

Introductiony Notes.

Entity: Entity means a sneality that has definite individual Existance.

Business Entity: means a specificly identifiable business Enterprise, like Superbazzar, ITC limited Etc.

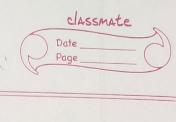
* An accounting system is always devised for a Specific business Entity.

Capital: Amount invested by the owner in the firm is known as capital. It may brought in the form of cash or assets by the owner for the business Entity.

**Capital is an obligation and a Claim on the assets of business. Hence it is shown as a liability and the balance Sheet.

It is the liability of the business towards the propurities or partners which increases with further investment made an the business and amount of profit Earned. On the other hand it decreases when it is withdrawn (drawings) or losses incurred by the business.

* Capital is a liability because of business entity concept which is Business is a separate and distinct Entity from it's owners!" and transactions are seconded in books from the point of view of the business. Entenprise, like Superbasson, III limited The. * Capital is also known as aroners Equity or het worth. It is cition always Equal to Capital = Assets-liabilities. Capital: Amount invested by the owner in the * Drawings: It is the amount withdrawn or goods taken by the cowner or properiter for personal use. Drawings are deducted from the capital as it reduces the investment of owner asset of business Hence it is sham * liabilities: liabilities are abligations of debts that an Enterprise has to pay sometime in the * liability towards the owners is termed as internal liability. (Capital) * Mability towards outsiders Cother than owners is termed as External Diabilities. * External Liabilities arise because of credit transactions or loans taken. * l'abilitées can be classified into non-unent liability and avoient diability.



** Non carrent liability is that leability which is Stable cutter a period of more shaw a year, from the End of the accounting period.

Example: long term goals.

** Current liability is liability which is Scaleable within twelve mouths, from the End of the accounting period. Example: Creditors and short term goals.

* Creditor: is a person or an Enderprise to who a business owes amount against credit purchase of the goods are services taken. In the creditor of the firm where goods are taken on credit from her.

* Expenses: Cost incurred by a business in the process

Example: Rent, wages, solaries, light, water,
depreciation Etc.

* Expenditure: If the benifit of the Expenditure lasts
for more than a year, it is treated as capital

Expenditure Example: Purchase of muchinery, furniture.

of Earning revenue are known as Expenses.

* Frotil: Total income-stotal Expenses.

** Grains: The profit -that arises from Events or transactions which are incidental (non-recoverings to business.

Ex: Sales on Fixed austs.

Alidal tost of Hilder tuerres use * loss: It total Expenses are more than total income then it is said to be a loss! * Discounts: Discount is the doduction into

price of goods sold. It is offered in hos Trade discount is applicable on bulk pwichase of supported no ro morning is enterprised to

=) (ash discount is Entered in books of account where as trade discount is not. =) Trade discount is offering neduction of agreed percantage of list price at the time

of Selling goods. * Yousher: The documentry Evidence in Support of a transaction is known as voucher, theo as

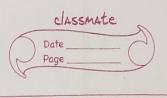
invoice sends, apper , but signers

* Discount: quantity applicable on bulk purhase Quentling:

. Ha mitaisayah

> >> Cosh discount acts as an incentive that Encourages prompt payment by the deb-tors

or have not some top Hour all enjoy someof of Levines sie - NON) Retrick to in



Purchases: Purchase of goods to be sold or manufacture of goods purchase returns: returns of goods purchased.

rences

Groods: Groods purchased for siesale or for manufactured products.

Stock or inventory: Growds Diemaining unsold or curlesed in manufacturing of product on a paticular date. Stock is a Current asset cheld by an Enterprise for the purpose of Sale in the ordinary course Course of business.

Topening stock: is the Stock in hand in the beginning.

of accounting year.

> Closing Stock: is the Stock in Land in the End of current accounting period.

Debtors: Debtor is a person or an Entity who owes amount to the Enterprise against credit sales of goods or Services.

Bills neceivable: It means a bill of Exchange accepted by a debotor, the amount of which will be shereived on a specified date

Trade receivables = Debotors + bills receivable.