Principles of Accounting

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Principles of Accounting

Course Code : 0411-122	Credits : 03
Semester End Exam (SEE) Hours : 03	CIE Marks : 90 SEE Marks : 60

Rationale of the Course:

The objective of the Principles of Accounting is to reveal the profits and losses of the business and provide a true and fair view of the business, which is aimed at safeguarding the interest of various stakeholders, internal and external, which are connected to the business.

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Course Learning Outcomes: At the end of the Course, the Student will be able to-

CLO 1	Define the accounting and explain its purpose and role of accounting in business and society.
CLO 2	Describe how basic business economic events affect accounts and financial statements.
CLO 3	Demonstrate an understanding of the principles of accrual accounting.
CLO 4	Apply the accounting cycle to develop financial statements from business transactions.
CLO 5	Interpret and analyze financial statements to aid in decision making.

Course Contents:

Serial No.	Contents	Hours	CLOs
01	Introduction to Accounting	6	CLO1
02	The Recording Process	12	CLO2 CLO3 CLO4
03	Adjusting the Account	8	CLO3
04	Completing the Accounting Cycle	7	CLO1 CLO3 CLO4 CLO5
05	Financial statements (Income statement & Balance sheet)	9	CLO4 CLO5

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Text Books:

- Accounting Principles, 12th Edition by Weygandt, Kimmel & Kieso.

Reference Books:

- Intermediate Accounting, 17th edition by *Kieso*, Weygandt, and Warfield.
- Belverd E. Needles, Marian Powers and Susan V. Crosson. *Principles of Accounting* (Houghton Mifflin Company).

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Course Plan specifying content, CLOs, Teaching Learning and assessment strategy mapped with CLOs.

Week	Topic	Teaching Learning Strategy	Assessment Strategy	Aligned to CLOs
1	Introduction to Accounting: Definition of Accounting, Objectives of Accounting, Scope of Accounting, Importance of Accounting, Users of Accounting information in Business, Branches of Accounting.	Lecture Discussion	Question & Answer (Oral)	CLO 1

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2	**Transactions, Double entry systems, Accounting equation: Definition of Transactions, Definition of Double entry systems, Characteristics of double entry systems, Rules of double entry systems., Definition of Accounting equation, Showing impact of transactions on accounting equation**	**Lecture Discussion**	**Question & Answer (Oral) Class test**	**CLO2**
3	Accounting equation, Accounting cycle, Account: Accounting equation, Showing impact of transactions on accounting equation, Details discussion about accounting cycle.	Lecture Discussion Problem Solving Exercise Home work	Question & Answer (Oral)	CLO2

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4	**QUIZ/ASSIGNMENT/CASE STUDY/PRESENTATION**	**Written exam** **MCQ test** **Assignment** **Presentation**	**Written exam** **MCQ test** **Oral test**	
5	Journal: Recording the transactions: Definition of Journal, Objectives, benefits andimportance, procedures of recording transactions, Different types of journal, Exercise of Journal.	Lecture Discussion Exercise Assignment	Question & Answer (Oral)	CLO 3 CLO 4

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6	**Ledger: Classifying the transactions: Definition of Ledger, Objectives, benefits and importance, procedures of Classifying transactions, Exercise of Ledger.**	▪ **Lecture** ▪ **Discussion** ▪ **Problem Solving** ▪ **Exercise** ▪ **Home work**	▪ **Question & Answer (Oral)**	**CLO3** **CLO4**
7	Trial balance: Summarizing the transactions: -The Account -Debits and Credits -Summary of Debit/Credit Rules -The Recording Process Illustrated -Summary Illustration of Journalizing and -Posting -The Trial Balance -Limitations of a Trial Balance -Locating Errors	▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise ▪ Home work	▪ Question & Answer (Oral) ▪ Class Test	CLO3 CLO4

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8	**Trial balance: Suspense account, method of correcting an incorrect trial balance, exercise of trial balance.**	▪ **Lecture** ▪ **Discussion** ▪ **Problem Solving** ▪ **Home work**	▪ **Question & Answer (Oral)**	**CLO4**
9	Adjusting the Accounts: Accrual- vs. Cash-Basis Accounting -Recognizing Revenues and Expenses, The Basics of Adjusting Entries -Types of Adjusting Entries -Adjusting Entries for Deferrals -Adjusting Entries for Accruals -Summary of Basic Relationships	▪ Lecture ▪ Discussion ▪ Oral Presentation	▪ Question & Answer (Oral) ▪ Class Test	CLO3

10	**Adjusting the Accounts: The Adjusted Trial Balance and Financial Statements - Preparing the Adjusted Trial Balance -Treatment of Prepaid - Expenses and Unearned Revenues -Prepaid Expenses - Unearned Revenues -Summary of Additional Adjustment Relationships**	▪ **Lecture** ▪ **Discussion** ▪ **Problem Solving** ▪ **Exercise** ▪ **Home work**	▪ **Question & Answer (Oral)**	**CLO3**
11	Worksheet: -Using a Worksheet - Steps in Preparing a Worksheet - Preparing Financial Statements from a Worksheet -Preparing Adjusting Entries from a -Worksheet	▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Oral presentation	▪ Question & Answer (Oral) ▪ Class Test	CLO3 CLO4 CLO5

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12	**QUIZ/ASSIGNMENT/CASE STUDY/PRESENTATION**	▪ **Written exam** ▪ **MCQ test** ▪ **Assignment** ▪ **Presentation**	▪ **Written exam** ▪ **MCQ test** ▪ **Oral test**	
13	Closing Entries: Definition, Steps in preparing closing entries - Temporary account - Permanent account - Steps in Closing temporary account - Preparing correction entries	▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise	▪ Question & Answer (Oral) ▪ Class Test	CLO2 CLO3

14	**Correction entries: Definition, Steps to make a correction entries, Exercise of correction entry.**	▪ **Lecture** ▪ **Discussion** ▪ **Problem Solving** ▪ **Exercise**	▪ **Question & Answer (Oral)** ▪ **Class Test**	**CLO2** **CLO3**
15	Financial Statements: Definition of Financial statements, Types of financial statements, Elements of financial statements, Classifications of different types of assets and liabilities, Format of financial statements	▪ Lecture ▪ Discussion	▪ Question & Answer (Oral)	CLO4 CLO5

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16	**Income statement: Definition, Objectives of income statement, Procedure of preparing income statement, Income statement exercise, Prepare of Classified Income statement**	**▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise ▪ Assignment**	**▪ Question & Answer (Oral) ▪ Class Test**	**CLO4 CLO5**
17	Balance sheet: Definition, objectives, procedures of preparing balance sheet, classified Financial position or balance sheet exercise, Income statement and Financial position or balance sheet exercise.	▪ Lecture ▪ Discussion ▪ Problem Solving ▪ Exercise	▪ Question & Answer (Oral)	CLO4 CLO5

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ASSESSMENT PATTERN

Total Marks Per Credit 50 Marks	
3 Credits Course	150 Marks
2 Credits Course	100 Marks
CIE	60%
SEE	40%

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CIE- Continuous Internal Evaluation (90 Marks)

Bloom's Category	*Quiz*	*Assignments*	*External Participation in Curricular/ Co-curricular activities*	*Test (45)*
Marks (out of 90)	*(15)*	*(15)*	*(15)*	
Remember			***Bloom's affective domain: (Attitude or Will)*** ***Attendance: 15*** ***Copy or Attempt to copy: -10*** ***Late Assignment: -10***	***10***
Understand	***05***	***05***		***05***
Apply	***05***			***10***
Analyze		***05***		***05***
Evaluate	***05***	***05***		***10***
Create				***05***

SEE- Semester End Examination (60 Marks)

Bloom's Category	*Test*
Remember	*10*
Understand	*10*
Apply	*10*
Analyze	*10*
Evaluate	*10*
Create	*10*

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Principles of Accounting

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Introduction to Accounting

Week-1

(Slide No. 1-12)

From this chapter, the students will be able to learn..

- Define accounting
- Explain the objectives, importance and scopes of accounting
- Analyze the users of accounting information
- Describe the branches of accounting

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Accounting

Definition: Accounting is a subject by studying which, the various financial activities of an organization can be correctly recorded in the books of accounts and their actual results can be determined after a certain period.

According to AW Johnson, "Accountancy may be defined as the collection and systematic recording of business transactions in terms of money, the preparation of financial report, the analysis and interpretation of these reports for the information and guidance of management."

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Objectives of Accounting

1. Proper recording of transactions
2. Determination of profit or loss
3. Ascertainment of financial position
4. Presentation of financial information
5. Providing accounting information to its users
6. Prevention of defalcation of money and control of expenditure
7. Assistance the management by providing the financial information.

Scope of Accounting

Accounting in business organizations: The prime objective of business is to earn profit. Financial transactions of a business concern are recorded in the books of accounts to ascertain operating results and financial position.

Accounting in personal life: The financial transactions which occur in individual life of a person are recorded properly in the books of accounts with a view to ascertaining receipts- payments and assets-liabilities.

Accounting in non-trading concerns: Keeping accounts in non-trading concerns like, school,-college, hospital, madrasa, mosque, temple, church, club, association etc. is essential because financial transactions occur in these institutions also.

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Scope of Accounting

Accounting in Government Offices: System of accounts is prevalent in govt. offices, courts and state-owned organizations for determining income-expenditure and proper running of administration.

Accounting in professionals: Professionals like doctors, engineers, advocates, actors, actresses earn by their professions. They also maintain their accounts of income and expenditure.

Importance of Accounting in Business Organization

1. Accounting supplies innumerable information to the institution relating to its management and administration.
2. Exact and correct result of the activities of the institution is disclosed through accounting.
3. Over-all financial status of the institution can be ascertained with the help of accounting.
4. The financial picture of one period of the organization can be compared with the same of the previous and following periods of the organization.
5. Accounting makes the institution credible to the third party.

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Importance of Accounting in Business Organization

6. Income-tax, Value added tax and Sales tax are assessed on the basis of accounting records.

7. Accounting is needed to fix the price of goods and services produced by the organization.

8. It is possible to check unnecessary expenditure with the help of accounting.

9. Accounting is also needed to ascertain exact value of assets and liabilities of the organization.

10. Books of Accounts and related papers of the institution can be used as valuable documents of the said institution

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Users of Accounting Information

Accounting information helps users to make better financial decisions. Users of financial information may be both internal and external to the organization-

Internal users (Primary Users):

Management: for analyzing the organization's performance and position and taking appropriate measures to improve the company results.

Employees: for assessing company's profitability and its consequence on their future remuneration and job security.

Owners: for analyzing the viability and profitability of their investment and determining any future course of action.

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Users of Accounting Information

External users (Secondary Users):

Creditors: For determining the credit worthiness of the organization. Terms of credit are set by creditors according to the assessment of their customers' financial health. Creditors include suppliers as well as lenders of finance such as banks.

Tax Authorities: For determining the credibility of the tax returns filed on behalf of the company.

Investors: For analyzing the feasibility of investing in the company. Investors want to make sure they can earn a reasonable return on their investment before they commit any financial resources to the company.

Customers: For assessing the financial position of its suppliers which is necessary for them to maintain a stable source of supply in the long term.

Regulatory Authorities: For ensuring that the company's disclosure of accounting information is in accordance with the rules and regulations set in order to protect the interests of the stakeholders who rely on such information in forming their decisions.

Branches of Accounting

Financial Accounting: Financial accounting involves recording and classifying business transactions, and preparing and presenting financial statements to be used by internal and external users.

Management Accounting: This branch of accounting provides information to management for better administration of the business.

Cost Accounting: The objective of cost accounting is to help the management in fixing the prices and controlling the cost of production.

Auditing: Auditing is a branch of accounting where an external certified public accountant known as Auditor inspects and certifies the accounts of a business for their accuracy and consistency.

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Branches of Accounting

Tax Accounting: Tax accounting helps clients follow rules set by tax authorities. It includes tax planning and preparation of tax returns.

Fund Accounting: Fund accounting is used for nonprofit entities, including governments and not-for-profit corporations.

Forensic Accounting: Forensic accounting involves court and litigation cases, fraud investigation, claims and dispute resolution, and other areas that involve legal matters.

Fiduciary Accounting: It is the accounting and evaluation of a third party's business and property maintained under the guardianship of another person.

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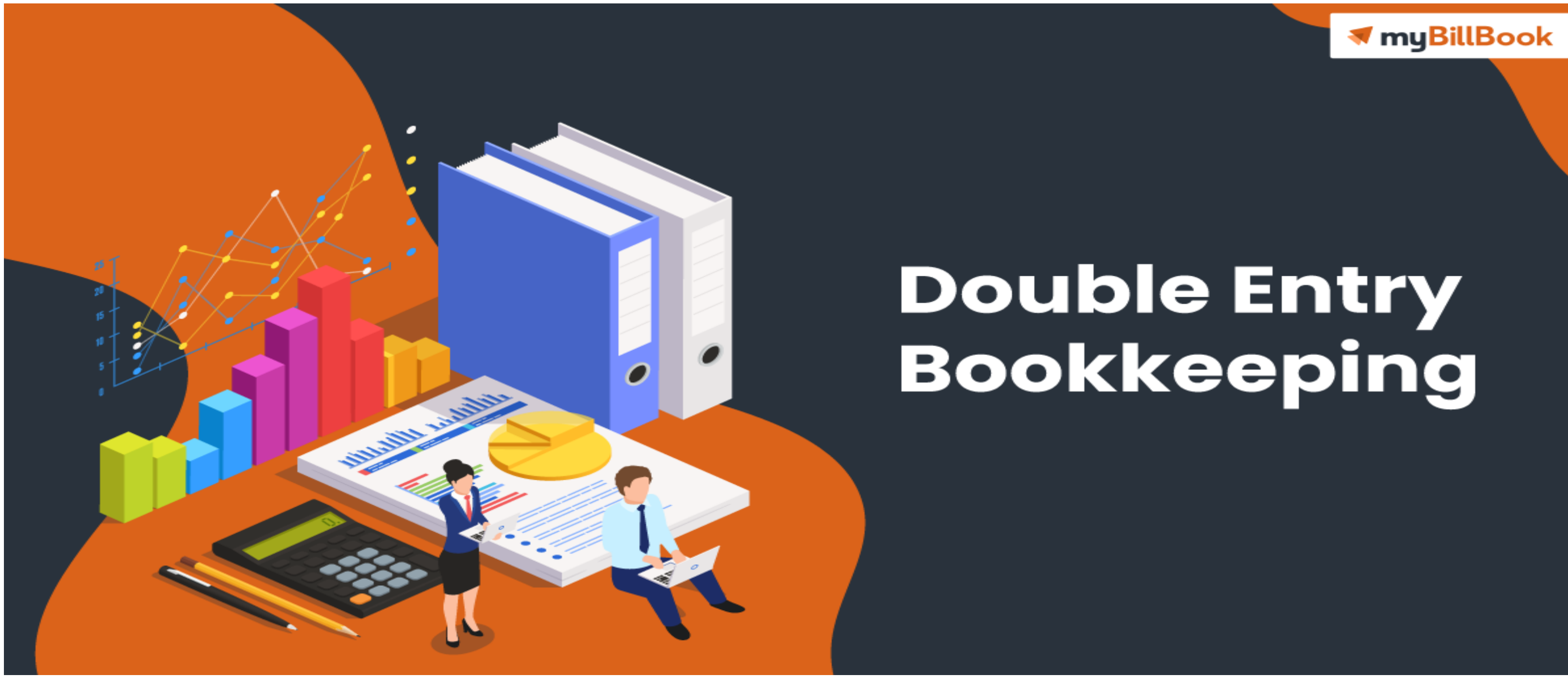
Double Entry Systems



Week-2

(Slide No. 14-27)

From this chapter, Students will be able to learn…

- *Define events and transactions*
- *Define accounting equation*
- *Analyze the impact of transaction into accounting equation.*
- *Define the double entry systems*
- *Describe the rules of double entry systems*
- *Explain the characteristics & Benefits of double entry systems.*

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Events Vs. Transaction

Transactions are usually related to the exchange of goods, services, or money between parties.

Events can be any significant occurrence that takes place within the company or its environment.

Transactions can be recorded in the company's general ledger, while events are not recorded in the financial records.

- Mr. Hasan has been appointed as manager monthly salary tk. 50,000. It is an event.
- Paid salary tk. 50,000 to Mr. Hasan.

  - It is a transaction

Accounting Equation

The equation is based on the principle that accounting deals with property & rights. The sum of the properties owned is equal to the sum of the rights to the properties. The properties owned by a business are called assets & the rights to properties are known as liabilities or equities of the business.

Assets = Liabilities + Owner's equities

A = L+OE

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The Double-Entry System

Each transaction has two parties– giver and receiver. One party receives a benefit and another party gives the benefit. The party which receives the benefit is called ‘Debtor’ and the party giving such benefit is called Creditor.

The system under which two fold aspects are considered, one party is debited and other party credited with the same amount, is called Double Entry System of Book-keeping.

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Rules of the Double Entry System

1) Personal Account:-

These accounts record a business dealings with persons or firm.

The person receiving something is given debit and the person giving something is given credit.

Receiver will be debit

Giver will be credit

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Receiver:

Paid cash tk. 40,000 to Hasan.

Hasan A/C Dr. 40,000

Cash A/C Cr. 40,000

Giver:

Received cash tk. 50,000 from Jamil.

Cash A/C Dr. 50,000

Jamil A/C Cr. 50,000

2) **Real Account:-**

These are the accounts of assets. Assets entering the business is given debit and assets leaving the business is given credit.

- Purchased furniture with cash tk. 80,000

Furniture A/C Dr. 80,000

Cash A/C Cr. 80,000

3) Nominal Account:-

These accounts deal with expenses, incomes, profits and losses. Accounts of expenses and losses are debited and accounts of incomes and gains are credited.

Expense: Purchased goods with cash tk. 50,000

Purchase A/C Dr. 50,000

Cash A/C Cr. 50,000

Income: Sold goods with cash tk. 70,000

Cash A/C Dr. 70,000

Sales A/C Cr. 70,000

Personal Account	Debit	Receiver
	Credit	Giver
Real Account	Debit	What comes in
	Credit	What goes out
Nominal Account	Debit	Expenses & Losses
	Credit	Incomes & Gains

Advantages of Double Entry System

a) Complete record of the financial transactions is maintained.

b) It gives accurate information of amount due to & due by the business unit at any time.

c) It is helpful in preventing frauds & errors.

d) Arithmetical accuracy of the account books can be tested.

e) It is helpful in preparing profit & loss account and Balance sheet of a firm.

The features/ Characteristics of Double entry systems:

The features of double entry system of book-keeping is given below:

1. Each transaction is shown in its two-fold aspects.

2. In Double-entry system, the receiver is debited and the giver is credited.

3. Each debit amount shall be equal to each credit amount and vice versa.

4. The total amount of debit of a transaction will always be equal to the total of credit amount. Because, Total Assets = Total liabilities.

5. In every transaction, one party receives the benefit and another party gives the benefit. The receiver of benefit is debited and giver of benefit is credited.

Accounting Cycle

a) **Recording:-**

First, all transactions should be recorded in the Journal or Books of original entry known as subsidiary books.

b) **Classifying:-**

All entries in the Journal should be posted to the appropriate ledger accounts to find out at a glance the total effect of all such transactions in a particular account.

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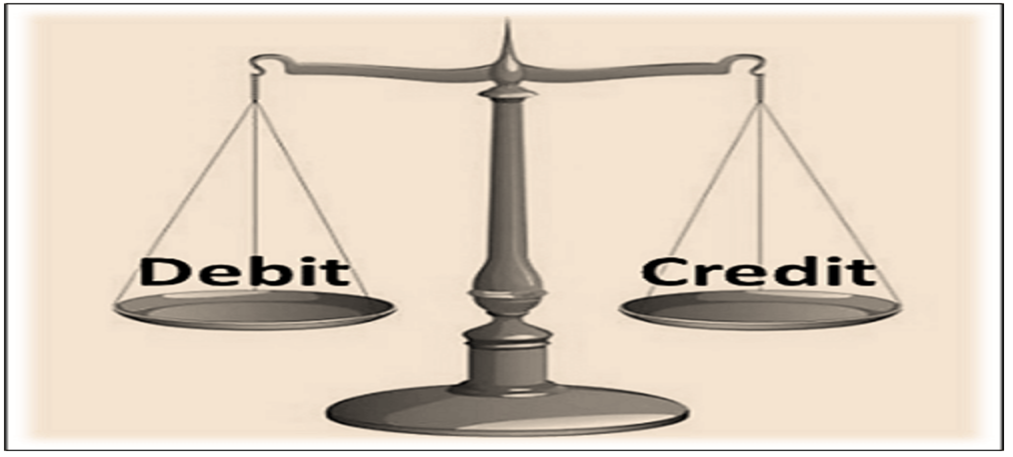
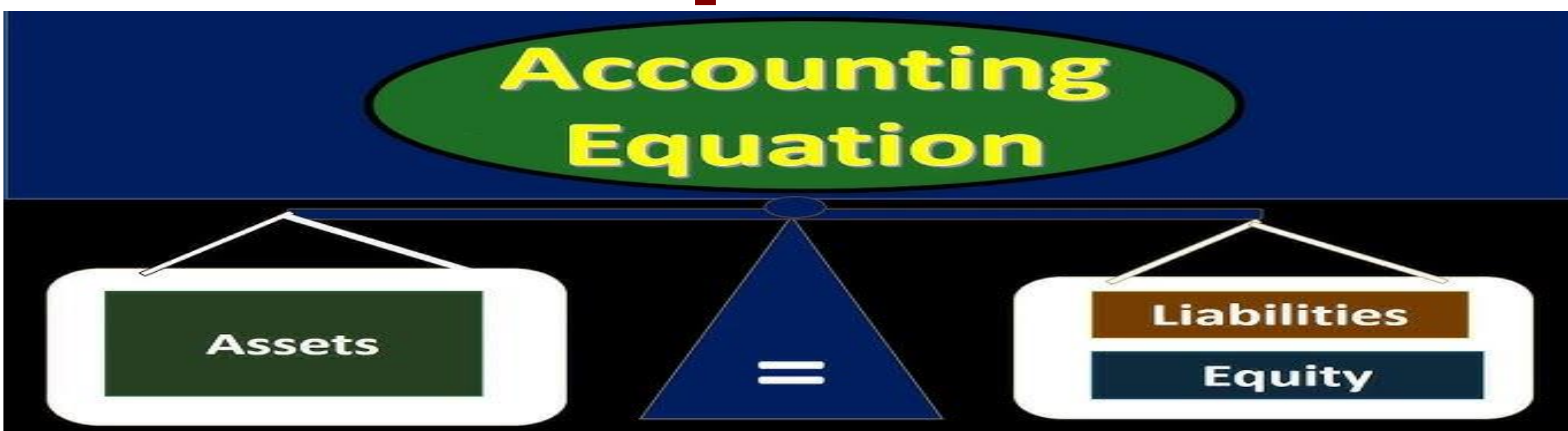
c) **Summarizing**:-

Last stage is to prepare the trial balance and final accounts with a view to ascertaining the profit or loss made during a trading period and the financial position of the business on a particular date.



Week- 3 (Slide No. 28-48)

ACCOUNTING Equation



Study Objectives

1) Explain what accounting equation is.
2) State the accounting equation, and define assets, liabilities, and owner's equity.
3) Analyze the effects of business transactions on the accounting equation.
4) Understand the four financial statements and how they are prepared.

What is Accounting?

Three Activities

Accounting process

Identification

Select economic events (transactions)

Recording

Record, classify, and summarize

Communication

Prepare accounting reports

Analyze and interpret for users

The accounting process **includes** the bookkeeping function.

LO 1 Explain what accounting is.

The Basic Accounting Equation

Assets	=	Liabilities	+	Owner's Equity

Provides the **underlying framework** for recording and summarizing economic events.

Assets are claimed by either creditors or owners.

Claims of creditors must be paid before ownership claims.

The Basic Accounting Equation

Assets	=	Liabilities	+	Owner's Equity

Provides the **underlying framework** for recording and summarizing economic events.

Assets

- Resources a business owns.
- Provide future services or benefits.
- Cash, Supplies, Equipment, inventory, Car, trucks, machines, etc.

The Basic Accounting Equation

Assets	=	Liabilities	+	Owner's Equity

Provides the **underlying framework** for recording and summarizing economic events.

Liabilities

- Claims against assets (debts and obligations).
- Creditors - party to whom money is owed.
- Accounts payable, Notes payable, etc.

LO 2 State the accounting equation, and define assets, liabilities, and owner's equity.

The Basic Accounting Equation

Assets	=	Liabilities	+	Owner's Equity

Provides the **underlying framework** for recording and summarizing economic events.

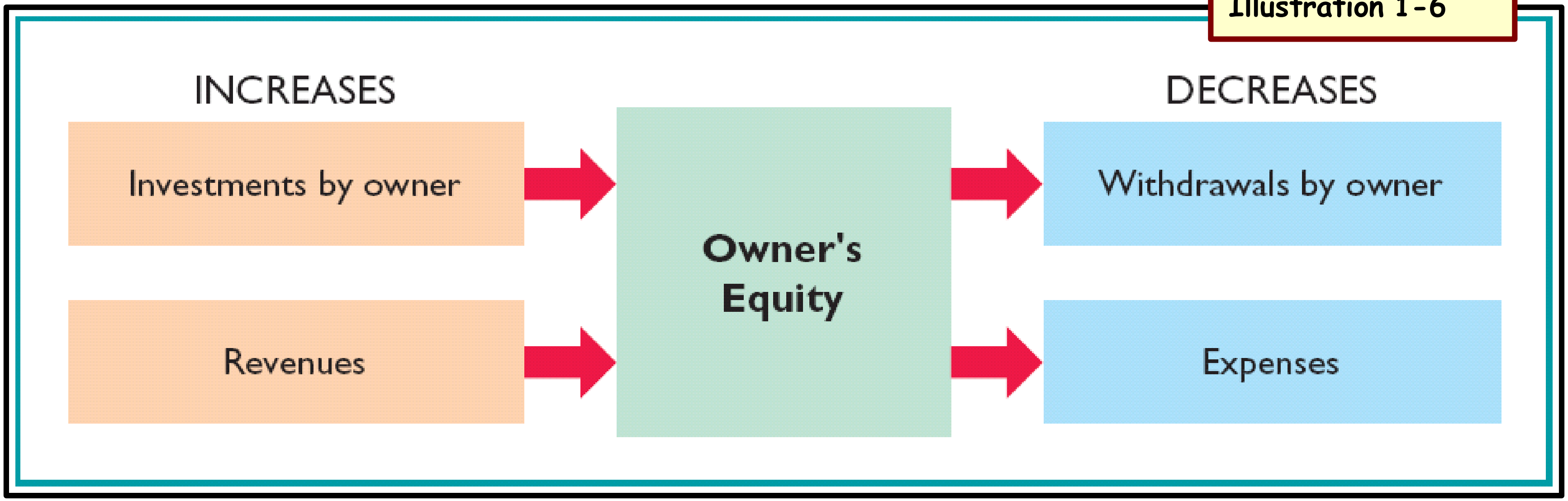
Owner's Equity

- Ownership claim on total assets.
- Referred to as residual equity.
- Capital, Drawings, etc. (Proprietorship or Partnership).

LO 2 State the accounting equation, and define assets, liabilities, and owner's equity.

Owners' Equity

Illustration 1-6

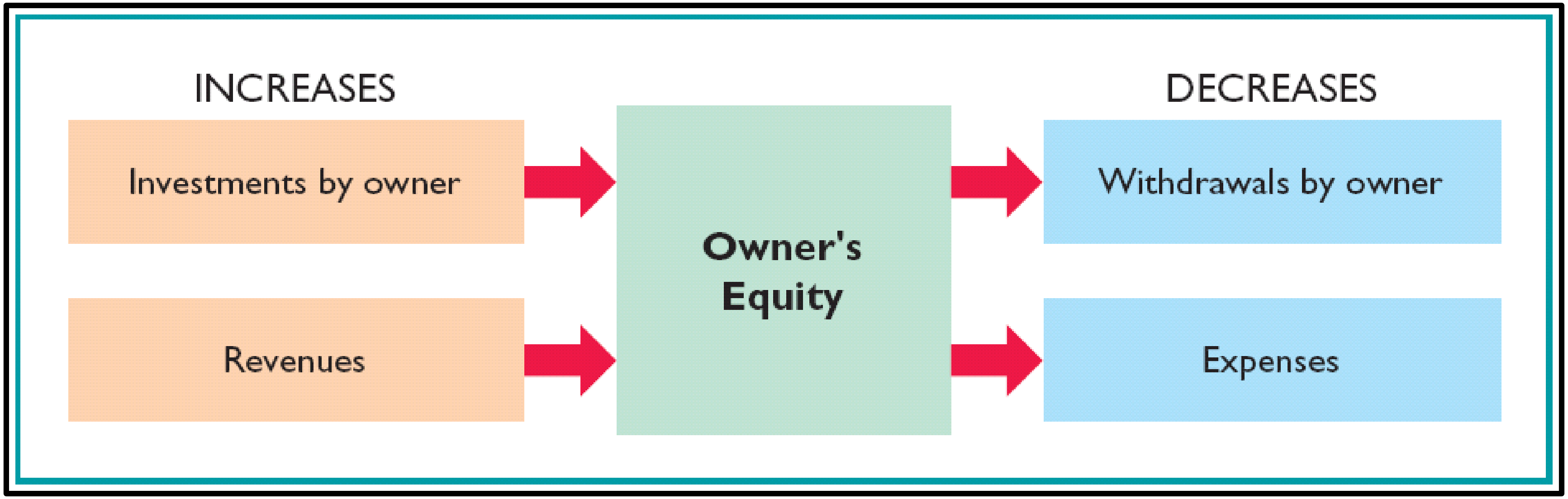


Revenues result from business activities entered into for the purpose of earning income.

Common sources of revenue are: sales, fees, services, commissions, interest, dividends, royalties, and rent.

LO 3 State the accounting equation, and define assets, liabilities, and owner's equity.

Owners' Equity



Expenses are the cost of <u>assets consumed</u> or <u>services used</u> in the process of earning revenue.

Common expenses are: salaries expense, rent expense, utilities expense, tax expense, etc.

Using The Basic Accounting Equation

Transactions are a business's economic events *recorded* by accountants.

- May be external or internal.
- Not all activities represent transactions.
- Each transaction has a **dual effect** on the accounting equation.

Transactions (Question?)

Q1-15: Are the following events recorded in the accounting records?

Event

Supplies are purchased for cash.

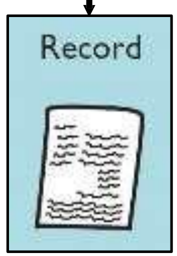
An employee is hired.

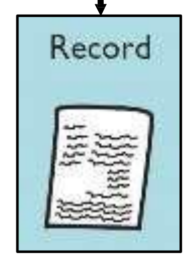
Owner withdraws cash for personal use.

Criterion

Is the financial position (assets, liabilities, or owner's equity) of the company changed?

Record/ Don't Record





LO 3 Analyze the effects of business transactions on the accounting equation.

Discussion Question

Q18. In February 2008, Paula King invested an additional $10,000 in her business, King's Pharmacy, which is organized as a proprietorship. King's accountant, Lance Jones, recorded this receipt as an increase in cash and revenues. Is this treatment appropriate? Why or why not?

Answer

- Question 18 (Chapter 1) No, this treatment is not proper. While the transactions does involve a receipt of cash, it does not represent revenues. Revenues are the gross increase in owner's equity resulting from business activities entered into for the purpose of earning income. This transactions is simply an additional investment made by the owner in the business.

Transactions (Problem)

P1-1A: Barone's Repair Shop was started on May 1 by Nancy. Prepare a tabular analysis of the following transactions for the month of May.

1. Invested $10,000 cash to start the repair shop.

	Assets				Liabilities		Equity	
	Cash	+	Accounts Receivable	+	Equipment	=	Accounts Payable	+	Barone, Capital	
1.	+10,000								+10,000	**Investment**

LO 3 Analyze the effects of business transactions on the accounting equation.

Transactions (Problem)

2. Purchased equipment for $5,000 cash.

	Assets				Liabilities		Equity	
	Cash	+	Accounts Receivable	+	Equipment	=	Accounts Payable	+	Barone, Capital	
1.	+10,000								+10,000	Investment
2.	-5,000				+5,000					

LO 3 Analyze the effects of business transactions on the accounting equation.

Transactions (Problem)

3. Paid $400 cash for May office rent.

	Assets				Liabilities	Equity	
	Cash	+ Accounts Receivable	+ Equipment	=	Accounts Payable	+ Barone, Capital	
1.	+10,000					+10,000	**Investment**
2.	-5,000		+5,000				
3.	-400					-400	**Expense**

LO 3 Analyze the effects of business transactions on the accounting equation.

Transactions (Problem)

4. Received $5,100 from customers for repair service.

	Assets				Liabilities	Equity	
	Cash	+ Accounts Receivable	+ Equipment	=	Accounts Payable	+ Barone, Capital	
1.	+10,000					+10,000	**Investment**
2.	-5,000		+5,000				
3.	-400					-400	**Expense**
4.	+5,100					+5,100	**Revenue**

Transactions (Problem)

5. Withdrew $1,000 cash for personal use.

	Assets				Liabilities	Equity	
	Cash	+ Accounts Receivable	+ Equipment	=	Accounts Payable	+ Barone, Capital	
1.	+10,000					+10,000	Investment
2.	-5,000		+5,000				
3.	-400					-400	Expense
4.	+5,100					+5,100	Revenue
5.	-1,000					-1,000	Drawings

LO 3 Analyze the effects of business transactions on the accounting equation.

Transactions (Problem)

6. Paid part-time employee salaries of $2,000.

	Assets				Liabilities	Equity	
	Cash	+ Accounts Receivable	+ Equipment	=	Accounts Payable	+ Barone, Capital	
1.	+10,000					+10,000	Investment
2.	-5,000		+5,000				
3.	-400					-400	Expense
4.	+5,100					+5,100	Revenue
5.	-1,000					-1,000	Drawings
6.	-2,000					-2,000	Expense

Transactions (Problem)

7. Incurred $250 of advertising costs, on account.

	Assets			Liabilities	Equity	
	Cash	+ Accounts Receivable	+ Equipment	= Accounts Payable	+ Barone, Capital	
1.	+10,000				+10,000	**Investment**
2.	-5,000		+5,000			
3.	-400				-400	**Expense**
4.	+5,100				+5,100	**Revenue**
5.	-1,000				-1,000	**Drawings**
6.	-2,000				-2,000	**Expense**
7.				+250	-250	**Expense**

Financial Statements

Companies prepare four financial statements from the summarized accounting data:

- Income Statement
- Owner's Equity Statement
- Balance Sheet
- Statement of Cash Flows

LO 4 Understand the four financial statements and how they are prepared.

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Journal

Week-5

Slide No. 49-61

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After studying this chapter, the students will be able to learn…

- Define Journal
- Explain Objectives of Journal
- Describe the functions of journal
- Demonstrate the methods of preparing journal
- Analyze the types of Journal
- Design the Journal from transactions

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Definition of Journal

The book in which business transactions, being analyzed into debit and credit, are first recorded chronologically with short explanation immediately after their occurrence is called journal. Journal is a book of Prime Entry, because the recording of business transaction in the Journal is the first step of Double Entry System.

Objectives of Journal

The main objectives of maintaining a journal are:

Chronological Recording of Transactions: To ensure that all financial transactions are recorded in the order they occur.

Accuracy: To maintain accuracy by ensuring that every transaction is recorded with correct amounts and accounts before posting to the ledger.

Legal Evidence: Journals serve as legal proof of transactions, which can be referred to in case of disputes or audits.

Organized Record-Keeping: Helps in maintaining an organized, systematic, and comprehensive record of business transactions.

Facilitates Posting to Ledgers: Journals provide a systematic record, from which transactions are transferred to individual ledger accounts.

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Functions of Journal

The functions of a journal include:

Initial Record of Transactions: The journal serves as the first record for all business transactions.

Debits and Credits: It records both the debit and credit aspects of each transaction, ensuring that the accounting equation (Assets = Liabilities + Equity) is balanced.

Simplifies Ledger Posting: Entries from the journal are transferred to respective ledger accounts, aiding in the creation of the trial balance and financial statements.

Organizational Control: By maintaining detailed records, the journal helps ensure business transactions are complete, correct, and traceable.

Methods of Preparing Journal

There are several methods used to prepare journal entries. These include:

Simple Journal Entries: This is when a transaction involves only one debit and one credit account.

Example:

A business sells goods for tk. 50,000 in cash.

Journal Entry:

- Debit: Cash tk. 50,000
- Credit: Sales tk. 50,000

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2. Compound Journal Entries: These entries involve multiple debits and/or credits for a single transaction.
Example:
A business purchases goods for tk. 40,000 and office supplies for tk. 10,000 on credit.

- **Journal Entry**:
  - Debit: Purchases tk. 40,000
  - Debit: Office Supplies tk. 10,000
  - Credit: Accounts Payable tk. 50,000

3. Special Journal Entries: Special journals are used for recording specific types of transactions, such as sales, purchases, or cash receipts, where entries are recorded in separate journals for each category.
Example:
Sales Journal for sales on credit:

- **Journal Entry**:
  - Debit: Accounts Receivable
  - Credit: Sales

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Example of Journal Entry

Transaction: A business buys office furniture on credit worth tk.15,000.

Journal Entry:

Office Furniture A/C Dr. tk. 15,000

Accounts Payable A/C Cr. tk. 15,000

In this example, the business has purchased office furniture on credit, which increases the office furniture account and creates an obligation to pay in the future, thus increasing accounts payable.

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Types of Journals

While the general journal is used for most transactions, businesses also maintain specialized journals to record specific transactions more efficiently:

Sales Journal: Used to record all credit sales.

Purchases Journal: Used for recording all credit purchases.

Cash Receipts Journal: Used to record all incoming cash transactions.

Cash Payments Journal: Used to record all outgoing cash transactions.

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Exercise

ABC Ltd. Company operates the business during the January. The following transactions are incurred-

January-1: ABC Company started business with cash tk. 1,00,000

January-5: Opened bank account by depositing tk. 35,000

January-10: Purchased office furniture with cash tk. 50,000

January-15: Purchased goods from XYZ Ltd. tk. 12,000 on account.

January-18: Sold goods in cash tk. 20,000

January-25: Sold goods to R. Traders tk. 25,000.

January-30: Paid salary to the staff tk. 15,000

Prepare the above transactions into Journal

Date	Accounts titles/Particulars	LP	Debit (Tk.)	Credit (Tk.)
1st January 2018	Cash A/c ABC Ltd. Capital A/c		100000	 100000
January-5	Bank A/C Cash A/c		35,000	 35,000
January-10	Office furniture A/c Cash A/c		50,000	 50,000
January-15	Purchased A/c XYZ Ltd.		12,000	 12,000
January-18	Cash A/c Sales A/c		20,000	 20,000
January-25	R. Trader A/c Sales A/c		25,000	 25,000
January-30	Salary A/c Cash A/c		15,000	 15,000

Problem for homework/Assignment

Record the following transaction in the Journal of Mr. Kashem:

On 1st January, 2000, Mr. Kashem started a cloth shop business with a capital Of Tk. 40,000.00

His transactions for the month were —

- January-2 Purchased Furniture for shop Tk. 5,000.00
- January-4 Purchased cloths (goods) for cash Tk. 8,000.00
- January-5 Purchased goods on credit from Habib Tk. 7,000.00
- January-6 Sold goods for Cash Tk. 10,000.00
- January-8 Sold goods to Selim on credit Tk. 6,000.00
- January-10 Purchased stationery Tk. 500.00
- January-18 Paid cash to Habib Tk. 5,000.00
- January-25 Received cash from Selim Tk. 4,000.00
- January-30 Paid salary to the staff Tk. 2,000.00
- January-31 Paid shop rent Tk. 1,000.00

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Exercise

- On January 5th, XYZ Ltd. purchased goods worth tk. 20,000 on credit from a supplier.
- On February 10th, ABC Pvt. Ltd. sold merchandise worth tk15,000 for cash.
- On March 1st, DEF Ltd. paid tk. 5,000 in cash for office rent.
- On April 20th, GHI Enterprises sold goods worth tk. 10,000 on credit to a customer.
- On May 15th, the company made a sale of tk. 30,000, out of which tk. 20,000 was paid in cash, and the remaining tk. 10,000 was on credit.
- On June 25th, ABC Ltd. purchased office equipment worth tk.12,000. The company paid tk. 5,000 in cash and the remaining tk. 7,000 is on credit.
- On July 10th, the company paid tk. 3,000 in cash for utilities and tk. 2,000 for office supplies.
- On August 1st, the company paid tk. 6,000 for a one-year insurance premium.
- On September 5th, the company sold an old machine for tk. 25,000, receiving tk. 10,000 in cash, with the balance tk. 15,000 to be paid later.
- On October 15th, the company received a loan of tk. 50,000 in cash from the bank

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Ledger

Week-6

Slide No. 62-72

After studying this chapter, the students will be able to learn…

- Define Ledger
- Explain Objectives of Ledger
- Describe the Importance of Ledger
- Differentiate between Journal and Ledger
- Post to the Ledger from Journal

Definition of Ledger

Ledger is the principal book where all the financial transactions of the business are recorded permanently under different heads of account in a summarized and classified form.

It is referred to as the **book of final entry** because it serves as the foundation for preparing financial statements. In the ledger, transactions are categorized into individual accounts (cash, accounts payable, revenue), which helps in determining the financial position of a business.

Objectives of Ledger

The main objectives of the ledger include:

- **Classification of Transactions**: The ledger helps to classify financial transactions according to specific accounts, such as assets, liabilities, income, and expenses.
- **Summarization**: It summarizes all transactions recorded in the journal for each account, which helps in the preparation of trial balances and financial statements.
- **Financial Control**: By maintaining accurate records in the ledger, businesses can keep track of individual account balances and ensure proper financial control.
- **Tracking Account Balances**: The ledger allows businesses to monitor the current balance of each account, helping in effective decision-making and financial management.
- **Audit and Verification**: The ledger provides a clear and organized record of all transactions for audit purposes.

Importance of Ledger

The ledger is critical in the accounting system for several reasons:

- **Detailed Record Keeping**: The ledger organizes detailed records of each transaction and ensures all financial activities are captured and categorized accurately.
- **Prepares Financial Statements**: The ledger serves as the primary source for preparing key financial statements such as the balance sheet, income statement, and cash flow statement.
- **Ensures Accuracy**: By organizing transactions by account, the ledger helps in maintaining the accuracy of financial records and ensures that errors are identified and rectified.
- **Helps in Financial Analysis**: The ledger allows businesses to assess the financial position and performance of the company, including profit and loss, asset values, and liabilities.
- **Legal and Regulatory Compliance**: Maintaining a correct and up-to-date ledger is crucial for legal compliance, as it can be used in audits and tax assessments.

Difference between Journal & Ledger

Subject	Journal	Ledger
Definition	A journal is the book of first entry where all transactions are initially recorded in chronological order	A ledger is the book of final entry where transactions are classified and summarized by account
Purpose	To record transactions in the order in which they occur.	To classify and summarize the transactions into individual accounts.
Accounts Book	Journal is the subsidiary Book of Ledger	Ledger is the Principal Book of Accounts.
Balancing	Determination of Balance is not possible in Journal.	It is possible to ascertain balance of the accounts kept in the ledger .
Financial Statement	Trial Balance and Final Accounts cannot be prepared from Journal.	Trial Balance and Final Accounts can be prepared from Ledger
Columns	There are five columns in the Journal format	There are seven columns in the Ledger according to modern method.

Exercise

ABC Ltd. Company operates the business during the January. The following transactions are incurred-

January-1: ABC Company started business with cash tk. 1,00,000

January-5: Opened bank account by depositing tk. 35,000

January-10: Purchased office furniture with cash tk. 50,000

January-15: Purchased goods from XYZ Ltd. tk. 12,000 on account.

January-18: Sold goods in cash tk. 20,000

January-25: Sold goods to R. Traders tk. 25,000.

January-30: Paid salary to the staff tk. 15,000

* Prepare the above transactions into Journal and posted to ledger.

Date	Accounts titles/Particulars	LP	Debit(Tk.)	Credit(Tk.)
1st January 2018	Cash A/c ABC Ltd. Capital A/c		100000	100000
January-5	Bank A/C Cash A/c		35,000	35,000
January-10	Office furniture A/c Cash A/c		50,000	50,000
January-15	Purchased A/c XYZ Ltd.		12,000	12,000
January-18	Cash A/c Sales A/c		20,000	20,000
January-25	R. Trader A/c Sales A/c		25,000	25,000
January-30	Salary A/c Cash A/c		15,000	15,000

Cash A/C

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-1	ABC Ltd. Capital A/c		100000	……….	100000	………
January-5	Bank A/c		……….	35000	65000	………
January-10	Office furniture A/c		………	50,000	15000	………
January-18	Sales A/c		20000	……..	35000	……..
January-30	Salary A/c		…….	15000	20000	……..

Capital A/C

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-1	Cash A/c		……..	100000	………..	100000

Bank A/C

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-5	Cash A/c		35000	……….	35000	………

Office Furniture A/c

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-10	Cash A/c		50000	………	50000	……..

Purchase A/c

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-15	XYZ Ltd.		12000	……..	12000	………

XYZ A/c

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-15	Purchased A/c		…….	12000	……..	12000

Sales A/c

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-18 January-25	Cash A/c R. Trader A/c		…… ……..	20000 25000	…… ……	20000 45000

R Traders A/c

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-25	Sales A/c		25000	……..	25000	………

Salary A/c

Date	Particulars	J.P	Dr.(tk.)	Cr.(tk.)	Dr. balance	Cr. balance
January-30	Cash A/c		15000	…..	15000	……..

Trial Balance

Week- 7 (Slide No. 73-77)

Week-8 (Slide No. 78-83)

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After studying this chapter, the students will be able to learn…

- Define Trial Balance
- Explain Objectives of Trial Balance
- Describe the methods of preparing Trial Balance
- Demonstrate the suspense account
- Analyze the methods of correcting an incorrect trial balance.
- Design the Trial Balance from the ledger balance

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Definition of Trial Balance

Trial Balance is the third stage in the accounting process. Transactions are first recorded in journal and then in the Ledger. To test whether any mistake has arisen at these two stages, a statement or list is prepared with the help of Debit and Credit balances of the Ledger.

The name of this list or statement is called Trial Balance.

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Objectives of Trial Balance

The main objectives of preparing a trial balance are:

1. **Verification of Arithmetic Accuracy**: The primary purpose is to verify whether the total debits and total credits are equal, ensuring that no mathematical errors have occurred during the journal and ledger posting.
2. **Error Detection**: If the trial balance does not balance, it signals that there may be errors in recording transactions or posting them to the ledger. This helps in identifying where the errors may have occurred.
3. **Preparation of Financial Statements**: It serves as a basis for the preparation of the final accounts (Income Statement and Balance Sheet) by summarizing all the ledger account balances.
4. **Check the Completeness of Accounts**: It confirms that all transactions for the period have been recorded and posted to the appropriate accounts.

Method of Preparing a Trial Balance:

The accounts, the balances of which will be written on the debit side	The accounts, the balances of which will be written on the credit side
1. All the assets: such as, land, building, Leasehold property, Machinery, Equipment, Furniture, Investment, Bills Receivable, Debtors, Cash in the Bank, Opening stock, Cash in hand etc.	1. All liabilities accounts; such as, Loan, Debenture, Loan on Mortgage, Creditors, Bills payable, Bank overdraft, Capital etc.
2. All expenses and losses; such as, wages, salaries, printing, rent, repairs, office expenses, trade expenses, commission paid, Purchases, depreciation, bad debt, discount allowed etc.	2. All types of incomes and profits: such as, Interest received, Discount received, Interest on investment, interest on bank deposit etc.
3. Expenses paid in advance: such as Salaries paid in advance, Insurance prepaid.	3. Outstanding expenses: Salaries due, wages due, rents due etc.
4. Accrued Incomes: Interest accrued on investment, commission accrued etc.	4. All types of Reserves: Reserve for Doubtful debt, General Reserve, etc.
5. Other items: Sales Return, Loan allowed, Drawing.	5. Other items: Purchase Returns, Income Received in Advance.

Method of correcting an incorrect Trial Balance:

In this case the following action should be taken to detect the mistake:

1. To verify the totals of the two columns in Trial Balance.

2. To see whether the balance of Ledger accounts have been correctly entered in the Trial Balance.

3. To see whether posting from Journals to the Ledger Accounts have been correctly done.

4. To see whether totaling and balancing of the Ledger Accounts have been correctly done.

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5. To see whether posting of the Debit and Credit Balances have been correctly done in the appropriate side of the Trial Balance.

6. If the mistakes or errors cannot be detected, no further time should be spent. So, the amount by which the Trial Balance disagreed should be put in 'Suspense Account' for the time being. Subsequently, when the errors will be detected, the errors will be rectified through the suspense A/c which will be closed after the errors are rectified.

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Suspense Account:

It is necessary to find out the error where totals of both the sides of a Trial Balance do not agree. But, in many cases the detection of the errors may take long time and it may not be feasible to keep the work of preparation of Final Accounts pending for such a long time. Under the circumstance the difference between the totals of both the side of Trial Balance is shown in the Suspense Account and both the sides of the Trial Balance are made equal through this account for the time being.

If the total of credit side of Trial Balance becomes less than that of debit side, the Suspense Account will be shown on the credit side and vice versa. Afterwards, when the errors are detected the Suspense Account is closed through correction of those errors. Practically this is purely a temporary Account.

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Exercise of Trial Balance

Capital	98,000
Opening Stock	25,000
Salaries	35,000
Wages	25,000
Purchases	90,000
Sales	1,40,000
Purchases Return	2,000
Sales Return	1,000
Bad Debt	500
Provision for Bad Debt	1,500
Furniture	10,000
Machinery	22,000
Carriage	4,000
Cash in hand	4,000
Cash at Bank	15,000
Bills Payable	6,000
Commission received	2,000
Discount Allowed	2,000
Insurance Premium	1,000
Sundry Debtors	31,000
Sundry Creditors	20,000
Rent and Taxes	4,000

Serial No.	Account's Titles	L.P	Debit (tk.)	Credit (tk.)
1.	Capital		....	98,000
2.	Opening Stock		25,000	....
3.	Salaries		35,000	....
4.	Wages		25,000	....
5.	Purchases		90,000	....
6.	Sales		....	1,40,000
7.	Purchases Return		....	2,000
8.	Sales Return		1,000	....
9.	Bad Debt		500	....
10.	Provision for Bad Debt		....	1500
11.	Furniture		10,000	....
12.	Machinery		22,000	......
13.	Carriage		4,000	....
14.	Cash in hand		4,000	....
15.	Cash at Bank		15,000	....
16.	Bills Payable		....	6,000
17.	Commission received		....	2,000
18.	Discount Allowed		2,000	....
19.	Insurance Premium		1,000	....
20.	Sundry Debtors		31,000	....
21	Sundry Creditors		....	20,000
22	Rent and Taxes		4,000	...
	Total		2,69,500	2,69,500

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Problem for homework/Assignment

Design a Trial Balance with the following Ledger Account of Pran RFL Company.

Bank overdraft tk. 80,000, Cash in hand tk. 78,000, Accounts payable tk. 9,000, Accounts Receivable tk. 11,000, Beginning inventory tk. 13,000, Purchases tk. 20,000, Capital tk. 1,00,000, Sales tk. 55,000, Salaries tk. 12,000, Advertisement tk. 1,000, Bills Receivable tk. 4,000, Furniture tk. 3,000, Cash at Bank tk. 11,500, Accrued service revenue tk. 1,000, Bills Payable tk. 1,000, Commission paid tk. 500, Ending inventory tk. 10,000, Prepaid rent tk. 20,000, Unearned service revenue tk. 20,000, Accrued salary tk. 10,000.

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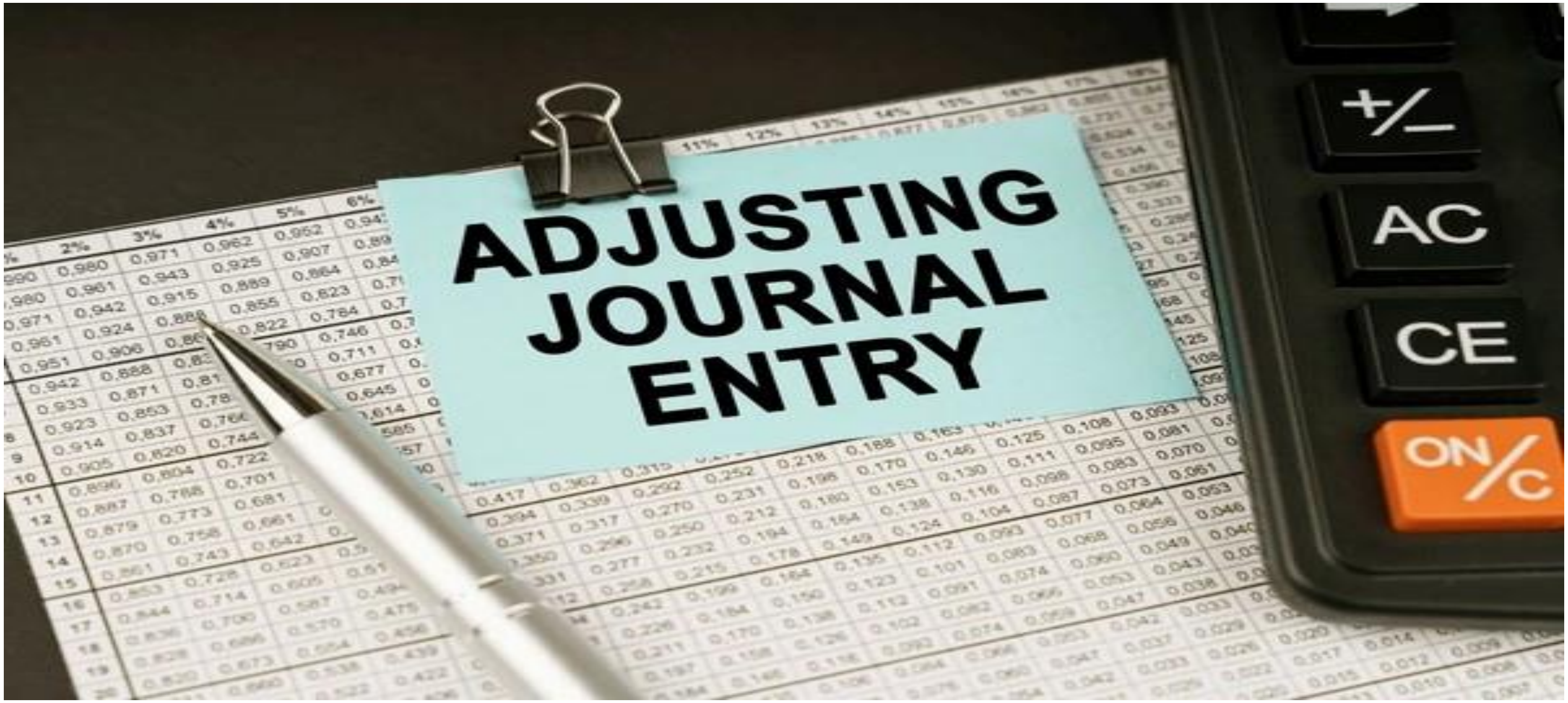
Adjusting Entries



Week- 9 (Slide No. 84-91)

Week- 10 (Slide No. 92-98)

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After studying this chapter, the students will be able to learn..

- Define adjusting entry
- Explain types of adjusting entry
- Describe accrual basis of accounting
- Design the adjusting entry

Adjusting entries

Definition:

Adjusting entries are journal entries recorded at the end of an accounting period to adjust income and expense accounts so that they comply with the accrual concept of accounting.

Objectives:

Their main purpose is to match income and expenses to appropriate accounting periods.

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Types of Adjusting Entries

Adjusting entries are classified as either deferrals or accruals. Major types of adjusting entries-

Deferrals:

Prepaid expenses:

Expenses paid in cash and recorded as assets before they are used or consumed.

Unearned revenues:

Cash received and recorded as liabilities before revenue is earned.

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Accruals:

Accrued revenues:

Revenues earned but not yet received in cash or recorded. Initially recorded as assets.

Accrued expenses:

Expenses incurred but not yet paid in cash or recorded. Initially recorded as liabilities.

You can go through the following link to understand deeply.

https://www.youtube.com/watch?v=QT6qPfK8f0M

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Accrual basis of accounting

Accrual basis accounting means that companies record events that change a company's financial statements in the periods in which those events occur, rather than in the periods in which the company receives or pays cash.

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Reasons for adjusting entries

Companies make adjusting entries at the end of an accounting period.

Such entries ensure that companies record revenues in the period in which they are earned and that they recognize expenses in the period in which they are incurred

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Prepare adjusting entries for deferrals

Deferrals are either prepaid expenses or unearned revenues.

Companies make adjusting entries for deferrals to record the portion of the prepayment that represents the expense incurred or the revenue earned in the current accounting period.

You can go through the following link to understand deeply.

https://www.youtube.com/watch?v=awFbgBLU-SI

https://www.youtube.com/watch?v=JIyxu0cfzs8

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Prepare adjusting entries for accruals

Accruals are either accrued revenues or accrued expenses. Companies make adjusting entries for accruals to record revenues earned and expenses incurred in the current accounting period that have not been recognized through daily entries.

You can go through the following link to understand deeply.

https://www.youtube.com/watch?v=puXypiNHuEk

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Example-1:

Relevant information for the preparation of adjusting entries of Company A for the 31st Jan 2017.

1. Office supplies having original cost $4,320 were unused till the end of the period. Office supplies having original cost of $22,800 are shown on unadjusted trial balance.
2. Prepaid rent of $36,000 was paid for the months January, February and March.
3. The equipment costing $80,000 has useful life of 5 years and its estimated salvage value is $14,000. Depreciation is provided using the straight line depreciation method.

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4. The interest rate on $20,000 note payable is 9%. Accrue the interest for one month.

5. $3,000 worth of service has been provided to the customer who paid advance amount of $4,000.

The solution is the following slide-

Date	Account	Debit	Credit
Jan 31	Supplies Expense	18,480	
	Office Supplies		18,480
	(Supplies Expense: $22,800 − $4,320 = $18,480)		
Jan 31	Rent Expense	12,000	
	Prepaid Rent		12,000
	(Rent Expense = $36,000 ÷ 3 = $12,000)		
Jan 31	Depreciation Expense	1,100	
	Accumulated Depreciation		1,100
	(Depreciation Expense: ($80,000 − $14,000) ÷ (5 × 12) = $1,100)		
Jan 31	Interest Expense	150	
	Interest Payable		150
	(Interest Expense = $20,000 × (9% ÷ 12) = $150)		
Jan 31	Unearned Revenue	3,000	
	Service Revenue		3,000

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Example-2

- Mr. Jaidul purchased goods tk. 50,000 on account but he does not include in the account book.
- Mr. Jaidul paid office rent for two years tk.40, 000 in advance.
- He received the service revenues tk. 20,000 in advance.
- He will pay the salary to the employees' tk. 30,000 in next year.

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Example-3

Thermax Group Company accumulates the following adjustment data at December 31, 2016.

1. Services provided total 10,000 in 2016 but it received cash in2017.
2. Supplies of tk.500 have been unused. Total supplies cost is tk.5,000.
3. Unearned service revenue of tk. 400 has been earned
4. Salaries of tk. 1500 are unpaid.
5. Prepaid insurance totaling tk. 600 has expired.
6. Prepaid rent of tk. 48,000 was paid for 3 years.

You are required to prepare the adjusting entry for one year.

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1	**Accrued Service revenue A/c Dr.**		10000	
	Service revenue A/c Cr.			10000
2	**Supplies expense A/c Dr.**		4500	
	Supplies A/c Cr.			4500
3	**Unearned Service revenue A/c Dr.**		400	
	Service revenue A/c Cr.			400
4	**Salary expense A/c Dr.**		1500	
	Accrued salary A/c Cr.			1500
5	**Insurance expense A/c Dr.**		600	
	Prepaid insurance A/c Cr.			600
6	**Rent expense A/c Dr.**		16000	
	Prepaid rent A/c Cr.			16000

Worksheet

Week-11 (Slide No. 99-120)

Main Objectives

1. Prepare a worksheet.
2. Identify the section of a classified balance sheet.
3. Prepare closing entries and post-closing trial balance.
4. Explain the steps in accounting cycle and how to prepare correcting entries.

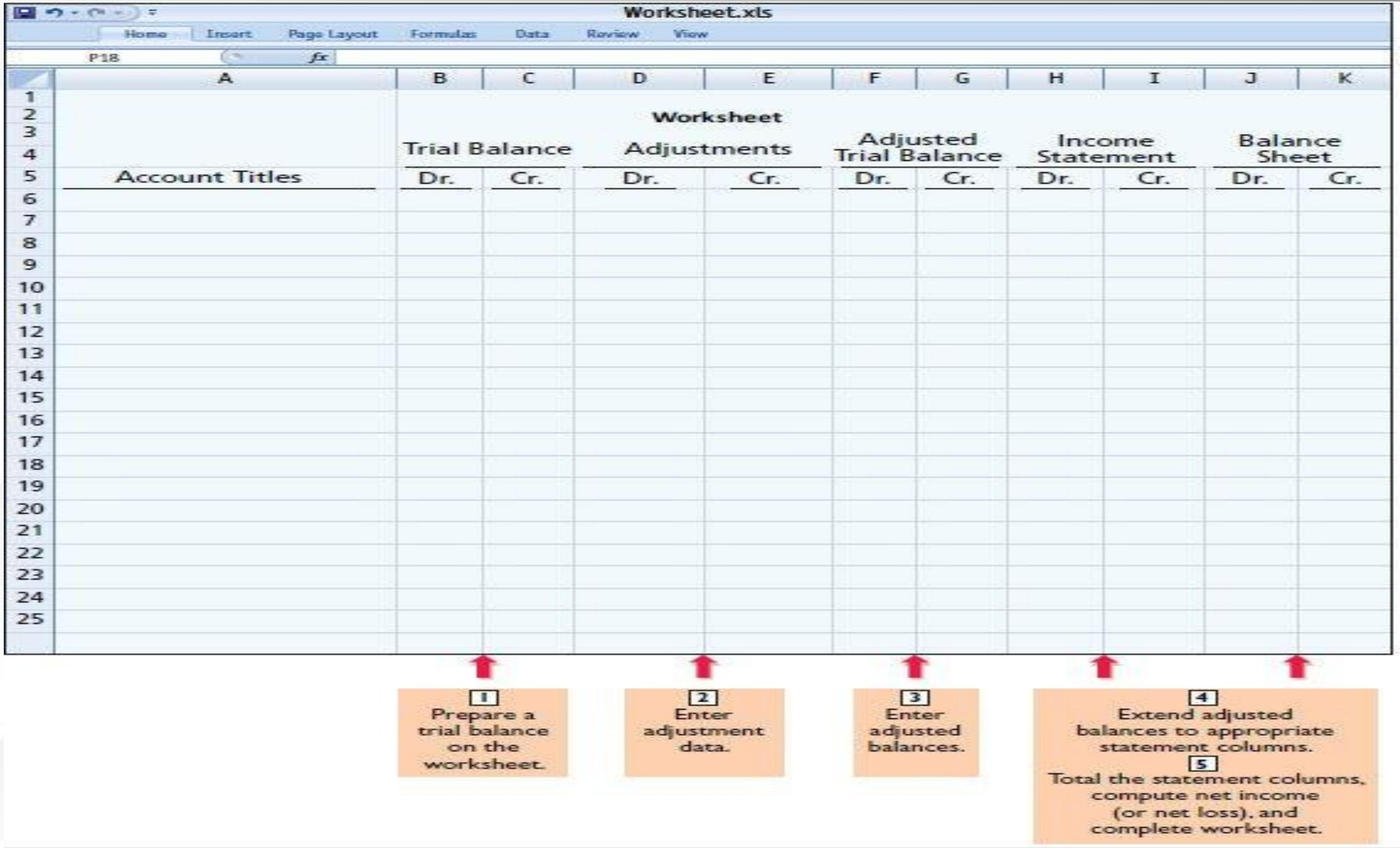
Worksheet

Definition: **A worksheet is a multiple-column form used in adjustment process and in preparing financial statements.**

- **It’s used is optional.**
- **It is not a permanent accounting record.**
- **It make the preparation of adjusting entries and financial statements easier.**

How To Prepare A Worksheet

The Figure shows the basic the basic form of a worksheet.



Steps In Preparing A Worksheet

1. Prepare a trial balance on the sheet.
2. Enter the adjustments in the adjustment columns
3. Enter adjusted balances in the adjusted trial balance columns.
4. Extend adjusted trial balance amounts to appropriate financial statement columns.
5. Total statement columns, compute the net income (or net loss), and complete the worksheet.

1.Prepare a trial balance on the sheet.

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PIONEER ADVERTISING
Worksheet
For the Month Ended October 31, 2017

Account Titles	Trial Balance Dr.	Trial Balance Cr.	Adjustments Dr.	Adjustments Cr.	Adjusted Trial Balance Dr.	Adjusted Trial Balance Cr.	Income Statement Dr.	Income Statement Cr.	Balance Sheet Dr.	Balance Sheet Cr.
Cash	15,200									
Supplies	2,500									
Prepaid Insurance	600									
Equipment	5,000									
Notes Payable		5,000								
Accounts Payable		2,500								
Unearned Service Revenue		1,200								
Owner's Capital		10,000								
Owner's Drawings	500									
Service Revenue		10,000								
Salaries and Wages Expense	4,000									
Rent Expense	900									
Totals	28,700	28,700								

Include all accounts with balances from ledger.

Trial balance amounts come directly from ledger accounts.

2. Enter the adjustments in the adjustment columns

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P18 fx

PIONEER ADVERTISING
Worksheet
For the Month Ended October 31, 2017

	A	B	C	D	E	F	G	H	I	J	K
5–6		Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
7	Account Titles	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8	Cash	15,200									
9	Supplies	2,500			(a) 1,500						
10	Prepaid Insurance	600			(b) 50						
11	Equipment	5,000									
12	Notes Payable		5,000								
13	Accounts Payable		2,500								
14	Unearned Service Revenue		1,200	(d) 400							
15	Owner's Capital		10,000								
16	Owner's Drawings	500									
17	Service Revenue		10,000		(d) 400						
18					(e) 200						
19	Salaries and Wages Expense	4,000		(g) 1,200							
20	Rent Expense	900									
21	Totals	28,700	28,700								
22											
23											
24	Supplies Expense			(a) 1,500							
25	Insurance Expense			(b) 50							
26	Accum. Depreciation—										
27	Equipment				(c) 40						
28	Depreciation Expense			(c) 40							
29	Accounts Receivable			(e) 200							
30	Interest Expense			(f) 50							
31	Interest Payable				(f) 50						
32	Salaries and Wages Payable				(g) 1,200						
33	Totals			3,440	3,440						

Add additional accounts as needed to complete the adjustments:
(a) Supplies Used.
(b) Insurance Expired.
(c) Depreciation Expensed.
(d) Service Revenue Recognized.
(e) Service Revenue Accrued.

Enter adjustment amounts in appropriate columns, and use letters to cross-reference the debit and credit adjustments.

Total adjustments columns and check for equality.

3.Enter adjusted balances in the adjusted trial balance columns.

Pioneer Advertising.xls

Home Insert Page Layout Formulas Data Review View

P18 fx

PIONEER ADVERTISING
Worksheet
For the Month Ended October 31, 2017

	A	B	C	D	E	F	G	H	I	J	K
5–6		Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
7	Account Titles	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8	Cash	15,200				15,200					
9	Supplies	2,500			(a) 1,500	1,000					
10	Prepaid Insurance	600			(b) 50	550					
11	Equipment	5,000				5,000					
12	Notes Payable		5,000				5,000				
13	Accounts Payable		2,500				2,500				
14	Unearned Service Revenue		1,200	(d) 400			800				
15	Owner's Capital		10,000				10,000				
16	Owner's Drawings	500				500					
17	Service Revenue		10,000		(d) 400		10,600				
18					(e) 200						
19	Salaries and Wages Expense	4,000		(g) 1,200		5,200					
20	Rent Expense	900				900					
21	Totals	28,700	28,700								
22											
23											
24	Supplies Expense			(a) 1,500		1,500					
25	Insurance Expense			(b) 50		50					
26	Accum. Depreciation—										
27	Equipment				(c) 40		40				
28	Depreciation Expense			(c) 40		40					
29	Accounts Receivable			(e) 200		200					
30	Interest Expense			(f) 50		50					
31	Interest Payable				(f) 50		50				
32	Salaries and Wages Payable				(g) 1,200		1,200				
33	Totals			3,440	3,440	30,190	30,190				

Combine trial balance amounts with adjustment amounts to obtain the adjusted trial balance.

Total adjusted trial balance columns and check for equality.

4.Extend adjusted trial balance amounts to appropriate financial statement columns

Pioneer Advertising.xls

PIONEER ADVERTISING
Worksheet
For the Month Ended October 31, 2017

Account Titles	Trial Balance Dr.	Trial Balance Cr.	Adjustments Dr.	Adjustments Cr.	Adjusted Trial Balance Dr.	Adjusted Trial Balance Cr.	Income Statement Dr.	Income Statement Cr.	Balance Sheet Dr.	Balance Sheet Cr.
Cash	15,200				15,200				15,200	
Supplies	2,500			(a) 1,500	1,000				1,000	
Prepaid Insurance	600			(b) 50	550				550	
Equipment	5,000				5,000				5,000	
Notes Payable		5,000				5,000				5,000
Accounts Payable		2,500				2,500				2,500
Unearned Service Revenue		1,200	(d) 400			800				800
Owner's Capital		10,000				10,000				10,000
Owner's Drawings	500				500				500	
Service Revenue		10,000		(d) 400		10,600		10,600		
				(e) 200						
Salaries and Wages Expense	4,000		(g) 1,200		5,200		5,200			
Rent Expense	900				900		900			
Totals	28,700	28,700								
Supplies Expense			(a) 1,500		1,500		1,500			
Insurance Expense			(b) 50		50		50			
Accum. Depreciation—Equipment				(c) 40		40				40
Depreciation Expense			(c) 40		40		40			
Accounts Receivable			(e) 200		200				200	
Interest Expense			(f) 50		50		50			
Interest Payable				(f) 50		50				50
Salaries and Wages Payable				(g) 1,200		1,200				1,200
Totals			3,440	3,440	30,190	30,190				

Extend all revenue and expense account balances to the income statement columns.

Extend all asset and liability account balances, as well as owner's capital and drawings account balances, to the balance sheet columns.

5.Total statement columns, compute the net income (or net loss), and complete the worksheet.

PIONEER ADVERTISING
Worksheet
For the Month Ended October 31, 2017

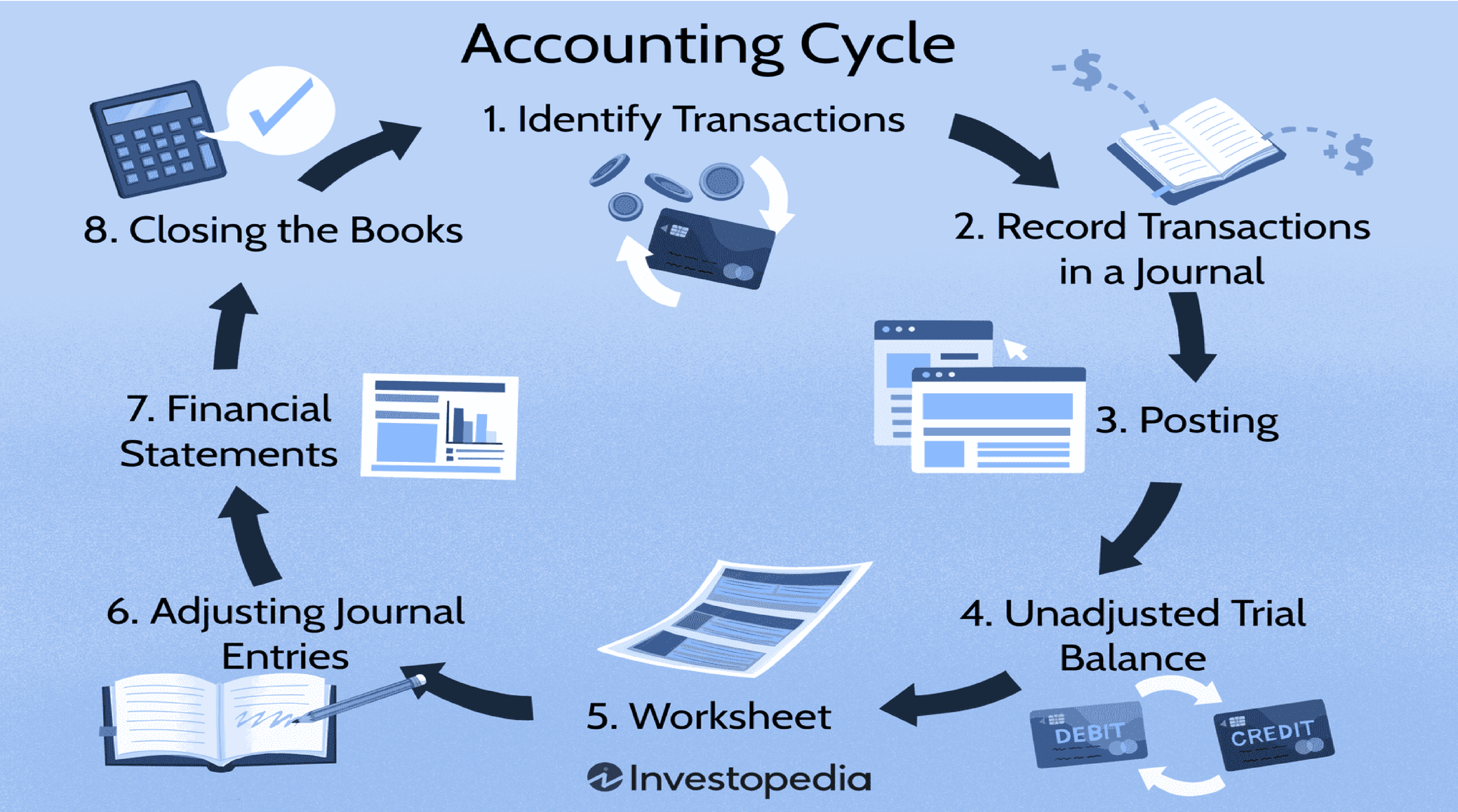
Account Titles	Trial Balance Dr.	Trial Balance Cr.	Adjustments Dr.	Adjustments Cr.	Adjusted Trial Balance Dr.	Adjusted Trial Balance Cr.	Income Statement Dr.	Income Statement Cr.	Balance Sheet Dr.	Balance Sheet Cr.
Cash	15,200				15,200				15,200	
Supplies	2,500			(a) 1,500	1,000				1,000	
Prepaid Insurance	600			(b) 50	550				550	
Equipment	5,000				5,000				5,000	
Notes Payable		5,000				5,000				5,000
Accounts Payable		2,500				2,500				2,500
Unearned Service Revenue		1,200	(d) 400			800				800
Owner's Capital		10,000				10,000				10,000
Owner's Drawings	500				500				500	
Service Revenue		10,000		(d) 400		10,600		10,600		
				(e) 200						
Salaries and Wages Expense	4,000		(g) 1,200		5,200		5,200			
Rent Expense	900				900		900			
Totals	28,700	28,700								
Supplies Expense			(a) 1,500		1,500		1,500			
Insurance Expense			(b) 50		50		50			
Accum. Depreciation—										
Equipment				(c) 40		40				40
Depreciation Expense			(c) 40		40		40			
Accounts Receivable			(e) 200		200				200	
Interest Expense			(f) 50		50		50			
Interest Payable				(f) 50		50				50
Salaries and Wages Payable				(g) 1,200		1,200				1,200
Totals			3,440	3,440	30,190	30,190	7,740	10,600	22,450	19,590
Net Income							2,860			2,860
Totals							10,600	10,600	22,450	22,450

The difference between the totals of the two income statement columns determines net income or net loss.

Net income is extended to the credit column of the balance sheet columns. (Net loss would be extended to the debit column.)

Steps In The Accounting Cycle

1. Analyze transactions
2. Journalize the transactions
3. Post to ledger accounts
4. Prepare a trial balance
5. Journalize and post adjusting entries
6. Prepare adjusted trial balance
7. Prepare financial statements
8. Journalize and post closing entries
9. Prepare post-closing trial balance


Accounting Cycle
1. Identify Transactions
2. Record Transactions in a Journal
3. Posting
4. Unadjusted Trial Balance
DEBIT
CREDIT
5. Worksheet
6. Adjusting Journal Entries
7. Financial Statements
8. Closing the Books
Investopedia

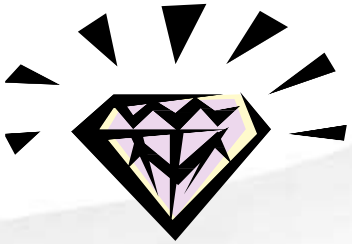
STANDARD BALANCE SHEET CLASSIFICATIONS

- **Financial statements become more useful when the elements are classified into significant subgroups.**
- **A classified balance sheet generally has the following standard classifications:**

Assets	Liabilities and Equity
Current Assets Long-Term Investments Capital Assets	Current Liabilities Long-Term Liabilities Owner's/ Partners'/ Shareholders' Equity

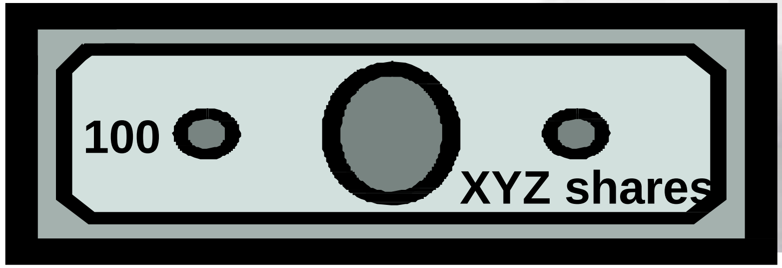
CURRENT ASSETS

- **Current assets** are cash and other resources that are reasonably expected to be realized in cash or sold or consumed in the business within one year of the balance sheet date or the company’s operating cycle, whichever is longer.
- Listed in the order of liquidity.
- Examples of current assets are cash, temporary investments, accounts receivable, inventory, and prepaids.



LONG-TERM INVESTMENTS

- **Long-term investments** are resources that can be realized in cash, but the conversion into cash is not expected within one year or the operating cycle, whichever is longer.
- Examples include investments in shares or bonds of another company or investment in land held for resale.

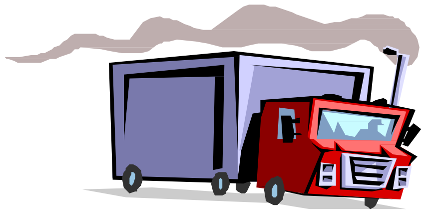


CAPITAL ASSETS

- **Tangible resources of a relatively permanent nature that are used in the business and not intended for sale are classified as (1) property, plant, and equipment and (2) natural resources.**

  (1) Examples of property, plant, and equipment include land, buildings, and machinery.

  (2) Examples of natural resources include tracts of timber, oil and gas reserves, and mineral deposits.



CAPITAL ASSETS

- **Intangible assets** are noncurrent resources that do not have physical substance.
- Examples include patents, copyrights, trademarks, or trade names that give the holder exclusive right of use for a specified period of time.

CURRENT LIABILITIES

- Current liabilities are obligations that are reasonably expected to be paid from existing current assets or through the creation of other current liabilities within one year or the operating cycle, whichever is longer.
- Examples include accounts payable, unearned revenue, interest payable, and current maturities of long-term debt.

LONG-TERM LIABILITIES

- Obligations expected to be paid after one year are classified as **long-term liabilities**.
- Examples include long-term notes payable, bonds payable, mortgages payable, and lease liabilities.

EQUITY

- The content of the equity section varies with the form of business organization.
- In a proprietorship, there is a single owner's equity account called (Owner's Name), Capital.
- In a partnership, there are separate capital accounts for each partner.
- For a corporation, owners' equity is called shareholders' equity, and it consists of two accounts: Share Capital and Retained Earnings.

ILLUSTRATION 4-17
CLASSIFIED BALANCE SHEET IN REPORT FORM

Pioneer Advertising Agency		
Balance Sheet		
October 31, 2002		
Assets		
Current Assets Cash		
Accounts Receivable		$ 15,200
Advertising Supplies		200
Prepaid Insurance		1,000
Total Current Assets Capital		550
Assets		16,950
Office Equipment	$ 5,000	
Less: Accumulated Amortization	83	4,917
Total Assets		$ 21,867
Liabilities and Owner's Equity		
Current Liabilities Notes		
Payable Accounts Payable		$ 1,000
Unearned Revenue		2,500
Salaries Payable Interest		800
Payable		1,200
Total Current Liabilities		25
		5,525
Long-term Liabilties		
Notes Payable		4,000
Total Liabilities		9,525
Owner's Equity		
C.R. Byrd, Capital		12,342
Total Liabilities and Owner's Equity		$ 21,867

A classified balance sheet helps the financial statement user determine:

- **The availability of assets to meet debts as they come due, and**
- **The claims of short- and long-term creditors on total assets.**

The balance sheet is most often presented in the report form, with the assets shown above the liabilities and owner's equity.

LIQUIDITY

- **Liquidity measures ability to pay short-term obligations when they come due.**
- **Working capital is one important measure of liquidity.**

WORKING CAPITAL = CURRENT ASSETS - CURRENT LIABILITIES

CURRENT RATIO

The current ratio (working capital ratio) is a widely used measure for evaluating a company's liquidity and short-term debt-paying ability. It is calculated by dividing current assets by current liabilities and is a more dependable indicator of liquidity than working capital.

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT Liabilities}}$$

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Closing entries

Week-13

Slide No. 121-129

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After studying this chapter, the students will be able to..

- Define closing entry
- Procedure of preparing closing entry
- Explain temporary and permanent account
- Post closing trial balance
- Design the closing entry

Define closing entries

- At the end of accounting period, company makes the accounts ready for the next period. This is called closing the book. It distinguishes between temporary and permanent accounts.
- Temporary accounts relate only to a given accounting period.
- Permanent accounts relate to one or more future accounting periods. These are not closed from period to period.

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Temporary vs. Permanent

TEMPORARY These accounts are closed	PERMANENT These accounts are not closed
All revenue accounts	All asset accounts
All expense accounts	All liability accounts
Owner's drawings account	Owner's capital account

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Closing the accounts

- **Revenues and Expense accounts are closed to Income Summary.**
- **Income Summary is closed to Capital.**
- **Owner's drawing are closed to Owner's Capital**

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Post Closing Trial Balance

- The post closing trial balance is a list of all accounts and their balances after the closing entries have been journalized and posted to the ledger.
- The purpose of this trial balance is to prove the equality of the permanent (balance sheet) account balances that are carried forward into the next accounting period.

Closing Entry Exercise

Revenue:

Sales revenue tk. 1,00,000

Rent revenue tk. 50,000

Expense:

Purchase tk. 40,000

Salary expense tk. 30,000

Office rent   tk. 20,000

Advertisement tk. 10,000

Owners Drawings tk. 20,000

Prepare the closing entry.

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Solution:

1. Sales revenue A/c. Dr. 1,00,000

   Rent revenue A/c. Dr. 50,000

   Income summary A/c. Cr. 1,50,000

2. Income summary A/c. Dr. 1,00,000

   Purchase A/c. Cr. 40,000

   Salary expense A/c. Cr. 30,000

   Office rent A/c. Cr. 20,000

   Advertisement A/c. Cr. 10,000

3. Owners Capital A/c. Dr. 20,000

Owners Drawings A/c. Dr. 20,000

4. Income summary A/c. Dr. 50,000

Owners Capital A/c. Cr. 50,000

(Profit = 1,50,000 - 1,00,000 = 50,000)

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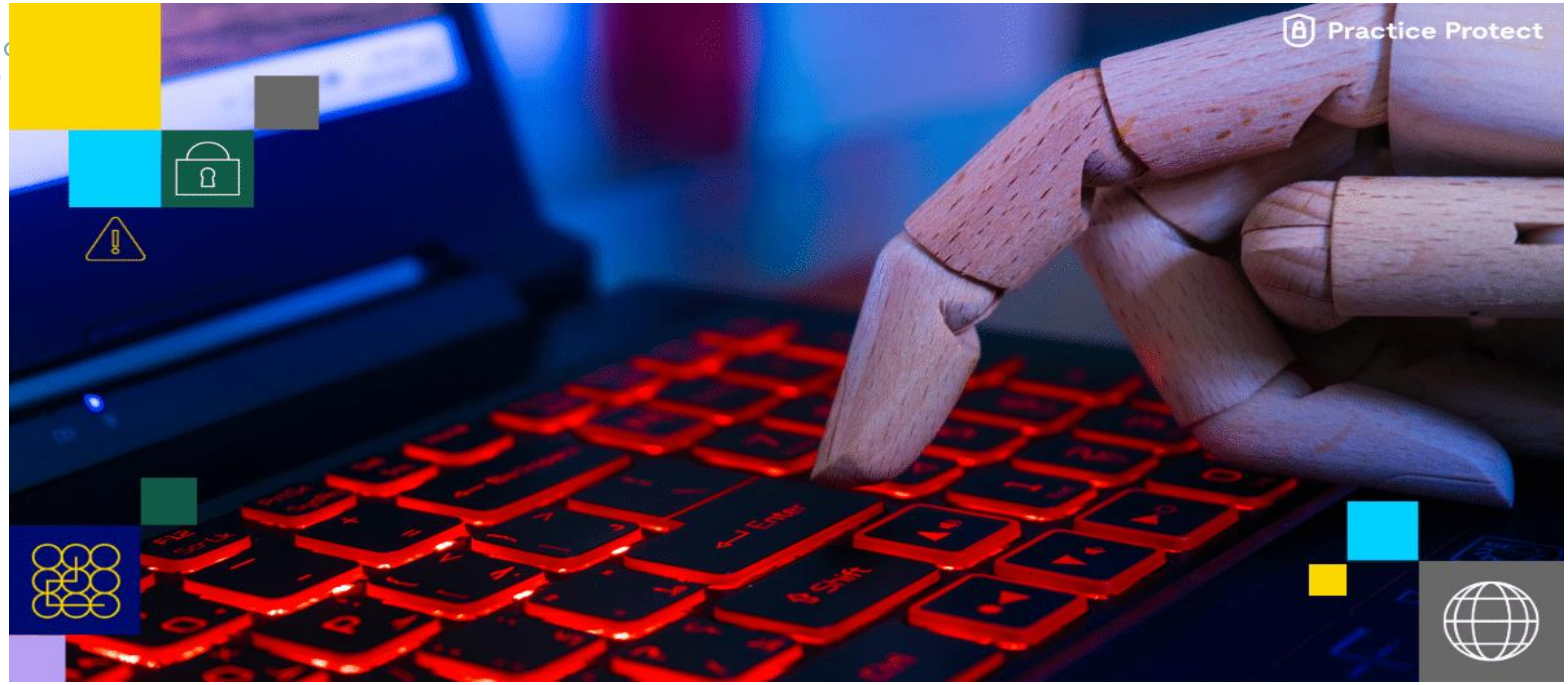
Correction Entry



Week-14

Slide No. 130-137

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After studying this chapter, the students will be able to..

- Define correction entry
- Explain the steps to make correction entry
- Design the correction entry

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Definition

A correction entry is a journal entry made to fix errors in previously recorded transactions in the accounting books. These errors could be due to mistakes in amounts, accounts, or other aspects of the entry.

When to Use:

- Errors in recording amounts
- Posting to the wrong accounts
- Errors in classification

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Steps to Make a Correction Entry:

1. Identify the Error:

- Find the incorrect entry that needs correction.

2. Reverse the Incorrect Entry:

- Make a journal entry to cancel out the incorrect one. This is done by reversing the debit and credit sides of the original entry.
- Example: If the original entry was a debit to "Cash" and a credit to "Revenue," a reversal would involve debiting "Revenue" and crediting "Cash."

3. Record the Correct Entry:

- After reversing the error, record the correct amounts in the appropriate accounts.

Exercise of Correction Entry

You are required to correct these entries.

1) *Salary of tk. 10,000 has been understated.*
2) *Purchase of tk. 5,000 has been overstated.*
3) *Purchased furniture has been recorded into purchase account tk. 20,000.*
4) *Sold goods on account tk. 10,000 but it haven't recorded into book.*

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5) Paid office rent tk. 300 but recorded office rent expense tk. 3000

6) Paid cash tk. 10,000 to Hasan but recorded to Kamal account.

7) Paid cash tk. 2,000 to Rana but recorded his account into credit.

8) Electricity bill tk. 1,000 has been recorded to stationery account.

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Solution:

1. *Salary A/c. Dr. 10,000*

   Supense A/c. Cr. 10,000

2. *Supense A/c. Dr. 5,000*

   Purchase A/c. Cr. 5,000

3. *Furniture A/c. Dr. 20,000*

   Purchase A/c. Cr. 20,000

4. *Accounts Receivable A/c. Dr. 10,000*

   Sales A/c. Cr. 10,000

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5. *Suspense A/c. Dr. 2,700*

Office rent A/c. Cr. 2,700

6. *Hasan A/c. Dr. 10,000*

Kamal A/c. Cr. 10,000

7. *Rana A/c. Dr. 4,000*

Suspense A/c. Cr. 4,000

8. *Electricity bill A/c. Dr. 1,000*

Stationery A/c. Cr. 1,000

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Financial Statements

Week-15

Slide No. 138-150

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After studying this chapter, the students will be able to..

- Define financial statement
- Classify the financial statement
- Explain the elements of financial statement
- Describe the different types of assets and liabilities.

Financial Accounting

Financial accounting is the branch of accounting that is concerned with the summary, analysis and reporting of financial transactions relating to a business.

The end product of Financial Accounting involves the preparation of Financial Statements for the users of accounting information.

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Types of Financial statements

1. An Income statement or Profit and Loss Statement is a Financial Statement showing Company's revenue and expenses for a particular period.
2. A Balance Sheet is a statement of financial position indicating a company's assets, liabilities, and owner's equity at a given point in time.
3. A statement of changes in Equity shows the changes in equity of the company during the stated period.
4. A cash flow statement is a summary of Cash receipts and cash payments from the operating, financing and investing activities of a company.
5. Notes of financial statements.

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Elements of Financial Statements

1. Assets
2. Liabilities
3. Equity
4. Investments by owners
5. Distributions to owners
6. Revenues
7. Expenses
8. Gains
9. Losses
10. Comprehensive Income Statement

ASSETS :

Asset is an item of economic value that is expected to yield a benefit in the future. Assets can be classified into:

Tangible Assets:

Tangible Assets are those assets which have physical existence and they can be seen and touched. Examples of tangible assets are machinery, furniture, building, etc.

Intangible Assets:

Intangible assets are those assets which do not have physical existence and they cannot be touched and seen. Examples of intangible assets are goodwill, patents, trademarks, etc.

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Fixed Assets:

Fixed Assets are those assets which are put to use for more than one accounting period and its benefit is derived over a longer period. For example, computer, machinery, land, etc.

Current assets:

Current assets are the assets which are readily convertible into cash and generally absorbed within one accounting period. For example, debtors exist to convert them into cash, bills receivable, etc.

LIABILITIES

Definition:

A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

In other words, liability is the amount owed by the business to the proprietor and to the outsiders.

Liabilities are generally categorized into 2 broad categories such as Current Liabilities and Non Current Liabilities.

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Current Liabilities:

It refers to those obligations or payments which are repayable during the current financial year. Examples of current liabilities are Creditors, bills payable.

Non -Current Liabilities/Long term Liabilities:

It comprises of those payments which are due for payment over a long period of time and there is no need to discharge it immediately. For example Debentures, long term loans, etc.

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EQUITY:

Equity represents ownership interest in a firm in the form of stock. Being precise in the accounting terms, it is the difference between value of assets and cost of liabilities of something owned. It is mainly a residual amount adjusted by the assets against liabilities.

Equity= Assets – Liabilities

INVESTMENT BY OWNERS:

It depicts an increase in equity resulting from transfer of resources in exchange of an ownership interest .It basically describes any owner's contribution to the firm. Issue of ownership shares of stock by a company in exchange for cash represents an investment by owners.

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DISTRIBUTION TO OWNERS:

It represents a decrease in equity which results from transfer to owners. It determines the owners' withdrawal from ownership interest of the firm. A cash dividend paid by a corporation to its shareholders is an example of distribution to owners.

REVENUE/INCOME:

Revenue is the income that a business earns from its normal business activities. It is an inflow of assets, which result in an increase in owner's equity. Exchange of goods and services for money consideration is an example of revenue.

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GAINS:

Gain is an increase in owner's equity from peripheral transactions which are irregular and non recurrent in nature.

For example, Sale of machinery for an amount greater than its book value (original cost less depreciation) would result in a gain for an enterprise which is engaged in the business other than that of sale and purchase of machinery.

EXPENSES:

Expenses are the gross outflows incurred by the business enterprise for generating revenues. An expense is charged to Profit and Loss Account.

LOSSES:

Loss is a decrease in owner's equity from peripherals transactions which are irregular and non recurrent in nature.

For example, Sale of machinery for an amount lesser than its book value (original cost less depreciation) would result in a gain for an enterprise which is engaged in the business other than that of sale and purchase of machinery.

COMPREHENSIVE INCOME:

Comprehensive income is the change in equity of a business enterprise from transactions from non owner sources. It includes all changes in equity of an enterprise other than those resulting from investments by owners and distributions to owners.

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Format of Income statement and Balance Sheet

Week-16

Slide No. 151-157

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Format of Income Statement

Particulars	Amount	Amount
Revenues or Income:		
Sales		
Less: Sales Returns and Allowances		
Sales Discounts		
Net sales		
Rent revenues		
Total revenues or incomes		
Less: Cost of Goods Sold:		
Inventory, January 1 or Beginning inventory		
(+) Purchases		
Less: Purchases Returns & Allowances		
Purchases Discounts		
Add: Transportation-in		
Net purchases		
Merchandise available for Sales		
Less: Inventory, December 31 or Ending inventory		
Cost of goods sold		
Gross Profit		

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Particulars	Amount	Amount
Less: Operating Expenses		
Selling expenses:		
Sales salaries		
Add: Due or Accrued sales salary		
Less: Advance sales salary		
Sales Commission		
Advertising		
Transportation-out		
Delivery expense		
Add: Due/Accrued delivery expense		
Depreciation: Delivery equipment		
Total selling expenses		
Administrative Expenses:		
Officers' Salaries		
Add: Accrued or due salary		
Office salaries		
Add: Accrued office salary		
Office supplies		
Less: Unused		

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Particulars	Amount	Amount
Insurance		
Less: Prepaid insurance		
Utilities expense		
Rent expenses		
Depreciation of Building, Furniture etc.		
Total administrative expenses		
Income from Operations		
Add: Non-operating income:		
Extra ordinary gains		
Dividend income		
Interest income		
Less: Non-operating expenses:		
Extra ordinary losses		
Loss on sale of equipment		
Interest on debentures		
Income before Income Tax		
Less: Income tax		
Net income		

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Format of Balance Sheet

Particulars	amount	amount
Cash Account receivables Bank deposit Merchandise inventory (31st December) Unused office supply Prepaid insurance Advance any expense Accrued or Due income Total current assets ***Non-current assets/Fixed Assets:*** Property, Plant **Less:** Accumulated depreciation + Depreciation Land and Building Less: Accumulated depreciation + Depreciation		

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Particulars	Amount	Amount
Delivery equipment		
Less: Accumulated depreciation + Depreciation		
Long term investment		
Total Non-current assets		
Total Assets		
Liabilities and Owners' equities:		
Liabilities:		
Current Liabilities:		
Accounts payable		
Short term bank loan		
Short term notes payable		
Accrued or due any expenses		
Accrued salary		
Accrued delivery expenses		
Advance any income		
Total current Liabilities		

Particulars	amount	amount
Long term Liabilities:		
Long term notes payables		
Mortgage payable		
Long term bank loan		
Total Long term Liabilities		
Total Liabilities		
Owner's equities:		
Common stock		
Retained earnings		
Add: Net income		
Less: Net loss		
Less: Dividend		
Total owner's equities		
Total Liabilities and Owner's equities		
Asset will be equal to total liability and equity		

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Income Statement & Balance Sheet

Week-17

Slide No. 158-166

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After studying this chapter, the students will be able to..

- Define income statement
- Define balance sheet
- Explain the procedure of preparing income statement and balance sheet
- Design the income statement and balance sheet

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ABC Company was organized on January-1, 2016. The company prepares yearly financial statements. The adjusted trial balance amounts at December-31 are shown below.

Debits	Tk.	Credits	Tk.
Cash	6,700	Accumulated Depreciation-Equipment	850
Accounts Receivable	600	Accounts Payable	1,510
Prepaid Rent	900	Salaries and Wages Payable	400
Supplies	1,000	Interest Payable	50
Equipment	15,000	Unearned Rent Revenue	500
Owner's Drawings	600	Owner's Capital	15,500
Salaries and Wages Expense	9,400	Service Revenue	14,200
Rent Expense	1,500	Rent Revenue	800
Advertisement Expense	1,500	Notes Payable	5,000
Supplies Expense	200		
Utilities Expense	510		
Interest Expense	50		
Depreciation expense	850		
Total debits	38,810	Total credits	38,810

(a) Prepare the income statements for the end of the year 31st December, 2016.

(b) Prepare the Balance sheet for the year 31st December, 2016 of ABC Ltd.

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ABC Company Ltd.
Income statement
For the year ended 31st December, 2016

Particulars	Amount	Amount
Revenues or Income:		
Service revenue	14,200	
Rent revenues	800	
Total revenues or incomes		
		15,000
Less: Expenses-		
Salaries and Wages Expense	9,400	
Rent Expense	1,500	
Advertisement Expense	1,500	
Supplies Expense	200	
Utilities Expense	510	
Interest Expense	50	
Depreciation expense	850	
		14,010
Net income		990

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ABC Company Ltd.
Statement of financial position/ Balance sheet
For the year 31st December, 2018

Particulars	Amount	Amount
Assets:		
Current assets:		
Cash	6,700	
Account receivables	600	
Prepaid rent	900	
Supplies	1000	
Total current assets		9,200
Non-current assets:		
Equipment	15,000	
Less: Accumulated depreciation	850	
Total Non-current assets		14,150
Total Assets		**23,350**

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Particular	Amount	Amount
Liabilities and Owners' equities:		
Liabilities:		
Current Liabilities:		
Accounts payable	1,510	
Salaries and wages payable	400	
Interest Payable	50	
Unearned Rent Revenue	500	
Total current Liabilities		2,460
Long term Liabilities:		
Notes payables		5,000
Total Liabilities		7,460
Owner's equities:		
Owner's Capital	15,500	
Less: Owner's Drawings	(600)	
Add: Net income	990	
Total Owner's equities		15,890
Total Liabilities and Owner's equities		**23,350**

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Assignment:

The following information is available for the Harbour Ltd. for December 31, 2017.

Purchase	Tk.1,185,000
Purchase Returns & Allowances	4,800
Purchase Discounts	12,600
Sales	1,770,000
Sales Returns & Allowances	14,400
Sales Discounts	24,600
Cash	49,200
Accounts Receivable	79,500
Merchandise Inventory (January 1)	210,000
Insurance	10,800
Plant & Machinery	42,000
Accumulated Depreciation- Plant & Machinery	16,200
Delivery Equipment	105,000
Accumulated Depreciation- Delivery Equipment	36,600
Accounts Payable	104,100
Notes Payable (Long-term)	45,000
Common Stock	225,000

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Taxes	12,000
Transportation-in	52,200
Sales Salaries	162,000
Delivery Expenses	55,200
Advertising	39,300
Rent Expenses	45,000
Office Salaries	108,000
Utilities Expenses	12,900
Office Supplies	7,200

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Adjustment:

Rent and utilities expenses are administrative expenses. The following data are available at December 31:

a) Prepaid insurance Tk.3,600
b) Office supplies on hand Tk.2,700.
c) Depreciation expenses on plants and machinery for the year Tk.3,000.
d) Depreciation expense on delivery equipment for the year Tk.15,000
e) Salaries payable Tk.2,400 (office- Tk.900 and Sales Tk.1,500)
f) Merchandise Inventory - Tk.198,000

Required

1) Prepare a classified income statement for the year 2017
2) Prepare a classified balance sheet at December 31, 2017.

Thanks and Regards,

Murshed Alam

Assistant Professor and Head of the Department

Department of Business Administration

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