
CHAPTER I

REFRESHING MANUAL ACCOUNTS

Before entering into Computerised Accounting, let us refresh Manual Accounting. Accounting means the recording of the day today business transactions and preparation of necessary books systematically. The basic Accounting Order will be as given below:

BASIC ACCOUNTING ORDER

- Transaction
- Voucher Entry
- Ledger
- Trial Balance
- Final Accounts
 - Trading a/c
 - Profit and Loss a/c
 - Balance Sheet.

1. Transaction

An activity in terms of money value is called a Transaction. Transaction means a Financial Activity.

- a) 'Kamal bought a book for Rs.500' is a transaction.
- b) 'Vijay bought a pen' is not a transaction.

2. Voucher Entry

From transactions, we prepare the 'Journal Entries'. Every transaction has minimum two aspects viz. Debit aspect and Credit aspect. Finding the two aspects from a transaction and writing in Journal Format is an important part.

3. Ledger

'Ledgers' are prepared from 'Voucher Entries'. They are useful to view the particulars or balances for a specified period. Ledger has two columns/sides where debit and credit transactions are shown.

4. Trial Balance

Preparing Trial Balance is a year-end process. The Closing balances of all ledgers are entered here. Debit balances of ledgers are written on the debit side of Trial balance and vice versa. After bringing forward of all balances, the Trial Balance should tally. Otherwise, there may be errors in our Ledger Preparation. If the error could not be located in time, the short fall may be transferred to suspense a/c which should be rectified later.

Preparation of Trial Balance

Trial Balance can also be prepared from the closing balances of ledgers using the following rules.

Enter all Assets and Expenses on the debit side of the Trial Balance

Enter all Liabilities and Incomes on the credit side of the Trial Balance

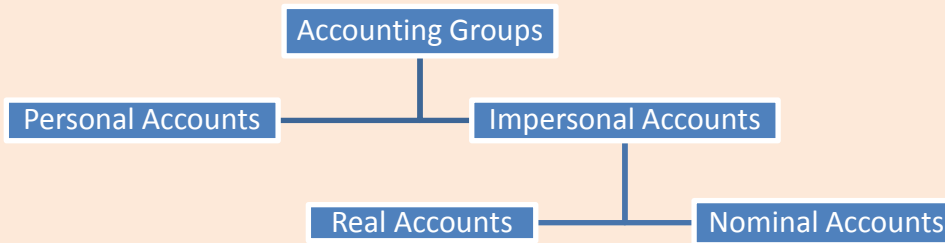
5. Final Accounts

Trading Account, Profit and Loss Account and Balance Sheet are called Final Accounts. As these are prepared at the final end of a year they are called Final accounts. By preparing Trading Account, we find the Gross Profit or Loss and by Profit and Loss Account, the Net Profit or Loss is arrived.

JOURNALISING TRANSACTIONS

There are three basic Accounting Groups viz. (a) Personal Accounts (b) Real Accounts (c) Nominal Accounts

This can alternatively be classified as follows:



Personal Accounts

Ledger Accounts related to individuals, Firms, Companies etc., are called personal Accounts. For example: Bhavani's A/c, Indian Airlines A/c.

Real Accounts

The Accounts related to the things really existing, which can be seen or touched are called Real Accounts. For example: Machinery A/c, Land and Buildings A/c etc.,

Nominal Accounts

In contrary to the Real Account, Nominal Accounts are not really existing. They are only for name sake and nominal. They cannot be either seen or touched. For example: Salary A/c, Conveyance A/c etc.

JOURNALISING RULES FOR THE GROUPS

Every transaction has minimum two aspects, viz. Debit Aspect and Credit Aspect. The following rules are followed to find out the debit and credit aspects.

Personal Accounts	: Debit the Receiver Credit the Giver
Real Accounts	: Debit what comes in Credit what goes out
Nominal Accounts	: Debit all Expenses and losses Credit all Incomes and Gains

Example

Salary paid Rs.2,000/-

In this example, the two aspects are 'Salary' and 'Cash'. Salary is a Nominal Account and Cash is a Real Account. Let us apply the rules relating to Nominal Account and Real Account.

'Expenses and Losses' are Debit Aspects and so Salary A/c is to be debited.
Credit what goes out. Cash is paid and going out. So, Cash A/c should be credited.

Journal Entry Format

		Rs.	Rs.
Salary A/c	Dr.	2000	
To Cash A/c			2000
(Being Salary paid)			

(Debit aspect)

(Credit aspect)

Exercise 1

1. Akash invested Capital Rs.10000.
2. Cash deposited into Bank Rs.20000.
3. Cash withdrawn from Bank Rs.10000.
4. Salary paid Rs.5000.
5. Wages paid Rs.6000.
6. Rent received Rs.3000.
7. Discount allowed Rs.1000.
8. Cheque issued to Rajan Rs.6000.

Exercise 2

1. Sale of goods Rs.2000.
2. Purchase of goods Rs.6000.
3. Credit Sales to Ramesh Rs.5000 & Cash sales of Rs.1000.
4. Credit purchase of Rs.6000 from Akash & Cash Purchase of Rs.2000 were made.
5. Returned goods from sale Rs.1000.
6. Returned goods from purchase Rs.2000.
7. Purchase of Land Rs.5000.

Exercise 3

1. Bills receivable from Kumar Rs.10000.
2. Additional Capital invested for Rs.100000.
3. Bills payable Rs.20000 to Prasad.
4. Loan from HDFC Rs.60000.
5. Bad debts written off Rs.600 to Mani.

Exercise 4

Prepare Trial Balance from the following Balances of ABC & Co. as on 31/3/95.

PARTICULARS		PARTICULARS	
Capital	41,000	Discount Allowed	1,200
Drawings	2,000	Sales	55,000
Machinery	20,000	Freight	1,300
Furniture	1,500	Insurance	800
Bank	18,200	Printing and Stationery	675
Cash	750	Bills Receivable	3,400
Rates and Taxes	1,100	Bills Payable	1,600
Opening Stock	17,000	Purchase Returns	1,700
Debtors	38,000	Commission Received	925
Creditors	45,000	Sales Returns	1,000
Purchases	30,000	Salaries	8,300

