
		To Bank A/c		8,000
		(Withdrew cash for personal use)		
7	March 1, 2024	Bank A/c	500	
		To Interest Received A/c		500
		(Interest allowed by the bank)		
8	March 1, 2024	Bank Charges A/c	200	
		To Bank A/c		200
		(Bank service charges)		

Explanation:

1. Deposited Rs. 50,000 into the bank:

- Debit Bank A/c and credit Cash A/c as cash is deposited into the bank.

2. Withdrew Rs. 10,000 from the bank for office expenses:

- Debit Office Expenses A/c and credit Bank A/c as cash is withdrawn from the bank for office expenses.

3. Received a cheque of Rs. 25,000 from a customer and deposited it into the bank on the same day:

- Debit Bank A/c and credit Customer A/c as the cheque is received and deposited into the bank.

4. Issued a cheque of Rs. 15,000 to a supplier for goods purchased:

- Debit Supplier A/c and credit Bank A/c as the payment is made to the supplier by cheque.

5. Paid Rs. 5,000 as rent by issuing a cheque:

- Debit Rent A/c and credit Bank A/c as the rent is paid by cheque.

6. Withdrew Rs. 8,000 from the bank for personal use by the proprietor:

- Debit Drawings A/c and credit Bank A/c as the cash is withdrawn for personal use.





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7. The bank allowed interest of Rs. 500 on the bank balance:
• Debit Bank A/c and credit Interest Received A/c as the bank interest is received.

8. The bank charged Rs. 200 for service charges:
• Debit Bank Charges A/c and credit Bank A/c as the bank charges are applied.

Assignment

Question 1

On March 1, 2024, ABC Ltd. had the following transactions:

1. Deposited Rs. 50,000 into the bank.
 2. Withdrew Rs. 10,000 from the bank for office expenses.
 3. Received a cheque of Rs. 25,000 from a customer and deposited it into the bank on the same day.
 4. Issued a cheque of Rs. 15,000 to a supplier for goods purchased.
 5. Paid Rs. 5,000 as rent by issuing a cheque.
 6. Withdrew Rs. 8,000 from the bank for personal use by the proprietor.
 7. The bank allowed interest of Rs. 500 on the bank balance.
 8. The bank charged Rs. 200 for service charges.
- Pass journal entries for the above transactions.

Question 2

On April 1, 2024, XYZ Enterprises had the following transactions:

1. Deposited Rs. 80,000 into the bank.
 2. Withdrew Rs. 20,000 from the bank for petty cash expenses.
 3. Received a cheque of Rs. 30,000 from a debtor and deposited it into the bank on the same day.
 4. Issued a cheque of Rs. 40,000 to a creditor for settling an account.
 5. Paid Rs. 10,000 for utility bills by issuing a cheque.
 6. Withdrew Rs. 5,000 from the bank for personal use by the owner.
 7. The bank allowed interest of Rs. 1,000 on the bank balance.
 8. The bank charged Rs. 150 for maintaining the account.
- Pass journal entries for the above transactions.



Question 3

On May 1, 2024, LMN Traders had the following transactions:

1. Deposited Rs. 60,000 into the bank.
 2. Withdrew Rs. 12,000 from the bank for travel expenses.
 3. Received a cheque of Rs. 45,000 from a client and deposited it into the bank on the same day.
 4. Issued a cheque of Rs. 22,000 to a vendor for raw materials purchased.
 5. Paid Rs. 7,000 for office supplies by issuing a cheque.
 6. Withdrew Rs. 10,000 from the bank for personal use by the partner.
 7. The bank allowed interest of Rs. 600 on the bank balance.
 8. The bank charged Rs. 250 for service fees.
- Pass journal entries for the above transactions.

Question 4

On June 1, 2024, PQR Co. had the following transactions:

1. Deposited Rs. 70,000 into the bank.
 2. Withdrew Rs. 18,000 from the bank for marketing expenses.
 3. Received a cheque of Rs. 35,000 from a customer and deposited it into the bank on the same day.
 4. Issued a cheque of Rs. 28,000 to a supplier for inventory purchased.
 5. Paid Rs. 6,000 for insurance by issuing a cheque.
 6. Withdrew Rs. 7,500 from the bank for personal use by the director.
 7. The bank allowed interest of Rs. 750 on the bank balance.
 8. The bank charged Rs. 300 for account maintenance.
- Pass journal entries for the above transactions.

Question 5

On July 1, 2024, DEF Corporation had the following transactions:

1. Deposited Rs. 90,000 into the bank.
 2. Withdrew Rs. 25,000 from the bank for employee salaries.
 3. Received a cheque of Rs. 55,000 from a customer and deposited it into the bank on the same day.
 4. Issued a cheque of Rs. 35,000 to a contractor for services rendered.
 5. Paid Rs. 12,000 for office rent by issuing a cheque.
 6. Withdrew Rs. 15,000 from the bank for personal use by the owner.
 7. The bank allowed interest of Rs. 1,200 on the bank balance.
 8. The bank charged Rs. 400 for banking services.
- Pass journal entries for the above transactions.



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