



# FINANCIAL ACCOUNTING

BCA TU

## WHAT'S INSIDE?

Notes of Financial Accounting

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Note Bahadur

## Financial Accounting

Financial accounting is the process of preparing financial statements that companies use to show their financial performance and position to people outside the company including investors, creditors, suppliers, customers etc. This is one of the most important distinction from managerial accounting which by contrast, involves preparing detailed reports and forecast for managers inside the company. Financial accounting helps to record, classify, summarize, analyse financial transactions of the company.

### → Objectives of accounting

1. To maintain the records of transactions.
2. To ascertain the operating result.
3. To show the financial position.
4. To avail information to the users.
5. To determine tax liability.
6. To protect the properties.

### → Functions of accounting

1. Complete records.
2. Knowledge of result of operation.
3. Knowledge of financial position.
4. Detection of errors and frauds.
5. Availability of informations



→ Generally Accepted Accounting Principles (GAAP)  
 Financial accounting has evolved accounting concept, principles and conventions which are generally accepted and universally practiced. Financial accounting relies on certain standards or guidelines that increase the objectivity of the information and they are called GAAP. These principles are established by the International Financial Accounting Standard Board.

→ Accounting concepts.

(1) Business entity concept (separate entity concept)  
 This concept tells that a business and its owners are separate. The affairs of the business should be recorded in one book of account and the affairs of the owner are to be recorded in another book of account.

(2) Money measurement concept.  
 According to this concept only those activities which can be measured in terms of money are recorded and non-monetary transactions are ignored.

(3) Going concern concept.  
 This concept assumes business as a continuous process. The life of business is indefinite.

(4) Accounting period concept  
 The life time of a business is infinite. The



economic life of business is divided into small periods which are known as accounting period. Usually one year i.e. 365 days is considered as 1 accounting period.

→ Accounting principles

1. Cost principle

This principle states that the transactions or events of the business are to be recorded as the amount actually spent. The value of assets are to be recorded at the cost of purchases not at their current market or sell value.

2. Revenue realization principle.

According to this principle, revenue is considered as earned on the date on which it is realized. The revenue is realized by the amount charged for goods sold or service rendered for cash or claim to cash.

3. Matching principles

This principle is very helpful for <sup>actual</sup> correct determination of profit. It tells that the total expenditure of a particular period should be compared with the total income of the same period for the actual profit or loss.



#### 4. Full disclosure principle.

This principle entails the revelation of all information both favourable and detrimental to a business.

#### → Conventions of financial accounting ↓ tradition

##### ① Conservatism

Conservatism is the convention by which, when two values of transactions are available, the lower value transaction is recorded. By this convention profit should never be overestimated and there should always be a provision for ~~prev~~ loss.

##### ② Materiality

It means that all material facts should be recorded in accounting. Accountant should record important data and live out insignificant information.

##### ③ Industry practices

Industry practices are those accounting issues that are unique to a specific industry and which are used instead of normal accounting practices and reporting. These practices are driven by the unique nature of an industry. Example: mining industries, gaming industries etc.

##### ④ Consistency

It prescribes the use of same accounting principles from one period of an accounting cycle to the next.



so that the same standards are applied to calculate profit and loss. Simply it means that accounting method should not be changed from period to period.

## Double Entry System of Book keeping

### Rules of Debit and Credit

#### ① Real a/c

Debit → What Comes In

Credit → What Goes Out

#### ② Personal a/c

Debit → The receiver

Credit → The Giver.

#### Nominal

#### ③ Normal a/c

Debit → All Expenses & losses.

Credit → All Income & Gains.

	Debit	Credit
① Assets	Increase	Decrease
② Capital	Decrease	Increase
③ Liabilities	Decrease	Increase
④ Incomes	Decrease	Increase
⑤ Expenses	Increase	Decrease.



- ① 2075/1/1 Ram started a business with cash RS 100,000 & furniture worth RS 50,000 only.
- ② 2075/1/7 Goods purchased RS 5000 & paid RS 50,000 only
- ③ 2075/1/10 Old furniture costing RS 20,000 sold for RS 18,000
- ④ 1/15 Paid to creditors RS 19,000 in full selection.
- ⑤ 1/18 Salary paid RS 15000 including prepaid RS 3000

Date	Particulars	Dr Amt (RS)	Cr Amt (RS)
1/1	Cash a/c Dr	100,000	—
	Furniture a/c Dr	50,000	—
	To Ram's capital	—	150,000
	(being Ram started a business with cash and furniture)		
1/7	Purchase a/c Dr	55,000	—
	To cash a/c	—	5000
	To Creditors a/c	—	50,000
	(being goods purchased and paid)		
1/10	Cash a/c Dr	18,000	—
	P/L a/c Dr	2,000	—
	To furniture a/c	—	20,000
	(being old furniture costing sold)		
1/15	Creditors a/c Dr	20,000	—
	To Discount received	—	1000
	To cash a/c	—	19,000
	(being)		
1/18	Salary a/c Dr	12,000	—
	Pre paid a/c Dr	3000	—
	To cash a/c	—	15,000
	(being salary paid)		



<p>1. Started business with cash balance ₹ 100,000 bank balance ₹ 100,000 and machinery ₹ 30,000</p> <p>2. Purchase goods worth ₹ 80,000 and paid ₹ 50,000 on cash and balance by issuing cheque.</p> <p>3. Salary paid ₹ 20,000 and still due ₹ 10,000.</p> <p>4. Interest rated ₹ 50,000 including advance ₹ 5,000</p> <p>5. Depreciation recharged ₹ 10,000 on machinery.</p>			
Date	Particulars	₹ Debit Amt	₹ Credit Amt (₹)
1.	Cash a/c balance Dr	100,000	—
	Bank a/c Dr	100,000	—
	Machinery a/c Dr	30,000	—
	To capital a/c	—	3,30,000
	(being business started)		
2.	Purchase a/c Dr	80,000	—
	To cash a/c	—	50,000
	To bank a/c	—	30,000
	(being goods purchase and paid on cash and cheque)		
3.	Salary a/c Dr	30,000	—
	To cash a/c	—	20,000
	To outstanding a/c	—	10,000
	(being salary paid)		
4.	Cash a/c	50,000	—
	To interest	—	45,000
	To advance interest	—	5,000
	(being interest rated including advance)		
5.	Depreciation a/c Dr	10,000	—
	To machinery	—	10,000
	(being depreciation charged on machinery)		
		5,00,000	5,00,000



## Journal Entries

- 1.1 Ram started a business with RS 100,000.  
 1.5 Furniture purchased for RS 10,000  
 1.7 Goods sold to Hari for RS 50,000  
 1.10 Salary distributed RS 15,000  
 1.20 Rent received RS 5000

Date	Particular	Dr	Debit Amt	Cr amt
1/1	Cash a/c Dr To Ram's capital (Being Ram started a business)		100,000 —	— 100,000
1/5	Furniture a/c Dr To cash a/c (being furniture purchased)		10,000 —	— 10,000
1/7	Hari a/c Dr To sales a/c (being goods sold)		RS 5000 —	— RS 5000
1/10	Salary a/c Dr To cash a/c (being salary distributed)		15,000 —	— 15,000
1/20	Cash a/c Dr To Ram a/c (being rent received)		5000 —	— 5000
			1,35,000	1,35,000

7. Journalize the following transaction in a Bimal stationary centre.

Jan 1 Purchase goods from Bikash Impex RS 20,000 received trade discount 10% and cash discount 5%

Jan 5 Sold photocopy paper to hotel Kamal for RS 20,000

Jan 10 Rent RS 5000 and telephone RS 2000 paid.

Jan 15 A fax from Birotnagar received stating that commission RS 2000 is earned.

Jan 20 Hotel Kamal went bankrupt and only 70% collected out of its state.

Date	Particulars	L.F.	Dr amt	Cr amt.
Jan 1	Purchase a/c Dr.		18000	
	To cash a/c			17100
	To discount received a/c			900
Jan 5	Hotel kamal a/c Dr.		20,000	
	To sales a/c (being photocopy paper sold to hotel kamal)			20,000
Jan 10	Rent a/c Dr.		5000	
	Telephone a/c Dr.		2000	
	To cash a/c			7000



Jan 15	Cash a/c Dr	2000	—
	To commission a/c	—	2000
Jan 20	Cash a/c Dr	14,000	—
	To Hotel Kamal's a/c	—	20,000
	Bad debt a/c Dr	6000	
		67000	67000

Dr Purchase a/c			Cr		
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)
Jan 1	To cash a/c	17100	Jan 31	By purchase a/c	—
	To discount received a/c	900	Jan 31	By balance c/d	18,000
		18000			18,000
Feb 1	To balance b/d	18,000			

Dr Cash a/c			Cr		
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)
Jan 15	To commission a/c	2000	Jan 1	By purchase a/c	17100
Jan 20	To Hotel Kamal's a/c	14,000	Jan 10	By rent a/c	5000
Jan 31	To balance c/d	8,100		By telephone a/c	2000
		24,100			24,100
			Feb 1	By balance b/d	8,100

Dr Discount received a/c			Cr		
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)
Jan 31	To balance c/d	900	Jan 1	By purchase a/c	900
		900			900
			Feb 1	By balance b/d	900



Hotel kamal a/c

Date	Particulars	£ Amt (RS)	Date	Particulars	£ Amt (RS)
Jan 5	To sales a/c	20,000	Jan 20	By cash a/c	14,000
				By bad debt a/c	6,000
		20,000			20,000

Rent a/c

Date	Particulars	£ Amt (RS)	Date	Particulars	£ Amt (RS)
Jan 10	To cash a/c	5000	Jan 31	By balance c/d	5000
		5000			5000
Feb 1	To balance b/d	5000			

Telephone a/c

Date	Particulars	£ Amt (RS)	Date	Particulars	£ Amt (RS)
Jan 10	To cash a/c	2000	Jan 31	By balance c/d	2000
		2000			2000
Feb 1	To balance b/d	2000			

Commission a/c

Date	Particulars	£ Amt (RS)	Date	Particulars	£ Amt (RS)
Jan 31	To balance c/d	2000	Jan 15	By cash a/c	2000
		2000			2000
			Feb 1	By balance b/d	2000

Bad debt a/c

Date	Particulars	£ Amt (RS)	Date	Particulars	£ Amt (RS)
Jan 20	To Hotel kamal a/c	6000	Jan 31	By balance c/d	6000
		6000			6000
Feb 1	To balance b/d	6000			



## ② Journal entries &amp; ledger a/c

Dr				Cash a/c			
Date	Particular	JF	Amount	Date	Particular	JF	Amount
1/1	To Ram's capital		1,00,000	1/15	By furniture a/c		10,000
1/2	To rent a/c		50,000	1/10	By salary a/c		15,000
4/30	To			1/30	By balance b/d		25,000
			150,000				150,000
2/1	To balance b/d		125,000				

July 1 started a business with cash RS 100,000 and bank balance of RS 50,000

July 5 Cash deposited into bank RS 30,000

July 7 Purchased goods on cash RS 30,000 and on credit from ABC company for RS 10,000

July 10 Furniture costing RS 12,000 sold at a gain of RS 2,000

July 15 Rent paid RS 15,000 including pre paid of RS 2,000

July 18 Salary distributed RS 25,000 and still dew RS 5000

Date	Particulars	JF	Dr amt (Rs)	Cr amt (Rs)
July 1	Cash a/c Dr		100,000	—
	Bank a/c Dr		50,000	—
	To capital Cr		—	150,000
	(being business started with cash and bank balance)			
July 5	Bank a/c Dr		30,000	—
	To cash		—	30,000



(being cash deposited into bank)		
July 7 Purchase a/c Dr	40,000	—
To cash a/c	—	30,000
To ABC company	—	10,000
(being goods purchased on cash and on cr from ABC company)		
July 10 Cash a/c Dr	14,000	—
To Furniture	12,000	12,000
To P/L a/c	—	2,000
(being furniture sold at gain)		
July 15 Rent a/c Dr	13,000	—
Pre paid rent a/c	2,000	—
To cash a/c	—	15,000
(being rent paid including pre paid)		
July 18 Salary a/c Dr	30,000	—
To cash a/c	—	25,000
To outstanding salary	—	5,000
(being salary distributed and dew)		



Dr Cash a/c				Cr			
Date	Particular	₹	Amt (RS)	Date	Particular	₹	Amt (RS)
July 1	To capital a/c		100,000	July 5	By bank a/c		30,000
July 10	To Furniture		12,000	July 7	By purchase a/c		30,000
	To P/L a/c		2,000	July 15	By rent a/c		13,000
					By pre paid rent		2,000
				July 18	By salary a/c		25,000
				July 31	By balance c/d		13,000
			114,000				114,000
Aug 1	To balance b/d		14,000				

Dr Bank a/c				Cr			
Date	Particular	₹	Amt (RS)	Date	Particular	₹	Amt (RS)
July 1	To capital a/c		50,000	July 31	By balance c/d		80,000
July 5	To cash a/c		30,000				
			80,000				80,000
Aug 1	To balance b/d		80,000				

Dr Capital a/c				Cr			
Date	Particular	₹	Amt (RS)	Date	Particular	₹	Amt (RS)
July 31	To balance c/d		150,000	July 1	By cash a/c		100,000
			150,000		By bank a/c		50,000
							150,000
				Aug 1	To balance b/d		150,000

Purchase a/c



Purchase a/c						
Dr			Cr			
Date	Particular	£ Amt (RS)	Date	Particular	£ Amt (RS)	
July 7	To cash a/c	30,000	July 31	By balance c/d	40,000	
	To ABC company	10,000				
		40,000			40,000	
Aug 1	To balance b/d	40,000				

  

ABC CO a/c						
Dr			Cr			
Date	Particular	£ Amt (RS)	Date	Particular	£ Amt (RS)	
July 31	To balance c/d	10,000	July 7	By purchase a/c	10,000	
		10,000				
		10,000			10,000	
			Aug 1	By balance b/d	10,000	

  

Furniture a/c						
Dr			Cr			
Date	Particular	£ Amt (RS)	Date	Particular	£ Amt (RS)	
July 31	To balance c/d	12,000	July 10	By cash a/c	12,000	
		12,000				
					12,000	
			Aug 1	To balance b/d	12,000	

  

P/L a/c						
Dr			Cr			
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)	
July 31	To balance c/d	2,000	July 10	By cash a/c	2,000	
		2,000				
					2,000	
			Aug 1	By balance b/d	2,000	

  

Rent a/c						
Dr			Cr			
Date	Particular	Amt (RS)	Date	Particular	Amt (RS)	
July 15	To cash a/c	13,000	July 31	By cash a/c	13,000	
		13,000				
					13,000	
Aug 1	By To balance b/d	13,000				



## Dr - Drawing → personal use

1. Started a business with a bank balance of RS 500,000
2. Purchase goods for RS 20,000
3. Purchase good worth RS 10,000 from Hasi.
4. Goods sold on credit for RS 10,000
5. Rent paid RS 5000
6. Commission receive RS 3000
7. Depreciation furniture by RS 20,000

Date	Particular	Dr amt	Cr amt
1/1	Capital a/c Dr To bank a/c (being business started)	500,000 —	— 500,000
1/2	Purchase a/c Dr To cash a/c (being good purchase)	20,000 —	— 20,000
1/3	Purchase a/c Dr To Hasi's a/c (being good purchase from Hasi)	10,000 —	— 10,000
1/4	Debitor a/c To cash a/c (being goods sold on cr)	10,000 —	— 10,000
1/5	Rent a/c Dr To cash a/c (being rent paid)	5000 —	— 5000
1/6	Cash a/c To commission a/c (being commission received)	3000 —	— 3000
1/7	Depreciation a/c To furniture a/c	20,000 —	— 20,000
	Total		

Date \_\_\_\_\_  
Page \_\_\_\_\_

Sales book

<u>Date</u>	<u>Particulars</u>	<u>Invoice no</u>	<u>J/F</u>	<u>Detail amt</u>	<u>Total amt</u>
	S.V Academy, buffet system				
	- 200 bottles of Alcoholic beverage			60,000	
	@ 300 each.				
	150 bottles of Non-alcoholic beverage @ 25 each			3,750	
	less 5%			63,750	
				3187.5	
					60,2562.5
	Sports club, Janakpur				
	40 Garlic soups @ RS 70			2800	
	30 mushroom soups @ 90			2700	
					5500
					660625



## Purchase book.

Date	Particular	Dr Rs	Cr P	Detail Amount	Total amt.
Jan 2	XYZ Pvt. Ltd, Kathmandu				
	- 20 Yamaha motorcycle @ RS 120,000			2400000	
	- 40 Suzuki motorcycle @ RS 130,000			5200000	7600000
Jan 15	ABC Pvt. Ltd, Butwal				
	- 30 Hero Splender @ 122,000			3660000	
	- 20 Honda Unicorn @ 128,000			2560000	
				6220000	
	less trade discount			933000	5287000
Jan 25	Sunta Pvt. Ltd, Patan				12887000
	- 2 Dio Scooter @ RS 100,000			200,000	
	- 1 Honda Generator @ RS 30,000			30,000	
				230,000	
				23000	207000
					13094000

Dr Purchase a/c				Cr			
Date	Particular	Rs	Amount (RS)	Date	Particular	Rs	Amount (RS)
	To sundry creditors		13084000		By balance c/d		13084000
	To		13084000				13084000
	To balance b/d		13084000				

Dr XYZ Pvt Ltd a/c				Cr			
Date	Particular	Rs	Amount (RS)	Date	Particular	Rs	Amount (RS)
	To balance c/d		7600000		By purchase a/c		7600000
			7600000				7600000
					By balance b/d		7600000

A statement send to supplier to show the re  
of a/c debited of that person → debit note no.

14.

## Purchase return book

Date	Particulars	Debit note no	Detail amt	Total amt
Jan 10	Bikash, Sunsari			
	30 chairs @ RS 800		24000	
	10 Tables @ RS 600		6000	30000
Jan 10	Madan, Dhanuwa.			
	5 Almories @ RS 400		2000	
	2 Tables @ RS 900		1800	3800
				33800

Dr

## Purchase Return a/c

Date	Particulars	£ Amt (RS)	Date	Particulars	£ Amt (RS)
	To balance	33800		By sundry creditors	33800
		33800			33800
				By balance	33800



certain amt is credited is called credit note.

### Sales Return Book

Date	Particulars	Credit note no	L	Detail Amt	Total
March 1	Bishal				
	2 quintal Wheat @ RS 1200			2400	
	20 Kg Rice @ RS 40			800	
					3200
March 23	Jogodish				
	4 Kg Ghee @ RS 200			800	
	30 liter Oil @ RS 80			2400	
					3200
					6400

### Sales return a/c

Date	Particulars	Dr Amt	Date	Particulars	Cr Amt
	To sundry debtors	6400		By Balance b/d	6400
		6400			6400
	To balance b/d	6400			

- ① Purchase Book → Purchase a/c → Creditors  
↳ Dr side
- ② Sales book → sales a/c → Debtors  
↳ Cr side
- ③ Purchase Return Book → P/R a/c → Creditors  
↳ Cr side.
- ④ Sales Return Book → S/R a/c → Debtors  
↳ Dr side



Cash Book.					Cash Book.				
Receipts					payment				
Date	Particulars	£	Cash	Dis	Date	Particulars	£	Cash	Dis
May 1	To balance b/d		48,000		May 6	By furniture	3600		
2	To Mohan's a/c		48,00	200	9	By purchase	44000		
15	To sales a/c		15,200		12	By Bijay's a/c	3200		150
20	To vivek's a/c		5860	140	18	By rent a/c	6,000		
25	To Karmor's a/c		6400	120	30	By salary a/c	3200		
					30	By balance	20260		
			80260	460			80260		150
June 1	To balance b/d		20260						

  

Bank Book					Cash Book.				
Date	Particulars	£	Bank	Cash	Date	Particulars	£	Bank	Cash
Oct 1	To c				Oct 1	By bank a/c	90,000		
Aug 1	To balance b/d		65,000	58,500	Aug 4	By computer dc			35000
14	To cash a/c		8000		9	By <sup>prepaid</sup> insurance a/c			12,000
19	To Sindhu's a/c		5,000		14	By bank a/c			8000
20	To sales a/c			9000	26	By cash a/c			4000
26	To bank a/c			4000	26	By drawing a/c			6000
31	To cash a/c			2,000	29	By salary a/c			11,000
					31	By bank a/c			2000
					31	By balance			14,500
			90,000	71,500			90,000		71,500
Sep 1	To balance b/d		69000	14500					



Triple column cash book. Cr								
Particulars	Cash	Bank	Dis	Date	Particulars	Cash	Bank	Dis
To balance b/d	15,000	7,000		3	By bank a/c	15,000		
To Komal's a/c	9,900		100	4	By merchant a/c		5,000	
To cash a/c		5,000		9	By Rakesh a/c		9,800	200
To sales a/c	6,000	6,000		10	By wages a/c	10,000		
To debtors a/c		5,000		11	By telephone a/c	6,500		
To sales a/c	7,000			30	By balance b/d	16,300	8,200	
To debtors a/c	5,900		100					
	37,800	23,000	200			37,800	23,000	200
To balance b/d	16,300	8,200						

  

Triple column cash book. Cr								
Particulars	Cash	Bank	Dis	Date	Particulars	Cash	Bank	Dis
To balance b/d	4,000			Jan 1	By balance b/d		10,000	
To Kumar's a/c	2,900		100	Jan 6	By bank a/c	2,900		
To cash a/c		2,900		9	By creditor's a/c		5,400	600
To cash a/c		20,000		11	By bank a/c	20,000		
To bank a/c	10,000			20	By cash a/c		1,000	
To sales a/c	9,000			28	By Ganesh a/c		1,400	100
					By balance b/d	30,000	5,100	
	52,900	22,900	100			52,900	22,900	700
To balance b/d	30,000	5,100						



Drawing, Assets, expenses / losses - Dr  
 Capital, liability, revenue, income  
 profit → Cr

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**Trial Balance**  
 of Himat Company  
 as on 2071.12.31

S.No	Heads of Account	L F	Dr amt	Cr amt
1.	Furniture & fittings		525	
2.	Bills payable			120
3.	Capital			170
4.	Sales			140
6.	Discount received			175
7.	Drawings		1000	
8.	Creditors			130
9.	Business premises		2400	
10.	Equipment		4000	
11.	Debtors		4700	
22.	Bank		110	
13.	Commission received			420
14.	Purchases		11000	
15.	Rent		600	
16.	Salaries		1650	
17.	Cash		240	
18.	Bills receivable		1920	
			34145	34145



Dr → Add → Dr    Cr → Add → Cr  
 Dr → Less - Cr    Cr → less - Dr

g. Adjusted Trial Balance

S.No	Heads of Account	Unadjusted Trial balance		Adjustments		Adjusted balance	
		Dr	Cr	Dr	Cr	Dr	Cr
①	Capital stock		50,000				50,000
②	Accounts payable		10,000				10,000
③	Machinery	65,000				65,000	
④	Rent paid prepaid	8,000			7,000		1,000
⑤	Salary expense	10,000		2,000		12,000	
⑥	Revenues		80,000				80,000
⑦	Administrative expense	30,000	80,000				30,000
⑧	Sundry assets	37,000				37,000	
⑨	Commission rate		10,000		3,000		13,000
Adjustments:							
①	Prepaid rent expired		7,000				7,000
②	Outstanding salaries				2,000		2,000
③	Commission Accrued				3,000		3,000
		150,000	180,000	12,000	12,000	155,000	155,000

④ Rent a/c Dr 7,000  
 To prepaid expired 7,000

⑤ Salary a/c Dr 2,000  
 To Cls salary 2,000

⑥ Commission Accrued  
 To commission

Debit to loan

common stock → share

11

s. n	Head of Account	Unadjusted Trial balance		Adjustments		Adjusted Trial balance	
		Dr	Cr	Dr	Cr	Dr	Cr
1.	Cash	5,400		<del>5,400</del>		5,400	
2.	Accounts receivable	8,800		<del>8,800</del>		8,800	
3.	Prepaid insurance	2,400		<del>2,400</del>	2,400		0
4.	Supplies	1,300		<del>1,300</del>	1,000		300
5.	Equipment	60,000		<del>60,000</del>	10,800		49,200
6.	Debentures		40,000				40,000
7.	Account payable		24,000				24,000
8.	Common stock		30,000				30,000
9.	Dividends	1,000				1,000	
10.	Service revenue		10,900				10,900
11.	Salaries expenses	3,200				3,200	
12.	Utilities expenses	800				800	
13.	Advertising expense	400				400	
	Adjustments:						
	(a) Insurance Expired				2,400		2,400
	(b) Supplies on hand				1,000		1,000
	(c) Depn on Equipment				10,800		10,800
	(d) Accrued interest				500	500	500
		83,300	83,300	40,800	40,800	47,200	47,200



1.

## Bank Reconciliation statement

As on . . . .

Particulars	Detail Amt	Total amt
Balance as per cash book		8000
Add:		
① Interest received not recorded in cash book	2500	2500
less:		
② Cheque deposited but not collected by bank	4000	
③ Bank charges not entered in cash book	500	(4500)
Balance as per pass book		6000

2.

## Bank Reconciliation statement

As on . . . .

Particulars	Detail Amt	Total amt
Balance as per cash book		50,000
Add:		
① Cheque has not yet collected by Bank	10,000	
② Insurance premium payed by bank	5,000	15,000
Add:		
③ Cheque issued but not presented for payment	10,000	
④ Interest on investment collected by bank but not debited	5,000	15,000
		50,000

Cash Book → Debit balance → Balance  
 ↳ Credit balance → Overdraft.  
 Payment side

Pass Book → Debit balance → Overdraft  
 ↳ Credit balance → Balance.  
 deposit side

For overdraft (-)

CB ↑ -	↑ +
CB ↓ +	↓ -

11.

### Bank reconciliation statement As on . . . . .

Particular	Detail Amt	Total amt
Overdraft as per cash book		(4500)
Add		
① Amount deposited by a customer 1000 into bank but not entered in cash book.	1000	
② Dividend collected by the bank not entered in cash book	1550	2550
less		
③ Interest charged on overdraft by the bank but no entry has been made in cash book.	450	(1450)
		<u>2400</u>



## Depreciation

$$\text{Annual Depn} = \frac{\text{Purchase price} - \text{salvage value}}{\text{life}}$$

Ex 1 soln

$$\begin{aligned} \text{Annual Depn}_{\text{Bus A}} &= \frac{\text{Purchase Price} - \text{Salvage value}}{\text{life}} \\ &= \frac{225000 - 25000}{5} = 40000 \end{aligned}$$

$$\text{Bus B} = \frac{500000 - 0}{10} = 50000$$

Dr			Bus a/c		Cr		
Date	Particulars	Jr	Amt	Date	Particulars	Jr	Amt
2014-1-1	To Bank (A)		225000	2014-12-31	By Depn a/c (A)		40000
				"	By Balance b/d		185000
			225000				225000
2015-1-1	To Balance b/d		185000	2015-12-31	By Depn a/c (A)		40000
				"	By balance b/d		145000
			185000				185000
2016-1-1	To Balance b/d		145000	2016-12-31	By Depn a/c (A)		40000
				"	By balance b/d		105000
			145000				145000
2017-1-1	To balance b/d		105000	2017-12-31	By depn a/c (A)		40000
7.1	To bank a/c (B)		500000	"	By depn a/c (B)		25000
				"	By balance b/d		540000
			605000				605000

2.

Dr Machinery a/c							
Date	Particular	Amount		Date	Particular	Amount	
Jan 1	To balance a/c	30000		Dec 31	By Dep'n a/c	8000	
					By balance a/c	22000	
		30000				30000	
Jan 2	To balance b/d	22000		2nd Dec 31	By Dep'n a/c	8000	
				"	By Balance a/c	14000	
		22000				22000	
3rd Jan 1	To balance b/d	14000		3rd Dec 31	By Dep'n a/c	8000	
					By bank a/c	4000	
					By P/L a/c	2000	
		14000				14000	

Calculation of Profit/Loss

Purchase Price - 30000

less: Total Dep'n - 24000

Book value 6000

selling Price 4000

2000

3.

$$\text{Annual Dep'n} = \frac{\text{Purchase price} - \text{salvage price}}{\text{life}}$$

$$\text{Machine} = \frac{120,000 - 20,000}{5} = 20,000$$



Dr			Machinery a/c			Cr		
Date	Particulars	£ Amt	Date	Particulars	£ Amt			
2073.1.1	To Bank a/c	200000	2073.12.31	By Depn a/c (A)	20000			
			"	By balance c/d	180000			
		200000			200000			
2074.1.1	To Balance b/d	180000	2073.12.31	By Depn a/c (A)	20,000			
7.1	To Bank a/c (B)	100000		By Depn a/c (B)	5000 (6 months)			
				By balance c/d	255000			
		280000			280000			
2075.1.1	To balance b/d	255000	2075.6.30	By Depn a/c	10,000 (6 months)			
6.30	To P/L a/c (profit)	10,000	6.30	By bank a/c	160000			
6.30	To Bank a/c (C)	150000	12.31	By Depn a/c	10,000			
			12.31	By depn a/c (D)	7500			
				By balance c/d	227500			
		415000			415000			
2076.1.1	To balance b/d	227500						

Calculation of Profit/Loss.

Purchase price = 200000

Depn = 50000

Book value = 150000

Selling price = 160000

10,000

9. Dr Machinery a/c				Cr			
Date	Particulars	₹ Amt		Date	Particulars	₹ Amt	
2074-1-1	To Bank a/c	800000		2074-12-31	By Depn a/c (A)	80000	
10-1	To Bank a/c (B)	200000		12-31	By Depn a/c (B)	5000	
					By balance c/d	915000	
		1000000				1000000	
2075-1-1	To balance b/d	815000		2075-12-31	By Depn a/c (A)	80000	
					By Depn a/c (B)	20000	
		915000			By balance c/d	815000	
		915000				915000	
2076-1-1	To balance b/d	815000		2076-12-31	By Depn a/c (A) <sup>(sold)</sup>	20000	
	To P/L a/c (P)	10,000		"	By bank a/c	150,000	
					By Depn a/c (A) <sup>(sold)</sup>	60000	
					By Depn (B)	20,000	
		825000			By balance c/d	825000	
		825000				825000	
2077-1-1	To balance b/d	575000					

calculation of P/L

$$\text{Purchase price : } 800000 \times \frac{1}{4} = 200000$$

$$\begin{array}{rcl} \text{less (Total Depn)} & & = 60000 \\ \text{Book value} & & 140,000 \\ \text{Selling price} & & 150,000 \\ \hline & & 10000 \end{array}$$



16. Define Financial Accounting? Explain its objective.  
 → Financial accounting is the process of preparing financial statement that companies used to show their financial position and performance to the people outside the company including investor, suppliers, customers etc. It helps to record, classify, analyse, summarize the financial transaction.

The objectives of financial accounting are:-

- (1) To maintain the records of transactions.  
 The accounting system concerned with the preparation of financial statement is called financial accounting. It includes preparation of accounts, generally on historical basis. It maintains the proper record of transactions.
- (2) To ascertain the operating results.  
 Financial accounting helps to find profit or loss of a particular period of time.
- (3) To show the financial position.  
 Accounting aims at showing the financial status of an economic entity.
4. To avail information to the users.  
 It aims to supply information to the person or who are interested in the activities of an organization directly or indirectly.



## FIFO

① Return to store

Return from Depo

" " factory

" " work

Receipts → Rate

latest Issue - last Rate

② Return to vendor

" " suppliers

creditors

Issue → Rate

↓

latest purchase rate.

③ Shortage/loss/Damage → Issue - Rate

↓

latest Balance 1st Rate

④ Surplus/Gain → Receipts → Rate

↓

latest Balance 1st Rate



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(3) To show the financial position.

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5) To determine the tax liability  
Accounting provides information to the tax authorities to determine tax to be paid by the organization.

6) To protect the property.  
It protect the organizational properties from unjustified and unwanted use.

A Write about

(a) Conservatism

Conservatism is the convention by which, when two values of transactions are available, the lower value transaction is recorded. By this convention profit should never be overestimated and there should always be a provision of loss.

(b) Business entity concept

This concept tells that a business and its owner are separate. The affairs of the business should be recorded in one book of account and the affairs of the owner should be recorded in another account.

Group 'C'

18.

March 1 Cash a/c Dr RS 200000

Furniture a/c Dr RS 100000

To Capital a/c RS 300000

(being business started with cash and furniture)



20. Define Double Entry System of Book-keeping with its features. What are its advantages.

→ Double entry book keeping system is a system of accounting that states the recording of transaction showing the double effect. The double effects of the transactions are shown through debit and credit with the same amount in both sides.

The features of double entry system are:-

1. Double effect.

Double entry system is based on the fact that each and every transaction must have double effect.

2. Equal effect.

ie The two and opposite sides of transaction are affected equally ie with the same amount.

3. Scientific system.

In the double entry, the recording of transaction are in systematic way, using a set of principles and thus called scientific system.

Advantages

- Provide a complete record.
- Provide a check on arithmetical accuracy.
- Provide result of business.
- Discloses the financial position.



Jan 1 Opening Stock 500kg @ Rs 10

Jan 3 Purchase 300kg @ Rs 11.

Jan 5 Issue 400kg

Jan 7 Return to store 20kg

Jan 10 Purchase 100kg @ Rs 13.

Jan 12 Return to vendor 20kg

Jan 15 Stock verification found surplus 10kg

LIFO

① Return from Department → Receipts → Rate

latest  
last R

② Return to vendor → Issue → Rate

Latest Purchase

③ Surplus → receipts → Rate → latest Balance  
last moving

④ Shortage → issue → rate → latest balance  
last rate.



## Appreciation (Increasing value)

10 marks

Preparation of final accounts.

(Financial statement)  $\Rightarrow$  Prepare at the end of fiscal yr.

Trading a/c  $\rightarrow$  shows gross profit or gross loss.

P/L  $\rightarrow$  shows Net Profit or Net loss.

Balance sheet.

Capital & Liabilities	Amt	Assets	Amt
-----------------------	-----	--------	-----

Capital	xx		
---------	----	--	--

less : Drawing	x		
----------------	---	--	--

Add : Net profit			
------------------	--	--	--

less : Net loss			
-----------------	--	--	--

85000

Adjustment:

- ① closing stock → Trading a/c - Cr  
→ B/S → Assets.
- ② Outstanding expenses → Concerned heading Add  
(निर्वात बाकि) → P/L Trading Dr  
wages.  
→ balance sheet liabilities.
- ③ Pre paid expenses → Concerned heading subtraction  
(advance payment) → Profit P/L a/c Dr  
→ balance sheet assets.
- ④ Advance Income → concerned heading subtraction  
P/L credit.  
→ B/S → Liabilities.
- ⑤ Accrued Income → concerned heading add → Add  
(अर्जित बाकि) P/L Cr  
→ B/S → assets.
- ⑥ Depreciation → P/L → Dr  
→ B/S → concerned assets less.
- ⑦ Appreciation → P/L → Cr  
→ B/S → concerned assets add.
- ⑧ Bad debts → P/L → Dr.  
(doubtful → B/S → Assets → Debtors less  
debts)



(9) Provision for bad debts  $\rightarrow$  P/L  $\rightarrow$  Dr.  
 (Future में घाटा होना  $\rightarrow$  B/S  $\rightarrow$  ~~Assets~~  $\rightarrow$  Debtors (less)  
 भविष्य में घाटा होना  $\rightarrow$  B/S  $\rightarrow$  ~~Assets~~  $\rightarrow$  bills receivable

(10) Provision for discount on debtors.

$\rightarrow$  P/L Dr

$\rightarrow$  B/S Debtors less.

(11) Provision for discount on creditors.

$\rightarrow$  P/L cr.

$\rightarrow$  B/S creditors less.

(12) Goods Distributed as free sample.

$\rightarrow$  Trading purchase (less)

$\rightarrow$  P/L Dr.

(13) Goods lost & Insurance claim.

$\rightarrow$  Trading purchase less Total Amt.

$\rightarrow$  P/L Dr

$\rightarrow$  B/S Assets

Unclaimed amt

claimed amt

(Partial payment)

	1st	2nd	3rd
Unclaimed	0	10000	3000
claimed	10000	0	7000
Total amt	10000	10000	10000

(14) Drawing  $\rightarrow$

Drawing of cash  $\rightarrow$  B/S cash less

$\rightarrow$  B/S capital less.

Drawing of goods  $\rightarrow$  Trading Purchase (less)

$\rightarrow$  B/S capital (less)



110.

$$700000 \times \frac{5}{100} = 35000$$

$$700000 - 35000 = 665000$$

## Trading account

Dr For the year ended 31st Chaitra 2075

Particulars	Amount	Particulars	Amount
To opening stock	50,000	By sales	9,00,000
To purchases 660,000		By closing stock	60,000
less: proprietor for personal use 20,000	640,000		
To carriage	30,000		
To wages	40,000		
To gross profit	2,00,000		
	9,60,000		9,60,000

## Profit and loss account

Dr For the year ended 31st Chaitra 2075

Particulars	Amount	Particulars	Amount
To salaries 50,000		By gross profit	9,60,000
Add: O/s salaries 6500	56,500	By interest on capital	50,000
To provision of bad debt	5,000	By interest on inv.	100,000
To depreciation of building	30,000		
To interest on capital	50,000		
To depreciation of machinery	25,000		
To capital	50,000		
To net profit	59,000		
	2,02,000		2,02,000



597000

## Balance sheet

As on

Capital & liabilities	Amt	Assets	Amt
Capital 500000		Building 3,00,000	
Add: Interest on 50000 capital		less: Dep'n 30000	
less: Drawing (20000)		Machinery 50,000	
less: Interest on (2000) Drawing		less: Dep'n 2500	
Add: Net profit 59000			
Account receivable			
100000			



B/R → Bills receivable  
 A/R → Account " Net sales  
                     ↳ Sales - Sales return.

### Cash Flow statement.

Particulars.	Amt	Amt
Cash from operating activities		
① Sales (Net sales)	***	
less: Increase in Debtors B/R   A/R	(***)	
Add: Decrease in Debtors B/R   A/R	***	
Add: Provision Increase in Provision for bad debts.	***	
less: Decrease in provision for bad debts	(***)	***
② Cash of goods sold.	(***)	
Add: Decrease in stock	***	
Less: Increase in stock	(***)	
Add: Increase in creditors B/R   A/R	***	
less: Decrease in creditors B/R   A/R	(***)	***
③ Operating Expenses		
Administrative Expenses.	(***)	
Selling expenses	(***)	
Add: Decrease in prepaid expn	***	
less: Increase in prepaid expn	(***)	
Add: Increase in outstanding expn	***	
less: Decrease in outstanding expn	(***)	(***)
④ Interest Expenses	d	***
⑤ Tax Expenses	e	***
f) Interest & Dividend received	f	***
(FOA before Extra Ordinary		***



Assets ↑ -		
Liabilities ↓ +		
		↑ +
		↓ -
Add: Increase in Bank overdraft		***
less: Decrease in Bank overdraft		***
Add: Increase in short term Investment		(***)
Add: Decrease in short term Investment		(***)
CFA		***
Cash From Investing Activities (CFIA)		
Decrease / sales of Fixed Assets (item wise)	***	
Increase / Purchase of Fixed Assets (item wise)	(***)	
Increase in investment	(***)	
Decrease in investment	***	
CFIA		***
Cash From Financial Activities (CFFA)		
Increase in share capital	***	
Increase in share capital	(***)	
Increase in loan / Decrease Debenture	(***)	
Decrease in loan / Debenture	***	
Dividend Paid	(***)	
CFFA		***
Net cash Flow (CFA + CFIA + CFFA)		



1st installment → application 2nd installment → allotment 3rd installment → 1st call 4th " " → 2nd & final call			
Date	Particular	L F	Dr amt Cr amt
	Issue of share at Par		
	(i) Bank a/c Dr		50,000
	To share application (being share application amount received)		50,000
	(ii) Share application a/c Dr	50,000	
	To share capital a/c (being share application a/c transferred to share capital)		50,000
	Allotment		
	(i) Share allotment a/c Dr	No of share X Allotment rate	
	To share capital (Being share allotment amt is made due)		
	(ii) Bank a/c Dr		
	To share allotment (Being share allotment amt received)		
	Share 1st call		
	(i) Share 1st call a/c Dr	No of share X 1st call rate	
	To share capital a/c (Being share 1st call amt is made due)		
	(ii) Bank a/c Dr		



1st case → dew  
2nd case → receipt

जब installment मा पैसा तिर्नेको देन छैनको 2nd case मा Dr म  
Calls in Arrears = not paid installment.

- Q) A company issued 2000 shares of RS 100 each is at 10% discount payable as follows: RS 50 on application, RS 20 on allotment, RS 15 on 1st call, RS 5 on final call. (All dew money were dewly received except share holders receiving 100% paid fail to pay after allotment.)

### Share Application

- (i) Bank a/c Dr  $2000 \times 50 = 100000$   
To share application  $2000 \times 50 = 100000$   
(ii) Share application a/c Dr  $2000 \times 50 = 100000$   
To share capital " "

### Allotment

- (i) Share Allotment a/c Dr  $2000 \times 20 = 40000$   
Discount a/c Dr  $2000 \times 10 = 2000$   
To share capital a/c 60000

- (ii) Bank a/c Dr 40000  
To share allotment 40000

### Share 1st call

- (i) Share 1st call a/c Dr  $2000 \times 15 = 30000$   
To share capital 30000

- (ii) Bank a/c Dr 28500  
Calls in Arrears a/c Dr 1500  
To share 1st call 30000



### Share final call

(i) Share final call a/c Dr  $2000 \times 5 = 10,000$   
 To share capital a/c  $10,000$

(ii) Bank a/c Dr  $500$   
 Calls in errors  $100 \times 5 = 500$   
 To share final call  $10,000$

### Calls in advance

Q. A company issued 2000 shares of RS 100 each issued at 10% premium payable as follows: RS 50 on application, RS 30 on allotment, RS 20 on 1st call, RS 10 on final call. All due money were duly received except a share holder holding 50 shares failed to pay 1st & final call. Another share holder holding 100 shares paid the entire amount at the time of 1st call.

### Application

Q. Bank a/c Dr  $(2000 \times 50)$   $100,000$   
 To share application a/c  $100,000$

Q. Share Application a/c Dr  $10,000$   
 To share capital  $10,000$

### Allotment.

(i) Share allotment a/c Dr  $(2000 \times 30)$   
 To share capital premium a/c  $(2000 \times 10)$   $20,000$   
 To share capital a/c  $40,000$