MEANING OF ACCOUNTING

Accounting is the recording of business transaction for getting final results i.e.. Profit or loss.

DEFINITION

American Institute of Certified Public Accountants (AICPA) which defines accounting as "the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events, which are, in part at least, of a financial character and interpreting the results thereof".

FEATURES OF ACCOUNTING

- Monetary transaction
- Historical nature
- Legal requirements
- External use
- Disclosure of financial status
- Interim reports

SCOPE OF FINANCIAL ACCOUNTING

- **Book keeping**- book keeping is concerned with recording of financial data relating to business operations in a systematic manner.
- **Financial statements**- financial statements includes profit & loss account and balance sheet. Profit & loss account is prepared to know the profitability and balance sheet is prepared to know the financial position of the business.
- **Analysis and interpretation of financial statements**- when we analyze the financial statements we get more information about the business. After analyzing the financial statements, conclusions are drawn. Drawing conclusions are known as interpretation of financial statements.
- **Financial reporting-** the ultimate object of financial accounting is provide information to internal & external users for decision making. For this purpose the results of analysis and interpretations are communicated. The information is communicated in the form of reports.
- **Segment reporting**- segment reporting refers to the reporting of financial information relation to different business activities of the firm.
- **Accounting principles-** financial accounting follows a set of principles. These principles are generally known as Generally Accepted Accounting Principles. These helps in preparation of financial statements.
- **Accounting standards**- the presentation, preparation and reporting of financial accounts have to be done according to certain standards. These standards are known as accounting standards. The main objective accounting standards is to bring about uniformity.

ACCOUNTING POLICIES

Accounting principles are the assumptions and rules of accounting and the application of these rules, methods will enable us to make perfection accounting system. It is the general rules and procedures followed by the accountant while recording transactions and preparing final accounts.

Accounting principles are generally divided in to two-

- Accounting concepts
- Accounting conventions

ACCOUNTING CONCEPTS- these are the assumptions and conditions that is to be adopted when an accountant record the financial transactions. The major accounting concepts are as follows.

- **Business entity concept-** according to this assumptions, a business is treated as separate entity from its owner. From this point of view of business, owner is a creditor for the capital

- **Money measurement concept**- according to this concept, only those transactions which can be measured in terms are to be recorded.
- **Going concern concept**- it is assumed that every business will continue for an indefinite period of time. It is with this assumption fixed assets are recorded at original cost less depreciation.
- **Accounting period concept-** the life of a business is divided in to different periods for preparing financial statements. Generally businesses adopts 12 months period for measuring the income of the concern.
- **Cost concept-** according to this concept, all transactions are recorded in the books of accounts at actual price involved not at market price.
- **Dual aspect concept**- according to this concept every transaction has two aspects. Receiving aspect & giving aspect, receiving aspect is called debit and giving aspect is called credit. Accounting equation is based on this concept.
- **Realization concept**- according to this concept, revenue is recognized when a sale is made or a service is rendered to customers, whether it is a cash sale, credit sale or as installment sale.
- **Matching concept-** according to this concept, cost or expenses of a business of particular period are matched or compared with the revenue of that period in order to ascertain profit or loss.
- **Objectivity concept-** this concept requires that accounting data should verifiable and free from personal bias of the accountant.

ACCOUNTING CONVENTIONS- accounting conventions are the customs or tradition which guide the accountant while preparing financial statements.

- **Convention of consistency-** this convention follows that the basis followed in several accounting period should be consistent. This means the methods adopted in one accounting year should not be changed in another year.
- **Convention of conservatism**- this is a convention of caution or playing safe which is followed while preparing the financial statements. This idea of this statement is to consider all possible losses and to ignore all probable profits.
- **Convention of materiality**- according to this convention, only the material or important fact about the business are to be disclosed through financial statements. All other unimportant information should either be totally ignored or recorded as foot note.
- **Convention of full disclosure**- the objective of accounting is to provide true and accurate information. Hence, accounting records and statements should be honest and informative. The convention of disclosure requires that all significant information should be disclosed in the financial statements.

ACCOUNTING STANDARDS

Accounting standards are a regulatory framework within which financial statements are prepared. They are the rules that ensure uniformity of preparation, presentation and reporting of accounting information

ACCOUNTING STANDARDS IN INDIA

AS 1- disclosure of accounting policies
AS 2- valuation of inventory
AS 3- cash flow statements
AS 4- contingencies & events occurring after B/S dates
AS 5- prior period & extra ordinary items and change in accounting policies
AS 6- depreciation accounting
AS 7- accounting for construction

contracts
AS 8- accounting for research and development
AS 9- revenue recognition
AS 10- accounting for fixed assets
AS 11- effect of changes in foreign exchange rates
AS 12- accounting for government grants
AS 13- accounting for investments
AS 14- accounting for amalgamation
AS 15- retirement benefits in the financial statement of employees
AS 16- borrowing costs
AS 17- segment reporting
AS 18- related party disclosure
AS 19- leases
AS 20- earning per shares
AS 21- consolidated financial statements
AS 22- taxes on income
AS 23-investment in association with consolidate FS
AS 24- discontinuing operations
AS 25- interim financial reporting
AS 26- intangible assets
AS 27- financial reporting of interest in joint ventures
AS 28- impairment of assets
AS 29- provisions , contingent liabilities & assets
AS 30- financial instruments- recognition & measurement
AS 31- financial instruments - presentation
AS 32- financial instruments – disclosure

ADVANTAGES OF ACCOUNTING STANDARDS

- Reliability of financial statements
- Uniformity
- Elimination of ambiguity
- Comparison
- Useful to shareholders, investors etc..

SINGLE ENTRY SYSTEM

Single entry system is a system of accounting which does not follow the double entry system. Under this system only the accounts relating debtors and creditors are maintained. Cash book is also maintained.

STATEMENT OF AFFAIRS

A statement of assets and liabilities is to be prepared to know the profit or loss and financial position under single entry system. This statement is known as statement of affairs.

DOUBLE ENTRY SYSTEM

In this system every business transaction is having a twofold effect of benefits giving and benefit receiving aspects. The recording is made on the basis of both these aspects. Double Entry is an accounting system that records the effects of transactions and other events in at least two accounts with equal debits and credits.

MEANING OF DEBIT & CREDIT

The word debit is derived from latin word debitum. It means due for that. In short, receiving aspect of transaction.
The word credit is derived from the latin word creder, which means due to that. In short, the giving aspect

STEPS IN DOUBLE ENTRY SYSTEM

(a) Preparation of Journal
(b) Preparation of Ledger
(c) Trial Balance preparation:
(d) Preparation of Final Account

- Preparation of profit & loss a/c
- Preparation of balance sheet

ADVANTAGES OF DOUBLE ENTRY SYSTEM

i) Scientific system
ii) Complete record of transactions
iii) A check on the accuracy of accounts:
iv) Ascertainment of profit or loss
v) Knowledge of the financial position of the business
vi) Full details for purposes of control
vii) Comparative study is possible
viii) Helps management in decision making
ix) No scope for fraud

ACCOUNTING EQUATION

Assets = liabilities + capital
Capital = assets – liabilities
Liabilities = assets – capital

TRANSACTIONS

Transaction is an event which involves transfer of money or money's worth between the business and outsider including owner.

Types of business transactions

- Cash transaction
- Credit transactions
- Non cash transactions- depreciation

ACCOUNT

In accounting we keep a separate record of each and individual assets, liabilities, expenses, incomes, capital etc. these place where such a record is maintained is known as account.

CLASSIFICATION OR TYPES OF ACCOUNTS

- **Real accounts-** these are the accounts or properties of business. Eg- cash account
- **Personal account-** these are the account relating to persons with whom business deals. Personal accounts may be of the following three types
    - **Natural person's personal account**- accounts human being
    - **Artificial person's account-** accounts of artificial person created by law eg- company a/c, bank a/c
    - **Representative person's account-** indirectly representing a person. Eg- prepaid expenses
- **Nominal accounts**- accounts relating to income, expenses etc

RULES OF ACCOUNTING

- English approach
- American approach

ENGLISH APPROACH- this approach is based on types accounts are recorded. They are as follows.

Real accounts-

Debit what comes in
Credit what goes out

Personal account

Debit the receiver
Credit the giver

Nominal account-

Debit all expenses
Credit all incomes

AMERICAN APPROACH- according to this approach accounts are classified in to four – assets, liabilities, expenses and incomes

Assets-

Increase in asset – debit
Decrease in asset- credit

Liabilities-

Increase in liabilities- credit
Decrease in liabilities- debit

Expenses-

Increase in expenses – debit
Decrease in expenses – credit

Incomes-

Increase in incomes- credit
Decrease in incomes- debit

LIMITATIONS OF ACCOUNTING

- It provides only past data
- It does not show profit of each job or process
- It fails to measure control over resources
- It does not measure organizational efficiency
- It fails to provide adequate data for price fixation
- It does not provide data for comparison of costs
- It fails to take into account the price level changes
- It cannot disclose controllable & uncontrollable costs
- It provide only limited information for management for decision making

BRANCHES OF ACCOUNTING

- Financial accounting
- Management accounting
- Cost accounting

JOURNAL

When the business transactions take place, the first step is to record the same in the books of original entry or subsidiary books or books of prime or journal. Thus journal is a simple book of accounts in which all the business transactions are originally recorded in chronological order and from which they are posted to the ledger accounts at any convenient time. Journaling refers to the act of recording each transaction in the journal and the form in which it is recorded, is known as a journal entry.

SUB DIVISION OF JOURNAL

- Sales Day Book- to record all credit sales.
- Purchases Day Book- to record all credit purchases.
- Cash Book- to record all cash transactions of receipts as well as payments.
- Sales Returns Day Book- to record the return of goods sold to customers on credit.
- Purchases Returns Day Book- to record the return of goods purchased from suppliers on credit.
- Bills Receivable Book- to record the details of all the bills received.
- Bills Payable Book- to record the details of all the bills accepted.
- Journal Proper-to record all other items

LEDGER

Ledger is a main book of account in which various accounts of personal, real and nominal nature, are opened and maintained. I n journal, as all the business transactions are recorded chronologically, it is very difficult to obtain all the transactions pertaining to one head of account together at one place.

CASH BOOK

In every business concern generally there is large number of transactions. For the purpose of recording all such transactions a separate book is maintained. This is called cash book. Cash book may be four types

- **Simple or single column cash book**- it has only one cash column. On the debit side all receipts are recorded. On the credit side all payments are recorded.
- **Two column cash book** –in the two column cash book one additional column for discount is provided on either side to record cash discount. Thus two column cash book has two column on each side- cash column and discount column.
- **Three column cash book-** triple column cash book contains three columns both sides. These three columns are cash, bank and discount.
- **Petty cash book-** to avoid inconvenience to main cashier and to save time, a separate book is maintained to record small expenses. This book is known as petty cash book. Thus petty cash book is a subsidiary book maintained for recording minor expenses to be paid in cash.

IMPORTANT ACCOUNTING TERMS

transactions

transaction means the exchange of money or money's worth from one account to another account Events like purchase and sale of goods, receipt and payment of cash for services or on personal accounts, loss or profit in dealings etc., are the transactions".

Debtor

A person who owes money to the firm mostly on account of credit sales of goods is called a debtor. For example, when goods are sold to a person on credit that person pays the price in future, he is called a debtor.

Creditor

A person to whom money is owing by the firm is called creditor. For example, Madan is a creditor of the firm when goods are purchased on credit from him.

Capital

It means the amount which the proprietor has invested in the firm or can claim from the firm. It is also known as owner's equity or net worth. Owner's equity means owner's claim against the assets.

It will always be equal to assets less liabilities, say:
Capital = Assets - Liabilities.

Liability

It means the amount which the firm owes to outsiders that is, excepting the proprietors.

Proprietor

The person who makes the investment and bears all the risks connected with the business is known as proprietor.

Account

It is a statement of the various dealings which occur between a customer and the firm.

Drawings

It is the amount of money or the value of goods which the proprietor takes for his domestic or personal use. It is usually subtracted from capital.

Revenue

It means the amount which, as a result of operations, is added to the capital. It is defined as the inflow of assets which result in an increase in the owner's equity. It includes all incomes like sales receipts, interest, commission, brokerage etc.,

Expense

The terms 'expense' refers to the amount incurred in the process of earning revenue. If the benefit of an expenditure is limited to one year, it is treated as an expense such as payment of salaries and rent.

Purchases

Buying of goods by the trader for selling them to his customers is known as purchases. Purchases can be of two types. Cash purchases and credit purchases.

sales

When the goods purchased are sold out, it is known as sales. Here, the possession and the ownership right over the goods are transferred to the buyer.

Stock

The goods purchased are for selling, if the goods are not sold out fully, a part of the total goods purchased is kept with the trader unlit it is sold out, it is said to be a stock. If there is stock at the end of the accounting year, it is said to be a closing stock. This closing stock at the year-end will be the opening stock for the subsequent year.

Asset

Any physical thing or right owned that has a money value is an asset. In other words, an asset is that expenditure which results in acquiring of some property or benefits of a lasting nature.

Goods

It is a general term used for the articles in which the business deals; that is, only those articles which are bought for resale for profit are known as Goods.

Trial balance

Trial balance is a statement of debit and credit balances extracted from all accounts in the ledger accounts for testing the arithmetical accuracy.

Final accounts

Final accounts are the accounts prepared at the final stage to judge the financial position of the business. The final account consist of trading profit & loss account and balance sheet.

Trading account

Trading account is prepared to show the result of buying and selling of goods during an accounting period. The result of trading may gross profit or gross loss.

Profit & loss account

The trading account show only gross result. It does not show final profit or loss. Hence it is necessary to prepare profit & loss account after preparing trading account. It is prepared to know the net profit or net loss of the business for an accounting period.

Balance sheet

To know the financial position of business, accountant prepare a separate statement known as balance sheet. It contain two sides that is asset side and liability side.

Difference between trial balance and balance sheet

Trial balance	**Balance sheet**
It consist of debit and credit side	It shows assets and liabilities
It is prepared to check arithmetical accuracy of ledger posting	Prepared to know the financial position of the business
It show the balance of all ledger accounts	It shows assets and liabilities
It is prepared from various ledger accounts	It is prepared from trial balance
It does not contain closing stock	It contains closing stock
It can be prepared at the end of each month	It is generally prepared at the end of an accounting period
It is not compulsory to prepare trial balance	It is compulsory to prepare a balance sheet

CLASSIFICATION OF ASSETS-

- **Fixed assets**- fixed assets are those which are of a permanent nature or are used of the operation of business and not for resale. These assets helps in earning revenue. These cannot be easily converted into cash eg- machinery, land, building etc.
- **Intangible assets**- intangible assets are those assets which cannot be seen or touched, but their benefits accrue to the business. Eg- patent, copy right etc
- **Current assets**- current assets are those assets which are held temporarily in course of business and converted into cash easily. Eg cash, bank
- **Fictitious assets** – these are not real assets. They are represented by log tangible possession. Eg- preliminary expenses
- **Wasting assets-** these are those assets which are exhausted gradually in the process of their use. Eg- mines, oil wells etc.
- **Contingent assets-** contingent assets are probable assets which may or may not become assets depending upon occurrence or non-occurrence of a specific event

CLASSIFICATION OF LIABILITIES

- **Long term liabilities**- liabilities which are repayable after a long period of time are known as long term or fixed liabilities. Eg- debentures, long term loans etc.
- **Current liabilities-** liabilities which are repayable within one year are known as current liabilities or short term liabilities eg . creditors
- **Contingent liabilities**- contingent liabilities are those liabilities which may or may not become actual liabilities in future.

ITEMS GIVEN ON ADJUSTMENT	ADJUSTMENT IN TRADING P/L A/C	ADJUSTMENT IN BALANCE SHEET	JOURNAL ENTRY
CLOSING STOCK	TREATED AS A DIRECT INCOME	TREATED AS A CURRENT ASSET	CLOSING STOCK A/C DR TO TRADING A/C
OUTSTANDING EXPENSES	ADD TO THE CONCERNED EXPENSE	TREATED AS A CURRENT LIABILITY	EXPENSES A/C DR TO OUTSTANDING EXPENSES A/C
PREPAID EXPENSES	DEDUCT FROM THE CONCERNED EXPENSES	TREATED AS A CURRENT ASSET	PREPAID EXPENSE A/C DR TO EXPENSES A/C
INCOME RECEIVED IN ADVANCE	DEDUCT FROM THE CONCERNED INCOME	TREATED AS A CURRENT LIABILITY	INCOME A/C DR TO PREPAID INCOME A/C
INCOME ACCRUED	ADD TO THE CONCERNED INCOME	TREATED AS A CURRENT ASSET	ACCRUED INCOME A/C DR TO INCOME A/C
DEPRECIATION	TREATED AS AN EXPENSE	DEDUCT FROM CONCERNED ASSET	DEPRECIATION A/C DR TO ASSET A/C
INTEREST ON CAPITAL	TREATED AS AN EXPENSE	ADD TO THE CAPITAL	INTEREST ON CAPITAL A/C DR TO CAPITAL A/C
PROVISION FOR DISCOUNT ON DEBTORS	TREATED AS AN EXPENSE	DEDUCT FROM DEBTORS	P/L A/C DR TO PROVISIONS FOR DIS ON DRS
PROVISION FOR DISCOUNT ON CREDITORS	TREATED AS AN INCOME	DEDUCT FROM CREDITORS	PROVISION FOR DIS ON CRS A/C DR TO P/L A/C
ADDITIONAL BAD DEBT	ADD TO THE BAD DEBT ALREADY GIVEN IN THE TRIAL	DEDUCT FROM DEBTORS	BAD DEBT A/C DR TO SUNDRY DEBTORS
NEW PROVISION FOR BAD DEBT	ADD TO THE BAD DEBT ALREADY GIVEN IN THE TRIAL	DEDUCT FROM DEBTORS	P/L A/C DR TO PROVISION FOR BAD DEBT
MANAGERS COMMISSION	TREATED AS AN EXPENSE	TREATED AS A LIABILITY	COMMISSION A/C DR TO OUTSTANDING COMMISSION
GOODS WITHDRAWN BUT NOT RECORDED	DEDUCT FROM PURCHASES	DEDUCT FROM CAPITAL IN THE NAME OF DRAWINGS	DRAWINGS A/C DR TO PURCHASES A/C

HIRE PURCHASE & INSTALLMENT SYSTEM

HIRE PURCHASE

Hire purchase is a system under which the buyer enters into an agreement with the seller to the price of the goods purchased in installments. The buyer gets possession of goods immediately on paying down cash. He does not get ownership. He becomes the owner only after the last installment is paid. Under this system if the fails to pay any installment the seller has a right to take back the goods.

INSTALLMENT SYSTEM

Under this system buyer gets both possession and ownership of goods at the time signing the agreement. This is like a credit sale. If the buyer fails to pay any installment , the seller has no power to take back the goods. He can only sue the buyer for the amount.

Difference between hire purchase & installment system

Hire purchase	**Installment system**
An agreement of hiring	An agreement of sale
Buyer gets only possession of goods immediately	Buyer gets both possession and ownership immediately
If the buyer fails to pay any installment, the seller can repossess the goods	The seller cannot repossess the goods. He can sue the buyer for the amount due
In case of default, the total amount of installment paid is forfeited and treated as hire charge	In case of default, the total amount of installments paid by the buyer cannot be forfeited
The buyer cannot hire out or sell the goods until the full amount is paid.	The buyer can hire out and sell the goods before paying the full amount due.
Goods sold can be returned by the buyer	Goods once sold cannot be returned by the buyer
Risk of bad debt is relatively less	Risk of bad debt is relatively more

Difference between hire purchase and sales

sales	**Hire purchase**
Under sales ownership is transferred at the time of purchase	Under hire purchase ownership is transferred only after paying last installment
In the case of sale, payment of price is generally paid in lump sum	In case of hire purchase payment of price is always made by installments
The buyer can hire out and sell the goods before paying the full amount due.	The buyer cannot hire out or sell the goods until the full amount is paid.
In the case of sale on credit the seller can sue the buyer for the payment of price due	If the buyer fails to pay any installment, the seller can repossess the goods
In sales position is like owner	In hire purchase position is like bailee
In case of cash sale, price does not include interest	But under H.P system the installment includes interest

TERMS RELATED WITH HIRE PURCHASE

- **Hirer or hire purchaser**

Hirer means the person who obtains possession of goods from the owner under H.P system.

- **Hire vendor**

Hire vendor is the seller in a hire purchase agreement. He is a person who delivers or had delivered the possession of goods to the hirer under H.P system

- **Cash price**

It is the original price of goods possessed under H.P system. It is the price at which the goods can be purchased by the hirer for ready cash. Cash price does not include interest

- **Down payment**

It is the initial amount paid by the hirer to the hire vendor at the time signing of agreement under H.P system.

- **Hire purchase price(H.P Price)**

It is the total amount payable by the hirer to the vendor for the purchase of goods made under H.P system. It includes interest or hire charge of Hire purchase agreement. So H.P price = Cash price + interest

- **Hire purchase charge or interest**

It is the additional amount paid by the hirer to the vendor for the agreement made under Hire purchase system. This is the difference between H.P price and cash price.

METHODS OF ACCOUNTING FOR HIRE PURCHASE TRANSACTIONS

- **FULL CASH PRICE METHOD**

Under this method the asset is recorded at full price. Thus this method treats the hire purchaser as owner of the asset.

Journal entries in the books of hire purchaser

1. **When asset acquired on H.P**

Asset a/c Dr
 To Hire vendor a/c

2. **When down payment made**

Hire vendor a/c Dr
 To cash a/c

3. **When interest become due**

Interest a/c Dr
 To hire vendor

4. **When installment paid(with interest)**

Hire vendor a/c Dr
 To cash a/c

5. **When depreciation charged to asset**

Depreciation a/c Dr
 To asset

6. **When depreciation charged to P/L a/c**

P/L a/c Dr
 To depreciation

7. **When interest charged to P/L a/c**

P/L a/c Dr
 To Interest a/c

Journal entries in the books of hire vendor

1. **When the asset sold on H.P**

Hire purchaser a/c Dr
 To H.P sales

2. **When down payment received**

Cash a/c Dr
 To Hire purchaser a/c

3. **When interest becomes due**

Hire purchaser a/c Dr
 To interest

4. **When first installment received**

Cash a/c Dr
 To Hire purchaser a/c

5. **For closing of interest**

Interest a/c Dr
 To P/L a/c

- **ACTUAL CASH PRICE PAID METHOD**

Under this asset is recorded at the cash actually paid. Thus the asset account should not be debited with its full cash price. Journal entries are same as full cash price method.

- **INTEREST SUSPENSE METHOD**

This method is almost similar to full cash price method with the difference that, in this method interest suspense account is prepared. The entire amount of interest payable is debited to interest suspense a/c and credited to hire vendor a/c. at the time of payment of each installment, interest is transferred from interest suspense a/c to interest a/c.

REPOSSESSION OF GOODS UNDER H.P

Under hire purchase system, if the hire purchaser fails to pay any of the installments, the hire vendor has the right to recover or take the goods without any compensation. This act of taking back the possession of goods by the hire vendor is called repossession.

Repossessed assets are ultimately sold to other customers after repairing (if necessary). In order to deal with repossession, the hire vendor operates an account called “goods repossessed a/c”.

Journal entries in the books of hire purchaser at the time of repossession

1. **When asset taken back by the vendor**

Hire vendor a/c Dr
To asset a/c

2. **For loss charged to P/L a/c**

P/L a/c Dr
To asset a/c

Journal entries in the books of hire vendor at the time of repossession

1. **When asset taken back**

Goods repossessed a/c Dr
To Hire purchaser

2. **When repair expenses paid**

Goods repossessed a/c Dr
To Cash a/c

3. **For sale of goods repossessed**

Cash a/c Dr
To goods repossessed a/c

4. **For loss on sale of sale**

P/L a/c Dr
To goods repossessed a/c

5. **For profit on sale of sale**

Goods repossessed a/c Dr
To P/L a/c

METHODS OF REPOSSESSION

- **COMPLETE REPOSSESSION**

In case of complete or full repossession the hire vendor takes back all goods sold.

- **PARTIAL REPOSSESSION**

In case of partial repossession, the hire vendor does not taken all the goods repossessed at the time of default.

Calculation of loss on repossession = Book value of goods repossessed – agreed value of goods repossessed

DEPARTMENTAL ACCOUNTING

DEPARTMENT STORE

A department store is a large scale retail business firm having a number of departments or divisions each dealing in a particular kind of goods.

DEPARTMENTAL ACCOUNTING

Departmental accounts are accounts relating to the different departments or division of business and are used to ascertain the trading result of each department separately. In other words, the system of accounting which enables the businessman to find out accurately the turnover, expenses and profit of each department separately is called departmental accounting

ADVANTAGES OF DEPARTMENTAL ACCOUNTING

- Provide an analytical idea about the affairs of each department
- The performance of each department can be evaluated separately on the basis of trading result
- It helps the management to decide whether to close a department which is incurring losses
- it helps to improve the performance of profitable department
- departmental staff and managers can be rewarded properly on the basis of performance
- it facilitates managerial control over the working of each department.
- It helps to compare the result of each department
- It will help in ascertaining fixed cost of each department. This will helps to determine the B.E.P of each department.
- It will helps in the preparation of departmental budgets

METHODS OF DEPARTMENTAL ACCOUNTS

- **Unitary method;** under this method each department is regarded as a separate unit and accounts are kept independently.
- **Tabular method**- under this system the accounts of each department are kept together but in columnar form.

INTER DEPARTMENTAL TRANSFERS

Goods or services are often transferred from one department to another. When goods are transferred, it is sales for the supplying department and purchase for the receiving department. At the end, the transfer is recorded by passing the following journal entry

Receiving department a/c Dr
Supplying department a/c

Goods may transferred at cost price or at selling price

Transfer of goods at cost price

When goods transferred from one department to another at cost, the receiving department should be debited and giving department should be credited.

Transfer of goods at selling price or market price

If the goods are transferred by one department to another at a profit and at the end of the accounting period such goods are included in the unsold stock, a reserve should be created in respect of the unrealized profit on unsold closing stock by debiting the general P/L a/c. the journal entry is.

General P/L a/c Dr

To provision for unrealized profit

In order to ascertain unrealized profit we must know the inter departmental stock(unsold part goods received from the department at selling price) with the receiving department and rate of gross profit of the giving department.

Unrealized profit = inter departmental stock X G/P ratio of giving department

Inter departmental stock

$$= \frac{\text{closing stock of receiving dpt X transfer of goods}}{\text{Purchase of goods(rec dpt) X transfer of goods}}$$

Gross profit ratio (giving dpt)

$$= \frac{\text{Gross profit X100}}{\text{Sales + transfer}}$$

ACCOUNTS FOR HOTELS & RESTAURANTS

MEANING OF HOTELS

A hotel simply refers to a n enterprise that provides rooms and meals. A hotel may be defined as a place that offers accommodation, food and beverages at cost that enables it to make a profit,

CLASSIFICATION OF HOTELS

1. **On the basis of location**- on the basis of location, hotels can be classified into
    - **city- centre hotels**- these are located in the heart of the city.
    - **Motels**- these are primarily located on highways. They provide modest lodging to highway travallers with lot of parking place
    - **airport hotels-** these are hotels set up near airports.
    - **resort hotels-** they located in sea, mountain etc..,
    - **floatels**- hotels establishes luxury ships
    - boatels-houseboat hotels.
2. **On the basis of target market-**
    - **Convention hotels**- provide convention or conference halls
    - **Casino hotels**- provide gambling facilities
3. **On the basis of size-**
    - **Small hotels**
    - **Medium hotels**
    - **Large hotels**
    - **Mega hotels**
    - **Chain hotels**- branch hotels
4. **On the basis of level of service**
    - **Economy or budget hotels**- low rate charged hotels
    - **Ecotels-** environment friendly hotels.
    - **Condominium hotels-** hotels with apartments.

STAR RATING OF HOTELS

- **One star hotel**- small and independent owned hotels
- **Two star hotels** – small and medium sized. Provide more extensive facilities.
- **Three star hotels-** bigger than above two. They provide higher quality facilities.
- **Four star hotels-** luxury hotels
- **Five star hotels**- more luxurious than four star hotels

DEPARTMENTS OF HOTELS

Revenue earning departments

- **Accommodation-** responsible for sale of rooms. It consist the following sub departments

  - **Front office department-** functions are sell the rooms, to assign rooms, provide information etc.
  - **Housekeeping department**- responsible for cleaning of hotels
  - **Maintenance department-** repairs, lighting etc
  - **Laundry-** responsible for launder of bed lines, uniforms etc.
- **Food & beverages department-** it includes
  - **Restaurant**- responsible for sale food
  - **Room service**- food service to guests in their rooms.
  - **Bars-** dispenses variety of liquors
  - **Banquets-** organize parties and conventions
  - **Kitchen**- to deal with preparation of food

Non-revenue departments

- Finance and accounts department
- Human resource department
- Sale & marketing department
- Purchase department

Revenue of hotels

- room rent
- food and meals
- banquets rent
- other incomes like laundry, telephone service etc

expenses of hotels

- purchases and provisions
- kitchen expenses
- salaries
- electricity
- advertisement
- repairs
- other expenses

TYPES OF GUESTS-

- **on the basis of residence**
  - **resident guest**
    - with lodging only
    - lodging and boarding(food)
  - **nonresident guests**
- **on the basis of settlement of dues**
  - guest with credit facility
  - guest without credit facility

ADJUSTMENTS IN HOTEL ACCOUNTING

- **staff meals** –free meals to staffs- treat as wages or salaries and add to the income from meals
- **staff accommodation-** free accommodation to staffs- add to the salaries and add to the income from accommodation
- **proprietor's meals-** add to the drawings and less total drawings from capital and also add it to the income from meals
- **proprietor's accommodation-** add to the drawings and less total drawings from capital and also add it to the income from accommodation

Books & accounts to be maintained by a hotel

- **cash book** – to record all cash transactions
- **sales day book**- to record all credit ales
- **purchase day book-** to record all credit purchases
- **visitors ledger**- the ledger accounts of all the guests are maintained in the tabular form in the visitors ledger. For keeping the accounts of each one of the guests, each one of the transactions relating to each guest are immediately recorded in it.

ROOM RATE-

Room rate simply refers to room rent. It is the charge fixed by the hotel for accommodation provided to the guests. It is the rate at which the guests are charged for the rooms let out to them.

BASES OF CHARGING ROOM RATES

- **24 hours stay system-**

under this system, a guest is charged a fixed amount for a stay of every 24 hours or part thereof from the time of his occupying the room in the hotel. This means he has to pay this fixed amount if he stays only a few hours.

- **Night stay system-**

under this system, the guest has to pay the room rent for every night spent in the hotel. Normally he should vacate the room before dinner of the next day. In case he fails, he has to pay charges for another night.

- **Check out system-**

Under this system, a check out time is fixed by the hotel. Generally 12 noon is taken as check out time. If any guest occupies more than the checkout time, he has to pay the another day's room rent.

OPERATING RATIO

1. **Room occupancy rate**- it is the ratio of the number of rooms occupied by the guests to the total number of lettable rooms available.

Room occupancy rate=

$$\frac{\text{No of rooms occupied}}{\text{No. of lettable rooms available}} \times 100$$

2. **Bed occupancy rate-** the bed occupancy rate is refers the ratio of beds occupied by the guest to the total number of beds available in the hotel.

Bed occupancy rate =

$$\frac{\text{No. bed occupied}}{\text{No. of total beds available}} \times 100$$

3. **Double occupancy rate-** this is the ratio of double rooms occupied by the guests to the total rooms occupied by the guests.

Double occupancy rate=

$$\frac{\text{total guests – rooms occupied}}{\text{No. of rooms occupied}} \times 100$$

BRANCH ACCOUNTING

MEANING OF BRANCH

A branch is a segment of a business. It is a chain of shops functioning in different localities under the control of the head office.

BRANCH ACCOUNTING

As already stated, branches carry on all activities under the control of head office. In order to exercise greater control over the branches, it is necessary to ascertain the profit or loss made by each branch separately. For this, it is requires the head office and the branches to keep proper books of account.

Branch accounting means accounting for branches.it is the process recording financial transaction of all branches to know the profitability and financial position of all branches separately.

NEED OF BRANCH ACCOUNTING

- To ascertain profit or loss of each branch
- To ascertain the financial position of each branch
- To helps in controlling of branches
- To assess the progress and performance of each branch
- To ascertain the requirement of stock and cash for each branch
- To ascertain whether the branch should be expanded or closed
- To determine the closing stock of each branch

TYPES OF BRANCHES

- **DEPENDENT BRANCH**

The branch which does not maintain a complete record of its transaction is said to be a dependent branch. It sells goods received from the head office(H.O). It has no power to purchase goods from others. All the transactions which take place between H.O and the branch are recorded in the books of H.O.

- **INDEPENDENT BRANCH**

Under this system of branch accounting, branches are treated as separate independent units. Such branches are known as independent branch. An independent branch receive goods from H.O and also purchases from the open market. It follows its own sales strategy. Expenses are met by the branch out of its own funds. It does not remit cash to H.O immediately, but deposit in a bank in its own account and uses for paying all expenses. Cash may be sent to H.O if there is a surplus or if the H.O is in need of funds.

FEATURES OF INDEPENDENT BRANCH

- Branch maintain complete books of accounts
- The branch maintain a H.O a/c in its books
- Branch prepare a trial balance and final accounts and send the copies of these statements to the H.O
- After receiving copies, H.O reconcile the statement.

Methods of maintaining accounts of dependent branches

- Debtors system
- Stock & debtors system
- Final account system
- Wholesale branch system

DEBTORS SYSTEM

Under this method, the head office prepares a branch a/c for each branch. Its purpose is to ascertain profit or loss made by each branch. This method is generally followed when size of the branch is small.

H.O may send goods to branch either at cost price or selling price.

Journal entries in H.O books (debtors system)

1. **To record opening balances of assets**

Branch a/c Dr
To Br. Stock
To Br. Debtors
To Br. Petty cash
To Br. (other) assets

2. **To record opening balances of liabilities**

Br. Liabilities a/c Dr
To Branch

3. **Goods sent to the branch**

Branch a/c Dr
To goods sent on branch

1. **Goods returned by the branch to H.O**

Goods sent to Branch a/c Dr
Branch a/c

2. **When H.O meets Br. Expenses or send cash to meet those expenses**

Branch a/c Dr
To cash/bank

3. **When cash received from branch the branch of cash sales or cash received debtors**

Cash / bank a/c Dr
To Branch

4. **To record closing balances of assets**

Br. Stock a/c Dr
Br. Debtors a/c Dr
Br. Petty cash a/c Dr
Br. (other) assets Dr
To branch

5. **To record closing balances of liabilities**

Branch a/c Dr
To Br. Liabilities

6. **Transfer of profit at the branch**

Branch a/c Dr
To General P/L a/c

In case of goods sent at selling price some additional entries are to be passed.

7. **Adjustment of loading in opening stock**

Stock reserve a/c Dr
To branch

4. **Adjusting loading in closing stock**

Branch a/c Dr
To stock reserve a/c

5. **Removing of loading in goods sent to branch**

Goods sent to Br. a/c Dr
To branch a/c

6. **Removing goods returned by the branch**

Branch a/c Dr
To goods sent to Br. a/c

Proforma of branch a/c

p/s	A	p/s	A
To bal B/d Stock Debtors Petty cash Other assets To goods sent to Br. To bank (exp) To bal c/d liabilities		By bal c/d Liabilities By bank By goods sent to Br(return) By bal b/d Stock Debtors Other assets Petty cash	

STOCK & DEBTORS SYSTEM

Under stock & debtors system, several accounts relating to the transactions of a branch are maintained in the books of H.O. they are:

- **Branch stock a/c-** this account shows the actual stock with the branch as the balance in this account. It is generally prepared to ascertain any shortage or surplus of stock.
- **Branch debtors a/c**- this account is maintained when the branch is sell goods on credit. This account is prepared to ascertain either the closing balance of debtors or the credit sales.
- **Branch expenses a/c**- this record all branch expenses such as bad debts, discount, salaries etc. this account is closed by transferring the balance to branch adjustment a/c
- **Branch adjustment a/c-** it records stock reserves, loading in goods sent to Br. and returns, shortage or surplus of stock, expenses and incomes etc. it is like trading P/L a/c
- **Goods sent to Branch a/c**- it record all goods sent by H.O to branch. It also record return on goods sent, loading in goods sent and returns etc..
- **Branch cash a/c**- this account is generally opened when the branch is allowed to hold cash and use it for expenses and remit the balances to H.O after certain intervals.
- **Branch fixed asset a/c**- a separate account for each fixed asset is opened to record any additions, reductions, depreciation etc. and to find out the balance at the end.

Journal entries (stock & debtors system)

1. **For goods sent to branch**

Branch Stock a/c Dr
    To goods sent to branch a/c

2. **For goods returned by branch**

Goods sent to branch a/c Dr
    To Branch Stock a/c

3. **For cash sent to branch for expenses**

Br. expenses a/c Dr
    To bank/ cash

4. **For cash sales at branch**

Bank /cash a/c Dr
    To branch stock a/c

5. **For credit sales at branch**

Branch debtors a/c Dr
    To branch stock

6. **For goods returned to branch by customers**

Branch stock a/c Dr
    To branch debtors

7. **For cash collected from branch debtors**

Bank /Cash a/c Dr
    To branch debtors

8. **For discount and allowance to debtors & bad debts**

Branch expenses a/c Dr
    To branch debtors

9. **For remittance to H.O**

Bank a/c Dr
    To branch cash

10. **For purchase of any fixed asset at branch**

Branch asset a/c Dr
    To Bank

11. **Depreciation on branch asset**

Branch P/L a/c Dr
    To Branch asset

1. **For transfer of branch expenses**

Branch adjustment a/c Dr
To branch expenses

2. **For abnormal loss of goods**

Branch adjustment a/c Dr
To branch stock

3. **For transferring net profit**

Branch adjustment a/c Dr
To General P/L a/c

In case of goods sent to branch at selling price the following additional entries are to be passed

4. **For removal of load in opening stock**

Stock reserve a/c Dr
To branch adjustment

5. **Adjusting loading in closing stock**

Branch adjustment a/c Dr
To stock reserve a/c

12. **Removing of loading in goods sent to branch**

Goods sent to Br. a/c Dr
To branch adjustment a/c

13. **Removing goods returned by the branch**

Branch adjustment a/c Dr
To goods sent to Br. a/c

FINAL ACCOUNT SYSTEM

Under this method, the profit or loss at the branch is ascertained by preparing the memorandum branch trading profit and loss account in place of Branch a/c. it should be noted that opening stock, closing stock , goods sent to branch and returns are recorded at cost price only. This means if these items are given at invoice price, these should be converted into cash price.

WHOLESALE BRANCH SYSTEM

Some manufactures sell goods through wholesalers as well as through their own retail branches. The goods are supplied to wholesalers and retail branches at the same price, that is wholesale price. The retail branches would sell the goods to customers at a list price. This list is always higher than the wholesale price. Thus the manufacturer is likely to get additional profit by selling goods through retail branches.

GOODS IN TRANSIT

Goods may be sent by H.O to the branch on a particular day. They may reach the branch after sometimes. The H.O will pass the journal entry on the day of sending, but the branch will pass the journal entry only when it receives the goods. These goods which are on the way are called goods in transit

CAPITAL AND REVENUE

Accounting items are broadly classified in to two- capital & revenue items. It is non-recurring in nature. In short any expenditure incurred for increasing the earning capacity of a business is called capital expenditure. Capital items are f divided in to two.

- capital expenditure
- capital receipts

and revenue items are further divided in to two.

- Revenue expenditure
- Revenue receipts

CAPITAL EXPENDITURES

Capital expenditure is that which gives a long term benefit to the business. It result in the acquisition of a tangible fixed assets like building, machinery etc.

EXAMPLES FOR CAPITAL EXPENDITURES

- Any expenditure for the purpose of acquiring fixed is a capital expenditure
- Any expenditure incurred on extension or improvement of an existing asset is a capital expenditure
- Any expenditure which increase the earning capacity of business is a capital expenditure.
- Any money spent for raising capital is capital expenditure eg..cost of issue of shares, brokerage etc
- Any expenditure incurred for acquiring intangible asset is capital expenditure.

REVENUE EXPENDITURE

An expenditure which benefits the current period is known as revenue expenditure. It is recurring nature. It does not increase the earning capacity of the business but maintains the earning capacity.

EXAMPLES OF REVENUE EXPENDITURES

- Expenses incurred for maintaining day to day operations such as rent, salaries etc.
- Cost of purchase of raw materials
- Cost maintaining fixed asset such as depreciation
- Other examples are interest on loan, legal expenses, loss on sale of fixed assets, bad debts etc.

In short all expenditure which are not capital nature is revenue expenditure.

Revenue expenditure becoming capital expenditure.

There are certain revenue expenditure which becomes capital expenditures. They are-

- **Repairs-** repairs usually revenue expenditure. Immediate repair on secondhand assets may be taken as capital expenditure.

- **Wages-** wages are revenue expenditure. But wages paid for installing new assets may be treated as capital expenditure.

- **Legal expenses-** these are revenue expenditure. But legal expenses incurred for purchasing any fixed asset may treated as capital expenditure.

- **Transport expenses-** they are also usually revenue expenditure but transport expense incurred for acquiring fixed asset is capital expenditure.

- **Freight and carriage**- carriage paid on newly purchased fixed asset is treated as capital expenditure.

Difference between capital expenditure and revenue expenditure

Capital expenditure	**Revenue expenditure**
Benefits is available for long period	Benefits is available for one financial year only
Non recurring nature	Recurring nature
Shown on the asset side	Debited to P/L a/c
Incurred for acquisition & improvement of assets	Incurred to earn revenue or profit
Helps to increase the earning capacity of business	Helps to maintain the earning capacity

DEFERRED REVENUE EXPENDITURES

Deferred revenue expenditure is that class of revenue expenditure which is incurred during a particular year but the benefit of which may extend to a number years. The whole amount of such expenditure cannot be treated as the expenditure of the year in which it is incurred. Therefore, a portion of such expenditure is charged every year to P/L a/c and unutilized part is shown on the asset side of the balance sheet.

FEATURE OF DEFERRED REVENUE EXPENDITURE

- These are revenue nature
- Their benefit is extended to several years
- Relatively large amount

EXAMPLES

- Preliminary expenses
- Brokerage
- Underwriting commission
- Heavy advertisement
- Cost issue of shares

Difference between revenue expenditure and deferred revenue expenditure

Revenue expenditure	Deferred revenue expenditure
Small amount	Usually heavy amount
Recurring in nature	Non recurring nature
Benefits is available for one financial year only	Benefits is available for long period
Debited to P/L a/c	Portion of such expenses shown P/L a/c and balance shown in the balance sheet

IMPLICATION OF AS 26

Accounting standard 26 "intangible assets" has almost eliminated the concept of deferred revenue expenditure.

CAPITAL RECEIPT

Capital receipt consist of the amount received as capital contribution by proprietor, partners or shareholders along with loans and debentures including sale proceeds of fixed assets. Thus capital receipt create liability either to owners or outsiders.

REVENUE RECEIPTS

Revenue receipts are the amount received in the ordinary course of a business. They include all recurring incomes that a business gets in normal business operation. Eg- sales, interest on investment etc.

Difference between capital receipts and revenue receipts

Capital receipts	Revenue receipts
Not frequently in the regular course of business	Arise in the day-to –day operation of the business
These are not matched with capital expenditures	These are matched with capital expenditures
Non recurring in nature	Recurring in nature
Firm can survive without these	Cannot survive without these
Show only in the balance sheet	Shown in the P/L a/c

CAPITAL PROFIT

Profit earned on sale of fixed assets or in connection with raising capital is known as capital profit. Examples includes profit on sale of fixed assets, profit on sale of forfeited shares, premium on issue of shares etc

REVENUE PROFIT

Revenue profit is the profit earned in the ordinary course of business. This is the profit from operation or business. This appears on the credit side of the P/L a/c.

CAPITAL LOSSES

Capital losses are those which occur at selling fixed assets or raising share capital. Examples includes loss on sale fixed assets, discount on issue of shares etc

REVENUE LOSSES

Revenue losses are the losses which arises from ordinary course of business. This is the loss from business or operation. These are debited to P/L a/c.

ACCOUNTING FOR NON-PROFIT ORGANIZATION

Non-profit organization

Non-profit organization are those organization which are established not for earning profit but for promoting welfare, social service, culture, sports etc. medical association, charitable trusts, clubs, educational institutions etc are examples of such organization

FINAL ACCOUNTS OF NON-PROFIT ORGANIZATION

The final account of non-profit organization includes the following

- Receipt & payments a/c
- Income & expenditure a/c
- Balance sheet

RECEIPT & PAYMENT ACCOUNT

Receipt & payment account is a summary of cash transactions for a particular period. It is prepared from cash book at the end of the year. It contains all cash receipts and payments whether they are capital nature or revenue nature or whether related to previous year or next year. It does not includes prepaid expenses & incomes.

FEATURES OF RECEIPTS & PAYMENT ACCOUNT

- It is a real account
- It is prepared from cash book
- It starts with opening cash and bank balances and ends with the closing cash and bank balance
- It contains both capital and revenue nature items
- It does not contains outstanding expenses and incomes
- The receipts are entered on the debit side and payments are entered on the credit side.
- It does not show profit or loss during the period.

Difference between receipt & payment a/c and cash book

Cash book	Receipt & payment a/c
It is a subsidiary book	It is a memorandum book
Transactions are recorded throughout the year	Prepared at the end of each year
Detailed form of cash transactions	Summary of cash book
Part of book keeping	Part of final accounts
It is prepared both trading and non-trading concerns	It is prepared only by non-trading concerns

INCOME & EXPENDITURE ACCOUNT

Income and expenditure account is prepared to find out surplus(profit) or deficit (loss) of non-profit organization for a particular period. It is nominal account in nature. In this account, only revenue expense and revenue receipts of the period are recorded. All expenses are shown on the debit side and all incomes are shown on the credit side. The difference between two sides is known as profit or loss.

FEATURES OF INCOME & EXPENDITURE ACCOUNT

- It is nominal in nature
- It is prepared from receipt & payment a/c
- It record all losses and expenses on the debit side and record all incomes on the credit side
- It contains only revenue receipts and payments.
- It completely ignore capital items
- It take only current year's expenses and income
- It also includes non-cash items such as bad debts, depreciation etc
- It does not contain opening or closing balances of cash or bank
- The closing balances represents either profit or loss.

Difference between receipt & payment a/c and income & expenditure a/c

Receipt & payment a/c	Income & expenditure a/c
It is a real account	It is a nominal account
It includes both capital revenue items	It includes only revenue items
Receipts are shown on the debit side and payments are shown on the credit side	expenses are shown on the debit side and incomes are shown on the credit side
It starts with opening balance of cash or bank or both	It does not start with opening balance
It is prepared on cash basis	It is prepared on accrual basis
It includes item relating to previous year, current year.	It includes items of current year only
It is like a cash book	It is like a P/L a/c

It ignore non-cash items	It record all non-cash items
The closing balance represents cash in hand or cash at bank or both	The closing balance represents profit or loss

Difference between income & expenditure a/c and Profit and loss a/c

Income & expenditure a/c	P/L a/c
It is the revenue a/c of non-profit organization	It is the revenue a/c of profit organization
It is prepared find out surplus or deficit	It is prepared to find out profit or loss
It does not start with any balance	It start with gross profit
Surplus or deficit is transferred to capital fund	Profit or loss transferred to capital a/c

TREATMENT OF SOME IMPORTANT ITEMS

1. **Subscription-** subscription fee received by non-profit organization is treated as revenue income.
2. **Donation-** it may be general or special. General donation is treated revenue item and special donation is treated as capital item
3. **Specific fund**- funds created for specific purpose like cricket fund, tournament fund etc are to be shown separately on the liability side.
4. **Government grants-** when grnats is received for specific purpose, then treated as capital receipt and if the grant is general in nature treated as revenue income.
5. **Endowment fund**- capital receipt
6. **Legacies**- gift or donation received as per the will. It is treated as capital receipt
7. **Entrance fee**- admission fee. Treated as revenue receipt
8. **Life membership fee**- it is non-recurring nature. So treated as capital receipt
9. **Honorarium**- it is an amount paid to a person invited by an organization to conduct a programme in the organization. It is revenue expenditure
10. **Purchase of sports material-** capital expenditure
11. **Sale of fixed asset-** capital receipt
12. **Sale of sports material**- revenue receipts
13. **Subscription of journal and newspapers**- revenue expenditures
14. **Sale of old newspaper**- revenue receipts

PROBLEMS IN FINANCIAL ACCOUNTING

SOLE TRADERS' ACCOUNT

1. Record journal entries
2. Post in to ledger accounts
3. Preparation of trading account
4. Preparation of profit and loss account
5. Balance sheet
6. Trial balance

HIRE PURCHASE AND INSTALLMENT SYSTEM

1. Record journal entries in the books of hire purchaser under full cash price method
2. Record journal entries in the books of hire vendor under full cash price method
3. Record journal entries in the books of hire purchaser under actual cash price paid method
4. Record journal entries in the books of hire vendor under actual cash price paid method
5. Record journal entries in the books of hire purchaser under interest suspense method
6. Record journal entries in the books of hire vendor under interest suspense method
7. Calculation of interest when cash price, interest rate and installments are given

8. Calculation of interest when cash price and installments are given(no interest rate)
9. Calculation of interest when only amount of installments are given.
10. Calculation of cash price under working back method
11. Calculation of cash price under annuity method
12. Repossession of goods – complete repossession
13. Repossession of goods- partial repossession

DEPARTMENTAL ACCOUNTING

1. Final accounts of departments

HOTEL ACCOUNTING

1. Final account of hotels
2. Room rate
3. Operating ratios

BRANCH ACCOUNTING

1. Branch accounting under debtors system
2. Branch accounting under stock and debtors system
3. Branch accounting under final account system

ACCOUNTING FOR NON PROFIT ORGANIZATIONS

1. Preparation of income and expenditure account and balance when receipt and payment a/c is given
2. Preparation of income and expenditure a/c when trial balance is given
3. Preparation of receipt & payment a/c when income and expenditure is given
4. Preparation of opening and closing balance sheet when income and expenditure and receipt and payment a/c are given

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