

Unit 2 ACCOUNTING

→ Recording of Transaction according to rules.

identify transactions and apply rules to them and record somewhere.

Transactions :- any business event expressed and measured in terms of money

Selling a car, taking advance from customers, giving salaries

Monetary events :- Transactions possible to express in terms of money.

Non-monetary events :- Transactions not possible to express in terms of money.

Events $\left\{ \begin{array}{l} \text{Monetary} \Rightarrow \text{Selling goods, ...} \\ \text{Non-monetary} \Rightarrow \text{conducting interviews, entertaining, ...} \end{array} \right.$

Monetary events also known as transaction.

(1) Appointment letter given to a sales manager - Not a Tran.

(2) Discussion with suppliers - N

(3) Giving information to customer - N.

(4) Cash deposited in your bank. - Y

upto 1494, accounts are written → Amount received - 10000

This is known
as single entry
book keeping
system.

Books - 2000
Dress - 2500
Shoes - 500
Total - 5000
Remaining - 5000.

Every transaction has two effects - Debit, credit
→ Double entry Book keeping system
In 1494

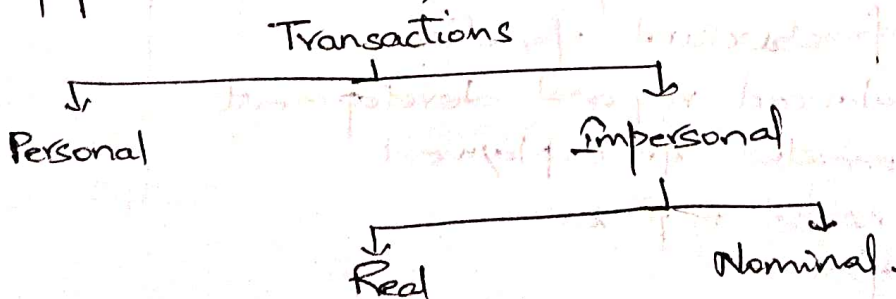
Books - got a book
Books - cash.

~~Loan given~~

one is debit & other is credit. (dual way).

Proposed in 1494

but got popular in 18th century



Personal:- deals with persons (humans or artificial persons)

Real:- dealing with assets

Nominal:- dealing with expenses/incomes

given money to Ramesh. - human

deposited money in SBI bank - artificial.

paid fees to GVP - artificial person.

Personal
 ~~Human~~ Normal person
 Artificial person.
 Representative Personal a/c.
 (paid advance rent to the owner)

Real:- assets (land, buildings, watches, ...)

tangible
 (can see & feel)
 (furniture, machinery, land)
 non-tangible
 (can't feel & see)
 (copyrights, goodwill)

Nominal:- dealing with expenses \rightarrow (taxes paid, bills paid, salaries paid, rents paid)
 & incomes (received, rents received, discount received).

salaries paid \rightarrow ₹ 5000 \rightarrow salaries (nominal), cash (real)

watch purchased \rightarrow watch (real), cash (real) both are assets.

Personal:- Debit the receiver
 Credit the giver.

Real:- Debit ^{what} comes in.
 Credit what goes out

Nominal:- Debit all expenses & losses
 Credit all incomes & gains.

(1) Cash received from Ganesh.

\rightarrow Cash - real - cash coming in - Debited.

\rightarrow Ganesh - Personal - Ganesh is the giver - Credited.

(2) Cash deposited in ICICI Bank.

\rightarrow Cash - real - cash goes out - Credited.

\rightarrow ICICI Bank - Personal - it is receiver - Debited.

13) Purchased Furniture

- Furniture - real - comes in - debited
- Cash - real - goes out - credited.

14) Salaries paid Rs. 20,000

- Salary - Nominal - expenditure - Debited.
- Cash - real - goes out - Credited.

15) Sold machinery for Rs. 1,00,000.

- Machinery - real - goes out - Credited
- Cash - real - comes in - Debited

16) Sold machinery to Ram & Co for Rs. 1,00,000. (pays later)

- Machinery - real - goes out - Credited
- Ram & Co - Personal - he is receiver - Debited.

↳ Recording: - It will be ^{primarily} recorded in Journal ^{a book known as}.

So, Journal is known as Prime book of entry.

Should write in a chronological way (Date wise like diary).

So, also known as Business Diary.

also known as Chronological book.

Cash Transaction: - immediately related to cash.

Credit Transaction: - purchased goods but pay after some duration

1) Purchased goods Rs. 5,000 - Cash Trans.

2) Purchased goods from Ram for cash Rs. 10,000 - Cash Trans.

3) Purchased goods from Lakkhman Rs. 15,000 - Credit Trans.

4) Purchased goods Rs. 20,000 - Cash Trans.

Purchased from person name is there, but no cash word ⇒ Credit Trans.

1) Sold goods to Kavitha Rs. 5,000 - Credit Trans.

2) Sold goods to Kavithi for cash Rs. 10,000 - cash Trans.

3) Sold goods Rs. 5,000 - Cash trans.

4) Sold goods for cash. Rs. 7,000 - cash Trans.

Purchases, Purchase returns, Sales, Sales returns

Diff. b/w goods & assets.

Goods:- any article purchased for the purpose of resale on continuous basis.

Trade:- activity of buying & selling

purchase watches & sell \Rightarrow goods watch.

Furniture dealer:- it is good to him

while purchasing goods \rightarrow goods come in - means debited
but write as purchases } Only for goods.
& Sold goods \rightarrow go out - credit but write as sales.
instead of goods.

Purchased ₹5000 goods from Rajni

- Credit Transaction

- if not satisfied & returning. goods go out (Credited) \Rightarrow Purchase returns
So, purchased goods are returned \rightarrow Purchase returns

Sold goods & if anybody returns it back. \Rightarrow Sale returns
here goods coming in (Debited)
do, goods, inwards, return

Purchase, purchase returns, Sales, Sales returns \rightarrow used in Goods.
(Debit) (Credit) (Credit) (Debit) instead of goods.

Returned goods by Ram \rightarrow Sales Returns

Goods returned to Ram \rightarrow Purchase returns

Returned machinery to Ram \rightarrow As machinery return, it is not a good. So not Purchase returns.

Sold goods to XYZ \rightarrow Sales.

Discount

two types $\left\{ \begin{array}{l} \text{Trade Discount} \\ \text{Cash Discount} \end{array} \right.$

Trade Discount:- At the time of buying & selling, getting discount at initial price.

two types $\left\{ \begin{array}{l} \text{Discount received} \\ \text{Discount allowed} \end{array} \right.$

X purchased goods for 12,500 from Y which is of 15,000 &
Z purchased goods for 17,100 (bought first as 20,000) from X

Cash discount :- $\begin{cases} \text{allowed} \\ \text{received} \end{cases}$

- x sold Rs 20,000 goods to y, and y pays money after 60 days.
- x gets suppose, urgency, & asks y to pay only 18,000 at if at present (or) 20,000 if after 60 days.

Here discount allowed, loss -

→ At the ~~time~~ time of receipt or payment of cash, discount allowed or received.

Discount received - profit.

Recording - Done in Journal.

Journal :-

Date	Particulars	L/F	Debit Rs.	Credit Rs.
01/01/2020	Bank a/c Dr To cash a/c (being cash deposited)		50,000	50,000

21/01/2020
Cash deposited in bank Rs 50,000.

Cash Cr
Bank Dr

02/01/2020 cash received from Ravi Rs. 20,000

Cash Dr
Ravi Cr

Date	Particulars	L/F	Debit Rs.	Credit Rs.
02/01/2020	Cash a/c Dr To Ravi a/c (being cash received)		20,000	20,000
25/01/2020	Machinery a/c Dr To cash a/c (being machinery purchased)		10,000	10,000

25/01/20
Machinery purchased for Rs. 10,000

Machinery Dr
Cash Cr

Accounting Principles :-

Concepts

Conventions

- (1) Entity concept
- (2) Going concern concept (think that business will not a closing concern be going on)
- (3) Accounting period concept
From 1st Apr to 31st Mar.
- (4) Cost concept
- (5) Dual aspect concept
(for every Cr, also write Dr)
 $\text{Assets} = \text{Liabilities} + \text{Capital}$
- (6) Money Measurement concept
(Only Monetary events)
- (7) Realization concept
- (8) Matching (or) Revenue concept.
(Profit / Loss = Revenue - Expenses.)

- (1) Convention of disclosure
- (2) Convention of consistency
(follow the same procedure in a long run)
Shouldn't change the method of accounting
- (3) Convention of conservatism
- (4) Convention of materiality
(negligible expenses can be avoided)

Problems

1) Journalise the following transaction & post them in ledger.

01/01/2019. Ganesh commenced business with cash, 1,00,000

05/01/2019. Cash deposited into HDFC bank Rs. 50,000

10/01/2019. Furniture purchased for Rs. 10,000

14/01/2019. Machinery Purchased for Rs. 25,000 & payment made through cheque.

18/01/2019. Goods Purchased for cash Rs. 10,000

20/01/2019. Goods sold for cash Rs. 15,000

24/01/2019. Goods Purchased from Shankar Rs. 20,000

24/01/2019. Goods sold to Shanmukh Rs. 30,000.

29/01/2019. Ganesh withdrawn cash for his personal use, Rs. 5,000

30/01/2019. Salaries paid Rs. 7,500.

31/01/2019. Commission received Rs. 1,200.

Date	Particulars	LIF	Debit	Credit
01/01/2019	Cash a/c Dr To capital a/c (being commenced business with cash)		11,00,000	1,00,000
05/01/2019	HDFC Bank a/c Dr To cash a/c (being cash deposited into bank) HDFC		50,000	50,000
10/01/2019	Furniture a/c Dr To cash a/c (being furniture purchased)		10,000	10,000
14/01/2019	Machinery a/c Dr To HDFC Bank a/c (being machinery purchased and payment made through cheque)		25,000	25,000
18/01/2019	Purchases Dr To cash a/c (being goods purchased)		10,000	10,000
20/01/2019	Cash a/c Dr To sales a/c (being goods sold)		15,000	15,000
24/01/2019	Purchased a/c Dr To Shankar a/c (being goods purchased from Shankar)		20,000	20,000
27/01/2019	Shanmukh a/c Dr To sales a/c (being goods sold to Shankar)		30,000	30,000

29/01/2019	Dr Drawings a/c To cash a/c (being cash withdrawn for personal use)	5,000	5,000
30/01/2019	Dr Salaries a/c To cash a/c (being salaries paid)	3,500	3,500
31/01/2019	Dr Cash a/c To commission received a/c (being commission received)	1,200	1,200

Problem-2:-

Date	Particulars	LIF	Debit	Credit
01/01/2019	Capital a/c Dr To capital a/c (being commenced business with cash)		1,00,000	1,00,000
02/01/2019	Purchases a/c Dr To Ganesh a/c (being purchased goods from Ganesh)		50,000	50,000
04/01/2019	Furniture a/c Dr To cash a/c (being purchased furniture)		40,000	40,000
07/01/2019	Rajesh a/c Dr To sales a/c (being sold goods to Rajesh on credit)		35,000	35,000
08/01/2019	Wages a/c Dr To cash a/c (being wages paid)		3,000	3,000
08/01/2019	Bank a/c Dr To cash a/c (being cash deposited into bank)		1,00,000	1,00,000
09/01/2019	Office expenses a/c Dr To cash a/c (being paid office expenses)		4,000	4,000

10/01/2019	Purchases a/c Dr To Sudheer a/c (being goods purchased on credit from Sudheer)	9,500	9,500
11/01/2019	Cash a/c Dr To commission received (being received commission)	2,000	2,000
14/01/2019	Drawings a/c Dr To cash a/c (being cash withdrawn for personal use)	5,500	5,500
18/01/2019	Sales returns a/c Dr To Rajesh. (being goods returned by Rajesh)	5,000	5,000
24/01/2019			
25/01/2019	Drawing a/c Dr To bank a/c (being cash withdrawn from bank)	10,000	10,000
28/01/2019	Bank a/c Dr To cash a/c (being cash deposited into bank)	50,000	50,000
30/01/2019	Salaries a/c Dr To cash a/c (being salaries paid)	15,000	15,000
31/01/2019	Rent a/c Dr To cash a/c (being rent paid)	7,500	7,500

Problem-3

Date	Particulars	LF	Debit	Credit
01/05/2019	Cash a/c Dr To capital a/c (Being commenced business)		5,00,000	5,00,000
05/05/2019	Purchases a/c Dr To Srivani a/c (Being purchased goods from Srivani)		50,000	50,000
08/05/2019	Cash a/c Dr To sales a/c (Being sold goods)		70,000	70,000
10/05/2019	Salaries a/c Dr To cash a/c (Being salaries paid)		7,500	7,500
11/05/2019	Purchases a/c Dr To cash a/c (Being purchased stationery)		3,000	3,000
15/05/2019	Furniture a/c Dr To cash a/c (Being bought furniture)		50,000	50,000
18/05/2019	Bank a/c Dr To cash a/c (Being cash deposited into bank)		30,000	30,000
20/05/2019	Wages a/c Dr To cash a/c (Being wages paid)		3,000	3,000
24/05/2019	Drawings a/c Dr To bank a/c (Being cash withdrawn from bank)		5,000	5,000
28/05/2019	Rent a/c Dr To bank a/c (Being paid rent by cheque)		6,800	6,800

31/05/2017 Drawing a/c Dr
To cash a/c
(Being cash withdrawn
for personal use)

31/05/2017 Srivani & Co. a/c Dr
To cash a/c.
(Being cash paid to
Srivani & Co. for ---)

Problem-4

Date	Particulars
	Cash a/c Dr To commission received (Being received commission)
	Bank a/c Dr To sales a/c. (Being goods sold & received cheque)
	Bank a/c Dr To cash a/c (Being cash deposited into bank)
	Office Rent a/c Dr To cash a/c. (Being office rent paid)
	Furniture a/c Dr To cash a/c (Being furniture purchased)
	Advertising expenses Dr To cash a/c (Being paid advertising expenses)
	Cash a/c Dr To Vishnu a/c. (Being received cash from Vishnu)

8,500

8,500

49,000

49,000

LF	Debit	Credit
	800	800
	18,000	18,000
	12,000	12,000
	4,000	4,000
	4,000	4,000
	2,000	2,000
	4,500	4,500

Tejash etc Dr
To sales etc
(Being sold goods
to Tejash)

40,000

40,000

Adjustments etc Dr
To Tejash etc
(Being goods returned
(By Tejash))

1,500

1,500

Cash etc Dr
Discount allowed etc To
E. Ramesh etc

1,950

2000

2000

Particulars

Particulars	Dr	Debit	Credit
Cash etc Dr To Capital etc (Being commenced business with cash)		4,00,000	4,00,000
Furniture etc Dr To cash etc (Being furniture purchased)		30,000	30,000
Purchases etc Dr To cash etc (Being purchased goods)		30,000	30,000
Stationery etc Dr To cash etc (Being stationery purchased)		3,000	3,000
Goods etc Dr To sales etc (Being sold goods to hand)		20,000	20,000
Office expenses Dr To cash etc (Being office expense paid)		1,200	1,200

09/08/2000 Salaries a/c Dr.
To cash a/c
(Being salaries paid)

10/08/2000 Chandu a/c Dr
To sales a/c
(Being sold goods to
Chandu on credit)

12/08/2000 Drawings a/c Dr
To cash a/c
(Being cash withdrawn
for personal use)

13/08/2000 Rent a/c Dr
To cash a/c
(Being rent paid)

20/08/2000 Sales returns a/c Dr
To Chandu a/c
(Being goods returned
by Chandu)

27/08/2000 Machinery a/c Dr
To cash a/c
(Being machinery
purchased)

30/08/2000 Purchases a/c Dr
To cash a/c
(Being goods
purchased)

7000
7000

131000
131000

1800
1800

8000
8000

1000
1000

12000
12000

20000
20000

Cash

Discount allowed Dr
Discount received Cr.

Accounting is an art
After Recording, classification, summarizing & interpretation of events having financial characters.

Classification is done in a book known as Ledger.

Ledger:- looks like T shape.

Dr				Cr.			
cash a/c							
Date	Particulars	J/F	Amount	Date	Particulars	J/F	Amount
01/08/2000	To capital a/c		4,00,000	02/08/2000	By furniture a/c		30,000
				04/08/2000	By purchases a/c		30,000
				06/08/2000	By stationery a/c		3,000
				08/08/2000	By office expenses a/c		1,200
				09/08/2000	By salaries a/c		7,000
				12/08/2000	By drawings a/c		1,800
				18/08/2000	By Rent a/c		8,000
				25/08/2000	By machinery a/c		12,000
				30/08/2000	By purchases a/c		20,000
				30/08/2000	By balance a/c		2,87,000
			4,00,000				4,00,000
01/09/2000	To balance a/c		2,87,000				
			Capital a/c.				
Date	Particulars	J/F	Amount	Date	Particulars	J/F	Amount
				01/08/2020	By cash a/c		4,00,000