

1. Theoretical Framework.



UNIT - 1

Introduction

- **Economic Activity** :- The activities which are related to money is called an economic activity.

Types of economic activity with examples.

- (i) **Transaction** :- A business, performance of an act, an agreement.

EX. An individual invest Rs. 2,00,000

Purchase goods for Rs. 15,000

Sold Goods for Rs. 30,000

- (ii) **Events** :- Happening as a consequence of Transaction, a result.

EX. • Earning of Rs. 42,000 Surplus is an event.

• Inventories in Hand.

- **Accounting** = Also called language of business.

* Meaning of Accounting

Defination :- Accounting is the art of recording, classifying and summarizing.

In the terms of money and

Transactions and Events

of financial character and interpreting the results there of.

* Accounting process :-

- Identify event/ Transaction.
- Record it in Journal (Primary)
- Transfer it in Ledgers (Secondary)
- Summarize it in trial balance
- Prepare financial Statements.

* Measurement :-

Transactions and events are to be measured in terms of money at the ruling currency of a country.

Eg., Rupee in India, Dollar in USA, etc.

* Procedural Aspects

• Generating Financial Information :-

- (i) Recording (ii) Classifying (iii) Summarizing
- (iv) Analysing (v) Interpreting (vi) Communicating.

• Using the financial information [Users include-]

- (i) Investors (ii) Employees (iii) Lenders
- (iv) Suppliers (v) Customers (vi) Government (vii) Public.

⇒ Accounting data is more useful if it stresses on substance rather than technical form.

⇒ Information is useless and meaningless unless it is relevant to users decision.

⇒ Information should be free of any bias.

* Objectives of Accounting:

- (i) Systematic Recording of Transactions.
- (ii) Ascertainment of Results.
- (iii) Ascertainment of financial position.
- (iv) Providing information to various users.
- (v) To know Solvency position.

* Process of Accounting.

- Identification of Transactions.

■ Input:- Economic events measured in financial terms.

■ Output:- Communicating information to users.

■ Accounting cycle:-

- Recording of Transaction in the books of Original Entry.

- Posting to Ledger.
- Preparation of Trial Balance.
- Preparation of final Accounts.

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■ Types of output :- Communicating information to users.

- Internal Users :-
 - (i) Board of Directors
 - (ii) Partners
 - (iii) Managers
 - (iv) Officers.

• External Users :-

- (i) Investors
- (ii) Lenders
- (iii) Government Agencies
- (iv) Customers
- (v) Suppliers.

* Functions OF Accounting.

- Measurement
- Decision Making
- Control
- Government Regulations & Taxation
- Forecasting
- Comparison & Evaluation

* Limitations of Accounting.

- (i) Balance sheet cannot reflect value of factors like Royalty.
- (ii) Balance sheet shows the position as on day not for future day.
- (iii) Ignores changes in money factors like inflation etc.
- (iv) Accounting estimates depend on personal judgement.
- (v) Accounting principles may conflict with each other.
- (vi) Only considers those items which are of the nature of monetary assets.
- (vii) Different Accounting policies for same item leads to manipulations.

* Book-keeping :-

Book-keeping is an activity which concerned with the recording of financial data relating to a business operations in a significant and orderly manner.

* Difference between - Book-keeping & Accounting.

<u>Book keeping</u>		<u>Accounting</u>
Recording of Transaction	← Meaning →	Summerizing of recorded data.
Base for Accounting	← Constitutes →	Language of Business.
Does not form part of this process	← Financial Statements →	prepared in this Process.
Cannot be taken	← Managerial Decision →	Taken.
⇒ No Sub-field	← Sub-field →	Several Sub-fields like Financial Accounting or Mgt. Accounting.
Cannot be Ascertainment.	← Financial Position →	Ascertainment based on Accounting Reports.

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* Sub-Fields of Accounting :-

• Financial Accounting :-

- (i) Preparation & interpretation of financial Statements.
- (ii) Historical in nature as records transaction already occurred.
- (iii) Final Step is preparation of profit & loss Account & Balance Sheet.

• Management Accounting :-

- (i) Different ways of Grouping information & preparation reports as desired by managers for discharging their function.
- (ii) It is concerned with Internal Reporting to managers.
- (iii) To discharge functions of Stewardship, planning, control and decision making, management needs variety of information.

• Cost Accounting :-

- (i) Process of accounting for cost.
Which begins with recording of income and expenditure
& ends with preparation of periodical Statements
& Reports for ascertaining & controlling costs.

• Social Responsibility Accounting :-

Concerned with Accounting for social costs incurred by the enterprise & social benefits created.

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- H.R. Accounting :- [Human Resource Accounting.]

Attempt to identify, quantify & report investments made in human resources not presently accounted under conventional accounting practice.

* Role OF An Accountant :-

1] • Areas of Service :-

- (i) Maintenance of Books of Accountant.
- (ii) Statutory Audit.
- (iii) Internal Audit.
- (iv) Taxation.
- (v) Management Accounting & Consultancy Services.
- (vi) Financial Advice.
- (vii) Other Services.

2] C.A. In Industry

3] C.A. In Public Sector Enterprises

4] C.A. In Framing Fiscal Policies.

5] C.A. and Economic Growth.

UNIT-2

Introduction

To avoid
Confusion

To achieve
Uniformity

Accounting process is applied within the conceptual framework of 'GAAP' [Generally - accepted accounting policies.]

- ⇒ These GAAP's are the backbone of the accounting information system, without which the whole system cannot even stand.
- ⇒ Accountant also adheres to various accounting standards issued by the regulatory authority for the standardization of accounting policies.

* Accounting Principles :-

- ① Accounting principles are basic norms and assumption on which the whole accounting system has been developed and established.
- ② Satisfy following conditions :-
 - ① Based on real assumption
 - ② Simple understandable

- ③ Followed consistently
- ④ Reflect future predictions.
- ⑤ Informal for the users.

* Accounting Conventions

- (i) Emerge out of accounting practices, adopted by various organizations over a period of time.
- (ii) May be changed to improve the quality of accounting information.
- (iii) Need not have universal applications.

* Concepts, Principles & Conventions *

1. Entity Concept :-

- (i) Business is a separate identity from its owner.
- (ii) Helps in keeping business affairs free from the influence of personal affairs of owner.

2. Money Measurement Concept:-

- (i) Only those transactions which can be measured in the terms of money are recorded.
- (ii) Eg. Employees are assets but their measurement is not in monetary terms so not included in books.
- (iii) Measuring Unit for money = Currency of ruling country.

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3. Periodicity Concept :-

- (i) Also Called as Concept of definite accounting period.
- (ii) As per 'Going Concern' concept an indefinite life of entity is assumed.
- (iii) Periodicity concepts facilitates in Comparing financial statements of different periods.

4. Accrual Concept :-

- (i) Effects of transactions & other events are recognized on mercantile basis.
- (ii) Accrual means recognition of revenue & costs as they are earned or incurred.

5. Matching Concept

- (i) All expenses are matched with revenue of that period.
- (ii) Based on accrual concept.

6. Going Concern Concept

- (i) Preparation of financial statements based on a normal assumption that :-
 - a) An enterprise is a going concern &
 - b) will continue in operation for the foreseeable future.

7. Cost Concept :-

Value of An Asset is determined on the basis of historical Cost (Acquisition Cost).

* Limitations :-

- (i) In inflationary situation acquisition cost loses its relevance.
- (ii) Historical Cost based accounts may lose comparability.
- (iii) Many Asset do not have acquisition Costs.
E.g., Human Assets.

8. Realization Concept

- (i) It closely follows Cost concept.
- (ii) Change in value of Asset is Recorded only when business realize it.
- (iii) Now-a-days revaluation of Assets has become a widely accepted practice.
- (iv) Adjust such change through Revaluation (Capital) Reserve.

9. Dual Aspect Concept :-

Every transaction and event has two effects.

Ex.,

- a) A new machine is purchased paying Rs. 50,000 in cash [A↑, A↓]
- b) Cash paid to repay bank loan to the extent of Rs. 50,000 [A↓, L↓]

Introduction

UNIT - 3

* Why to analyze expenditures as Capital & revenue?

→ For ascertaining the periodical business results, the nature of transactions are to be analyzed that wheather they are of Capital/revenue nature.

a) Profit & Loss A/c (For Revenue Transactions.)

OR

b) Balance Sheet (For Capital Transactions)

* Revenue Receipts

(i) Receipts obtained in course of normal business are Revenue Receipts.

(ii) Eg. Sale of goods, receipts of interest, etc.

(iii) Credited to Profit & Loss A/c.

* Capital Receipts

(i) Receipt which are not Revenue in nature are Capital Receipt.

(ii) Eg. Sale of fixed Asset.

(iii) Carried to Balance Sheet.

* Revenue Expenditure

(i) Expenditures related to normal business i.e. day to day operations are Revenue Expenditures.

(ii) Eg. Monthly Salary, Rent, etc.

(iii) Debited to Profit & Loss A/c

* Capital Expenditures :-

(i) Expenditures that generate enduring benefits over more than one year are Capital Expenditures.

(ii) Eg. Purchase of fixed Assets, demolition expenses.

(iii) Carried to Balance sheet

* Capital and Revenue Expenditures *

Key Differences

Capital Expenditures

- (i) Long term period
- (ii) Enhancing Capacity
- (iii) Eg. Purchase of Machinery.

Revenue Expenditures

- (i) Current period.
- (ii) Maintaining Capacity.
- (iii) Eg. Repairs & Maintains.

* Considerations in Determination *

Revenue Expenditure

- For a furniture dealer purchase of furniture is Revenue in nature
- Frequency of Expenses are recurring.

1) Nature of Business

2) Recurring nature of Expenditures.

Capital Expenditure

- For a others dealers purchase of furniture is Capital in nature.
- Expenses are not recurring.

• Repairs in normal course of maintenance. • It generates Revenue/Income for current period only. • Relatively lower or immaterial.	3] Purpose of Expenses. 4] Revenue generating Capacity. 5] Materiality of Amount Involved.	• Major Repairs that increase its productive capacity. • It generates Revenue/Income over more than one accounting period. • High or Material.
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EXAMPLES SUMMERY

Capital expenditure (Capex)	Revenue expenditure (Revel)
1] Overhaul Exp. on Second hand Machinery	1] Lawyer fees: To defend a Suit against factory site.
2] Money Spent to reduce working expenses.	2] Paid for removal of inventory
3] Lawyer fees: For buying property.	3] fine
4] Construction of Temporary huts for Cinema hall.	4] -Renewal fees.
5] Rings & Pistons changed.	5] Inauguration expenses.
6] License for cinema hall	6] Voluntary retirement.

UNIT - 4



Contingent Asset & Liabilities

Meaning: Contingent Liability.

A possible obligation, that arises from past events whose existence will be confirmed only after occurrence or non-occurrence of one or more uncertain future events, not wholly within control of an enterprise.

2nd definition.

⇒ A present obligation that arises from past events
⇒ But is not recognised because.

i) No probable outflow of resources outflow embodying economic benefits required to settle obligation.

ii) A reliable estimate of the amount of obligation cannot be made.

Meaning:- Contingent Assets.

A possible asset arises from past events and their existence will be confirmed only after occurrence or non-occurrence of one or more uncertain future events.

Provisions

• Meaning:-

A present liability of uncertain amount which can be measured reliably by using substantial degree of estimation.

• Recognition Criteria

a) enterprise has present obligation arising from past events; an outflow of resources embodying economic benefits is probable.

AND

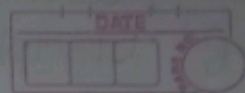
b) a reliable estimate CAN be made of the amount.

* Disclosure of provision → Recognised in Balance Sheet.

* Disclosure of ~~for~~ contingent liability
→ Disclosed by the way of notes.

Unit-5

Accounting Policies



What is Accounting Policies.

Specific Accounting
principles

&

Methods of appli-
-eng these
~~methods~~
Principles.

For preparation & presentation of
financial statement.

- ⇒ Policies are based on concepts, principles & conventions.
- ⇒ No single list of accounting policies is required.
- ⇒ The choice of accounting is a judgement of management.

Objects OR Events to be measured.

Measurement

Measurement

Measurement

With some degree of

Unit-6: Accounting As A Measurement Discipline - Valuation principles, Accounting Estimates.



Meaning of Measurement:

- Measurement is a vital aspect of Accounting.
- Primarily, transactions are recorded in terms of money.

Elements of Measurement:

Identification
of Objects
& Events.

Selection of
Standards Or
Scale

Evaluation of Dimension
of Measurement
Standards Or Scale.

Prof. Raymond J. Chambers.

"Assignment of numbers to objects and to rules specifying the property to be measured, the scale to be used and the dimension of the Unit."

* Objects OR Events to be measured:

→ We know that, accounting is the process of identifying, measuring and communicating economic information.

→ So accounting is essentially about measuring information.

Past

Present

Future

With same degree of
accuracy.

Predicted

* STANDARD OR SCALE OF MEASUREMENT

- Money is a scale of measurement.
- Money is measured in the currency of ruling country.
for example:- Rupee in India, dollar in U.S.

⇒ Remember:

- a) Money doesn't have universal denomination
- b) Since rate of exchange keeps changing, money is volatile.

* Dimension of Measurement Scale.

- An ideal measurement scale should be stable.

Example:- One buys 1kg Cabbage today, ~~quality~~ quantity he received today will be same even year later.

- Money as a scale of measurement is not stable.
Some quantity of money may not have the ability to buy same quantity of identical goods at different dates.

⇒ Thus, Accounting measures information mostly in money terms which is not a stable scale.

⇒ So it's not an exact measurement of discipline.

* Accounting As A Measurement Discipline. 1)

- Accounting is meant for generating information for suitable to user's judgement and decisions.

- By that process Performance of the entity is measured by the way of profit & loss statement and balance sheet.
- These are certain theorems that govern the measurement Sub-System called 'Fundamental accounting assumptions'.

Going Concern Accrual Consistency

- However, Recording, classifying summarizing and communication of information are also important part of accounting. which do not fall within the purview of measurement.

- Therefore, we cannot simply say that accounting is a measurement discipline.
- But in accounting money is the unit of measurement. So all events and transaction are recorded in terms of money.

Valuation Principles

- ① Historical Cost
- ② Current cost
- ③ Realisable Value
- ④ Present Value

→ It means Acquisition price.

→ Assets are recorded at initial to current

At an amount of cash or cash equivalent paid.

Fair value of assets at the time of acquisition

⇒ Liabilities are recorded at amount of proceeds received in exchange for the obligation.

2. Current Cost

→ Alternative measurement base.

→ Assets are carried out at the amount of cash or cash equivalent that would have to be paid if the same was acquired currently.

→ Liabilities are carried at the undiscounted amount that would be required to settle the current obligation.

3. Realisable value

→ Assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the assets.

→ Liabilities are carried at their Settlement Values.

A. Present value

→ Assets & Liabilities carried at the present discounted value of future net cash inflows.

$$P = \frac{A}{(1+r)^n}$$

4. Inventory

* Meaning of inventory

For Manufacturer

For trader

Raw Material

Work in progress

Finished Goods

Used in the process
of Production/
Consumption

Used in the process
of Conversion into
Finished Goods

For sale =

i) Raw material

ii) (+) : Wages

iii) (+) : Direct expenses

iv) (+) : Factory overheads
(Indirect Expenses)

Manufacturing Account

Trading A/c

(Only Finished Goods)

Trading A/c

* Related to product

* Expenses *

Not related to product

Direct

Indirect

- i) Raw material
- ii) Labour / Direct wages
- iii) Direct Expenses

E.g. Freight

work overhead

- i) Production / Factory / Manu. overhead
- ii) Administrative / office overhead
- iii) Selling & distribution overhead

* Element to be considered in Inventory valuation (AT COST)

- Direct Material
 - Direct Labour
 - Direct Expenses
 - Factory overhead
- ← Prime Cost

22/10/22 CALCULATION OF COGS

For Manufacturer

- Open Stock of Finished Goods (FG)
- (+): Raw materials Consumption
- (+): Wages
- (+): Direct expenses
- (+): Factory Overhead
- (+): Opening stock of WIP
- (-): Closing stock of WIP
- (-): Closing stock of FG
- COGS ((i) to (viii))

For trader

- Opening Stock
- (+): Purchases
- (+): Wages
- (+): Direct expenses
- (-): closing Stock
- COGS ((i) to (v))

* For Trader: Trading Account

Particulars	RS.	Particulars	RS.
To opening stock	xx	By Sales	xx
To purchases	xx		
To wages	xx	By Closing Stock	xx-
To Direct expenses	xx		
To Gross profit *	xxx		
Total RS.	xx		xx

For Manufactures:

* Consumption (Raw material)

Consumption Alc	
(i) Opening Stock	To opening stock (Raw material)
(ii) (+) : Purchases	By Consumption (Used)
(iii) (-) : Closing stock.	To Purchases (Raw material)
(iv) Consumption $(i+ii+iii)$	By closing stock (Unused)

* Production of:

- 1) Finished Goods
- 2) Work In Progress.

2) →

- (i) Opening Stock (WIP)
- (ii) (+) : Consumption (Raw material)
- (iii) (+) : Wages
- (iv) (+) : Direct Expenses
- (v) (+) : Factory overheads
- (vi) (-) : Closing stock (WIP)
- (vii) Production $(i+ii+iii+iv+v+vi)$

Production Alc (WIP)

To opening stock (WIP)	By Production
To consumption (RW)	(Transfer to FG)
To wages	
To Direct Expenses	
To Factory overhead.	By closing stock (WIP)

* Finished Goods Sold.

- i) Opening Stock (FG)
- ii) (+) : Production
- iii) (-) : closing Stock (FG)
- iv) COGS (i+ii+iii)

Finished Goods Account

TO Opening Stock (FG)	By COGS *
TO production (FG)	By closing Stock (FG)

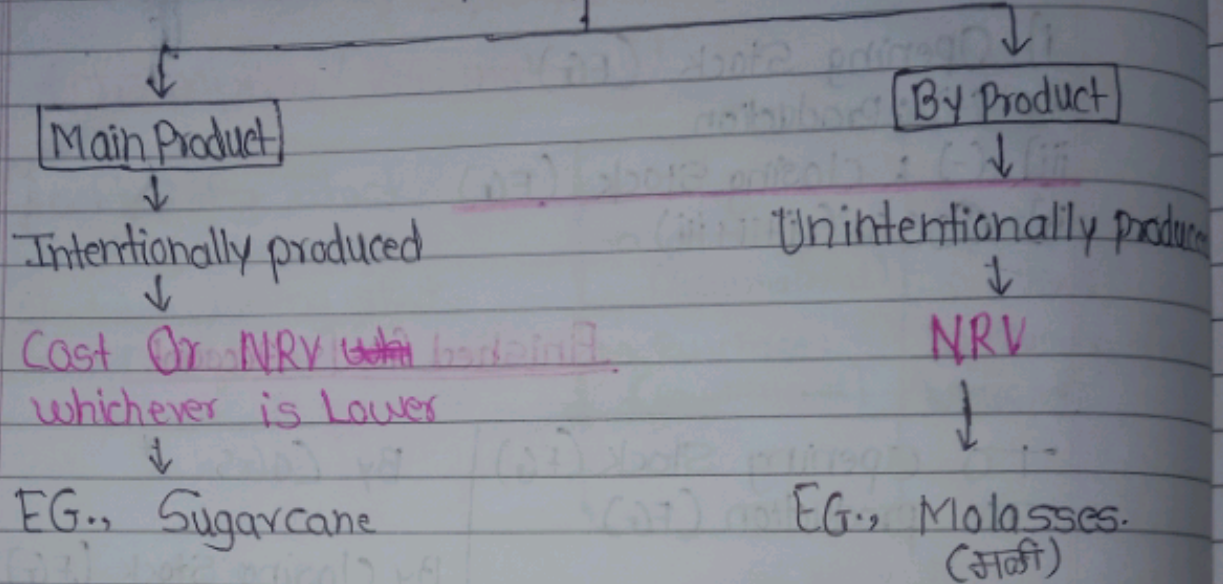
* Formulas *

- Consumption = Opening (RM) + Purchases - closing (RM)
- Production = Opening (WIP) + Consumption (RM) + Direct wages + Direct expenses + Factory OH - C.I. WIP.
- COGS = Op. FG + Production - C.I. FG.

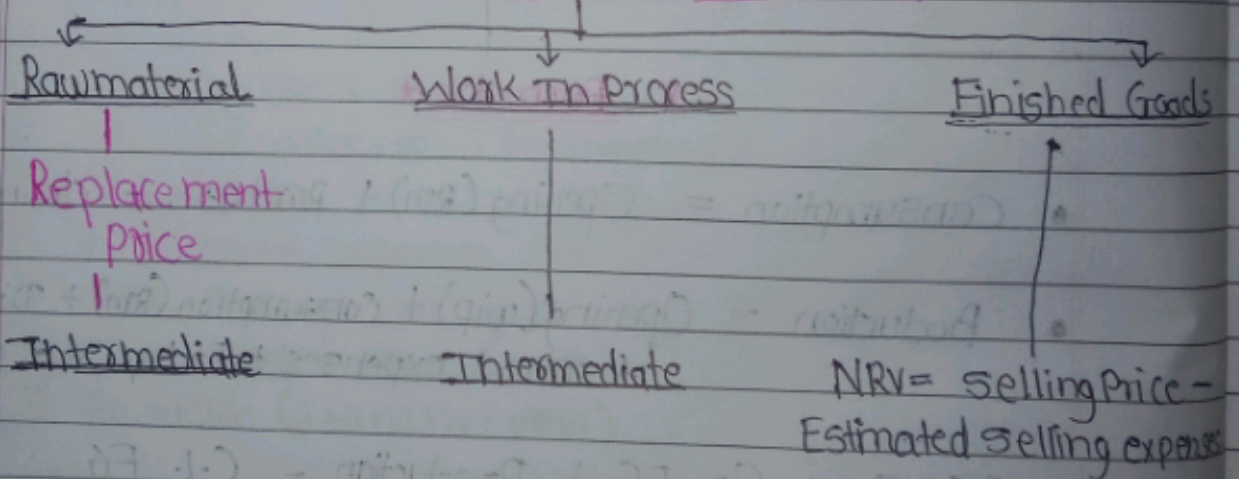
* Normal loss : Recorded at Scrap value.

* Abnormal loss : Cost / Unit.

Types of Product



Net Realisable value (NRV)



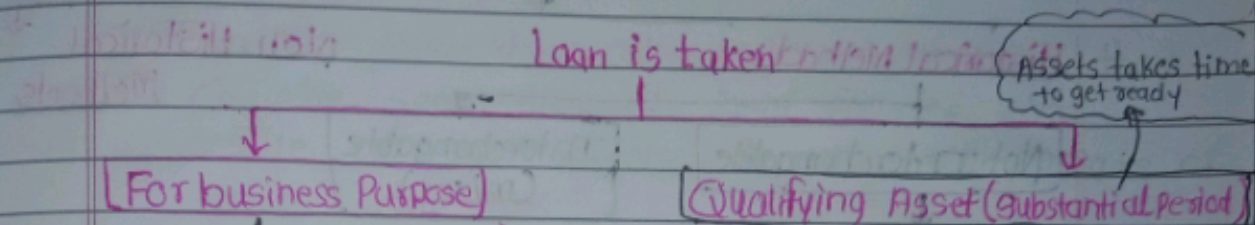
Principles of inventory Valuation

- ① Interest cost / Financial expenses
- ② Storage Costs / Warehouse Expenses
- ③ Packing Expenses

①

→ Interest is never considered for calculation of closing stock.

* Exception of Interest on qualifying Asset (As per)



⇒ Interest is never considered for calculation of closing Stock.

⇒ Added in calculation of closing Stock.

② Storage Costs / Warehouse Expenses.

- Raw material And Work in Progress.

⇒ Considered as part of closing stock.

- Finished Goods

⇒ Don't considered for calculation of closing stock.

⇒ If storage cost is silent always consider for finished Goods.

③ Packing Expenses

Primary (Essential)

Compulsory
Recorded in Trading A/c
Considered for closing Stock value.

Secondary (Not Essential)

⇒ To Attract & to Advertise
⇒ Recorded in P&L A/c
⇒ Don't considered for closing Stock value.

* Methods Of Inventory Valuation *

Historical Methods

Non Historical Methods

Not Interchangeable

Interchangeable (Mixed)

1) Specific Identification Method

2) First In First Out (FIFO)

3) LAST IN First Out (LIFO)

4) Weighted Average Method

5) Simple Average Method

(Considered as part of closing stock)

Finished Goods

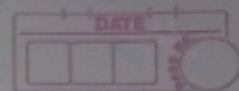
Point considered for calculation of closing stock.
If storage cost is slight always consider for finished goods.

Packing Expenses

(Primary/essential)

(Unnecessary/Not essential)

5. Depreciation & Amortization.



Introduction

- Tangible Asset have physical substance i.e. they can be seen, touched, held for use, etc.
- Value of such assets, decreases with passage of time, due to:
 - 1) Wear & tear.
 - 2) Efflux Of time
 - 3) Technology Obsolescence (Outdated)
 - 4) Decrease in Market Value
 - 5) Depletion.

* Meaning Of Depreciation *

- As per Schedule 2 Under the Companies Act, 2013;

Depreciation is the Systemetic allocation

↓
Of the depreciable amount of an asset.

↓
Over its Successful life.

(Not Economic life.)

- There are 3 important factors for Computing depreciation

- i) Estimated useful life of the asset
- ii) Cost of the asset.
- iii) Residual value of the asset

• - When to Start Depreciation ?

- As soon as asset is available to use.
- Location & condition
- Necessary for operating in the manner intended.

• - Treatment of Depreciation

- Calculate the amount of such loss
- and Make a provision.

* Depreciation on Components *

- Each Significant part of an item of PPE should be depreciation Separately.

• Example:

- Interior (of plane), Air Engine, Air frame (Body)

• Such Separate part should:

- a) Significant Cost when compared to overall cost of item of PPE, and
- b) an estimated useful life or depreciation method different from rest of the parts of the PPE.

- Thus, all parts have different useful lives.
- This means, all parts should be depreciated at their respective useful lives.

* Written off → Reduced *

* Objective For Providing Depreciation

1. Correct income measurement.
2. True position Statement.
3. Ascertainment of true costs of production.
4. Funds for Replacement.

Accounting For Depreciation

Reduce from Asset.



Depreciation A/c Dr.
To Asset A/c

Profit & loss Dr.
To Depreciation A/c

Accumulate Depreciation.

Depreciation A/c Dr.
To Accumulated Dep A/c

Profit & loss A/c Dr.
To Depreciation A/c

Illustration 12

Transfer in Accumulated depreciation

When Asset is Sold



1) A.D. A/c Dr.
To Asset A/c

2) Cash A/c Dr.
P&L (loss) A/c Dr.
To Asset A/c
To P&L (profit) A/c

When Asset is Discarded



1) A.D. A/c Dr.
To Asset A/c

2) P&L A/c Dr.
To Asset A/c

When Asset is Scrapped



1) A.D. A/c Dr.
To Asset A/c

2) Cash A/c Dr.
P&L (loss) A/c Dr.
To Asset A/c

* Methods OF Depreciation *

• Common Methods •

1] Straight Line Method / Fixed Installment / Original Cost

- Depreciation is same every year.
- At the end of its useful life, Cost of Asset is NTI Or Residual value.

Formulae:-

$$\text{Depreciation} = \frac{\text{Cost} - (\text{Scrap/salvage/Realisable/Residual value})}{\text{Useful life (in years)}}$$

$$\text{Depreciation Rate} = \frac{\text{Depreciation}}{\text{Cost of Asset}}$$

2] Written Down / Diminishing / Reducing Balance

- Depreciation gets reduced every year.
- At the end of its useful life, Asset value is not reduced to zero.
- Salvage value is of no use in WDV Method.

Reason : Rate of Depreciation is given:

Formulae:-

$$\text{Rate} = 1 - \left(\sqrt[n]{\frac{\text{Scrap value}}{\text{Cost}}} \right) \times 100$$

Ans: calculator key $\sqrt[n]{\quad}$ 12 times $- 1 \div n$ ~~100~~

+1

X = 12-times

Example:-

Asset of Rs. 100, Rate = 10%, Salvage value = Rs. 10 (TCU). Find dep for 3 years.

Way 1:-

Year	Opening Balance	Depreciation	Closing Balance
1	100	10	90
2	90	9	81
3	81	8.10	72.90

Way 2: Calculator.

a) To Find Closing Balance.

$$(1 - \text{Rate of Depreciation}) \times \text{Cost of Asset} =$$

b) To Find Depreciation.

$$(1 - \text{Rate of Depreciation}) \times 1^{\text{st}} \text{ year Depreciation}$$

Uncommon Method

1) Sum of Years of Digit Method.

Meaning:-

→ combination of SLM (Rate of Dep not given) & WDV (Depreciation is reducing).

→ This method is useful when rate of Depreciation is not given & Depreciation is required reducing.

Formulae:-

$$\text{Depreciation} = \frac{(\text{Cost} - \text{Scrap value}) \times \text{Remaining life including current years}}{\text{Sum of years of digit}}$$

$$\text{Sum of years of Digit} = n \times \frac{(n+1)}{2}$$

Example:-

Cost = RS. 1,00,000, Life = 10 years. Calculate depreciation for 4 years.

Year	Computation	Amount of Depreciation
1.	$[1,00,000 \times (10/55)]$	18,182
2.	$[1,00,000 \times (9/55)]$	16,364
3.	$[1,00,000 \times (8/55)]$	14,545
4.	$[1,00,000 \times (7/55)]$	12,727

2. Machine hours Method

Formulae

$$\text{Depreciation} = (\text{Cost} - \text{Scrap value}) \times \frac{\text{Machine hours for the year}}{\text{Total Machine Hours (in whole life)}}$$

Example:-

Machine = RS. 5,00,000

Effective Hours = 1,00,000 Hours.

Year 1 = 10,000 Hours

Year 2 = 20,000 Hours

Year 3 = 18,000 Hours

Calculate depreciation for every year.

3. Depletion Method.

Formulae :-

$$\text{Depreciation} = (\text{Cost} - \text{Scrap value}) \times \frac{\text{Extracted quantity from mines in that year}}{\text{Total extractable quantity (in whole life)}}$$

4. Production Units Method.

Formulae :-

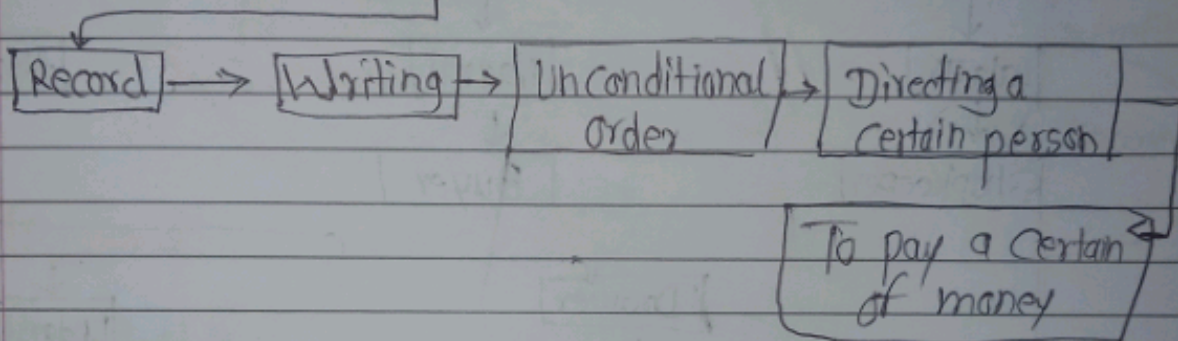
$$\text{Depreciation} = (\text{Cost} - \text{Scrap value}) \times \frac{\text{Units produced that year}}{\text{Total unit production (in whole life)}}$$

6. Bills of Exchange.



Three options After Shopping.

- Pay in Cash ✓
- Pay by Card X
- ASK for Credit ✓



What is Bills of Exchange?

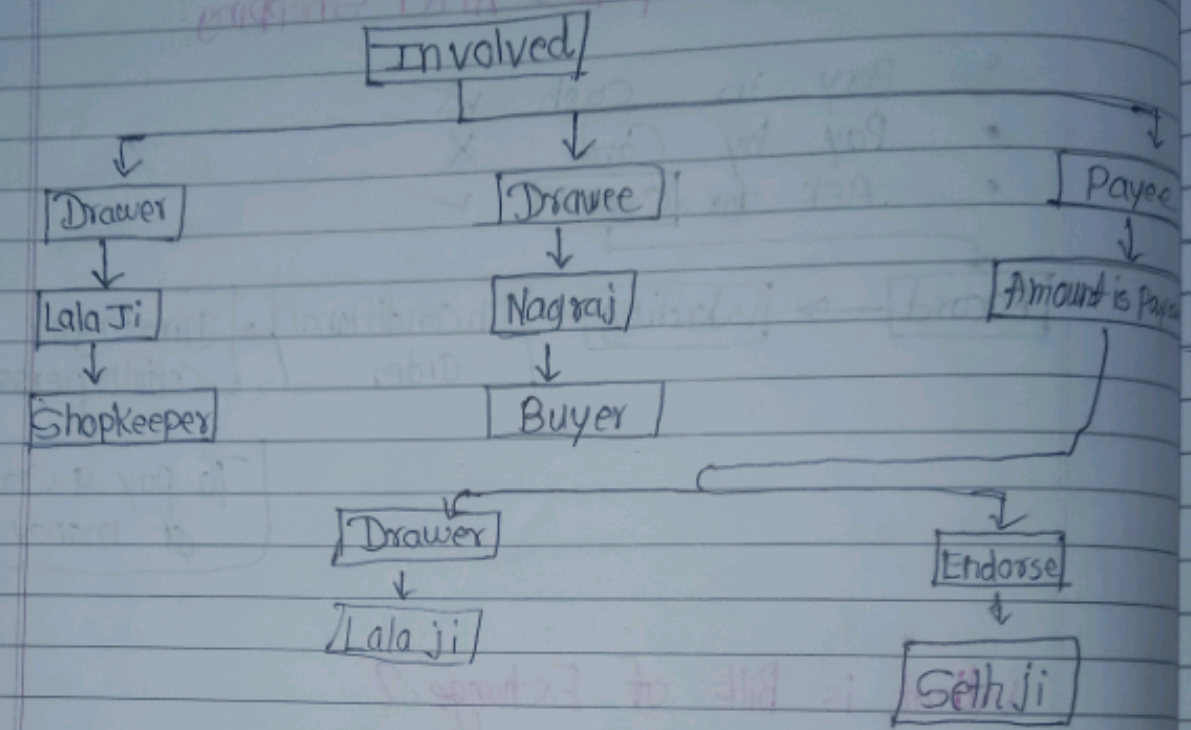
As per Sec. 5 of Negotiable instrument Act - 1881

• Bills of Exchange.

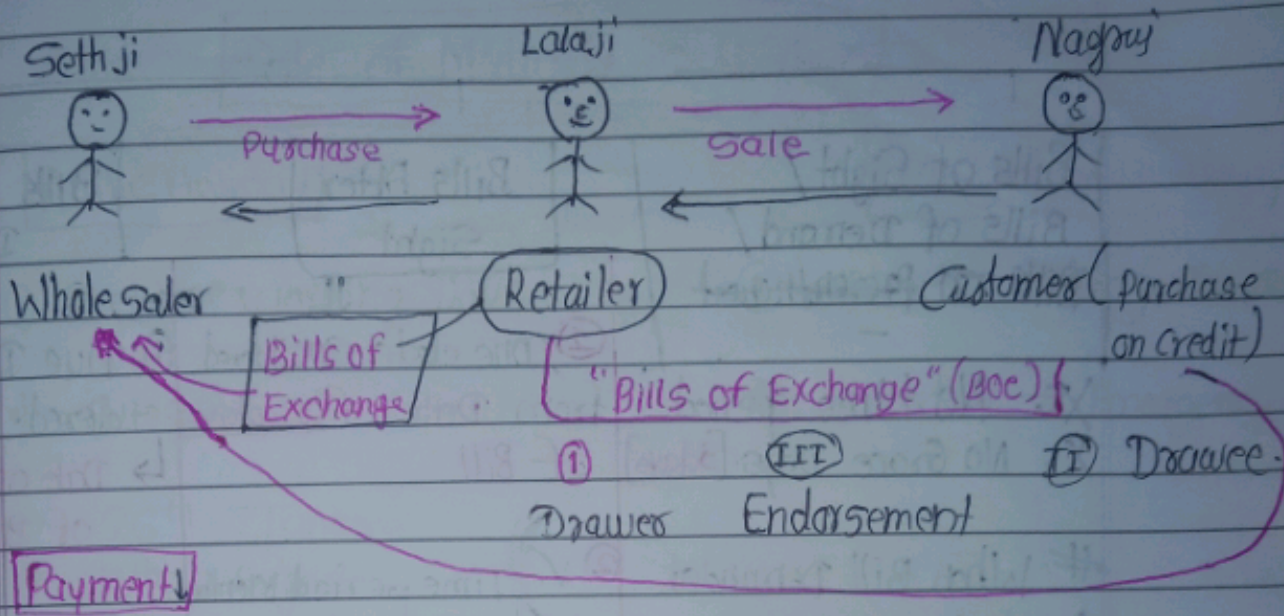
- an instrument in writing
- Containing an unconditional order.
- Signed by makes (Draft → Shopkeeper)
- Directing a certain person.
- only a certain sum of money.

To the order of a certain person.
→ Bearer of the instrument.

Three parties are involved



- **Drawer :-** The Drawer Draw the Order.
- **Drawee :-** The party who accepts the order.
- **Payee :-** The party to whom the payment is to be made.
- Drawer and payee may be the Same.



① Who hold the Bill on maturity.

- What is Promissory Notes •

As per sec. 4. of NIA 1881

Promissory Note is :-

- An Instrument in writing.
- containing an unconditional undertaking signed by the maker.
- To pay a certain sum of money
- To a certain person or order.

Bills of Sight/ Bills of Demand/ Bills on ~~Presentment~~	Bills After Sight	Bills After Date
X. No time period X. No Grace Days. [3 days]	① Due date considered from <u>Date of acceptance of Bill</u>	① Due Date considered. ↳ <u>Date of Drawing of Bill.</u>
# When Bill Demanded needs to make payment.	② ✓ Time period Mentioned ✓ 3 days of Grace	✓ Time period mentioned ✓ 3 days of Grace.
	Bill Drawn - 15 th Apr 2025 Bills Accepted - 25 th May 25 <u>Due Date of Bill</u> → → Date → 25 th May 2025 Consider	

Due Date =

Bills After Sight

① Date of Acceptance of Bill + Terms of Bill + 3 days

Bills After Date

② Date of Drawing of Bill +
 Term of Bill +
 3 days

DATE / / PAGE

[Date of Maturity is Holiday]

[Public Holiday]

[Emergency Holiday]

① Previous Working Days

① Next Working Days.

Question → Silent

Question → Emergency.

→ 26th January

→ 15th August

→ 2nd Oct

→ Sunday / Diwali / Holi /

* Calculation of Dates. *

Date of Acceptance / Drawing

+

Term of Bill - Days / months.

=

Expiry / Due Date

+

Grace Days - 3 days.

=

Maturity Date.

Case - I

A Draw a Bill on B of ₹ 7,000 payable on 20th June 2024.

Due Date → 20th June 2024.