



Pakistan School
Kingdom of Bahrain



Lesson Objectives

• Subject: Principles of Accounting Grade 11

Topics:

- I. Nature and Concept of Accounting**
- II. Accounting Cycle**
- III. Relationship Between Accounting and Accounting g Cycle.**

Learning Objectives

After this lecture, students should be able to:

- i. Understand The Concept of Accounting and Accounting Cycle
- ii. Analyze and Evaluate Different Stages of Accounting Cycle
- iii. Extract and Draw Journal, Leger with Trial Balance With Trial Balance.

May 21, 2020

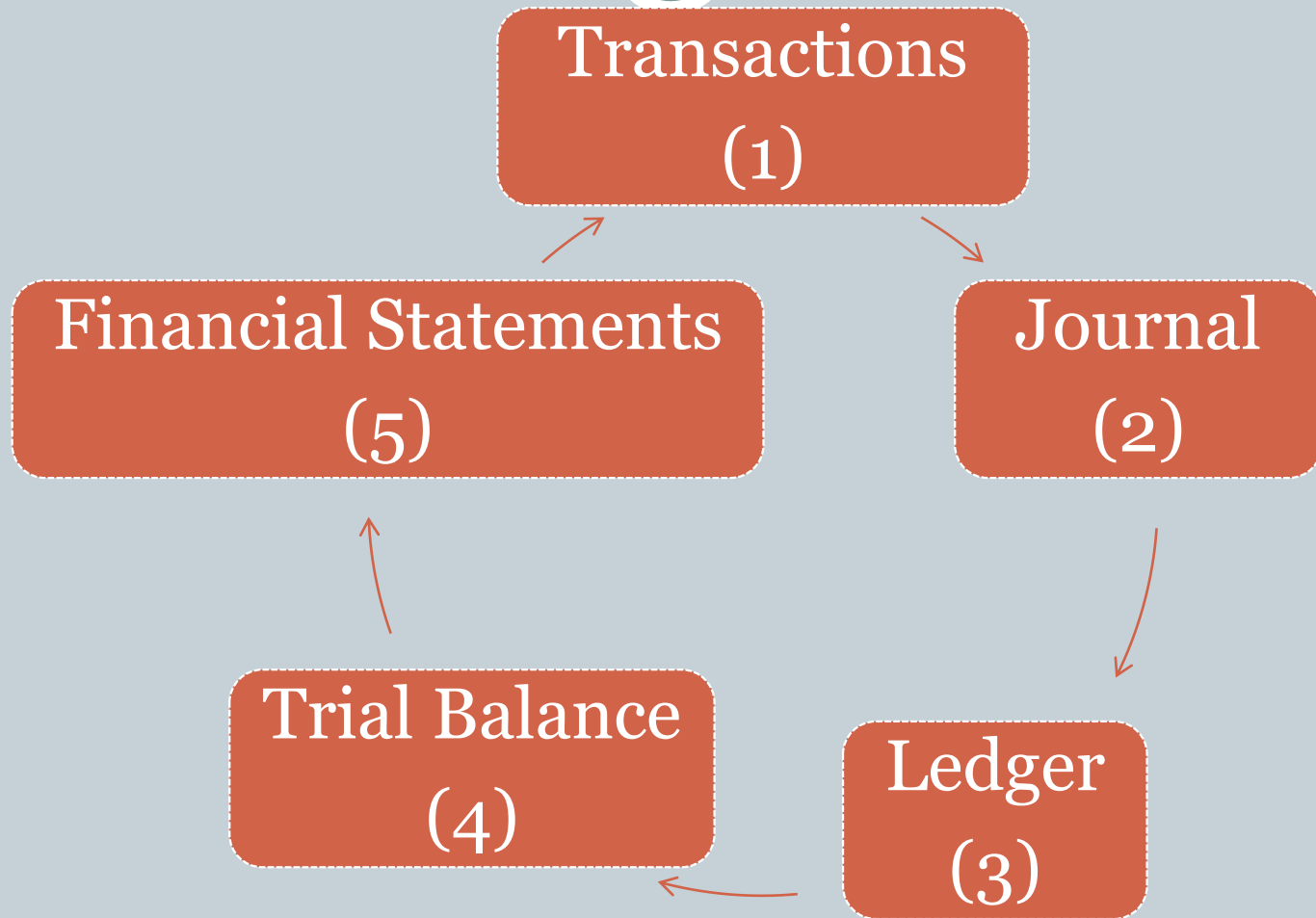
Definition of Accounting

Accounting is an Art/Skill of Recording, Classifying, Summarizing and Interpreting of Financial Information of Business Transactions

Important Points to Understand:

- ✓ It is an Art/Skill of
- ✓ Recording
- ✓ Classifying,
- ✓ Summarizing,
- ✓ Interpreting,
- ✓ Financial Information,
- ✓ Transactions.

Accounting Cycle



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Buying or Selling Or Business Dealings in Currency

Examples:

1. Goods Purchased on Cash or Credit
2. Paid Rent for office or shop
3. Salaries paid to employees
4. Electricity bill paid
5. Tax paid to Government.

Transactions

(1)

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Journal
(2)

To Record Business Transitions in Journal

In the Journal of M/s M

| Date | Particulars | L.F. | Debit (₹) | Credit (₹) |
|------------|---|------|---------------|------------|
| 10/04/2018 | Cash A/c Dr. To Capital A/c (Being business started with cash) | | 500000 | 500000 |
| 19/04/2018 | Furniture A/c Dr. To Cash A/c (Being furniture purchase in cash) | | 75000 | 75000 |
| 24/04/2018 | Purchase A/c Dr. To N A/c (Being goods purchased on credit) | | 100000 | 100000 |
| 30/04/2018 | Rent A/c Dr. To Cash A/c (Being rent paid for the month of April) | | 10000 | 10000 |
| 03/05/2018 | Cash A/c Dr. To Sales A/c (Being goods sold for cash) | | 18000 | 18000 |
| 12/05/2018 | Cash A/c Dr. Discount Allowed A/c Dr. To Sales A/c (Being goods sold on 10% cash discount) | | 13500 1500 | 15000 |
| 18/05/2018 | Bank A/c Dr. To Cash A/c (Being cash deposited into bank) | | 10000 | 10000 |
| 21/05/2018 | N A/c Dr. To Cash A/c (Being creditor paid off) | | 20000 | 20000 |
| 26/05/2018 | Drawings A/c Dr. To Cash A/c (Being cash withdrawn) | | 2000 | 2000 |
| 31/05/2018 | Salary A/c Dr. To Cash A/c (Being salary paid) | | 5000 | 5000 |

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Ledger
(3)

To Classify Business Transitions in Ledger

L5

Packaging Account

| Date | Details | Folio | Amount | Date | Details | Folio | Amount |
|--------|---------|-------|--------|--------|---------|-------|--------|
| Jan 11 | Cash | L1 | 25.00 | Jan 31 | Balance | c/d | 75.00 |
| 27 | Cash | L1 | 50.00 | | | | |
| | | | 75.00 | | | | 75.00 |
| Feb 1 | Balance | b/d | 75.00 | | | | |

L6

Carriage Out Account

| Date | Details | Folio | Amount | Date | Details | Folio | Amount |
|--------|---------|-------|--------|--------|---------|-------|--------|
| Jan 14 | Cash | L1 | 1.35 | Jan 31 | Balance | c/d | 55.45 |
| Jan 24 | Cash | L1 | 8.10 | | | | |
| Jan 31 | Cash | L1 | 46.00 | | | | |
| | | | 55.45 | | | | 55.45 |
| Feb 1 | Balance | b/d | 55.45 | | | | |

L7

Capital Account

| Date | Details | Folio | Amount | Date | Details | Folio | Amount |
|------|---------|-------|--------|-------|---------|-------|----------|
| | | | | Jan 1 | Cash | L1 | 1,000.00 |

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Trial Balance

(4)

To Summarize Financial Information in Trial Balance

| Trial Balance for year ended XXX | | |
|----------------------------------|-----------------|-----------------|
| Particulars | Balance | |
| | Debit | Credit |
| Bank | 28,000 | |
| Cash | 12,000 | |
| Debtors | 43,000 | |
| Provision for doubtful debts | | 2,000 |
| Fixed assets | 1,30,000 | |
| Accumulated depreciation | | 14,000 |
| Mutual fund investments | 35,000 | |
| Prepaid expenses | 8,000 | |
| Share capital | | 1,20,000 |
| Reserves and surplus | | 50,000 |
| Bank loan | | 32,000 |
| Interest payable | | 8,000 |
| Creditors | | 10,000 |
| | | |
| Sales | | 90,000 |
| Purchases | 50,000 | |
| Depreciation expense | 4,000 | |
| Rent expense | 3,000 | |
| Other expenses | 13,000 | |
| | 3,26,000 | 3,26,000 |

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Financial Statements

(5)

To Explain Financial Information through Financial Statements.

Paul's Guitar Shop, Inc. Income Statement

For the Year Ended December 31, 2015

Revenues

| | | | |
|---------------------|----|--------------|--------|
| Merchandise Sales | \$ | 24,800 | |
| Music Lesson Income | | <u>3,000</u> | |
| Total Revenues: | \$ | | 27,800 |

Expenses

| | | |
|----------------------|------------|---------------|
| Cost of Goods Sold | 10,200 | |
| Depreciation expense | 2,000 | |
| Wage expense | 750 | |
| Rent expense | 500 | |
| Interest expense | 500 | |
| Supplies expense | 500 | |
| Utilities expense | <u>400</u> | |
| Total Expenses: | | <u>14,850</u> |

Net Income

\$ 12,950

Balance sheet example

TEDDY FAB INC. BALANCE SHEET December 31, 2100

ASSETS

Current assets

| | | |
|---------------------------|----|---------------|
| Cash and cash equivalents | \$ | 100,000 |
| Accounts receivable | | 20,000 |
| Inventory | | 15,000 |
| Prepaid expense | | 4,000 |
| Investments | | <u>10,000</u> |
| Total current assets | | 149,000 |

Property and equipment

| | |
|-------------------------------|----------------|
| Land | 24,300 |
| Buildings and improvements | 250,000 |
| Equipment | 50,000 |
| Less accumulated depreciation | <u>(5,000)</u> |

Other assets

| | |
|-------------------------------|--------------|
| Intangible assets | 4,000 |
| Less accumulated amortization | <u>(200)</u> |

Total assets \$ 472,100

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

| | | |
|---------------------------|----|--------------|
| Accounts payable | \$ | 30,000 |
| Notes payable | | 10,000 |
| Accrued expenses | | 5,000 |
| Deferred revenue | | <u>2,000</u> |
| Total current liabilities | | 47,000 |

Long-term debt 200,000

Total liabilities 247,000

Shareholders' Equity

| | |
|----------------------------|----------------|
| Common stock | 10,000 |
| Additional paid-in capital | 20,000 |
| Retained earnings | 197,100 |
| Treasury stock | <u>(2,000)</u> |

Total liabilities and shareholders' equity \$ 472,100

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Conclusion

