ACCOUNTING

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Introduction:

Definition & Meaning: Accounting may be defined as the collection, compilation any systematic recording of business transactions in terms of money, the preparation of financial reports, the analysis and interpretation of these reports and use of these reports for the information and guidance of management. Accounting is the process of systematically recording, measuring and communicating information about financial transactions.

➤ At the heart of accounting is the double-entry bookkeeping method. This involves making at least two recording entries for every transaction: a debit in one account and a credit in another account. The method helps 1 prevent errors because the sum of the debits should equal the sum of the credits. The three major financial

statement produced by accounting are
(i) the income statement
(ii) the balance sheet and
(iii) the cash flow statement.

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Debit: A debit is an accounting entry that results in either in increase in assets or a decrease in liabilities on a company's balance sheet.

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Credit: A credit is an accounting entry that either increases a liability or equity account, or decreases an asset or expense account.

Debtor - দেনাদার , Creditor - পাওনাদার

➤ There are two kinds of users of accounting information:

(i) Internal users: Internal users are usually company managers who use accounting information to decide how to plan and control operations on a ~~dial~~ daily and long-term basis.

(ii) External Users: External users are existing or potential investors, creditors, analysts, financial advisers, regulatory authorities, unions and the general public. They use accounting information to make a myriad of decisions about whether to buy, hold, sell, lend, continue a relationship or make an agreement.

Methods for recording transactions

→ keeping financial records
→ performing internal audits
→ reporting and analyzing financial & information to the management and advising on taxation matters.

Objectives of Accounting: / Advantages

1) It provides a permanent record of all business activities
2) It makes possible to determine profit and loss of business. A profit and loss account can be prepared to know the

net result of the business during a period

3) It makes possible to ascertain the overall financial position of the business. The financial position of the business can be really ascertained by preparing a balance sheet at periodical intervals.

4) It makes possible to determine the total debtors and creditors of the business.

5) It helps to control expenditures on different ~~hea~~ heads.

6) It helps to make comparative study of the assets and liabilities.

7) It helps to ~~elem~~ eliminate misunderstanding

8) It is useful to determine exact sale price of the business ~~ente~~ enterprise.

9) It asists managements of the business

Accounting and Engineering:

* Why an engineering student should study accounting?

Accounting is directly related to engineering projects because any significant project requires a budget. In the case of engineering, there are mainly six functions which are of prime importance. Let's look at them one by one.

① Research: This is one of the primary things you need to do for you to invent something new. Using different experimentation techniques, applying inductive reasoning and employing mathematical concepts into your research would yield you greater benefits.

② Development; Once the engineer researches and gathers information that can be useful, it's time to apply thoes ideas in development of a product or a new idea that can help the company

③ Design: In designing a product or any structure like building or bridge, the engineer designs each and every part of the structure or the product. It is first done on paper and then a prototype is being built.

④ Construction: An engineer constructs the building or the structure by following the design crafted by him or by his colleague.

⑤ Operation: Engineers who handle machines, equipment, take care of the overall operation of these machines. He takes care of the procedures and supervises the personnel to see whether every part of the machine or equipment is working properly

⑥ Management functions: Along with taking care of the above functions, an engineer needs to take care of planning, organizing, controlling and leading. But they are not given to perform any management functions before they got some experience.

➤ Engineering involves cost of operations and cost of constructions and also engineering project carried out many business transactions that need to be accounting ~~c~~ currently.
Without accounting knowledge you cannot provide correct estimates for a tender.
Engineers are also required to assess the value of machineries, equipment is and inventories. Engineering is therefore related to general accounting and particularly cost accounting.

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Accounting Cycle: The sequence of activities beginning with the occurrence of a transaction is known as accounting cycle.
The accounting process is a series of activities that begins with transaction and ends with the closing of the books. This periodic repetition of the accounting procedures is refereed to as accounting cycle.

➤ There are five important procedures of accounting activities and they performed sequencely. In accounting cycle the following process are involved:

① Journal entries / Recording of business transaction:
The transaction is recorded in the journal as a debit and credit. It involves identify the transaction and analyze the transaction into debit & credit. The very first process of accounting is to record the business transaction chronologically as soon as they take place in either the journal proper or in other books of original entry. This process is called journalizing ⓘ identify the event as a transaction. ⓘⓘ determine the transaction amounts and which account are affected.

② Post to the ~~Leg~~ Ledger /classification of transaction: This process involves classification and grouping of similar financial data under similar accounts title. The journal entries are transferred to the appropriate ~~T-acc~~ T-accounts in the ledger to find out the effects of transaction. After the transactions have already been recorded in journal or in various books of original entry, the transactions are transferred and posted to the principle book, which is called the ledger in order to find out cumulative effect of business transactions. The ledger contains all financial records in a classified permanent form.

3) Trial Balance / Summarizing of transactions:

A trial balance is prepared to verify that the sum of the debits is equal to the sum of the credits. Trial balance is summary of debit balances and credits balances of ledger accounts. After end of the financial period all the ledgers accounts are balanced, and balance figure is taken in the trial balance to prove the arithmetical accuracy of the accounts in the ledger and to facilitate the preparation of final account.

4) Financial Statement: This step of accounting cycle proceeds for the preparation of financial statements to find out the net trading result and financial position of the business. Main financial statements are;

Income statement: prepare from the revenue expenses, gains and losses

Balance sheet: prepare from the assets, liabilities and equity accounts

Cash flow statement: prepare from the cash transactions.

Financial statement is prepared using the correct balances from the adjusted trial balance.

5) Analysis and Interpretation: After preparation of financial statement interest group like inventors, creditors, bankers, government and other parties are interested to know the financial condition of the concern. The financial statement is analyzed and interpreted to find out the performance, progress and position of the business by calculating various accounting ratios.

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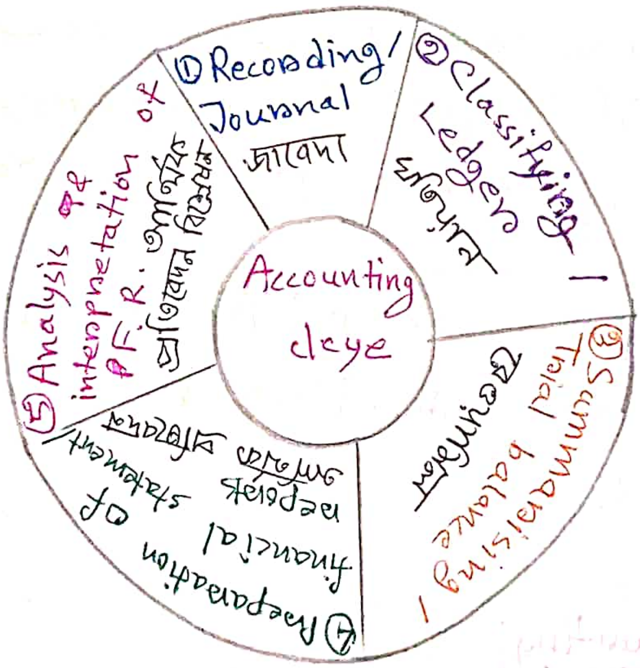

2018

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Basic Accounting Principles and Guidelines:

or, Accounting Concept / Assumption: (মোটাং বাস্তব অস্তিত্ব আছে

① Economic Entity Assumption / Entity concept:
Transaction of a business must be kept separate from those of its owners. (business আলাদা মালিকের আলাদা company/farm-এর bank a account থাকবে, মালিকের আলাদা account থাকবে না)

② Monetary Unit Assumption / Money Measurement Concept: ~~(Transaction should be)~~ Economic activity is measured in terms of money, and only transactions that can be expressed in money are recorded.

③ Time Period Assumption / Periodical Concept:
The time period assumption states that the life of a business can be divided into equal time periods. These time periods are known as accounting periods. (Financial report is prepared at the end of long period of time. (Years maintain করতে হবে)

④ Double / Dual Aspect Concept: According to this concept transaction should be recorded in its double aspect.

Advantage of Accounting:

1) Information about financial position
2) Ascertainment of profit or loss during a period

③ Accounting provides better control
④ Accounting helps in decision making
⑤ Accounting records are evidence of acts
⑥ Collection and payment of cash.
⑦ Accounting helps in obtaining loans for business
⑧ It helps for investors and government & other.

$\boxed{\text{Accounting Equation, Assets = Owner's Equaity + Liabilities}}$

Owner's Equaity → নিজের টাকা; Liabilities → loan/Bank এর টাকা

এক ব্যবসায়ীর Asset আছে 1000000

∴ 1000000 = 800000 + 200000 (loan)

or, Assets = Owner's Equiting + Liabitities + Income - Expenses

2014

> Define the term "Business Entity"

Business entity concept astates that the owner(s) of business is separate from the records the business. Therefore accounting for even the simpleas business, the sole trader must be separate from the personal affairs of the owner or owners.

> The owner of a business loans tk 100,000 to his company. This is recorded by the company as a liability, and by the owner as a loan receivable.

2014,13
(৩/৪/৫/নহ)

Transaction: An event which brings financial change is called transaction.

The term "business transaction" has been defined as any act that alters the financial position of a concern where such alteration can be measured in terms of money.

Ex: Mr. A started business by ways of cash Tk 300,000 building Tk 200000 and materials Tk 200000

2014

"All events are not transaction, but all transaction are events." Explain (Or Transaction and Event are not synonymous)

Ans

We know from the defination of transaction, the event which are expressed interms of money and where financial change must be taken place are called transaction.

But the matters are related to money without any financial change are events.

So we are cleared that, there the condition as every transaction are event but every event are not transaction. We will clear this by following examples.

(i) The price of rice is 40/= per kg
(ii) The sallary of Mr. X is 15000/=
(iii) Mr. X buys a book by 1000/=
(iv) Mr. Y sells his car by 30000/=

Above, four are events but in (i), (ii), no financial change has been taken place. So those are only events.

But: (iii), (iv) have the financial change for buying and selling in the accounting equn as A+E = C+L+I

So above condition is fulfilled.

2013
Characteristics of transaction:

(i) Event must be measurable in terms of money.

(ii) Financial change must be brought by the events.

(iii) There must have two accounts or parties in each transaction.

(iv) Transaction must be independent.

(v) Invisible event: Transaction will be visible it is not necessary. Invisible events may be transaction depreciation

(vi) Hysterical event: An event is order to be transaction need not always be historical

2017

What is meant by double aspect of transaction?

Ans

Every transaction has two effects: Debit and credit. Both are opposite and equal also known as double entry ~~st~~ system. When transaction occurs, two accounts must be affected. Here, the receiver of the benefit is called debit and given of the benefit is called credit. In this way financial change is occured.

Accounting Equation: The fundamental accounting equation, also called the balance sheet equation, represents the relationship between the assets, liabilities and owner's equity of a person or business. The equation is as follows:

→ Assets = Liabilities + shareholder's Equity (Owner's Equity

∴ A = L + OE

→ Assets = Liabilities + Owner's Equity + Income − Expenses

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

Liabilities: A liability is something a person or company owes, usually a sum of money

Shareholder's /Owner's Equity: The ownership claim on assets is known as owner's equity

Capital expenditure and revenue expenditure:

Capital expenditure: Capital expenditure consists of expenditure, the benefit of which is not fully consumed in one accounting period but spread over several period. It is therefore of non-recurring nature.

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Revenue expenditure: Revenue expenditure consists of expenditure, the full benefit of which is also consumed in the same accounting period. It is therefore normally of recurring nature.

Ex: Suppose purchased a computer for cash TK 50000. This is ~~pa~~ capital expenditure because the benefit expenditure will be available for a number of years. But purchased goods for cash Tk. 50000 is a revenue expenditure because the benefit this expenditure will be exhausted within the year.

Revenue: Revenue is the inflow of assets arising out of sale of commodities and services.

Expense: Expenses are the lost of assets consumed or services used in the process of earning revenue.

09.03.21

Impacts of Transaction on Accounting Equation:

① Increase = Increase [Loan from bank Tk. 100000]

② Decrease = Decrease

③ One Asset increases another decrease

→ 3 way of impact [Purchased a computer Tk. 30000 for cash]

➢ Assets = Liabilities + owner's Equity + Income − Expenses

Problem 1

1. Mr X started a business with cash Tk. 500,000
2. Loan from bank Tk. 200000
3. Purchased a computer for cash Tk. 50000 [computer + cash]
4. Salary paid to employee Tk. 20000
5. The business sells goods for cash Tk 100,000
6. Purchased goods for cash Tk. 50,000
7. Purchased goods from Mr. Zabid on credit Tk 30000

Solution

Assets = Liabilities + Owner's Equity + Income − Expenses

(1). 500,000 = 0 + 500,000 + 0 − 0

The asset "cash" is increased by Tk. 500,000 and Owner's Equity is increased by T. k. 500,000

(2) 700,000 = 200,000 + 500,000 + 0 − 0

The asset "cash" increased by Tk. 200,000 and Liability is increased by 200,000.

[asset = long time ~~that~~ থাকে
expense = short time-এ শেষ হয়ে যায়-]

(3) 700,000
+50,000 − 50,000 = 200,000 + 500,000

The asset "computer" is increased by Tk. 50,000 and the asset "cash is decreased by Tk. 50,000.

(4) 680,000 = 200,000 + 500,000 + 0 − 20000

The asset "cash" is decreased by Tk 20000 and expenses is increased by Tk. 20000

(5) 780,000 = 200,000 + 500,000 + 100,000 − 20000

The asset "cash" is increased by Tk. 100,000 and the income is increased by Tk. 100,000

(6) 730,000 = 200,000 + 500,000 + 100,000 − 70000

The asset "cash" is decreased by Tk. 50000 and expenses is increased by Tk. 50000.

Account

Definition: An account is simply a place where similar transactions are recorded.

An account is an element in an accounting system that is used to classify and summarize measurement of business activities. The record of each individual classification is called an account.

Classification of Account

① **Personal Account:-** Accounts relating to persons or firm. is personal account. Personal account refers to accounts which record person and firm accounts.

Example: X's A/c, Rahim's A/c, Ruet's A/c, Rupali Bank, LG Ltd, GP CO. A/C.

② **Real / Asset Account:-** Accounts relating to property and possessions. Real account records property and possessions accounts.

ধার দিয়েছে / দেনাদার

Example: Furniture, Goodwill ~~etc~~, Machineries, Building, Cash, investment, Detor, Bank Balance, Motorcar etc

③ **Nominal Account:** Accounting relating to gains and income or expenses and losses of business.

Example: Sales (goods), Wages, T. bill, Rent, Interest, Discount, carriage etc.

> Classify the following account: RUET, Investment, bills receivable, capital depreciation, creditors etc

→ Personal Account: RUET

→ Real / Asset Account: Investment

→ Nomial Account: bill receivable, capital depreciation, creditors

2017

16.03.21

"Every debit must have it's corresponding and equal credits"

Double entry system: The double entry system envisages recording of every transaction in money or money's worth in its double aspect– the receipt of a benefit by one account and the surrender of a similar benefit by another account, the receiver of the benefit is called debit and the giver of the benefit is called credit.

Double entry system of accounting is a system in which two fold aspect of each and every business transaction in money or money's worth is recorded.

Example: In transaction like Mr. X buy's goods it is implied that there is someone who sells those goods. In the same condition when Mr. X. sells goods there be some party who buys goods from Mr. X

Rules for Debit & Credit:

a) Golden Rules / Traditional Rules:

1. Personal Account: Debit the receiver of the benefit
Credit the giver of the benefit

2. Real/Asset Account: Debit ~~the~~ what comes in (Increase)
credit what goes out

3. Nominal Account: Debit all Expenses & Losses
Credit all Income & Gains

(b) ~~Abora~~ Modern Rule:

Assets = Liabilities + Owner's Equity + Income - Expenses

Assets + Expenses = Liabilities + Owner's Equity + Income

Purchased a computer for cash Tk. 60000. Computer comes in and Cash goes out Salary paid to employee Tk. 20000

The asset "cash" is decreased by Tk 20000 and expenses "salary" is increased by Tk. 20000.

Items/Account	Debit	Credit
Assets	Increase	Decrease
Expenses	Increase	Decrease
Liabilities	Decrease	Increase
Owner's Equity	Decrease	Increase
Income	Decrease	Increase

① Mr. X. started a business with cash Tk. 500000

The "asset" cash is increased by Tk. 500,000 and Owner's Equity is increased by Tk 500,000

Cash A/c - Dr Tk 500,000
Owner's Equity - cr Tk. 500,000

② Loan from bank Tk 200,000

The "asset" cash is increased by TK. 200,000 and Liability is increased by Tk. 200.000

Cash A/c-Dr TK. 200.000

Liability TK. 200.000

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JOURNAL

(1)

Problem: 01

Mr. X Enterprise
Journal Entries

Date	Particulars	LF	Debit Amount	Credit Amount
10.02.21	Cash A/c — Dr		500,000	
	Mr. X's Equity - Cr			500.000
2.02.21	Cash A/c — Dr		200000	
	Bank Loan - Cr			200000
3.02.21	Computer - Dr		50000	
	Cash A/c - Cr			50000
4.02.21	Salary A/c - Dr		20000	
	Cash A/c - Cr			20000
05.02.21	Cash A/c - Dr		100000	
	sells A/c - Cr			100000
06.02.21	Purchase A/c - Dr		50000	
	Cash A/c - Cr			50000
07.02.21	Purchase A/c - Dr		30000	
	Zabid A/c - Cr			30000

26,04,02

Definition: A Journal means a daily register containing a complete record of every day transactions. It is a place where transaction chronologically enter

Function of Journal: Its Functions are two:

(1) To analysis each transaction into debit and credit so as to facilitate (সহজে করার) their transference in ledger.

Advantages of Journaling:

(1) Brinrging the similar transaction together in the same book. ~~mea~~ makes the future reference to any of them easy.

(ii) Enough time is saved in pasting the various books of original entry into the ledger

(iii) It makes oppurtunity to classify ~~ma~~ & make desired analysis.

(iv) Return inward- sales return

(v) Return outward- purchase return

(vi) Bills Receivable Journal

(vii) Bills Payable Journal

(viii) General Journal

Problem: 02 Journalize the following transaction

2016

Jan 1: Mr X started business with cash Tk 75,000

Jan 2: Purchased office furniture for cash Tk 15,000

Jan 4: Purchased goods for cash Tk 10,000 From Mr. Y

Jan 5: Purchased goods from Mr. Roney Tk 5000

Jan 7: Sold goods to Mr. Hanif Tk 5,000/-

Jan 8: Sold goods for cash ~~to Mr Hanif~~ Tk 500

Jan 13: Paid for stationary tk 5000

Jan 14: Rent Paid Tk 1200 by cheque

Jan 15: Interest received tk 700/-

Jan 16: Received From Ai Tk 4500 on account

Jan 17: Paid Salaries Tk 8750

Jan 18: Sold goods on cedit to Ali Tk 2000/-

Jan 19: ~~Bought office~~ Received interest on investment Tk. 2000/-

Jan 20: Bought office furniture from Bills credit for tk 10,000

<u>Solution:</u>

Company of Mr. X
January 20, 2006

Date	Particulars	LF	Debit	Credit
2006, Jan 1	Cash A/c Dr capital A/c Cr (Mr X brought capital)		75,000	75000
Jan 2	Furniture A/c Dr Cash A/c Cr (Purchased office furniture)		15,000	15,000
Jan 4	Purchase goods A/c .. Dr cash A/c . Cr (Purchased good from Mr.Y)		10,000	10000

Date	Particulars	Ref	Debit	Credit
Jan 5	Purchase good A/c Dr Mr. Roney A/c Cr (Purchased good on credit)		5000	5000
Jan 7	Mr Hanif A/c Dr sales A/c Cr (sold goods to Mr. Hanif		5000	5000
Jan 8	Cash A/c Dr Sales A/c Cr (Sold goods on cash)		500	500
Jan 13	Stationary A/c Dr Cash A/c Cr (paid for stationary)		5000	5000
Jan 14	Rent A/c Dr Bank A/c Cr (Paid rent on cheque)		1200	1200
Jan 15	Cash A/c Dr Interest A/c Cr (Interest received)		700	700
Jan 16	Cash A/c Dr Ali A/c Cr (Received cash from Ali)		4500	4500
Jan 17	Salary A/c Dr ~~$~~ cash A/c Cr (Paid salaries on cash)		8750	8750
Jan 18	Ali A/c Dr sales A/c Cr (sold goods to Ali)		2555	2555
Jan 19	Cash A/c Dr interest A/c Cr (received interest on investment)		2000	2000
Jan 20	Furniture A/c Dr Bills A/c Cr (Bought office furnitures on credit)		12000	12000
			1472057	1472057

Problem 3: Journalize the following transaction:
On 1st June 2006 Mr. Akram started business with a capital of Tk 15000. During this month he performed following transactions -

June 2 - Purchase furnitures Tk 4000
June 3 - Opened a bank Account with Tk 5000
4 - Purchased goods for cash Tk 2500
13 - Sales for cash Tk 3000
17 - withdrawn from bank Tk 1300
24 - Purchased goods from Abedin & Co Tk 1800
28 - Received cheque from Zunayed Tk 1600
30 - Paid House rent By cheque Tk 2200
26 - Paid for conveyance Tk 200

(Purchase never Cr!
bank এর ছাড়া receive/দেওয়া হলে কেবল Cash A/C)

Solution:

Mr. Akram
Company Account
June 30, 2006

Date	Particulars		LF	Debit	Credit
2006 June 1	Cash A/C	Dr		15000	
	Capital A/C	Cr			15000
	(Mr. Akram bought capital)				
June 2	Purchase A/C	Dr		4000	
	Cash A/C	Cr			4000
	(Purchased furnitures on cash)				
June 3	Bank A/C	Dr		5000	
	Cash A/C	Cr			5000
	(Opened a bank account)				

Date	Particulars	Ref	Debit	Credit
2006 June 4	~~Cash A/C~~ Purchase good A/c Dr		2500	
	~~Capital~~ A/c Cash A/C Cr			2500
	~~(Mr. Akram b~~			
	(Purchased goods on cash)			
June 13	Cash A/C Dr		3000	
	Sales A/C Cr			3000
	(Sales for cash			
June 19	Cash A/C Dr		1300	
	Bank A/C Cr			1300
	(withdrawn from Bank)			
June 24	Purchase good A/C Dr		1800	
	Abedin && Co A/C Cr			1800
	(Purchased goods on credit)			
June 26	Conveyance A/C Dr		200	
	Cash A/C Cr			200
	(Paid for conveyane)			
June 28	Cash A/C Dr		1600	
	Zunayed A/C Cr			1600
	(Received cheque from Zunyed)			
June 30	Rent A/C Dr		2200	
	Bank A/C Cr			2200
	(Paid house rent by cheque)			
			36600	36600

Problem : 4 Solve transactions :

Feb 1 → Mr X started business with cash Tk 10,0000
Cash A/C Dr , Capital A/C Cr

Feb 2 → Purchased furniture for cash Tk 20,000
furniture / Purchase A/C Dr , cash A/C Cr

Feb 3 → Purchased computer for cash Tk 30,000

~~Feb 4 → P~~ Computer A/C Dr

Cash A/C Cr

Feb4→ Purchased goods Tk 10000 on credit from Mr Y
Purchased good A/C Dr
Mr Y A/C Cr

Feb-5→ Sold goods to Mr Ali Tk 8000 on credit
Mr Ali A/C Dr
Sales A/C Cr

Feb-6- Sold goods for cash Tk 15000
Cash A/C Dr
Sales A/C Cr

Feb7→ Paid salary for cash Tk 5000
Salary A/C Dr
Cash A/C Cr

Feb 8→ Cash received from Mr. Y Tk 5000
Cash A/C Dr
Mr Y A/C Cr

Feb9→ Paid Mr X Tk 10,000 on cash
Mr X A/C Dr
Cash A/C Cr

Feb10→Opened a current account into Sonali bank Tk 50,000
Bank A/C Dr
Cash A/C Cr

Feb11→ Purchased goods from Mr. Rony Tk 15,000
Purchased goods A/C Dr
Mr Rony A/C Cr

12→ Sold goods for Mr. Y for cash Tk 30,000
Cash A/C Dr
Sales A/C Cr

13→ Sold goods to Mr Habib Tk 15000
Mr Habib A/C Dr
Sales A/C Cr

14→ Goods Return to Mr Rony Tk 500

Mr. Rony A/C Dr

Goods A/C Cr

16→ Salary paid by cheque Tk 10,000

Salary A/C Dr

Cash A/C Cr

Problem: 05

Feb 17 → Rent Paid Tk 5000 cash

Rent A/C Dr

Cash A/C Cr

18→ Commission received Tk 500

Cash A/C Dr

Commission A/C Cr

19→ Discount allowed to Mr X Cash TK 5000

Mr X A/C Dr

Cash A/C Cr

20→ Bought Goods worth Tk 10000 for cash from X

Goods A/C Dr.

Cash A/C Cr

21→ Paid X Tk 12000 on account

~~Paid~~ X A/C Dr

Bank A/C Cr

22→ Received interest from Y Tk 1200

Cash A/C Dr

Y A/C Cr

23→ Paid Tk 5000 into bank from office

Bank A/C Dr

Cash A/C Cr

24→ Paid for office stationary Tk 1000

Stationary A/C Dr

Cash A/C Cr

25→ Cash Received interest on investment Tk 2000

Cash A/C Dr

interest A/C Cr

26→ Paid electroic charge Tk 500

Electric charge A/c Dr

Cash A/c Cr

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02,05

Difference between Transaction and Event

Transaction	Event
All transactions are event	All events are not transaction
All transaction bring Financial change	Not all events do
are measurable in terms of money	are not all measurable in terms of money
A transaction must have two parties	An event may occur for single party
All transactions are recorded in account book	All events can not be recorded for or not need to be recorded

23.03.21

Ledger: Ledger is the destination for all entries made in subsidiary books or journals.

or,
Ledger is a permanent book that contain all financial record in a classification wise.

or,
Ledger is the permanent store house of all transaction.

➢ Ledger has two sides → (i) Debits / left sides
(ii) Credit / Right sides

Balance: Balance is the difference between debit & credit in ledger account. Balance can not be negative.

Difference between Journal & Ledger:

Journal	Ledger
① Journal is a subsidiary book of account. It is the store house of recording transactions.	① Ledger is the permanent and final book of accounts. It is termed as the means of classified transactions.
② Transactions are recorded in journal in chronological order of dates just after their occurrences	② Transactions are posted in ledger in classified ~~from~~ form from journal
③ In journal explanation of entries of transaction are shown	③ In ledger explanations of entries of transactions are not needed.
④ Journal helps in preparing ledger accounts correctly	④ The object of ledger is to know income and expenditures of different heads
⑤ In Journal ~~help~~ ledger folio (LF) is written	⑤ In ledger journal folio (JF) is written
⑥ The total results of transactions cannot be known from journal	⑥ Results of particular head of accounts can be known from ledger.

Journal	Ledger
① Preparation of trial balance is not possible from journal	① Trial balance is prepared from ledger

Cash Book: The book in which the transaction of each purchase and cash sales are included by regular and make a balance sheet is called cash book. There are tree types:

① Single Column C.B.

② Double Column C.B.

③ Triple column C.B

① Single Column C.B.: The cash book in which only cash columns has been founded is called single column C.B. The difference between dr balance and Cr Balance is called cash in hand.

② Double Column C.B.: The cash book in which the cash and the bank balance column have been found.

③ Triple Column C.B.: The cash book in which cash, bank and discount has been found is called triple Column C.B.

➢ If discount goes then it will be written on dr sides. When discount comes, then it will write on cr sides. There are no need of balance of discount column.

(2) LEDGER

Assets + Expenses = Liabilities + Owner's Equity + Income

Balance = Total Debit Amount − Total Credit Amount

Debit Balance = Debit Amount > credit Amount (Assets & Expenses)

Credit Balance = Credit Amount > Debit Amount (OE + L + I)

Problem: 01

Mr. X
Ledger Account
For the month of ~~January~~ February, 2021

Dr. Cash A/C Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
2021 Feb. 1	X's Equity A/C		500,000	Feb. 3	Computers A/c		50000
Feb. 2	Bank Loan A/c		200,000	Feb 4	Salary A/c		20000
Feb 5	Sales A/C		100,000	Feb. 6	Purchase A/c		50000
	Total Debit Amount		800000		Total (Cr)		120000
	Total credit Amount		120000				
	Balance (Dr)		680000				

Dr Computer's A/C Cr

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Feb 3	Cash A/c		50000				
	Total Debit		30000		Total credit		00
	Credit Amount		00				
	Balance (Dr)		50000				

Dr Salary A/c Cr

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Feb 4	Cash A/c		20000				
	Total Debit		20000		Total credit		00
	Credit Amount		00				
	Balance (Dr)		20000				

Dr Purchase's A/c Cr

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Feb 5	Cash A/c		50000				
Feb 7	Mr. Zabid A/c		30000				
	Total Debit		80000				
	Total credit amount		0000				
	Balance (Dr)		80000				

Dr X's Equity A/c Cr Cr

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
			00	Feb 1	Cash A/c		500000
	Total Debit		00		Total credit		500000
					Debit Amount		00
					Balance (Cr)		500000

Dr Bank Loan A/C Cr

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
				Feb 2	Cash A/c		200000
			00		Total credit		200000
					Debit Amount		000
					Balance (cr)		200000

Dr Mr. Zabid A/c Cr

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
				Feb2	Purchase A/c		30000
			00		Total Credit		30000
					Debit Amount		000
					Balance (cr)		30000

Dr Sales A/c. Cr

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
				Feb6	Cash A/c		100000
	Total Debit		00		Total Cedit		100000
					Debit Amount		00
					Balance (cr)		100000

Dr Trial Balance Cr

Particular (Assets & Expenses)	Amount	Particulars (OE+L+I)	Amount
Cash A/c	680000	X's Equity A/c	500000
Computer A/c	50000	Bank Loan A/c	200000
Salary A/c	20000	Sales A/c	100000
Purchase's A/c	80000	Mr Zabid A/c	30000
Total	830000	Total	830000

Cash in hand: The difference between debit balance & credit balance is called cash in hand.

Items of trial Balance

Debit items:	Credit items
Assets, Expenses, Purchases, Return in, Drawing	capital liabilities, revenues, sales income, reserve fund, return out.

At time of the preparation of the Trial balance we must remember that the closing stock never be included in the Trial Balance.

(Exam time -এ বাকি Math করবো In shaa Allah)

(3)

Dr | Trial Balance | 22.06.21 | Cr

Particulars	Amount	Particulars	Amount
Assets Expenses		Owner's Equity (Capital) Liabilities Income	
Total	830000	Total	830006
Assets: Land & Buildings, furniture, Stock (Opening), S/Debtors, Good will, cash in hand, Bills Receivable, Cash at Bank, Investment, Vehicles, Machineries, Equipment.		**Capital / Owner's Equity** **Liabilities:** Bank overdraft, Loan, S/creditors, Bills Payable **Income:** Comission Received, Sales → main income Revenue, Interest Received, Discount Received.	

অর্থাৎ কমে যাওয়া, Asset এর value কমে যাওয়া **Expenses:** Purchases, Wages, General expense, Depreciation, Carriage in, Rent, Interest Paid, Insurance, Salaries, Bad debts, Discount, Commission, কোনো কিছু ক্রয় বিক্রি but সেটার ব্যয়ের না। Carriage out, Import duty, Stationery, Advertiesment Cr ও (-) বা কমার কথা তবুও এই দিকে যাচ্ছে **Other** Return in / Sales return, Drawings.	**Other:** Purchase Return/Return out, Reserve fund

Ex.01 The following ledger accounts balance are obtained from the records of AB Electronics Ltd. for the Year ended 31st December 2018;

Drawings 15,000, Sales 261,000, Buildings 200,000, Purchase Return 4,000, Furniture 100,000, S/creditors 35,000, General expanse 3000, Interest 2,500, Opening Stock (1-1-18) 25000, Purchase Discount 2500, Sundry Debtors 20,000, Owner's Equity 300,000, Cash in hand 5,000, Loan 40,000, Cash at Bank 15,000, Bank overdraft 20,000, Purchases 160,000, carriage in 20000, Advertisement 5,000. Sationery 5,000, Rent 4,000, Insurance 3,000, Salaries 10000, Machineries 150,000, Sales Return 2000, Bad debts 1,000, carriage out

2,500. Office Supplies 3500

i. Prepare a Trail Balance

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ii. Prepare an Income Statement / value of closing stock was TK 85000) for the year ended 31st

(interest recive [illegible] cr [illegible] income [illegible])

Dr Trail Balance Cr

Particulars	Amount	Particulars	Amount
Drawings	15.000	Sales	261,000
Buildings	200000	Purchase Return	4000
Furniture	100,000	S/creditors	35,000
General expense	3000	Purchase Discount	2500
Interest	2,500	Owners Equity	300,000
Opening Stock	25000	Loan	40000
Sundry Debtors	20000	Bank overdraft	20,000
Cash in hand	5000	~~Car~~	
Cash at Bank	15,000		
Purchases	160,000		
carriage in	20000		
Advertisement	3000		
Stationery	5000		
Rent	4000		
Insurance	3000		
Salaries	10000		
Machineries	130,000		
Sales Return	2000		
Bad depts	1000		
carriage out	2500		
office supplies	3500		
	~~744000~~		

4 FINANCIAL STATEMENT

Definition: Financial statement is prepared to find out the net result of the business and financial position of the business or company.

Financial Statement: Three main financial statement:

Accounting Equation, $A + E = OE + L + I$

(a) Income Statement = Income − Expenses = Net Profit / Net Loss

1. ~~Tradi~~ Trading Account [direct Income − Direct Expenses]
2. Profit & Loss Account [Indirect Income − Indirect Expenses]

(b) Balance Sheet / statement of Financial Position

3. Assets = Capital + Liabilities

Dr — Trial Balance — Cr

Assets and Expenses		Capital, Liabilities and Income	

1. Trading Account

Direct Expenses		Direct Income	
Gross Profit			

2. Profit & Loss Account

Indirect Expenses		Indirect Income	

3. Balance Sheet / Statement of Financial Position

Capital + Liabilities		Assets	

Ex From the following particulars of M/S Hazi & Sons prepare a Trading A/C, Profit & Loss A/C and a Balance Sheet for the year ended 31st December 2015

Dr Trail Balance Cr

টাকা ঢুকলে ওটা খরচনা

কাউকে ধার দিলে Asset

Particulars	Amount	Particulars	Amount
Drawing	15000	Sales	264000
Buildings	50,000	Return out	5000
furniture	20,000	S/creditors (পাওনাদার)	25000
General expense	3000	Interest	3000
Stock (1-1-15)	25,000	Discount	3000
S/Debtors	20,000	Capital (OE)	70000
Cash in hand	5,000	10% loan	40,000
Cash at Bank	15,000	Bank ~~overdraf~~ overdraft	10,000
Purchases	130,000	Liabilities	
Wages	15,000	Liabilities	
Carriage in	5000		
Rent	4000		
Insurance	3000		
salaries	10,000		
Investment	50,000		
Return in	2,000		
Bad debts	1000		
Commission	1000		
Good will	13000		
carriage out	1500		
~~office suplies~~ Import duty	3500		
stationery	6000		
Total	426000		420000

Adjustments;

1.) Closing stock was valued at Tk 55000

2.) Depreciate furniture by 10% & buildings by 5%

3.) Salaries due Tk. 1500 and rent prepaid Tk 500

4.) Make a reserve for bad debts 5% on s/debtor

5) Stationery unused Tk 1000

Sample

AB Ltd

Trading Account

Dr for the year ended 31st December 2015 Cr

Particular	Amount	Particular	Amount
Opening Stock	5000	Sales... 150000	
Purchases... 50000		Less: Return in 1000	149000
Less: Return out 2000	48000	Closing Stock	15000
Carriage inward [illegible]	5000		
Wages	10000		
Import duty	5000		
Total	73000	Total	164000
Gross profit c/d	91000		
Total	164000		

AB Ltd

Profit & Loss Account

for the year ended 31st December 2015

Particular	Amount (TK)	Particulars	Amount (TK)
Salary.... 5000		Gross Profit b/d	91000
Add: Due/Outstanding 1000	6000	Interest Received	
General expenses		Commission Received	
Rent: 4000			
Less: Prepaid 1000	3000	Discount Received	
Interest on Loan		(Net Loss c/d)	
Commission Allowed			
Discount Allowed			
Advertisements			

Particulars	Amount	Particulars	Amount
Insurance			
Carriage out			
Bad debts			
Depreciation			
Lighting Electricity bill			
Stationery			
Net Profit c/d			
Total		Total	

AB Ltd

Balance sheet

For the year ended 31st December 2015

Capital & Liabilities	Amount	Assets	Amount
Liabilities:		Cash in Hand	
Sundry Creditors		Cash in Bank	
Bills Paybles		Bills Receivable	
Loan from Bank		Closing stock	
Bank Overdraft		Investment	
Outstanding liabilities		Sundry Debtors	
Capital / OE:		Furniture (less depreciation)	
Opening Balance		Machineries (less depreciation)	
Add: Net Profit		Vehicles (less depreciation)	
Less: Drawings		Building (less depreciation)	
(-) Net loss		Equipment	
(+) Interest on capital		Good will	
(-) Interest on drawings		Prepaid Expenses	

Solution: 29.06.21

AB Ltd
Trading Account
Dr for the year ended 31st Dec. 2018 Cr

Particulars	Amount	Particulars	Amount
Opening stock	25000	Sales 264000 Less: Return in 2000	~~264000~~ 262000
Purchases 150000 Less: Return out 5000	145000	Closing stock	55000
Carriage in	5000		
wages	15000		
Import duty	3500		
Total	193500	Total	317000
			193500
		Gross profit	123500

AB Ltd
Profit & Loss Account
Dr for the year ended 31st Dec 2018 Cr

Particulars	Amount	Particulars	Amount
General Expense	3000	Gross profit	123500
Rent ...... 4000 Less: Rent prepaid 500	3500	~~B~~ Interest	3000
Insurance	3000	Discount	3000
Salaries 10000 Add: Salaries due 1500	~~10000~~ 11500		
Bad debts	1000		
Reserve for bad debts	1000		
Commission	1000		
Carriage out	1500		129500
Stationery 6000 Less: unused 1000	~~6000~~ 5000		35000
Depreciation, Furniture ~~Furniture~~, building	2000 2500 35000	Net profit	94500

AB Ltd

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Balance sheet/ Statement of Financial Position
Dr for the year ended 31st Dec 2018 Cr

Capital (OE) & Liabilities	Amount	Assets	Amount
Liabilities;			
Sundry creditors	25000	Cash in Hand	5000
Loan from Bank	40000	Cash at Bank	13000
Bank Overdraft	10000	closing Stock * *	55000
Outstanding liabilities * Salary	1500	Investment	50000
		Sundry Debtors (20000-1000)	19000
Capital (OE);		Furniture 20000 Less: depreciation 2000	18000
Opening Balance : 70000 Add: Net Profit : 94500		Building..... 50000 Less: depreciation 2500	47500
Total : 164500			
Less: Drawings 15000		Good will	15000
	149500	Prepaid expenses * Rent	500
		Stationary	1000
Total	226000	Total	226000

R

Financial Statements: The companies prepare four Financial statements from summarised data

1. Income statement
2. Owner's Equity statement
3. Balance sheet
4. Statement of cash Flow.

1. **Income statement:** It presents the revenues & expenses and the resulting net income or

net Loss for a specific period of time.

② Owner's Equity statement: Summarizes the change in O.E. for a specific time. The time period is same as that covered in the income statement.

③ Balance Sheet: Reports assets, liabilities and OE. at a specific date. (usually the month end/ year end) [Asset side must = L + O.E]

④ Statement of cash Flows: Summarizes the ~~imp~~ information about cash inflows (receipts) & cash out. Flows (payments) for a specific period of time.

cash InFlow ⟶ received
(-) Cash out Flow ⟶ paid

Net cash Flow ⟶ ( )

➢ The statement of cash flow reports:

i) The cash effect of a company's operation during a period.

ii) It's investing activities

iii) It's Financial activities.

iv) The net increase/ decrease in cash during the period.

v. The cash amount at the end of the period

Salary → For time period
wages → for product

<u>Trial Balance</u>: Trial balance is a list of accounts and their balances at a given time.

→ A trial balance proves that mathematically dr = cr after posting

→ Also uncover errors in journalizing & posting

→ It is useful in the preparation of financial statement.

<u>Final Account</u>: Final account is defined as the account with which the net loss or profit of a company is determined and a Financial statement is prepared after a certain period of time.

> <u>Requirements of financial Account</u>: To make a Financial account, we need three accounts:

i) Trading Account
ii) Profit and loss account
iii) Balance sheet account

<u>Importance of Final Account</u>:

i) To determine product cost of a product
ii) To determine net loss or profit after a certain period of time.

iii) To show the conditions of business after a certain period of time by preparing a balance sheet.

(iv) To provide information to interested group

(v) To make future plan of the business

& Cost of Goods Sold

= Opening stock + Net purchases + Direct expenses - closing stock

$\boxed{\begin{array}{l} \text{Dr} \rightarrow \text{to} \\ \text{Cr} \rightarrow \text{B} \end{array}}$

① Trading Account: The account which is prepared to determine total profit or total loss of a business after a period of time is called trading Account.

② Profit and loss Account: The account which is prepared to determine the ammount of net profit or net loss after a certain period of time is called profit and loss Account.

③ Balance sheet: Balance sheet is defined as the statement which is prepared in order to determine the actual financial condition of a business on a specific date.

➢ Hired /ordered/ contact / promise etc ≠ transaction এজন্য Journal এ লিখতে No entry

06.07.21

COST ACCOUNTING

Cost accounting: Cost accounting refers to the process of determining the cost of some particulars product or activities. Cost accounting is the science, art and parctice of cost account.

According to Kohler—

"Cost accounting is the branch of accounting dealing with the classification, recording, allocation, summarisation and reporting of current and prospective (সম্ভাব্য) costs."

Objectives / Functions of cost Accounting: Cost accounting has three important objectives: Importance

(i) to determine product costs;

(ii) to facilitate planning and control of regular business activities.

(iii) to supply information for short and long run decisions.

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➢ (i) Recording of cost data

(ii) classification of cost data

(iii) Determination of cost ~~data~~ production

(iv) Controling of cost production

(v) Determination of selling price of goods
(vi) Profit determination
(vii) Budget and planning

<u>cost:</u> Cost is a sacrifice of resources to obtain a benefit or any other resources. For example in production of a car, we sacrifice material, electricity, the value of machine's life (depreciation). and labor wages etc. Thus are our costs.

<u>Basis of classification:</u>

1. Natural / General Classifications of costs / Elements of cost:
   (i) Material
   (ii) Labour
   (iii) Expenses
2. Degree of Traceability to product
   (i) Direct cost: (D. Material, D. Labour and D. Expenses)
   (ii) Indirect cost: (Ind. Material, Ind. Labour and Ind. Expenses)
3. Cost behavior (In relation to changes in output, activity or volume)
   (i) Fixed cost: [Output - 5000 units - F = 50000, Output - 6000 units F = 50000]
   (ii) Variable cost: (D. Material, D. Labour, and D. Expenses)
   (iii) Mixed cost (semi - variable and semi-fixed cost)

4. Functional Classification of costs:

(i) Manufacturing / Production cost

(ii) Selling and distribution cost

(iii) Administrative cost

5. Costs for decision Making and Planning

Opportunity Cost, Sunk cost, Relevant cost, Standard Cost, Budgeted Cost, Differential cost, Marginal cost

Direct expenses: কোনো বই লেখলে writer কে সম্মানি দেও, যারা vaccine আবিষ্কার করছে তাদের সম্মানি দেওয়া etc (its w.r.t D. labour or wages), Engineer কে সম্মানি দিতে হবে নকশা তৈরির জন্য

Notes:

Direct Material Used:		Factory Overhead:
Opening Stock of Raw/Direct Materials	10000	Factory rent
Add: Purchases of Raw/Direct materials	250000	Factory insurance
Materials Available	260000	Factory Depreciation
Less: Closing Stock of Raw/direct Materials	9000	Indirect Materials
Material used	251000	~~Direct~~ Indirect Labour/wages
		Factory Supervision

Cost Statement: Cost statement is a statement which is prepared usually to present the details cost of total output during the period in question. It provides information relating to cost per unit at different stage of the total cost of production.

Solution 1: specimen of Cost statement: 5000 units (mobile) 13.07.2021

November 2018

Items	per unit	Amount
Direct /Raw Materials (90×5000)	90	450000
Direct labour /wages(70×5000)	70	350000
Direct expenses		000
Prime cost /Total Direct cost / Total Variable cost		800,000
Add: Factory overhead (350000 ×0.75)		262500
Product cost / Manufacturing cost / Works cost	5000 unit	1062500
Add: Opening stock of work in process		-
Less: Closing stock of work in process		-
Cost of goods finished / cost of Finished Product		1062500
Add opening stock of finished goods / Product	000 unit	-
Goods Available for sales	5000 unit	1062500
Less; Closing stock of finished goods $\left(\frac{1026500 \times 1000}{5000}\right)$	1000 units	212500
Cost of goods sold / cost of sales	4000 unit	850000
Add: Administrative and office expenses (1062500×0.2)		212500
Add: Selling and distribution expenses		5000
Total cost of goods sold		1067500
Add: Profit (1067500×0.2)		213500
sales	320.25	1281000

Question 1 The following data are related to the manufacture a standard product during the month of November 2018. Raw materials consumed TK. 450000. Direct wage TK 350000. Factory overhead was 75% of direct wages. Administrative overhead 20% of production cost. Selling overheads were TK 5000. Profit 20% on total cost of goods sold. During the month 5000 units were produced and sales were 4000 units.

The company plans to sell 6000 units next month. Wages rates and material prices are expected to increase by 20% and 10% respectively. Factory overhead is applied on the basis of direct wages (Factory overhead rate will remain unchanged). Other costs will remain unchanged. Profit 20% on total cost of goods sold. You are required to prepare a statement of cost from the above.

Profit 25% on total sales

5000 units Cost statement: Date: December, 2018

Item	per unit	Amount
Direct/Raw materials used (99×5000)	90+9=99	495,000
Direct labour/wages (84×5000)	70+14=84	420,000
Direct expenses		—
Total Direct cost		915,000
Add: Factory overhead (420,000×0.75)		315,000
Production cost	5000 units	1230,000
Add: Opening stock of work in process	-	-
Less: Closing stock of work in process	-	-
Cost of finished product	5000 units	1230,000
Add: Opening stock of finished Product	1000 units	212,500
Goods Available for Sales	6000 units	1442,500
Less: Closing stock of finished goods	000	
Cost of goods sold/Cost of sales	6000 units	1442,500
Add: Administrative and office expanses		212,500
Add: selling and distribution expenses		5000
Total cost of goods sold		1660,000
Add: Profit (1660,000×0.2)		332000
sales	332	1992000

Problem: 02 From the following information prepare a statement of cost:

Inventories/Stock	Opening (TK)	Closing (TK)
Raw Materials	10000	9000
Working in process	4000	3000
Finished goods	12500	8500

Raw materials purchased TK 250000. Direct labour cost TK 120000. Factory overhead was 60% of direct labour cost. Administrative cost 10% of works cost. Sellings expenses TK 25500. Profit 25% on total sale.

If sale	—	TK 100
Profit		TK 25
Total cost of Good sold		TK 75

$\therefore$ Ratio = Profit / total cost = $25/75 = \frac{1}{3}$

$\therefore$ Profit = $\frac{1}{3}$ × total cost (Actual ⊙)

Solution:

Cost Statement

Item	Per unit	Amount
Raw Materials used: Opening stock - 10000 Add Purchase - 250000 total available 260000 Less: Closing stock 9000		251000
Direct labour / wages Direct expenses		120000 —
Total Direct Cost		371000
Add: Factory overhead (120000 × 0.6)		72000
Production cost		443000
Add: Opening stock of work in process Less: closing stock of work in process		4000 3000
Cost of finished Product		444000
Add: Opening stock of finished Product		125000
Goods available for sales		456500
Less: Closing stock of finished good		8500
Cost of sales		448000
Add: Administrative and office expenses (443000 × .1)		44300
Add: selling and distribution expenses		25500
Total cost of goods sold 75		517806
Add: Profit (5178000 × $\frac{1}{3}$)		172600
Sales 100		690400

Problem : 03 From the following particulars prepare a statement of cost:

Raw materials used TK 34000

Direct wages 14000 hours @ TK 2 per hour

Factory rent TK 1000

Factory insurance TK 2000

Indirect materials TK 5800

Sales Managers salary TK 5000

Selling Expenses TK 2000

Administrative Expenses TK 3000

Profit 20% on total cost of goods sold