

★

Hiring Teacher
↓

It is event
↓

Bus Buying
↓

Credit/Debit
↓

re

↳ Events cannot be objectively measured but transactions can be ~~book~~ accounted.

★

Financial Statements

↳ Income Statement

↳ Balance Sheets

★

Based on Balance Sheet }

Name of Organization }

Date

} Top heading



Assets:-

Resources owned by an entity

+ cashflow → cashflow

- cashflow → cashflow

* Current Assets:-

↳ assets going to be used

within 1 year are current assets.

* Fixed Assets:-

assets going to be used

for more than 1 or more years

F Short term investments:- (current asset)

assets that are being

used for 3 months or so and

liquidated for profit

* Accounts Receivables:-

↳ Due amounts to be paid in future over sales.

* Liquidity of asset:-

↳ How long it takes to sell

↳ price discount

↳ Current assets are more liquid than fixed assets.

Current Assets

Cash — 81

AIR — 82

- * → Revenue } Income Statement
- expenses }
- costs
- assets } Balance Sheet
- Liabilities }
- Equity }

↳

Liabilities

↳ Taking loans / due payment / credit payments.

Definition:- Businesses

Money that business owes to someone else (creditors)

↳

Current Liabilities:

Payable amounts within 1 year or less.

↳

Long-term Liabilities:

Payable amounts that can be paid in more than a year.

↳

Bank loans

↳ Retained Earnings:-

↳ Profits generated in previous years

↳ Issue Shares:-

↳ Equity in business

↳ ~~Issue~~ Liabilities:-

Take loan from banks/ organizations/ family & friends.

↳ Bonds:-

↳ interest given every year
and total money taken will be paid back in on 5th year.

* Current Liabilities can be

↳ payable

↳ Salaries payable

↳ Accounts payable

↳ Notes payable.

Date: 1/20

Day: M T W T F S

↳ *

Accounts payable :-

Does not have
written agreement nor interest.

↳ *

Note payables.

Commitments are
made, written agreement &
interests are included.

*

Maturity :-

liability that gets
due on certain agreement/date.

*

Equity :-

% holding in certain
business.

Date: 1/20

Day: M T W T F S

Balance Sheet

Assets

Liabilities

L Total of assets must be equal to total of liabilities.

Income Statement

Revenues
Costs
Expenses

For the month ended 1st Jan, 2021

Revenue ————— \$100,000

Cost of Sales ————— \$60,000

Gross Profit ————— \$40,000

Operating Expenses —————

Admin Expenses ————— \$5000

Promotion Expenses ————— 4000

Depotrental Expenses ————— 7000
\$16,000

Earnings Before Interest & Taxes. \$24,000

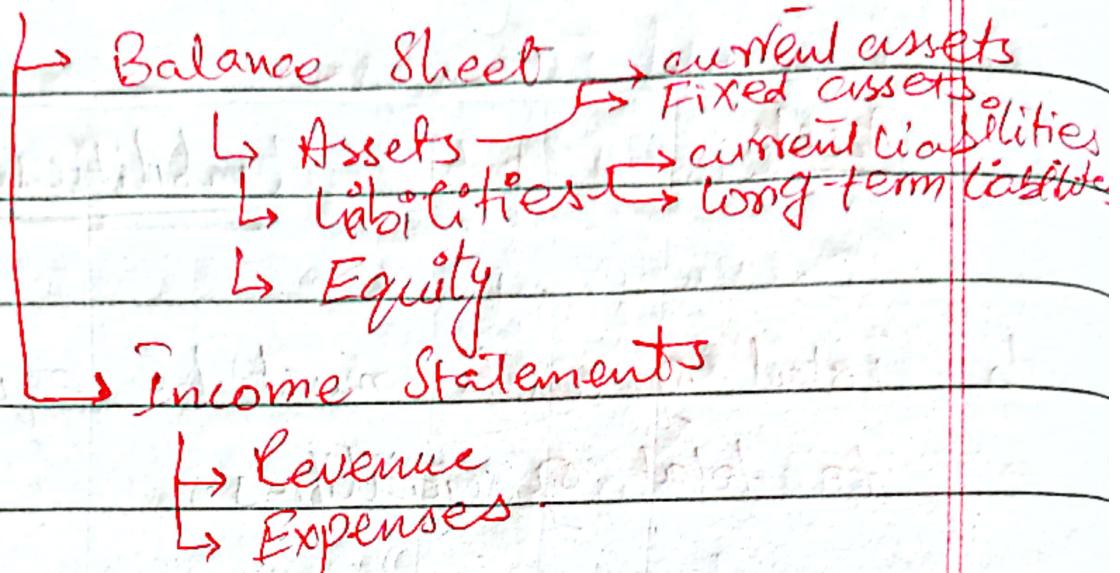
Interest Expenses ————— 4000

Earnings Before Taxes ————— \$20,000

Tax Credit ————— 2000

Net Profit ————— 2000

Financial assets



Usage of Financial Statements

- ↳ Internal usage
- ↳ Management of firm
- ↳ Shareholders
 - ↳ Business analysis.
- ↳ Creditors/bond holders/Banks
 - ↳ Financial Analysis.
- ↳ Customers
- ↳ Tax Department

Interim Financial statements

- ↳ Quarterly statements.

Rule of Debit

x Debit by Credit rule for assets

↳ Assets:-

↳ Increase in an asset is debit

↳ Decrease in an asset is credit

↳ Liabilities:-

↳ Increase in Liabilities is credit

↳ Decrease in Liabilities is debit

\leftarrow Bank loan $\leftarrow 100,000$
 \rightarrow Cash $\rightarrow 100,000$

Example Loan of Rs. 100,000

↳ Cash A/C increase by rs 100,000

↳ Bank loan increase by RS 100,000

Date: 1/120

Day: MTWTFSS

General Journal

Date	A/C title	Debit	Credit
1-Sep-21	Cash A/C	100,000	
	Bank loan		100,000
2	Cash A/C	3100	
	Revenue A/C		3100
1-Oct	Drawing A/C	4980	
	Cash A/C		4980
	Receivable	4900	
	Revenue		4900

* Compound entry :-

When it involves more than two accounts.



Shareholder's Equity

Increase

Capital is increased is debit.

Equity % is increased is credit (for comp)

Decrease in equity is debited.

Date: 1/120

Day: M T W T F S

* Revenue / Expenses :-

Increase in revenue is credited

Decrease in revenue is debited.

* Expenses:-

Increase in expenses is debited

Decrease in expenses is credited

* Drawings:-

Takes money out of business

for personal use.

Increase in drawings is debited

Decrease in drawings is credited.

Day: MTWTFSS

Date: 1/20

Balance Sheet

XYZ Co.

Assets

		Elibility / E
Cash	\$85,000	Lia 43,200
plot	\$52,000	Eg -
pre-paid rent	\$6,000	
building	\$36,000	
Tools	13,800	

②

Book keeping

* Basis of Accounting } realisation

① Accrual } principal.

② Cash

when you should realise
your expenses & revenue.

Date: 1/20

Day: MTWTFSS

* Lead Ledger Accts

* Leadger

↳ example

Debits ← Cash A/C → Credits

1/1/21 80,000 | 2/1/21 6,000

74,000

Equity AC

80,000

Pre Paid A/C

2/1/21 6,000