



FINANCIAL ACCOUNTING

BCA TU

WHAT'S INSIDE?

Notes of Financial Accounting

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Financial Accounting

Financial accounting is the process of preparing financial statements that companies use to show their financial performance and position to people outside the company including investors, creditors, suppliers, customers etc. This is one of the most important distinction from managerial accounting which by contrast, involves preparing detailed reports and forecast for managers inside the company. Financial accounting helps to record, classify summarize, analyse financial transactions of the company.

→ Objectives of accounting

1. To maintain the records of transactions.
2. To ascertain the operating result.
3. To show the financial position.
4. To avail information to the users.
5. To determine tax liability.
6. To protect the properties.

→ Functions of accounting

1. Complete records.
2. Knowledge of result of operation.
3. Knowledge of financial position.
4. Detection of errors and frauds.
5. Availability of informations

→ Generally Accepted Accounting Principles (GAAP) financial accounting has evolved accounting concept, principles and conventions which are generally accepted and universally practiced. Financial accounting relies on certain standards or guideline that increases the objectivity of the information and they are called GAAP. These principles are established by the International Financial Accounting Standard Board.

→ Accounting concepts.

(1) Business entity concept (separate entity concept) This concept tells that a business and its owners are separate. The affairs of the business should be recorded in one book of account and the affairs of the owner are to be recorded in another book of account.

(2) Money measurement concept.

According to this concept only those activities which can be measured in terms of money are recorded and non-monetary transactions are ignored.

(3) Going concern concept.

This concept assumes business as a continuous process. The life of business is indefinite.

(4) Accounting period concept

The life time of a business is infinite. The

economic life of business is divided into small periods which are known as accounting period. Usually one year i.e. 365 days is considered as 1 accounting period.

→ Accounting principles

1. Cost principle

This principle states that the transactions or events of the business are to be recorded as the amount actually spent. The value of assets are to be recorded at the cost of purchases not at their current market or sell value.

2. Revenue realization principle.

According to this principle, revenue is considered as earned on the date on which it is realized. The revenue is realized by the amount charged for goods sold or service rendered for cash or claim to cash.

3. Matching principle

This principle is very helpful for correct determination of profit. It tells that the total expenditure of a particular period should be compared with the total income of the same period for the actual profit or loss.



4. Full disclosure principle.

This principle entails the revelation of all information both favourable and detrimental to a business.

→ Conventions of financial accounting
tradition

① Conservatism

Conservatism is the convention by which, when two values of transactions are available, the lower value transaction is recorded. By this convention profit should never be overstated and there should always be a provision for loss.

② Materiality

It means that all material facts should be recorded in accounting. Accountant should record important data and leave out insignificant information.

③ Industry practices

Industry practices are those accounting issues that are unique to a specific industry and which are used instead of normal accounting practices and reporting. These practices are driven by the unique nature of an industry. Example: mining industry, gaming industries etc.

④ Consistency

It prescribes the use of same accounting principles from one period of an accounting cycle to the next.

Q =

so that the same standards are applied to calculate profit and loss. Simply it means that accounting method should not be changed from period to period.

Double Entry System of Book keeping

Rules of Debit and Credit

① Real a/c

Debit → What Comes In

Credit → What Goes Out

② Personal a/c

Debit → The receiver

Credit → The giver.

Nominal

③ Normal a/c

Debit → All Expenses & losses.

Credit → All Income & Gains.

	Debit	Credit
① Assets	Increase	Decrease
② Capital	Decrease	Increase
③ Liabilities	Decrease	Increase
④ Incomes	Decrease	Increase
⑤ Expenses	Increase	Decrease.



Date	Particulars	Dr Amt(Rs)	C Amt(Rs)
1/1	Cash a/c Dr Furniture a/c Dr To Ram's capital (being Ram started a business with cash and furniture)	100,000 50,000 —	— — 150,000
1/7	Purchase a/c Dr To cash a/c To Creditors a/c (being goods purchased and paid)	55,000 — —	— 5,000 50,000
1/10	Cash a/c Dr P/L a/c Dr To furniture a/c (being old furniture costing sold)	18,000 2,000 —	— — 20,000
1/15	Creditors a/c Dr To Discount received To cash a/c (being	20,000 — —	— 1,000 19,000
1/18	Salary a/c Dr Pre paid a/c Dr To cash a/c (being salary paid)	12,000 3,000 —	— — 15,000

- (Hand-drawn logo)
1. Started business with cash balance ₹ R9 100000 bank balance ₹ 100000 and machinery ₹ 30,000.
 2. Purchase goods worth ₹ 80,000 and paid ₹ 50,000 on cash and balance by issuing cheque.
 3. Salary paid ₹ 20,000 and still due ₹ 10,000.
 4. Interest rated ₹ 5,000 including advance ₹ 5,000.
 5. Depreciation recharged ₹ 10,000 on machinery.

Date	Particulars	Debit Amt	Credit Amt (RS)
1.	Cash a/c balance Dr	100,000	—
	Bank a/c Dr	200,000	—
	Machinery a/c Dr	30,000	—
	To capital a/c (being business started)	—	330,000
2.	Purchase a/c Dr	80,000	—
	To cash a/c	—	50,000
	To bank a/c	—	30,000
	(being goods purchase and paid on cash and cheque)		
3.	Salary a/c Dr	30,000	—
	To cash a/c	—	20,000
	To outstanding a/c (being salary paid)	—	10,000
4.	Cash a/c	50,000	—
	To interest	—	45,000
	To advance interest	—	5000
	(being interest rated including advance)		
5.	Depreciation a/c Dr	10,000	—
	To machinery (being depreciation charged on machinery)	—	10,000
		500,000	500,000



Journal Entries

- 1.1 Ram started a business with RS 100,000
 1.5 Furniture purchased for RS 10000
 1.7 Goods sold to Hari for RS 5000
 1.10 Salary distributed RS 15,000
 1.20 Rent received RS 5000

Date	Particular	Debit Amt	Credit Amt
1/1	Cash a/c Dr To Ram's capital (Being Ram started a business)	100,000	—
1/5	Furniture a/c Dr To cash a/c (being furniture purchased)	10000	—
1/7	Hari a/c Dr To sales a/c (being goods sold)	RS 5000	—
1/10	Salary a/c Dr To cash a/c (being salary distributed)	15,000	—
1/20	Cash a/c Dr To Ram a/c (being rent received)	5000	—
		1,35000	1,35000

7 Journalize the following transaction in a Bimal stationary centre.

Jan 1 Purchase goods from Bikash impex RS 20,000 received trade discount 10% and cash discount 5%.

Jan 5 Sold photocopy paper to hotel kamal for RS 20,000

Jan 10 Rent RS 5000 and telephone RS 2000 paid.

Jan 15 A fax from Biratnagar received stating that commision RS 2000 is earned.

Jan 20 Hotel kamal went bankrupt and only 70% collected out of its state.

Date	Particular	Dr	Credit
Jan 1	Purchase a/c Dr	18000	
	To cash a/c		17100
	To discount received a/c	900	

Jan 5 To cash a/c

Jan 5	Hotel kamal a/c Dr	20,000	
	To sales a/c (being photocopy paper sold to hotel kamal)		20,000

Jan 10 Rent a/c Dr
Telephone a/c Dr
To cash a/c

5000	
2000	
	7000



Dr		Cr	
Date	Particular	Amt (RS)	
Jan 15	Cash a/c Dr To commission a/c	2000	—
		—	2000
Jan 20	Cash a/c Dr To Hotel Kamal a/c Bad debt a/c Dr	14,000 — 6000	— 20,000 67000
		67000	67000

Dr		Purchase a/c		Cr	
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)
Jan 1	To cash a/c	17100	Jan 8	By purchase a/c	—
	To discount recie	900	Jan 31	By balance dd	18,000
		18000			18,000
Feb 1	To balance b/d	18,000			

Dr		Cash a/c		Cr	
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)
Jan 15	To commission a/c	2000	Jan 1	By purchase a/c	17100
Jan 20	To Hotel Kamala	14,000	Jan 10	By rent a/c	5000
Jan 31	To balance c/d	8,100		By telegraphic	2000
		24,100	Feb 1	By balance Hd	24,100
					8,100

Dr		Discount received a/c		Cr	
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)
Jan 31	To balance c/d	900	Jan 1	By purchase a/c	900
		900			900
			Feb 1	By balance Hd	900

Hotel Kamal a/c					
Date	Particular	₹ Amt(Rs)	Date	Particular	₹ Amt(Rs)
Jan 5	To sales a/c	20,000	Jan 20	By cash a/c	₹ 14,000
				By bad debt a/c	6,000
		20,000			20,000

Rent a/c					
Date	Particular	₹ Amt(Rs)	Date	Particular	₹ Amt(Rs)
Jan 10	To cash a/c	5000	Jan 31	By balance c/d	5000
		5000			5000
Feb 1	To balance b/d	5000			

Telephone a/c					
Date	Particular	₹ Amt(Rs)	Date	Particular	₹ Amt(Rs)
Jan 10	To cash a/c	2000	Jan 31	By balance c/d	2000
		2000			2000
Feb 1	To balance b/d	2000			

Commission a/c					
Date	Particular	₹ Amt(Rs)	Date	Particular	₹ Amt(Rs)
Jan 31	To balance c/d	2000	Jan 15	By cash a/c	2000
		2000			2000
			Feb 1	By balance b/d	2000

Bad debt a/c					
Date	Particular	₹ Amt(Rs)	Date	Particular	₹ Amt(Rs)
Jan 20	To Hotel Kamal a/c	6000	Jan 31	By balance c/d	6000
		6000			6000
Feb 1	To balance b/d	6000			

① Journal entries & ledger a/c

Dr Cash a/c

Date	Particular	JF	Amount	Date	Particular	JF	Amount
1/1	To Ram's Capital		1,00,000	1/15	By furniture a/c		50,000
1/2	To rent a/c		50,000	1/10	By salary a/c		15,000
1/30	To			1/30	By balance dd		125,000
			150,000				150,000
21	To balance b/d		125,000				

- July 1 Started a business with cash RS 100,000 and bank balance of RS 50,000
- July 5 Cash deposited into bank RS 30,000
- July 7 Purchased goods on cash RS 30,000 and on credit from ABC company for RS 10,000
- July 10 Furniture costing RS 12,000 sold at a gain of RS 2,000
- July 15 Rent paid RS 15,000 including pre paid of RS 2000
- July 18 Salary distributed RS 25,000 and still due RS 5000

Date	Particulars	JFN	Dr amt(RS)	Credit(RS)
July 1	Cash a/c Dr		100,000	—
	Bank a/c Dr		50,000	—
	To capital Cr		—	150,000
	(being business started with cash and bank balance)			
July 5	Bank a/c Dr		30,000	—
	To cash		—	30,000

(being cash deposited into bank)			
July 7	Purchase a/c Dr To cash a/c To ABC company (being goods purchased on cash and on cr from ABC company)	40,000 — —	— 30,000 10,000
July 10	Cash a/c Dr To Furniture To P/L a/c (being furniture sold at gain)	14,000 — —	— 12,000 2,000
July 15	Rent a/c Dr Pre paid rent a/c To cash a/c (being rent paid including pre paid)	13,000 2,000 —	— — 15,000
July 18	Salary a/c Dr To cash a/c To outstanding salary (being salary distributed and due)	30,000 — —	— 25,000 5,000

Dr Cash a/c

Date	Particulars	Amount (RS)	Date	Particulars	Amount (RS)
July 1	To capital a/c	100,000	July 5	By bank a/c	30,000
July 6	To Furniture	12,000	July 7	By purchase a/c	30,000
	To P/L a/c	2,000	July 15	By rent a/c	13,000
				By pre paid rent	2,000
			July 18	By salary a/c	25,000
			July 31	By balance b/d	13,000
		114,000			114,000
Aug 1	To balance b/d	14,000			

Dr Bank a/c

Date	Particulars	Amt (RS)	Date	Particulars	Amt (RS)
July 1	To capital a/c	50,000	July 31	By balance b/d	80,000
July 5	To cash a/c	30,000			
		80,000			80,000
Aug 1	To balance b/d	80,000			

Dr Capital a/c

Date	Particulars	Amt (RS)	Date	Particulars	Amt (RS)
July 31	To balance c/d	150,000	July 1	By cash a/c	100,000
		1		By bank a/c	50,000
		150,000			150,000
			Aug 1	To balance b/d	150,000

Purchase a/c

Purchase a/c					
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)
July 7	To cash a/c	30,000	July 31	By balance cld	40,000
	To ABC company	10,000			1
		40,000			40,000
Aug 1	To balance bld	40,000			

ABC CO a/c					
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)
July 31	To balance cld	10,000	July 7	By purchase a/c	10,000
		1			1
		10,000			10,000
			Aug 1	By balance bld	10,000

Furniture a/c					
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)
July 31	To balance cld	12,000	July 30	By cash a/c	12,000
		12,000			12,000
			Aug 1	To balance bld	12,000

P/L a/c					
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)
July 31	To balance cld	2,000	July 31	By cash a/c	2,000
		2,000			2,000
			Aug 1	By balance bld	2,000

Rent a/c					
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)
July 15	To cash a/c	13,000	July 31	By cash a/c	13,000
		13,000			13,000
Aug 1	By To balance bld	13,000			

Dr - Drawing → personal use

1. Started a business with a bank balance of RS 500,000
2. Purchase goods for RS 20,000
3. Purchase good worth RS 10,000 from Hasi.
4. Goods sold on credit for RS 10,000
5. Rent paid RS 5000
6. Comission receive RS 3000
7. Depreciation furniture by RS 20,000

Date	Particular	Dr	Credit
1/1	Capital a/c Dr To bank a/c (being business started)	500,000	-
1/2	Purchase a/c Dr To cash a/c (being good purchase)	20,000	-
1/3	Purchase a/c Dr To Hasi's a/c (being good purchase from Hasi)	10,000	-
1/4	Debitor a/c To cash a/c (being goods sold on cr)	10,000	-
1/5	Rent a/c Dr To cash a/c (being rent paid)	5000	-
1/6	Cash a/c To commision a/c (being commision received)	3000	-
1/7	Depreciation a/c To furniture a/c Total	20,000	-

Sales book					
Date	Particular	Invoice no	J/F	Detail amt	Total amt
	S.V Academy, buffet system - 200 bottles of Alcoholic beverage @ 300 each.			60,000	
	150 bottles of Non-alcoholic beverage @ 25 each less 5%			3,750 63,750 3187.5	
					60,2562.5
	Sports club, Jonakpur				
	40 Garlic soups @ RS 70			2800	
	30 mushroom soups @ 90			2700	
				5500	
					660625

Purchase book.

Date	Particular	Dr Amount(Rs)	Credit Amount(Rs)	Total Amnt.
Jan 2	XYZ Pvt. Ltd., Kathmandu			
	- 20 Yamaha motorcycle @ RS 120,000	2400000		
	- 40 Suzuki motorcycle @ RS 130,000	5200000	7600000	
Jan 15	ABC Pvt. Ltd., Butwal			
	- 30 Hero Splender @ 122,000	3660000		
	- 20 Honda Unicorn @ 128,000	2560000		
		6220000		
	less trade discount		933000	5287000
Jan 25	Sunta Pvt. Ltd., Patan			12887000
	- 2 DIO Scooter @ RS 100,000	200,000		
	- 1 Honda Generator @ RS 30,000	30,000		
		20,000		
		23,000	1099000	
			13084000	

Dr

Purchase a/c

Cr

Date	Particular	Dr Amount(Rs)	Date	Particular	Cr Amt(Rs)
	To sundry creditors	13084000		By balance c/d	13084000
	To	13084000			13084000
	To balance Hd	13084000			

Dr

XYZ Pvt Ltd a/c

Cr

Date	Particular	Dr Amount(Rs)	Date	Particular	Cr Amt(Rs)
	To balance c/d	7600000		By purchase qd	7600000
		7600000			7600000
				By balance b/d	7600000

A statement send to supplier to show the re
of A/c debited of that person - debit note no.

14.

Purchase return book

Date	Particulars	Debit notes no.	C	Detail amt	Total amt
Jan 10	Bikash , Sunarsi				
	30 chairs @ RS 800			24000	
	10 Tables @ RS 600			6000	30000

Jan 10 Madan , Dhanura.

5 Almadies @ RS 400	2000
2 Tables @ RS 900	1800
	3800
	33800

Dr

Purchase Return ac

Date	Particulars	Amt(Rs)	Date	Particulars	Amt(Rs)
	To balanced	33800		By sundry creditors	33800
					33800
				By balanced	33800

certain amt is credited is called credit note.

Sales Return Book					
Date	Particulars	Credit Note No.	Detail Amt	Total	
March 1	Bishal				
	2 quintal Wheat @ RS 1200		2400		
	20 kg Rice @ RS 40		800		
				3200	
March 8	Jogodish				
	4 kg Ghee @ RS 200		800		
	30 liter Oil @ RS 80		2400		
				3200	
				6400	

Sales return a/c					
Date	Particulars	Amt	Date	Particulars	Amt
	To sundry debtors	6400		By Balance ad	6400
		6400			
	To balance ad	6400			6400

- ① Purchase Book → Purchase a/c → Creditors
↳ Dr side
- ② Sales book → sales a/c → Debtors
↳ Cr side
- ③ Purchase Return Book → P/R a/c → Creditors
↳ Cr side.
- ④ Sales Return Book → S/R a/c → Debtors
↳ Dr side

Cash Book.

Dr	Receipts	Cash Book.		payment:	Cr		
Date	Particulars	£ Cash	Dis	Date	Particulars	£ Cash	Dis
1	To balance b/d	48,000		May 6	By furniture a/c	3600	
2	To Mohan's a/c	48,00	200	9	By purchase a/c	44000	
15	To sales a/c	15,200		12	By Bijay's a/c	3200	150
20	To vivek's a/c	5860	140	18	By rent a/c	6,000	
25	To Kims a/c	6400	120	30	By salary a/c	3200	
				30	By balance off	20260	
		80260	460			80260	150
June 1	To balance b/d	20260					

Bank Book (Cash Book).

Dr	Particulars	£ Bank Cash	Cr	Date	Particulars	£ Bank Cash	Cr
Oct 1	To e			Oct 1	By bank a/c	90,000	
Aug 1	To balance b/d	65,000	58,500	Aug 4	By Computer a/c	35000	
14	To cash a/c £ 8000			9	By Insurance a/c Prepaid	12,000	
19	To Sindhur a/c £ 5,000			14	By bank a/c £	8000	
20	To sales a/c £ 9000			26	By cash a/c £ 4000		
26	To bank a/c £ 4000			26	By drawing a/c £ 0000		
31	To cash a/c £ 2,000			29	By salary a/c £ 11,000		
				31	By bank a/c £ 26 2,000		
				31	By balance off £ 96,900 24,500		
Sept 1	To balance b/d	90,000	71,500			90,000	71,500

Triple column cash book.								
Particular	Cash	Bank	Dis	Date	Particular	Cash	Bank	Dis
To balance b/d	15,000	7,000		3	By bank a/c	5,000		
To Komal's a/c	9,900		100	4	By merchant a/c	-	5,000	
To cash a/c		5,000		9	By Rakesh a/c		9,800	200
To sales a/c	6,000	6,000		10	By wage a/c	10,000		
To debtors a/c		5,000		11	By telephone a/c	6500		
To sale's a/c	7,000			30	By balance off	16300	8200	
To debtors a/c	5,900		100					
	37800	23000	200			37800	23000	200
To balance b/d	16300	8200						

Triple column cash book - Cr								
Particulars	Cash	Bank	Dis	Date	Particulars	Cash	Bank	Dr
To balance b/d	4000			Jans	By balance b/d		10000	
To Kumar's alc	2900		100	Janb	By bank alc c	2900		
To cash alc	2900			9.	By credit sales	5400	600	
To cash/c/c	20,000			11	By bank/c/c	20,000		
To bank alc	1000	*		20	By cash alc		1000	
To sales alc	9,000			28	By Ganeshar		1400	100
					By balance b/d	30,000	5,100	
	52900	22900	100			52900	22900	700
To balance b/d	30,000	51,00						

Drawing, Assets, expenses / losses - Dr
 Capital, liability, revenue, income
 profit - Cr

10

Trial Balance
 of Himal Company
 as on 2071.12.31.

S.No	Heads of Account	Dr amt	Credit
1.	Furniture & fittings	525	
2.	Bills payable	120	
3.	Capital	370	
4.	Sales	340	
6.	Discount received	775	
7.	Drawings	1000	
8.	Creditors	130	
9.	Business premises	8400	
10.	Equipment	4000	
11.	Debtors	4700	
12.	Bank	110	
13.	Commission received	420	
14.	Purchases	11000	
15.	Rent	600	
16.	Salaries	1650	
17.	Cash	240	
18.	Bills receivable	1920	
		34145	34145

S.No	Heads of Account	Adjusted Trial Balance				Adjustments
		Unadjusted Trial balance	Dr	Cr	Adjustments	
		Dr	Cr	Dr	Cr	Adjustments
①	Capital stock		50,000			5
②	Accounts payable		10,000			10
③	Machinery	65,000				65,000
④	Rent paid prepaid	8,000		7000	1000	
⑤	Salary expense	10,000		2000		12,000
⑥	Revenues		80,000			80,000
⑦	Administrative expense	30,000	80,000			30,000
⑧	Sundry assets	37,000				37,000
⑨	Commission rate		10,000		13,000	
	Adjustments:					
⑩	Prepaid rent expired			7000		7000
⑪	Outstanding salaries				2000	200
⑫	Commission Accrued			3000		3000
		150,000	180,000	12,000	12,000	155,000
	⑬ Rent a/c Dr	7000				
	To prepaid expired	7000				
	⑭ Salary a/c Dr	2,000				
	To o/s salary	2,000				
	⑮ Commission Accrued					
	To commission					

Debenture loan
common stock → share

s.n	Head of Account	Unadjusted Trial balance		Adjustments		Adjusted Trial balance	
		Dr	Cr	Dr	Cr	Dr	Cr
1.	Cash	5,400		3,600		5400	
2.	Accounts receivable	8,800		8,000		8800	
3.	Prepaid insurance	2,400		2,400	0	0	
4.	Supplies	1,300		1,000	300	300	
5.	Equipment	60,000		10,800	49,200	49,200	
6.	Debentures		40,000			4000	
7.	Account payable		2400			240	
8.	Common stock		30,000			300	
9.	Dividends	1,000				1000	
10.	Service revenue		10,900			109	
11.	Salaries expenses	3,200				3200	
12.	Utilities expenses	800				800	
13.	Advertising expense	400				400	
	Adjustments:			2400		2400	
(@)	Insurance Expired			2400	2400	24000	
(@)	Supplies on hand			100	100	1000	
(@)	Depn on Equipment			1800	1800	10800	
(@)	Accrued interest			500	500	500	500
		83,300	83,300	40,800	40,800	47,200	47200



Bank Reconciliation statement

As on . . .

Particulars	Detail Amt	Total amt.
Balance as per cash book		8000
Add:		
① Interest received not recorded in cash book	2500	2500
less:		
② Cheque deposited but not collected by bank	4000	
③ Bank charges not entered in cash book	500	(4500)
Balance as per pass book.		6000

Bank Reconciliation statement

As on . . .

Particulars	Detail Amt	Total amt
Balance as per cash book.		50,000
Add/less:		
④ Cheque has not yet collected by Bank	10,000	
⑤ Insurance premium payed by bank	5,000	15,000
Add:		
⑥ Cheque issued but not presented for payment.	10,000	
⑦ Interest on investment collected by bank but not debited	5,000	15,000
		50,000

Cash Book → Debit balance → Balance
 ↳ Credit balance → Overdraft.
 Payment side

Pass Book → Debit balance → Overdraft
 ↳ Credit balance → Balance.
 Deposite side

For overdraft (-)

CB ↑ -	↑ +
CB ↓ +	↓ -

18. Bank reconciliation statement As on . . .

Particular	Detail Amt	Total amt
Overdraft as per cash book		(4500)
Add		
① Amount deposited by a customer 1000 into bank but not entered in cash book.	1000	
② Dividend collected by the bank not entered in cash book	2550	2550
less		
③ Interest charged on overdraft by the bank but no entry has been made in cash book.	450	(450)
		2100

Depreciation

$$\text{Annual Depn} = \frac{\text{Purchase price} - \text{salvage value}}{\text{life}}$$

\perp so/

$$\begin{aligned} \text{Annual Depn} &= \frac{\text{Purchase Price} - \text{Salvage value}}{\text{life}} \\ \text{BUSA} &= \frac{225000 - 25000}{5} = 40000 \end{aligned}$$

$$\text{Bus B} = \frac{500000}{10} - 0 = 50000$$

Dr		Bus a/c				Cr	
Date	Particulars	[J]	Amt	Date	Particulars	[J]	Amt
2014-1-1	To Bank (A)		225000	2014-12-31	By Dep'n a/c (A)		40000
				"	By Balance b/d		185000
			225000				225000
2015-1-1	To Balance b/d		185000	2015-12-31	By Dep'n a/c (A)		40000
				"	By balance b/d		145000
			185000				185000
2016-1-1	To Balance b/d		145000	2016-12-31	By Dep'n a/c (A)		40000
				"	By balance b/d		10500
			145000				145000
2017-1-1	To balance b/d		105000	2017-12-31	By dep'n a/c (B)		4000
7-1	To bank a/c (B)		500000				25000
				"	By dep'n a/c (B)		540000
			605000				605000

2.

Dr	Machinery a/c			Dr	Machinery a/c		
Date	Particular	Amount		Date	Particular	Am	
Jan 1	To balance a/c	30000		Dec 31	By Depn a/c	800	
					By balance a/c	22000	
		30000				30,000	
Jan 2	To balance b/d	22000		2nd Dec 31	By Depn a/c	800	
				"	By Balance a/c	14000	
		22000				22000	
3rd Jan 1	To balance b/d	14000		3rd Dec 31	By Depn a/c	800	
					By bank a/c	400	
		14000			By P/L a/c	200	
						14000	

Calculation of profit/loss.

Purchase Price - 30000

less: Total Depn - 24000

Book value 6000

selling Price 4000
2000

3.

Annual Depn = Purchase price - salvage price
LifeMachine = 120,000 - 20,000 = 20,000

5

Dr		Machinery a/c				Cr	
Date	Particulars	Amt	Date	Particulars	Amt		
2073-11	To Bank a/c	200000	2073-12-31	By Depn a/c (A)	20000		
		"		By balance b/d	180000		
		200000			200000		
2074-1-1	To Balance b/d	180000	2073-12-31	By Depn a/c (B)	20,000		
7-1	To Bank a/c (B)	100000		By Depn a/c (B)	5000 <small>(2 months)</small>		
				By balance b/d	255000		
		280000			280000		
2075-1-1	To balance b/d	255000	2075-6-30	By Depn a/c	10000 <small>(6 months)</small>		
6-30	To P/L a/c/profit	10,000	6-30	By bank a/c	160000		
6-30	To Bank a/c (C)	150000	12-31	By Depn a/c	10,000		
			12-31	By Depn a/c (D)	7500		
				By balance b/d	227500		
		415000			415000		
2076-1-1	To balance b/d	227500					

Calculation of Profit/loss.

Purchase price = 200000

Depn = 50000

Book value = 150000

Selling price = 160000
10,000

C2

9. Dr		Machinery a/c		
Date	Particulars	Date	Particulars	
2074-1-1	To Bank a/c	800000	2074-12-31 By Depn a/c(A)	80000
10-1	To Bank a/c(B)	200000	12-31 By Depn a/c(B)	5000
			By balance c/d	915000
		1000000		100000
2075-1-1	To balance Hd	915000	2075-12-31 By Depn a/c(A)	80000
			By Depn a/c(B)	20000
		915000	By balance c/d	915000
		915000		915000
2076-1-1	To balance	815000	2076-12-31 By Depn a/c(A)	20000
	To P/L a/c(P)	10,000	" By bank a/c	150,000
			By Depn a/c(A)	60000
			By Depn (B)	20,000
		825000	By balance c/d	525000
		825000		825000
2077-1-1	To balance Hd	575000		

Calculation of P/L

$$\text{Purchase price : } 800000 \times \frac{1}{4} = 200000$$

Less (Total Depn)	= 60000
Book value	140,000
Selling price	150,000
	10000

16. Define Financial Accounting ? Explain its objective.
 → Financial accounting is the process of preparing financial statement that companies used to show their financial position and performance to the people outside the company including investor, suppliers, customers etc. It helps to record, classify, analyse, summarize the financial transaction.

The objectives of financial accounting are:-

- (1) To maintain the records of transactions.
 The accounting system concerned with the preparation of financial statement is called financial accounting. It includes preparation of accounts, generally on historical basis. It maintains the proper record of transactions.
- (2) To ascertain the operating results.
 Financial accounting helps to find profit or loss of a particular period of time.
- (3) To show the financial position.
 Accounting aims at showing the financial status of an economic entity.
4. To avail information to the users.
 It aims to supply information to the person or persons who are interested in the activities of an organization directly or indirectly.

FIFO

① Return to store

Return from Depo }

,, " factory
,, " work

Receipts → Rate

latest issue - last rate

② Return to vendor

,, " suppliers }
,, " creditors

Issue → Rate

↓

latest purchase rate.

③ Shortage/loss / Damage → Issue - Rate

↓

latest Balance 1st Rate

④ Sup Surplus/ Gain → Receipts → Rate

↓

latest Balance 1st
Rate

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(5) To determine the tax liability

Accounting provides information to the tax authorities to determine tax to be paid by the organization.

(6) To protect the property.

It protects the organizational properties from unjustified and unwanted use.

A Write about

(a) Conservatism

Conservatism is the convention by which, when two values of transactions are available, the lower value transaction is recorded. By this convention profit should never be overstated and there should always be a provision of loss.

(b) Business entity concept.

This concept tells that a business and its owner are separate. The affairs of the business should be recorded in one book of account and the affairs of the owner should be recorded in another account.

Group 'C'

18.

March 1 Cash a/c Dr RS 20000.00

Furniture a/c Dr RS 10000.00

To Capital a/c RS 30000.00

(being business started with cash and furniture)

Q. Define Double Entry System of Book-Keeping with its features. What are its advantages.

→ Double entry book keeping system is a system of accounting that states the recording of transaction showing the double effect. The double effects of the transactions are shown through debit and credit with the same amount in both sides.

The features of double entry system are:-

1. Double effect.

Double entry system is based on the fact that each and every transaction must have double effect.

2. Equal effect.

In the two and opposite sides of transaction are affected equally ie with the same amount.

3. Scientific system.

In the double entry , the recording of transaction are in systematic way, using a set of principles and thus called scientific system.

Advantages

- Provide a complete record.
- Provide a check on arithmetical accuracy.
- Provide result of business
- Discloses the financial position.

Jan 1 Opening Stock 600kg @ RS 10

Jan 3 Purchase 300kg @ RS 11.

Jan 5 Issue 400kg

Jan 7 Return to store 20kg

Jan 10 Purchase 100kg @ RS 13.

Jan 12 Return to vendor 20kg

Jan 15 Stock verification found surplus 10kg

LIFO

① Return from Department → Receipts → Rate
latest S
last R

② Return to vendor → Issue → Rate
Latest purchase

③ Surplus → receipts → Rate → latest Balance
last moving

Shortage → issue → rate → latest balance
last rate.

Appreciation (Increasing value)

10 marks

Preparation of final accounts

(Financial statement) \Rightarrow Prepare at the end of fiscal yr.

Trading acc \rightarrow shows gross profit or gross loss.

P/L \rightarrow shows Net Profit or Net loss.

Balance sheet

Capital & Liabilities	Amt	Assets	Amt
Capital $\times \times$			
less : Drawing $\times \times$			
Add : Net profit			
less : Net loss			

85000

*Date _____
Page _____*

Adjustment:

- ① closing stock → Trading a/c - Cr
↳ B/S → Assets.
- ② Outstanding expenses → Concerned heading Add
(पैसा बढ़ाना)
↳ P/L | Trading. Dr
| wages.
→ balance sheet liabilities.
- ③ Pre paid expenses → concerned heading subtraction
(advance payment) → P/L a/c Dr
→ balance sheet assets.
- ④ Advance Income → concerned heading subtraction
P/L credit.
→ B/S → Liabilities.
- ⑤ Accrued Income → concerned heading add → Add
(पैसा बढ़ाना)
P/L Cr
→ B/S → assets.
- ⑥ Depreciation → P/L → Dr
↳ B/S → concerned assets less.
7. Appreciation → P/L → Cr
→ B/S → concerned assets add.
8. Bad debts → P/L → Dr.
(doubtful → B/S → Assets → Debtors less
debts)

(9) Provision for bad debts \rightarrow P/L \rightarrow Dr.
 (Future माधारा दौला \rightarrow B/S \rightarrow Assets \rightarrow Debtors (less
 भवेर कुटाकी चेसा bills receivable

(10) Provision for discount on debtors.
 L P/L Dr
 L B/S Debtors less.

(11) Provision for discount on creditors.
 \rightarrow P/L or
 \rightarrow B/S creditors less.

(12) Goods Distributed as free sample
 L Trading purchase (less)
 L P/L Dr

(13) Goods lost & Insurance claim.

	Total Amt			
	1st	2nd	3rd	Unclaimed amt
Unclaimed	0	10000	3000	claimed amt
claimed	10000	0	7000	Partial payment
Total amt	10000	10000	10000	

(14) Drawing \rightarrow

Drawing of cash \rightarrow B/S cash less
 \rightarrow B/S capital less.

Drawing of goods \rightarrow Trading Purchase (less)
 \rightarrow B/S Capital (less)

$100000 \times \frac{5}{100} = 50000$

110.

Trading account

Dr For the year ended 31st Chaitra 2075

Particulars	Amount	Particulars	Amount
To opening stock	50,000	By sales	90,000
To purchases 660,000		By closing stock	60,000
less: proprietor for personal use 20,000	640,000		
To carriage	30,000		
To wages	40,000		
To gross profit	200,000		
	960,000		

Profit and loss account

Dr For the year ended 31st Chaitra 2075

Particulars	Amount	Particulars	Amount
To salaries 50,000		By gross profit	98,000
Add: O/s salaries 6500	56500	By interest on capital	50,000
To provision of bad debt	5,000	By interest on invest.	100
To depreciation building	30,000		
To depreciation on capital	50,000		
To Depn of machinery	2500		
To Capital	50,000		
To net profit	59,000		
	202,000		202

597000
Sri Sagar

Balance sheet			
As on - -			
Capital & Liabilities	Amt	Assets	Amt
Capital 500000		Building 3,00,000	
Add : Interest on 50000 capital		less: Depn on 30,000	
Less : Drawing (20000)		Machinery 50,000	
Less : Interest on (2000)		less: Depn 2500	
Drawing			
Add: Net profit 59000			
Account receivable			
100 000			

B/R → Bills receivable
 AIR → Account " Net sales
 Less Sales - Sales return.

Cash flow statement

Particulars	Amt	Amt
Cash from operating activities		
① Sales (Net sales)	***	
Less Increase in Debtors B/R / AIR	(***)	
Add: Decrease in Debtors B/R / AIR	***	
Add: Provision Increase in Provision for bad debts	***	
less : Decrease in provision for bad debts	(***)	***
② Cash of goods sold.	(***)	
Add : Decrease in stock	***	
Less : Increase in stock	(***)	
Add : Increase in creditors B/R / AIR	***	
less : Decrease in creditors B/R / AIR	(***)	***
③ Operating Expenses		
Administrative Expenses	(***)	
Selling expenses	(***)	
Add : Decrease in prepaid expn	***	
less : Increase in prepaid expn	(***)	
Add : Increase in outstanding expn	***	
less : Decrease in outstanding expn	(***)	(**)
④ Interest Expenses	d	1 & *
⑤ Tax Expenses	e	1 * *
f) Interest & Dividend received	f	1 * *
C FOA before Excl of Ordinary		1 *

	Assets ↑- ↓+ Liabilities ↑+ ↓-	Date _____ Page _____
Add: Increase in Bank overdraft		***
less: Decrease in Bank overdraft		***
Add: Increase in short term Investment		(* * *)
Add: Decrease in short term Investment		(* **)
CFOA		***
Cash from Investing Activities (CFAI)		
Decrease/ sales of Fixed Assets	***	
(item wise)		
Increase / Purchase of Fixed Assets	(* **)	
(item wise)		
Increase in investment	(* **)	
Decrease in investment	***	
CFFIA	* **	
Cash from Financial Activities (CFFA)		
Increase in share capital	***	
Increase in share capital	(* **)	
Increase in loan / Decrease Debenture	* * *	
Decrease in loan / Debenture	(* **)	
Dividend Paid	(+ * *)	
CFFA	* * *	
Net cash Flow (CFOA + CFFIA + CFFA)		

Date	Particular	£	Dr amt	C amt
	Issue of share at par			
(i)	Bank a/c Dr To share application (being share application amount received)	50,000		50,000
(ii)	Share application a/c Dr To share capital a/c (being share application a/c transferred to share capital)	50,000		50,000
	Allotment			
(i)	Share allotment a/c Dr To share capital (Being share allotment amt is made due)		No of share x Allotment rate	
(ii)	Bank a/c Dr To share allotment (Being share allotment amt received)			
	Share 1st call			
(i)	Share 1st call a/c Dr To share capital a/c (Being share 1st call amt is made due)		No of share x 1st call rate	
(ii)	Bank a/c Dr			

1st case \rightarrow dew
2nd case \rightarrow receipt

2nd installment \rightarrow दूसरी निर्धारित दूसरी इन स्टेप्स \rightarrow Dr A
Calls in Arrears. = not paid installment.

(i) A company issued 2000 shares of RS 100 each issued at 10% discount payable as follows: RS 50 on application, RS 20 on allotment, RS 15 on 1st call, RS 50 on final call. (All due money were duly received except share holders receiving 100, failed to pay after allotment.)

Share Application

(i) Bank a/c Dr $2000 \times 50 = 100000$
To share application $200 \times 50 = 10000$
(ii) Share application a/c Dr $200 \times 50 = 100000$
To share capital , , ,

Allotment

(i) Share Allotment a/c Dr $20000 \times 20 = 400000$
Discount a/c Dr $20000 \times 10 = 20000$
To share capital a/c , , ,
(ii) Bank a/c Dr , , ,
To share allotment , , ,

share 1st call

(i) Share 1st call a/c Dr $20000 \times 15 = 30000$
To share capital , , ,

(ii) Bank a/c Dr 28500
Calls in Arrears a/c Dr 1500
To share 1st call 30000

Share final call

(i) Share final call a/c Dr $2000 \times 5 = 10,000$
 To share capital a/c 10,000

(ii) Bank a/c Dr 500
 Calls in errors $100 \times 5 = 500$
 To share final call 10,000

Calls in advance

Q. A company issued 2000 shares of Rs 100 each issued at 10% premium payable as follows: RS 50 on application, RS 30 on allotment, RS 20 on 1st call, RS 10 on final call. All due money were duly received except a share holder holding 80 shares failed to pay 1st & final call. Another share holder holding 100 shares paid the entire amount of the time of 1st call.

Application

① Bank a/c Dr (2000×50) 100000
 To share application a/c 100000

② Share Application a/c Dr 10000
 B share capital 10,000

Allotment

③ Share allotment a/c Dr (2000×30)
 To share capital premium a/c (2000×10) 20000
 To share capital a/c 40000