Name - SHUBHAM

Copy & Notes → $\boxed{\text{Accounting}}$

Roll No ⇒ 21 BCA 087

Accounting

Q1) Introduction to Accounting – Meaning, Objectives

Definition of Accounting

Accounting can be defined as a process of reporting, recording, interpreting (आख्या) and summarising economic data. The introduction of accounting helps the decision-makers of a company to make effective choices, by providing information on the financial status of the business.

The American institute of Certified Public Accountants (AICPA) had defined accounting as the "art of recording, classifying, and summarising in a significant manner and in terms of money, transactions and events which are, in part at least, of finacial character, and interpreting (आख्या) the results thereof".

Today, accounting is used by everyone and a good understanding of it is beneficial to all. Accountancy act as a language of finance. To understand accounting efficiently, it ~~is~~ important to understand the aspects of accounting.

- Economic Events – It is a consequence (परिणाम) of a company has to undergo when the number of monetary transactions is involved. Such as purchasing new machinery, transportation, machine installation on-site, etc.

- Identification, Measurement, Recording, and Communication → The accounting system should be outlined in such a way that the right data is identified, measured, recorded and communicated to the right individual and at the right time.

- Organization - In refers to the size of activities and level of a business operation.

- Interested Users of information - It is about communicating important financial information to the customers, according to which they will make the great decision.

Objective of Accounting

The main objective of accounting are:

To maintain a systematic record of business transactions
- Accounting is used to maintain a systematic record of all the financial transactions in a book of accounts.
- For this, all the transactions are recorded in chronological order in journal and then posted to principle book i.e. Ledger.

To ascertain profit and loss
- Every businessman is keen to know the net results of business operations periodically.
- To check whether the business has earned profits or incurred losses, we prepare a "Profit & loss Account".

To determine the financial position
- Another important objective is to determine the financial position of the business to check the value of assets and liabilities.
- It helps them in making good financial decisions.

To assist the management
- By analysing financial data and providing interpretations in the form of reports, accounting assists management in handling business operations effectively

What are Accounting Principles?

Accounting principles are the set guidlines and rules issued by accounting standards like GAAP and IFRS for the companies to follow while recording and presenting the financial information in the books of accounts. These principles help companies present a true and fair representation of financial statements.

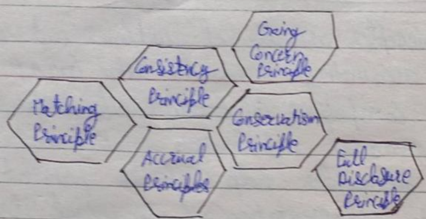
As the name suggests, these principles are rules and guidelines maintaining which a company should report its financial data. Here is the list of the top 6 basic accounting principles -

Top 6 Basic Accounting Principles

Here is the list of basic accounting principles that the company often follows. Let's have a look at them -

- Accrual Principles
- Consistency Principle
- Conservatism Principle
- Going Concern principle
- Matching principle
- Full disclosure principle

Accounting Principles



#1 - Accrual Principle:

The Company should record accounting transactions in the same period it happens, not when the cash flow was earned. For example, let's say that a Company has sold products on credit. As per the accrual principle, the sales should be recorded during the period, not when the money would be collected.

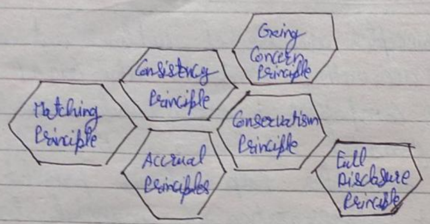
- Consistency principle:

If a Company follows an accounting principle, it should keep following the same principle until a better one is found. If the Consistency principle is not followed, the Company will jump around here and there, and financial reporting will be messy. As a result, it would be difficult for investors to see where the Company has been going and how it is approaching its long-term financial growth.

#3 - Conservatism principle:

As per the Conservatism principle, accounting faces two alternatives - one, report a more significant amount, or two, report a lesser amount. To understand this in detail, let's take an example. Let's say that Company A has reported that it has machinery worth \$60,000 as its cost. Now, as the market changes, the selling value of this machinery comes down to \$50,000. Now the accountant has to choose one from two choices - first, ignore the loss the Company may incur on selling the machinery before it's sold; second, report the loss on machinery immediately. As per the Conservatism principle, the accountant should go with the former choice, i.e., to report the loss of machinery even before the loss would happen. Conservatism principle encourages the accountant to report more significant liability amount, lesser asset amount, and also a lower amount of net profits.

Accounting Principles



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#4– Going Concern principle:

As per the going Concern principle, a Company would operate for as long as it can in the near or foreseeable future. Therefore, by following the going concern principle, a Company may defer its depreciation or similar expenses for the next period.

#5 – Matching principle:

The matching principle is the basis of the accrual principle we have seen before. As per the matching principle, it's said that if a Company recognizes and records revenue, it should also record all costs and expenses related to it. So, for example, if a Company records its sales or revenues, it should also record the cost of goods sold and also other operating expenses

#6– Full disclosure Principle:

As per this principle, a Company should disclose all financial information to help the readers see the Company transparently. without the full disclosure principle, the investors may misread the financial statements because they may not have all the information available to make a Sound judgment.

Q) Accounting Principle are classified into two Categories:-

1) Accaunting Concepts
2) Accounting Conventions

1. Accaunting Concept

These are necessary assumptions upon which accounting is Based. Some of the imp. accounting Concepts are as follaws!-

1) Business entity Concept:- owner !- Business → are different
2) going Concern Concept!. go Your business Continously
3) The Cost Concept. furniture > 10,000 if the cost is incressor dec but You record 10,000.
4) Dual Aspect Concept Machinery Cash Debit machine and Cr Cash
5) Money Measurement Concept. write the thing only in money Asset = Capital + liab
6) Accrual Concept You Sale the Product in this Year and earn money in next Yeare then You write it in this
7) Matching Concept 50,000 - Sale oct, 5,000 Comition Nove } writ in oct or nove but write it in Same month

2. Accaunting Conventions

Accaunting Conventions are the traditions, usage and customs which are in use since long. The most important Conventions are as under!-

1. Convention of Disclosure

2. Convention of Consistency financial statement comparision
rule regulations used in last Year must be used in next Year

3. Convention of Conservatism Future - Profit → then ignore - loss - certain then record

4) Convention of Materiality
record only important or material transaction

Accounting Concepts

- Accounting Concepts define the assumptions on the basis of which financial statements of a business entity are prepared.
- Concepts are those basic assumptions and Condition which form the basis upon which the accountancy has been laid.

1) Business entity Concept →

This Concept assumes that, for accounting purposes, the business enterprise and its owners are two separate independent entities. Thus, the business and personal transactions of its owner are separate. For example, when the owner invests money in the business, it is recorded as liability of the business to the owner. Similarly, when the owner takes away from the business cash/goods for his/her personal use, it is not treated as business expense.

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2) Going Concern Concept → This Concept states that a business firm will Continue to Carry on its activities for an indefinite period of time. Simply stated, it means that every business entity has Continuity of life. Thus, it will not be dissolved in the near future. This is an important assumption of accounting, as it provides a basis for showing the value of assets in the balance sheet.

3) Accounting Cost Concept → It states that all assets are recorded in the books of accounts at their purchase price, which includes cost of acquisition, transportation and installation and not at its market price. It means that fixed assets like building, plant and machinery, furniture, etc are recorded in the books of accounts at a price paid for them.

4) Dual aspect Concept → Dual aspect is the foundation or basic principle of accounting. It provides the very basis of recording business transactions in the books of accounts. This Concept assumes that every transaction has a dual effect, i.e. it affects two accounts in their respective opposite sides. Therefore, the transaction should be recorded at two places. It means, both the aspects of the transaction must be recorded in the books of accounts. Thus, the duality Concept is Commonly expressed in terms of fundamental accounting equation:

Assets = Capital + Liabilities

5) Money measurement Concept → This Concept assumes that all business transactions must be in terms of money, that is in the Currency of a Country. In our Country such transactions are in terms of rupees. Thus, as per the money measurement Concept, transactions which Can be expressed in terms of money are recorded in the books of accounts. For example, sale of goods worth Rs. 200000, Rent Paid Rs. 10000 etc. are expressed in terms of money, and so they are recorded in the books of accounts. But the transactions which cannot be expressed in monetary terms are not recorded in the books of accounts.

▶ For example, sincerity, loyality are not recorded in books of accounts because these Cannot be measured in terms of money although they do affect the profits and losses of the business Concern.

6) **Accrual Concept** → The meaning of accrual is something that becomes due especially an amount of money that is yet to be paid or received at the end of the accounting period. It means that revenues are recognised when they become receivable. Though cash is received or not received and the expenses are recognised when they become payable though cash is paid or not paid. Both transactions will be recorded in the accounting period to which they relate.

Contd.....

- Therefore, the accrual concept makes a distinction between the accrual receipt of cash and the right to receive cash as regards revenue and actual payment of cash and obligation to pay cash as regards expenses. The accrual concept under accounting assumes that revenue is realised at the time of sale of goods or services irrespective of the fact when the cash is received.

7) **Matching Concept** → The matching concept states that the revenue and the expenses incurred to earn the revenues must belong to the same accounting period. So once the revenue is realised, the next step is to allocate it to the relevant accounting period. This can be done with the help of accrual concept if the revenue is more than the expenses, it is called profit. if the expenses are more than revenue it is called loss. This is what exactly has been done by applying the matching concept.

∴ Therefore, the matching concept implies that all revenues earned during an accounting year, whether received/not received during that year and all cost incurred, whether paid/not paid during the year should be taken into account while ascertaining profit or loss for that year.

- Significance

1. It guides how the expenses should be matched with revenue for determining exact profit or loss for a particular period.

2. It is very helpful for the investors/shareholders to know the exact amount of profit or loss of the business.

B Business entity
G Going concern
T The cost concept
D Dual aspect concept
M money measurement concept
A Accrual concept
M matching concept

Accounting Conventions

1) Convention of disclosure →

Accounting Conventions ⇒ An accounting Convention refers to Common practices which are Universally followed in recording and presenting accounting information of the business entity. Conventions denote customs or traditions or usages which are in use since long. To be clear, these are nothing but unwritten laws. The accountants have to adopt the usage or customs, which are used as a guide in the preparation of accounting reports and statements. These Conventions are also known as doctrine.

1) Convention of disclosure ⇒ Convention of full disclosure requires that all material and relevant facts concerning financial statements should be fully disclosed. Full disclosure means that there should be full, fair and adequate disclosure of accounting information. Adequate (प्रर्याप्त) means sufficient set of information to be disclosed. Fair indicates an equitable treatment of users. Full refers to complete and detailed presentation of information. Thus, the Convention of full disclosure suggests that

every financial statement should fully disclose all relevant information. Let us relate it to the business.

Contd.....

The business provides financial information to all interested parties like investors, lenders, creditors, shareholders etc. The shareholder would like to know profitability of the firm while the creditor would like to know the solvency of the business. In the same way, other parties would be interested in the financial information according to their requirements. This is possible if financial statements discloses all relevant information in full, fair and adequate manner.

2) Convention of Consistency → The Convention of Consistency means that same accounting principles should be used for preparing financial statements year after year. A meaningful conclusion can be drawn from financial statements of the same enterprise when there is comparison between them over a period of time. But this can be possible only when accounting policies and practices followed by the enterprise are uniform and consistent over a period of time. If different accounting procedures and practices are used for preparing financial statements of different years, then the result will not be comparable.

3) Convention of Conservatism ⇒ This convention is based on the principle that "Anticipate no profit, but provide for all possible losses". It provides guidance for recording transactions in the books of accounts. It is based on the policy of playing safe in regard to showing profit.

The main objective of this convention is to show minimum profit. Profit should not be overstated. If profit shows more than actual, it may lead to distribution of dividend out of capital. This is not a fair policy and it will lead to the reduction in the capital of the enterprise.

Contd.....

Thus, this convention clearly states that profit should not be recorded until it is realised. But if the business anticipates any loss in the near future provision should be made in the books of accounts for the same.

• For example, valuing closing stock at cost or market price whichever is lower, creating provision for doubtful debts, discount on debtors, writing off intangible assets like goodwill, patent, etc. The Convention of Conservatism is a very useful tool in situation of uncertainty and doubts.

4) Convention of materiality → The Convention of materiality states that, to make financial statements meaningful, only material fact i.e. important and relevant information should be supplied to the users of accounting information. The question that arises here is what is a material fact. The materiality of a fact depends on its nature and the amount involved. Material fact means the information of which will influence the decision of its user.

Q3 Double Entry System

"The Double entry system seeks (चाहता है) to record every transactions in money or money's worth (कीमत) in its double aspect - The receipt of benefit by one account and the surrender of like benefit by another account, the former entry being to the debit of the account receiving and latter to the credit of that account surrendering"

In the double entry system, transactions have a dual aspect, and every transaction involves two parties - debit and credit, where and they are equal.

What is Double-Entry System?

The most scientific and reliable method of accounting is the Double Entry System. One must have a clear conception of the nature of the transaction to understand the double-entry system.

Every transaction involves two parties or accounts - one account gives the benefit, and the other receives it. It is called dual entity of transaction.

In every transaction, the account receiving a benefit is debited, and the account giving benefit is credited.

The process of keeping account accepting this dual entity i.e, debiting one account for a definite amount of money and crediting the other account for the same amount, is called a double-entry system.

Journal Entries

Debit Side (Dr) | Credit Side (Cr)

Double Entry System

Two Approaches

Traditional | Modern

Rules

Real Account (Assets) → "Debit" what comes in, "Credit" what goes out

Personal Account (Persons) → Debit the Receiver, Credit the Giver

Nominal Account (Expenses / losses, incomes / Gains) → Debit all Expenses & losses, Credit all incomes & Gains

Format of Journal entry

Date	Particular	L.F.	Debit	Credit
	Furniture A/C Dr		10,000	
	To Cash A/C			10,000
	Machinery A/C Dr		5,000	
	To Cash A/C			5,000
	Cash A/C Dr		50,000	
	To Car A/C			50,000

First Rule "Dr" whats come in — Real Account
"Cr" whats goes out

→ Furniture Purchased for Cash 10,000
→ Machinery Purchased for Cash 5,000
→ Car Sold for Cash 50,000

Personal Account

Second Rule "Dr" the Receiver
"Cr" the giver

→ Furniture Purchased from Chintu 10,000
→ Sold Machinery to chinti 5,000 — उधार / Credit Transaction
→ cycle Purchased for cash 1000
→ cycle sold to Rahul 2,000
→ Machinery sold 3000

Date	Particular	L.F.	Debit	Credit
1)	I Rule Furniture A/C Dr		10,000	
	II To chintu's A/C			10,000
2)	Chinti's A/C Dr		5,000	
	To Machinery A/C			5,000
3)	Cycle A/C Dr		1000	
	To Cash A/C			1000
4)	Rahul's A/C Dr		2000	
	To Cycle A/C			2000
5)	Cash A/C Dr		3000	
	To Machinery A/C			3000

Nominal Account

③ { Dr. all Expenses & loses
Cr. all incomes & gains }

① Dr what comes in
Cr what goes out

② Dr the Receiver
Cr. the giver

→ Salary Paid 5000
→ Commission Paid 2000
→ interest Received 1000
→ Wages Paid 1000
→ Commission Received 2,000
→ Machinery sold 3,000

Date	Particular	L.F.	Debit	Credit
1>	③ Salary A/C Dr		5000	
	① To Cash A/C			5,000
2>	Commission A/C Dr		2,000	
	To Cash A/C			2,000
3>	Cash A/C Dr		1000	
	To interest A/C			1000
4>	Wages A/C Dr		1000	
	To Cash A/C			1000
5>	Cash A/C Dr		2,000	
	To Commission A/C			2000
6>	Cash A/C Dr		3,000	
	To machinery A/C			3000

Enter the following transactions in the Journal of Siya Ram & Sons:-

	₹
Siya Ram & Sons started business with Cash	50,000
Purchased goods from Subhash	12,000
Paid Cash to Subhash	8,000
Purchased goods from Ravi	5,000
Paid rent	400
Sold goods for Cash	13,000
Received Cash from Mahesh	10,000
Sold goods to Suresh	7,000
Paid wages	450
Received Commission	200
Commenced business with Cash	5,00,000
Goods Purchased from Ajay	1,20,000

Date	Particular	L.F.	Debit	Credit
1>	Cash A/C Dr		50,000	
	To Capital			50,000
2>	~~Goods~~ Purchase A/C Dr		12,000	
	To Subhash A/C			12,000
3>	~~Cash A/C Dr~~ Subhash's A/C Dr		8,000	
	To Cash A/C			8,000
4>	Purchase ~~Goods~~ A/C Dr		5000	
	To Ravi's A/C			5,000
5>	Rent A/C Dr		400	
	To Cash A/C			4,00

Date	Particular	L.F.	Debit	Credit
6)	Cash A/C Dr		13,000	
	To ~~Sales~~ A/C			13,000
7)	Cash A/C Dr		10,000	
	To Mahesh's A/C			10,000
8)	Suresh's A/C Dr		7,000	
	To Sale A/C			7,000
9)	Wages A/C Dr		450	
	To Cash A/C			450
10)	Cash A/C Dr		200	
	To Commission A/C			200
11)	Cash A/C Dr		50,0000	
	To Capital A/C			50,0000
12)	Purchased A/C Dr		1,20,000	
	To Ajay A/C			1,20,000

Discounts Jurnal Entry

Discounts → Purchase → Dis. Received
→ Sale → Diss. Allowed

Trade discount | Cash Discount

Trade discount	Cash Discount
"Every customer"	→ for only those customers who make immediate payments.
→ on List Price	→ It is shown seprately in Books
→ It is not shown in Books separatly only the Amount is deducted from "MRP"	

Dr what Comes in
Cr what goes out

Dr the Receiver
Cr the Giver

Dr all expenses / losses
Cr all income / ganes

exp 1) Sold Goods to chintu 100,000
(ii) " " " " 100,000 @ 10% T.D
(iii) " " " " 100,000 @ 10% T.D & 10% C.D.

Date	Particular	L.F	Debit	Credit
1)	Chintu's A/C Dr		100,000	
	To Sales A/C			100,000
2)	Chintu's A/C Dr		90,000	
	To Sales A/C			90,000
3)	Cash A/C Dr		81,000	
	Disc. Allowed Dr. 9,000			
	To Sales A/C			90,000

450
10

000
4500

1) Sold to chinti 5000
(ii) Sold to chinti 5000 @ 10% T.D
(iii) " " " 5000 @ 10% C.D.
(iv) " " " 5000 @ 10% T.D & 10% C.D
1) Purchased Goods from Ram 10,000
ii) Purchased Goods from Ram 10,000 @ 5% T.D
(iii) " " " " 10,000 @ 5% C.D
(iv) " " " " 10,000 @ 5% T.D & 10% C.D.

Date	Particular	L.F	Debit	Credit
1)	chinti's A/C Dr		5000	
	To Sales A/C			5000
2)	chinti's A/C Dr		4500	
	To Sales A/C			4500
3)	Cash A/C Dr		4500	
	Dis. Allow Dr		500	
	To Sales A/C			5000
4)	Cash A/C Dr		4050	
	Dis. Allow Dr		450	
	To Sales A/C			4500

Enter the following transactions in the journal of Marutinandan Stores:

2020	
Jan 10	Purchased goods from Ghanshyam of the list price of ₹ 50,000 at 15% trade discount.
13	Returned goods to Ghanshyam of the list price ₹2,000.
15	Paid Cash to Ghanshyam ₹ 40,000 in full settlement of his account
20	Purchased goods from Raghu of the list price of ₹ 60,000 at 10% trade discount.
22	Returned goods to Raghu of the list price of ₹5,000
25	Paid Cash to Raghu ₹ 49,000 in full settlement of his account.

Pass Journal Entries for the following transactions:

2020	
Jan 6	Sold goods to Muskan of the list price of ₹20,000 at trade discount of 20%
8	Muskan returned goods of the list price of ₹5,000
15	Received from Muskan the full payment under a cash discount of 4%

Bank transaction entrys

1) Cash is deposited into bank.
Bank A/C Dr
To Cash A/C

2) when Cash is withdrawn from Bank.
Cash A/C Dr.
To Bank A/C

3) when cash is withdrawn from Banks for "Personal use".
Drawings A/C Dr
To Bank A/C

4) when cheque is received from a customer.
cheque in hand A/C Dr
To Customer's A/C

5) when the Above cheque is deposited into Bank.
Bank A/C Dr
To cheque in hand A/C

6) when a cheque is received & deposited into Bank on the same day.
Bank A/C Dr
To Customer's A/C

7) if the deposited cheque is "dishonoured"
Customer's A/C Dr
To Bank A/C.

"Opening Entry"

31/3/2016 → 1/4/16

10,000 → 10,000

Assets A/C Dr. 10
To liabilities A/C 8
To Capital 2

Asset A/C Dr 10
Goodwill A/C 8
To liabilities A/C 18

Assets → जो हमें लेना है।
Liabilities → जो देना है।

Cash 20,000
Bank 60,000
Bank Loan 100,000
Creditor 50,000
Debtor 8000
Machinery 12000

Cash A/C Dr 20,000
Bank A/C Dr 60,000
Debtor A/C Dr 8000
Machinery A/C Dr 12000
Goodwill A/C Dr 50,000
To Bank loan 100,000
To Creditor A/C 50,000

② Bad-debts:

Bad-debts A/C Dr
To Debtor A/C

Pesa nahi mila

Cash A/C Dr 10,000
To Chinlu's A/C 10,000

Pesa mil gya

③ Bad-debts Recovered

Cash A/C Dr
To Bad-debts Recovered A/C

Cash A/C Dr
To ~~Chinlu's~~ A/C

④ Outstanding Expenses: [liability] Pesa dena hai

Expenses A/C Dr
To outstanding Expenses A/C

⑤ Prepaid Expenses [Asset] Paid in "Advance"

Prepaid Expenses Dr
To Expense A/C

⑥ Accrued income [Asset] "Earned" but not Received

Accrued income Dr
To income A/C

⑦ Unearned income [liability] "Received" in advance

~~To Unearned Income~~

Income A/C Dr
To Unearned income A/C Cr

8. Depreciation :

Depriciation A/C Dr
To Asset A/C

9. Interest on Capital

Interest on Capital A/C Dr
To Capital A/C

10. Interest on drawings.

Drawings A/C Dr
To interest on drawings A/C

Ledger

Journal Entry

Mr. Bean → (JD) March

Cartoons

Date	Particular	JF	amount	Date	Particular	Journal folio JF	amount

Ledger

simple entry posting ← Posting

Compound Entry posting

(apr) Balancing 100,000

1. Started business with cash
2. Goods purchased for cash 10,000
3. Goods sold for cash 8000

① Cash A/C Dr 100,000
To Capital A/C 100,000

② ~~Goods~~ Purchases A/C Dr 10,000
To Cash A/C 10,000

③ Cash A/C Dr 8,000
To Sales A/C 8,000

Posting → Simple entry

Dr Cash A/C Cr

Date	Particular	JF	amount	Date	Particular	JF	amount
1 Apr	To Capital A/C		1,000	Apr	By Purchases A/C		10.000
3 Apr	To Sales A/C		8,000	6 Apr	By X's A/C		5900
5 Apr	To X's A/C		79,00				

Dr Capital A/C Cr

Date	Particular	J.F	amount	Date	Particular	J.F	amount
				1 Apr	By Cash A/C		1,000

Dr Purchase A/C Cr

Date	Particular	J.F	amount	Date	Particular	J.F	amount
Apr	To Cash A/C		10,000				

Dr Sales A/C Cr

Date	Particular	J.F	amount	Date	Particular	J.F	amount
				3 Apr	By Cash A/C		8,000
				4 Apr	By X's A/C		8,000

Compound

apr

4. Sold Goods to X 8000
5. Recived Cash from X 7900 & discount allowed 100

X's A/C Dr 8000
To Sales A/C 8000

इनके से ज्यादा debit or Credit

Compound

Cash A/C Dr 7900
Discount Allowed A/C Dr 100
To X's A/C 8000

(6) Paid to X 5900 discount Received 100

X's AC Dr 6000
To Cash A/C 5900
To discount Allowed 100

Dr X's A/C Cr

Date	Particular	J.F	amount	Date	Particular	J.F	amount
apr 4	To Sales A/C		8000	5 apr	By Cash A/C		7900
apr 6	To Cash A/C		5900	5 apr	By discount Allowed		100
apr 6	To discount ~~Allow~~ Received		100				

Dr Disc. Allowed A/C Cr

Date	Particular	J.F	amount	Date	Particular	J.F	amount
5 apr	To X's A/C		100				

Dr Discount Received A/C Cr

Date	Particular	J.F	amount	Date	Particular	J.F	amount
				6 apr	By X's A/C		100

For Trial Balance

1) Started Business with Cash 100,000
ii) Purchased Goods for Cash 20,000
iii) Sold Good to X 10,000
iv) Received from X 8000

journalis, Post them into ledger & Prepare trial Balance.

Cash A/C Dr 100,000
To Capital A/C 100,000

Purchase A/C Dr 20,000
To Cash A/C 20,000

X's A/C Dr 10,000
To Sales A/C 10,000

Cash A/C Dr 8000
To X's A/C 8000

CD = Carried down
bD = Brod down

Dr Cash A/C Cr

Date	Particular	amount	Date	Particular	J.F	amount
1	To Capital	100,000	2	By Purchase A/C		20,000
4	To X's A/C	8,000		By balance CD		88,000
	Debit balance	108,000				1,08,000
	To balance b/d	88000				

Dr Capital A/C Cr

Date	Particular	amount	Date	Particular	J.F	₹
			1	By Cash A/C		100,000
	To balance CD	100,000				
		100,000				100,000
				By Balance b/d		100,000

Credit balance

Dr Purchases Cr

Date	Particular	₹ amount	Date	Particular	J.F	₹
2	To Cash A/C	20,000				
				By balance CD		20,000
	Debit balance	20,000				20,000
	To balance b/d	20,000				

Dr X's A/C Cr

Date	Particular	₹	Date	Particular	J.F	₹
3	To Sales A/C	10,000	4	By Cash A/C		8000
				By balance CD		2000
	Debit balance	10,000				10,000
	To balance b/d	2000				

Dr Sales A/C Cr

Date	Particular	J.F	amount	Date	Particular	J.F	amount
				3	By X's A/C		10,000
	To balance CD	10,00					
			10,000				10,000
					By Balance b/d	Credit balance	10,000

Compound

Apr

4. Sold Goods to X 8000
5. Recived Cash from X 7900 & discount allowed 100

X's A/C Dr 8000
To Sales A/C 8000

Compound → एक से ज्यादा debit or Credit

Cash A/C Dr 7900
Discount Allowed A/C Dr 100
To X's A/C 8000

⑥ Paid to X 5900 discount Received 100

X's AC Dr 6000
To Cash A/C 5900
To discount Allowed 100

Dr X's A/C Cr

Date	Particular	J.F	amount	Date	Particular	J.F	amount
apr 4	To Sales A/C		8000	5 apr	By Cash A/C		7900
apr 6	To Cash A/C		5900	5 apr	By discount Allowed		100
apr 6	To discount Received		100				

Dr Disc. Allowed A/C Cr

Date	Particular	J.F	amount	Date	Particular	J.F	amount
apr 5	To X's A/C		100				

Dr Discount Received A/C Cr

Date	Particular	J.F	amount	Date	Particular	J.F	amount
				6 apr	By X's A/C		100

For Trial Balance

i) Started Business with Cash 100,000
ii) Purchased Goods for Cash 20,000
iii) Sold Good to X 10,000
iv) Received from X 8000

Journalis, Post them into Ledger & Prepare trial Balance.

→ Cash A/C Dr 100,000
To Capital A/C 100,000

→ Purchase A/C Dr 20,000
To Cash A/C 20,000

→ X's A/C Dr 10,000
To Sales A/C 10,000

→ Cash A/C Dr 8000
To X's A/C 8000

C D = Carried down
b D = Brod down

Dr Cash A/C Cr

Date	Particular	amount	Date	Particular	J.F	amount
1	To Capital	100,000	2	By Purchase A/C		20,000
4	To X's A/C	8,000		By balance CD		88,000
	Debit balance	108,000				1,08,000
	To balance b/d	88,000				

Dr Capital A/C Cr

Date	Particular	amount	Date	Particular	J.F	₹
			1	By Cash A/C		100,000
	To balance CD	100,000				
		100,000				100,000
				By Balance b/d		100,000

Credit balance

Dr Purchases Cr

Date	Particular	₹ amount	Date	Particular	J.F	₹
2	To Cash A/C	20,000				
				By balance CD		20,000
	Debit balance	20,000				20,000
	To balance b/d	20,000				

Dr X's A/C Cr

Date	Particular	₹	Date	Particular	J.F	₹
3	To Sales A/C	10,000	4	By Cash A/C		8000
				By balance CD		2000
	Debit balance	10,000				10,000
	To balance b/d	2000				

Dr Sales A/C Cr

Date	Particular	J.F	amount	Date	Particular	J.F	amount
				3	By X's A/C		10,000
	To balance CD	10,00					
		10,000					10,000
					By Balance b/d		10,000

Credit balance

Trial Balance

S. No	Particular / Name of A/C	L.F	Debit ₹	Credit ₹
1	Cash		88,000	
2	Capital			100,000
3	Purchases		20,000	
4	X		2,000	
5.	Sales			10,000
			1,10,000	1,10,000

Trial Balance

from Ledger Balance
(Journal → Ledger)
(Previous Pages)

without ledger
(Balances)

Dr | Cr
Dec | Increse

Rules

Capital
Liabilities
Expenses
Assets
Rvenue

① C L E A R

Dr	Cr
Inc.	Dec.

② Bal = increse

③ Drawings → Debit
Pur. Return → Credit
S. Return → Debit

④ Closing stock is not Recorded in Trial Balance until it is adjusted.
C/S (adjusted) ✓ record
C/S (not adjusted) ✗ dos't record

Q1)

O/S	20,000
Purchases	10,000
P/M	20,000
Creditor	20,000
Bulding	50,000
Bank loan	10,000
B/P	10,000
Bank overdraft	20,000
Capital	40,000

C L E A R

Dr | Cr
D | I

Dr | Cr
I | D

C.No	Particular / Name of account	L.F	Debit (₹)	Credit (₹)
1	Opening Stock		20,000	
2.	Purchases		10,000	
3.	Plant & machinary		20,000	
4.	Creditors			20,000
5.	Bulding		50,000	
6.	Bank loan			10,000
7.	B/P			10,000
8.	Bank overdraft			20,000
9.	Capital			40,000
			100,000	100,000

input GST → Asset → Dr
output GST → liability → Cr.

Important points

① Leasehold Premises } Asset → Dr
② Freehold Premises }

② Bank loan → Liab → Cr
Int. on loan → Exp → Dr

⑤ Pety cash → Asset → Dr

③ investment → Asset → Dr
Int. on In → Rev → Cr

④ Goodwill / Patant / Copyright / Software
→ Assets → Dr

Rectification of Errors

Correction of "mistakes"

i) Errors before preparation of Trial Balance
ii) Errors after " " " "
But before preparation of final Acc.
iii) Errors after preparation of final Accounts.

Types of Errors

- which impacts T/B
- Single sided
- Both Side
- which do not impact T/B.

Imp type of errors

Error of omission: → Complete → Partial

Bhool jana

Error of Commission → Wrong Amount
→ wrong side

Error of Principle → Basics → Rev Exp treated as Cap exp. or Cap Exp. treated as Rev Exp.

Compensating Errors

500	600 ✗ You wrote this wrong entry
600	500 ✓

Rules :—

① Goods purchased from chintu ₹ 100,000, were not recorded.
② Goods sold to chinki ₹ 20,000 were not recorded.

Correct Entry	incorrect entry	Rectified entry
Purchases A/C Dr 100,000 To Chintu's A/C 100,000	—	Purchases A/C Dr 100,000 To chintu 100,000
chinki Dr 20,000 To Sales A/C 20,000	—	chinki Dr 20,000 To Sales A/C 20,000
purchases A/C Dr 100,000 To chintu 100,000	Purchases A/C Dr 80,000 To chintu 80,000	Purchases A/C Dr 20,000 To chintu 20,000
chinki A/C Dr 20,000 To Sale's A/C 20,000	chinki A/C Dr 2,000 To Sale's A/C 2,000	chinki A/C Dr 18,000 To Sale's A/C 18,000

a) Goods purchased from chintu ₹ 100,000. He recorded as ₹80,000
b) Goods sold to chinki ₹ 20,000 recorded as 2000.

V. Important

Goods purchased from Chintu 100,00 / recorded 1,10,000
Goods ~~purchased~~ sold to Chintu 50,000 recorded as 80,000

Correct entry	Incorrect entry	Rectified entry
Purchase A/C Dr 100,000	Purchase A/C Dr 120000	Chintu A/C Dr 20,000
To Chintu's A/C 100,000	To Chintu's A/C 120000	To Purchase 20,000
Chintu's A/C Dr 50,000	Chintu's A/C Dr 80,000	Sales A/C Dr 30,000
To Sales A/C 50,000	To Sales A/C 80,000	To Chintu's 30,000

V.V. Important

इसने sale किया था लिख purchase diya

Credit sales to Chintu 20,000 / recorded in purchase book
Credit purchases from Chintu 100,000 / recorded in Sales Book

Correct entry	Incorrect entry	Rectified entry
		$\boxed{\text{Reverse Kro or Sahi likho}}$
Chintu Dr 20,000	Purchases A/C Dr 20,000	~~Chintu A/C Dr 20,000~~
To Sales 20,000	To Chintu 20,000	To Purchases A/C 20,000
		~~Chintu Dr 20,000~~
		To Sale 20,000
		Chintu Dr 40,000
		To Purchase A/C 20,000
		To Sale A/C 20,000
Purchases A/C Dr 100,000	Chintu A/C Dr 100,000	Sales A/C Dr 1L
To Chintu A/C 100,000	To Sale A/C 100,000	Purchase A/C Dr 1L
		To Chintu A/C 1L + 1L

Creditor → जिससे सामान खरीदा

① Purchase Return of ₹1000 is not recorded in the books.
② Salary Paid to Rohan 5,000, Recorded as Payment made to Rohan

Creditor Dr 1000	—	Creditor Dr 1000
To Pur. Return 1000		To P-Return 1000
Salary Dr 5000	Rohan Dr 5000	Salary Dr 5000
To Cash 5000	To Cash 5000	To Cash 5000

↑ Credit hona tha hua nahi tha

③ Salary Received from Ram 5000; recorded as Cash Received from Ram.

Cash Dr 5000	Cash A/C Dr 5000	Ram Dr 5000
To Salary 5000	To Ram 5000	To Salary 5000

Credit hona the hua nahi tha

Single Sided Errors

Debited — Credited — Posted

① Salary Paid to Ram was wrongly debited to Ram's Personal A/C — single sided error

Salary Dr 10,000	Ram. Dr 10,000	Salary Dr 10,000
~~To Cash A/C 10,000~~	~~To Cash 10,000~~	To Ram 10,000
Sahi hai		

(ii) Interest Received from Rohan was wrongly Credited to Rohan's A/C — single

Sahi hai

~~Cash Dr 10,000~~	~~Cash Dr 10000~~	Rohan Dr 10,000
To interest 10,000	To Rohan 10000	To Interest 10,000

(iii) Cash Received from X 1000 was Credited to Y 1000 — single

Cash A/C Dr 1000	Cash A/C Dr 1000	Y A/C Dr 1000
To X 1000	To Y 1000	To X A/C 1000

- Single Sided Errors & the use of "Suspense" A/C

- Single Sided Errors & the use of "Suspense" A/C

Cash Received from Rahul ₹2000, was Credited to Rahul as 1500 — Single

write

~~Cash A/C 2000~~	Cash A/C 2000	Suspense A/C Dr 500
To Rahul 2000	To Rahul 1500	To Rahul 500

Wages Paid ₹ 40,000 was debited to wages A/c as 4000. — Single

Wages A/C Dr 40,000	Wages A/c Dr 4000	Wages A/C Dr 36,000
write ~~To Cash A/C 40,000~~	To Cash A/C 40,000	To Suspense A/C 36,000

Single side error

Credit Sales to Rahul 7000 "posted" to Karan as ₹ 5000

Rahul A/C Dr 7000	Karan Dr 5000	Rahul Dr 7000
write ~~To Sales A/C 7000~~	To Sales A/C 7000	To Karan 5000
		To Suspense 2000

single side error

Credit Purchases from X 25,000 Posted to Y as 5000.

		Suspense Dr 20,000
Purchases A/C Dr 25,000	Purchases A/c Dr 25,000	Y A/C Dr 5000
To X 25,000	To Y 5000	To X 25000

Credit sales to Gopal 10,000 recorded in Purchase Book.

Gopal Dr 10,000	Purchases A/c Dr 10,000	Gopal Dr 20,000
To Sales A/c 10,000	To Gopal 10,000	To purchase 10,000
		To Sales 10,000

Payment of 500 to Mohan & 600 to Sohan was made
but
Mohan was debited by 600 & Sohan was debited by 500

Mohan Dr 500
Sohan Dr 600
To Cash A/C 1100

Mohan Dr 600
Sohan Dr 500

Sohan Dr 100
To Mohan 100

A Sum of ₹ 800 written off as depreciation was not posted to dep A/C

Depreciation A/C Dr 800
To ~~Asset~~ A/C 800
write

To Asset A/C 800

dep A/C Dr 800
To Suspense 800

wages Paid 3720 recorded in Cash Book as 3270.

Wages A/C Dr 3720
To Cash 3720

wages A/C Dr 3270
To Cash 3270

wages A/C Dr 450
To Cash A/C 450

Rectification - Part 3

Under Casting & overcasting

nature of Account → ?
- Purchase A/C → Dr
- Sales A/C → Cr
- P. Return → Cr
- S. Return → Dr

Under Cast	→ Same
overcast	→ Reverse

1. Purchase book Undercasted by ₹ 100
2. Sales " " " "
3. P. Ret " " " "
4. S. Ret " " " "

(1) Purchase A/C Dr. 100
To Suspense A/C 100

(2) Suspense A/C Dr 100
To Sales A/C 100

(3) Suspense A/C Dr 100
To P. Return 100

(4) S. Return A/C Dr 100
To Suspense 100

5. Purchase Book overcasted by ₹ 200
6. Sales Book " " "
7. P. Ret " " " "
8. S. Ret " " " "

Suspense A/C Dr 200
To Purchase 200

Sales A/C Dr 200
To Suspense 200

P. Return A/C Dr 200
To Suspense 200

Suspense A/C Dr 200
To S. Return 200

Comprehensive
important
transactions

1. Repair on Machinery 1400 (debited) to Mach. A/C as 2400
2. Sale of old Machinery 3000 (credited) to Sales A/C as 5000
3. Dep. 300 (posted) to Machinery A/C as 300
4. Total of Page no. 2 of Sales Book carried forward to Pg no. 3 as 1000 instead of ₹ 1200.
5. Wages paid for installation of Mach. 500 (Posted) to wages A/C as 50

Correct	Incorrect	Rectified
Repair A/C Dr 1400 (write) To Cash	Machine Dr. 2400 To Cash	Repair Dr 1400 Suspence A/C Dr 1000 To Machine 2400
Cash Dr 3000 To Mach. 3000	Cash Dr 3000 To Sales A/C 5000	Sales A/C Dr 5000 To Mach 3000 To Suspence A/C 2000
Dep A/C Dr 3000 To Machin 3000	To Machine 300	Suspense A/C Dr 2700 To Machine 2700
To Sales 1200	To Sales 1000	Suspense A/C Dr 200 To Sales 200
Machine Dr 500 To Cash 500	Wages A/C Dr 50 To Cash 500	Machine Dr 500 To Wages 50 To Susp. 450

Cash book

Cash Book

Recording of Inflows/ outflows

Cash

Bank

Types → Single Column Cash Book

→ Double Column Cash Book

→ Triple Column Cash Book

Petty Cash Book

small or petty "Expenses"

Cash + -

① Cash discount

② Bank discount

③ Cash / Bank → S.I.S.

Cash, Bank, discount

Cash book Rule → Real A/C Rule

"Dr" what "comes in"

"Credit" what "goes out"

Format of Single Column Cash Book

ledger folio

Dr — Cr.

Date	Particular	V. No.	L.F.	amount	Date	Particular	V. No	L.F	₹
2022					2022				
Apr 1	"To" Capital A/C			5,00,000	Apr 1	By purchases A/C			1,00,000
Apr 3	To Sales A/C			20,000	apr 2	By furniture A/C			1,00,000
Apr 8	To Sales A/C			50,000	apr 6	By drawing A/C			10,000
					apr 20	By Salaries A/C			60,000
	"Last day" of month				apr 24	By Rent A/C			20,000
					apr 25	By Electricity A/C			10,000
					Apr 30	By Balance c/d			2,70,000
				5,70,000					5,70,000

★ Credit transactions are not recorded in "Cash Book"

★ Bank transactions are not recorded in "Cash Book" Single Column"

Double Column Cash Book

Cash
Bank

C = Contra entry

format

Dr + | − Cr

Date	Particulars	V.N	L.F	Cash	Bank	Date	Particulars	V.N	L.F	Cash	Bank
2022						2022					
Apr 1	To Bal b/d			10,000	20,000	Apr 3	By Purchase			2000	—
Apr 10	To Sales			—	10,000	Apr 5	By Machinery			—	5000
apr 16	To Cash		C		2,000	Apr 12	By Salary			—	1000
Apr 17	To furniture			4000		Apr 15	By El. Bill			500	—
Apr 26	To bank		C	5000		apr 16	By Bank	C		2000	—
						Apr 25	By drawings			—	1000
						apr 26	By ~~drawings~~ cash	C			5000
							By balance c/d			14,500	20,000
				19000	39,000					19000	39,000
May 1	To Bal b/d			14,500	20,000						

① Cash in hand : 10,000
② " at Bank : 20,000

[★ Balance of Cash will be always on Dr. Side]

[★ Balance of Bank will be either on Cr. Side or on Dr Side]

③ Apr 3 Purchases good 2000
④ Machinery purchased by check 5000 at apr 5
⑤ Goods sold & payment is Rece. by cheque, & it is
Apr 10 immediately deposited into Bank 10,000
⑦ Salary paid by cheque 1000 apr 12
⑧ electricity bill Payed by Cash 500
☆ ⑨ Cash deposit into Bank 2000 at 16 apr
⑩ furniture Sale by 4000 at 17 apr
☆ ⑪ Cash withdrawn from Bank for personal use 1000 25 apr
⑫ Cash withdrawn from Bank 5000 26 apr

Dr | | | | | | | | | | Cr

Date	Particulars	V N	L F	Cash	Bank	Date	Particulars		Cash	Bank
2018	~~To Bal b/d~~					2018				
Jan 1	To Bal b/d			7000	—	Jan 1	By bal. b/d		—	50,000
Jan 4	To Sales A/C			5000	—	Jan 5	By Bank A/C	C	80,000	—
Jan 5	To Cash A/C	C		—	80,000	~~Jan 7~~	~~By Bank A/C~~			
Jan 17	To C.I. hand			—	25,000	Jan 7	By meena A/C		—	28,000
Jan 23	To Ramesh			28,000		Jan 8	By drawings A/C		—	5,000
Jan 30	To Cash A/C	C		—	63,000	Jan 20	By Bank A/C		—	500
						Jan 22	By Bank A/C		—	2500
						Jan 28	By Drawings		—	15 000
						Jan 30	By Bank	C	63,000	—
						Jan 31	By balance c/d		5000	66,200
				148000	168000				148,000	168 000
Feb 1	To Bal b/d			5000	66,200					

Enter the following transactions in two column Cash Book with Cash and Bank Column of Ms. Sunita!

2018		
January 1	Cash in hand → Bal → Dr	70,000
	Bank overdraft → Cr → negative balance	50,000
January 4	Sold goods for Cash	50,000
January 5	Cash deposited in to Bank	80,000
January 6	Purchased goods from Meena credit transaction	30,000
January 7	Cheque issued to meena in full settlement	28 000
January 8	Withdrawn from Bank for personal use	5,000
January 12	Sold goods to Ajay and cheque received from him	25,000
January 17	Cheque received from Ajay deposited into Bank	
January 20	Bank charges	500
January 22	interest charged by Bank	2,500
January 23	Received Cash from Ramesh	28,000
January 28	Paid Sunita's life insurance premium by cheque	15,000
January 30	Deposited into Bank the entire balance after retaining ₹ 5,000 Cash in business	

Petty Cash Book

1000
− 900 → Small
100 → b/d
+ 900
100

Imprest System

Imprest ← 1000 → 10 Cashing, 100 Stationary, 250 Ref, 100, 900
Amount

Format of P.C.B

Dr. CB Folio V.No Cr.

Amt Received		Date	Particular	Total Amount	Postage Carrier	Stationary	Wages & Salary	Convences Cartage	Mishlanious	Carriage
		2020								
1000		Apr 1	To Cash A/C							
		5	By Stationary	50		50				
		6	By Taxi Fare	100				100		
		8	By Carriage	30						30
		9	By Newspaper	80					80	
		11	By Rickshaw	20				20		
		12	By Postage	50	50					
		13	By Refreshment	100					100	
		15	By Wages Paid	200			200			
		18	By Cartage	10				10		
		20.	By Refreshment	30					30	
			Total Payment	670	50	50	200	130	210	30
		30	By Balance c/d	330						
1000				1000						
330		May 1	To Balance b/d							
670		May 1	To Cash A/C							

Apr
Q. 1. Recd Cash 1000
5. Purchased Stationary 50
6. Taxi Fare 1000 8.) Carriage 30
9. Newspaper Exps 80
11. Rickshaw fare 20
12. Postage 50
13. Refreshment No
15. Wages Paid 200
18. Cartage 10
20. Refreshment 30

(Triple Column Cash Book)

Dr. Cr.

Date	Particular Receipts	V.No	LF	Discount Allowed	Cash	Bank	Date	Particular (Payments)	V.N	LF	Discount Received	Cash	Bank
1 May	To bal b/d				4,00	—	1 May	By bal b/d				—	300
2	To Sales A/C				2500		8 May	By Ram Lal			20	—	815
3	To Sales A/C				—	2400	9 May	By Purchase A/C				—	410
5	To Sales A/C				—	1400	10	By Bank A/C	C			3100	
10	To Cash A/C	C			—	3100	20	By Wages A/C				300	
11	To Suresh			10		490	22	By Purchase A/C					46,00
16	To Bhagwan			50		1850	24	By Bank charges					50
28	To Bank A/C	C			2000		28	By Cash A/C	C				2000
30	To interest A/C					800	28	By Drawing A/C					1200
	Total Receipts			60	8500	10040	31	By Rent A/C				140	
						~~2035~~		Total Payments			20	3540	12075
31	To bal c/d					2035	31 May	By bal c/d				4960	
				60	8500	12075					20	8500	12075
1 June	To bal b/d				4960		1 June	By bal b/d					2035

2018		
May 1	Cash in Hand	4,000
	Bank Overdraft	3,000
2	Sold goods for Cash	2,500
3	Sold goods for cheque and Paid it into bank the Same day	2,400
5	Sold goods for cheque	1,400
8	Paid Ram Lal by cheque	815
	He allowed discount	20
9	Bought goods and Paid for them by cheque	410
10	Banked	3,100
11	Received a cheque from Suresh and paid it into bank Discount allowed	490 10
16	Received from Bhagwan a cheque for ₹1,850 in full Settlement of his account of ₹1,900 The cheque was banked on the Same day.	
20	Paid wages in Cash	300
22	Purchased goods by cheque	46,00
24	Bank charges	50
28	withdraw from Bank for office use ₹2,000 and for personal use ₹1,200	
30	Bank Collected interest on Securities	800
31	Paid Rent	140

Subsidiary / Books

Transactions

→ Cash → Cash Book

→ Non - Cash

→ Credit Purchase → Purchase Book

→ Credit Sale → Sales Book

→ Sales Return → Sales Return / Return inward Book

→ Purchase Return → Purchase Return Book

→ other transaction → Journal proper

Purchase Book

Rules

① Only "Credit Purchases" will be Recorded (Purchase of Goods)

② Only those transactions are recorded which are related to "Goods." [In which my business deals]

③ Trade discount will be "deducted", & GST will be "added".

④ If there is a any Expense like freight, carriage etc. it will be Journalised.

⑤ Format of Purchase Book

Credit + Goods (electronics) 3 शर्तें

Date	Particulars	Inv. No	L.F.	Detail	Purchase	Input CGST	Input SGST	Input IGST	Total
Apr 1	Lakshan electro	412							
	10 T.L @ 5000 each			50,000					
	50 bulbs @ 20 each			1000					
	- T.D. 20%			51,000					
				(10,200)					
	+ CGST @ 6%			40,800					
				2,448					
	+ SGST 6%			2,448					
				45696	40,800	2448	2448	—	45,696
Apr 4	Sona Electronic	1506							
	10 Ceiling Fans @ 3000			30,000					
	- T.D @ 10%			(3,000)					
				27,000					
	+ CGST			1620					
	+ SGST			1620					
				30240	27,000	1620	1620	—	30240
	Purchases Dr / Total			75,936	67,800	4,068	4,068		75,936

Q) Enter the following transaction in Purchase Book of Chand Electronic, Delhi [CGST & SGST @ 6% each]

i) Purchased Goods from Lakshan Electronics [I.N. 412]
10 Tubelight @ 500 each, 50 bulbs @ 20 each] Trade disc. 20%

ii) Bought from fashion ~~furniture~~ Co. on Credit [I.N 516]
10 Sofa Set @ 1000 each. T.D @ 10%

iii) Bought from Rahul Electric Co. for Cash
25 Bulbs @ 10 each.

iv) Purchased from Sona Electronics [I.N 1506]
10 Ceiling fans 3000 each T.D. 10%

Sales Book

Rules :-

1. Only "Credit Sales" will be Recorded.
2. only sales of "Goods" will be Recorded
3. "output GST" will be added & Trade discount will be Subtracted
4. Format of Sales Book

Date	Particular	Inv. No	L.F	Details	Sales	CGST Output	SGST output SGST	IGST output IGST	Total
1 may	Five star furniture								
	150 chairs X 1800 each			2,70,000					
	36 Tables X 5000 each			1,80,000					
	− T.D. @ 20%			4,50,000 (90,000)					
	+ CGST			3,60,000 21,600					
	+SGST			21,600					
				4,03,200	360,000	21600	21600	—	403,200
may 15	Vishal Furniture House								
	10 Almira 11000			1,10,000					
	5 Sofa Sets 18000			90,000					
	− T.D @ 15%			2,00,000 (30,000)					
	+ CGST			170,000 10,200					
	+ SGST			10,200					
				190,400	170,000	10,200	10,200	—	190,400
May 20	Parbash Furniture								
	100 chairs @ 2000			200,000					
	− T.D 5%			10,000 190,000					
+	IGST @ 12%			22,800 212,800	190,000	—	—	22,800	212800

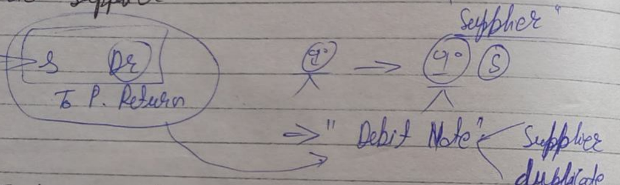
Prepare a Sales Book from the following transactions of Navbetan Furniture House, Ludhiana (Punjab) assuming CGST @ 6% and SGST @ 6% :-

2018	
may 1	Sold goods to Five star Furniture Co; Patiala, on Credit: 150 Chairs @ ₹ 1,800 each 36 Tables @ ₹ 5,000 each Discount 20%
15	Sold goods to Vishal Furniture House, Amritsar :- 10 Almirahs @ ₹ 11,000 each 5 Sofa Sets @ ₹ 18,000 each Trade Discount 15%
20	Sold goods to Parbash Furniture House, New Delhi: 100 chairs @ ₹ 2,000 each Less : 5% [State chang it means IGST apply Tax]
25	Sold to Moonlight Furniture Co. for Cash :- X 50 chairs @ ₹ 1,900 each don't Record
28	Sold on Credit to Sunil Machinery Store :- X 2 old Machineries @ ₹ 5,000 per Machine 1 old Computer for ₹ 1,200

Purchase Return / Return outward Book

① when Goods purchased on "Credit" are returned to Supplier. The records are made in Purchase Return Book

② A "debit Note" is used when we return Goods to supplier.



③ Trade discount is deducted first & then GST is added.

Enter the following transactions in P. Return Book of chaman traders Assuming CGST & SGST @ 6% each

2018

Jan 4 Return Goods to Rohit & Sons 20,000, TD 10% | Debit Note No 128

Jan 10 Return Goods to Chauhan & Sons 50,000, Debit Note No 182

Jan 16 Allowance claimed from Shree Hari ₹ 10,000 Debit note 281

Date	Particular	D.N.	L.F.	Detail	P. Ret	Input CGST	Input SGST	Input IGST	Total
2018									
Jan 4	Rohit & Sons	128		20,000					
	- T.D @ 10%			(2,000)					
				18,000					
	+ CGST			1080					
	+ SGST			1080					
				20,160	18,000	1080	1080	—	20,160
Jan 10	Chauhan & Sons	281		50,000					
	+ CGST			3,000					
	+ SGST			3,000					
				56,000	50,000	3000	3000	-	56,000
Jan 16	Shree Hari	281		10,000					
				600					
				600					
				11,200	10,000	600	600	-	11,200
	P. Ret (Cr) Total				78,000	4680	4680	-	87,360

Sales Return Book / Return inward Book

① when the sold Goods Comes back to us they will be Recorded under this Book
② "Allowance Allowed" will be used in S. Ret. Book
③ Discount will be deducted first & then GST will be added

> S. Ret. A/C Dr
> To Customer
> [Credit Note]

Prepare a "Sales Return Books" in the Books of Ramlal & Co. assuming CGST & SGST @ 6% each

Apr 2 Goods Returned by Ganga Prasad -> 1 Fan @ 6000 T.D. 15% [C.N.N. 104]
Apr 4 Shyam oil Mills returned goods of the value ₹ 40,000 [C.N.N. 109]
Apr 8 Allowance Allowed to Sanjay & Company ₹ 2500

Format

Date	Particular	Credit Note No.	L.F.	Details	S. Ret	Output CGST	Output SGST	Output IGST	Total
2019									
Apr 2	Ganga Prasad	104		6000					
	- T.D @ 15%			(900)					
				5100					
	+ CGST @ 6%			306					
	+ SGST @ 6%			306					
				5712	5100	306	306	—	5712
Apr 4	Shym oil mill	109		40,000					
	+ CGST @ 6%			24,00					
	+ SGST @ 6%			2400					
				44800	40,000	2400	2400	—	44800
Apr 8	Sanjay & Co			2500					
	+ CGST			150					
	+ SGST			150					
				2800	2500	150	150	—	2800
	S. Ret (Dr) Total			12,992	47,600	2,850	2,850	—	53,312

Journal Proper

includes :-
1. opening Entry
2. closing Entry
3. Transfer Entry
4. Adjustment Entry
5. Rectification entry
6. other Entries

Date	Particular	L.F	Debit ₹	Credit ₹
	Bad-debts A/C Dr		10,000	
	To debtor A/C			10,000
	Machinery A/C Dr		5000	
	To X's A/C			5,000
	Salary A/C Dr		2,000	
	To outstanding Salary A/C			2,000
	~~Cash A/C Dr~~ write in cash book			
	~~To B. debtor Recov~~			

Unit-2

Financial statements

of sole Proprietorship firm

F.S.

F.S. with adjustments

financial statements

Trading A/C

Profit and loss A/C.

Accounts showing profitability

Balance sheet

Statement of financial Position

Trading A/C

net Purchases

net sales

	Particular	₹	Particular	₹
	To opening stock	xxx	By Sales xxx	
factory	To Purchases xxx		- S. Ret xxx	xxx
Production	- P. Ret (xx)	xxx	By closing stock	xxx
Purchase	To Direct Expense	xxx		
Inward			By gross loss	xxx
Carriage inward	To Gross Profit	xxx		
freight inward				
Carriage wages				
		xxx		xxx

formulas

i) Net Purchases = Purchase - P. Return

ii) Net Sales = Sales - Sales Return

iii) Cost of Good Sold = opening stock + Net Purchases + Direct Expenses - closing stock

iv) COG Sold = Net Sales - Gross Profit

v) Gross profit = Net sales - COGS.

vi) Adjusted Purchases = O/S + Net Purchases - C/S

Unit-2

Financial Statements

of Sole Proprietorship firm

F.S.

F.S. with adjustments

financial statements

Trading A/C

Profit and loss A/C

Accounts showing profitability

Balance sheet

Statement of financial Position

Trading A/C

net Purchases

net sales

Particular	₹	Particular	₹
To opening stock	xxx	By Sales xxx	
To Purchases xxx		- S Ret xxx	xxx
- P. Ret (xx)	xxx	By closing stock	xxx
To Direct Expense	xxx		
To Gross Profit	xxx	By gross loss	xxx
	xxx		

factory

Production

Purchase

Inward

Carriage inward

freight inward

Carriage

wages

formulas

i) Net Purchases = Purchase - P. Return

ii) Net Sales = Sales - Sales Return

iii) Cost of Good Sold = opening Stock + Net Purchases + Direct Expenses - closing stock

iv) COG Sold = Net Sales - Gross Profit

v) Gross profit = Net Sales - COGS.

vi) Adjusted Purchases = O/S + Net Purchases - C/S

Prepare a Trading Account for the year ended 31st March, 2019 from the following Balances:-

Particulars	₹	Particulars	₹
opening stock	2,00,000	Purchases Returns	60,000
Purchases	10,00,000	Sales Return	1,00,000
Sales	25,00,000	Carriage on Purchase	40,000
Freight	32,500	☒ Carriage on Sales	50,000
wages	1,50,000	Factory Rent	2,20,500
Factory Lighting	54,000	☒ office Rent	37,500
Coal, Gas & water	11,000		

closing stock is valued at ₹ 3,00,000

Trading A/C

Particular	₹	Particular	₹
To opening stock	2,00,000	By Sales 25,00,000	
To Purchase 10,00,000		- S. Ret 1,00,000	24,00,000
- P. Ret (60,000)	9,40,000	By C/S	3,00,000
To Freight	32,500		
To wages	1,50,000		
To Factory lighting	54,000		
To Coal, Gas & water	11,000		
To Carriage on Purchase	40,000		
To Factory Rent	2,20,500		
To Gross Profit	10,52,000		
	27,00,000		27,00,000

Q From the following information, prepare the trading Account for the year ended 31st March, 2020:
Adjusted Purchases ₹ 15,00,000; Sales ₹ 21,40,000; Returns Inwards ₹ 40,000; Freight and Packing ₹ 15,000; Packing Expenses on Sales ₹ 20,000; Depreciation ₹ 36,000; Factory Expenses ₹ 60,000, Closing Stock ₹ 1,20,000

O/S + P − C/S

To adjusted Purchases	15,00,000	By Sales 21,40,000	~~21,40,000~~
To Freight and Packing	15,000	- Return 40,000	21,00,000
To factory Expenses	60,000		
To Gross Profit	5,25,000		
	21,00,000		21,00,000

Q Ascertain Cost of Goods Sold and Gross Profit from the following:

	₹
opening stock	32,000
Purchases	2,80,000
Direct Expenses	20,000
~~Indirect Expenses~~ Can't record in Trading A/c	45,000
closing stock	50,000
Sales	4,00,000
Sales Return	8,000

Sol

COGS = O/S + Net Purch. + D/E − C/S

= 32,000 + 280,000 + 20,000 − 50,000

= 282,000

Gross Profit = Sales − COGS

= 3,92,000 − 2,82,000

= 1,10,000

Q) Calculate Gross Profit on the basis of the following information:

Purchases	6,50,000		6,80,000
Return outwards [P.R]			30,000
Carriage Inwards	70,000		20,000
~~Carriage outwards~~ doesn't record			15,000
Wages			50,000

$3/4^{th}$ of the goods are sold for 6,00,000

Sol COGS = O/S + N/P + D/E − C/S

= 00 + 650,000 + 70,000 − 00

= 7,20,000

Cost of 3/4 Goods Sold = $7,20,000 \times \frac{3}{4}$

= 5,40,000

G/P = Sales − COGS

= 600,000 − 5,40,000 = $\boxed{60,000}$

Q) Calculate Closing Stock and Cost of Goods Sold:

Opening stock ₹ 5,000; Sales ₹ 16,000; Carriage Inwards ₹ 1,000; ~~Carriage~~ Sales R. ₹ 100; Gross Profit ₹ 6,000; Purchase ₹ 10,000; Purchase Returns ₹ 900

Sol

financial Statement

Trading	P/L	Balance Sheet

Profit & loss Acc

Extension to trading A/C

nominal A/C Rule

Dr. all expen/losses
Cr. all income/Gains

offices
Sales
Administration
other Expenses

} Dr indirect expenses

Commision
rent
interest

} Cr incomes / Indirect Incomes

Trading A/C

To o/s	xx	By sales - S Ret	xxx
To Purchase - P. Return	xx	By c/s	xxx
To G/P c/d	xxx	if By Gross loss	xxx

then

To gross loss	xxx	By G/P b/d	xxx
expenses		Indirect incomes	

To net Profit	xxx	By net loss	xxx

Balance sheet

-> It is not an "Account"
-> It is a statement which records the rules of Assets & liabilities.
-> It can be formed in "two ways"
a) In order of liquidity
b) In order of Permanence
-> It shows the wealth of Business.

Assets Liabilities

In order of "liquidity"

Balance sheet Dr Cr

Liabilities	₹	Assets	₹
Current liabilities		Current Assets:	
Creditors		Cash	xx
Bill/Payable		Bank	xx
Bank overdraft		Debtor	xx
outstanding exp.		Stock	xx
Non current liabilities		B/R etc	xx
Bank loan		Non current Assets	
Debentures Public loan		Plant/machinery	xx
-> Capital xxx		Land/building	xx
-> +N/P - drawings xx	xxx	Furniture	xx

B/S in order of Permanence

Libilitys	₹	Assets	₹
Capital + Net Profit − drawings		Non Current Assets	
Non Current lib		Current Assets	
Current libi			
	xxx		xxx

Q. Given below is the Trial Balance of Gopi chand Bros. as at 31st March, 2020. You are required to prepare a Trading and Profit & loss A/c for the year ended 31st March, 2020 and Balance sheet as at that date:

Debit Balances	₹	Credit Balances	₹
Opening stock	45,000	Sundry Creditors	22,100
Purchases	1,20,000	Return outwards	2,500
Return inwards	3,200	Sales	3,50,000
Carriage Inwards	2400	Capital	2,00,000
Carriage outwards	1,500	Loan from Bank	24,000
Office furniture	8,000	Discount Received	2,000
Sundry Debtors	68,000	Commission	1,600
Dock charges	5,000		
Electric Power	10,000		
Fuel, Gas and water	12,000		
Bad-Debts	1,100		
Advertisment	25,000		
Salary	36,000		
Cash in Hand	8,100		
Cash at Bank	30,000		
Motor Vehicles	58,000		
Motor Repairs	3,000		
Interest on Bank Loan	2,400		
Rent and Insurance	24,500		
Business Premises	106,000		
Household Expenses	33,000		
	6,02,200		6,02,200

drawings

Stock at the end ₹75,000

Trading & P/L A/C

Particular	₹	Particular	₹
To opening stock	45,000	By Sales 3,50,000	
To Purchase 1,20,000		− Return inward 3,200	3,46,800
P Return 2,500	117,500	By closing stock	75,000
To Carriage Inwards	2400		
To Dock charges	5,000		
To Electric Power	10,000		
To Fuel, Gas and water	12,000		
To gross Profit	229,900		
	421,800		421,800

P/L A/C

		By G/P b/d	2,29,400
To Carriage o/w	1,500	By Disc. Received	2000
To Bad - Debts	1100	By Commision Received	1600
To advertisment	25000		
To Salary	36,000		
To motor repaire	3,000		
To In. on bank loan	2400		
To Rent and Insaurance	24,500		
To N/P add to Capital	140,000		
	233,500		2,33,500

Balence SHEET

Liability	₹	Assets	₹
Current Liability		Current Assets	
Sundry Creditor	22,100	closing stock	75,000
		Sundry Debtors	68,000
		Cash in hand	8,100
		Cash at bank	30,000
Non current liability		Non Current Assets	
loan from bank	24,000	office furniture	8000
		Motor Vehicle	58,000
Capital 2,00,000		Business Premises	1,06,000
- dr. (33000)	~~1,67,000~~		
+ N/P 140,000	307000		
	3,53,100		3,53,100

Financial statements with Adjustments

Profitability → 1) Trading A/C, 2) P/L A/C

Financial Position → Balance sheet

Accrual concept

march salary

1/4/22 A M J J A S O N D J F M 31/3/22

salary ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

month salary

Books

Proper financial statements
or
True financial Position

item → Completely omitted (record नहीं किया)
item → wrongly recorded (गलत record)
item → Partly Recorded (आधा record)

adjustments → Below trial Balance

Closing stock

Adjustments — Trading / P/L / B/S

① Closing stock = Trading A/C [Cr] | B/S (Assets)

② outstanding Expenses [due But not yet Paid] = Expense + | B/S (Liability)

③ Prepaid Expenses [Paid in advance] = Expense − | B/S (Assets)

④ Accrued income (Receivable?) [Earned but not Received] = Income + [P/L → Cr +] | B/S (Assets)

⑤ Unearned income [income Received in advance] = Income [P/L Cr −] | B/S [Liability]

⑥ Depreciation = P/L Dr. | B/S (Asset −)

⑦ Interest on Capital [Int which B/sh Pay to owner] = P/L Dr. | Capital +

(8) Interest on drawings = P/L Cr / Capital

Business Receive Karega [Int Received by Business from owner]

(9) Interest on Loan = P/L ↳ Dr / Liability B/S ↓ Loan +

(10) Bad-debts = P/L ↳ Dr / Debtor

Bad - debts

(1) Further Bad Debts

(2) Provision for doubtfull debts

(3) Provision for discount on debtors.

Case 1

T/B

	Dr	Cr
Debtor	100,000	
B. debts	10,000	

P/L A/C

To B. debts	10,000		

B/S

Asset	₹
Debtors	100,000

Case 2

T/B

	Dr	Cr
Debtor	100,000	
B. debts	10,000	

adjustment

further - Bad debts 5 000

P/L

To B. debts 10,000 + F.b.D 5000 15,000			

B/S

Liability	₹	Assets	₹
		Debtor 100,000 − F.B.D 5,000 95,000	

Case 3 T/B

	Dr	Cr
Debtor	100,000	
B. Debts	10,000	

Adjustment
i) Further - Bad debts "5000"
ii) Create a Provision for doubtful debts @ 10% on debtors

P/L | B/S Assets

P/L						B/S Assets
T.B. debts 10,000 + F.B.D. 5000 15,000 + NRoD 9500 24,500	24,500					Debtor 100,000 - F.B.D. 5000 95,000 - NRoD (9,500) 85,500 New Reserve on debtors

Case 4 T/B

	Dr	Cr
Debtor	100,000	
B. debts	10,000	
Provision for D.D.		4500

D.D. = doubtful debts

Adjustment
i) further - bad debts "5000"
ii) Create a "Provision" for "doubtful debts" @ 10% on debtors.

P/L | B/S

P/L				B/S
T.B. debts 10,000 + F.B.D. 5,000 15,000 + NRoD 9,500 24,500 - ORoD 4,500	20,000			Debtor 100,000 - F.B.D. (5,000) 95,000 - NRoD (9,500) 85,500

old Reserve on Debtors

Case 5 T/B

	Dr	Cr
Debtor	100,000	
B. Debts	10,000	
Provision for D.D.		4500

Adjustment
i) further - Bad debts "5000"
ii) Create a "Provision" for "doubtful debts" @ 10% on debtors.
iii) Create a Provision for discount on debtor @ 10% per annual

P/L | B/S

P/L				B/S	
T.B. debts 10,000 + F.B.D. 5000 15,000 + NRoD 9500 24,500 - ORoD 4,500	20,000		Good Debtors	Debtor 100,000 - F.B.D. 5,000 95,000 - NRoD (9,500) 85,500	
T. Prov for disc on debtor	8550			- Prov for disc on debtor 8,550	76,950

14) Abnormal Loss of Stock (no insurance) = Trading A/C Purchases — | P/L Dr [Loss]

Note: if the Goods were insured

full claim Receivable
- Purchases
- B/S Asset → Ins. Company

Partial claim Receivable (1,00,000 loss, 60,000 → 60,000)
- Purchase → full Amount (1,00,000)
- Assets → Ins. Company 60,000
- P/L Dr. → P/L Dr → 40,000

15) Charity of Goods = Purchase — | P/L Dr

16) Goods distributed as free Samples = Purchase — | P/L Dr.

17) Drawings in Goods = Purchase — | Capital or drawings +

18) Goods sold & omitted to be recorded = Sales + | Debtor +

19) Goods purchased & omitted to be recorded = Purchases + | Creditor +

20) Manager's Commission (Payable) "O/S" → P/L Dr | B/S Liability

- G/P
- Net Profit → on Net Profit (10%)
  - before charging such Commi → $\left[N/P \times \frac{10}{100}\right]$
  - After charging such Comm → $\left[N/P \times \frac{Rate}{100 + Rate}\right]$ → $\left[N/P \times \frac{10}{110}\right]$, $N/P \times \frac{5}{105}$, $N/P \times \frac{7}{107}$

21) Goods Sold on Approval basis but Considered as Actual Sale

= Sale [Selling Price] — | Debtor [Selling Price] —

C/S [Trading] + | C/S [B/S Assets] +

Cost Price

Q) From the following Trial balance of Sh. Ved Vyas prepare Trading and Profit & Loss Account for the Year ended 31st March, 2020 and Balance sheet as at that date:

	Dr. (₹)	Cr. (₹)
Purchases and sales	2,75,000	5,20,000
Returns Inwards	15,000	
Returns Outwards		9,000
Carriage	12,400	
Wages and Salaries	58,600	
~~Trade~~ Trade Expenses	2,200	
Rent ✱		13,000
Insurance	2,000	
Audit Fees	1,200	
Debtors and Creditors	Debtor - 1,10,000	62,100 - Creditor
B/R and B/P	3,300	2,200
Printing and advertising	5,500	
Commission ✱		1,000
Opening Stocks ✱ Closing	36,000	
Cash in Hand	12,800	
Cash at Bank	26800	
Bank Loan		20,000
Interest on Loan	1,500	
Capital ✱		2,50,000
Drawings ✱	15,000	
Fixed Assets ✱	3,00,000	
	8,77,300	8,77,300

Adjustments:

1) Stock at the end ₹60,000.
2) Depreciate Fixed Assets by 10%
3) Commission earned but not received amounts to ₹400.
4) Rent received in advance ₹1,000.
5) Allow 8% interest on Capital and ~~change~~ charge ₹900 as interest on Drawings.

Trading & P/L

To opening Stock	36,000	By Sales 5,20,000	
To Purchase 2,75,000		S. Ret (15,000)	5,05,000
To - ~~Purch~~.R. 900	2,66,000	By C/S.	60,000
To Carriage	12,400		
To Wages and Salaries	58,600		
To Gross Profit c/d	192,000		
	565000		565000
		By G/P b/d →	192,000
To Trade Exps	2,200	By Rent 13,000	
To Insurance	2,000	- Advance Rent 1000	12,000

To Audit Fees	12,00	By Commission 1,000	
To Printing and advertis	5,500	+ Accrude Comm 400	1,400
To interest on loan	1500	By Interest on Drawing	900
To interest on Capital	20,000		
To dep on Asset	30,000		
To net Profit Transfer	143,900		
To Capital	2,06,300		2,06,300

Balance Sheet

Liabilities	₹	Assets	₹
Rent Received in Advance	1000	Debtor	1,10,600
Creditor	62,100	B/R	3,300
B/P	2700	Accrued Commission	400
Bank Loan	20,000	closing Stock	60,600
Capital 2,50,000		Cash in Hand	12,800
- drawings 15,000		Cash in bank	26,800
+ Interest on Capital 20,000		fixed 300,000	
- IOD (900)		-dep (30,000)	2,70,000
+ N/P 1,43,900	398,000	10%	
	4,83,300		4,83,300

Q) The under mentioned Trial balance was extracted from the books of M/S Mahavir & Sons as at 31st March 2017 :

	Dr. (₹)	Cr. (₹)
Capital		3,50,000
Drawings	48,000	
Goodwill	15,000	
Plant & Machinery	2,50,110	
Purchases	95,000	
Sales		3,00,000
Sundry Debtors	54,200	
Creditors		16,800
Sales Returns	20,700	
Purchase Returns		1,200
Advertising	6,000	
opening stocks	45,400	
Cash in Hand	22,900	
wages	25,000	
Telephone charges	3,000	
Salaries	36,000	
Printing & stationary	390	
Sundry Income		7,500
Rent	2,200	
Investments	30,000	
General Expenses	22,600	
Bills Payable		1,000
	6,76,500	6,76,500

You are required to prepare final Accounts after taking into account the following adjustments:

1) closing stock on 31st March, 2017 was valued at ₹ 70,300
2) write off 1/5th of Advertising expenses.
3) Sundry debtors Include an item of ₹ 2,000 due from a customer who has become Insolvent and nothing is recoverable from his estate
4) Create a provision for Doubtful Debts @ 5%,
5) Interest on Investments at 15% is receivable for the full year
6) Annual Payments are: Salaries ₹ 43,200 and Rent ₹ 2,400

Sol

Trading & P/L A/C

Particular	₹	Particulars	₹
To opening stock	45,400	By Sales 300,000	
To Purchas 95000		- Ret (20,700)	2,79,300
- Purchase R (1200)	93,800	By C/S	70,300
To wages	25,000		
To gross Profit c/d	185,400		
	349,600		349,600

Trading & P/L A/C / P/L A/C

To B. debts 2000 + Provision 2610	4610	By G/P b/d	185,400
To P/Stationary	340	By Sundry income	75,00
To advertisement	1200	By Int on Investmen	4500
To Telephone	3000		
To Salary 36000 + outstan Salary 7200	43200		
To Rent 2200 + o/s Rent 200	2400		
To General expenses	22,600		
To net Profit → 120,000 transfer to Capital	197400		197400

Balance Sheet

Liabilities	₹	Assets	₹
Capital 350,000		Goodwill	15000
- draw. (48,000)		Plan /machiner	2,50,110
+ N/P 120,000	422000	Debtors 54,200	
		- B deb. (2,000)	
Creditor	16,800	52,200	
outstanding Salary	72,00	- Prov for bad debt (2610)	49590
outstanding Rent	200		
Bill Payable	1,000	adv	4800
		C/S	70,300
		Cash in hand	22,900
		Investmen	30,000
		Interest on Investm Accrude	4500
	4,47,200		447200

Unit 3 → Cost Accounting

Types of Accounting

Financial Accounting	Cost Accounting	Management Accounting
Financial Accounts is related to recording all the transactions as per defined rules and Regulations.	Cost Accounting is related to Cost of operations, productions and other business expenses and provide the management with the information of business profitability	Management Accounting is related to managing the Cost Accounting output and Financial Accounting output to provide most important to management for decision making.
• Record in journal • Ledger Posting • Trial Balance • Trading A/C • Profit And loss A/C • Balance sheet	• Cost per Unit • Total cost • Actual Cost • Production Cost	• Decision making • Planning • Controlling Business operations • Identifying Business Problem.

Cost Accounting

Product / Goods – Expenses

Production / Manufacture Product – Cost
what is the cost

Calculation – Cost Price

Materials, Labour, Expenses.
Cost + Add profit = Selling Price

Product / Services — Information, Analysis, Identify the Total Cost + Per Unit Cost

- Excess Cost
- Estimate – less Cost
- Material waste
- Search material available on Lower Price

Objective OR Function of Cost Accounting :-

1- Determination of Cost.
2- Cost Control And Cost Reduction
3- Determination of Selling Price
4- Calculation / Determination of Profitability
5- Providing Business Policy and Decision making

Elements of Cost

- Material Cost
  - Direct Material
  - Indirect Material
- Labour Cost
  - Direct Labour
  - Indirect Labour
- Expenses
  - Direct Expenses
  - Indirect Expenses

Indirect Material + Indirect Labour + Indirect Expenses → "overheads"

In Book
P/N → III - 8

"overheads"

Factory/Production overheads	Office & administration overheads	Selling & Distribution overheads
• Factory Rent	• Building Rent	• Advertisements
• Power and lightning Exp.	• legal Exp.	• Carriage outward
• Repair And Maintenance exp.	• Stationary exp.	• Delivery vans.
• Machine oil And Cleanings	• Telephone exp	• Godown exp.
• Training exp.	• office lighting	• Commission & Discount
• Small tools.	• Repairing exp	• Salary of Sales Manager & Sales Agent.
• Salary of manager/forman	• Employees Salary	

Direct material, Direct Labour, Direct Expense } Prime Cost

Indirect Material, Indirect Labour, Indirect Expense } overheads

Total Cost (8,000)

- Prime Cost
  - Direct material
  - Direct Labour
  - Direct exp.
- overheads (1,900)
  - Indirect Material (200)
  - Indirect Labour (800)
  - Indirect Exp. (900)
    - Factory Exp. (500)
    - office & administration exp. (300)
    - Selling & Distribution (100)

Factory overheads (1500) = Factory exp. (500) + Indirect Material (200) + Indirect Labour (800)

Office & Administration overheads (300) = office & administration exp. 300

Selling & distribution overhead (100) = selling and distribution Exp. 100

overheads = 1500 + 300 + 100 = 1,900

Cost-sheet

op Stock of Raw material
Add : Purchase of Raw mat
Add : Freight
Less : Closing stock of Rawmat -
less : Sale of waste

Add Direct Labour
Add Direct Expenses

1 PRIME COST

Add : Factory overheads
Indirect material
Indirect labour
Indirect Expenses
less : Sale of scrap

2 GROSS FACTORY Cost

Add : op stock of Work In Progress
less : [redacted] cl stock of WIP

3 NET FACTORY Cost $\boxed{D}$

3 NET FACTORY COST $\boxed{D}$

Add : office & administration OH
Indirect material
Indirect labour
Indirect Expenses

4 Cost of PRODUCTION

Add : op stock of Finished Goods
less : cl stock of Finish Goods

5 COST OF Goods Sold

Add : Selling & Distribution OH
Indirect material
Indirect labour
Indirect Expenses

6 COST OF SALES

Profit

Sales

Q) From the following Particulars prepare a Cost sheet for the period end date 30.06.2011

Particulars	Amount	Particulars	Amount
Raw materials	66,000	Directors' fees (office)	4,000
Productive wages	70,000	Factory cleaning	1,000
Direct expenses	6,000	Sundry office expenses	400
Factory lighting	4,400	office stationery	1,800
Factory heating	3,000	Factory insurance	1,100
Motive Power	8,800	Office Insurance	1,000
Haulage	6,000	Legal expenses	800
Depreciation of		Upkeeping of delivery vans	1,400
- Plant and Machinery	4,000	Bank charges	100
- office Building	2,000	Salesmen's Commission	3,000
- Delivery Vans	400	Loose tools written off	1,200
Bad Debts	200	Rent and taxes (office)	1,000
Advertising	600	water Supply	2,400
Directors' fees (works)	2,000	Rent of warehouse	600
Unproductive wages	21,000	Estimating	1,600
Factory rent and Taxes	15,000	Factory Stationery	1,500
Sales Department Salaries	2,000	Sales Manager's Comision	1,000

Cost sheet

Ans Particular		Dr
Raw material Consumed		66 000
Add: Productive wages		70,000
Add: Direct expenses		6,000
① Prime Cost		142,000
Add: Factory overhead:		
factory lighting	4400	
Factory heating	3,000	
Motive Power	8,300	
Haulage	6,000	
Dep on Plant and machinery	4,000	
Director fees	2,000	
Unproductive wages	21,000	
Factory Rent & Tax	15,000	
Factory cleaning	1,000	
factory ensurence	1100	
Loose Tools written off	1200	
water Supply	2,400	
Estimating	1600	
Factory Stationery	1,500	73000
② Factory Cost →		215,000
Add: office & administration OH		
Depreciation of office Bulding	2,000	

Particular		Dr
Director's fees (office)	4,000	
Sundry office expenses	400	
office stationary	1200	
office insurance	1000	
legal expenses	800	
Bank charges	100	
Rent & taxes (office)	1,000	11100
③ Cost of Production →		226100
Add: Selling and dist. overhead		
Dep on Delivery Van	400	
Bad dept	200	
Advertisement	600	
Sales department Salaries	2,000	
Unkeeping of delivery Vans	1400	
Sales man's Commission	3,000	
Rent of warehouse	600	
Sales managers Commision	1,000	9200
Total Cost / Cost of sales →		235300

Q-10. Prepare the Cost sheet to show the total Cost of production and Cost per unit of goods manufactured by a Company for the month of March 2011. Also find out the Cost of Sales.

Particulars	Rs.
Stock of raw materials 01.04.2010	12,000
Stock of raw materials 31.03.2011	18,000
Raw materials purchased	1,12,000
Manufacturing wages	28,000
Depreciation on plant	6,000
• Loss on sale of a part of plant	1,200
Factory rent and rates	12,000
office rent	2,000
General expenses	1,600
Discount on sales	1,200
Advertisement expenses	2,400
• Income-tax paid	8,000

The number of units produced during 2010-2011 was 12,000. The Stock of finished goods was 800 and 1,600 units on 01.04.2010 and 31.03.2011 respectively. The total Cost of units on hand on 01.04.2010 was Rs. 11,200. All these had been Sold during the month.

Sol

Cost Sheet

Particular		Rs.
opening stock of raw material		12,000
add: Raw materials purchased		1,12,000
less: closing stock of raw material		(18,000)
Cost of raw material Consumed		106,000
Manufacturing wages		28,000
PRIME COST →		134000
Add: Factory over heads:		
Dep on Plant	6,000	
Factory rent and rates	12,000	18,000
FACTORY/Work COST →		152,000
Add: office and administration overheads		
office rent	2,000	
General expenses	1,600	3,600
COST OF PRODUCTION (12000 Pcs) →		155600
Add: op stock of Finish Goods (800 Pcs)		11200
less: cl stock of Finish Goods (1600 Pcs) @ 12.97		20752
COST OF GOODS SOLD		146048
add: Selling and distribution overhead		
Discount on Sales	1,200	
advertisement expenses	2,400	3600
Cost of Sales/Total Cost		149648

FIFO → First in First out

$$\frac{\text{Total Cost of Production}}{\text{Unit Produced}} = \frac{155600}{12000} = 12.97$$

LIFO

→ op stock $= \frac{11200}{800} = $ Rs 14/-

cl stock

old 800 Pc @ 14

New 800 Pc @ 12.97

11200 + 10368

↓

Rs 21568

Any method

$$\frac{\text{Total Cost}}{\text{Total Pcs}} = \frac{155600 + 11200}{12000 + 800} = \frac{166800}{12800} = 13.03$$

cl stock = 1600 Pc @ 13.03 = Rs 20850

Unit → 4 management accounting

Q1) What is management accounting and its advantages.

Sol. Management Accounting is the presentation of accounting information in such a way as to assist management in the formation of Policy for regulating operations of a business undertaking. It is a specialised branch of accountancy for assisting management in its functioning i.e., formulating policy and decision making.

The term management accounting is composed of two words i.e. Management & Accounting. Management is concerned with the achievement of predetermined objectives with various management functions.

ADVANTAGES OF Management accounting

1) Better decision-making → Decision-making is the important element of management. Right decision can put the organisation on a right track of growth, but a wrong decision can become the reason for its failure. Management accounting helps in making decision in such a way that effectiveness of the organisation can be increased.

2) Helps in Planning. → Management accounting also

help in planning. It makes various short term and long term plans for the organisation. Different plans are made at departmental levels and then master plan in prepared for the organisation as a whole.

3) Helps in Co-ordination. = Co-ordination provides a smooth environment in the organisation. It aims at removing the Conflicts within the organisation. Management accounting provides different tools of Co-ordination such as standard Costing, budgetary Control and reporting etc.

4) Helps in Control. Management accounting helps in excercising Control over the business operations. Various Control techniques are used such as standard Costing, Budgetary Control etc. Reports are prepared in order to remove the deviations and taking Corrective action.

5) Increases efficiency. Management accounting increases the efficiency of management. It ensures that all the resources used in an optimum manner. This is done by way of preparing various plans and policies for the organisation.

6) Maximising profitability → Mangement accounting aims at maximising profitability of the business. Profitability Can be maximised only when resources are optimally utilised and wastages are reduced. Profitable activities to be Continued while unprofitable activities to be discontinued.

7) use of Special technique

8) Aims at achiving objective.