

Balance Sheet

- Assets
- Liabilities
- Equity

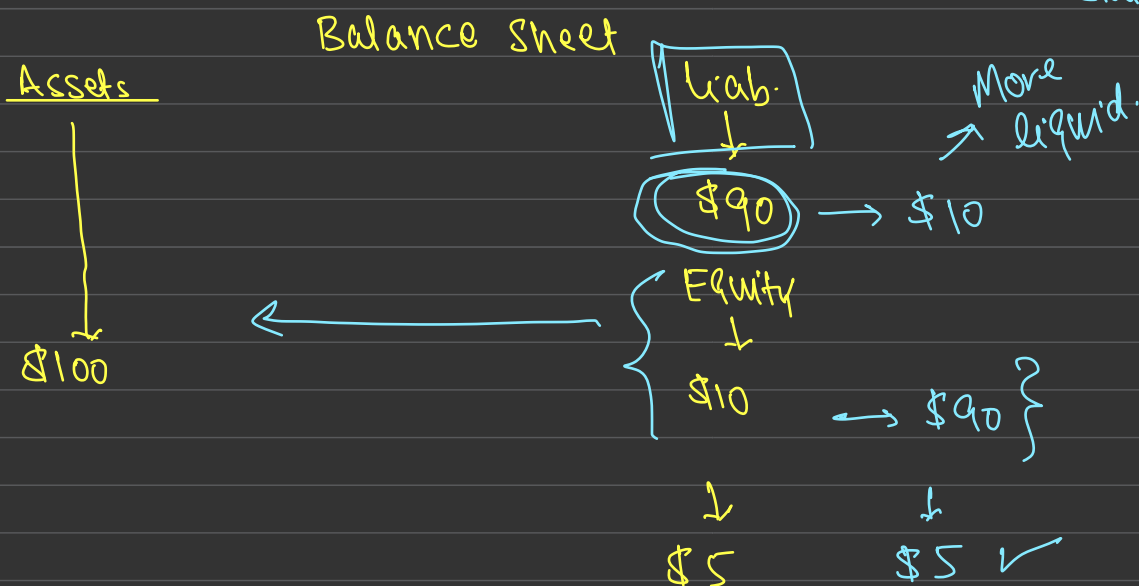
Income Statement

- Revenue
- Expenses

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Net profit →

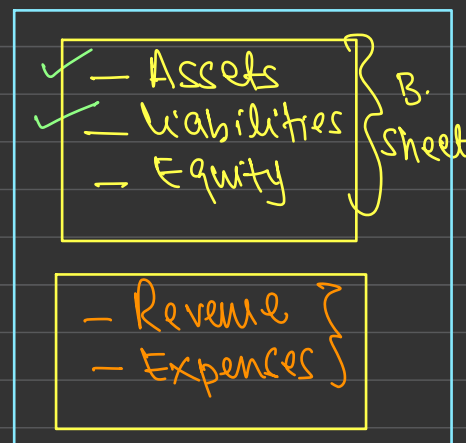
- ✓ Management
- ✓ Shareholders → profitability → Income Statements
- ✓ Creditors → Rs. 100,000 loan → Liquidity → Balance Sheet + Income Statement



Accounting is not an end in itself

It is a mean to an end.  
way

↓ Efficient decisions.



— Customer:

— Tax Department

— Assets: Increase in asset is debited.  
Decrease in asset is credited.

— Liabilities: Increase in liability is credited.  
Decrease in liability is debited.

Example: Loan Rs. 100,000

Cash ↑ by 100,000

Liability ↑ by 100,000

# General Journal — 1st book of entry

Compound entry      Simple entry

Date	Acc Title and Description	Dr	Cr
1 Sep, 2021	Cash Acc Bank loan Acc Borrowed from bank for six months at 10% p.a.	100,000	100,000

1 Sep, 2021	Cash Acc	100,000		✓
	Bank loan Acc		100,000	
	Cash - Acc	100,000		X
	Bank loan Acc		100,000	

## 3. Equity :

Cash Acc	50,000	
Equity Acc		50,000

- Increase in equity is credited.
- Decrease in equity is debited.

## 4. Revenue: Increase in Revenue is credited. Decrease in Revenue is debited.

## 5. Expense :

Expense Acc	10,000	
Cash Acc		10,000

- Increase in expense is debited.
- Decrease in expense is credited.

## 6. Drawings: Drawing Acc      50,000 Cash Acc      50,000

Increase in equity is debited.  
Decrease in drawing is credited.

— Separate Entity Principle:

	<u>Legal</u> Same	<u>Accounting</u> Different
① Sole proprietorship:		
② Partnership	Same	Different
③ Corporations	Different	Different

→ Transactions And Events

Building A/c      1,000,000  
Cash A/c      1,000,000  
— — —

Assets, Liabilities, Equity

Revenue, Expenses

1 - Jan. 2021: → Owner invests \$80,000 in a newly setup business.  
↳ Cash ↑ → Equity ↑ → Cr

— 1 Jan. \$6,000 as advance for 6 months.  
↳ Cash ↓ → Cr Pre-paid Rent ↑ → Dr.

3 - Tools and Equipment → \$13,800 on credit.  
↳ A/Payable ↑ → Cr Tools and Equipment ↑ → Dr

5 - Land for \$52,000 cash.  
↳ Cash ↓ → Cr ↳ Land ↑ → Dr

6 - Building for \$36,000 → \$6,000 cash → \$30,000 written  
↳ Cash ↓ → Cr 6,000 | Building ↑ → Dr for 30,000 | A/Payable ↑ → Cr.

7 - Received Rs. 600 from the buyer of tools and equipment.  
↳ Cash ↑ → Dr. A/R receivable ↓ → Cr.

8 - partial payment of A/Payable (\$6,800)  
↳ Cash ↓ → Cr ↳ A/Payable ↓ → Dr.

Date	Acc Title	Dr	Cr.
1-1-2021	Cash Acc Equity Acc The owner invested \$80,000 in business.	80,000	80,000
2-	Pre-paid Rent Acc Cash Acc	6,000	6,000
3-	Tools and Equipment Acc Accounts Payable Acc	13,900	13,800
5-	Land Acc Cash Acc	52,000	52,000
	Building Acc Cash Acc Accounts Payable Acc	36,000	6,000 30,000
	Cash Acc Accounts Receivable Acc	600	600
	Accounts Payable Acc Cash Acc	6,800	6,800

# Balance Sheet

Asset	
Cash	<del>74,000</del> <del>\$80,000</del> 16,000
pre-paid Rent	6,000
Tools and Equip.	13,800
Building	36,000
Land	52,000

Total Assets

→ ~~\$80,000~~

→ ~~\$93,800~~

→ \$123,800

Liabilities and Equity	
A/payable	13,800
N/payable	30,000
Total Liab.	<u>\$43,800</u>
Equity	\$80,000

Total Liab. and Equity

→ ~~\$80,000~~

→ ~~\$93,800~~

→ \$123,800