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# ADITYA COMMERCE ACADEMY

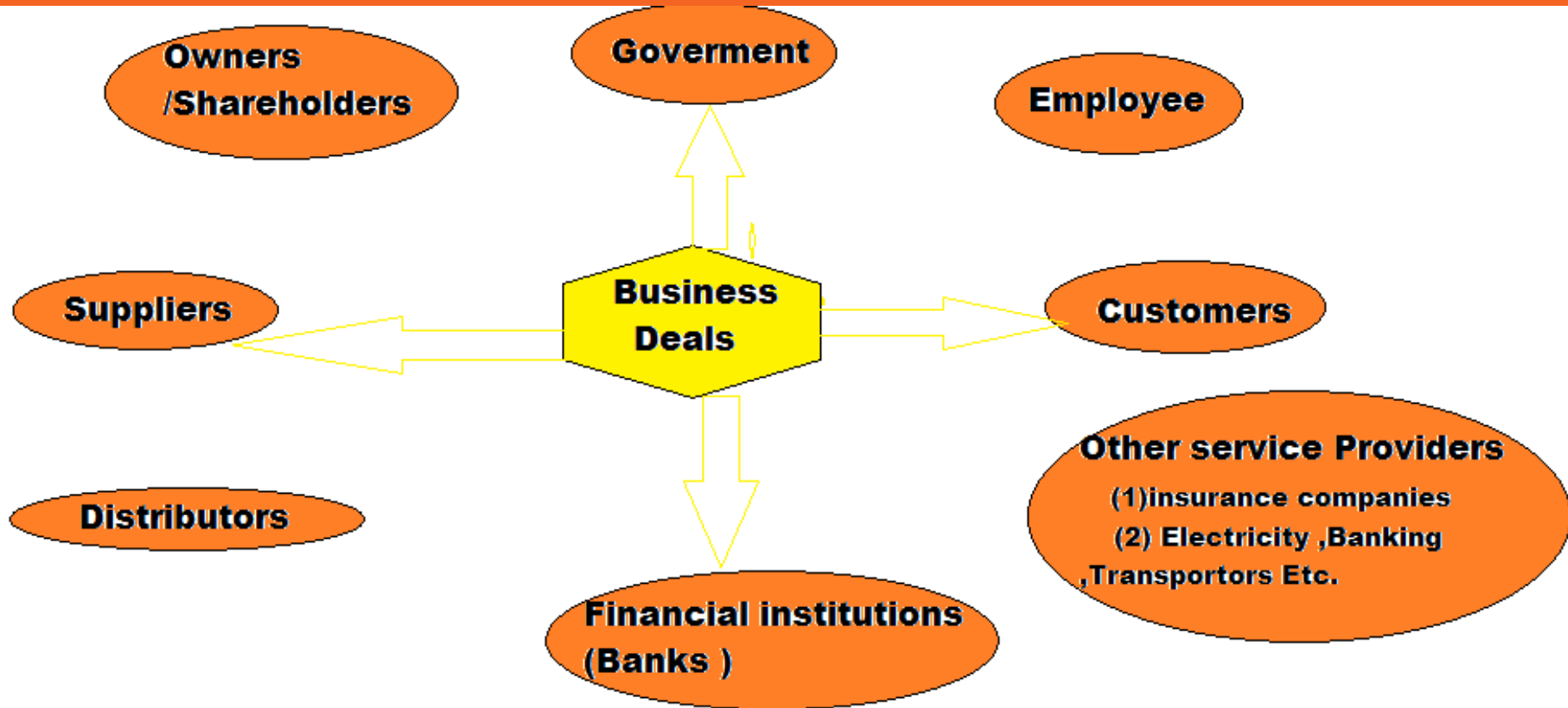
ADITYA SHARMA  
B.COM ,BBA ,MBA ,UGC NET

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# What is Bookkeeping & Accounting

Questions Need to Answered :

1. What is Bookkeeping & Accounting
2. Why we need it
3. Its role in Business Management
4. Who uses its Information
5. How can we maintain the accounts



**Accounting is The language of Business**

# Accounting Terms

Business

Owner

Capital

Economic  
Transactions

Assets

Liabilities

Drawings

Goods

Purchase

Sales

Purchase  
Return

Sales Return

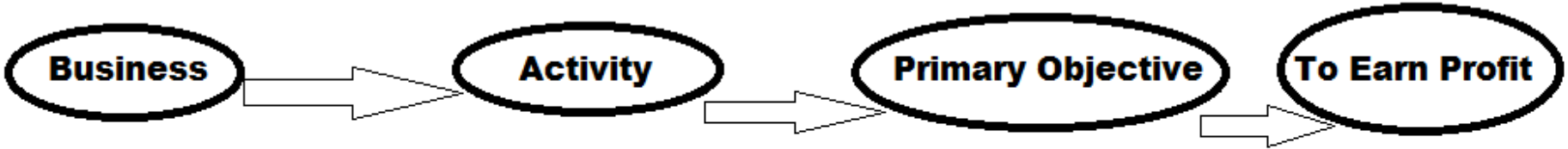
Stock

Depreciation

Bank  
Overdraft

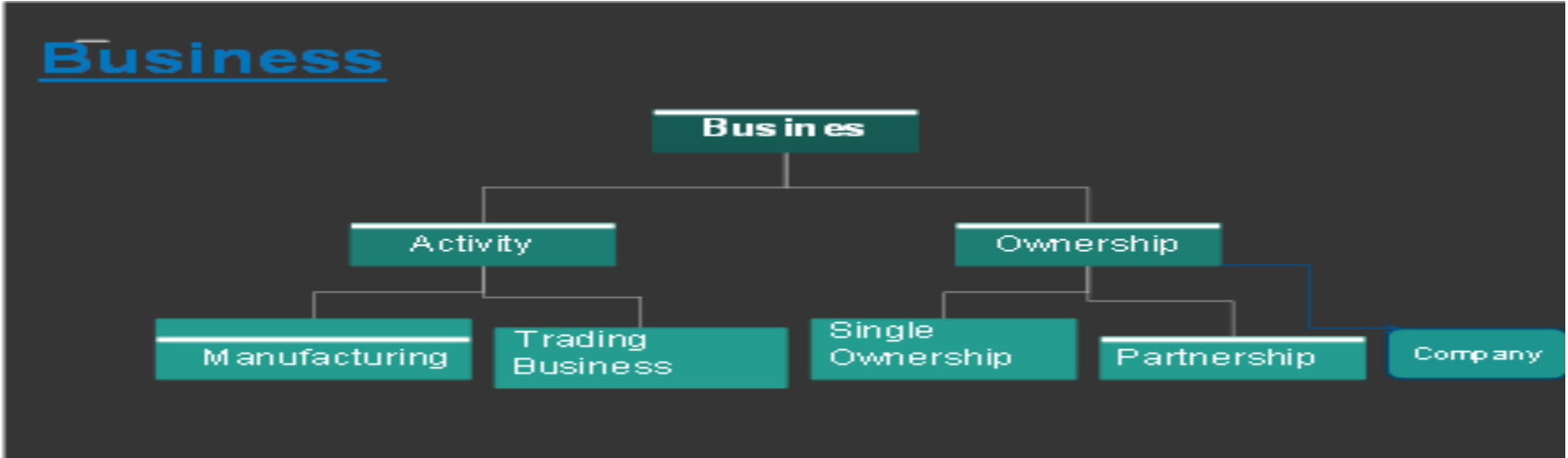
Expenses

Business



**Economic Activity**

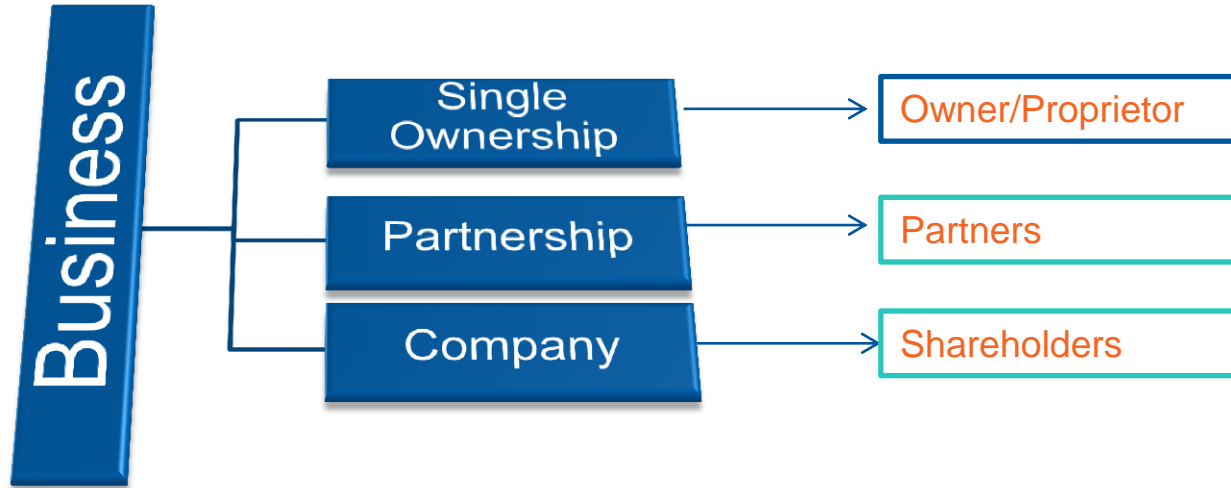
*An organization or economic system where goods and services are exchanged for one another or for money.*



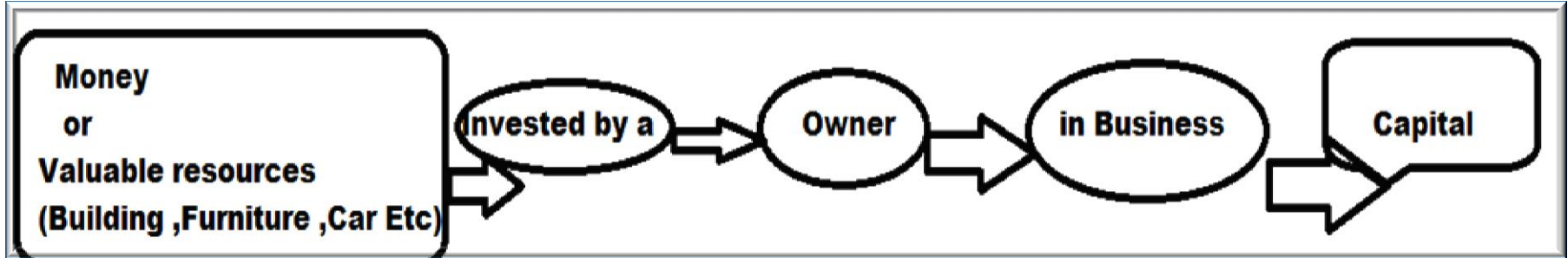
## Proprietor /Owner

### Owner /Proprietor

The person who starts the organization is called proprietor /owner



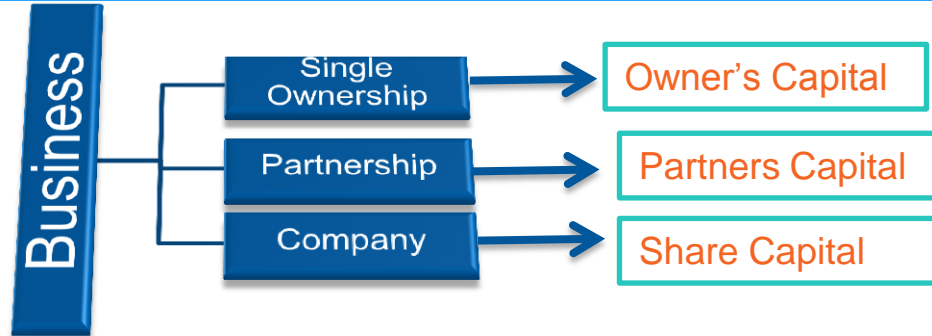
**Capital :- Important Key words - Owners Funds /Equity /Capital employed**



## Points to be Noted

It is the Amount (Cash or Kind ) invested by a person (Owner) in the business to Acquire the required resources

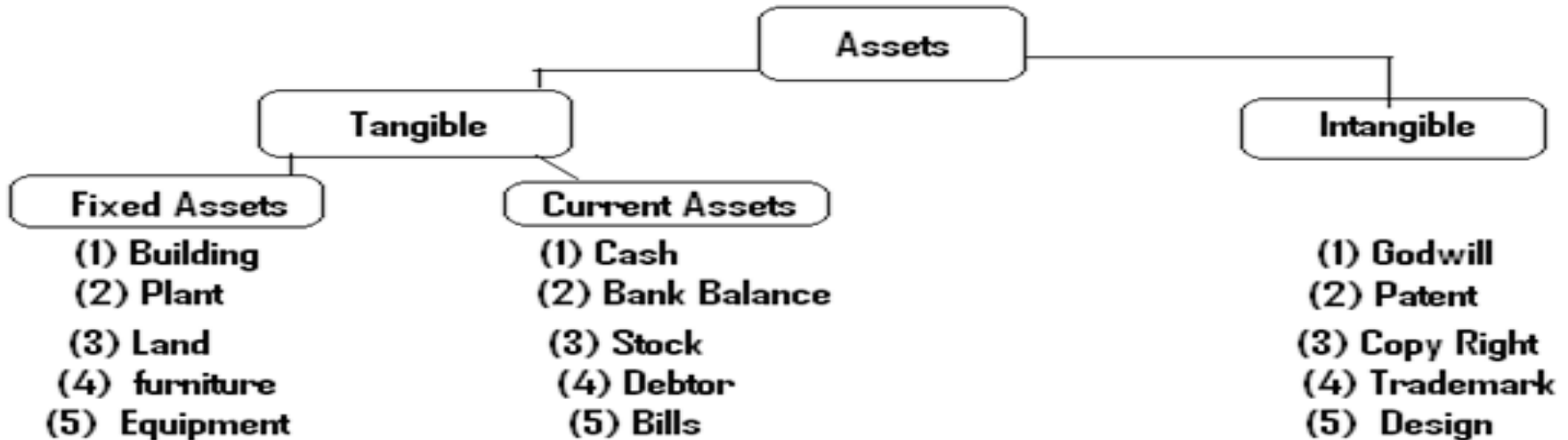
**For Example :- Mr. Ram Start his business with Rs .500000 Cash .this amount is called Capital**



## Assets :- Property / Economic resources

An asset is a resource with economic value that an individual, corporation or country owns or controls with the expectation that it will provide a future benefit

Assets are the properties of every description belonging to the business. Cash in hand, plant and machinery, furniture and fittings, bank balance, debtors, bills receivable, stock of goods, investments, Goodwill are examples for assets





# Business

## Assets

Non Current

Current Assets

Tangible Fixed Assets

Intangible Fixed Assets

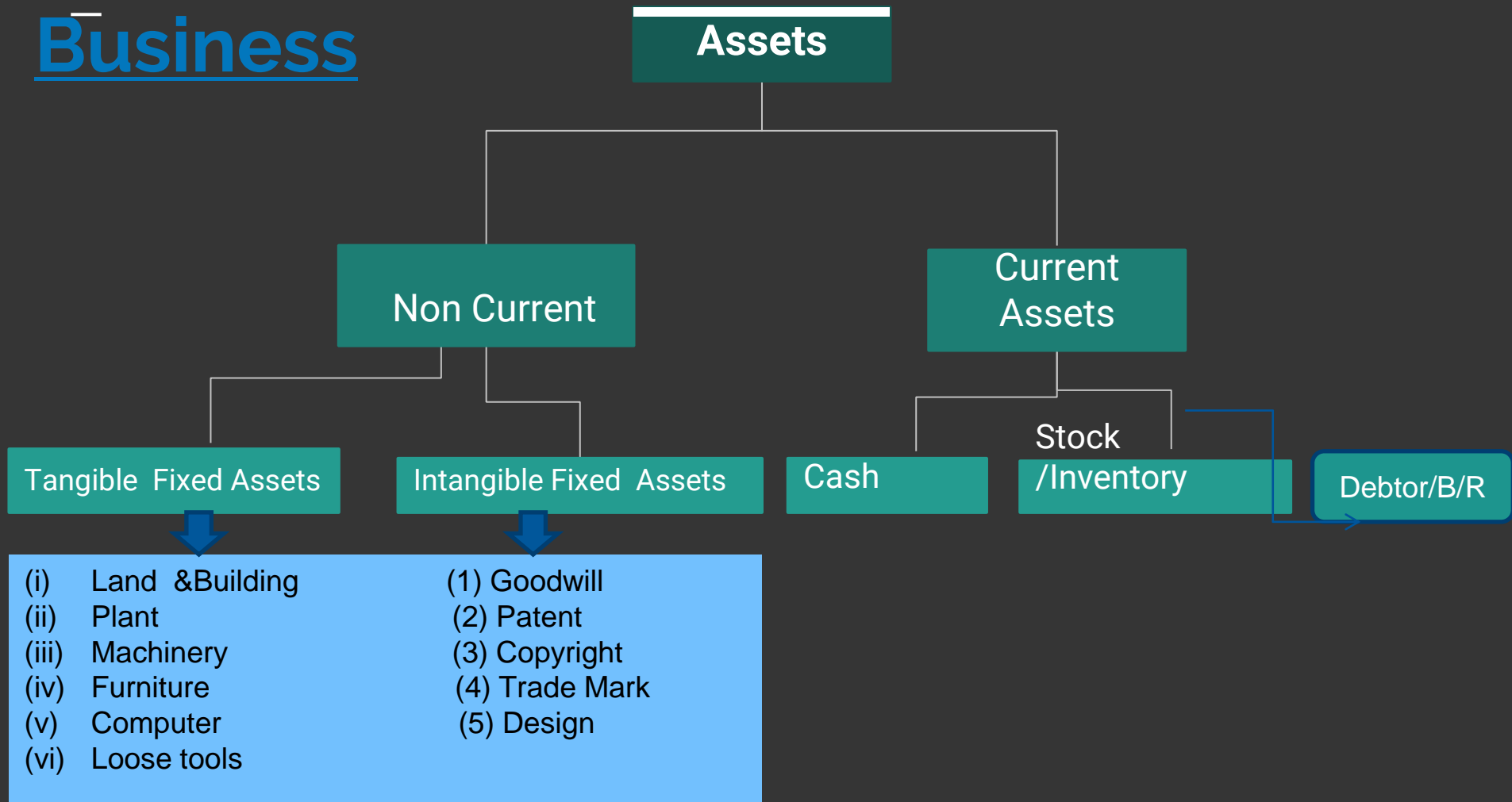
Cash

Stock /Inventory

Debtor/B/R

- (i) Land & Building
- (ii) Plant
- (iii) Machinery
- (iv) Furniture
- (v) Computer
- (vi) Loose tools

- (1) Goodwill
- (2) Patent
- (3) Copyright
- (4) Trade Mark
- (5) Design



## Tangible

Physical Existence

Seen or Touched

## Intangible

Not Physical Existence

Not Seen or Touched

## Fixed Assets

Long Term Nature

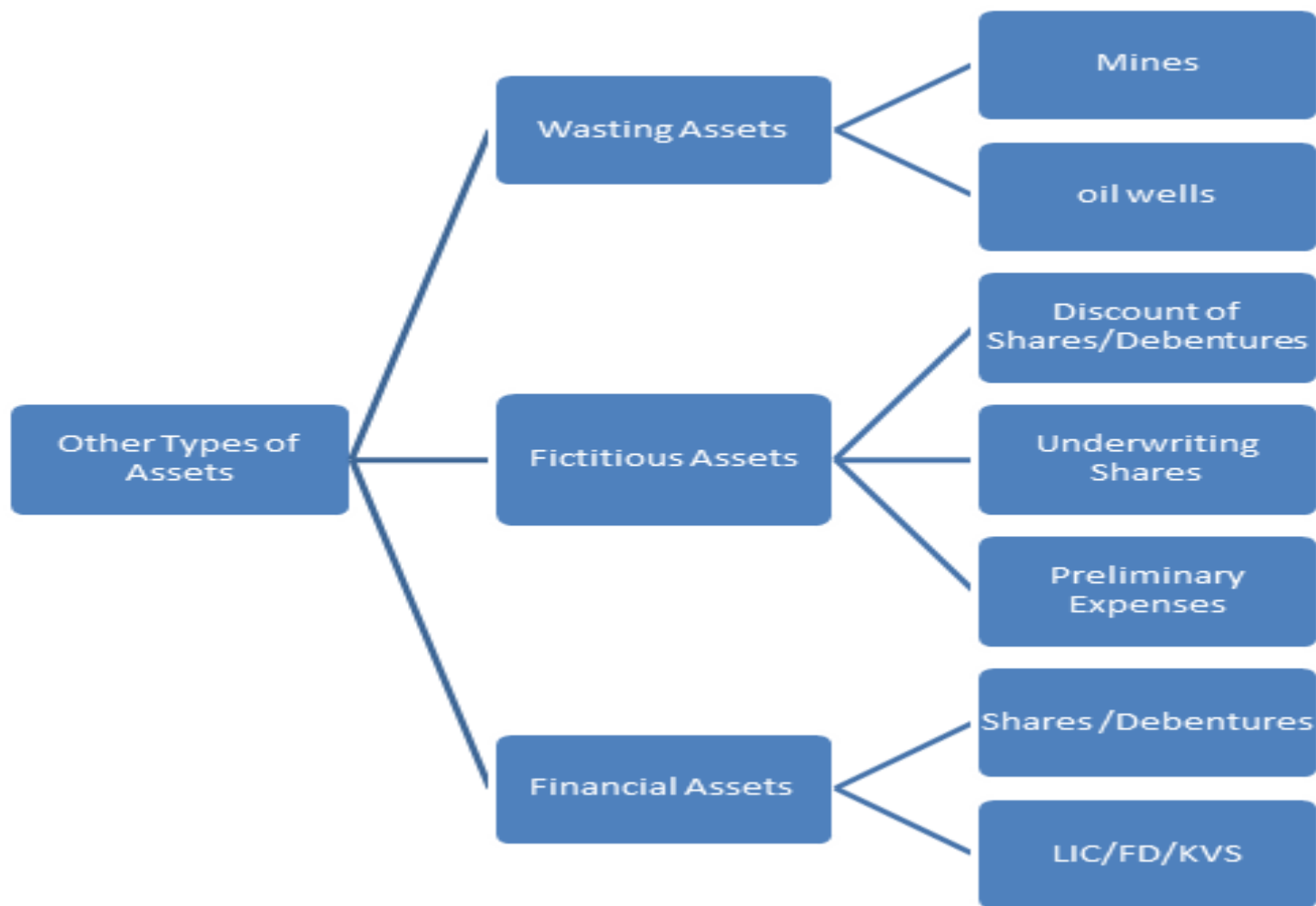
Use purpose

## Current Assets

Short Term

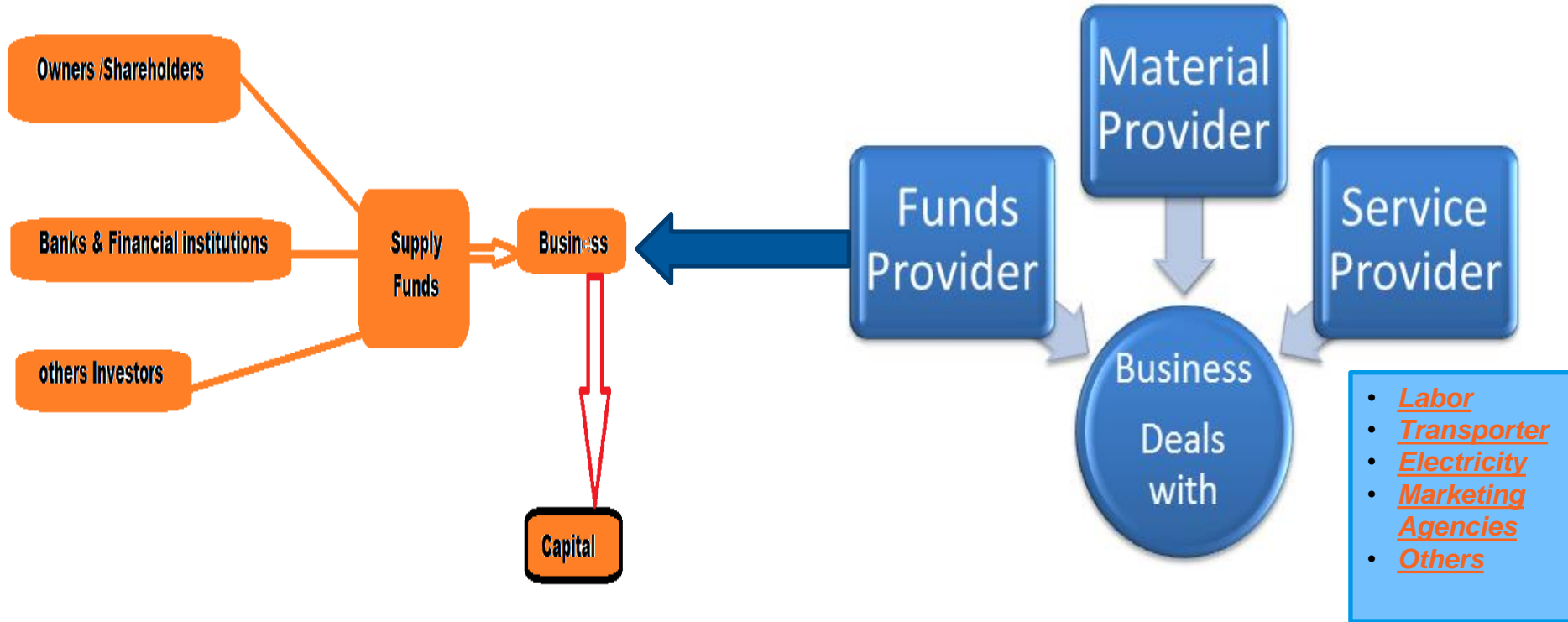
For sale or Cash Conversion

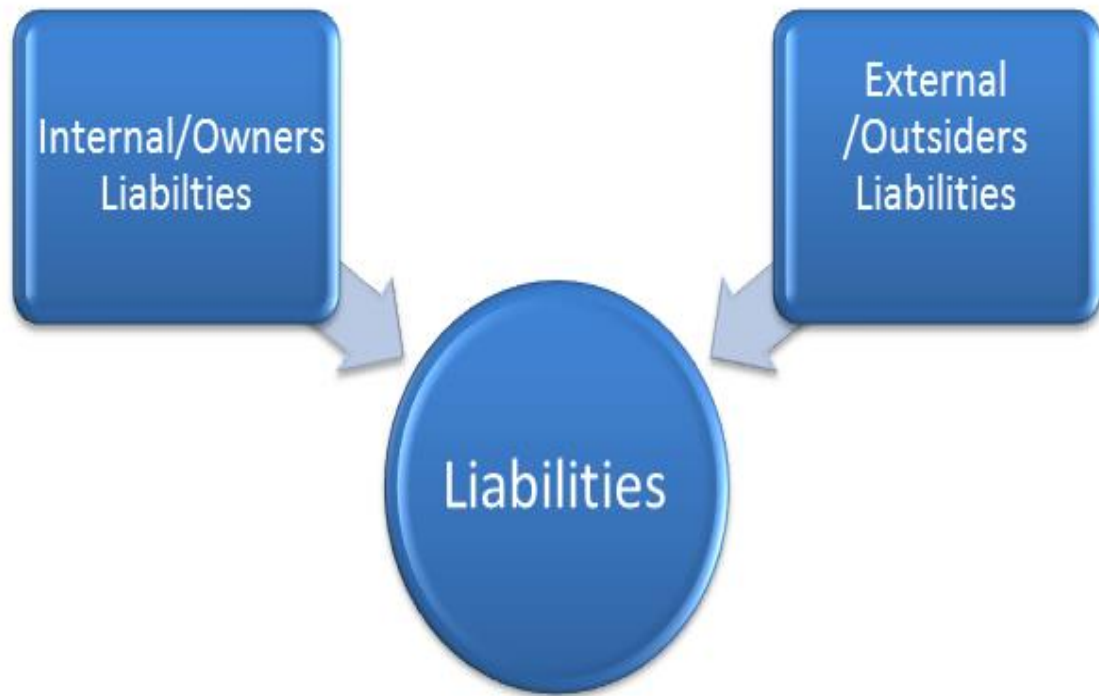
.No	Name of the Accounts	Fixed Assets /Current Assets	S.No	Name of Assets	Fixes /Current /Wasting Assets
1	Bank Balance		11	Gold & Precious Stones	
2	Land		12	Bills receivable	
3	Building		13	Live stock	
4	Goodwill		14	Railway Sliding	
5	Prepaid Rent		15	Commission earn not received	
6	Cash		16	Fittings	
7	Furniture		17	Plant	
8	Machine		18	Computer	
9	Loose Tools		19	Car	
10	Stock		20	Inventory	



## Important Key Words :- Financial obligation /Responsibility

Liabilities refer to the financial obligations of a business





**External Liabilities** External liabilities are those liabilities which the business owes to the outsiders for goods purchased on credit, for expenses or for loans taken

**In Simple Term : External Liabilities are Those Which is paid to outsiders and on the basis of time, External liabilities are divided into two Types long term (Non Current ) and short Term (Current Liabilities )**



**Classify the following items into external and internal liabilities:**

i. Bank loan

ii. Interest on capital (unpaid)

iii. Capital

iv. Sundry Creditors

Outstanding rent

vi. Undistributed Profits

vii. Bills Payable

viii. Bank Overdraft

ix. Salaries due but not paid

x. Reserves



**Goods** :- Tangible items or Intangible Services in which Business Deals to Earn Profit is called Goods



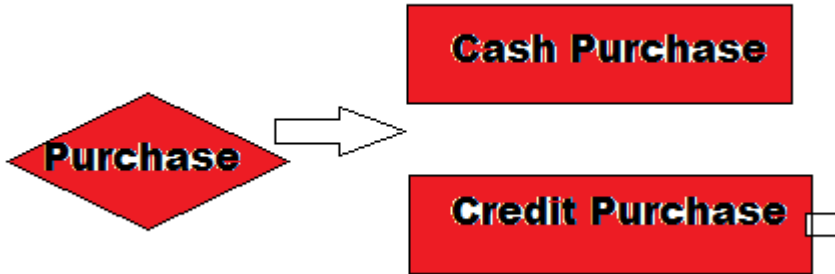
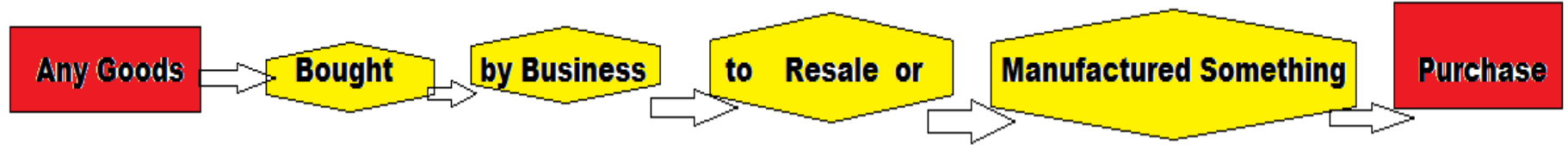
- Example :-
- (1) NeelKamlal deals in Furniture I.e Sofa ,Bed ,chair etc.
  - (2) Suresh deals In Stationery -Pen ,Pencils ,Books ,Note Book ,etc material
  - (3) Domino deals in Pizza

**Purchase** :- Purchases always refer to purchases of merchandise

Purchases means the purchases of such goods and services in which a firm deals

**For Example :- Furniture dealer purchased chair for the purpose of reselling**

**:- Cloth seller bought cloth for cloth reselling purpose**



Purchase return / Return Outward

Sold Goods



Sellers

customers

Goods return



Sales return /Return inward



Suppliers

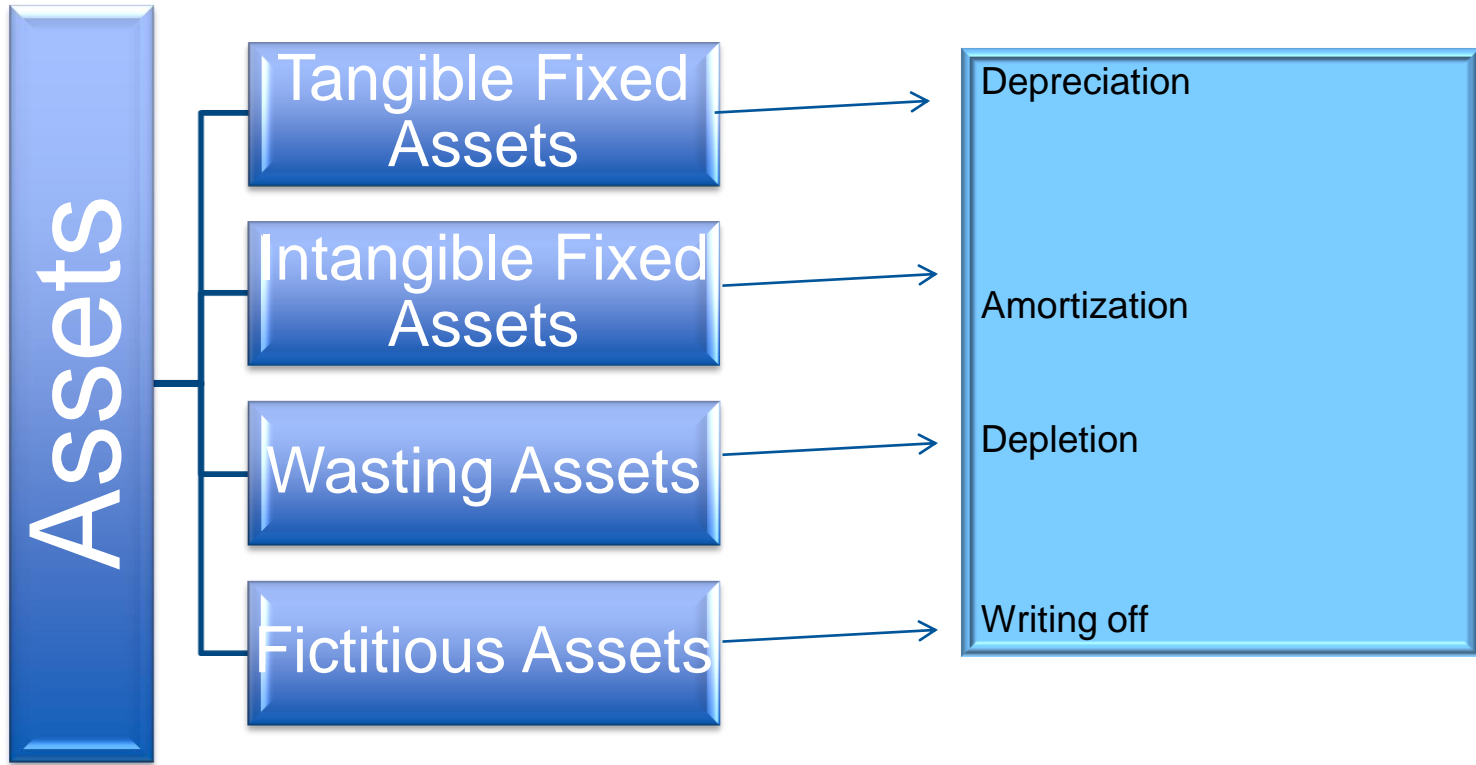
Business

Purchase return /Return outward



**Depreciation** :-A reduction in the value of an asset over time, due in particular to wear and tear or obsolescence. This decrease is measured as depreciation







## Bank Overdraft .

- An overdraft allows the individual to continue withdrawing money even if the account has no funds in it or not enough to cover the withdrawal.
- An overdraft is an extension of [credit](#) from a lending institution when an account reaches zero

# Expenditure

## Capital Expenditure

- Outflow of Cash for Acquiring Permanent Assets
- Non Recurring in Nature
- Its Benefit over several years
- Balance Sheet Item

For Example : Purchase Machinery ,Car etc.

## Revenue Expenditure

- Routine Expenditure incurred in Normal course of business
- Recurring in Nature
- Consumed one year
- P&L Item

For Example :-Rent , ,Repair, Insurance ,wages etc.

## Deferred Revenue Expenditure

Heavy Amount Expenses which give benefits over several Years

- :-Advertisement
- :-Capital Issue Expenses
- :-Underwriting Expenses

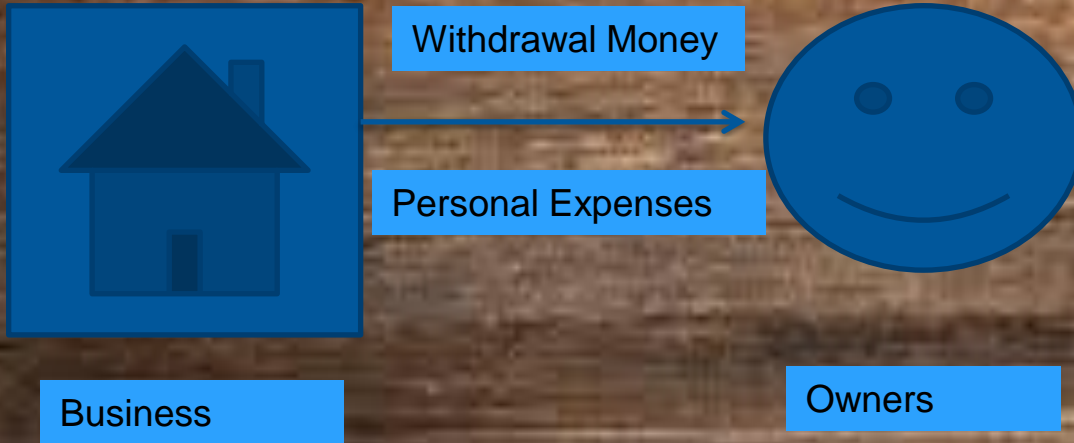
## Exercise :-Capital & Revenue Items

S.No	Transactions	Nature
1	Purchase of Machinery	
2	Normal repairs of Machinery	
3	Purchase of Investment (Shares )	
4	Rent Paid	
5	Petrol Used in Car	
6	Furniture Purchased	
7	Interest Paid	
8	Car Purchased	
9	Freight Paid	
10	Insurance	



# Drawings

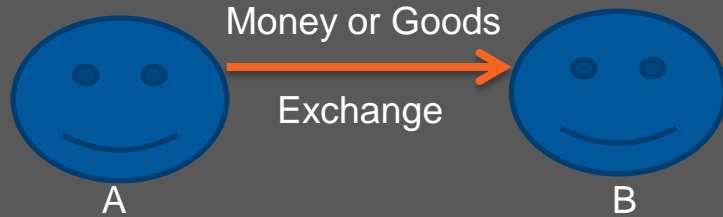
*When Owner withdrawal money form the Business for personal or Household Expenses is called Drawings*



- Payment of LIC Premium by Firm
- Children School fee paid by Firm



Transactions are those activities of a business, which involve **transfer of money** or **goods** or services between two persons or two accounts



Cash Transactions :-In Cash Transactions Money flow immediately with Transactions

Credit Transactions :-Flow of Money Not immediately with Transactions .only goods /services will delivered /rendered



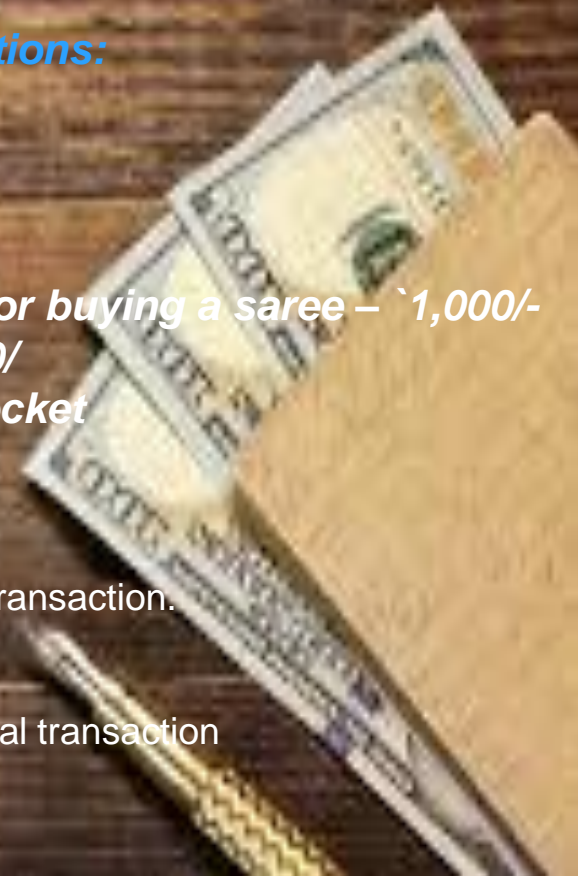
# Exercise -1

*Classify the following into business and non-business transactions:*

- *Rahim starts business with Cash – `1,00,000/-*
- *He deposits money into the Bank – `50,000/*
- *He buys goods for Cash – `10,000/*
- *.He takes out money from the shop and gives it to his wife for buying a saree – `1,000/-*
- *He attends a family function and gets present worth – `3,000/*
- *He pays salary to his domestic servant – `500/- out of his pocket*

**Find which of the statements are true and which are false.**

- Shifting of goods from one place to another within a shop is business transaction.
- Profit is the reward to the owner for his business activities
- .Purchase of vegetables for use at home is not business transaction
- .Purchase of goods on credit for personal use from his friend is personal transaction





- **State with reasons whether the following events are transactions or not to Mr. Nikhil, Proprietor, Delhi Computers**

- Mr. Nikhil started business with capital (brought in cash) Rs. 40,000.
- Paid salaries to staff Rs. 5,000.
- Purchased machinery for Rs. 20,000 in cash.
- Placed an order with Sen & Co. for goods for Rs. 5,000.
- Opened a Bank account by depositing Rs. 4,000.
- Received pass book from bank.
- Appointed Sohan as Manager on a salary of Rs. 4,000 per month.
- Received interest from bank Rs. 500.
- Received a price list from Lalit.

## **Class Assignment**

**From the following identify revenues, expenses and expenditure.**

- i. Rent Received
- ii. Salaries Paid
- iii. Cost of Raw Material
- iv. Furniture Purchased
- v. Commission Received
- vi. Insurance Premium Paid
- vii. Machines Purchased
- viii. Advertising

**Classify the given items into assets, liabilities, capital, revenue and expense.**

- i. Stock-in-hand
- ii. Rent Paid
- iii. Advertising
- iv. Creditors
- v. Outstanding Expense (rent)
- vi. Interest Received
- vii. Capital Introduced
- viii. Furniture and Fittings
- ix. Insurance Premium Prepaid
- x. Commission Received in Advance

# ADITYA COMMERCE CLASSES

