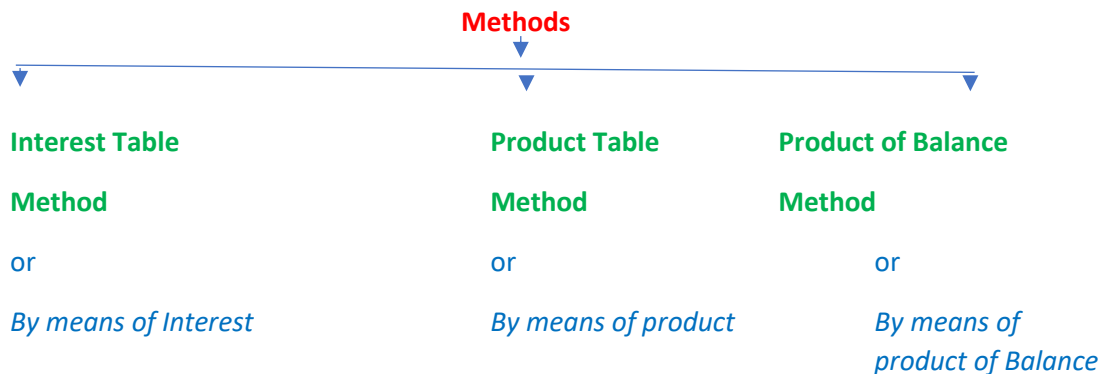


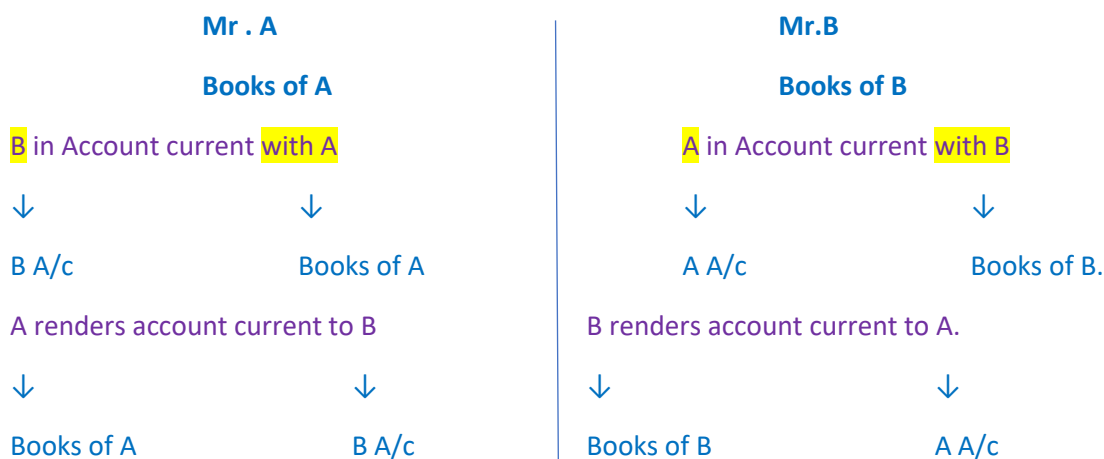
## Account Current

**Meaning:** When two parties have a relationship of debtor and creditor and Interest is involved in every transaction, then we use Account current Concept.

**Concept 1: Methods of Account Current**



**Concept 2: Few Basic information [Must know]**



**Concept 3: Interest Table Method**

**Steps to solve problems under Interest Table Method**

**Step 1:** Draw the Format with 12 columns.

**Step 2:** Post the transaction in the Account.

**Step 3:** Fill the "Due Date" column

- (i) If any specific due date is given then use that.
- (ii) If any specific due date is not given then the transaction date will become due date.

**Step 4:** Fill the "Days" column

- (i) No. of Days will be calculated from Due Date of Transaction till the Settlement Date.
- (ii) Rule of counting Days for Normal Transaction: Leave till the count the last.

- (iii) Rule of counting Days for Opening Balance: count Both First as well as Last Day.
- (iv) If the Due Date falls after the settlement Date, then the no. of days will be placed on the opposite side by using the words “Red ink”.

**Step 5:** Calculate interest for each transaction and fill the “Interest” column.

$$\text{Interest} = \text{Amount} \times \text{Interest \%} \times \frac{\text{Days}}{365} \text{ (Keep 2 digit decimal)}$$

**Step 6:** Balance the “Interest” Column and compute Balance of Interest. Now place this balance of interest on the opposite side in “Amount” column.

**Step 7:** Finally Balance the “Amount” column.

#### **Concept 4: Product Table Method.**

##### **Steps to Solve Sums on Product Table method:**

**Step 1 to Step 4** are same as Interest Table method, except for the fact that Interest column will be replaced by product column.

**Step 5:** Fill the product column transaction wise.

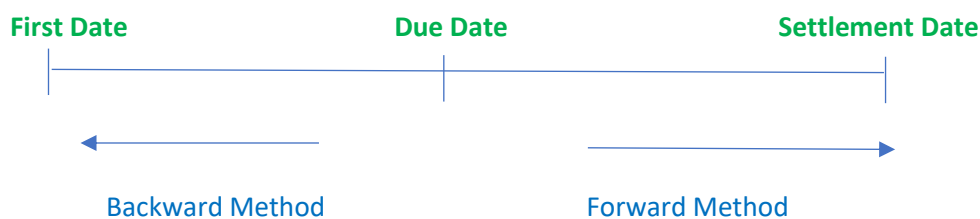
$$\text{Product} = \text{Amount} \times \text{Days.}$$

**Step 6:** Find Balance of “Product” column and now calculate interest on ‘Balance of product’ for 1 day and place it on the opposite side in “amount” column in the name of Interest.

**Step 7:** Finally Balance the “Amount” column.

#### **Concept 5: Epoque Method/Backward Method**

In this method everything will be same, only the no of days will be calculated from first day of the period till Due Date.



##### **Steps to solve under Epoque Method**

**Step 1:** Draw the Format a usual (with 12 columns)

**Step 2:** Now Post the transactions.

**Step 3:** Fill the “Due Date” column.

**Step 4:** Now Fill “Day” column

Here days will be calculated from 1<sup>st</sup> date of the period till Due Date.

**Step 5:** Now Fill “Product” column

**Step 6:** Now Find the Balance of “Amount” column and multiply it with No. of days (from 1<sup>st</sup> day of period till Settlement Date) and place the product in the “Product” column on that side on which balance of amount was coming.

**Step 7:** Balance “Product” column to Find Balance of product.

**Step 8:** Now calculate Interest for 1 day on Balance of products and place it on the same side of Balance of products.

**Step 9:** Finally Balance the amount column.

**Concept 6: By means of Product of Balance Method**

- (1) This method is used when balance is calculated after every transaction.
- (2) Generally this system is used by banks.

**Steps to Solve problems on product of Balance**

**Step 1:** Draw the format with 9 columns.

**Step 2:** Now Post the Transaction

For Deposit = By Cash=Credit column

For withdrawal = To Self = Debit Column.

**Step 3:** Find Balance (Dr/Cr) after each transaction.

**Step 4:** Now Fill the “Days” column

- i) No. of Days will be calculated from Transaction date till next transaction date.
- ii) Rule of counting for normal transaction: Leave the First, count the last.
- iii) Rule of counting for opening Balance: Count both first as well as last day.

**Step 5:** Now multiply Balances with Days to find the product .If the Balance is Debit Balance, then product will be placed in debit product column.

If the Balance is credit Balance, then product will be placed in credit product column.

If the Balance is credit Balance then product will be placed in credit product column.

**Step 6:** Now find the Total of Debit product column and credit product column separately.

**Step 7:** Now calculate Interest as follows:-

**Interest Receivable Debit product total**

$$\text{(Total of Debit product Column x Interest \% x } \frac{1}{365} \text{ )} \quad \text{xx}$$

**Interest Payable on credit product total**

$$\text{(Total of credit product column x Interest\% x } \frac{1}{365} \text{ )} \quad \underline{\text{xx}}$$

**Net Interest Receivable + ive**

**Net Interest payable - ive**

**Step 8:** Now Post Interest entry in the account

Net Interest Receivable = To Interest A/c => Debit Column.

Net Interest payable = By Interest A/c => Credit Column.

**Step 9:** Finally Balance Amount Column

Debit Balance = By Balance c/d => Credit Column.

Credit Balance = To Balance b/d => Debit column.