

Module 3 - Financial and Cost Accounting:

Data Entry System

- Luca Pacioli (the scientist who invented double entry system)

- Business and owner - 2 separate entities : from accountant p.o.v

- Every single transaction has 2 parts - (buyer of) debit (supplier)

Debit (Dr)

Credit (Cr)

[£ 50 from a/c ...] debit amount to £

⋮
Total

⋮
Total

[£ 50 to a/c ...]

=

Business Entity principle

3 types of accounts: (for any commercial transaction)

1. Personal A/c - any person / business - with claims you can transact for good / service

2. Real A/c - assets owned by an owner / company - depending on investment made / profit earned - of use to organization.

3. Nominal A/c - All expenses or income from p.o.v

Golden rule of D/E System:

- for 1: Dr the receiver ; Cr the giver.

- for receiving
- less than or equal to

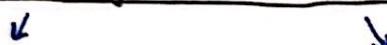
- for 2 : Dr what comes in ; Cr what goes out.
 - for 3 : Dr all expenses and losses ; Cr all incomes & gains.
- v.o.g business may : written changes s - source book keeping

Transaction: (to record) :- Exchange of money / money's worth is given to 2 or more parties. (v.o.g transaction)

(v.o.g transaction)

[... also Must relate to the business. v.o.g 3]

Book Keeping v/s Accounting:



↓

record raw-data analyse and present data properly.

(measurement is done here) (business is kept s)

• Journal: First place where transactions are recorded. (primary book of entry)

- purchase (service and goods) - off hand ..

- ex (Mr. A's transactions); no problem

2019 [motions of cash to]

1.6 Purchased goods for cash Rs 10,000. (first entry)

↳ wants to resell / deal.

v.o.g want account to "machinery" → want to use (second entry)

2.6 Sold goods for cash Rs 18,000

3.6 Purchased goods on credit from Mr. B for Rs 6,000.

Error? 3rd for other reason

4.6 Sold goods on credit Mr. C Rs 5,000.

↳ promise to pay -
so just as good.

Books of Mr. A

Ledger

Journals.

Folio

NOM is equivalent

Date	Particulars.	Dr (Rs)	Credit (Rs)
1.6.19	Purchase A/c ... Dr To Cash A/c . (Walter Agar cloth - Regd person - cash paid)	10,000	
2.6.19	Cash A/c ... Dr To Sales A/c . Walter Agar cloth - (Regd person - cash paid)	6,000	
3.6.19	Purchase A/c ... Dr To Mr. B . (Walter Agar person - Regd person - cash paid)	6,000	
4.6.19	Mr. C's A/c ... Dr . (Bank transact - cash)	5,000	
	To Sales A/c . (being goods sold on credit)		5,000

- Investment: investing in organization / for production - goods used - regd person - Walter Agar S
- Foreign Exchange: buying or selling foreign currency
- Speculation: make prediction to buy goods - eg: buying goods before price inflation (in near future).

Structure of Market:

- Monopoly: one seller dominates - many buyers.
(seller has control).
- Monopsony: many sellers - few buyers.
(buyer has control).
- Oligopoly: many buyers - few large sellers.
- Oligopsony: few large buyers - many sellers.
(there is little scope for price)
- Duopoly: 2 large sellers - many buyers.
- Competitive: Many buyers - many sellers.

(pricing etc. depends on many factors - this is a healthy market).

Mr. A's Transactions:

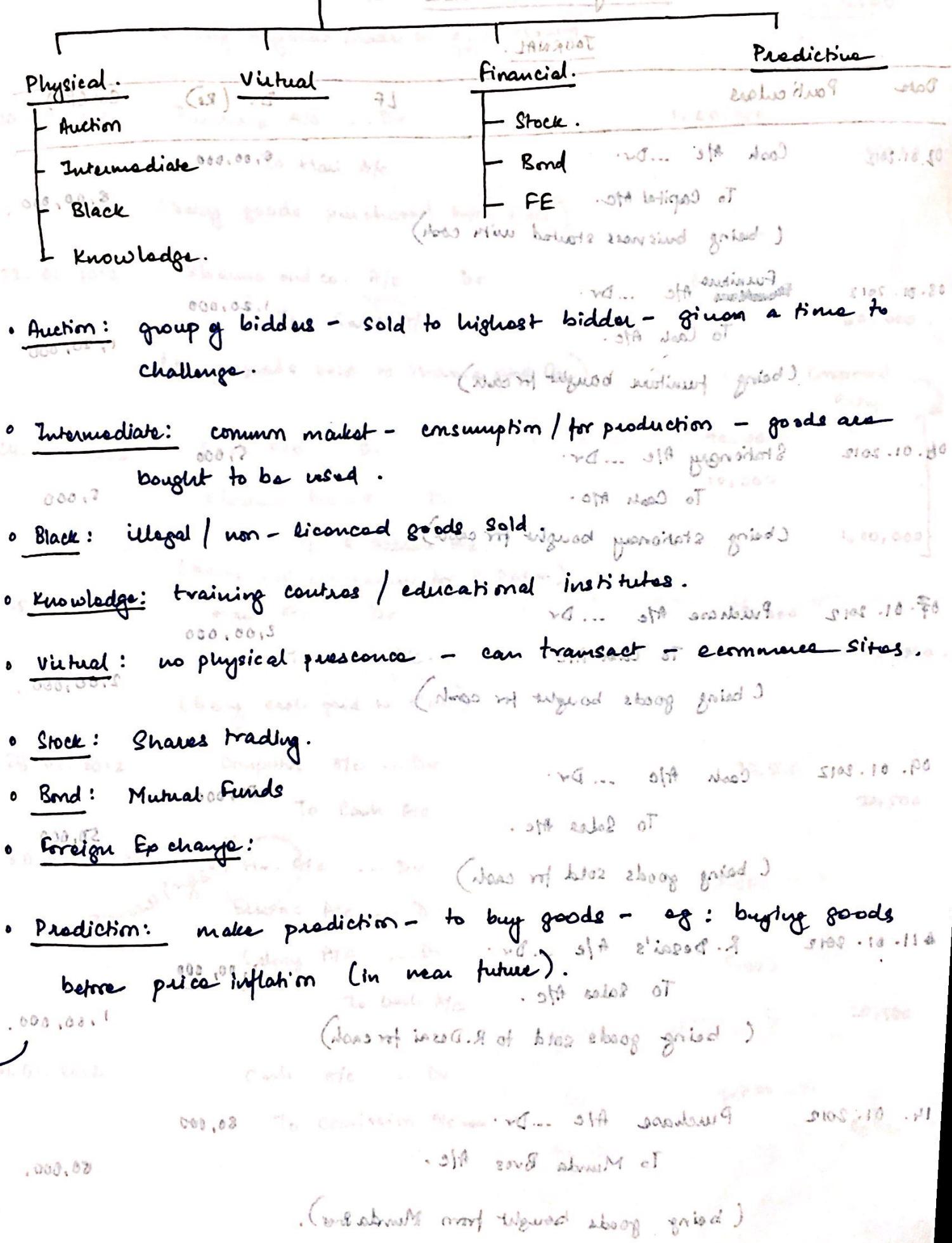
2.6 Sold goods for cash to R. K. Singh

2.6 Purchased goods on credit from Mr. D. K. Singh

4.6 Sold goods on credit to Mr. D. K. Singh

Market (a gathering of buyers and sellers).

E-markets



Problem-3

(Value has regard to opening stock) a) Journal Books of Mr. Ravi Verma

JOURNAL.

Date	Particulars	LF	Dr (Rs)	Cr (Rs)
02. 01. 2012	Cash A/c ... Dr. To Capital A/c. (being business started with cash)		5,00,000	5,00,000
03. 01. 2012	Furniture A/c ... Dr. To Cash A/c. (being furniture bought for cash)		1,20,000	1,20,000
06. 01. 2012	Stationery A/c ... Dr. To Cash A/c. (being stationery bought for cash)		5,000	5,000
07. 01. 2012	Purchase A/c ... Dr To Cash A/c. (being goods bought for cash)		2,00,000	2,00,000
09. 01. 2012	Cash A/c ... Dr. To Sales A/c. (being goods sold for cash)		50,000	50,000
11. 01. 2012	R. Desai's A/c ... Dr. To Sales A/c. (being goods sold to R. Desai for cash)		1,00,000	1,00,000
14. 01. 2012	Purchase A/c ... Dr. To Munda Bros A/c. (being goods bought from Munda Bros.)		80,000	80,000

18.01.2012	Office Cleaning A/c ... Dr.	1,500
	To Cash A/c.	1,500
	(being payment made for office cleaning)	
20. 01. 2012	Purchase A/c ... Dr.	1,00,000
	To Hari A/c.	1,00,000
	(being goods purchased from Hari)	
22. 01. 2012	Sharma and co. A/c ... Dr.	60,000
	To Sales A/c.	60,000
	(being goods sold to Sharma and Co.)	
24. 01. 2012	Cash A/c ... Dr.	10,000
	Discount Account ... Dr	
	To R. Desai & A/c.	10,000
	(being full settlement for R. Desai)	
25. 01. 2012	Hari A/c ... Dr.	50,000
	To Cash A/c.	50,000
	(being cash paid to Hari)	
28. 01. 2012	Computer A/c ... Dr.	22,500
	To Cash A/c	22,500
30. 01. 2012	Mr. A/c ... Dr.	5,000
	Electric A/c ... Dr.	500
	Salary A/c ... Dr.	15,000
	To Cash A/c	20,500
31. 01. 2012	Cash A/c ... Dr.	2,200
	To Commission A/c.	2,200
	(amount due drawn on value of services rendered)	

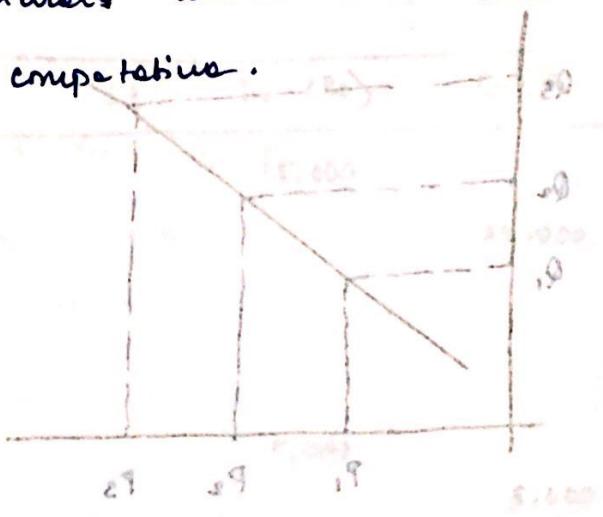
Features of a competitive market (with reference to above diagram)

1. Large number of buyers and sellers.
2. Perfect information - sellers and buyers are completely aware of price, features etc.
3. Homogeneous products - similar products from diff. sellers.
4. Well defined property rights.
5. No barrier to entry/exit - for either buyer/seller - no restriction.
6. Every participant is a price taker - not price maker - 'take' the general price of the market.
7. Perfect factor mobility. - quantity & bought/sold.
8. Seller's priority: profit maximization - fair way.
9. Rational buyer - buyer's object: rationalizing price - value of money.
10. No externalities - S sells to B. A, C, ... are not affected.
11. Zero transaction cost - if: a condition of 1yr warranty service within 1 yr at 0 cost.
12. Non increasing return to scale / No network exchange:

Economics of Scale:

↳ Opportunities & cost

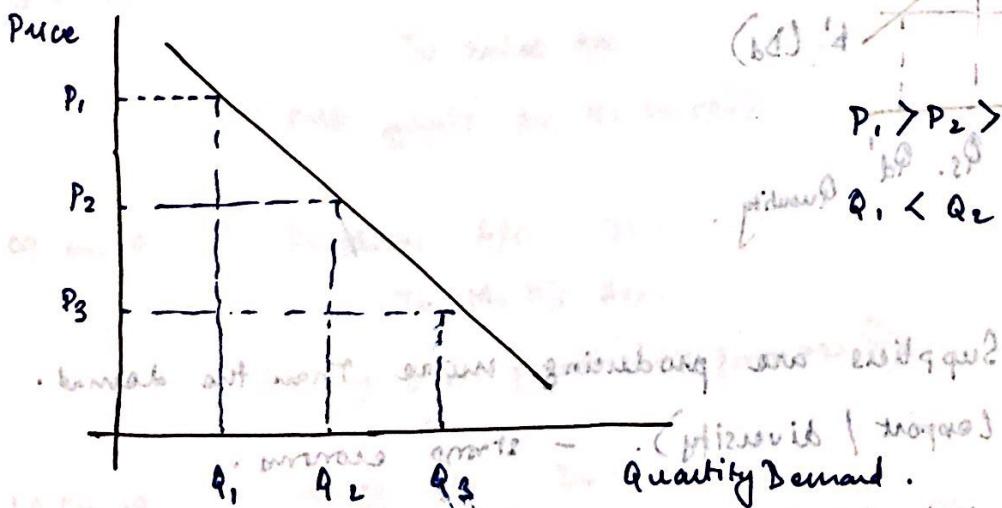
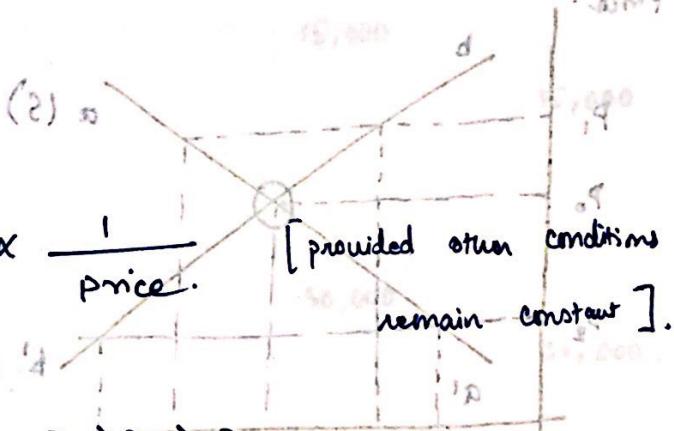
- No. of units produced by manufacturer which will lower cost / unit and allow him to be competitive.



↳ Using more efficient plant for production

- Economy of scale.

Demand and Supply:

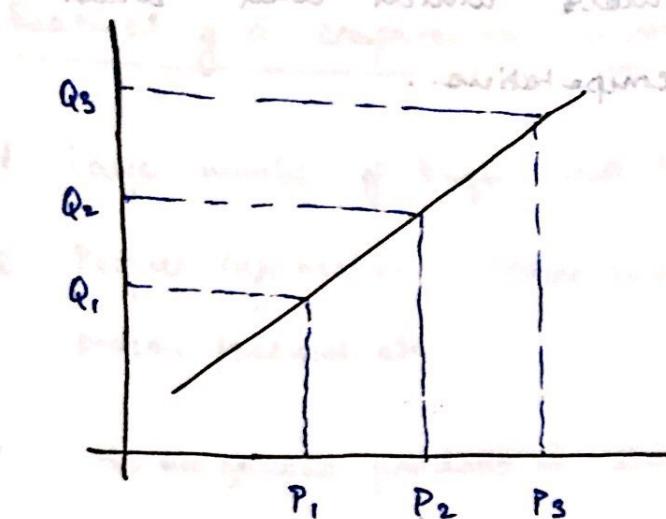


- Demand curve - in real life - not a straight line.

↳ Market : 10

Law of Supply:

↳ Law of Supply

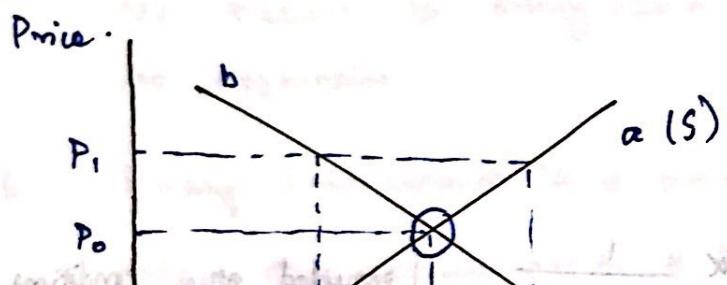


↳ Price & Quantity Sold

$$P_1 > P_2 > P_3$$

$$Q_1 > Q_2 > Q_3$$

↳ Law of Supply Properties



P_0 : win-win situation.

demand price = supply price

↳ Demand price = Supply price

Journalize the following transactions.

2019 Apr

Books of Mr. A.

JOURNAL.

Date.	Particulars	Dr (Rs)	Credit (Rs)
01.04.19	Cash A/c ... Dr. To Capital A/c. (being business started with cash)	25,000 25,000.	25,000. <small>Mr. A's capital</small>
02.04.19	Bank A/c ... Dr Cash A/c ... Dr To Purchase A/c. (being bank account opened for Rs 5,000)	5,000 <small>Mr. A's cash balance</small>	5,000. <small>Mr. A's capital</small>
03. 04.19	Purchase A/c ... Dr To Cash A/c. (being goods bought for cash)	15,000 <small>Mr. A's cash balance</small>	15,000.
05. 04.19	Cash A/c ... Dr. To Sales A/c. (sold goods for Rs 30,000)	30,000 <small>Mr. A's cash balance</small>	30,000.
09. 04.19	Purchase A/c ... Dr. To Mr P's A/c. (being goods purchased from Mr. P)	20,000 <small>Mr. A's cash balance</small>	20,000.
10. 04.19	Mr S's A/c ... Dr. To Sales A/c. (being goods sold to Mr. S)	25,000 <small>Mr. A's cash balance</small>	25,000.
16. 04.19	Mr P's A/c ... Dr To Cash A/c. (being amount paid (due) to Mr. P)	20,000 <small>Mr. A's cash balance</small>	20,000.

20.04.19

Cash A/c ... Dr.

24,500

Discount A/c ... Dr.

500.

To Mr S's A/c

25,000.

(being amount settled by Mr. S.)

25.04.19

Salary A/c ... Dr.

5,000

To Cash A/c (Along with hotel bill received paid) 5,000.

(being salary paid).

29.04.19

Withdraw A/c ... Dr.

2,000

To Cash A/c (being cash drawn paid) 2,000.

(being cash withdrawn for personal use)

29.04.19

To Cash A/c

2,000

(Amount of reward sheep paid)

29.04.19

Dr ... off hand

2,000

Off hand OT

(2,000 as reward sheep paid)

29.04.19

Dr ... off hand

2,000

Off hand OT

(2,000 as reward sheep paid)

29.04.19

Dr ... off hand

2,000

Off hand OT

(2,000 as reward sheep paid)

29.04.19

Dr ... off hand

2,000

- GIFFEN Goods; VEBLEN Goods - Do not follow law of demand.

GIFFEN Goods:

Essential; necessity goods; needed for continuity of life. - rice, food items ...

VEBLEN Goods:

Luxury goods - for ego / status - do not improve welfare. depreciation

Elasticity of Demand:

$\frac{\Delta d(Q)}{\Delta P}$: quantity demanded (inc) : dec. in price.

Elasticity of Supply:

$\frac{\Delta d(Q)}{\Delta P}$: quantity supplied (inc) : price (inc).

Elasticity of Income:

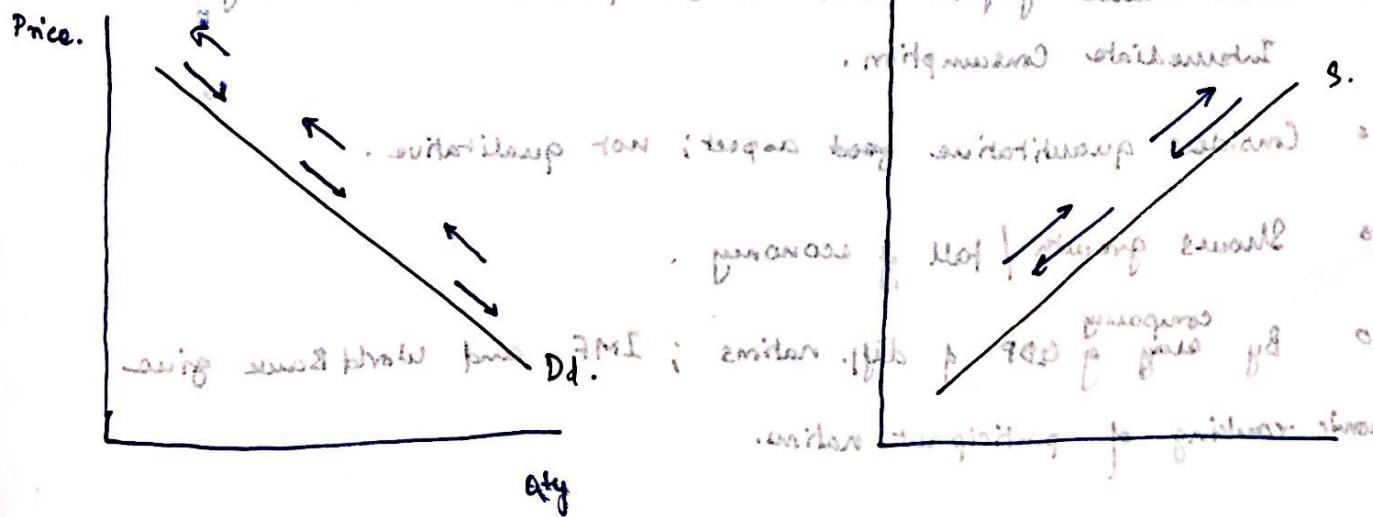
income (inc) : % demand (inc.)

Cross elasticity:

2 similar pdt. Inc. in price of 1; demand will lead to inc. in demand of other. & vice versa.

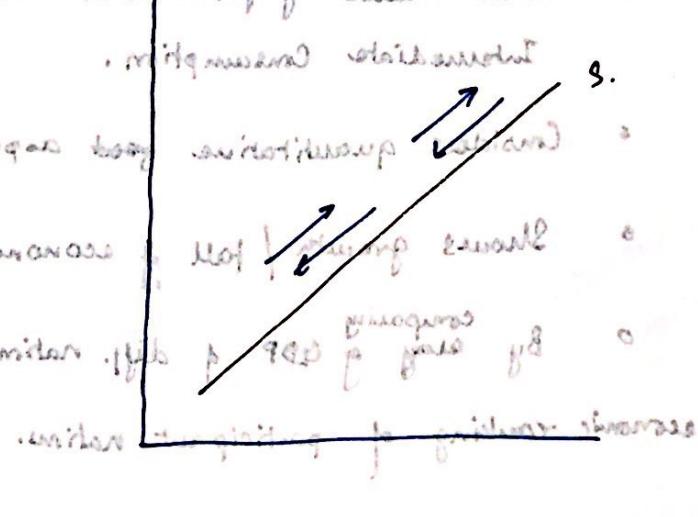
Movement of Demand:

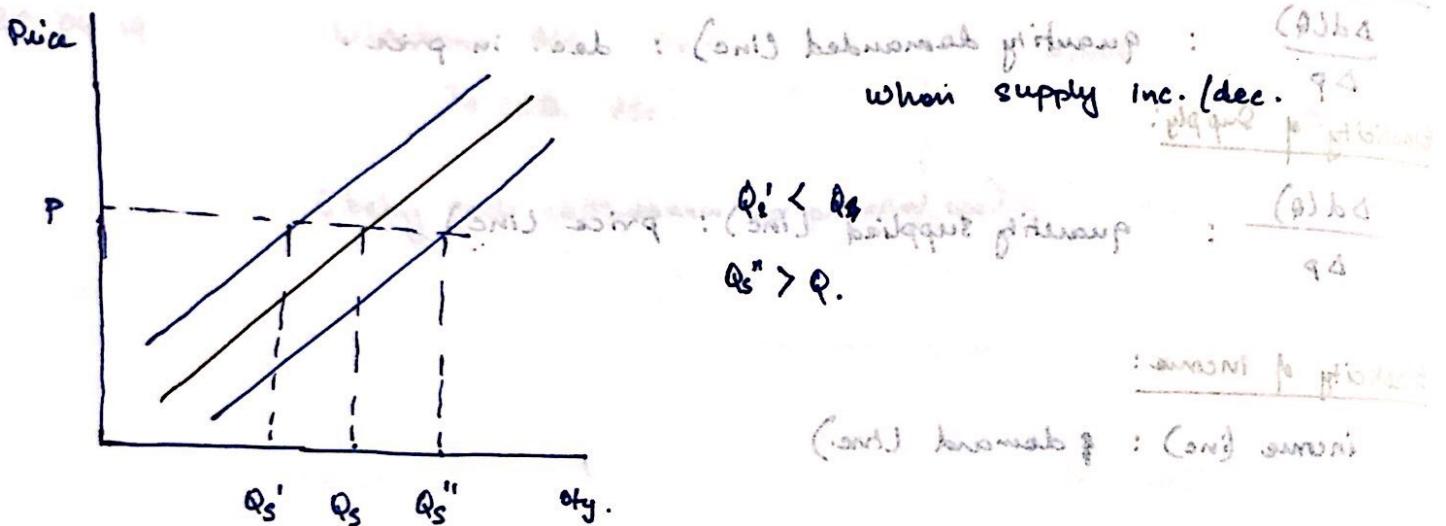
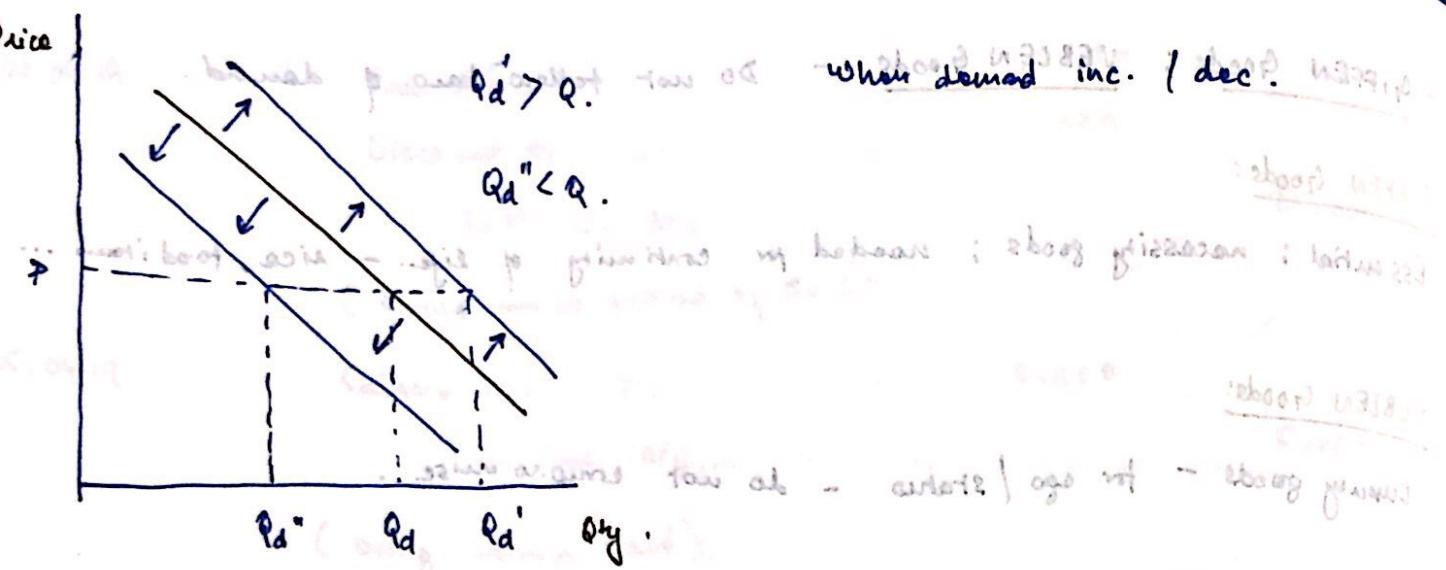
- parallel shifts along existing demand curve



Movement of Supply:

- parallel shifts along existing supply curve





National Income:

GDP: Gross Domestic Product:

- o Total value of goods and services produced domestically -
Intermediate Consumption.
 - Considers quantitative good aspect; not qualitative.
 - Shows growth / fall of economy.
 - o By comparing G.D.P of diff. nations ; IMF and World Bank give economic ranking of participant nations.

NDP: Net Domestic Product = ~~gross value of 25000~~

GDP - Depreciation \rightarrow loss of capital invested.

depends from nation to nation.

\therefore IMF / World Bank cannot consider ranking on basis of NDP.

• India govt. decides depreciation.

• Ministry of commerce & industries - gives depreciation fig.

GNP: Gross National Product.

= GDP + Income from abroad.

= (Value of Gross Domestic Product - Intermediate Consumption) +

(Trade Balance + Interest Income + Private Remittance)

GNP = GDP + Income from abroad + Interest Income + Private Remittance

= GDP + Export Income - Import Payment + Interest on loans received - Interest on loans paid + Pvt. Remittance.

• GDP = 100 cr. Int = 20 cr. Exp: 50 cr. Imp: 60 cr. \therefore GNP = 90 cr.

Int paid: 5 cr. Int recd: 10 cr. Pvt. Remittance: 15 cr. \therefore GNP = 90 cr.

\therefore GNP = 90 cr.

Interest Income

Int

Interest Income

Int

Books of Ravi Verma

→ Tools and instruments of law

LEDGER

LEDGER - known ledger p 220 ↔ misleading - 94P

Dr	. million or million	Cash A/c Anagah	Cr.
2/1 To Capital	raised m 800,000	By Furniture	120,000
9/1 To Sales	50,000	" Stationary	5,000.
23/1 To R. Dasai	90,000.	7/1 " Purchase	200,000
31/1 Comn. Paid	2,200.	18/1 " Office Clean	1,500
		25/1 " Hand	80,000
		28/2 " Computer	22,500
		31/1 " Drawings	5,000
		" Elect.	500
		Salary.	15,000.
4/2 To balance	492700	Balance c/d	492700
			(carried down) + 94P =
			b/d (brought down)

Receipts 922.00 9422.00

(-) Payments 449 500 part 75 02 - 903 75 05 - 45 75 06 - 90

Balance of cash: 492 800. ~~available~~ ~~4/17~~ 17/01: bank rec 100 18/01: bank rec 100

- 70 op. 70 = 941

Trial Balance as on 31.1.2012:

(2012/2013)

Particulars	Dr	Credit	Amount
Cash (A)	5000	5000	5000
Capital (L)	5000	5000	5000
Furniture (A)	120,000	120,000	120,000
Stationery (E)	5,000	5,000	5,000
Purchase (E)	380,000	380,000	380,000
Sales (I)	210,000	210,000	210,000
M.Bros (L)	80,000	80,000	80,000
Office Cleaning (E)	1,500	1,500	1,500
Hair (L)	20,000	20,000	20,000
Sharma & Co (A)	60,000	60,000	60,000
Discount allowed (E)	10,000	10,000	10,000
Computer (A)	22,500	22,500	22,500
Drawings — (-L)	5,000	5,000	5,000
Elect. (E)	500.	500.	500.
Salary. (E)	15,000	15,000	15,000
Comm. Paid. (I)	2200	2200	2200
	<u>11,12,200</u>	<u>11,12,200</u>	

$$\text{Income} - \text{Expense} = \text{Profit} -$$

$$\text{Assets} = \text{Liabilities}$$

$$\begin{array}{r}
 4,12,000 \\
 2,12,200 \\
 \hline
 \text{loss: } 1,99,800.
 \end{array}$$

Trial Balance	
Dr	Credit
(4,12,000) Expenditure, Loss	Incomes, Gains.
	Sales 210,000 Comm 2,200. <u>(212,200)</u>
(1,15,000) Assets	Liabilities.
(6,95,200)	

Liabilities:

Capital	8,00,000
H. Bros	5000
Hari	20,000
Drawings	(-) 5,000
	(-)
	695,200

- were taking total 'purchase' amount in expenses. Should my
take the goods sold (say worth 1,30,000). (2) ~~excess~~
(4) - 20.4M
- Roar (2,50,000) → asset (in red) (2) ~~gross~~ 50.00
(4) 50.00

00.	8000 00	2000 00
0	5000	(A) loss
00.	<u>- 199800</u>	(J) loss
00.	Liability of business,	(A) current
00.	000,081	(J) previous
00.	000,12	(J) previous
000.	000,082	(J) previous
S		(J) previous
mchase' amount in expenses. Should my		(I) paid
(say worth 1,30,000)		(J) paid
set (in rev)		(J) paid
002,1		(J) paid
000,00	Balance	(J) paid
000,00		(J) paid
000,00	to stores etc (A) at \$ amount	(J) paid
000,01	Received (J)	(J) bank balance was 215
002,48		(A) savings
000,00	(J-1) —	(J) savings
002		(J) —
000,75		(J) . past due
000,75		(J) . loss normal
000,51,11		

विवाहित	विवाहित
विवाहित	विवाहित
विवाहित	विवाहित (विवाहित)
विवाहित	विवाहित

• $\text{Sign} = \text{constant} - \text{error}$

• *Entwickeln* = *Entstehen*

- Purchasing Power parity can be assessed by GNP: except growth of net worth
- NNP (Net National Product):
= GNP - Depreciation.
(pure income of the nation...)
- NI (National Income / Per Capita Income) = $\frac{NNP}{Population}$

Usefulness of National Income Estimates:

- To measure a country's growth rate.
- National Income is a benchmark to measure standard of living of people.
- It helps the economic planning commission to decide the national planning.
- It helps to ascertain distribution of income.
- Sectorial contribution to national income
- It is a yardstick to compare different countries.
- It helps the national govt. to allocate funds for different activities eg: social benefits, defense, cultural, education, development.

Capital

Current Account

Money Balance

From the following figures prepare trial balance as on 31 March 2001

Capital				
Purchases	70,000			
Sales	1,00,000			
Purchased return	4,000			
Sales return	3,000			
Opening stock	60,000			
Closing stock	56,000			
Trade expenses	8,000			
Outstanding expenses	4,000			
Cash in hand	10,000			
Bank overdraft	50,000			
Debtors	56,000			
Creditors	12,000			
Carriage inwards	4,000			
Carriage outwards	6,000			
Discount received	10,000			
Loan from Mr. C.	30,000			
Capital	1,12,000			
Land & Building	1,00,000			

Books of Mr. Ryan.

Trial Balance as on 31.03.2019

Sno.	Heads of Ac / Particulars.	L/F	Dr (Rs)	Cr (Rs)
1.	Purchases (E)			70,000
2.	Sales (I)			1,00,000
3.	Purchase return. (I)			4,000
4.	Sales return. (I)			8,000
5.	Opening stock. (E)			60,000
	<u>Closing Stock. -</u>			
6.	Trade expenses. (E)			8,000
7.	Outstanding expenses. (I)			4,000
8.	Cash in hand. (A)			10,000.
9.	Bank overdraft. (L)			50,000.
10.	Debtors. (A)			56,000
11.	Creditors. (I)			12,000.
(12) - (10)	Carried inwards. (E)			4,000
	Carried outwards. (E)			6,000
13.	Discount received. (I)			10,000
14.	Loan from Mr. C. (L)			30,000
15.	Capital. (L)			1,12,000
16.	Loan & Building (A)			1,00,000
				3,22,000
				3,22,000

Closing balance does not come into trial balance as it is an adjustment.

Books of ...

Trading and Profit & Loss:

Account for the year ended on 31.3.19

Rs. 0.00

(2020) -
(60+60)

Dr.			Particulars.	Cr.
	Rs	Rs		Rs
To opening Stock		60	By Sales	100.
To Purchases	20		Less Returns	8
less returns	4	66		92
To carriage inwards		4	By Closing Stock	56.
Gross profit carried down		18		
		<u>148</u>		<u>148.</u>
To Trade expense		8	By Gross Profit brought down.	18
To carriage outwards		6	By Discount received	10
To net profit transferred to Capital		<u>14</u>		
		<u>28</u>		<u>28.</u>
(include only nominal accounts).				

entire account written in red ink

Revised and revised journal

Journal no

Books of ...

midaffair

Balance Sheet as on 31.3.19

Liabilities of firm during a year	Rs	Rs	Credit Assets during a year	Rs	Rs
① Capital	112		④ Cash at bank	10	
② Addl. Net Profit	14	126	③ Debtors		56
③ Outstanding expenses	4		① Land and Building	credit balance 100	
④ Bank Overdraft	50		② Closing Stock	Net balance 56	
creditors	12				
③ Loan from Mr C	30				
	222				

order of permanence and liquidity - marshalling the ~~Balance Sheet~~^{marshalling balance sheet}.

(Few years old ESR) - initially for other signs started radiological support.
- 008

+ basic polymer for motor right mitellot

+ Miyazaki Junnosuke midang012

. nidaibisi

Inflation:

Sustained increase in the general price level of goods and services in an economy over a period of time; causing the purchasing power of currency value to fall.

Causes of Inflation:

1. Demand Pull: Too much of money chasing too few goods.

2. Cost Push: When cost of manufacturing (resources etc.) increases; it will result in inflation; to keep a profit margin.

Variation of Inflation:

1. Disinflation: When rate of inflation goes down.

2. Deflation: Opposite of inflation. Prices go down. Purchasing power goes up.

3. Hyper inflation: Extreme high rate of inflation. (1920s Germany WWI) 2500%.

4. Stagflation: High rate of unemployment + stagnation of economic growth + inflation.

Problems encountered due to unanticipated inflation:

1. Creditor's loss; debtor's gain.
2. Uncertainty; causing hoarding of materials. (more than actual requirement).
3. Lowering of standard of living for retired people / those living on fixed income.
4. Entire economy has to absorb the effect of inflation.
5. Domestic products loose market.

Methods of Controlling Inflation:

1. Monetary Policy.
2. Fixed Exchange Rate.
3. Gold Standard. - more physical currency than gold.
4. Wage and Price Control. (Income policy) [short term if there's a dire consequence].
5. Stimulate Economic Growth.
6. Cost of Living Allowance (COLA)