



FUNDAMENTALS OF ACCOUNTING

B.COM 1ST SEMESTER

PRESENTED BY

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LECTURER IN COMMERCE





JOURNAL ENTRIES

- ACCOUNTING OBJECTIVES
- ACCOUNTING CYCLE/PROCESS
- TYPES OF ACCOUNTING
- ACCOUNTING RULES
- JOURNAL ENTRIES FORMAT
- JOURNALISING THE TRANSACTIONS

ACCOUNTING OBJECTIVES

OBJECTIVES OF ACCOUNTING



Recording of Transactions



Ascertain business results



Ascertain financial position



Communicate to end-users



ACCOUNTING CYCLE/PROCESS



TYPES OF ACCOUNTS

Golden Rules of Accounting

1. Real Accounts

Debit :-

What comes in

Credit :-

What goes out

Applicable to :-

This rule is applicable to all assets of the business

Like:-

- Cash
- Land and Building
- Plant and Machine
- Furniture and Fixture
- Trade marks.
- Etc.

2. Personal Accounts

The Receiver

The Giver

This rule is applicable to Persons, artificial persons and representative persons

Like:-

- Aman
- Ram And Sons .
- HAPSS Store.
- Bank A/c (SBI)
- Outstanding Salary
- Prepaid Expenses
- Etc.

3. Nominal Accounts

All Expense and Loss

All Income and Profit

This rule is applicable to all Expenses, Income and Losses/Profits

Like:-

- Salary
- Wages
- Purchases
- Sales
- Commission Received
- Etc.

DEBIT ,CREDIT RULES

Modern Rules of Accounting

	1. Capital	2. Assets	3. Liability	4. Expense	5. Income
Debit :-	Decrease	Increase	Decrease	Increase	Decrease
Credit :-	Increase	Decrease	Increase	Decrease	Increase
Applicable to:	<p>This rule is applicable to all Owner's Transactions</p> <p>Like:-</p> <ul style="list-style-type: none"> a) Capital Introduced b) Drawings 	<p>This rule is applicable to all assets of the business</p> <p>Like:-</p> <ul style="list-style-type: none"> a) Cash b) Land and Building c) Plant and Machine d) Furniture and Fixture e) Trade marks. f) Etc. 	<p>This rule is applicable to all Liabilities of the business</p> <p>Like:-</p> <ul style="list-style-type: none"> a) Bank Loan b) Mortgaged Loan c) Creditors d) Short Terms Loans e) Etc. 	<p>This rule is applicable to all Expenses of the business</p> <p>Like:-</p> <ul style="list-style-type: none"> a) Salary b) Wages c) Purchases d) Etc. 	<p>This rule is applicable to all Incomes of the business</p> <p>Like:-</p> <ul style="list-style-type: none"> a) Sales b) Commission Received c) Etc.

DEBIT CREDIT RULES

Modern Approach of Accounting



ACCOUNT ITEM	INCREASE	DECREASE
Asset (Cash, Building, Debtors)	Debit	Credit
Liabilities (Loans, Creditors)	Credit	Debit
Expense (Salary, Rent, Purchases)	Debit	Credit
Income (Sales Revenue, Interest Income)	Credit	Debit
Capital Owner's Capital, Partner's Capital	Credit	Debit

JOURNAL ENTRIES FORMAT

Date	Particular	L.F.	Debit (\$)	Credit (\$)
DD/MM/YYYY	<div>_____ A/c Dr.</div> <div>To _____ A/c</div> <div>(Being _____)</div> <div>(Narration)</div>		xxxx	xxxx

JOURNAL ENTRIES EXAMPLES

- 1. CASH BROUGHT IN BY PROPRIETOR AS CAPITAL RS. 30000

A) WHAT COMES IN BUSINESS WILL BE DEBITED

CASH HAS COME IN BUSINESS; CASH ACCOUNT WILL BE DEBITED IN JOURNAL ENTRY.

B) WHO IS GIVER WILL BE CREDITED

PROPRIETOR IS GIVER OF CASH TO BUSINESS BUT HE HAS BUSINESS MOTIVE AND HE GIVES THE MONEY TO BUSINESS AS CAPITAL.

JOURNAL ENTRY

CASH ACCOUNT DEBIT 30, 000

PROPRIETOR'S CAPITAL ACCOUNT CREDIT 30,000

JOURNAL ENTRIES EXAMPLES

- 2. GOODS PURCHASED ON CREDIT FROM MADAN LAL RS. 5,000

A) WHAT COMES IN BUSINESS WILL BE DEBITED

GOODS HAVE COME IN BUSINESS, SO ITS FINANCIAL VALUE WILL BE DEBITED WITH THE NAME OF PURCHASE ACCOUNT.

B) NAME OF PERSON IS GIVEN FROM WHOM WE BOUGHT THE GOODS ON CREDIT, SO 1ST RULE'S SECOND PART WILL BE APPLIED.

WHO IS GIVER, WILL BE CREDITED.

MADAN LAL IS GIVER, SO ITS ACCOUNT WILL BE CREDITED.

PURCHASE ACCOUNT DEBIT 5000

MADAN LAL ACCOUNT CREDIT 5000

- 3. FURNITURE PURCHASED FOR CASH RS. 10000

A) WHAT COMES IN BUSINESS WILL BE DEBITED. IN THIS TRANSACTION, FURNITURE CAME IN BUSINESS, SO WE WILL OPEN FURNITURE ACCOUNT IN THE DEBIT SIDE OF JOURNAL ENTRY.

B) CASH IS ALSO ASSET AND WE PAID FOR PURCHASING OF FURNITURE. 2ND RULE'S SECOND PART WILL BE APPLIED.

FURNITURE ACCOUNT DEBIT 10,000

CASH ACCOUNT CREDIT 10,000

PROBLEM.1

- 4. GOODS SOLD ON CREDIT TO DEV RAJ RS. 1600
- 5. GOODS PURCHASED FOR CASH RS. 4500
- 6. GOODS SOLD FOR CASH RS. 2100
- 7. RENT PAID FOR SHOP TO LANDLORD 3000
- 8. COMMISSION RECEIVED IN CASH 2000
- 9. CASH DEPOSITED INTO BANK 5000
- 10. CASH WITHDRAWN FROM BANK FOR OFFICE USE RS. 2000
- 11. DEPRECIATION ON FIXED ASSETS RS. 500

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THANK YOU