

3/15/22

4. MEEA - Managerial Economics and Financial Analysis

(1453)

* Financial Analysis - are business related
→ how to start
→ income, profits, losses, prias.
expenses, gains

Business transactions
must be recorded, classify,
summarize, and

* TO know the profit or loss using the accounting

* TO know the financial position →

* Branches of Accounting or type of Ac

1. Financial Ac (Profit/Loss)

2. Cost Ac (TO fix a cost of particular things)
commodity

3. Management Ac (to execute the main
authority decision making)

4. Inflation Ac (prices decline, etc.)

5. HRD/M (human resource development / management)

↓
* Man power calculations.

⇒ In Business transaction, there two type of
System.

1. Double Entry System $\begin{cases} \text{Debit (Dr)} \\ \text{Credit (Cr)} \end{cases}$

2. single entry system

* Business transactions are classified into two types:

1. Cash transactions

2. Credit transactions. → Risk
→ bad debts

Personal accounts:-

* Accounts which shows transaction with functions are called personal accounts. A separate account is kept in the name of each person for recording the benefit received from con given to the person in the course of dealing with him.

Eg:- Rama account, gopal accounts
⇒ personal accounts who including a/c in the name of firms, companies or institutes such as malini and his son Nagarjuna finance limited, SBI a/c, LIC of India a/c etc.

② Real accounts:- Accounts relating to property / Assets. are known as Real accounts.

- Every business needs assets such as machines, land, furniture, needs assets etc., for running its activities.
- A separate economy is maintained for each asset owned by the business. all transaction relating to a particular asset are recorded in the concerned assets account.
- cash a/c, furniture a/c, machinery a/c, Building a/c, car a/c, motorcycle A/c, etc.

are so
* Nominal Accounts

* Rules of Debit and Credit:-

Before recording a transaction it is necessary to find out which of the a/c's is to be debited and which is to be credited. The following three different rules have been followed for the three class of a/c's

1. personal accounts:-

The a/c of the person receiving benefit (receiver) is to be debited and the a/c of the person giving the benefit (giver) is to be credited. So personal a/c "Debit the receiver credit the giver".

Real accounts:-

when an asset is coming into the business the a/c of that is to be debited. when an asset is going out of the business the a/c of that is to be credited then the Real account:

"Debit what comes In
credit what goes out"

Nominal accounts:- when an expense is incurred or loss suffered the a/c representing the expense or the loss is to be debited, when any income is earned or gained the a/c representing the income is to be credited then the Nominal account:-

"Debit all expenses and losses
credit all incomes and gains"

* Explain the advantages and disadvantages of double entry system.

The following are the advantages of double entry system: Scientific and full information.

3. Assignment of profit & loss

4. Knowledge of debtor's

- 5) Knowledge of creditors.
- 6) Arithmetical accuracy
- 7) Ascertainment of financial position.
- 8) Comparison of results.
- 9) Maintenance according to income tax rules.
- 10) Directions of funds.

Limits and demands:-

1. Error of omission
2. Error of principles
3. Compensating errors.

* Explain the advantages of accounting?

The following are the advantages of accounting:

1. provides for systematic record.
2. Facilitates the preparation of financial statements.
3. provides control over assets.
4. provides the required information.
5. comparative study.
6. Less scope for fraud or theft.
7. Tax matters.
8. Ascertaining value of business.

Ascertaining

9. documentary evidence

10. Helpful to management

Limitation of Accounting:

The following are the Limitation of accounting

1. doesn't record all events.

2. Doesn't reflect current values.

3. Estimates based on personal judgement.

4. ~~Inaccurate~~ Inadequate information on cost and profits.

The performance of a Journal is given below:

1. Journalize the following transaction in the book of Mr. Srileenth. 2021- Jan-01 purchased machinery for cash Rs. 70,000.

→ 2021 Jan 01 - purchased machinery for cash 70,000

Jan 02. purchased goods for cash ₹ 7,000

Jan 03 sold goods to Ramesh for cash Rs 8000

Jan 04 - Travelling Expenses Rs 400

Jan 05 - Postal charges Rs 100

Jan 06 - Discount received Rs 400

Jan 7 - commission Rs 1000

Jan 8 - salaries paid Rs 40,000

Date	Particulars	L +	Debit Rs	Credit Rs
2021 Jan 1	Machinery account Debtor.		70,000	
	→ To cash account (Being Machinery Purchased for cash)			70,000
Jan 2	purchased account Debtor.		7,000	
	→ To cash account (Being goods purchased)			7,000

	cash A/c	8000	
Jan 3	→ Sales A/c (Being goods sold for cash)		800
Jan 4	Traveling Expenses Dr → To cash A/c	400	400
Jan 5	Postal charges A/c Dr To cash A/c (Being charges paid)	100	100
Jan 6	To cash A/c Discount received A/c Dr (Being discount received)	400	400
Jan 7	commission A/c Dr → To cash A/c	1000	1000
Jan 8	Salaries A/c Dr → To cash A/c (Being salaries paid)	40000	40000

3. Journalize the following transactions in the books of Krishore 2002 April 1st received cash from Swathi 40000.

April 5th purchased goods from Saritha 15000

April 8th sold goods to Lalitha 25000

April 10th Lalitha returned goods 500

April 15th bought furniture from Kawitha 10000.

Journal Date Entry:-

Sol:-

Date	particulars	LF	Debit	Credit
2002 April 1 st	Cash A/c Dr → To Swathi A/c (Being cash received from Swathi)		40000	40000
April 5 th	Purchase A/c Dr To Saritha A/c (Being goods purchased)		15000	15000
April 8 th	Lalitha A/c Dr To sales A/c (Being goods sold to Lalitha)		25,000	25,000
April 10 th	Sales returns A/c Dr Lalitha A/c (Being goods returned by Lalitha)		500	500

April 15

Furniture A/c
TO Kavitha A/c
(Being purchase
furniture from
Kavitha)

10000

10000

4. Journalize the following transactions in the books of Mrs. Sri Kumar

2021 Jan 1st He started business with cash Rs 3,00,000

Jan 2nd purchased goods for cash 10,000

Jan 3rd sold goods for cash 5000

Jan 4th Electricity bill 500

Jan 5th purchased machinery for cash 40,000

Jan 6th Travelling Expensent 300

Jan 7th wages 4000

Jan 8th salaries 60,000.

9th commision Received 700.

Date	particulars	LF	Debit	Credit
2021 Jan 1 st	cash A/c Dr TO capital A/c (Being cash brought into business)		3,00,000	3,00,000
Jan 2 nd	purchased A/c Dr TO cash A/c (Being goods purchased for cash)		10,000	10,000
Jan 3 rd	cash A/c Dr TO sales A/c		5000	500

	(Being goods sold for cash)		
Jan 4 th	Electricity A/c Dr TO cash A/c (Being electricity bill paid)	500	500
Jan 5 th	purchased A/c Dr TO cash A/c (Being machinery purchased)	40000	40000
Jan 6 th	Travelling Expense A/c Dr TO cash A/c (Being travelling expense paid)	300	300
Jan 7 th	wages A/c Dr TO cash A/c (Being wages paid)	4000	4000
Jan 8 th	Salaries A/c Dr TO cash A/c (Being salaries paid)	60,000	60,000
Jan 9 th	cash A/c Dr TO commission A/c (Being commission Received)	700	700

5. Journalize the following transaction in the books of Mr. Srikar

2021

Mar 1

He started business with cash 4,00,000

Mar 2

purchased goods from Ravi 10,000

Mar 3

Sold goods to Srivani 3000

Mar 4

purchased computer payment is made to cheque 50,000

Mar 5

purchased building for cash 5,00,000

Mar 6

cash deposited into bank Andra

Mar 7

cash withdrawn from bank 6000

Date	particulars	LF	Debit	Credit.
2021 Mar 2	purchased A/c Dr TO Ravi A/c (Being goods purchased)		10,000	10,000
2021 Mar 1	cash A/c Dr TO capital A/c (Being cash brought into business)		4,00,000	4,00,000
Mar 3	Srivani A/c Dr TO sales A/c (Being goods sold to Srivani)		3000	3000
Mar 4	computer A/c Dr TO bank A/c		50,000	50,000

	(Being purchase computer)		
Mar 1	building A/c Dr TO cash A/c (Being building is purchased)	500000	500000
Mar 6	Andra Bank A/c Dr TO cash A/c (Being cash is deposited)		
Mar 7	bank A/c Dr TO cash A/c (Being cash is withdrawn)	6000	6000

6.

2002
Jan 1 Gopal started business 10,000
Jan 2 purchased goods from bhagath 500
Jan 3 sales ~~the~~ goods for cash 150
Jan 4 purchased goods for cash 500
Jan 5 sales of goods to charan 400

Jan 6 purchaser of goods from tagore for cash 300
 Jan 7 sales of goods to eswar of cash 250
 Jan 8 purchased 150
 Jan 9 sales 100
 Jan 10 purchase of office furniture 200
 Jan 11 purchase of stationery on credit from swamy 100
 Jan 12 office rent paid 50
 Jan 13 commission received from ~~Charan A/c~~ Gireeth ~~300~~
 Jan 14 amount received from charan A/c 200
 Jan 15 amount paid to bhagath towards his A/c 400
 Jan 16 sales of old machinery for cash 300
 17th paid salaries 600.

sol:-

Dates	particular	Cr	Credit	Debit.
2002 Jan 1	Cash A/c Dr TO capital A/c (Being cash brought for business)		10000	10000
Jan 2	purchased A/c Dr TO bhagath A/c (Being goods purch ased)		500	500
Jan 3	Cash A/c Dr TO sales A/c		150	150

(Being goods sold)

Jan 4	purchased Alc Dr TO cash Alc (Being goods purchased)	500	500
Jan 5	(Being Alc Dr TO sales Alc (Being goods sold))	400	400
Jan 6	purchased Alc Dr TO cash Alc (Being goods purchased)	300	300
Jan 7	cash Alc Dr TO sales Alc (Being goods sold)	250	250
Jan 8	purchased Alc Dr TO cash Alc (Being purchased)	150	150
Jan 9	cash Alc Dr TO sales Alc (Being sold)	100	100

Jan 10	furniture A/c Dr TO cash A/c (Being furniture purchased)	200 200
Jan 11	stationary A/c Dr TO cash A/c (Being stationary purchased)	100 100
Jan 12	Att A/c Dr TO cash A/c (Being rent paid)	50 50
Jan 13	gireesh A/c Dr TO cash A/c (Being commission received)	
Jan 14	Cash A/c Dr TO chann A/c (Being amount received)	300 300
Jan 15	Bhagath A/c Dr TO cash A/c (Being amount paid)	400 400
Jan 16	TO Machinery A/c Dr ↖ TO cash A/c	300 300

(Being old machinery
sold)

Jan 17

Salaries A/c Dr
TO Cash A/c

600

600

(Being salaries
paid)