Ch-2 Accounting process

Unit 1 - Basic Accounting procedures - Journal Entries (Recording)

Transaction
↓
Record → in Books of A/c
↓
Journal
↓
Journal Entries

Two Approaches:
- Old — Traditional
- New — Modern

* Traditional Approach to Recording:-

Types of Account

- **Personal A/c**
  - Natural Personal A/c → Person A/c, Bank FD
  - Artificial Personal A/c → Entity A/c
  - ~~Respecti~~ Representative Personal A/c → Capital, Drawings
- **Real A/c** — things / Items A/c → Assets
- **Nominal A/c** — Impersonal A/c
  - Income A/c
  - Expense A/c
  - Loss A/c
  - Profit A/c

* Modern Approach to Recording:-

- C Capital / Drawing A/c
- L Liability A/c
- E Expense / Loss A/c
- A Asset A/c
- R Revenue / Income A/c - Profit

* Rule for Journaling (Traditional Approach):-

Type of A/c	Debit	Credit
Personal A/c	Receiver	Giver
Real A/c	What Comes in	What Goes out
Nominal A/c	All Expense / loss	All Incomes / Profit

* Rules for Journalizing (Modern Approach):-

Type of A/C	Debit	Credit
Capital	Decrease	Increase
Liability (Creditor)	Decrease	Increase
Revenue	Decrease	Increase
Asset (Debtor)	Increase	Decrease
Expense	Increase	Decrease
Drawing (Personal A/C)	Increase	Decrease

* Cash and Credit transaction:-

In any transaction

Only Name given
(Credit transaction)

Name + Cash
Both are given
(So, it is Cash transaction)

Cash & Bank given
(cash transaction)

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* Transaction with Business man:-

a) Introduction of Capital into Business

Cash | Bank A/C Dr.
Assets A/C Dr.
 To Capital A/C

b) Withdrawal of Capital from Business.

Capital A/C Dr.
 To Cash | Bank A/C

c) Drawings made by owner

Drawings A/C Dr.
To Cash/Bank A/c
To Purchase A/C

d) Interest on Capital
Int. on Capital A/C Dr.
To Capital A/C

e) Interest on Drawing
Drawing A/C Dr.
To ~~Interest~~ Int. on Drawing A/C

* Transaction with Bank:-

a) Deposit of money.
Bank A/c Dr.
To Cash A/C

b) withdrawal of money.
Cash A/C Dr.
To Bank A/C

c) Interest on money deposited
Bank A/C Dr.
To Bank Int.

d) Bank charges deducted by Bank
Bank charges A/C Dr.
To Bank A/C

Things / Items

- Goods (for sale purpose)
  - Purchase A/C Dr.
  - Sale A/C Cr.
  - Purchase Return A/C (Return Out-ward) Cr.
  - Sale Return A/C (Return inward) Dr.
  - Closing Stock 31/3
  - opening Stock 1/4
- Fixed Assets
  - Machinery A/C
  - Building A/C
  - Furniture A/C
  - Computer A/C

* Transaction Including Goods:-

a) Purchase of goods:-
Purchase A/C Dr.
To cash/Bank/Supplier A/C

b) Sale of goods
Cash/Bank/Customer A/C Dr.
To Sales A/C

c) Purchase Return
Supplier A/C Dr.
To Purchase Return A/c

d) Sale Return
Sale Return A/C Dr.
To ~~Cu~~ Customer A/C

e) Expenses on Sale / Purchase:- (carriage, fright, octroi)

Expense Inward A/C Dr.
Expense Outward A/C Dr.
To Cash A/C
To Creditor A/C

f) Charity / Donation / Sample Sale in goods:-

Charity / Donation / Adv. A/C Dr.
To Purchase A/C

Note:- Sale A/C is not credited as it is not a sale here purchase are reduced at cost.

*** Treatment of Loss of GOODS :-** (By fire / By Accident / By theft)

a) Goods uninsured:-
Loss by theft/fire A/C Dr.
To Purchase A/C

b) Good fully insured:-
Insurance claim A/C Dr.
To Purchase A/C

c) Goods partly insured :-
Insurance claim / Bank A/C Dr.
Loss by -/- A/C Dr.
To Purchase A/C

*** Transaction involving fixed Assets:-**

a) Purchase of Fixed Assets:-
Fixed Asset A/C Dr.
To Cash A/C

b) Exchange of old asset with new asset:-
Fixed Asset A/C Dr.
To Cash A/C

c) Charging Depreciation fixed Asset
Depreciation A/C Dr.
To fixed Asset A/C

d) Sale of fixed Assets
Cash A/C Dr.
Loss of Sale on Asset A/C Dr.
To Fixed Asset A/C
To Profit on sale of Assets

e) Self Made Fixed Assets:-
Fixed Asset A/C Dr.
To Cash A/C
To Purchase A/C

β = β + α

* Treatment of Discount:-

a) Trade Discount:- Bulk Discount (saman lete/Bechte samay)

i) Cash A/C Dr.
To Sale A/C (SP-TD)

ii) Purchase A/C Dr. (PP-TD)
To Cash A/C

b) Cash Discount:- (Paise dete/lete samay)

i) Cash A/C Dr.
Cash Dis. Allowed A/C Dr.
Expense To Customer A/C

ii) Supplier A/C Dr.
To Cash A/C
To Cash Dis. Received A/C
Income

- Trade dis. & Cash dis. simultaneously

i) Cash A/C Dr.
Cash Dis. Allowed A/C Dr.
To Sale A/C

ii) Purchase A/C Dr.
To Cash A/C
To Cash Dis. Received A/C

* Treatment of (Insolvency):- liability > Asset

a) Bad debts:- (loss)
Bad debts A/C Dr.
To Customer A/C

b) Part Payment and Bad debts:-
(Receive) Cash A/C Dr.
Bad Debts A/C Dr.
To Customer A/C

c) Bad debts Recovered Subsequently:-
Cash A/C Dr.
To Bad debts Recovered A/C (gain)

* Treatment of Expenses:- (देना था पर दिया नहीं)

a) Expenses paid:-
Expense A/C Dr.
To Cash A/C

b) Expense Outstanding:- due but not paid
Expense A/C Dr.
To Expense Outstanding A/C
pay in future / Payable

c) Expense paid in Advance:-
Prepaid Expense A/C Dr.
To Cash A/C

d) Expense Outstanding A/C
To Cash
last year paid.
(पहले देना था अब दिया)

(Receivable in future)

* Treatment of Income :-

a) Income Received :-
Cash A/C Dr.
To Income A/C

b) Income Accrued :- (due but not receive)
Income accrued A/C Dr.
To Income A/C

c) Income Received in Advance :-
Cash A/C Dr.
To Income Received in Advance A/c

d) Last year received
Cash A/c Dr
To Income accrued

Opening Entry 'Format'

All Assets A/c Dr. xxx
To All Liabilities A/c (−) xx
To Capital (Difference) xxx

Accounting for GST :- (Indirect tax)

Tax → Goods & Services
↓
on Sale / Supply

India is 'Fedral Structure'
↓
Half (CGST) Central GST ← Central govt.
Half (SGST) State GST ← + State govt.

Half (UTGST) ← (Union territory)

CGST + SGST = Total GST
CGST + UTGST = Total GST
SGST + UTGST = Total GST

Integrated GST
IGST
full Rate of Tax
Central govt.

Seller Punjab $\xrightarrow{\text{Goods \& Services}}$ Buyer Haryana
Inter-state Transaction

(with in state) Punjab — Intra-state Transaction → GST 18%
CGST 9% SGST 9%

Type of Taxes under GST

- Central GST (CGST)
- State GST (SGST)
- Integrated Goods & service tax (IGST)
- Union territory GST (UTGST)

GST → Intra State —Half→ CGST, SGST
GST → Inter State —full→ IGST

Input & Output GST

Output GST ~~Buyer~~ Seller (liability)
GST charged on supply of goods & services made by a Supplier

(Asset) Buyer in ~~Seller~~ ~~Output~~ Input GST
Credit of Input tax already paid at the ~~then~~ time of Purchase.

* Note:- Tax Pe discount nahi lage ga
→ TD & CD
- TD lagane ke bad CD lagate hai.
- TD lagane ke bad jo value ati hai uspe Tax lagate hai.

* Accounting equation

Assets = Liabilities + Capital

application of fund — source of fund

* GST Rate:

Nil / 0%	5%	12%	18%	28%
Min.				Max
↓				↓
Necessities				Luxury

Unit 2 · ledger (classification stage)

* Ledger is principle book of accounts to which the transactions recorded in the book of original entry (Journal) are transferred.

Procedure of Maintaing of ledge Account.

Posting
Posting the entries from the ~~ledgers~~. Journal in ledgers

Totaling
Calculate Debit Side & Credit Side.

Balancing.
Debit Balance is equal to Credit Balance
Dr.=Cr.

(format of ledger)

Dr   Cr.

Date	Particular	₹	Date	Particular	₹
xxx	To ---	xxx	xxx	By ---	xxx

Casting (Totaling)

Balancing of A/c:

Real A/c
↓
Assets

Personal A/c
↓
Personal

Nominal A/c
↓
Expense
Income
loss
Gain.

Balanced in
Balance sheet.

Trading A/c
& Profit & Loss A/c

Unit 4 Subsidiary Book

Subsidiary Book

No Cash transaction.

- Purchase Book → All "Credit" purchase of "Goods" → Business Deal
  - No cash only credit.
- Sales Book → All "Credit" sales of Goods
- Purchase Return (Return Outward) → Return of Goods purchase on credit
- Sales Return (Return Inward) → Return of Goods sale on credit
- Journal proper → All the Remaining entries.

Bill No (Invoice No.)

Debit Note No

Credit Note No.

Dozen = 12 Pcs

Gross = 12 × 12 Pcs

144 Pcs

↓

12 Dozen

format of Subsidiary Book

Date	Particular	Detail	Amount
xxx	xxx	xxx xxx	xxx