

SaiPhy

12th Book Keeping & Accountancy

FREE MEMORY MAPS

ALL CHAPTERS

INTRODUCTION TO PARTNERSHIP AND PARTNERSHIP FINAL ACCOUNTS

(Total Marks : 12)

(Marks with Option : 16)



MEMORY CHART

1

PARTNERSHIP

Meaning:

- A type of business organisation carried in which **2 or more** persons come together for conducting lawful business.
- Persons joining partnership firm:
 - Individually called → 'partners'
 - Collectively called → 'firm'

Definition:

- **Section 4 of Indian Partnership Act, 1932**
"The relationship between persons who have agreed to share the profits of a business carried on by all or anyone of them acting for all"

2

PARTNERSHIP DEED

An agreement between partners

Contains terms and conditions for running firm

It can be written or oral

It can be used as a proof in the court of law

3

FEATURES OF PARTNERSHIP FIRM

- (1) Agreement → written or oral.
- (2) Number of partners → Minimum – 2; Maximum – 50.
- (3) Lawful business.
- (4) Sharing of profits and losses.
- (5) Unlimited liability.
- (6) Joint ownership.
- (7) Joint management.
- (8) Principal – Agent relationship.
- (9) Dissolution – 14 days notice.
- (10) Registration – Indian Partnership Act, 1932.

4

PROVISIONS OF INDIAN PARTNERSHIP ACT, 1932

(1) Distribution of Profits

- Equal ratio.

(2) Interest on Drawings

- 6 months (if date of drawing is not given)

(3) Interest on Partner's Loan

- 6% p.a.

• If partnership deed is silent, follow provisions of Partnership Act, 1932

(4) Interest on Capital

- No interest allowed.

(5) Salary or Commission to Partners

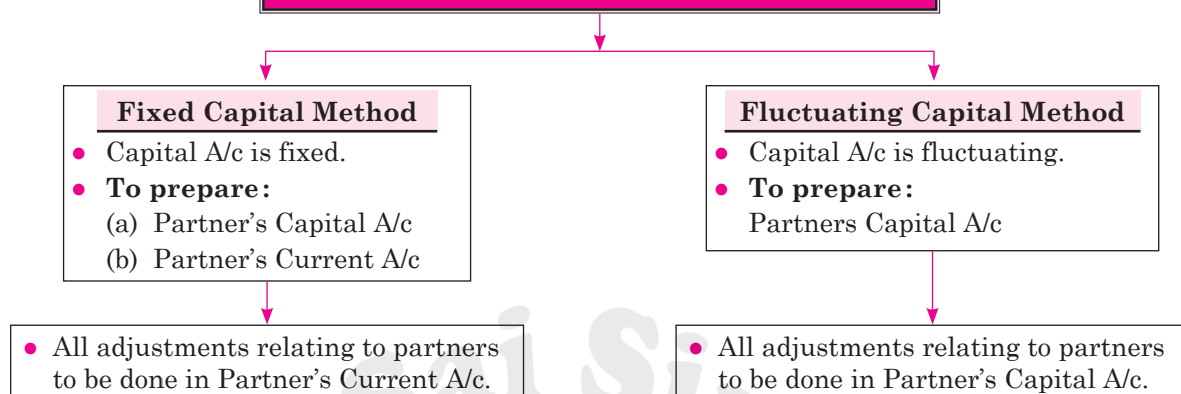
- No salary/commission.

(6) Admission of New Partner

- Consent of all existing partners required.

5

METHODS OF CAPITAL ACCOUNTS



6

FORMAT OF FINAL ACCOUNT

(A) PROFORMA OF TRADING ACCOUNT

Dr. TRADING ACCOUNT FOR THE YEAR ENDED 31st MARCH _____ . Cr.

Particulars	₹	₹	Particulars	₹	₹
To Opening Stock		XXX	By Sales	XXX	
To Purchases	XXX		Less: Sales Return/ Return Inwards	XXX	XXX
Less: Purchase Returns/ Return Outward	XXX	XXX	By Goods destroyed by Fire/ or Theft or Accident		XXX
To Manufacturing Expenses		XXX	By Goods taken over by partner for personal use		XXX
To Wages/Productive Wages		XXX	By Goods Distributed as Free Samples		XXX
To Motive Power		XXX	By Closing Stock (Market Price/ Cost Price whichever is less)		XXX
To Power, Fuel, Oil		XXX	By Good given as donation		XXX
To Wages & Salaries		XXX	By Gross Loss c/d		XXX
To Factory Rent/ Rates and Taxes		XXX			
To Factory Lighting		XXX			
To Carriage Inward/Carriage/ Carriage on Purchases		XXX			
To Royalty on Purchase/ Production/Royalties		XXX			
To Commission on Purchases		XXX			
To Custom, Octroi and Dock duty		XXX			
To Clearing Charges		XXX			
To Freight / Freight Inward		XXX			
To Import Duty		XXX			
To Works Managers / Foremen Salary		XXX			
To Gross Profit c/d		XXX			
		XXX			XXX

(B) PROFORMA OF PROFIT AND LOSS ACCOUNTDr. **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH** _____ Cr.

Particulars	₹	₹	Particulars	₹	₹
To Gross Loss b/d		XXX	By Gross Profit b/d		XXX
To Salaries and Wages		XXX	By Rent, Interest, Discount		XXX
To Office Rent, Rates and Taxes		XXX	Commission Received		
To Printing and Stationery		XXX	By Bad Debts Recovered		XXX
To Postage and Telegram		XXX	By Sundry Income		XXX
To Insurance		XXX	By Miscellaneous Receipts		XXX
To Legal Expenses		XXX	By R.B.D.D. A/c (Excess Reserve)	XXX	
To Audit Fees		XXX	Less: Bad debts	XXX	
To Travelling Expenses/Conveyance		XXX	Less: Further Bad debts (Adj)	XXX	XXX
To Magazines & Periodicals		XXX	By Dividend (Received)		XXX
To Advertisement		XXX	By Apprentice Premium		XXX
To News Paper		XXX	By Sub-let Rent		XXX
To Carriage Outward		XXX	By Interest on Drawings:		
To Salesmen's Salaries		XXX	A	XXX	
To Donation		XXX	B	XXX	XXX
To Royalty on Sales		XXX	By Net Loss transferred to		
To Discount Allowed		XXX	Capital / Current A/c:		
To Commission Paid		XXX	A	XXX	
To Interest on Loans		XXX	B	XXX	XXX
To Depreciation on Fixed Assets		XXX			
To Freight Outward		XXX			
To Loss by Fire, Theft etc.		XXX			
To Loss on Sale of Asset		XXX			
To General Expenses/Sundry Expenses		XXX			
To Old Bad debts (TB)	XXX				
Add: New Bad debts (Adj)	XXX				
Add: New Reserve (Adj)	XXX				
Less: Old Reserve (TB)	XXX	XXX			
To Forwarding Charges		XXX			
To Unproductive Wages		XXX			
To Export duty		XXX			
To Bank Charges		XXX			
To Rates and Taxes		XXX			
To Packing Charges		XXX			
To Miscellaneous Expenses		XXX			
To Telephone Expenses		XXX			
To Provident Fund Contribution		XXX			
To Repairs and Renewals		XXX			
To Entertainment Expenses		XXX			
To Salaries to Partners:		XXX			
A		XXX			
B		XXX			
		XXX			XXX

(C) PROFORMA UNDER FIXED CAPITAL METHOD

Dr.		PARTNER'S CAPITAL ACCOUNT				Cr.
Particulars	Partner A Amount (₹)	Partner B Amount (₹)	Particulars	Partner A Amount (₹)	Partner B Amount (₹)	
To Balance c/d (Closing balance transferred to Balance Sheet liability)	XXX	XXX	By Balance b/d (Opening balance)	XXX	XXX	
To Bank A/c (Permanent withdrawal of Capital)	XXX	XXX	By Cash/Bank A/c (Additional capital)	XXX	XXX	
	XXX	XXX	By Assets A/c (Capital in kind)	XXX	XXX	
	XXX	XXX		XXX	XXX	

Dr.		PARTNER'S CURRENT ACCOUNT				Cr.
Particulars	Partner A Amount (₹)	Partner B Amount (₹)	Particulars	Partner A Amount (₹)	Partner B Amount (₹)	
To Balance b/d (Dr. Balance)	XXX	XXX	By Balance b/d (Cr. Balance)	XXX	XXX	
To Drawings	XXX	XXX	By Interest on Capital A/c	XXX	XXX	
To Interest on Drawings	XXX	XXX	By Salary to Partner's A/c	XXX	XXX	
To Profit & Loss A/c (Share of Net loss)	XXX	XXX	By Commission to Partner's A/c	XXX	XXX	
To Balance c/d (Balance Sheet - Liability side)	XXX	XXX	By Profit & Loss A/c (Share of net profit)	XXX	XXX	
	XXX	XXX	By Balance c/d (Balance Sheet - Asset side)	XXX	XXX	
	XXX	XXX		XXX	XXX	

(D) PROFORMA UNDER FLUCTUATING CAPITAL METHOD

Dr.		PARTNER'S CAPITAL ACCOUNT				Cr.
Particulars	Partner A Amount (₹)	Partner B Amount (₹)	Particulars	Partner A Amount (₹)	Partner B Amount (₹)	
To Balance b/d (Dr. Balance)	XXX	XXX	By Balance b/d (Cr. Balance)	XXX	XXX	
To Drawings A/c	XXX	XXX	By Cash / Bank A/c (Additional capital)	XXX	XXX	
To Interest on Drawings	XXX	XXX	By Assets A/c (Capital in kind)	XXX	XXX	
To Profit & Loss A/c (Share of Net loss)	XXX	XXX	By Salary to Partner A/c	XXX	XXX	
To Balance c/d (Balance Sheet - Assets side)	XXX	XXX	By Commission to Partner A/c	XXX	XXX	
	XXX	XXX	By Profit & Loss A/c (Share of net profit)	XXX	XXX	
	XXX	XXX	By Balance c/d (Balance Sheet - Liability side)	XXX	XXX	
	XXX	XXX		XXX	XXX	

(E) PROFORMA OF BALANCE SHEET**BALANCE SHEET AS ON 31ST MARCH _____.**

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital A/c (of Partners):			Land and Building		XXX
A		XXX	Plant and Machinery		XXX
B		XXX	Leasehold Premises/Property		XXX
Current Account:			Furniture and Fixtures		XXX
A		XXX	Goodwill		XXX
B		XXX	Motor Car / Vehicles		XXX
Loans from Partners		XXX	Delivery Vans		XXX
Loans from Banks and Outsiders		XXX	Patents		XXX
Bank Overdraft		XXX	Trade Mark	XXX	
Reserve / Reserve Fund		XXX	Copy Rights	XXX	
Sundry Creditors / Purchase		XXX	Investments (in Stock)	XXX	XXX
Ledger Balances / Suppliers A/c		XXX	Loans (Given)		XXX
Bills Payable		XXX	Loose Tools		XXX
O/S Expenses / Wages / Rent, etc.		XXX	Bills Receivable		XXX
Income Received in advance		XXX	Live Stock		XXX
Provident Fund	XXX		Design		XXX
Add: Interest on Provident Fund	XXX	XXX	Interest accrued on Investment		XXX
			Closing Stock/Stock of Stationery		XXX
			Prepaid Expenses		XXX
			Stores and Spare parts		XXX
			Income Receivable		XXX
			Cash and Bank Balance		XXX
			Sundry Debtors/Sales		XXX
			Ledger Balances/Customers Account		XXX
			Insurance Claim Receivable		XXX
			Provident Fund Investment		XXX
		XXX			XXX

7**ADJUSTEMENTS TO FINAL ACCOUNTS**

No.	Adjustment	First Effect	Second Effect
(1)	Closing Stock	Trading A/c – Credit side By Closing Stock	B/S Asset side Closing Stock
(2)	Outstanding Expenses	Trading A/c/P&L A/c-Debit side Add: to Respective expenses	B/S Liability side Outstanding Expenses
(3)	Prepaid Expenses	Trading A/c/P&L A/c-Debit side Less from Respective expenses	B/S Assets side Prepaid Expenses
(4)	Outstanding Income/Income Receivable	P & L A/c – Credit side Add to Respective income	B/S Assets side Income Receivable
(5)	Income Received in Advance (Prereceived Income)	P & L A/c – Credit side Less from Respective income	B/S Liability side Income Received in Advance
(6)	Depreciation	P & L A/c – Debit side To Depreciation on Assets	B/S – Asset side Less from Respective Asset
(7)	Goods distributed as free samples	Trading A/c – Credit side By Goods distributed as free samples	P & L A/c – Debit side To Advertisement
(8)	Uninsured goods destroyed by fire/theft	Trading A/c – Credit side By Goods destroyed by fire (Full value)	P & L A/c – Debit side To Loss by fire (Full value)

(9)	Insured goods destroyed by fire/theft	Trading A/c – Credit side By Goods destroyed by fire (Full value) P & L A/c – Debit side To Loss by fire (Amount of goods destroyed less Amount of Claim Receivable)	B/S Assets side Insurance Claim Receivable (Value of claim)
(10)	Further Bad Debts	P & L A/c – Debit side To Bad Debts (TB) XX Add: To Further Bad Debts XX	B/S – Assets side Sundry Debtors XX Less: Further Bad Debts XX
(11)	New Provision for Bad Debts	If New R.D.D. is more than old R.D.D. P & L A/c – Debit side To Bad Debts (TB-Dr.) XX Add: F.B. Debts (Adj.) XX Add: New R.D.D. (Adj.) XX XX Less: Old R.D.D.(TB-Cr.) XX XX If old R.D.D. is more than new R.D.D. P & L A/c – Credit side By Old R.D.D. (TB-Cr.) XX Less: Bad Debts (TB-Dr.) XX Less: F.B. Debts (Adj.) XX XX Less: New R.D.D. (Adj.) XX XX	B/S Assets side Sundry Debtors (TB) XX Less: F.B.D. (Adj.) XX Less: N.R.D.D.(Adj.) XX XX *F.B.D. = Further Bad Debts *N.R.D.D. = New Reserve for Doubtful Debts *TB = Trial Balance * Adj. = Adjustment
(12)	Reserve for Discount on Debtors	P & L A/c – Debit side To Discount Allowed(TB-Dr.) XX Add: New Provision (Adj.) XX XX Less: Old Provision(TB-Cr.) XX XX If old provision is more than new provision. P & L A/c – Credit side Old provision (TB-Cr.) XX Less: Discount allowed (TB-Dr.) XX Less: N.P.D.D. XX XX	B/S – Asset side Sundry Debtors (TB) XX Less: F.B.D. (Adj.) XX XX Less: N.R.D.D. (Adj.) XX XX Less: N.P.D.D. (Adj.) XX XX *N.P.D.D. = New Provision for Discount on Debtors
(13)	Provision for Discount on Creditors	P/L A/c - Credit side By Discount Received(TB-Cr.) XX Add: New R.D.C. (Adj.) XX XX Less: Old R.D.C. (TB-Dr.) XX XX *R.D.C.= Reserve for Discount on Creditors	B/S – Liabilities side Sundry Creditors (TB) XX Less: New Res.for Discount on Creditors (Adj.) XX XX
(14)	Goods withdrawn by Partner	Trading A/c – Credit side By Goods taken over by partner.	Partners Capital / Current A/c Debit side – To Drawings.
(15)	Unrecorded Purchases	Trading A/c – Debit side To Purchases XX Add : Unrecorded Purchases XX XX	B/S – Liability side Sundry Creditors XX Add: Unrecorded Purchases XX XX
(16)	Unrecorded Sales	Trading A/c – Credit side By Sales XX Add: Unrecorded Sales XX XX	B/S – Assets side Sundry Debtors XX Add: Unrecorded Sales XX XX

(17)	Interest on Capital	P & L A/c – Debit side To Interest on Capital	Partner's Capital / Current A/c – Credit side – By Interest on Capital OR Add to Capital A/c / B/S Liability side
(18)	Interest on Drawings	P & L A/c – Credit side By Interest on Drawings	Partner's Capital / Current A/c – Debit side To Interest on Drawings OR Less from Capital / B/S Liability side
(19)	Salary/Commission payable to partner	Profit & Loss A/c – Debit side	Partners Capital/Current A/c Credit side OR Add to Capital A/c/Current A/c B/S Liability side
(20)	Capital Expenditure included in Revenue Expenses E.g. Wages paid for installation of Machinery debited to Wages A/c	Trading A/c – Debit side To Wages <u>XX</u> Less: Installation of Machinery <u>XX</u> <u>XX</u>	B/S – Assets side Machinery <u>XX</u> Add: Installation Charges <u>XX</u> <u>XX</u> [Note: Depreciation is calculated after adding installation charges.]
(21)	Revenue Expenses wrongly shown as Capital Expenses E.g. Repairs of Machinery wrongly shown as Capital expenses	P/L A/c – Debit side Add to Respective expenses OR To Repairs to Machinery	B/S – Asset side Less from Machinery [Note: Depreciation is calculated after deducting such revenue expenses.]
(22)	Capital Receipt shown as Revenue Receipt E.g. Sale of Machinery included in sales i.e. Revenue Receipts	Trading A/c – Credit side Less from Sales	B/S – Assets side Less from Machinery [Note: Depreciation is calculated after deducting such sale of machinery.]
(23)	Goodwill written off	Profit & Loss A/c – Debit side To Goodwill A/c	B/S – Asset side Goodwill (TB) <u>XX</u> Less: Goodwill written off <u>XX</u> <u>XX</u>
(24)	Commission on Sales/G.P. payable to Manager	P & L A/c – Debit side To Commission to Sales Manager	B/S – Liability side Commission Payable to Manager
(25)	Bills Receivable dishonoured	B/S – Assets side Less from Bills Receivable	B/S – Assets side Add to Sundry Debtors
(26)	Closing Stock of Stationery	P & L A/c – Debit side Less from Stationery	B/S – Assets side Closing Stock of Stationery
(27)	Goods sold but not delivered and included in Closing Stock	Trading A/c – Credit side Closing Stock <u>XX</u> Less: Goods sold <u>XX</u> <u>XX</u>	B/S – Assets side Closing Stock <u>XX</u> Less: Goods sold <u>XX</u> <u>XX</u>
(28)	Interest on Loan taken	P/L A/c – Debit side To Interest on Loan	B/S – Liabilities side Add to Loan taken
(29)	Interest on Loan given	P/L A/c – Credit side By Interest on Loan	B/S – Assets side Add to Loan given
(30)	Interest on Investment	P/L A/c – Credit side By Interest on Investment	B/S – Assets side Add to Investments
(31)	Bills Payable Dishonoured	B/S Liability side Less from Bills Payable	Partner's Capital/Current A/c – Debit side
(32)	Travelling Expenses includes personal travelling of a partner	P & L A/c - Debit side Less from Travelling Expenses	Partner's Capital/Current A/c – Debit side
(33)	Electricity and Lighting included deposit paid to Electric Board	P & L A/c – Debit side Less from Electricity and Lighting	B/S – Assets side 'Deposit with Electric Board'

(34)	Goods supplied to proprietor included in Debtors	Partner's Capital / Current A/c – Debit side	B/S Assets side Less from Debtors
(35)	Partner is to get 1% commission on Gross Profit [Note : Commission is to be calculated on gross profit.]	P & L A/c – Debit side To Commission to partner	Partner's Capital/Current A/c - Credit side By Commission to Partner

8

HIDDEN ADJUSTEMENTS

No.	ADJUSTMENT	FIRST EFFECT	SECOND EFFECT
(1)	10% Bank Loan ₹10,000 (taken on 01.10.2018) (Interest to be charged for 6 months from 1.10.2019 to 31.3.2020)	P & L A/c – Debit side To Interest on Bank Loan (₹ 500)	B/S – Liability side Add to Bank Loan (₹ 500)
(2)	12% Investments ₹ 50,000 (taken on 1.1.2020) (Interest receivable for 3 months from 1.1.2020 to 31.3.2020)	P & L A/c – Credit side By Interest on Investments (₹ 1,500)	B/S – Assets side Add to Investments (₹ 1,500)
(3)	Rent (10 months) ₹ 1,000 (Rent for 10 months is ₹ 1,000 ∴ for 1 month it is = ₹ 1,000 ÷ 10 = ₹ 100. Outstanding Rent for 2 months is ₹ 1,00 × 2 = ₹ 200)	P & L A/c – Debit side Add to Rent (₹ 200) as Outstanding Rent.	B/S Liability side Outstanding Rent (₹ 200)
(4)	Insurance Premium ₹ 1,200 (paid upto 30.6.2020) (Prepaid Insurance for 3 months = $1,200 \times \frac{3}{12} = ₹ 300$)	P & L A/c – Debit side Less from Insurance Premium (₹ 300) as Prepaid Insurance	B/S – Assets side Prepaid Insurance (₹ 300)
(5)	Advertisement (for 4 years with effect from 1.10.2020) ₹ 4,000. (Prepaid advertisement for 3½ years = $4,200 \times \frac{3.5}{4} = ₹ 3,500$)	P & L A/c – Debit side Less from Advertisement (₹ 3,500) as Prepaid Advertisement	B/S – Assets side Prepaid Advertisement (₹ 3,500)

9

POINTS TO REMEMBER

- Items appearing in TRIAL BALANCE will be given only one effect either in Trading or in Profit & Loss A/c or in Balance Sheet or in working section.
- Adjustments are given minimum two effects for similar amount.
- When profit sharing ratio is not given, the ratio is assumed to be equal.
- Debit balances given in the TRIAL BALANCE are recorded on the debit side of Trading A/c / Profit and Loss A/c / Balance Sheet asset side.
- Credit balances given in the TRIAL BALANCE are recorded on the credit side of Trading A/c / Profit and Loss A/c / Balance Sheet liability side.
- When Current A/c appears in TRIAL BALANCE, capital is fixed.
- When Current A/c is not given in TRIAL BALANCE, capital is fluctuating.
- In the absence of information interest on capital is allowed for one year and interest on drawings is charged for 6 months.
- If Salaries and Wages are given as separate items, Wages are shown on the debit side of Trading Account while salaries are shown on the debit side of Profit and Loss A/c. If the item is “Wages and Salaries”, it is shown on the debit side of Trading A/c and if the items is “Salaries & Wages”, it is shown on the debit side of Profit & Loss A/c.
- If the Trial Balance contains only “Trade Expenses”, the item will be shown on the debit side of Profit & Loss A/c. If the Trial Balance contains “Trade Expenses” and also other items like “Sundry Expenses” or “Office Expenses” or “General Expenses” or “Miscellaneous Expenses”, the item “Trade Expenses” is shown on the debit side of Trading A/c while the other items of expenses are shown on the debit side of Profit & Loss A/c.

- (11) The adjustment for Bad Debts and Provision for Bad and Doubtful Debts should be effected after other adjustments for Debtors are given effect to. Such adjustments can be unrecorded sales, drawings included in Debtors, drawings treated as sales, etc.
- (12) Reserve for Discount on Debtors should be given effect after the adjustments for Bad Debts and Provision for Bad and Doubtful Debts.
- (13) Reserve for Discount on Creditors should be given effect after making all the other adjustments concerning Creditors.
- (14) Hidden / Self-explanatory adjustments are to be given effect even if there is no special instruction given in the problem in this respect.
- (15) Closing Stock should be taken at "Cost or Market Price, whichever is less."
- (16) If a manager or a partner is allowed commission at a certain percentage on Net Profit, such commission should be calculated in the following manner depending upon how the commission is quoted :

(a) If it is on Net Profit before charging such commission :

$$\text{Commission Amount} = \frac{\text{Rate of Commission} \times \text{Net Profit}}{100}$$

(b) If it is on Net Profit after charging such commission :

$$\text{Commission Amount} = \frac{\text{Rate of Commission} \times \text{Net Profit}}{100 + \text{Rate of Commission}}$$

No.	ITEMS OF TRIAL BALANCE	EFFECTS
(1)	Closing Stock	Asset side of Balance Sheet
(2)	Prepaid Expenses	Asset side of Balance Sheet
(3)	Outstanding Expenses	Liability side of Balance Sheet
(4)	Incomes Receivable / Outstanding Income	Asset side of Balance Sheet
(5)	Incomes Received in Advance	Liability side of Balance Sheet
(6)	Provided Fund	Liability side of Balance Sheet
(7)	Provided Fund Investment	Asset side of Balance Sheet
(8)	Provided Fund Contribution	Debit side of Profit & Loss A/c
(9)	Interest on Provided Fund Investment	Liability side of Balance Sheet



(Total Marks : 12)

(Marks with Option : 16)



MEMORY CHART

1

- It is formed for promotion of arts, culture, education, music, dance, sports, etc.

NOT FOR PROFIT CONCERN

Meaning:

- The organisations which are not engaged in trading activities but established with a service motive are known as 'Not for Profit Concerns'.

Examples:

- (a) **Educational institutes:** Schools, Colleges, Universities, Libraries, Trusts, etc.
 (b) **Club or Associations:** Rotary Club, Lions Club, etc.
 (c) **Medical:** Hospitals, Nursing Homes, Blood banks, etc.

2

ACCOUNTS TO BE OPENED

Given:

- (a) Opening Balance Sheet
 (b) Receipt and Payment Account

To Prepare:

- (a) Opening Balance Sheet (if Capital Fund not given)
 (b) Income and Expenditure Account
 (c) Closing Balance Sheet

3

FORMATS

(A) FORMAT OF RECEIPTS AND PAYMENTS A/C

Dr. Receipts and Payments Account for the year ended 31st March _____ Cr.

Receipts	Amt. (₹)	Payments	Amt. (₹)
To Balance b/d		By Balance b/d (Overdraft)	XX
Cash in Hand	XX	By Salaries	XX
Cash at Bank	XX	By Rent	XX
To Subscriptions		By Printing and Stationery	XX
Previous year	XX	By Government Bond	XX
Current year	XX	By Prizes	XX
Subsequent year	XX	By Electricity Charges	XX
To Legacy	XX	By Purchase of Sports Materials	XX
To Entrance Fees	XX	By Telephone Charges	XX
To Life membership fees	XX	By Repairs and Maintenance	XX
To Interest on Investment	XX	By Office Expenses	XX
To Sale of old Newspapers	XX	By Gardening	XX
To Tournament Fund	XX	By Insurance Premium	XX
To Donations for Prize Fund	XX	By Purchase of Medicines	XX
To Grant from Government	XX	By Purchase of Investment	XX
To Hire Rent Hall	XX	By Purchase of Assets & Equipments	XX
To Tennis Court Receipts	XX	By Misc. Expenses	XX
To Misc. Receipts.	XX	By Balance c/d	
To Sale of Assets	XX	Cash at Bank	XX
To Balance c/d (Bank overdraft)	XX	Cash in Hand	XX
	XXX		XXX

(B) FORMAT OF INCOME AND EXPENDITURE A/CDr. **Income and Expenditure Account for the year ended 31st March** _____ Cr.

Expenditure	Amt. (₹)	Income	Amt. (₹)
To Printing & Stationery	XX	By Subscriptions	XX
To Postage	XX	By Interest on Investments	XX
To Salaries	XX	By Grant from Government	XX
To Telephone Charges	XX	By Hire of Hall	XX
To Electricity Charges	XX	By Misc. Receipts	XX
To Newspapers and Periodicals	XX	By Proceeds from Charity Show	XX
To Insurance Premium	XX	By Subscription of Annual dinner	XX
To Purchase of Medicines	XX	By Proceeds from Entertainments	XX
To Repairs and Maintenance	XX	By Excess of Expenditure over Income (Deficit)	XX
To Gardening	XX		
To Wages	XX		
To Misc. Expenses	XX		
To Refreshment Expenses	XX		
To Depreciation of Assets	XX		
To Bad Debts	XX		
To Magazine Expenses	XX		
To Medicines	XX		
To Loss on Sale of Assets	XX		
To Excess of Income over Expenditure (Surplus)	XX		
	XXX		XXXX

(C) FORMAT OF BALANCE SHEET**Balance Sheet as on 31st March** _____

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital Fund	XX		Cash in Hand		XX
Add: Entrance Fees	XX		Cash at Bank		XX
Add: Life Membership Fees	XX		Debtors		XX
Add: Legacies	XX		Stock of Stationery		XX
Add: Surplus	XX		Stock of Drugs		XX
Less: Deficit	XX	XXX	Investment		XX
Building Funds		XX	Books		XX
Tournaments Fund		XX	Equipments		XX
Charity Fund		XX	Sports Material		XX
Loan from others		XX	Furniture		XX
Sundry Creditors		XX	Vehicles		XX
Outstanding Expenses		XX	Building		XX
Income Received in advance		XX	Grounds		XX
			Outstanding Income		XX
			Prepaid Expenses		XX
		XXX			XXX

TREATMENT OF SPECIAL ITEMS

→	(a) Subscription: Income and Expenditure A/c – Income Side (Cr.)										
→	(b) Life Membership Fees: Balance Sheet – Liability side – Add to Capital Fund.										
→	(c) Entrance Fees/Admission Fees: Income and Expenditure A/c – Income Side (Cr.) (If no information is given)										
→	(d) Donations: <ul style="list-style-type: none"> ● Specific/Special Donations → Balance Sheet – Liability Side ● General Donations → Income and Expenditure Account – Income Side (Cr.) 										
→	(e) Government Grant: <ul style="list-style-type: none"> ● Specific information given → Balance Sheet – Liability Side (Add to specific fund). ● No specific information given → Income and Expenditure Account – Income Side (Cr.) 										
→	(f) Capital Fund: Balance Sheet – Liability side.										
→	(g) Life Membership Fees and Legacies: Balance Sheet – Liability Side (Add to Capital fund).										
→	(h) Honorarium: Income and Expenditure Account – Expenditure Side (Dr.)										
→	(i) Sale of Assets: <ul style="list-style-type: none"> ● Sale of Assets → Balance Sheet – Assets side – Less Book Value from Fixed Assets ● Profit on sale of assets → Income and Expenditure Account – Income Side (Cr.) ● Loss on sale of assets → Income and Expenditure Account – Expenditure Side (Dr.) 										
→	(j) Stationery: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Opening Stock of Stationery (Opening Balance)</td> <td style="text-align: right;">XX</td> </tr> <tr> <td>(+) Purchase of Stationery (Receipts and Payments Account)</td> <td style="text-align: right;"><u>XX</u></td> </tr> <tr> <td></td> <td style="text-align: right;">XX</td> </tr> <tr> <td>(-) Closing Stock of Stationery (Adjustment)</td> <td style="text-align: right;"><u>XX</u></td> </tr> <tr> <td>Shown in Income and Expenditure A/c (Dr. Side)</td> <td style="text-align: right;"><u>XX</u></td> </tr> </table>	Opening Stock of Stationery (Opening Balance)	XX	(+) Purchase of Stationery (Receipts and Payments Account)	<u>XX</u>		XX	(-) Closing Stock of Stationery (Adjustment)	<u>XX</u>	Shown in Income and Expenditure A/c (Dr. Side)	<u>XX</u>
Opening Stock of Stationery (Opening Balance)	XX										
(+) Purchase of Stationery (Receipts and Payments Account)	<u>XX</u>										
	XX										
(-) Closing Stock of Stationery (Adjustment)	<u>XX</u>										
Shown in Income and Expenditure A/c (Dr. Side)	<u>XX</u>										



RECONSTITUTION OF PARTNERSHIP (ADMISSION OF PARTNER)

(Total Marks : 10)

(Marks with Option : 12)



MEMORY CHART

1

ADMISSION OF A PARTNER

- Indian Partnership Act, 1932

2

ON ADMISSION

Old Partners – sacrifice the share in profit.

Sacrifice Ratio:

(A) When new profit sharing ratio is given in problem:

$$\text{Sacrifice Ratio} = \text{Old Ratio} - \text{New Ratio}$$

(B) When new profit sharing ratio is not given in problem:

$$\text{Sacrifice Ratio} = (1 - \text{New Partner's Share}) \times \text{Old Profit Sharing Ratio.}$$

[Note: Generally old ratio is assumed to be the sacrifice ratio.]

3

GOODWILL

Meaning

- It is a name and reputation of the business, which is built up slowly and gradually by a business concern through good efforts over a large period of time.
- It is an intangible asset and has monetary value.

Valuation of Goodwill

2 Methods

(1) Average Profit Method

Steps:

$$(a) \text{ Average Profit} = \frac{\text{Total Profit}}{\text{No. of given years}}$$

$$(b) \text{ Goodwill} = \text{Average Profit} \times \text{No. of years purchase}$$

(2) Super Profit Method

Steps:

$$(a) \text{ Average Profit} = \frac{\text{Total Profit}}{\text{No. of given years}}$$

(b) Normal Profit

$$= \text{Capital Employed} \times \frac{\text{Normal Rate of Return}}{100}$$

(c) Super Profit = Average Profit – Normal Profit

(d) Goodwill = Super Profit × No. of year's purchases

Treatment of Goodwill

On Admission

- Goodwill is brought in by new/incoming partner, which is distributed among old partners.

(A) Goodwill brought in cash and retained in business.

(B) Goodwill brought in cash and withdrawn by old partner.

(C) Goodwill raised or Goodwill A/c opened in books of account.

(D) Goodwill raised and written off.

4

REVALUATION OF ASSETS AND LIABILITIES



- On admission → All assets and liabilities are revalued through **Revaluation Account**.

Dr.	Cr.
Revaluation A/c	
<ul style="list-style-type: none"> ● Asset value decreases. ↓ ● Liability value increases. ↑ ● Unrecorded liabilities ● Revaluation Profit 	<ul style="list-style-type: none"> ● Asset value increases. ↑ ● Liability value decreases. ↓ ● Unrecorded assets ● Revaluation Loss

5

JOURNAL ENTRIES

Step (1): Revaluation of Assets and Liabilities:

- (1) **For increase in the value of assets (appreciation of assets):**

Assets A/c.....	Dr.
To Revaluation/Profit and Loss Adjustment A/c	

- (2) **For decrease in the value of assets (depreciation of assets) :**

Revaluation/Profit and Loss Adjustment A/c	Dr.
To Assets A/c	

- (3) **For increase in the value of liabilities :**

Revaluation/Profit and Loss Adjustment A/c	Dr.
To Liabilities A/c	

- (4) **For decrease in the value of liabilities :**

Liabilities A/c	Dr.
To Revaluation/Profit and Loss Adjustment A/c	

- (5) **For recording unrecorded assets:**

Assets A/c.....	Dr.
To Revaluation/Profit and Loss Adjustment A/c	

- (6) **For recording unrecorded liabilities:**

Revaluation/Profit and Loss Adjustment A/c	Dr.
To Liabilities A/c	

- (7) **For transfer of profit on Revaluation A/c to Partner's Capital/Current A/c:**

Profit and Loss Adjustment/Revaluation A/c	Dr.
To Old Partner's Capital/Current A/c (Old Ratio)	

- (8) **For transfer of loss on Revaluation A/c to Partner's Capital/Current A/c:**

Old Partner's Capital/Current A/c (Old Ratio).....	Dr.
To Profit and Loss Adjustment/Revaluation A/c	

Step (2): Distribute accumulated profits and losses to old partners in old profit sharing ratio:

- (1) **Transfer of General Reserve : (Liabilities)**

General Reserve A/c.....	Dr.
To Old Partner's Capital/Current A/c (Old Ratio)	

- (2) **Transfer of accumulated profits : (Liabilities)**

Profit and Loss A/c	Dr.
To Revaluation/Profit and Loss Adjustment A/c	

- (3) **Transfer of accumulated loss : (Assets)**

Old Partner's Capital/Current A/c	Dr.
To Profit and Loss A/c	

Step (3): On Admission:

(1) Cash brought in by new partner:

Cash/Bank A/c.....Dr.
To New Partner's Capital A/c

Step (4): Treatment of Goodwill:

	(A) Goodwill brought in cash and retained in business	(B) Goodwill brought in cash and withdrawn by old partners	(C) Goodwill raised in books of accounts	(D) Goodwill raised and written off
(a)	Cash A/c..... Dr. To Goodwill A/c	Cash A/c..... Dr. To Goodwill A/c	—	—
(b)	Goodwill A/c..... Dr. To Old Partner's Capital A/c (Sacrifice Ratio)	Goodwill A/c..... Dr. To Old Partner's Capital A/c (Sacrifice Ratio)	Goodwill A/c..... Dr. To Old Partner's Capital A/c (Sacrifice Ratio)	Goodwill A/c..... Dr. To Old Partner's Capital A/c (Sacrifice Ratio)
(c)	—	Old Partners' Cap. A/c Dr. To Cash A/c (Goodwill withdrawn)	Show the amount of goodwill in Balance Sheet – Asset side.	All Partners' Cap. A/c . Dr. To Goodwill A/c (New PSR)

Step (5): Capital Adjustment (if any)

	Adjustment through Cash A/c	Adjustment through Loan A/c	Adjustment through Current A/c
(a)	Dr. Balance Cash A/c..... Dr. To Partner's Capital A/c (Show amount brought in on debit side of Cash A/c)	Dr. Balance Partner's Loan A/c..... Dr. To Partner's Capital A/c (Show loan amount on asset side of Balance Sheet)	Dr. Balance Partner's Current A/c..... Dr. To Partner's Capital A/c (Show amount of Current A/c on asset side of Balance Sheet)
(b)	Cr. Balance Partner's Capital A/c..... Dr. To Cash A/c (Show amount of cash paid on credit side of Cash A/c)	Cr. Balance Partner's Capital A/c..... Dr. To Partner's Loan A/c (Show amount of loan on liability side of Balance Sheet)	Cr. Balance Partner's Capital A/c..... Dr. To Partner's Current A/c (Show amount of Current A/c on liability side of Balance Sheet)



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RECONSTITUTION OF PARTNERSHIP (RETIREMENT OF PARTNER)

(Total Marks : 10)

(Marks with Option : 12)



MEMORY CHART

1

RETIREMENT OF PARTNER

↓ Meaning

- When a partner leaves the business for any reason, it is called as 'Retirement of Partner'.
- Partner who leaves the firm is called 'Retiring Partner'.
- Partners who remain in business are called 'Continuing Partners'.

2

GAIN RATIO (OR) BENEFIT RATIO

- It is a ratio by which continuing partner are benefited on retirement of a partner.

• **Formula:** Gain Ratio = New Ratio – Old Ratio.

3

TREATMENT OF GOODWILL

(1) **If goodwill is raised :**

Goodwill A/c.....	Dr.
To All Partners Capital/Current A/c	(Old ratio)

Note : Goodwill will appear in the new Balance Sheet - Assets side.

(2) **If goodwill is raised only to the extent of retiring partner and it is written off :**

(a)

Goodwill A/c.....	Dr.
To Retiring Partner's Capital/Current A/c	(Old ratio)

(b)

Continuing Partners Capital/Current A/c	Dr.
To Goodwill A/c	(Gain ratio)

(3) **If goodwill is raised only to the extent of retiring partner :**

Goodwill A/c.....	Dr.
To Retiring Partner's Capital/Current A/c	(Old ratio)

Note : Retiring partner's share of goodwill will be recorded in new Balance Sheet-Assets side.

(4) **If goodwill is raised and written off:**

(a)

Goodwill A/c.....	Dr.
To All Partners Capital/Current A/c	(Old ratio)

(b)

Continuing Partners Capital/Current A/c	Dr.
To Goodwill A/c	(New ratio)

(5)(a) **If goodwill is given in the old Balance Sheet, the net result of its revaluation may be shown either in Profit and Loss Adjustment Account or shown in Partner's Capital or Current A/c : If goodwill has appeared in Balance Sheet and its value now increases :**

Goodwill A/c.....	Dr.
To Revaluation/Profit and Loss Adjustment A/c	

OR

Goodwill A/c.....	Dr.
To All Partners Capital/Current A/c	

(b) If goodwill has appeared in the Balance Sheet and its value now decreases :

Revaluation/Profit and Loss Adjustment A/c	Dr.
To Goodwill A/c	

OR

All Partners Capital/Current A/c	Dr.
To Goodwill A/c	

4

REVALUATION OF ASSETS AND LIABILITIES

(1) For increase in the value of assets (appreciation of assets):

Assets A/c.....	Dr.
To Revaluation/Profit and Loss Adjustment A/c	

(2) For decrease in the value of assets (depreciation of assets) :

Revaluation/Profit and Loss Adjustment A/c	Dr.
To Assets A/c	

(3) For increase in the value of liabilities :

Revaluation/Profit and Loss Adjustment A/c	Dr.
To Liabilities A/c	

(4) For decrease in the value of liabilities:

Liabilities A/c	Dr.
To Revaluation/Profit and Loss Adjustment A/c	

(5) For recording unrecorded assets:

Assets A/c.....	Dr.
To Revaluation/Profit and Loss Adjustment A/c	

(6) For recording unrecorded liabilities:

Revaluation/Profit and Loss Adjustment A/c	Dr.
To Liabilities A/c	

(7) For transfer of profit on Revaluation A/c to Partner's Capital/Current A/c:

Profit and Loss Adjustment/Revaluation A/c	Dr.
To Old Partner's Capital/Current A/c (Old Ratio)	

(8) For transfer of loss on Revaluation A/c to Partner's Capital/Current A/c:

Old Partner's Capital/Current A/c (Old Ratio).....	Dr.
To Profit and Loss Adjustment/Revaluation A/c	

5

RETIRING PARTNER'S SHARE IN PROFIT OR LOSS

(a) In case of Profit:

Profit/Loss Suspense A/c.....	Dr.
To Retiring Partner's Capital A/c	

(b) In case of Loss:

Retiring Partner's Capital A/c.....	Dr.
To Profit/Loss Suspense A/c	

6

ADJUSTMENT OF CAPITAL

(1) For surplus cash paid to continuing partners:

Partners Capital A/c	Dr.
To Cash/Bank A/c	

(2) For deficit/cash brought in by continuing partners:

Cash/Bank A/c	Dr.
To Partners Capital A/c	

(3) Surplus transferred to Current A/c:

Partners Capital A/c	Dr.
To Partners Current A/c	

(4) Deficit transferred to Current A/c:

Partners Current A/c	Dr.
To Partners Capital A/c	

7**ADJUSTMENT OF RESERVES/ACCUMULATED PROFITS OR LOSSES****(1) If General Reserve is transferred:**

General Reserve A/c	Dr.
To All Partners Capital A/c	

(2) If Profit and Loss appears on Liability side of Balance Sheet is transferred:

Profit and Loss A/c	Dr.
To All Partners Capital A/c	

(3) If Profit and Loss appears on Assets side of Balance Sheet is transferred:

All Partners Capital A/c	Dr.
To Profit and Loss A/c	

8**AMOUNT DUE TO RETIRING PARTNER****(i) Amount payable to retiring partner is paid:**

Retiring Partner's Capital A/c	Dr.
To Cash/Bank A/c	

(ii) The amount due to retiring partner paid in instalments:**(1) Transfer of amount due to Loan A/c:**

Retiring Partner's Capital A/c	Dr.
To Retiring Partner's Loan A/c	

(3) Interest charged on loan amount:

Interest A/c	Dr.
To Retiring Partner's Loan A/c	

(3) Instalment paid:

Retiring Partner's Loan A/c	Dr.
To Cash/Bank A/c	

(iii) If total amount due transferred to Loan A/c:

Retiring Partner's Capital A/c	Dr.
To Retiring Partner's Loan A/c	

(iv) Out of the amount due, partly paid in cash and balance transferred to Loan A/c:

Retiring Partner's Capital A/c	Dr.
To Cash/Bank A/c	
To Retiring Partner's Loan A/c	



RECONSTITUTION OF PARTNERSHIP (DEATH OF PARTNER)

(Total Marks : 08)

(Marks with Option : 09)



MEMORY CHART

1

DEATH OF A PARTNER

↓ Meaning

- Death is considered as compulsory retirement.
- **On Death:** Amount due to deceased partner is either paid in **Cash** to his legal heir or transferred to **Legal Representative's Loan A/c** or **Executor's Loan A/c**.

2

FORMAT OF DECEASED PARTNER'S CAPITAL ACCOUNT

Dr.	Deceased Partner's Capital A/c		Cr.
Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Drawings	XXX	By Balance b/d	XXX
To Interest on Drawings	XXX	By General Reserve	XXX
To Profit and Loss A/c (Dr.)	XXX	By Profit and Loss A/c (Cr.)	XXX
To Revaluation A/c (Loss)	XXX	By Interest on Capital	XXX
		By Revaluation A/c (Profit)	XXX
		By Salary/Commission	XXX
		By Profit and Loss Suspense A/c (Profit till death)	XXX
	XXX		XXXX

3

IMPORTANT ADJUSTMENTS RELATED TO GOODWILL

(a) **No goodwill account to be shown in the books of the firm OR Goodwill A/c written off.**

• **Effects:**

- (i) Calculate deceased partner's share in goodwill.
- (ii) Divide the deceased partner's share in goodwill amongst continuing partners in the profit sharing ratio.
- (iii) **Journal Entry:**

Continuing Partner's Capital A/c.....Dr.
To Deceased Partner Capital A/c

(b) **Goodwill raised in the books of Accounts:**

• **Effects:**

- (i) Divide goodwill among all partners in profit sharing ratio → Partners Capital A/c – credit side.
- (ii) Share the amount of goodwill in new Balance Sheet.



6

DISSOLUTION OF PARTNERSHIP FIRM

(Total Marks : 10)

(Marks with Option : 12)



MEMORY CHART

1

DISSOLUTION OF PARTNERSHIP FIRM

↓ Meaning

- Complete breakdown of relations among all the partners and partnership firm's business closes down and relationship between all the partners comes to an end.

2

EFFECTS OF DISSOLUTION OF PARTNERSHIP FIRM

(a) Activities of partnership firm closes down.

(b) All assets of the firm are sold.

(c) All liabilities of the firm are paid off.

(d) Any balance left in Cash A/c is distributed among the partners.

3

ACCOUNTING ENTRIES

(A) TRANSFER STAGE:

(1) For Transfer of Assets:

Realisation A/cDr.
To Assets A/c

(2) For Transfer of Liabilities:

Liabilities A/cDr.
To Realisation A/c

(3) Transfer of Provision against assets:

R.D.D. A/cDr.
To Realisation A/c

(4) Transfer of Profit and Loss A/c (Debit Balance or if Profit and Loss A/c appears on assets side of Balance Sheet) / Advertising Suspense A/c:

Partner's Capital/Current A/cDr.
To Profit and Loss A/c
To Advertising Suspense A/c

(5) Transfer of Profit and Loss A/c (Credit Balance or if Profit and Loss A/c appears on liability side of Balance Sheet):

Profit and Loss A/cDr.
To Partner's Capital/Current A/c

(6) Transfer of General Reserve:

General Reserve A/cDr.
To Partner's Capital /Current A/c

(B) REALISATION STAGE:

(1) For amount received on sale of assets:

Cash/Bank A/cDr.
To Realisation A/c

(2) When any asset is taken over by a partner :

Partner's Capital/Current A/c	Dr.
To Realisation A/c	

(3) When liabilities are paid:

Realisation A/c	Dr.
To Cash/Bank A/c	

(4) When any liability taken over or paid by partner:

Realisation A/c	Dr.
To Partner's Capital/Current A/c	

(5) When realisation expenses are paid:

Realisation A/c	Dr.
To Cash/Bank A/c	

(6) When any assets not included in Balance Sheet, sold:

Cash/Bank A/c	Dr.
To Realisation A/c	

(7) When any liability not included in Balance Sheet, paid:

Realisation A/c	Dr.
To Cash/Bank A/c	

(8) When partner's loan is paid:

Partner's Loan A/c.....	Dr.
To Cash/Bank A/c	

(C) DISTRIBUTION STAGE:

(1) For transfer of profit on realisation:

Realisation A/c	Dr.
To All Partner's Capital/Current A/c	

(2) For transfer of loss on realisation :

All Partner's Capital/Current A/c	Dr.
To Realisation A/c	

(3) For transfer of Current account balance to Capital account :

(a) If Current account shows Debit balance :

Partner's Capital A/c.....	Dr.
To Partner's Current A/c	

(b) If Current account shows Credit balance :

Partner's Current A/c.....	Dr.
To Partner's Capital A/c	

• To close capital account:

(4) When cash is paid to partner:

Partner's Capital A/c.....	Dr.
To Cash/Bank A/c	

(5) When cash is received from partner:

Cash/ Bank A/c	Dr.
To Partner's Capital A/c	

(D) ON INSOLVENCY OF PARTNER:

(1) Transfer the balance of insolvent partners current account to his capital account (Current A/c - Credit Balance) :

Insolvent Partner's Current A/c.....	Dr.
To Insolvent Partner's Capital A/c	

OR

- (2) **Transfer of Balance of insolvent partners current account to his capital account (Current A/c - Debit Balance):**

Insolvent Partner's Capital A/c	Dr.
To Insolvent Partner's Current A/c	

- (3) **Insolvent partner can bring certain amount when he becomes insolvent:**

Cash/Bank A/c	Dr.
To Insolvent Partner's Capital A/c	

- (4) **Transfer the deficiency of insolvent partner's capital account to solvent partner's capital account (Capital A/c - Debit balance):**

Solvent Partner's Current A/c	Dr.
To Insolvent Partner's Capital A/c	

Note : Insolvent partner's capital account will show debit balance (deficiency). It can never show credit balance.

- (5) **Transfer the balance of solvent partner's current account to their capital account. (Current A/c - Credit Balance):**

Solvent Partner's Current A/c	Dr.
To Solvent Partner's Capital A/c	

OR

- (6) **Transfer the balance of solvent partner's current account to their capital account. (Current A/c - Debit Balance):**

Solvent Partner's Capital A/c	Dr.
To Solvent Partner's Current A/c	

- (7) **Final settlement of solvent partner's capital account. (Capital A/c - Credit Balance) :**

Solvent Partner's Capital A/c	Dr.
To Cash/Bank A/c	

OR

- (8) **Final settlement of solvent partner's capital account (Capital A/c - Debit Balance):**

Cash/Bank A/c	Dr.
To Solvent Partner's Capital A/c	

(E) ON INSOLVENCY OF ALL PARTNERS:

- **When all partners are insolvent at the time of dissolution of partnership firm, following procedure is to be followed:**

- (1) Realisation expenses are paid first.
- (2) Sundry Creditors account is said to be opened separately. It is not to be transferred to Realisation Account.
- (3) Deficiency account is to be opened.
- (4) Loss on Realisation account is transferred to all Partner's Capital Account in their profit sharing ratio.
- (5) Deficiency of each insolvent partner is to be transferred to Deficiency Account.
- (6) At the end Deficiency Account to be closed and balance to be transferred to Creditors Account.
- (7) Balance in Creditors Account is paid in cash or by cheque.
- (8) Cash/Bank Account should tally at the end.

- **Note:** At the end capital account of partners are closed by transferring the balance to deficiency account.

- **Following journal entries are passed :**

- (1) **Payment of Liabilities:**

Liabilities A/c	Dr.
To Cash/Bank A/c	
To Deficiency A/c	

- (2) **Closing Partner's Capital Accounts:**

Deficiency A/c	Dr.
To Partner's Capital A/c	

4

STEPS FOR

PREPARING

JOURNAL ENTRIES

- (1) Transfer Assets to Realisation Account.
- (2) Transfer Liabilities to Realisation Account.
- (3) Transfer accumulated profit or losses to Partners Capital Account.
- (4) Assets sold or taken over.
- (5) Liabilities paid or taken over.
- (6) Unrecorded assets, if any, sold or taken over.
- (7) Unrecorded liabilities, if any, paid or taken over.
- (8) Pay Realisation Expenses, if any.
- (9) Pay Partner's Loan, if any.
- (10) Transfer Realisation Profit/Loss to Partners' Current or Capital Account.
- (11) Transfer Partners Capital Balance to Cash/Bank Account.

LEDGER ACCOUNTS

- (1) Transfer Assets to Realisation Account – Dr. Side.
- (2) Transfer Liabilities to Realisation Account – Cr. Side.
- (3) Transfer Cash/Bank Balance to Cash/Bank Account – Dr. Side.
- (4) Transfer Partners Capital Balance to Partners' Capital Account.
- (5) Transfer Partners Loan, if any, to Partners' Loan Account – Cr. Side.
- (6) Distribute accumulated profit/loss to partners.
- (7) Assets realised and liabilities paid.
- (8) Close Realisation Account and transfer Profit/Loss to Partners Capital Account.
- (9) Close Partners Capital Account and transfer balance to Cash/Bank Account.
- (10) Close Cash/Bank Account (It should tally).





MEMORY CHART

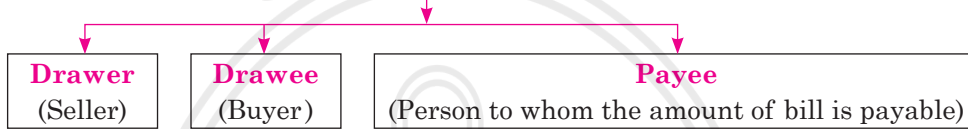
1

MEANING

• It is a written order issued by the drawer (seller) to the drawee (buyer) to pay certain sums of money on demand or after specific period.

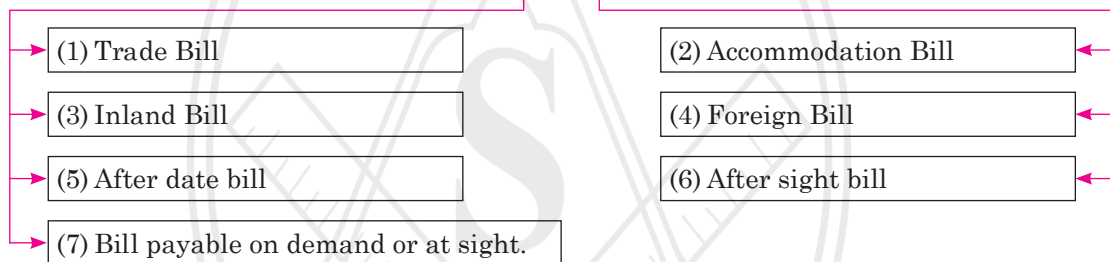
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PARTIES TO BILLS OF EXCHANGE



3

TYPES OF BILL

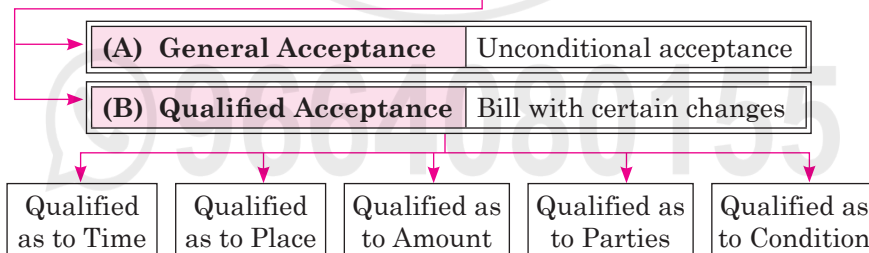


4

ACCEPTANCE OF BILL

- (a) It means putting signature by the drawee on the face of bill with or without the word accepted.
- (b) Before acceptance bill is called as draft.
- (c) After acceptance drawee becomes acceptor.

Types



5

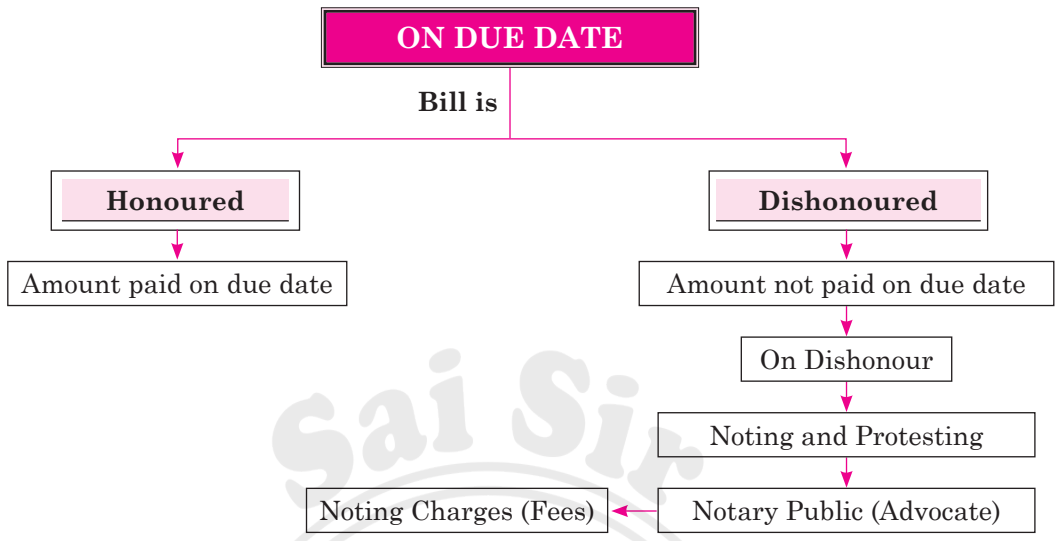
DUE DATE OF BILL

- Date on which bill falls due for payment.
- It is arrived after adding 3 days of grace.

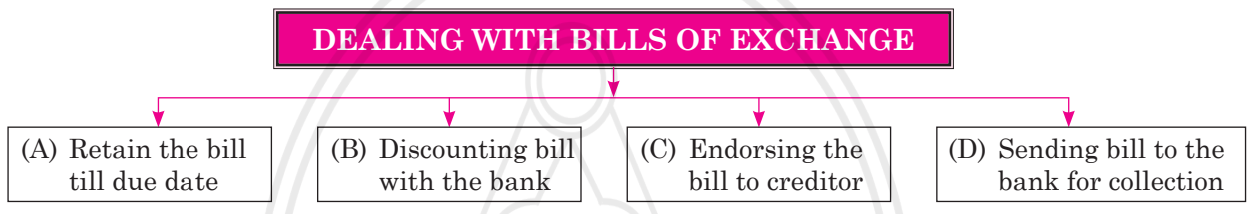
Types of Due Date



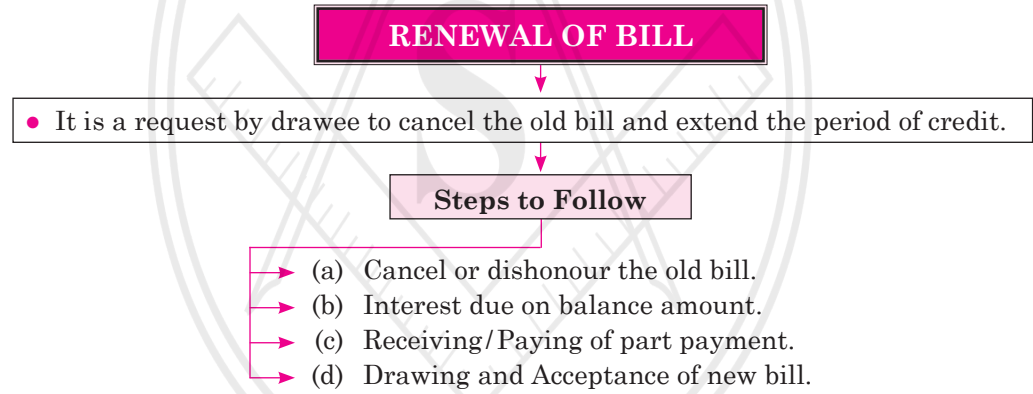
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7



8



9

JOURNAL ENTRIES

No.	Transaction	In the books of Drawer	In the books of Drawee
(1)	Goods Sold on Credit	Drawee's A/c Dr. To Sales A/c	Purchases A/c Dr. To Drawer's A/c
(2)	Acceptance of Bill	Bills Receivable A/c Dr. To Drawee's A/c	Drawer's A/c Dr. To Bills Payable A/c
(3)	Retained Bill Honoured	Cash/Bank A/c Dr. To Bills Receivable A/c	Bills Payable A/c Dr. To Cash/Bank A/c
(4)	Retained Bill Dishonoured (without noting charges)	Drawee's A/c Dr. To Bills Receivable A/c	Bills Payable A/c Dr. To Drawer's A/c
(5)	Retained Bill Dishonoured (with noting charges)	Drawee's A/c Dr. To Bills Receivable A/c To Cash A/c	Bills Payable A/c Dr. Noting Charges A/c Dr. To Drawer's A/c
(6)	Discounting of Bill	Cash/Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c	NO ENTRY
(7)	Discounted Bill Honoured	NO ENTRY	Bills Payable A/c Dr. To Cash/Bank A/c
(8)	Discounted Bill Dishonoured (without noting charges)	Drawee's A/c Dr. To Bank A/c	Bills Payable A/c Dr. To Drawer's A/c

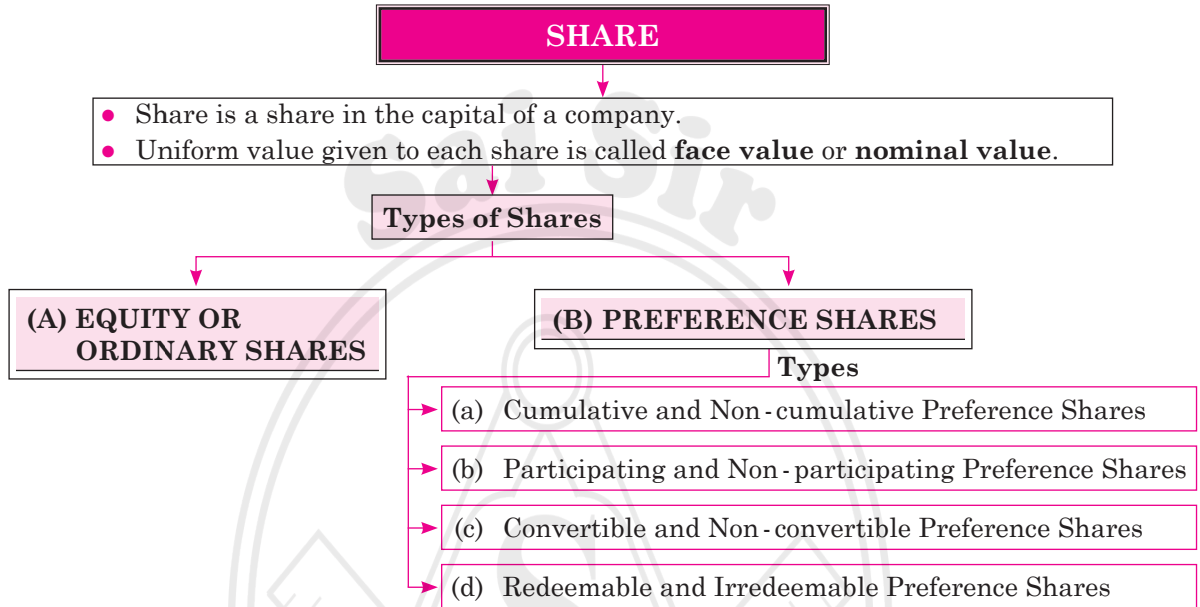
(9)	Discounted Bill Dishonoured and Noting Charges paid	Drawee's A/c Dr. To Bank A/c (including noting charges)	Bills Payable A/c Dr. Noting Charges A/c Dr. To Drawer's A/c
(10)	Bill Endorsed	Endorsee's A/c Dr. To Bills Receivable A/c	NO ENTRY
(11)	Endorsed Bill Honoured	NO ENTRY	Bills Payable A/c Dr. To Cash/Bank A/c
(12)	Endorsed Bill Dishonoured (without noting charges)	Drawee's A/c Dr. To Endorsee's A/c	Bills Payable A/c Dr. To Drawer's A/c
(13)	Endorsed bill dishonoured and noting charges paid.	Drawee's A/c Dr. To Endorsee's A/c (including noting charges)	Bills Payable A/c Dr. Noting Charges A/c Dr. To Drawer's A/c
(14)	Bill sent to the Bank for Collection	Bank for Collection A/c Dr. To Bills Receivable A/c	NO ENTRY
(15)	Bill sent for Collection Honoured	Bank A/c Dr. Bank Charges A/c Dr. To Bank for Collection A/c	Bills Payable A/c Dr. To Cash/Bank A/c
(16)	Bill sent for Collection Dishonoured (without noting charges)	Drawee's A/c Dr. To Bank for Collection A/c	Bills Payable A/c Dr. To Drawer's A/c
(17)	Bill sent for collection dishonoured and Noting Charges paid	Drawee's A/c Dr. To Bank for Collection A/c To Noting Charges A/c	Bills Payable A/c Dr. Noting Charges A/c Dr. To Drawer's A/c
(18)	Retirement of a Bill	Cash/Bank A/c Dr. Rebate A/c Dr. To Bills Receivable A/c	Bills Payable A/c Dr. To Cash A/c To Discount A/c
(19)	Renewal of a Bill :		
	(A) Cancel old bill	Drawee's A/c Dr. To Bills Receivable A/c	Bills Payable A/c Dr. To Drawer's A/c
	(B) Interest charged to Drawee	Drawee's A/c Dr. To Interest A/c	Interest A/c Dr. To Drawer's A/c
	(C) Part payment received	Cash/Bank A/c Dr. To Drawee's A/c	Drawer's A/c Dr. To Cash/Bank A/c
	(D) New acceptance	Bills Receivable A/c Dr. To Drawee's A/c	Drawer's A/c Dr. To Bills Payable A/c
(20)	Payment of Noting Charges:		
	(A) Payment by Drawer	Drawee's A/c Dr. To Cash A/c	Noting Charges A/c Dr. To Drawer's A/c
	(B) Payment by Bank	Drawee's A/c Dr. To Bank A/c	Noting Charges A/c Dr. To Drawer's A/c
	(C) Payment by Endorsee	Drawee's A/c Dr. To Endorsee's A/c	Noting Charges A/c Dr. To Drawer's A/c
(21)	Insolvency of Drawee :		
	(A) Dishonour of Bill	Drawee's A/c Dr. To Bills Receivable A/c	Bills Payable A/c Dr. To Drawer's A/c
	(B) Part of the amount received from Drawee	Cash/Bank A/c Dr. Bad Debts A/c Dr. To Drawee's A/c	Drawer's A/c Dr. To Cash/Bank A/c To Deficiency A/c



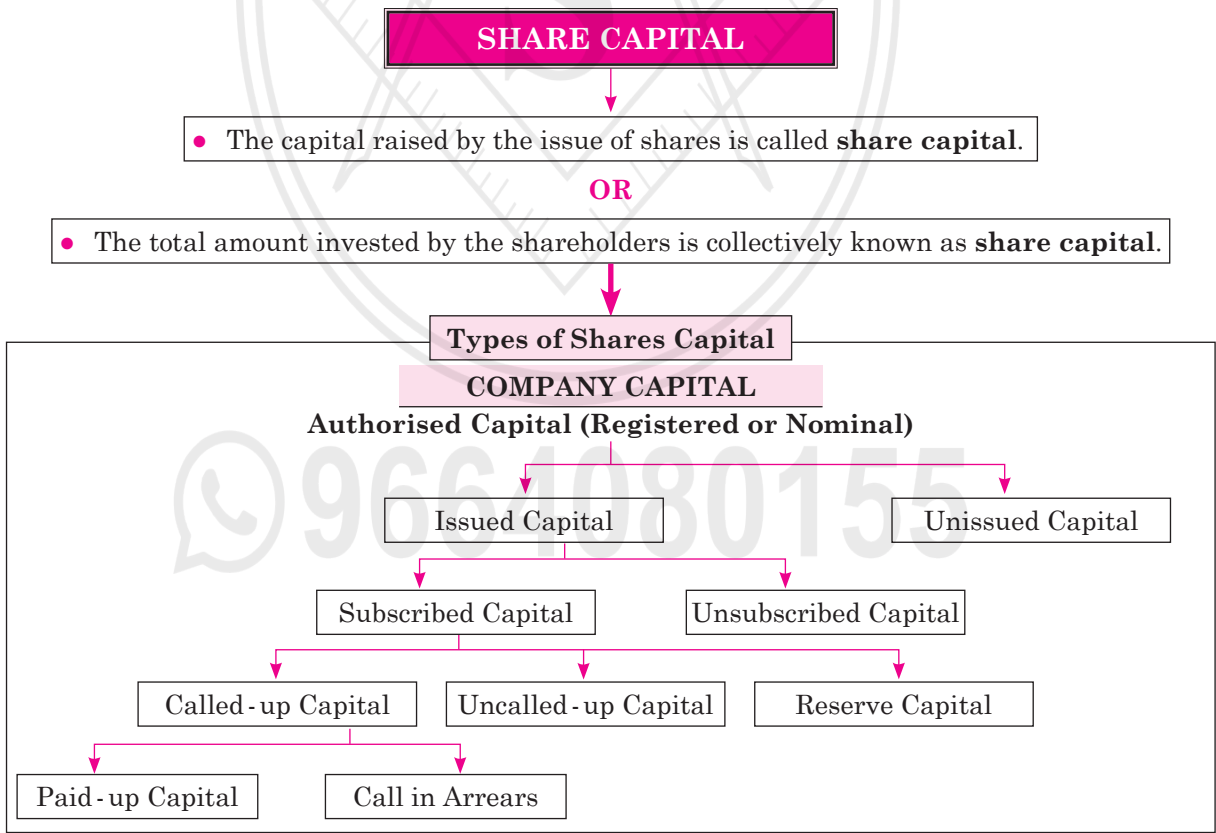


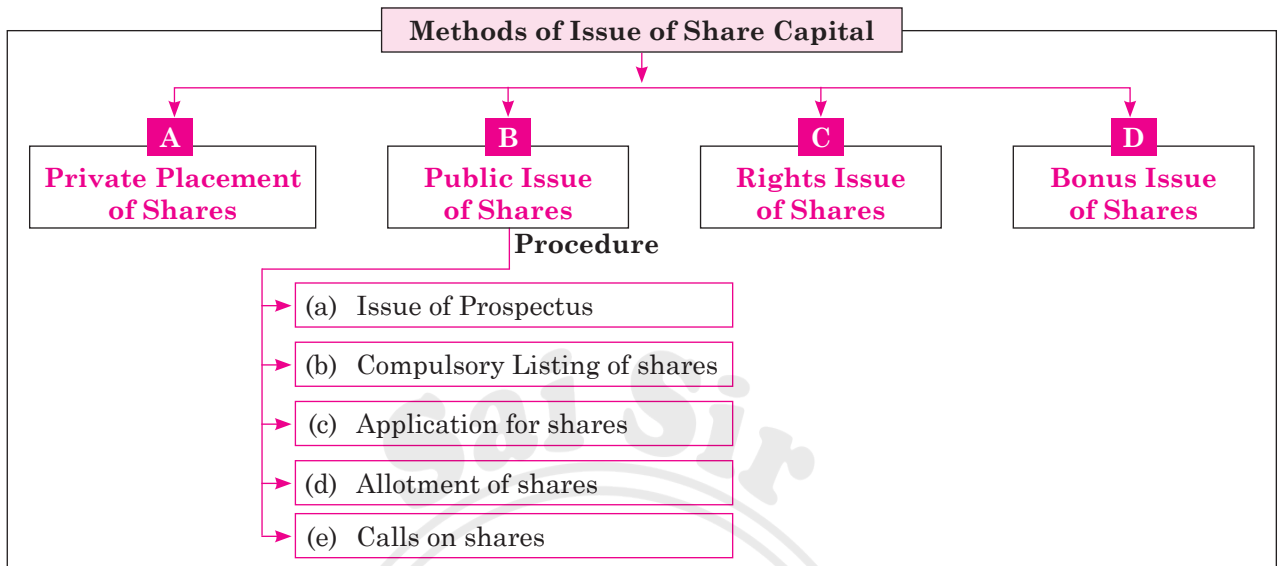
MEMORY CHART

1



2





3

OVERSUBSCRIPTION OF SHARES

• In this case number of shares applied for is more than the number of shares issued by the company.

3 Possibilities

- (a) Full allotment
- (b) Partial allotment
- (c) Rejected

4

UNDERSUBSCRIPTION OF SHARES

• In this case number of shares applied for is less than the number of shares offered.

5

ISSUE OF SHARES

- (a) At par
- (b) At discount
- (c) At premium

6

CALLS IN ADVANCE

• The amount paid by the shareholder of a company before the particular call is made is known as Calls in Advance.

- It is a liability for a company.
- It is transferred to 'Calls in Advance A/c'.
- Interest @ 6% p.a. is to be paid on such calls in advance amount.

7

CALLS IN ARREARS

• In this case, shareholder fails to pay the allotment money or call money or both.

- Such unpaid amount is transferred to 'Calls in Arrears A/c'.
- Calls in arrears are deducted from the paid up share capital on liabilities side of Balance Sheet.

8

ISSUE OF SHARES FOR CONSIDERATION OTHER THAN CASH

• In this case, shares are issued to vendor company for purchase of certain assets like land and building, etc. other than cash.

9

FORFEITURE OF SHARES

• It means cancellation of shares of a shareholder by the Directors, for non-payment of allotment money or call money.

• It takes place as per provision of Articles of Association.

10

REISSUE OF FORFEID OF SHARES

• Forfeited shares, originally issued at par, at premium or at discount can be reissued by the Board at par, at premium or at discount.

11

JOURNAL ENTRIES

JOURNAL ENTRIES FOR ISSUE OF SHARES

(1) **On receipt of application money:**

Bank A/cDr.
To Equity Share Application A/c

(2) **On transfer of application money to share capital:**

Equity Share Application A/cDr.
To Equity Share Capital A/c

Note: If premium is included in application money, credit 'Securities Premium A/c' in the above entry.

(3) **On recording the amount due on allotment:**

Equity Share Allotment A/c.....Dr.
To Equity Share Capital A/c

(4) **On receipt of allotment money:**

Bank A/cDr.
To Equity Share Allotment A/c

(5) **On making first call:**

Equity Share First Call A/cDr.
To Equity Share Capital A/c

(6) **On receipt of first call money:**

Bank A/cDr.
To Equity Share First Call A/c

(7) **On making second call:**

Equity Share Second Call A/c.....Dr.
To Equity Share Capital A/c

(8) **On receipt of second call money:**

Bank A/cDr.
To Equity Share Second Call A/c

(9) **On making third and final call:**

Equity Share Third and Final Call A/c.....Dr.
To Equity Share Capital A/c

(10) **On receipt of third and final call money:**

Bank A/cDr.
To Equity Share Third and Final Call A/c

JOURNAL ENTRIES FOR OVERSUBSCRIPTION

(1) On receipt of application money:

Bank A/c	Dr.
To Equity Share Application A/c	

(2) On transfer of application money and refund of money received on excess applications:

Equity Share Application A/c	Dr.
To Equity Share Capital A/c	
To Bank A/c	

(3) On transfer of excess application money to share allotment:

Equity Share Application A/c	Dr.
To Equity Share Allotment A/c	

(4) On recording the amount due on allotment:

Equity Share Allotment A/c.....	Dr.
To Equity Share Capital A/c	

(5) On allotment money received:

Bank A/c	Dr.
To Equity Share Allotment A/c	

JOURNAL ENTRIES FOR ISSUE OF SHARES AT DISCOUNT

Equity Share Allotment A/c.....	Dr.
Discount on Issue of Shares A/c	Dr.
To Equity Share Capital A/c	

JOURNAL ENTRIES FOR ISSUE OF SHARES AT PREMIUM

(1) When share premium is payable with application money:

Equity Share Application A/c	Dr.
To Equity Share Capital A/c	
To Securities Premium A/c	

(2) When share premium is payable with allotment :

Equity Share Allotment A/c.....	Dr.
To Equity Share Capital A/c	
To Securities Premium A/c	

JOURNAL ENTRIES FOR CALLS-IN-ARREARS

(1) On recording calls-in-arrears:

Calls-in-Arrears A/c	Dr.
To Share Allotment A/c	
To Share Calls A/c	

(2) Interest receivable on Calls-in-Arrears:

Shareholders A/c	Dr.
To Interest on Calls-In-Arrears A/c	

(3) On receipt of interest:

Bank A/c	Dr.
To Shareholders A/c	

(4) On transfer of interest on Calls-in-arrears to Profit and Loss A/c:

Interest on Calls-In-Arrears A/c.....	Dr.
To Profit and Loss A/c	

JOURNAL ENTRIES FOR CALLS-IN-ADVANCE

(1) On receipt of calls-in-advance:

Bank A/c	Dr.
To Calls-in-Advance A/c	

(2) On adjustment of calls-in-advance when it is paid:

Calls-in-Advance A/c	Dr.
To Relevant Call A/c	

(3) Interest due on calls-in-advance:

Interest on Calls-in-Advance A/c	Dr.
To Shareholders A/c	

(4) On payment of interest on calls-in-advance:

Shareholders A/c	Dr.
To Bank A/c	

(5) On transfer of interest on calls-in-advance to profit and loss account:

Profit and Loss A/c	Dr.
To Interest on Calls-in-Advance A/c	

JOURNAL ENTRIES FOR ISSUE OF SHARES FOR CONSIDERATION

(1) On taking over assets and liabilities from vendor:

Assets A/c	Dr.
To Liabilities A/c	
To Vendor's A/c	

(2) Issue of shares:

(a) If shares are issued to Vendor at par:

Vendor's A/c	Dr.
To Share Capital A/c	

(b) If shares are issued to vendors at premium:

Vendor's A/c	Dr.
To Share Capital A/c	
To Securities Premium A/c	

(c) If shares are issued to vendors at discount:

Vendor's A/c	Dr.
Discount on Issue of Shares A/c	Dr.
To Share Capital A/c	

JOURNAL ENTRIES FOR FORFEITURE AND RE-ISSUE OF FORFEITED SHARES

(1) For forfeiture of shares issued at par:

Share Capital A/c	Dr.
To Share Allotment A/c	
To First/Second/Final Call A/c	
To Share Forfeiture A/c	

OR

Share Capital A/c	Dr.
To Calls-in-Arrears A/c	
To Share Forfeiture A/c	

(2) For forfeiture of shares issued at premium :

Share Capital A/c	Dr.
Securities Premium A/c	Dr.
To Share Allotment A/c	
To First/Second/Final Call A/c	
To Share Forfeiture A/c	

OR

Share Capital A/c	Dr.
Securities Premium A/c	Dr.
To Calls - in -Arrears A/c	
To Share Forfeiture A/c	

(3) For forfeiture of shares issued at discount:

Share Capital A/c	Dr.
To Share Allotment A/c	
To First/Second/Final Call A/c	
To Discount on Issue of Shares A/c	
To Share Forfeiture A/c	

OR

Share Capital A/c	Dr.
To Calls-in-Arrears A/c	
To Discount on Issue of Shares A/c	
To Share Forfeiture A/c	

Note: If Share Allotment A/c, Share First Call A/c, Share Second Call A/c and Share Final Call A/c are closed by debiting Share Capital A/c, Calls-in-Arrears A/c will be credited instead of crediting respective Share Allotment account and Call account.

(4) For re-issue of forfeited shares:

Bank A/c	Dr.
Share Forfeited A/c	Dr.
To Share Capital A/c	

(5) Share issue expenses paid:

Share Issue Expenses A/c	Dr.
To Bank A/c	

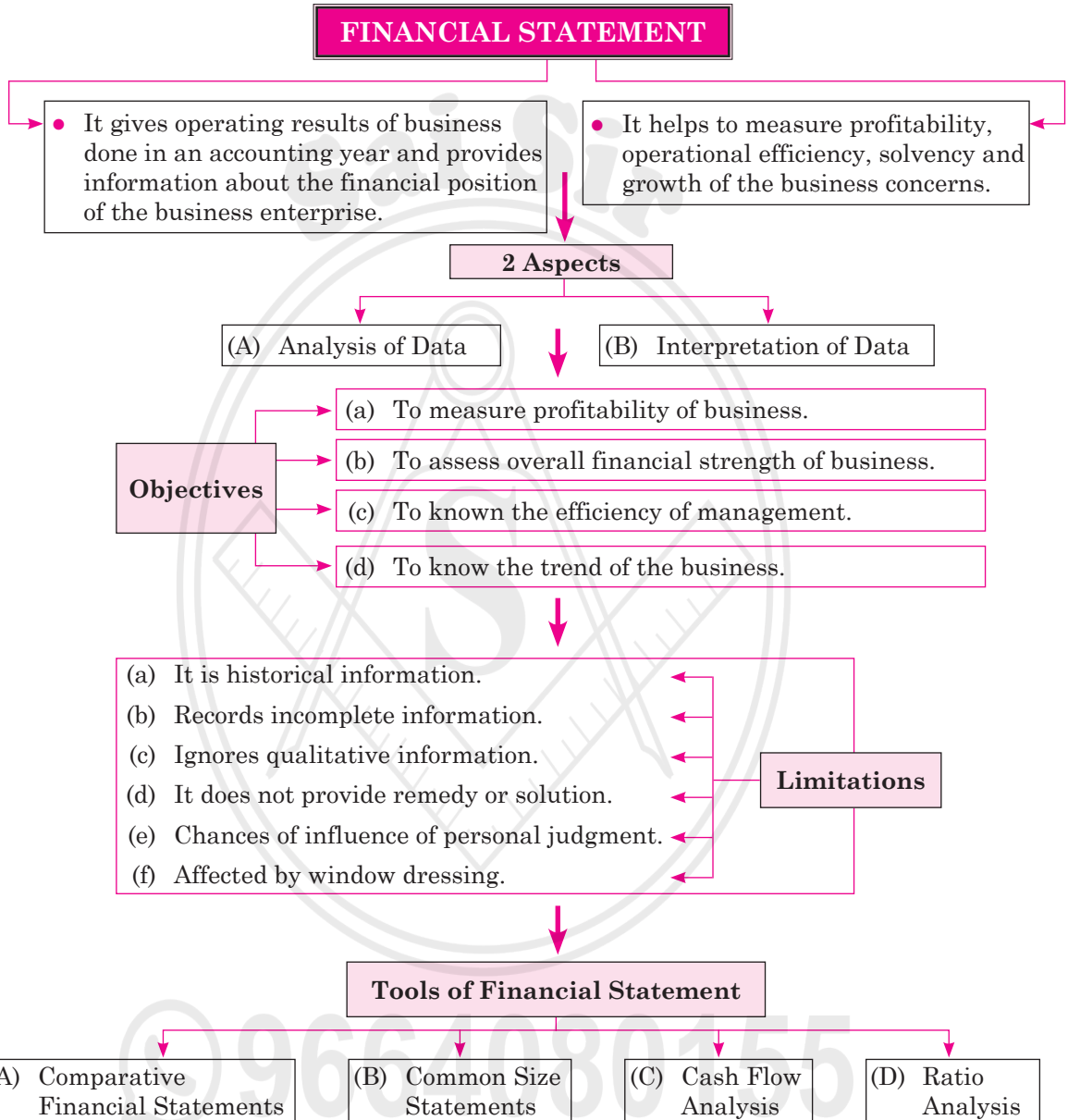


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MEMORY CHART

1



2

COMPARATIVE FINANCIAL STATEMENTS

- It is prepared on the basis of financial statements of **two periods**.
- Object is to see increase or decrease in assets, liabilities and expenditure in current year as compared to last year.

STEPS TO PREPARE THE COMPARATIVE BALANCE SHEET

Step 1: Enter the details of Assets and Liabilities in the first column.

Step 2: Enter the amount of Previous years Balance Sheet in second column.

Step 3: Record the amount of Current years Balance Sheet in third column.

Step 4: Record the absolute changes (i.e. difference between column of current year and previous year) in fourth column.

Formula for Absolute Change = Current Year – Previous Year

Step 5: Record the percentage changes (i.e. expressing absolute change in percentage of figures of previous year) in fifth column.

Formula for % of change = $\frac{\text{Absolute Change}}{\text{Previous Year}} \times 100$

STEPS TO PREPARE THE COMPARATIVE INCOME STATEMENT

Step 1: Enter the amount of Income and Expenditure in first column.

Step 2: Enter the figures of previous years income statement in second column.

Step 3: Enter the figures of current year income statement in third column.

Step 4: Enter the absolute changes (i.e. difference between figures of current year and previous year) in fourth column.

Formula for Absolute Change = Current Year – Previous Year

Step 5: Enter the percentage changes (i.e. expressing absolute changes as percentage of figure of previous year) in fifth column.

Formula for % of change = $\frac{\text{Amount of Absolute Change}}{\text{Amount of Previous Year}} \times 100$

3

COMMON SIZE STATEMENTS

- In this method, individual figures are converted into percentage to some common base.

Common Base (100)

In case of Balance Sheet

- (a) Total Assets or
- (b) Total Liabilities

In case of Income Statement

- (a) Total Net Sales

STEPS TO PREPARE THE COMMON SIZE BALANCE SHEET

Step 1: Enter the number of items in Balance Sheet.

Step 2: Enter the absolute amount of different types of Assets and Liabilities of previous years Balance Sheet.

Step 3: Enter the absolute amount of different items of Assets and Liabilities of current year Balance Sheet.

Step 4: Enter the percentage relations of different items Balance Sheet to total Assets/Liabilities of previous year which are taken as 100.

Step 4: Enter the percentage relation of different items of current year Balance Sheet to total Assets/Liabilities of Current year which are taken as 100.

4

CASH FLOW ANALYSIS

- Statement showing changes in cash and cash equivalents during a period is called as cash flow statement.

STEPS TO PREPARE CASH FLOW STATEMENT

(A) Cash flow from Operating Activities

(B) Cash flow from Investing Activities

(C) Cash flow from Financing Activities

5

CASH FLOW FROM OPERATING ACTIVITIES

Cash Inflow	Cash Outflow
(1) Cash receipts from sale of goods	(1) Cash paid for purchase of goods
(2) Cash receipts from debtors	(2) Cash paid to creditors
(3) Receipt of Commission	(3) Cash paid for operating expenses
(4) Cash receipts from royalty	(4) Cash paid for wages
(5) Cash receipts from other sources	(5) Cash paid for income tax

6

CASH FLOW FROM INVESTING ACTIVITIES

Cash Inflow	Cash Outflow
(1) Cash received from sale of property including intangible assets	(1) Cash paid for purchase of fixed asset
(2) Cash received from sale of shares and other investments	(2) Cash paid for purchase of shares and other investments
(3) Cash received from interest and dividend	(3) Cash paid for brokerage, commission for buying investments

7

CASH FLOW FROM FINANCING ACTIVITIES

Cash Inflow	Cash Outflow
(1) Cash received from issue of share, debentures, bonds, etc.	(1) Repayment of debt and loan of long term
(2) Cash borrowed from short term and long term source	(2) Interest paid on loans and debentures
	(3) Dividend on shares

8

FORMAT OF CASH FLOW STATEMENT

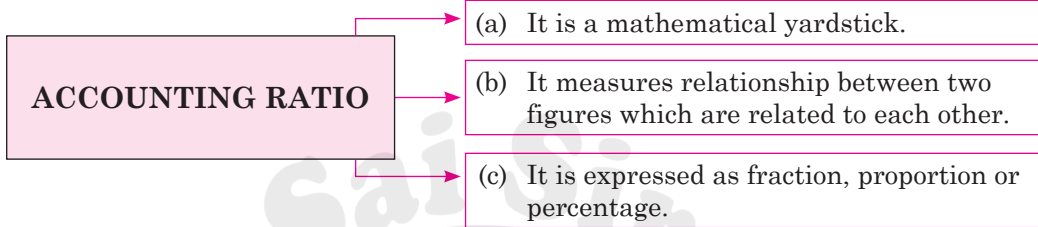
Cash Flow Statement for the year ended _____

Particulars	Amount (₹)	Amount (₹)
(I) Cash Flow from Operating Activities	XXX	
Net Profit		
Adjust Non Cash/Non operating Items		
(+) Depreciation	XXX	
(+) Interest Paid	XXX	
(+) Loss on Sale of Asset	XXX	
(-) Interest/Dividend Received	(XXX)	
(-) Profit on sale of Asset	(XXX)	
Adjust working capital changes		
Add : Increase in Current Liabilities	XXX	
Add : Decrease in Current Assets	XXX	
Less : Increase in Current Assets	(XXX)	
Less : Decrease in Current Liabilities	(XXX)	
Cash generated from Operations		XXX
(II) Cash Flow from Investing Activities		
Add : (1) Interest/Dividend received	XXX	
(2) Sale of Asset/Investment	XXX	
Less : (1) Purchase of Fixed Asset/Investment	(XXX)	
Net Cash from Investing Activities		XXX
(III) Cash Flow from Financing Activities		
Add : (1) Issue of Shares/Debentures	XXX	
(2) Loan borrowed	XXX	
Less : (1) Redemption of Share/Debentures	(XXX)	

(2) Loan Repaid	(XXX)	
(3) Interest/Dividend paid	(XXX)	
Net cash from Financing Activities		XXX
Add : Cash at beginning (Op. Bal. of Cash + Bank)		XXX
Cash at end (Cl. Bal. of Cash + Bank)		XXX

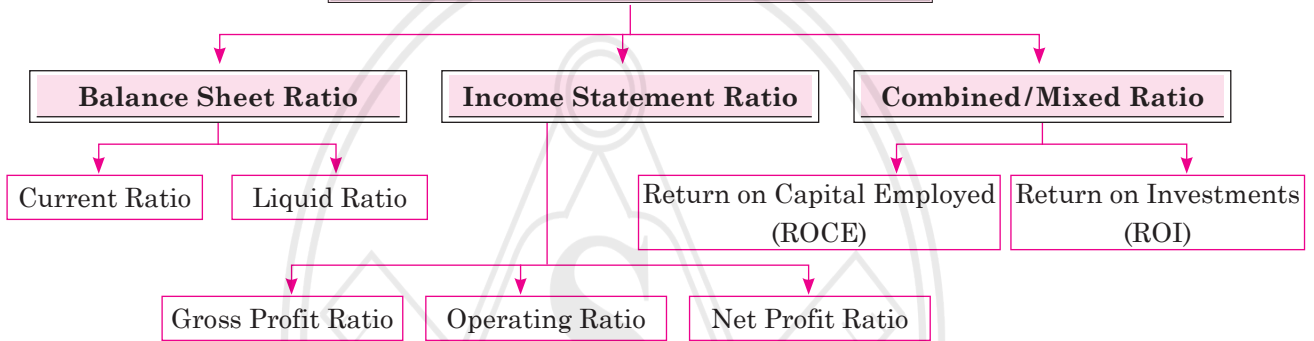
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RATIO ANALYSIS



10

CLASSIFICATION OF RATIO

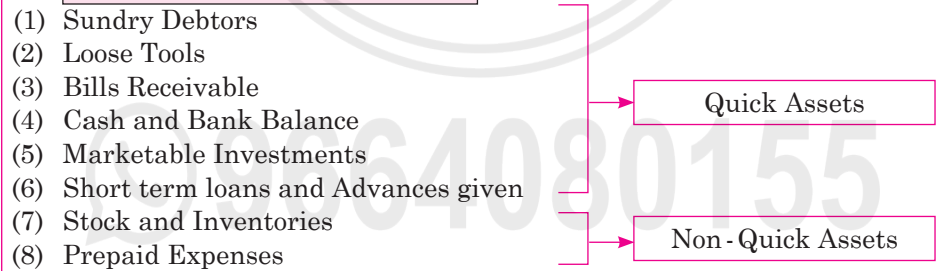


11

BALANCE SHEET RATIO

<p>Current Ratio</p> <ul style="list-style-type: none"> • Formula : $\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$ • Satisfactory Ratio = 2 : 1 	<p>Liquid Ratio/Quick Ratio/ Acid Test Ratio</p> <ul style="list-style-type: none"> • Formula : $\text{Liquid Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities/Current Liabilities}}$ • Satisfactory Ratio = 1 : 1
---	--

CURRENT ASSETS



CURRENT LIABILITIES



12

INCOME STATEMENT RATIO

Gross Profit Ratio

- **Formula:**

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

Operating Profit Ratio

- **Formula:**

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$$
- Operating Profit = Gross Profit – Operating Expenses
- Operating Expenses = Office and Administrative Expenses
 = (+) Selling and Distribution Expenses
 = (+) Finance Expenses

Net Profit Ratio

- **Formula:**

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$
- Net Profit = Operating Profit
 = (+) Non-operating Income
 = (-) Non-operating Expenses

13

COMBINED OR MIXED RATIO

Return on Capital Employed (ROCE)

- **Formula:**

$$\text{ROCE} = \frac{\text{Net Profit before Interest and Tax}}{\text{Equity or Capital Employed}} \times 100$$
- Capital Employed = Total Assets – Current Liabilities
 = Fixed Assets (+) Current Assets (-) Current Liabilities

Return on Investments (ROI)

- **Formula:**

$$\text{ROI} = \frac{\text{Profit before Interest, Tax and Dividend}}{\text{Capital Employed}} \times 100$$

14

FORMAT OF VERTICAL BALANCE SHEET

_____ Company Ltd.
 Balance Sheet as on _____

Particulars	Amount (₹)	Amount (₹)	Amount (₹)
(I) Sources of Funds			
(A) Owners Fund/Shareholders Fund.			
(a) Share Capital			
Equity Share Capital		XXX	
Preference Share Capital		XXX	
(b) Add: Reserve and Surplus			
Profit & Loss A/c		XXX	
General Reserve		XXX	
Securities Premium		XXX	

(c) Less: Fictitious Assets		(XXX)	
Net Worth/Owners Fund.			XXX
(B) Borrowed Funds			
Bank Loans		XXX	
Debentures		(XXX)	
Total Fund Available			XXX
(II) Applications of Funds			
(1) Fixed Assets		XXX	
Land and Building		XXX	
Plant and Machinery		XXX	
Furniture		XXX	
Vehicle		XXX	XXX
(2) Investment			XXX
(3) Working Capital (A - B)			XXX
(A) Current Assets			
Quick Assets			
Cash	XXX		
Bank	XXX		
Debtors	XXX		
Bills Receivable	XXX		
Total Quick Assets		XXX	
Non-Quick Assets			
Stock	XXX		
Prepaid Expenses	XXX		
Advances	XXX		
Total Non-quick Assets		XXX	
Total Current Assets	(A)	XXX	
(B) Less Current Liabilities			
Quick Liabilities			
Creditors	XXX		
Outside Expenses	XXX		
Bill Payable	XXX		
Total Quick Liabilities		XXX	
Non-Quick Liability			
Bank Overdraft		XXX	
Total Current Liabilities	(B)	XXX	
Working Capital	(A - B)		XXX
Total Funds Employed/Applied			XXX

15

FORMAT OF VERTICAL INCOME STATEMENT

_____ Company Ltd.
Vertical Income Statement for the year ended _____

Particulars	Amount (₹)	Amount (₹)
Sales	XXX	XXX
(-) Sales Return	XXX	
Net Sales		
Less: Cost of Goods Sold		
Opening Stock	XXX	
Add: Purchases	XXX	

Add: Wages	XXX	
Add: Carriage Inward	XXX	
Add: Direct Expenses	XXX	
	XXX	
Less: Closing Stock	XXX	
Net Cost of Sold Goods		XXX
Gross Profit (Net Sales – Net Cost of Goods Sold)		XXX
Less: Operating Expenses		
(a) Administrative Expenses	XXX	
(b) Finance Expenses	XXX	
(c) Selling Expenses	XXX	
Total Operating Expenses		XXXX
Operating Profit (Gross Profit – Operating Expenses)		XXXX
Add: Non-operating Income		XXX
Less: Non-operating Expenses		(XXX)
Net Profit Before Tax		XXX
Less: Tax (Charged on Net Profit before Tax)		XXX
Net Profit After Tax		XXX



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MEMORY CHART

1

COMPUTERISED ACCOUNTING SYSTEM (CAS)

- They are software programs that are stored on a company's computer, network server or remotely accessed through internet.
- It processes the financial transactions and events as per Generally Accepted Accounting Principles (GAAP) to produce reports as per user requirements.

2

FEATURES OF COMPUTER ACCOUNTING SYSTEM

- (a) Integrated Date and Information.
- (b) Accuracy and Speed
- (c) Quick Decision Making
- (d) Modern and Integrated.
- (e) Immediate availability of Books of Accounts
- (f) Security
- (g) Transparency
- (h) Grouping of Accounts

3

IMPORTANCE OF COMPUTER ACCOUNTING SYSTEM (CAS)

- (1) Automation
- (2) Multi-user facilities
- (3) Accuracy
- (4) Speed
- (5) Reduction in cost
- (6) Systematic and up-to-date records
- (7) Huge storage capacity
- (8) Compact
- (9) Transferability/Sharing Information

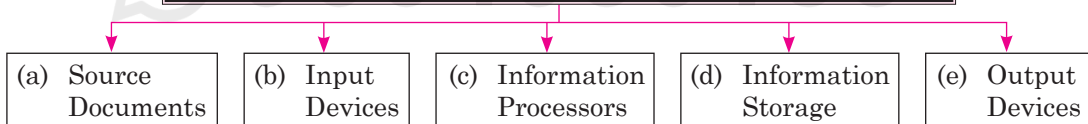
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COMPONENTS OF COMPUTERISED ACCOUNTING SYSTEM



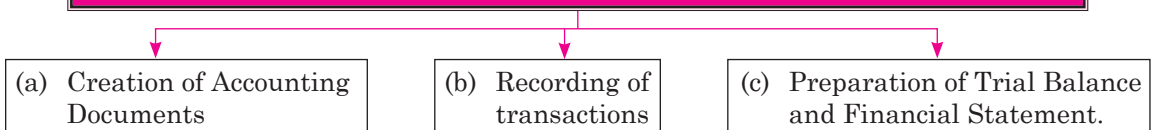
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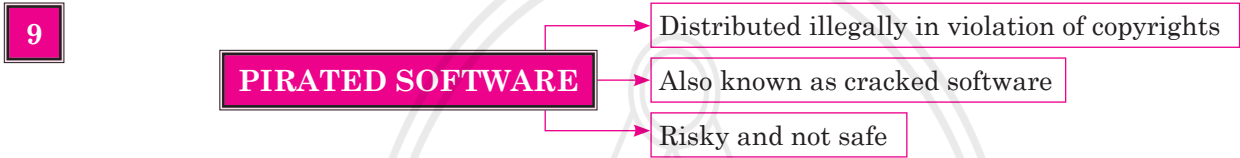
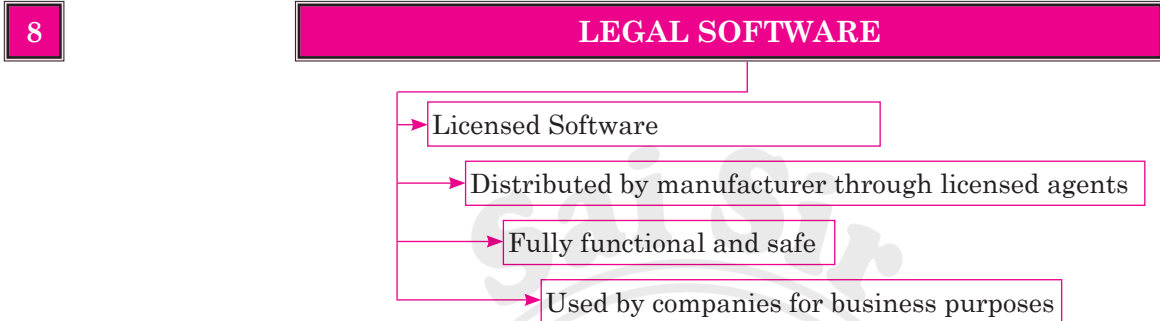
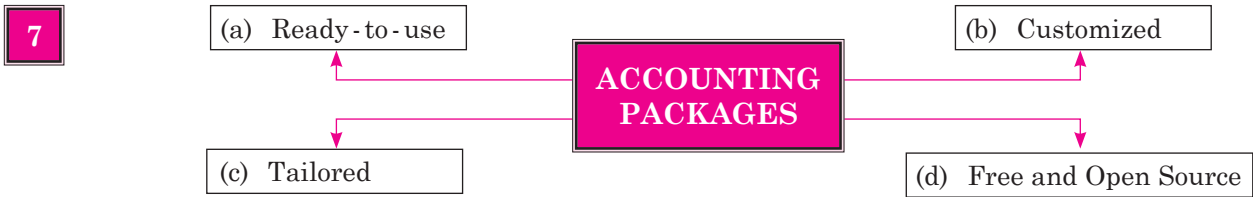
COMPONENTS OF ACCOUNTING SYSTEM



6

COMPONENTS OF COMPUTERISED ACCOUNTING SOFTWARE





10 **VOUCHER TYPES IN TALLY**

Voucher Types	Uses of Voucher types
F4(Contra)	<ul style="list-style-type: none"> • Cash withdrawn from bank. • Cash deposited into bank. • Fund transfer from one bank/cash account to another bank/cash account.
F5(Payment)	<ul style="list-style-type: none"> • Payment voucher records all the payment made through bank and cash. • Cash purchase transactions are also possible in this voucher type. • Payment voucher has two modes of journal entry , Single Entry Mode or Double Entry Mode.
F6(Receipt)	<ul style="list-style-type: none"> • Receipt voucher records all receipt into bank accounts or cash accounts. • Cash sale transaction is possible. • Receipt voucher has two modes of journal entry , Single Entry Mode or Double Entry Mode.
F7(Journal)	<ul style="list-style-type: none"> • Journal voucher is used for non-cash transactions. • Journal voucher should not be used for credit sales and credit purchases. • Journal Voucher is known for adjustment entry. It is used to adjust the debit and credit amount without including the cash account or bank account.
F8(Sales)	<ul style="list-style-type: none"> • Sales voucher is used to record sales related transactions in a Company. • Sales voucher is used for cash sales as well as credit sales. • This voucher has two modes, “As Invoice” or “As Voucher”.
F9(Purchases)	<ul style="list-style-type: none"> • Purchase voucher is used to record purchase related transaction in a company. • Purchase voucher is also used for all credit purchase transactions. • This voucher has two modes, “As Invoice” or “As Voucher”.

11 **SHORTCUT KEYS IN TALLY**

F1	To select a company / To select the Accounts Button and Inventory buttons
F2	To change the menu period / To change the Date
F3	To select the company
F4	To select the Contra voucher

F5	To select the Payment voucher
F6	To select the Receipt voucher
F7	To select the Journal voucher
F8	To select the Sales voucher
F8 (CTRL + F8)	To select the Credit Note voucher
F9	To select the Purchase voucher
F9 (CTRL + F9)	To select the Debit Note voucher
F10	To select the Reversing Journal voucher
F10 (CTRL + F10)	To select the Memorandum voucher
F11	To select the Functions and Features screen
F12	To select the Configure screen
ALT + 2	To create Duplicate Voucher entry
ALT + A	To Add a voucher
ALT + C	To create a master at a voucher screen
ALT + D	To delete a voucher / To delete a master
ALT + I	To Insert a voucher
ALT + N	To view the report in automatic columns (Multiple Columns at all reports, Trial Balance, Cash/Bank books, Group Summary & Journal Reg)
ALT + Y	Register Tally
ALT + P	To print the report
ALT + X	To cancel a voucher in Day Book / List of Vouchers
CTRL + G	To select the Group
CTRL + L	To select the Ledger
CTRL + V	To select the Voucher Types
CTRL + T	Mark any voucher as Post Dated Voucher
ALT + F1	To close a company / To view detailed report
ALT + F2	To change the system period
ALT + F3	To select the company info menu / To Create / To Alter / To Shut a Company
ALT + F4	To select the Purchase Order Voucher Type
ALT + F5	To select the Sales Order Voucher Type / To view monthly and quarterly report
ALT + F6	To select the Rejection Out Voucher Type / To change the Sales Order Voucher Type
ALT + F7	To select the Stock Journal Voucher Type / To accept all the Audit lists
ALT + F8	To select the Delivery Note Voucher Type / To view the Columnar report
ALT + F9	To select the Receipt Note Voucher Type
ALT + F10	To select the Physical Stock Voucher Type
ALT + F12	To filter the information based on monetary value
ENTER	To accept anything you type into a field
ESC	ESC To remove what you typed into a field / To come out of a screen

