UNIT - I
INTRODUCTION

Accounting is a business language. We can use this language to communicate financial transactions and their results. Accounting is a comprehensive system to collect, analyze, and communicate financial information.

The origin of accounting is as old as money. In the early days, the number of transactions were very small, so every concerned person could keep the record of transactions during a specific period of time. Twenty-three centuries ago, an Indian scholar named Kautilya alias Chanakya introduced the accounting concepts in his book Arthashastra. In his book, he described the art of proper account keeping and methods of checking accounts. Gradually, the field of accounting has undergone remarkable changes in compliance with the changes happening in the business scenario of the world.

Contents

2-MARKS:

1. Define Accountancy.

A. ACCOUNTING/ACCOUNTANCY: "Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money,transactions and events which are, in part at least, of a financial character, and interpreting the result thereof".

2. What is an Account?

A. ACCOUNT: It is a record of all business transactions relating to a particular person or item. It is a T-Shaped proforma.

Dr. Title of Account	Cr.
Debit Side or Left Side	**Credit Side or Right Side**

3. What is Book-keeping?

A. <u>BOOK-KEEPING</u>: The recording of transactions in a set of books is called Book- -keeping. It teaches us to maintain the books of accounts in a systematic manner.

4. What is Transaction?

A. Transaction: Any sale or purchase of goods or service is called Transaction. It also includes receipt and payment of money.

5. What are the Drawings?

A. Drawings: Any cash or goods withdrawn by the owner for personal use made out of business funds are known as drawings.

6. What is Capital?

A. Capital: The amount invested by the owner for running the business. It can be in the form of Goods or cash. It is the excess of liabilities over assets.

7. What do you mean by Assets?

A. Assets: Asset is a resource owned by the business with the purpose of using it for generating future profits. Assets can be Tangible and Intangible.

8. What is Debit & Credit?

A. Debit: Incoming benefits or Receiving benefits is called <u>Debit</u>.

Credit: Outgoing benefits or Giving benefits is called <u>Credit</u>.

<u>6-MARKS</u>:

1. Write the uses of Accountancy. Or Explain the advantages of Accounting.

A. <u>Advantages of Accounting:</u>

1. The net profit /net loss of the business in a financial year can be known.
2. The efficiency / performance of the department/ section can be ascertained.
3. The approximate cost of production of goods manufactured can be known.
4. Based on the financial results, it can decide which products are to be manufactured, which activities should be continued and which should be dropped.
5. The financial position of the business concern can be assessed.
6. Accounting is useful in submitting the statutory returns like Income Tax, Sales Tax,Commercial Tax etc., to the government in time.

2. What are the Accounting Concepts? Explain some of them.

A. Accounting Concepts: Accounting is a commercial language; to make this language more meaningful and useful and to make it uniform in practice certain concepts are adopted:

1. **Business Entity Concept:** This concept explains that the business is distinct from the proprietor. Thus, the transactions of business only are to be recorded in the books of business.
2. **Money Measurement Concept:** According to this concept only those transactions which are expressed in money terms are to be recorded in accounting books.
3. **Cost Concept:** Business activity is an exchange of money. The price paid at the time of purchase is called 'cost'. All fixed assets are recorded in the books at their original purchase price.
4. **Going Concern Concept:** This concept assumes that the business has a perpetual succession or continued existence.
5. **Realization Concept:** As per this concept 'imaginary profits should not be recorded at all. All transactions should be recorded only after it actually takes place.
6. **Dual Aspect concept:** The Dual Aspect Concept states that in every business transaction there is always a double effect. This means that in any accounting transaction there is always a Receiver (Debit) and a Giver (Credit).

3. What are the Accounting Conventions? Explain some of them.

A. <u>Accounting Conventions</u>: Accountancy is based on usages or customs. These are termed as 'conventions' in accounting. The following are some of the important Conventions:

1. **<u>Convention of Consistency</u>:** In every business, the management draws important conclusion from the financial statements, regarding working of the concern, for this purpose in preparing the final accounts. The same principle and practices should be followed from year to year.

2. **Convention of Disclosure:** Accounting statements should disclose fully and completely all the significant information, based on which, decisions can be taken by various interested parties.

3. **Convention of Relevance:** As per this convention, the firm should give relevant accounting information whenever required with documentary evidence like, purchases or sales invoices, vouchers etc., as documentary proof of a transaction.

4. **Convention of Materiality:** This is also called the convention of reasonable degree of accuracy. According to this, the information given in the accounts should be reasonable accurate.

4. Explain Assets.

A. Assets: An asset is a property of every description belonging to the business.

Assets can be divided into three types:

1. **Fixed Assets. 2. Current Assets. 3. Fictitious or Intangible Assets.**

1. **Fixed Assets**: Fixed assets are permanent assets.. Ex: land, Buildings, plant, machinery,vehicles, furniture etc.,
2. **Current Assets**: Cash and other short-term assets or circulating assets like debtors,stock, bills receivable which can easily be converted into cash are called current assets. Ex: Prepaid expenses, accrued incomes.
3. **Fictitious Assets:** These are types of peculiar assets whose existence is invisible but whose benefit is enjoyed. Ex. Good will, copyrights, patents.

UNIT - II
DOUBLE ENTRY SYSTEM

Contents

There are two systems of accounting followed -

- Single Entry System
- Double Entry System

Single Entry System

Single entry system is an incomplete system of accounting, followed by small businessmen, where the number of transactions is very less. In this system of accounting, only personal accounts are opened and maintained by a business owner.

Double Entry System

Double entry system of accounts is a scientific system of accounts followed all over the world without any dispute. It is an old system of accounting. It was developed by 'Luco Pacioli' of Italy in 1494.

2-MARKS:

1. What is the Double entry system?

A. Double Entry System: This system was invented by a trader called "Luci Paciolo" in Italy in the year 1434. In accountancy, the Receiving benefit is called the 'Debit' aspect and Giving Benefit is called the 'Credit' aspect. Thus, the procedure of recording both the receiving and giving aspects related to business transactions is called "Double Entry Book-keeping".

2. What is a Personal Account?

A. Personal Account: Accounts opened in the names of individuals and institutions are called 'Personal accounts'. For example: Raju's Account, M/s. Ramesh & Co account.

3. What are the types of Accounts?

A. ACCOUNTS: Accounts can be broadly classified into Personal Accounts and Impersonal Accounts. Impersonal Accounts can be subdivided into two:

1. Real Accounts
2. Nominal accounts.

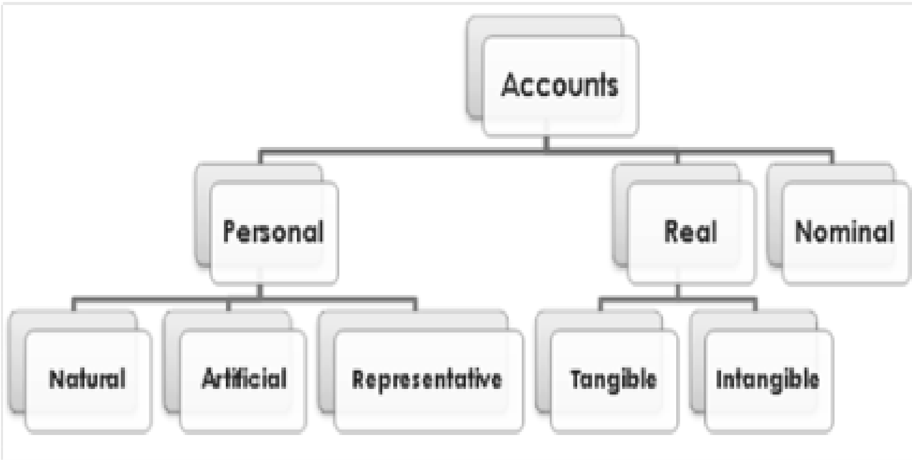
4. What is the Rule of Nominal Account?

A. Nominal Account: "Debit all Losses and expenses and Credit all Gains and Incomes".

6-MARKS:

1. Explain various types of accounts. (Or) Explain the principles of the Double Entry System.

A. TYPES OF ACCOUNTS:



The accounts in double entry system are classified into three categories:

1. Personal accounts
2. Real accounts
    a) Tangible accounts
    b) Intangible accounts
3. Nominal accounts

1. Personal Accounts: Personal accounts may be further classified into two categories:

a) Natural Personal Accounts: An account related to any individual like Bheemesh, Sitharam, Prasad, or Suresh is called a Natural Personal Account.

b) Artificial Personal Accounts: An account related to any artificial person like M/s Siri Motors LLP, M/s TATA MOTORS Ltd, M/s Reliance Industries, etc., is called an Artificial Personal Account.

Rule: Debit the Receiver

Credit the Giver

2. **Real Accounts:** All the accounts, which record transactions related to Assets is known as Real Account. A separate account will be opened for every asset in the business concern.

Ex: Machinery, furniture, stock, cash etc.,

Rule: Debit what comes in
Credit what goes out

3. **Nominal Accounts:** These accounts are related to incomes and expenses or profits and losses of business concern.

Ex: Salary Account, Rent Account, Electricity Account, Discount Account, CommissionAccount, InterestAccount

Rule: Debit all Expenses and Losses
Credit all Incomes and Gains

2. Define Double Entry System and explain with its features.

A. Double Entry System: This system was invented by a trader called "Luci Paciolo" in Italy in the year 1434. In accountancy, the Receiving benefit is called the 'Debit' aspect and Giving Benefit is called the 'Credit' aspect. Thus, the procedure of recording both the receiving and giving aspects related to business transactions is called "Double Entry Book-keeping".

FEATURES OF DOUBLE ENTRY SYSTEM:

1. Every business transaction affects two accounts.
2. Each transaction has two aspects those are debit and credit.
3. It is based upon accounting assumptions, concepts and principles.
4. It helps in preparing trial balance which is a test of arithmetical accuracy in accounting.
5. Finally it helps in preparation of final accounts with the help of trial balance.

3. Explain the advantages of the Double Entry System.

A. Advantages Of Double Entry System:

1. It records all transactions of the business.
2. It gives correct and accurate information.
3. It helps to check the arithmetical accuracy by preparing trial balance.
4. It helps in ascertainment of profit or loss of the business concern.
5. It helps in ascertaining the financial position of the business concern.
6. It provides accounting information ready.

4. What are the differences between Single Entry System and Double Entry System?

A.

SINGLE ENTRY VS. DOUBLE ENTRY

SINGLE ENTRY	DOUBLE ENTRY
incomplete records (cash transactions only)	complete records (cash & Credit transactions)
statement of profit and loss in prepared to calculate profit	trading and profit & loss is prepared in order to ascertained the profit & Loss of business.
statement of affairs is maintained	balance sheet is prepared.
Two aspects of a transaction is not recorded	two fold aspects of each and every transaction is recorded.
adopted by small scale business.	adopted by large scale business.

UNIT - III
JOURNAL

Introduction

The word "journal" has been derived from the French word "jour". Jour means day. So journal means daily. Transactions are recorded daily in a journal and hence it has been named so. It is a book of original entry to record chronologically (i.e. in order of date) and in detail the various transactions of a trader. It is also known as the Day Book because it contains the account of every day's transactions.

2-MARKS:

1. Define Journal.

A. Journal: Journal is called a book of Primary Entry or Book of Original Entry.
A journal is a book in which all the day to day accounting transactions were written in accounting terms in chronological order.

FORM OF JOURNAL:

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
(1) **dd-mm-yy**	**(2)** **Name of A/c to be debited Name of A/c to be credited(narration describing the transaction)**	**(3)** **Reference of page number of the A/c in ledger**	(4)	(5)

Column (1)	is meant for writing the date of the transaction.
Column (2)	is used for recording the names of the two accounts affected by transactions.
Column (3)	is meant for noting the number of the page of the ledger on which the particular account appears in that book.
Column (4)	shows the amount to be debited to the account named.
Column (5)	shows the amount to be credited to the account stated.

2. What is Journalizing?

A. Journalizing: The process of recording the transactions in the journal is called **Journalizing** and the entry made in the journal is called **Journal Entry.**

6-MARKS:

1.Explain about Advantages of Journal.

A.The following are the advantages of a journal:

(i) Chronological Record: Journal book records transactions as and when it happens. Therefore it is possible to get day-to-day information.

(ii) Minimizing the possibility of errors: The nature of the transaction and its effect on the financial position of the business is ascertained by recording and analyzing the debit and credit aspect.

(iii) Narration: It means the explanation of every recorded transaction.

(iv) Helps to finalize the accounts: It is the basis of ledger posting and the ultimate Trial Balance.

Example: **POSTING OF JOURNAL ENTRIES**:

Journalise the following transactions in the books of Raju:

2002.

April 1	- Raju commenced business with a cash of	Rs. 40,000
" 3	- Cash purchases	Rs. 20,000
" 5	- Paid salaries	Rs. 10,000
" 13	- Sold goods to Ravi	Rs. 35,000
" 15	- Sold Furniture	Rs. 25,000
" 20	- Commission Received	Rs. 1,000
" 22	- Discount allowed	Rs. 2,000
" 28	- Bought goods from Venkat	Rs. 50,000
" 29	- Sold goods for cash	Rs. 15,000

JOURNAL ENTRIES

Date	Particulars	Ledger Folio	Debit Rs.	Credit Rs.
2002 April 1	Cash A/c...................... Dr. To Capital A/c (Being the business commenced with investment)		40,000	40,000
2002 April 3	Purchases A/c .... Dr To Cash A/c (Being the goods purchased for cash)		20,000	20,000
2002 April 5	Salaries A/c .... Dr To Cash A/c Being the salaries paid)		10,000	10,000
2002 April 13	Ravi A/c .... Dr To Sales A/c Being the salaries paid)		35,000	35,000
2002 April 15	Cash A/c .... Dr To Furniture A/c (Being the Furniture sold for Cash)		35,000	35,000
2002 April 20	Cash A/c .... Dr To commission A/c (Being the commission received)		1,000	1,000
2002 April 22	Discount A/c .... Dr To Cash A/c (Being the discount allowed)		2,000	2,000
2002 April 28	Purchases A/c .... Dr To Venkat A/c (Being goods purchased from Venkat on credit)		50,000	50,000
2002 April 29	Cash A/c .... Dr To Sales A/c (Being goods sold for cash)		15,000	15,000

LEDGER

Introduction

A ledger contains different components which include the various transaction elements such as date, amount, particulars and l.f (ledger folio). Individual transactions are contained within a ledger account and are identified by a transaction number or any other type of notation.

2-MARKS:

1. What is Ledger?

A. **Ledger**: It is a book in which various accounts are opened. This is a book of secondary entry.

Ledger Format:

The ledger consists of two columns prepared in a T format. The two sides of debit and credit contain date, particulars, folio number and amount columns. The ledger format is as follows.

Name of the Account

Dr. **Cr.**

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹

2. What do you mean by posting?

A.Ledger Posting:

The process of transferring entries from a journal to the respective ledger accounts is known as ledger posting.

6-MARKS:

1. What are the advantages of ledger?

A. **Advantages of ledger:**

1. It is a book of final entry.
2. It is prepared to know the net effect of various transactions affecting a particular account.
3. It is prepared on the basis of a journal.
4. All ledger accounts are balanced.
5. No narration is given.
6. The process of recording in a ledger is called posting.
7. Ledger serves the basis for the preparation of final accounts.

2. What is Ledger? Mentions types of Ledger Accounts.

A. <u>Ledger</u>: It is a book in which various accounts are opened. This is a book of secondary entry.

<u>Types of Ledger Accounts</u>: There are four types of ledger accounts. They are

1.	**Debtors ledger(or) sales ledger**: When all debtors accounts are recorded in one book that book is known as debtors ledger.
2.	**Creditors ledger (or) purchase ledger**: In this all creditors accounts are recorded.
3.	**General ledger**: In this accounts related to the assets incomes and expenditure are recorded.
4.	**Self-ledger**: In this which indicates the relationship between proprietors and the business firm are recorded.

BALANCING THE ACCOUNT:

Generally, the balances of various accounts in the Ledger are tallied either at the end of the accounting year or whenever the business needs information.

The following is the procedure to balance the account:

- Take the totals of both sides and find out the difference between debit and credit.
- The total of lesser side should deducted from the total amount of the higher side, the difference is called as balance carried down (Balance C/d) that difference should be put in total column of lesser side, to get the same amount on both sides.
- Date of balancing should be written in the date column.
- The balance c/d should be shown as balance b/d on the next day, on the opposite side.
- Some times the totals of both the sides of an account are equal. In such case balance c/d or balance b/d does not occur.

LEDGER POSTINGS: ILLUSTRATION

Journalise the following transactions, post them into Ledger and balance the accounts:.

2003 May 1	Ratan commenced business with a capital of	Rs. 50,000
" 2	Purchased goods from Jagan	Rs. 5,000
4	Sold goods to Gopal	Rs.10,000
5	Cash purchases	Rs. 10,000
7	Paid salaries	Rs. 3,000
8	Cash sales	Rs. 10,000
9	Bought machinery and paid through bank	Rs.2,000
14	Cash paid to Jagan in full settlement	Rs. 4,800
17	Cash received from Gopal and discount allowed	Rs. 9,500 Rs. 500
18	Deposited with bank	Rs. 5,000
24	Sold old machinery	Rs. 1,500
26	Interest received through Cheque	Rs. 500
31	Ratan's personal use	Rs. 1,000

Solution:
JOURNAL ENTRIES

Date	Particulars	Ledger Folio	Debit Rs.	Credit Rs.
2003 May1	Cash A/c…………………… Dr. To Capital A/c (Being the business commenced with investment)		50,000	50,000
" 2	Purchases A/c …………… Dr To Jagan A/c (Being the goods purchased on credit)		5,000	5,000
4	Gopal A/c ……………… Dr To Sales A/c Being the goods sold on credit paid)		10,000	10,000
5	Purchases A/c …………… Dr To Cash A/c Being the goods purchased for cash)		10,000	10,000
7	Salaries A/c ……………… Dr To Cash A/c (Being the Salaries paid received)		3,000	3,000
8	Cash A/c ……………… Dr To Sales A/c Being the goods sold for cash)		10,000	10,000
9	Machinery A/c ……………… Dr To Bank A/c (Being machinery bought and paid through cheque)		2,000	2,000
14	Jagan A/c …………… Dr To Cash A/c To Discount A/c (Being Jagan,s account settled)		5,000	4,800 200
17	Cash A/c …………………… Dr Discount allowed A/c ……. Dr To Gopal's A/c (Being Cash received with discount)		9,500 500	10,000
18	Bank A/c ……………… Dr To Cash A/c (Being the Being cash deposited with bank)		5,000	5,000
24	Cash A/c ……………… Dr To Machinery A/c (Being the sale of old machinery)		1,500	1,500
26	Bank A/c ……………… Dr To Interest A/c (Being the interest received through cheque)		500	500
31	Drawings A/c ……………… Dr To Cash A/c (Being the owner used cash for personal use)		1,000	1,000

Dr **Cash Account** Cr

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003				2003			
May1	To capital A/c		50,000	May5	By Purchases A/c		10,000
8	To Sales A/c		10,000	7	By Salaries A/c		3,000
17	To Gopal A/c		9,500	14	By Jagan A/c		4,800
24	To Machinery A/c		1,500	18	By Bank A/c		5,000
				31	By Drawings		1,000
				31	By Balance c/d		47,200
			71,000 ======				**71,000** ======
2003 June1	To Balance b/d		**47,200**				

Dr **Capital Account** Cr

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003				2003			
May1	To Balance c/d		50,000	May1	By cash A/c		50,000
			50,000 =====				**50,000** =====
				2003 June1	By Balance b/d		**50,000**

Dr **Purchases Account** Cr

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003				2003			
May2	To Jagan A/c		5,000	May31	By Balance C/d		15,000
5	To Cash A/c		10,000				
			15,000 =====				**15,000** =====
2003 June1	To Balance b/d		**15,000**				

Dr **Jagan Account** Cr

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003				2003			
May14	To Cash a/c		4,800	May 2	By Purchases A/c		5,000
14	To Discount Received		200				
			5,000 ======				5,000 ======

Dr **Sales Account** **Cr**

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003 May31	To Balance c/d		20,000	2003 May 4 8	By Gopal A/c By Cash A/c		10,000 10,000
			20,000 ======				**20,000** ======
				2003 June1	By Balance b/d		**20,000**

Dr **Gopal Account** **Cr**

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003 May4	To Sales a/c		10,000	2003 May 17 17	By cash A/c By discount allowed		9,500 500
			10,000 ======				**10,000** ======

Dr **Salaries Account** **Cr**

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003 May7	To Cash a/c		3,000	2003 May31	By Balance c/d		3,000
			3,000 ======				**3,000** ======
2003 June1	To Balance b/d		**3,000**				

Dr **Machinery Account** **Cr**

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003 May9	To Bank a/c		2,000	2003 May24 **31**	By cash A/c By Balance c/d		1,500 500
			2,000 ======				**2,000** ======
2003 June1	To Balance b/d		**500**				

Dr **Bank Account** **Cr**

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003 May18 26	To Cash a/c To Interest a/c		5,000 500	2003 May9 31	By Machinery A/c By Bal c/d		2,000 3,500
			5,500 =====				**5,500** ======
2003 June1	To Balance b/d		**3,500**				

Dr **Discount Received Account** **Cr**

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003 May31	To Balance c/d		200	2003 May 14	By Jagan A/c		200
			200 =====				**200** =====
				2003 June1	By Balance b/d		**200**

Dr **Discount Allowed Account** **Cr**

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003 May17	To Gopal a/c		500	2003 May 31	By Balance c/d		500
			500 ======				**500** ======
2003 June1	By Balance b/d		**500**				

Dr **Interest Account** **Cr**

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003 May31	To Balance c/d		**500**	2003 May 26	By Bank A/c		500
			500 ======				**500** ======
				2003 June1	By Balance b/d		**500**

Dr **Drawings Account** **Cr**

Date	Particulars	J. F No	Amount Rs.	Date	Particulars	J. F No	Amount Rs.
2003 May31	To Cash a/c		1,000	2003 May 31	By Balance c/d		1,000
			1,000 ======				**1,000** ======
2003 June1	By Balance b/d		**1,000**				

SUBSIDIARY BOOKS

Introduction

Subsidiary book is the sub division of the Journal. These are known as books of prime entry or books of original entry as all the transactions are recorded in their original form.

2-MARKS:

1. What is Subsidiary book?

A.Subsidiary book: The classifications of transactions into groups and relevant transactions are recorded in a separate journal are called Subsidiary books. The subsidiary books in Accounting are also called books of original entry or subsidiary journals.

2. What is a Debit Note?

A. **Debit Note:** when the trader returns the material purchased for any reason, the net amount is calculated and the purchaser prepares a debit note.

3. What is a Credit Note?

A. **Credit Note**: It is the note prepared and sent to the customer after receiving goods returned by him, intimating that his account is credited to that extent.

4. How many types of Subsidiary books are there? What are those?

A.
1. **PURCHASE BOOK**
2. **SALES BOOK**
3. **PURCHASE RETURNS BOOK**
4. **SALES RETURNS BOOK**
5. **CASH BOOK**
6. **BILLS RECEIVABLE BOOK**
7. **BILLS PAYABLE BOOK**
8. **JOURNAL PROPER**

5. Define Invoice.

A. Invoice: Invoice is a document received by the trader from the supplier along with the goods by Stating that the goods are supplied as per the order along with the price, discount offered, and other terms and conditions. This document is called “Inward Invoice”.

6. Define Journal Proper.

A. Journal Proper: This book is maintained to record transactions, which do not find place in the other seven Subsidiary Books. The Journal Proper also known as '*Journal Residual* '.The format of Journal Proper is similar to the ordinary journal.

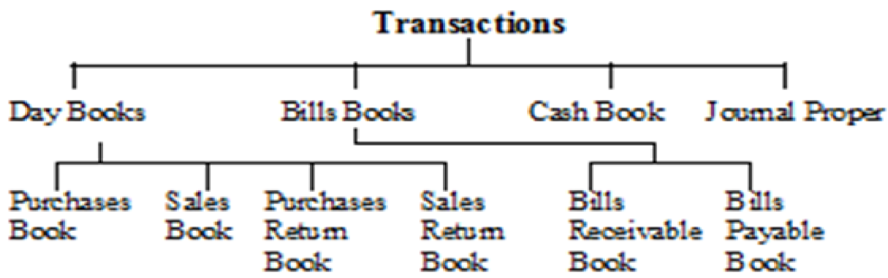
7. What is Trade Discount?

A. Trade discount: The discount offered by the seller to the buyer on the price of the goods purchased. It is shown in invoice only and does appear either in the cash book or any other book.

6-MARKS:

1. Write the different types of subsidiary books.

A. The number of subsidiary books may vary according to the requirements of each business. The following are the special purpose subsidiary books.



Types Of Subsidiary Books: There are 8 types of subsidiary books. They are

1. **Purchase Book**: only credit purchases are recorded.

Format:

Purchase Book

Date	Particulars	Inward Invoice No.	L.F.No	Amount Rs.

2. **Sales Book:** credit sales are recorded.

Format:

Sales Book

Date	Particulars	outward Invoice No.	L.F.No	Amount Rs.

3. **Purchase Returns Book:** All purchase returns are recorded.

Format:

Purchases Returns Book

Date	Particulars	Debit Note No.	L.F.No	Amount Rs.

4. **Sales Returns Book:** All sales returns are recorded.

Format:

Sales Returns Book

Date	Particulars	Credit Note No.	L.F. No	Amount Rs.

5. **Cash Book:** All cash receipts and payments are recorded.

6. **Bills receivable book**: All bills receivable items are recorded.

Format:

Bills Receivable Book

No. Of Bill	Date Received	Date of bill	From whom received	Drawer	Acceptor	Where payable	Term	Due date	Ledger Folio	Amount	Cash book folio	Remarks

7. **Bills payable book:** All bills payable items are recorded.

Format:

Bills Payable Book

No. of bill	Date of bill	To whom given	Drawer	Payee	Where payable	Term	Due date	Ledger Folio	Amount paid	Date of Payment	Cash Book Folio	Remarks

8. **Journal Proper :** Used to record those transactions for which there is no separate book.

2. Explain the advantages of subsidiary books.

A. <u>Advantages Of Subsidiary Books</u>:

1. No need to write journal entries.
2. Ledger accounts can be prepared on the basis of subsidiary books.
3. Recording of transactions is fast & easy.
4. Labour involved and time can be saved.
5. Information relating to similar type of transactions will be available at one place

<u>Example problem:</u>

Enter the following transactions in the proper subsidiary books

2012 March

1	Goods purchased from Kalyani	Rs. 14,000
6	Goods sold to Jitendra	Rs. 9,000
9	Goods purchased from Lakshmi	Rs. 7,000
14	Goods purchased from Durga & Co	Rs. 6,000
15	Jitendra returned goods worth	Rs. 2,000
17	Goods returned to Lakshmi	Rs. 500

Solution:

Purchases Book

Date	Particulars	Inward Invoice No.	L.F.No	Amount Rs.
2012 March				
1	Kalyani			14,000
9	Lakshmi			7,000
14	Durga & Co			6,000
	Debited to Purchase Account			28,000

Sales Book

Date	Particulars	outward Invoice No.	L.F.No	Amount Rs.
2012 March				
6	Jitendra			6,000
	Credited to Sales Account			6,000

Sales Returns Book

Date	Particulars	Credit Note No.	L.F. No	Amount Rs.
2012 March 15	Jitendra			2,000
	Debited to sales returns account			2,000

Purchases Returns Book

Date	Particulars	Debit Note No.	L.F.No	Amount Rs.
2012 March 17	Lakshmi			500
	Credited to Purchase Returns account			500

UNIT - VI
CASH BOOKS

Introduction

A Cash Book is a special journal which is used for recording all cash receipts and all cash payments. Cash Book is a book of original entry since transactions are recorded for the first time from the source documents. The Cash Book is larger in the sense that it is designed in the form of a Cash Account and records cash receipts on the debit side and cash payments on the credit side. Thus, the Cash Book is both a journal and a ledger.

2-MARKS:

1. What is a Cash book?

A. **Cash book**: If cash receipts and payments are recorded in a separate book. It is known as a "Cash book".

2. What are the types of Cash books?

A. They are :

1. Simple cash book
2. Double column cash book
3. Three column cash book
4. Analytical petty cash book.

3. What is Contra entry?

A. **Contra entry :** The transaction which is posted on both the sides of the cash book(side as well as Credit side) is called Contra entry.

6-MARKS:

1. Explain the kinds of cash books.

A. **Types Of Cash Books:** The cash book is of the following types:

1. **Simple Cash book:** It is maintained usually by newly started business firms, whose trade transactions are limited. Only cash transactions are recorded in this book.

Format: Dr. Simple Cash Book (or) Single Column Cash Book Cr.

Date	Particulars	L.F.	Amount Rs.	Date	Particulars	L.F.	Amount Rs.

Example problem:

2017 January

1	Samitha started business with cash	Rs.80,000
4	Purchases	Rs. 20,000
6	Cash deposited at Bank	Rs. 30,000
8	Sales	Rs. 14,000
10	Purchased goods from Harshitha for cash	Rs. 5,000
14	Manager salary	Rs. 12,500
16	Office expenses	Rs. 2,500
17	Stationery Purchses	Rs. 350
21	Sale of old newspapers	Rs. 90
23	Drawings	Rs. 5,000
25	Rent paid	Rs. 2,800
29	Interest Received	Rs. 1,250
31	Travelling expenses paid	Rs. 1,150

Dr. **Simple Cash Book** **Cr.**

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
2017 January 1	To Capital A/c		80,000	2017 January 4	By Purchases A/c		20,000
8	To Sales A/c		14,000	6	By Bank A/c		30,000
21	To Old News papers A/c		90	10	By Purchases A/c		5,000
29	To Interest A/c		1,250	14	By Salaries A/c		12,500
				16	By Office expenses A/c		2,500
				17	By Stationery A/c		450
				23	By Drawings A/c		5,000
				25	By Rent A/c		2,800
				31	By Travelling Expenses A/c		1,150
				31	By Balance c/d		15,940
			95,340				95,340
Feb, 1	To Balance b/d		15,940				

2. **Double column cash book:** The transactions pertaining to cash and discounts are recorded in this book. Hence it is called a Double column cash book.

Format:

Dr **Cash and Discount column cash book** **Cr**

Date	Particulars	L.F. No	Discount Allowed	Amount Rs.	Date	Particulars	L.F. No	Discount Received	Amount Rs.

Example problem:

Prepare two column cash book from the following transactions

2018 January

1	Opening Balance	Rs. 2,00,000
6	Payment made to Kameswari	Rs. 6,700
	Discount received	Rs. 300
8	Goods purchased for cash	Rs. 10,000
10	Sales	Rs. 14,000
23	Cash received from Kella & co.,	Rs. 19,800
	Discount allowed	Rs. 700
31	Salaries paid	Rs. 1,300
31	Cash received from SNL Pioneer Projects	Rs. 6,300
	Discount allowed	Rs. 200
31	Paid Rent	Rs. 1,000

Dr. Cash and Discount column Cash Book Cr.

Date	Particulars	L.F. No	Discount Allowed	Amount Rs.	Date	Particulars	L.F. No	Discount Received	Amount Rs.
2018					2018				
Jan 1	To Balance b/d			200,000	Jan 6	By Kameswari A/c		300	6,700
10	To Sales A/c			14,000	8	By Purchases A/c			10,000
23	To Kella &Co A/c		700	19,800	31	By Salaries A/c			1,300
31	To SNL Pioneer Projects A/c		200	6,300	31	By Rent A/c			1,000
					31	By Balance c/d			221100
			900	240100				300	240100
Feb-01	By Balance b/d		221100						

3. **Triple column cash book**: In a three column cash book we enter transactions relating to not cash, but also cash discount and bank. So this cash book is "called cash book with cash, bank and discount columns".

Format:

Dr. **Three column cash book** Cr.

Date	Particulars	L.F. No	Discount Allowed	Amount Rs.	Bank Rs.	Date	Particulars	L.F. No	Discount Received	Amount Rs.	Bank Rs.

Example problem

Prepare three column cash book for the following transaction in the books Vaaral
2018 January

1	Capital Introduced	Rs. 1,00,000
3	Deposited at bank	Rs. 45,000
4	Goods purchased for cash	Rs. 2,550
5	Cash received from Prasad	Rs. 6,700
	Discount Allowed	Rs. 300
7	Cash paid to Devi	Rs. 6,800
	Discount received	Rs. 200
11	Cheque issued to Sailaja	Rs. 10,000
19	Cheque received from Srinivas	Rs. 40,000
20	Srinivas cheque deposited at bank	
26	Cash with drawn from bank for office use	Rs. 15,000
30	Sold goods for cash	Rs. 21,600
31	Salaries paid through cheque	Rs. 18,000
31	Deposited at bank	Rs. 12,000
31	Rent paid	Rs. 1,400

Dr. **Cash book with Discount, Cash and Bank Columns** Cr.

Date	Particulars	L.F. No	Discount Allowed	Amount Rs.	Bank Rs.	Date	Particulars	L.F. No	Discount Received	Amount Rs.	Bank Rs.
2018 Jan 1	To Capital A/c			1,00,000		2018 Jan 3	By Bank A/c	C		45,000	
3	To Cash A/c	C			45,000	4	By Purchase A/c			2,550	
5	To Prasad A/c		300	6,700		7	By Devi A/c		200	6,800	
19	To Srinivas A/c			40,000		11	By Sailaja A/c				10,000
20	To Cash A/c	C			40,000	20	By Bank A/c	C		40,000	
26	To Bank a/c	C		15,000		26	By Cash A/c	C			15,000
30	To Sales A/c			21,600		31	By Salaries A/c				18,000
31	To Cash A/c	C			12,000	31	By Bank A/c	C		12,000	
						31	By Rent A/c			1,400	
						31	By Balance c/d			75,550	54,000
			300	1,83,300	97,000				200	1,83,300	97,000
Feb-01	By Balance b/d			75,550	54,000						

4. Petty cash book: The petty cash book analyzes the payments by its various columns. So it is called an "Analytical petty cash Book".

Format:

Petty Cash Book										
Cash Received	C.B. Folio	Date	Particulars	V. No	Total Payment	Postage & Stamp	Cartage	Stationery	Travelling Expense	Misc. Expenses

Example problem

Prepare analytical cash book for the following details

2011 January

1	Advance received from head cashier	Rs. 500
2	Travellings	Rs. 15
8	Postal Stamps Puchased	Rs. 25
10	Stationary Purchased	Rs. 30
12	Carriage paid	Rs. 20
16	Courier Charges	Rs. 27
19	Tea & Tiffins	Rs. 15
23	Telegram Expenses	Rs. 22
24	Auto charges	Rs. 20
25	Paid to Sankar	Rs. 15
30	Pen purchased	Rs. 10

Dr. Analytical Petty cash book Cr.

Cash Received	L. F. NO	Date	Particulars	Voucher No	Total payment Rs.	Analysis of Payment								Remarks
						Travellings Rs.	Postage Rs.	Telegram Rs.	Printing & Stationery Rs.	Carriage Rs.	Refreshments Rs.	Sundries Rs.	Mislenious Rs.	
500		2011 JAN 1	To Cash											
		2	By Travellings		15	15								
		8	By Postal Stamps		25		25							
		10	By Stationery		30				30					
		12	By Carriage		20					20				
		16	By Courier Charges		27		27							
		19	By Tea & Tiffins		15						15			
		23	By Teligram		22		22							
		24	By Auto Charges		20	20								
		25	By Sankar		15							15		
		30	By Pen		10				10					
					199									
		31	By Balance c/d		301									
500					500	35	74	0	40	20	15	15	0	
		Feb-01	To Balance b/d		301									

2. Explain the advantages of a cash book?

A. Advantages Of Cash Book :

1. To know the cash and bank balance of the business unit at any time.
2. To know how much amount is received and how much amount of cash Paid.

3. Fraud or mistake can be detected by verifying the closing balance of the cashbook with the actual amount of cash on hand.

4. It serves as a journal as well as a ledger.

3. Explain the importance of cash book.

A. Importance of cash book: in this book record particular receipt and payment money. The main objective of a cash book is to know the balance of cash at a given time. The person who maintains this book is known as a cashier. It records only one aspect of a transaction. This number of cash transactions are more in the business so the cash book should be prepared and maintained with utmost care. Business transaction are mainly of two kinds

I Cash transactions

II Credit transactions

Cash transaction are of two types

I Cash receipts

II Cash payments.

UNIT – VII
Bank Reconciliation Statement

2-MARKS:

1. Define Pass Book.

A. Pass Book: A passbook or bank book is a paper book used to record bank or building society transactions on a deposit account.

2. Define Bank Reconciliation Statement.

A. Bank Reconciliation Statement: The statement prepared to reconcile the balances of the cash book and pass book is called *"Bank Reconciliation Statement"*.

3. Define Overdraft.

A. Overdraft: The excess amount used by the business from its bank current account even though there is no balance in its bank, the current account is called an *"Overdraft"*.

6-MARKS:

1. Explain the importance of Bank Reconciliation Statement.

A. Importance of Bank Reconciliation Statement:

- It helps in locating and rectifying the errors or omissions committed either by the firm orby the bank.
- Customer becomes sure of the correctness of the bank balance shown by the cash book.
- Facilitates the preparation of amended or revised Cash Book.
- Reduces the chances of fraud by the staff of the firm or bank.
- Helps in keeping a track of the cheques deposited for collection.

UNIT – VIII
TRIAL BALANCE AND RECTIFICATION

2-MARKS:

1. What is Trial Balance?

A. Trial Balance: A Trial Balance is a list of all the balances standing on the ledger accounts and cash book of a concern at any given date.

The format of Trial Balance is as follows.

S.L.No	Nature of Accounts	L.F.	Balances Dr. Rs.	Balances Cr. Rs.

2.Define Suspense Account.

A.Suspense Account: A suspense account is an account in the general ledger in which amounts are temporarily recorded.

3. Define Error.

A. Error: Errors are the mistakes committed in the accounting process.

6-MARKS:

1. What are the objectives of Trial Balance?

A. Characteristics of Trial Balance:

1. It is a statement or a list.
2. It contains all the debit and credit balances.
3. The total of debit balances and credit balances must be equal.
4. It is the only base for preparation of final accounts.
5. It can be prepared at any time.

2. How is the trial balance prepared? Explain with examples.

A. PREPARATION OF TRIAL BALANCE:

1. The following accounts will always appear with debit balances in Trial Balance:

Asset Accounts: Land accounts, building accounts, machinery accounts, furniture accounts, Debtors account, stock account, Bills receivable etc.,

2. The following accounts will always appear with credit balances in Trial Balance:

Liabilities accounts: Creditors account. Loan account, mortgage account, Bills Payable account, Bank overdraft account. All types of Reserves and Funds accounts.

3. Explain the errors disclosed and not disclosed by trial balance.

A: Trial Balance:

1. Commission to post an amount from subsidiary book to ledger.
2. Posting the amount on the wrong side.
3. Posting the wrong amount on the correct side.
4. Error due to wrong totaling.
5. Undercasting and overcasting.

Posting wrong entry in subsidiary book:

1. Compensating errors /Posting into the header of Accounts.
2. Errors of omission.
3. Errors of principles.

EXAMPLE : Prepare a Trial Balance from the following Ledger balance relate to M/s. Vandana and co. as on 31-3-2003.

Particulars	Amount Rs.	Particulars	Amount Rs.
Cash in bank	200	Debtors	34,000
Capital	78,000	Bills payable	1,140
Lease Property	46,000	Opening Stock	5,000
Furniture	10,500	Bank Loan	46,000
Sales	1,31,020	Plant and Machinery	48,000
Discount allowed	540	Purchases	81,900
Carriage Inward	350	Discount Received	70
Returns Inward	1,500	Carriage outward	240
Wages & Salaries	17,000	Returns outward	380
Advances paid	29,960	Sundry expenses	1,370
Bank charge	1,000	Taxes	500
Creditors	22,760	Commission received	1,690
		Drawings	3,000

Solution:

Trial Balance of M/s. Vandana & Co. as on 31-3-2003

Particulars (Name of the account)	LF No.	Debit Balance Rs.	Credit Balance Rs.
Cash in bank		200	
Capital			78,000
Lease Property		46,000	
Furniture		10,500	
Sales			1,31,020
Discount allowed		540	
Carriage Inward		350	
Returns Inward		1,500	
Wages & Salaries		17,000	
Advances paid		29,960	
Bank charge		1,000	
Creditors			22,760
Debtors		34,000	
Bills payable			1,140
Opening Stock		5,000	
Bank Loan			46,000
Plant and Machinery		48,000	
Purchases		81,900	
Discount Received			70
Carriage outward		240	
Returns outward			380
Sundry expenses		1,370	
Taxes		500	
Commission received			1,690
Drawings		3,000	
		2,81,060	**2,81,060**

FINAL ACCOUNTS

2-MARKS:

1. What is an Opening Entry?

A. Opening Entry: is the entry with balances of other than nominal accounts.

2. What is a Trading Account?

A. Trading Account: Trading account is prepared at the end of each accounting period to assess the Gross profit or Gross loss.

3. Define Profit and Loss Account.

A. The profit and loss statement is a financial *statement* that summarizes the revenues, costs and expenses incurred during a specified period.

4. What is a Balance Sheet?

A. Balance Sheet: Balance Sheet is a statement prepared on a particular date to show the financial position of the firm with all assets and liabilities of the firm.

5.What is Adjustment?

A. Adjustment: Adjustment is the process of adjusting outstanding and prepaid expenses and incomes, depreciation of assets, bad debt, interest on capital and drawings etc.,into final accounts.

6. Define Depreciation.

A. Depreciation : The value of fixed assets such as machinery, furniture etc., will decrease every year due to various reasons, such as wear and tear, obsolescence etc.Such decline in the value of fixed assets is called "Depreciation". It may be defined as a decrease **in the value of the asset.**

7. Define Bad Debts.

A. Bad Debts: The trader sells goods on credit to some of the customers. The customers who have taken credit (Debtors) may not pay the amounts. Thus the debts which are not collected and irrecoverable are known as bad debts.

6-MARKS:

1. What is a Balance Sheet? How is it prepared?

(Or)

What are the steps taken while preparing a Balance Sheet?

A. Balance Sheet: Balance Sheet is a statement prepared on a particular date to show the financial position of the firm with all assets and liabilities of the firm.

PREPARATION OF BALANCE SHEET:

1. Balance sheet is prepared on a particular date. It represents the financial position of the business, on that date. So it should be dated as, balance sheet as at.

2. It is prepared along with the preparation of trading and profit and loss accounts. So it is included among the final accounts.

3. At any time the capital in the business is equal to the assets minus the liabilities, other than the capital. So the total liabilities and the capital must be equal to the total assets of the business.

2. What are the differences between Trial Balance and Balance Sheet?

A. The differences between Trial Balance and Balance Sheet:

1.	Trial balance is prepared to prove the arithmetic accuracy of the accounts.	**1.**	The balance sheet is prepared to show the financial position of a firm on a particular date.
2.	It contains the balances of all the accounts	**2.**	It contains the information pertaining to the assets and liabilities.
3.	No adjustments are seen Trial balance.	**3.**	All types of adjustments should be done in the balance sheet.
4.	It can be prepared at any time.	**4.**	it is prepared only at the closure of the accounting year.
5.	Headings of debit and credit are seen in the trial balance.	**5.**	Assets at the right side and liabilities at the left side can be seen in the Balance sheet.
6.	No information regarding the profit or loss can be found.	**6.**	Clear information regarding profit or loss can be found in the Balance Sheet.

Tally

2-MARKS:

1. What is Tally?

A. Tally: Tally is a financial accounting package. Accounts were one of the earliest applications to be computerized in business firms.

2. What is a Cash flow statement?

A. Cash flow statement: It is a statement which describes the inflows (sources) and outflows (uses) of cash equivalents in an enterprise during a specified period of time.

3. What is a Funds flow statement?

A. Funds flow statement: Funds Flow provides the information of Movement of funds, i.e. source and utilization of Fund showing the increase or decrease in Working Capital.

4. What are the uses of Function Keys in Tally?

A.

	F1: Select a company	**F1: Shut company**
	F2: Date	**F3: Company information**
	F4: Contra	**F5: Payment**
	F6: Receipt	**F7: Journal**
	F8: sales	**F8: Credit note**
	F9: purchase	**F9: Debit note**
	F10: Rev Jrnl	**F10: Memos**
	F11: Features	**F12: CONFIGURATION**

5. Write use of Function Keys F11, F12 in Tally.

A. F11: Features

F12: Configuration

6-MARKS:

1. Write the procedure to create a company in Tally.

A. The new company can be created using the following steps

i. Start programs tally 9.2.

ii. Double click on the tally icon on the desktop.

iii. Select the option create company from the company information screen'.

iv. The company creation window gets opened and users can enter all the details of the company like Name of company ,mail name, company address, Email address VAT Regd no. if any,using currency symbols as Rs the financial year of the company.

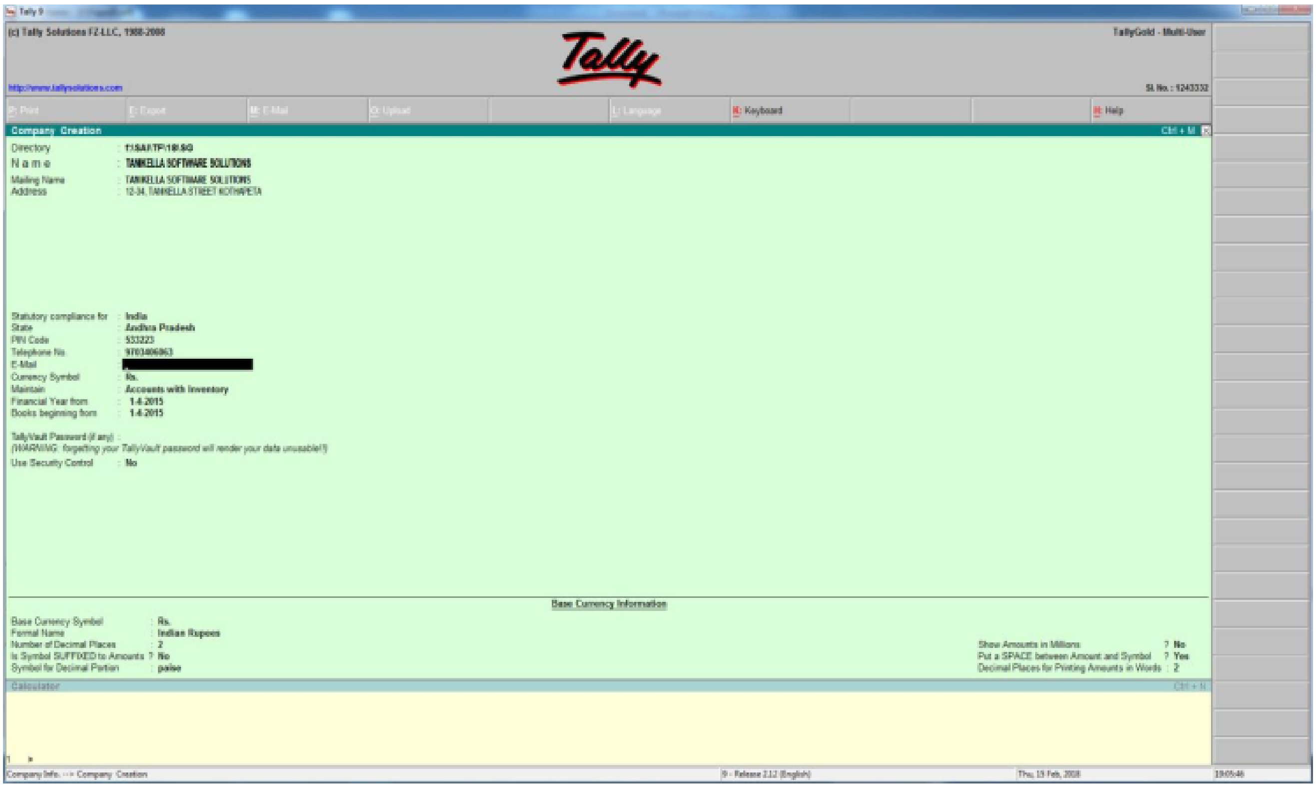


Figure 10.1

Then click on yes button to accept the details, and company gets created .

2. Explain Accounting Vouchers in Tally with function keys.

A. <u>Tally Account Voucher Types</u>:

As per the accounting principle all accounting transaction transactions are entered in a journal voucher. The following are the types of voucher used by all kinds of business units, irrespective of their nature, size or booking keeping methods.

- Contra
- Receipt
- Payment
- Journal