HERITAGE GLOBAL ACADEMY

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Jss3 Second Term BUSINESS STUDIES

WEEK ONE: BALANCE SHEET

A balance sheet is a financial statement that contains details of a company's assets or liabilities at a specific point in time. It is one of the three core financial statements (income statement and cash flow statement being the other two) used for evaluating the performance of a business.

A balance sheet serves as reference documents for investors and other stakeholders to get an idea of the financial health of an organization. It enables them to compare current assets and liabilities to determine the business's liquidity, or calculate the rate at which the company generates returns. Comparing two or more balance sheets from different points in time can also show how a business has grown.

With this information, stakeholders can also understand the company's prospects. For instance, the balance sheet can be used as proof of creditworthiness when the company is applying for loans. By seeing whether current assets are greater than current liabilities, creditors can see whether the company can fulfill its short-term obligations and how much financial risk it is taking.

Balance sheet example with sample format

A balance sheet depicts many accounts, categorized under assets and liabilities. Like any other financial statement, a balance sheet will have minor variations in structure depending on the organization. Following is a sample balance sheet, which shows all the basic accounts classified under assets and liabilities so that both sides of the sheet are equal.

Key elements & components of a balance sheet

A balance sheet consists of two main headings: assets and liabilities. Let us take a detailed look at these components.

Assets

An asset is something that the company owns and that is beneficial for the growth of the business. Assets can be classified based on convertibility, physical existence, and usage.

a. **Convertibility**: This describes whether the asset can be easily converted to cash. Based on convertibility, assets are further classified into current assets and fixed assets.

1. **Current assets**: Assets which can be easily converted into cash or cash equivalents within a duration of one year. Examples include short-term deposits, marketable securities, and stock.
2. **Fixed assets**: Assets which cannot be easily or readily converted to cash. For example, buildings, machinery, equipment, or trademarks.

b. **Physical existence**: Assets can be of two types, tangible and intangible.

1. **Tangible assets**: Assets which you can see and feel, like office supplies, machinery, equipment, and buildings.

2. **Intangible assets**: Assets which do not have physical existence, like patents, brands, and copyrights.

c. **Usage**: Assets can be classified as operating and non-operating assets.

1. **Operating assets**: Assets which are necessary to conduct business operations. For example, buildings, machinery, and equipment.
2. **Non-operating assets**: Short-term investments or marketable securities that are not necessary for daily operations.

Liabilities

Liabilities are what the company owes to other parties. This includes debts and other financial obligations that arise as an outcome of business transactions. Companies settle their liabilities by paying them back in cash or providing an equivalent service to the other party. Liabilities are listed on the right side of the balance sheet.

Depending on context, liabilities can be classified as current and non-current.

1. **Current liabilities**: These include debts or obligations that have to be fulfilled within a year. Current liabilities are also called short-term assets, and they include accounts payable, interest payable, and short-term loans.
2. **Non-current liabilities**: These are debts or obligations for which the due date is more than a year. Non-current liabilities, also called long-term liabilities, include bonds payable, long-term notes payable, and deferred tax liabilities.

Owner’s Equity/ Earnings

Owner’s equity is equal to total assets minus total liabilities. In other words, it is the amount that can be handed over to shareholders after the debts have been paid and the assets have been liquidated. Equity is one of the most common ways to represent the net value of the company. Part of shareholder’s equity is retained earnings, which is a fixed percentage of the shareholder's equity that has to be paid as dividends.

The equity value can be positive or negative. If the shareholder's equity is positive, then the company has enough assets to pay off its liabilities. If it is negative, then liabilities exceed assets.

General sequence of accounts in a balance sheet

According to Generally Accepted Accounting Principles (GAAP), current assets must be listed separately from liabilities. Likewise, current liabilities must be represented separately from long-term liabilities. Current asset accounts include cash, accounts receivable, inventory, and prepaid expenses, while long-term asset accounts include long-term investments, fixed assets, and intangible assets.
Under your current liability accounts, you can have long-term debt, interest payable, salaries, and customer payments, while long-term liabilities include long-term debts, pension fund liability, and bonds payable.

Asset accounts will be noted in descending order of maturity, while liabilities will be arranged in ascending order. Under shareholder's equity, accounts are arranged in decreasing order of priority.

Balance sheet formula & equation

The balance sheet equation follows the accounting equation, where assets are on one side, liabilities and shareholder's equity are on the other side, and both sides balance out.

Assets = Liabilities + Shareholder's Equity

According to the equation, a company pays for what it owns (assets) by borrowing money as a service (liabilities) or taking from the shareholders or investors (equity).

WEEK 2: PERSONAL FINANCE

What Is Personal Finance?

Personal finance is a term that covers managing your money as well as saving and investing. It encompasses budgeting, banking, insurance, mortgages, investments, and retirement, tax, and estate planning. The term often refers to the entire industry that provides financial services to individuals and households and advises them about financial and investment opportunities.

Individual goals and desires—and a plan to fulfill those needs within your financial constraints—also impact how you approach the above items. To make the most of your income and savings, it's essential to become financially savvy—it will help you distinguish between good and bad advice and make intelligent financial decisions.

The Importance of Personal Finance

Personal finance is about meeting your personal financial goals. These goals could be anything—having enough for short-term financial needs, planning for retirement, or saving for your child's college education. It depends on your income, spending, saving, investing, and personal protection (insurance and estate planning).

WEEK THREE: SHORTHAND PRINCIPLES

Shorthand is an explicitly engineered writing system designed for optimal speed, efficiency, and ease of use. John Robert Gregg extracted seven essential principles for an ideal shorthand from his study of various existing shorthand systems, and based his eventually popular shorthand system on these principles. The principles particularly focus on the specifics of optimizing hand motion and simplifying symbol notation — for example, Pitman shorthand uses different line weight for characters to indicate different sounds, whereas Gregg is a 'light-line' system that uses identical strokes and differing character lengths to indicate differing sounds.

Gregg's seven principles of shorthand

1. The system should be based on the ellipse, or oval, i.e., on the slope of longhand
2. The system shoudl have curvilinear motion.
3. Obtuse angles should be eliminated by the natural blending of lines.
4. Vowels should be joined to consonants.
5. Shading should be eliminated.
6. There should only be one writing position — along the line.
7. The system should be lineal — that is, the writing should run in an easy, continuous flow along the line.

WEEK FOUR AND FIVE

TOPIC: INTRODUCTION TO KEYBOARDING

At the end of this topic student should be able to

State the meaning of Keyboarding

Mention importance's of Keyboarding

Demonstrate correct sitting position of keyboarding

Identified different part of computer keyboarding

Keyboarding is the process through which information is keyed into the computer or the typewriter by the use of various keys of the keyboard. It is also defined as the ability to utilize the complete set of keys of the keyboard, usually hand-operated to feed in data into the computer. Letters, reports and various documents produced in schools and offices are all done through keyboarding.

The keyboard is a very important aspect of computer and typewriter part as it is the basis for efficient computer or typewriter use. Without the knowledge of keyboarding the leaner cannot perform any meaningful task with the computer.

<u>Importance of Keyboarding</u>

speed: it enable the user of the computer or typewriter to do a lot of work faster than when he applies sight system

Accuracy: Learning to use the appropriate singer to manipulate a specific key reduces errors in typing as well as the wrong stress

Efficiency: speed and accuracy bring about efficiency of work

Easy production of work: a good knowledge of touch system enable the operator to produce whatever work he does in computer or typewriter

Sense of Happiness and Encouragement: the achievement of speed, accuracy, and efficiency give joy and encourages one to strive to greater height in the course of keyboarding

Career Opportunity: it will make a job seeker more marketable as most jobs in society requires some degree of computer work

Personal use: individuals own computer nowadays. A good knowledge of keyboarding will enable one work on One's Personal computers

WEEK SIX: **MANUSCRIPT**

A **manuscript** (abbreviated **MS** for singular and **MSS** for plural) was, traditionally, any document written by hand or typewritten, as opposed to mechanically printed or reproduced in some indirect or automated way.[1] More recently, the term has come to be understood to further include *any* written, typed, or word-processed copy of an author's work, as distinguished from the rendition as a printed version of the same.[2]

Before the arrival of prints, all documents and books were manuscripts. Manuscripts are not defined by their contents, which may combine writing with mathematical calculations, maps, music notation, explanatory figures, or illustrations.

Terminology

. Most manuscripts were ruled with horizontal lines that served as the baselines on which the text was

the Latin: *manūscriptum* (from *manus*, hand and *scriptum* from *scribere*, to write).[3] The study of the writing (the "hand") in surviving manuscripts is termed palaeography (or paleography). The traditional abbreviations are **MS** for manuscript and **MSS** for manuscripts,[4][5] while the forms **MS.**, **ms** or **ms.** for singular, and **MSS.**, **mss** or **mss.** for plural (with or without the full stop, all uppercase or all lowercase) are also accepted.[6][7][8][9] The second *s* is not simply the plural; by an old convention, a doubling of the last letter of the abbreviation expresses the plural, just as *pp.* means "pages".

A manuscript may be a codex (i.e. bound as a book), a scroll, or bound differently or consist of loose pages. Illuminated manuscripts are enriched with pictures, border decorations, elaborately embossed initial letters or full-page illustrations.

WEEK SEVEN: TRADING PROFIT AND LOSS ACCOUNT

Trading and Profit and Loss Account

A business needs to prepare a trading and profit and loss account first before moving on to the balance sheet. Trading and profit and loss accounts are useful in identifying the gross profit and net profits that a business earns.

The motive of preparing trading and profit and loss account is to determine the revenue earned or the losses incurred during the accounting period.

The trading and profit and loss account are two different accounts that are formed within the general ledger. The two parts of the account are:

1. Trading Account

2. Profit and Loss Account

Trading account is the first part of this account, and it is used to determine the gross profit that is earned by the business while the profit and loss account is the second part of the account, which is used to determine the net profit of the business.

Also see: Balance Sheet vs Profit & Loss Account

Let us know more about these accounts in detail

1. Trading Account

Trading account is used to determine the gross profit or gross loss of a business which results from trading activities. Trading activities are mostly related to the buying and selling activities involved in a business. Trading account is useful for businesses that are dealing in the trading business. This account helps them to easily determine the overall gross profit or gross loss of the business. The amount thus determined is an indicator of the efficiency of the business in buying and selling.

The formulae for calculating gross profit is as follows:

Gross profit = Net sales – Cost of goods sold

Where

Net sales = Gross sales of the business minus sales returns, discounts and allowances.

The trading account considers only the direct expenses and direct revenues while calculating gross profit. This account is mainly prepared to understand the profit earned by the business on the purchase of goods.

Items that are seen in the debit side include purchases, opening stock and direct expenses while credit side includes closing stock and sales.

Closing entries for Gross Loss or Gross Profit

The following entries are passed

In case of Gross Loss

Profit and Loss A/c Dr.

To Trading A/c

In case of Gross Profit

Trading A/c Dr.

To Profit and Loss A/c

Preparing Trading Account

Trading account is prepared by closing all the temporary purchases and revenue accounts and making adjustments in the inventory accounts by the use of a closing journal entry

For the following question, prepare a trading account

Particulars	Amount	Particulars	Amount
Sales	2,05,000		

Sales returns	15,000
Purchases	49,000
Purchases returns	3000
Opening inventory	8000
Closing inventory	30,000
Trading Account	1,500

The format of trading account after passing the closing entry is as follows:

Dr.	**Trading Account for the year ended**		**Cr.**
Sales returns	15,000	Sales	205,000
Purchases	49,000	Purchase returns	3,000
Beginning inventory	8,000	Ending inventory	9,000
Balance c/d	145,000		
Total	**217,000**	**Total**	**217,000**
		Balance b/d	145,000

In this example, all accounts are closed and transferred to the trading account. The credit entry of 1,45,000 is the gross profit for the period.

2. Profit and Loss Account

Profit and loss account shows the net profit and net loss of the business for the accounting period. This account is prepared in order to determine the net profit or net loss that occurs during an accounting period for a business concern.

Profit and loss account get initiated by entering the gross loss on the debit side or gross profit on the credit side. This value is obtained from the balance which is carried down from the Trading account.

A business will incur many other expenses in addition to the direct expenses. These expenses are deducted from the profit or are added to gross loss and the resulting value thus obtained will be net profit or net loss.

The examples of expenses that can be included in a Profit and Loss Account are:

1. Sales Tax

2. Maintenance

3. Depreciation

4. Administrative Expense

5. Selling and Distribution Expense

6. Provisions

7. Freight and carriage on sales

8. Wages and Salaries

These appear in the debit side of Profit and Loss Account while Commission received, Discount received, profit obtained on sale of assets appear on the credit side.

Net profit can be determined by deducting business expenses from the gross profit and adding other incomes obtained

Net profit = Gross profit – Expenses + Other income

Closing Entries for Net Loss or Net Profit:

i. In case of Net Loss

Capital A/c – Dr.

To Profit and Loss A/c

ii. In case of Net Profit

Profit and Loss A/c -Dr.

To Capital A/c

Trading and Profit and Loss Account Format

Trading and Profit and Loss Account format is represented separately as follows:

Format for Trading Account

Trading account for the year ended……….

To opening stock		xxx	By Sales	xxxx	
To purchases	xxxx		Less returns	xx	
Less returns	xxx			--------	xxxx
	-------------	xxxx	By closing stock		xxx
To Direct expenses:			By gross loss (if loss)		xxx
Carriage inward		xxx			
Freight		xxx			
Octroi		xxx			
Dock dues		xxx			
Excise duty		xxx			
Royalty		xxx			
Motive power		xx			
Coal, gas, water		xxx			
Factory expenses		xxx			
To Gross Profit (if profit)		xxx			
		xxxxx			xxxxx

Format for Profit and Loss Account

Profit & Loss Account

Dr. (For the year ended…) Cr.

Particulars	Amount	Particulars	Amount
To Gross loss b/d	Xxx	By Gross Profit b/d	Xxx
To Salaries	Xxx	By Discount Received	Xxx
To Office rent, rates and taxes	Xxx	By Commission Received	Xxx
To Printing & stationery	Xxx	By Bank Interest	Xxx
To Telephone expenses	Xxx	By Rent received	Xxx
To Postage & telegram	Xxx	By Dividend on shares	Xxx
To Discount Allowed	Xxx	By Interest earned on debentures	Xxx
To Insurance	Xxx	By Profit on sale of asset	Xxx
To Audit Fees	Xxx	By Net loss	Xxx
To Electricity charges	Xxx		
To Repairs & renewals	Xxx		
To Depreciation	Xxx		
To Advertisement	Xxx		
To Carriage Outwards	Xxx		
To Bad Debts	Xxx		
To Provision for Bad debts	Xxx		
To Selling commission	Xxx		
To Bank Charges	Xxx		
To Interest on loans	Xxx		
To Loss on sale of asset	Xxx		
To Net Profit	Xxx		
	xxx		xxx

WEEK NINE: KEYBOARD MEMORANDUM

A **memorandum** (pl.: **memoranda**; from the Latin *memorandum*, "(that) which is to be remembered"), also known as a **briefing note**, is a written message that is typically used in a professional setting. Commonly abbreviated ***memo***, these messages are usually brief and are designed to be easily and quickly understood. Memos can thus communicate important information efficiently in order to make dynamic and effective changes.[1]

In law, a memorandum is a record of the terms of a transaction or contract, such as a policy memo, memorandum of understanding, memorandum of agreement, or memorandum of association. In business, a memo is typically used by firms for internal communication, while letters are typically for external communication.

Other memorandum formats include briefing notes, reports, letters, and binders. They may be considered grey literature. Memorandum formatting may vary by office or institution. For example, if the intended recipient is a cabinet minister or a senior executive, the format might be rigidly defined and limited to one or two pages. If the recipient is a colleague, the formatting requirements are usually more flexible.[

WEEK TEN: PERSONAL LETTER

A personal letter is a type of letter (or informal composition) that usually concerns personal matters (rather than professional concerns) and is sent from one individual to another. It's longer than a dashed-off note or invitation and is often handwritten and sent through the mail.

"A personal letter takes longer to write than the few abrupt sentences you bang out without proofreading before you click on 'send'; it takes longer to read than the blink-and-delete blitz that helps you purge your inbox; and it digs deeper than the brief handwritten note that you drop in the mail," write authors Margaret Shepherd with Sharon Hogan, who are passionate about the diminishing art form in "The Art of the Personal Letter: A Guide to Connecting Through the Written Word."

They go on to explain:

"A letter deals with issues that deserve more than a minute of attention. It aims to strengthen a relationship, not just react to a situation. A letter isn't limited to a specific message like 'Can you come over?' or 'Thank you for the birthday check.' Rather, it can take both the writer and the reader on an excursion that sets off from a home base of mutual trust: 'I know you'll be interested in what I think' or 'I'd like to hear your ideas on this.' Whether it comes into your life onscreen or through the mail slot, the well-thought-out personal letter is irresistible to read aloud, mull over, respond to, read again, and save.

"Good letter writing feels much like a good conversation, and it has the same power to nourish a relationship."