

Business = Any activity which is done with the motive of earning profit

⇒ Three forms of Business

- Company (Large)
- Partnership (Medium)
- Proprietorship (Small)

* Indian Partnership Act 1932

⇒ A Partnership is a relation b/w the persons who have agreed to share the profit & losses of the business carried on by all or one of them acting for all.

In a banking business we can have a max no. of person 10 otherwise the max no. of person should be 20.

⇒ A Company means a company which is formed and registered under the Companies Act and it also includes an existing company.

There are two types of companies

- | | |
|---|---|
| <ul style="list-style-type: none"> • Private 3 conditions ⇒ Limits of people (100) ⇒ Restricts the transferability of shares ⇒ Prohibits the issuance of prospectus for the subscription of its shares | <ul style="list-style-type: none"> • Public If any of these conditions are managed then it'll become public |
|---|---|

What is Accounting? ^{four}
 Accounting is an ^{ART of} ~~these~~ ^{main} function
 i.e. Recording, ^{analysis} classifying & summarizing
 in terms of money the transaction &
 event of financial character and interpreting
 the results thereof (RCSA)

R = Recording } → routine
 C = classifying }
 S = summarizing → Periodic
 A = Analysis → SOS (As in when required)

⇒ Advantages / objectives of Accounting

- ▶ To keep systematic records
- ▶ To know the profit/losses of the Business
- ▶ To know the financial position/status of the Business
- ▶ To help in legal suits.
- ▶ To have future forecasting

⇒ Limitation of Accounting

- ▶ Cost Concept
- ▶ Money measurement
- ▶ Personal opinion of the accountant
- ▶ Not a law

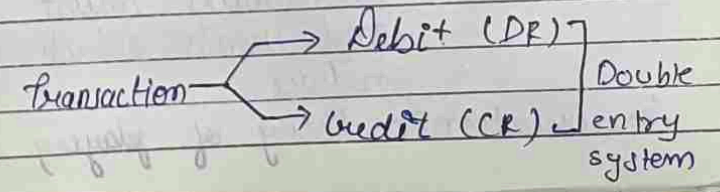
GAAP :- Generally Accepted Accounting Principles

- ↓
- Concepts (Pacireeri)
- ↳ Business entity
 - ↳ Dual aspect
 - ↳ Money measurement
 - ↳ Cost
 - ↳ Realisation
 - ↳ Going concern
 - ↳ Accounting period
 - ↳ Accrual
 - ↳ Periodic Matching of cost & revenue
 - ↳ Verifiable objective evidence
- Convention (Hilozi)
 Customs / Traditions
- ↳ Materiality
 - ↳ Disclosure
 - ↳ Conservation
 - ↳ Consistency

Concept

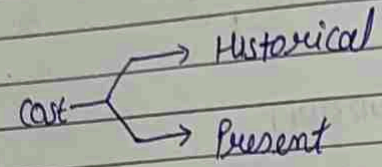
- ▶ Business Entity & Assumptions
1. Owner and his business are two diff. entities
 2. In accounting we are always concerned with the books of business
 3. The position of owner in his business is like a creditor.

▶ Dual aspect :-



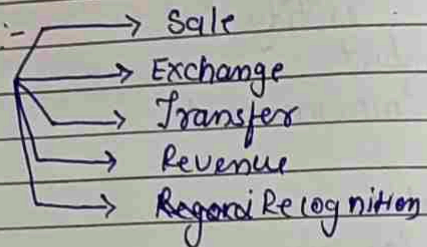
→ Money Measurement :-

→ Cost :-



14/09/2022

→ Realisation concept :-



→ Going concern :- life of business is infinitum (∞)

→ Accounting period :- 1/4 - 31/3 ⇒ Financial year

→ Actual :- (लक्ष्मी झा) Profit earned & expenses incurred, ^{which affects} in the company's net income

→ Periodic matching of cost and revenue

★ Verifiable objective evidence :- Auditing

4 Conventions

1. Materiality :- what is material, must be disclosed

2. Disclosure :- Disclosure must be those transactions and events which are material in nature

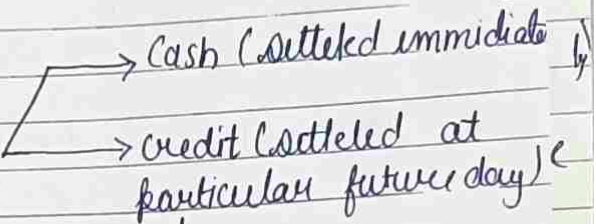
3. Conservatism :- Policy of playing safe i.e provide

for all anticipated losses but don't make any provision for anticipated ~~loss~~ gains

⇒ Depreciation, reduction in value of asset

4. Consistency :-

business should maintain the same account-keeping methods or principal through the accounting period



Recording

Rules & laws in transactions

→ Indian Contract Act.

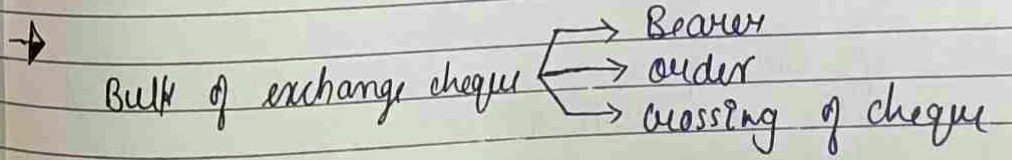
→ Sale of Goods Act.

→ Negotiable Instruments Act.

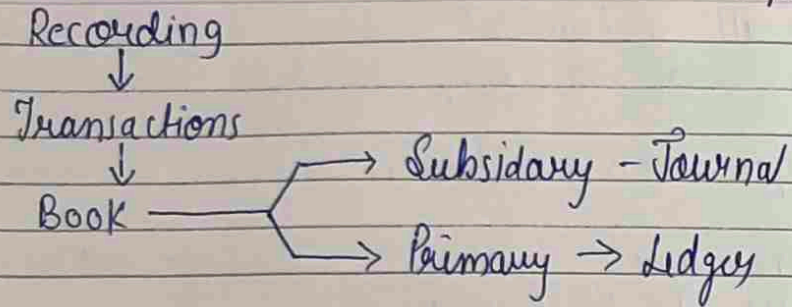
★ Contracts :- All agreements which are enforceable at law, termed as 'contracts'.

All 'contracts' are 'agreement' but all 'agreements' are not 'contracts'

→ Sale of Goods Act :- Warranty & Guarantee



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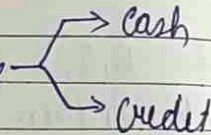


Journal (Day Book / Omni book)

There are 5 steps in journal which is called process

⇒ Process :-

Step 1:- Read transaction and see its nature



Step 2:- find out the two A/c's that are involved in the transaction.

Step 3:- find out the nature of the two A/c's.

Step 4:- Apply rules of Journalising.

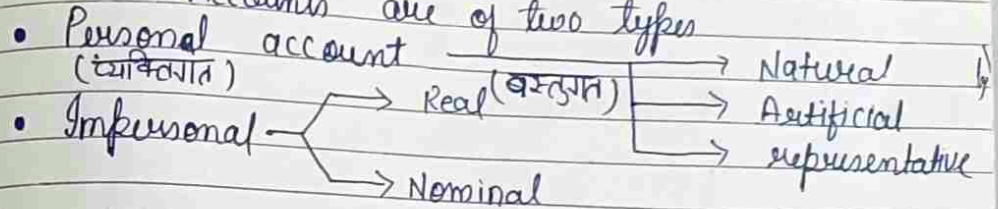
Step 5:- Make a journal entry and record it in Journal book.

NOTE :- If ans of step 1 is cash then one a/c will be cash in step 2. If someone is adding money to their business then the a/c will be capital A/c.

ACCOUNTS :-

An account is the classified summary of all business transactions

Accounts are of two types



{NOTE :- Banking regulation act for creating a Bank}

⇒ Ex of representative :- Outstanding expense accounts, prepaid expense accounts, Accrued income A/c, Unearned income A/c

⇒ Ex of Artificial :- Companies, organisation, clubs, trusts, etc.

⇒ Ex of Natural :- all living beings.

⇒ Ex of real :- Goods, things, articles, Commodities
real acc. are of two types

1. Tangible real A/c :- things we can touch

2. Intangible real A/c :- ex:- Goodwill = cat type, dog type & rat type goodwill. (location)
(Personal) (-ve goodwill)

collab like (Hexo Honda)

, patent, copyright, Trade mark, know how, R & D, Licenses, franchise.

⇒ Ex of Nominal :- Expenses, Losses, Gains incomes.

Rules of Accounting

	Dr	Cr
P (Person)	The receiver	The Giver
R (Goods)	What comes In	What goes out
N	All expenses & losses	All gains & incomes

These are the Golden rules of accounting developed in 1494 - Luca Pacioli - Italian - highly talented mathematician

Journal Book

Capital is the money invested by owner into his/her business

→ Ledger folio

D & M	Particulars	J.F	Dr Amt	Cr Amt
2022 5th sept	Cash A/c To Capital A/c (Being started business with cash Rs 50,000)	Dr	50,000	50,000

Notation

- 1 - cash
- 2 - (a) cash A/c
(b) capital A/c
- 3 - (a) Real A/c
(b) Personal A/c
- 4 - (a) Dr
(b) Cr

Goods :- These are of two types

→ Dealing Goods

- Purchase A/c
- Sales A/c
- Purchase return A/c
- Sales return A/c
- Stock A/c (Goods remains unsold)

↳ also called inventory

→ Non dealing Goods

- Q1) 1. Purchased Goods for cash Rs 10,000
 2. Purchased Goods from shyam cash Rs 10,000
 3. Purchased Goods from shyam Rs 10,000
 4. Purchased Goods from shyam on credit Rs 10,000
 5. Purchased Goods Rs 20,000

- Solⁿ
 1. Cash
 2. Cash A/c, Purchase A/c
 3. Real
 4. Purchase A/c (Dr), Cash A/c (Cr)

D.M & Y	Particulars	LF	Dr	Cr
2022	Purchase A/c Dr		10,000	
28 th sept	To cash A/c (Being Goods purchase for cash Rs 10,000)			10,000
2022	Purchase A/c Dr		10,000	
28 th sept	To cash A/c (Being Goods purchase from shyam for cash Rs 10,000)			10,000
2022	Purchase A/c Dr		10,000	
28 th sept	To shyam's A/c (Being Goods purchased from shyam Rs 10,000)			10,000

2022	Purchase A/c Dr		10,000	
28 th sept	To shyam's A/c (Being purchased Good from shyam on credit Rs 10,000)			10,000
2022	Purchase A/c Dr		10,000	
28 th sept	To creditor's A/c (Being Goods purchased)			10,000

- Q2) 1. Sold Goods for cash Rs 5000
 2. sold Goods to moham for cash Rs 5000
 3. sold Goods to moham Rs 5000
 4. sold Goods to moham on credit Rs 5000
 5. sold Goods Rs 5000

D.M & Y	Particulars	LF	Dr	Cr
2022	Cash A/c Dr		5000	
28 th sept	To sales A/c (Being Goods sold for cash Rs 5000)			5000
2022	Cash A/c Dr		5000	
28 th sept	To sales A/c (Being Goods sold to moham for cash Rs 5000)			5000

2022 28 th sept	Mohan's A/c Dr To sales A/c (Being goods sold to mohan for Rs 5000)	5000	5000
2022 28 th sept	Mohan's A/c Dr To sales A/c (Being goods sold to mohan sold to mohan on credit Rs 5000)	5000	5000
2022 28 th sept	Debitor's A/c Dr To sales A/c (Being goods sold)	5000	5000

- Q3) 1. Goods return to shyam Rs 500
which were founds of inferior quality
2. Goods return by Mohan Rs 100

DM & Y	Particulars	Dr	Cr
2022 28 th sept	Shyam's A/c Dr To purchase returns (Being goods return to shyam Rs 500)	500	500
2022	sales return A/c Dr	100	

28 th sept	To Mohan's A/c (Being Goods return by Mohan Rs 100)	100	
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NOTE: Non dealing transaction will not be on credit we assume it on cash basis

- Q4) 1. Purchased a computer for office use for cash Rs 35,000
2. sold old computer for cash Rs 2000

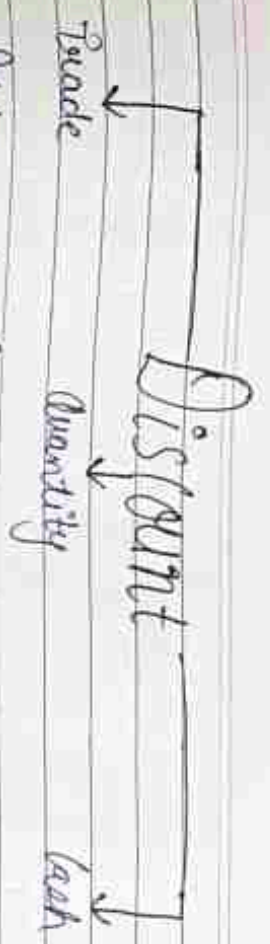
DM & Y	Particulars	Dr	Cr
2022 28 th sept	Computer's A/c Dr To cash A/c (Being purchase a computer for office use for cash Rs 35,000)	35,000	35,000
2022 28 th sept	Cash A/c Dr To old computer's A/c (Being sold old computer for cash 2000)	2000	2000

- Q5) 1. Paid Salary Rs 10,000
 2. Paid Office Rent Rs 5,000
 3. Paid Office Telephone expenses 100

Particulars	Dr	Cr
2022 28th sept Salary A/c To Cash A/c	10,000	10,000
2022 Office Rent A/c To Cash A/c	5,000	5,000
2022 28th sept Telephone A/c To Cash A/c	100	100

- Q6) 1. Received interest Rs 5000
 2. Received Commission Rs 10,000
 3. Received brokerage Rs 8,000

Particulars	Dr	Cr
2022 28th sept Cash A/c To Interest A/c To Commission A/c To Brokerage A/c	5000	5000



Cash A/c Dr 99
 Discount allowed A/c 3
 To Debtors 100

Debtors A/c Dr 100
 To Cash A/c 99
 To Discount A/c 3

MRP
 List price 40000
 TD 15% 6000
 CD 2% 688
 38320

To Cash A/c
 To Discount A/c

IT Rully
 Expense - 10000/-
 Comm/Discount - 20000/-

Bank
 ↓ Deposit
 ↓ Withdrawal

Cash Cheque
 Bank A/c Dr
 To Cash A/c

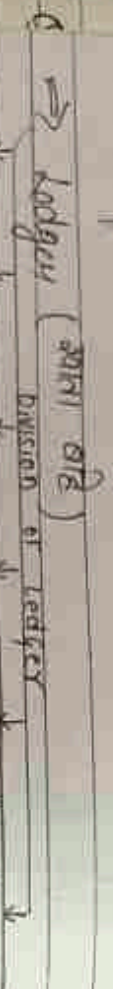
Cash Cheque
 Cash A/c Cr
 To Bank A/c

Bank A/c Dr
 To Debit's A/c

Bank Cheque A/c → Nominal
 Bank A/c → Personal

Creditor A/c Dr
 To Bank A/c

classification



Purchase Book	Sales Book	Purchase Return Book	Sales Return Book	Cash Book	Journal Proper
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Transactions: drawing Goods

Division of Ledger depends on Division of Labour principle

LEDGER

Dr	Particulars	Rs	Paise	Dr	Particulars	Rs	Paise
	To Capital A/c	50	00		By Purchase	50	00
	To Sales	1000	00		By Rent	1000	00
	Capital A/c → 1				By Cash A/c	50	00
	To Cash	30	00				
	Purchase A/c → 30						
	To Cash	60	00				
		1000	00				

1	Cash A/c	Dr	10	50000		50000
	To Capital A/c	Dr		50000		30000
2	Purchase A/c	Dr				20000
	To Cash	Dr		10000		
3	Cash A/c	Dr				10000
	For sales	Dr		1000		
4	Bank A/c	Dr				1000
	For cash	Dr				

⇒ Process of Classification

Ledger :- If on A/c is Dr in the journal entry posting will be made in the debit side of that A/c in ledger
 If on A/c is credited in the journal entry posting will be made on the credit side of that A/c in ledger

06/10/2022

Summarising

It is a periodic function in which we make financial statements



- Step 1 - Prepare a Trial Balance
- Step 2 - Pass necessary Adjustment Entries
- Step 3 - Pass necessary closing entries
- Step 4 - Prepare financial statement

⇒ Trial Balance :- It is a statement of ledger A/c's Balances

Dr	Accounts	Cr
15000		3700
580		240
1020		580
2600		4520
10450		
<u>Σ 29650</u>		<u>4520</u>

Dr side - Σ 29650

Cr side - Σ 404520

Balance 25130

NOTE:- In personal of you may have will balance

TB on am

Name of the A/c	IF	Dr Bal.	Cr Bal.

How to find out balance in an A/c

- ⇒ Take Dr side figures & find out its summate
- ⇒ take Cr side figures & find out its summate
- ⇒ find out the difference b/w the two summates / total. This difference is known as a balance of an A/c

Debit Balance in An A/c
When Dr side figures total exceeds the Cr side figures total, the balance is Dr balance and vice versa

How to show balances in An A/c

a. Closing Balance :- Dr. closing balance will be shown on the Cr. side of the A/c & closing Cr balance will be shown on the Dr. side of the A/c

b. Opening Balances :- Opening Dr balance will be shown on the Dr side & opening Cr balance will be shown on the Cr side of the A/c

Purposes of preparing a trial balance

- ⇒ To check the arithmetical accuracy of A/c
- ⇒ For agreement of trial balance to find the conclusive proof of the arithmetical accuracy of the A/c, if yes, why?
- ⇒ Types of errors :-
 - errors of omission
 - errors of principle
 - errors of compensation
 - errors of footing

Adjustment entries

- ⇒ Moving stock
 - ⇒ Depreciation
 - ⇒ Bad debts
 - ⇒ Outstanding expense
 - ⇒ Prepaid expense
 - ⇒ Accrued expense
- These are ex of Representative Personal A/c

Representative Personal A/c

- ⇒ Unearned Income by business for personal use
- ⇒ goods withdrawn as charity
- ⇒ good given away as sample
- ⇒ good given away

Condition of goods withdrawn by business for personal use

Showing A/c Dr
To purchase A/c

Condition of goods given away as charity

Charity A/c Dr
To purchase A/c

Condition of goods given away as sample

Adjustment A/c / Sales promotion A/c Dr
To purchase A/c

Condition of outstanding expenses (Expenses due but not paid)

ex: Rent, salary

① Rent A/c Dr
To outstanding A/c

② Rent salary A/c Dr
To outstanding salary A/c

⇒ Prepaid expense & Prepaid salary A/c Dr 200000
Paid in advance to salary A/c 200000

25,00,000 → 2,00,000 Rs advance on 31st

on 1st April ⇒ Salary A/c Dr
to prepaid salary March

⇒ Accrued income :- Income become but not received

→ Rent, Interest, Commission, Brokerage

Rent ⇒ 50,000 / PM
x 12 ⇒ but 31st March ⇒ 5,00,000 received
6,00,000 / -

Accrued rent A/c Dr 50,000
to rent A/c 50,000

⇒ Unearned Income :- Income received in advance

50,000 / PM
x 12
6,00,000 / -
but → 7,00,000 received

(1,00,000 / -
Rupees Ka 31st)

then
 Rent A/c dr 1,00,000
 to unearned Rent A/c 1,00,000

Bad debts (Debitors)
 (Debitors)

⇒ due to credit sales (जमा होना)

Entry :- Debtor A/c Dr (जमा होना)
 to salaries A/c

Cash A/c dr (जमा होना)
 to debtor A/c

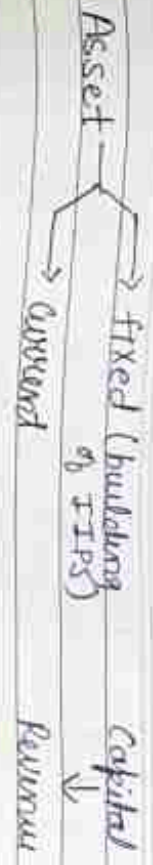
Account return
 money returned :- Cash A/c dr
 & goods taken to sales A/c

⇒ when Bankrupt occurs (बंकरा)

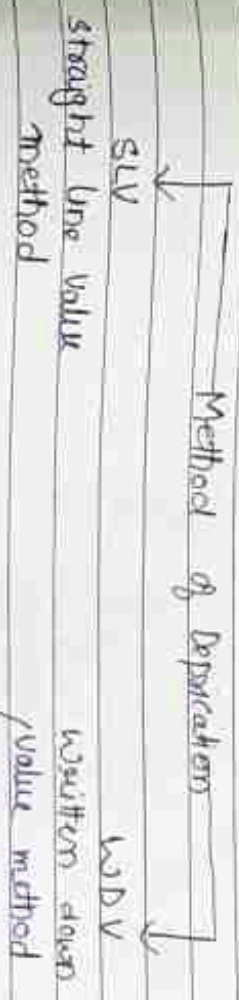
Account :- Bad debts A/c dr
 to debtors A/c

Bad debts A/c dr (जमा होना)
 to cash A/c

⇒ Depreciation (मर्यादा)
 Reduction in the value of Assets (fixed assets)



Depreciation A/c dr
 to fixed assets A/c



Cost	10,000	Cost	10,000
depl(10%)	-1,000	depl(10%)	1,000
	9,000		9,000
depl(10%)	-1,000	depl(10%)	1,000
	8,000		9,000
		depl(10%)	1,000
			8,000
		depl(10%)	1,000
			7,000

Value to end 10th year
 Value does not become zero

best method of recent times

⇒ closing stocks remain unaltd

Closing stock A/c dr
to trading A/c

Closing Inventories

1) Trading A/c Dr
To opening stock
To purchase
To sales return
To All direct expenses

2) Sales A/c Dr
Purchase return A/c Dr
To Trading A/c

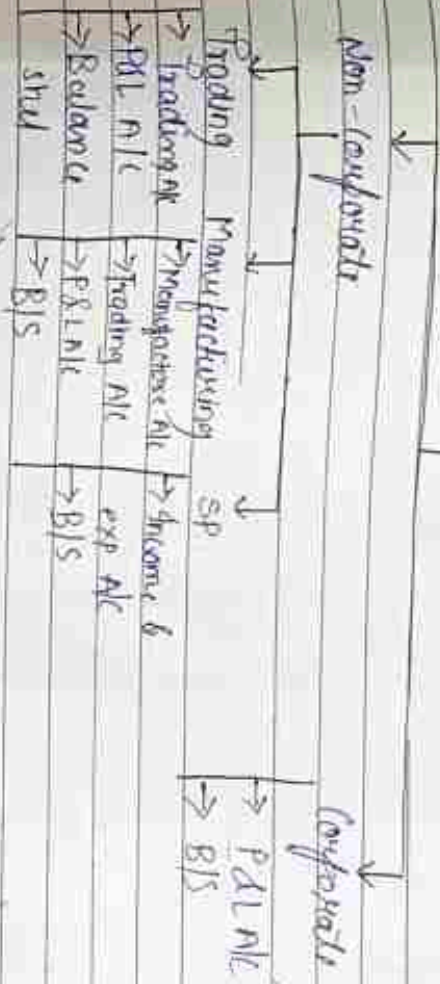
3) Trading A/c Dr
To P&L A/c
(for GP)

4) P&L A/c Dr
To All indirect expenses
To Bad debt
To Depreciation
To Financial expenses
To All provisions

5) All indirect expenses Dr
to P&L A/c

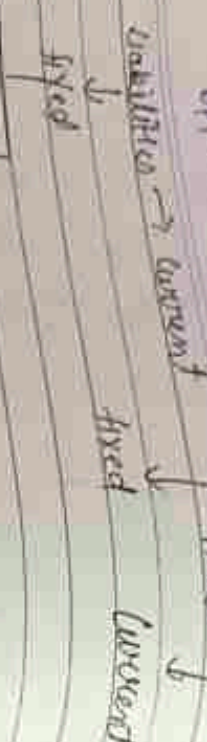
6) P&L A/c Dr
To Capital A/c
(for net profit)
} do not loss entry
will be present
same with GP }

final A/c



Not in syllabus

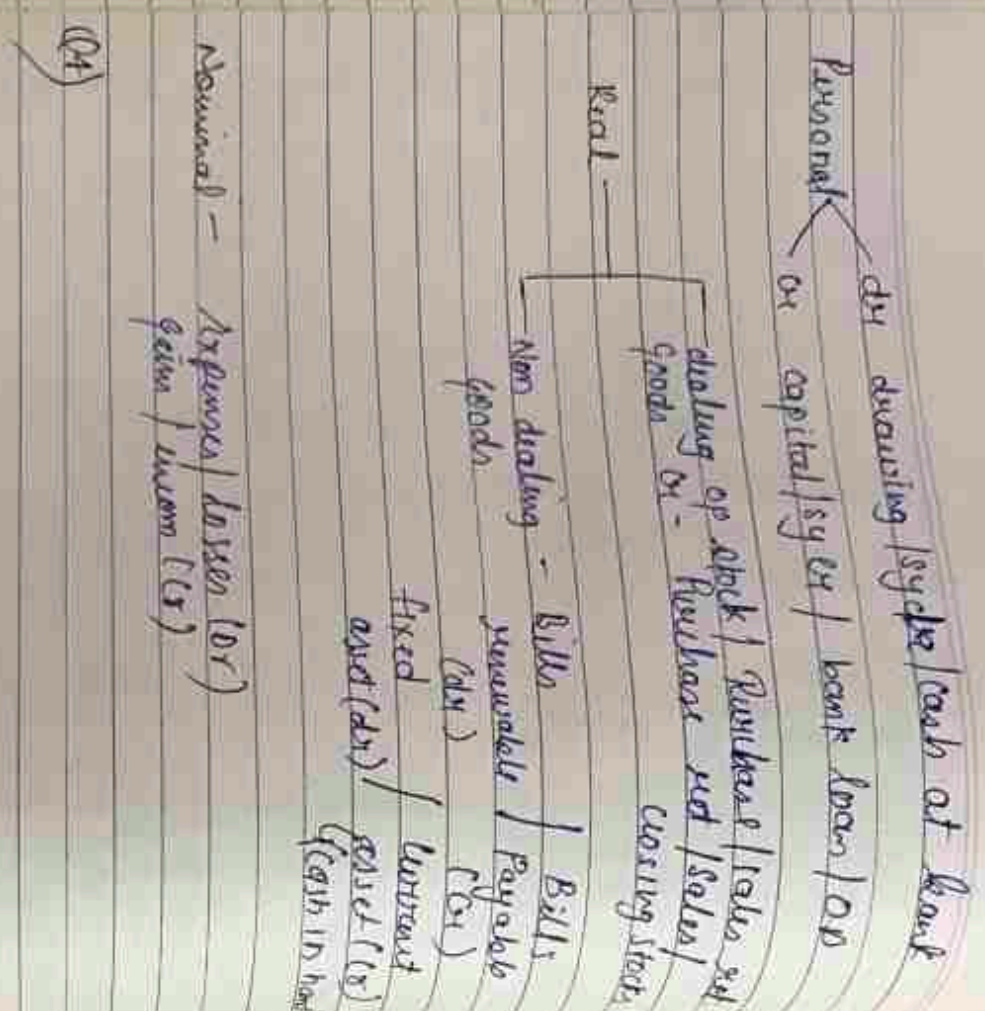
Asset ↑ and Liability ↓ = solvent
 Asset opposite is insolvent



	Internal Capital	External Loans	Practical balances	Dr Balance	Cr Balance
500	Amount of the A/c		15		19000
1	Capital A/c			700	
2	Allowance A/c			12000	
3	Parts & machinery A/c			2,600	
4	House & cart A/c			3,600	
5	Laundry equipment A/c				2600
6	Laundry credit A/c			2000	
7	Purchase A/c				4200
8	Sales A/c				
9	Wages A/c			800	
10	Cash at bank A/c			2,600	
11	Salaries			800	
12	Repairs			190	
13	Stock			1,600	
14	Cart			455	
15	Manufacturing expense			150	
16	Bills payable				2,850
17	Bad debts			500	
18	Carriage			160	
				28150	28150

Trading A/c		P&M A/c		Balance sheet	
Dr	Cr	Dr	Cr	Liabilities	Assets
To op stock 1000	By sales 4,400 (-) sales cost	To salary 800	By GP 1250	Capital 19000	Cart & Mach 12000
To purchase 2000	By doing stock 1600	To repair 190	By net 2490 loss	Reserve - 270	- dep 10% - 1200
(-) Purchase net		To rent 450		Drawing 700	10,800
To wages 800		O/S rent 50		Laundry credit 2600	House & cart 2600
To mfg exp 150		To bad debts 500		Bills payable 2550	- dep 15% = 390
	4550	To carriage 160		O/S Rent 50	2210
To GP 1250		To dep on P&M 1200			Laundry debtors 3600
	5800	To dep on House & cart 370			Cash at bank 2600
					Closing Stock 1600
				20810	20810

As nothing is mentioned of carriage so we take carriage in Profit sales A/c



Trading A/c		P&L A/c		Balance sheet	
Dr	Cr	Dr	Cr	Liabilities Cr	Assets Dr
To Op St 6000	By sales 16000	To next 750	By GP 8950	Capital 9000	Mach. 4000
To Purchase 8000	(-) S. net. (-)	(-) Rent 1000	By interest received 300	(+) NP 6500	(-) Dep 400 3600
(-) Profit 8000	By cl. stock 8000	To commission 250		1500	Cash at Bank 1000
To wages 1000		To gen. exp 800		1100	Cash in hand 500
(+) O/S 50		To Salaries 500		450	Debtors 400
<u>15050</u>		(O/S Sal 450) 950		50	Bills receivable 2400
To GP 8950		To Depreciation 400			100
<u>24000</u>		<u>2750</u>			8000
		To NP 6500			
		<u>9250</u>		<u>20500</u>	<u>20500</u>

	Amount of the Particulars	Debit	Credit
1	Capital A/c	5000	30000
2	Opening A/c	1600	
3	fixtures & fittings A/c		1200
4	Bank overdraft A/c		13,500
5	creditors A/c	20,000	20,000
6	Business premises	22,000	
7	stock's A/c	18,000	
8	Debtors	1,000	1,000
9	Paid A/c from tenants A/c	1,000	
10	Purchase A/c	110,000	150,000
11	Sales A/c		2,000
12	Sales return	2,000	
13	Discount (Dr)	1500	
14	Discount (Cr)		2,000
15	Taxes and miscell	2000	
16	General expenses	1000	
17	Salaries A/c	9000	
18	Commission (Dr)	2000	
19	Carriage on purchase	1500	
20	Bad debts	800	

Trading A/c		P&L A/c		Balance sheet	
Dr	Cr	Dr	Cr	Liabilities Cr	Assets Dr
To op st 22000	By sales 150000	To Discount 1600	By GP	Capital 30000	PAF 2600
To pur. 110,000	(-) S. ret 200	To Taxes 1200		(+) NP	(-) Dep 250 2350
(-) Pur. ret 4,000	148000	(+) Dep 200	By sent 1000	(-) drawing 5000	Bus. Pur 2000
To Carriage on pur. 1800	By cl. st. 20060	To gen exp 700	Discount 2000	Bank o/d 42000	(+) Dep 300 19700
133800		To sales 9000		Creditors 13000	Debtors 18000
To GP 34260		(+) o/s 1500		o/s salary 1500	cl. stock 20060
<u>168060</u>		To Commission 2200			Prepaid ext 200
		To B/D 800		<u>60310</u>	<u>60310</u>
		To Dep on ^{BF} 300			
		To Dep on FdF 250			
		21450			
		To NP 15810			
		<u>37260</u>			
			<u>37260</u>		