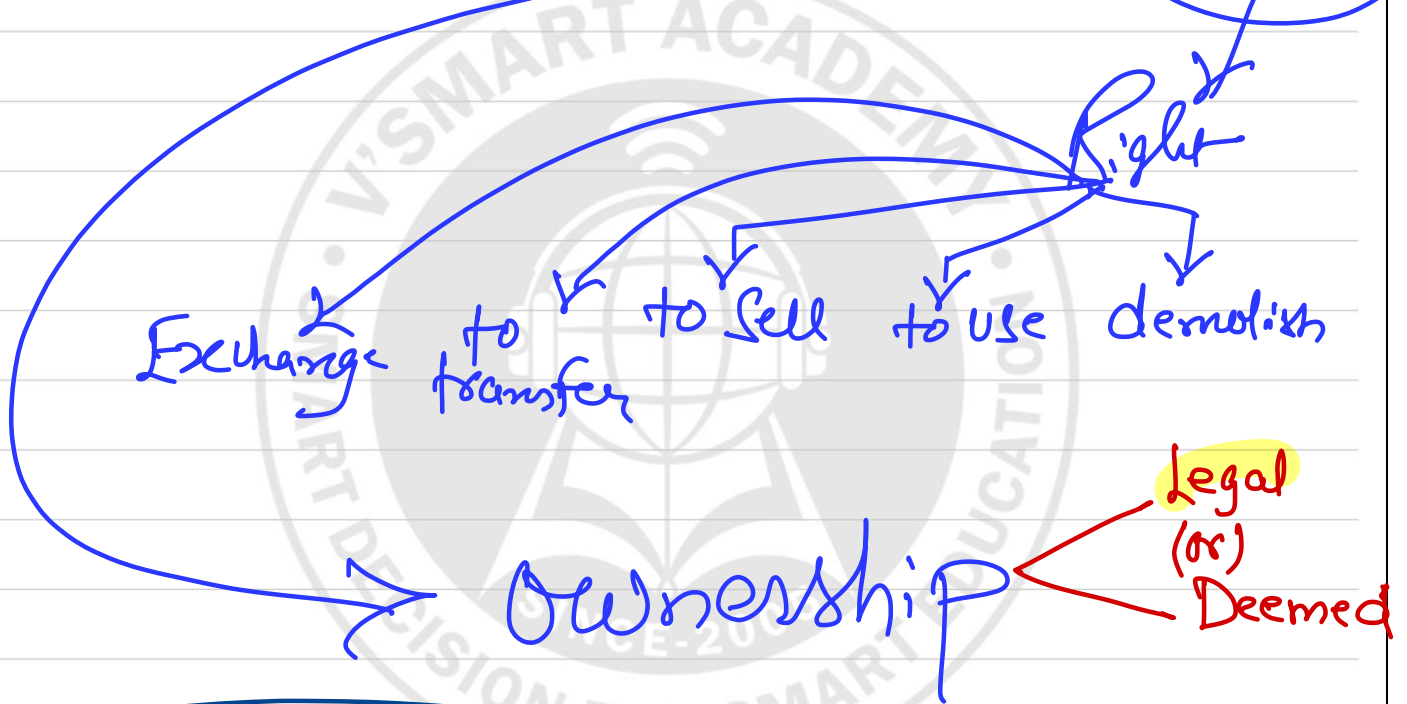


Basics of Accounts

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



Asset = Control + FEB

Control means = Decision making process

10,000 Cost incurred
Expenditure → advertisement
June

Substance Over Legal form

↓
~~Health~~

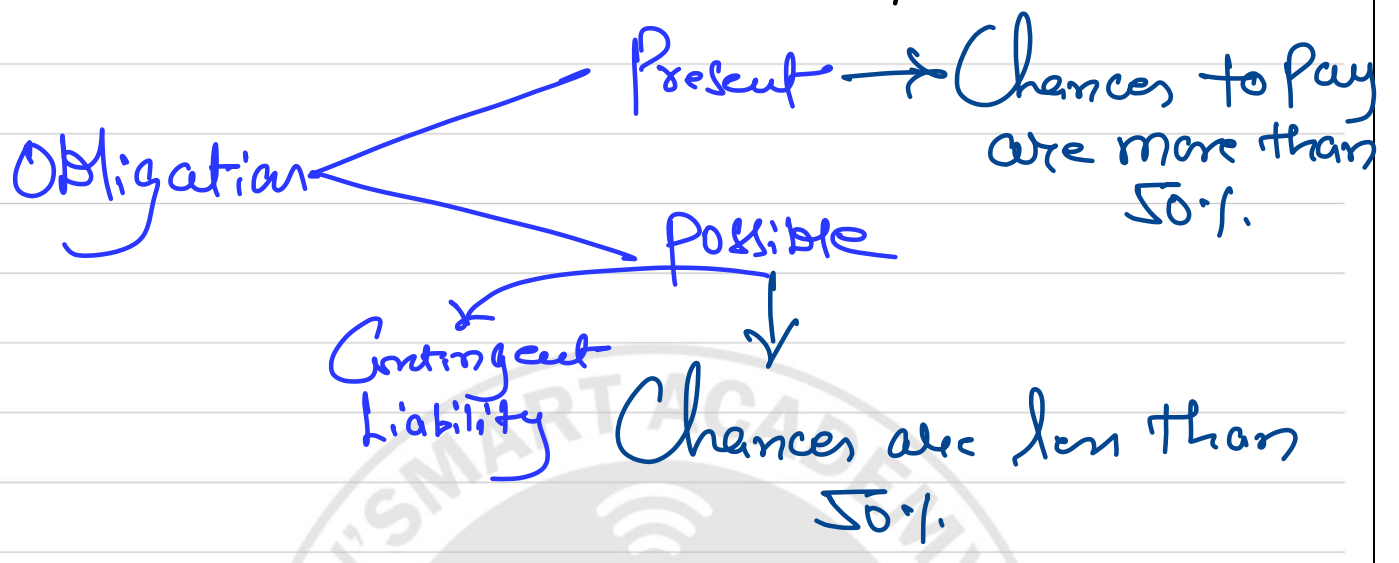
↓
Actual legal owner

1) ~~Salary~~
To Bank

2) ~~PA~~
To Salary

Assets

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



Liability = Outflow + 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

↓
Other than
monetary

Any Asset from which recovery
is **fixed or determinable**

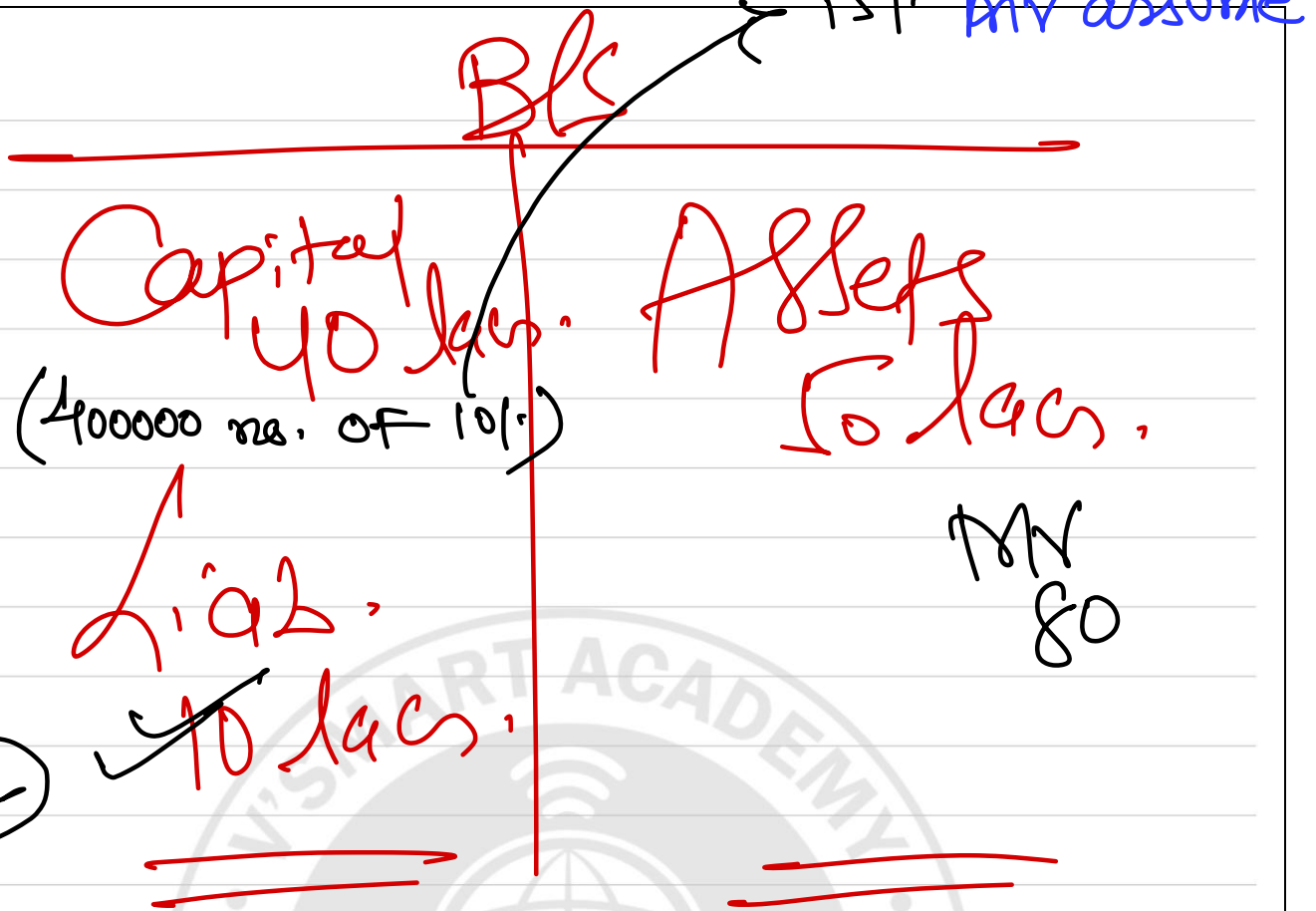
Any Liabilities which is to be
settled in fixed Amt.

B/S

Monus. Creditors provisions for I.T.	Property Debtors Cash Investments in shares or GOLD
---	---

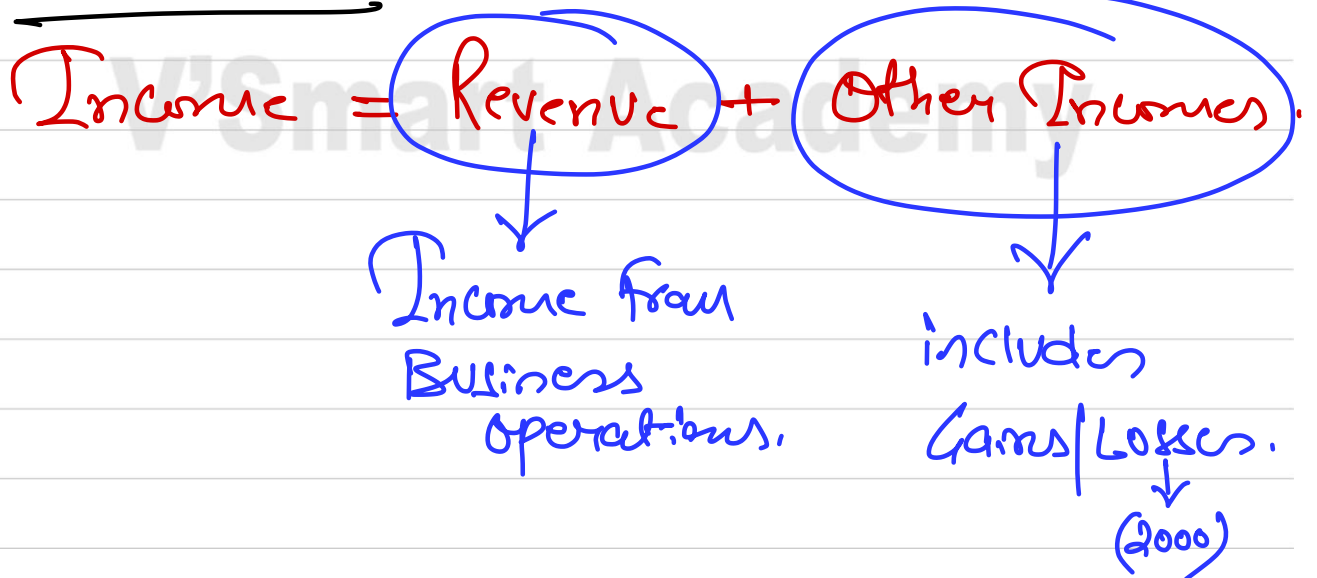
Goodwill \Rightarrow Non-monetary

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.

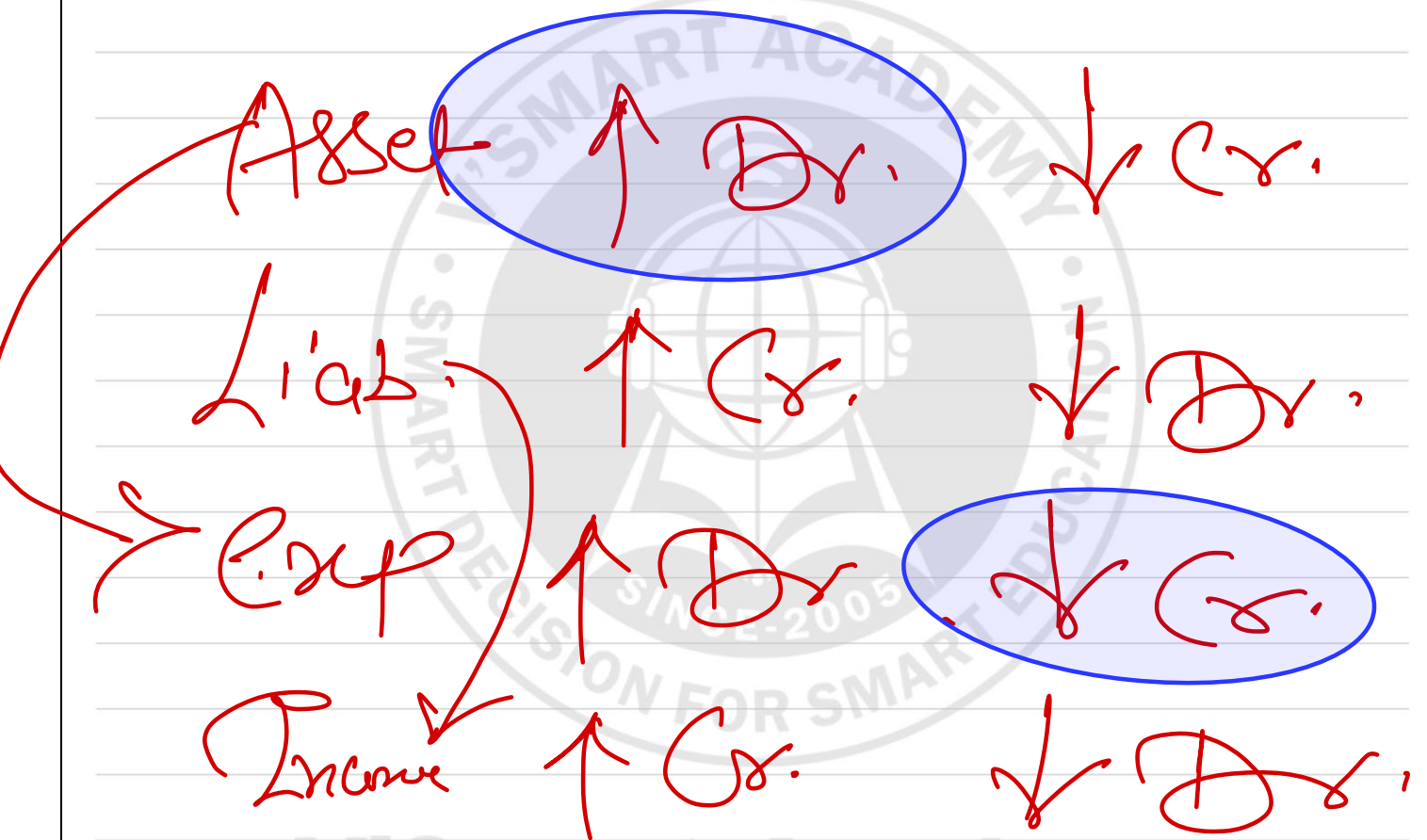
To Earning
iPad 50K Cost
52K Sale

Income! — means inflow of resources

Which either Increase your Asset,
(or) decrease your Liability and
Increase your Capital also

Other than **Owner's Contribution**

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



V'Smart Academy

P&L

RFO

Other Income

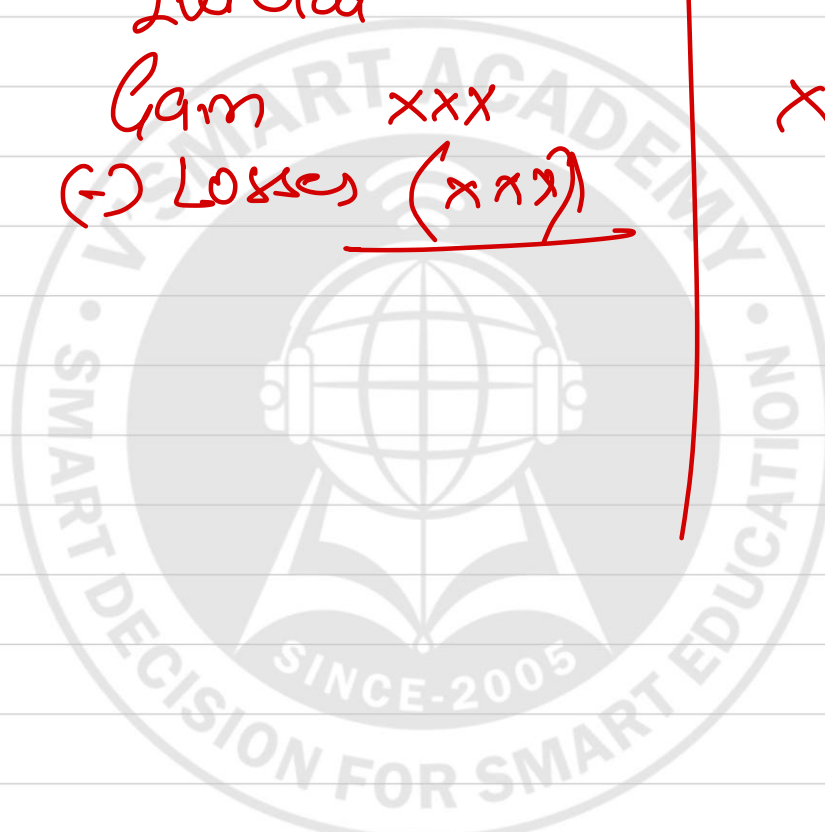
Interest

xxx

Gain xxx

xxx

(-) Losses (xxx)

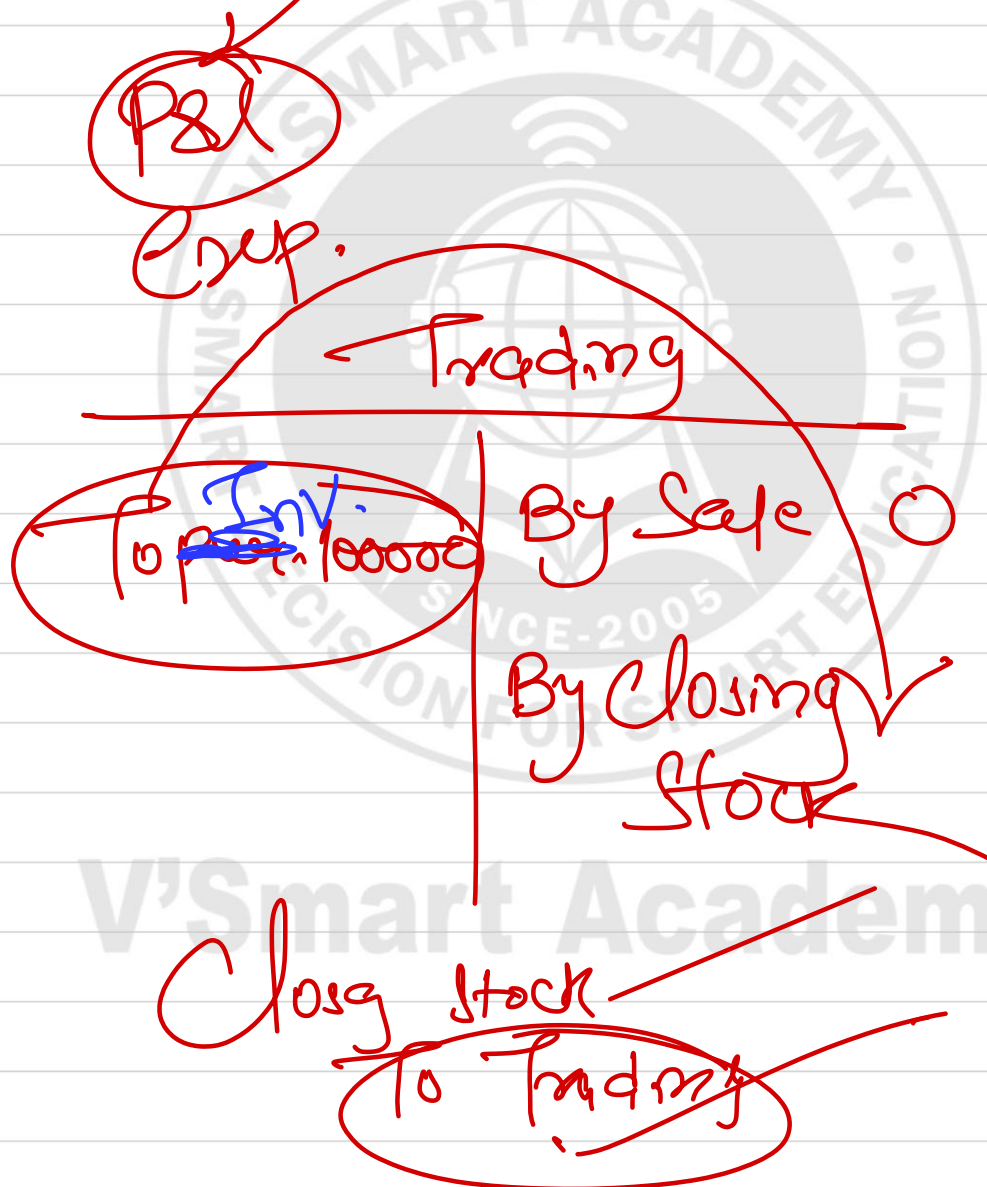


V'Smart Academy

How to record purchase of Inventory? (What are methods to record purchase of goods/Inventory)

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

~~Dr. purchase~~ ac Dr. 100000
To Cash 100000



2) $\xrightarrow{\text{Asset}} \xrightarrow{\text{B/S}}$
Inventory Dr. 100000
 To Bank 100000

Trade / P&L

Now if Inventory sold in 2nd yr.

COGS Dr.
 To Inventory

Cash
 To Sale

COGS

Sale

GP

Rev.

COGS

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 1,00,000/- But in Cy 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 ki Benefit
nahi mila, matlab

Jo Exp Book Hua Hai:

USKO Reverse Karo

Aur Asset Bana do because
Benefit ki future ki
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



Sale
Cost = 80000
Sale = 125000
GP = 45000

Closing Stock
20000

Stock Dr. 20000
To Trading 20000

Reversal of
Exp because
it's Benefit
future में
Hoga

Trading a/c Dr. 100000
To Stock 100000

Cash 125000
To Sales 125000

Isse Beacuse Benefit Hoga
isliye Asset ko reverse
Karo aur Expense record
Karo

Benefit mila
per 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)
	<hr/>
	80000
	<hr/>

Approach - 2

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

fy 24-25

it's an
Asset

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

There is no late

B/s

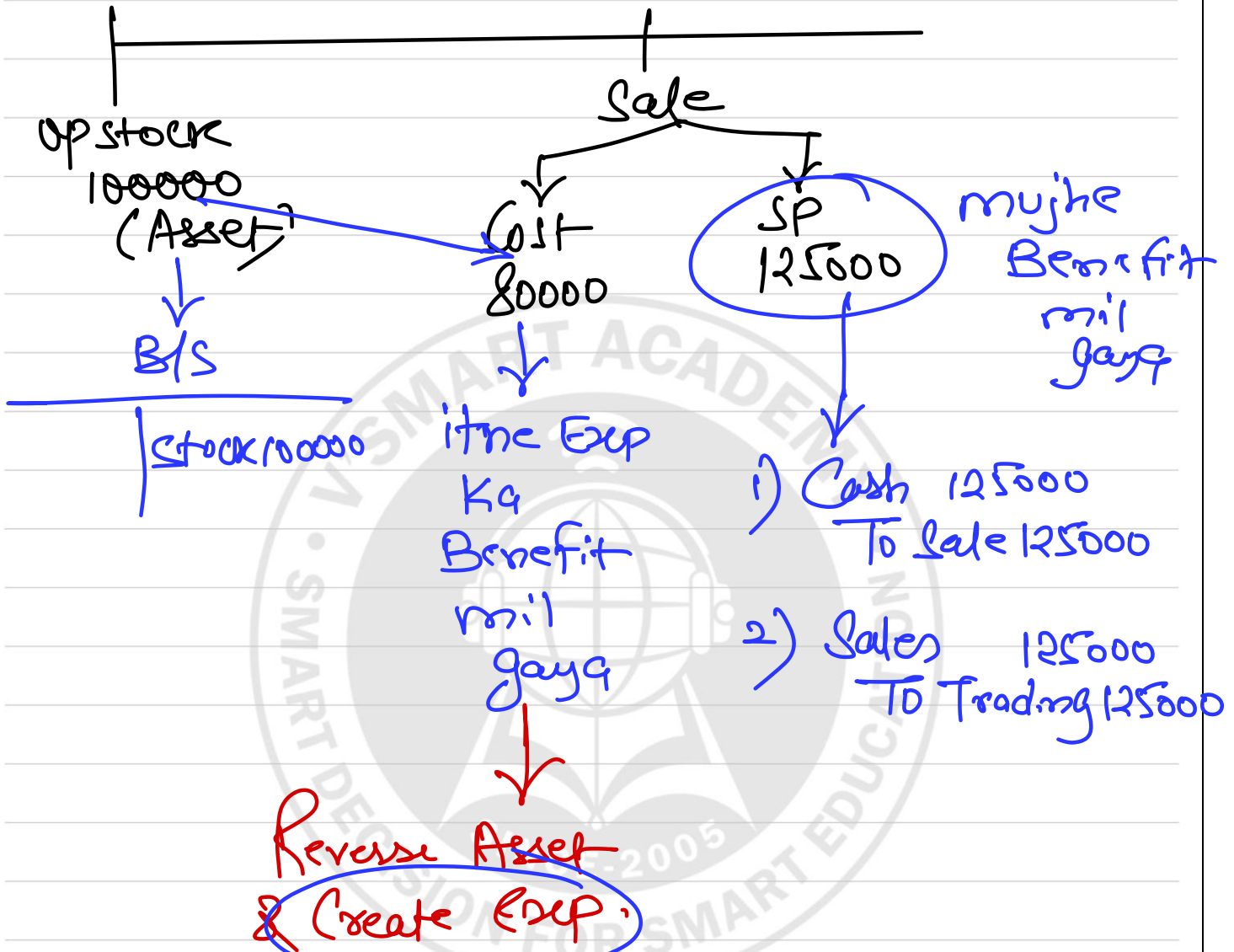
Stock 100000

Trading

400

Fy 25-26

1/4/25



Expense 1) COGS a/c Dr. 80000
To Stock 80000 ✓

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

Trading a/c

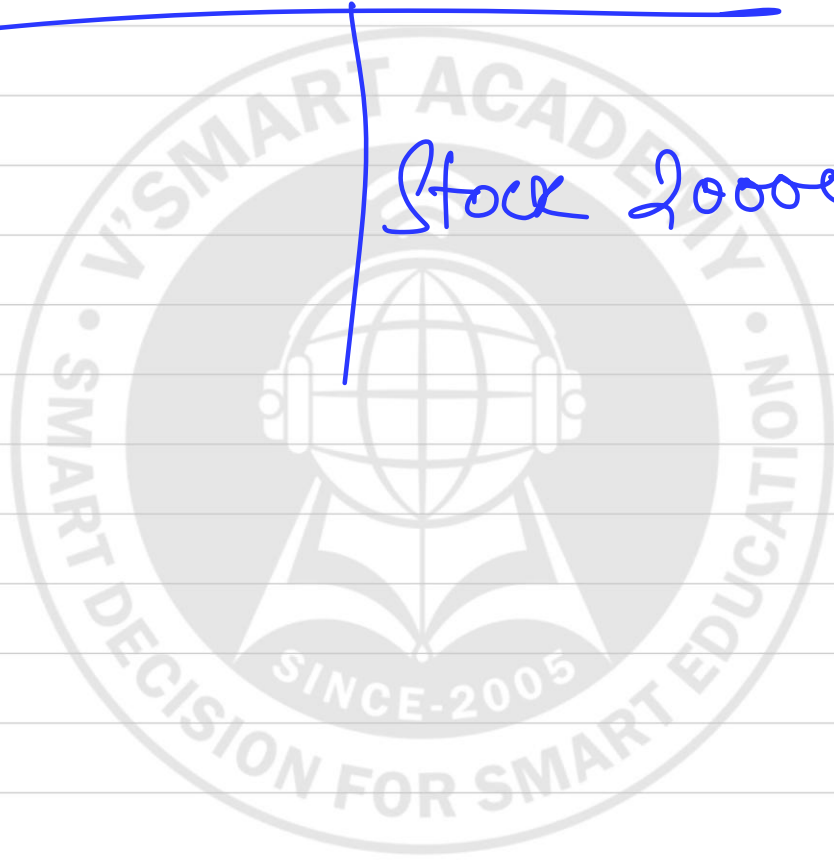
To COGS 80000

By Sales 125000

To GP 45000

B/S

Stock 20000

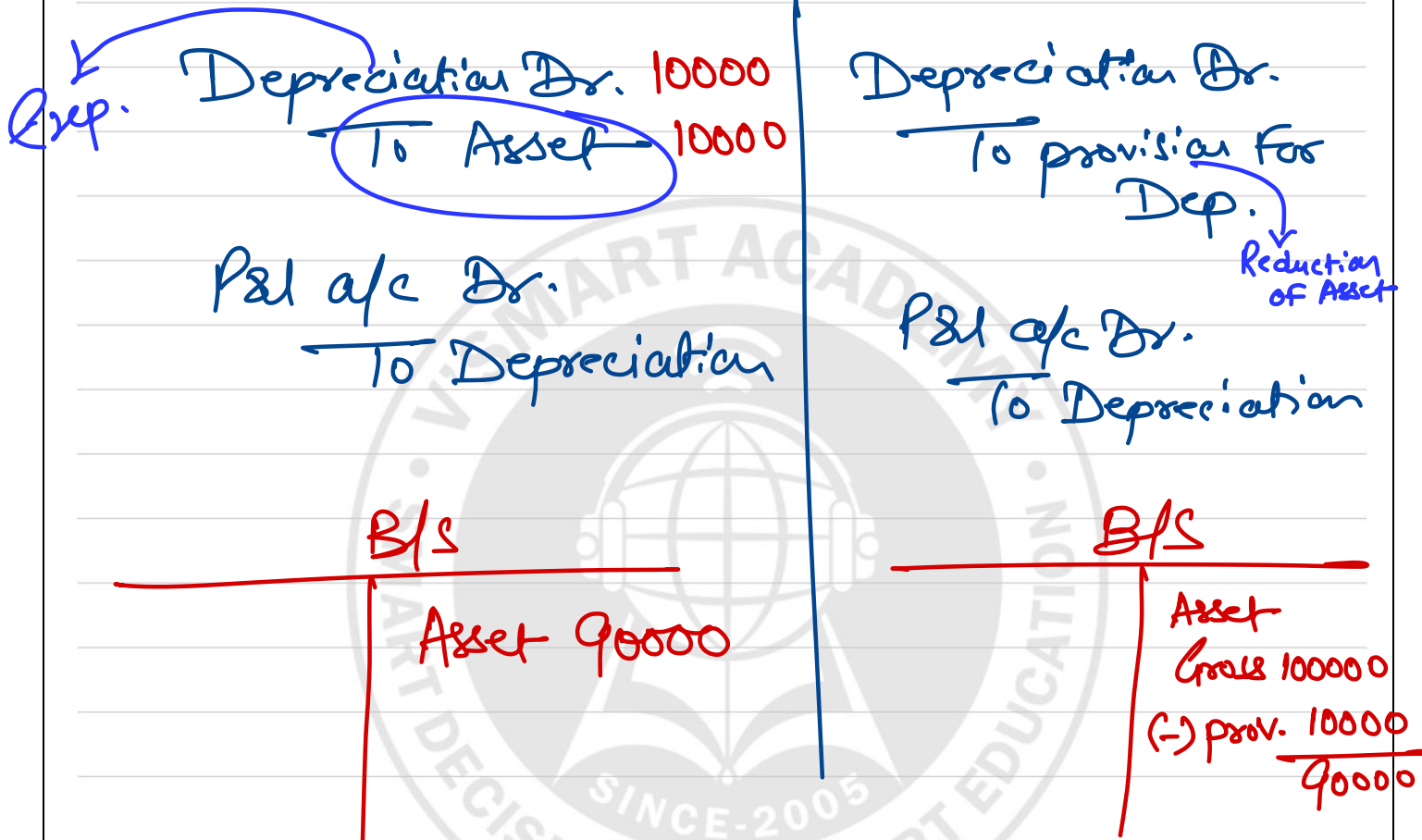


V'Smart Academy

PPE & its provision for Depreciation

Org Cost 100000

1) Journal Entry for Depreciation

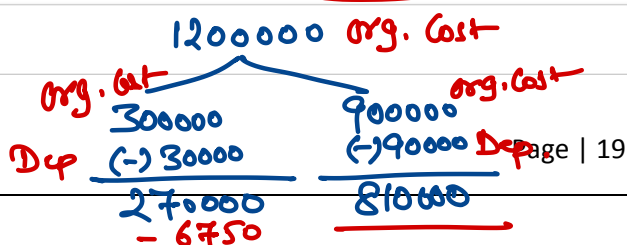


Example :-

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/-



On 1/11/25, New machine purchased Costing
50000/-

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)	(1,20,000)
31/3/25 Balance	10,80,000
(-) 30/6/25 WDV OF Asset sold	(2,63,250)
(+) 1/11/25 Purchase,	50,000
(-) 31/3/26 <u>Depreciation:-</u>	(1,08,583)

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

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

$$50000 \times 10\% \times \frac{5}{12} = 20833$$

31/3/26 Clasg 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	Org. Cost		Net
	Gross	Prov. For Dep	
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 c/d 120000	1st
Cr. Bal. <u>36750</u>	By Dep. <u>120000</u>
	2nd
	By Bal. b/d 120000
	(30 + 90)
	By Depreciation 6750

Asset a/c

1st To Cash 120000	By Bal. Old 120000 (3+9)
2nd To Bal. 120000 (3+9)	Dr. Bal. 30000

B/s

Machine

1080000

1/4/24

Dep 30000

31/3/25

D 6750

30/6

Org. = 300000

Org 300000

Prov. (30000)

Org 300000

Prov. 36750

Dr.

Cr. Bal.

2nd
Yr.

Particulars	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
	<u>1400000</u>	<u>191833</u>	<u>1208167</u>

Dep

+

(-)

(-) Sale (300000) (36750) 263

(+) Pur 500000 500000

Ex:-

1/4/25 Opng Balances.

Gross 180000 (org. Cost)

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

On 1/6/25, New Asset purchased = 60000 ✓
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
6m Dep 20250

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
 $600000 \times 10\% \times 10/12$

J) 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 50000
 To Gain on Sale a/c 15250

402300

Ct. Bal.

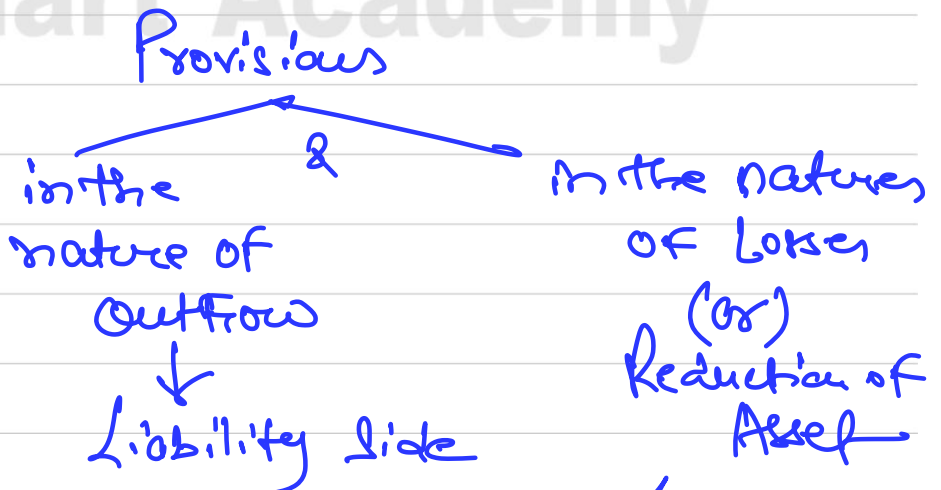
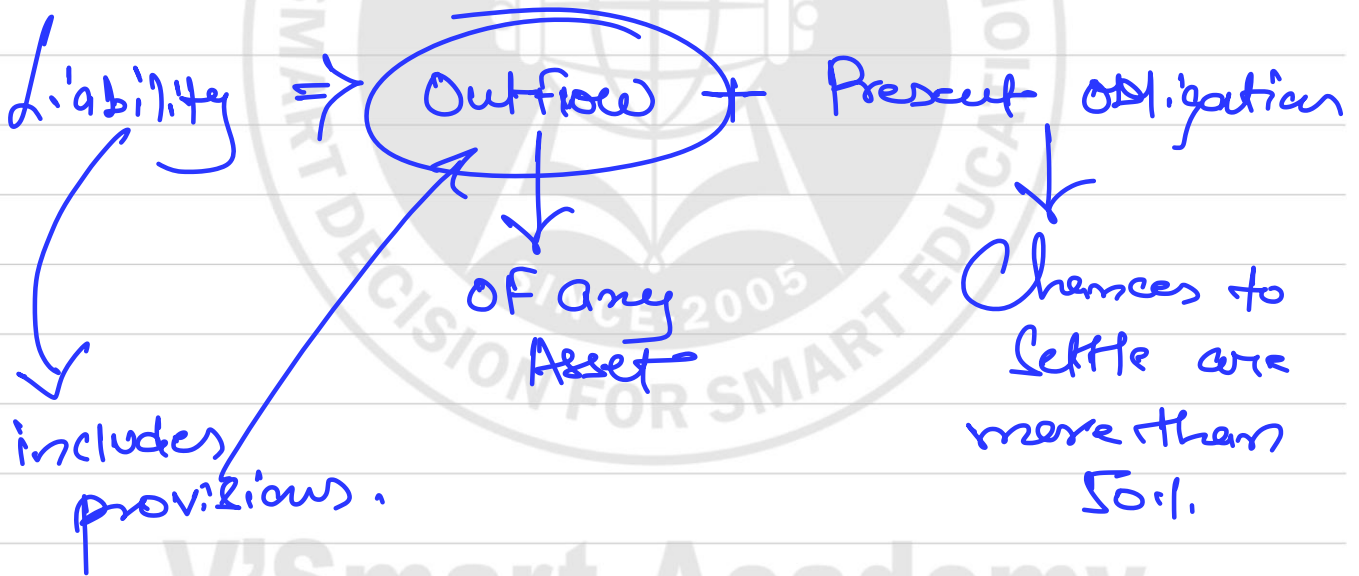
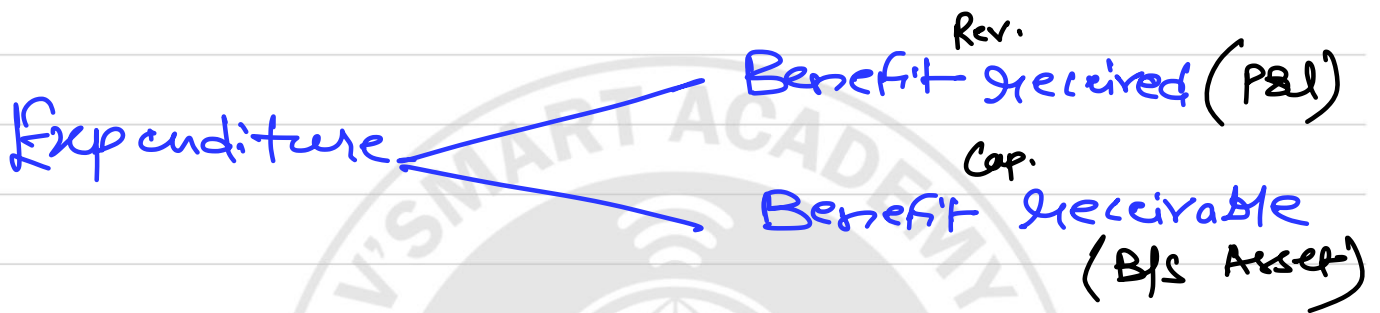
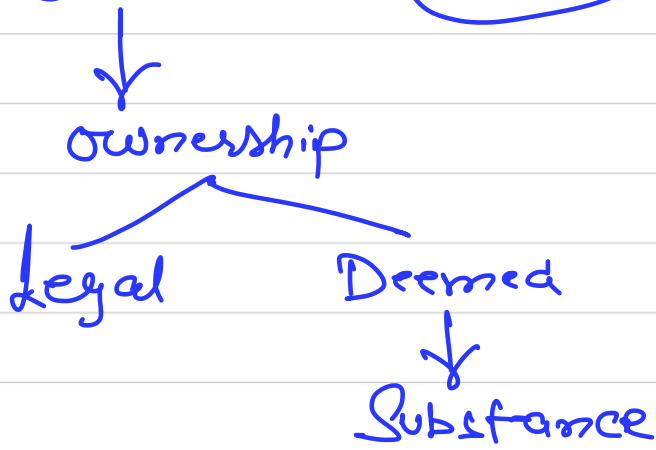
Gross
1900000

Notes to ACCOUNTS :-

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

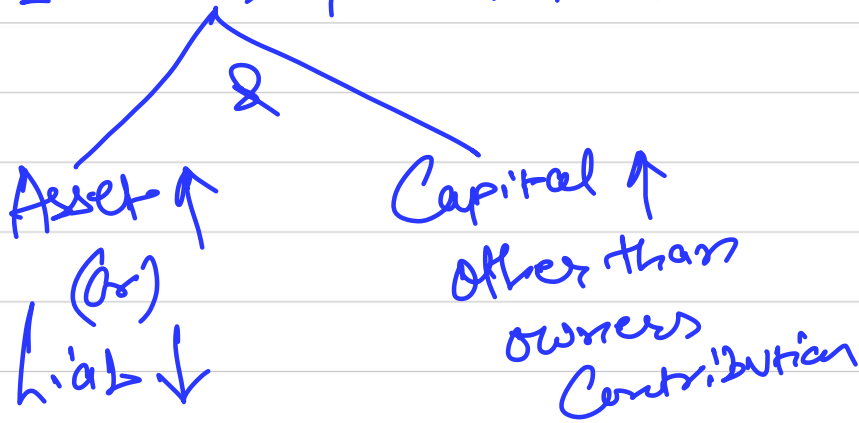
V'Smart Academy

Asset = Control + FEB

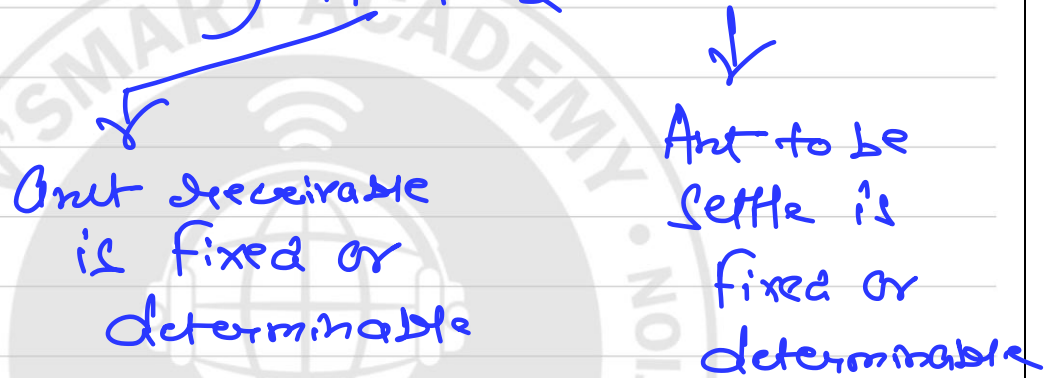


(Asset - minus)

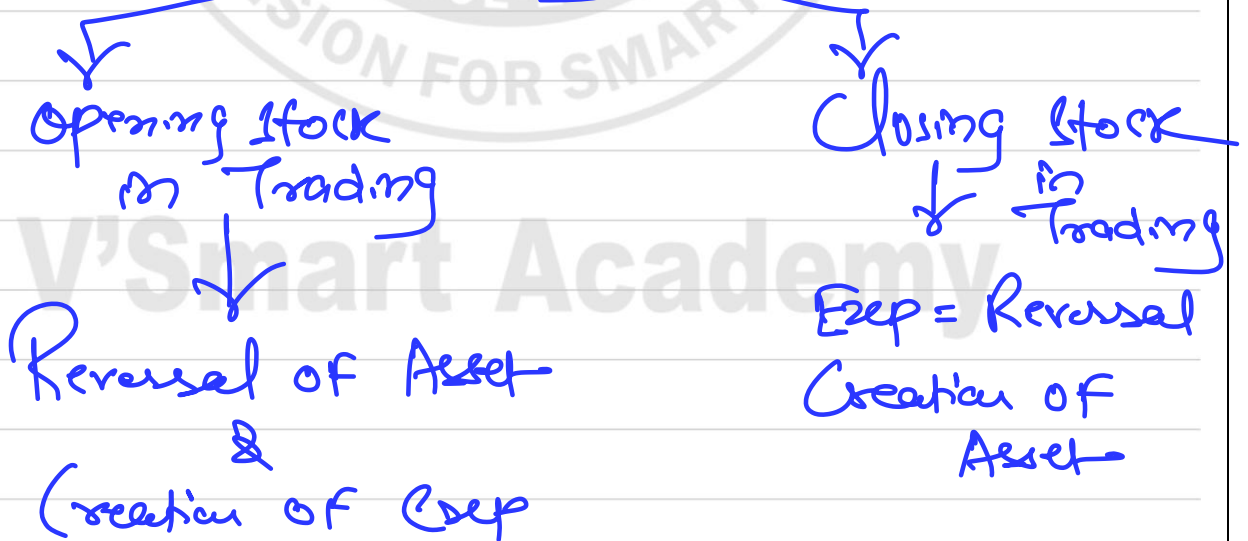
Income \Rightarrow ROF + Other Income



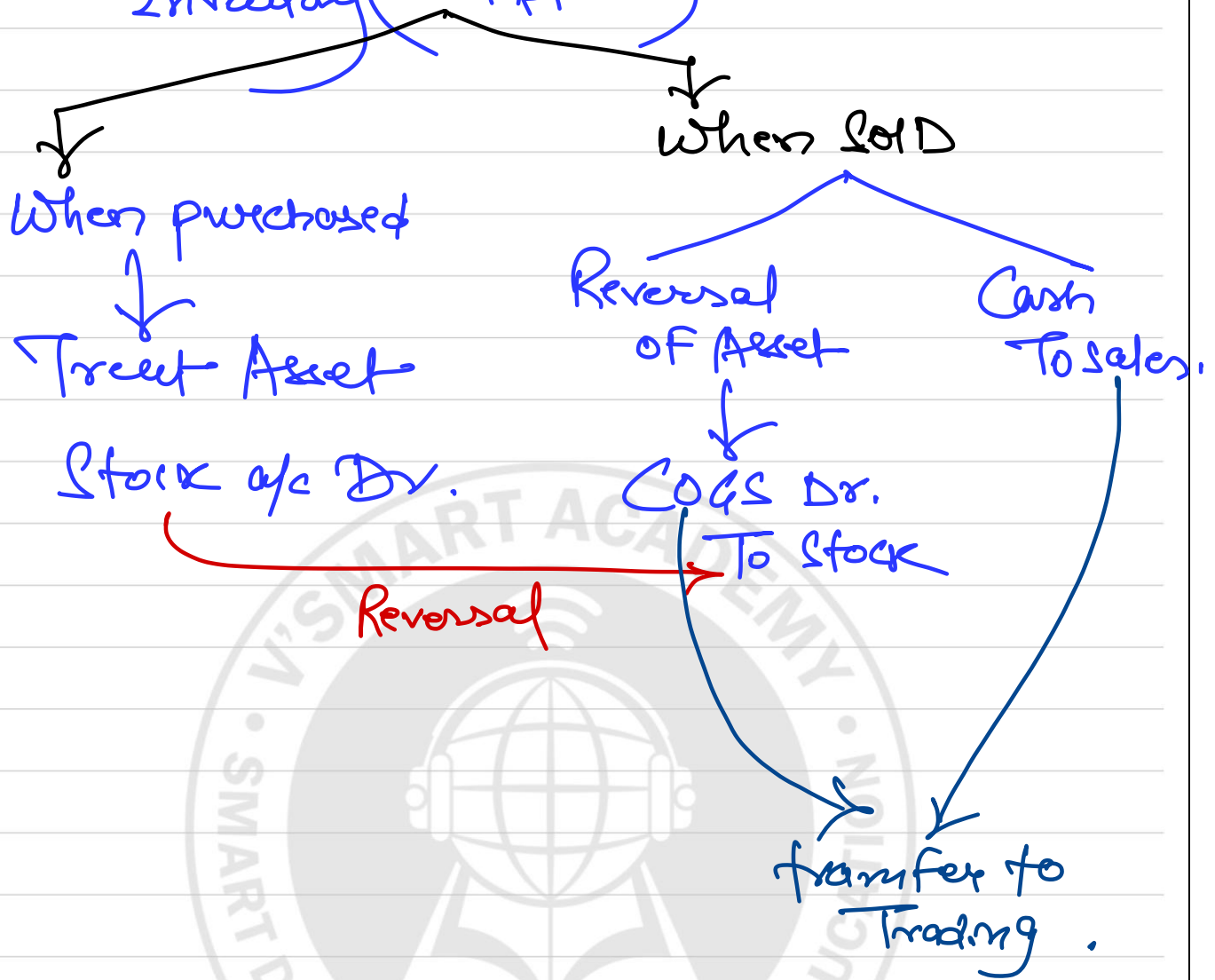
Monetary Assets & Liabilities



Inventory



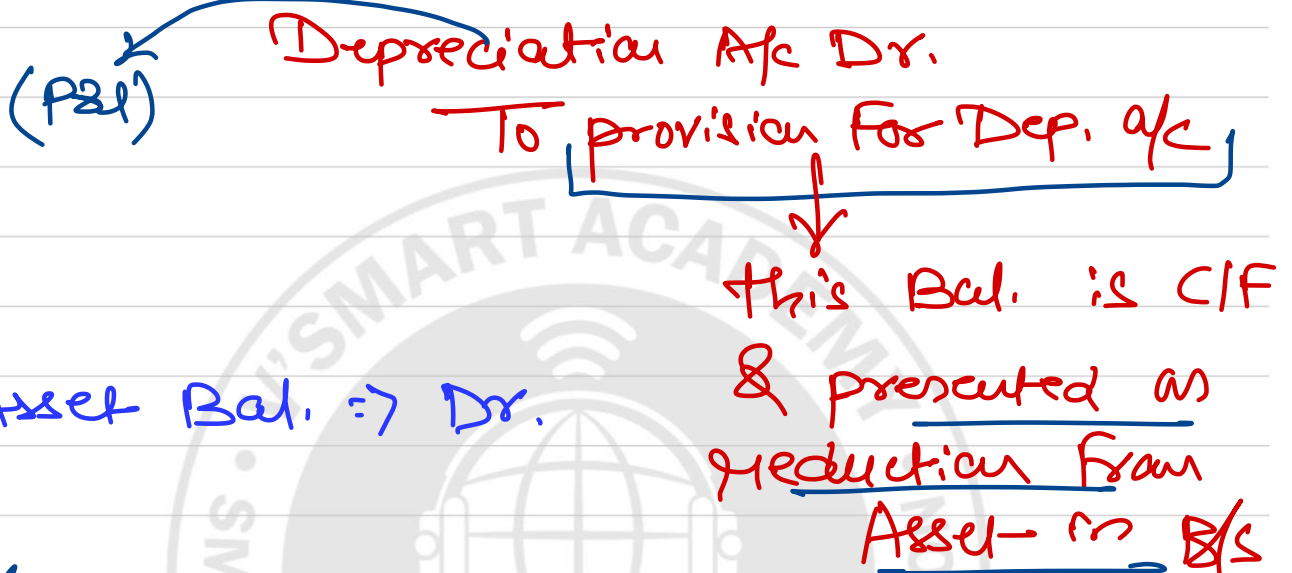
Inventory (2nd Approach)



V'Smart Academy

Important Summary points for Depreciation & its provision! :-

1) When we use the Asset, we charge Depreciation



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

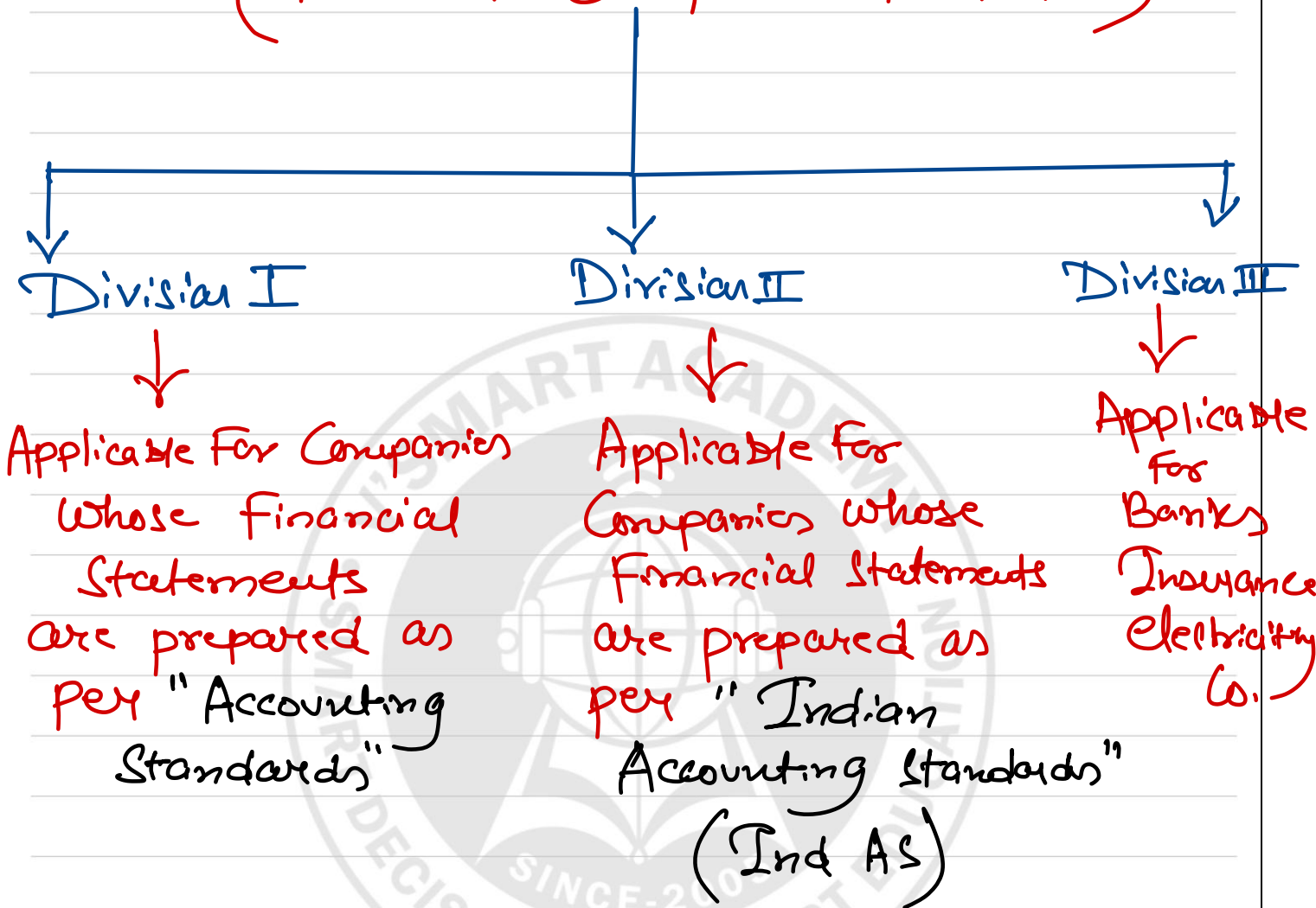
Prov. for Dep Dr. 15250

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 Net worth 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~~
~~Bonus~~
~~Redemption~~

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

Charge against Profit

Appropriation

To Salary 200000
 To Interest on Loans 15000
 To Depreciation 5000
 To Advt. 10000
 To Rent 8000
 To Audit fees 6000
 To NPBT 56000
 To Tax Exp. 168000
 To MPAT 392000

To Pref Divd 60000
 To Eq Divd 70000
 To GR 100000
 To Balance 162000

By GP 1200000

P&L
 To Salaries

R/E

Journal entry of Dividend :-

a) Dividend a/c Dr.
 To Dividend Payable a/c

b) P&L
 To Dividend a/c

c) Divd Payable
 To Bank

CAR Dr.

To Bonus to ESH a/c

6) Example :-

B/S (before Bonus) Extract

no. 100000	ESH	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

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

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

General Reserve Dr. 250000
To ESH a/c 250000

Revised B/S (extract) after Bonus

no. 125000	ESH	12,50,000	Net 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
₹ 2000000
÷
125000

Price per share ↓

V'Smart Academy