

Computerized Accounting (CA)

Date: _____

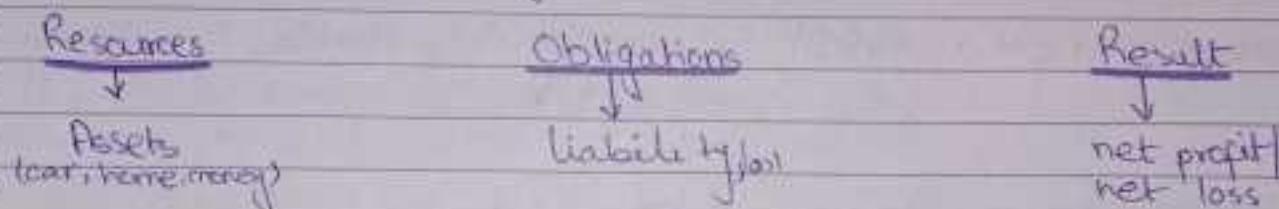
Lect. 1

Book: Financial Accounting by Meigs & Meigs

Accounting:- \hookrightarrow Language of business.

Types of Accounting ① Financial Accounting ② Managerial Accounting ③ Cost Accounting

Financial Accounting:- gives you the information about financial resources, financial obligations and results of an economic activity



Basic Equation of Accounting: $\text{Resources} = \text{Sources}$

"Equity" is my business share. "proprietorship" = individual ownership

$\text{Sole} = \frac{\text{Assets}}{\text{Assets}} = \frac{(\text{Liabilities} + \text{Owner Equity})}{\text{capital}}$

$\text{Partnership} = \frac{\text{Assets}}{\text{Assets}} = \text{Liabilities} + \text{Partner Equity or Partner Capital}$

$\text{Corporation} = \text{Assets} = \text{Liabilities} + \text{shareholder Equity}$

for example: 51% share of the company and 49% are of public.

Managerial Accounting:- From the past data do the future predictions

$$\text{Assets} = \text{Liabilities} + \text{owner Equity}$$

In comparing MA and FA
In FA - Finance (Real) Accounting (Real)
In financial Accounting you are recording the transaction
and book keeping. The data and updating the balance
To prepare financial statements.

In Managerial Accounting you are predicting the future
plannings from your past.

Accounting principle :- GAAP (Generally Acceptable Accounting principle)

* Financial statements should be kept once in a year.

Types of Financial Statements :-

- ① Income Statement (Profit or loss)
- ② Owner's Equity (What is the position of your ownership)
- ③ Balance Sheet (Balancing the accounting equation)
- ④ Cashflow statements (Cash inflows and outflows)

The Analysis of these statements are done by Managerial Accounting and on the basis of these statements you do future prediction. Managerial Accounting works on forecasting expectations. The present worth is more important than future worth.

Cost Accounting:

It is related to the production. The calculation of present

cost e.g. bushipping

RAW $\xrightarrow{\text{cost}}$ WIP $\xrightarrow{\text{cost}}$ Done $\xrightarrow{\text{cost}}$ B

Outline of CA:

- ① Accounting cycle ⑧ steps
- ② Merchandising Inventory
- ③ Depreciation
- ④ Time value of Money statements
- ⑤ Analysis of Financial statements

X ——— X

Computerized Accounting

L#02

Date: _____

Chart of Accounts:- types of accounts

- | | | |
|-------------|--------------|-------------------------|
| 1- Assets | 2- Liability | 3- Owner Capital/Equity |
| 4- Revenues | 5- Expense | |

•) If you are getting salary from the company so it is your "Revenue" and for company it is "expense"

Types of Assets

- 1) Short term - Cash, ^{raw material} (for 1 period of time), ^{products} Inventory, ^{balancing} prepaid
- 2) Long term - vehicles, ^{Natural Resources} property, Gold, ^{machinery} Equipment, building, land

Another term for long term is "depreciation" except gold and land because vehicles, building and machinery have a life they depreciate time to time.

Accounting is a "double Entry" system which means your transaction effect atleast two accounts.

Account receivable :- I have to receive in future

Account payable :- I have to pay

It is one more "Note receivable" which is Written Agreement and "account receivable" is oral Agreement. same for payable

Note has a time limit. at which it is justify to be long term or short term

Date: _____

For example you take loan for 2 months from the bank so it is short term note payable for you and receivable for bank

Liability - It is also of two types long term and short term

Format of financial statement

Income statement

ABC company

Income statement

for the period ending Dec 31, 2021

Revenue:-

Sales	100,000	Income which are receivable
Service	150,000	of cash

Expense

Salary Expense	50,000
Utility	10,000
Maintenance	20,000
Transport/Insurance	30,000
Rent Expense	40,000
COGS	150,000

Net Income/Net loss = Revenue - Expense

MICHAEL'S FURNITURE PRODUCT

Date: _____

② ABC company
Owner Equity Statement
for the period ending 31.12.2021

Beginning balance of Owner Equity 150,000
Add the Net Income or loss of this year: eg. 100,000
Less: owner withdrawal (withdrawal from business) (20,000)
Net Profit is 130,000

Ending Balance of O.E. is 280,000 it is the beginning balance for next year.

③ ABC company
Balance Sheet
As of Dec 31, 2021

Assets	Liability
Cash 200,000	Notes
Land 50,000	M/P 100,000
Inv 10,000	
M/E 120,000	Eq.
Retain 50,000	End balance 280,000
Withdrawal 100,000	280,000

Assets = Liabilities + Equity

Darius

you speak for the school

Dec 2011

in die 19. und 20. Jhd.

Only those involved in
could ever be a judge
but no one of

—(rehabilitation)

And Revenue can be positive and cash flow can be

Computerized Accounting (CA)

L.03

Date: _____

Accounting Cycle: There are following steps:

1. Journalizing: (1) Gen journal activity in database
2. Posting to the accounts: - After entry make account in database
3. Trial Balance: - check entry is balance
4. Adjustments: - it is a record in which we make head over expense
5. Adjusted Trial Balance: verify the balance
6. Financial statements: from each balance make reports
7. Closing Entries:-
8. Post closing trial Balance

Trial Balance - verification statement

Problem 1

GI-step 1

Date	Alc's & Explanation	Debit \$	Credit \$
Jan 1	Cash Owner's Capital (Investment in business)	30,000	30,000
Jan 2	Land Cash (Purchase of land for \$20,000)	20,000	20,000
Jan 3	Supplies Account payable (Purchase of supplies for \$500)	500	500
Jan 4	Accounts payable Cash (Payment of \$300 to accounts payable)	300	300
A = L + OE			
Debit = Credit	Jan 5 Owner's Withdrawal Cash	20,000	20,000

Supplier's Statement

Income Statement

Balance Sheet

Profit and Loss Statement

if Assets increase record on Debit side $A \uparrow D = C$
 if liabilities and equity increase $D = C \uparrow$
 if Asset decrease $D = C \downarrow$
 if liability or equity decrease $D \downarrow = C$
 The equation should be balanced $A = L + OE$
 Every transaction input 2 accounts

Step-B

Make individual account of Cash It is done for first searching step and steps work together simultaneously.

Cash		Owner's Capital	
Debit	Credit	Debit	Credit
30,000	70,000		30,000

Land	
Debit	Credit
20,000	

Supplies		Accounts payable	
Debit	Credit	Debit	Credit
500		300	500

Owner's withdrawal	
Debit	Credit
20,000	

Date: _____

Trail Balance step 3
for the month ended Jan

Debit balance always on Debit side

- ① Asset Accounts
- ② Liabilities
- ③ Owner Capital & Withdrawals
- ④ Expenses
- ⑤ Expenses

Account	Debit	Credit	Balance
Ale's			
Cash	7,600		
Land	24,000		
Supplies	500		
Expenses		2,000	
A/C		30,000	
O.W	21,000		
	30,200	30,200	Balance d

Liability balance always on credit side
the Debit and credit should be balanced

Problem - 2

step 1

Date	Ale's of Exploration	Debit & Credit	
July 1	Cash	10,000	
	Investment in business		10,000
July 2	Cash	9,000	
	services revenue		9,000
July 3	Account Receivable	500	
	service revenue		500

↑ Total
for the month
Debit = Credit

MIGHTY ENTERPRISES

↑ Revenue is on credit
↑ Expense is on debit

Date			
July 4	Cash A/R	500 400	
July 5	Service Revenue Rent Exp Salary Exp Utilities Exp	900 1500 500	700
July 6	Utility Exp Cash Account Payable	120 500 120	2900
July 7	Cash A/R	200 120	200
July 8	A/R Cash	120 120	120
July 9	Owner withdrawal Cash	1.100 1.100	1.100

Make individual Account

7/1/00

7/1/00 = 100

7/1/00 = 100

7/1/00 = 100

X ——— X

Computerized Accounting

L.04

Date:

Problem 3
closing balance for Feb 2002
Ledger = Journal Database
on account

Date	Step 1	Debit \$	Credit \$
✓ a)	Cash note payable AR	45,000	45,000
✓ b)	land Cash	40,000	40,000
c)	Cash Service Revenue	5000	5000
d)	Supplies A/P	300	300
e)	Account Receivable Service Revenue	2600	2600
✓ f)	Prepaid Payable Cash	1,200	1,200
✓ g)	Salary Exp Rent Exp Interest Exp Cash	3000 1500 400	4900
✓ h)	Cash ↑ Account receivable ↓	3100	3100
✓ i)	Utility Exp ↑ Account payable ↓	200	200
✓ j)	own Cash	1800	1800

X

Cash

Debit Credit

16,000 40,000

45,000 13,000

79,100 49,000

31,200 47,900

MR

Debit Credit

45,000 3,100

7,100

4,000

MR

Debit Credit

45,000

Account payable

Debit Credit

13,000 3,000

2,000 45,000

1,300 2,000

47,500 46,300

Supplier

Debit Credit

3,000

Account payable

Debit Credit

3,000

Supplier

Debit Credit

15,000

Interest Exp

Debit Credit

400

Interest Exp

Debit Credit

200

Div

Debit Credit

18,000

DC

Debit Credit

28,500

AL's

Cash	
ALR	
Land	
Supplies	
M/P	
N/P	
O/E	
O/W	
Service Revenue	
Salary Exp	
Rent Exp	
Interest Exp	
Utility Exp	

Step-3		Total	
Debit		Credit	
31,200		13,800	
4,000		45,500	
46,000		28,500	
300			
1800		7600	
3000			
91500			
400			
200			
32,400		82,400	

13800
45500
46300
127400

4)

Income Statement

ABC computer service
Income statement
for the Month of March, 2000

Revenues:-

Service Revenue 76000 C

X-X

Expense -

Salary Exp	(5000)	D
Heat Exp	(1500)	
Insurn Exp	(1400)	
Utility Exp	(2000)	
<u>MI IN</u>	<u>2500</u>	
Net Exp	7600	C

Net Exp - 7600

7600 - (5100) = 2500

ABC Computer Service

for the Month of March 2002

Beginning Bal of O.C. 88500 ✓

Added: NI 2500 ✓

Less: OWN (1800)

End Bal of O.C. 29200

ABC Computer Service

Balance Sheet

As of Month March 31, 2002

Assets		Liabilities	
Cash	3400	NI	1200
NI	4000	OWN	45000
Total	46200		

Supplier

200

75,500

End bal 800

Dec

29,900

75,500

X

X



(Write for next class)

sell inventory
consume supplies
8500 long

Computerized Accounting

L.05

have in year supply (adjustment is done physically)

step 14: adjustments record the consumption

supplies	debit	supplies	credit
\$1000	adjust	200	

400

supplies

cash

1000 units

you have to update adjustment once in a year

31st March = 1400 units (for land)

31st March	supplies	Expense ↑	\$1600		
Adj	supplies ↓			\$1600	

the steps you have to create the assets for step 14 are is not next to create

(Expense goes to income statement)
(cash must be adjusted)

Types of Adjustments

- ① Prepaid
- ② Unearned Revenues
- ③ Depreciation
- ④ Accrued Revenues
- ⑤ Accrued Expenses

Q:

Step 1 →

Office Rent \$6000 for 6 months.

Nov

Step 1

ALC's

Sept 1 Rental Expense

Debit

Wash. Univ.

Cash

\$6000

Credit

Sept 1

2020 3M

\$16000

The payment which was in two different years are not written in step 1. it becomes accrued or unrecorded. make it Prepaid.

Prepaid

Step 2

Sept 1

Prepaid Rent

Cash

\$6000

\$16000

Step 4

31st Dec

Rent Exp ↑

\$4000

Adj

Prepaid Rent ↓

\$4000

\$6000 (\$4000 paid)

(2000)

Date	Dr	Cr
	£	£

To receive office rent 40000

Date	Dr	Cr
31/12		
31/12		

when you receive a payment without issuing it
so it is Unearned Revenue. It is your liability.

Unearned Rev

Date	Dr	Cr
31/12		
31/12		

31/12 Dec Unearned Rev 40000
Adj ↑ Rental Revenue 40000

Unearned Rental Revenue

Date	Dr	Cr
31/12		
31/12		

Depreciation

Date	Dr	Cr
31/12		
31/12		

exp (land and gold)
all other assets
depreciable

Depreciation is a long term expense
 Equipment = \$10,000
 Useful life = 10 years

Equipment	Cash	10,000	10,000
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You can run equipment expense less by
 this is different problem

Depreciation Method: Straightline

Depreciation expense is a non-cash expense.

$$\frac{\text{Depreciable Cost}}{\text{Useful Life}}$$

31st Dec	Dep. Exp. Cr	1000	
Adj	Acc. Dep. Cr		1000

Accumulated Depreciation
 1000
 2000
 3000

Book value of Equipment

X ——— X

Computerized Accounting

Name: _____

L.06

The main purpose of Adjustment is to make Income statement "True".
Accumulated Depreciation: All depreciation every year.

Assets depreciate and convert into expense called "Depreciate expense".

Book Value: recent value after asset is used.

Book value of 7000. Sale = 10,000

What will be the journal entry?

cash	10,000	Debit	Credit
Acc Dep M/c	3000		
M/c			10,000
(From an entry)			3000

Sale on 5000	Debit	Credit
loss on sale 7000	2000	
Cash	5000	
Acc Dep M/c	3000	
M/c		10,000

Difference in credit = Profit
Difference in Debit = Loss.

Sale on \$7000

Cash
Acc. Dep. M/c

7,000	3,000
-------	-------

Unit
40,000

Depreciation expense is a non-cash expense.
Adjustment Problem Handout

Problem 1.

Book value of Fyft = 60,000
Book value of Building = 120,000

3) Adj

Supplies Exp | D | 4,000 | C

Acc. Dep. Bldg | 10,000 | 20,000

5) Adj

Dep. Exp. Fyft | 10,000 | 20,000

6) Adj

Dep. Exp. B | 30,000 | 10,000

Accrued Due not paid this year

Supplies Exp | D | 4,000 | C
Dep. Exp. Fyft | 10,000 | 20,000
Dep. Exp. B | 30,000 | 10,000

ALICIA PAPER PRODUCT

Master account statement

Date

Adj. G/L Exp
Accumulated
every month

e) Adj. A/R

f) Adj. Unrecorded revenue
Service Revenue

	Debit	Credit
Cash	198,000	
A/R	982,000	
Supplies	2,000	
Prep. Exp.	100,000	
Adj. Dep. Exp.		600,000
Buildings		140,000
Acc. Depr. B		580,000
A/P		600
U.E. & R		13,000
Capital		299,000
Dividends	65,000	
Service Revenue		330,000
Salary Exp.	172,000	
Office Exp.	13,000	

MICHAEL PAPER PRODUCT

U.E. & R.	
D	13,000
C	13,000

Supplies Exp
Dep Exp - F
Dep Exp - E

Notes	
30,000	
10,000	
120,000	120,000

Income Statement
Rev - Expense

OE Statement: 334,000 = 106,000

Balance sheet

Cash	198,000	198,000
A/R	300,000	312,000
Supplies	2,000	20,000
FSP	100,000	
Acc Dep FSP	6,000	40,000
Building	250,000	
Acc Dep B	140,000	11,000
	132,000	

trial & OE

X — X