

Chapter-1 [Introduction to accounting]

Part - 1 [Accounting]

- ❖ Basic concept
- ❖ Definition, Objects/Features
- ❖ Uses of Accounting (Information)
- ❖ Event, Transaction

- **Event :** Anything that happens in the daily life of a man or institution or an organization is called an event. There are two types of event -
 1. Monetary / Financial event
 2. Non - Monetary / Non - financial event

Part - 2 [Transaction]

Transaction : The event which is measurable in terms of money and changes the financial position of business and has at least 2 parties involved is called a transaction.

- **Accounting Equation :**

- ❖ $A = L + OE$ (A = Asset , L = Liability , OE = Owner's Equity)
- ❖ $OE = Capital + Revenue - Expense - Drawings$

Part - 3 [Accounts]

- ❖ Account is a summarized and classified form of transaction.

- **Types of accounts :**

★ Modern Concept :

1. Asset
2. Liability
3. Equity
4. Revenue
5. Expense

★ Traditional Concept :

1. Personal A/C (Debtor , Creditor)
2. Real A/C
3. Nominal A/C (Income , Expense)

- Rules for determining Debit & Credit -

★ Modern Concept :

1. Asset & Expense → Increase - Debit
→ Decrease - Credit
2. Liability / Equity / Revenue → Increase - Credit
→ Decrease - Debit

★ Traditional Concept :

1. Personal A/C → Receiver - Debit
→ Giver - Credit
2. Real A/C → What comes in - Debit
→ What goes out - Credit
3. Nominal A/C → Expense - Debit
→ Income - Credit

Chapter - 2 [Books of Accounts]

Part - 1 [Double Entry system]

❖ Name of Primary Books :

1. Purchase Journal (Goods purchased on credit)
2. Sales Journal (Goods sold on credit)
3. Purchase Return Journal (Return to Suppliers)
4. Sales Return Journal (Return from customers)
5. Cash Receipts Journal (Received in Cash/By cheque)
6. Cash Payments Journal (Paid in Cash/By cheque)
7. Proper Journal- Assets purchased on credit, Unpaid expense/income , bad debt , depreciation, goods drawings etc.

❖ Steps of Modern Accounting Cycle :

1. Identifying of transaction
2. Analyzing of transaction
3. Recording of transaction (Journal)
4. Classifying of transaction (Ledger)
5. Summarising of transaction (Trial Balance)

6. Adjusting of transaction (Related to worksheet)
7. Adjusted Trial Balance
8. Preparing Financial Statement
9. Closing Entries
10. Post - Closing trial balance/Reversing Entries/ Opening Entries

Part - 3 [Cashbook]

- **Definition :** Cashbook is a book in which an account is kept of the receipts and disbursements of money
- **Types of Cashbook :**

★ Modern Concept :

1. Cash Receipt Journal
2. Cash Payment Journal

★ Traditional Concept :

1. Single Column Cashbook
2. Double Column Cashbook
3. Treble Column Cashbook
4. Petty Cashbook

- The following items/transactions are not included/recorded in cashbook:
 1. On - credit transactions
 2. Non - cash transactions (Bad debt, Depreciation , Return etc.)
- The following transactions are not recorded in Cash Receipt / Cash Payment Journal :
 1. Opening Balance of Cash & Bank
 2. Dishonored Cheque
 3. Contra entry → Deposited into bank
→ Withdrawn from bank
 4. On credit transactions
 5. Non cash transactions

❖ Petty Cashbook

● Requirements:

1. Total amount of ledger account (which are not petty expense)
2. Prepare a petty cashbook (Imprest)
3. Prepare ledger for the different types of petty expenses

● Method / System for preparing petty cashbook:

1. Single column method
2. Columnar method
3. Imprest System

● Ledger accounts related transactions:

1. Cash drawings
2. Purchase fixed/supplies assets → small amount
3. Paid liabilities (Loan/Creditors) → small amount

● Head of Petty Expenses:

1. Stationery → paper , pen , ink , pin , pencil , carbon paper etc,
2. Communication expense → stamps, envelope, telephone, telegram, courier, internet, e-mail etc.
3. Conveyance expense → bus fare, rickshaw fare, taxi fare etc.
4. Entertainment expense (আপ্যায়ন)
5. Travelling expense
6. Packing expense
7. Carriage expense
8. Repair → washing expenses , office expenses etc.

Chapter 8 [Depreciation Accounting]

- Annual Depreciation = $\frac{\text{Cost of assets} - \text{Scrap value}}{\text{Lifetime of asset}}$
- Depreciable Value = Cost of assets - Scrap value
- Deprecation Rate = $\frac{\text{Annual Depreciation}}{\text{Depreciable Value}} \times 100$ or, $\frac{100\%}{\text{Life time of asset}}$

❖ Methods for calculation of Depreciation:

1. Straight line / Fixed installment method
 2. Reducing / Diminishing Value / Declining method
- Depreciation Calculation Table (Straight line)

Year	Cost of asset	Dep. Rate	Usage time	Calculation	Amount of Dep.

- Depreciation Calculation Table (Reducing Balance)

Year	Opening Value of asset	Dep. Rate	Usage time	Calculation	Amount of Dep.	Closing value of asset

❖ Requirement:

1. Depreciable Value
2. Annual Depreciation
3. Depreciation Rate
4. Depreciation Table (SL / RB Method)
5. Profit / Loss on sale of fixed assets
6. Journal Entries
7. Ledger for depreciation , accumulated depreciation , Machinery , Furniture , Equipment etc.

8. Show the depreciation & accumulated depreciation in income statement & financial position

- **Journal Entries :**

1. For purchasing fixed assets -

Fixed asset (Mach./Fur./Equip.) - Debit
Bank A/C - Credit

2. For paying the money for installation , carriage & other expense

- Fixed asset (Mach./Fur./Equip.) - Debit
Cash A/C - Credit

3. For depreciating on fixed asset -

Depreciation expense - Debit
Accumulated Depreciation (Mach./Fur./Equip.) - Credit

4. For closing the depreciation expense -

Income Statement - Debit
Depreciation Expense - Credit

5. For selling the fixed asset -

Bank A/C - Debit
Accumulated Depreciation - Debit
Loss on sale of asset - Debit
Fixed Asset (Mach./Fur./Equip.) - Credit
Profit on sale of assets - Credit

Part - 4 [Ledger]

- ❖ **Types of Ledger :**

1. Moving Balance / Four Column / Modern / Current / American Ledger Format
2. T - format / Golden / Traditional / Old / British Format

Chapter-3 [Bank Reconciliation Statement]

(A) Requirement:

- Transit Cheque/ Uncollected Cheque/ On the way cheque/
 - Cheque received from debtor/ Deposited into bank but not yet collected.
- Due cheque / Outstanding Cheque/ unpresented cheque
 - Cheque issued to creditors but not yet presented.
- NSF (Not sufficient fund)
 - Received a cheque from debtor but dishonoured due to insufficient funds.

What is a memorandum?

→ A proven letter against a transaction in absence of the client or account holder.

When a bank receives or pays any amount directly (Without consulting account holder as permission is already given), the bank prepares a proven document against it which is called memorandum.

Debit Memorandum: If the bank paid or charged directly any amount.

Credit Memorandum: if the bank collects any amount or allows interest directly.

Banking mistakes and how to solve them: [These can't be journalised]

- i. If the bank over-states the amount. [Lessen the overstated amount]
- ii. If the bank understates the amount. [add the remaining amount]
- iii. Cheque deposited but not yet collected. [add the amount]
- iv. Cheque issued but not yet presented. [lessen the amount]

Chapter - 4 [Trial Balance]

Trial Balance is a list of debit and credit balances of all ledger accounts.
(Including cash and bank account)

Types of errors:

1. Error of clerical:

Omission:

- Unrecorded, unwritten, not written off, not recorded, omitted.

Commission:

- Understated, overstated,

—debit instead of credit or vice versa. [adjusting journal amount will be doubled.]

Compensation:

- If one error compensates another error.

Misposting:

- If one account was recorded instead of another one.

Revenue Nature = Revenue Nature

Capital Nature = Capital Nature

2. Error of principle: [Done by owner]

- If one account was recorded instead of another one.

Revenue Nature = Capital Nature

Category:

- General
- Adjusting
- Rectifying

Rules to be followed:

- 1) All assets → Debit
- 2) All Liabilities → Credit
- 3) Expenses → Debit

Due Expense → Credit [As it is liability]

Advance Expense → Debit [Asset]

4) Revenue → Credit

Accrued Revenue → Debit [Receivables are always debit]

Advanced/ Unearned → Credit [Treated as liability]

5) Investments/ Saving paper/ Security Paper/ Com. paper →
Debit

Interest on investment → Credit [revenue are always credit]

Accrued interest on investment → Debit

6) Loan/ Bank Loan/ Mortgage Loan/ Bond/ Debenture → Credit
Interest on loan → Debit

Due interest on loan → Credit

7) Capital / Additional Capital → Credit but Interest on capital →
Debit

8) Drawings/ Income tax/ Life Insurance Premium → Debit // But
interest on drawings → Credit

9) Reserve/ Provision /Fund → Credit

10) Following are excluded:

- Opening cash/bank/debtors/creditors/bp/br
- Closing stock/ unsold goods
- Contingent liabilities
- Anticipated assets [as accounting only works with the present.]

Amount of drawings:

1. Income Tax
2. Life insurance Premium
3. Cash Drawing
4. Goods Drawing
5. Personal expenses of the owner.

Direct Expense:

1. Carriage, Freight and transportation.
2. Wages / Labour
3. Duty / Import Duty
4. Municipal Tax
5. Royalty

Revenue Income:

1. Sales
2. Apprenticeship Premium
3. Sublet Rent
4. Interest on investment
5. Interest on drawing and Loan Allowed
6. Bank interest
7. Dividend allowed
8. Commission Received
9. Discount Received
10. Share Transfer Fee

Alternative Names:

- Debtors, AR, book debt, Sales Journal
- Creditors, AP, Suppliers, Purchase Journal

Formulae:

Adjusted Purchase

Opening stock + Direct expenses - Closing stock

Direct Cost or COGS:

Adjusted Purchase + Direct Expenses