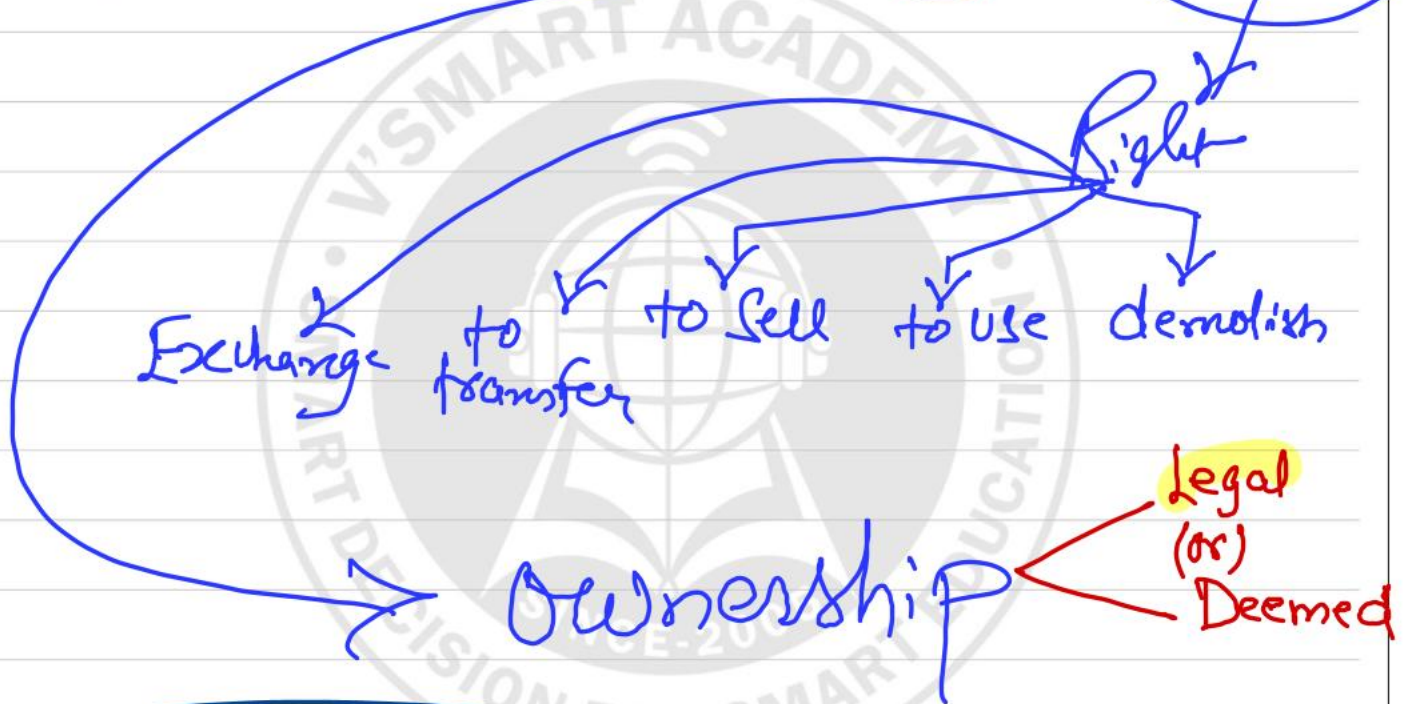


Basics of Accounts

1) Asset :- Any Resource (Tangible/Intangible) which generates Future Economic Benefits (FEB) & on which Entity has Control



$$\text{Asset} = \text{Control} + \text{FEB}$$

Control means = Decision making process

10,000 Cost incurred
Expenditure → Advertisement
June

Substance Over Legal form

↓
Hedile

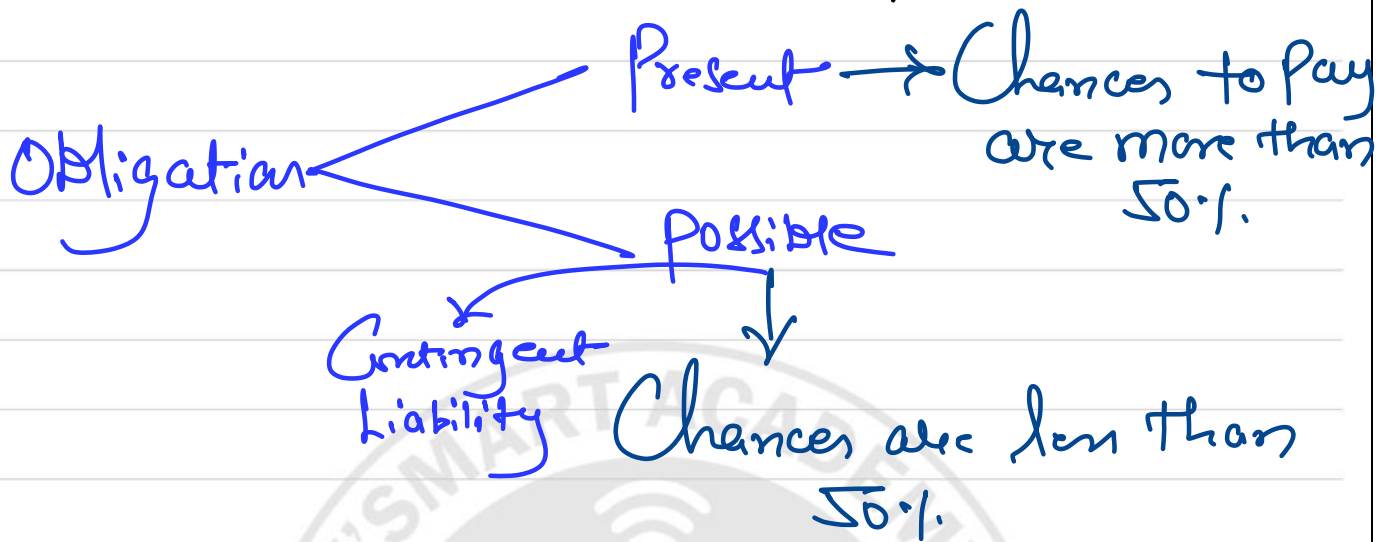
↓
Actual
Legal owner

1) Salary
✓ To Bank

2) P&L
✓ To Salary

~~Assets~~

2) Liability :- Outflow of Resources Under the present obligation



$\text{Liability} = \text{Outflow} + \text{Present obligation}$

Liability includes provisions.

Fixed outflow
=
Liability

Estimated outflow
(not fixed)
=
Provision

Prov. for B.D., Depreciation

Types of Provisions

provisions in
nature of
outflow

↓
Liability
nature

↓
B/s

✓✓

X

provision in
the
nature of
Losses.

↓
Reduction of
Assets

eg. Prov. For B.D

↓
B/s

X

Asset
(-) provision

Asset/Liabilities

Monetary
Assets/Liab.

Non-monetary

↓
Any Asset from which recovery
is fixed or determinable

↓
Other than
monetary

Any Liability which is to be
settled in fixed Amt.

Bfs

Monus.
Creditors
provisions
for I.T.

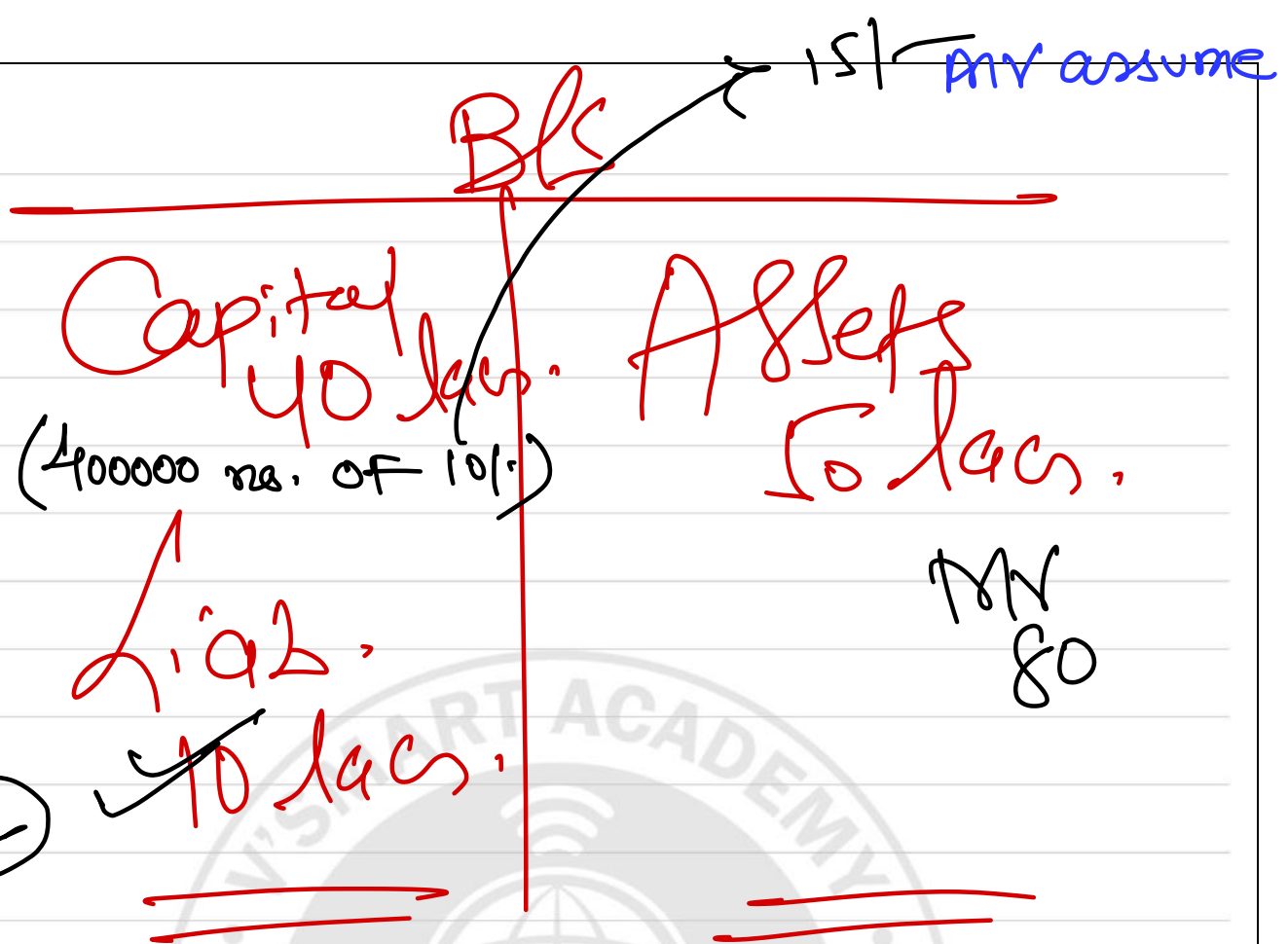
Property
Debtors

Cash

Investments in shares
or GOLD

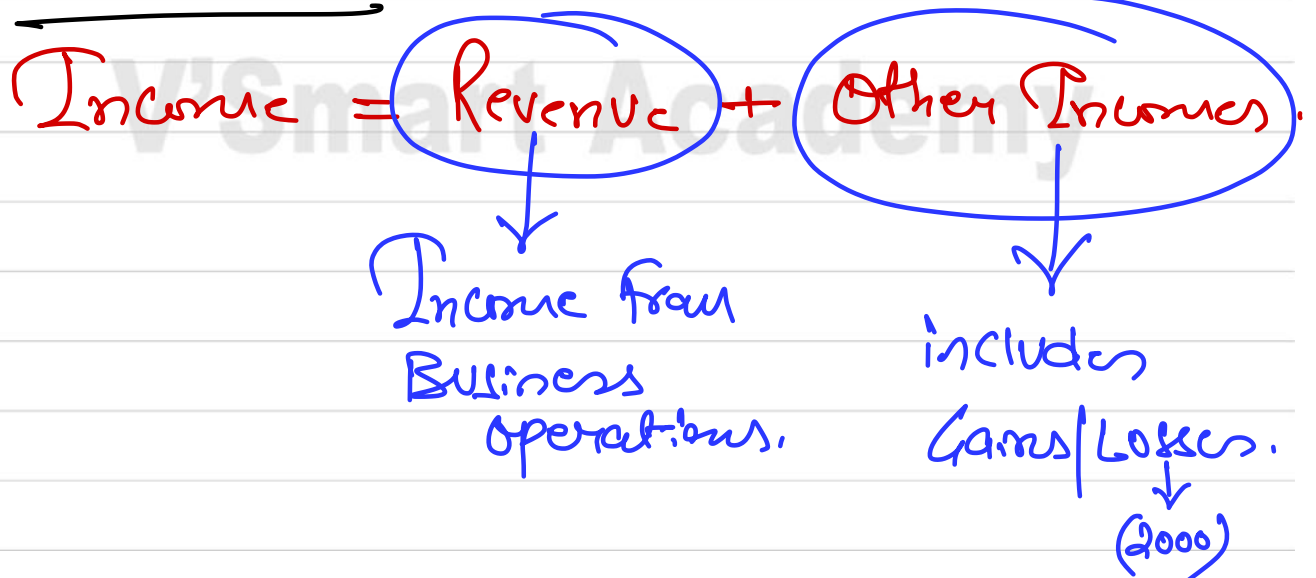
Goodwill $\Rightarrow$ Non-monetary

Share Capital $\Rightarrow$ Non-monetary



40 lacs. BV Net Worth,

3) Incomes :-



Trading P&L

To Exp. 4 lacs.

By Sale 5 lacs.

By Interest 1 lac.
on FD

By Gain on
Sale of iPad 2K

To Profit 2.02
lacs.

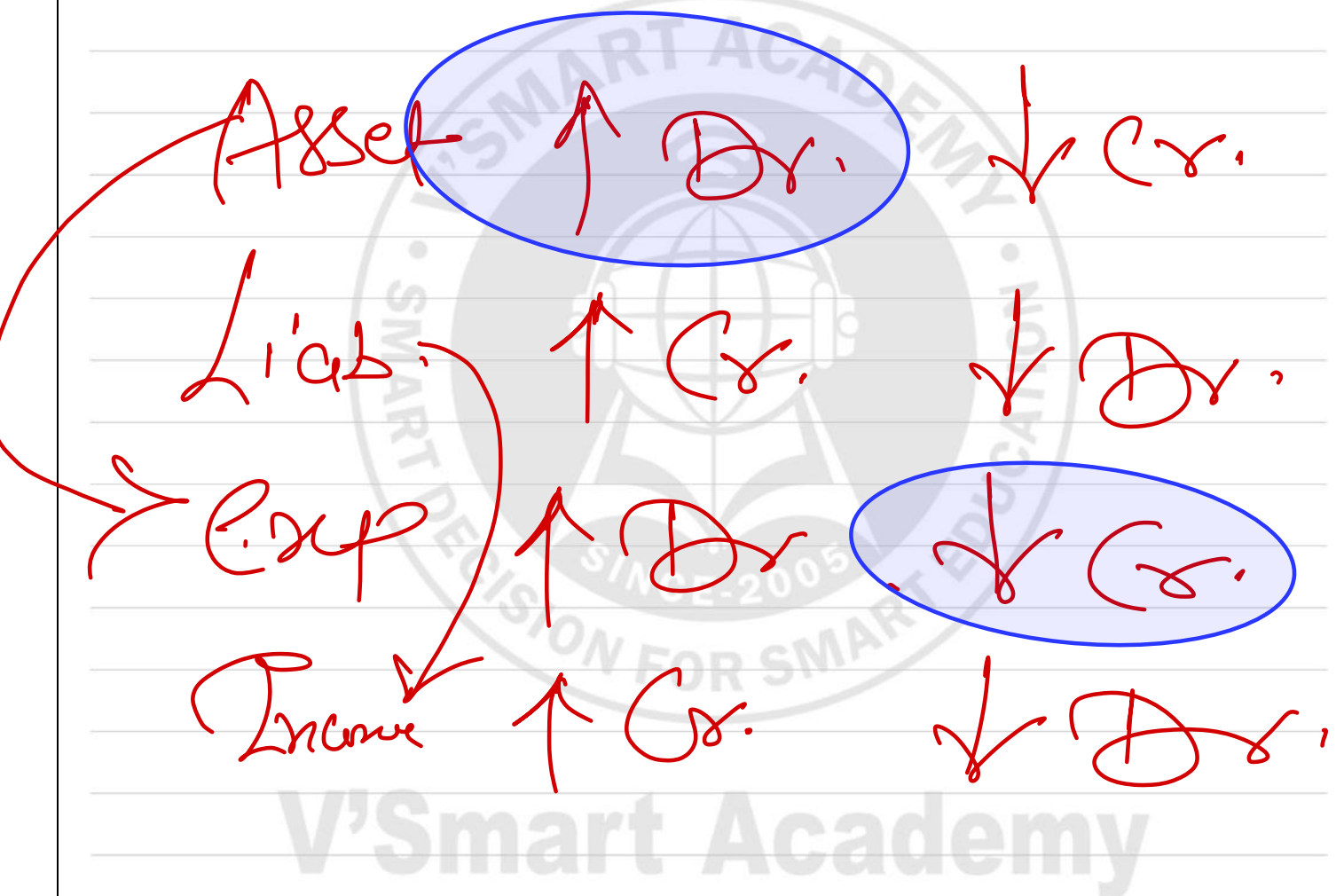
By Loss

To Tax 1.02
lacs.

To Earning
iPad 50K Cost
52K Sale

Income:- means inflow of Resources
Which either Increase your Asset,
(or) decrease your Liability and
Increase your Capital also
Other than Owner's Contribution
Additional Capital

Credit Dr 20000
To Bank 19000
To Dis. Income 10000
P&L



P&L

RFO

Other Income

Interest

xxx

Gain xxx

xxx

(-) Losses (xxx)

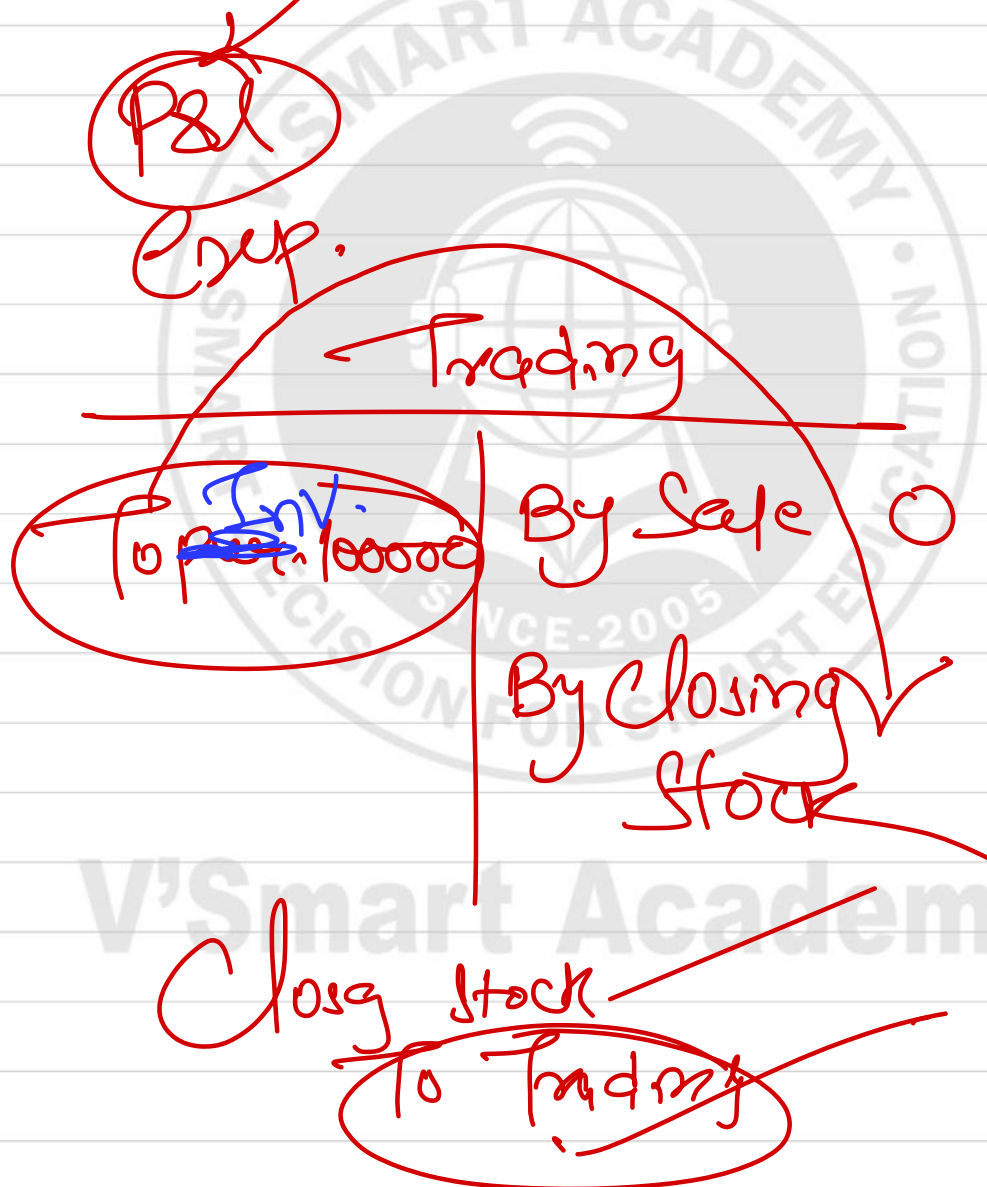
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How to record purchase of Inventory?

(what are methods to record purchase of goods/Inventory)

1) Purchased goods of Costing 100000/- (not yet sold)

~~Inv purchase~~ at Dr. 100000
To Cash 100000



2) ~~Asset~~ → B/S
Inventory Dr. 100000
 To Bank 100000

Trad. / P&L

Now if Inventory sold in 2nd yr.

COGS Dr.
 To Inventory

Cash
 To Sale

Costs

Sale

GP

$$\text{Rev.} - \text{Costs} = \text{GP}$$

Profit

EBIT

(-) Int

Profit

EBT (PBT)

(-) Tax

EAT

For SH

Debtors = 100000

~~Collection 98000~~

~~2000 BD~~

Inventory Treatment :-

Ex:- This is our first year of Business (FY 24-25), we purchased Goods costing 100,000/- But in FY there is NO Sale & in next year (FY 25-26), Goods costing ₹ 80,000 were sold at ₹ 1,25,000 (NO New purchase)

How to record these transactions in the Books?

Sol) :-

Approach 1

FY 24-25

~~Purchase a/c Dr. 100000~~
~~To Cash a/c 100000~~

Exp Income

Trading a/c Dr. 100000
To ~~purchase a/c 100000~~

As soon we purchase the Inventory we treat it as Expense

(Abhi take Benefit mila nahi par
Expense maan liya)

This is No Sale in Cy

It means Cy st Benefit
nahi mila, matlab

To Exp Book Hua Hai

Usko Reverse Kar do

Aur Asset Bana do because
Benefit n future st
~~Amal~~

This is
called
matching
principle

Asset

Stock a/c Dr. 100000

To Trading a/c 100000

Reversal
of Exp.

Trading a/c

To purch 100000

By Sale 0

To GP 0

By Clo-stock 100000

Fy 25-26

1/4/25

31/3/26



Trading a/c Dr. 100000
To Stock 100000



Is Baare Benefit Hoga
isliye Asset ko reverse
Karo aur Expense record
Karo

Sale
Cost = 80000
Sale = 125000
GP = 45000

Closing Stock
20000

Stock Dr. 20000
To Trading 20000

Reversal of
Exp because
it's Benefit
Future of
Hoga

Cash 125000
To Sales 125000

Benefit mila
par pura nahi
mila, because
still 20000 goods
are unsold

Sales a/c Dr. 125000
To Trading 125000

Trading a/c (25-26)

To Op. Stock 100000

By Sales 125000

To GP 45000

By Closing Stock 20000

Note:- COGS = Cost of goods sold

Op Stock	100000
(+) purchases	0
(-) Close stock	(20000)
	80000

Approach - 2

Jab tak Benefit nahi milega Tab Tak
Exp. Book mat Karo, Tab Tak
Vo Asset Hai

it's an Asset

Stock a/c Dr. 100000
To Cash 100000
(Being goods purchased)

There is no late

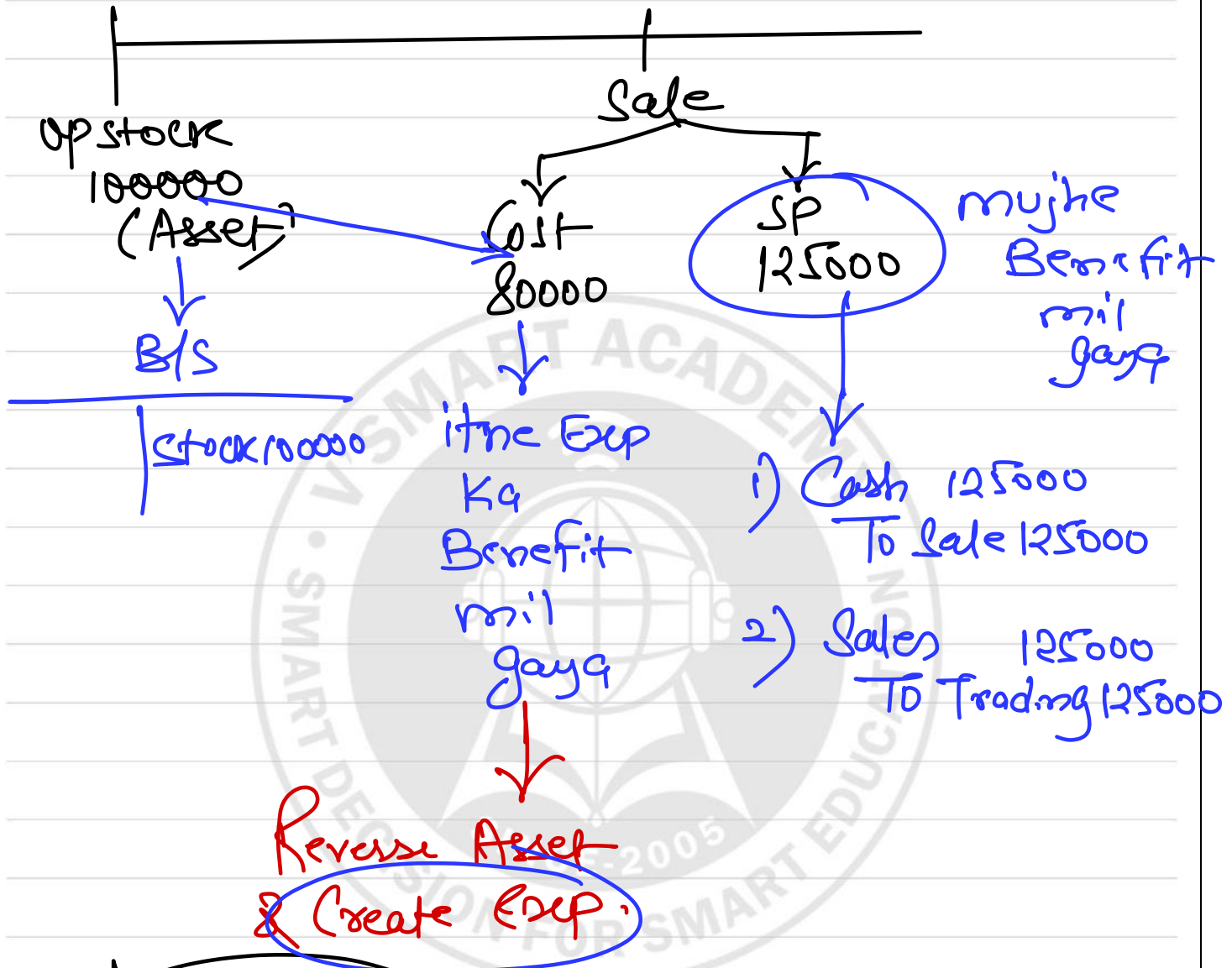
B/s

Stock 100000

Trading

fy 25-26

1/4/25



Expense i) COGS a/c Dr. 80000
To Stock 80000 ✓

2) Trading a/c Dr. 80000
To COGS a/c 80000

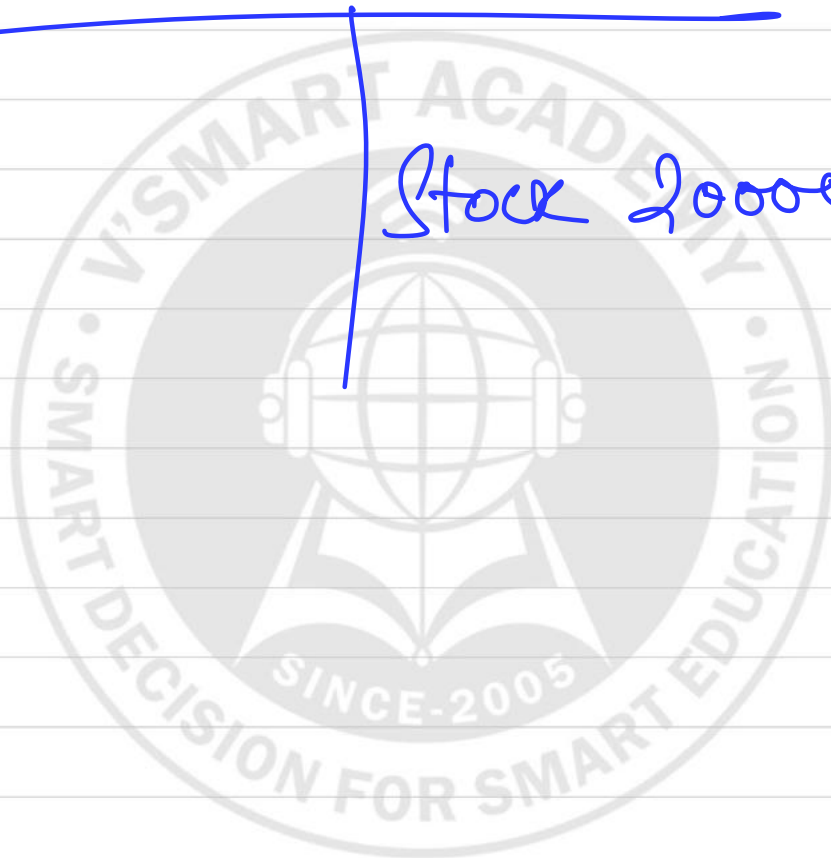
Trading a/c

To COGS 80000 By Sales 125000

To GP 45000

B/S

Stock 20000



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PPE & its provision for Depreciation

Org Cost 100000

1) Journal Entry for Depreciation

Exp. Depreciation Dr. 10000 To Asset 10000	Depreciation Dr. To provision for Dep.
P&L a/c Dr. To Depreciation	P&L a/c Dr. To Depreciation
B/S Asset 90000	B/S Asset Gross 100000 (-) prov. 10000 <u>90000</u>

Example :-

On 1/4/24 Asset costing 1200000 (multiple Assets)

purchased. Rate of Depreciate = 10% W.D.Y.

Next year (25-26), a machine whose Org. Cost was 300000, sold on 30/6/25 at 270000/-

1200000 Org. Cost	
Org. Cost 300000	Org. Cost 900000
Dep (-) 30000	Dep (-) 90000
<u>270000</u>	<u>810000</u>
- 6750	

On 1/11/25, New machine purchased costing
500000/-

Calculate ^{Total} Depreciation in Both years
& Gain/Loss on Sale.

Solution:-

Working Note

<u>Particulars</u>	<u>Amnt.</u>
1/4/24 Purchases	12,00,000
31/3/25 Depreciation @ 10%. (Full year)	(120000)
31/3/25 Balance	10,80,000
(-) 30/6/25 WDV OF Asset sold	(263250)
(+) 1/11/25 Purchase,	500000
(-) 31/3/26 <u>Depreciation:-</u>	(108583)

$$810000 \times 10\% = 81000$$

$$270000 \times 10\% \times \frac{3}{12} = 6750$$

$$500000 \times 10\% \times \frac{5}{12} = 20833$$

31/3/26 Closs Balance = 12,08,167

Working Note :-

Sale Value = 270000

(-) WDV on the date of Sale = (263250)

6,750 Gain on Sale

1st

Machine a/c Dr. ~~1200000~~
To Cash a/c 1200000

P21

Depreciation a/c Dr. 120000
To provision for Dep 120000

→ B/s

Notes to Accounts :-

Particulars	Gross ^{Org. Cost}	Prov. For Dep	Net
Opening Bal	0	0	0
(+) purchases	1200000	-	1200000
(-) Depreciation	-	120000	(120000)
			<u>10,80,000</u>

2nd year

30/6 Depreciation Dr. 6750
 To provision For 6750
 Dep.

30/6 Bank Dr. 270000
 Provision For Dep Dr. 36750
 To Machine 300000
 To Gain on Sale 6750

1/11 Machine Dr. 500000
 To Bank 500000

31/3 Depreciation a/c Dr. 101833
 To provision For 101833
 Dep.

Prov. For Dep a/c	
To Bal b/d 120000	1st By Dep. 120000
Cr. Bal. = 36750	
	2nd By Bal. b/d 120000 (30 + 90) By Depreciation 6750

Asset a/c

1 st To Cash 1200000	By Bal. Cld 1200000 (3+9)
2 nd To Bal. 1200000 (3+9)	Dr. Bal. 300000

B/s

Machine

1080000

1/4/24

31/3/25 Dep 30000 D 6750

30/6

Org. = 300000

Org 300000
Prov. (30000)

Org 300000 Dr.
Prov. 36750 Cr. Bal.

2nd yr.

Perticulars	Gross	Prov. For Dep.	Net
Opng Bal.	1200000	120000 30K	1080000
Dep. during the year		108583 6750	(108583)
(-) Sale	(300000)	(36750)	(263250)
(+) Purchase	500000	-	500000
	1400000	191833	1208167

Dep

+

(-)

(-) Sale (300000) (36750) 263250
 (+) Pur 500000 500000

Ex:-

1/4/25 Opng Balances.

Gross 1800000 (org. Cost)

Provision For Dep 342000 (Dep till 1/4/25)

On 1/6/25, New Asset purchased = 600000 ✓
10m Dep.

On 1/10/25, Asset org Cost 500000 ✓
purchased on 1/4/23

Was sold at 400000

50000 23-24
45000 24-25
95000
20250
6m Dep 115250

Dep Rate 10% P.a. (WDV)

Prepare Notes to A/c With
workings

115250

Solution

Working Note

1) Asset which is sold During the year

<u>Particulars</u>	<u>Amnt.</u>
Original Cost (1/4/23)	5,00,000
(-) Depreciation @ 10% For the year	(50,000)
WDV as on 31/3/24	4,50,000
(-) Depreciation @ 10% For the year	(45,000)
WDV as on 31/3/25	4,05,000
(-) Depreciation for 6 months till 1/10/25 @ 10% P.a.	(20,250)
WDV as on 1/10/25	3,84,750
Sale proceeds	4,00,000
Gain on sale	= 15,250

Provision for Depreciation as on
1/10/25 on Asset sold = 1,15,250
(50,000 + 45,000 + 20,250)

2) Remaining Assets :-

a) 1/4/25 Gross Value of All Assets = 1800000

b) (Less) Gross Value of Asset Sold = (500000)

c) 1/4/25 Gross Value of Remaining Assets 13,00,000

d) 1/4/25 Bal. of Provision for Dep of All Asset = 342000

e) Less:- Bal. of provision for Dep of Asset Sold (1/4) = (95000)

f) 1/4/25 Bal. of Provision for Dep on Remaining Assets = 247000

g) Depreciation on Remaining Assets = 105300
 $(1300000 - 247000) \times 10\%$

h) 1/6/25 New Machine Purchased = 600000
(org. cost)

i) Depreciation on New Machine = 50000
 $600000 \times 10\% \times 10/12$

5) Total Depreciation Charged = 175550
during the year
(20250 + 105300 + 50000)

Journal Entries

1) Depreciation a/c Dr. 175550
 To provision for Depr. a/c 175550

2) Bank a/c Dr. 400000
 Provision for Dep. a/c Dr. 115250
 To Machine a/c 500000
 To Gain on Sale a/c 15250

402300

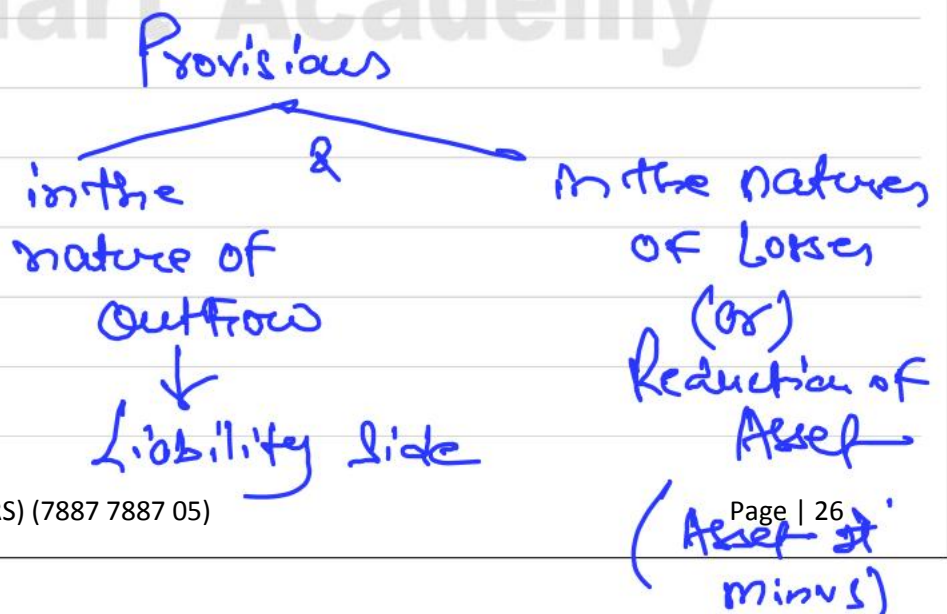
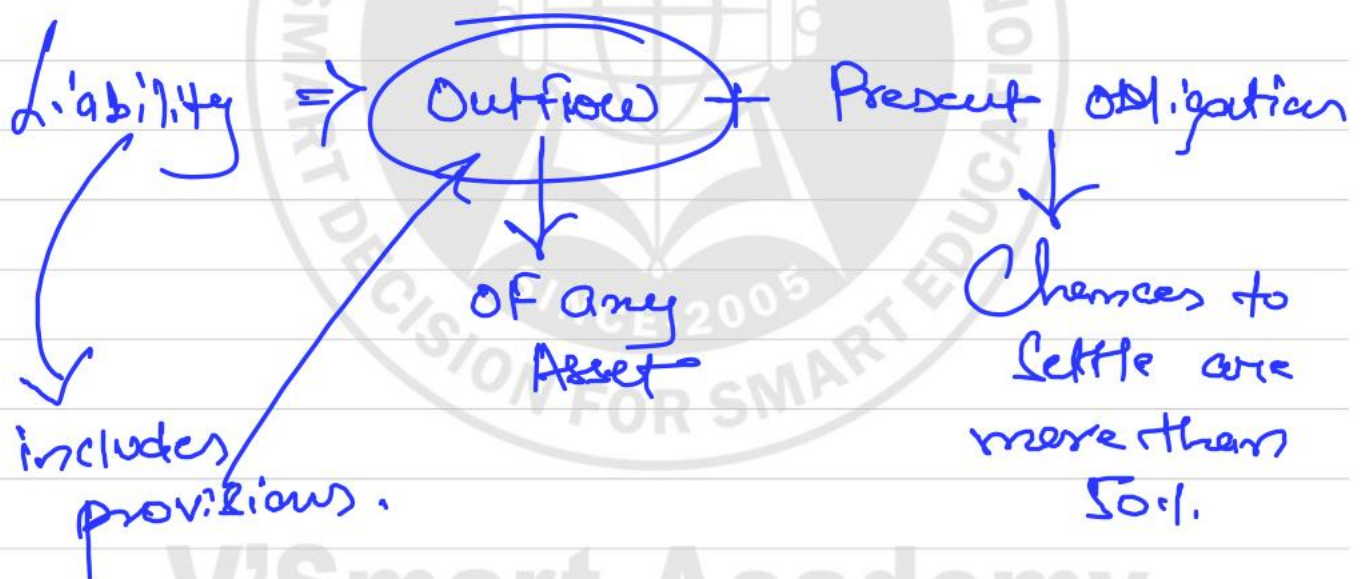
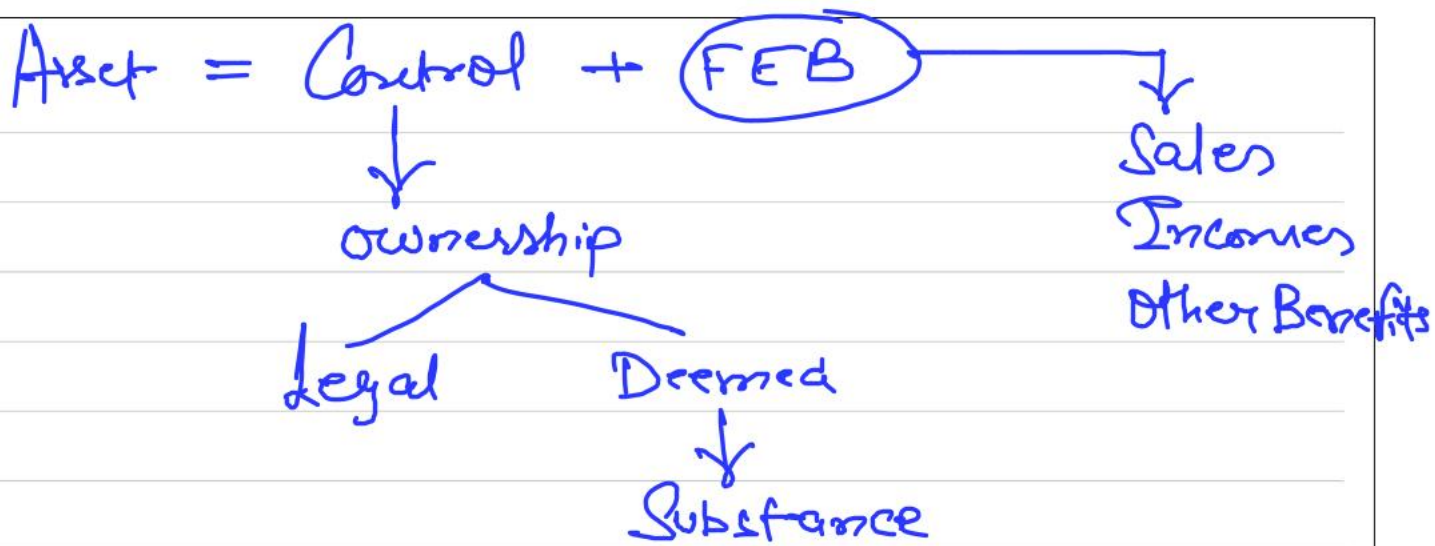
Ct. Bal.

Gross
1900000

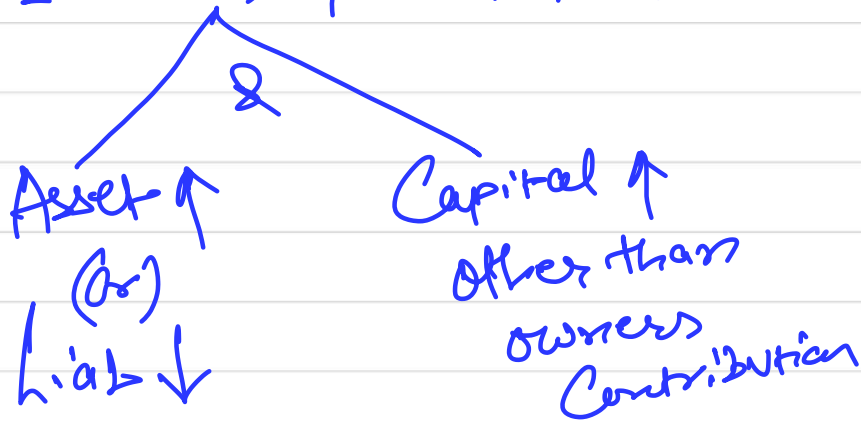
Notes to ACCOUNTS :-

Particulars	Gross Amt. (Dr.)	Prov. for Dep. (Cr.)	Net Amt (Dr. - Cr. = Dr.)
Opng. Bal.	1800000	342000 95000	1458000
(+/-) Depreciation during the year	-	175550 20250 6m	(175550) Dep → (50000)
(-) Sale of Asset	(500000)	(115250)	(384750) Gross
(+) Purchase	600000	-	600000
	<u>1900000</u>	<u>402300</u>	<u>1497700</u>

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Income $\Rightarrow$ ROF + Other Income



Monetary Assets & Liabilities

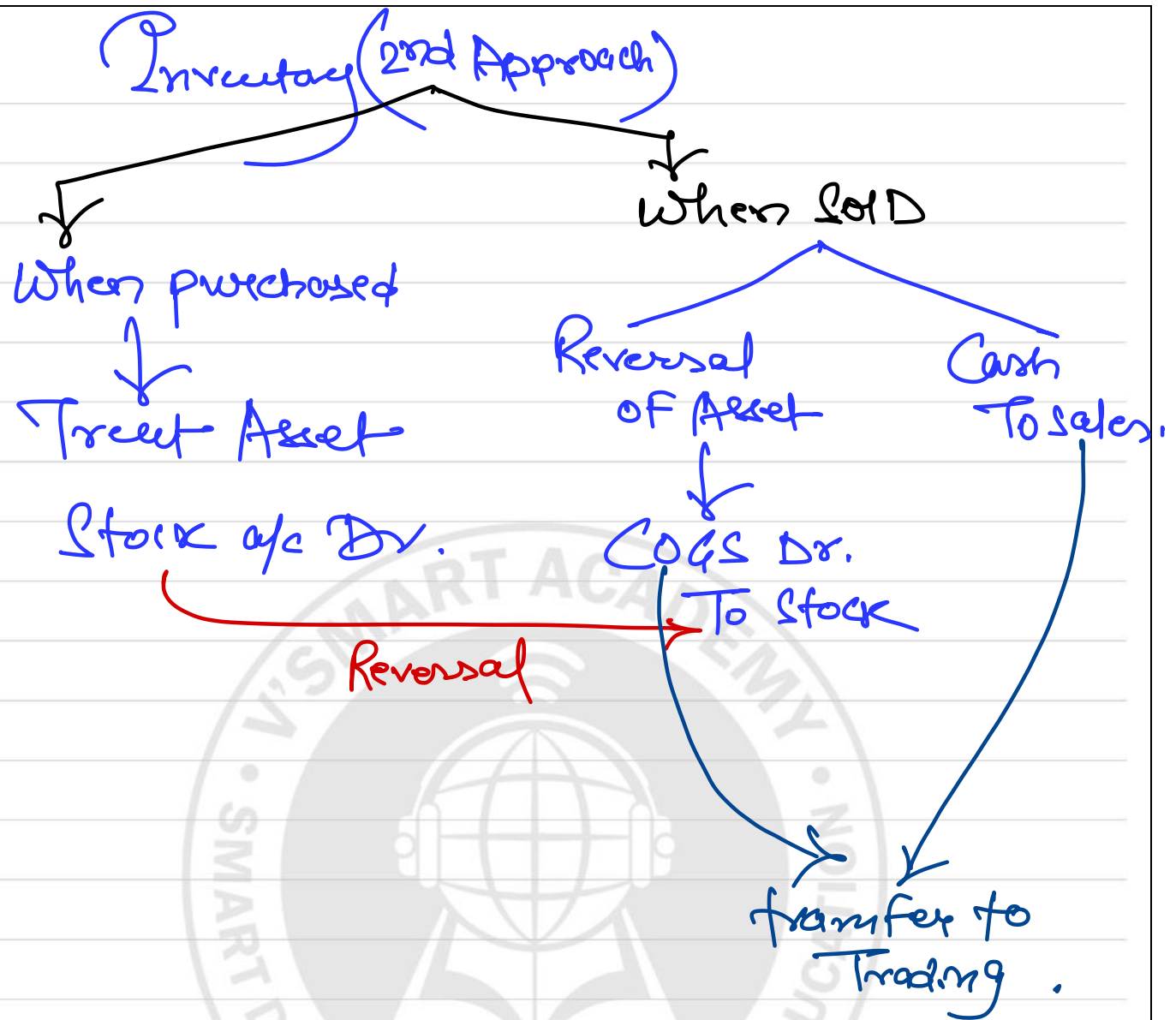
↓
Amt receivable
is fixed or
determinable

↓
Amt to be
settle is
fixed or
determinable

Inventory

↓
Opening Stock
in Trading
↓
Reversal of Asset
&
Creation of Crp

↓
Closing Stock
in Trading
↓
Exp = Reversal
Creation of
Asset



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Important Summary points For Depreciation & its provision!:-

1) When we Use the Asset, we Charge Depreciation

(P21) Depreciation A/c Dr.
To provision For Dep. a/c
↓
This Bal. is C/F
& presented as reduction from Asset in B/s

F. Asset Bal. $\Rightarrow$ Dr.

Gross Asset = 50 lacs. Dr. 4-1
Prov. For Dep = 20 lacs. Cr. 4

B/s

Asset 50	30
Prov. For Dep (20)	

2) When we Sale the Asset (or) When we Wloff the Asset!:-

Provision For Depreciation Balance of such Asset is Reversed.

↓

Provision a/c will be Debited.

3) Journal entry of Sale of Asset :-

Bank a/c Dr. (Sales Proceeds)

Provision for Dep Dr. (till date
Dep on Such
Asset)

To Asset a/c (org. Cost)

(Any Difference in above entry is
Gain or Loss on Sale)

Bank Dr. 400000

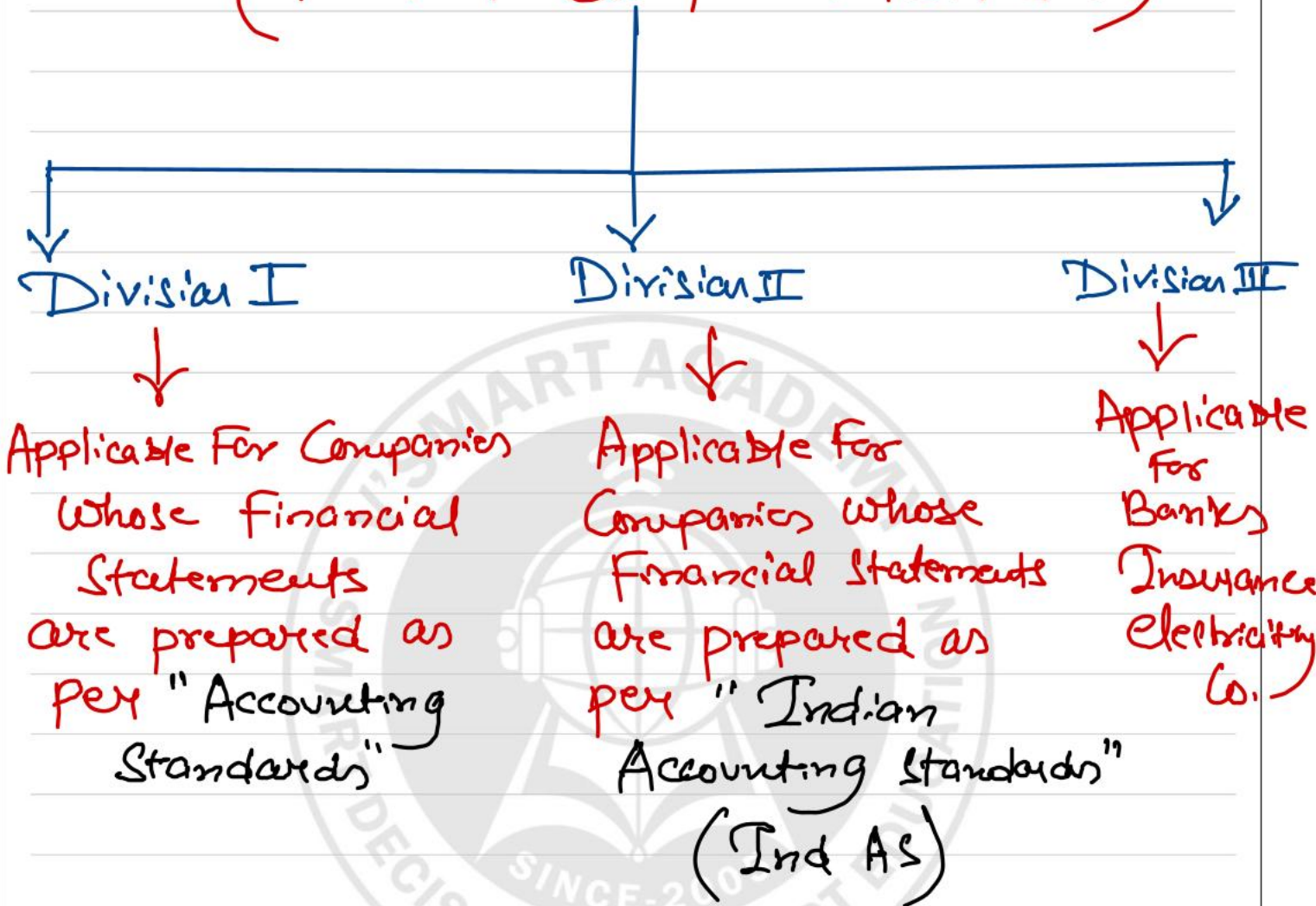
Prov. for Dep Dr. 15250

To Machine a/c 500000

To Gain on Sale a/c 15250
(P&L)

Schedule - III

(Part of Companies Act, 2013)



Note:- Division I is applicable for CA Inter

Which Company shall follow Division I

↓
All Unlisted Companies whose Networth is less than Rs. 250 Crores.

&

Those Companies whose shares are listed in SME Exchange

Components of Financial Statements

- 1) Balance sheet (Cy & Py)
- 2) Statement of P&L (SPL) (Cy & Py)
- 3) Statement of Cash Flows (Cy & Py)
- 4) Notes to Accounts

↳ (i) Accounting policies followed by Company

(ii) Details of all subheading

(iii) Estimates & Judgement taken

(iv) Additional Notes

↳ EPS working

Directors information

Trade payables Agency

Dividend

Declared & Paid by Company

- 1) Dividend is **not** Expense for Company; it is a distribution of profit to ESH.
- 2) Dividend is always distributed after paying Income Tax.

3)

Gross profit	xxx
(+) Other Income	xxx
(-) Indirect Expense	(xxx)

NPBT
(xxx)

Profit/Earnings available
for Shareholders.

NPAT

(-) Preference Dividend (xxx)

(Earnings available for ESH)

EAESH 100

(-) Equity Dividend (xxx) (20)

Retained
Earnings

P&L a/c

To Salary 200000

To Interest 15000
on Loans

To Depreciation 5000

To Advt. 10000

To Rent 8000

To Audit fees 6000

To NPBT 56000

To Tax Exp. 16800

To MPAT 39200

To pref Divd 6000

To Eg Divd 7000

To GR 100000

To Balance 162000

By GP 1200000

P&L
To Sales

Charge against Profit

Appropriation

R/E

Journal entry of Dividend :-

a) Dividend a/c Dr.

To Dividend Payable a/c

P&L

c) Divd Payable
To Bank

To Dividend a/c

Bonus issue

- 1) Bonus issue is announced for Existing SH.
- 2) Bonus issue is out of Company's profits
Hence it is called distribution of profit
(just like Dividend)
- 3) Therefore Bonus issue is not Expense for Company, it is appropriation of profit.
- 4) For Bonus issue, Following Profits can be used :-

General Reserve
Cr. Bal. of P&L a/c } Free Reserves.
Securities prem. a/c
CRR*

5) Journal entry :-

~~Bonus to ESH Dr.~~
 To ESC a/c

GR Dr.
P&L Dr.
SP Dr.

CAR Dr.

To Bonus to ESH a/c

6) Example :-

B/S (before Bonus) Extract

no. 1,00,000	Esc	10,00,000	Net worth 30,00,000.
	(10/-)		
	GR	20,00,000	

Company announced Bonus of 1:4

↓
O/S no. 1,00,000

$$\therefore \text{Bonus share} = \frac{100000}{4} = 25000 \text{ no.}$$

$$\begin{aligned} \text{Bonus Amt} &= 25000 \times 10/- \\ &= 250000 \end{aligned}$$

General Reserve Dr. 250000
To ESH a/c 250000

Revised B/L (extract) after Bonus

no. 1,25,000	Esc	12,50,000	N' worth 30,00,000
	10/-		
	GR	17,50,000	

Note:- Bonus issue is known as Capitalization of Reserves.

Effect on Networth

Bonus issue

↓
NIL

Dividend

↓
NW will be reduced because it is paid in Cash

Net worth
3000000
÷
125000

Price per share ↓

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