

Accounting

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1. Accounting:- Accounting has been defined as the art of recording, classifying and summarising of business, transaction and events in such a manner so as to permit effective management.

Advantages/Objectives of accounting:-

- (i) It provides a permanent record of all business activities.
- (ii) It makes possible to determine profit and loss of business.
- (iii) It makes possible to ascertain the total assets and liabilities.
- (iv) It helps to determine total debtor and creditor of business.
- (v) It helps to make comparative study of assets and liabilities.
- (vi) It is useful to determine self price.

(ix) It helps to eliminate ^{दूर करना/निष्कासन करना} misunderstanding.

2. Transaction:- The term business transaction has been defined as any act that alters the financial position, where such alteration can be measured in terms of money.

Characteristics of transaction:-

- (i) Event must be measurable in terms of money.
- (ii) Financial change must brought by the event.
- (iii) There must have two parties or accounts in each transaction.
- (iv) Transaction must be independent.
- (v) ^{→ दृष्टि नग्राय/अदृश्य} Invisible event (Depreciation)
- (vi) Historical event (Reserve of bad debt)

3. Accounting equation:-

$$\text{Assets} = \text{Equity}$$

$$\Rightarrow \text{Assets} = \text{Liability} + \text{Owner's equity}$$

$$\Rightarrow \text{Assets} = \text{Liability} + (\text{Capital} + \text{Income} - \text{Expenses})$$

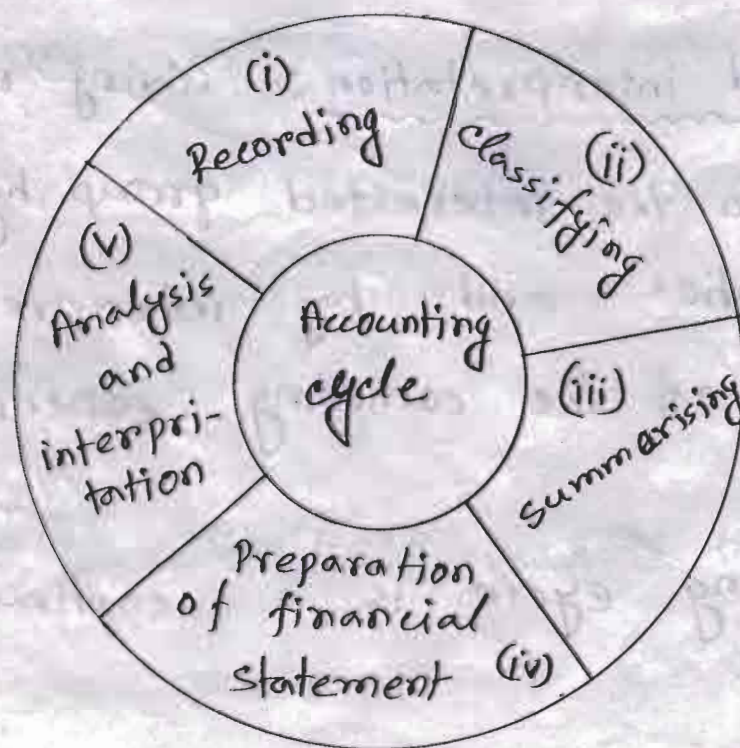
$$\Rightarrow \text{Assets} + \text{Expenses} = (\text{Capital} + \text{Liability} + \text{Income})$$

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

This is accounting equation.

4. Accounting cycle:- The order or sequence in which accounting procedures are performed is known as accounting cycle.

There are five steps in accounting cycle :-



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- (i) Recording :- First process of accounting is recording. Recording is the transactions in the journal or books of original entry.
- (ii) Classifying :- Transferring the entries from the journal to the ledger.
- (iii) Summarising :- Preparation of trial balance, summary of both balances debit and credit.
- (iv) Preparation of financial statement :- Preparing the trading accounting, profit and loss account and the balance sheet also taking into account all adjustments affecting the period concerned.
- (v) Analysis and interpretation :- Giving necessary information to the interested group by calculating accounting ratios and by interpreting the performance of the company concerned.

The accounting cycle is a continuous process.

5. What is an account?

An account:- An account is an element in an accounting system that is used to classify and summarise of business activities.

Classification of account:- There are three types of account:-

- (i) Personal account,
- (ii) Real/Asset account,
- (iii) Nominal account.

(i) Personal account:- Accounts related to persons or firms are known as personal accounts.

Ex.- Rahim's account in Rupali Bank.

(ii) Real or asset account:- Accounts related to property or possession are known as real or asset account.

Ex.- Cash Tk, Building, good will etc.

(iii) Nominal accounting:- Accounts related to gains and incomes or expenses and losses of business are known as nominal account.

Ex:- Rent, salary, advertisement etc.

6. Classify the following accounts?

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- (i) Rupali Bank A/c → Personal A/c
- (ii) Mr X's A/c → Personal A/c
- (iii) Furniture A/c → Asset A/c
- (iv) Bad debt A/c → Nominal A/c
- (v) Good will A/c → Asset A/c
- * (vi) Capital A/c → Personal A/c
- (vii) Wages A/c → Nominal A/c
- (viii) Stationary A/c → Nominal A/c
- (ix) Salary → Nominal A/c
- (x) Debtor → Personal A/c
- (xi) Creditor → Personal A/c
- (xii) Bank balance → Asset A/c
- (xiii) Motor car → Asset A/c
- (xiv) Land building → Asset A/c

- (xv) Cash taka \longrightarrow Asset A/c
- (xvi) Interest \longrightarrow Nominal A/c
- * (xvii) Loan \longrightarrow Personal A/c
- (xviii) Rent \longrightarrow Nominal A/c
- (xix) Investment \longrightarrow Asset A/c
- (xx) Depreciation (losses) \longrightarrow Nominal A/c
- (xxi) Machinery \longrightarrow Asset A/c
- (xxii) Purchase \longrightarrow ^{Asset} Nominal A/c
- (xxiii) Advertisement \longrightarrow Nominal A/c

7. Rules for determining debit and credit of a transaction / Golden rules for debit-credit;—

(i) Personal A/c :- Debit - the receiver
Credit - the giver

(ii) Real or asset A/c :- Debit - what comes in
credit - what goes out

(iii) Nominal A/c :- Debit - the expenses and losses
credit - the incomes and gains.

Ex. -

(i) Personal account:- Mr X paid 500 Tk to Mr Y.

Here, receiver \rightarrow debit \rightarrow Mr Y

giver \rightarrow credit \rightarrow Mr X

(ii) Real or asset account:- computer bought for

cash Tk 30,000.

Here, debit \rightarrow computer account

credit \rightarrow cash account

(iii) Nominal account:- Salary paid for cash

Tk 5,000.

Here, debit \rightarrow Salary A/c

credit \rightarrow cash A/c

8. Modern rules for debit - credit :-

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

(i) Asset \rightarrow Debit \rightarrow Increases (+)

Credit \rightarrow Decreases (-)

(ii) Expenses \rightarrow Debit \rightarrow Increases (+)

Credit \rightarrow Decreases (-)

(iii) Capital \rightarrow Debit \rightarrow Decreases (-)

credit \rightarrow Increases (+)

(iv) Liabilities \rightarrow Debit \rightarrow Decreases (-)

credit \rightarrow Increases (+)

(v) Income \rightarrow Debit \rightarrow Decreases (-)

credit \rightarrow Increases (+)

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9. Debit and credit :- The term debit is used to charge an account for the amount of value it receives and the term credit is used to entitle an account for the amount of value it yields (প্রদান করে)।

Example - Mr Raju purchased goods from Mr Sumon Tk 500.00. This transaction of Mr. Raju involves two account i.e. purchase A/c and Mr. Sumon A/c. Now as goods coming in this business, purchase A/c will be debited. On the other hand, Mr Sumon has supplied goods, so he is the giver and therefore his A/c will be credited.

Disadvantages: (i) It is created some complexity.

(ii) The amount of work increases.

(iii) Without adequate knowledge cannot maintain accounts under this system.

(iv) Big possibility of miss-understanding.

11. Necessity of accounting for a engg. student:

The following purposes accounting serve for engineer-

(i) Cost of production:- On any engineering project like construction works, the various types of production like as brick, cement, steel etc. are used. To complete the construction works properly in economical way the cost of production must be known.

(ii) Cost of construction:- This is the same as the cost of production because construction is related with production. An engineer can calculate the cost of construction after completing any portion of the construction.

(iii) Cost of Labour:- On every construction work, the work is done by labours. So cost of labours is also very important factor of construction. On every schedule have included the cost of labour. This transaction of labour of the labour cost can easily done by the accounting methods.

12. Every debit must have corresponding credit—
explain it.

Every debit must have corresponding credit.
this statement can be explained by the following example.

In account system, the receiver of the benefit is called debit and the giver of the benefit is called credit. Suppose Mr. X paid Tk 5000 to Mr. Y. Here Mr. Y is the receiver and Mr. X is the giver. So Mr. X is called credit and Mr. Y is called debit.

So we can say that, "every debit must have corresponding credit."

13. Journal:- Journal means a daily register, a book containing a complete record of everyday's transactions.

Functions of journal:-

- (i) To analyse each transaction into debit and credit
- (ii) To arrange transaction chronologically i.e. in order to date.

Forms of journal:- The pages of the journal are divided into five section:-

- (i) Date column
- (ii) Particulars of the entry
- (iii) Ledger Folio (L.F.)
- (iv) Debit money column
- (v) Credit money column.

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14. Journalise the following transactions:—

2006

Feb 1: Mr. X started business with cash TK 75,000.

" 2: Purchased office furniture for cash TK 15,000.

" 3: Purchased goods for cash TK 10,000 from Mr. Y.

" 4: Purchased goods from Mr. Roni TK 5,000.

" 7: Sold goods to Mr. Hanif TK 5,000.

" 8: Sold goods for cash TK 10,000.

" 12: Paid for stationary TK 500

" 13: Rent paid TK 1,200 by cheque.

" 15: Interest received TK 700.

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Journal

Date	Particulars	L.F.	Dr. amount	Cr. amount
2006 Feb 1	Cash A/c ----- Dr Mr. X capital A/c ---- Cr (Mr. X started business with cash TK.)		TK 75,000	TK 75,000
Feb 2	Furniture A/c ----- Dr cash A/c ----- Cr (furniture purchased)		TK 15,000	TK 15,000

Date	particulars	L.F.	Dr. amount	Cr. Amount
Feb 3	Purchase A/c ----- Dr cash A/c ----- Cr (goods purchased for cash)		TK. 10,000	TK. 10,000
Feb 4	purchase A/c ----- Dr Mr Rony's A/c ----- Cr (purchased goods from Mr Rony)		TK. 5,000	TK. 5,000
Feb 7	Mr Hanif A/c ----- Dr sales A/c ----- Cr (sold goods to Mr. Hanif)		TK. 5,000	TK. 5,000
Feb 8	cash A/c ----- Dr sales A/c ----- Cr (sold goods for cash)		TK. 10,000	TK. 10,000
Feb 12	stationary A/c ----- Dr Paid A/c ----- Cr (cash paid for stationary)		TK. 500	TK. 500
Feb 13	Rent A/c ----- Dr Bank A/c ----- Cr (rent paid by cheque)		TK. 1,200	TK. 1,200
Feb 15	cash A/c ----- Dr Interest A/c ----- Cr (Interest received for cash)		TK. 700	TK. 700

15. From the following Trial Balance prepare a Trading A/c, Profit and loss A/c and a Balance sheet for the year ended 31st december 2005. What is trial balance?

Dr.

Trial balance

Cr.

Particulars	TK.	Particulars	TK.
Drawing (ब्रॉड ड्रॉइंग)	3,000	S/creditors	17,000
Buildings	50,000	Loan	10,000
Furniture	10,000	Discount	500
✓ Stock (1-1-2005)	15,000	Interest	500
S/Debtors	18,000	Return out ✓	500
cash at Bank	5,000	Sales ✓	80,500
✓ Purchases	55,500	Capital	88,000
✓ Wages	5,500		
✓ Carriage In	1,500		
Rent	2,000		
Salaries	3,500		
Insurance	1,000		
✓ Return In	1,000		
Bad Debt (बुरा ढुआ)	500		
Commission	500		
Good will	15,000		
Investment	10,000		
Total	197,000	Total	197,000

Adjustment:-

- i) Closing stock was valued at Tk. 30,500
- ii) Salaries outstanding Tk. 1,500 and insurance prepaid Tk. 500.
- iii) Make a reserve for bad-debts 5% on S/Debtor.
- iv) Depreciate furniture by 10% and building by 5%

Ans:-

Trading Account

(For the year ended 31st Dec. 2005)

Dr

Cr

Particulars	Amount	Particulars	Amount
Opening stock...	15,000	Sales.. 80,500	
Purchases.. 55,500	55,500	Less.. Return in <u>1,000</u>	79,500
Less.. Return <u>Out 500</u>	55,000	Closing stock.....	30,500
Carriage In.....	1,500		
Wages.....	5,500		
Gross profit →	33,000		
	110,000		110,000

N.B. Trading Account ২ কিস্তি এই দুই মোটে বন্ট।
 ডেবিট side - ২ Direct expense - ২৩
 Credit Side - ২ Direct income - ২৩

Profit and Loss Account

(For the year ended 31st Dec. 2005)

Dr		Cr	
Particulars	Amount	Particulars	Amount
Rent	2,000	Gross Profit ---	33,000
Salaries -- 3,500	3,500	Discount	500
Add. due <u>1,500</u>	5,000	Interest	500
Insurance 1,000			
Less. Prepaid <u>500</u>	500		
Bad Debt 500			
Add: Reserve for bad debt <u>900</u>	1,400		
Commission	500		
Depreciation			
Furniture 1,000			
Building <u>2,500</u>	3,500		
Net profit →	21,100		
	34,000		34,000

N.B. এখানে ক্ষয় Nominal Account খোলা থাকবে

Balance sheet

(For the year ended 31st Dec. 2005)

Capital and Liabilities	Amount	Asset	Amount
Liabilities :- S / creditor 17,000 Loan 10,000 Salary outstanding 1,500 Capital ₹ 88,000 Add. Net profit 21,100 <u>1,09,100</u> Less. Drawing 3,000 <u>106,100</u>		Current Asset :- Cash at Bank 5,000 S / Debtors 18,000 Less reserve for bad debt 900 <u>17,100</u> Closing stock 30,500 Investment 10,000 Rent prepaid 500 Fixed Asset :- Furniture ... 10,000 Less. depreciation 1,000 <u>9,000</u> Building .. 50,000 Less. depreciation 2,500 <u>47,500</u> Good will 15,000	
	1,34,600		1,34,600

Trial balance :- Trial balance is the list of both debit and credit balance in the ledger account.

16. What do you mean by cash book? Discuss different types of cash book.

Ans:- Cash book:- The book in which the transactions of each purchase and cash sales are included by regular and make a balance sheet is called cash book. There are

three type of cash books such as:

- i) Single column cash book.
- ii) Double column cash book.
- iii) Triple column cash book.

i) Single column cash book:- The cash book in which only cash columns has been founded is called single column cash book. ✓

The cash has been posted on debit side and discount has been placed on credit side in this cash book.

The difference between debit balance and credit balance is called cash in hand.

ii) Double column cash book:- The cash book in which cash and bank balance columns have been found is called double column cash book. ~~Here single single column cash book here the cash has been written on debit side and discount are in credit side when cash are cheques in bank, it will be written on bank column of debit side and when discount through when it will be written on bank column of credit side.~~

iii) Triple column cash book:- The cash book in which cash, bank and discount has been found is called triple column cash book. If discount goes then it will written on debit sides when discount comes then it will write on credit sides. There is no need of balance of discount column.

Q. From the following transactions of M. Rahman
Prepare a double column Cash Book:

2006

- July 1- Balance (cash Tk) 5,000 and Bank 10,000
- July 2- cash sales Tk 7,000 and cash purchases
Tk 4,000
- July 3- cash diposite into Bank 5,000
- July 4- cash withdraw from Bank for office
use Tk 3,000.
- July 7- cash withdraw from bank for
personal use.
- July 8- Sold goods to Mr. Kabir Tk. 10,000
(N.B it is not used because it has no cash)
- July 10- Salary paid in cash Tk. 1,000 and
cheque Tk. 1,500.
- July 12- A cheque received from Mr. X Tk. 3,000
- July 13- A cheque received from Mr. Y Tk. 3,500
and diposited into Bank immediately.
- July 20- Cheque dishonoured by the bank of
Tk. 3,500 which ~~use~~ was received from M.

Ans:-

Dr (+)

Cr (-)

Date	Recpts	V. No.	Cash	Bank	Date	Payment	V. No.	Cash	Bank
July 1	Balance c/d		5,000	10,000					
July 2	Sales	Control	7,000	-----	July 2	purchases		4,000	-----
July 3	cash A/c	ⓐ	-----	5,000	July 3	Bank	ⓐ	5,000	-----
July 4	Bank	ⓐ	3,000	-----	July 4	cash A/c	ⓐ	-----	3,000
July 7					July 7	Withdrawn A/c		-----	1,000
					July 10	salary		1,000	1,500
July 12	Mr. X A/c		3,000	-----					
July 13	Mr. Y A/c		-----	3,500	July 20	Mr. Y A/c		-----	3,500
						Balance c/d		8,000	9,500
			18,000	18,500				18,000	18,500
Aug 1	Balance c/d		8,000	9,500					

N.B. Cash at 20th Count 20000

Ans:- Cash in hand 8,000, cash at bank 9,500

Q. From the following data prepare a statement of cost-

<u>Inventories (stock)</u>	<u>At the beginning</u>	<u>At the end</u>
Raw material	5,000	4,000
Work in process	6,000	5,000
Finished goods	7,500	5,500

Raw materials purchased Tk. 30,000

Direct labour Tk. 24,000

Factory overhead $\frac{2}{3}$ of direct labour

Administrative and selling expenses 10% of work cost.

Profit 25% of sales.

Ans:-

Statement of Cost

Direct material :

	<u>Taka</u>	<u>Taka</u>
Opening stock of Raw material	5,000	
Add. purchases of Raw material	30,000	
	<u>35,000</u>	

Less closing stock of Raw material 4,000

31,000

Direct labour cost

24,000

Prime cost

55,000

Factory overhead $(24,000 \times \frac{2}{3})$

16,000

Works cost / Production cost

71,000

Add. opening stock of work-in-process 6,000

77,000

Less. closing stock of work-in-process 5,000

Cost of goods finished

72,000

Add. opening stock of finished goods 7,500

79,500

Less closing stock of finished goods 5,500

Cost of ~~sold~~ goods sold - 74,000

Add. administrative and selling exp. $(74,000 \times 10\%)$ 7,100

Total cost of goods sold - 81,100

Add. net profit $(\frac{81,100 \times 25}{75})$ - 27,033

Sales $(\frac{81,100 \times 100}{75})$

10,813.33

Q. From the following data prepare a statement of cost—

Company produced 100 units

Sold 95 units

Finished goods units 10 Tk. 7,000

Raw materials purchased Tk. 30,000

Direct labour Tk. 24,000

Factory overhead $\frac{2}{3}$ of direct labour

Administrative and selling expenses 5,400

Profit 20% of total cost of goods sold

Direct expense Tk. 6,000

Ans.—

	<u>Unit</u>	<u>Taken</u>
Raw material		30,000
Direct labour cost		24,000
Direct expense		6,000
<hr/>		
Prime cost		60,000
Factory overhead		16,000
<hr/>		
Work cost / Production cost		76,000

Q. From the following data prepare a statement of cost -

	<u>units</u>	<u>Taka</u>
Cost of goods finished	100	76,000
Add. opening stock of finish goods	10	7,000
	110	83,000
less closing stock of finish goods	15	$(\frac{76,000 \times 15}{100})$ 11,400
Cost of good sold	95	71,600
Administrative and selling expenses		5,400
Total cost of good sold		77,000
Add. net profit $(77,000 \times 20\%)$		15,400
Sales		92,400

Q. From the given data prepare a statement of cost for 150 units and overhead 60% fixed -

Ans:-

	<u>units</u>	<u>Taka</u>
Raw material	$(\frac{30,000 \times 150}{100})$	45,000
Direct labour	$(\frac{24,000 \times 150}{100})$	36,000

Direct expenses $\left(\frac{6,000 \times 150}{100} \right)$ 9,000

Prime cost 90,000

Factory overhead

Fixed $24,000 \times \frac{2}{3} \times 60\%$ 9,600

Variable $24,000 \times 40\%$ 9,600

Work cost or production cost 109,200

Cost of goods finished 150 1,09,200

Add opening stock of finished goods 10 7,000

160 116,200

Less closing stock of finish goods 65 $\left(\frac{1,09,200 \times 65}{150} \right)$ 4732

Cost of goods sold 95 68,880

Administrative and selling expenses 5,400

Total cost of goods sold 74,280

Add net profit $(74,280 \times 20\%)$ 14,856

Sales 89,136