Preface

Accountancy exam appears like a Herculean task to at least a few students. This study note has been prepared with the intention of providing these students the most important topics of curriculum.

I take this opportunity to extend my whole-hearted thanks and gratitude to Sri. Harikumar.A, HSST Commerce, V V H S S, Thamarakulam, Alappuzha District for all the valuable guidance, support and encouragement he has provided to me.

I also sincerely extend my indebtedness to the Commerce teachers community who have always encouraged me personally or through various other social media platforms.

The best of luck to all my dear students.

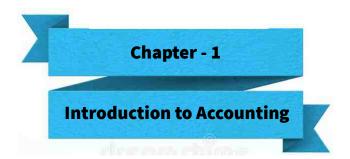
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Objectives of Accounting

What are the objectives of accounting? (any three) (3 Scores) March 2020

OR

"The primary objective of accounting is to provide information to facilitate business decisions". Mention any four objectives of accounting. (4 Scores)

March 2010

Ans: Meaning of Accounting

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

Objectives of Accounting

The primary objectives of accounting include the following:

- 1. <u>Maintenance of Records of Business Transactions</u>: Accounting is used for the maintenance of a systematic record of all financial transactions in books of accounts.
- 2. <u>Calculation of Profit and Loss</u>: Another objective of accounting is to ascertain the profit earned or loss sustained by a business during an accounting period. This can be ascertained by preparing a profit and loss account for the period.
- 3. <u>Depiction of Financial Position</u>: Accounting also aims at ascertaining the financial position of the business concern. This can be ascertained by preparing a statement known as balance sheet.
- 4. <u>Providing Accounting Information to its Users</u>: Accounting records provides meaningful information to internal users and external users.

Qualitative Characteristics of Accounting Information

Qn:Reliability is one of the qualitative features of accounting. Give two more such features. (2 Scores) March 2014

OR

The creditors and bankers need qualitative accounting information for taking appropriate decisions. What qualitative features do they expect in accounting information? (2 Scores)

March 2015

OR

Accounting possesses certain qualitative features. List them (2 Scores) (March 2017)

Ans: Qualitative characteristics of Accounting Information

- 1. **Reliability**: Reliability means the users must be able to depend on the information. A reliable information should be free from error and faithfully represents what it is meant to represent.
- 2. **Relevance**: To be relevant, information must be available in time. It must help in prediction and feedback.
- 3. <u>Understandability</u>: Accounting information must be capable of being understand by all its users.
- *4.* **Comparability** : Accounting information must be comparable from one period to another or from one firm to another.

Basic Terms in Accounting

Qn: Classify the following items as Revenue, Expense, Gain and Profit.

- i) Profit on sale of investment
- ii) Interest received
- iii)Goods sold at above cost
- iv) Depreciation (2 Scores) IMP. 2018

Ans. i) Gain ii) Revenue iii) Profit iv) Expense

Qn A student of XI Commerce, after going through the topic "Capital expenditure and Revenue expenditure" has classified certain expenditure as given below:

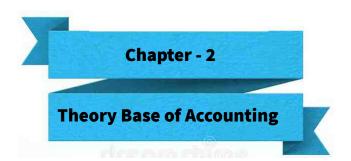
Capital expenditure	Revenue expenditure
Machinery purchased	Sale of land
Depreciation on machinery	Installation charge on
Goods purchased	machinery
	Rent paid

Do you agree with the above classification? If not, correct it. (2 Scores)

March 2012

Ans.

Capital expenditure	Revenue expenditure
Machinery purchased	Rent paid
Installation charge on	Depreciation on machinery
machinery	Goods purchased



Basic Accounting Concepts

1.Business Entity concept

Qn: Which assumption of accounting, states that the capital supplied by the proprietor is a liability to the business? Describe it in one or two sentences.

(2 Scores) March 2014 AFS

Ans: <u>Business Entity Concept</u>: The concept of business entity assumes that business has a distinct and separate entity from its owners. It means that for purposes of accounting the business and its owners are to be treated as two separate entities. e.g. capital is treated as liability of the business to the owner.

2. Money measurement Concept

Qn: In a meeting, the General Manager appreciate the sales department's achievement of ₹25 lakhs sales during the year 2015. But this activity of the General Manager is not recorded in the accounts of the business.

- a) Identify the accounting principle on the basis of which this activity is not recorded? (1)
- b) Explain the above principle (2)

March 2016 AFS

Ans:

- a) Money measurement concept.
- b) The concept of money measurement states that only those transactions and happenings in an organisation *which can be expressed in terms of money* are to be recorded in the books of accounts. Eg. Sale of goods ₹10,000.

3. Going Concern concept

Qn: Fixed assets are recorded at original cost and is shown in the Balance sheet at cost less depreciation. The underlying concept here is -----

(a) accounting entity (b) going concern (c) accounting period (d) money measurement (1 Score) SAY 2016

Ans: (b) going concern

4. Accounting Period concept

Qn : Match the following : Model 2019

A	В
(a) A company follows the same method of depreciation for last 5 years(b) A firm ascertained profit or loss at the end of	(1)Accounting period
each year	(2) Matching concept
(c) A firm records purchase of assets at cost price only	(3) Consistency concept

(d) All prepaid expenses are deducted from the total expense paid (4) Cost concept

Ans:

Α	В
(a) A company follows the same method of depreciation for last 5 years	(1) Consistency concept
(b)A firm ascertained profit or loss at the end of each year	(2) Accounting period
(c) A firm records purchase of assets at cost price only	(3) Cost concept
(d)All prepaid expenses are deducted from the total expense paid	(4) Matching concept

5. Dual Aspect Concept

Which one of the following principles of accounting helps to equate the assets of a firm with its liabilities? (1 Score)

a)Full Disclosure principle b) Duality principle c) Matching principle d) Cost principle

OR

The accounting equation is based on:

- (a) Consistency principle (b) Dual aspect principle (c) Money measurement concept
- (d) Conservatism (1 Score)

Half yearly 2017

Ans: b) Duality principle

2. "Duality is one of the important principles of accounting". The receiving aspect of a transaction is called------ and giving aspect of the transaction is called ------ (1)

SAY 2010 AFS

Ans: Debit and Credit

Newtons scientific theory tells that for every action there is an equal and opposite reaction. Identify the accounting principle which is almost similar to the theory and explain. (3 Scores)

Ans: Duality principle

Dual aspect is the *foundation or basic principle* of accounting. This concept states that *every transaction has a dual or two-fold effect* and should therefore be recorded at two places. In other words, at least two accounts will be involved in recording a transaction.

- 4. Every transaction has two aspects which will be recorded in the books of accounts.
 - a) Identify and Explain the accounting concept referred to above, by giving suitable examples. (4)
 - b) Narrate a transaction which affects only the asset side of an accounting equation (1) March 2015

Ans: a) Duality concept

5. Dual aspect is the *foundation or basic principle* of accounting. This concept states that *every transaction has a dual or two-fold effect* and should therefore be recorded at two places. In other words, at least two accounts will be involved in recording a transaction.

For example, Vysakh started business with ₹2,00,000. This will result in an increase in the assets(cash) by ₹200000. At the same time owner's equity (capital) will also increase by an equal amount.

b) Cash deposited into bank

6.Matching concept

Qn: State the relevant principles/concepts (5 Scores)

SAY 2016

SI. No.	Statements	Related accounting principle/concepts
1	Owner and Business have separate existence	?
2	Recording monetary events only	?
3	Business has got indefinite life	?
4	Follow same accounting practices year after year	?
5	Stock is valued at cost or market price whichever is less.	?
6	Compare expenses with revenues of an accounting period	?

Ans:

- 1.Accounting Entity Concept/Business Entity concept
- 2. Money Measurement concept
- 3. Going concern concept
- 4. Consistency principle
- 5. Conservatism or prudence principle
- 6. Matching principle

7. Conservatism concept

Qn 1: Asna Co. Pvt. Ltd. Acquires a piece of land for ₹2,00,000 for expansion purpose. After 5 years, the value of land came to ₹3,50,000 and at the time of preparing the Balance Sheet, the accountant does not consider the increase in the value of land. Do you agree with the accountant? If so, on what grounds?

Ans: Yes. According to principle of conservatism while preparing financial statements all possible losses are to be provided for but incomes can be recognised only when there is certainty. So that, land is valued at cost price or market price whichever is lower. i.e.₹2,00,000.

Qn 2: State which principles/concepts are applicable in the following cases:

- (a) Creation of Provision for doubtful debts
- (b) Capital brought by the owner is treated as a liability.
- (c) Method of calculation of depreciation is not changing year after year.
- (d) Accounting should focus on material facts. (4 Scores) March 2020

Ans: (a) Prudence or Conservatism Principle

- (b) Business Entity/Accounting Entity Principle
- (c) Consistency Principle
- (d) Materiality Principle

Qn 3: Match the following items given in set A with that of set B

Α	В	
(a) Creating Provision for doubtful	, ,	
debts	(2) Money measurement concept	
(b) Owner and business are separate		
and distinct	(3) Conservatism concept	
(c) Business has fairly long life.	(4) Consistency concept	
(d) Qualitative aspects are ignored in	(5) Going concern concept	
accounts.		
	(5 Scores) Dec 2020	

(5 Scores)

Dec. 2020

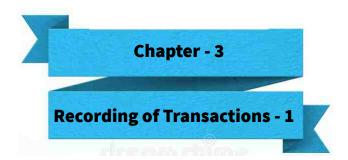
Ans:

Α

- a) Creating provision for doubtful debts
- **b)** Owner and business are separate and distinct concept
- c) Business has fairly long life
- **d)** Qualitative aspects are ignored in accounts

В

- (3) Conservatism concept
- (1) Business entity
- (5) Going concern concept
- (2) Money measurement concept



Accounting Equation/Balance sheet Equation

Accounting equation signifies that the assets of a business are always equal to the total of its liabilities and capital (owner's equity).

Assets = Liabilities + Capital
Liabilities = Assets – Capital
Capital =Assets – Liabilities

Steps for solving problems based on Accounting equation

- രണ്ടു കോളങ്ങൾ വരയ്ക്കുക. ഒന്നാമത്തെ കോളം ഇടപാടുകൾ കാണിയ്ക്കുന്നതിനും രണ്ടാമത്തെ കോളം അക്കൗണ്ടിംഗ് സമവാക്യം (Assets = Liabilities + Capital) എഴുതുന്നതിനുമാണ്.
- 2. ഒന്നാമത്തെ കോളത്തിൽ ഇടപാട് കാണിയ്ക്കുക.
- 3. ഒന്നാമത്തെ ഇടപാടിൽ ഉൾപ്പെട്ടിരിക്കുന്ന Assets(ആസ്തി), Liabilities(ബാധ്യത), Capital (മൂലധനം) എന്നിവ തിരിച്ചറിഞ്ഞ് അവ രണ്ടാമത്തെ കോളത്തിൽ അക്കൗണ്ടിംഗ് സമവാകൃത്തിന് താഴെ എഴുതുക.
- 4. രണ്ടാമത്തെ ഇടപാട് മേൽസൂചിപ്പിച്ച പോലെ എഴുതുക.

- 5. ഒന്നാമത്തെ സമവാകൃവും രണ്ടാമത്തെ സമവാകൃവും കൂട്ടുക.. ഇങ്ങനെ കൂട്ടികിട്ടുന്ന ഇക അക്കൗണ്ടിംഗ് സമവാകൃം(Assets = Liabilities + Capital) പാലിക്കുന്നുണ്ടെന്ന് ഉറപ്പ് വരുത്തുക.
- 6. തുടർന്ന് വരുന്ന ഇടപാടുകളുടെ അക്കൗണ്ടിംഗ് സമവാക്യങ്ങളും മേൽസൂചിപ്പിച്ച പോലെ കൂട്ടി എഴുതുക.

Illustration

Show the effect of the following transactions on Assets, Liabilities and Capital through accounting equation :

- (a) Started business with cash ₹ 2,00,000.
- (b) Purchased goods from Manu ₹ 10,000.
- (c) Sold goods to Rinu (costing ₹6,000) for ₹8,000. (March 2018)

Ans:

Transactions	Assets Cash +	Stock + Debtors	= Liabilities = Creditors	+ Capital + Capital
(a) Started business with cash (b) Purchased goods from	2,00,000	+0 + 0	= 0	+ 2,00,000
Manu	0	+10,000+ 0	= 10,000	+ 0
(c) Sold goods to Rinu	0	+10,000+ 0 - 6,000 +8,000 + 4,000 + 8,00		+ 2,00,000 + 2,000 + 2,02,000
	======	=========	=========	========

Illustration

- "Accounting equation forms the basis of the accounting process." Prove that the accounting equation is satisfied in all the following transactions:
- (a) Mr. Suresh commenced business with cash ₹40,000.
- (b) Purchased goods on credit ₹ 6,500.
- (c) Paid rent ₹ 500.
- (d) Sold goods costing ₹ 6,500 on credit for ₹ 8,000. (March 2012)

Ans:

Transactions		Assets Cash -		+ Debto		Liabilities Creditors		Capital Capital
(a) Commenced with cash (b) Purchased	business goods or	40,000	+ 0	+ 0	=	0	+ 4	0,000
credit	9	0	+ 6,500	0 + 0	=	6,500	+	0



Quick Rev	ision Notes + 1 Accountancy	English Version
(c) Paid rent	40,000 + 6,500 + 0 = 6,500 -500 + 0 + 0 = 0	+ 40,000 + - 500
(d) Sold goods costing ₹ 6,500 on credit for ₹	39,500 + 6,500 + 0 = 6,500	+ 39,500
8,000	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	+ 1,500 + 41,000
		=======

Rules of Debit and Credit

1.Assets

Increase in asset is debited

Decrease in asset is credited

2.Liability

Increase in liabilities is credited

Decrease in liabilities is debited

3.Capital

Increase in capital is credited

Decrease in capital is debited

4.Expenses/Losses

Increase in expenses/losses is debited

Decrease in expenses/losses is credited

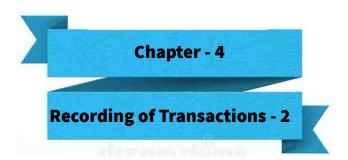
5. Revenues/Gains

Increase in revenue/gain is credited

Decrease in revenue/gain is debited

Distinction between Journal and Ledger

- 1. The Journal is the book of first entry (original entry); the ledger is the book of second entry.
- 2. The Journal is the book for *chronological record*; the ledger is the book for *analytical record*.
- 3. The Journal, as book of source entry, gets greater importance as *legal* evidence than the ledger.
- 4. *Transaction* is the basis of classification of data within the Journal; *Account* is the basis of classification of data within the ledger.
- 5. Process of recording in the Journal is called *Journalising*; the process of recording in the ledger is known as *Posting*.



Single Column Cash Book

Format of Single column cash book

Date	Particulars	L.F	Amount ₹	Date	Particulars	L.F.	Amount ₹

സിംഗിൾ കോളം ക്യാഷ് ബുക്ക് തയ്യാറാക്കുന്ന വിധം

1. സിംഗിൾ കോളം ക്യാഷ് ബുക്കിന്റെ ഫോർമാറ്റ് വരയ്ക്കക.

Date	Particulars	L.F	Amount ₹	Date	Particulars	L.F.	Amount ₹

- 2.തന്നിരിക്കുന്ന ഇടപാടുകളിൽ ക്യാഷ് സ്വീകരിക്കുകയാണോ കൊടുക്കുകയാണോ എന്ന് മനസ്സിലാക്കുക .
- 3 .ക്യാഷ് സ്വീകരിക്കുകയാണെങ്കിൽ Receipts സൈഡിൽ ആണ് കാണിക്കേണ്ടത്.
- 4 . തീയതി കോളത്തിൽ ഇടപാടുകൾ നടന്ന തീയതി രേഖപ്പെടുത്തുക.
- 5 .ക്യാഷ് സ്വീകരിച്ച അക്കൗണ്ടിന്റെ പേര് Receipts കോളത്തിൽ എഴുതുക.
- 6 .ഇടപാടിൽ നിന്നം കിട്ടിയ തുക Amount കോളത്തിൽ രേഖപ്പെടുത്തുക.
- 7 ക്യാഷ് കൊടുക്കുമ്പോൾ Payments സൈഡിൽ എഴുതുക.
- 8 പണം കൊടുത്ത തീയതി Payments സൈഡിൽ രേഖപ്പെടുത്തുക.
- 9 ക്യാഷ് കൊടുത്ത അക്കൗണ്ടിന്റെ പേര് Payments കോളത്തിൽ എഴ<u>ുത</u>ക.
- 10 കൊടുത്ത തുക Amount കോളത്തിൽ രേഖപ്പെടുത്തുക.
- 11 ഡെബിറ്റ് സൈഡ് ടോട്ടൽ ചെയ്യക.
- 12 ക്രെഡിറ്റ് സൈഡ് ടോട്ടൽ ചെയ്യക.
- 13 ഡെബിറ്റ് ടോട്ടലും ക്രെഡിറ്റ് ടോട്ടാലും തമ്മിലുള്ള വ്യത്യാസം കണ്ടുപിടിക്കുക..
 - 14 .ക്യാഷ് ബുക്കിന്റെ ഡെബിറ്റ് സൈഡും ക്രെഡിറ്റ് സൈഡും തമ്മിലുള്ള വ്യത്യാസം, Payments സൈഡിൽ Balance c/d എന്ന് രേഖപ്പെടുത്തുക. അതിന ശേഷം വ്യത്യാസം വന്ന തുക Amount കോളത്തിൽ കാണിയ്ക്കുക.
- 15 അടുത്ത മാസം ഒന്നാം തീയതി Receipts സൈഡിൽ മുന്നിറിപ്പ് ഇക കാണിയ്ക്കുക.

Illustration

Roy started a business on 1^{st} April, 2010 by investing ₹50,000. Help him to find out the closing balance of cash for the month considering the following transactions :

		₹
02-4-2010	Deposited into bank	20,000
05-4-2010	Purchased goods for cash	18,000
08-4-2010	Advertisement expenses	1,000
12-4-2010	Sold goods for	12,000
13-4-2010	Stationery purchased	500
15-4-2010	Purchased furniture for	8,000
20-4-2010	Sold goods to Kishore	4,000
26-4-2010	Borrowed from Mr.Kiran	10,000
29-4-2010	Received cash from Kishore	2,500
30-4-2010	Rent paid	1,000
		(SAY 2012)

Ans:

Cash book

Date	Receipts	L.F	Amount ₹	Date	Payments	L.F.	Amount ₹
2010 April 1 " 12 " 26 " 29	Capital Sales Kiran Kishore		50,000 12,000 10,000 2,500	" 5 " 8 " 13 " 15 " 30	Bank Purchases Advertisement Stationery Furniture Rent Balance c/d		20,000 18,000 1,000 500 8,000 1,000 26,000 74,500
May 1	Balance c/d		26,000				

> Double Column Cash Book

ഡബിൾ കോളം ക്യാഷ് ബുക്ക് തയ്യാറാക്കുന്ന വിധം

1 ഡബിൾ കോളം ക്യാഷ് ബുക്കിന്റെ ഫോർമാറ്റ് വരയ്ക്കക .

Cash book

Date	Particulars	L .F	Cash ₹	Bank ₹	Date	Particulars	L F	Cash ₹	Bank ₹

- 2 ക്യാഷ് സ്വീകരിക്കുകയാണെങ്കിൽ ഡെബിറ്റ് സൈഡിൽ ക്യാഷ് കോളത്തിൽ കാണിയ്ക്കുക.. തീയതി കോളത്തിൽ ഇടപാട് നടന്ന തീയതി എഴുതുക. റെസിപ്റ്സ് കോളത്തിൽ ക്യാഷ് സ്വീകരിച്ച അക്കൗണ്ടിന്റെ പേര് എഴുതുക.
- 3 ക്യാഷ് കൊടുക്കുക ആണെങ്കിൽ ക്രെഡിറ്റ് സൈഡിൽ ക്യാഷ് കോളംത്തിൽ കാണിയ്ക്കുക. തീയതി കോളത്തിൽ ഇടപാട് നടന്ന തീയതി എഴുതുക.. Payments കോളത്തിൽ ക്യാഷ് കൊടുത്ത അക്കൗണ്ടിന്റെ പേര് എഴുതുക.
- 4 ക്യാഷ് കോളം ബാലൻസ് ചെയ്യുക (ഡെബിറ്റ് ടോട്ടൽ -ക്രെഡിറ്റ് ടോട്ടൽ). ക്യാഷ് ബാലൻസിന്റെ നേരെ Payments സൈഡിൽ Balance c/d എന്നെഴുതുക .
- 5 ബാങ്ക് കോളം ബാലൻസ് ചെയ്യുക(ഡെബിറ്റ് ടോട്ടൽ ക്രെഡിറ്റ് ടോട്ടൽ). ഡെബിറ്റ് ബാലൻസ്(ഡെബിറ്റ് ടോട്ടൽ ക്രെഡിറ്റ് ടോട്ടലിനെക്കഴിഞ്ഞും കൂടുതൽ ആണെങ്കിൽ) ആണെങ്കിൽ Payments കോളത്തിൽ Balance c/d എഴുതുക.. ക്രെഡിറ്റ് ബാലൻസ്(ക്രെഡിറ്റ് ടോട്ടൽ ഡെബിറ്റ് ടോട്ടലിനെക്കഴിഞ്ഞും കൂടുതൽ ആണെങ്കിൽ) ആണെങ്കിൽ Receipts കോളത്തിൽ Balance c/d എഴുതുക..

6 നീക്കിയിരിപ്പ് ക്യാഷ് / ബാങ്ക് ബാലൻസ്, അടുത്ത കാലയളവിൽ മുന്നിരിപ്പ് ഇക ആയി എടുത്തെഴുതുക.. നീക്കിയിരിപ്പ് തുക ക്രെഡിറ്റ് സൈഡിലാണ് കാണിച്ചതെങ്കിൽ മുന്നിരിപ്പ് തുക (Balance b/d) ഡെബിറ്റ് സൈഡിലും, നേരെ മറിച്ച് നീക്കിയിരിപ്പ് തുക ഡെബിറ്റ് സൈഡിലാണ് കാണിച്ചതെങ്കിൽ മുന്നിരിപ്പ് തുക ക്രെഡിറ്റ് സൈഡിലാണ് (Balance b/d) കാണിക്കേണ്ടത്.

Illustration

Prepare a Cash Book with bank column from the given transactions of a trader for the month of November 2019.

20	19		₹
No	v. 1	Cash in hand	8,000
"	1	Cash at bank	34,000
"	3	Cash sales	12,000
"	5	Received cheque from Rahul and paid into bank	15,000
"	8	Paid into bank	10,000
"	10	Cheque issued to Mohan	5,000
"	14	Cash withdrawn from bank for personal use	8,000
"	19	Paid for stationery	500
"	20	Rent paid by cheque	2,000
"	24	Cash withdrawn from bank for office use	4,000
"	28	Purchased goods by issuing cheque of	6,000
"	29	Insurance premium paid by cheque	1,000
"	30	Cheque of ₹ 15,000 received from Rahul was returned	d
		dishonoured by bank.	(Dec. 2020)

Ans:

Double column Cash book

Dr. Cr.

Date	Receipts	L F	Cash ₹	Bank ₹	Date	Payments	L F	Cash ₹	Bank ₹
2019					2019				
Nov. 1	Balance b/d		8,000	34,000	Nov. 8	Bank	С	10,000	
" 3	Sales		12,000		" 10	Mohan			5,000
" 5	Rahul			15,000	" 14	Drawings			8,000
" 8	Cash	С		10,000	" 19	Stationery		500	
" 24	Bank	С	4,000		" 20	Rent			2,000
					" 24	Cash	C		4,000
					" 28	Purchase			6,000
					" 29	Insurance			1,000
					" 30	Rahul			15,000
					" 30	Balance c/d		13,500	18,000
			24,000	59,000				24,000	59,000
			=====	=====				=====	=====

Petty Cash Book

പെറ്റി ക്യാഷ് ബുക്ക് തയ്യാറാക്കുന്ന വിധം

- 1 പെറ്റി ക്യാഷ് ബുക്ക് വരയ്ക്കക.
- 2 ഒന്നാമത്തെ കോളംത്തിൽ ചീഫ് ക്യാഷിറിൽ നിന്നം ലഭിച്ച ഇക എഴുഇക.
- 3 രണ്ടാമത്തെ കോളംത്തിൽ ഇടപാട് നടന്ന തീയതി രേഖപ്പെടുത്തക.
- 4 മൂന്നാമത്തെ കോളംത്തിൽ (Particulars) വരവിനം / ചെലവിനം കാണിയ്ക്കക.
- 5 അടുത്ത കോളംത്തിൽ വൗച്ചർ നമ്പർ രേഖപ്പെടുത്തുക.
- 6 അടുത്ത കോളംത്തിൽ ചെലവാക്കിയ തുക കാണിയ്ക്ക.
- 7 .തുടർന്ന് വരുന്ന കോളംങ്ങളിൽ ചെലവാക്കിയ തുക ഇനം തിരിച് കാണിയ്ക്കുക.

- 8 . ആകെ ചെലവാക്കിയ തുക കണ്ടെത്തുക..
- 9. ഓരോ ഇനങ്ങളിലും അകെ ചെലവാക്കിയ തുക കണ്ടുപിടിയ്ക്കക.
- 10 .അകെ സ്വീകരിച്ച തുക ഏറ്റവും താഴെ ആയി ഒന്നാമത്തെ കോളംത്തിലും അഞ്ചാമത്തെ കോളംത്തിലുമായി എഴുതുക.
- 11 .ആകെ സ്വീകരിച്ച ഇകയിൽ നിന്നും അകെ ചെലവാക്കിയ ഇക കുറയ്ക്കുക. ഇപ്പോൾ ലഭിച്ച ഇക നീക്കിയിരിപ്പായി (ബാലൻസ് സി/ഡി) അഞ്ചാമത്തെ കോളംത്തിൽ കാണിയ്ക്കുക.
- 12 .നേരത്തെ കാണിച്ച നീക്കിയിരിപ്പ് ഇക, മുന്നിരിപ്പ് ഇക (ബാലൻസ് ബി/ഡി)ആയി അടുത്ത മാസം ഒന്നാം തീയതി ഒന്നാമത്തെ കോളംത്തിൽ കാണിയ്ക്കക.

Illustration

Mr. Sharma, the petty cashier of Megha Traders received ₹ 1,500 on June 01, 2018 from the head cashier. For the month, details of petty expenses are listed as under:

Date	Particulars	Amount (₹)
2018		
June 02	Postal stamps	35
03	Auto charge	50
05	Refreshments	85
06	Auto fare	60
07	Telegram	42
80	Bus fare	35
80	Cartage	48
11	Stationery	25
12	Paper, Pen, Pencil	85
13	Refreshments	40
18	Photostat charges	38
21	Courier services	85
27	Postage stamps	45
30	Taxi fare to Manager	100

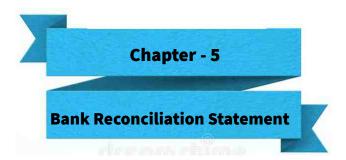
Prepare a Petty Cash Book

(March 2020) 8 Scores

Ans:

Petty Cash Book

Amount Received ₹	Date	Particulars	Vr. No.	Amount Paid ₹	Postage & Telegram ₹	Travelling Expense s ₹	Cartage ₹	Stationery ₹	Refreshment ₹
1,50 1,50 ===== 72 77	" 2 " 3 " 5 " 6 " 7 " 8 " 8 " 11 " 12 " 13 " 18 " 21 " 27 " 30 " 30 July 1	Cash received Postal stamps Auto charges Refreshment Auto fare Telegram Bus fare Cartage Stationery Paper, pen, pencil Refreshment Photostat Courier services Postage stamp Taxi fare to manager Balance c/d Balance b/d Cash received		35 50 85 60 42 35 48 25 85 40 38 85 45 100 773 727 1,500 =====	35 42 85 45	50 60 35	48	25 85 38	40



Causes of differences between cash book and pass book balance

Causes of differences

The differences between the cash book and the bank passbook is caused by :

- I. Timing differences on recording the transactions.
- II. Errors made by the business or by the bank

I. Timing differences

The factors affecting time gap includes:

- 1. Cheques issued by the firm but not yet presented for payment
- 2. Cheques paid into the bank but not yet collected
- 3. Direct debits made by the bank on behalf of the customer
- 4. Amounts directly deposited in the bank account
- 5. Interest and dividends collected by the bank
- 6. Direct payments made by the bank on behalf of the customers
- 7. Cheques deposited/bills discounted dishonoured

II. Differences caused by Errors

- 1. Errors committed in recording transaction by the firm
- 2. Errors committed in recording transactions by the bank

Preparation of Bank Reconciliation Statement

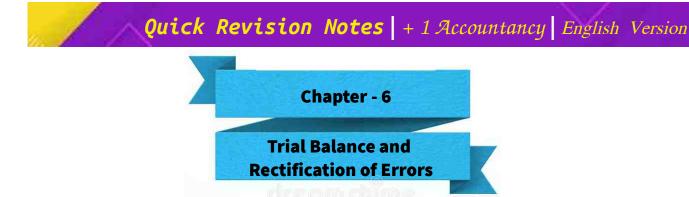
1.When debit balance (favourable balance) as per cash book is given and the balance as per passbook is to be ascertained.

Format of Bank Reconciliation Statement

Bank Reconciliation Statement

As on

Particulars	(+) ₹	(-) ₹
Balance as per Cash book	XXXX	
Direct payment by a customer to the bank	XXXX	
Interest on deposit credited by the bank	XXXX	
Cheques issued but not presented for payment	XXXX	
Interest, dividend, rent, etc. , collected by bank	XXXX	
Cheques deposited but not collected by the bank		xxxx
Payment made by bank as per standing instructions (Insurance premium, rent, etc.)		XXXX
Bank charges as per passbook		XXXX
Balance as per Pass Book		XXXX
	XXXX =====	xxxx ======



Objectives of Preparing the Trial Balance

Objectives of Preparing the Trial Balance

The trial balance is prepared to fulfil the following objectives:

- To Ascertain the Arithmetical Accuracy of Ledger Accounts : A trial balance is prepared to ascertain the arithmetical accuracy of the ledger accounts.
- To help in locating errors : When a trial balance does not tally, it signifies
 that there are some errors in the books of accounts and it should be located
 and rectified.
- 3. <u>To help in the preparation of the financial statements</u>: The availability of a tallied trial balance facilitates the preparation of financial statements. i.e. trading and profit and loss account and the balance sheet.

Preparation of Trial Balance - Balance Method

1. ട്രയൽ ബാലൻസിന്റെ ഫോർമാറ്റ് വരയ്ക്ക്ക $\, . \,$

Format of trial balance

Trial Balance of

As on March 31, 2021

Account Title	L.F.	Debit Balance ₹	Credit Balance ₹
Total		XXXX	xxxx

- 2. ആസ്തികൾ , ചെലവുകൾ എന്നിവയുടെ ബാലൻസ് ഡെബിറ്റ് ട്രയൽ ബാലൻസിന്റെ ഡെബിറ്റ് കോളത്തിൽ രേഖപ്പെടുത്തുന്നു..
- 3. ബാധ്യതകൾ,മൂലധനം, വരുമാനങ്ങൾ എന്നിവയുടെ ബാലൻസ് ട്രയൽ ബാലൻസിന്റെ ക്രെഡിറ്റ് കോളത്തിൽ രേഖപ്പെടുത്തുന്നം..
- 4. അവസാനം ട്രയൽ ബാലൻസിന്റെ ഡെബിറ്റ് കോളത്തിലെയും ക്രെഡിറ്റ് കോളത്തിലെയും ഇകകൾ അതാത് കോളങ്ങളിൽ കൂട്ടിയെഴുതുന്നു.

Qn: Prepare a Trial Balance from the following balances:

	₹
Cash	28,000
Bank overdraft	7,000
Purchases	20,000
Sales	32,000
Capital	40,000
Land & Buildings	31,000

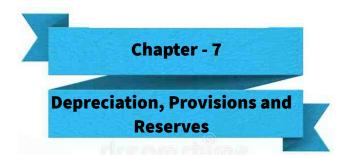
(March 2018)

Ans:

Trial Balance

As on

Account Title	Debit ₹	Credit ₹
Cash	28,000	
Bank overdraft		7,000
Purchases	20,000	
Sales		32,000
Capital Land & Buildings	31,000	40,000
Land & Buildings	31,000	
Total	-79,000	79,000
	========	=======



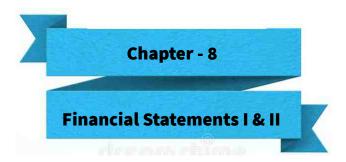
> Factors affecting the amount of Depreciation

- 1. <u>Cost of Asset</u>: It includes invoice price and other costs, which are necessary to put the asset in use or working condition. For example, a photocopy machine is purchased for ₹50,000 and ₹5,000 is spent on its transportation and installation, then the cost of the machine is ₹55,000(₹50,000+₹5,000).
- Estimated Net Residual value/Scrap value/Salvage value : It is the
 estimated net realisable value (sale value) of the asset at the end of its useful
 life.
- 3. <u>Depreciable Cost</u>: Depreciable cost of an asset is equal to its cost less net residual value.
- 4. <u>Estimated Useful Life</u>: Useful life of an asset is the estimated economic or commercial life of the asset.

> Distinction between Straight Line Method and Written Down Value Method

Basis of Difference	Straight Line Method	Written Down Value Method
1.Basis of charging depreciation	Original cost	Book Value
2.Annual depreciation charge	Fixed	Declines year after year.
 3.Total charge against profit and loss account in respect of depreciation and repairs. 4.Recognition by income 	Unequal year after year	Almost equal every year
tax law	Not recognised	Recognised

Quick Re	vision Notes +1A	ccountancy English Version
5. Suitability	which repair charges are less, the possibility of risk of obsolescence is low,	technological changes and require more repair expenses with passage of



Format of Trading and Profit and Loss Account

Trading and Profit and Loss Account for the year ended March 31, 2021

Expenses/Losses	Amount ₹	Revenues	Amount ₹
Opening stock	xxxx	Sales xxxx	
Purchases xxxx		Less : Returns xxx	
Less: Returns xxx			XXXX
	XXXX	Closing stock	XXXX
Wages	XXXX		
Carriage/Freight inwards	XXXX		
Gross Profit c/d	XXXX		
	XXXXX		XXXXX
	=======		========
Rent/rates and taxes	XXXX	Gross Profit b/d	XXXX
Salaries	XXXX	Commission received	XXXX
Repairs and renewals	XXXX	Discount received	XXXX
Printing and stationery	XXXX	Rent received	XXXX
Postage	XXXX	Interest, dividend etc.	XXXX
Advertising	XXXX		
Insurance	XXXX		
Audit fee	XXXX		

Quick Re	evision Not	es + 1 Accountancy	English Version
Bank charges	XXXX		
Commission	XXXX		
Carriage outwards	XXXX		
Discount allowed	XXXX		
Bad debts	XXXX		
Depreciation	XXXX		
Net Profit(Transferred to			
Capital Account)	XXXX		
	XXXXX		XXXXX
	========		=======

Balance Sheet

The balance sheet is a statement prepared for showing the financial position of the business.

Format of Balance sheet

Balance sheet

As on -----

Liabilities		Amount ₹	Assets	Amount ₹
Bank overdraft		xxx	Cash in hand	xxx
Sundry creditors		XXX	Cash at bank	XXX
Bills payable		XXX	Bills receivable	XXX
Outstanding expenses		XXX	Investment	XXX
Loans		XXX	Sundry debtors	XXX
Capital	XXX		Closing stock	XXX
Add : Net profit	XXX		Prepaid expenses	XXX
Add : Interest on capita	l xxx		Furniture	XXX
			Machinery	XXX
	XXX		Premises	XXX
Less : Drawings	XX		Goodwill	XXX
		XXX		
		XXXX		XXXX
		=======		=======

Treatment of adjustments in the preparation of Financial Statements

Adjustment	Treatment in Trading and Profit and Loss A/c	Treatment in Balance Sheet
1.Closing stock	Shown on the <i>credit side</i> of Trading A/c	Shown on the assets side
2.Outstanding expenses	Added to the respective expense on the debit side	Shown on the <i>liabilities side</i>
3.Prepaid/ Unexpired expenses	Deducted from the respective expense on the debit side	Shows on the assets side
	Added to the respective income on the credit side.	Shown on the assets side.
5.Income received in advance	Deducted from the respective income on the credit side.	Shown on the liabilities side.
6.Depreciation	Shown on the debit side	Deducted from the value of asset

ഫിനാൻഷ്യൽ സ്റ്റേറ്റ്മെന്റ്സ് തയ്യാറാക്കൽ

(Trading and Profit and loss A/c and Balance sheet)

- ടെഡിങ് ആൻഡ് പ്രോഫിറ്റ് ആൻഡ് ലോസ് അക്കൗണ്ടിന്റെ ഫോർമാറ്റ് വരയ്ക്കുക.
- 🏲 ആദ്യമായി ഓപ്പണിങ് സ്റ്റോക്ക്(Opening stock) ഡെബിറ്റ് ചെയ്യക.
- ് ഇടർന്ന് Net Purchases(Purchases less Returns), Direct expenses മുതലായവ ഡെബിറ്റ് ചെയ്യുക .
- ≽ ക്രെഡിറ്റ് സൈഡിൽ Sales, Closing stock മുതലായവ കാണിയ്ക്കുക.

- ് ട്രേഡിങ്ങ് അക്കൗണ്ട് ബാലൻസ് ചെയ്യുക. ക്രെഡിറ്റ് ബാലൻസ് ആണ് കിട്ടുന്നതെങ്കിൽ ഗ്രോസ് പ്രോഫിറ്റ് ആയിരിക്കും. ഡെബിറ്റ് ബാലൻസ് ആണെങ്കിൽ ഗ്രോസ് ലോസ് ആയിരിക്കും.
- ്ക് ഗ്രോസ് പ്രോഫിറ്റ് പ്രോഫിറ്റ് ആൻഡ് ലോസ് അക്കൗണ്ടിന്റെ ക്രെഡിറ്റ് സൈഡിൽ എടുത്തെഴുതുക(Gross Profit b/d) . ഗ്രോസ് ലോസ് ആണെങ്കിൽ ഡെബിറ്റ് സൈഡിൽ എടുത്തെഴുതുക(Gross Loss b/d) .
- ് ട്രേഡിങ് അക്കൗണ്ടിൽ രേഖപ്പെടുത്താത്ത എല്ലാ ചെലവുകളും(Indirect expenses) ഡെബിറ്റ് ചെയ്യക.
- ് ട്രേഡിങ്ങ് അക്കൗണ്ടിൽ കാണിയ്ക്കാത്ത എല്ലാ വരുമാനങ്ങളും(Indirect incomes) ക്രെഡിറ്റ് ചെയ്യക.
- ≽ പ്രോഫിറ്റ് ആൻഡ് ലോസ് അക്കൗണ്ട് ബാലൻസ് ചെയ്യുക .

Illustration

The Trial Balance of M/s. Arathy as on 31st March 2012 is given below. Prepare the final accounts.

Particulars	Debit ₹	Credit ₹
Capital account		15,000
Sales		27,150
Drawings	2,500	
Purchases	21,000	
Opening stock	6,700	
Sundry creditors		8,100
Rent	500	
Discount		250
Furniture	900	
Machinery	10,000	
Travelling expenses	300	

Quick Revision Notes + 3	1 Accountancy	English Version
Bad debts	620	
Debtors	7,500	
Returns	300	600
Carriage Inwards	400	
Wages	650	
Salaries	1,900	
Interest	480	
Carriage outwards	700	
Insurance	900	
Bank loan		5,250
Cash in hand	1,000	
Total	56,350	56,350

Adjustments:

- (a) Closing stock was valued at ₹9,000.
- (b) Insurance prepaid is ₹100.
- (c) Wages outstanding is ₹700.
- (d) Depreciate machinery and furniture by 10%. (March 2013)

Ans:

Trading and Profit and Loss A/c for the year ended 31st March 2012

Particular	'S	Amount ₹	Particula	ars	Amount ₹
Opening stock		6,700	Sales	27,150	
Purchases	21,000		Less : Returns	300	
Less : Returns	600				26,850
		20,400	Closing stock		9,000
Carriage inwards		400			
Wages	650				
Add : Outstanding	700				
		1,350			



Gross Profit c/d	7,000 35850		35,850
Rent Travelling Expenses Bad debts Salaries Interest Carriage outwards Insurance 900 Less: Prepaid 100	500 300 620 1,900 480 700	Gross profit b/d Discount	7,000 250
Depreciation : Machinery	1,000		
(₹10,000 x 10/100) Furniture (₹900 x 10/100) Net profit transferred to capital	90		
account.	7,250		7,250

Balance sheet

As on 31st March 2012

Liabilities		Amount ₹	Assets	Amount ₹
Wages outstanding		700	Cash in hand	1,000
Sundry creditors		8,100	Pre paid Insurance	100
Bank Loan		5,250	Closing stock	9,000
Capital	15,000		Sundry debtors	7,500
Add: Net profit	860		Machinery 10,000	
			Less: Depreciation 1,000	9,000
	15,860			
Less : Drawings	2,500		Furniture 900	
		13,360	Less: Depreciation 90	
				810
		27,410		27410
		=========		========

Illustration

Prepare the Trading, Profit and Loss account and Balance sheet from the Trial Balance of Mr, Shibu as on 31st March, 2013.

Particulars	₹	Particulars	₹
Purchases	1,00,000	Capital	3,00,000
Sundry debtors	80,000	Sales	2,00,000
Insurance	5,100	Commission received	8,000
Wages	10,000	Sundry creditors	60,000
Land and building	2,00,000		
Furniture	30,000		
Cash in hand	1,12,900		
Opening stock	30,000		
Total	5,68,000	Total	5,68,000

Adjustments:

- (a) Closing stock was valued at ₹20,000.
- (b) Wages outstanding ₹500.
- (c) Commission receivable ₹ 400
- (d) Insurance prepaid ₹ 100.

(March 2015)

Ans:

Trading and Profit and Loss Account For the year ended 31.03.2013

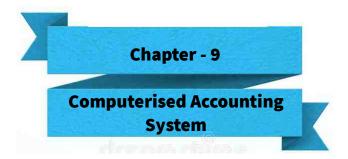
Particulars	S	Amount ₹	Particulars	Amount ₹
Opening stock Purchases Wages Add: Outstanding	10,000 500		Closing stock	2,00,000 20,000
Gross Profit c/d		10,500 79,500		

	Quick Re	evision No	tes + 1 Accountancy	English Version
		2,20,500		2,20,500
Insurance Less : Prepaid	5,100 100 		Gross Profit b/d Commission 8,000 Add : Receivable 400	79,500
Net profit transfe A/c	erred to capital	5,000		8,400
		82,900		·
		87,900		87,900

Balance sheet

as on 31st March 2013

Liabilitie	S	Amount ₹	Assets	Amount ₹
Wages outstanding		500	Cash in hand	1,12,900
Sundry creditors		60,000	Commission receivable	400
Capital	3,00,000		Prepaid Insurance	100
Add: Net Profit	82,900		Closing stock	20,000
		3,82,900	Debtors	80,000
			Furniture	30,000
			Land and Building	2,00,000
		4,43,400	-	4,43,400
		======		========



> Comparison between Manual and Computerised Accounting

Qn: "The use of computers in accounting is called computerised accounting." Explain four points of difference between manual accounting and computerised accounting. (March 2010)

Comparison between Manual and Computerised Accounting

Point of Difference	Manual Accounting	Computerised Accounting
1. Identifying	identified on the basis of	In CAS also, the transactions are identified on the basis of accounting principles.
2.Recording	The recording of financial transactions is through the books of original entries.	
3.Classification	books of original entry are	In order to produce ledger accounts, the stored transaction data is processed to appear as classified.
4.Summarising	summarised to produce trial balance by ascertaining the	The generation of ledger accounts is not necessary condition for producing trial balance.
5.Adjusting entries	recorded to match the	Journal vouchers are prepared and stored to follow the principle of cost matching revenue.
6.Financial statements		The preparation of financial statements is independent of producing the trial balance.
7.Closing the Books		database.

> Advantages of Computerised Accounting System

Qn: How is computerised accounting more helpful to business decision making than manual accounting. (March 2011)

Advantages of Computerised Accounting System

- 1. **Speed**: Accounting data is processed faster by using a computerised accounting system when compared to manual accounting.
- Accuracy : The possibility of error is eliminated in a computerised accounting system.
- 3. **Reliability**: Computerised accounting system relies heavily on computers, they are relatively more reliable than manual accounting systems.
- <u>Up-to-Date Information</u>: The accounting records, in a computerised accounting system are updated automatically as when accounting data is entered and stored.
- 5. **Real Time User Interface**: Most of the automated accounting systems are inter-linked through a network of computers. This facilitates the availability of information to various users at the same time on a real time basis.
- Automated Document Production : Most of the computerised accounting systems have standardised, user defined format of accounting reports that are generated automatically.
- 7. **Scalability**: The computerised accounting systems are highly scalable.
- 8. **Legibility**: The data displayed on computer monitor is legible.
- 9. **Efficiency**: The computer based accounting systems ensure better use of resources and time.
- 10. <u>MIS Reports</u>: The computerised accounting system facilitates the real time production of management information reports, which will help management to monitor and control the business effectively.
- 11. <u>Storage and Retrieval</u>: The computerised accounting system allows the users to store data in a small amount of physical space. Besides, the system permits fast and accurate retrieval of data and information.
- 12. <u>Motivation and Employees Interest</u>: The computer system requires a specialised training of staff, which makes them feel more valued. This motivates them to develop interest in the job.

Prepared by



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