

2ND ICA-JAPAN TRAINING PROGRAMME ON
FINANCIAL ACCOUNTING

Prof. Paresh J. Bhatt

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**2ND ICA-JAPAN TRAINING COURSE
ON
Enhancement of Farmers' Income & Poverty
Reduction through Co-operatives.**

**: Subject :
FINANCIAL ACCOUNTING**

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SESSION PLAN

Session	Particulars		Page Nos.
01.	Topic	Introduction to Accounting.	
	Reading	Nature and purpose of accounting , transactions, importance, concepts, relation with other areas of management, nature of transactions, terminology.	01-06
02.	Topic	Journal Entries , Ledger Postings.	
	Reading	Accounting Mechanics Part I & II , Day Books, rules for doing accounting entries, ledger.	10-12
	Practice	Transactions and Nature of Accounts, Journal entries of transactions, Day books.	20-22
03.	Topic	Preparation of Trial Balance , Final Accounts.	
	Reading	Accounting Mechanics Part I & II , Day Books, rules for doing accounting entries, ledger and Trial Balance.	14-15
	Practice	Journal entries, Ledger posting and preparation of trial balance as per example in reading material.	23-28
04.	Topic	Preparation of Final Accounts, Adjustment entries.	
	Reading	Closing Entries and Final Accounts. Journal, Ledger, Trial Balance and Final Accounts.	13-15
	Practice	Exercises.	30-41
05.	Topic	Internal Control and Independent Audits.	16-17
	Discussions	Review of all topics. Exchange of participants experiences. Question Answers and queries solution session.	01-19

THE NATURE AND PURPOSE OF ACCOUNTING

Accounting defined :

Accounting means commercial recording, analysis and reporting of transactions which take place in an organization during a defined period.

The Essential Features of Accounting :

01. There has to be a transaction;
02. The transaction is recorded permanently;
03. The recording process is based on universally accepted commercial principles already defined by Accounting bodies;
04. The recording is a continuous process, however, is classified into a predefined time period – say One day, One month, Six months and One year.
05. The recording of transactions is done on same principles in all types and forms of organizations –be it a business organization or a non business –non profit organization, an organization in private sector, Govt. sector or co-operative sector, for the business of an individual, a partnership firm, a private limited company or a public limited company .

Transaction defined :

This is an act which takes place between two individuals or two organizations or an individual and an organization by which both parties are benefited. One party gets goods, services or satisfaction for doing good to society and other party gets money immediately or gets a promise to get money at a future date.

Example :

Following transactions took place in an Agriculture Society named as 'AgroCrop' in the month of December, 2007 :

<u>Date</u>	<u>Transactions</u>	<u>Amount (INR)</u>
01.	Salary paid to employees .	10,000/-
05.	Cash brought by Founder for capital.	1,00,000/-
06.	Loan received from National Bank	2,00,000/-
06.	Rent paid to office premise owner.	3,000/-
07.	Membership Fee received.	20,000/-
08.	Subscription received.	5,500/-
08.	Diesel cost incurred.	1,000/-
10.	Seeds purchased from Seeds Corporation on credit.	15,000/-

14.	Seeds sold to Mr. Okasa on credit.	10,000/-
20.	Seeds sold to other farmers in cash.	15,000/-
25.	Wages paid.	1,000/-
26.	Payment made to Seeds Corporation.	10,000/-
27.	Payment received from Mr.Okasa.	8,000/-
28.	Furniture purchased.	1,00,000/-
29.	Goods stolen.	500/-
31.	Cash received from Mr.Okasa and Discount allowed for the balance sum.	1,500/-

Provide depreciation on assets @ 10 % p.a.

Please do accounting of above transactions. Accounting done in 'Annexure-II'

Need for Accounting :

The Accounting of transactions assumes importance for various reasons which can be understood as under :

01. Financial viability :

The accounting information indicates the ability of the organization to continue to provide the services for which it exists. Viability in a non-business organization is indicated not only by the usual test of solvency and liquidity but the degree of resource transferability.

02. Fiscal compliance :

The management of a non-business organization ordinarily must comply with a number of spending rules. Some of these are legally prescribed by external parties (those who have given donations, grants, contributions etc) and others are the expressed intentions of the governing body i.e. the objectives for which the organization stands.

03. Management performance :

Management's responsibility is greater than merely complying with the rules. Management is fundamentally responsible for spending money wisely. Thus users of Accounting reports are interested in how well the money was spent to the extent that accounting can shed light on this. There is a term ' Accountability ' or 'Stewardship' which is used for this idea.

04. Cost of services provided :

In most of organizations the amount of spending for various programmes is important information to users. Members are interested in knowing how much their Society spends on cultural programmes and celebrations as compared to subsidizing daily need goods through their provision stores etc.

ACCOUNTING IS KNOWN AS THE EYES OF THE ORGANIZATION.

Accounting Concepts :

01. Entity Concept :

The Entity i.e. organization consists of many persons and bodies. They include the owners-shareholders in case of a company or a co-operative society, partners in case of partnership firm, a proprietor in case of a proprietorship firm. Similarly the entity like a public charitable trust or a Society includes Trustees or the members of the Governing body as the case may be and the donor or funding agencies. An entity exists primarily to produce goods and services. Hence, in the ultimate analysis, the results of the operations must be related to the entity itself and they are distinct from the owners, trustees, members of the board and the donor agencies. Accordingly, the accounting process must be related to the operation of the entity distinct from the persons within that entity.

02. Going concern Concept :

For every organization it has to be believed that it shall be continually running for ever without any interruption with continuing activity till such time as it is legally permitted. It is for this reason that for purposes of accounting, organizations are presumed to carry on their operations indefinitely till such time as they are liquidated.

03. Consistency Concept :

For every organization , it is customary to observe the policies , procedures , practices , internal rules and valuation methods same for every accounting period without bringing in changes year to year to ensure that the data over a period of years become comparable by users for performance analysis and for funding etc.

For example : The stock are valued at cost or selling price whichever is lower ;
The bought out raw material / stores etc are consumed based on First In First Out (FIFO) method ;
The depreciation on assets is calculated by Straight Line Method .

Once these methods are decided, the organization should follow same methods every year.

04. Mercantile (Accrual) basis concept :

The transactions for the relevant period are reflected in Income & Expenditure Account irrespective of the fact that Cash has come or gone out or not. If a transaction is done on credit without involving immediate cash and if it relates to period in question, it has to be

recorded to reflect in Income & Expenditure Account for the said period. Actual cash may be paid or received later on.

Relation with other areas of Management :

Financial Accounting has every information which is useable by other areas of management like :

01. Finance Management : Finance Management function needs data related to expenses and income , assets and liabilities and provisions for future. This information is needed to know current financial position , future finance requirements, sources of finance and for procurement of finance from funding agencies.

02. Cost Accounting : The management of an organization invariably needs information on cost of products or services produced or procured and provided to people . Thereby it wants to know whether the available resources of the organization have been utilized and are being utilized appropriately or not. Besides, what is going to be future estimates of cost of production and estimated profitability.

03. Budgeting : The financial accounting data provides all inputs for preparing budgeted Income, budgeted expenses and budgeted profit / loss and budgeted Cash Inflow and Cash Outflow and Cash balances. This highlights the need of the organization for putting effort to arrange for funds well in time so that the laid down objectives can be achieved.

04. Reporting : The organizations are required to get their financial transactions audited and reported to Bankers, Members , Government and other related agencies to report their overall performance as also for borrowing requirements and grants etc.

05. Project Management : Organizations including Non-Profit Organizations often undertake projects awarded by outside agencies, Government or are undertaken by their own-self and some times more than one project are running at a time . Proper allocation of cost , making funds available to each project as per assessed requirements, arranging funds for these projects, knowing performance of individual project etc becomes possible due to strong accounting system in practice, in the absence of which all the objectives come under confusions, doubts and crisis.

Nature of Transactions

01. Expense : This is the amount spent on producing goods and/or services which have been used for operating activities of the current year.

For example : Rs.12,000/- premium for general insurance of NGO's property has been paid on 31st October, 2007 for one year . The accounting year of the organization ends on 31st March , 2008. Rs.5,000/- is the expense and balance is prepaid expense.

02. Expenditure : This is the amount of goods and/or services acquired during the current year whether or not used in the operating activities of that period.

For example : Rs. 7,000/- in above example is for next year and hence is expenditure.

03. Income : This is the amount of goods and / or services sold to the public; the amount received from investments made, sale of scrap , donations, subscription, grants etc.

04. Asset : This is the entity which helps the organization to conduct its activities for achieving its goals. This can be acquired by purchase, by donations , lease . For example : Land, Building, Furniture, Vehicles , Goods ,debtors , advance payments to vendors etc.

05. Liability : This is the amount which is available in the organization which requires to be repaid to creditors after the purpose is served.

For example : Creditors for supplies of raw materials, spares, stores etc. , payments which have become due but have not been paid so far, capital invested by the founder persons etc.

06. Revenue expense : This is the expense which takes place for carrying out routine operations of the organization. For example : Payment of Wages, Salaries, Rent, premium, cartage, purchase of raw material etc.

07. Capital expense : This is the expense which takes place to improve efficiency of existing asset of the organization or the expense which creates new assets in the organization. For example : Changing a big part of a machine which went out of order, increasing sewing machines in an NGO , addition of two new rooms to office buildings etc.

08. Revenue receipts : This is the receipt out of routine activities of the organization . For example : sale proceeds of goods produced, receipts from services rendered to public , interests received on investment , rent received from rented godown etc.

09. Capital receipts : This is the sum received by disposing off assets e.g. sum received by selling old furniture , selling Securities etc.

10. Outstanding expense (O/s exp) : This is the expense which is incurred (the incidence of which has taken place as it relates to current year) but has not been paid in cash.

11. Prepaid expense (P/p exp) : This is the expense which is paid in advance i.e. for the next year/years.

12. Accrued Income (Acc. Inc) : This is the income which has been earned but has not been received in cash in the current year. This needs to be accounted for in the current year only under Mercantile System of Accounting unlike Cash System of Accounting.

13. Unearned Income (U/e Inc): This is the income which relates to next year/years but has been received in the current year which can not be regarded as income for the current year and hence should be excluded from the computations of current year's Income.

TERMINOLOGY

01. A/c - Account : A place where similar transactions are recorded and balance is drawn on a particular/pre-specified date.

02. Bal. - Balance : This is the remaining sum as a difference between debit and credit sum.

03. c/d - Carried down : The balance which is taken to next period .

04. b/d - Brought down : The balance which has been brought in next period from previous period .

05. Op. St. - Opening Stock : The stock of goods at the start of the period.

06. Clo. St. - Closing Stock : The stock of goods at the end of the period.

07. To - This denotes DEBIT Side.

08. By - This denotes CREDIT Side.

09. G.P. - Gross Profit - This is the profit on sale from which other administrative expenses are further to be deducted.

10. N.P. - Net Profit - This is the profit from which no expense is to be deducted i.e. it is net after deduction of all expenses and after addition of all incomes.

11. PBIDT - Profit Before Interest, Depreciation and Tax .

12. PBIT - Profit Before Interest and Tax .

13. PBT - Profit Before Tax.

14. P & L A/c - Profit & Loss Account.
15. I & E A/c - Income & Expenditure Account.
16. R & P A/c - Receipt & Payment Account.
17. B/s - Balance Sheet.
18. GAAP - Generally Accepted Accounting Practices. (Indian GAAP, US GAAP etc.)
19. A.S. - Accounting Standard. (Premier Accounting Bodies have issued guidelines on principles and practices on certain critical issues in Accounting. Now these voluntary guidelines have been made mandatory). For example- Indian Accounting Standards are issued by The Institute of Chartered Accountants of India. International Accounting Standards are issued by International Accounting and Auditing Council (IAAC) and for all global transactions, organizations have to comply by these standards while recording and reporting their performance.
20. Investment - This is an amount which has been spent to acquire an asset with the expectation to get returns in cash or service from it over a specified period of time. For example – buying a building, machinery, equipment, companies' shares , Govt. Securities ,spending on converting a thought into a reality etc.
21. Return on Investment (ROI) – This is the reward that comes out of money invested in any asset or project. The return on investment is measured as percentage of return on amount invested . Similar working is done for other alternatives available for making investments . The alternative for investment which gives best / highest return is selected.
22. Interest - This is the reward of capital spared for an activity. The interest becomes payable to lender when a sum has been borrowed. When the sum has not been borrowed but the saved amount of the promoter has been used in organization , he/she has not to pay any interest on capital so used , however, earning of interest on such amount is being sacrificed by not investing outside the organization. This is called "Opportunity Cost" and this cost is accounted for in the books to arrive at correct cost of goods/services generated by the organization.
23. Bad Debts and Doubtful Debts - When the debtors (who owe money to the organization) declare their inability to pay for the goods/services bought by them, such amount, which is never recoverable by any means, is known as Bad Debt and is charged to Income as a loss to the organization. When the debtors do not declare their inability, however, due to their behaviour or on the basis of reports from banks or from market, if it is realized that they may or may not make payment and declare their inability , it is known as Doubtful Debt and a provision for such probable loss is charged to Income & Expenditure Account for the given period.

ACCOUNTING MECHANICS & BASIC RECORDS - PART - I

In order to prepare the financial statements, accounting transactions are required to be recorded, classified and summarized. The mechanics of accounting in a sequential order is described in the following paragraphs. This Note covers the first 5 steps, and Part II covers the balance steps.

01. An accounting transaction takes place.
02. The transaction is recorded in a document called “ Voucher” providing all the necessary details of the transaction (Types of vouchers are described later).
03. Depending upon the nature of the transaction, the names of accounts are selected and written in the voucher.
04. The transaction is then recorded in either one of the special day books or Journal Proper.
05. From the day books or journal proper, the relative amounts and details are posted to the debit / credit side in the ledger (general ledger).

While describing the rules for Journal Entries later in this note, the words “debit” and “credit” are introduced along with the rules for debit and credit.

06. Whenever the financial statements are required to be prepared (monthly or quarterly for MIS purposes or at the end of the financial year for statutory purposes) then closing/adjustment transactions are identified and posted in the ledger.
07. The balances of each account in the ledger are computed and are transferred on a Trial Balance to verify the accuracy.
08. From the Trail Balance, Profit & Loss Account or the Income & Expenditure Account is prepared first. The balance sheet is prepared at the end after incorporating any appropriations made from the profit of the year.
09. The books of accounts are then closed for that accounting year and new books for the next accounting year opened with opening balances in the asset and liability accounts carried forward from the previous year’s closing balances.

Types of Vouchers :

Depending upon the size of the organization and nature of transactions taking place in that organization, the following types of vouchers may be required :

01. Cash Receipt / Payment Voucher : To record receipt or payment of cash.
02. Bank Receipt/ Payment Voucher : To record receipt or payment through cheques.

03. Purchase Voucher : To record purchase on credit terms; Any cash purchases are recorded through cash /bank payment voucher depending upon the mode of payment i.e. cash or cheque.
04. Expense Voucher : To record expenses as soon as they are incurred and not paid for in cash immediately i.e. Electricity or Telephone bill s.
05. Sales Invoice : To record sales transactions.
06. Journal Voucher : To record any transaction which can not be recorded through any of the above vouchers e.g. closing/adjustment entries, depreciation entries, entries to rectify mistakes made while recording original entries.

A Voucher is a fundamental paper of Accounting which is authenticated by two/three persons in different hierarchy to authenticate the transaction.

Types of Day Books

The purpose of a day book is to record the details of similar transactions in one book. Generally, the following day books are maintained :

01. Cash Book ;
02. Bank Book ;
03. Sales Day Book ;
04. Purchase Day Book ;
05. Sales Return Day Book;
06. Purchase Return Day Book;
07. Journal Proper (Only for Journal Vouchers).

As an Accounting Principle – All transactions of Cash, bank, Sale, Purchase ,Returns and Journal Voucher related transactions are first recorded in Journal and then are posted into Ledger. The recording of transactions in aforementioned books is voluntary .

As an Accounting Practice- All transactions are recorded directly in respective Day Book only and then a summary is recorded in Ledger in respective Account. Only Journal voucher related transactions are recorded in Journal Proper.

The contents of various day books would be different . Day books permit to record similar transactions at one place. Thus, a day book is a chronological record of similar transactions.

RULES FOR DOING ACCOUNTING ENTRIES

In order to make first noting (making an entry) of any transaction in Day Book or in Journal Proper or in Journal Proper only as an accounting principle, the nature of each transaction is required to be known clearly so that appropriate rule is applied to it for making entries.

For this purpose, we need to know basic concept of Accounting which follows as under :

CONCEPT :

01. Every Transaction is known as an Account.(An account is a place where all related transactions of same nature are put together to take a stock of all of them on a particular day or in a specified interval);
02. Every transaction affects TWO Accounts necessarily; This is known as Double Entry System of Accounting unlike Single Entry System which was practiced traditionally and is now stopped;
03. Both Accounts thus affected bear same information in opposite direction;
04. This direction is called SIDE;
05. The Names of these sides are “DEBIT” (Dr.) and “CREDIT” (Cr.).
06. Thus any point of time, total of both sides should be same. This ensures arithmetical accuracy;
07. Writing transaction with two sides with Dr and Cr is called Journal Entry;
08. Sorting Journal Entries by putting same nature transaction and putting them at one single place is known as Ledger Posting where Accounts are opened in T shape and Balances are drawn;
09. Extracting these balances from all Accounts and putting them in Amount columns of Dr. and Cr. and tallying them with each other is known as Trail Balance;
10. Extracting appropriate account balances and putting them to find out Income & Expenditure for a specified period is known as preparation of Final Accounts or Financial Statements of the organization;
11. Lastly remaining balances from the Trail Balance are put into one Statement which is known as Statement of Affairs or Balance Sheet as on a particular date which shows the status of Assets and Liabilities of the organization on a particular date;
12. All transactions that take place in any organization are put into three categories namely :

A. Real Account Transactions : Any thing which is visible is categorized as Real Account. Examples are Cash, Building, Furniture, Goods ,Books, Vehicles etc.;

B. Personal Account Transactions : Any transaction which denotes a name of a person/Organization is a Personal Account.

C Nominal Account Transactions : Any transaction which deals with an expense or income, profit or loss which is invisible and intangible is known as Nominal Account.

RULES OF ENTRIES :

01. REAL ACCOUNT : Debit what comes in and Credit what goes out.
02. PERSONAL ACCOUNT : Debit the Receiver and Credit the Giver.
03. NOMINAL ACCOUNT : Debit all Expenses and Losses and Credit all Income and Profit.

(Exercises at page no.20 onwards)

LEDGER :

An organization enters into a variety of transactions and hence, it needs to sort (technically speaking – to post) these transactions and accumulate the effects of *similar transactions*.

This is done on the basis of the nature of accounts involved (e.g. sale, purchase, traveling expenses, salaries, wages, purchase of assets, payment of liabilities etc) and opening separate pages for each account in a register called “Ledger” or “General Ledger”. Thus a ledger is a group of accounts covering assets, liabilities, income and expenses. A list of Accounts for which separate pages are opened in the Ledger is called “Chart of Accounts”. Depending upon the volume of transactions expected, a few pages are left blank between two accounts.

As mentioned earlier, the related amounts are posted in the ledger account from the day book or journal. The difference in the entries in the day book and the same entries in the ledger is that day book contains the details of entire transactions whereas the Ledger contains summary posting of all similar transactions occurred on that day. For example, 5 sales invoices were raised on 5 different customers on the same day. The Sale Day Book would contain entire details of 5 transactions *separately* whereas the Ledger would have one summary entry in the Debtors Account (asset account) and Sales account (income account).

Each page of Ledger is numbered and this number is called “Ledger Folio No”. When the details are transferred from the day book, L.F.No. of Ledger is written against the entry in the day book and the page no. of day book is written against the entry in the Ledger. This helps in cross-checking of entries. However, its relevance is lost because of the computerized accounting systems.

All accounts in the ledger appear in the shape of English alphabet “T” and hence, they are also called “T” Accounts as shown below :

Debit Side				Title of Account e.g. Cash Account				Credit Side			
Date	Particulars	J.F.	Amount		Date	Particulars	J.F.	Amount			

ACCOUNTING MECHANICS & BASIC RECORDS - PART - II

The Part I of the Note covered the first 5 steps of the accounting mechanics and basic records. In this Note, the balance steps are covered leading up to the closing of books of accounts for a given financial year.

01. Whenever the financial statements are required to be prepared (monthly or quarterly for MIS purposes or at the end of the financial year for statutory purposes) then all adjustment transactions are identified and posted in the day book and / or the ledger.
02. Each account in the Ledger is closed and the balance in each account is computed.
03. The closing balances of all accounts are transferred on a Trial Balance to verify the accuracy. If the sum of debits is not equal to sum of credits on a trial balance then the errors/ mistakes are detected and resolved. When the trial balance is prepared from the closing balances of ledger accounts before posting of adjustment and closing entries then it is called “ Unadjusted Trial Balance” . The trial balance after taking the effects of adjustment entries is called “Adjusted Trial Balance”.
04. From the trial balance, profit & loss account is prepared first. For this purpose, balances of revenue accounts and expense accounts are transferred to an account called “ P & L Account “ thereby making balances in revenue and expense accounts zero. Lastly, appropriation entries will be identified and posted. The balance sheet is prepare at the end after incorporating appropriations made from the profit of the year. After posting appropriations entry, the balance in “P & L Account” will become zero.
05. The books of accounts are then closed for that accounting year and new books for the next accounting year are opened with opening balances in the asset and liability accounts carried forward from the previous year’s closing balances.

Adjustment / Closing Entries :

Several adjustment / closing entries related to a given accounting period (usually April to March) are required before completing the books of accounts. Some of these adjustments for which Journal Vouchers are prepared (the transactions are recorded in Journal Proper) are as under :

01. Recording of Outstanding(unpaid) expenses;
02. Recording of Accrued Income;
03. Allocating revenues received in advance;
04. Allocating Expenditure incurred in advance;
05. Computation of the Cost of Goods sold;
06. Providing for Bad debts and Doubtful debts;
07. Writing off bad debts;
08. Amortizing of specific assets;
09. Providing for depreciation;
10. P & L Appropriation Entries.

Balancing a “ T ‘ Account

Whenever a need arises to know the balance in any of the account(especially when the financial statements are to be prepared) then one needs to “balance” that account. For this purpose, both debit and credit side amounts are totalled and the difference is written on the lower side as “balance carried down” such that both sides match. The difference is then written on that side which was having higher balance and this difference is called the “balance in T account at that point of time”. For example :

Cash in Hand Account						
Debit				Credit		
Date	Particulars	J.F.	Amount(INR)	Date	Particulars	J.F. Amount(INR)
1.10.07	To Balance b/d	12	10,000	16.10.07	By Salary	15 7,000
12.10.07	To Bank of Baroda	19	3,000	113.10.07	By Rent	20 2,000
31.10.07	To Rent A/c	27	1,000			
				131.10.07	By Balance c/d	<u>5,000</u>
			<u>14,000</u>			<u>14,000</u>
01.11.07	To Balance b/d (Debit Balance)		5,000			

TRIAL BALANCE

The trial balance is extracted from the ledger on a particular day by collecting all debit and credit balances from the ledger as on that day (e.g. Rs.5,000/- for Cash in hand as shown above). The format of trial balance is as under :

M/s Antyoday ABC, Anand
Trial Balance as on 31st October,2007

Name of the account	Amount (INR) Debit	Amount (INR) Credit
Account-1		
Account-2		
Account-n		
Total		

Financial Statements :

The organization makes accounting entries for the transactions happened during a given period and posts them in ledger and extracts their balances and puts in the trial balance which tallies on both sides of debit and credit.

This becomes base for preparation of performance related statements which are also known as financial statements which include :

01. Profit & Loss Account (for a business or a Profit making orgn.);
02. Income & Expenditure Account (for a Non-business orgn.);
03. Receipts & Payment Account;
04. Balance Sheet;
05. Cash Flow Statement.

Note :

Profit & Loss Account , Income & Expenditure Account and Receipts & Payment Account are Accounts while Cash Flow Statement and Balance Sheet are the Statements and not the Accounts. To remind, an account has to follow principle of Debit and Credit.

FINAL ACCOUNTS

The data which appear in Trial Balance are used to prepare Two Accounts and One Statement as under :

01. **Trading Account / Manufacturing Account** : This is prepared to know Gross Operating Profit/Loss of the Organization during the specified period;

Data related to Goods purchase, sale, stocks and expenses directly related to these activities are written in this account which gives gross profit/loss.

02. **Profit and Loss Account** : This account gives Net Profit or Loss during the period under study. The Gross Profit is transferred from Trading/Manufacturing account to this account and all indirect expenses and losses are written in this account.

Profit during the specified period is thus ascertained and Bonus / Dividend to the owners or the members of the societies is declared and distributed from this profit. The remaining profit for the year is transferred to a Reserve Fund which is known as General Reserve which is useable for development of the organization. The declaration and distribution of bonus / dividend is called Appropriation of Profit.

03. **Balance Sheet** : This is a statement (Not an Account) which considers Liabilities and Assets on either of its both sides and tallies both sides with each other. When the total of both sides are same, it is understood that :

- (i) Accounting has been done correctly; and
- (ii) Financial situation of the organization is normal.

All these three accounts and statement are known as Final Accounts. These are very important documents for any organization whether or not in profit as it gives an understanding towards the system of accounting which is in practice, level of accuracy which is being observed and safety of funds which are deployed in the organizational activities.

NOTE ON FIXED ASSETS ACCOUNTING

Fixed assets and their depreciation present difficult accounting and reporting problems for non profit organizations. Some organizations record and report fixed assets, some do not. Some record and report depreciation, some do not.

Fixed assets present a problem because many non profit organizations handle their affairs on a cash basis. When these organizations need to purchase a new building or equipment, they turn to their membership to raise cash for these purchases in a building or equipment fund. Having raised the money and purchased the asset, they feel there is relatively little significance in having the fixed asset on the organization's Balance Sheet except as historical record of what it cost.

This is the contrast to a commercial enterprise which is dependent upon recovering the cost of the fixed asset through the sale of goods or services to the outsiders. In a commercial business it is entirely appropriate to record the asset on the Balance Sheet and to depreciate the cost of asset over its estimated useful life. Depreciation is an expense which is charged against income for the period. If income from the sale of goods or services is not large enough to recover all the expenses including depreciation charges, the commercial enterprise is considered to have suffered a loss. If such losses occur over an extended period of time the enterprise will, of course, go bankrupt.

Reasons given for not recording Fixed Assets in Books by Non Profit Organizations :

01. The nature of non profit organizations is such that there usually is no compelling need to record the asset and then to depreciate it over a period of time. The element of matching income and cost is of little interest.
02. Non profit organizations frequently have as their principal asset buildings acquired many years ago. Because of inflation and growth in real estate values, these buildings and land are frequently worth several times their cost. To many it seems incorrect to depreciate a building on the basis of original cost when the building is known to be presently worth more than this amount.
03. If fixed assets were originally purchased out of a special building or equipment fund, it is difficult to justify recording them on the books and then depreciating them since this depreciation represent a charge against current income. Effectively it appears that the cost of building has been reported twice, once when the funds were originally raised and once when the asset is written off with the depreciation.

Alternatives for handling Fixed Assets :

01. Immediate write-off approach - Where assets are written off as purchased, in the Statement of Income and Expense.
02. Capitalization approach - Where the full cost of the asset is capitalized and recorded on the Balance Sheet. Depreciation is charged to Income for every accounting period and residual value at cost is shown in the Balance Sheet. This is now the "Generally Accepted" Accounting Principle.

NOTE ON INTERNAL CONTROL IN SMALL AND MEDIUM SCALE ORGANIZATIONS

Accounting provides valuable information which is needed for smooth and healthy functioning of an organization. This remains valuable only if it is correct and nothing wrong is being done with the accounting balances, cash and other assets of the organization by those who are custodian of all these assets or by others who could be doing all this remotely with or without the help of the people of organization. In order that every asset in the organization is secured and the accounting information is accurate and is in agreement with the actual situation, certain checks have to be deployed in the accounting system. The following discussion gives an account of these checks which may be useful universally.

Reasons for Internal Control :

01. Internal control is a system of procedures and cross checking which minimizes the likelihood of misappropriation of assets or misstatement of the accounts and maximizes the likelihood of detection if it occurs. Internal control measures many times fail in preventing embezzlement but never fail in detecting it faster;
02. It prevents the loss through theft of some of the assets;
03. It prevents honest employees from making a mistake that could ruin their lives;
04. Internal controls are designed to help remove the temptation before the employees;
05. There is a responsibility of the Board to the membership and to the general public to safeguard the assets of the organization;

CONTROL MEASURES :

The control measures discussed below gives the readers some indication of the nature of **internal control** and act as a starting point for establishing an appropriate system. These **are the basic controls** and should not be considered all-inclusive. Establishing an effective

system of internal control requires knowledge of the particular organization and its operations.

01. Pre-numbered receipts should be issued for all money at the time first received. A duplicate copy should be accounted for and a comparison eventually made between the aggregate of the receipts issued and the amount deposited in the bank;
02. Cash collections should be under the control of two people wherever possible, particularly where it is not practicable to issue receipts;
03. Two persons should open all mail and make a list of all receipts for each day. This list should subsequently be compared to the bank deposit by someone not handling the money. Receipts in the form of cheques should be restrictively endorsed promptly upon receipt;
04. All receipts should be deposited in the bank, intact and on a timely basis;
05. All disbursements should be made by cheques and supporting documentation kept for each disbursement;
06. If the treasurer or cheque signer is also the Accountant, two signatures should be required on all cheques;
07. A person other than the Accountant should receive bank statements directly from the bank and should reconcile them;
08. Some one other than Accountant should authorize all write-offs of accounts receivable or other assets; This should preferably be done by Director/CEO/MD/Chairperson etc;
09. Marketable securities should be kept in a bank safe deposit box or held by a bank as custodian;
10. Fixed assets records should be maintained and an inventory taken periodically;
11. Excess cash should be maintained in a separate bank account; withdrawal from this account should require two signatures;
12. Fidelity insurance should be carried. The purpose of fidelity insurance is to insure that if a loss from embezzlement occurs, the organization will recover the loss. For this, the organization has to have good enough records to prove that an embezzlement has taken place. That means, this coverage is not a substitute for other internal controls.

Internal Control Measures which are operative and to which the promoters are sensitive too, do provide a strong protection to the organization without which whole finance and assets of the organization is dependant on the ethical level of employees.

INDEPENDENT AUDITS

An Audit is a series of procedures followed by an experienced professional accountant to test, on a selective basis, transactions and internal controls in effect, all with a view to forming an opinion on the fairness of the presentation of the financial statements for the period. An audit is not an examination of every transaction that has been recorded; it is a series of tests designed to give the accountant a basis for judging how effectively the records were kept and the degree of reliance that can be placed on the internal controls.

The end result of an audit is the expression of an opinion.

Auditors do not examine all transactions. They do select representative sample of the transactions and examine them thoroughly. The end product of the audit is not a "Certificate" that every transaction has been properly recorded, but an expression of an opinion by the auditor on the fairness of the presentation of the financial statements.

Qualified Opinion

A "qualified" opinion is one in which the independent auditor takes exception to some specific aspect of the financial statements as presented i.e. the auditors while auditing came across an issue relating to policy, procedure etc followed by the organization which is not agreed upon by the auditor, however, which is not apparently wrong in principle then the auditor shall mention this fact in his report to make the users aware about this difference.

Adverse Opinion

This results when, in the opinion of the auditor, the financial statements do not present fairly the financial position in conformity with generally accepted accounting principles.

Disclaimer

This results when the auditor is unable to form an opinion on the financial statements. This could be the result of limitations on scope of the examination, uncertainties about the outcome of some event that would affect the financial statements in a very material way or because the records were inadequate and it was not possible to form an opinion.

The Opinion of the Auditor should be Unqualified / Clean. A Qualified / Adverse / Disclaimer opinion of an Auditor makes the financial position of an organization Doubtful. Corrective actions to eliminate such opinion should be taken forthwith.

Concluded.

<i>Chart showing transactions , their heads of accounts and nature of accounts to pass journal entries.</i>		
Sl.No.	Transactions.	Amount (INR)
01	Goods purchased	2,000
02	Goods sold	5,000
03	Purchase from N.B.Co-operatives on credit	10,000
04	Goods sold to A.B.Dairies on credit	15,000
05	Salary paid	5,000
06	Wages paid	2,000
07	Promoter brought Capital	100,000
08	Goods stolen	1,000
09	Cash stolen	2,000
10	Salary yet payable	5,000
11	Insurance premium paid for next year	2,000
12	Interest receivable	3,000
13	Rent received in advance	2,000
14	Furniture purchased	10,000

TRANSACTIONS CONVERTED INTO JOURNAL ENTRIES.

Trn. No.	Account Heads	Account Nature
01.	Goods Purchase a/c	Real A/c
	Cash / Bank a/c	Real A/c
02.	Cash / Bank a/c	Real A/c
	Goods Sales a/c	Real A/c
03.	Goods Purchase a/c	Real A/c
	N.B.Co-operatives a/c	Personal A/c
04.	A.B.Dairies a/c	Personal A/c
	Goods Sales a/c	Real A/c
05.	Salary a/c	Nominal A/c
	Cash / Bank a/c	Real A/c
06.	Wages a/c	Nominal A/c
	Cash / Bank a/c	Real A/c
07.	Bank a/c	Real A/c
	Promoter's a/c	Personal A/c
08.	Loss by Theft a/c	Nominal A/c
	Goods Purchase a/c	Real A/c
09.	Loss by Theft a/c	Nominal A/c
	Cash a/c	Real A/c
10.	Salary a/c	Nominal A/c
	People who will receive (O/s Salary)	Personal A/c
11.	Insurance co.who received premium	Personal A/c
	Cash/Bank a/c	Real A/c
12.	People who will pay Interest (Acc.Interest)	Personal A/c
	Interest a/c	Nominal A/c
13.	Cash / Bank a/c	Real A/c
	People who paid rent in advance.	Personal A/c
14.	Furniture a/c	Real A/c
	Cash / Bank a/c	Real A/c

Day Books (Only for Credit transactions)

01. PURCHASE BOOK							
Sl.No.	Date	Invoice No.	Our Purchase Ord.No.	Particulars	J.F.No.	Amount (INR)	Remarks
03.	03.11.07	543	P-1015	Goods purchased from M/s N.B.Co-operatives an NGO at Ananad vide their Challan No. XXXX dated XXXX.	01.	10,000	Goods o.k.
				Total for the day.		10,000	
02. SALES BOOK							
Sl.No.	Date	Invoice No.	Customer Purchase Ord.No.	Particulars	J.F.No.	Amount (INR)	Remarks
04.	04.11.07	212	S-4015	Goods sold to A.B.Dairies , an NGO by our Challan No. XXXX datedXXXX	01.	15,000	Excise copy sent.
				Total for the day.		15,000	

Accounting of transactions given at page 01 of Reading Material.

Journal Entries In the books of "AgroCrop" Agriculture Society for the month of December ,2007.					
Date	Particulars	Voucher No.(V.No.)	Ledger Folio (L.F.)	Amount (INR) Debit (Dr.)	Amount (INR) Credit (Cr.)
Oct-2007 01.	Salary A/c Dr. To Bank A/c (Salary paid to employees for Dec.'07)	104	01 01	10,000	10,000
05.	Bank A/c Dr. To Capital A/c (Cash brought by founder for capital)	105	01 01	100,000	10,000
06.	Bank A/c Dr. To National Bank A/c (Loan received)	106	01 01	200,000	200,000
06.	Rent A/c Dr. To Cash a/c (Rent for office premise-Dec.'07)	107	01 01	3,000	3,000
07.	Bank A/c Dr. To Membership Fees a/c (Donation received.)	108	01 01	20,000	20,000
08.	Cash A/c Dr. To Subscription a/c (Subscription received for Dec.'07)	109	01 01	5,500	5,500
08.	Fuel expenses A/c Dr. To Cash a/c (Diesel in Jeep GJ-07-AB XXXX)	110	01 01	1,000	1,000
10.	Seeds Purchase A/c Dr. To Seeds Corpn A/c (Goods purchased on credit)	111	01 01	15,000	15,000
14.	Mr.Osaka A/c Dr. To Seeds Sales a/c (Cloth sold on credit)	112	01 01	10,000	10,000
20.	Bank A/c Dr. To Seeds Sales a/c (Cloth sold in cash)	113	01 01	15,000	15,000
25.	Wages A/c Dr. To Cash a/c (Wages paid in cash)	114	01 01	1,000	1,000
26.	Seeds Corpn A/c Dr. To Bank A/c (Payment made on account)	115	01 01	10,000	10,000

Annexure II
contd...

Date	Particulars	Voucher No.(V.No.)	Ledger Folio (L.F.)	Amount (INR) Debit (Dr.)	Amount (INR) Credit (Cr.)
27.	Bank A/c Dr. To Osaka a/c (Payment received on account)	116	01 01	8,000	8,000
28.	Furniture A/c Dr. To Bank A/c (Furniture purchased in cash)	117	01 01	100,000	100,000
29.	Loss by Theft A/c Dr. To Seeds Purchase A/c (Goods stolen)	118	01 01	500	500
31.	Cash A/c Dr. Discount A/c Dr. To Osaka a/c (Payment received and discount allowed in full settlement of account)	119	01 01	1,500 500	2,000
31.	Depreciation A/c Dr. To Furniture A/c (Depreciation provided on furniture for 04 days @ 10 % p.a.)	120	01 01	110	110

Annexure - 11

BOOKS OF "AgroCrop"

LEDGER ACCOUNTS

Salary A/c

Debit (Dr)				Credit (Cr.)			
Date	Particulars	J.F.	Amount(INR)	Date	Particulars	J.F.	Amount(INR)
Dec-2007				Dec-2007			
01.	To Cash a/c	01	10,000	31	By Balance c/d		10,000
			10,000				10,000
01-01-08	To Balance b/d		10,000				

Bank A/c

05.	To Capital A/c	01	100,000	01.	By Salary a/c	01	10,000
06.	To National Bank A/c		200,000	26.	By Seeds Corpn a/c	01	10,000
07.	To Membership Fees a/c		20,000	28.	By Furniture a/c		100,000
20.	To Seeds Sales a/c		15,000				
27.	To Osaka a/c		8,000	31	By Balance c/d		223,000
			343,000				343,000
01-01-08	To Balance B/d		223,000				

Capital A/c

31	To Balance c/d		100,000	05.	By Bank a/c		100,000
			100,000				100,000

National Bank A/c

31	To Balance c/d		200,000	06.	By Bank a/c		200,000
			200,000				200,000

Rent A/c

06	To Cash A/c		3,000	31	By Balance c/d		3,000
			3,000				3,000

Cash A/c

08	To Subscription a/c		5,500	06	By Rent a/c		3,000
31	To Osaka a/c		1,500	08.	By Fuel exp.a/c		1,000
				25.	By Wages a/c		1,000
					By Balance c/d		2,000
			7,000				7,000

Membership Fees A/c

31	To Balance c/d		20,000	07	By Bank a/c		20,000
			20,000				20,000

Subscription A/c

31	To Balance c/d		5,500	08.	By Cash a/c		5,500
			5,500				5,500

Fuel Expenses A/c

08.	To Cash A/c		1,000	31	By Balance c/d		1,000
			1,000				1,000

Seeds Purchase A/c

10.	To Seeds Corpn A/c		15,000	29	By Loss by Theft a/c		500
				31	By Balance c/d		14,500
			15,000				15,000

Seeds Corporation A/c

26.	To Bank a/c		10,000	10	Seeds Purchase A/c	Dr	15,000
31	To Balance c/d		5,000				
			15,000				15,000

Mr. Osaka A/c

14	To Seeds Sales a/c		10,000	27	By Bank a/c		8,000
				31	By Cash a/c		1,500
				31	By Discount a/c		500
			10,000				10,000

Seeds Sales A/c

31	To Balance c/d		25,000	14	By Osaka A/c		10,000
				20	By Bank a/c		15,000
			25,000				25,000

Wages A/c

25	To Cash a/c		1,000	31	By Balance c/d		1,000
			1,000				1,000

Furniture A/c							
28	To Bank a/c		100,000	31	By Depreciation a/c		110
					By Balance c/d		99,890
			100,000				100,000

Loss by Theft A/c							
29	To Seeds Purchase a/c		500	31	By Balance		500
			500				500

Discount A/c							
31	To Osaka A/c		500	31	By Balance		500
			500				500

Depreciation A/c							
31	To Furniture a/c		110	31	By Balance		110
			110				110

Annexure - II

BOOKS OF "AGRICROP"			
TRIAL BALANCE AS ON 31 ST DECEMBER, 2007			
Sl.No.	Name of Account	Amount(INR) Debit	Amount(INR) Credit
01	Salary A/c	10,000	
02	Bank A/c	223,000	
03	Capital A/c		100,000
04	National Bank A/c		200,000
05	Rent A/c	3,000	
06	Cash A/c	2,000	
07	Membership Fees A/c		20,000
08	Subscription A/c		5,500
09	Fuel Expenses A/c	1,000	
10	Seeds Purchase A/c	14,500	
11	Seeds Corporation A/c		5,000
12	Seeds Sales A/c		25,000
13	Wages A/c	1,000	
14	Furniture A/c	99,890	
15	Loss by Theft A/c	500	
16	Discount A/c	500	
17	Depreciation A/c	110	
	TOTAL	355,500	355,500

BOOKS OF "AGRICROP"			
Trading & Profit and Loss Account for the month ending 31st December,2007			
Debit		Credit	
Particulars	Amount(INR)	Particulars	Amount(INR)
To Seeds Purchase A/c	14,500	By Seeds Sales a/c	25,000
To Wages A/c	1,000		
To Gross Profit	9,500		
	25,000		25,000
To Salary A/c	10,000	By Gross Profit	9,500
To Rent A/c	3,000	Membership Fees A/c	20,000
To Fuel Exp.A/c	1,000	Subscription A/c	5,500
To Loss by theft A/c	500		
To Discount A/c	500		
To Depreciation A/c	110		
To Excess of Income over Expenses.	19,890		
	35,000		35,000

BOOKS OF "AGRICROP"			
Balance Sheet as on 31st December,2007			
Liabilities	Amount(INR)	Assets.	Amount(INR)
Capital a/c	100,000	Cash a/c	2,000
Add : Net Profit	19,890	Bank a/c	223,000
National Bank a/c	200,000	Furniture a/c	99,890
Creditors (Seeds Corpn) a/c	5,000		
	324,890		324,890

EXERCISES

Ex-01

An Agriculture Co-operative Society has furnished following data: Pl.pass journal entries,post in Ledger & prepare Trial Balance Nov-'07		INR
05	Capital brought in	200,000
06	Membership Fee received.	5,000
11	Donation received	10,000
13	Salary paid	4,000
14	Entertainment expenses	500
15	Furniture purchased by cheque	15,000

Solution

JOURNAL ENTRIES				
Date	Paticulars	LF.	Amount(INR) Debit	Amount(INR) Credit
Nov-2007				
05	Bank a/c Dr To Capital a/c		200,000	200,000
06	Cash a/c Dr To Membership Fee a/c		5,000	5,000
11	Bank a/c Dr To Donation a/c		10,000	10,000
13	Salary a/c Dr To Cash a/c		4,000	4,000
14	Entertainment exp. a/c Dr. To Cash a/c		500	500
15	Furniture a/c Dr To Bank a/c		15,000	15,000

Ex-01 LEDGER POSTING

Bank a/c							
Debit				Credit			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Nov-07	To capital a/c		200,000	15	By Furniture a/c		15,000
05	To Donation a/c		10,000	19	By balance c/d		195,000
11			210,000				210,000
	To Balance b/d		195,000				

Capital a/c							
19	To Balance c/d		200,000	05	By Bank a/c		200,000
			200,000				200,000

Cash a/c							
06	To Membership Fee a/c		5,000	13	By salary a/c		4,000
				14	By Entertainment exp. a/c		500
				19	By Balance c/d		500
			5,000				5,000

Membership Fee a/c							
19	To Income & Exp a/c		5,000	06	By Cash a/c		5,000
			5,000				5,000

Donation a/c							
19	To Income & Exp a/c		10,000	11	By Bank a/c		10,000
			10,000				10,000

Salary a/c							
13	To cash a/c		4,000	19	By Income & Exp a/c		4,000
			4,000				4,000

Entertainment Exp a/c							
14	To cash a/c		500	19	By Income & Exp a/c		500
			500				500

Furniture a/c							
15	To Bank a/c		15,000	19	By Balance c/d		15,000
			15,000				15,000

SOLUTIONS

Ex-01 TRIAL BALANCE As on 19th November , 2007			
Sl.No.	Name of Account	Amount (INR) Debit	Amount (INR) Credit
01	Bank a/c	195,000	
02	Capital a/c		200,000
03	Cash a/c	500	
04	Membership Fee a/c		5,000
05	Donation a/c		10,000
06	Salary a/c	4,000	
07	Entertainment a/c	500	
08	Furniture a/c	15,000	
		215,000	215,000

Financial Accounting - ICA-2008-IRMA

Ex-02	Pl. pass journal entries, post in Ledger, prepare Trial Balance, prepare Income & Expenditure a/c, Balance Sheet and Receipt & Payment A/c.	
Date	Transactions	Amount (INR)
Nov-2007		
05	Cash brought in for Capital	100,000
06	Donation received	15,000
09	Sale of scrap in cash	5,000
11	Fuel expenses	2,500
15	Refrigerator purchased	11,000

Solution

JOURNAL ENTRIES				
Date	Paticulars	LF.	Amount(INR) Debit	Amount(INR) Credit
Nov-2007				
05	Bank a/c Dr To Capital a/c		100,000	100,000
06	Bank a/c Dr To Donation a/c		15,000	15,000
09	Cash a/c Dr To Sale of Scrap a/c		5,000	5,000
11	Fuel Exp a/c Dr. To Cash a/c		2,500	2,500
15	Refrigerator a/c Dr To Bank a/c		11,000	11,000

SOLUTIONS

Ex-02 LEDGER POSTING							
Bank a/c							
Debit				Credit			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Nov-07				Nov-07			
05	To Capital a/c		100,000	15	By Referigerator a/c		11,000
06	To Donation a/c		15,000	19	By balance c/d		104,000
			<u>115,000</u>				<u>115,000</u>
Capital a/c							
19	To Balance c/d		100,000	05	By Bank a/c		100,000
			<u>100,000</u>				<u>100,000</u>
Donation a/c							
19	To Income & Exp a/c		15,000	06	By Bank a/c		15,000
			<u>15,000</u>				<u>15,000</u>
Fuel exp a/c							
11	To cash a/c		2,500		By Balance c/d		2,500
			<u>2,500</u>				<u>2,500</u>
Cash a/c							
09	To Sale of scrap a/c		5,000	11	By Fuel exp a/c		2,500
				19	By Balance c/d		2,500
			<u>5,000</u>				<u>5,000</u>
Sale of scrap a/c							
19	To Balance c/d		5,000	09	By cash a/c		5,000
			<u>5,000</u>				<u>5,000</u>
Referigerator a/c							
15	To Bank a/c		11,000	19	By Balance c/d		11,000
			<u>11,000</u>				<u>11,000</u>

Ex-02 TRIAL BALANCE As on 19th November , 2007			
Sl.No.	Name of Account	Amount (INR) Debit	Amount (INR) Credit
01	Bank a/c	104,000	
02	Capital a/c		100,000
03	Donation a/c		15,000
04	Fuel Exp a/c	2,500	
05	Cash a/c	2,500	
06	Sale of scrap a/c		5,000
07	Referigerator a/c	11,000	
		120,000	120,000

Ex-03		
India Milk Producers' Co-operative union Ltd has furnished following transactions for Journal , Ledger, Trial Balance and Final Accounts for the month ended on 31st December, 2007.		
Date	Trasactions	Amount(INR)
01.	Buffalo milk purchase.	50,000
01.	Buffalo milk sales	60,000
02.	Wages paid	1,000
03.	Salaries paid	3,000
04.	Cow Milk purchase.	30,000
04.	Cow Milk Sales	33,000
05.	Amul Feeder purchase on credit.	10,000
07.	Amul Feeder sales.	9,000
11.	Telephone expenses.	1,000
12.	Payment made to Amul.	10,000
19.	Stationery expenses.	500
31.	Testing charges.	500
Feeder closing stock		2,000

Ex-03 JOURNAL ENTRIES				
Books of India Milk Producers' Co-operative Union Ltd.				
Date	Paticulars	LF.	Amount(INR) Debit	Amount(INR) Credit
Dec. '07.				
01.	Buffalo Milk Purchase a/c Dr.		50,000	
	To Cash a/c			50,000
01.	Cash a/c Dr.		60,000	
	To Buffalo Milk Sales a/c			60,000
02.	Wages a/c Dr.		1,000	
	To Cash a/c			1,000
03.	Salaries a/c Dr.		3,000	
	To Cash a/c			3,000
04.	Cow Milk Purchase a/c Dr.		30,000	
	To Cash a/c			30,000
04.	Cash a/c Dr.		33,000	
	To Cow Milk Sales a/c			33,000
05.	Amul Feeder Purchase a/c Dr.		10,000	
	To Amul's a/c			10,000
07.	Cash a/c Dr.		9,000	
	To Amul Feeder Sales a/c			9,000
11.	Telephone exp a/c Dr.		1,000	
	To Cash a/c			1,000
12.	Amul's a/c Dr.		6,000	
	To Cash a/c			6,000
19.	Stationery exp.a/c Dr.		500	
	To Cash a/c			500
31.	Testing charges a/c Dr.		500	
	To Cash a/c			500

Ex-03 LEDGER POSTING							
Books of India Milk Producers' Co-operative Union Ltd.							
Debit		Buffalo Milk Purchase A/c				Credit	
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Dec. '07. 01.	To Cash a/c		50,000	Dec. '07. 31.	By Balance c/d		50,000
			50,000				50,000
Cash A/c							
01.	To Buffalo Milk Sales a/c		60,000	01.	Buffalo Milk Purchase a/c Dr.		50,000
04.	To Cow Milk Sales a/c		33,000	02.	By Wages a/c		1,000
07.	To Amul Feeder Sales a/c		9,000	03.	By Salary a/c		3,000
				04.	By Cow Milk Purchase a/c		30,000
				11.	By Telephone exp a/c		1,000
				12.	By Amul's a/c		6,000
				19.	By Stationery a/c		500
				31.	By Testing charges a/c		500
				31.	By Balance c/d		10,000
			102,000				102,000
Buffalo Milk Sales A/c							
31.	To Balance c/d		60,000	01.	By Cash a/c		60,000
			60,000				60,000
Wages A/c							
02.	To Cash a/c		1,000	31.	By Balance c/d		1,000
			1,000				1,000
Salaries A/c							
03.	To Cash a/c		3,000	31.	By Balance c/d		3,000
			3,000				3,000
Cow Milk Purchase A/c							
04.	To Cash a/c		30,000	31.	By Balance c/d		30,000
			30,000				30,000
Cow Milk Sales A/c							
31.	To Balance c/d		33,000	04.	By Cash a/c		33,000
			33,000				33,000
Amul Feeder Purchase a/c							
07.	To Amul's a/c		10,000	31.	By Balance c/d		10,000
			10,000				10,000
Amul's A/c							
12.	To cash a/c		6,000	07.	By Amul Feeder Pur a/c		10,000
31.	To Balance c/d		4,000				
			10,000				10,000
Amul Feeder Sales a/c							
31.	To Balance c/d		9,000	07.	By Cash a/c		9,000
			9,000				9,000
Telephone exp. a/c							
11.	To cash a/c		1,000	31.	By Balance c/d		1,000
			1,000				1,000
Stationery a/c							
19.	To cash a/c		500	31.	By Balance c/d		500
			500				500
Testing Charges a/c							
31.	To cash a/c		500	31.	By Balance c/d		500
			500				500

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Ex-03 TRIAL BALANCE			
As on 31 st December , 2007			
Books of India Milk Producers' Co-operative Union Ltd.			
Sl.No.	Name of Account	Amount (INR) Debit	Amount (INR) Credit
01	Buffalo Milk Purchase A/c	50,000	
02	Cash A/c	10,000	
03	Buffalo Milk Sales A/c		60,000
04	Wages A/c	1,000	
05	Salaries A/c	3,000	
06	Cow Milk Purchase A/c	30,000	
07	Cow Milk Sales A/c		33,000
08	Amul Feeder Purchase a/c	10,000	
09	Amul's A/c		4,000
10	Amul Feeder Sales a/c		9,000
11	Telephone exp. a/c	1,000	
12	Stationery a/c	500	
13	Testing Charges a/c	500	
		106,000	106,000

Ex-03 Books of India Milk Producers' Co-operative Union Ltd.			
Trading & Profit and Loss a/c			
for the month ended on 31 st December,2007			
Debit(Dr)		Credit(Cr)	
Particulars	Amount(INR)	Particulars	Amount(INR)
To Buffalo Milk Purchase a/c	50,000	By Buffalo Milk Sales a/c	60,000
To Cow Milk Purchase a/c	30,000	By Cow Milk Sales a/c	33,000
To Amul Feeder Purchase a/c	10,000	By Amul Feeder Sales a/c	9,000
To Gross Profit (Balancing)	14,000	By Closing stock a/c	2,000
	104,000		104,000
To Wages a/c	1,000	By Gross Profit b/f	14,000
To Salaries a/c	3,000		
To Telephone exp a/c	1,000		
To Stationery a/c	500		
To Testing charges a/c	500		
To Net Profit (balancing)	8,000		
	14,000		14,000

Ex-03 Books of India Milk Producers' Co-operative Union Ltd.			
BALANCE SHEET			
As on 31 st December 2007			
Liabilities	Amount(INR)	Assets	Amount(INR)
Net Profit	8,000	Cash a/c	10,000
Amul's a/c	4,000	Closing stock	2,000
	12,000		12,000

Ex-04. From the Trail Balance given as under, prepare Final Accounts in the books of M/s Samsung Oil Seeds Co-operatives Ltd.

	Sl.No	Particulars	Amount (INR) Debit	Amount (INR) Credit
	01	Capital a/c		500,000
	02	General Reserve		50,000
	03	Seeds Sales a/c		50,000
	04	Seeds Purchase a/c	200,000	
	05	Oil Sales a/c		300,000
	06	Sales Return a/c	5,000	
	07	Purchase return a/c		10,000
	08	Wages a/c	10,000	
	09	Salaries a/c	20,000	
	10	Carriage inward a/c	2,000	
	11	Carriage outward a/c	3,000	
	12	Administration expenses a/c	5,000	
	13	Cash a/c	20,000	
	14	Bank a/c	100,000	
	15	Furniture a/c	50,000	
	16	Building a/c	500,000	
	17	Machinery a/c	25,000	
	18	Debtors a/c	20,000	
	19	Creditors a/c		50,000
		TOTAL	960,000	960,000

Books of M/s Samsung Oil Seeds Co-operatives Ltd.			
Trading & Profit and Loss Account for the month ended December, 2007			
Dr.		Cr.	
Particulars	Amount (INR) Debit	Particulars	Amount (INR) Debit
To Seeds Purchase a/c	200,000	By Seeds Sales a/c	50,000
To Sales Return a/c	5,000	By Oil Sales a/c	300,000
To Wages a/c	10,000	By Purchase Return a/c	10,000
To Carriage inwards a/c	2,000		
Gross Profit (transferred to Profit & Loss a/c)	143,000		
	360,000		360,000
To Salaries a/c	20,000	By Gross Profit	143,000
To Carriage outward a/c	3,000		
To Administration expenses a/c	5,000		
To Net Profit transferred to Balance Sheet	115,000		
TOTAL	143,000	TOTAL	143,000

Books of M/s Samsung Oil Seeds Co-operatives Ltd.			
BALANCE SHEET			
As on 31st December, 2007			
Liabilities	Amount (INR)	Assets	Amount (INR)
Capital a/c	500,000	Cash a/c	20,000
Net Profit transferred from Profit & Loss a/c	115,000	Bank a/c	100,000
General Reserve	50,000	Furniture a/c	50,000
Creditors a/c	50,000	Building a/c	500,000
		Machinery a/c	25,000
		Debtors a/c	20,000
TOTAL	715,000	TOTAL	715,000