



Important snaps by Team PIS Class- XIth

SUBJECT: ACCOUNTS

BOOK : NCERT

TEACHER: MOHIT SINGHAL

Chapter-1 Introduction to Accounting

Q1. Explain the objectives of Accounting

- 1.** To keep systematic and complete record of financial transactions in the books of accounts according to specified principles and rules to avoid the possibility of omission and fraud.
- 2.** To ascertain the profit earned or loss incurred during a particular accounting period which further help in knowing the financial performance of a business.
- 3.** To ascertain the financial position of the business by the means of financial statement i.e. balance sheet which shows assets on one side and Capital & Liabilities on the other side.
- 4.** To provide useful accounting information to users like owners, investors, creditors, banks, employees and government authorities etc who analyze them as per their requirements.
- 5.** To provide financial information to the management which help in decision making, budgeting and forecasting.
- 6.** To prevent frauds by maintaining regular and systematic accounting records.

Chapter-1 Introduction to Accounting

Q2. Explain the Qualitative Characteristics of Accounting Information

Accounting information is useful for interested users only if it possesses the following characteristics:

- 1. Reliability:** Means the information must be based on facts and be verified through source documents by anyone. It must be free from bias and errors.
- 2. Relevance:** To be relevant, information must be available in time and must influence the decisions of users by helping them to form prediction about the outcomes.
- 3. Understandability:** The information should be presented in such a manner that users can understand it well.
- 4. Comparability:** The information should be disclosed in such a manner that it can be compared with previous year's figures of business itself and other firm's data.

Chapter-2 Basic Accounting Term

Q1. Explain the terms used in Accounting.

Capital: Amount invested by the owner in the firm is known as capital. It may be brought in the form of cash or assets by the owner.

Drawings: The money or goods or both withdrawn by owner from business for personal use, is known as drawings. *Example:* Purchase of car for wife by withdrawing money from business.

Assets: Assets are valuable and economic resources of an enterprise useful in its operations. Assets can be broadly classified as:

Liabilities: Liabilities are obligations or debts that an enterprise has to pay after some time in the future.

RECEIPTS

1. Revenue Receipts: Revenue Receipts are those receipts which are occurred by normal operation of business like money received by sale of business products.

2. Capital Receipts: Capital Receipts are those receipts which are occurred by other than business operations like money received by sale of fixed assets.

Expenses: Costs incurred by a business for earning revenue are known as expenses. For example: Rent, Wages, Salaries, Interest etc.

Expenditure: Spending money or incurring a liability for acquiring assets, goods or services is called expenditure. The expenditure is classified as :

1. Revenue Expenditure: It is the amount spent to purchase goods and services that are used during an accounting period is called revenue expenditure. For Example: Rent, Interest etc.

2. Capital Expenditure: If benefit of expenditure is received for more than one year, it is called capital expenditure. Example: Purchase of Machinery.

3. Deferred Revenue Expenditure: There are certain expenditures which are revenue in nature but benefit of which is derived over number of years. For Example: Huge Advertisement Expenditure.

Profit : The excess of revenues over its related expenses during an accounting year is profit.

Profit = Revenue – Expenses

Chapter-2 Basic Accounting Term

Gain: A non-recurring profit from events or transactions incidental to business such as sale of fixed assets, appreciation in the value of an asset etc.

Loss: The excess of expenses of a period over its related revenues is termed as loss. $\text{Loss} = \text{Expenses} - \text{Revenue}$

Goods: The products in which the business deal in. The items that are purchased for the purpose of resale and not for use in the business are called goods.

Purchases: The term purchases is used only for the goods procured by a business for resale. In case of trading concerns it is purchase of final goods and in manufacturing concern it is purchase of raw materials. Purchases may be cash purchases or credit purchases.

Purchase Return: When purchased goods are returned to the suppliers, these are known as purchase return.

Sales: Sales are total revenues from goods sold or services provided to customers. Sales may be cash sales or credit sales.

Sales Return: When sold goods are returned from customer due to any reason is known as sales return.

Debtors: Debtors are persons and/or other entities to whom business has sold goods and services on credit and amount has not received yet. These are assets of the business.

Creditors: If the business buys goods/services on credit and amount is still to be paid to the persons and/or other entities, these are called creditors. These are liabilities for the business.

Bill Receivable: Bill Receivable is an accounting term of Bill of Exchange. A Bill of Exchange is Bill Receivable for seller at time of credit sale.

Bill Payable: Bill Payable is also an accounting term of Bill of Exchange. A Bill of Exchange is Bill Payable for purchaser at time of credit purchase.

Accounting Principle

FUNDAMENTAL ACCOUNTING ASSUMPTIONS

- 1. Going Concern Assumption:** This concept assumes that an enterprise has an indefinite life or existence. It is assumed that the business has neither intention to liquidate nor to scale down its operations significantly.
- 2. Consistency Assumption:** According to this assumption, accounting practices once selected and adopted, should be applied consistently year after year. This will ensure a meaningful study of the performance of the business for a number of years.

Consistency assumption does not mean that particular practices, once adopted, cannot be changed. The only requirement is that when a change is desirable, it should be fully disclosed in the financial statements along with its effect on income statement and Balance Sheet.

- 3. Accrual Assumption:** Accrual concept applies equally to revenue and expenses. As per this assumption, all revenue and costs are recognized when they are earned or incurred.

It is immaterial, whether the cash is received or paid at the time of transaction or later date e.g., if a credit sale (Credit for two months) for Rs. 15,000 is made on 15th Feb. 2015, then the revenue earned is to be recorded on 15th Feb. 2015, not on the date of cash realized, i.e., after two months. In case of Expenses, if at the end of the year the two months' salary is due but not paid, then the expenses of salary will be recorded in the current year in which salary is due, not in the next year in which it will be paid.

Accounting Principle

ACCOUNTING PRINCIPLES

1. Accounting Entity: An entity has a separate existence from its owner. According to this principle, business is treated as an entity, which is separate and distinct from its owner. Therefore transactions are recorded; analyzed and financial statements are prepared from the business point of view and not of the owner.

The owner is treated as a creditor (Internal liability) for his investment in the business, as if the firm has borrowed from its owner instead of the outside parties. Interest on capital is treated as expense like any other business expense. His private expenses are treated as drawings leading to reduction in capital.

2. Money Measurement Principle: According to this principle, only those transactions that are measured in money or can be expressed in term of money are recorded in the books of accounts of the enterprises. Non- monetary events like death of any employee/Manager, strikes, disputes etc., are not recorded at all, even though these also affect the business operations significantly.

Limitations:

1. It ignores qualitative aspect e.g., efficient human resources (Assets), satisfied customers (Assets) and dishonest employee (liabilities).
2. Value of money (currency) is not stable.

To make accounting records simple, relevant, understandable and homogeneous, facts are expressed in a common unit of measurement- money. ,

3. Accounting Period Principle: According to this principle, the whole indefinite life of an enterprise is divided into parts, known as accounting period.

Accounting period is defined as interval of time, at the end of which the profit and loss account and balance sheet are prepared, so that the performance is measured at regular intervals and decision can be taken at the appropriate time. Accounting period is usually a period of one year and that year may be financial year or calendar year.

Relevance:

1. This Assumption requires showing the allocation of expenses between Capital and Revenue.
2. Portion of Capital Expenditure that is consumed during the current year is charged to Income statement and rest of the portion i.e., Unconsumed portion is shown as an asset in the Balance Sheet.

3. As per income tax law, tax on income is calculated on annual basis from 1st April to 31st March (Financial Year)

4. Timely action for corrective measures can be taken by the Management.

4. Full Disclosure Principle: According to this principle, apart from legal requirements all significant and material information relating to the economic affairs of the entity should be completely disclosed in its financial statements and accompanying notes to accounts.

The financial statements should act as means of conveying and not concealing the information. Disclosure of information will result in better understanding and the parties may be able to take sound decisions on the basis of the information provided.

E.g., footnotes such as :

1. Contingent liabilities in respect to a claim of a very big amount against the business are pending in a Court of Law.
2. Change in the method of providing depreciation.
3. Market value of investment.

Accounting Principle

5. Materiality Principle: Disclosure of all material facts is compulsory but it does not imply that even those figures which are irrelevant are to be included in financial statements. According to this principle, only those items or information should be disclosed that have material effect and relevant to the users. So, item having an insignificant effect or being irrelevant to user need not be disclosed separately, these may be merged with other item.

If the knowledge of any information may affect the user's decision, it is termed as material information.

It should be noted that an item material for one enterprise may not be material for another enterprise, e.g., an item of expenses Rs. 50,000 is immaterial for an enterprise having turnover of Rs. 100 crore.

6. Prudence Principle: According to this principle, profit in anticipation should not be recorded but loss in anticipation should immediately be recorded. The objective of this principle is not to overstate the profit of the enterprise in any case. When different equally acceptable alternative methods are available, the method which having least favorable immediate effect on profit should be adopted, e.g.,

(1) Valuation of stock at cost or realizable values, whichever is lower.

(2) Provision for doubtful debts and provision for discount on debtors is made.

7. Cost Principle: According to this Principle, an asset is recorded in the books of accounts at its original cost comprising cost of acquisition and all expenditure incurred for making the assets ready to use.

This cost becomes the basis of all subsequent accounting transactions for the asset, since the acquisition cost relates to the past, it is referred to as Historical cost. Example: Machinery purchased for Rs. 1,50,000 in cash and Rs. 20,000 was spent on installation of machine then Rs. 1,70,000 be recorded as cost of machine in the books and depreciation will be charged on this cost. If market value of machine due to inflation has gone up to Rs. 2,00,000 then the increased value will not be recorded. This cost is systematically reduced from year after year by charging depreciation and the assets are shown in the balance sheet at book value (cost – depreciation).

8. Matching Principle: According to this principle, all expenses incurred by any enterprises during an accounting period are matched with the revenue recognized during the same period.

The matching principle facilitates to ascertain the amount of profit or loss incurred in a particular period by deducting the related expenses from the revenue recognized that period.

The following treatment of expenses and revenue are done due to matching principle:

(1) Ascertainment of Prepaid Expenses!

(2) Ascertainment of Income received in advance.

(3) Accounting of closing stock.

(4) Depreciation charged on fixed assets.

9. Dual Aspect Principle: According to this principle, every business transaction has two aspects-a debit and a credit of equal amount. In other words, for every debit there is a credit of equal amount in one or more accounts and vice-versa.

The system of recording transaction based on this principle is called as “Double Entry System”.

Due to this principle, the two sides of Balance Sheet are always equal and the following accounting equation will always hold good at any point of time.

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

Example : Ram started business with cash Rs. 1,00,000. It increases cash in assets side and capital in liabilities- side by Rs. 1,00,000.

$$\text{Assets Rs. 1,00,000} = \text{Liabilities} + \text{Capital Rs. 1,00,000}$$

BASES OF ACCOUNTING

BASES OF ACCOUNTING

There are two bases of ascertaining profit or loss, namely 1 Cash Basis, and (2) Accrual Basis.

1. Cash Basis of Accounting : Under this system of accounting transactions are recorded in the books of accounts only on the receipt/ payment of cash. The income is calculated as the excess of actual cash receipts (in respect of sale of goods, service, properties etc.) over actual cash payments (regarding purchase of goods, expenses, rent, electricity, salaries etc.)

Entry is not recorded when a payment or receipt merely due i.e., outstanding expenses, Accrued income are not treated. This method is contrary to the matching principle.

2. Accrual Basis of Accounting: Under this system of accounting, revenue and expenses are recorded when they are recognized i.e., Income is recorded as Income when it is accrued (when transaction takes place) irrespective of fact whether cash is received or not. Similarly, expenses are recorded when they are incurred or become due and not when the cash is paid for them.

Under this system, expenses such as outstanding expenses, prepaid expenses, accrued income and received in advance are identified and taken into account.

Under the companies' amendments Act 2013, all companies are required to maintain their accounts according to accrual basis of accounting.

Accounting Equation

ACCOUNTING EQUATION

An Accounting equation is based on the dual concept of accounting, according to which, every transaction has two aspects namely Debit and Credit. It means that every transaction in accounting effect both Debit (DR.) and Credit (Cr.) side equally.

Total assets of the business firm are financed through the funds raised from either the outsiders (which consists generally Creditors and lenders) or the Owners (which is called Capital).

According to Business entity concept, Business is separate legal entity from its owner thus the amount invested by the owner in the business is liability of the business is called Capital. Accounting equation thus referred to a equation in which total assets is always equal to total Liabilities (i.e. Capital + Liabilities)

$\text{Assets} = \text{Capital} + \text{Liabilities}$

Rules of Debit & Credit

Approaches for the rules of Debit & Credit

1. Traditional Approach

Under this approach, all ledger accounts are mainly classified into two categories:-

(I) Personal Accounts: It includes all those accounts which are related to any person i.e. Individuals, firms, companies, Banks etc. This can further classified into three categories:-

1. Natural Persons: All the accounts of human beings / Persons are included such Ram A/C, Shyam A/C etc.

2. Artificial Persons: This includes all such accounts which are treated as persons in the eyes of law & have separate legal entity such as Reliance Ltd., XYZ Ltd.

3. Representative Persons: This includes all such accounts which represents some persons such as Capital (Represent Owner) Outstanding Salary (Represent Employee)

(II) Impersonal Accounts: It includes all those accounts which are not related to any person this can be classified as :-

1. Real Accounts: Under this all accounts related to assets are included (except Debtors). These can be Tangible i.e. Machinery, Furniture , Building, Cash etc. and Intangible I.e. Goodwill, Trade Mark, Patents Rights etc.

2. Nominal Accounts : this includes all the accounts related to Expenses/Losses & Incomes / Gains e.g. Salary, Rent, Commission received etc. they are used to record the transaction in the books of accounts.

Journal Entries

1	Goods purchased for cash Purchase A/c Dr. To Cash A/c (Being goods purchased for cash)	2	Goods purchased from ram on Credit Purchase A/c Dr. To Ram (Being goods purchased from Ram on credit)
3	Goods sold for cash Cash A/C Dr. To Sales A/c (Being goods sold for cash)	4	Goods sold on credit to Mohan Mohan Dr. To Sales A/c (Being goods sold to Mohan on credit)
5	Withdrawal of goods by owner for personal use Drawings A/c Dr. To Purchase A/c (Being goods withdrew by owner for personal use)	6	Goods distributed as free samples Advertisement A/c Dr. To Purchase A/c (Being goods distributed as free samples)
7	Goods given as charity Charity A/c Dr. To Purchases A/c (Being goods given as charity)	8	Goods lost by fire/flood/theft etc. Loss by fire/theft A/c Dr. To Purchase A/c (Being goods lost by fire/flood/theft)

Journal Entries

1	<p>Cash deposited into the bank Bank A/c Dr.</p> <p>To Cash A/c</p> <p>(Being cash deposited to Bank)</p>	2	<p>Cash withdrawn for office use Cash A/c Dr.</p> <p>To Bank A/c</p> <p>(Being cash withdrew from bank for office use)</p>
3	<p>When cheque is received from customer and deposited into bank same day. Bank A/c Dr.</p> <p>To Customer's personal A/c</p> <p>(Being cheques deposited into bank)</p>	4	<p>Cash withdrawn for personal use by owner. Cash A/c Dr.</p> <p>To Bank A/c</p> <p>(Being cash withdrew for personal use)</p>
5	<p>When cheque is received from customer and not deposited into bank same day. No Entry</p>	6	<p>When above cheque (Point 4) is deposited later into bank Bank A/c Dr.</p> <p>To Customer s personal A/c</p> <p>(Being cheques deposited into bank received from On)</p>

Cash Book

Dr. (Receipts)						Cr. (Payments)					
CASH BOOK						CASH BOOK					
Date	Description	VN	PR	Cash	Bank	Date	Description	VN	PR	Cash	Bank
<u>2018</u>						<u>2018</u>					
Mar.01	Balance b/d		-	1,450	1,500	Mar.02	Mark & Co.		60		120
Mar.04	John & Co.		25	400		Mar.05	Bank		C	400	
Mar.05	Cash		C		400	Mar.08	Stationary		440	25	
Mar.13	Sales		405	1,800		Mar.12	Purchases		420	525	
Mar.15	Cash		C		850	Mar.15	Bank		C	850	
Mar.20	Bank		C	150		Mar.17	Drawings		445		40
Mar.22	Peter & Co		30		880	Mar.19	Purchases		420		630
Mar.29	Sales		405	650		Mar.20	Cash		C		150
Mar.30	Bank		C	145		Mar.25	Daniel Inc.		65		270
						Mar.26	Furniture		425	175	
						Mar.28	Rent		435		120
						Mar.30	Cash		C		145
						Mar.31	Salaries		415		300
						Mar.31	Balance c/d		-	2,620	1,855
				4,595	3,630					4,595	3,630
Apr.01	Balance b/d			2,620	1,855						

Cash Book

Cash Received	C.B. Folio	Date	Particulars	V.N.	Total Payment \$	Postage & stamps \$	Cartage \$	Stationery \$	Traveling \$	Misc. \$
		2019								
150		Jan. 01	Balance b/d							
1,350		Jan. 01	Bank Account							
		Jan. 04	Postage Account		50	50				
		Jan. 06	Traveling Exp.		100				100	
		Jan. 10	Stationery Account		150			150		
		Jan. 11	Misc. Exp,		50					50
		Jan. 15	Traveling Exp.		75				75	
		Jan. 18	Cartage account		350		350			
		Jan. 20	Postage Account		25	25				
		Jan. 24	Misc. Exp.		150					150
		Jan. 27	Stationery Account		200			200		
		Jan. 30	Stationery account		150			150		
		Jan. 31	Misc. Exp.		50					50
		Jan. 31	Balance C/d		150					
1,500					1,500	75	350	500	175	250
150		Feb. 01	Balance b/d							
1,350		Feb. 01	Bank A/c							

Subsidiary Book

Date	Particulars	Invoice No.	L.F.	Details	Cost	Input CGST	Input SGST	Total
June 05	Mohan Lal & Company, Kanpur 20 Godrej Chairs @ ₹ 2,000 each 5 Godrej Tables @ ₹ 6,000 each Less: 20% T.D. Add: CGST @ 6% Add: SGST @ 6%			40,000	56,000	3,360	3,360	62,720
				30,000				
				70,000				
				14,000				
				56,000				
				3,360				
				3,360				
June 10	Bharat Bhushan & Sons, Varanasi 5 Almirahs @ ₹ 12,000 each 2 Revolving Chairs @ ₹ 20,000 each Less: 10% T.D. Add: CGST @ 6% Add: SGST @ 6%			62,720	90,000	5,400	5,400	1,00,800
				60,000				
				40,000				
				10,000				
				90,000				
				5,400				
				5,400				
June 14	Surya Traders, Lucknow 80 Desks @ ₹ 2,500 each 10 Sofa Sets @ ₹ 20,000 each Less: 15% T.D.			1,00,800	34,000	3,400	3,400	40,800
				2,00,000				
				2,00,000				
				4,00,000				
				60,000				
				3,40,000				

Bank Reconciliation Statement

Bank Reconciliation Statement as on December 31, 2017

S. No.	Particulars	(+)Amount ₹	(-)Amount ₹
	Overdraft as per the Cash Book		10,000
(i)	Bank debited charges		100
(ii)	Interest charged by bank on overdraft		380
(iii)	Cheques issued but not presented for payment	2,150	
(iv)	Interest on investment credited in the Pass Book but not entered in the Cash Book	600	
(v)	Cheques deposited but cleared		1,100
	Overdraft as per the Pass Book	8,830	
		11,580	11,580

Trial Balance

**Trial Balance
as on March 31, 2019**

S.No.	List of Items	Debit Balances	Credit Balances
1	Purchases	1,04,000	
2	Sundry Debtors	18,550	
3	Premises	62,000	
4	Sales		1,49,000
5	Returns Outward		8,900
6	Rates and Taxes	780	
7	Cash at Bank	1,560	
8	Carriage Inwards	650	
9	Salaries	3,900	
10	Stock	25,000	
11	Input IGST A/c	5,000	
12	Input CGST A/c	2,500	
13	Input SGST A/c	2,500	
14	Drawings	7,950	
15	Sundry Creditors		8,300
16	Returns Inwards	5,360	
17	Furniture	15,600	
18	Cash in Hand	390	
19	Capital		85,000
20	Factory Wages	5,830	
21	Carriage Outwards	260	
22	Rent Received		2,990

Depreciation

On 1st April, 2015, A Ltd. purchased a machine for ₹ 2,40,000 and spent ₹ 10,000 on its erection. On 1st October, 2015 an additional machinery costing ₹ 1,00,000 was purchased. On 1st October, 2017, the machine purchased on 1st April, 2015 was sold for ₹ 1,43,000 and on the same date, a new machine was purchased at cost of ₹ 2,00,000.

Show the Machinery Account for the first four financial years after charging Depreciation at 5% p.a. by the Straight Line Method

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2015				2016			
April 01	Bank (M1)		2,50,000	March 31	Depreciation		
Oct. 01	Bank (M2)		1,00,000		M1	12,500	
					M2 (6 Months)	2,500	15,000
				March 31	Balance c/d		
					M1	2,37,500	
					M2	97,500	3,35,000
			3,50,000				3,50,000
2016				2017			
April 01	Balance b/d			March 31	Depreciation		
	M1	2,37,500			M1	12,500	
	M2	97,500	3,35,000		M2	5,000	17,500
				March 31	Balance c/d		
					M1	2,25,000	
					M2	92,500	3,17,500
			3,35,000				3,35,000

Depreciation

2017				2018			
April 01	Balance b/d			Oct. 01	Depreciation (for 6 months)		6,250
	M1	2,25,000		Oct. 01	Bank (M1 sold)		1,43,000
	M2	92,500	3,17,500	Oct. 01	Profit and Loss (loss on sale)		75,750
July 01	Bank (M3)		2,00,000	2017			
				March 31	Depreciation		
					M2	5,000	
					M3 (for 6 months)	5,000	10,000
				March 31	Balance c/d		
					M2	87,500	
					M3	1,95,000	2,82,500
			5,17,500				5,17,500
2018				2019			
April 01	Balance b/d			March 31	Depreciation		
	M2	87,500			M2	5,000	
	M3	1,95,000	2,82,500		M3	10,000	15,000
				March 31	Balance c/d		
					M2	82,500	
					M3	1,85,000	2,67,500
			2,82,500				2,82,500

Depreciation

A boiler was purchased from abroad for ₹ 10,000. Shipping and forwarding charges ₹ 2,000, Import duty ₹ 7,000 and expenses of installation amounted to ₹ 1,000. Calculate the Depreciation for the first three years (separately for each year) @ 10% p.a. on Diminishing Balance Method.

Dr.				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
I year Jan.01	Bank (10,000 + 2,000 + 7,000 + 1,000)		20,000	I year Dec.31	Depreciation		2,000
					Balance c/d		18,000
			20,000				20,000
II year Jan.01	Balance b/d		18,000	II year Dec.31	Depreciation		1,800
				Dec.31	Balance c/d		16,200
			18,000				18,000
III year Jan.01	Balance b/d		16,200	III year Dec.31	Depreciation		1,620
				Dec.31	Balance c/d		14,580
			16,200				16,200

Bill of Exchange

On Jan. 01, 2016 Arun sold goods for ₹ 30,000 to Sunil. 50% of the payment was made immediately by Sunil on which Arun allowed a cash discount of 2%. For the balance Sunil drew a promissory note in favour of Arun payable after 20 days. Since, the date of maturity of bill was a public holiday, Arun presented the bill on a day, as per the provisions of Negotiable Instrument Act which was met by Sunil. State the date on which the bill was presented by Arun for payment and journalise the above transactions in the books of Arun and Sunil.

Journal Entries in the Books of Arun

Date	Particulars	L.F.	Debit Amount ₹	Credit Amount ₹
2016				
01 Jan	Sunil Dr.		30,000	
	To Sales A/c			30,000
	(Goods traded to Sunil)			
01 Jan	Cash A/c Dr.		14,700	
	Discount Allowed A/c Dr.		300	
	To Sunil			15,000
	(50% due from Sunil received and 2% Cash Discount allowed to Sunil)			

Journal Entries in the Book of Sunil

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016				
01 Jan	Purchases A/c Dr.		30,000	
	To Arun			
	(Goods purchased from Arun)			
01 Jan	Arun Dr.		15,000	
	To Cash A/c			14,700
	To Discount Received A/c			300
	(50% amount due to Arun paid by cheque and 2% discount allowed by Arun)			

Bill of Exchange

01 Jan	Bills Receivable A/c	Dr.		15,000	
	To Sunil				15,000
	(Promissory note established for 20 days from Sunil)				
23 Jan	Cash A/c	Dr.		15,000	
	To Bills Receivable A/c				15,000

01 Jan	Arun	Dr.		15,000	
	To Bills Payable A/c				15,000
	(Promissory note issued in favour of Arun for twenty days)				
23 Jan	Bills Payable A/c	Dr.		15,000	
	To Cash A/c				15,000
	(Promissory note fulfilled one day before the maturity day)				

Financial Statement

Books of M/s. Rahul Sons.Trading Account for the year ending December 31, 2017

Dr.				Cr.			
Particulars		Amount₹		Particulars		Amount₹	
Opening Stock		50,000		Sales	1,80,000		
Purchases	1,75,000			Less: Sales Returns	3,000	1,77,000	
Less: Purchase Returns	2,000	1,73,000		Closing Stock		32,000	
Wages		3,000		Gross Loss		17,000	
		2,26,000				2,26,000	

Financial Statement

Profit and Loss Account for the year ending December 31, 2017

Particulars		Amount₹	Particulars		Amount₹
Gross Loss		17,000	Discount Received		500
Salary	8,000		Commission Received	4,000	
Add: Outstanding Salary	1,000	9,000	Less: Advance Commission	1,000	3,000
Discount Allowed		1,000			
Insurance	3,200		Rent	6,000	
Less: Insurance Prepaid	800	2,400	Add: Rent Receivable	2,000	8,000
Rent Rates and Taxes		4,300			
Trade Expenses		1,500	Net Loss		43,189
Bad-Debts	2,000				
Add: Further Bad-Debts	1,000				
Add: New Provision	4,050				
Less: Old Provision	2,500	4,550			
Discount on Debtors		1,539			
Postage		300			
Telegram Expenses		200			
Depreciation on Building		6,600			
Repair and Renewals		1,600			
Travelling Expenses		4,200			
Legal Fees		500			

Financial Statement

Balance Sheet for the year ending December 31, 2017

Liabilities			Amount₹	Assets			Amount₹
Capital	3,00,000			Debtors	82,000		
Less: Net Loss	43,189			Less: Further Bad-Debts	1,000		
Less: Drawings	32,000	2,24,811		Less: New Provision	4,050		
Bills Payable		22,000		Less: Discount on Debtors (on ₹ 76,950)	1,539	75,411	
Loan		34,800		B/R		50,000	
Advance Commission		1,000		Buildings	1,10,000		
Outstanding Salary		1,000		Less: 6% Depreciation	6,600	1,03,400	
				Rent Receivable		2,000	
				Prepaid Insurance		800	
				Closing Stock		32,000	
				Furniture and Fittings		20,000	
			2,83,611				2,83,611

Single Entry System

1. Following information is given below prepare the statement of profit or loss:

₹Capital at the end of the year 5,00,000 Capital in the beginning of the year 7,50,000 Drawings made during the period 3,75,000 Additional Capital introduced 50,000

Statement of Profit and Loss

Particulars	Amount	₹
Capital at the end of the year	5,00,000	
Add: Drawings made during the year	3,75,000	
Less: Capital in the beginning of the year	(7,50,000)	
Less: Additional capital introduced	(50,000)	
Profit during the year	75,000	