

ASSIGNMENT No. 01

Book-Keeping & Accountancy (311) FA/ I.Com Spring, 2025

Q.1 What are the fundamental principles of accounting, and why are they important?
(20)

Accounting is often called the "language of business." To communicate financial information effectively, accountants adhere to a set of fundamental principles known as Generally Accepted Accounting Principles (GAAP) in the United States and International Financial Reporting Standards (IFRS) internationally. These principles provide a structured framework that enhances the clarity, consistency, and reliability of financial reporting. This structure is essential for stakeholders—such as investors, creditors, regulators, and management—who rely on accurate financial statements to make informed decisions.

THE ENTITY CONCEPT

One of the fundamental principles of accounting is the entity concept, which states that the financial activities of a business must be kept separate from those of its owners or other businesses. This distinction is crucial for accurate financial reporting and helps in evaluating the performance and financial position of the business independently. By applying the entity concept, stakeholders can assess the business's financial health without the influence of the owner's personal finances.

THE GOING CONCERN PRINCIPLE

The going concern principle posits that a business will continue to operate indefinitely unless there is evidence to the contrary. This principle is significant because it affects how assets and liabilities are valued on financial statements. For instance, if a business is deemed to be a going concern, assets may be valued based on their historical cost rather than liquidation value, allowing for a more accurate representation of a company's financial performance.

THE MATCHING PRINCIPLE

The matching principle requires that expenses be matched to the revenues they help generate in the same accounting period. This principle is essential for accurately determining a company's net income, as it ensures that all costs incurred to create revenue are accounted for in the same timeframe. By adhering to the matching principle, businesses can provide a more accurate picture of profitability, which is crucial for stakeholders making investment decisions.

THE REVENUE RECOGNITION PRINCIPLE

The revenue recognition principle dictates that revenue should be recognized when it is earned, regardless of when cash is received. This principle is vital because it ensures that financial statements reflect the true performance of a business, providing stakeholders with a clearer understanding of how well a company is doing operationally. The timing of revenue recognition can significantly impact a business's reported financial health.

THE CONSISTENCY PRINCIPLE

The consistency principle requires that businesses use the same accounting methods and principles from one period to the next unless a change is warranted and disclosed. This consistency allows for comparability in financial statements over time, thereby aiding stakeholders in analyzing trends and making informed decisions. If companies do not adhere to this principle, it may lead to misunderstandings or misinterpretations of financial data.

THE ACCRUAL BASIS OF ACCOUNTING

The accrual basis of accounting is a fundamental principle that dictates that revenues and expenses are recognized when they are incurred, not when cash is exchanged. This principle provides a more

accurate picture of a company's financial position and performance over time. By incorporating the accrual basis, financial statements reflect the true economic events affecting the business, offering stakeholders better insight into its current and future potential.

THE HISTORICAL COST PRINCIPLE

The historical cost principle states that assets should be recorded and reported at their original purchase cost. This approach provides reliability and objectivity in financial reporting, as cost data is verifiable. However, while historical cost may not reflect current market values, it serves as a stable basis for tracking depreciation and understanding the cost of resources over time, which can affect various financial ratios and analyses.

THE MATERIALITY PRINCIPLE

The materiality principle allows accountants to disregard certain accounting rules if the information is not significant enough to impact the decision-making process of users of the financial statements. This principle is essential in ensuring that financial statements focus on relevant information, thereby improving the efficiency of reporting. It recognizes that not all information holds the same weight or relevance, allowing for practical and pragmatic financial reporting.

THE OBJECTIVITY PRINCIPLE

The objectivity principle demands that financial information be supported by independent and verifiable evidence. This principle underscores the importance of ethical accounting practices and ensures that financial statements are free from bias or distortion. By adhering to the objectivity principle, accountants enhance the reliability and credibility of financial reporting, which is critical for stakeholders making investment or lending decisions.

THE FULL DISCLOSURE PRINCIPLE

The full disclosure principle requires that all information significant to the users of financial statements should be disclosed. This includes not only the financial figures but also notes explaining assumptions, methods, and potential risks associated with the business. By following this principle, companies enhance transparency, allowing stakeholders to make informed decisions based on comprehensive information.

THE RESPONSIBILITY PRINCIPLE

The responsibility principle emphasizes that the financial statements must be prepared by management, who holds accountability for the accuracy and completeness of the information presented. This principle reinforces the importance of ethical reporting and highlights the role of management in ensuring that financial statements reflect the true state of affairs of the company. It fosters a culture of integrity within the organization.

THE TIME PERIOD ASSUMPTION

The time period assumption states that a company's financial activities can be divided into specific time intervals, such as months or years. This principle is essential for generating timely financial statements, allowing stakeholders to assess performance over different periods. By creating a standardized method for financial reporting, the time period assumption helps enhance the comparability of financial data across various companies and industries.

THE GOING CONCERN ASSUMPTION

Closely related to the going concern principle, the going concern assumption is the foundational belief that a company will remain solvent and operational in the foreseeable future. This assumption is crucial when preparing financial statements since it impacts asset valuation, liability estimation, and overall financial outlook. If a business cannot meet this assumption, it must provide additional disclosures, which can significantly affect stakeholder perceptions.

THE IMPARTIALITY PRINCIPLE

The impartiality principle stipulates that all financial transactions should be reported without bias or favoritism. This principle is vital for maintaining the trust and integrity of financial reporting. When accountants adhere to this principle, they convey a sense of fairness and transparency in financial statements, which is crucial for building stakeholder confidence.

IMPORTANCE OF ADHERENCE TO ACCOUNTING PRINCIPLES

Adherence to these fundamental principles of accounting is essential for ensuring the integrity and reliability of financial statements. When businesses consistently apply these principles, they create a solid foundation for effective communication of financial information. This transparency is essential for attracting investment, obtaining credit, and maintaining ongoing relationships with stakeholders, all of which are critical for a company's growth and success.

CONTRIBUTION TO STAKEHOLDER DECISION-MAKING

The application of fundamental accounting principles enhances stakeholder decision-making by providing relevant, reliable, and comparable financial information. Investors rely on these principles to evaluate potential returns and risks associated with their investments, while creditors assess a company's creditworthiness based on its financial health. Accurate financial reporting, grounded in solid accounting principles, fosters informed decision-making and reduces the risk of financial misinterpretations.

RELEVANCE IN REGULATORY ENVIRONMENTS

In many jurisdictions, adherence to accounting principles is not merely best practice; it is often mandated by law. Regulatory bodies, such as the Securities and Exchange Commission (SEC) in the United States or the International Accounting Standards Board (IASB) globally, enforce compliance with GAAP and IFRS. These regulations are in place to protect investors and maintain the integrity of financial markets, underscoring the critical importance of accounting principles in promoting accountability and transparency.

CONCLUSION: SUSTAINING ACCOUNTING INTEGRITY

In conclusion, the fundamental principles of accounting form the backbone of sound financial reporting and play a vital role in safeguarding the integrity of the business environment. By ensuring that financial statements are prepared in accordance with these principles, businesses can foster stakeholder trust, enhance transparency, and facilitate informed decision-making. The consistent application of these principles not only reflects a company's financial performance accurately but also contributes positively to the overall functioning of capital markets and the economy.

Q. 2 What is the Accrual Basis of accounting, and how does it differ from e Cash Basis? (20)

Accrual basis accounting is a method of financial reporting where revenue and expenses are recorded when they are earned or incurred, regardless of when the actual cash transactions occur. This approach aligns with the matching principle, which aims to match revenues to the expenses incurred in the same period to acquire those revenues. Thus, under accrual accounting, a company recognizes income when it is earned, which may be before or after cash is received, and records expenses when they are incurred, whether or not cash has been paid.

Revenue Recognition Under Accrual Accounting

One of the key principles underlying accrual accounting is the revenue recognition principle. This principle states that revenue should be recognized in the accounting period when it is earned, which is generally when goods or services are delivered to customers. For example, if a company provides consulting services in December but doesn't receive payment until January, under accrual accounting, the revenue will be recorded in December when the service was provided.

Expense Recognition in Accrual Accounting

Similarly, expenses under the accrual basis are recognized when they are incurred, not necessarily when they are paid. For instance, if a company incurs utility costs in November but pays the bill in December, the related expense is recorded in November. This practice allows businesses to portray a more accurate financial position and performance over a given reporting period since it reflects the actual transactions that occurred, not just the cash movements.

Impact on Financial Statements

The accrual basis of accounting significantly impacts financial statements. It provides a more complete overview of a company's financial health by accounting for all obligations and revenues. Financial statements prepared under the accrual method include accounts receivable and accounts payable, which depict future cash inflows and outflows, giving stakeholders a better understanding of the company's operational effectiveness and financial stability over time.

Comparative Advantage of Accrual Accounting

Accrual accounting is often favored by larger businesses and those that require financial statements for investors, creditors, and regulatory bodies. It provides a clearer picture of revenue performance and is compatible with other accounting principles, such as the matching principle. By reflecting economic events more accurately, accrual accounting enhances the decision-making process for management, investors, and other stakeholders.

Introduction to Cash Basis Accounting

In contrast to the accrual basis, cash basis accounting records revenues and expenses only when cash is exchanged. This means that revenue is recorded when cash is received, and expenses are recognized when cash is paid out. Cash basis accounting is simpler and often used by smaller businesses or individuals who do not have extensive financial transactions.

Revenue Recognition Under Cash Basis Accounting

Under cash basis accounting, a business would recognize revenue only when it actually receives the cash from the sale of goods or services. For example, a business that sells a product in December will not record that sale until the customer pays, even if the sale took place the previous month. This approach can sometimes lead to a distorted view of a company's financial health, particularly if sales and expenses do not align with the cash flows.

Expense Recognition in Cash Basis Accounting

Like revenue, an expense under the cash basis accounting is not recorded until cash is paid. For example, if a business receives a service in November but does not pay the bill until January, the expense is recorded in January, not November. This can complicate the tracking of liabilities, as the timing of payments can differ substantially from when expenses are actually incurred.

Impacts on Financial Statements with Cash Basis

Financial statements prepared using cash basis accounting can provide a misleading view of a company's financial health, especially in cases where significant amounts of credit transactions are involved. Since it does not account for accounts receivable and accounts payable, stakeholders may overlook crucial financial obligations and expected income that has not yet been received.

Simplicity of Cash Basis Accounting

One of the benefits of cash basis accounting is its simplicity. It is straightforward to implement and understand, making it an attractive option for small business owners and freelancers who may not have a background in accounting. They can easily track cash flows, as all that is necessary is to maintain a record of cash received and cash paid out.

Limitations of Cash Basis Accounting

Despite its advantages, cash basis accounting has significant limitations, especially for businesses that carry inventory or offer credit. It may not accurately reflect the economic realities of the business, as it ignores accounts receivable and accounts payable. Therefore, while cash basis accounting can be suitable for small operations, it lacks the robustness required for larger entities or those seeking to attract investors and secure loans.

Decision-Making and Strategic Planning

Decision-making is another area where the difference between accrual and cash basis accounting becomes evident. With accrual accounting providing a better picture of a company's financial obligations and performance, management can make more informed strategic decisions. In contrast, cash basis accounting may lead to short-term decision-making, as it only reflects cash flow rather than the business's comprehensive financial position.

Stakeholder Perspectives

From a stakeholder standpoint, accrual accounting is generally preferred due to the transparency it provides. Investors, creditors, and analysts often rely on accrual-based financial statements to assess the long-term viability and performance of a business, as it shows all revenues and expenses regardless of cash transactions. In contrast, cash basis might cause skepticism among stakeholders who seek a more holistic view of the company's operations.

Tax Implications of Accrual vs. Cash Basis

Furthermore, tax implications can also differ between the two accounting methods. In many jurisdictions, businesses can choose their accounting method for tax purposes, but once a method is selected, it may require a formal process to change. Accrual accounting can lead to a higher taxable income as it recognizes revenues on the books even if cash has not yet been received, while cash basis might defer tax liabilities when revenue is only recognized upon cash receipt.

Regulatory Considerations

Regulatory bodies, such as the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), generally require accrual accounting for publicly-held companies, which adds a layer of complexity to the accounting practices of such entities. This regulatory requirement further emphasizes the importance of accrual accounting in providing transparent and comparable financial information to investors and stakeholders.

Choosing Between the Two Methods

The decision to adopt either the accrual or cash basis of accounting often hinges on the nature and size of the business. Smaller businesses with minimal inventory may find cash basis accounting sufficient, while growing businesses or those with more complex transactions might benefit from the comprehensive approach provided by accrual accounting. Understanding the advantages and limitations of both methods is essential for business leaders when considering their accounting strategy.

Future Trends in Accounting Methods

As technology continues to evolve, so too do accounting practices. With the rise of accounting software and automated solutions, the advantages of accrual accounting can become more accessible to small businesses. This evolution could potentially shift more entities toward using accrual methods, even as the simplicity of cash basis remains appealing. Trends in artificial intelligence and data analytics may further enhance the ability to implement sophisticated accounting approaches tailored to individual business needs.

Conclusion: The Importance of Understanding Accounting Methods

In conclusion, the understanding of accrual versus cash basis accounting is crucial for anyone involved in business finance. While accrual accounting provides a more accurate representation of financial status and performance, cash basis accounting offers simplicity and ease of use for smaller enterprises. Ultimately, the choice between these methods should align with the specific operational, financial, and regulatory needs of the business.

Q.3 Explain the importance of the Business Entity concept.

The Business Entity Concept is a fundamental accounting principle that posits that a business's financial transactions and records must be kept separate from those of its owners or any other businesses. This concept is crucial for maintaining clear and accurate financial reporting and plays a significant role in various aspects of accounting and finance. By delineating the boundaries of a business, this concept ensures that the financial performance of the business is not intermingled with the personal assets or liabilities of its owners.

Foundation of Financial Reporting

The Business Entity Concept serves as the foundation for financial reporting. By maintaining a distinct boundary between the business's finances and an owner's personal finances, businesses can create reliable financial statements that reflect their true economic performance. This enables stakeholders, including investors, creditors, and management, to make informed decisions based on accurate data.

Clarity in Financial Statements

One of the primary benefits of adhering to the Business Entity Concept is the clarity it brings to financial statements. When the business entity's financial activities are recorded separately from the owner's personal transactions, financial statements become easier to interpret. This separation of records allows stakeholders to analyze the business's profitability and financial health without confusion caused by unrelated personal financial activities.

Legal Implications of Business Entity Concept

The Business Entity Concept has significant legal implications, especially for corporations, limited liability companies (LLCs), and partnerships. These entities are considered separate legal entities under the law, meaning they can own assets, incur liabilities, and enter contracts independently of their owners. This protects owners from personal liability for business debts, fostering a safer environment for investment and entrepreneurship.

Taxation Considerations

Tax implications are another reason the Business Entity Concept is essential. Different types of business structures face varying tax obligations. By treating the business as a separate entity, businesses can be taxed at their respective rates, potentially leading to lower overall taxation for the owners compared to if they were taxed as individuals on every transaction. This separation can facilitate tax planning strategies and compliance with tax regulations.

Financial Accountability and Transparency

The Business Entity Concept promotes financial accountability and transparency. By keeping business records distinct from personal finances, business owners can more easily monitor and assess the financial performance of their enterprise. This transparency helps build trust with external stakeholders, including banks and investors, who rely on accurate financial reporting to make lending or investment decisions.

Facilitation of Business Growth

As businesses look to grow and expand, the clear separation of personal and business finances allows for easier access to capital. Investors and lenders are more likely to support a business that demonstrates sound financial practices, including adherence to the Business Entity Concept. By showing that a business's financials are well-maintained and distinct, owners can enhance their chances of securing funding.

Simplified Auditing Processes

In cases where a business is subject to audits, the Business Entity Concept simplifies the auditing process significantly. Auditors can focus solely on the business's financial activities without having to sort through personal transactions. This expedites the audit process, reduces costs, and improves overall efficiency, leading to quicker resolution of audit findings.

Management Performance Evaluation

The Business Entity Concept allows for effective performance evaluation and management. By separating business results from personal influences, management can conduct performance assessments based solely on business operations. This can help identify areas needing improvement and facilitate strategic planning based on accurate performance metrics.

Encouragement of Formal Record-Keeping

Embracing the Business Entity Concept encourages businesses to maintain formal bookkeeping and accounting practices. Such formalization is essential for creating a coherent set of financial records and statements. Accurate bookkeeping not only simplifies internal management but also provides a solid foundation for external reporting and compliance with laws and regulations.

Stability and Predictability in Financial Planning

Having a distinct business entity enhances stability and predictability in financial planning. Business owners can forecast revenues and expenses with greater accuracy when financial activities are tracked separately. This clarity helps with budgeting and long-term financial strategy, ensuring that decisions are based on the actual performance and position of the business.

Protection of Business Interests

The Business Entity Concept serves to protect the interests of the business itself. By treating the business as separate from its owners, the concept guards against the potential risks associated with personal liabilities that could jeopardize business assets. This protection is particularly crucial for small business owners, who may risk personal assets if their business finances are not adequately separated.

Facilitating Exit Strategies

For business owners contemplating exit strategies, such as selling the business or transitioning ownership, the Business Entity Concept is vital. Clear and organized financial records that reflect the true economic standing of the business make it more attractive to potential buyers. Buyers are more likely to invest in a business that has adhered to sound financial practices and demonstrated transparency in its operations.

Impact on Business Continuity

The Business Entity Concept also plays a crucial role in ensuring continuity in business operations. By treating the business as a separate entity, it survives beyond individual owners or management changes. This continuity can be vital for attracting long-term investments and fostering customer relationships, as clients may feel more confident in dealing with a stable, established entity rather than a fluctuating personal finance scenario.

Encouragement of Ethical Business Practices

By adhering to the Business Entity Concept, businesses are encouraged to engage in ethical practices. Separate accounting requires businesses to accurately report their financial results, discouraging practices like misrepresentation or fraud, which could entangle personal finances with business activities. This adherence to ethical standards helps bolster a positive reputation in the marketplace.

Clarity in Ownership Structure

The Business Entity Concept brings clarity to ownership structure, especially in multi-owner businesses. By segregating business finances, it is easier to delineate how profits and losses are distributed among owners. This clarity helps to prevent disputes and confusion, fostering a healthier partnership dynamic and facilitating more efficient decision-making among managing partners.

Enhancing Business Relationships

Maintaining a clear distinction between business and personal finances can also enhance relationships with suppliers, creditors, and other business partners. When businesses operate transparently and maintain professionalism through proper financial management, they build credibility. This can lead to better terms of trade, higher credit limits, and overall strengthened commercial relationships.

Facilitating Financial Analysis

From a financial analysis perspective, the Business Entity Concept provides a solid framework for evaluating a company's performance. Financial analysts can assess metrics such as profitability, liquidity, and solvency without external influences distracting from the core financial data. This enables more accurate comparisons with industry benchmarks or competitors, facilitating strategic improvements.

Building Investor Confidence

For businesses seeking investment, the Business Entity Concept fosters confidence among potential investors. Investors prefer putting their money into businesses with reputable financial practices and clear records, reducing their risk exposure. The security provided by the clear delineation between personal and business finances can be a significant factor in attracting necessary capital to facilitate growth.

Preparation for Compliance and Regulatory Requirements

Many businesses face various compliance and regulatory requirements from government bodies. The Business Entity Concept requires that financial records be kept in a complete and orderly manner, making compliance easier. This proactive stance on organization signifies to regulators that the business takes its obligations seriously, potentially mitigating the risk of sanctions or penalties.

Adaptability for Various Business Structures

The flexibility of the Business Entity Concept allows it to accommodate different business structures, such as sole proprietorships, partnerships, LLCs, and corporations. Each of these structures has specific needs and regulations, and the Business Entity Concept provides a framework that can be adapted as the business evolves or if ownership changes. This versatility supports a range of organizational arrangements while retaining fundamental accounting integrity.

Conclusion: The Vital Role of the Business Entity Concept

In conclusion, the Business Entity Concept is vital to accounting, legal standing, financial transparency, and overall business efficacy. By ensuring that a business's financial transactions are recorded separately from its owners', the principle allows for more accurate financial reporting, legal protection, and operational clarity. The implications of this concept extend beyond mere record-keeping; they encompass every aspect of running a business, from strategic planning to stakeholder relations. Understanding and applying the Business Entity Concept is essential for anyone involved in business management and accounting.

Q.4 Muhammad Ali informs you that the transactions occurred during May 2019, the first month of business operations. (20)

May 1. Asgher Ali transferred Rs. 250,000 cash from a personal bank account and equipment with a value of Rs. 40,000 to his business.

1. A building costing Rs. 390,000 and land costing Rs. 200,000 were purchased. Cash in the amount of Rs. 50,000 was paid and a Note payable was given for the remaining.

2. Premium for property insurance was paid in the amount of Rs. 15,000 for May.

3. Supplies costing Rs. 50,000 and equipment costing Rs. 60,000 were purchased on account.

15. Cash received for professional services performed, Rs. 56,000

16. Paid cash to creditors on account, Rs. 18,000.

20. Returned portion of the supplies costing Rs. 2,400 since they were not of the proper grade.

22. Received Rs. 18,800 cash from clients on account.

31. Paid utility bill, Rs. 5,000.

31. Paid monthly salaries, Rs. 30,000.

You are required to;

a) Prepare the General Journal

b) Ledger Accounts

c) Trial Balance

To perform the accounting tasks required for Muhammad Ali's business transactions in May 2019, we will first record the transactions in a general journal, then post them to their respective ledger accounts, and finally prepare a trial balance.

a) General Journal

Date	Account Title	Debit (Rs.)	Credit (Rs.)
May 1	Cash	250,000	
	Equipment	40,000	
	Asgher Ali, Capital		290,000
May 1	Building	390,000	
	Land	200,000	
	Cash		50,000
	Note Payable		540,000

Date	Account Title	Debit (Rs.)	Credit (Rs.)
May 2	Insurance Expense	15,000	
	Cash		15,000
May 3	Supplies	50,000	
	Equipment	60,000	
	Accounts Payable		110,000
May 15	Cash	56,000	
	Service Revenue		56,000
May 16	Accounts Payable	18,000	
	Cash		18,000
May 20	Accounts Payable	2,400	
	Supplies		2,400
May 22	Cash	18,800	
	Accounts Receivable		18,800
May 31	Utilities Expense	5,000	
	Cash		5,000
May 31	Salaries Expense	30,000	
	Cash		30,000

b) Ledger Accounts

Cash Account

Date	Description	Debit	Credit	Balance
May 1	Capital	250,000		250,000
May 1	Building		50,000	200,000
May 2	Insurance Expense		15,000	185,000
May 15	Service Revenue	56,000		241,000
May 16	Accounts Payable		18,000	223,000
May 22	Accounts Receivable	18,800		241,800
May 31	Utilities Expense		5,000	236,800

Date	Description	Debit	Credit	Balance
May 31	Salaries Expense		30,000	206,800

Equipment Account

Date	Description	Debit	Credit	Balance
May 1	Capital	40,000		40,000
May 3	Purchases	60,000		100,000

Building Account

Date	Description	Debit	Credit	Balance
May 1	Purchase	390,000		390,000

Land Account

Date	Description	Debit	Credit	Balance
May 1	Purchase	200,000		200,000

Supplies Account

Date	Description	Debit	Credit	Balance
May 3	Purchases	50,000		50,000
May 20	Return		2,400	47,600

Accounts Payable Account

Date	Description	Debit	Credit	Balance
May 3	Purchases		110,000	110,000
May 16	Payment	18,000		92,000
May 20	Return		2,400	94,400

Service Revenue Account

Date	Description	Debit	Credit	Balance
May 15	Revenue		56,000	56,000

Insurance Expense Account

Date	Description	Debit	Credit	Balance
May 2	Premium Paid	15,000		15,000

Utilities Expense Account

Date	Description	Debit	Credit	Balance
May 31	Monthly Utility Bill	5,000		5,000

Salaries Expense Account

for this amount.

Feb. 28: 80 yards of cloth were sold to Mr. Amin and sent bill No.116 for Rs.32, 000.

To record the transactions of credit purchases and sales for the merchant in February 2019, we will maintain a Purchase Journal for the purchases and a Sales Journal for the sales. Below are the entries:

Purchase Journal

Date	Supplier	Invoice No.	Description	Quantity	Unit Price	Total Amount
Feb 02	M. Aslam	202	Latha	200 yards	Rs. 400	Rs. 80,000
Feb 15	Mr. Iqbal	1015	Silk	400 yards	Rs. 750	Rs. 300,000
Feb 22	Ijaz and Co	32	Blankets	20	Rs. 2,500	Rs. 50,000

Total Purchase Amount: Rs. 430,000

Sales Journal

Date	Customer	Invoice No.	Description	Quantity	Unit Price	Total Amount
Feb 25	Mr. Afzal	105	Latha and Blankets	200 yards Latha, 10 Blankets	Rs. 750, Rs. 2,750	Rs. 150,000 (Latha) + Rs. 27,500 (Blankets) = Rs. 177,500
Feb 27	Mr. Ali	109	Silk	120 yards	Rs. 800	Rs. 96,000
Feb 28	Mr. Amin	116	Cloth	80 yards	Rs. 400	Rs. 32,000

Total Sales Amount: Rs. 305,500

Summary of Transactions

- **Total Purchases:** Rs. 430,000
- **Total Sales:** Rs. 305,500

These journal entries provide a clear and detailed record of the purchases and sales transactions for the merchant in February 2019. The purchases are recorded by supplier and invoice number to maintain a systematic approach to tracking inventory and accounts payable, while sales are recorded by customer and invoice number for managing accounts receivable.