



Accounting

 Define Accounting? Discuss in brief the importance of Accounting in the present day economic society.



Accounting:

 Discuss briefly the relationship between Accounting & Engineering.



 What do you mean by Accounting Cycle? State briefly its different stages.



 What do you mean by Debit & Credit?



Debit: The person or institution that receives something from another person or institution is called debtor. Cash is paid to X Tk.500. Here X's account is Debit.



Credit: The person or institution that gives something from another person or institution is called creditor. Cash is received from Y Tk.500. Here Y's account is Credit.

 How will you find the Debit & Credit from any Transaction?



We can find out the debit and credit of any transaction by any one or both of the following rules:

(i) Golden rule:

For Personal Account: For the personal account debit is the receiver of benefit and credit is the giver of benefit.

For Real Account: For the real account debit what comes in and credit what goes out.

For Nominal Account: For the nominal account debit is the expenses and losses account and credit is the incomes and gains account.


(ii) Modern rule:

From the Account Equation: From the following account equation we can easily determine the debit and credit.

$$A + E = C + L + I$$

Here *A* for asset, *E* for expense, *C* for capital, *L* for liability, *I* for income.

If the *A* and *E* increase then it will be debit and if they decrease then it will be credit. If *C*, *L* and *I* decrease then it will be debit and if they increase then it will be credit.

 Determine the debit and credit from the following examples:

1. Machine is purchased for cash.
2. Typewriter is purchased for cash from Y.
3. Cash is paid to X Tk.500.
4. Cash is received from X Tk.500.
5. Rent is paid by cheque.
6. Salary is paid by cheque to B.
7. Interest is received in cash.

8. Dividend is received from X Ltd.
9. Credit sales to A.
10. Credit purchase from B.
11. Furniture purchased on credit from C.
12. Interest received.
13. Interest receivable.
14. Salary paid.
15. Salary payable.



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|------------------------------|---------------|
| 1. Machine A/C ----- Dr. | |
| Cash A/C ----- Cr. | |
| 2. Typewriter A/C -- Dr. | |
| Cash A/C -- Cr. | |
| 3. X's A/C ----- Dr. | |
| Cash A/C ----- Cr. | |
| 4. Cash A/C ----- Dr. | |
| X's A/C ----- Cr. | |
| 5. Rent A/C ----- Dr. | |
| Bank A/C ---- Cr. | |
| 6. Salary A/C ----- Dr. | |
| Bank A/C ----- Cr. | |
| 7. Cash A/C ----- Dr. | |
| Interest A/C ----- Cr. | |
| 8. Bank A/C ----- Dr. | |
| Dividend A/C ----- Cr. | |
| 9. A's A/C ----- Dr. | Personal A/C. |
| Sales A/C ----- Cr. | Nominal A/C. |
| 10. Purchase A/C ---- Dr. | Nominal A/C. |
| B's A/C ---- Cr. | Personal A/C. |
| 11. Furniture A/C ---- Dr. | Real A/C. |
| C's A/C ---- Cr. | Personal A/C. |
| 12. Cash A/C --- Dr. | Real A/C. |
| Interest A/C --- Cr. | Nominal A/C. |
| 13. Interest Receivable- Dr. | Real A/C. |
| Interest A/C --- Cr. | Nominal A/C. |
| 14. Salary A/C --- Dr. | Nominal A/C. |
| Cash A/C --- Cr. | Real A/C. |
| 15. Salary A/C ---- Dr. | Nominal A/C. |
| Outstanding salary – Cr. | Real A/C. |



What do you mean by Double Entry System of Account?



Double Entry System: We know that every transaction must have a debit and a credit. The procedure by which we can note down these two terms of any transaction in the same account book is called Double Entry System of Accounting.

According to Mr. William Pickles, "Double Entry System seeks to record every transaction in money or money's worth in its double aspect-the receipt of a benefit by one account and the surrender of a like benefit by another account, the former entry being to the debit of the account receiving the latter to the credit of the account surrendering".



What do you mean by Cashbook?



Cashbook: The book in which all cash receipt and cash payments are recorded, whose structure is as same as ledger book and in which after a fixed time all cashes are balanced is called Cashbook. In a cashbook all receipts are recorded in the debit side and all payments are recorded in the credit side.

There are three types of cashbooks:

- Single column cashbook (Cashbook with cash column only).
- Double column cashbook (Cashbook with cash and bank column).
- Triple column cashbook (Cashbook with cash, bank and discount column).

Some examples are given below as samples:



Record the following transactions in a single column cashbook:

- January-1: Opening cash balance Tk.. 85000
 January-5: Purchases furniture Tk.. 15000
 January-8: Purchases goods Tk. 5000
 January-10: Withdrawn from bank Tk. 12000
 January-13: Sold an old machine for Tk. 25000
 January-15: Received cheque from Rahman & Co. of Tk. 15000
 January-18: Deposited into bank of cheque and Tk 30000
 January-20: Received from Mr. Habib Tk. 8000
 January-22: Received a cheque from Mr. Banarjee of Tk. 10000
 January-23: Deposited into bank Tk. 12000
 January-25: Dishonoured a cheque of Rahman & Co. Tk. 15000
 January-28: Paid Tk. 4000 for rent.
 January-31: Petty cashier Tk. 500



Solution:

Cashbook with cash column only
(Month January-2004)

<i>Debtor</i>				<i>Creditor</i>			
<i>Date</i>	<i>Particulars</i>	<i>V.no.</i>	<i>Cash</i>	<i>Date</i>	<i>Particulars</i>	<i>V.no.</i>	<i>Cash</i>
Janu-1:	Capital	---	85000	Janu-5:	Purchases	---	15000
Janu-10:	Bank A/C	---	12000	Janu-8:	Purchases	---	5000
Janu-13:	Sales A/C	---	25000	Janu-18:	Bank A/C	---	30000
Janu-15:	Rahman & Co.	---	15000	Janu-23:	Bank A/C	---	12000
Janu-20:	Mr. Habib	---	8000	Janu-25:	Rahman & Co.	---	15000
Janu-22:	Mr. Banarjee	---	10000	Janu-28:	Rent A/C	---	4000
Janu-25:	Rahman & Co.	---	15000	Janu-31:	Petty Cashier	---	500
				Janu-31:	Balance	---	88500
			170000				170000



Record the following transactions in a double column cashbook;

April-1: Balances-cash Tk. 1000 and bank Tk. 3500

April-3: Purchases furniture Tk. 2500. Its price was paid in cash Tk. 500 and by cheque Tk. 2000

April-5: Invested additional capital of Tk. 8000

April-7: Deposited into bank Tk. 6000

April-10: Cash purchases of goods Tk. 1500 and cash sales of goods Tk. 3000

April-13: Received a cheque of Tk. 2000 from Harun & Sons.

April-15: Received a cheque of Tk. 2500 from Malik & Sons and deposited into bank immediately.

April-20: Drew cash Tk. 2000 from bank for office use.

April-30: Bank interest credited on Tk. 150 and bank cheque debited on Tk. 50



Solution:

Cashbook with cash and bank column

Debtor

(Month: April-2004)

Creditor

Date	Particulars	V.no.	Cash	Bank	Date	Particulars	V.no.	Cash	Bank
April-1:	Balance-b/d	---	1000	3500	April-3:	Furniture-A/C	---	500	2000
April-5:	Capital	---	8000		April-7:	Bank-A/C	©	6000	
April-7:	Cash	©		6000	April-10:	Purchases-A/C	---	1500	
April-10:	Sales A/C	---	3000						
April-13:	Harun & Sons	---	2000		April-20:	Cash-A/C	©		2000
April-15:	Malik & Sons	---		2500	April-30:	Bank Charge	---		50
April-20:	Bank A/C	©	2000		April-30:	Cash-A/C	©	7500	
April-30:	Interest	---	150						
April-30:	Bank A/C	©		7500	April-30:	Balance-		650	15450
			16150	19500				16150	19500



Record the following transactions in a treble column cashbook;

January-1: Opening cash balance Tk. 8500 and opening bank balance over-draft Tk. 5000

January-4: Purchased furniture worth Tk. 5500; its price paid in cash Tk. 2500 and the rest was paid by cheque.

January-8: Purchased goods worth Tk. 3500; its price is paid in cash Tk. 1500 and the rest Tk. 2000 was paid by cheque.

January-10: Drew cash Tk. 1500 for personal needs of the proprietor and Tk. 3500 for

office purpose.

January-12: Our acceptance for Tk. 2500 lifted to bank for payment.

January-16: Cash sale Tk. 9500; the sale proceeds Tk. 2500 received in cash and the rest by cheque. The cheque so received deposited into bank immediately.

January-18: Received cash Tk. 4600 and a cheque for Tk. 15000 from Arun & Co. in full settlements of their debts Tk. 20000; the cheque so received deposited immediately into bank.

January-20: Being allowed from Tarun & Sons. 5% discount. Tk. 2000 is paid in cash and the rest by cheque in full settlement of their claim Tk. 6000

January-23: Deposited into bank Tk. 2500

January-28: Paid Tk. 3600 for salary and Tk. 1500 for Vat while Tk. 2400 is paid by cheque for rent.

January-31: Bank interest credited Tk. 200 and bank charge debited Tk. 100

Solution:

Cashbook with cash, bank and discount column

<i>Debtor</i>						<i>Creditor</i>					
(Month-January-2004)											
<i>Date</i>	<i>Particulars</i>	<i>V.no.</i>	<i>Discount</i>	<i>Cash</i>	<i>Bank</i>	<i>Date</i>	<i>Particulars</i>	<i>V.no.</i>	<i>Discount</i>	<i>Cash</i>	<i>Bank</i>
Janu-1:	Balance- b/d	---	---	8500		Janu-1:	Balance- over-draft	---	---		5000
Janu-10:	Cash-A/C	©	---	3500		Janu-4:	Purchase – A/C	---	---	2500	3000
Janu-16:	Sales-A/C	---	---	2500	7000	Janu-8:	Purchase- A/C	---	---	1500	2000
Janu-18:	Cash-A/C	---	400	4600	15000	Janu-10:	Cash-A/C	---	---		1500
Janu-23:	Bank-A/C	©	---		2500	Janu-10:	Bank-A/C	©	---		3500
Janu-31:	Interest-	---	---		200	Janu-12:	Bank-A/C	---	---		2500
Janu-31:	Bank-A/C	©	---		5000	Janu-20:	Cash-A/C	---	300	2000	3700
						Janu-23:	Bank-A/C	©	---	2500	
						Janu-28:	Salary-	---	---	3600	
							Vat-	---	---	1500	
							Rent-	---	---		2400
						Janu-31:	Bank charge-	---	---		100
						Janu-31:	Cash-A/C	©	---	5000	
						Feb-1:	Balance-	---	----	500	6000
				19100	29700					19100	29700

Some special terms to define:

Cashbook: The book in which

Discount:

Single column cashbook:

Double column cashbook:

Treble column cashbook: