

Drawer and Drawee have good faith.  
Drawee can request to extend date or  
cancel previous bill and called the Renewal of  
Bill.

Renewal of Bill: sometimes acceptor of the bills feels that it may be difficult to meet the obligation of the bill on maturity. Therefore he approaches the drawer with the request for extension of time of payment. So the old bill is cancelled and the new bill with new terms of payment is duly drawn and accepted. This process of cancellation of old bill and creation of new bill is known as renewal of bill. The drawee has to pay interest to the drawer for an extension of period of credit.

when got money before due date — Retiring of Bill

Retiring of Bill: when payment is made against the bill of exchange before the due date, by mutual understanding between the drawer and the drawee. It is known as retiring of bill.

To encourage the retirement of bill the holder allows some discount known as the rebate on bill.

Dishonour of Bill.

A bill is said to have been dishonoured when the drawee fails to make payment on the date of maturity.

3 NOV 2023.

## Bank reconciliation statement.

Any firm maintains

One or more bank accounts  
because of the following reasons:

- ① To avoid risk
- ② For prevention of fraud, all the transactions of the bank are recorded by the firm.

The bank also maintains the firm's account in its books.

Bank submits to the firm from time to time, the accounts maintained by it, of the firm.

This is also known as bank passbook or bank statement.

The bank submits the bank statements to the customers.

To provide information and verification, Balance shown by the bank column, maintained by the firm, and bank statement normally do not tally because of the following reasons:

- ① Cheque received but not yet sent for collection.
- ② A firm receives cheque from its customers every now and then.

③ Firm records this event immediately in the books of accounts, but the bank will record it only when cheques are actually sent for collection.

It may be possible that on a particular date, the firm has the cheque but is not sent for collection. Thus the balance shown by the firm's bank account and the passbook may differ.



2nd point ↓

Cheque issued but not yet presented for payment.

The firm receives cheques from time to time for making different payments.

as soon as the cheque is issued, the firm records it in the books of accounts. Hence the bank needs to know about the issue of cheque when it is presented for payment.

It may be possible that on a particular date, bank is submitting the passbook. It may not include some cheques which has been issued by the firm because they may not yet have been presented.

This is the reason that the balance shown by bank's passbook and firm's books of account may differ.

### ③ Bank charges:

Bank charges from its customers for the services it renders to its customers from time to time.

④ Bank charges are deducted directly from the bank account every time a service is rendered. Firm will come to know about such charges only when they receive the passbook.

This on a particular date  
balance of passbook  
and the balance of books  
of account may differ.

4th. Direct collection on behalf  
of customers. The debtor may  
send the amount due directly  
in the bank account of the  
firm. Bank records the event  
on the date of transaction  
but the firm comes to know  
only when they receive the  
~~bank~~ passbook.

This is the reason that the balance  
of passbook and the books of  
accounts may differ.

However, may occur in the account  
maintained by the firm as well  
as by the bank, a wrong record  
will lead to difference in the balance  
of passbook and the bank account  
of the firm.

Bank reconciliation statement  
Balance by Passbook

(+) These transactions added  
in firms books.

(-) The transactions which are

deducted in the Firms books -

Balance by firms books

### (Definition) of Bank Reconciliation Statement

It is that statement that is prepared for  
reconciling the balance shown by the banks  
~~bank~~ passbook and the balance as per  
bank account maintained by the firm

The objective of preparing such statement  
is to know the cause of difference b/w  
the two balances. and necessary correction  
or adjusting entries in the books of  
the firm.

### Final Accounts:

Final accounts give an idea about  
the profit and loss earned by the firm  
in the accounting period, and the financial  
position at which it stands at the  
end of the accounting period.

There are three accounts which are  
prepared at the final stage to determine  
the final position of the business.

The determination of profit and loss  
is done by preparing the Trading  
Profit and loss account while the  
financical position is judged by  
preparing the balance sheet.

These three statements are  
together called final accounts.

- ① Trading A/C
- ② Balance sheet
- ③ Profit and Loss A/C.

### 1) Trading Account

Trading account gives the overall  
result of trading of goods.  
It explains whether purchasing  
of goods or selling them has  
been profitable for the business  
or not.

### Format of trading account

cr

Dr

To opening stock.	150000	By sale 150000.
To purchase.		By sales return.
Purchase Return.		By closing stock.
To direct expenses	50000	By Gross Loss 50000.
To Gross Profit		
	<u>1550000</u>	<u>1550000</u>

- 1) Opening stock: goods lying unsold with the business man in the beginning of the accounting year.
- 2) Closing stock: Goods lying unsold with the business man at the end of the accounting year.
- 3) Closing stock of one year becomes the opening stock of next year.
- 4) Purchase: It includes both cash and credit purchase of goods; date
- 5) Date: It includes both cash and credit date of goods.
- 6) Direct expenses: Expenses incurred for production or acquisition of goods.
- 7) Resultant: gross profit and gross loss.

20 NOV 2023

## Accounting

### format of Trading A/C.

#### Debit side:

To opening stock 5000.

To purchase.

(-) Purchase Return 45000

To Direct expenses. 10000

To Gross profit 40000.

#### Credit side:

By Sale 100000.

(-) Sale Return (20000) 80000.

By Closing stock

20000.

Total 100000

Total 100000

### Profit & loss A/C.

40K profit (यहाँ gross profit credit side आएगा). इसमें owner expenses (indirect expense) की handle होती है।

① Rent, ② electricity bill, ③ Salary etc.

### format

Debit	Credit
To Gross loss	By Gross Profit 40000.
To Rent 5000	
To Salary. 5000	
To Electricity 2000.	
To Travelling. 3000	
To Net Profit <span style="border: 1px solid black; padding: 2px;">25000</span>	<span style="border: 1px solid black; padding: 2px;">40000.</span>
<span style="border: 1px solid black; padding: 2px;">40000</span>	

Indirect income (like interest from bank) will be also mentioned.

It is prepared to determine net profit or Net loss of the business, during the accounting period. It is initiated by entering Gross profit on the debit side. OR Gross profit on the credit side. These values are obtained from Trading accounts.

All Indirect expenses are shown on the debit side  
and indirect incomes are shown on the credit side.

Indirect expense: Rent, salary, office expenses. Electricity Bill

The net profit/ loss will go to the Balance sheet

Balance sheet of Assets and Liabilities : (format).

Liability		Asset	
Capital		Cash	
(+) Drawings		Bank	
(+) Net Profit		Bills Receivable	
(-) Net Loss		Debtors	
Loans		Closing Stock	
Bills Payable		Furniture	
Creditor		Building	
Loan		Prepaid Expenses	
Bank Overdraft		Accrued Income	

Capital 500000.	500000 - 50,000 (Drawing)
(-) Drawings 50000.	+ 25000 (Profit)
(+) Net Profit 25000.	47500
(-) Net Loss 0.	

If XYZ gave cheque then it's bills receivable

We make him a creditor again.

XYZ - Dr 10000  
To Sales A/C - 10000

XYZ A/C - Dr 10000  
To Bank A/C 10000

B/R A/C - Dr 10000  
To XYZ A/C 10000

Bank A/C Dr 10000  
To B/R A/C 10000

### Bank overdraft:

If have 50k deposit to bank  
allow to me to spend 100,000  
so above balance to sell is bank  
overdraft.

### outstanding expense

Pay कर दिया था, पर 3-4 फे  
में pay नहीं किये हैं।

### Accrued Income: Bank interest

दोनों दोनों सीधे 3-4 फे में आय  
गयी हैं। यह एक Asset है।  
money आज आज आज आज आज

### Prepaid expense:

March में रent paid.  
Advance Rent paid  
Then it becomes asset

### Advance Income

Company को क्षमता पर एक advance  
money दिया। पर एक liability  
होता,

4/12/2023.

### Accounting:

Third method: when separate set of books are maintained and joint bank account is kept. In this method party A pays their contributions in joint bank account and further payments are made out of this account. ~~then~~ every each coventurer maintains record of his own transactions and makes a memorandum joint venture account.

~~When cash is given~~ Memorandum Joint Venture account is prepared to determine profit and loss. In the debit side the cost of goods and expenses are recorded in the debit side, and in the credit side ~~for~~ sale of goods, and stock issued are recorded. If the total of credit side is more than debit side, then the difference is profit and vice versa is loss.

To purchase	By sale	Fictitious Revenue A/c.
To direct expenses	By closing stock	
Memorandum Joint Venture A/c.		
consignment Account		

Due to increasing size of the market it has become more difficult for the manufacturer to come in direct contact with the customers living at the far off distance so it is important for him to enter into an agreement with a local trader, who can sell goods on his behalf for an agreed amount of commission. This process of sale is called consignment.

Parties involved in consignment:

Owner (sender of goods) - consigner  
The local trader (receiver of goods) - consignee.

Goods sent by the consigner to the consignee is termed as goods sent on consignment.

Features of Consignment Business.

- (1) Consignment of goods is not sale but simply transfer of goods.
- (2) Consignee sells goods at the risk of consigner. He is not responsible for any loss or destruction of goods.
- (3) Sale proceeds belong to the consigner and the consignee gets only commission ~~and~~ and the expenses that he might have incurred.
- (4) Relationship between consigner and consignee is that of principal and agent.

Perfumma Invoice: It is a statement prepared by the consigner stating the quantity, quality, and price of goods. It is sent with goods dispatched to the consignee.

### Account Sales:

It is a financial statement sent by the consignee to the consigner, containing the details of goods sold, expenses incurred, commission charged and balance due to him.

8-12-23

## Accounts: Depreciation:

Depreciation means decrease in the book values of an asset through wear and tear or through passage of time. It is treated as a Non cash expense and shown on the debit side of Profit and loss Account.

Causes of depreciation: constant use of Asset, constant use of an asset leads to wear and tear and this causes a deduction in the value of assets.

Expiration of legal rights: certain Assets fall in value with expiration of legal rights irrespective of the fact they are used or not.

Accident: The value of an asset decreases permanently due to accidents.

Obsolescence: A new invention of an Asset due to improved technology or change in permanent market demand makes the existing asset an obsolete one. This causes a drastic reduction in the value of existing Assets. 20, → profit

### objective or need of providing Depreciation:

(i) To correctly ascertain Net Profit or loss properly.  
(ii) A fixed Asset loses its value due to wear and tear. This loss is valued and shown on the debit side of profit and loss account.

(iii) Hence the correct net profit can be calculated only when depreciation is deducted before arriving at the Net Profit.

(iv) To show the asset at correct value in the balance sheet. In the absence of depreciation the asset will be shown at its acquisition cost. in the balance sheet. This will fail to show the true value of an asset. In order to represent the assets ~~free~~ at correct value. Depreciation must be charged.

(v) To avoid & payment of tax: Depreciation charges helps in ascertaining the correct benefit for tax purpose.

It is in the interest of Business that Tax liability be reduced to minimum  
To comply with legal requirements. In case of a company, it is compulsory to charge Depreciation as per Companies Act.

Elements to find dep

- ① cost of asset
- ② estimated useful life
- ③ residual / scrap value

Methods of finding depreciation.

in next

12.12.2023

## Accounting

conservatism:

consistency:

full disclosure

Materiality

To calculate depreciation, we have two methods:

straight line method,

Muller Damm value method.

By mate of Depreciation

cost of asset = 10000

life = 10 year

Dep =  $10 \times \frac{\text{एवं साल यह } 10 \text{ के dep है}}{10}$

1st year  $\rightarrow 10000 \text{ के dep}$

2nd year  $\rightarrow 90,000$

3rd year  $\rightarrow 80,000$

1st yr में 1st dep लगा, वह

दूसरा बाल घटते जाते हैं।

St. line method

cost = 10,000 (original)

estimated life = 10 yrs

each yr dep. =  $\frac{10000}{10} = 10,000$

Original

life

# If at end of life not be able to be sold, then no residual value.

1st yr. value = 1 lakh.

2nd yr value = 1 lakh - 10 t = 90K.

दूसरा fixed rate change करते गए हैं।

Writedown. value method.

1st yr dep = 90,000.

2nd yr में 10% of 90K = 81000.

3rd yr में 10% of 8100 = 72900.

दूसरा = dep के बाल की value - प्रति वर्ष 10%

If not given then by residual value.

If residual value given.

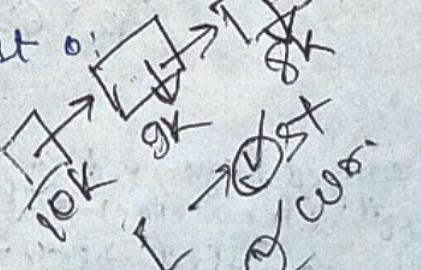
=  $\frac{\text{Original} - \text{residual value}}{\text{life of asset}}$

=  $100000 - 1000$

=  $\frac{99000}{10} = 9900$

straightline method.

cost 0



10K

9K

8K

7K

6K

5K

4K

3K

2K

1K

0K

(Written down value method)

$$\text{Cost} = 500,000$$

$$\text{Rate of dep} = 5\%$$

$$1\text{st year org. cost} = \frac{500,000}{(asset)}$$

$$\begin{aligned} 1\text{st yr dep} &= 5\text{lak} - 5\% \text{ of } 5\text{lakh} \\ &= 500,000 - \frac{5}{100} \times 500,000 \\ &= 50,000 \\ &\quad \cancel{2,500} \\ &\quad \cancel{4,7500} \end{aligned}$$

$$\begin{aligned} 2\text{nd yr} &= 47500 - 5\% \text{ of } 47500 \\ &= 47500 - 23750 \\ &= 47500 \\ &\quad \cancel{2,3750} \\ &\quad \cancel{4,51250} \end{aligned}$$

$$\begin{aligned} 3\text{rd yr.} &= 451250 - 5\% \text{ of } 451250 \\ &= 451250 - \frac{5}{100} \times 451250 \\ &= 451250 - 225625 \\ &\quad \cancel{4,51250} \\ &\quad \cancel{2,25625} \\ &\quad \cancel{42,86875} \end{aligned}$$

dep.

$$1\text{st yr} = 47500$$

$$2\text{nd yr} = 451250$$

$$3\text{rd yr} = 428687.50 \text{ Re.}$$

Provisions charge against  
Profit  
charge against profit  
appropriation of profit

Provision - P & L.

~~Provision~~ - Balance sheet  
Reserve  
Appropriation.

~~Net profit~~ ~~at year~~  
~~Profit~~

charge against profit.  
When in profit and loss  
distributed in heads.  
(debit side) -

Reserve: (liability  
side of balance  
sheet)

- ① charged before finding  $\rightarrow$  found always if not profit / not profit (provision)  $\rightarrow$  debit side.
- ② appropriated after  $\rightarrow$  only in case of net profit and not in the case of net loss.  
finding profit  
(Reserve)  $\rightarrow$  Balance sheet  $\rightarrow$  liability side.

12 dec 2023.

## Accounting

1. Non profit Organisation  
! motive not earn profit.

Non profit interested & elect a committee (for management) will take subscription fees from committee members. The Trustee & Secretary are fully accountable for fund utilisation. Proper management is their responsibility. He will make Receipt, Payment (like Cashbook), Income and exp. Acc. like Profit and Loss account, at end Balance sheet at end of year.

To do: less financial resources.  
institution financial performance, if going acc. to budget.  
specific purpose funds evaluation and utilisation.

Normal Business : Surplus / Deficit

Income > Spend = Surplus.

Income < Spend = Deficit.

Accounts: Receipt and Payment Account: It's a real account: summarised form of cash book, Capital / Revenue (is different.)

Recurring nature: Revenue exp. (small amt + shorter period time)

One in yr = Capital exp. (for long term & huge amt.)

Capital Income: Income from sale of capital.

(huge amt, sold and also was used it)

• Revenue: short amt, short amt time.

exp.

• Revenue: each month coming

Income

Receipt and payment : Revenue from Bank / cash.

Bank overdraft: Bank ने पैसा है, पर Bank ने उसे cash withdraw करने की (credit पर).

Closing Balance: साल के अंत में बचा रहा है।

receipt debit side, payment credit side

B/d - brought down.

At end of yr.

dr. side रुपये का बैंक ओवरड्रॉफ्ट है  
cr. side रुपये का बैंक में बलанс है।

पर्वत लास्ट यर पेमेंट इन कोर्स, अब नहीं है अब  
अब आज कोर्स एवं इन दोनों कोर्स के बिना नहीं है। जब नहीं तो तो  
इसका गिरावट। यह वर्क ऑफ एक्यूल सिस्टम, न अक्रुड सिस्टम है।

If exp. last yr, paid today, then mention today.

Accrued system. last yr then mention in last yr.  
Actual system last yr then can mention today.

31-march. cash A/c.

Cash 20K. To balance b/d  
Bank 10K. brought down.

रिपोर्ट साल के नियमों

To bal b/d 2000 By purchase 5000,

To sale 10000 By recd. 25000

3000

30000

Profit and loss account for Net profit / Net loss.

here is for deficiency and surplus. Income and expenditure A/c are Accrual system ~~to~~ mention Revenue Items of current period ~~not~~ mention ~~not~~, dues of last year ~~not~~ mention ~~not~~,

Revenue nature: Salaries, rent, electric bill  
exp.

Revenue nature: Interest from Bank.  
Income Capital nature of statement

Here depreciation, provision will be shown (debit side) just like the Profit & loss statement.

Like the Profit & loss statement, last yr went advance Rent of doubtful debts ~~not~~ Rent, last yr went advance Rent of next yr & expense side Rent,  
Asset sold at loss also at expense.

Q. Rent received Paid in 2023 - 50000.

Outstanding Rent - 10000.

Advance Rent 2024 - 5000.

O/S Rent of 2023 - 10000.

Advance Rent paid in 2022 5000.

To make Receipt and Payment Account and Expenditure and Income Account:

Receipt And Payment

R

RentPaid: 50K

Exp &

RentPaid = 50K

(-) O/S of 2022 = 10K

(-) Adm. of 2024 = 5K

(+) O/S of 2023 = 10K.

(+) Adm. of 2022 = 5K

50K,

To rent 50K.

Income &

13.12.23

## Accounting

### Non Trading Account

- 3 i) Receipt and Payment : summarised form of cashbook  
ii) Income and expenditure.  
iii) Balance sheet.

Receipt and Payment will include revenue as well as capital expenses. Revenue and Capital nature income is also included.

Inc. and Exp. is like profit and loss statement.

- At Credit side Income, debit side expenditure.  
All the Capital Nature Income and expense come in the Balance sheet.

The Revenue nature income and expenses in Income and expenditure. The Inc. and Exp. is like the Nominal Account.

### Balance Sheet

Liabilities      Assets

At the Asset side:  
Bought = added  
Depreciation = deducted.  
Sale of Asset = deducted.  
At end we will be left with Assets

Capital fund include surplus and deficit.

Net Profit = Surplus.

Net Deficit = deducted.

### Analysis of Imp. Items:

1. subscription: School, no profit motive, Then Members will give nominal fees known as the subscription fees for membership fees.

It is like an income to business.

mentioned in Receipt and Payment. Then in Income and expenditure at Income side because it is of revenue nature. (at credit side)

Q. Donation, no purpose defined: General Donation. Then specific purpose called specific donation.  
All donation whether Capital/Revenue, note to the Receipt  
General Donation (regardless of its revenue nature in Receipt,  
Income and expenditure)

Specific Donation, if it is not recurring, in capital nature, it is taken in balance sheet at the liability side.

General donation is no purpose defined, If small amt.  
then revenue, in the large amt, it will be treated to  
the capital revenue.

\* norm, no direction then considers the revenue receipt  
legacy: Before death, owner will to donate his property  
some% to Organisation, not to his children.  
legacy is capital nature, in Balance sheet at the liability side

If person paid for life membership fees, do not give monthly  
but pay once in the life by the member. It is in the  
liability side, it is the capital nature.

Entrance Fees: Some admission fees to seek the admission  
to the club, It is revenue nature or Capital ~~nature~~ receipt  
and some portion be the revenue nature.  
Generally considered as Revenue nature.

Endowment Fund: It is Capital nature.  
Specific fund are liability side of the balance sheet

Invested in securities.

Honorarium: payment to them who are outsiders and  
are not employees. Their service to org. will  
be the revenue nature, here it will be  
in Payment side to Receipt and Payment  
and Expenditure side to Expenditure and Income

Consumable Goods: It is in Asset side.

### Consumable goods

Purchased then mention in Receipt and Payment.  
If at credit then mention at liability side of balance sheet.  
If some is left, it will be treated as asset.

Income and expenditure are depreciation - ~~3 items~~ expenditure side. Receipt and payment ~~are 3 items~~, expense side.  
~~and~~ Income & expenditure, Balance sheet ~~is~~ Assets ~~at~~ value  
reduce ~~value~~.

### Government Grants

General Grants: Revenue Receipts

Specific Grants: Capital Receipts → liability side.

Subsidy: It will be written in Income side of  
the Income and Expenditure side.

## Accounting

14 Dec 2023

If

C

Double Entry System

- All Transaction is for the double sides as the credit and debit.
- Each Transaction has equal credit and debit.
- All small scale business man not do double entry system.
- He will maintain cash and personnel Accounts only.
- Cash A/C, Personal accounts of debtors and creditors.
- Info related to asset, liability, revenue is partially recorded.
- Known as incomplete records.
- Comparison is difficult.

Debit and Credit both aspects. → Double entry

Personal & Cash A/C → Single

Net worth / Statement of Affairs method.

①

Accounting equation.

→ Capital = Assets - Liabilities.

Opening and closing Capital.

Opening Capital: 1st day of yr.

Closing Capital: last day of yr

1 - ✓  
 1 - C.G.M.V.  
 1 - N.W - O.L.  
 1 - A.K.

contra entry

Bank द्वारा withdrawal

Cash bank द्वारा deposit ₹ 31/-

Bank से दूसरा रुपया का दि

Bank A/C में ₹ 21,000, 31/-

contra entry की जाएगी

Networth  
full conversion.

Abridged conversion.

Op. Capital = 5 L	CL. Capital 8 Lakh
Dr. Capital 8 Lakh	- Drawing 1 Lakh
Drawing Lakh.	- Op. Cap. 5 Lakh
Add. Cap - 3 Lakh	+ Add Cap. 3 Lakh
	5 Lakh

15.12.13

## Accounting

Q1

~~What is a~~

Full

Conversion method?

Single entry & Double entry ~~to~~ (convert).

It involves conversion of records maintained on single entry systems into complete double entry records.

Most of the firms which keep records on a single entry system usually maintain a cashbook along with personal accounts of debtors and creditors. So in order to convert them into double entry records all necessary personal account, Real Account and Nominal Account must be opened. Trial balance, trading account, profit and loss account and balance sheet must be prepared. This process is not preferred as it is very tiring and involves a lot of time.

Abridged conversion method : This method involves preparation of trading Account, profit and loss Account and balance sheet. Then the incomplete records after finding the missing items with the help of cashbook and personal accounts of debtors and creditors.

1st Statement of Affairs : ~~after~~ opening ~~3/2~~ closing capital

2nd Statement of Profit & Net profit ~~and~~ ~~loss~~ ;

Balance Sheet; Business position finding, In Double Entry System.  
It will tally.

Statement of Affairs: Capital finding.

Difference between statement of Affairs and Balance sheet:

(i) Balance sheet is prepared on the basis of those books which are kept ~~has~~ per double entry system on basis of /

Statement of affairs are prepared on the basis of those books which are partly kept on the basis of double entry and partly on the basis of single entry.

(ii) Trial Balance is prepared before the preparation of balance sheet, Trial balance is not prepared before the statement of Affairs.

(iii) In balance sheet, Capital balance is taken from ledger account, and in statement of affairs excess of assets over liabilities is treated as capital.

(iv) The objective of preparing Balance sheet is to find the financial position of business. The objective to prepare statement of affairs is to find the capital balance.

ERP-9 Accounting S/w. Tally ERP-9 → 2020

Tally accounting software - S/w are computer programs that help bookkeepers and accountants in recording and reporting a firm's financial transactions.

Benefits of Accounting S/w. It improves efficiency and accuracy. Accounting S/w helps in recording the transactions easily. In a computerized form all the other reports are prepared automatically.

by using the Accounting software.

Hence the reports prepared are more efficient and accurate. Human error eliminated. A/c S/w simplifies financial reporting. as automatic reports are generated by using the features of the accounting S/w.

All the important statements like profit and loss A/C Balance sheet; Bank Reconciliation Statement etc

Acc acco. ~~are~~ prepared by just passing Journal entries in the respective S/w.

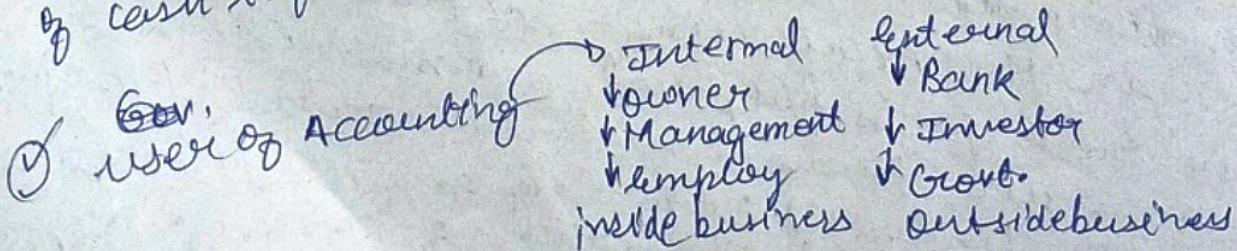
High level of security: It has password protected. Second level accounting S/w is quite high. Business man can keep their accounts records password protected by using Accounting S/w's. It can be used anytime, anywhere unlike books of accounts. Accounting S/w softwares are available to the businessman anytime anywhere. They can press enter or look for important reports at any point of time. And from any place.

### Tally Revenue

Tally is a famous Accounting S/w used for recording transactions and maintaining records of business. The latest version of Tally is known as tally revenue and the version just before this was Tally ERP - 9.

- ① Drawer - seller  $\frac{1}{2}$ , Drawee purchaser  $\frac{1}{2}$ .  
Holder: Drawer  $\frac{1}{2}$  and  $\frac{1}{2}$  Bill of exchange  $\frac{1}{2}$   
Holder  $\frac{1}{2}$   $\frac{1}{2}$
- ② ~~endorse~~ ~~cancel~~ Recounting of Bill  $\rightarrow$  Bank holder  $\frac{1}{2}$   
③ Endorsement of Bill  $\rightarrow$  3rd party holder  $\frac{1}{2}$   
④ Cancellation of Bill  
⑤ Dishonour of Bill  
~~Cancellation of Bill~~

- ⑥ Accrual system: Payment done or not done but record the income or the expense without mention of cash inflow or outflow. Payment made or not



## Accounting Principles

has 2 types: conventions (like tradition) and concepts.

4 convention: consistency, conservatism, full disclosure, materiality.

Conservatism: purpose (provision) no purpose (reserve).

Disclosure: do not hide, all info. disclose in books of A/C.

Materiality: only material info. will be disclosed.

Inmaterial info. disclose with main book

of A/C book. "All material info" be disclosed

Consistency: To implement a same type of A/C. system, adopt and follow it for long time without changing them. It will be easy to do comparison.

This will help to see the better profile.

## Concepts

✓ Separate entity concept:  
Businessmen and business both are diff.  
Business is considered an artificial human being,  
can take loan can make signature. They will  
do their transaction separately.  
Owner give money capital and taken out money if  
dissolving

✓ Going concern concept: Business life is unlimited  
until due else not purposefully stop it

✓ Money measurement concept  
Money based measurement is done of transaction.

record

Dual entry concept = Double entry system

Aspect:

Every transaction has 2 sides debit and credit.  
Both credit and debit is equal

## Accounting period concept:

Business life is divided in small segments generally

1 yr at end, we will find the profit.

Generally from 1st April to 31 March.

A/C

Personal

Real

accrued / outstanding  
advance term  
when used with  
the Nominal  
A/C; Prepaid.

Deferring Rent  
will represent  
a person & land  
Lord. So is Personal  
A/C.

Nominal.

Income exp.  
less / profit

Salary will be  
Nominal.

Cashflow inc. → cash discount → increase effect cash inflow  
Trade inc. → Trade discount → Inc. sale.

Subsidiary book - 5.

✓ Purchase book.

✓ Purchase Return book ✓ Sales book  
When journal becomes heavy, we divide  
the ledger.

Cashbook → 4 types

Single column cash book,

double column cash book,

triple column cashbook discounts

petty cash book small expenses.

Purchase: credit purchase.

Sales: credit sales

Cashbook: ~~by~~ by cash purchase.

Purchase & sales return → nature of transac. Credit

Ledger: Posting.

Journal: journalizing.

Bookkeeping: Recording and classifying in ledger books.  
In Journal

Account begins when bookkeeping ends. ( till ledger)  
the work starts in Accounting

ledger Rules regarding Posting, at Debit  $\text{£} \text{ST}$ , debit side  
at credit  $\text{£} \text{ST}$  credit side & posting  $\text{£} \text{ST}$   
however reference should be made from the  
account that was debited / credited

Cash — Dr 10000

To Sale A/C 10000  
debit it to use it, credit it - leaving credit

Cash A/C	Sale A/C
Dr   10000   Cr To Sale.	Dr     By Cash.   10000   Cr

Total Balance: It is summarised report of the ledger  
to start at  $\text{£} \text{ST}$  balance at  $\text{£} \text{ST}$ , If total balance match.  
then mathematical accuracy is  
achieved. ~~It is~~

Rectification Errors 4 →  $\text{£} \text{ST}$  & entry journal A  
(not affect Trial Balance)

- ✓ Error of Omission → Amount  $\text{£} \text{ST}$ , Total Balance
- ✓ Error of omission → show  $\text{£} \text{ST}$ , Totalling  $\text{£} \text{ST}$
- ✓ Error of Principle → No see in Trial Balance, Furniture purchase  
by pay cash 5000, Furniture to cash, with  
sales to cash. (Account mismatch)
- ✓ Error of Compensating Errors ↓  
Value mismatch still all compensate  
to stay same.

31st march at Total Balance check A/c,  
Suspense Account. Debit credit 10,000 15,000, 5000 to put in the  
Suspense A/c in the final A/c.

we will find suspense A/C, to match the balance, we transfer difference to the suspense A/C.  
Not give proper impression to outsiders.

T.A/c: Goods Transaction  
rating ✓ expense to bring to sale condition: ~~total direct expense~~  
✓ help to find the gross profit/ gross loss.  
Out of that the Gross profit we deduct our expenses  
to find Net Profit/ Net Loss.

Net profit then add to capital.  
Net loss then reduce to the capital

↳ can be cash convert  
Current Asset more than yr be cash convert  
Current liability current liability  
↳ pay more than yr. from bank  
↳ pay in yr. 5 year loan.

Joint Venture, (Partners), Partnership -

consignment (Principle and Agent)

Profit: distribute to the partners.  
but consignment, profit go to consumer.

Non Profit

New Trading Recnt and Payment like cashbook  
Income and exp. A/c like Profit and loss  
Balance sheet.

Depreciation

✓ straight line

✓ written down method

Interest

Expense  
incurred

### Maturity day

- ① 3 day grace
- ② If holiday : 1 day before.

Renewal of Bill : To change  
Retirement : Grace period before maturity.  
Dishonor : To not pay after ~~maturity~~ maturity.

1. Difference between provisions and Reserves.
2. Difference between joint venture and partnership.

Answers

The key differences between provision and reserves are as follows:

### Definition

\* **Provision:** This will be made to Group money that will be only be spent on specific purpose.

\* **Reserves:** The profit when earned, the business man decide to store money that will be spent on for any unexpected expense.

### Examples

\* If a company has machinery, yearly maintenance cost will be eg. of provision.

\* If. any fine is imposed on a company, so its money is occupied in work then it will pay fewer its reserve.

### Basic Points

\* If. we have net profit then we will make provisions or not net profit still make provisions.

\* Reserves will be one in Net profit  
Reserve will be get depleted in case Net loss.

Both are expenses but the above are the main differences.

The differences between Joint Venture and Partnership are as follows.

### Definition

- \* Joint Ventureship is when 2 companies tie up to earn profit and distribute the profit ~~or~~ bear losses ~~to~~ and then separate.
- \* Partnership is when two or more people as businessmen set up a common business with each one being a contributor.

### Difference between them

- \* In Joint Ventureship, in case of loss then the loss is borne by each one.
- \* In Partnership the goal is to maximize profit but when loss is to bear, then the loss is split upon by each partner.

### Books of Accounts

- \* In Joint Venture I can do the Accounting, all members will do it, what do they spend, what did they earn.
- \* In Partnership, one partner can handle all the Accounts, and one work better, so gets the more ~~share~~ bonus for extra work.

Balance sheet notes on Bills receivable.

The bill is made by the drawer who is known to the seller. In case the buyer is purchasing at credit and will do the payment afterwards, then he signs up the bill, then the buyer becomes the drawee.

The seller/drawer will keep the drawer on the Asset side because in future he is going to be receiving the payment.

We will mention the Bills receivable and the total worth of that as his asset in Balance sheet.