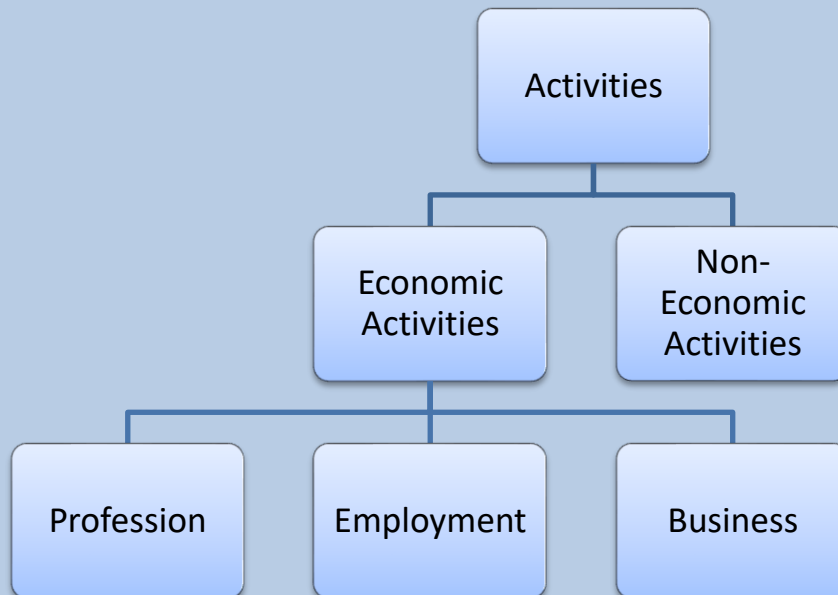


## Commerce and Economic Activities

Activities done by human beings-



1. **Economic Activities (आर्थिक गतिविधियाँ):** are related to PRODUCTION (उत्पादन), DISTRIBUTION (वितरण), EXCHANGE (विनिमय) and CONSUMPTION (सेवन) of goods(माल) and services(सेवाएँ).

**Example:** Ram earns Rs. 20000 in a month.

2. **Non- Economic Activities (गैर आर्थिक गतिविधियाँ):** such activities done by human being which does not involve money or worth of money.

**Example:** Ramesh is doing his home work.

## Introduction of Banking

Banking is a business of accepting deposits and lending money through financial intermediaries.

### 2.1 India banking system (भारतीय बैंकिंग प्रणाली)

#### भारतीय बैंकिंग प्रणाली का इतिहास

भारत में पहला भारतीय बैंक, जनरल बैंक ऑफ इंडिया था. इसे वर्ष 1786 में स्थापित किया गया था. ईस्ट इंडिया कंपनी ने (1840ईस्वी में) बैंक आफ मुंबई, (1843ईस्वी में) बैंक आफ मद्रास और (1809 ईस्वी में) बैंक आफ बंगाल/कोलकाता की स्थापना की थी. ये तीनों बैंक संयुक्त रूप से प्रेसीडेंसी बैंक के नाम से जाने जाते थे. इसी तरह बैंक आफ हिंदुस्तान की स्थापना वर्ष 1870 में की गयी थी. इलाहाबाद बैंक की स्थापना वर्ष 1865 में की गयी थी. साथ ही पंजाब नेशनल बैंक लिमिटेड को 1894 ईस्वी में स्थापित किया गया था. इस बैंक का मुख्यालय लाहौर में था. 1906 और 1913 के मध्य सेंट्रल बैंक ऑफ इंडिया, बैंक ऑफ इंडिया, बैंक ऑफ बड़ौदा, इंडियन बैंक, मैसूर बैंक और केनरा बैंक स्थापित किए गए थे. वर्ष 1921 में, सभी प्रेसीडेंसी बैंकों को विलय करके इम्पीरियल बैंक बना दिया गया जोकि यूरोपीय शेयर धारकों के द्वारा संचालित किया जाता था. इन सभी बैंकों के भारतीय रिजर्व बैंक वर्ष 1935 में स्थापित किया गया था.

### 2.2 Types Of Banks In India (बैंकों के प्रकार)

हमारे देश में लोगों की विभिन्न प्रकार की वित्तीय जरूरतों को पूरा करने के लिए विभिन्न प्रकार के बैंक कार्यरत हैं जो निम्नवत हैं

1. केन्द्रीय बैंक (central bank)(RBI in india)

2. व्यापारिक बैंक (commercial banks)

\*public sector banks

\*private sector banks

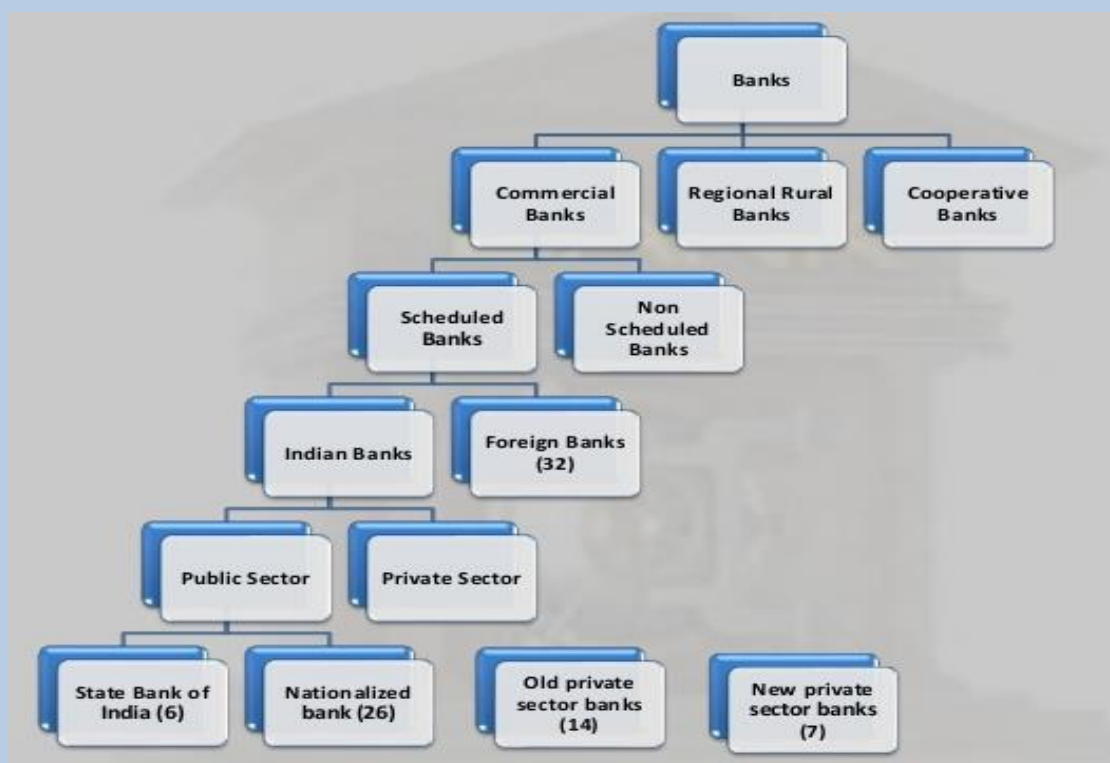
\*foreign banks

3.development banks(IFCI, SFCs)

4.co-operative banks

5.specialised banks

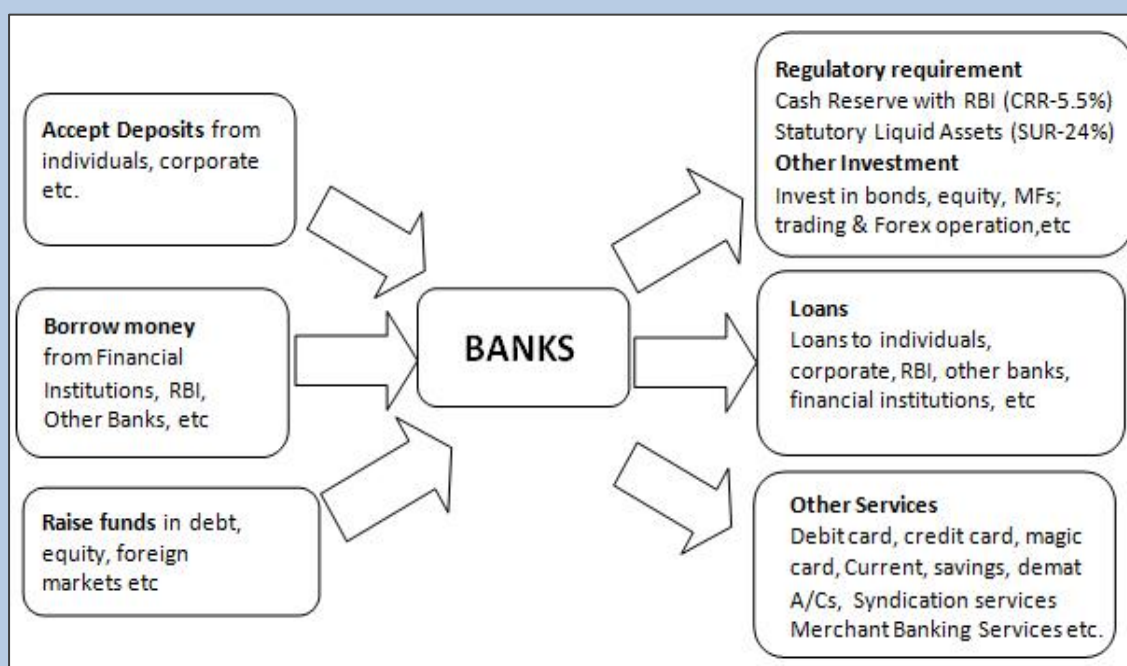
## 2.3 Classification of banks in India (भारतीय बैंकों का वर्गीकरण)



**केन्द्रीय बैंक :-** किसी देश का केन्द्रीय bank देश के बैंकिंग सिस्टम को नियमित करता है यह सरकार का bank होता है यह सामान्य लोगो के लिए bank का कार्य नहीं करता है केन्द्रीय bank देश के विभिन्न बैंको को गाइडेंस देता है जब भी वो किसी दिक्कत का सामना करते है भारत का केन्द्रीय बैंक भारतीय रिज़र्व बैंक है केन्द्रीय बैंक देश की मौद्रिक नीति बनाती है यह करेंसी नोटों का निर्गमन करता है यह बैंको के बैंक का कार्य करता है केन्द्रीय बैंक का किसी भी देश की अर्थव्यवस्था के विकास में महत्वपूर्ण भूमिका होती है

- **व्यापारिक बैंक(commercial banks):-** ऐसी वित्तीय संस्थायें जो लोगो की जमाये स्वीकार करती है तथा मांग पर प्रतिदेय होती है व्यापारिक bank जरूरतमंद लोगो को ऋण भी प्रदान करती है
- **सार्वजनिक क्षेत्र के व्यापारिक बैंक(public sector banks) :-** जिन बैंको का स्वामित्व भारत सरकार या RBI के पास होता है उन्हें सार्वजनिक क्षेत्र के bank कहा जाता है जैसे- state bank of india, bank of baroda, dena bank
- **निजी क्षेत्र के बैंक(private sector banks) :-** जिन बैंको का स्वामित्व निजी शेयर होल्डरों के पास होता है इनपर भारत सरकार या RBI का नियंत्रण नहीं होता है लेकिन इनका नियमन सरकार द्वारा बनाये गए नियमों के द्वारा ही होता है जैसे- HDFC bank, ICICI bank आदि

- **विदेशी बैंक(foreign banks) :-** जिन बैंको की शाखाएं देश में होती हैं लेकिन इनका मुख्यालय विदेशों में होता है विदेशी bank कहलाते हैं जैसे – अमेरिकन एक्सप्रेस bank.
- **विकास बैंक(development banks) :-** ऐसे bank जो व्यापारिक जरूरत व विकास के लिए मध्यम अवधि व लम्बी अवधि के ऋण प्रदान करते हैं development bank कहलाते हैं ये bank लोगों को नवीनतम टेक्नोलॉजी का प्रयोग करने के किये मशीन खरीदने के लिए पूँजी उपलब्ध करता है जैसे-industrial finance corporation of india(IFCI), state financial corporation(SFCs)
- **सहकारी बैंक(Co-operative banks):-** जब लोग आपस में मिलकर एक सहकारी समाज का निर्माण करके बैंकिंग का कार्य करते हैं तो उसे सहकारी bank कहते हैं बैंकिंग का व्यापार शुरुआत करने के लिए सहकारी समाज को RBI से एक लाइसेंस की जरूरत पड़ती है
- **specialised banks :-** देश में किसी विशेष प्रकार के वित्तीय कार्य के लिए विशेष प्रकार के bank कार्यरत हैं जैसे export import bank of india(EXIM bank), small industries development bank of india(SIDBI), national bank of agriculture and rural development (NABARD), bhartiya mahila bank.



## **Basics of Accounting**

### **3.1 origin and growth of accounting**

Accounting is as old as money itself. The modern system of accounting is based on the principles of **Double Entry System** created by an Italian monk **Fra Luca Pacioli** (father of accounting) who tutored Leonardo da Vinci in mathematics. He developed this system over 500 years ago in **1494** in his book “**Summa De Arithmetica, Geometria, proportioni et Proportionalita.**”

This great and scientific system was so well designed that even modern accounting principles are based on it.

### **3.2 Meaning And Definition Of Accounting**

Accounting is the art of communicating financial information about a business entity to users such as shareholders and managers.

*“Accounting is the art of recording, classifying and summarizing in significant manner and in terms of money, transaction and events, which are, in part at least of financial character and interpreting the results thereof.”*

*-American Institute of Certified Public Accountants (AICPA)*

### **3.3 features/characteristics of accounting**

#### **रिकॉर्डिंग**

अकाउंटिंग लेनदेन की रिकॉर्डिंग की कला है। केवल व्यापार से संबंधित लेनदेन दर्ज किए जाते हैं जिसमें धन का उल्लेख किया गया है। सभी लेनदेन को विस्तार से दर्ज किया गया है। इसके लिए जर्नल और सहायक पुस्तकों का उपयोग किया जाता है

#### **वर्गीकृत**

लेखाकरण की मुख्य विशेषता को वर्गीकृत करना सभी व्यवसाय लेनदेन को भी वर्गीकृत कर रहा है। लेखांकन एक ही स्थान पर सभी समान लेखा प्रविष्टियों का समूह बनाता है। उदाहरण के लिए सभी रसीद और भुगतान कैश बुक में दिखाए जाएंगे। इसलिए, सभी लेन-देन एक सामान्य सिर के तहत एकत्र किए जाते हैं। इस प्रणाली को लेनदेन के वर्गीकरण भी कहा जाता है किताबों में खाते खोलने से यह प्रक्रिया पूरी हो जाती है। इन किताबों को कहा जाता है बही ।

#### **संक्षेप**

संक्षेप में संक्षेप में व्यावसायिक विवरण दिखाने की कला को संक्षेप में प्रस्तुत करना है। इसके बाद, यह सभी इच्छुक पार्टियों के लिए उपयोग कर सकते हैं यह सुविधा वित्तीय विवरण के बारे में बताती है एक ट्रेडिंग और लाभ और हानि खाता है और दूसरा बैलेंस शीट है

#### **व्याख्या करना**

व्याख्या करना, व्याख्या करके, हम यह जान सकते हैं कि लाभप्रदता की स्थिति अच्छी या बुरी है या नहीं। यह जानने से, हम व्यापार के प्रदर्शन का अनुमान लगा सकते हैं।

### 3.4 Book keeping (बहीखाता)

The activity or occupation of keeping records of the financial affairs of a business.

### 3.5 Single Accounting System (एक प्रविष्टि पद्धति)

A simple bookkeeping system; transactions are entered in only one account.

### 3.6 Double Entry System (दोहरी प्रविष्टि पद्धति)

According to this system there are two accounts involved in every business transaction. One of them is debited and the other is credited.

## Accounting terminology

### 4.1 Basics of accounting terminology

- **Proprietor: (मालिक)** The owner of a business
- **Assets (संपत्ति)**
  - **current asset (वर्तमान संपत्ति)** ex. Cash, Bank, Debtors, Stock, Accrued income, prepaid expenses etc.
  - **Fixed asset (अचल संपत्ति)** ex. Building, Plants & machinery, Furniture, Live-stock, Equipments etc.

### **Liabilities (दायित्व)**

- **Fixed liability:** The liability which is to be paid off at the time of dissolution of firm is called fixed liability. Examples are Capital, Reserve and Surplus.
- **long-term liabilities** Liabilities which are not immediately due but become due after a year or more are classified as long-term liabilities..
- **Current liability:** The liability which is to be paid off in the next accounting period is current liability.. Examples: Sundry creditors, Bills Payable and Bank overdraft etc
- **Contingent liability:** Certain liabilities are payable on the occurrence of some event or contingency. Contingency signifies something which may or may not take place. If a liability is due on happening of such an event, it is termed as the contingent liability.

➤ **Capital:** It means the amount invested by the proprietor in the business enterprises. For the business, capital is a liability towards the owners. It is equal to the assets minus outside liabilities. Capital is also known as **owner's equity** or net worth or **net assets**. It is the amount with the help of which goods and assets are purchased in the business.

$$\text{Capital} = \text{Assets} - \text{External liabilities}$$

➤ **Drawings:** When the businessman draws some amount of money or goods from the business for personal purposes such amount is termed as drawings.

- **Profit:** The excess of income over expenditure in business, from business activities is termed as 'profit'.
- **Gain:** means some income without having to do much for it. E.g., profit on sale of building purchased a few years ago
- **Loss:** expenses are usually deemed to be losses but specifically loss is spending of money, loss of things or goods without any benefit.
- **Goods:** the term goods is used in general sense to include all merchandise and commodities in which a trader deals. The businessman can sell them in the same form as he had purchased or can sell them by changing their form and making them more useful.
- **Transactions (सौदा) :** transfer of money or money's worth from one hand to another, e.g., purchase of goods, sales of goods, etc.
- **Debtor(देनदार):** a person who owes something to the firm. The abb. is 'Dr.'
- **Creditor(लेनदार):** A person to whom something is owned by the firm. The abb. is 'Cr.'
- **Purchase:** any raw material goods or things bought for business to re-sell them by changing their form.

#### 1. Cash purchase 2. credit purchase

- **Sale:** goods sold either for **cash** or **credit** to any person, firm or company.
- **Purchase return:** goods returned to suppliers are known as 'Purchase Return' or 'Return Outwards'.
- **Sales returns:** goods returned by costumers are known as '**Sales Return**' or '**Return Inwards.**'
- **Stock:** the term 'Stock' includes the value of goods which are lying unsold. The stock may be of two types;

#### 1. Opening Stock

#### 2. Closing Stock

**Opening Stock:** the value of goods lying unsold at beginning of accounting period.

**Closing Stock:** the value of goods lying unsold at the end of the accounting period.

- **Solvent:** refers to the ability of a business to pay its liabilities on time when they come due for payment.
- **Insolvent:** A business may be insolvent, which means that it is not able to pay its liabilities and debts on time.

## **TYPES OF BANK ACCOUNTS IN INDIA (Deposit Accounts)**

- A. CURRENT DEPOSITS / ACCOUNTS**
- B. SAVING BANK / Saving Fund DEPOSITS / ACCOUNTS**
- C. RECURRING DEPOSITS / ACCOUNTS**
- D. FIXED DEPOSITS / ACCOUNTS OR TERM DEPOSITS**

Traditionally banks in India have four types of deposit accounts, namely Current Accounts, Saving Banking Accounts, Recurring Deposits and, Fixed Deposits. However, in recent years, due to ever increasing competition, some banks have introduced new products, which combine the features of above two or more types of deposit accounts. These are known by different names in different banks, e.g 2-in-1 deposits, Smart Deposits, Power Saving Deposits, Automatic Sweep Deposits etc. However, these have not been very popular among the public.

**A. Current Accounts** are basically meant for businessmen and are never used for the purpose of investment or savings. These deposits are the most liquid deposits and there are no limits for number of transactions or the amount of transactions in a day. Most of the current account are opened in the names of firm / company accounts. Cheque book facility is provided and the account holder can deposit all types of the cheques and drafts in their name or endorsed in their favour by third parties. No interest is paid by banks on these accounts. On the other hand, banks charges certain service charges, on such accounts.

### **Features of Current Accounts :**

1. The main objective of Current Account holders in opening these account is to enable them (mostly businessmen) to conduct their business transactions smoothly.
2. There are no restrictions on the number of times deposit in cash / cheque can be made or the amount of such deposits;
3. Usually banks do not have any interest on such current accounts. However, in recent times some banks have introduced special current accounts where interest (as per banks' own guidelines) is paid
4. The current accounts do not have any fixed maturity as these are on continuous basis accounts.

**B. Saving account:**These deposits accounts are one of the most popular deposits for individual accounts. These accounts not only provide cheque facility but also have lot of flexibility for deposits and withdrawal of funds from the account. Most of the banks have rules for the maximum number of withdrawals in a period and the maximum amount of withdrawal, but hardly any bank enforces these. However, banks have every right to enforce such restrictions if it is felt that the account is being misused as a current account. Till 24/10/2011, the interest on Saving Bank Accounts was regulated by RBI and it was fixed at 4.00% on daily balance basis. However, wef 25th October, 2011, RBI has deregulated Saving Fund account interest rates and now banks are free to decide the same within



certain conditions imposed by RBI. Under directions of RBI, now banks are also required to open no frill accounts (this term is used for accounts which do not have any minimum balance requirements). Although Public Sector Banks still pay only 4% rate of interest, some private banks like Kotak Bank and Yes Bank pay between 6% and 7% on such deposits. From the FY 2012-13, interest earned upto Rs 10,000 in a financial year on Saving Bank accounts is exempted from tax.

**C. Recurring deposit account:** These are popularly known as RD accounts and are special kind of Term Deposits and are suitable for people who do not have lump sum amount of savings, but are ready to save a small amount every month. Normally, such deposits earn interest on the amount already deposited (through monthly installments) at the same rates as are applicable for Fixed Deposits / Term Deposits. These are best if you wish to create a fund for your child's education or marriage of your daughter or buy a car without loans or save for the future.

**D. Fixed Deposit Accounts:**

All Banks in India (including SBI, PNB, BoB, BoI, Canara Bank, ICICI Bank, Yes Bank etc.) offer fixed deposits schemes with a wide range of tenures for periods from 7 days to 10 years. These are also popularly known as FD accounts. However, in some other countries these are known as "Term Deposits" or even called "Bond". The term "fixed" in Fixed Deposits (FD) denotes the period of maturity. Therefore, the depositors are supposed to continue such Fixed Deposits for the length of time for which the depositor decides to keep the money with the bank. However, in case of need, the depositor can ask for closing (or breaking) the fixed deposit prematurely by paying a penalty (usually of 1%, but some banks either charge less or no penalty). (Some banks introduced variable interest fixed deposits. The rate of interest on such deposits keeps on varying with the prevalent market rates i.e. it will go up if market interest rates go up and it will come down if the market rates fall. However, such type of fixed deposits have not been popular till date).

**बैंक के खाते चार प्रकार (four types) के होते हैं:-**

- चालू खाता – Current Account
- बचत खाता- Savings Account
- आवर्ती जमा खाता- Recurring Deposit Account
- सावधि जमा खाता- Fixed Deposit Account

**1. चालू खाता – Current Account**

चालू खाता- मुख्य रूप से उद्यमी, फर्म, कम्पनी आदि के लिए होता है। जिनके अकाउंट में पैसा का फ्लो बहुत होता है... बहुत से मतलब... कि लाखों रुपये उनके अकाउंट में आते हैं और निकाल भी लिए जाते हैं.... तो ऐसे लोग चालू खाता में अपने पैसे रखते हैं। ऐसे अमीर लोगों या फर्म को इन्वेस्टमेंट या अपने पैसे में इंटरेस्ट (interest) मिलने में कोई इंटरेस्ट नहीं रहता। चालू खाता की खूबी यह है कि इसमें deposit (जमा करने) या withdrawal (पैसे निकालने) की कोई सीमा नहीं है। चालू खाते में धारक को इंटरेस्ट नहीं मिलता। हाँ, बैंक उनसे सर्विस चार्ज जरूर लेती है।

## 2. बचत खाता- Savings Account

नाम से ही स्पष्ट है कि सेविंग अकाउंट सेविंग करने के लिए बनी है। हम-आप जैसे लोग चाहते हैं कि हमें हमारे जमे पैसे पर सूद (interest) मिले और कम-से-कम अपने अकाउंट से पैसे निकालें। जितना जमा उतना अच्छा। कोई भी व्यक्ति, चाहे वो किसी कंपनी में काम करता हो, सरकारी नौकर हो, पेन्शनर हो, छात्र हो....वह सेविंग अकाउंट में अपना अकाउंट खोल सकता है। जैसा मैंने बताया कि सेविंग अकाउंट में धारक को जमे पैसे पर इंटरेस्ट भी मिलता है। बचत खाता के धारक कभी भी अपने जमा धन को बैंक से निकाल सकते हैं और डाल सकते हैं। पैसे जमा करने की संख्या में restriction तो नहीं पर पैसे बाहर निकालने की संख्या में कुछ restrictions जरूर हैं। जैसे आप Rs. 50 से कम पैसे नहीं निकाल सकते या ATM से 6 महीने के अन्दर 30 से ज्यादा बार पैसे नहीं निकाल सकते (this policy changes time to time by banks). चालू खाते की तरह आप कभी भी, कहीं भी, जितना भी....पैसे नहीं निकाल सकते। अधिकांश बैंक अपने ग्राहक को अपने अकाउंट में न्यूनतम राशि बनाए रखने के लिए बाध्य करती है।

## 3. आवर्ती जमा खाता- Recurring Deposit Account

आवर्ती जमा खाता या Recurring Deposit Account या RD account में वे लोग खाता खोलते हैं जो एक निश्चित राशि नियमित रूप से जमा करना चाहते हैं जिससे कि उन्हें अधिक ऊँची दर पर सूद/ब्याज/इंटरेस्ट मिले। RD अकाउंट में एक खास राशि एक तय अवधि के लिए हर महीने जमा की जाती है और तय की गयी अवधि के समाप्त हो जाने पर सूद के साथ कुल राशि का भुगतान कर दिया जाता है। जमा करने की न्यूनतम अवधि 1 साल और अधिकतम 10 साल की होती है। सूद की दर जमा पैसे और जमा की अवधि के हिसाब से अलग-अलग प्लान में अलग-अलग होती है। जैसे आप 10 हजार हर महीने जमा कर रहे हैं, तो आपको ज्यादा इंटरेस्ट मिलेगा....किसकी तुलना में? जो केवल 4 हजार हर महीने जमा कर रहा है उसे कम इंटरेस्ट मिलेगा। वहीं आप अधिक अवधि के लिए पैसे जमा करने वाले हैं तो आपको अधिक इंटरेस्ट मिलेगा और कम अवधि के लिए कम इंटरेस्ट। RD अकाउंट में समय से पहले निकासी (पैसा निकालने) की सुविधा नहीं है। वैसे, बैंक चाहे तो maturity (खाता की अवधि पूरा होने) के पहले उसे बंद करने की अनुमति दे सकता है। आवर्ती जमा खाता में **single** या **joint account** खोला जा सकता है।

## 4. सावधि जमा खाता- Fixed Deposit Account

सावधि जमा खाता या FD account में एक खास अवधि के लिए एक विशेष राशि रखी जाती है। यहाँ एक बार ही पैसा जमा कर सकते हैं और एक बार ही निकाल सकते हैं। RD अकाउंट की ही तरह इस खाते से भी आप समय से पहले पैसे नहीं निकाल सकते। तय की गई अवधि के पहले पैसे निकालने से आपको बैंक को penalty देनी पड़ती है (हर बैंक द्वारा तय की गयी penalty amount अलग-अलग होती है) और अकाउंट को हमेशा के लिए बंद कर दिया जाता है। फिक्स्ड डिपॉजिट में उपभोक्ता को हाई इंटरेस्ट रेट दिया जाता है। इंटरेस्ट रेट जमा पैसे (deposited money) और जमा की अवधि (deposit period) के आधार पर तय की जाती है जो अधिकतम 10 साल तक लिए होती है।

**Cash credit** is a short-term cash loan to a company. A bank provides this type of funding, but only after the required security is given to secure the loan. Once a security for repayment has been given, the business that receives the loan can continuously draw from the bank up to a certain specified amount.

### What are the costs of a loan?

One of the most important parts of a loan contract is the definition of the interest rate.

**Nominal interest rate:** The nominal interest rate is a percentage of the principal amount and it determines the amount of interest paid by the client in monthly or annual instalments.

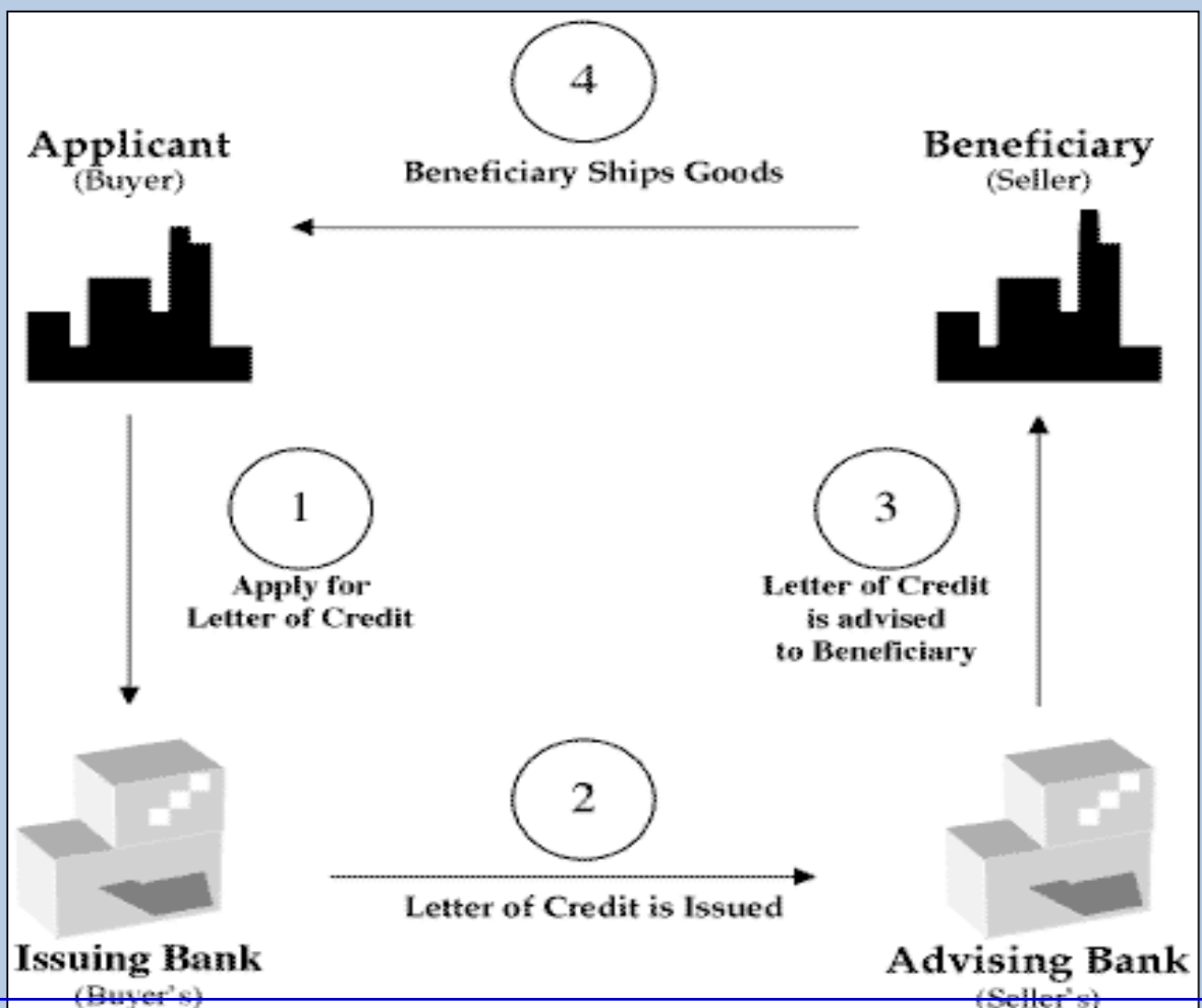
**Effective interest rate:** is used to present all of the expenses associated with a loan. Thus, the effective interest rate also includes all of the additional costs, such as the cost of insuring a loan, of processing the loan application, etc., taking into account the time at which these costs are incurred.

### Bank guarantee(बैंक प्रत्याभूत)

## Bank Guarantee



*"Bank guarantee is the commitment given by the issuing bank (Guarantor) to the beneficiary. If the claim is made by the beneficiary within the guarantee period and as per the terms and conditions of the bank guarantee, then the bank should make the payment without fail and also without any delay."*

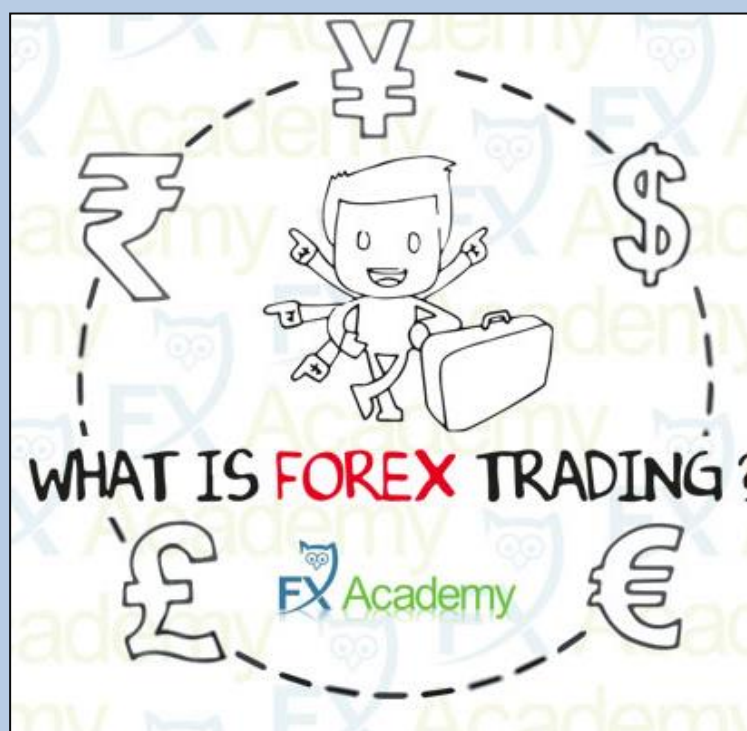


## LETTER OF CREDIT vs. BANK GUARANTEE

| BASIS FOR COMPARISON | LETTER OF CREDIT   | BANK GUARANTEE  |
|----------------------|--|---|
| Meaning              | Letter of credit is an financial document for assured payments, i.e. an undertaking of the buyer's bank to make payment to seller, against the documents stated. | A bank guarantee is a guarantee given by the bank to the beneficiary on behalf of the applicant, to effect payment, if the applicant defaults in payment. |
| Liability            | Primary  | Secondary   |
| Risk                 | Less for merchant and more for bank  | More for merchant and less for bank.  |
| Parties Involved     | 5 or more  | 3   |
| Default              | Doesn't wait for applicant's default and beneficiary to invoke undertaking.  | Becomes active only when the applicant defaults in making payment.  |
| Payment              | Payment is made only when the condition specified is fulfilled.  | Payment is made on the non-fulfillment of obligation.   |
| Suitable for         | Import and Export business   | Government contracts  |

**Currency** (from Middle English: curraunt, "in circulation", from Latin: currens, -entis) in the most specific use of the word refers to money ( monetary unit) in any form when in actual use or circulation as a medium of exchange, especially circulating banknotes and coins.

**The foreign exchange market** (forex, FX, or currency market) is a global decentralized market for the trading of currencies. This includes all aspects of buying, selling and exchanging currencies at current or determined prices.





## JOURNAL ENTRY

### 7.1 Books of Original Entry

Books of original entry are the books in which we first record transactions. These are not accounts; they are simply books that records the details of a transactions, almost like a diary.

**7.2 Journal:** Journal is derived from the French word 'jour' which means a day. Therefore Journal means a daily record of business transactions.

Journal is a book of original entry because transaction is first written in journal, from which it is posted to the ledger.

Journal of (Name of Business) for the year/month ended...

| Date | Particulars   | L.F. | Amount Dr. (Rs.) | Amount Cr. (Rs.) |
|------|---|------|------------------|------------------|
|      | <div style="display: flex; justify-content: space-between;"> <span>Name of account to be debited</span> <span>Dr.</span> </div> <div style="display: flex; justify-content: space-between;"> <span>To Name of Account to be credited</span> <span></span> </div> <div style="text-align: center;">(Narration)</div> |      | xxxxxxxxxxxx     | xxxxxxxxxxxx     |

(Ledger folio no. of the account Dr. or Cr)
(A/c credited money)

(Year and month will be shown single time until change)
(debited money)

(Explanation of transaction)

Note: The 'Ledger Folio column' is filled in at the time of posting into the ledger and not at the time of journalizing.

| श्री JOURNAL |  |      |              |    |               |    |
|--------------|--|------|--------------|----|---------------|----|
| J-2          |  |      |              |    |               |    |
| Date         | Particulars  | L.F. | Debit Amount |    | Credit Amount |    |
|              |  |      | Rs.          | P. | Rs.           | P. |
| Nov. 10      | Travelling & Conveyance A/c Dr.<br>To Advance (Ramesh Chandra) A/c<br>(Being adjustment of T.A. Bill submitted by Sri Ramesh Chandra)                          |      | 18000        | 00 | 18000         | 00 |
| Mar. 21      | Computer A/c Dr.<br>To Computex Ltd.<br>(Being purchase of computers on credit)  |      | 135000       | 00 | 135000        | 00 |
| Mar. 31      | Salary A/c Dr.<br>To Expenses Payable A/c<br>(Being Salary payable for the month of March)   |      | 50000        | 00 | 50000         | 00 |
| "            | Wages A/c Dr.<br>To Expenses Payable A/c<br>(Being Wages payable for the month of March)   |      | 29800        | 00 | 29800         | 00 |
| "            | Rent A/c Dr.<br>To Expenses Payable A/c<br>(Being Rent payable for the month of March)   |      | 9000         | 00 | 9000          | 00 |
| "            | Depreciation A/c Dr.<br>To Machinery A/c<br>To Building A/c<br>To Furniture A/c<br>To Computer A/c<br>To Vehicle A/c<br>(Being Depreciation charged on assets) |      | 1286800      | 00 | 788700        | 00 |
|              |  |      |              |    | 280000        | 00 |
|              |  |      |              |    | 119600        | 00 |
|              |  |      |              |    | 56000         | 00 |
|              |  |      |              |    | 42500         | 00 |

## BANKING RECORDS

**PASSBOOK:** A book issued by a bank or building society to an account holder, recording sums deposited and withdrawn.

| दिनांक<br>Date | चैक संख्या<br>Cheque No. | विवरण<br>Particulars | निकाली गई रकम<br>Dr. Amount | जमा की गई रकम<br>Cr. Amount | शेष जमा राशि<br>Balance |
|----------------|--------------------------|----------------------|-----------------------------|-----------------------------|-------------------------|
|                |                          |                      |                             |                             |                         |

आगे ले जाई गई रकम Carried Over

**CHEQUE:** A cheque is a document that orders a bank to pay a specific amount of money from a person's account to the person in whose name the cheque has been issued.

## Parts of cheque

- Place of issue
- Cheque number
- Account number
- Date of issue
- Name of payee
- Amount of currency signature of the drawer

A cheque is generally valid for a period of six months after the date of issue unless otherwise indicated.

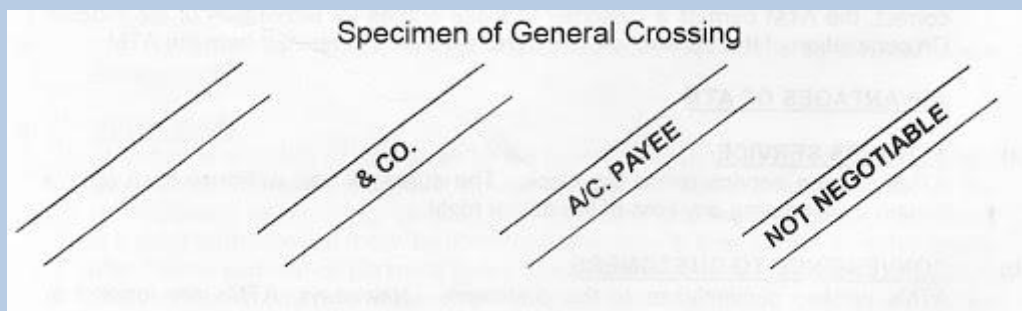
|  |      |                      |
|--|------|----------------------|
| PAY  |      | Date .....           |
| RUPES.   |      | या धारक को OR BEARER |
| रु.Rs.   |      |                      |
| A/C No.  | L.F. | H.NTL                |
| Sunrise Bank Ltd.<br>जीयूष टावर, जयपुर।<br>Priyush Tower, Jaipur |      |                      |



## Types of cheques

- **Order cheque** : the most common form of cheque, which is payable only to the named payee or his or her endorsee , as it usually contains the language “pay to the order of ( name)”.
- **Bearer cheque** : is payable to anyone who is in possession of the document : this would be the case if the cheque does not state an ultimate payee, or is payable to “bearer”.
- **Blank cheque**: is that has no numerical value written on the face of it, but is still signed.
- **At par cheque** : is that can be produced/ issued anywhere in India to make payments. It will be treated as a local cheque. There shall be no extra charges levied as in the case of an out station cheque. No charge is deducted by the bank for crediting to your account, even if your account is in the branch that is in a different city from where the cheque is issued.
- **Local cheque** : such a cheque which is issued to a person who have bank account in the same city from where cheque was issued to him.
- **Outstation cheque** : is issued to a person who does not have a bank account in same city from where the cheque has been issued to him.

## Crossing of cheque



**PROMISSORY NOTES:** is drawn and signed by the debtor, who promises to pay the creditor a certain sum of money. There are only two parties to promissory note (a) maker, and (b) payee.

**DEMAND DRAFT:** A demand draft is a negotiable instrument similar to a bill of exchange. A bank issues a demand draft to a client (drawer), directing another bank (drawee) or one of its own branches to pay a certain sum to the specified party (payee).

A demand draft can also be compared to a cheque. However, demand drafts are difficult to countermand. Demand drafts can only be made payable to a specified party, also known as pay to order. But, cheques can also be made payable to the bearer. Demand drafts are orders of payment by a bank to another bank, whereas cheques are orders of payment from an account holder to the bank.

यु.का.भ.ओ. 1533

**स्टेट बैंक ऑफ हैदराबाद / State Bank of Hyderabad**

..... शाखा/ Branch ..... दि./ DL .....

कृपया एक ड्रा. / बैंक. / Please issue a D.D./B.C./on ..... तिथि/On/Date .....

पर R./for Rs. .... केवल/only.

निम्नलिखित के पक्ष में जारी करें / in favour of

| विवरण<br>Particulars | र.<br>Rs. | प.<br>Ps. |
|----------------------|-----------|-----------|
| 1000x                |           |           |
| 500x                 |           |           |
| 100x                 |           |           |
| 50x                  |           |           |
| 20x                  |           |           |
| 10x                  |           |           |
| 5x                   |           |           |
| 2x                   |           |           |
| 1x                   |           |           |
| बैंक को<br>Bank Cash |           |           |
| कुल / Total          |           |           |

आवेदक का/ Applicant's  
हस्ताक्षर/Signature No.

कैशियर/ साफ़ी ड्रा/ Cash/Tr. Scroll No

प्रधान कैशियर/Head Cashier

पारितोषिक अधिकारी/Passing Officer

हस्ताक्षर/Signature

नाम/Name

पता/Address

ड्रा./B.C. No.

उपबंक ड्रा./बैंक ड्रा. प्राप्त हुआ  
received above D.D./B.C.

यु. का. भ. ओ. नं. बैंक. सं.

यु.भ.ओ. नं. 1533/अनुसूचक द्वारा अधिकतम ड्रा. का अंक हैदराबाद/बैंक/ड्रा. प्राप्त करने के लिए जारी किया गया है। 6001। ड्रा. की  
in case of D.D/B.C for Rs.50,000/- or above provide : PAN/CR No. .... (Obtain from 6061, if PAN number is not known to you)

आवेदक/ Applicant

**Bank Book:** is a paper book used to record bank transactions on a deposit account.

| Date | Particulars | Cheque No. | Withdrawals (debits) | Deposits (credits) | Balance | Initials |
|------|-------------|------------|----------------------|--------------------|---------|----------|
|      |             |            |                      |                    |         |          |

**Bank Reconciliation Statement:** is a statement which reconciles the bank balance as per the bank balance as per cash book with the balance as per bank pass book (or bank statement) by showing all causes of difference between the two and to take necessary follow-up action.

*“BRS is a statement prepared mainly to reconcile the difference between the ‘bank balance’ shown by the cash book and pass book.”*  
**- Patil**

**Utility Of Bank Reconciliation Statement:**

- Provides an authentic proof of the accuracy of the cash book and pass book balances.
- The cash book may be made up-to-date by recording the entries made by bank in our account, which are not known to us like. Interest given or charges deducted.
- Error, if any, may be rectified.

**Method of recording banking transactions**

What is shown on the debit side of the customer's cash book (bank column) appears on the credit side of the customer's account in the bank ledger and what is shown on the credit side of the customer's cash book (bank column) appears on the debit side of the customer's account in the bank ledger as a result, when the cash book (bank column) shows debit balance, the pass book shows credit balance and when the cash book (bank column) shows credit balance (i.e. overdraft), the passbook shows debit balance (i.e. overdraft).

**Causes of disagreement between the balance shown by the cash book and the balance shown by the pass book**

**Transaction that usually appear in the cash book but not in the pass book**

- Cheques issued but not presented for payment.
- Cheques deposited but not yet collected by bank.

**Transactions that usually appear in the pass book but in the cash book.**

- Bank charges and interest on overdraft debited in passbook only.
- Interest allowed in pass book only.
- Direct payment by a debtor of customer into the bank but not yet recorded in the cash book.
- Direct payment made by a bank under the standing instruction of the customer but not yet recorded in cash book.
- Bills receivable directly collected by bank.
- Cheque deposited for collection, returned dishonored and recorded in pass book only.
- Discounted bills dishonored but yet recorded in cash book.
- Error in cash book.
- Error in pass book.



While taking cash book balance as a basis to reconcile:

Take the debit balance (favourable balance) with + sign and credit balance (unfavorable balance) with – sign.

**Add the following transaction having the effect of higher in pass book/ lower balance in the cash book.**

- Cheque deposited into the bank but not recorded in the cash book.
- Cheque issued but not yet presented in the bank for payment.
- Bills receivable directly collected by the bank.
- Direct deposit by the debtor of the costumer into the bank.
- Interest allowed by the bank in pass book.
- Cheque issued but returned on technical grounds.
- A wrong credit given by the bank in pass book.

**Deduct the following items having the effect of higher balance in the cash book/ lower balance in the pass book.**

- Cheques received and recorded in bank column but not yet sent to bank for collection.
- Cheques deposited but not yet collected by bank
- Bank charges, interest on overdraft debited in pass book only.
- Cheques deposited for collection, returned/ dishonored and recorded in pass book only.
- Discounted bills dishonored but not recorded in cash book.
- A wrong debit given by bank in pass book.

**While taking pass book balance as the basis for reconciliation: take the credit balance (favorable balance) with + sign and debit balance (unfavorable balance) with – sign. After this do the following steps.**

**Add items that effect of higher balance in cash book/ lower balance in pass book.**

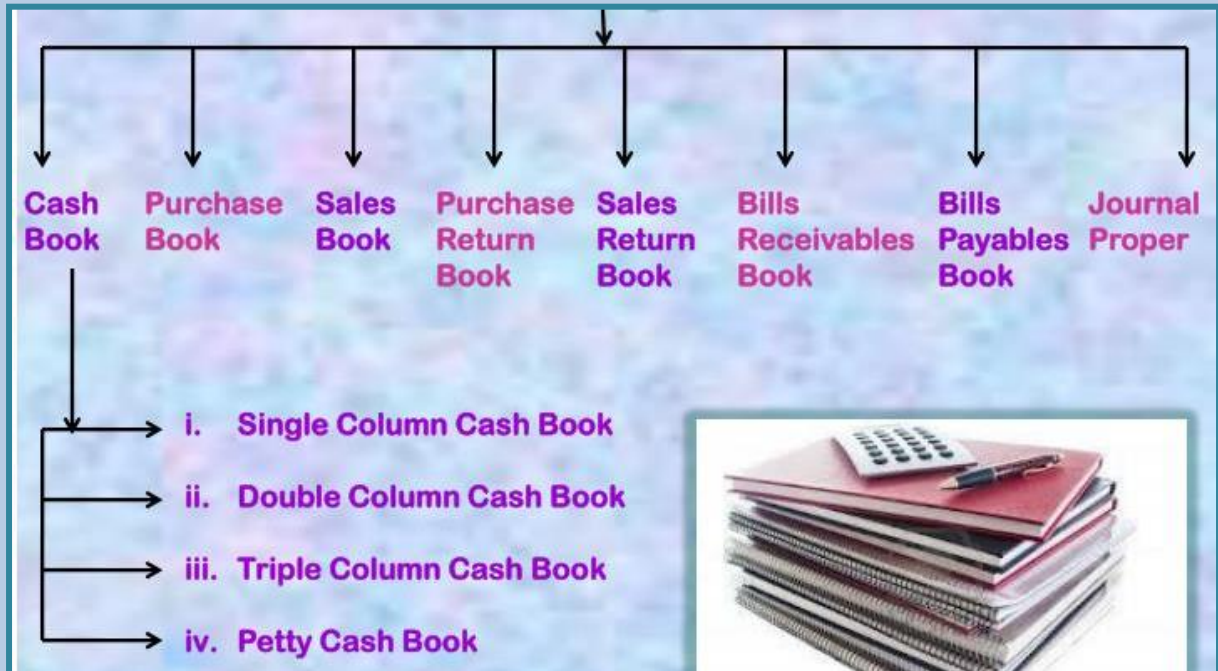
- Cheques received and recorded in bank column but not yet sent to bank for collection.
- Cheques deposited but not yet collected by bank.
- Bank charges, interest on overdraft debited in pass book only.
- Insurance premiumer paid directly by bank under the standing advice.
- Cheques deposited for collection, returned dishonored and recorded in passbook only.
- Dis counted bills dishonored but not recorded in cash book.
- A wrong debit given by bank in pass book.

**Deduct less the following items having the effect of lower balance in cash book/ higher balance in cash book/ higher balance in the pass book**

- Cheques received and recorded in bank column but not yet sent to bank for collection.
- Cheques deposited but not yet collected by bank
- Bank charges, interest on overdraft debited in pass book only.
- Cheques deposited for collection, returned/ dishonored and recorded in pass book only.

- Discounted bills dishonored but not recorded in cash book.
- A wrong debit given by bank in pass book.

## Subsidiary books (other than cash book)



### The sales day book

All credit sales of goods should be entered into the sales daybook.

**Source document:** sales invoice.

#### Details contained on the invoice would include:

- |  |                        |
|--|------------------------|
| 1. Name of customer                        | 2. Address of customer |
| 3. Date of sale                            | 4. Value of sales      |
| 5. VAT                                     | 6. Any trade discount  |
| 7. Any cash discount- detail of conditions | 8. Invoice number      |

**Trade discounts:** firms have different types of customers. Some firms will offer discounts to either regular customers or to other firms. This type of discount is known as a trade discount.

The correct procedure is to first deduct the trade discount before calculating the cash discount.

**The purchase daybook** is a book in which all credit purchases of goods that will be used in the business for production or further sales, are recorded.

**Sales returns book:** (return inwards book) is used for the purpose of recording the return of merchandise sold on credit.

It records neither the return of merchandise sold on cash basis nor the return of any asset other than the merchandise.

**Source of recording:** credit notes issued to the customers.

**Purchase returns book:** (return outwards book) is used for the purpose of recording the returns of merchandise purchased on credit.

It records neither the returns of goods purchased in cash nor the return of any assets other than the merchandise.

Source of recording: debit notes issue to the suppliers.

### **Sale Bill /Invoice**

There are two types of bills:

- Cash Memo
- Credit Memo

**Cash Memo:** when a trader sells goods for cash, he gives a cash memo and when he purchases goods for cash he receives a cash memo.

**Credit Memo:** when a trader sells goods on credit and purchase goods on credit.

We make an invoice on credit sale but receive a bill on credit purchase, though two terms are use synonymously and mean the same thing.

**Debit Note:** when we return goods to a supplier, we prepare a debit note and send it to the supplier with the returned goods.

Debit note is a document which indicates that supplier's account is being debited.

**Credit note:** when goods are received back from a customer a credit note is sent to him.

Indicating the customer's account has been credited in our books.

**Note:** duplicate copy of both are retained by us for record purpose.

### **Bill of Exchange**

All business transactions can be divided into two categories- cash transactions and credit transactions.

Credit transactions involve payment after a certain period of time. Sometimes, seller wants from the credit customer, a written undertaking, to pay after a period of time.

**Document containing such detail-** amount payable, to whom payable, date of document, date of payment etc is a credit instrument.

If seller makes the document and the purchaser undertakes to honour it, by giving his acceptance, it is called a **"Bills of Exchange"**.

When the purchaser himself makes the document and undertakes to pay a fixed sum, then, it is called a **"Promissory Note"**. Both credit instruments facilitate credit transactions and are widely used in business.



## CASH BOOK

**Meaning:** A cash book is a special journal which is used for recording all cash receipts and cash payments.

**Cash book-** Is both a journal and a ledger

The cash book is a book of original entry (or prime entry). Since transactions are recorded for the first time from the source documents. Hence it is a journal.

The cash book is a ledger, it is designed in the form of a cash account and records cash receipts on the debit side and cash payments on the credit side. Thus the cash book is both a journal and a ledger.

**Types of cash book:**

### Single- column cash book

| Dr.  |             |      |             |      | Cr.         |      |             |
|------|-------------|------|-------------|------|-------------|------|-------------|
| Date | Particulars | L.F. | Amount(Rs.) | Date | Particulars | L.F. | Amount(Rs.) |
|      |             |      |             |      |             |      |             |

### Double- column cash book

| Dr.  |             |      |          |            | Cr.  |             |      |          |            |
|------|-------------|------|----------|------------|------|-------------|------|----------|------------|
| Date | Particulars | L.F. | Discount | Cash (Rs.) | Date | Particulars | L.F. | Discount | Cash (Rs.) |
|      |             |      |          |            |      |             |      |          |            |

### Triple Column Cash Book

| Dr.  |             |      |           |            |            | Cr.  |             |      |           |            |            |
|------|-------------|------|-----------|------------|------------|------|-------------|------|-----------|------------|------------|
| Date | Particulars | L.F. | Dis (Rs.) | Cash (Rs.) | Bank (Rs.) | Date | Particulars | L.F. | Dis (Rs.) | Cash (Rs.) | Bank (Rs.) |
|      |             |      |           |            |            |      |             |      |           |            |            |

# PETTY CASH BOOK

The petty cash book deals with small items of money. Some firms have lots of transactions which involve relatively small amounts of money (e.g. petrol costs, postage costs, tea and refreshment and so on).

Petty cash book is based on **Imprest System**.

**Petty cash book A/c** **Dr.**  
**To Cash book A/c**

The opening balance of petty cash book is known as **float or Imprest**.

| Analytical Petty Cash Book |      |             |          |                   |          |            |          |         |             |
|----------------------------|------|-------------|----------|-------------------|----------|------------|----------|---------|-------------|
| Amount Received<br>Rs.     | Date | Particulars | Vou. No. | Total Amount Paid | Post-age | Stationery | Carriage | T.exps. | Sundry Exps |
|                            |      | Total       |          |                   |          |            |          |         |             |

### Advantages:

## **Trail Balance**

Trail balance is a statement (not an account) containing the balances of all ledger accounts as at any given date. It is arranged in the form of debit and credit columns.

It is prepared to check the mathematical accuracy of ledger posting.

The trail balance is prepared in each financial period as a summary of the closing balance of the ledger.

### **Objectives of preparing the trial balance:**

It provides reliability towards correctness of the ledger.

It summarizes the ledger accounts.

It is helpful in the preparation of financial statements.

It is helpful in detecting the errors occurred during the ledger posting.

Basic characteristics of trial balance:

It is prepared on a fixed date.

It is headed as trial balance as on...../as at.....

It has five columns.

It is a complete set of all the ledger accounts.

Debit balances are listed in the left column and credit balances in the right column.

**Total of debit side= total of the credit side.**

That proves the arithmetic accuracy of the ledger entry.

Thus the trial balance serves as a tool to detect errors.

Trial balance is an internal document used only by company employees; it is not meant to be available to persons outside the company.

Methods to prepare trial balance

- Balance method
- Total balance



## Financial statement

After having checked the accuracy of the books of accounts through preparation of trial balance, businessman wants to ascertain the profit earned or loss suffered during the year and also the financial position of his business at the end of the year. For this purpose 'final accounts' which are also termed as 'financial statements' are prepared at the end of accounting period or year as the case may be.

These include the following:-

- Trading account
- Profit and loss account
- Balance sheet

$$\begin{aligned}\text{Net profit} &= \text{Revenue} - \text{Expenses} \\ \text{Or} \\ \text{Profit} &= \text{Total (Incomes + Gains)} - \text{Total (Expenses + Losses)}\end{aligned}$$

Using this relation, a positive figure indicates a profit and a negative profit figure indicates a loss.

Trading account is prepared for calculating the gross profit or gross loss arising or incurred as a result of the trading activities of a business.

It is prepared to show the result of buying and selling of goods.

### Importance of trading account

- ❖ Information of gross profit/ loss
- ❖ Trend comparison of gross profit
- ❖ Control on the cost
- ❖ Closing stock
- ❖ Safeguard against future loss

### Profit & loss account

To know the net profit earned or net loss incurred during the year. As such, a profit & loss account is prepared which contains all the items of losses and gains pertaining to the accounting period.

### Importance of profit & loss A/c

- ❖ To ascertain the Net Profit or Net loss.
- ❖ Comparison with previous year's profits.
- ❖ Control on expenses.
- ❖ Helpful in the preparation of balance sheet.

## **Balance sheet**

After ascertaining the profit or loss of the business, the businessman wants to know the financial position of his business. For this purpose the accountant has to prepare a statement of Assets and liabilities which is called Balance sheet.