Accounting

Classes Nine and Ten



National Curriculum and Textbook Board, Bangladesh

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Accounting

Classes Nine and Ten

Revised for the year 2026

National Curriculum and Textbook Board, Bangladesh

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Preface

The importance of formal education is diversified. The prime goal of modern education is not to impart knowledge only but to build a prosperous nation by developing skilled human resources. At the same time, education is the best means of developing a society free from superstitions and adheres to science and facts. To stand as a developed nation in the science and technology-driven world of the 21st century, we need to ensure quality education. A well-planned education is essential for enabling our new generation to face the challenges of the age and to motivate them with the strength of patriotism, values, and ethics. In this context, the government is determined to ensure education as per the demand of the age.

Education is the backbone of a nation and a curriculum provides the essence of formal education. Again, the most important tool for implementing a curriculum is the textbook. The National Curriculum 2012 has been adopted to achieve the goals of the National Education Policy 2010. In light of this, the National Curriculum and Textbook Board (NCTB) has been persistently working on developing, printing, and distributing quality textbooks. This organization also reviews and revises the curriculum, textbook, and assessment methods according to needs and realities.

Secondary education is a vital stage in our education system. This textbook is catered to the age, aptitude, and endless inquisitiveness of the students at this level, as well as to achieve the aims and objectives of the curriculum. It is believed that the book written and meticulously edited by experienced and skilled teachers and experts will be conducive to a joyful experience for the students. It is hoped that the book will play a significant role in promoting creative and aesthetic spirits among students along with subject knowledge and skills.

The **Accounting** textbook is designed to introduce the basic concepts of Accounting at the Secondary Level. Therefore, the student will be able to record, create accounts, and determine and analyze the actual financial situation of family and business organizations. Moreover, this textbook has been designed in an easy-to-read, attractive, and easy-to-understand manner to develop a strong foundation for studying Accounting at different levels of higher studies.

It may be mentioned here that due to the changing situation in 2024 and as per the needs the textbook has been reviewed and revised for the academic year 2026. It is mentionable here that the last version of the textbook developed according to the curriculum 2012 has been taken as the basis. Meticulous attention has been paid to the textbook to make it more learner-friendly and error-free. However, any suggestions for further improvement of this book will be appreciated.

Finally, I would like to thank all of those who have contributed to the book as writers, editors, reviewers, illustrators and graphic designers.

October, 2025

Professor Robiul Kabir Chowdhury
Chairman (Additional Charge)
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Contents

Chapter	Heading of the Chapter	Pages
One	Introduction to Accounting	1–8
Two	Transaction	9-32
Three	Double Entry System	33-46
Four	Capital and Revenue Transactions	47-57
Five	Accounts	58-68
Six	Journal	69-90
Seven	Ledger	91-114
Eight	Cash Book	115-138
Nine	Trial Balance	139-155
Ten	Financial Statements	156-194
Eleven	Purchase Price of Products, Production Cost and Selling Price	195-211
Twelve	Account of Family and Self Employment Initiative	212-230
	Answer Sheet	231–232

Chapter One
Introduction to Accounting

Economic events are visible in personal, institutional in fact in every sphere of the society. The number of these events is many and diversified. Without the proper technique and its application, it is impossible to know the overall impact of these events. Accounting is a process that uses various tools and techniques to determine the overall results and impact of economic events. Various stakeholders both internal as well as external are keenly interested to know about the accounting information. Therefore, accounting takes initiatives to record and analyze those transactions and report those to its stakeholders.





Pricture: Environment and Accounting

At the end of this chapter, we will be able to-

- generate idea about accounting;
- describe the objectives of accounting;
- describe the necessity and importance of accounting;
- narrate the history and evolution of accounting;
- identify the users of accounting informations;
- explain the role of accounting in creating sense of value and accountability;
- describe the relationship of accounting system with society and environment;
- be interested in keeping accounts in daily, personal, family as well as in institutional activities.

Concept of Accounting

Accounting is a process by which the various financial activities of a person or an institution i.e., expenses paid, receive income, purchase and sale of assets, buying and selling of goods, receive from accounts receivable and pay to accounts payable etc. can be correctly recorded in different books of accounts and can be determined their actual results after a certain period. In accounting the financial transactions of a business are recorded, classified, and summarized. So, the financial position of a business can be ascertained which will lead towards taking proper decisions. The knowledge of accounting can be used to prepare different types of statements and reports to identify the financial position of a firm. Therefore, accounting is called the 'language of business.'

Accounting is that knowledge which helps us to record, classify and summarize the financial transactions that is eventually helpful to determine the overall financial results and financial position of a person or an institution.

Activity: Prepare a list of financial activities of an institution.

Objectives and necessity of accounting

1. Without proper recording of transactions, it is not possible to know the financial results and finalcial position of a firm. Therefore, the foremost objective of accounting is to record the transactions properly into the books of accounts.
2. One of the main objectives of accounting is to ascertain financial results and financial position. It is possible to locate the motion of a business through identifying the profit and loss. Recording all the revenues and expenses properly the profit and loss of a firm can be determined.
3. The complete picture of financial position can be seen by calculating the assets, liabilities, and owner's equity of a business.
4. Controlling cost can optimize the objective of a business. Accounting helps to record the expenses properly and thus helps controlling cost.
5. Accounting has no alternatives in controlling the fraud and forgery of a business firm. With proper recording of accounts, we can resist and control fraud and forgery.
6. Accounting provides financial information to interested parties to take correct decisions.
7. Financial information from different years helps in making informed decisions through comparative study and assists in analyzing fluctuations.
8. Accounting determines the sources of inflow and outflow of money in various service-oriented non-profit organizations like schools colleges, hospitals, clubs and societies, and ascertains their accounts balance.

9. Government collects revenue through VAT, duties and taxes, and allocates it to different development sectors. The role of accounting is great in managing smooth functions of government.

Besides, the books of accounts and related documents are useful to a business in many ways i.e. for taking loan from a bank or money lending organization, fixing the selling price of a product, determining future activities etc. The necessity of accounting is very much essential for keeping a fine, disciplined and a frugal life. Without keeping accounts properly, the pros and cons of an organization can never be identified. Keeping records properly ensures the controlling of cost and wastage of money and thus attain financial solvency.

Activity: How can accounting help in your daily life?

The origin and evolution of accounting:

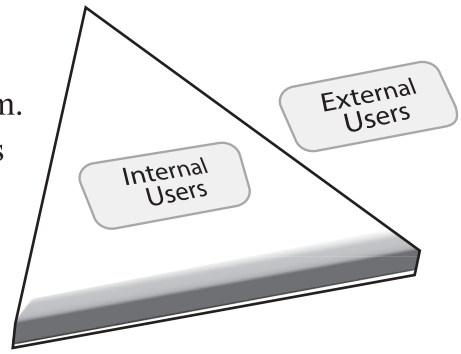
From the origin of civilization people used to keep records of different important events on the bark of trees, by drawing lines on stones in caves. Then they started living in groups and developed social attitudes. After that they involved themselves in agricultural activities. Later they learnt keeping accounts of stocks by making marks on the walls at home and making knots with the help of rope. Gradually the number of population increased, society expanded, barter system developed, currency was introduced, and trade and commerce were initiated. Records of purchase-sales, income-expenses and other transactions began to be entered in the accounting books. In 1494, an Italian Mathematician named Luca Pacioli wrote a book entitled 'Summa de arithmetica, geometria, proportioni et proportionalita' (The Collected Knowledge of Arithmetic, Geometry, Proportion and Proportionality) and explained the basic principles of book keeping through the 'double entry' system.

With the passage of time, progress also occurred in science, technology and in business and as such accounting developed. The structure of business grew from small to large. The use of accounting is visible/ applied in personal and familial life along with commercial, non-commercial, govt. and non-govt., profitable and in non-profitable organizations.

The development of accounting is related to the development of science and technology. Now a days accounts are kept in computers rather manually. It saves time and labour as well as helps organizations taking desired decision in a fast manner.

Activity: How do science and technology improve accounting?

Users of accounting information:



Accounting is known as an information system. Thinking about the internal and external users of accounting, reports and records of transactions are kept and statements are prepared.

Internal Users:

Internal users of accounting information refer to those individuals or groups within an organiazation who use accounting information directly for business management and development. For example:

1. **Owners and Managers:** Accountants prepare books of accounts and other necessary financial statements. The owner, as well as the manager, tries to know the amount of profit and loss and financial position of the business from these statements. So, future course of action can be ascertained.
2. **Employees and Workers:** Employees, Workers and Officers of the concern business, use accounting information to determine job security and future prospect. In addition, they use accounting information to judge the accuracy of salaries, bonuses and other releted benefits and to collect rightful dues.

External Users:

External users of accounting information refer to those individuals or organiazation that are not directly involved in the daily activities of a business, but they use financial statements to make decisions. For Example:

1. **Loan providers:** Before granting loans to the recipient organization, the loan providers analyze its financial positions whether it might be able to pay back the loan or not.
2. **Government:** The concerned authorities of the government might examine the accounts and check whether organizations are paying their tariff, taxes, and VAT, and take necessary measures.
3. **Accounts Payable:** Before allowing credit sales, the accounts payable always want to ensure that the recipients are in a financial state of paying back the due amount. This can only be possible by seeing the records of accounts.
4. **Investors:** Investors who want to invest in a business, use accounting information to know about the financial condition of the organization, its ability to earn profit, the security of the invested money etc. before investing.

Besides, auditors, investors, consumers trade unions, business associations, people, mass media, market analysts, and other concerned persons also use accounting information.

Activity: Prepare a separate lists of internal and external users of accounting information.

Role of accounting in creating a sense of values and accountability:

Value is the combination of long-term beliefs, thought, concept, and perception that unite a specific standard that helps people accepting the right and ignoring the wrong. Accounting helps creating values in the following manner:

1. **Development of honesty and responsibility:** If accounting methods are followed properly while keeping accounts, corruption, fraud, and misappropriation of assets could be kept under control. Over the years, it also develops the responsibility of the concerned people.
2. **Consciousness in debt repayment:** Accounting plays a vital role in raising awareness about loan repayment. As a result, the possibility of loan default decreases.
3. **Creating religious sense of value:** Proper use of God-gifted resources and reducing unnecessary cost are part of religious valus. If accounts are kept properly, the concept of, "cut your coat according to your cloth" can hence be practiced in both individual as well as institutional life.
4. **To be responsible towards society and state:** The main sources of income of govt. are VAT, customs, excise and income tax etc. By utilizing the concept of accounting, profit and loss can be calculated properly. As a result, the tendency of tax evasion is reduced.
5. **To prevent fraud and forgery:** If proper accounts are kept, the chances of fraud and forgery among the officers and the staff reduces at a substantial amount because of punishment and disrepute. As such, they become cautious of misappropriation of funds and reduce anomalies.

Accounting in accountability:

If a specific responsibility is assigned to a single person, he will only remain responsible for that job. Remaining responsible to a third party means accountability. The role of accounting is described in keeping this accountability is described below :

a) **Internal accountability of the firm:** In a modern decentralized system, people are empowered to deal with their income, expense, and investment so that they may focus and concentrate in accumulating results to their higher authority for answering their various queries.

b) Accountability towards owners, accounts payable, and investors: People involved in accounting and management of a firm must make sure that the prepared statement gives a clear picture of the company, and also make sure that invested amount is utilized properly, the actual profit is in line with the projected profit. If found otherwise regarding economic accountability there can be a case of great anarchy in every economic and non-economic circumstances

c) Accountability towards Government: Concerned authorities of the Govt. have legal right to see whether govt. rules are being followed properly or not in any institution. They need to see whether govt. tax, VAT, and duties are being paid accordingly. Keeping books of accounts properly ensures such accountability.

Relation of accounting system with society and environment:

Accounting is not merely used for obtaining profit. Apart from ascertaining profit, it also contributes towards society and environment so that it is not affected by business activities. From the following illustrations, some contributions of accounting towards society and environment can be determined:



1. Organizations will contribute towards the resistantce of environment pollution and accountant will keep its records. This record will tell us about the consciousness and contribution of that owner towards the society and environment. Especially the oil refinery companies contribute generously towards environment from being polluted.

2. Smoke emitted from industry and factories is injurious to human and environment. The owner and the accountant should spend money for protecting the environment issues. For this, government's rules and regulations must be followed.

3. While producing a product, hygenic raw materials are used, less electricity is consumed, the sound of machines must be at a tolerable limit, and garbage should be dumped in proper places. To ensure these, some expenses are to be made. Besides allocating this fund, an accountant must also make proper records of those expenses.

4. Every Business organization has to spend some money as a part of social commitment, such as providing scholarships among poor and meritorious students. For this, accounts are to be kept for proper fund allocation.

Activity: Prepare a probable list of expenses of a business that are beneficial to the society as well as to the environment.

Sample Questions

Multiple Choice Questions

1. By what name is accounting referred to?
   a. Accounting system b. Information system
   c. Auditing system d. Statement system

2. In ancient times, what did people keep track of by trying knots in ropes?
   a. Fruits b. Hunted animals and birds
   c. Crops and stored goods d. Debts and receivable

3. What was Luca Pacioli?
   a. Mathematician b. Accountant
   c. Economist d. Auditor

4. Who is an external user of accounting information?
   a. Owner b. Manager
   c. Tax authority d. Internal auditor

5. Which of the following is the main objective of accounting?
   a. Determining financial results and financial position
   b. Controlling costs
   c. Preventing fraud and forgery
   d. Comparative analysis of financial statements

6. Example of a non-profit service organization–
   i. Educational institution ii. Advertising agency iii. Social club
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

Read the following passage and answer questions 7, 8 and 9:
Falcon Pharmacy is a wholesale business engaged in the buying and selling of medicines. To accurately determine its financial results and financial position, the company appointed Mr. Shaheen, as an experienced accountant.

7. To determine the amount of profit or loss, which of the following will Mr. Shaheen consider?
   a. Amount of invested capital
   b. Cost of medicines sold
   c. Cash in hand and bank deposits
   d. Sales made only in cash and by cheque
8. To achieve the desired results, what should Falcon Pharmacy control?
   a. Electricity bill
   b. Sale of medicines on credit
   c. Commission from pharmaceutical companies
   d. Amount of VAT
9. To achieve the organizational goals, Mr. Shaheen must determine–
   i. Amount of profit or loss ii. Total amount of assets
   iii. Amount of liabilities and owner's equity
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and iii
10. With the advancement of science and technology, accounting has become capable of–
   i. Earning higher profit
   ii. Saving time and labor
   iii. Making quick decision
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

Short Questions

1. Why is accounting called the language of business?
2. Explain the main objective of accounting.
3. Explain the role of accounting in relation to the government or the state.
4. Why is it important for lenders to verify the accounting information of a business?
5. Explain the role of accounting in creating religious values.

Chapter Two
Transaction

From the primitive ages, people felt the necessity of keeping accounts. In those days people used to exchange objects among them to meet their daily needs. The event that changes the financial position of the people or organization is known as transaction. Therefore, it is seen that not all events are transactions. To get the real pen picture of the organization only the financial events are treated as transactions.



Picture: Documents of Transactions

At the end of this chapter, we will be able to-

- explain the concept of transactions;
- identify the nature of transactions;
- analyze accounting equation;
- explain the effects of transactions on accounting equation;
- prepare and explain the list of source documents of transactions of business enterprises;
- prepare essential documents related to transactions.

Concept of Transaction

In modern society for recording accounts, the concept of transaction is very important. Many events occur in business. However, not all these events can be recorded in the book of accounts. Only the events that are measurable in terms of money or something that change the financial position are to be treated as transactions. For example, Simanto Traders bought an almirah for again got himself injured coming from the shop. Both these incidents are events. Only the first one is related to financial change and should be treated as transaction but the latter has no relation to the financial matter and such should not be recorded as transaction.

Literally, the meaning of the word transaction is to 'receive' and 'payment' that means give and take. There are two types of transactions such as: (1) External Transaction and (2) Internal Transaction.

In *External Transaction*, any financial event affects two different parties or organizations. For example, Babul Stores purchase goods from any supplier or monthly rent paid to land lord. On the other hand, *Internal Transaction* affects only the internal financial state. For example, depreciation of equipment.

Even without cash receipts-payments or credit purchases-sales, a transaction can occur through the provision of services. For example, salary paid to Mrs. Mahbuba for her job of Tk.2,000 or received as a rent. This is also a transaction. Again, invisible events can also be a transaction. For example, for the assets used for a long time, the depreciated amount can also be a case of transaction.

Exchange of money or any event which can be measured by money that reflects on the financial position of a business will be treated as transaction. Apparently if any exchange of product or service that brings a financial change will be known as transaction.

Activity: "Every transaction is an event; every event is not a transaction"- Explain.

Features / Nature of Transaction:

So far, we have learnt that every transaction is an event but not every event is a transaction. By analyzing the concept of a transaction, we will get the following features of it:

a) **Measurable in terms of money:** One of the important features of a transaction is that it has to be measurable in terms of money or else it could not be treated as a transaction. For example, the death of the manager of a business is a loss to the firm but is not measurable in terms of money. However, goods destroyed by fire worth Tk.20,000 is a loss to the business and will be treated as a transaction.

b) **Changes of financial position:** If any event changes the financial position of a business, it will be treated as a transaction. For example: purchased a furniture with cash Tk.5000. Here the furniture of the business has been increased by Tk.5000 and at the same time cash Tk.5000 has also been decreased. Since this event has brought about a change in the financial position of the business, it will be treated as a transaction. Again, if an order of buying furniture worth Tk.5,000 is placed; it will not be treated as a transaction as it has not changed the financial position of the business yet.

c) **Dual entity:** Every transaction must have two parties. One party will receive benefits while the other will pay the same. For example, salaries paid to the workers Tk.5,000 Here one party is the 'salary expense account' while the other one is 'cash account'.

d) **Complete and independent:** Another important feature of transaction is that each transaction is completely separate and independent from the other. For example Tk.10,000 is received from a customer after 7 days of selling goods on credit. Here goods sold on credit is a transaction while 7 days later the payment received is a separate transaction.

e) **Visibility:** Transactions can be both visible and invisible. For example, some furniture is purchased worth Tk.10,000. It is a visible transaction. Again, the depreciation of the furniture worth Tk.1000 is an invisible transaction.

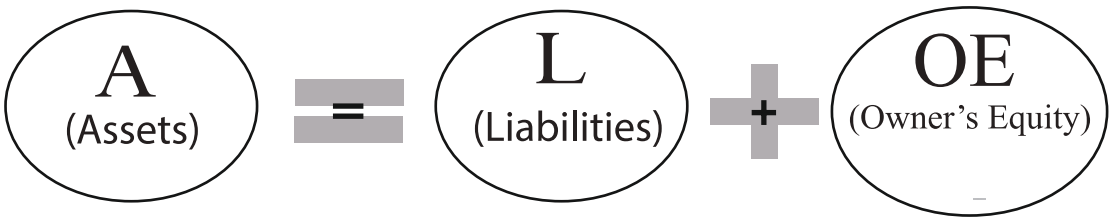
f) **Historical event:** The financial matters that have taken place previously are known as historical transactions. If any future events that changes the financial position of the business, will also be treated as a transaction. For example, allowance for bad debts, allowance for discount on accounts receivable etc.

g) **Impact on accounting equation:** The Accounting equation is affected by each transaction. Transaction causes change to different elements of accounting equation. 'Assets = Liabilities + Owner's Equity' is the accounting equation. Therefore, any event is justified through accounting equation to see if it is a transaction or not.

The Accounting Equation:

In a particular time, the total assets of an organization should be equal to the sum of owner's equity and external liabilities. The equation that represents this fundamental concept is known as the accounting equation. Accounting scholars have only identified those as transactions that affect the elements of accounting equation (Assets = Liabilities +Owner's Equity). Therefore, the events that make changes in assets, liabilities, and owner's equity are considered as transaction.

Accounting Equation mentioned below:



A=L+OE

Here, A = Assets
L = Liabilities
OE = Owner's Equity

Asset: Asset means the economic resources that belong to a business that is invested for making profit. For example, furniture, buildings, machineries of a business.

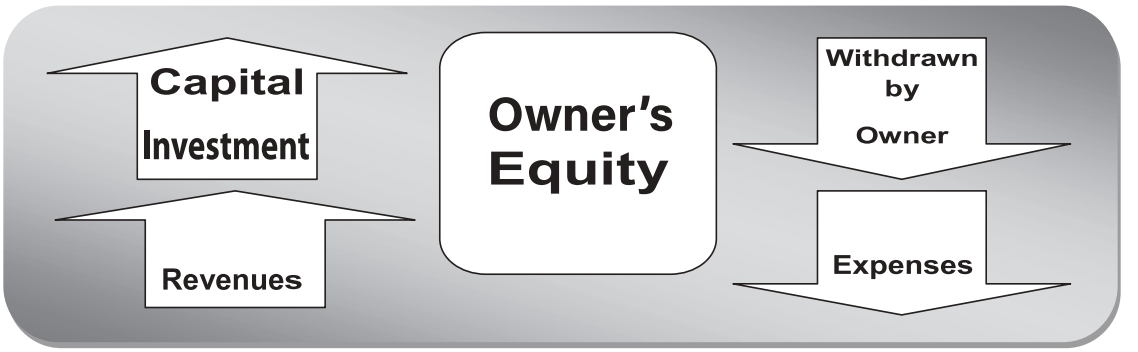
Liability: Liability is the financial obligation of a business that has to be paid up after a certain period of time. That is, it is the claim of the third party over the total assets of the business.

Owner's Equity: If the claim of the third party is deducted from the total assets of the business, the rest will be known as owner's equity.That is, the claim of the owner over the total assets of the business is known as owner's equity. Four elements effect owner's equity.

These are:

- Owner's investment
- Revenues
- Drawings
- Expenses

Shown by the picture -



If the accounting equation is expanded, we will get -

$A = L + (C - D + R - E)$

Means,

Assets = Liabilities + Capital – Drawings + Revenues – Expenses

Where,
A = Assets
L = Liabilities
C = Capital
R = Revenues
E = Expenses
D = Drawings

If an event is to be a transaction, it has to make any one of the following changes to the elements of Accounting Equation:

1. If total asset increases, total liabilities or owner's equity will also increase.
2. If total asset decreases, total liabilities or owner's equity will also decrease.
3. If one asset increases, the other asset will decrease.
4. If owner's equity increases, total liabilities will decrease.
5. If owner's equity decreases, total liabilities will increase.
6. If one liability increases, the other liability will decrease.
7. Owner's equity will increase and decrease in equal propotion.

The impact of transactions over accounting equation is shown in the chart:
1. If total asset increases, total liabilities or owner's equity also increase:
Example: Started business with cash

A (Assets)			=	L (Liabilities)	+	OE(Owner's Equity)
Cash	Machinery	Furniture		Accounts payable	+	Capital-Drawings+ Revenues-Expenses
5,000			=			5,000

Both Assets (cash) and Owner's Equity (capital) increased.

Example: Purchased machinery on credit

A (Assets)			=	L (Liabilities)	+	OE(Owner's Equity)
Cash	Machinery	Furniture		Accounts payable	+	Capital-Drawings+ Revenues-Expenses
	5,000		=	5,000		

Both Assets (machine) and Liabilities(accounts payable) increased.

2. If total asset decreases, total liabilities or owner's equity dicrease:

Example: Paid to accounts payable Tk.3,000.

A (Assets)			=	L (Liabilities)	+	OE(Owner's Equity)
Cash	Machinery	Furniture		Accounts payable	+	Capital-Drawings+ Revenues-Expenses
(3,000)			=	(3,000)		

Both Assets (cash) and Liabilities (accounts payable) decreased.

Example: Salaries paid in cash

A (Assets)			=	L (Liabilities)	+	OE(Owner's Equity)
Cash	Machinery	Furniture		Accounts payable	+	Capital-Drawings+ Revenues-Expenses
(2,000)			=			(2,000) (salary expense)

Both Assets (cash) and Owner's Equity (expense) decreased.

3. If one asset increase, the other asset will decrease:

Example: Furniture purchased in cash Tk.1,00,000.

A (Assets)			=	L (Liabilities)	+	OE(Owner's Equity)
Cash	Machinery	Furniture		Accounts payable	+	Capital-Drawings+ Revenues-Expenses
(1,00,000)		1,00,000	=			

Assets (cash) decreased and another Assets (furniture) increased

4. If owner's equity increases, total liabilities decrease:

Example: Business loan Tk.5,000 paid off by the owner personally.

A (Assets)			=	L (Liabilities)	+	OE(Owner's Equity)
Cash	Machinery	Furniture		Loan	+	Capital-Drawings+ Revenues-Expenses
			=	(5,000)		5,000 (Capital)

Liabilities (loan) decreased and Owner's Equity (capital) increased.

5. If owner's equity decrease, total liabilities increase:
Example: Goods purchased on credit Tk.7,000.

A (Assets)			=	L (Liabilities)	+	OE(Owner's Equity)
Cash	Machinery	Furniture		Accounts payble	+	Capital-Drawings+ Revenue-Expenses
			=	7,000		(7,000) (Purchase expanse)

Liabilities (Accounts payable) increased and Owner's Equity (expense) decreased.

6. If one liability increases, the other liability decreases:

Example: Payment of a accounts payable by taking loan of Tk. 20,000.

(A) Assets			=	(L) **Liabilities**		+	(OE) **Owner's Equity**	
				Loan	**Accounts Payable**	+	**Capital – Drawings + Revenue – Expenses**	
			=	20,000	(20,000)			

Liability (Loan) increased and Liability (accounts payable) decreased.

7. Owner's equity will increase and decrease in equal proportion:
Example: Owner withdrawn goods Tk. 5,000.

(A) Assets			=	(L) **Liabilities**		+	(OE) **Owner's Equity**	
						+	**Capital – Drawings + Revenue - Expenses**	
							(5,000) 5,000	Drawings Purchase decreased

Owner's Equity (Drawings) decreased and Owner's Equity (purchase decreased) increased.

Classification of Accounts

By analyzing the accounting equation (A = L + OE), we can easily determine the classification of accounts.

Assets	=	Liabilities	+	Owner' Equity

or

Assets	=	Liabilities	+	Capital + Revenues – Expenses - Drawings

Observing the above equation, we find that accounts are of five types.

1. Asset 2. Liability 3. Capital 4. Revenue 5. Expense

Relationship of Accounts and Transactions

Sl No.	Accounts Name	Classification	Accounts related Transactions
1.	Capital	Owner's Equity	When the owner provides cash, goods, assets, and benefits to the business, it is recorded as Capital.
2.	Drawings	Owner's Equity	*When the owner withdraws cash, goods, assets, or benefits from the business for personal use, it is recorded as Drawings.*
3.	Cash	Asset	When cash is received or paid through asset transactions, it is recorded as Cash.
4.	Bank	Asset	When transactions cause an increase or decrease in bank deposits, it is recorded as Bank.
5.	Purchase	Expense	When goods (purchased for resale) are bought in cash, by cheque, card, on credit, or by bill—and also in case of theft, loss, usage, or distribution—it is recorded as Purchase.
6.	Sales	Revenue	When goods are sold in cash, by cheque, card, on credit, or by bill, it is recorded as Sales.
7.	Furniture	Asset	When fixed assets like chairs, tables, almirahs, showcases, file cabinets etc. are bought or sold, it is recorded as Furniture.
8.	Machinery and Equipment	Asset	Transactions involving the purchase, installation, expansion, and sale of various machines used in production are recorded as Machinery and Equipment.
9.	Purchase return	Contra Expense	When purchased goods are returned to supplier, it is recorded in this account. It reduces the expense.
10.	Sales return	Contra Revenue	When sold goods are returned from customers it is recorded in this account. It reduces the income or revenue.

11.	Accounts Payable	Liability	Purchase of goods on credit, return of purchased goods, payment to suppliers, discount received, and bill acceptance are recorded under the "Accounts Payable" account.
12.	Accounts Receivable	Asset	Sale of goods on credit, return of sold goods, receipt from debtors, discount allowed, default in payment, and bill acceptance are recorded under the "Accounts Receivable" account.
13.	Bills Payable	Liability	Purchase through bills, acceptance of bills payable, payment of bills, and dishonor due to non-payment are recorded under the "Bills Payable' account.
14.	Bills Receivable	Asset	Sales through bills, acceptance from debtor, collection of bill amount, bill discounting, and dishonor of bills are recorded under the "Bills Receivable" account.
15.	Inventory	Asset	If purchased goods remain unsold at the end of a specific accounting period, their quantity is determined on the closing date and recorded as "Ending Inventory" for that date and as "Beginning Inventory" on the first day of the next accounting period.
16.	Loan	Liability	Taking a loan for business purposes and its subsequent repayment affect the loan account. The lender's name may be included in the account, such as "Rakesh's Loan Account" or "Bank Loan Account".
17.	Investment	Asset	Idle funds of the business, when invested in shares, savings certificates, prize bonds, etc. for short or long term, or when encashed, are recorded under the 'Investment' account.

18.	Salaries	Expense	Salaries paid or unpaid to employees are recorded under the "Salaries" account. Note that no account should be opened in the name of individual employees
19.	Stationery/Supplies Exp.	Expense	Purchase of items like paper, pens, pencils, rulers, file covers, pins, clips, etc. for administrative operations of the business are recorded under the "Stationery/Supplies" Exp. account.
20.	Rent	Expense	Rent paid or unpaid for places like factory, office, showroom, etc. is recorded under the "Rent" account. Separate rent accounts may be opened as required, such as "Office Rent Exp. Account", "Factory Rent Exp. Account", etc.
21.	Freight	Expense	Expenses incurred while bringing in purchased goods or delivering sold goods are recorded under the "Purchase/Inward Freight" and "Sales/Outward Freight" accounts, respectively.
22.	Interest Paid Interest Received	Expense Revenue	In all cases of interest income and payment, and interest receivable or payable, related interest accounts must be opened. For received or outstanding interest: "Interest on Investment", "Interest on Drawings", "Interest on Loan Given", "Interest on Bank Deposit", etc. For paid or due interest: "Interest on Capital", "Interest on Loan", "Interest on Bank Overdraft", etc.
23.	Advertisement	Expense	Any expenditure incurred for business promotion or publicity is recorded under the "Advertisement" account. Posters, banners, radio,

			TV, free product samples, etc. are notable examples.
24.	Bad debts	Expense	If collection from a Accounts Receivable becomes impossible due to death, bankruptcy, or any other reason, it is recorded under the "Bad Debts" account. For doubtful debts, an "Allowance for Bad Debts" account is maintained.
25.	Discount Allowed and Discount Received	Expense Revenue	To expedite the collection of outstanding dues from Accounts Receivable, sometimes a portion of the amount is waived as a discount. Similarly, when settling dues with Accounts Payable, if a discount is received, it is recorded as a form of rebate. Discounts allowed and discounts received are recorded in separate accounts named *Discount Allowed Account* and *Discount Received Account* respectively.
26.	Depreciation	Expense	When the value of fixed assets decreases due to usage, the decreased portion is recorded as depreciation.
27.	Accrued Expense & Accrued Income	Liability Asset	Separate accounts must be maintained for accrued expenses and accrued incomes. Examples include: *Outstanding Salaries Account, Accrued Interest on Loan Account, Accrued Commission Account, Accrued Interest Account,* etc.
28.	Prepaid expense and Unearned revenue	Asset Liability	If an expense is paid in advance before the benefit is received, it is recorded under a prepaid expense account. Conversely, if cash is received before providing the associated service or benefit, it is recorded under an unearned revenue account. Examples include: *Prepaid*

			Insurance Premium Account, Prepaid Rent Account, Advance Apprentice Premium Account, Advance Sub-rent Account, etc. Unearned revenue is considered a liability.
29.	Repair expense	Expense	General repairs of fixed assets like furniture, machinery, buildings, and vehicles are recorded as *Repairs Account*. However, if a significant amount is spent on repairs that extend the useful life of the asset, it is not recorded as repair but rather debited to the respective *Fixed Asset Account.*
30.	Office Equipment	Asset	For purchasing items like computers, air conditioners, photocopiers, printers, etc., used within the organization—including associated purchasing expenses—or for special reasons if sold later, the *Office Equipment Account* is used.
31.	Office Supplies	Asset	Items like clocks, staplers, calculators, paperweights, etc., which are low in cost but have long-term usability, are recorded under the *Office Supplies Account.*

Group Activity:
Prepare a list of assets, liabilities, owner's equity, revenues or income and expenses account

Identifying Transactions and Explanations

The following events were occurred in Sagor Enterprise in the month of January, 2025:

1. Started the business with capital of Tk. 50,000.
2. Purchased goods in cash for Tk. 15,000.
3. Cash paid to A/P of Tk.10,000
4. Placed an order for goods worth Tk. 8,000.
5. Paid Tk. 2,000 for advertisement.
6. Appointed Mr. Mamun as manager at a monthly salary of Tk. 7,000.
7. The owner withdrew Tk. 3,000 in cash from the business for personal use.
8. Cash Tk.500 stolen from owner's personal money.

9. Made an agreement with Hashem Brothers to purchase goods worth Tk. 10,000 every month.

10. Sold goods on credit to Hanif Traders worth Tk. 10,000.

Solution:

Whether the above events are transactions or not are explained below:

Sl No.	Transaction or not	Explanation (Accounting equation method)
1.	Transaction	Here in this event, the asset Cash increases and also owner's equity Capital increases. That means both components of the accounting equation A = L + OE (Asset and Owner's Equity) have increased.
2.	Transaction	This event decreases cash (asset) and increases purchases (an expense), which results in a decrease in Owner's Equity. Therefore, both A and OE in the equation A = L + OE have decreased.
3.	Transaction	This event decreases both cash (asset) and liabilities (A/P). Therefore, A and L in the equation A = L + OE have decreased.
4.	Not Transaction	This event does not affect the financial position of the business. That means no component of the accounting equation A = L + OE is affected.
5.	Transaction	This event decreases cash (asset) and increases advertisement expense, which reduces Owner's Equity. Therefore, A and OE in the accounting equation A = L + OE have decreased.
6.	Not Transaction	This event does not affect the financial position of the business. Therefore, no component of the accounting equation A = L + OE is affected.
7.	Transaction	This event decreases cash (asset) and also decreases Owner's Equity due to drawings. Therefore, A and OE in the accounting equation A = L + OE have decreased.
8.	Not Transaction	This event does not affect the financial position of the business. Therefore, no component of the accounting equation A = L + OE is affected.
9.	Not Transaction	This event does not affect the financial position of the business. Therefore, no component of the accounting equation A = L + OE is affected.
10	Transaction	This event increases accounts receivable (asset) and increases revenue, which leads to an increase in Owner's Equity. Therefore, A and OE in the accounting equation A = L + OE have increased.

The effects of transactions on accounting equation are shown in the chart:

1) 'Hasan & Associates' started legal practitioner business on January 1, 2025. The transactions of the first month were as follows:

Jan 1 Invested cash Tk.50,000 in the business as Capital.
Jan 2 Paid the rent for the month of January Tk.3,000
Jan 7 Office machine purchased on credit worth Tk.15,000
Jan 10 Legal services provided to the clients for cash Tk.6,000
Jan 15 Paid salary to the office staff Tk.2,000
Jan 20 Loan taken from the bank Tk.20,000
Jan 24 Legal services provided to the clients on credit Tk.7,000.
Jan 29 Outstanding amount for machine purchased has been paid Tk.10,000

Following accounts are identified by analyzing transactions of 'Hasan & Associates' for the month of January 2025.

1. Cash 2. Capital 3. Rent Expense 4. Office Machinery / Service Equipment
5. Accounts Payable / Machine Supplier 6. Service Revenue 7. Salaries Expense 8. Loan
9. Accounts Receivable.

Hasan & Associates

Effects of transactions over Accounting Equation is shown for January 2025:

Date	Assets			=	Liabilities		+	Owner's Equity	Remarks
	Cash	Accounts Receivable	Machinery	=	Loan	Machinery Supplier's Account			
2025 Jan: 1	50,000			=			+	50,000	Capital Invested
Jan: 2	(3,000)			=			+	(3,000)	Rent Expense
Jan : 7			15,000	=		15,000	+		
Jan: 10	6,000			=			+	6,000	Service Revenue
Jan: 15	(2,000)			=			+	(2,000)	Salary Expense
Jan: 20	20,000			=	20,000		+		
Jan: 24		7,000		=			+	7,000	Service Revenue
Jan: 29	(10,000)			=		(10,000)	+		
Balance	**61,000**	**7,000**	**15,000**	=	**20,000**	**5,000**	+	**58,000**	
Total	**83,000**			=	**83,000**				

2. On January 1, 2025, Mr. Sagar started the business named Sagar Electronics with the following assets: Cash Tk. 90,000; Furniture Tk. 2,50,000 and Electronic Goods Tk. 3,00,000. Transactions during January:

January 3	Deposited Tk. 50,000 into the bank and opened a bank account.
January 5	Purchased fans and energy bulbs in cash for Tk. 20,000 and purchased electrical wires on account for Tk.50,000.
January 8	Distributed electrical wires worth Tk.6,000 for free of cost.
January 15	Received a bank loan of Tk.1,00,000.
January 25	Sold fans for Tk.60,000 in cash and sold electrical wires worth Tk. 80,000 by cheque.
January 28	Returned electrical wires worth Tk. 5,000 to the supplier.

Solution:

The following accounts are identified in Sagor Electronics by analyzing the above transactions:

1. Cash account 2. Furniture account 3. Bank account 4. Accounts payable 5. Bank Loan account 6. Capital account 7. Purchase account 8. Advertisement account 9. Sales account 10. Purchase return account.

Sagor Electronics
Effects of transactions on accounting equation

Date	Assets			=	Liabilities		+	Owner's Equity (OE)	Remarks
	Cash	Furniture	Bank		Accounts Payable	Bank Loan			
2025 Jan. 1	90,000	2,50,000		=			+	6,40,000 (3,00,000)	Capital Invested Purchase
3	(50,000)		50,000	=			+		
5	(20,000)			=	50,000		+	(70,000)	Purchase
8				=			+	(6,000) 6,000	Advertisement Purchase decrease
15			1,00,000	=		1,00,000	+		
25	60,000		80,000	=			+	1,40,000	Sales
28				=	(5,000)		+	5,000	
Balance	80,000	2,50,000	2,30,000	=	45,000	1,00,000	+	4,15,000	
Total	5,60,000			=	5,60,000				

Activity: Show the effects of the following transactions on Accounting Equation.

Nargis Akter has started a tailoring business named 'Nargis Tailors' on March 1, 2025. Transactions of the first month are mentioned below:

March	1	Invested Tk.20,000 in Business as capital.
"	3	Shop rent Tk.5,000 paid for the month of March.
"	9	Bought sewing machine by cash Tk.15,000.
"	14	Received Stitching wages Tk.2,000.
"	17	Amount spent for publicity of the shop Tk.1,000.
"	22	Receivable from customer for stitching wages Tk.1,500
"	25	Repair of sewing machine Tk.300.
"	30	Cash received from bill of 22nd March Tk.1,200.

Sources of business transactions and related documents:

In support of each transaction, one or many documentary evidence is seen. These carry the evidence of transactions. For example, any businessperson can make several transactions on a single day. Goods sold, goods purchased, return of purchased goods, return of sold goods, depositing money or withdrawing the same in a bank are such transactions that may occur regularly in a business. In addition, these events are actually the main source of transactions. Transactions made throughout the calendar year are impossible to be memorized. Therefore, the transactions are to be properly recorded in the books of accounts. Whenever an accountant tends to record these transactions, these documents are prepared. These documents are the invoices, vouchers, cash memos, bills, debit notes, credit notes, VAT invoice etc. The explanation, specimen copy, and use of these documents are described here.

1. Invoice: Invoice is a documentary proof of goods purchased & goods sold on credit. When a seller sells goods, s/he delivers a written document mentioning the full details of the goods in it. This written document is called invoice. Buyer's name & address, quantity of goods, description of goods, value of goods and terms of payment etc. are mentioned in the invoice. Seller considers it as an outward Invoice and buyer as inward Invoice. On the basis of this invoice, a buyer prepares Purchase Journal and a seller prepares Sales Journal. A specimen copy of invoice is shown below:

Sumon Traders
53, New Market, Dhaka

Invoice No- 05728 Date: 10 March 2025

Buyer's Name: M/S Jadid Traders
Address: Board Bazar, Gazipur

Invoice

SL. No	Description of Goods	Rate (Taka)	Qty.	Amount (Taka)
1	Nazir Shail Rice	40	1,000 Kg.	40,000
	Less: Trade Discount (5%)			(2,000)
				38,000

Taka(In Words): Thirty Eight Thousand only
Sales Terms: 2/10, Net 30
N.B. Errors & Mistakes are correctionable Seller's Signature

Note: The amount which is reduced from the purchase price is known as trade discount.

2. Cash Memo: A cash memo is used at the time of cash purchase and sale. The seller usually gives a cash memo to its buyer. The name and the address of the shop are generally printed on top of the cash memo. Mentioning the name of sold goods, quantity, rate, total value, net value, commission etc, a seller hands over the cash memo to a buyer with his signature. The cash memo is generally prepared in triplicate.

Sample of Cash Memo

Alam General Stores
35, New Market, Dhaka

Voucher No 56 Date: 1 January 2025

Cash Memo

Buyer's Name: Shemanto & Bros.
Address: Chandona, Gazipur.

SL. No.	Description	Rate	Qty.	Amount (Tk.)
1	Gel Pen	5.00	1000 pcs.	5,000
	Less: Trade discount (5%)			(250)
				4,750

Taka(In Words): Four thousand seven hundred fifty only.

Buyer's Signature Seller's Signature
N.B.: Sold goods can't be returned

3. Debit Note: When purhcased goods are returned to the seller due to inferior quality or not being according to the letter of order, a note is prepared by the buyer describing details i.e. quantity, rate and value and the causes of return of the goods. The note is then sent to the seller along with the goods and the supplier is informed of this note that his account has been debited with that amount due to those returned goods. This note is called Debit Note. The buyer usually prepares a Debit Note.

Sample of Debit note

Imran Brothers
Malitola, Bangshal, Dhaka

Debit Note No.-173 — **Debit note** — Date: 18 August 2025

Name: M/S. Shopna Enterprise
Address: 37, Rainkhola, Mirpur-6, Dhaka.
Ref: Purchase / Invoice No. 1265 / 3 August 2025

SL. No.	Description & Reason of returning goods	Amount (Taka)
1	10 pcs torn Jamdani Sarees Tk. 1,300 each are returned and your account is debited with the price of returned goods. Less: Trade discount	13,000 (1,000)
		12,000

Taka(In Words): Twelve thousand only

Purchase Manager

4. Credit Note: When the seller receives returned goods from the buyer, he sends a document to the buyer stating the description of goods, its quantity, its value etc and thereby informs the buyer that his account has been credited with the value of returned goods. This document is called Credit Note. Usually Credit Note is prepared by seller.

Sample of Credit note

M/S. Shopna Enterprise
37, Rainkhola, Mirpur-6, Dhaka.

Credit note no.-237 — **Credit Note** — Date: 20 August 2025

Name of Receiver: Imran Brothers
Address: Malitola, Bangshal, Dhaka
Ref: Debit note 173 / 18 August 2025

Sl. No	Description & Reason of returning goods	Amount (Taka)
1	10 pcs torn Jamdani Sarees Tk. 1,300 each are returned from you and your account is credited with the price of returned goods. Less: Trade discount	13,000 (1,000)
		12,000

Taka(In Words): Twelve thousand only

Sales Manager

5. Voucher: The documentary evidence, which is used for transactions, is known as a voucher. For example, the seller gives a voucher to its buyer for goods sold Tk. 5,000. Again, a property owner gives a voucher to its tenants after receiving rent Tk. 2,000.

Vouchers are of two types. They are:

a) Debit Voucher, b) Credit Voucher

a) Debit Voucher: Debit voucher is used for goods purchase and different types of expenses. It is recorded in the credit or payments side of the cash book or cash register attaching an invoice, a cash memo with a consecutive serial number.

Sample of Debit Voucher

Ali & Haider
Andor Killa, Chattagram

Date ----------
Debit Voucher No.----------
Receiver's Name ----------
Head of Account ----------
Address----------

No.	Description of Expense	Amount (Tk.)

Taka(In Words): ----------

Cashier's Sign. Accountant's Sign. Manager's Sign. Receiver's Sign.

b) Credit Voucher: The voucher, which is used for sale of goods and different revenues, is called a credit voucher. After attaching invoice, cash memo etc. with the credit voucher, it is recorded with a consecutive serial number on the debit side (receipts side) of the cash book.

Sample of Credit Voucher

Zahir & Brothers
Fultola, Khulna

Date ----------
Credit Voucher No.----------
Receiver's Name ----------
Head of Account ----------
Address----------

No.	Description of Revenue	Amount (Tk.)

Taka(In Words):

Cashier's Sign. Accountant's Sign. Manager's Sign. Receiver's Sign.

Activity: Prepare a debit voucher for goods purchase valued Tk. 25,000 using imaginery name & address.

Sample Questions

Multiple Choice Questions:

1. Which of the following is not considered transaction in business?
   a. Goods purchased on credit for Tk.12,000
   b. Depreciation on furniture for Tk.2,000
   c. Placed an order to purchase goods worth Tk.20,000
   d. Goods return inward Tk.2,500
2. Transaction-related events can be—
   i. Tangible ii. Intangible iii. Irrelevant to finance
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and iii
3. Which document is used when returning goods purchased on credit?
   a. Debit note b. Debit voucher c. Invoice d. Credit note
4. In the equation A = L + OE, what does the OE component represent?
   a. Assets b. Owner's Equity c. Liabilities d. Profit

From the the following information, answer the questions 5, 6, and 7:
The owner of Monir Traders invested Tk.50,000 in the business on January 1, 2025. During that month, goods worth Tk.3,000 were returned out of the credit sales of Tk.10,000.

5. As a result of the transaction Tk.50,000, which component of the accounting equation will increase?
   a. Expense b. Capital c. Investment d. Liability
6. Which document will Monir Traders prepare for the transaction Tk.3,000?
   a. Debit note b. Credit note c. Challan or Invoice d. Debit voucher
7. Based on the passage, at the end of the month, Monir Traders' financial position will show—
   i. Total assets of Tk.57,000 ii. Total liabilities of Tk.7,000
   iii. Owner's equity of Tk.57,000

   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and iii
8. In the transaction 'Cash withdrawal for personal use'– which components of the accounting equation will decrease?
   i. Assets ii. Liabilities iii. Owner's equity
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

9. The transaction causes only owner's equity to increase or decrease equally–
i. Distribution of goods free of cost ii. Return of sold goods
iii. Withdrawal of goods by the owner
Which of the following is correct?
a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

10. Which of the following can be written as a reference on the credit note dated March 20, 2025?
a. Purchase/Challan No. 65/February 20, 2025
b. Sales/Challan No. 70/March 10, 2025
c. Debit Note 25/March 15, 2025
d. Debit Note 30/March 30, 2025

Creative Questions

1. Rifat Enterprise is a business organization. The following events occurred in this business during December 2025:

Dec 1 Started business with cash Tk. 5,00,000.
Dec 3 An account was opened by depositing cash Tk. 50,000 in the bank.
Dec 5 Goods were purchased on credit for Tk.25,000.
Dec 10 The owner took a loan of Tk.40,000 from the bank for personal use.
Dec 15 An order was placed to purchase furniture worth Tk.45,000
Dec 20 Paid cash Tk.15,000 to A/P.

a. From the above information, identify the events that are not business transactions and calculate their total amount.

b. From the events, identify the transactions and explain their reasons using the accounting equation method.

c. Show the impact or effects of the transactions on the accounting equation.

2. During January 2025, the following events took place in the business Chayan Brothers:

Jan 1 Capital of Tk.75,000 was brought in the business.
Jan 2 A manager was appointed with a salary of Tk.18,000.
Jan 7 Goods were sold on credit for Tk.50,000.
Jan 10 Supplies were purchased in cash for Tk.2,200.

Jan 12 The owner paid Tk.2,000 from personal funds for his son's school fees.

Jan 20 Cash Tk.30,000 was received from Sumana Traders.

a. From the above information, identify the events that are not business transactions and calculate their total amount.

b. Explain the reasons of the transactions of Chayan Brothers using the accounting equation method.

c. Show the effect of the transactions of Chayan Brothers on the accounting equation·

3. Mrs. Asfiya started her law business named Legal Aid on May 2, 2025. The events for the first month are as follows:

May 2 Cash Tk.1,00,000 was invested in the legal business.

May 4 Paid office rent Tk.18,000.

May 8 Service equipment was purchased on credit for Tk. 40,000.

May 12 Legal services were provided to clients in cash for Tk.90,000

May 16 Office employees' salaries of Tk.10,000 were paid.

May 25 A loan of Tk.1,00,000 was taken from the bank.

May 27 Legal services were provided to clients on credit for Tk.60,000.

May 30 Tk.30,000 was paid against credit purchase of service equipment

a. Calculate the unpaid amount of the service equipment.

b. Calculate Mrs. Asfiya's owner's equity at the end of the month.

c. Show the impact or effects of the transactions on May 8, 12, 25, and 30 on the accounting equation.

4. Selim Traders sold the following goods to Bijoy Traders in February 2025:

Feb 1 115 kg of sugar at Tk.150 per kg, voucher no. 32, paid in cash.

Feb 7 60 kg of sugar at Tk.152 per kg.

Feb 15 50 kg of lentils at Tk.130 per kg, invoice no. 138, terms 2/15, net 40.

Selim Traders allowed a 10% trade discount on total sales.

a. From the above information, calculate the net sales amount on February 7.

b. Prepare a cash memo based on the transaction dated February 1.

c. Prepare a challan or invoice based on the transaction dated February 15.

5. James Traders started a business on January 1, 2025, with cash of Tk.1,20,000 and furniture worth Tk.70,000. The following transactions occurred during the month:

Jan 2 A bank account in the company's name was opened by depositing Tk.50,000 in Prime Bank.

Jan 4 Goods worth Tk.45,000 were purchased from Belal Enterprise, paying Tk.20,000 in cash and Tk.15,000 by check.

Jan 6 Goods worth Tk.80,000 were sold, receiving Tk.30,000 in cash and Tk.25,000 by check.

Jan 9 The remaining Tk.10,000 owed to Belal Enterprise was paid.

Jan 18 The owner withdrew Tk.8,000 from the bank for personal use.

a. Determine the initial or opening or beginning capital amount of James Traders.
b. Considering the transactions of January 1, 2, 4, and 9, prove that A = L + OE.
c. Calculate the owner's equity of James Traders.

6. Al-Hasan started a restaurant named Al-Hasan on January 1, 2025, with cash of Tk.15,00,000 and a bank deposit of Tk.7,20,000. The transactions that took place in his restaurant during the month are as follows:

Jan 5 Services were provided to customers amounting to Tk.75,000.

Jan 9 Monthly rent of Tk.40,000 was paid by check.

Jan 11 Tk.12,000 for advertising expenses was paid.

Jan 21 Office supplies were purchased on credit for Tk.17,000.

Jan 28 Services were provided to a customer on credit worth Tk.1,75,000

Jan 30 A check was received for the services provided to the customer on January 28.

Jan 31 Tk.10,000 was paid for office supplies due payment.

a. Calculate the unpaid amount of office supplies.
b. Prepare a voucher based on the transaction on January 9.
c. Show the effects of the transactions on January 1, 5, 11, and 28 on the financial position of the business.

7. During Jan 2025 the following transactions took place in the business of Barua Traders:

Jan 1 Goods worth Tk.60,000 were purchased.

Jan 12 Furniture was purchased for the office worth Tk.26,500.

Jan 23 Goods were sold worth Tk.1,25,000 to Anik Traders.

Jan 25 Paid office rent of Tk.15,000.

Jan 28 Cash Tk.32,000 was deposited in the bank.
Jan 30 Goods worth Tk.28,000 was purchased from Monir Brothers.

a. Determine the total amount of purchases for the month of January.
b. Calculate the total amount of cash transactions for Barua Traders during the month.
c. Using the transactions of January 12, 23, 25, and 30, show that A = L + OE.

8. On January 1, 2025, Mr. Zahir started a vehicle repair business named Zahir Workshop. The following transactions occurred in his business:

Jan 1 Mr. Zahir invested cash of Tk. 5,00,000 and furniture worth Tk.50,000 into the business.
Jan 16 Machinery was purchased for using in the business for Tk.65,000.
Jan 21 Tk.80,000 was earned from car repairs service.
Jan 26 Paid workshop rent of Tk.21,000.
Jan 28 Paid salaries to employees amounting to Tk.25,000.
Jan 30 Owner's vehicle was repaired cost Tk.15,000.

a. Determine the amount of capital of Zahir Workshop.
b. Calculate the total income and total expenses of the business for January
c. Show the effects of the transactions on January 1, 16, 28, and 30 on the accounting equation.

Short Questions

1. What is meant by transaction?
2. What is accounting equation? Explain it.
3. What is meant by the dual entity or dual aspect of transaction?
4. What is meant by owner's equity?
5. What is debit note? Explain it.

Chapter Three

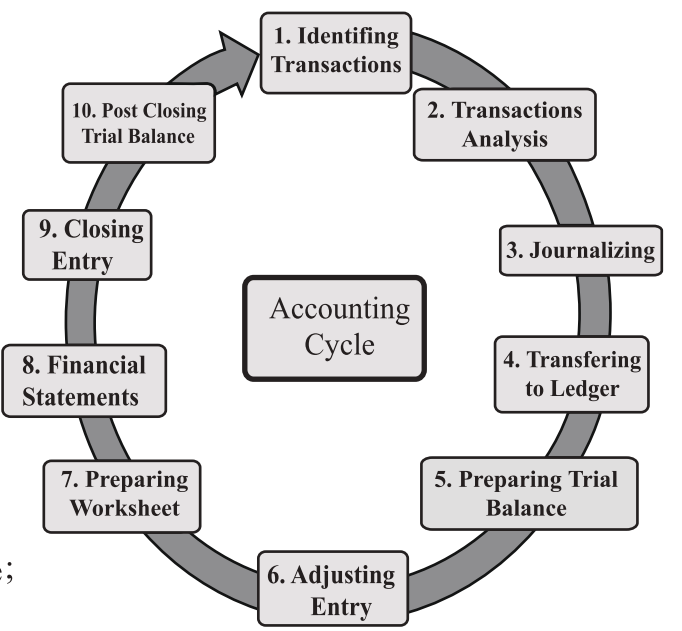
Double Entry System

Throughout the world, Double Entry System is established & known as dependable, scientific, and complete system for keeping accounts in the business. In double entry system,each transaction that is measurable in terms of money is expressed in dual entity. There is no alternative to the Double Entry System to know the financial result and financial position of the business.



At the end of this chapter, we will able to–

- explain the dual entity concept of transaction;
- discuss the concept & features of double entry system;
- explain the advantages of double entry system;
- identify the two parties involved in transaction i.e. Debit and Credit;
- explain the various steps of Accounting Cycle;
- identify the appropriate book for the transaction;



- calculate the profit of business by taking an idea of Single Entry System.

Concept of Double Entry System:

The famous Mathematician Luca Pacioli of Italy described the perfect and proper recording system of financial events in 1494. That system is known as Double Entry System. Double entry system is established as the only complete, reliable and scientific system of book keeping. There is a hint of dual entity concept for every transaction in this system. There have been two or more accounts in every transaction. These accounts are written in dual entity concept. One is Debit and the other is Credit. Two parties of transaction i.e. Debit & Credit are recorded in the book of accounts by double entry system. In this method, the same amount is written for both debit and credit. Therefore, at any time of the year the total amount of debit is always equal to the total amount of credit. The procedure, which is followed to record dual entity of transactions for preparing accounts correctly is called Double Entry System.

The concept has been explained with an example:

Salaries paid to office staff Tk.5,000

For recording this transaction under double entry system, we need to identify the two parties involved in it. Two accounts involved in it are:

a) Salaries Expense b) Cash

Since salaries is an expense to the business, expense has been increased and so salaries Tk.5,000 will be debited. Again, cash goes out while salaries is paid, so cash or asset will decrease and cash account will be credited by Tk.5,000.

So, it is seen that the amount which has been debited for salaries account, has been credited for cash account by same amount. This is the basic principle of Double Entry System.

Characteristics of Double Entry System:

The most reliable, scientific, complete and self-sufficient system of accounting is the Double Entry System. In double entry system, each transaction is recorded in a twofold aspect and one party is debited for taking the benefit while the other will be credited for paying the same.

Characteristics of Double Entry System are as follows:

1. **Dual Entity:** In every transaction, there are at least two accounts. While detecting debit and credit concerned accounts are to be identified first and then their classification of account is settled. Then debit and credit are ascertained by double entry system.

2. **Giver and Receiver:** In every transaction, one party acts as the receiver of the benefit and the other as the giver.
3. **Making Debit and Credit:** The account receiving the benefit is debited, and the account giving the benefit is credited.
4. **Exchanged equal amount:** In every transaction, the amount of debit and credit will be equal.
5. **Comprehensive result:** Since in every transaction the debit and credit are analyzed and recorded in equal amount, it is easy to detect the comprehensive result. The total of debit side should be equal to the total of credit side.

Advantages of Double Entry System:

The double entry system is complete, dependable, scientific, and self-dependent. This system has many advantages. For these advantages this method is popular in every large business organization. These benefits are described below:

1. Maintaining complete account: Since debit and credit of each transactions are analyzed and recorded in equal amount, the complete result of any transactions can be obtained.

2. Ascertain profit-loss: As the revenues and expenses are recorded correctly and completely, in this method, the net profit or loss can be to calculated by preparing comprehensive income statement after a particular time.

3. Verifying arithmetic accuracy: For each transaction equal amount will be debited & credited. Therefore, the arithmetic a accuracy can be tested on a certain date by preparing a trial balance.

4. Ascertain financial position: By Preparing the statement of finalcial position, on a certain date the financial position of a firm can be determined

5. Finding fault & forgery and to prevent the same: If the accounts are kept under this method, the faults and forgery can easily be detected and thus be prevented.

6. Cost control: Under this method, excessive expenses can easily be controlled.

7. Identifying total debts & receivables : The owner can detect his/her total dues and receivables at any time and take necessary steps.

8. **Ascertain proper amount of tax:** If the accounts are kept under this method, the various types of tax like income tax, import-export duty, VAT etc become acceptable to concerned authorities.
9. **Easy application:** Each transaction is recorded by analyzing Debit and Credit in double entry system. Therefore, small & big organization can apply this method easily.
10. **Universal acceptance:** The Double Entry System being scientific, complete, faultless and dependable has been recognized as a universal system, which is why it is universally accepted.

Procedure of Identifying Debit and Credit:

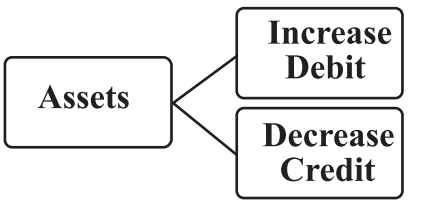
It is described earlier that in double entry systerm total debit amount is equal to total credit amount . This concept is the base of Accounting equation. Primary elements of accounting equation are -Assets, Liabilities & Owner's Equity.

Therefore, it can be said that, we see the following types of accounts in business:

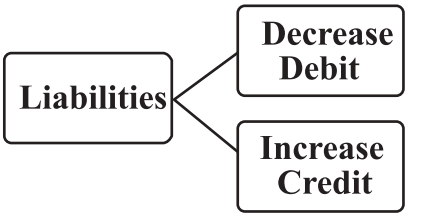
1. Assets 2. Liabilities 3. Owner's Equity 4. Revenues and 5. Expenses

Method of calculating debit credit for different accounts described below:

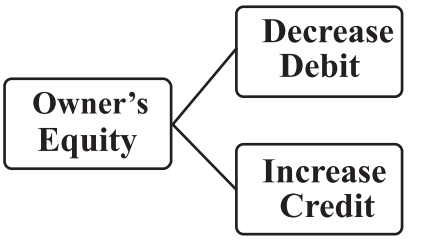
1. Assets: Due to transactions, asset may increase or decrease. For example, purchase of furniture increases asset and selling the same decreases asset. Increase of an asset is debit while a decrease of the same is credit.



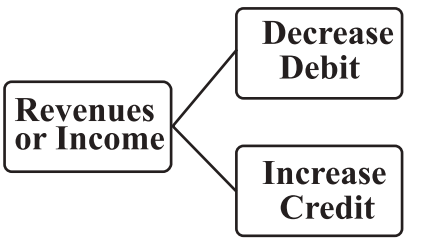
2. Liabilities: Like asset, liability can also be increased or decreased. For example, taking loan from bank increases liability while paying installment of it decreases. The relation of liability is opposite to asset. Therefore, increase of liability is credit while decrease of the same is debit.



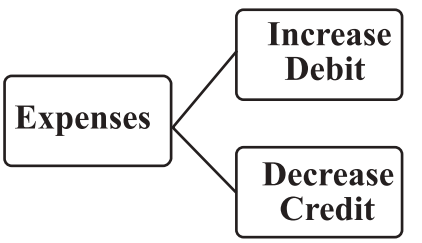
3. Owner's Equity: For starting the business, the owner brings capital. Here the owner's equity increases. Again, if the owner withdraws cash from the business, the owner's equity decreases. Owner's equity is a kind of liability to the business. Because according to the principle of accounting the owner and the business have separate entity. Therefore, like liability if Owner's Equity increases it is credit, but while decreases to is debit.



4. Revenues: The only objective of business is to earn profit. Actually, profit is the portion of revenue, which is more than expense. Therefore, we can say that revenue increases owner's equity. Therefore, increase of revenue is credit while the decreases of the same is debit.



5. Expenses: Expense is opposite to revenue. Revenue increases owner's equity and expense decreases owner's equity increase of expense is debit and decrease of so the same is credit. Increase of expense decreases owner's equity.



Effects of Double Entry System in Transactions are described below with examples:

1. Mr. Hasan has started business bringing in Tk. 50,000 as capital.
2. Bought Furniture for business Tk. 5,000
3. Paid off Employees salary Tk. 6,000
4. Purchased Goods Tk. 20,000
5. Deposited Tk. 25,000 into Bank
6. Sold Goods Tk. 18,000
7. Paid Cheque for advertisement Tk. 7,000
8. Received Commission Tk.3,000.
9. Received Interest from bank Tk. 1,200.
10. Sold Goods on credit Tk. 15,000.
11. Paid Cheque for rent Tk. 6,000
12. Cash Tk.8,000 withdrawn from bank for business.

Debit and Credit account of above transactions identified with explanation: (This is not a reputed/approved table/format)

No	Accounts Name		Taka	Effects of Double Entry System
1	Cash Account Capital	Debit Credit	50,000 50,000	As the cash (asset) increased in business, Cash A/c debited. Other side bringing cash to business by owner, owner's equity increased. So, Capital A/c credited
2	Furniture Account Cash	Debit Credit	5,000 5,000	For buying furniture, furniture named asset increased & cash decreased. Therefore, Furniture A/c debited & Cash A/c credited.
3	Salaries Expense Cash	Debit Credit	6,000 6,000	For paying salary, expense of the business increased & cash decreased. So, Salary A/c debited & Cash A/c credited
4	Purchase Account Cash	Debit Credit	20,000 20,000	For buying goods, expense of the business increased & cash decreased. So, Purchase A/c debited & Cash A/c credited
5	Bank Account Cash	Debit Credit	25,000 25,000	For depositing cash into bank deposited amount in bank increased & cash in hand decreased. Therefore, Bank A/c debited & Cash A/c credited.
6	Cash Account Sales	Debit Credit	18,000 18,000	For selling goods in cash, both income & cash of the business increased. Therefore, Cash A/c debited & Sales A/c credited.
7	Advertisement expense Bank	Debit Credit	7,000 7,000	For advertisement expense increased & for cheque issue Deposited amount in bank decreased. Therefore, Advertisement A/c debited & Bank A/c credited.
8	Cash Account Commission income	Debit Credit	3,000 3,000	For receiving commission income increased & cash increased. Therefore, Cash A/c debited & Commission A/c credited.
9	Bank Account Bank Interest	Debit Credit	1,200 1,200	For interest allowing by bank deposited amount in bank increased & income also increased. So, Bank A/c debited & Bank interest A/c credited
10	Accounts receivable Sales	Debit Credit	15,000 15,000	For selling goods on credit, business gets the rights to receive money from accounts recivable and income increased. Therefore, Account recivable A/c debited & Sales A/c credited.
11	Rent Account Bank	Debit Credit	6,000 6,000	For paying rent, expense increased & giving cheque bank deposit decreased. So, Rent A/c debited & Bank A/c Credited.
12	CashAccount Bank	Debit Credit	8,000 8,000	Taking out cash from bank, cash in hand increased & bank deposit decreased. Therefore, Cash A/c debited & Bank A/c credited.

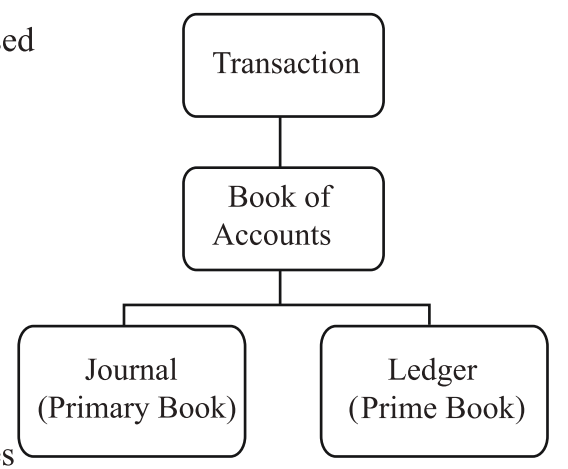
Activity: Determine the debit & credit with reason of the following transactions of M/S. Joya & Co.

1. Mrs. Joya Mukharjee has made additional investment Tk.20,000 in the business.
2. Purchased Computer for office Tk.25,000
3. Paid Office rent in a vance for three months Tk. 18,000
4. Sold to Rajon Tk.25,000
5. Bank charged Tk.1,500
6. Withdrawn from bank Tk. 6,000
7. Purchased Goods on credit Tk.15,000
8. Paid Wages Tk.3,000
9. Purchase return Tk.2,000
10. Withdrawn by the owner Tk.10,000

Books of Accounts kept under Double Entry System:

The main books of accounts, kept under double entry system, are shown below:

a) Journal: The book in which transactions are recorded firstly by analyzing debit and credit according to the principle of Double Entry System is called primary book or Journal. Journal may be of different types:

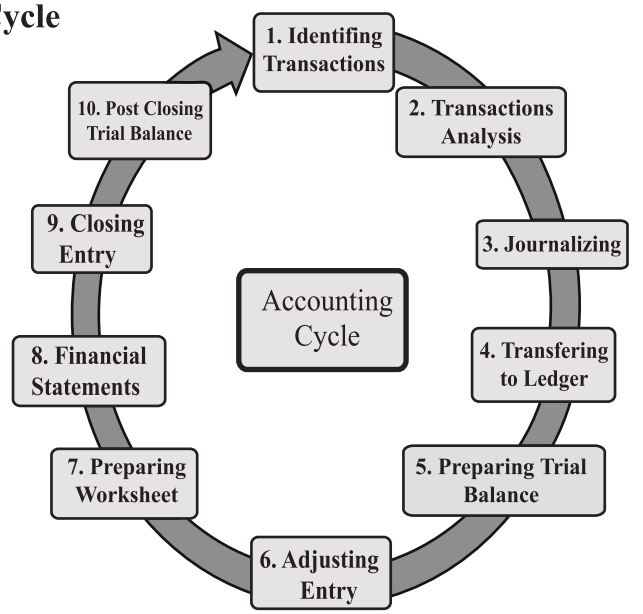


1. **Purchase Journal :** Goods purchased on credit are recorded in this journal.
2. **Sales Journal:** Goods sold on credit are recorded in this journal.
3. **Purchase Return Journal:** The transaction related to the return of goods purchased on credit is recorded in the purchase return journal.
4. **Sales Return Journal:** In the sales return journal, transations related to the return of goods sold on credit are recorded.
5. **Cash Receipt Journal:** Transactions that relates to cash receipt are recorded in cash receipt journal.
6. **Cash Payment Journal:** Transactions relate to cash paid are recorded in cash payment journal.

7. **Journal Proper:** Transactions which are not to be recorded in any of the above journals are recorded in journal proper.

b) Ledger: The book where all the transactions of journal are included by transferring individually to related accounts with appropriate title permanently is called Ledger.

Accounting Cycle



Picture: Accounting Cycle

According to the accounting period concept, accounting tasks recur systematically in each accounting period. This continuous cycle of accounting steps is known as the accounting cycle.

1. Identification of Transaction : In the first step of the accounting cycle, each business event is analyzed and identified as a transaction.

2. Analysis of Transaction : In this step, each transaction is analyzed to identify the related accounts. For example: Machinery worth Tk. 5,000 is purchased. Two accounts are involved here - the Machinery Account and the Cash Account.

3. Journalizing: The analyzed accounts are recorded in the journal chronologically according to the rules of double-entry bookkeeping, indicating debits and credits.

4. Posting to the Ledger: In this step, the journalized transactions are posted to the respective account titles in the ledger. A separate ledger is maintained for each account, and the balance of each account is determined at the end of a specific period.

5. Preparation of Trial Balance: To verify the mathematical accuracy of the recorded transactions, a trial balance is prepared using the debit and credit balances of the ledger accounts.

6. Adjusting Entries: To determine the true financial position of the business, adjustments are made for accrued income, outstanding expenses, prepaid expenses, and unearned income during the accounting period.

7. Preparation of Worksheet : A multi-column statement, known as a worksheet, is optionally prepared to simplify the preparation of financial statements.

8. Preparation of Financial Statements: Through the preparation of financial statements, the business's profit or loss, assets, liabilities, and owner's equity are determined.

9. Closing Entries: At the end of the year, the balances of income and expense accounts, including the Drawing Account, must be closed. Since revenues and expenses of one accounting year do not carry over to the next, closing entries are necessary.

10. Post-Closing Trial Balance or Opening Entries: After closing entries, the income, expense, and drawing accounts are closed. The remaining balances of assets, liabilities, and owner's equity.

The Continuity Concept of Accounts:

According to going concern concept, a business will go on for an indefinite period. At the end of each accounting year, the functions are continued again with same sequence for keeping accounts. Therefore, at the end of current accounting period consecutively next accounting period starts and recording of accounts starts newly. Therefore, it is observed that subject matters related to accounts are continued each year consecutively. This is the continuity of accounts.

It is mentionable that, according to accounting cycle, at the beginning of each accounting period, all assets are being debited and all liabilities are being credited which were shown in the last year's statement of financial position for starting the journey to the new accounting period.

Single Entry System:

Single entry system is suitable for businesses, which are small, and the transactions are limited. In this method, one party is recorded for some transactions both parties are recorded for others, while no party is recorded for the remaining ones. Actually, single entry system is not at all a scientific system. In this method, though some accounts related to asset and liability are kept but keeping of income and expense is never emphasized. The following formula /method are applied for determining the profit and loss of the business.

Profit/Loss = {(Ending Capital +Drawings)-(Beginning Capital+Additional Capital)}

Beginning Capital = Total Beginning assets –Total Beginning liabilities

Ending Capital = Total Ending assets –Total Ending liabilities

The difference is considered as profit when the total amount of closing capital & drawings is bigger than the total amount of Beginning & additional capital and as loss when it is smaller.

Mrs. Shahela Khatun is a small businessperson. Following information are extracted from her books of accounts:

	01/01/2025	31/12/2025
Total Assets	1,20,000	1,50,000
Total Liabilities	35,000	55,000

In 2025 her additional capital Tk.20,000 and total drawings Tk.30,000

Calculate the Profit/Loss of Shahela Khatun for 2025.

Solution:

Beginning Capital = Total Beginning assets –Total Beginning liabilities
= (1,20,000 - 35,000) = 85,000

Ending Capital = Total Ending assets –Total Ending liabilities
= (1,50,000 - 55,000) = 95,000

Profit/Loss = {(Ending Capital + Drawings) - (Beginning Capital + Additional Capital)}
= {(95,000+30,000) - (85,000+20,000)}
= (1,25,000 - 1,05,000)
= 20,000 ∴ Amount of Profit = 20,000 Taka

Activity: Palash Kumar Paul is a businessperson of grocery shop. His capital was Tk.70,000 on 1 January 2025. His amount of drawings Tk.15,000 and he didn't bring any additional capital in this year. On 31 December 2025 total assets & total liabilities were Tk.1, 20,000 & Tk.30,000 respectively. Calculate the amount of Profit/loss.

Sample Questions

Multiple Choice Questions

1. Why is the Double Entry System more popular for keeping accounts?
   a. Being a simple method
   b. Being a complex and scientific method
   c. Being a simple and incomplete method
   d. Being a complete and scientific method

2. Features of the Double Entry System are—
   i. In this system, there will be two parties: the giver and the receiver.
   ii. The total debit amount will always be equal to the total credit amount.
   iii. The receiver's account will be credited and the giver's account will be debited.
   Which of the following is correct?
   a. i and ii b. i and ii c. ii and iii d. i, ii, and iii

Read the following scenario and answer questions 3, 4, and 5:

On January 1, 2025, the total assets and total liabilities of Ruma Traders were Tk. 1,80,000 and Tk. 75,000 respectively. On December 31, 2025, the following balances were recorded cash Tk. 80,000; inventory Tk. 34,000; accounts receivable Tk. 96,000; furniture Tk. 40,000; accounts payable Tk. 45,000; and bank loan Tk. 50,000. During the year, the owner brought in additional capital of Tk. 60,000 and withdrew Tk. 35,000 cash from the business.

3. What is the amount of the beginning capital of the business?
   a. Tk. 1,05,000 b. Tk. 1,55,000 c. Tk. 1,80,000 d. Tk. 2,50,000

4. What is the amount of ending liabilities?
   a. Tk. 75,000 b. Tk. 95,000 c. Tk. 1,55,000 d. Tk. 1,70,000

5. What is the amount of profit in the year 2025?
   a. Tk. 25,000 b. Tk. 75,000 c. Tk. 1,25,000 d. Tk. 1,75,000

6. Under the single-entry system, accounts are usually kept of –
   i. Assets ii. Liabilities iii. Expenses
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii and iii

7. Which of the following is correct?
   a. Beginning capital = Beginning total assets – Ending total assets
   b. Ending capital = Beginning total liabilities + Ending total liabilities
   c. Beginning capital = Beginning total assets – Beginning total liabilities
   d. Ending capital = Beginning total assets + Ending total assets

8. Which of the following is used as a rough working paper of financial statements?
   a. Trial Balance b. Adjusting Entries c. Closing Entries d. Worksheet

9. Which of the following is the correct sequence in the accounting cycle?
   a. Trial Balance, Adjusting Entries, Worksheet, Financial Statements
   b. Adjusting Entries, Trial Balance, Financial Statements, Worksheet
   c. Worksheet, Trial Balance, Adjusting Entries, Financial Statements
   d. Trial Balance, Worksheet, Adjusting Entries, Financial Statements

10. If the opening capital is Tk. 70,000 and the closing capital is Tk. 90,000, what is the amount of profit or loss?
   a. Profit Tk. 20,000 b. Loss Tk. 20,000 c. Loss Tk. 70,000 d. Profit Tk. 90,000

11. What is the core principle of the double-entry system?
   a. Purchase increase debit, Income decrease credit
   b. Expense increase debit, Income decrease credit
   c. Benefit Receiver debit, Benefit Giver credit
   d. Benefit Receiver credit, Benefit Giver debit

Creative Questions:

1. 'Kobi & Chhobi Traders' maintains all accounting records properly using the double-entry system. The business transactions that occurred On Dec 2025 are as follows:

Dec 1 Tk. 15,00,000 was brought into the business as capital in cash.
Dec 12 Cloth worth Tk. 2,50,000 was purchased on credit.
Dec 23 Furniture worth Tk. 60,000 was purchased in cash.
Dec 24 Manager Shakila was paid a salary of Tk. 48,000. Voucher No. 102
Dec 30 Commission income of Tk. 8,500 was received in cash.
Dec 31 Goods worth Tk. 1,20,000 were purchased by cheque with a 5% trade discount.

a. Calculate the total amount of purchases made On Dec from the above information.
b. Determine the debit and credit for the above transactions of 'Kobi and Chhobi Traders'.
c. Prepare a voucher for the transaction dated on December 24 of 'Kobi and Chhobi Traders'.

2. Abdur Rahman Enterprise' started a business on March 1, 2025, with Tk. 2,40,000 in cash; machinery worth Tk. 56,000; and merchandise or goods worth Tk. 21,000. Other transactions during the month are as follows:

March 3 Goods were purchased from Kashem Traders worth Tk. 34,000.

March 6 Biscuits were sold to Zahid Store for Tk. 15,000.

March 7 Shop rent of Tk. 16,500 was paid.

March 10 Goods were sold for Tk. 75,000 in cash.

March 17 Goods were purchased for Tk. 35,000 in cash.

March 19 Old machinery was sold for Tk. 15,000.

March 21 Flour was purchased from Janata Traders for Tk. 17,500.

March 28 The owner withdrew Tk. 4,500 from the business for personal use.

a. Calculate the total amount of sales On March based on the above information.

b. Show the effect of the transactions on March 1, 3, 7, and 10 on the accounting equation.

c. Determine the debit and credit for the transactions on March 6, 17, 19, and

3. 'Alam Services Center' started a computer training center on January 1, 2025, with Tk. 500,000 in cash; furniture worth Tk. 75,000; and a bank loan of Tk. 55,000. Other transactions during the month were as follows:

Jan 2 Office rent was paid of Tk. 22,000.

Jan 10 Papers were purchased at Tk. 5,000.

Jan 12 Computers were repaired at a cost of Tk. 32,000.

Jan 20 Wages of Tk. 8,500 were paid by cheque.

Jan 25 Training allowance of Tk. 13,000 from BCT Bank (Voucher No. 503) were received.

a. Determine the amount of opening or initial capital.

b. Determine or Identify the debit and credit sides of the above transactions with reasons.

c. Prepare a credit voucher based on the transaction of January 25.

4. Mr. Khalek started a business named Pew Traders on July 1, 2025, with Tk. 120,000 in cash and goods worth Tk. 75,000. His other transactions for the month were as follows:

July 4 Furniture was purchased for Tk. 66,000 in cash.

July 12 Goods were purchased worth Tk. 30,000 in cash.

July 15 Tk. 4,000 for transportation cost to bring the furniture purchased on July 4 was paid.

July 20 Stationery items were purchased for the business and paid Tk. 8,000 in cash.

July 25 Sales of Tk. 80,000 by cheque were made.

July 30 The owner withdrew Tk. 5,750 for personal use.

a. Determine the total amount of fixed assets from the above information.

b. Identify the debit and credit sides of the transactions of Pew Traders for July along with their reasons.

c. Determine the amount of owner's equity at the end of July for Pew Traders.

5. Mr. Rokeya is the owner of Panama Sons, The following transactions occurred in the month of January 2025:

Jan 1 Goods worth Tk. 5,50,000 were sold in cash.

Jan 10 Goods worth Tk. 1,20,000 were sold on credit to Priyonti Traders .

Jan 18 Goods worth Tk. 80,000 were purchased in cash.

Jan 25 The owner brought additional capital of Tk. 90,000 for the business.

Jan 30 Tk. 1,10,000 was received in cash from credit sales (accounts receivable).

a. Determine the net amount of debtors or Accounts Receivable from the above information.

b. Write the equation-based explanations for the above transactions.

c. Identify the debit and credit sides of Panama Sons' transactions along with their reasons.

6. Mr. Shahidul Islam does not maintain classified accounts properly in his business enterprise, Riyad Enterprise. On January 1, 2025, the total assets and liabilities of his business were Tk. 5,50,000 and Tk. 1,70,000 respectively. During the year, Mr. Shahidul Islam newly invested Tk. 50,000 into the business. He also withdrew Tk. 40,000 in cash throughout the year. As on December 31, 2025, the business had the following assets and liabilities– cash: Tk. 1,85,000, furniture: Tk. 1,80,000, Accounts Receivable: Tk. 1,30,000, inventory: Tk. 90,000, bank Loan: Tk. 60,000, Accounts Payable: Tk. 55,000

a. Determine the beginning capital of Riyad Enterprise.

b. Determine the ending capital of Riyad Enterprise.

c. Considering the beginning capital of Tk. 5,50,000 and the ending capital of Tk. 6,85,000, calculate the profit or loss of Riyad Enterprise in 2025.

Short Questions

1. Explain the fundamental principle of the double-entry system.
2. Explain the rules for determining the debit and credit of different types of accounts.
3. What is the accounting cycle? Explain it.
4. Explain the limitations of the single-entry system.
5. Why is a worksheet prepared?

Chapter Four

Capital and Revenue Transactions

Everybody expects that a business will continue for an indefinite period. It is also necessary to know about business profit or loss and the overall status of the business at specific intervals. Some transactions are such that the benefits go away in specific period. Some transactions are such that the benefits are achieved for a longer period. Considering this concept, transactions are divided into two types as Capital and Revenue. The actual profit and loss and the condition of the financial matter depend largely on dividing the transactions properly. So the object of accounting is achieved through identifying the two types properly.

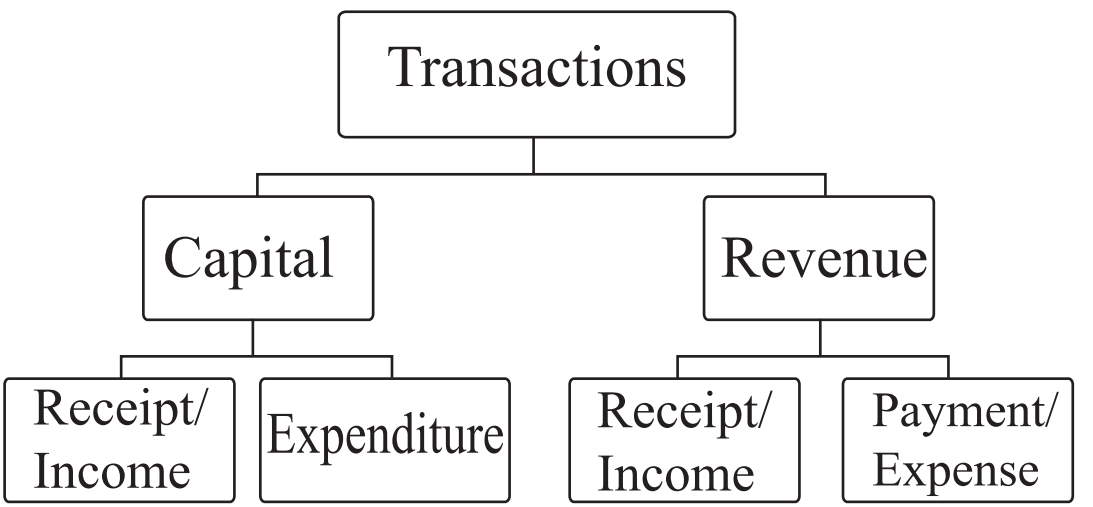


Chart: Classification of transactions

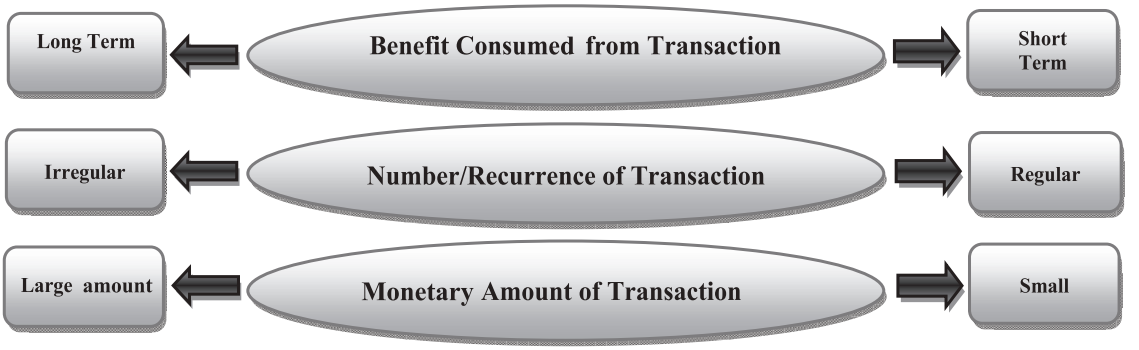
At the end of this chapter, we will be able to –

- describe the concept of capital and revenue transactions;
- identify the differences between Capital and Revenue transactions;
- identify the necessity of differentiating between capital and revenue transactions;
- apply Capital and Revenue transactions while preparing Income Statement and Statement of Financial Position.

Concept of Capital and Revenue Transactions

All the transactions are divided into two types, Capital and Revenue. Capital transactions give more benefits than Revenue transactions. Revenue transactions take place regularly while Capital is irregular. There are other features to differentiate these two types of transactions from each other.

We have seen in transactions earlier, whether it is non-cash or accrual, visible or invisible and other things. Transactions can be considered through following aspect -



Activity: Considering the above discussion divide the following transactions into two types-

- Taking loan from the bank worth Tk. 1,00,000
- Sold goods Tk. 5,000
- Purchased an Almirah on credit worth Tk. 20,000
- Paid salary to the workers Tk. 3,000
- Sold old automobile worth Tk. 70,000
- Received interest Tk. 500 from the deposited amount in bank

The transactions that give long term benefit (More than a year), the amount of which are bigger and not regular in occurrence are known as capital transactions. On the other hand, transactions that takes place regularly, the amount of which is comparatively small and recurring in nature, are called Revenue transactions.

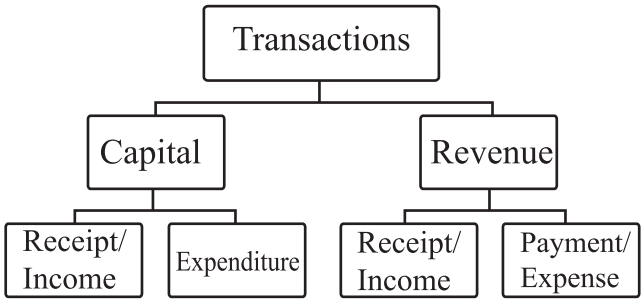


Chart: Classification of transactions

Capital Receipts and Income

The receipts which are irregular, amount of which are bigger and the benefits of which are more than a year, are known as Capital Receipts. In business capital brought, loan taken from bank, selling of fixed asset (land, furniture, machineries etc) are examples of Capital Receipts. However, Capital Receipts and Capital Incomes seem to be synonymous but the difference is identical. Capital Income is a part of Capital Receipt.

Capital Income does not occur every year and its example is not many. There can be some income if any machine is sold after using few years. For example, After using an old machinery for several years is sold for Tk. 80,000 and the current book value of which is at Tk. 65,000 Here the capital gain is Tk. 15,000 (80,000-65,000). It is to be noted that capital receipt of Tk. 80,000 is not the capital income fully.

Activity: Mr. Ratan bought a piece of land for Tk. 2,80,000 in 2025 and sold the same in 2025 for Tk. 4,00,000 Calculate his Capital Receipt and Capital Income.

Capital Expenditure:

All expenditure of non-recurring nature, the benefits of which are enjoyed by the business for more than one year is called Capital Expenditure. Fixed asset (land, furniture, machinery, motorcar etc) purchase, other expenditure related to the purchase of fixed asset (import duty, freight, carriage, installation expense etc.) is known as Capital Expenditure. It is to be remembered here that the expenses that increase



Assets earned through capital expenditure

the life or volume of asset will also be treated as Capital Expenditore. For example: a new parts worth Tk.10,000 is added to an existing old machinery to make it in a workable condition will increase the life of the machinery. It can be said that the expenditore which will ensure further utility over the period, will belong to Capital expenditore

Revenue Receipts and Income

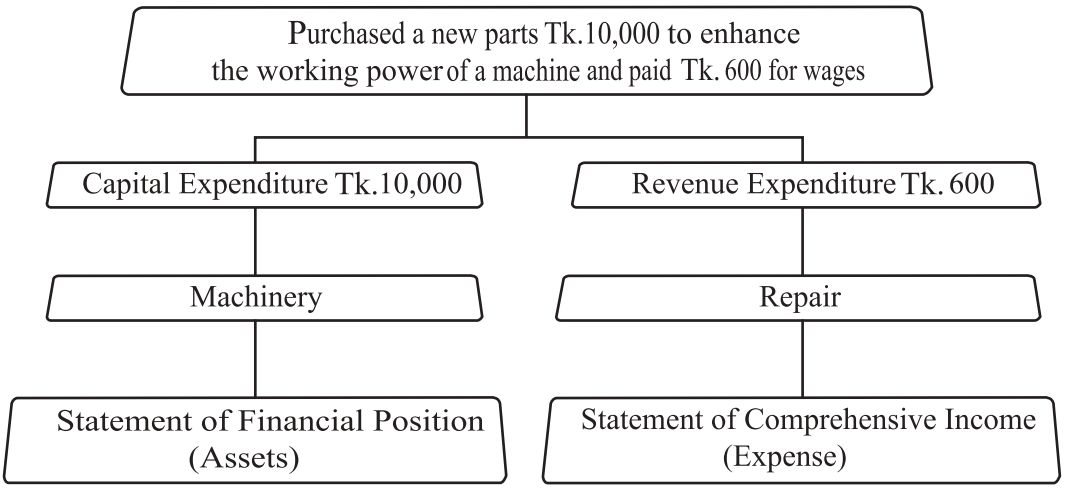
Receipts that are collected at regular intervals and benefits of which expires with in a specific period are called revenue receipts are called Revenue Receipts. Sale proceeds of goods, interest on money deposited in bank, rent received, commission received are examples of Revenue Receipts. However, these two sound similar but there are differences between revenue receipts and revenue income. Not all Revenue Receipts at a certain time is supposed to be treated as Revenue Income. For example, rent received Tk. 50,000 in 2024 but Tk. 10,000 of which are adjusted for 2025. Here Revenue Receipt is Tk. 50,000 but Revenue Income is Tk.40,000.

Activity: Give a tabular presentation of the differences between Capital Receipts and Revenue Receipts.

Revenue Payments/Expenses

The recurring payments of an organization are to run the business and the utility of which is expired within short time is called revenue payments Purchase of goods, rent paid, salary paid, purchase of stationery, advertisement expense etc. are the examples of Revenue Payments. Revenue Payments. do not acquire assets rather they contribute for the maintenance of asset. However, Revenue payments and expenses sound similar but there is a minor difference. Revenue Expense is only a part of revenue payments. Often previous accounting period's due and next accounting period's advance are paid along with current year's payments. The total amount paid together for current, previous, and next accounting period is revenue payments, only the current portion will be considered as revenue expense. If maintenance expense of fixed asset does not affect its lifetime, it will be recorded as revenue expense.

There are some expenses that revenue in nature but benefit obtained from the expense is not for a short term but for a long term of period. Brief idea about the expense is mentioned here:



Activity: Give a tabular presentation of the differences between Capital Expenditure and Revenue Receipts or Expenses.

Necessity for differentiating between Capital and Revenue Transactions

A businessperson needs to know his financial results and financial position after a certain period (generally one year). For this, at least three statements need to be prepared - Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Financial Position. From the Comprehensive Income we come to know the amount of profit and loss, from the Changes in Equity Statement the amount of owner's claim to the business and from the Statement of Financial Position we will be able to know about the assets and liabities of a business.

The impact of Capital and Revenue Transactions

Profit and loss of a business is ascertained by preparing Comprehensive Income Statement only based on Revenue Income and Expenses. On the other hand, assets, liabilities and owner's equity are ascertained by preparing Statement of Financial Position based on Capital Receipts and Capital expenditure. If these two types of transactions exchanges their position in financial statements, the actual profit/loss and assets, liabilities and owner's equity can never be identified.

Activity: What trouble would you face, if Capital Expenditure is considered as Revenue Expense?

Deferred Revenue Expenditures

An expenditure that is revenue in nature but whose benefits extend beyond the current accounting period is called deferred revenue expenditure. Since this expenditure offers benefits for more than a year, it is distributed among the accounting periods. Then the part of current accountıng period is recorded as revenue expense and the remaining part in recorded as capital expenditure for the time being. Expense of prior research for making a new product, big expenditure on an advertisement campaign, transfer cost of a business are some of the examples of deferred revenue expenditures.

List of Capital and Revenue Accounts

Capital & Revenue Transaction	Classification	Effects & Reason
1. Capital	Capital Receipts	Will be used in business for several years and have to return to owner.
2. Sale of Land, Building and old Machinery	Capital Receipts	Irregular receipts
3. Loan Taken	Capital Receipts	Will be used in business for several years and have to return.
4. Sale of goods	Revenue Income	Regular
5. Interest on Investment	Do	Do
6. Rent received of building	Do	Do
7. Dividend from Investment in Share	Do	Do
8. Commission received in exchange of service	Do	Do
9. Purchase of Land	Capital Expenditure	Irregular & long term benefit
10. Registration Exp. of Land	Do	Added with cost of Land
11. Construction of Building	Do	Irregular & long term benefit
12. Purchased Machinery	Do	Do
13. Research cost for new product	Deferred revenue exp	Benefit continue several years.
14. Transportation cost of Machine	Capital Expenditure	Irregular and Related to machinery
15. Large amount spent for machine repair	Do	Irregular & Enhance the useful life
16. Purchase of furniture	Capital Expenditure	Irregular & long term benefit
17. Purchase of goods	Revenue Expense	Recurring
18. Salaries & wages	Do	Do
19. Interest on Loan	Do	Do
20. House rent paid	Do	Do
21. Telephone and Electric Bill	Do	Do
22. Advertising Expense	Do	Do
23. Insurance premium paid	Do	Do
24. Regular repairing exp. of Machine	Do	Do
25. Depreciation on Building, Machine & Furniture	Do	Do

Activity: Make an example list of some other Capital & Revenue Expenditures.

Illustration:

Following information are extracted from the accounts of Bengal Engineering Firm on 31 March 2025:

- Rent paid Tk.750
- Electric expense Tk.7,700 (Tk.6,000 for new wire purchase)
- Transportation cost Tk. 6,500 (Tk. 5,000 for bringing new cement mixture machine)
- Purchased drilling machine Tk. 4,100.

Requirements:

What is the amount of capital & revenue expenditure?

Solution:

Capital Expenditure:		**Revenue Expenditure:**	
New electric wire cost	Tk.6,000	Rent	Tk.750
New mixture machine transport cost	Tk.5,000	Electric expense	Tk.1,700
Drilling machine	Tk.4,100	Transport cost	Tk.1,500
	Tk.15,100		Tk.3,950

Sample Questions

Multiple Choice Questions

1. Which of the following is a capital expenditure?
   a. Payment of interest b. Payment of rent
   c. Purchase of machinery d. Purchase of goods
2. If a capital expenditure is recorded as a revenue expenditure, which of the following will be incorrectly determined?
   a. Bank balance b. Accounts receivable
   c. Accounts payable d. Net profit
3. Revenue expenses are–
   i. Purchase of a car for sale
   ii. Purchase of equipment for business use
   iii. Payment of road tax and insurance premium for a delivery van

   Which of the following is correct?
   a. i and ii b. ii and iii
   c. i and iii d. i, ii, and iii

4. What does the money received from selling machinery by a machinery trading company indicate?
   a. Capital receipt b. Capital income c. Revenue income d. Revenue receipt

5. Import duty on goods for business purposes is-
   a. Capital expenditure b. Revenue expense
   c. Deferred revenue expenditure d. Revenue income

6. An amount of Tk. 5,000 was spent for the registration of land purchased for business use. What type of expenditure is this?
   a. Revenue b. Capital
   c. Regular d. Deferred revenue

7. Included items in the Comprehensive income statement will be-
   i. Revenue expenses ii. Revenue income iii. Capital expenditure
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

8. Included in the statement of financial position (balance sheet) will be-
   i. Capital receipt ii. Revenue expense iii. Deferred revenue expenditure
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and ii

9. What type of transaction is the payment of freight for bringing business goods?
   a. Revenue b. Capital c. Deferred revenue d. Non-operating

10. Deferred revenue expenditures are—
   i. Payment of Tk. 100,000 to an ad agency for publicity for 3 years
   ii. Advance payment of Tk. 15,000 for 3 months' rent
   iii. Business transfer expense of Tk. 25,000
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and ii

Read the following passage and answer questions 11, 12, and 13:

On January 1, 2022, Mr. Plabon Bhowmik purchased a machinery worth Tk. 40,000 for his business and spent an additional Tk. 5,000 for its installation. In 2025, he sold the machinery for Tk. 25,000 At that time, the book value of the machinery after depreciation was Tk. 24,000

11. What is the total amount of capital expenditure?
   a. 40,000 b. 45,000 c. 46,000 d. 69,000

12. What is the total depreciation of the machinery over four years?
   a. 15,000 b. 16,000 c. 20,000 d. 21,000

13. What is the amount of capital income?
   a. 1,000 b. 15,000 c. 16,000 d. 20,000

Creative Questions

1. In 2025, a portion of the transactions of a business enterprise named Borhan Enterprise is as follows:

Description of Transactions	Amount (Taka)
Capital invested in the business	5,00,000
Purchase of machinery	1,50,000
Loan taken from Bank	3,00,000
Purchase of goods	10,00,000
Payment of employees salaries	3,80,000
Payment of electricity and telephone bills	12,000
Depreciation on machinery	15,000
Profit received from invesment	14,000
Rent paid (including Tk. 3,000 for the year 2026)	40,000
Commission received (including Tk. 4,000 for 2024)	50,000
Sale of goods	20,00,000
Withdrawal for owner's personal use	5,000

a) Determine the amount of capital receipts. 2
b) Determine the amount of revenue income and revenue receipts. 4
c) Determine the amount of revenue expense and revenue payments. 4

2. In April 2025, the following business transactions took place in Sakib Traders:

April 1 Expense for relocating or transferring the business from Dhanmondi to Motijheel Tk. 25,000
April 2 Purchase of stationery items Tk. 3,000
April 4 Purchase of new machine Tk. 160,000
April 5 Transportation cost for the newly purchased machine Tk. 7,500
April 7 Installation cost of the new machine Tk. 15,000
April 10 Repair cost of old computer Tk. 3,000
April 12 Purchase of new battery and tires for office vehicle Tk. 40,000
April 15 Research expense for a new product Tk. 18,000

a. Determine the amount of deferred revenue expenditure.
b. Determine the amount of capital expenditure and revenue expense.
c. If the machine purchased on April 4 is sold for Tk. 195,000 determine the amount of capital receipt and capital income.

3. On January 2025, Mr. Nazim operated a restaurant named 'Castle Three Star' at Uttara, Dhaka. A few of the restaurant's transactions are as follows:

- Purchase of Utensils Tk. 80,000
- Purchase of decoration items or materials Tk. 20,000
- Expense for publicity Tk. 3,000
- Repair of van which is used for transporting goods Tk. 1,000
- Collected bill for organizing a birthday party at the restaurant Tk. 22,000
- Purchase of a new compressor to repair a damaged refrigerator Tk. 8,000
- Payment of employee salaries Tk. 9,000
- Income from providing services to customers Tk. 25,000
- Rent payment Tk. 50,000
- Purchase of Almirah Tk. 25,000

a. Determine the total amount of revenue income.
b. Determine the amount of revenue expense.
c. Determine the amount of capital expenditure.

4. Some business transactions of the enterprise named 'Raha & Brothers' for the month of June 2025 are as follows:

Capital brought into the business Tk. 2,50,000
Purchase of goods Tk. 7,00,000
Discount received Tk. 5,700
Purchase of electrical equipment Tk. 4,00,000
Interest received from investment (50% of 2024's) Tk. 40,000
Profit from sale of furniture Tk. 4,500
Payment of import duty Tk. 5,000
Purchase of refrigerator for business Tk. 75,000
Loan taken from the bank Tk. 50,000
Sale of goods Tk. 7,30,000
Insurance premium Tk. 7,500
Apprenticeship premium (75% of which is from last year) Tk. 40,000
Sale of old computer Tk. 10,000
Interest paid on loan Tk. 5,000

a. Determine the amount of capital expenditure.
b. Determine the amount of revenue income and revenue expense.
c. Determine the total amount of capital receipts and revenue receipts.

5. On May 2025, two friends, Probir and Supriya, jointly opened a chain shop named Aguan Departmental Store. Some of the transactions of the shop are as follows:

May 4 Purchase of goods on credit Tk. 50,000
May 7 Expense for modifying shop decoration Tk. 1,00,000
May 10 Transportation cost of goods Tk. 1,500
May 12 Sale of goods Tk. 18,000
May 15 Discount allowed Tk. 700
May 16 Sale of goods on credit Tk. 22,000
May 20 Purchase of refrigerator for the shop Tk. 45,000
May 22 Payment of electricity bill Tk. 1,200
May 25 Commission received Tk. 3,000
May 30 Dividend received Tk. 2,000

a. Determine the total amount of capital transactions from the above information.
b. Determine the total amount of revenue expenditure for the month of May for the business.
c. Determine the total amount of revenue income for the month of May for the business.

Short Questions

1. Write two differences of capital and revenue transaction.
2. Explain the relationship between capital receipts and income with examples.
3. Explain the relationship between revenue payments and expense with examples.
4. Explain the impact of capital and revenue transactions on the preparation of financial statements.
5. Explain the concept of deferred revenue expenditure with examples.

Chapter Five

Accounts

Financial transactions change the financial position of the business. Cash receipts as well as cash payments is done through transactions. For some transactions income or expense may increase and decrease; alternatively assets or liabilities may also increase and decrease by transaction. The effects of transactions on income, expense, assets or liabilities are recorded in a specific table following the rules of the double entry system, and the total and net amounts of each account are determined. In a particular table/chart the income, the expense, the asset or the liability that is affected by transaction are recorded as per double entry system and it calculates the gross and net amount of that particular item. Accounts are prepared to know the continuous change and the net amount of each item.

'T'— Account

Account's Title

Debit Account's code no…… Credit

Date	Particulars	J.F.	Taka	Date	Particulars	J.F.	Taka

'Continuing Balance'— Account

Account's Title Account's code no…

Date	Explanation	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)

chart: Accounts Table

At the end of this chapter, we will be able to –

- explain the concept and features of accounts;
- keep accounts using different types of table ('T' account and 'continuing balance' account);
- classify accounts as per Accounting Equation;
- record Debit and Credit in related accounts as per Double Entry System.

Concept of Accounts:

The main objective of Accounting is to calculate financial result and financial position. To achieve this objective, it's required to record the transactions in, disciplined & proper way. Because of transactions continuous increase-decrease happen to assets, liabilities, income, expenses and to equity. It's needed to record continuous increase-decrease and to know the net amount of each item at an interval of specific time.

Event:

Mahi Traders in March 2025 sold goods Tk. 15,000; sold old furniture for Tk. 3,000 and loan taken from bank Tk. 5,000. He spent Tk. 8,000 for house rent; Tk. 6,000 for gas & electric bill; Tk. 3,500 for conveyance; and Tk. 2000 for salary of employees.

All cash receipts and all cash payments are mentioned above of Mahi Traders for the month March 2025. How much cash balance will be left in hand? To know the balance, following way can be applied-

Total Receipts = (15,000+3,000+5,000) = Tk. 23,000

Total Payments= (8,000+6,000+3,500+2,000)= Tk. 19,500

Balance = (23,000-19,500) = Tk. 3,500

Accounting follows a particular table to present the above information –

Cash Account

Debit **Credit**

Particulars	Taka	Particulars	Taka
Sales	15,000	House rent	8,000
Sale of furniture	3,000	Gas & electric bill	6,000
Bank loan	5,000	Conveyance	3,500
		Salaries	2,000
		Balance (Difference)	3,500
	23,000		**23,000**

This type of table is kept for each type of assets, liabilities, revenues or incomes, expenses & equity of business organization separately and the balance of each one is calculated.

Activity: How is the above table of accounts look like and what special things you are observing?

Account is such a table or statement where the changes & position of each financial item are disclosed. Cash Account, Furniture Account, Bank Account, Purchase Account, Sales Account, Salaries Account, Rent Account etc.

Table of Accounts

Two types of tables are used in Accounting for preparing account:

'T'—Table

Account's Title

Debit Account's code no…… Credit

Date	Particulars	J.F.	Taka	Date	Particulars	J.F.	Taka

'Continuing Balance'– Table

Account's Title Account's code no…

Date	Explanation	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)

Features of 'T'- Table

- There will be a title of Account
- The table will be divided into two parts Debit & Credit
- There will be four columns on each side, making a total of eight columns.
- Balance of accounts(Difference between total Debit & total Credit) should be calculated after an interval of specific time period
- Should have a code number for each account

Features of 'Continuing Balance'- Table

- There will be a title of Account
- Should have a code number for each account
- One column each for date, explanation & Ref.
- Total four columns for amount (Taka)
- Debit & Credit amount column situated side by side
- Balance of accounts is calculated after posting of each transaction

Activity: Identify the differences between the two tables.

N: B: Balancing of accounts is described thoroughly in 'Ledger' chapter.

Classification of Accounts

We can classify accounts very easily by analyzing the Accounting Equation (A=L+OE)

Assets = **Liabilities** + **Owner's Equity**

or

Assets	=	Liabilities	+	Owner's capital+ Revenues – Expenses – Owner's Drawings

By observing the above equation, it is possible to identify that Accounts are five types:

1. Assets 2. Liabilities 3. Owner's Equity (OE) 4. Revenues 5. Expenses

Relation of Transactions with Accounts

SL No.	Name of Account	Type	Account-related Transactions
1.	Capital	(OE)	Money, goods, assets, and other services provided by the owner to the business record in Capital Account
2.	Drawings	(OE)	Money, goods, assets, and other services taken for own use by the owner from the business record in Drawings Account
3.	Cash	Assets	Cash received and cash payments by the transactions record in Cash Account
4.	Bank	Assets	Deposited amount of bank increase & decrease by the transactions record in Bank Account.
5.	Purchase	Expenses	Goods purchase (anything bought for sale) on cash, cheque, card, credit & bill and Goods stolen, destroyed, used & distributed record in Purchase Account.
6.	Sales	Revenues	Goods sale (anything bought for sale) on cash, cheque, card, credit & bill record in Sales account
7.	Furniture	Assets	Chair, Table, Almirah, Show-case, File cabinet and other fixed assets buy & sale record in Furniture Account.
8.	Plant & Machinery	Assets	Different machine purchase, installation, extension and sale record in Plant & Machinery Account
9.	Return outwards	Expenses	Bought goods returned out record in Purchase return / Return outwards Account
10.	Return inwards	Revenues	Sold goods returned in record in Sales return / Return inwards Account
11.	Accounts payable	Liabilities	Goods purchased on account, goods returned out, paid to Accounts Payable, discount received and acceptance of bill record in Accounts Payable Account
12.	Accounts receivable	Assets	Goods sold on account, goods returned in, received from Accounts Receivable, discount allowed and acceptance taken of bill record in Accounts Receivable Account
13.	Bills Payable	Liabilities	Purchase through bill, bill acceptance to creditors, bill paid and nonpayment dishonored record in Bills payable Account
14.	Bills Receivable	Assets	Sale through bill, bill acceptance by debtors, bill realized and dishonored record in Bills Receivable Account.
15.	Inventory	Assets	At the end of accounting period amount of unsold goods is determined, which is ending stock of goods for that date and beginning stock of goods for the 1st day of next accounting period.

16.	Loan	Liabilities	Loan taken and repayments of loan for business from individual or organization record in Loan Account. Name of individual or organization can be added. Like- Rakesh's Loan A/c or Bank Loan A/c. If business provide loan 'Loan paid A/c'- should use.
17.	Investment	Assets	If the idle money of the business invested to Share, savings certificate, prize bond etc. for short or long time and sale of these record in Investment Account.
18.	Salaries	Expenses	Salary paid or due to employee record in Salary Account. No account will be opened under the name of employee.
19.	Stationary	Expenses	Purchase of paper, pen, pencil, scale, file cover, pin, clip etc. to operate the administrative activities of business record in Stationary Account
20.	Rent Account	Expenses	Factory, office, showroom & other places rent paid & due record in Rent Account. If business required, separate rent account can be opened for each type. i e office rent account, factory rent account, sub tenant account etc.
21.	Carriage expense	Expenses	Carriage inward & Carriage outward accounts are opened to record goods bringing in and sending out expense at the time of buying and selling goods respectively.
22.	Interest	Expenses & Revenues	Interest Account is to open for interest receive & payment and receivable & accrued interest. Received or receivable interest on investment, on drawings, on loan paid, on bank deposit and on other hand paid or payable interest on capital, on loan, on bank overdraft accounts are opened
23.	Advertisement	Expenses	Advertisement Account open for any kind of promotional & publicity expense of the business. Poster, banner, radio, television, free distribution of goods is most of them.
24.	Bad debts	Expenses	Bad debts account is opened due to debtors' death, bankruptcy or for any other reason. It can be mentioned here that provision for bad debts account is opened for doubtful debts.
25.	Discount Allowed Received	Expenses & Revenues	Allowing some rebate for realizing the receivable amount to debtors and receiving some rebate on paying the owed amount to creditors record in Discount Account. Allowing & receiving discount is recorded in two separate accounts respectively discount allowed and discount received account.
26.	Depreciation	Expenses	The value of fixed assets decreases for being used, the reduced part records in Depreciation Account
27.	Expense due & Receivable Income	Liabilities & Assets	Separate accounts are opened for revenue expense due and revenue income accrued. For example, salaries due account, Interest due on loan account, commission receivable account, interest receivable account etc.

28.	Prepaid Expense & Advance Income	Assets & Liabilities	Prepaid expense Advance income accounts are opened to record respectively expenses paid before getting service and income realized before providing service. For example- prepaid insurance premium, prepaid rent account, advance apprenticeship premium account, advance sub-tenants account etc. Advance income is considered as unearned income.
29.	Repair Account	Expenses	Repair of Fixed assets (Furniture, Machinery, Building, Motor vehicle etc.) is generally recorded in Repair account
30.	Office Equipment Account	Assets	Office Equipment Account is opened to record purchase & Sale of computer, AC, photocopier, printer etc & other expenses related with purchase.
31.	Office Supplies Account	Assets	The price of watch, stapler, calculator, paper weight etc. is comparatively small but provides services for a long time. Office Supplies Account is affected for these purchases.

N: B: Ideas about some important accounts are shown in the above chart.

Group Work: Divided into several groups of students, prepare a list of asset, liability, equity, revenue and expense account.

Debit and Credit

We have observed the terms 'Debit' and 'Credit' in both 'T' and 'the Continuing Balance' table. It is not possible to prepare account without identifying debit and credit. So, part of this lesson is explained with the principle of identifying debit and credit of different types of accounts.

Left side of the account is called debit and the right side is credit. These two words give direction to accounts. The word Debit means left and Credit means right. That's why left side of the account is Debit and right side is Credit- it's a convention of Accounting.

We have learnt in Double Entry System chapter that each transaction brings two equal opposite changes. One change is Debit and other one is Credit.

At least two accounts are affected by each transaction, one's debit side affect so the other's credit. Same side of two accounts will not be affected by transaction. Means it will not debit & debit or credit & credit.

Both side of the Accounting Equation will be always equal after each transaction and total debit amount of accounts will be equal to total credit amount of accounts. These two theories help in ascertaining debit & credit of accounts.

A	=	L	+	OE

Assets	=	Liabilities	+	Owner's Equity

Total Debit	=	Total Credit

Assets		Liabilities		Equity
Debit	=	Credit	+	Credit

Owner's equity increases by bringing in capital (cash or any other asset) & earned incomes and on other hand, owner's equity decreases by owner's drawings (cash or any other asset) & expenses incurred. It is to be noted that cash or any other assets brought in or taken out by owner should be recorded in accounts separately, so that the total amount of these two can be known easily.

Summary of Determining Debit and Credit

Debit	**Credit**
* Assets increase	* Assets decrease
* Liabilities decrease	* Liabilities increase
* Equity decrease	* Equity increase
* Revenue decrease	* Revenue increase
* Expense increase	* Expense decrease

Effects of transactions on accounts is shown with examples-

Started business with cash Tk. 50,000

Both cash (assets) and equity increased by the transaction-

Cash account (Assets increase)	Debit	Tk. 50,000
Capital account (Equity increase)	Credit	Tk. 50,000

Furniture purchased Tk. 10,000

Furniture increased & cash decreased by the transaction-

Furniture account (Assets increase)	Debit	Tk. 10,000
Cash account (Assets decrease)	Credit	Tk. 10,000

Open a bank account by depositing Tk. 5,000

Bank account (Assets increase)	Debit	Tk. 5,000
Cash account (Assets decrease)	Credit	Tk. 5,000

Goods sold for cash Tk. 12,000

Cash account (Assets increase)	Debit	Tk. 12,000
Sales account (Revenue increase)	Credit	Tk. 12,000

Cash withdrawn Tk. 1,000 by the owner

Drawings account (Equity decrease)	Debit	Tk. 1,000
Cash account (Assets decrease)	Credit	Tk. 1,000

Activity: Using the following table determine Debit & Credit mentioning accounts classification with reason of each transactions:

1. The owner brought furniture in business Tk. 5,000
2. Goods purchased a from Bimal Traders Tk. 7,000
3. Goods sold on credit Tk. 9,000
4. Goods returned to Bimal Traders Tk. 1,000
5. Sold out goods on credit returned in Tk. 2,000
6. Prepaid rent Tk. 3,000
7. Withdrawn from bank for owner Tk. 2,000
8. Loan taken from Ramjan Tk. 6,000
9. Paid to Bimal Traders Tk. 3,000
10. Received from Accounts receivable Tk. 5,000

SL No.	Party / Account	Classification of accounts	Debit/ Credit	Taka	Reason
1.	Furniture	Assets	Debit	5,000	Assets increase
	Capital	(OE)	Credit	5,000	Equity increase
One transaction is presented in the table to understand.					

Sample Questions

Multiple Choice Questions

1. How many columns are there in a 'T' account?

a. 6 b. 7 c. 8 d. 10

2. The correct expression of the accounting equation is–

i. Assets = Liabilities + Owner's Equity

ii. Assets – Owner's Equity = Liabilities

iii. Assets + Owner's Equity = Liabilities

Which of the following is correct?

a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

3. What is called the difference between the total debit and total credit amount of an account?
   a. Profit b. Loss c. Liability d. Balance
4. What type of account is a Accounts Receivable?
   a. Asset b. Owner's Equity c. Liability d. Income
5. Accounts belonging to the same category are—
   i. Salaries ii. Sales iii. Advertisement
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and iii
6. An account related to a transaction is credited when—
   i. Assets increase ii. Owner's equity increases iii. Expenses decrease
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and iii
7. What is prepared to know the continuous changes and net amount of each account in a business?
   a. Account b. Voucher c. Journal d. Trial Balance
8. If an organization or institution purchases shares, debentures, or bonds with idle money, which account is used?
   a. Capital b. Drawings c. Investment d. Loan
9. When is the account balance determined in a moving or running balance format?
   a. At the end of every week b. At the end of every month
   c. After recording each transaction d. At the end of each day
10. According to the accounting equation, how many types of accounts are there?
    a. 4 b. 5 c. 6 d. 7
11. Which transaction will increase the amount of owner's equity?
    a. Withdrawal of Tk. 2,000 from the bank for the owner
    b. Purchase of furniture worth Tk. 5,000
    c. Sale of goods on credit worth Tk. 8,000
    d. Goods purchase in cash worth Tk. 2,000

Based on the information below, answer questions 12 and 13 -
The balances of accounts of Naresh Traders as on May 31, 2025, were as follows: Furniture Tk. 20,000, Cash Tk. 30,000, Purchase Tk. 10,000, Sales Tk. 25,000, Capital Tk. 40,000, Drawings Tk. 5,000.

12. What is the total amount of assets of Naresh Traders?
    a. 50,000 b. 60,000 c. 65,000 d. 75,000

13. What will be the net amount of owner's equity?
    a. 35,000 b. 50,000 c. 65,000 d. 70,000

Based on the information below, answer questions 14 and 15-

Mr. Zahid started a business named Zahid Traders on January 1, 2025, with cash of Tk. 2,00,000, prize bonds worth Tk. 20,000, and Loan Tk. 25,000. On January 31, he paid employees' salaries amounting to Tk. 5,000.

14. What is the amount of the beginning capital of Zahid Traders?
    a. 2,45,000 b. 2,20,000 c. 2,00,000 d. 1,80,000

15. As a result of the Tk. 5,000 transaction above, in the accounting equation-
    i. Element A will be decreased
    ii. Element L will be increased
    iii. Element OE will be decreased
    Which of the following is correct?
    a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

Creative Questions:

1. The balances of various accounts of "Shaheen Enterprise" as on December 31, 2025 are as follows:

Capital Tk. 2,50,000
Mortgage Loan Tk. 1,00,000
Advance Rent Tk. 20,000
Income Tax Tk. 15,000
Outstanding Salaries Tk. 12,000
Life Insurance Premium Tk. 5,000
Bills Payable Tk. 30,000
Furniture Tk. 90,000
Accounts Receivable Tk. 65,000
Accounts Payable Tk. 40,000
Interest receivable Tk. 5,000
Machinery Tk. 1,20,000
Bank Account Tk. 55,000
Cash Account Tk. 25,000

Advance Commission Received Tk. 4,000, Goodwill Tk. 15,000, Unearned Sublet Rent Tk. 2,000, Bank overdraft Tk. 8,500, Outstanding Supplies Tk. 3,000.

a. Calculate the total amount of Drawings from the above information.
b. Identify the asset accounts of Shaheen Enterprise and calculate the total amount.
c. From the above accounts, calculate their total amount of liabilities.

2. Mr. Apu started a business named "Compose and Copy" on January 1, 2025, with cash of Tk.1,70,000 and two photocopy machines each worth Tk.75,000. Other transactions in that month were as follows:

On Jan 3 Opened a bank account by depositing Tk. 50,000.
On Jan 4 Paid Tk. 15,000 for installing an electric meter in the shop.
On Jan 7 Purchased photocopy and compose paper of Tk. 2,000.
On Jan 8 Purchased a fan on credit for Tk. 3,000.
On Jan 15 Distributed Leaflets in the area for shop promotion at a cost of Tk. 2,000.
On Jan 24 Received Tk. 8,000 for photocopying questions for a school.
On Jan 30 Paid Tk. 5,000 by cheque for shop rent.

a. Determine the amount of opening capital from the above information.
b. Show the classification of accounts involved in the transactions dated on January 1, 3, 7, and 15.
c. Determine the debit and credit for the transactions dated on January 4, 8, 24, and 30.

3. Few transactions of the wholesale business of rods and cement, "Messrs Padma Steel," for March, 2025 are as follows:

March 2 Purchased 1,000 bags of cement of Tk. 400,000.
March 6 Purchaseda new scale for measuring rods and cement of Tk. 40,000.
March 9 Received a cheque of Tk. 200,000 for previous receivables.
March 15 Withdrawn Tk. 150,000 from the bank.
March 18 Sold 200 bags of cement to Reza Traders for Tk. 100,000.
March 20 Paid truck rent of Tk. 25,000 to bring 100 tons of rods.
March 26 Returned 10 bags of cement from Reza Traders.
March 28 Purchased a motor van for transporting rods and cement worth Tk. 220,000.

a. Calculate the amount of expense accounts from the above information.
b. For the transactions from March 2 to March 15, mention the types of accounts and deter mine the debit and credit.
c. For the transactions from March 18 to March 28, determine the debit and credit with the reasons.

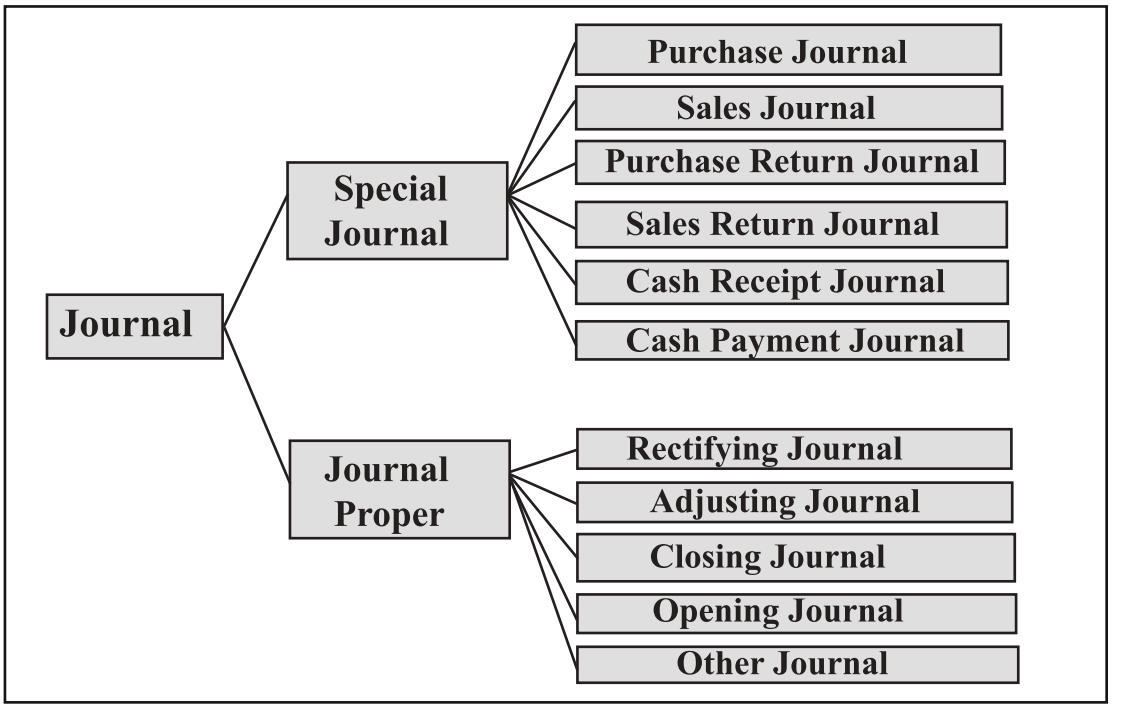
Short Questions

1. Why is account prepared?
2. Write two features of T-table.
3. Write two features of continuing balance table.
4. How is the balance of an account determined?

Chapter Six

Journal

After the identification of financial and non-financial events, it is necessary to record the financial transactions in the books of accounts analyzing Debit and Credit parties. Transactions have differences in nature; the classification of journal is made considering the nature & features of transactions. A transaction should be recorded in such types of journal, where it is appropriate. If the evidence of transaction is justified during recording, the acceptability of recorded accounts increases enormously.



Classification of Journal

At the end of this chapter, we will be able to–

- explain the concept and importance of journal as an opening entries.
- classify journal.
- provide general journal entry.
- prepare purchase and sales journal through invoice, purchase return journal through debit note and sales return journal through credit note.
- prepare cash receipt journal and cash payment journal properly.

Concept of Journal

After the transactions occur, we have to record the detail of that as quickly as possible. The detail of the transaction is recorded first in journal primarily. Analyzing the debit and credit side of a transaction it is written chronologically with explanation in a journal. Later on the journal is acted as the helping book for the principal book Ledger. Therefore, the journal is called the primary book of accounts.

Keeping of journal is not compulsory but for the benefit of keeping records, it is required to be kept. If transactions are kept in a journal, the chance of happening omission of errors reduces significantly.

Activity: Explain the features of journal based on the above discussion.

Importance of Journal

The book of accounts of an organization must be fair and free from errors. The financial result and the financial position of business are calculated based on the accounts. For achieving these principal objectives of accounting, the role of journal is described below-

Recording Transactions: Many transactions take place in an organization. Transferring those immediately to the ledger may not be possible. If transactions are recorded in a journal then transferring those later on in a ledger become easier.

Knowing the total number and amount of transactions: It is not possible from ledger to know how many transactions took place on a certain day, in a week or in a month. Since transactions are recorded chronologically in a journal, on a certain date, week or month the total number of transaction can be ascertained. It's also possible to know the total amount of transactions in different times.

Application of Dual Entity: In double entry system transactions are recorded into concerned Debit & Credit accounts together. So, the application of dual entity can be confirmed from journal.

Explanation of Transaction: If any question or doubt arises about any transaction, its explanation can be obtained from journal. Because after recording the transaction into the journal, its reasons and explanation are also provided.

Reduce error & faults: If transactions are recorded in journal before posting to ledger, the faults, omission from ledger become less likely to occur.

Future Reference: In journal, transactions are arranged systematically in a chronological manner. In future, it can be used as a proof or evidence.

Helping aid to principal book: Since journal act as a helping book to ledger, so preparation of ledger becomes easier, clear and faultless.

Specimen of General Journal:

Date	Particulars / Account Titles & Explanation	Ref.	Debit (Tk.)	Credit (Tk.)
	Total		*******	*******

Activity: Drawing the above table, the teacher will ask the students to tell the nature/features of this.

Date: In this column, the date when transaction occurs i.e. year, month and day must be mentioned. Journal must be kept continuously according to the occurrence of the transaction chronologically as they take place.

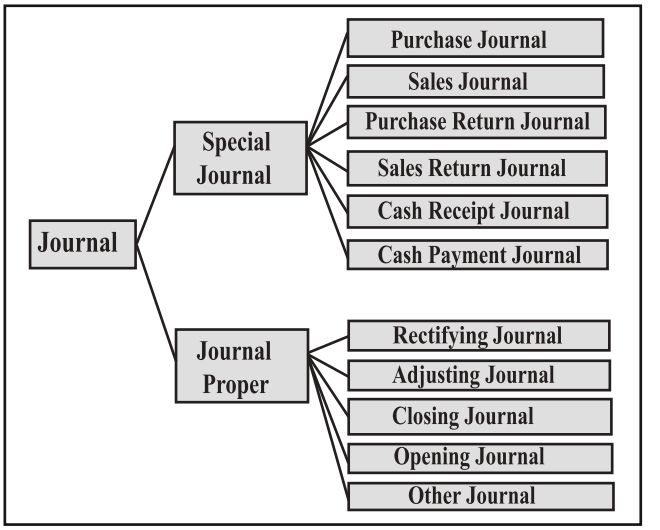
Particulars: In this column the debit & credit accounts/ parties related to the transactions are mentioned. Always the debit party is recorded in the first list and the credit party is recorded in the secondlist. Besides, a brief explanation is also provided.

Referance or Ledger Folio: Debited and credited accounts related to transaction will be written later permanently in Ledger, the page number of which is mentioned in this column. So the transaction can easily be identified from the ledger.

Debit and Credit: The amount of Debit and Credit is posted in debit and credit column respectively. Both columns should be equal in terms of amount. After recording each transaction a line should be drawn at the description column.

Classification of Journal

Among the transactions of business based on nature and characteristics lot of differences are seen. Transactions are to be recorded according to their nature. Classification of journal plays a subsidiary role to keeping ledger accounts and to preparing financial report. So journals are classified under the following manner-



Special Journal

Almost all the transactions that take place in a business are recorded in a special journal.

1. **Purchase Journal:** All the goods purchased on credit for business are recorded in this journal.
2. **Sales Journal:** All the goods sold on credit are recorded in this journal.
3. **Purchase Return Journal:** Goods purchased on credit but returned are recorded in this journal.
4. **Sales Return Journal:** Goods sold on credit but returned are recorded in this journal.
5. **Cash Receipt Journal:** The transactions that are related to cash receipts (including goods sold for cash) are recorded in cash receipt journal.
6. **Cash Payment journal:** The transactions that are related to cash payments (including goods purchased) are recorded in cash payment journal.

Factors to be considered for General Journal:

According to double entry system each transaction includes at least two parties. One party is debit and the other one is credit. We identify both the parties with journal. A transaction should always consist of a debit and credit is not applicable. Based on transactions there can be more than one debits or credits items. But it should be observed specially that the total amount of debit must be equal to the total amount of credit. Here, it is to be remembered that only identifying two parties is not thereby enough, besides the proper title of each heads of accounts is also important. If it is wrongly done,the real financial

picture of the business will never be disclosed. In the accounts chapter the idea related to concerned accounts have been discussed.

Some considerable factor relating to journal are discussed below:

(a) No accounts will be opened under the name goods, materials, cheque etc.

Transaction	Journal Entry	
Goods sold	Cash	Debit
	Sales	Credit
Cheque issued for goods purchase	Purchase	Debit
	Bank	Credit

(b) If name of the seller & buyer respectively for goods purchase & goods sale are mentioned, it will be considered as credit transaction. But besides name- cash, cheque, bank etc. words attached will not be considered as credit.

Transaction	Journal Entry	
Purchase from Hasan Traders	Purchase	Debit
	Accounts payable (Hasan Treaders)	Credit
Goods sold to Khaled for cash	Cash	Debit
	Sales	Credit

(c) Goods bought & sold on credit is mentioned but the name of seller & buyer is not mentioned then for purchase Accounts payable account and for sale Accounts receivable account will be recorded.

Transaction	Journal Entry	
Goods purchase on credit	Purchase	Debit
	Accounts Payable	Credit
Goods sold on account	Accounts Receivable	Debit
	Sales	Credit

(d) For purchase return and sales return- consider that the purchase & sale had made earlier on credit.

Transaction	Journal Entry	
Returns inward	Sales Returns	Debit
	Accounts Receivable	Credit
Purchased goods returned	Accounts Payable	Debit
	Purchase Returns	Credit

(e) For buying & selling assets, the words new, old, purchase, sale etc. can not be used. Such as Furniture purchase account, Old furniture sales account, New office equipment account etc. named accounts can't be opened.

Transaction	Journal Entry	
Purchase of new Furniture	Furniture	Debit
	Cash	Credit
Sold of old Machine	Cash	Debit
	Machinery	Credit

(f) There will be no accounts under the name of individual or institute for income & expenses generally. Though the income is accrued and expense is due.

Transaction	Journal Entry	
Salaries paid to employee Jamil	Salaries	Debit
	Cash	Credit
Stationery purchased on credit from Moni Stationeries	Stationery	Debit
	Accounts Payable	Credit
Commission receivable from Topu Traders	Commission Receivable	Debit
	Commission Revenue	Credit

(g) Amount of the goods decreases because goods is used personally or for business, distributed freely for advertisement, stolen, destroyed etc., so for all these situations Purchase account will be credited.

Transaction	Journal Entry	
Goods withdrawn for personal use	Drawings	Debit
	Purchase	Credit
Goods stolen from shop	Sundry loss	Debit
	Purchase	Credit

(h) Withdrawn from business means owner's drawing. Withdrawn from bank is considered for business. If it is mentioned for owner, will be recorded in – Drawings account.

Transaction	Journal Entry	
Withdrawn from Business	Drawings	Debit
	Cash	Credit
Withdrawn from Bank	Cash	Debit
	Bank	Credit

(i) Goods, cash, any asset stolen or destroyed will be recorded in Sundry loss account.

Transaction	Journal Entry	
Money stolen from cash box	Sundry Loss	Debit
	Cash	Credit
Goods destroyed by fire	Sundry Loss / Loss on fire	Debit
	Purchase	Credit

(j) Bank account will be directly affected by bank interest allowed or charged and charges of bank.

Transaction	Journal Entry	
Interest allowed by Bank	Bank	Debit
	Bank Interest	Credit
Bank charged for expenses	Bank Charge	Debit
	Bank	Credit

(k) If the value of the fixed assets decreases because of using or for any other reason, "Accumulated Depreciation account – respective assets" -named account will be credited in place of being credit the respective assets account.

Transaction	Journal Entry	
Depreciation charged on furniture	Depreciation	Dr.
	Accumulated Depreciation (Furniture)	Cr.

(l) Cheque received from any source, Bank account will be debited. Because bearer or open cheque is never handed over to organization, Account Payee cheque is provided.

Transaction	Journal Entry	
Cheque received from Rajib for goods sold	Bank	Debit
	Sales	Credit
Cheque received from Accounts Receivable deposited into bank immediately	Bank	Debit
	Accounts Receivable	Credit

(m) Any service received from owner will be recorded in Capital account. On the other hand, any service provided to owner will be recorded in the Drawings account.

Transaction	Journal Entry	
Salary of the employee paid by the owner personally	Salaries Exp.	Debit
	Capital	Credit
Owner's shopping expense paid from Business	Drawings	Debit
	Cash	Credit

(n) Discount allowed and received at the time of settlement of receivable and payable, Accounts receivable and Account payable account will be affected.

Transaction	Journal Entry		
Tk. 9,000 paid in full settlement of tk. 10,000 to Creditors.	Account payable	Debit	10,000
	Discount received	Credit	1,000
	Cash	Credit	9,000
Tk.6,500 received from Debtors in full settlement of tk.7,000	Cash	Debit	6,500
	Discount allowed	Debit	500
	Accounts receivable	Credit	7,000

Activity: Mention the parts of General Journal.

Journal Proper: Meaning of general journal and journal proper is same. The transactions which are not recorded in Special Journal are included in Journal Proper.

1. Rectifying Journal: If any mistake occurs on recording transactions, it cannot be made scrabble. The mistake is rectified by giving a journal entry. The entry which is given for the rectification of error is known as rectifying journal.
Furniture purchase Tk.10000, wrongly purchase account debited with Tk.10,000.

Date	Particulars / Account Titles & Explanation	Ref.	Debit Taka	Credit Taka
2025 Dec. 31	Furniture Debit Purchase Credit (Wrongly purchase account was debited in place of furniture account, now rectified)	- -	10,000	10,000

2.Adjusting Journal: Financial statements are prepared to determine the financial position of business. The entries which are given to record unadjusted items (accrued and advance expense, unearned and accrued income, depreciation, reserve etc.) at the time of preparing financial statement are known as adjusting entries.

In 2025 rent paid Tk.10,000; before preparing financial statements it disclosed that prepaid rent Tk.2,000 included in rent. Adjusting Journal will be in this regard-

Date	Particulars / Account Titles & Explanation	Ref.	Debit Taka	Credit Taka
2025 Dec. 31	Prepaid Rent Debit Rent Credit (Prepaid rent adjusted with rent account)	- -	2,000	2,000

Note: Prepaid expense subtracted from respective expense, since it's an asset. So Expense decreased and Assets increased

3. Closing Journal: Revenue and expenses of a particular year will not affect the next year's accounts. So, during the preparation of financial statement revenue and expenses should be closed. We have learnt in account chapter that the balances of revenue denote credit while the balances of expense denote debit balance. To close revenue and expense, revenue accounts will be debited and expense account will be credited. Beside, Drawings account is also closed by closing journal.

Balance of Revenue and Expense accounts in 2025 of a business was- Purchase Tk.50,000; Sales Tk. 80,000; Salaries Tk.10,000; Tk. Rent 5,000.

Date	Account Titles & Explanation	L. F.	Debit Taka	Credit Taka
2025 Dec. 31	Sales Debit Income Summary Credit (Sales account balance closed by transferring to Income Summary)		80,000	80,000
	Income Summary Debit Purchase Credit Salaries Credit Rent Credit (Balance of Purchase Account, Salary Account and Rent Account closed by transferring to Income Summary)		65,000	50,000 10,000 5,000

4. Opening Journal: Business institution is a continuous process. Assets, liabilities and owner's equity of the last year are brought to beginning of the next year, for which opening journal is made.

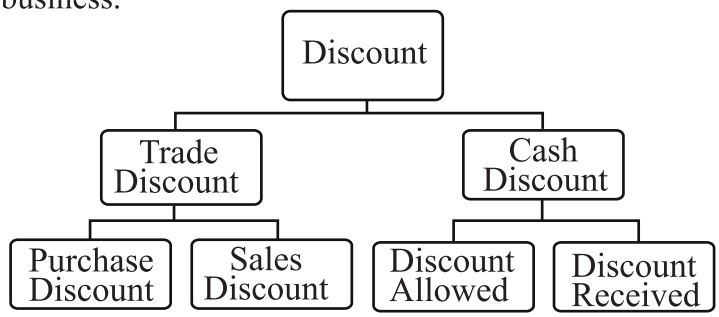
On 31 December 2025, Cash Tk. 50,000, Furniture Tk.30,000, A/R Tk.20,000, A/P Tk.15,000 and Capital Tk.85,000

Date	Particulars / Account Titles & Explanation	L. F.	Debit Taka	Credit Taka
2026 Jan. 01	Cash Debit Furniture Debit Accounts receivable (A/R) Debit Accounts Payable (A/P) Credit Capital Credit (The Assets, liabilities & owner's equity of last day of 2025, opening entry given for 1st day of 2026)		50,000 30,000 20,000	 15,000 85,000

5. Other Journal: Besides transactions of special journal & four types of transactions mentioned in journal proper, there are other transactions also, such as- assets buy-sell on credit, discount allowed & discount received, distribution of goods etc. These transactions are also recorded in journal proper.

Discount & Classification of Discount

Generally, when goods is possible to buy in lower price than the predetermind price, the price that paid less is Discount. This type of discount is both paid & received in business.



Trade Discount: Seller determines the selling price of goods. When seller sells his goods in a lower price than the predetermined selling price, it is considered as Trade discount. This discount is sales discount for seller and purchase discount for buyer. Neither buyer nor seller keeps this discount in their accounts. The price at which the transaction happens is recorded.

Cash Discount: Buying-Selling in business takes place frequently on credit. The rebate that is provided by seller to buyer to settle the debts between them quickly is Cash discount. This discount is discount paid / allowed for seller & discount received for buyer. Both record this discount in their book of accounts.

Activity: Compare Trade discount with Cash discount.

Example-1

Mr. Nila Chowdhury is the owner of 'Nila Enterprise.' During the month of March 2025, the following transactions took place :

March	1	Purchased goods Tk. 9,000.
,,	2	Purchased furniture Tk. 12,000.
,,	3	Sold goods to Bahar Tk. 15,000.
,,	7	Deposited in the Bank Tk. 8,000.
,,	9	Purchased goods on credit Tk. 5,000.
,,	12	Created Allowance for bad debts Tk. 2,000.
,,	15	Bad debts written off Tk. 1,000.
,,	18	Purchased stationery Tk. 1,000.
,,	30	Salaries paid to the employees Tk. 7,000.

General Journal of Nila Enterprise

Date	Account Titles & Explanation	Ref.	Debit (Tk.)	Credit (Tk.)
2025				
March 1	Purchase Debit		9,000	
	Cash Credit			9,000
	(Goods purchase in cash)			
,, 2	Furniture Debit		12,000	
	Cash Credit			12,000
	(For furniture purchased for cash)			
,, 3	Accounts Receivable (Bahar) Debit		15,000	
	Sales Credit			15,000
	(For goods sold to Bahar)			
,, 7	Bank Debit		8,000	
	Cash Credit			8,000
	(Cash deposited in the Bank)			
,, 9	Purchase Debit		5,000	
	Accounts Payable Credit			5,000
	(For goods purchased on credit)			
,, 12	Bad debts Debit		2,000	
	Allowance for Bad debts Credit			2,000
	(For created provision for bad debts)			
,, 15	Allowance for Bad debts Debit		1,000	
	Accounts Receivable Credit			1,000
	(For written off bad debts)			
,, 18	Stationary Debit		1,000	
	Cash Credit			1,000
	(For Stationary purchased for cash)			
,, 30	Salaries Debit		7,000	
	Cash Credit			7,000
	(For salaries paid in cash)			
	Total		**60,000**	**60,000**

Example-2

On 1st July 2025 Mr. Showkat Traders started a business named 'Showkat Traders' with cash of Tk. 50,000 and goods of Tk. 20,000 as capital. His transactions for the month were-

July 2 Opened a bank account with Janata Bank by depositing Tk. 20,000

,, 7 Purchased computer for business Tk. 22,000.

,, 9 Sold goods to Rumi & Co. and received cheque Tk. 10,000.

,, 10 Purchased Goods Tk. 15,000 from Babul Traders at 10% discount

,, 12 Paid Office rent in advance Tk. 4,000.

,, 15 Purchased goods returned to Babul Tk. 1,000. (Discount deducted)

,, 20 Tk. 3,000 spent for publicity of business.

,, 23 Issued cheque to Babul Tk. 5,000.

,, 25 Paid Mr. Showkat's personal expenses from the business Tk. 2,000.

,, 30 Salary of Raihan is unpaid Tk. 3,500.

General Journal of Showkat's Enterprise

Date	Account Titles & Explanation		L. F.	Debit Taka	Credit Taka
2025 July 1	Cash	Debit		50,000	
	Purchase	Debit		20,000	
	Capital-Showkat	Credit			70,000
	(For cash and goods brought in as capital.)				
,, 2	Bank	Debit		20,000	
	Cash	Credit			20,000
	(Opened a Bank account depositing cash)				
,, 7	Office Equipment	Debit		22,000	
	Cash	Credit			22,000
	(For purchased computer for cash)				
,, 9	Bank	Debit		10,000	
	Sales	Credit			10,000
	(Sold goods to Rumi & Con. by cheque)				
,, 10	Purchase	Debit		13,500	
	Accounts Payable (Babul Traders)	Credit			13,500
	(For goods purchased on credit at 10% Discount)				

,,	12	Prepaid Rent Debit Cash Credit (Office rent paid in advance)		4,000	4,000
,,	15	Accounts Payable (Babul) Debit Purchase return Credit (For goods returned to Babul Traders)		1,000	1,000
,,	20	Advertisement Exp. Debit Cash Credit (For expense made for advertisement)		3,000	3,000
,,	23	Accounts Payable (Babul) Debit Bank Credit (Issued cheque to Babul)		5,000	5,000
,,	25	Drawings-Showkat Debit Cash Credit (Personal expenses paid from the business)		2,000	2,000
,,	30	Salaries Debit Accrued Salaries Credit (Salary of Raihan is unpaid)		3,500	3,500
		Total		**1,54,000**	**1,54,000**

Journal of Service Providing Organization

On 1 March 2025 Mr. Pijush Kumar started a theatre business named 'Kumar Theatre' at Baily Road. On 1 March he invested Tk. 5,00,000 in business. Transactions on March of his business were–

March 2 Paid 3 months rent of the theater in advance Tk. 90,000
,, 4 Publicity expense of the theater Tk. 15,000
,, 6 Purchased chair and table for the theater 30,000
,, 7 Cost of making & decorating stage Tk. 50,000
,, 12 Entertainment expense for artist & technician Tk. 2,000
,, 15 Sold tickets for showing drama Tk. 80,000.
,, 18 Paid Honorarium to the artist Tk. 25,000.
,, 25 Electricity bill due Tk. 3,000.
,, 28 Paid Salaries to the theater employees Tk. 12,000.

Solution

Kumar Theatre
General Journal

Date	Account Titles & Explanation	L. F.	Debit Taka	Credit Taka
2025 March 1	Cash Debit Capital-Pijush Credit (For cash brought in as capital.)		5,00,000	5,00,000

Date	Account Titles & Explanation		L. F.	Debit Taka	Credit Taka
2017					
March 2	Prepaid Rent	Debit		90,000	
	Cash	Credit			90,000
	(For office rent paid in advance.)				
” 4	Advertisement Exp.	Debit		15,000	
	Cash	Credit			15,000
	(For advertisement expense paid)				
” 6	Furniture	Debit		30,000	
	Cash	Credit			30,000
	(For furniture purchased for cash.)				
” 7	Stage & Decorate expense	Debit		50,000	
	Cash	Credit			50,000
	(For making stage & it’s decoration paid.)				
” 12	Entertainment expense	Debit		2,000	
	Cash	Credit			2,000
	(For entertaining artist paid.)				
” 15	Cash	Debit		80,000	
	Service revenue	Credit			80,000
	(For selling ticket of drama.)				
” 18	Honorarium expense	Debit		25,000	
	Cash	Credit			25,000
	(For paying honorarium to artist)				
” 25	Electricity expense	Debit		3,000	
	Accrued Electricity expense	Credit			3,000
	(For electricity bill unpaid)				
” 28	Salaries expense	Debit		12,000	
	Cash	Credit			12,000
	(Salaries paid to the theater employees)				
		Total		8,07,000	8,07,000

Activity:

Following transactions took place in M/S Sachin & Co. during April 2025 .

April 1 Cheque received from Accounts Receivable Tk.8,000.
” 3 Took loan from Maruf Tk. 20,000
” 5 Purchase Return Tk. 500.
” 8 Sold old furniture Tk. 2,000.
” 10 Bad debts written off Tk.1,000.
” 12 Paid Notes payable Tk.3,000 by bank.

,,	15	Purchased chair and table Tk.7000
,,	18	Received Interest on investment Tk.1000
,,	20	Commission receivable Tk. 600
,,	22	Withdrawn from Bank Tk.4000
,,	25	Paid Accounts Payable by cheque Tk.6500 and received discount Tk.500
,,	30	Charged depreciation on furniture Tk.800

Record the above transactions in the General Journal.

Purchase Journal: Whatever purchased in business with the intention of sales is goods. These goods can be purchased through both for cash and on credit. Goods those are purchased on credit are recorded in Purchase Journal. Purchase journal is prepared based on invoice. A purchase Journal based on Invoice is prepared below-

Invoice No- 1650

Shaudagar Agency
51/3, Badam Toli
Shodorghat, Dhaka

Date: 2 March 2025

Invoice

Buyer's Name: Raha stores
Address: 23/2, Kathal Bagan, Dhaka.

S/No.	Description Of Goods	Rate (Taka)	Qty.	Amount (Taka)
1	Nazir Shail Rice	40	1,000 KG	40,000
	Less: Trade Discount (5%)			2,000
				38,000

Taka (Inwords) : Thirty Eight Thousand Taka
Sales Terms: 2/10, Net 30

N.B. Errors & Omissions Correctable

Seller's Signature

Raha Store's Purchase Journal

Date	Account Credited	Terms	Invoice No.	Ref.	Purchase Accounts Payable Credit	Debit
2025						
Mar. 2	Shaudagar Agency	2/10, net 30	1650		38,000	
,, 10	Nargis Agency	3/5, net 20	1230		23,000	
					61,000	

(Name of Nargis agency newly entered)

Sales Terms: If the sales term is like this - 2/10, Net 30. It means, if the buyer is able to pay the dues within 10 days, gets 2% cash discount. If failed then dues have to be paid within 30 days of course.

Sales Journal: Goods sold on account is recorded in Sales Journal. Sales Journal is also prepared based on invoice. Specimen of Sales Journal mentioned below-

Shaudagar Agency's Sales Journal

Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Debit / Sales Credit
2025				
March 2	Raha Stores	1650		38,000
March 12	Rehana Stores	1651		32,000
				70,000

N. B. The part of transferring to Ledger from Purchase & Sales Journal is mentioned in the 'Ledger' chapter.

Carraige, Packing and insurance expenses are related to goods purchase and sale. Bearer of the charges should be determined. Buyer have to pay the charges if these are included in the invoice. Total amount of invoice price is recorded both in purchase journal and sales Journal.

Activity: Shahjahan Traders is a Wholeseller of Kawran Bazar, Dhaka. During the month of November 2025 following transactions took place in his business-

Nov. 1 Sold to Mili Stores, Dhaka- 50 Kg. of Mosur Pulses at Tk.100 per Kg. Trade discount allowed 2%. Invoice No.253. Terms : 3/10, net 20

„ 5 Purchased from Jony Traders- 500 Pound of Tea at Tk.200 per Pound. Trade discount allowed 5%. Invoice No- 533. : 3/15, net 30

„ 8 Sold to Ratan Stores- 100 Pound of Tea at Tk. 220 per Pound .Trade discount allowed 3%. Invoice No.- 254.

„ 12 Purchased from Zafar Brothers- 120 liters of Soya bean oil at Tk.300 per liter .Trade discount allowed 4%. Invoice No.- 534.

„ 15 Sold to Shikdar and Sons- 100 bags of flour at Tk. 2000 per bag. Trade discount allowed 3%. Invoice No.- 255.

„ 20 Purchased from Rotna Traders - 50 packet of powder milk at Tk. 350 per packet. Trade discount allowed 2%. Invoice No.- 535.

Prepare Purchase Journal and Sales Journal from above information.

Purchase Return Journal: If the delivered goods are not as per order, below standard or date expired, purchased goods are returned to the seller. The buyer sends a Debit Note to seller for returning goods and prepares Purchase Journal.

Imran Brothers
Malitola, Bangshal

Debit Note No.-173 — Date: 18 August 2025

Debit note

Name: M/S. Shopna Enterprize
Address: 37, Rainkhola, Mirpur-6, Dhaka.
Ref: Purchase / Invoice No. 1265 / 3 August 2025

Sl. No	Description & Reason of returning goods	Amount (Taka)
1	10 pc. Torn Jamdani Saree tk.1,300 each returned. Please deduct the price of 10 sharees from our account	13,000
	Less: Trade discount	1,000
		12,000

Taka (Inwords) : Twelve thousand taka

N.B. Errors & Omissions are Correctable — Purchase Manager

Imran Brother
Purchase Return Journal

Date	Account Debited	Debit Note No.	Ref.	Accounts Payable Account Purchase Return A/c Debit Credit
2025				
Aug. 18	M/s Shopna Enterprise	173		12,000
,, 23	Mamun Traders **	185		7,000
,, 29	Nahid Stores **	193		5,000
				24,000

** Transaction of date 23 and 29 newly entered.

Sales Return Journal: Receiving returned goods along with debit note from buyer, seller confirms buyer preparing credit note that his account is credited. Seller send credit note to buyer and prepares Sales Journal for having the goods returned to him.

M/S. Shopna Enterprise
37, Rainkhola, Mirpur-6, Dhaka.

Credit note no.-237 — Date: 20 August 2025

Name of Receiver: Imran Brothers
Address: Malitola, Bangshal
Ref: Debit note 173 / 18 August 2025

Credit Note

Sl. No	Description & Reason of returning goods	Amount (Taka)
1	10 pc. Torn Jamdani Saree tk.1,300 each returned. Your account is credited with returned goods price	13,000
	Less: Trade discount	1,000
		12,000

Taka (Inwords) : Twelve thousand taka

N.B. Errors & Omissions Correctable — Sales Manager

M/S. Shopna Enterprise
Sales Return Journal

Date	Account Credited	Credit Note No.	Ref.	Sales Return Account Dr. Accounts Receivable Cr.
2025				
Aug. 20	Imran Brothers	237		12,000
,, 25	Sagar Trades	240		9,000
,, 30	Rupa Traders	243		5,500
				26,500

Transactions dated 25and 30 newly entered

Activity: The following returns happened in April 2025 in Fatema Stores-

April 3 10 packets powder milk Tk. 250 each returned from Ratul Traders, as they were date expired. Trade discount 3%, Credit note no.-165

,, 9 40 Kg. detergent at Tk. 50 per kg returned to Jaman & Sons due to inferior quality. Trade discount 2%, Debit note no.-187.

,, 17 15 pounds tea at Tk.170 per pound returned to Latif Stores, since it was not according to sample. Debit note no.-188.

,, 24 6 dozens soap at Tk.180 per dozen returned from Rashed & Bros.due to excess deliver. Trade discount 4%. Credit note no.-166

Record to Purchase return & Sales return journal.

Sample Questions

Multiple Choice Questions

1. What can be confirmed through a journal?
   a. Accurate results b. Application of dual aspect
   c. Arithmetical accuracy of accounts d. Achievement of expected profit
2. The journal is called the –
   i. Primary book ii. Subsidiary book iii. Permanent book
   Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and iii
3. The journal provides information about –
   i. Total number of transactions ii. Total amount of money iii. Reason behind the transaction
   Which of the following is correct?
   a. i and ii b. i and ii c. ii and iii d. i, ii, and iii
4. Which of the following is recorded in the journal proper?
   a. Purchase of goods b. Sale of goods
   c. Outstanding salaries d. Return Inward

5. Which one is recorded in the purchase journal?
   a. Purchase of goods by cheque b. purchase of goods in cash
   c. Purchase of assets on credit d. Only credit purchase of goods

6. Which one is the source document for the sales return journal?
   a. Debit note b. Credit note c. Debit voucher d. Credit voucher

7. Through which entry are closed the income and expense accounts closed?
   a. Opening b. Transfer c. Adjusting d. Closing

8. For which purchase will the "Office Equipment Account" be debited?
   a. Stapler b. Computer c. Paperweight d. Cabinet

9. Employee Shakil's salary is unpaid. What is the correct journal entry?
   a. Shakil Account … Debit
      Salaries Account … Credit
   b. Salaries Account … Debit
      Salaries Account … Credit
   c. Salaries Account … Debit
      Outstanding Salaries Account … Credit
   d. Outstanding Salaries Account … Debit
      Salaries Account … Credit

Read the following passage and answer questions 10, 11, 12, and 13:

On October 1, 2025, Mrs. Sabina started her business Sabia Enterprise with the sale proced of her personal lead amounting to Tk.2,00,000. On October 5, she purchased furniture worth Tk. 40,000 in cash. On October 10, she sold goods worth Tk. 30,000 in cash to Mr. Masud. On October 15, she returned purchased goods worth Tk. 5,000.

10. What is the opening or initial capital of Sabina Enterprise?
    a. Tk. 1,00,000 b. Tk. 2,00,000 c. Tk. 3,00,000 d. Tk. 3,40,000

11. In which primary book will the October 5 transaction be recorded?
    a. Purchase Journal b. Proper Journal c. Cash Payment Journal d. General Journal

12. What is the correct journal entry for the transaction on October 10?
    a. Masud ..... Debıt Tk. 30,000
       Sales ..... Credit Tk. 30,000
    b. Cash ..... Debit Tk. 30,000
       Sales ..... Credit Tk. 30,000
    c. Cash ..... Debit Tk. 30,000
       Masud ..... Credit Tk. 30,000

d. Masud ..... Debit Tk. 30,000
Cash ..... Credit Tk. 30,000

13. What is the source document for the transaction on October 15?

a. Debit Voucher b. Debit Note c. Credit Voucher d. Credit Note

Creative Questions

1. The following are some transactions from "Afroza Fashion", a ready-made garment business, for the month of December 2025:

Dec 1 Purchased 500 pants from Mahmud Fashion at Tk.1,300 each with a 5% discount, and Tk.1,000 as transportation cost. Invoice No. 78, terms 2/5, net 15.

Dec 3 Sold pants Tk.35,000 in cash.

Dec 8 Returned 100 pants to Mahmud Fashion due to defects.

Dec 10 Spent Tk.500 to repair of old furniture.

Dec 15 Purchased 200 shirts from Islam Store at Tk.1,400 per pair with 10% discount, terms 2/7, and net 30.

Dec 20 Paid Tk.40,000 to Mahmud Fashion.

a. Calculate the value of the returned goods.

b. Based on the above transactions, prepare the Purchase Journal of Afroza Fashion.

c. Excluding the transactions related to the Purchase Journal, provide the general journal entries for the remaining transactions.

2. The transactions of Bahauddin & Sons for the month of May 2025 are as follows:

May 2 WithdrawnTk.15,000 from bank for business use.

May 3 Soldgoods worth Tk.10,000 to Ramiz Brothers with 5% discount. Invoice No. 173. Carriage expenses or Transportation cost Tk.1,000 included in the invoice.

May 5 Paid Tk.3,000 in advance for rent.

May 8 Paid Tk.7,000 by cheque for purchasing goods.

May 10 Sold goods worth Tk.9,000 to Shahadat & Co. with 5% discount. Invoice No. 174. Packing charge Tk.500.

May 15 Withdrawn Tk.1,000 in cash.

(a) Determine the amount of discount on sales of Bahauddin & Sons for the month of May.

(b) Prepare the Sales Journal based on the above transactions.

(c) Excluding the transactions related to the Sales Journal, provide the General Journal entries for the remaining transactions.

3. The transactions of Chowdhury Hardware for the month of January 2025 are as follows:

Jan 1 Started the business with Tk. 250,000 in cash and furniture worth Tk. 65,000.
Jan 5 Sold 250 feet of GI pipe to Suborna Traders at Tk. 192 per foot with a 5% discount. Invoice No. 205. Packing charge is Tk. 500.
Jan 8 Purchased goods worth Tk. 41,500 from Rajan Traders and paid by cheque.
Jan 15 Purchased paper and pens for business use for Tk. 200.
Jan 18 Paid Tk. 1,500 as transportation cost for a elmira purchased for business use.
Jan 28 Withdrawn goods worth Tk. 800 for personal use.

(a) Calculate the opening capital of Chowdhury Hardware.
(b) Based on the transaction of January 5, prepare an invoice.
(c) Record the transactions of January 8, 15, 18, and 28 in the General Journal.

4. The transactions of Khan Computers for the month of July 2025 are as follows:

July 5 Purchased 8 computers from Mahi Computer at Tk. 36,000 each, with a trade discount of 6%, Invoice No. 509, and transportation cost Tk. 1,500.
July 15 Purchased 6 computers from Raju Computer at Tk. 40,000 each, Invoice No. 311, with a trade discount of 5%, and packing cost Tk. 500.
July 20 Returned 3 computers to Raju Computer due to defects. Debit Note No. 01.

(a) Calculate the incidental costs related to purchases for the month of July for Khan Computer.
(b) Based on the transaction on July 20, prepare a Debit Note.
(c) Using the above transactions, prepare a Purchase Journal for Khan Computer.

5. On January 1, 2025, the assets and liabilities of M/s Alpha Traders were as follows:
Cash account Tk. 40,000; Furniture Tk. 1,00,000; Investments Tk. 50,000; Creditors Tk. 10,000; Capital Tk. 1,80,000.

On December 31, 2025, the following matters were considered for the business:
1. Total salary paid was Tk. 1,20,000, of which Tk. 20,000 was paid in advance.
2. Rent of Tk. 50,000 was paid, and Tk. 10,000 remains outstanding.
3. Interest receivable on investment is Tk. 5,000.
4. Depreciation of Tk. 10,000 was charged on furniture.

(a) From the above information, provide the opening journal entry.
(b) Give necessary adjusting journal entries at the end of the year.
(c) Provide the closing entries in the proper journal of M/s Alpha Traders.

6. The following are some transactions of Niharika Pharmacy for the month of July 2025:

July 1 Paid Tk. 30,000 for a new trade license fee.

July 5 Returned 20 cartons of medicine purchased from Sadhana Pharmacy at Tk. 500 per carton, due to defects. 10% discount. Debit Note No. 111.

July 10 Purchased a computer for Tk. 40,000 for business accounting purposes.

July 15 Returned 100 packets of vitamin capsules from Chandana Medicare at Tk. 300 per packet due to date expiration. 5% discount. Credit Note No. 222.

July 20 Returned 500 bags of saline purchased from Priyonti Pharma at Tk.120 each , as the items did not match the order. 5% trade discount. Debit Note No. 03.

July 30 Returned Medicines worth Tk. 25,000 sold Niramoy Drugs at 10% discount to due to inferior quality. Credit Note No. 444.

(a) Prepare the general journal entries for the transactions on July 1 and July 10.

(b) Prepare purchase return journal for the month of July for Niharika Pharmacy.

(c) From the above information, prepare the sales return journal for Niharika Pharmacy.

Short Questions

1. Why is journal called the primary book of accounts?
2. Show the classification of journals with the help of a chart.
3. Explain two importance of a journal.
4. Explain the adjusting journal entries with an example.
5. What are the differences between trade discount and cash discount?

Chapter Seven

Ledger

After the recording of transactions primarily in the journal it's necessary to transfer these to the concerned heads of account following the classification of accounts. Throughout the year at different times goods are bought and sold both on cash and credit. Without accumulating credit purchase from purchase journal and cash purchase from cash book, total purchase can never be obtained. Ledger assembles the scattered purchase, sales and other income and expenses and helps in ascertaining total purchase, total sales and other total income & expenses. Similarly, the results of the transactions releated to assets, liabilities and equity of business organization are transferred to related accounts maintained under ledger. To know about the balances of accounts and to testify their arithmetic accuracy along with having a primary idea about the total condition of the business are included in this chapter.

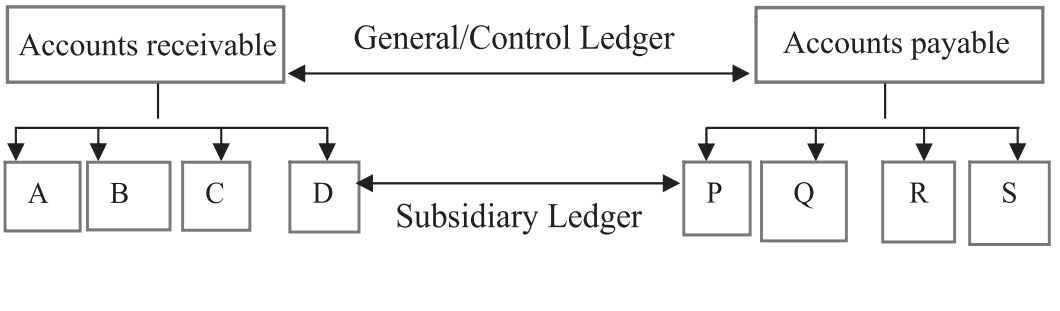


Chart: Relation between General and Subsidiary Ledger

At the end of this chapter, we will be able to-

- explain the idea and importance of ledger as a permanent book;
- classify the ledger;
- identify the differences between Journal & Ledger;
- determine the balances by preparing accounts through 'T' and 'Moving or Continuing balance'-format;
- analyze the significance of debit & credit balance of ledgers.

Concept of ledger

Different types of accounts like assets, liabilities, owner's equity, revenues, expenses and accounts of gain-loss are kept in business organization. These accounts together are called ledger. Generally, in a running business organization, beginning debit or credit balance of accounts related with assets, liabilities & equity remain. Results of transactions occurred in a specific period of time are transferred to related accounts of ledger properly. Balance of each account is calculated at the end of accounting period. In this process, amount of revenues, expenses, gain & loss are calculated of a business organization for that period and amount of assets, liabilities & owners equity can be known for a specific date.

Features:

- Each account is given a title
- 'Continuing Balance' and 'T' format are followed to prepare ledger
- Balance of each accounts are identified individually
- In preparing ledger, journal acts as a helping book. Journal folio or Ref. no. is mentioned at the time of recording to Ledger.
- Trial Balance is prepared with the account balances from Ledgers and verify the arithmetical accuracy of accounting activity is verified.

Ledger

Assets	Liabilities	Owner's Equity	Revenues	Expenses
• Cash • Furniture • Accounts Receivable • Prepaid Expense • Ending Inventory • Land & Building • Machinary • Goodwill	• Accounts Payable • Loan • Expense • Unearned Revenue	• Capital • Drawings • General Reserve	• Sales • Rent Revenue • Commission • Discount • Apprenticeship Premium	• Purchase • Salaries Exp. • Wages • Depreciation • Advertisement • Insurance • Rent Exp. • Rates & Tax • Bad Debts

Importance of Ledger

Since transactions are properly arranged in a sequence to accounts, users can easily access their desired information from the ledger. It's possible to get an idea about the total amount of assets, liabilities, Revenues and expenses of a business from the ledger. For the purpose of preparing trial balance, the balances of ledger are used and as such arithmetical accuracy is confirmed. The necessity and importance of ledger is amplified by saying that 'Ledger is the king of all books of accounts'.

Difference between Journal and Ledger

Journal and ledger both are two steps of accounting cycle. Ledger by comparison is more important and useful than journal. Keeping journal is optional while compulsory for the case of ledger. Apart from the arithmetical accuracy of accounts, the ledger reflects the financial results and position of a business. There are differences between the tables of a journal and a ledger. In a journal only the debit and credit side of transaction is identified where as in a ledger balance of each accounts are identified by comparing total debits and total credits. For preparing the ledger properly and accurately, journal acts as a supplementary book.

Activity: (Group work) Show the differences betwen Journal and Ledger in a chart.

Includes in Ledger or Posting

Transaction: Jan. 1, Goods purchased for cash Tk. 5,000

Journal Entry:

Purchase		Debit	5,000
Cash		Credit	5,000

Posting to Ledger:

Debit — Purchase — Credit

Date	Particulars	J/F	Taka	Date	Particulars	J/F	Taka
2025 Jan. 01	Cash		5,000				

Debit — Cash — Credit

Date	Particulars	J/F	Taka	Date	Particulars	J/F	Taka
				2025 Jan. 01	Purchase		5,000

Looking at the posting, as purchase account is debited in journal, it is posted to the debit side of the purchase ledger, but in the particulars column the opposite credited head name i.e. Cash account is mentioned. On the other hand, Cash accounts is credit so it has been posted to credit side of Cash accunt but the particulars column is represented in the name of debit side account i.e. Purchase account. With these it is identifiable that purchase account is debited by which account, and cash account is credited by which account.

Therefore, the debit side posting of an account in a ledger will be recorded in the name of its subsequent account into the particular column and vice versa.

Balancing of Accounts

During the time of preparing a ledger, the first step is posting and the next step is balancing. In general terms the word balancing means what remains. For example: 5 kg of rice purchased and 3 kg of which have been consumed so the remaining is 2 kg. Ascertaining the balance of an account is almost like this. The difference between the posted amount in debit and credit side of the accounts is known as balancing.

Cash account balance is calculated after being posted of the following two transactions -

2025

March 3	Goods Sold	Tk. 20,000
March 10	Furniture Purchased	Tk. 15,000

Journal Entry

Date	Particulars		L/F	Debit Taka	Credit Taka
2025					
Mar. 3	Cash	Debit		20,000	
	Sales	Credit			20,000
,, 10	Furniture	Debit		15,000	
	Cash	Credit			15,000

'T' Table

Cash Account

Debit Credit

Date	Particulars	J/F	Taka	Date	Particulars	J/F	Taka
2025				2025			
Mar. 3	Sales		20,000	Mar. 10	Furniture		15,000
				,, 31	Balance C/D		5,000
			20,000				20,000
Apr. 1	Balance B/D		5,000				

- The debit and credit side summation must be equal. So, the amount which is higher must be recorded on either sides of the accounts, In the above account the debit side indicate the higher amount and hence has been written Tk. 20,000 on both debit and credit sides.
- Underneath the summation of each side the accounts must be closed by drawing two parallel lines.

- Generally at the end of a specific time the difference between the debit and credit side is ascertained. The difference is then headed by balance C\D i.e. carried down putting in the lower side for making both side equal. The above account is for the month of March, so the difference is calculated at the end 31st March.
- Balance C/D at the end of a particular period will be posted to the opposite side of the account mentioning Balance B/D i.e. brought down at the begining of a next period.
- The balance represents the higher amount it indicates. For example the above cash account indicates debit balance, so on April 01 Balance B/D is written on the debit side of Cash account and the ledger of April has been opened.

C/D	Carried Down
B/D	Brought Down
C/F	Carried Forward
B/F	Brought Forward

Activity:

Debit **Cash Account** **Credit**

Date	Particulars	J/F	Taka	Date	Particulars	J/F	Taka
2025				2025			
May 2	Capital		30,000	May 3	Purchase		8,000
,, 5	Sales		10,000	,, 7	Furniture		4,000
,, 9	Accounts Receivable		5,000	,, 25	Salaries Exp.		3,000

Calculate the balance of above account.

'Continuing Balance' - Table

Cash Account Code No. of Account...

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit(Tk.)
2025						
March 3	Sales		20,000		20,000	
March10	Furniture			15,000	5,000	

- The balance of accounts is ascertained any time. The balance is calculated just after each posting.
- There are seperate columns for showing the balance in the Continuing balance method.

Accounts Posting	Balance of Accounts
Debit Posting	Debit Balance +
Credit Posting	Debit Balance -
Credit Posting	Credit Balance +
Debit Posting	Credit Balance -

- The total of debit and credit posting is not ascertained. This summation has no use.

Activity:

Bank Account Code No. of Account...

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
July 1	Sales		8,000			
,, 3	Sales		6,000			
,, 8	Purchase			3,000		
,, 10	Drawings			1,000		
,, 20	Rent			2,000		

Calculate the balance of above account.

C/D or C/F is ascertained at the end of a certain time. This balance is again recorded as B/F or B/D to the opposite side at the begining of the next month. Whenever the debit posting equals the credit posting the balance becomes Zero and c/d or b/d is not required to be written. This type of account is known as the balanced account.

General/ Normal Balance of Accounts

Classification of Accounts	Types of Balance
Assets	Debit Balance
Liabilities	Credit Balance
Equity	Credit Balance
Revenues	Credit Balance
Expenses	Debit Balance

Preparing of Ledger from General Journal

On 1 March 2025 Mr. Shahin started a business named 'Shahin Traders' with capital of Tk. 1,00,000. Transactions for the month were -

March. 2 Furniture purc ased Tk. 20,000.

„ 3 Goods purchased on credit Tk. 30,000.

„ 5 Goods sold Tk. 25,000

„ 8 Purchase returned Tk. 2,000.

„ 12 Tk. 10,000 paid to Accounts Payable.

„ 18 A bank account opened by depositing Tk. 15,000.

„ 22 Goods sold and received a cheque Tk. 8,000.

„ 25 Goods Purchased from Shafiq by cheque Tk. 6,000.

„ 28 Salaries paid to the employees Tk. 5,000.

Journalize the above transactions and Calculate the balance by transferring to concerned Ledger accounts.

Solution:

Shahin Trader's
General Journal

Date			L/F	Debit Taka	Credit Taka
2025	Cash	Debit		1,00,000	
March 1	Capital-Shahin	Credit			1,00,000
	(For cash bought in as capital.)				
„ 2	Furniture	Debit		20,000	
	Cash	Credit			20,000
	(Furniture Purchased for cash)				
„ 3	Purchase	Debit		30,000	
	Accounts Payable	Credit			30,000
	(Goods bought on credit.)				
„ 5	Cash	Debit		25,000	
	Sales	Credit			25,000
	(For goods sold for cash.)				
„ 8	Accounts Payable	Debit		2,000	
	Purchase Return	Credit			2,000
	(For returning bought goods)				

Date	Particulars		L/F	Debit Taka	Credit Taka
,, 12	Accounts Payable	Debit		10,000	
	Cash	Credit			10,000
	(Paid cash to the creditor)				
,, 18	Bank	Debit		15,000	
	Cash	Credit			15,000
	(Being account opened with bank.)				
,, 22	Bank	Debit		8,000	
	Sales	Credit			8,000
	(For Sold goods by cheque)				
,, 25	Purchase	Debit		6,000	
	Bank	Credit			6,000
	(Purchased from Shafiq by cheque)				
,, 28	Salaries Exp.	Debit		5,000	
	Cash	Credit			5,000
	(Salaries paid to the employees)				
		Total		**2,21,000**	**2,21,000**

List of accounts

1. Cash Account
2. Capital Account
3. Furniture Account
4. Purchase Account
5. Accounts Payable
6. Sales Account
7. Purchase Return Account
8. Bank Account
9. Salaries Exp. Account

'T' Format

Debit **Cash Account** Credit

Date	Particulars	Ref.	Taka	Date	Particulars	Ref.	Taka
2025				2025			
March 1	Capital		1,00,000	March 2	Furniture		20,000
,, 5	Sales		25,000	,, 12	Accounts Payable		10,000
				,, 18	Bank		15,000
				,, 28	Salaries		5,000
				,, 31	Balance C/D		75,000
			1,25,000				1,25,000
April 1	Balance B/D		75,000				

Debit **Capital Account** Credit

Date	Particulars	Ref.	Taka	Date	Particulars	Ref.	Taka
2025				2025			
March 31	Balance C/D		1,00,000	March 1	Cash		1,00,000
			1,00,000				1,00,000
				April 1	Balance B/D		1,00,000

Debit **Furniture Account** Credit

Date	Particulars	Ref.	Taka	Date	Particulars	Ref.	Taka
2025				2025			
March 2	Cash		20,000	March 31	Balance C/D		20,000
			20,000				20,000
April 1	Balance B/D		20,000				

Debit **Purchase Account** Credit

Date	Particulars	Ref.	Taka	Date	Particulars	Ref.	Taka
2025				2025			
March 3	Accounts Payable		30,000	March 31	Balance C/D		36,000
,, 25	Bank		6,000				
			36,000				36,000
April 1	Balance B/D		36,000				

Debit **Accounts Payable** Credit

Date	Particulars		Taka	Date	Particulars	Ref.	Taka
2025				2025			
March 8	Purchase Return		2,000	March 3	Purchase		30,000
,, 12	Cash		10,000				
,, 31	Balance C/D		18,000				
			30,000				30,000
				April 1	Balance B/D		18,000

Debit **Sales Account** Credit

Date	Particulars	Ref.	Taka	Date	Particulars	Ref.	Taka
2025				2025			
				March 5	Cash		25,000
March 31	Balance C/D		33,000	,, 22	Bank		8,000
			33,000				33,000
				April 1	Balance B/D		33,000

Debit **Purchase Return Account** Credit

Date	Particulars	Ref.	Taka	Date	Particulars	Ref.	Taka
2025				2025			
March 31	Balance C/D		2,000	March 8	Accounts Payable		2,000
			2,000				2,000
				April 1	Balance B/D		2,000

Debit **Bank Account** Credit

Date	Particulars	Ref.	Taka	Date	Particulars	Ref.	Taka
2025				2025			
March 18	Cash		15,000	March 25	Purchase		6,000
,, 22	Sales		8,000	,, 31	Balance C/D		17,000
			23,000				23,000
April 1	Balance B/D		17,000				

Debit **Salaries Account** Credit

Date	Particulars	Ref.	Taka	Date	Particulars	Ref.	Taka
2025				2025			
March 28	Cash		5,000	March 31	Balance C/D		5,000
			5,000				5,000
April 1	Balance B/D		5,000				

'Continuing Balance'- Format

Cash Account Code No. of Account...

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 March 1	Capital		1,00,000		1,00,000	
,, 2	Furniture			20,000	80,000	
,, 5	Purchase		25,000		1,05,000	
,, 12	Accounts Payable			10,000	95,000	
,, 18	Bank			15,000	80,000	
,, 28	Salaries Exp.			5,000	75,000	

Capital Account Code No. of Account….

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 March 1	Cash			1,00,000		1,00,000

Furniture Account Code No of Account...

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 March 2	Cash		20,000		20,000	

Purchase Account Code No. of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 March 3	Accounts Payable		30,000		30,000	
,, 25	Bank		6,000		36,000	

Accounts Payable Code No of Account....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 March 3	Purchase			30,000		30,000
,, 8	Purchase Return		2,000			28,000
,, 12	Cash		10,000			18,000

Sales Account Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
March 5	Cash			25,000		25,000
,, 22	Bank			8,000		33,000

Bank Account Code No of Account....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
March 18	Cash		15,000		15,000	
,, 22	Sales		8,000		23,000	
,, 25	Purchase			6,000	17,000	

Purchase Return Account Code No of Account...

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
March 8	Accounts Payable			2,000		2,000

Salaries Account Code No. of Account...

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
March 28	Cash		5,000		5,000	

Activity:

Post the following Transactions into the ledger account and balance the accounts of Rumana Enterprise.

2025

August 1 Sold goods on credit Tk.15,000

,, 2 Loan has taken of Tk. 30,000

,, 6 Deposited in the Bank Tk.10,000

,, 8 Purchased goods returned Tk. 2,000

,, 12 Cash Tk.6,000 received from debtor

,, 15 Withdrawn cash from Bank for personal use Tk.1,000

,, 20 Goods purchased by cheque Tk.4,000

,, 25 Goods sold Tk.12,000.

Divide into two groups, one follow 'T' and other 'Continuing Balance' method. Match the balances with one another.

General Ledger:

Cash Account, Capital Account, Purchase Account, Sales Account, Furniture Account, Accounts Receivable, Accounts Payable etc. are General Ledger. There are several Accounts Receivable and Accounts Payable. Among the all-general ledgers, only the Accounts Receivable and Accounts Payable are also known as Control Account. Because both Accounts Receivable and Accounts Payable account are the summation of all Accounts Receivable and all Accounts Payable.

Subsidiary Ledger:

Individual account is opened for each Accounts Receivable and each Accounts Payable outside general ledger. Thus, the individual amount due from Accounts Receivable and due to Accounts Payable can be ascertained easily. The account that is prepared for each Accounts Receivable and Accounts Payable are called Subsidiary Ledger.

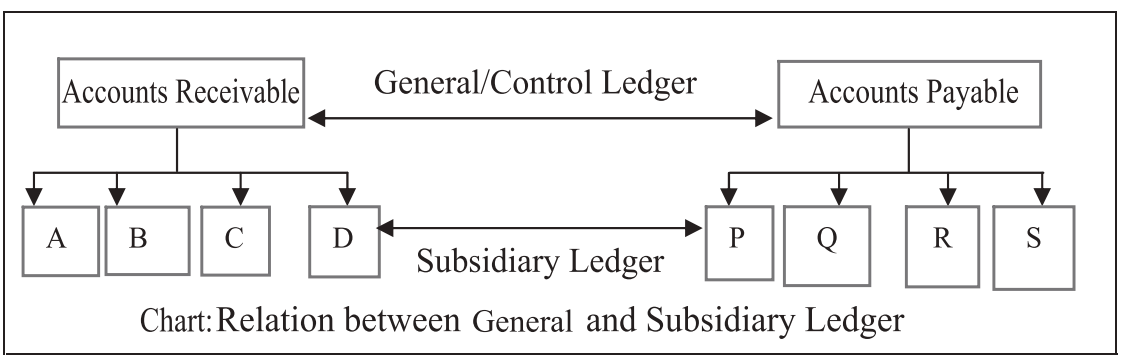


Chart: Relation between General and Subsidiary Ledger

Special Journal & Related Ledger Preparation

We have got the idea about all Special Journals in the chapter- 'Journal'. Here the procedure of preparing General and Subsidiary ledgers from special journals are shown -

Purchase Journal and Related Ledgers

Momotaj Enterprise's
Purchase Journal

Date	Account Credited	Terms	Invoice No.	Ref.	Purchase A/c Dr. Accounts Payable Cr.
2025					
June 3	Rajib stores	2/10, net 30	173	√	17,600
„ 10	Rakhi Traders	3/10, net 20	174	√	12,300
„ 25	Haider Enterprise	3/5, net 15	175	√	10,500
					40,400

General Ledger

Purchase Account Code No of Account...

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 June 30	Accounts Payable		40,400		40,400	

Accounts Payable Code No of Account...

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 June 30	Purchase A/c			40,400		40,400

Subsidiary Ledger

Rajib Stores Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 June 3	Purchase A/c			17,600		17,600

Rakhi Traders Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 June 10	Purchase A/c			12,300		12,300

Haider Enterprise Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 June 25	Purchase A/c			10,500		10,500

The posting is made to the subsidiary ledger from special journal everyday and to the general ledger at the end of week/ month.

Sales Journal and Related ledgers

Shahjahan and Sons' Sales Journal

Date	Account Debited	Invoice No.	Ref.	Accounts Receivable Dr. / Sales Account Cr.
2025				
Aug. 3	Kajol Enterprise	335	√	25,460
,, 10	Monika Enterprise	336	√	17,240
,, 25	Bimol Brothers	337	√	13,300
				56,000

General Ledger

Sales Account Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance Debit (Tk.)	Balance Credit (Tk.)
2025 Aug. 31	Accounts Receivable			56,000		56,000

Accounts Receivable Account Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance Debit (Tk.)	Balance Credit (Tk.)
2025 Aug. 31	Sales Account		56,000		56,000	

Subsidiary Ledger

Kajol Enterprise Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance Debit (Tk.)	Balance Credit (Tk.)
2025 Aug. 3	Sales Account		25,460		25,460	

Monika Enterprise Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance Debit (Tk.)	Balance Credit (Tk.)
2025 Aug. 10	Sales Account		17,240		17,240	

Bimol Brothers Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance Debit (Tk.)	Balance Credit (Tk.)
2025 Aug. 25	Sales Account		13,300		13,300	

Purchase returns Journal and related ledger

Bakshi Electronic Store's Purchase Return Journal

Date	Account Debited	Debit Note No.	Ref.	Accounts Payable Purchase Return Dr. Cr.
2025				
Jan. 3	Sayed and Brothers	57	√	13,910
,, 12	Bakkar and Sons	58	√	17,240
,, 23	Babu Enterprise	59	√	7,450
				38,600

General Ledger

Purchase Return Account

Code No of Account...

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 Jan. 31	Accounts Receivable			38,600		38,600

Accounts Payable

Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 Jan. 31	Purchase Return		38,600		38,600	

Subsidiary Ledger

Sayed and Brothers

Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 Jan. 3	Purchase Return		13,910		13,910	

Bakkar and Sons

Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 Jan. 12	Purchase Return		17,240		17,240	

Babu Enterprise

Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 Jan. 23	Purchase Return		7,450		7,450	

Sales Return Journal and Related ledgers

Alom Trader's Sales Return Journal

Date	Account Credited	Credit Note no.	Ref.	Sales Return Dr. Accounts Receivable Cr.
2025				
May 2	Rashed and Co.	123	√	10,350
,, 15	Parvez Stores	124	√	8,650
,, 27	Runa Enterprise	125	√	4,500
				23,500

General Ledger

Sales Return Account Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 May 31	Accounts Receivable		23,500		23,500	

Accounts Receivable Account Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit(Tk.)	Credit (Tk.)
2025 May 31	Sales Return			23,500		23,500

Subsidiary Ledger

Rashed and Co. Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 May 2	Sales Return			10,350		10,350

Parvez Store Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 May 15	Sales Return			8,650		8,650

Runa Enterprise Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025 May 27	Sales Return			4,500		4,500

Verifying arithmetical accuracy by Ledger balances

Equal amount of debit and credit is posted for each transaction. Being equal of total debit & total credit balance indicate the arithmetical accuracy of accounts On July 01, 2025 Mr. Rakib started a business named 'Rakib Traders' with cash Tk. 30,000 and goods worth 15,000. Other transactions were-

July	2	Sold goods for cash Tk. 20,000.
,,	3	Furniture Purchased Tk. 5,000.
,,	5	Tk.3000 deposited in to Bank.
,,	10	Goods purchased Tk.7,000.
,,	15	Withdrawn Tk.1,000.
,,	20	Salaries Paid to the employees Tk.2000.

Table of Accounts

1. Cash Account
2. Purchase Account
3. Capital Account
4. Sales Account
5. Furniture Account
6. Bank Account
7. Drawings Account
8. Salaries Account

General Ledger
Rakib Trader's
Cash Account

Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
July 1	Capital		30,000		30,000	
,, 2	Sales		20,000		50,000	
,, 3	Furniture			5,000	45,000	
,, 5	Bank			3,000	42,000	
,, 10	Purchase			7,000	35,000	
,, 15	Drawings			1,000	34,000	

Purchase Account

Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
July 1	Capital		15,000		15,000	
,, 10	Cash		7,000		22,000	

Capital Account

Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
July 1	Cash			30,000		30,000
	Purchase			15,000		45,000

Sales Account

Code No of Account...

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
July 2	Cash			20,000		20,000

Furniture Account

Code No of Account..

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
July 3	Cash		5,000		5,000	

Drawings Account

Code No of Account..

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
July 15	Cash		1,000		1,000	

Bank Account

Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
July 5	Cash		3,000		3,000	
,, 20	Salaries			2,000	1,000	

Salaries Account

Code No of Account.....

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
July 20	Bank		2,000		2,000	

Arithmetical accuracy of accounts can be verified with the balances of ledger by preparing Trial Balance. Trial Balance is prepared with balances of above ledgers.

Rakib Trader's
Trial balance
31 July, 2025

SL. No.	Account Name	Ref.	Debit (Tk.)	Credit (Tk.)
1	Bank		34,000	
2	Purchase		22,000	
3	Capital		--	45,000
4	Sales		--	20,000
5	Furniture		5,000	
6	Drawings		1,000	
7	Bank		1,000	
8	Salaries Exp.		2,000	
			65,000	65,000

As the total debit balance Tk. 65,000 is equal to total credit balance, it is easy to say accounts have been recorded correctly.

N. B. Detail discussion on Trial Balance have been mentioned in the chapter 9.

Sample Questions

Multiple Choice Questions :

1. From which source can one get an idea about a business's total revenues, expenses, assets, and liabilities of business?
   a. General Journal b. Special Journal c. General Ledger d. Subsidiary Ledger

2. What is called the separate ledger prepared for Accounts Receivable and Accounts Payble called?
   a. General Ledger c. Subsidiary Ledger
   b. Combined Ledger d. Control Ledger

3. The ledger is considered as—
   i. A primary book ii. A final book iii. A permanent book
   Which of the following is correct?
   a. i and ii b. ii and iii c. i and iii d. i, ii, and iii

4. What balance of expense accounts always show?
   a. Debit b. Credit c. Beginning d. Ending

5. As a result of following the continuing balance format in ledger preparation-

i. The total amount of debit postings can be known
ii. The total amount of credit postings can be known
iii. The account balances can be known continuously

Which of the following is correct?
a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

6. If the total of the debit side of an account is greater than the total of the credit side, what kind of balance will it show?
a. Beginning b. Ending c. Debit d. Credit

7. What does "C/D" used in the ledger signify?
a. Carried forward b. Carried down
c. Carried from above d. Brought from behind

8. A debit balance in the ledger indicates—
i. Assets ii. Expenses iii. revenue

Which of the following is correct?
a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

9. The accounts related to the subsidiary ledger are—
i. Accounts Receivable ii. Accounts Payable iii. Bank

Which of the following is correct?
a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

10. For the preparation of a ledger—
i. Transaction analysis is essential ii. Journalizing is essential iii. Journalizing is helpful

Which of the following is correct?
a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

11. What is prepared using the balances of the ledger?
a. Cash Book b. Accounts Payable
c. Accounts Receivable d. Trial Balance

Answer questions 12, 13, and 14 based on the following account:

Cash Account Account Code No. —

Date	Account title	Ref.	Debit (Tk.)	Credit (Tk.)	Balance (Tk.)	
					Debit (Tk.)	Credit (Tk.)
2025						
June 01	Balance B/D				10,000	
June 13	Furniture		2,000			
June 18	Purchase			5,000		
June 30	Sales		8,000			

12. What is the general journal entry for June 13?
    a. Furniture Debit
       Cash Credit
    b. Furniture Debit
       Purchase Credit
    c. Cash Debit
       Furniture Credit
    d. Furniture Debit
       Sales Credit

13. What is the closing balance of the Cash Account?
    a. Tk.10,000 b. Tk.12,000 c. Tk.15,000 d. Tk.18,000

14. From this account, what does the cash transaction summary for June reveal?
    i. Total cash received: Tk.10,000
    ii. Total cash paid: Tk.5,000
    iii. Closing cash in hand: Tk.5,000
    Which of the following is correct?
    a. i and ii b. i and iii c. ii and iii d. i, ii, and iii

Creative Question

1. The following are some transactions of Niramoy Pharma in Dhaka for the month of January 2025:

January 1 Started the business with Tk.55,000 in cash, a computer worth Tk 50,000, and saleable medicine worth Tk.30,000

Jan 3 Purchased medicine worth Tk.80,000 from Jahan Drugs.

Jan 7 Sold an old printer machine for Tk.3,200.

Jan 18 Returned medicine worth Tk.6,000 to Jahan Drugs due to date expiration.

Jan 27 Sold medicine for Tk.140,000 in cash.

a. Calculate the amount of opening capital from the above information.

b. Give the general journal entries for the transactions from January 3 to January 27.

c. Based on the above transactions, prepare the Cash Account, Office Equipment Account, Purchase Account, and Accounts Payable Account.

2. Arman Traders is a wholesale business dealing in grocery items. The following are some of its business transactions for the month of September 2025:
On Sept 1 50 bales of Miniket rice were purchased from Farhan & Brothers at Tk 2,500 per 50-kg bales. Trade discount: 3%. Invoice No. 123.
On Sept 5 200 kg of lentils were purchased from Irfan Traders at Tk.105 per kg. Trade discount: 5%. Invoice No. 432.
On Sept 12 5 bales of rice were returned to Farhan & Brothers due to spoilage. Debit Note No. 175.
On Sept 18 20 kg of lentils were returned to Irfan Traders for not meeting sample standards. Debit Note No. 176.
a. Prepare the Purchase Journal based on the above transactions.
b. Prepare the General Ledger accounts based on the above transactions.
c. Prepare the Subsidiary Ledgers based on the above transactions.

3. From the account books of Mamun Enterprise, the following account has been collected:

Cash Account
Account Code: .....

Debit / Credit

Date	Particulars	Journal page	Taka	Date	Particulars	Journal page	Taka
2025				2025			
Jan. 01	Balance B/D		20,000	Jan. 02	Bank		22,000
Jan. 17	Sales		17,000	Jan. 15	Salaries Exp.		3,000
				Jan. 20	Drawings		1,000

a. Determine the balance of the above Cash Account of Mamun Enterprise.
b. Prepare the journal entries for Mamun Enterprise for the month of January 2025 based on the above account.
c. Prepare the Sales Account, Bank Account, Salaries Exp. Account, and Drawings Account using the running balance format.

4. Mr. Ratan Barua is a businessman. He owns a nursery named Barua Nursery in Ashulia, Savar. There, he produces saplings of various types of flowers, fruits, and medicinal plants. The following transactions took place in his business during July 2025:

On July 5 plants and seeds worth Tk.25,000 were purchased from Rahim & Sons.
On July 10 a cash sale was made to Rashed & Co. for Tk.37,000.
On July 11 plants worth Tk.2,500 were returned.
On July 30 a salary of Tk.4,500 was paid to an employee.
On July 31 Tk.1,500 was spent on advertising expenses.

a. Record the transactions of July 5 and July 10 in the journal.
b. Prepare Rahim & Sons Account and Cash Account in T-account format, and deter-mine the balances.
c. Prepare the Purchase Account, Sales Account, Salaries Exp. Account, and Advertising Account using the moving or running balance format.

5.

Challan No. 2003 Date : March 20,2025

Sobuj Enterprise
70, Mohakhali, Dhaka
Invoise/ Challan

Buyer's name: Haji Bastraloy

Address : 52, Raninagar, Bogura

Serial No.	Product desription	Rate (Tk)	Quantity	Total amount (Tk.)
1.	Jamdai saari	3,000	50pieces	1,50,000
2.	Baby frock	600	30pieces	18,000
				1,68,000
	Less: Trade discount 5%			(8,400)
				1,59,600

Taka (in words): One lac fifty-nine thousand six hundred only
Terms: 3/10, net 30

N.B. Errors are correctable.

Sobuj
Seller

a. Calculate the payable amount on March 25, 2025 according to the terms of the above invoice.
b. Prepare the special journal for the relevant parties related to the invoice.
c. Prepare the relevant general ledger of Haji Bastraloy.

Short Questions

1. Why is the ledger called the "King of all Books"?
2. Write two different steps of preparing a ledger.
3. Explain the first step of ledger preparation.
4. What is meant by debit balance and credit balance?
5. What is a subsidiary ledger? Explain with example.

Chapter Eight
Cash Book

In every sphere of business, cash is essentially required. Buying and selling of assets and goods, collection and repayments of debts, receipts of income and payments of expenses including all other activities, the supply of cash and its proper management is significantly important. Cashbook is prepared based on the nature and size of the business, considering the size and safety of the business, bank plays a supporting role during cash transactions. It is essentially needed to know the transactions done through bank and the bank balance.



Picture : Different types of Cash

At the end of this chapter, we will be able to-

- explain the concept of cash book and its importance;
- prepare various types of cash book and draw balance;
- record contra entry;
- prepare cash receipt journal and cash payment journal;
- record cash discounts;
- transfer the balances of cashbook to ledger properly;
- have an idea about bank statement;
- understand the reason behind the differences between the balances of bank statement and cash book.

Concept of Cash Book

Everyday numerous transactions take place in business. We can categorize transactions based on a fixed criterion into two types. The criterion is cash. Either there is an involvement of cash with transactions or not. The book where cash receipt and cash payment related transactions are recorded together is called cash book. Cash book is the primary book of accounts, one of the major branches of journal.

- Goods sold for cash Tk. 20,000
- Goods purchased in cash Tk. 10,000
- Furniture purchased in cash Tk. 5,000
- Received cash from Accounts Receivable Tk. 12,000
- Withdrawn cash from business by the owner Tk. 3,000
- Employees salaries paid in cash Tk. 5,000
- The amount of bill paid in cash Tk. 4,000.

Activity: Find the similarities among the above transactions.

Features

Cash is the a driving force of business. Without the proper management of cash the normal activities of business are hampered-

- For preparing cash book a particular table/proforma is followed. All the receipts are recorded in the debit side while the payments in the credit side.
- Though the cash book is known as the primary book of accounts, it acts as a permanent book.
- It can be ascertained from the cash book that how much cash have been received and paid against different sources in a particular period.
- It is possible to know the cash balance by identifying the difference between cash recept and cash payment
- The chances of cash stolen, forgery, wastage and mistake in recording reduce significantly.
- It is possible to have full control over cash reserve.

Importance of Cash Book

The proper recording of cash transactions helps maintaining the movement of the business as well as helpful in taking proper decision. We can know the total amount of cash receipts and payments, cash balance of a particular time, amount of total cash purchase and sale. Whether the amount of cash is sufficient to

purchase asset, to pay creditors and regular expenses of the business or not. If not then cash book helps in ascertaining the probable means to collect. It is possible to identify and rectify the mistakes and anomalies by comparing the cash balance with the actual cash in hand. Preparing particular type of cash book, it is also possible to know the bank transactions and bank balance.

Activity: What kind of other benefits can we get through preparing cash book?

Classification of Cash Book

Various types of cash books are seen in the business. The right type of cash book is selected depending on the nature and size of the business. Cash books being used for a long time are of four types.

1. Single Column Cash Book
2. Double Column Cash Book
3. Triple Column Cash Book
4. Petty Cash Book

Now a days some organizations are preparing following journal to calculate cash receipts and cash payments separately instead of traditional cash book:

1. Cash Receipt Journal
2. Cash Payment Journal

Students need to have a clear concept about each of the cash book. So each class and its preparation are described below:

Single Column Cash Book

Comparatively business of small size prepares single column cash book. Organizations that don't deal with bank rather prefer cash transactions, keep single column cash book. Since transactions through bank are safe, the number of these organizations keeping accounts under single column cash book is gradually decreasing.

Format of Single Column Cash Book

Debit									Credit
Date	Receipts	R. No.	L/ F	Amount Tk.	Date	Payments	V. No.	L/ F	Amount Tk.

Note: V. No. - Voucher Number and L/F – Ledger Folio. R.No. = Receipt No.

The format of a single column cash book is like the- 'T' format of a ledger. The table is divided into Debit and Credit where the receipts are recorded into the debit side while the payments are recorded into the credit side. Single column cash book is prepared with 10 columns where debit and credit sides have 5 columns each. Single column cash book always denotes debit balance because the payments cannot be more than the receipts but can be equal. The procedure of determining the balance is similar to the procedure of 'T' format of a ledger. During the settlement of debts and credits if any discount is allowed or received it is recorded in journal proper not in a single column cash book.

Preparing Single Column Cash Book

Transactions of Sharif Traders during June 2025 are the following-

June 1 Beginning cash in hand Tk. 2,500
" 2 Brought additional capital Tk.10,000.
" 4 Purchased goods in cash Tk. 7,000.
" 6 Sold goods to Jamal for cash Tk.8,000.
" 10 Took loan from Alam Tk.15,000
" 15 Rent paid in advance Tk.4,000
" 20 Received from Account Receivable Tk. 6,000
" 22 Withdrawn cash by the proprietor Tk.1,000
" 25 Purchased equipment Tk.9,000
" 30 Paid salary to Mamun Tk. 3,000

Prepare a Single Column Cash Book from the above transactions -

Sharif Traders's Single Column Cash Book

Debit Credit

Date	Receipts	R. No.	L/F	Amount Tk.	Date 2025	Payments	V. No.	L/F	Amount Tk.
2025									
Jun 1	Balance B/D			2,500	Jun 4	Purchase A/c			7,000
,, 2	Capital A/c			10,000	,, 15	Prepaid rent A/c			4,000
,, 6	Sales A/c			8,000	,, 22	Drawings A/c			1,000
,, 10	Alam's loan A/c			15,000	,, 25	Equipments A/c			9,000
,, 20	Accouts Receivable			6,000	,, 30	Salaries A/c			3,000
					,, 30	Balance C/D			17,500
				41,500					41,500
Jul 1	Balance B/D			17,500					

Activity: On 1st June 2025 Abu Taleb Sarker started a business named 'Taleb Enterprise' with a capital of Tk.20,000. His transactions for the month were -

June 1 Purchased furniture Tk. 5,000
,, 3 Purchased goods on credit Tk.8,000
,, 4 Sold goods to Azad for cash Tk. 6,000

June 7 Purchased goods Tk. 4,000
,, 9 Paid cash to Account Payable Tk. 3,000
,, 11 Paid Advertisement expenses Tk. 2,000
,, 16 Purchased supplies Tk. 500.
,, 26 Received commission Tk. 1,000
,, 28 Sold goods Tk. 7,000

Prepare a Single Column Cash Book from the following transactions.

Double Column Cash Book

Organizations that deal with both cash as well as bank transactions prepare double column cash book. The double column cash book is more applicable and provide much information compared to a single column cash book. Apart from receipts and payments done in cash, the increase or decrease of amount in bank as well as bank balance can be obtained from a double column cash book.

Format of Double Column Cash Book

Debit Credit

Date	Receipts	R. No.	L/F	Cash Tk.	Bank Tk.	Date	Payments	V. No.	L/F	Cash Tk.	Bank Tk.

Activity: Identify the similarities & differences between Single and Double column cash book.

If transactions increase the bank balance, it is to be recorded into the bank column of debit side while decrease of the same will be recorded into the bank column of the credit side. If cheque received for goods sold or from Account Receivable, it will be treated as a crossed cheque because a cheque issued in favour of the business is never treated as a bearer or an open cheque. Bank column can exhibit either debit or credit balance. Debit balance indicates bank deposit and credit balance indicates bank overdraft. Before preparing a double column cashbook, we need to know the following things:

Contra Entry

The transactions that influence both the cash as well as the bank account are known as contra entry. Cash and bank both denote asset. So for a fixed transaction if one account is debited the other account must be credited.

After giving posting to the both sides of Cash book the letter - 'C' may be written beside the name of both accounts to indentify them.

Activity: Mention the transactions that jointly affects both Cash & Bank accounts

Rules related to record transactions in double and triple column cash book:

Cash deposited into the Bank

Debit — Credit

Date	Receipts	R. No.	L /F	Cash Tk.	Bank Tk.	Date	Payments	V. No.	L /F	Cash Tk.	Bank Tk.
	Cash (C)				✓		Bank (C)			✓	

Withdrawn cash from Bank for business purpose

Debit — Credit

Date	Receipts	R. No.	L /F	Cash Tk.	Bank Tk.	Date	Payments	V. No.	L /F	Cash Tk.	Bank Tk.
	Bank A/c (C)			✓			Cash (C)				✓

Deposited cheque Dishonored

Debit — Credit

Date	Receipts	R. No.	L /F	Cash Tk.	Bank Tk.	Date	Payments	V. No.	L /F	Cash Tk.	Bank Tk.
							Respective party				✓

Issued cheque dishonored

Debit — Credit

Date	Receipts	R. No.	L /F	Cash Tk.	Bank Tk.	Date	Payments	V. No.	L /F	Cash Tk.	Bank Tk.
	Respective party				✓						

Interest allowed by the bank

Debit — Credit

Date	Receipts	R. No.	L /F	Cash Tk.	Bank Tk.	Date	Payments	V. No.	L /F	Cash Tk.	Bank Tk.
	Bank Interest received A/c				✓						

Interest on bankoverdraft & Charges charged by the Bank

Debit Credit

Date	Receipts	R. No.	L /F	Cash Tk.	Bank Tk.	Date	Payments	V. No.	L /F	Cash Tk.	Bank Tk.
							Bank Interest				✓
							Bank Charge				✓

Preparing Double Column Cash Book

During the month of November 2025 the following transactions took place in Chowdhury & Sons:

Nov. 1 Cash in hand Tk. 5,000 and Cash at Bank Tk. 3000.
" 2 Goods purchased by cheque Tk. 2000.
" 4 Received check from Account Receivable Tk. 6000.
" 6 Purchased IPS for office Tk. 5000.
" 8 Sold old furniture Tk. 9000.
" 12 Received check from Rajib on selling of goods Tk. 7,000.
" 15 Withdrawn cash from Bank for personal use Tk. 2000.
" 20 Withdrew from Bank Tk. 5,000.
" 23 Received from Mehzabin Tk. 3000
" 25 Paid cash to Anwar Tk. 3000
" 28 Interest allowed by Bank Tk. 300
" 30 Bank charged Tk. 200

Prepare a Double Column Cash Book from the above transactions.

Solution

Chowdury & Sons Double Column Cash Book

Debit Credit

Date	Receipts	R. No.	L /F	Cash Tk.	Bank Tk.	Date	Payments	V. No.	L /F	Cash Tk.	Bank Tk.
2025						2025					
Nov. 1	Balance B/D			5,000	3,000	Nov. 2	Purchase				2,000
„ 4	Accouts Receivable				6,000	„ 6	Office Equipment			5,000	
„ 8	Furniture			9,000		„ 15	Drawings				2,000
„ 12	Sales				7000	„ 20	Cash (C)				5,000
„ 20	Bank (C)			5,000		„ 25	Anwar			3,000	
„ 23	Mehjabin			3,000		„ 30	Bank charge				200
„ 28	Bank interest				300	„ 30	Balance C/D			14,000	7,100
				22,000	16,300					22,000	16,300
Dec1	Balance B/D			14,000	7,100						

Activity: Nargis & Bros.is a retailer. During the month of November 2025 following transactions took place-

Nov. 1 Cash in hand Tk.7,000 and cash at Bank Tk. 5,000.
„ 2 Purchased goods by check Tk. 4,000.
„ 4 Received a check from sale of goods Tk.6,000.
„ 7 Withdrawn from Bank Tk. 3,000.
„ 10 Cash from Bills receivable received by Bank Tk. 2,000.
„ 13 Check received from A/R Sayed Tk.8,000.
„ 20 Purchased furniture in cash Tk.3,000 and Tk. 2,000 in cheque.
„ 26 Withdrawn by the proprietor Tk.1,500.
„ 30 Bank allowed Interest Tk. 500.

Record the transactions in the double column Cash Book and calculate the amount of cash & bank balance at the last date of the month.

Treble Column Cash Book

A triple column cash book is prepared to record transaction involving cash, bank, and discounts allowed or received.We can know about cash balance, bank balance, total discount allowed and total discount received. For collecting the amount of goods sold on credit quickly, the seller allows the buyer such kind of discount. This discount is known as cash discount. Discount received is an revenue for the buyer while discount allowed is an expense for the seller.

Format of Triple Column Cash Book

Debit Credit

Date	Receipts	R. No.	L /F	Dis. Tk.	Cash Tk.	Bank Tk.	Date	Payments	V. No.	L /F	Dis. Tk.	Cash Tk.	Bank Tk.

There are total fourteen columns where debit and credit sides having 7 columns each in both side of a triple column cash book. Cash and bank columns are just like the double column cash book for recording and ascertaining balances. The discount columns on either sides of a cash book are recorded separately, but the difference is not obtained. Discount during the time of buying and selling, that is trade discount is not at all recorded.

Preparing Triple Column Cash Book

During the month of March 2025 following transactions took place in Salina Traders:

March	1	Cash in hand Tk.18,000; Bank overdraft Tk. 3,000
,,	3	Deposited in the Bank Tk. 5,000.
,,	6	Received cash Tk. 6,800 from Sayem in full settlement of debt Tk. 7,000.
..	10	Received a cheque Tk. 3,400 from Sumi and discount allowed Tk. 100.
,,	14	Withdrawn cash from business for personal use Tk. 500.
,,	16	Sold goods for cash Tk. 12,000.
,,	18	Purchased goods of Tk.8,000 at a discount of 5%.
,,	20	Bank paid the amount of notes payable Tk. 2,000.
,,	24	Received check from Arif Tk.6,500 and discount allowed Tk. 500
,,	30	Interest charged by the Bank Tk.400

From the above information, prepare a triple Column Cash Book.

Solution:

Salina Traders

Debit — Triple Column Cash Book — Credit

Date	Receipts	R. No.	L/F	Dis. Tk.	Cash Tk.	Bank Tk.	Date	Payments	V. No.	L/F	Dis. Tk.	Cash Tk.	Bank Tk.
2025							2025						
Mar. 1	Balance B/D				18,000		Mar. 1	Balance B/D					3,000
,, 3	Cash (C)					5,000	,, 3	Bank (C)				5,000	
,, 6	Sayem			200	6,800		,, 10	Sumi			100		3,400
,, 16	Sales				12,000		,, 14	Drawings				500	
,, 24	Arif			500		6,500	,, 18	Purchase				7,600	
							,, 20	Notes payable					2,000
							,, 30	Bank interest					400
							,, 31	Balance C/D				23,700	2,700
				700	36,800	11,500					100	36,800	11,500
Apr. 1	Balance B/D				23,700	2,700							

Activity: Record the following transactions during July 2025 in Arnob Trader's Triple Column Cash Book.

July 1 Cash in Hand Tk. 4,000 & Cash at Bank Tk. 5,000
" 4 Withdrew from Bank Tk. 3,000.
" 5 Received Tk. 2,800 from Rotan stores and allowed discount Tk. 200.
" 7 Purchased goods from Tazul Islam for cash Tk. 6,000 at a discount of 10%.
" 12 At a discount of 5%, the debt of Tk. 4,000 is fully settled.
" 15 Received cheque from selling of goods Tk. 8,000
" 20 Tk. 7,200 received from Salehin in full settlement of his debt Tk. 7,500.
" 28 Paid salaries in cash Tk. 2,000 and cheque Tk. 1,000.
" 30 Received rent from tenant Tk. 2,000.

Illustration-01

Transactions of M/S Quamrul Traders in May 2025 were-

May 2 Cash in Hand Tk. 9,300
,, 3 Received from Shamim Tk. 2,000.
,, 4 Withdrew from business for personal requirement Tk. 3,500.
,, 6 Paid repair cost for old Furniture Tk. 1,500.
,, 10 Purchased from Zakir for cash Tk. 4,000.
,, 16 Received interest of investment Tk. 500.
,, 20 Sold goods Tk. 6,000.
,, 25 Paid salaries Tk. 3,000.
,, 28 Realized Tk. 1,200 against Notes receivable & paid Tk. 800 for Notes payable.

Prepare Single Colum Cash Book from the above transactions.

Solution

M/S Quamrul Trader's Single Column Cash Book

Debit Credit

Date	Receipts	R. N0.	L/ F	Amount Tk.	Date	Payments	V. N0.	L/ F	Amount Tk.
2025					2025				
May 2	Balance B/D			9,300	May 4	Drawings			3,500
,, 3	Shamim			2,000	,, 6	Repair			1,500
,, 16	Interest on investment			500	,, 10	Purchase			4,000
,, 20	Sales			6,000	,, 25	Salaries			3,000
,, 28	Notes receivable			1,200	,, 28	Notes payable			800
					,, 31	Balance C/D			6,200
				19,000					19,000
June 1	Balance B/D			6,200					

Double Colum Cash Book

Illustration-02

Prepare Double Column Cash book of Jahid & Sons in April 2025-

April 1 Cash in hand Tk.12,000 and Bank overdraft Tk. 3500
" 2 Tk.4,000 deposited to Bank.
" 5 Sold goods and received cash Tk. 2,500 and check Tk. 1,500.
" 8 Goods bought from Rajib for Tk. 3,000 paying Tk.2,000.
" 14 Withdrew from business for personal use Tk.1,000.
" 19 Issued check to Razib Tk.1,000
" 23 Received from Mamun Tk. 5,000
" 24 Paid to Musum Tk. 5,000
" 25 Bank charged Tk.300.

Solution:

Jahid & Sons' Double Column Cash Book

Debit Credit

Date	Receipts	R. No.	L /F	Cash Tk.	Bank Tk.	Date	Payments	V. No.	L /F	Cash Tk.	Bank Tk.
2025						2025					
Apr. 1	Balance B/D			12,000		Apr. 1	Balance B/D				3,500
,, 2	Cash (C)				4,000	,, 2	Bank (C)			4,000	
,, 5	Sales			2,500	1,500	,, 8	Purchase			2,000	
,, 23	Mamun			5,000		,, 14	Drawings			1,000	
						,, 19	Rajib				1,000
						,, 24	Masum			5,000	
						,, 25	Bank charge				300
						,, 30	Balance C/D			7,500	700
				19,500	5,500					19,500	5,500
May 1	Balance B/D			7,500	700						

Triple Column Cash Book

Illustration - 03

Prepare a Triple Column Cash Book of Ali & Bros.from the following transactions for March 2025:

March 1 Cash in hand Tk. 9,300 and Bank Credit balance tk. 2,700.
" 5 Ashraf Traders directly deposited cash in the Bank tk. 5,000.
" 7 Withdrew cash from bank for personal use Tk. 2,000.
" 9 Received a check from Arafat Traders Tk.6,400 in full settlement of Tk.6,500.
" 13 Purchased goods for cash Tk. 2,000 and by check Tk.1,000.
" 19 Paid accounts payable a check of Tk.2,000 and discount received Tk.200.
" 21 Proprietor deposited into bank personally Tk.10,000.
" 24 The check received from Arafat Traders and deposited on the 9th was dishonored.
" 27 Salaries paid Tk.3,000 and rent paid by the check Tk. 6,000.
" 28 Bank charged interest Tk. 400

Solution:

Ali & Bros.

Triple Column Cash Book

Debit | Credit

Date	Receipts	R. No.	L/F	Dis. Tk.	Cash Tk.	Bank Tk.	Date	Payments	R. No.	L/F	Dis. Tk.	Cash Tk.	Bank Tk.
2025 March 1	Balance B/D				9,300		2025 March 1	Balance B/D					2,700
„ 5	Ashraf Traders					5,000	„ 7	Drawings					2,000
„ 9	Arafat Traders			100		6,400	„ 13	Purchase				2,000	1,000
„ 21	Capital					10,000	„ 19	Creditors					2,000
							„ 24	Arafat Traders			200		6,400
							„ 27	Salaries				3,000	
							„ 27	Rent					6,000
							„ 28	Bank interest					400
							„ 31	Balance C/D				4,300	900
				100	9,300	21,400					200	9,300	21,400
April. 1	Balance B/D				4,300	900							

Cash Receipts Journal

All cash & cash equivalent received in transactions are recorded in Cash Receipts Journal to know the total cash inflow of a specific period of time. Cash equivalent means cash & any cheque or ATM card used in transaction. The Cash Receipts Journal is made in such a way that it's easy to understand each source of cash received.

Cash Receipts Journal

Date	Account Credited	Ref.	Cash Debit	Discount Debit	Sales Credit	Accounts Receivable Credit	Others Account Credit

Date : The date when receiving of cash will occur.

Account Credited : When cash will be received from the accounts receivable, then the name(s) of the accounts receivable(s), and when there will be income from irregular source(s), the name(s) of that item(s) will be recorded.

Debit:

1. Cash : In this column, the total amount of cash receipts (Cash or check) will be recorded.
2. Discount : If discount is allowed receiving from accounts receivable, the amount of discount will be recorded in this column.

Credit:

1. Sales : Goods if sold in cash are recorded in this column.
2. Accounts Receivable : The total amount of cash received from debtors accounts receivable & discount allowed, its summation is recorded in this column.
3. Other Accounts : Except from goods sold in cash and received from accounts receivable the other receipts are recorded in this column.

Preparing Cash Receipts Journal

The following receipts are occurred in May 2025 in Shahjahan & Co.

May 3 Sold goods for in cash Tk. 10,000.

" 5 Received cash from Shafiq Traders Tk. 3,000.

" 10 Brought additional capital of Tk. 5,000.

" 15 Received Tk. 3,800 from Zaman & Sons in full settlement of his debt of Tk. 4,000

" 20 Sold old furniture Tk. 1,000

Shahjahan & Company's Cash Receipts Journal

Date	Account Credited	Ref.	Cash Debit	Discount Debit	Sales Credit	Debtors Credit	Others A/c Credit
2025							
May 3			10,000		10,000		
,, 5	Shafiq Traders		3,000			3,000	
,, 10	Capital		5,000				5,000
,, 15	Zaman & Sons		3,800	200		4,000	
,, 20	Furniture		1,000				1,000
			22,800	200	10,000	7,000	6,000

Observing the above cash receipts journal, the total Debit amount (22,800 + 200)=23,000 and the total Credit amount (10,000 + 7,000 + 6,000)=23,000. These two totals have to be equaled always.

Activity : Prepare Cash Receipts Journal from the following transactions of Mahi Trader's for June 2025.

June 1 Owner invested in business Tk.75,000.
,, 5 Goods sold for cash Tk.35,000.
,, 9 Received in cash Tk.10,000 and a check for Tk.14,000 from Rizvi Traders in full settlement of Tk.25,000.
,, 15 Goods sold for cash to Rabbi Traders worth Tk.45,000.
,, 21 Took loan for business Tk.50,000.
,, 25 Received Tk.19,500 from Munni Brothers in settlement of Tk.20,000.
,, 30 Bank allowed interest Tk.2,000.

Cash Payments Journal

All cash & cash equivalent payment in transactions are recorded in Cash Payments Journal to know the total cash outflow of a specific period of time.

Cash Payments Journal (Format)

Date	Cheque No.	Account Debited	Ref.	Purchase Debit	Account Payable Debit	Others Account Debit	Discount Credit	Cash Credit

Date : The date on which transaction will occur is recorded.
Cheque No : If payment is made through check then check no. is recorded in this column.
Account Debited : If A/P is paid its name and while payment made to other party, their names will be recorded in this column.

Debit:

1. Purchase : Goods purchased in cash are recorded in this column.
2. Accounts Payable : Payments made to accounts payable and discount received from them its sum is recorded in this column.
3. Other Accounts : Except goods purchase in cash and payments made to accounts payable, the other items that relates to cash payments are recorded in this column.

Credit:

1. Discount received : During the time of payments made to accounts payable, the amount of discount received is recorded in this column.
2. Cash : All cash or cheque payments are recorded in this column.

Withdrawn from bank for business and money deposited into bank from business, both these transactions will not be recorded in cash receipts and cash payments journal because these transaction keep cash liquidity unchanged. Bank interest allowed will be recorded in cash receipts journal and interest on bank overdraft and bank charges in cash payments journal.

Preparing Cash Payments Journal

Following cash payments transactions are of Moushumi Enterprise for July 2025:

July 2 Goods purchased for cash Tk. 5,000.
,, 5 Paid to Milon Traders Tk. 3,000 by cheque no. 68943
,, 8 Purchased Furniture Tk. 4,000.
,, 15 Paid interest on loan Tk. 500.
,, 20 Paid Tk. 2,800 to Runa and received discount Tk. 200.

Moushumi Enterprise's Cash Payments Journal

Date	Cheque No.	Account Debited	Ref.	Purchase Debit	Account Payable Debit	Others Account Debit	Discount Credit	Cash Credit
2025								
Jul 2				5,000				5,000
,, 5	68943	Milon Traders			3,000			3,000
,, 8		Furniture				4,000		4,000
,, 15		Interest on loan				500		500
,, 20		Runa			3,000		200	2,800
				5,000	6,000	4,500	200	15,300

As like the Cash receipts journal, total debit & total credit amount of Cash payments journal will be always equal. In the above Cash payments journal Total Debit (4,500 + 6,000 + 5,000)=15,500 and Total Credit (200 + 15,300)=15,500.

Activity : Prepare Cash Payments Journal from the following transactions of Sohrab Traders for October 2025

Oct. 1 Goods Purchased by cash Tk. 9, 000
,, 4 Paid Khalid and sons Tk. 6,500
,, 7 Purchased stationary Tk. 500
,, 10 Paid Rasel Tk. 5,300 and received discount Tk. 200
,, 16 Purchased goods from Safi enterprise Tk. 14, 000
,, 20 Loan paid Tk. 8,000
,, 26 Paid salaries to the employees Tk. 4,500
,, 30 Withdrawa cash Tk. 2,000 by the owner
,, 30 Received rent from tenant Tk. 2,000.

Total Cash Receipts & Total Cash Payments transfer to Ledger:

By preparing Cash Receipt Journal and Cash Payment Journal we come to know the total amount of cash receipts and cash payments. Cash Book is prepared for ascertaining the cash balance of a certain time. Opening cash balance of a certain time is added to the cash receipts while the cash payments are deducted from it to ascertain the closing cash balance.

Cash Receipts Journal

Date	Account Credited	Ref.	Cash Debit	Discount Debit	Sales Credit	Accounts Receivable Credit	Others Account Credit
2025							
May 2	Khadija Stores		20,000			20,000	
,, 7	Shawon Traders		7,500	500		8,000	
,, 10	Int. on Investment		1,000				1,000
,, 19	—		8,000		8,000		
,, 26	—		6,000		6,000		
			42,500	500	14,000	28,000	1,000

Cash Payments Journal

Date	Cheque No.	Account Debited	Ref.	Purchase Debit	Accounts Payable Debit	Others Account Debit	Discount Credit	Cash Credit
2025								
May 2		Furniture				4,000		4,000
,, 3		—		5,000				5,000
,, 8		Masum Stores			3,800		300	3,500
,, 25		Salaries				2,000		2,000
,, 28		Drawings				1,000		1,000
				5,000	3,800	7,000	300	15,500

Cash Account Code no. of account….

Date	Particulars	Ref.	Debit (Tk.)	Credit (Tk.)	Balance	
					Debit (Tk.)	Credit (Tk.)
2025						
May 1	Balance b/d				7,500	
,, 31	Sundry Credit Accounts		42,500		50,000	
,, 31	Sundry Debit Accounts			15,500	34,500	

Bank Account related Transactions

Innumerable transactions take place in today's business. Transactions made through cash are very risky. Transactions mitigated through bank are very safe. For making transactions through bank at first, a bank account needs to be opened. A person or firm who opens a bank account is known as a depositor.

Bank Statement

The statement that is made by bank mentioning the full details of its depositor is known as bank statement. Nowadays this statement is done by computer. Money or cheque deposited into bank, money withdrawn from bank or payment made through bank, bank interest or bank charge including all other information are available chronologically in a bank statement. Apart from recording in a bank statement, a depositor also keeps records of all transactions related to bank in a cash book and identifies balances. The balance of a bank statement and the bank balance of a cash book should be understandably equal. However, as always, this balance may not be equal, and then bank reconciliation statement is required to be prepared.

Bank Reconciliation Statement

The statement that is prepared for identifying the differences between the balance of bank statement and bank column of cash book is known as bank reconciliation statement.

The reasons for differences between the balance of bank statement and the bank column of cash book

- For collection of check through bank, if it is not collected in due time there will be a case of difference between the balances.
- If a cheque is issued to settle a debt is not presented to the bank in due time, it will make a difference.
- If bank on behalf of its client make any payment or receive any collection without informing the client, there will be differences.

Activity: Identify the other reasons for differences between the balances.

Sample Qestion

Multiple Choice Questions :

1. Despite being a primary book of accounts, which one works like a permanent book?

a. Journal b. Ledger
c. Cash Book d. Trial balance

2. ------- will be recorded in the cash book.

i. Capital brought Tk.50,000
ii. Sale to Janata Traders Tk.20,000
iii. Purchase of stationery Tk.1,000

Which one is correct?

a. i and ii b. i and iii c. ii and iii d. i, ii and iii

3. Which will be recorded in a single-column cash book?

a. Payment by cheque for purchasing of goods Tk.4,000
b. Purchase of furniture Tk.6,000
c. Withdrawal of goods Tk.1,000
d. Return of goods Tk.500

4. A single-column cash book always shows which balance?

a. Debit b. Credit
c. Bank deposit d. bank overdraft

5. If a cheque is received from the sale of goods, what type of cheque will it be considered?

a. Bearer cheque b. Order cheque
c. Crossed cheque d. Opened cheque

6. What letter or symbol is used for contra entries?

a. B b. C
c. K d. F

7. Contra entries will be--------

i. Cash deposited into bank
ii. Accounts recevable deposits directly into bank
iii. Withdrawal from bank for office use

Which one is correct?

a. i and ii b. i and iii c. ii and iii d. i, ii and iii

8. Which discount is recorded in a triple-column cash book?

a. Purchase discount b. discount Allowed
c. Sales discount d. Trade discount

9. In Cash receipts journal includes-
   i. Cash purchase of goods
   ii. Cash sale of goods
   iii. Bank interest allowed

Which one is correct?

a. i and ii b. i and iii c. ii and iii d. i, ii and iii

10. Which one is recorded in Cash payments journal?
   a. Sale of furniture c. Loan repayment
   b. Collection of receivables d. Sale of goods

11. What is called the business or institution who opens an account in a bank?
   a. Banker b. Depositor
   c. Receiver d. Investor

12. Accounts are affected by a contra entry-
   i. Capital
   ii. Cash
   iii. Bank

Which one is correct?

a. i and ii b. i and iii c. ii and iii d. i, ii and iii

Read the following paragraph and answer questions 13 and 14:

On July 10, 2025 Salahuddin & Sons, deposited cash Tk. 10,000 into the bank account, paid a cheque of Tk. 11,500 to the accounts payable Samina Stores in full settlement of the claim of Tk.12,000, and received a cheque of Tk.14,000 from the accounts receivable Mahbub Traders in full settlement of a receivable of Tk. 15,000.

13. Which cash book is appropriate for recording the transactions of July 10, 2025?
   a. Single-column b. Double-column
   c. Triple-column d. Cash receipts journal

14. What is the amount of the contra entry of Salahuddin & Sons?
   a. 10,000 b. 12,000
   c. 14,000 d. 15,000

Read the following paragraph and answer questions 15 and 16:

Mr. Habib, the owner of 'Habib Enterprise', records all cash receipts and payments in the cash book. On March 10, 2025, he purchased goods worth Tk. 20,000 and paid Tk. 15,000. On March 28, Tk.9,500 was received from Robi in full settlement of Tk. 10,000.

15. What is the actual amount of debt for Habib Enterprise?
   a. 35,000 b. 20,000
   c. 15,000 d. 5,000

16. In which cash book should we record the transaction dated on March 28?
   a. Single-column b. Double-column
   c. Triple-column d. Petty cash

Creative Qestions:

1. The following are few transactions of "Messrs Deblina Bastralay" in Islampur, Dhaka, for May 2025:

May 1 Opening cash balance of Tk. 60,000.

May 4 Sold 150 yards of cloth were at Tk. 200 per yard to Tapu Traders of Comilla in cash with a 5% trade discount.

May 10 Purchased cloth worth Tk. 80,000 was from Shahi Bastra Bitan of Pabna with a 10% trade discount.

May 13 Received Tk. 40,000 was from Sojal Traders.

May 15 Paid Tk. 30,000 was in advance for shop rent.

May 20 Provided cloth worth Tk. 2,000 was for the owner's daughter.

May 25 Paid Tk. 2,500 was for the electricity bill for April.

a. Prepare the general journal for the non-cash transactions from the above information.

b. Prepare a cash memo for the transaction dated on May 4.

c. Prepare a single-column cash book based on the above transactions.\

2. Some transactions of 'Bandar Traders' of Chattogram for June 2025 are as follows:

On Jun 1, Started the business with Tk. 120,000 in cash and a bank deposit of Tk. 200,000.

Jun 3 Purchased goods worth Tk. 100,000 from Jamuna Traders; Tk. 20,000 was paid in cash and Tk. 30,000 by check.

Jun 5 Purchased one photocopy machine for business use at a cost of Tk. 75,000.

Jun 9 Withdrawn Tk. 5,000 from the bank for personal use and Tk. 10,000 for business use.

Jun 15 Paid Tk. 3,000 for the transportation and installation of the photocopy machine.

Jun 18 Bank Collected Tk. 25,000 from notes receivable, and paid Tk. 15,000 for notes payable.

Jun 22 Received a check of Tk. 13,000 from Patenga Store, and allowed Tk. 1,000 as discount.

Jun 26 A check of Tk. 25,000 was issued and Tk. 20,000 was paid in cash to Jamuna Traders with a 10% discount.

Jun 30 Bank allowed Tk. 500 as interest and deducted Tk. 1,000 as charges.

a. Calculate the value of office equipment for Bandar Traders.

b. Prepare a Double-column cash book based on the transactions from June 1 to June 15.

c. Assuming an opening cash balance of Tk. 120,000 and a bank balance of Tk. 60,000, prepare a triple-column cash book for the transactions from June 18 to June 30.

3. Transactions of Modern Store, Rajshahi for March 2025 are as follows:

Mar 1 Cash balance Tk. 57,500

Mar 2 Purchased goods Tk. 10,000 in cash and Tk. 15,000 by cheque

Mar 5 Sold goods Tk. 45,000, of which 60% by cheque and the remainning in cash

Mar 10 Withdrawa case Tk. 4,000 and goods worth Tk. 1,000 for personal use

Mar 11 Loan took from bank Tk. 50,000

Mar 14 Paid Tk. 29,000 by check no. 032541 to Sadman Enterprise in settlement of Tk. 30,000.

Mar 17 Received Tk. 24,250 from Supti in settlement of Tk. 25,000

Mar 22 Paid shop rent Tk. 20,000 by check no. 032651

Mar 27 Sold old computer for Tk. 9,000

Mar 31 Bank allowed interest Tk. 1,000

a. Determine the amount of transactions that should not be included in the cash receipts and cash payments journal.

b. Prepare a cash receipts journal based on the above transactions.

c. Prepare a cash payments journal of Modern Store for March.

4. Transactions of Ferdous Traders for March, 2025 are as follows:

Mar 1 Cash balance Tk. 7,500.

Mar 4 Purchased goods from Suman Traders in cash Tk.4,000 allowing 5% discount,.

Mar 8 Sold goods for Tk. 15,000.

Mar 10 Purchased chairs worth Tk. 3,000 for business use.

Mar 11 The owner brought additional capital of Tk. 45,000.

Mar 12 Received Tk. 15,000 in cash and a check of Tk 25,000 from Raju Traders.

Mar 15 Purchased goods worth Tk. 25,000 from Nafis Brothers, and 50% of the amount was paid in cash.

Mar 18 Paid Tk. 2,500 to Arif Traders.
Mar 20 Charged depreciation of Tk. 300 on furniture.
Mar 22 Sold old furniture for Tk. 8,000.
Mar 25 Withdrawn Tk. 1,000 for personal use and Tk. 5,000 for office use from bank.
Mar 30 Bank allowed Tk. 500 as interest and charged Tk. 1,000 as a service charge.

a. Give journal entries for the transactions which should NOT be recorded in cash book (without explanation).
b. Prepare a single-column cash book for Ferdous Traders based on transactions from March 1 to March 11.
c. Prepare a double-column cash book assuming opening cash of Tk. 40,000 and bank overdraft of Tk. 15,000, based on transactions from March 12 to March 30.

5. Cash transactions of Nasir Enterprise in August 2025 are as follows:
Aug 1 The cash balance was Tk. 19,000 and the bank balance was Tk. 24,000.
Aug 2 Received Tk. 7,000 was by cheque from Rajib Traders for sales.
Aug 5 Withdrawn Tk. 5,000 was from the bank.
Aug 10 Purchased goods worth Tk. 5,000 were with a 5% discount.
Aug 12 Received Tk. 5,800 was in full settlement of a Tk. 6,000 receivable from Jafar Store.
Aug 18 Purchased goods worth Tk. 3,500 were for cash from Sajjad and Sons.
Aug 20 Paid Tk. 4,300 was to Selima Traders, and a discount of Tk. 200 was received.
Aug 25 Paid Tk.10,000 was towards a bank overdraft.
Aug 28 Paid interest on bank overdraft interest of Tk. 500 was paid.
Aug 31 The Bank deducted a service charge of Tk. 1,000.

a. Calculate the total amount of contra entries from the above information.
b. Prepare a double-column cash book based on transactions from August 1 to August 10.
c. Assuming opening cash balance of Tk.55,000 and bank overdraft of Tk. 10,000, prepare the appropriate cash book for transactions from August 12 to August 31.

6. The following transactions occurred in November 2025 for Haider & Sons:
Nov 1 Sold Goods Merchandise to Shahid for Tk. 8,000 in cash allowing 5% discount.
Nov 4 Received Tk. 5,400 was from Maliha & Sons, and a discount of Tk. 100 was allowed.
Nov 5 Purchased a calculator was for office use at a cost of Tk. 500.
Nov 8 Received interest on investment was amounting to Tk. 4,000.

Nov 12 Paid Tk. 3,300 was in full settlement of a Tk. 3,500 due to Jamal Traders.
Nov 18 Paid office rent of Tk. 2,500.
Nov 20 Took a loan of Tk. 10,000.
Nov 23 Purchased goods worth Tk. 30,000 were from Kamal Traders by cheque with a 5% discount. cheque number 5309.

a. Calculate the amount of cash discount.
b. Prepare the cash receipts journal based on the transactions.
c. Prepare the cash payments journal based on the transactions.

7. The following transactions took place for Kishore Brothers in January, 2025:

Jan 1 Cash balance of Tk. 30,000 and bank overdraft of Tk. 25,000.

Jan 3 Purchased goods worth Tk. 10,000 from Jahir Traders with a 5% discount.

Jan 5 The owner withdrew Tk. 1,500 from the business for personal use.

Jan 10 Paid Tk. 8,600 was in full settlement of Tk. 9,000 to Shoaib Brothers.

Jan 15 Purchased goods were and paid Tk. 7,000 by cheque.

Jan 20 Paid an employee's salary of Tk. 4,000 .

Jan 25 The owner purchased furniture for the business using personal funds amounting to Tk. 13,000.

Jan 28 Received Tk. 3,850 from Sumon, and a discount of Tk. 150 was allowed.

Jan 29 Paid Tk. 9,350 was in full settlement of Tk. 9,500 owed to Jahir Traders.

Jan 31 Keeping cash balance of Tk. 2,500 in hand , and the remaining cash was deposited into the bank.

a. Give a general journal entries for the transactions that will NOT be recorded in the cash book (without explanation).
b. Prepare a triple-column cash book for the transactions dated January 1, 28, 29 and 31.
c. Prepare a cash payment journal for the transactions from January 5 to January 20.

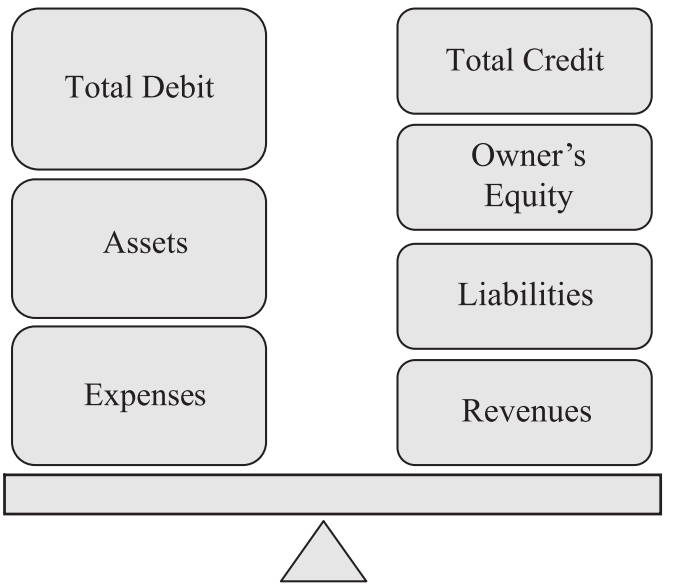
Short Questions

1. Why does cash book always show debit balance?
2. Explain the importance of the cash book in business decision-making.
3. How is a contra entry recorded in the books of accounts?
4. Why is a cash receipt journal prepared?
5. Why is a bank reconciliation statement prepared?

Chapter Nine

Trial Balance

It is essential to check the accuracy of the record of accounts before determining the profit-loss and financial position of the business. If the financial statements are prepared without verifying the mathmatical accuracy, the prepared statement may not even revel the correct information of the organization. A trial balance is prepared with the balances of ledger books carefully considering of all possible errors in maintaning the books of accounts.If sum of the debit balance of accounts is equal to the sum of the credit balances, it is assumed that the accounts are mathematically correct. Errors can easily be identified and necessary steps for rectifying them can easily be taken through preparation of trial balance.



At the end of this chapter, we will be able to –

- describe the concept and objective of trial balance;
- explain the types of errors in keeping accounts;
- examine the mathmatical accuracy by preparing trial balance in an accurate format using the balances;
- identify which accounting errors will cause errors in trial balance and which errors will not;
- explain the necessity of using suspense account;
- make an agreement between the balances temporarily by opening suspense account.

Concept of Trial Balance:

A Trial Balance is a statement prepared on a specific date to verify the mathematical accuracy of the ledger accounts by listing all account balances under debit and credit columns. If sum of the debit balances is equal to sum of the credit balances of the Trial Balance, generally it is assumed that there is no mathematical errors in the Ledger. On the other hand, if the totals of the two sides are not equal; it indicates there is an error in recording the transactions according to the double entry system.

Objectives of Trial Balance:

The objectives of the preparation of trial balance are as follows:

1. Verification of posting the entries in journal and ledger accurately is one of the prime objectives of trial balance.
2. To facilitate in preparation of the Statement of Comprehensive Income and the Statement of Financial Position.
3. To discover the mistakes in journal and ledger and rectify the errors if any.
4. Trial Balance is prepared to verify all the transactions have been recorded properly in the books of account.
5. To bring together all the balances of accounts in one place in order to facilitate the preparation of financial statements and reduce the wastage of labour and time thereby.
6. Trial Balance can convey the information to the financial condition.

Activity: To test the mathmetical accuracy of the accounts is the main objective of Trial Balance– comment.

Pro-forma of Trial Balance:

Name of the organization

Trial Balance

As at ------- 20----------

Serial/ Code No.	Name of the Accounts/ Particulars	Ref.	Debit (Tk.)	Credit (Tk.)

Since Trial Balance is neither any part of accounting; that is why it does not have any recognized pro-forma to follow. Moreover IASC (International Accounting Standards Committee) has not yet designed any specific pro-forma for preparing trial balance. The above table is popularly used as specimen format for trial balance.

Brief explanation of different columns of a trial balance is given below:

1. **Serial/Code No.:** lf there is any code no. of accounts then that code no. is put, otherwise the serial no. of ledger accounts are written in this column. Such as 1, 2, 3 etc.
2. **Name of the Accounts/ Particulars:** The full name of ledger accounts whose serial numbers have been written in the first column are put in this column. Such as, capital, furniture, cash etc.
3. **Ref. or (Ledger Folio):** The page/pages of the ledger, where the balances of the concerned accounts are shown, are written in this column. By doing so errors can easily be identified and rectified.
4. **Debit Balance:** The amounts of the debit balances of the ledger accounts are written in this column.
5. **Credit Balance:** The amounts of the credit balances of the ledger accounts are written in this column.

Procedure of preparing Trial Balance:

After identifying transactions, they are initially recorded in Journal in chronological order. Later on, balance of each account is calculated after transferring them permanently to ledger with separate account title. Without preparing the journal, transactions can also be posted directly in the ledger and then the ledger accounts are balanced as well. After calculating all ledger account balances, the trial balance is prepared in a separate sheet of paper or book mentioning all debit balances on the debit column and credit balances on the credit column.

Factors to be considered in preparing Trial Balance:

The main purpose of preparing a Trial Balance is to verify the mathematical accuracy of the accounts. To ensure that every balance is correctly included in the Trial Balance, special precautions are taken, and certain key factors are considered before its preparation. On the interest of the business, the following factors must consider into account before preparing the Trial Balance.

1. It is necessary to be careful about the recording of inventory. Value of beginning inventory recorded in debit column as expense in Trial Balance for the date is prepared for. But the value of ending inventory can not be included in trial balance because the value is not a ledger accounts balance; moreover, the value of ending inventory is a part of beginning inventory and purchased goods.

2. While 'Adjusted purchase' or 'Cost of goods Sold' include in trial balance, then ending inventory will be shown in debit column of trial balance as assets without including beginning inventory. Because Adjusted purchase = Beginning inventory + Net purchase−Ending inventory.

3. In case of inventory of stationary, beginning of stationary have to be shown in debit column of Trial Balance but the ending stationary will not be included.

4. Beginning balance of current assets & current liabilities i.e. cash in hand, bank balance, accounts receivable, accounts payable etc. will not come in Trial Balance because these are adjusted with related accounts ending balance.

5. Reserve created against assets, such as: Allowance for doubtful debts, allowance for discount on accounts receivable or allowance for discount payable and allowance for discount on bills receivable record in credit of trial balance.

6. Allowance created against liabilities, such as: allowance for discount on accounts payable and allowance for discount on bills paybale. As per the 'conservitism convention'of Accounting, it is inappropriate to charge allowance against liabilities. If such provision are found in accounts, it may write in debit column of trial balance. It is best to skip charging allowance on liabilities.

7. In some account title paid or received are not mentioned. In this case they are considered as expenses and written on the debit side of trial balance. Such as, rent, discount, commission, interest etc.

8. Sales ledger balances are considered as Accounts Receivable and put on the debit side.

9. Purchase ledger balances are considered as Accounts Payable and put on the credit side.

10. Contingent liability and contingent assets are not included in trial balance because business is not confirmed about their certainty. They are shown in the foot note of Trial Balance.

Activity: Find out the accounts which are not included in a trial balance.

Procedure of preparing a Trial Balance taking ledger balances into consideration:

The Ledger balances which are written on the debit side of Trial Balance	**The Ledger balances which are written on the credit side of Trial Balance**

All the assets: Land, building, leasehold property, furniture, machinery, investment, bills receivable, accounts receivable, goodwill, cash in hand, cash at bank etc.	**All liabilities:** Accounts payable, bills payable, bank overdraft, loan, etc.
All expenses: Purchase, Beginning Inventory, wages, salary, advertisement, rent, commission, repairs, office expenses, depreciation, transportation and discount allowed.	**All types of income and profits:** sales, interest income, discount income, apprenticeship premium, interest on investment, interest on bank deposit etc.
Prepaid Expenses : Salaries paid in advance, wages paid in advance, rent paid in advance is treated as an Asset as because the future benefit will come from that type of advance payment.	**Unearned revenues:** Advanced rent income, Advanced consultation fee is treated as a liability as because the future service is to be provided.
Accrued incomes: Interest accrued on investment, commission accrued, rent receivable is treated as an Asset as because the amount realized in future.	**Reserves created by profit:** Allowance for bad and doubtful debt, general reserve, reserve for discount on accounts receivable.
Other items: sales return, loan allowed, drawings.	**Other items:** purchase returns, capital.

Errors detected in Trial Balance:

Even after taking all necessary precutions, there might be some unintentional errors which lead to disagreement in trial balance. These errors are less cumbersome to find out and rectify the trial balance. Such errors are:

1. **Errors of Omission:** While posting from journal to ledger, if mistakenly, debit has been given to the ledger but corresponding credit has not been given to the ledger account or *vice versa*. Moreover if any balance of account is not included in trial balance then it will not agree. Example: Cash paid to Rahim Tk. 5000.

Journal: Rahim Brothers ---- Dr Tk. 5,000
Cash --------- Cr Tk. 5,000

At the time of transferring this to ledger, mistakenly it may so happen that only Rahim Brothers or Cash is transfered or only the balance of one account is transferred to trial balance.

2. **Errors of Commission:** Writing debit amount of the account on the credit side of the concerned ledger account or Writing credit amount of the account on the debit side of the concerned ledger account at the time of posting from journal to ledger. Both sides of trial balance will also not agree, if any transaction is posted twice in the same side of one account by mistake. Example:

Journal:

Rahim Brothers ---- Dr Tk. 5,000
Cash --------- Cr Tk. 5,000

If Rahim A/C----Dr is shown in credit along with Cash---- A/C on ledger or Cash A/C Cr. is written in debit along with Rahim A/C----Dr.

3. **Mistake in amounts of money:** While posting from journal to ledger, if mistakenly, not debiting and crediting both the accounts of a transaction with the same amount. That is, writing more or less amount in the ledger mistakenly while posting from journal. Example: Salary paid tK. 2,000. Mistake in Journal as-

Salary ----Dr Tk. 2,000
Cash ------Cr Tk. 20,000

OR, while posting in ledger- Mistakenly, Salary A/C is shown as tk. 20,000 and Cash A/C is shown as tk. 2,000 while posting in ledger.

4. **Error in Balancing of Ledger Account:** If there is any mistake in balancing the ledger account, the trial balance will not agree. Example:

Cash

Dr. Cr.

Date	Particulars	J.F.	Taka	Date	Particulars	J.F.	Taka
2025				2025			
Feb 1	Capital		1,00,000	Feb 2	Furniture		20,000
Feb 5	Sales		25,000	Feb 12	Accounts Payable		10,000
				Feb 18	Bank		15,000
				Feb 28	Salaries		5,000
				Feb 28	Balance C/D		65,000
			1,25,000				1,25,000
Mar 1	Balance B/D		65,000				

The Cash A/C shown above should bear a balance of Tk.75,000 but mistakenly it is written as Tk. 65,000.

5. Mistake in transferring ledger balances to trial balance: While transferring the ledger balances to the trial balance, the debit balance is wrongly written in credit side and vice versa.

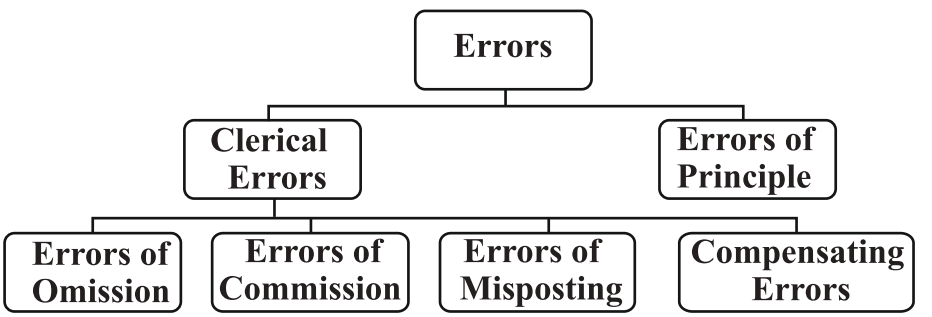
6. Error in summing up debit and credit sides in trial balance: Even after transferring all balances from ledger to Trial Balance, there may be error in summing up the debit and credit sides.

Activity: "Even if the Trial Balance agrees, we cannot be certain that there is no mistake in accounts"– do you agree? Elucidate your comments.

Errors not detected by the Trial Balance:

Agreement of Trial Balance does not ensure the hundred percent accuracy of accounts. Usually mathematical accuracy is assumed if trial balance agrees. But there may be some types of mistakes, which will not be detected by a trial balance. These are called disadvantages or limitations of trial balance. This type of error is divided into two major types.

The detailed descriptions of errors given below:



1. Clerical errors:

(a) Errors of omission: If any transaction is not at all recorded then the amount of the transaction will not be recorded in concerned ledger account and/or if the transaction is not transferred from journal to ledger then both the columns of trial balance will be valued by equal sum of lower amount of money. Such as, goods sold to Shimanto Traders, but not at all recorded in sales journal and ledger. But Trial balance will agree.

(b) Errors of commission: If any transaction is recorded in primary books of accounts by lower or higher amount of money then such lower or higher amount will also be recorded in the ledger concerned and thus the trial balance will agree as well. Such as, goods sold to Ratan Bros. of Tk. 5,000. If it is recorded in Sales journal as Tk. 50,000 then both Sales A/C and Ratan Bros. A/C will be higher valued by the amount of Tk. 45,000 and Trial balance will agree.

(c) Errors of miss posting: Such errors are done because of the carelessness of employees. Suppose Tk. 20,000 has been received in cash from Kalam Traders. Cash book is correctly debited with Tk. 20,000 but while posting to the ledger Salam Traders account is credited in place of Kalam Traders account. Trial balance will agree because the total of credits has been the same, though the amount has been credited to a wrong account. Trial balance will agree in this case also.

(d) Compensating errors: If one mistake is corrected by another mistake then it is called Compensating errors. Such as, Shihab Traders A/C is supposed to be debited with Tk. 5,000 but it has been debited with Tk. 500. In another occasion, Jamil Traders A/C was credited with Tk. 500 by mistake, instead of Tk. 5,000. So both the accounts will be less by the same amount i.e.Tk. 4,500. But Trial balance will agree for this error.

Finally it should be noted that, for the above four errors both debit and credit columns of trial balance will be equal but error remains.

2. Errors of principle: Errors which are done due to the lack of proper accounting knowledge or violation of recognized accounting principles are known as errors of principles. When Capital expenditure is recorded as Revenue expenditure and vice versa is an example of such errors. For example,

a) Machine purchase Tk. 50,000;
wrongly purchase debited instead of machine account.

b) Repair of machine Tk. 5,000;
wrongly machine account debited instead of repairs account

Activity: Identify and describe the errors and mistakes which may not be disclosed even if trial balance agrees.

Method of correcting an incorrect Trial Balance: If both sides of the trial balance do not agree, then it is to be understood that there are some mistakes in the accounting process. So the cause of this disagreement is to be found out but there is no hard and fast rule to correct an incorrect trial balance. In many cases the following actions can be taken:

(1) Verify the totals of the two columns of debit and credit sides in trial balance.

(2) Check whether all the balances of ledger accounts have been correctly entered in the trial balance.

(3) Check whether posting of the debit and credit balances have been correctly done in the appropriate side of the trial balance.

(4) Check whether posting from Journals to the ledger accounts has correctly been done.

(5) Check whether balance of any account posted to Trial Balance with changed amount or in the wrong column.

(6) Find out whether the difference between the totals of the two columns of the Trial Balance is divisible by 2 (two). If not so, then it is to be noted if there is any extra amount in the trial balance and whether the amount is placed in the right place in Trial Balance.

(7) Check whether the balances of asset, liabilitity and owner's equity account from previous year are correctly transferred to current year's Ledger.

In spite of the above mentioned steps taken, if the mistakes or errors can not be detected, then 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, those will be rectified through Suspense Account which will be closed after rectification of errors.

Suspense Account:

Finding out the errors is necessary where totals of both the sides of Trial Balance do not agree. But in most of the cases the detection and rectification of errors take long time. So it is not rational and feasible to keep the work of preparation of Final Accounts pending for such a long time. Under the circumstance, disagreement of both the sides of trial balance is made equal through Suspense Account for time being. It is not a permanent solution rather a kind of temporary arrangement. 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.

Activity: How can the disagreement of both sides of trial balance be solved?

Example-1:

Following Ledger balances of 31 March 2025 got from the accounts book of Mamun Traders:

Cash - Tk.1,19,000; Capital- Tk.1,00,000; Sales- Tk.60,000; Accounts Receivable Tk.-9,000; Purchase - Tk.20,000; Salary- Tk.3,000; House rent expense- Tk. 7,000; Wages expense-Tk. 2,000. prepare a trial balance as on 31 March, 2025.

Solution:

Mamun Trader's
Trial Balance
31 March 2025

Serial No	Name of accounts	L. F.	Debit Taka	Credit taka
1	Cash		1,19,000	
2	Capital			1,00,000
3	Sales			60,000
4	Accounts Receivable		9,000	
5	Purchase		20,000	
6	Salary expense		3,000	
7	House rent expense		7,000	
8	Wages expense		2,000	
	Total		1,60,000	1,60,000

Example-2:

From the following balance of M/S Mukta Traders, prepare Trial Balance as on 31 December 2025:

Name of accounts	Taka	Name of accounts	Taka	Name of accounts	Taka
Capital	60,000	Drawings	2,480	Depreciation	1,410
Inventory	16,400	Business expense	990	Rent received	430
Sales	81,200	Cash in hand	800	Salaries expense	4,300
Gas & Water	840	Cash at Bank	5,260	Insurance premium	1,060
Land & Building	20,000	Purchase	32,160	Return inward	490
Wages expense	18,490	Tax & Rates	840	Notes payable	4,000
Accounts Receivable	35,800	Furniture	1,250	Accounts Payable	10,370
Commission	1,470	Notes receivable	1,470	Returns outward	6,400
Equipment	10,270	Cash at Bank (1.1.25)	6,700	Bank charge	3,370
Transportation	3,370	Inventory of goods(31.12.25)	19,400	Discount received	120

Solution:

M/S Mukta Traders
Trial Balance
As on 31 December 2025

Serial	Name of Account	L.F.	Debit Taka	Credit Taka
1	Capital			60,000
2	Inventory (1.1.2025)		16,400	
3	Sales			81,200
4	Gas and water		840	
5	Land and building		20,000	
6	Wages		18,490	
7	Accounts Receivable		35,800	
8	Commission		1,470	
9	Machinery		10,270	
10	Transportation		3,370	
11	Drawings		2,480	
12	Trade expense		990	
13	Cash		800	
14	Bank Balance		5,260	
15	Purchase		32,160	
16	Tax and rates		840	
17	Furniture		1,250	
18	Notes Receivable		1,470	
19	Depreciation		1,410	
20	Rent received			430
21	Salaries Expenses		4,300	
22	Insurance Expenses		1,060	
23	Return inward		490	
24	Notes Payable			4,000
25	Accounts Payable			10,370
26	Return outward			6,400
27	Bank charge		3,370	
28	Discount received			120
	Total =		1,62,520	1,62,520

Task: Mahbuba Traders prepared Trial Balance wrongly as on 31 December 2025, you are required to prepare correct Trial Balance.

Serial no	Name of accounts	L. F.	Debit Taka	Credit Taka
1	Beginning Inventory		50,000	
2	Capital		1,00,000	
3	Purchase			80,000
4	Sales			1,00,000
5	Commission received		10,000	
6	Salaries Expenses		20,000	
7	Rent Expenses			12,000
8	Postal and Telephone		3,000	
9	Machinery		5,800	
10	Acconts Receivable			35,000
11	Acconts Payable		40,000	
12	6% Mortgage Loan		10,000	
13	Ending Inventory		80,000	
14	Sales return			2,000
15	Suspense Account			89,800
			3,18,800	3,18,800

Exercise

Multiple Choice question:

1. What is the objective or purpose of preparing a trial balance?
a. To determine the financial position b. To verify or check mathematical accuracy
c. To determine profit or loss d. To reduce labor
2. The following will be recorded on the debit side of the trial balance-----
i. Capital ii. Drawings iii. Sales return
Which one is correct?
a. i & ii b. ii & iii c. i & iii d. i, ii & iii
3. Which one is different from the other three?
a. Training allowance b. Sales c. Insurance premium d. Rent and taxes
4. The following will be included in the trial balance:
i. Beginning inventory ii. Beginning cash in hand iii. Ending cash in hand
Which one is correct?
a. i & ii b. ii & iii c. i & iii d. i, ii & iii
5. A debit balance of Tk.130 in an account has been mistakenly recorded in the credit column of the Trial Balance. If everything else is correct, what will be the difference between the two sides of the Trial Balance?
a. Tk.65 b. Tk.130 c. Tk.310 d.Tk. 260

6. What does a suspense account in the trial balance express?
a. Debit balance b. Credıt balance
c. Difference between debit and credit columns d. Sum of debit and credit columns
7. Furniture was sold for 5,000 Taka; the sales account was credited. What type of error occurred in this case?
a. Error of omission b. error in writing
c. Error of Compensating d. Error of principle
8. Which of the following errors will still result equal in both sides of the trial balance being equal?
a. Purchase account debited with Tk. 500 more
b. Salary account debited twice
c. purchase account debited for Furniture purchase
d. Drawings account debited with Tk. 200 instead of Tk.1,200
9. The salary account was debited with Tk. 2,000 instead of Tk. 2,500, and the sales account was credited with Tk. 4,500 instead of Tk. 5,000. What type of error is this?
a. Error of principle b. Error of commission
c. Error of omission d. Compensating error
10. The errors which will create suspense account that is----:
i. “Furniture purchased for Tk. 45,000 ” – Purchase account debited Tk. 45,000
ii. “Goods purchased for Tk.10,000 ” – Purchase account credited Tk.10,000
iii. “Furniture repair Tk.2,000 ” – Furniture account debited Tk.20,000
Which one is correct?
a. i & ii b. ii & iii c. i & iii d. i, ii & iii
Read the following stem and answer questions 11 and 12:
The accountant of Jafrin & Sons record or posted three accounts of Tk. 3,000 , Tk.6,000 , and Tk. 9,000 on the credit side of the trial balance, as they did not write or indicate whether the amounts were "paid" or "received." As a result, the trial balance did not agree.
11. What is the amount of the suspense account in the trial balance of Jafrin & Sons?
a. 9,000 b. 15,000 c. 18,000 d. 36,000
12. The accountant mistakenly recorded the accounts may include –
i. Salaries ii. Commission iii. Discount
Which one is correct?
a. i & ii b. ii & iii c. i & iii d. i, ii & iii

Creative Questions:

1. Following balances of Shihab and Brothers as on December 2025 are as follows:-

Capital	1,10,000	Insurance Premium	5,000
Cash in hand (01/01/25)	15,000	Import duty	3,500
Accounts receivable	25,000	Commission received	2,000
Accounts payable	15,000	Investment	30,000
Drawings	10,000	Interest on Bank Deposit	500
Purchase	30,000	Furniture	40,000
Sales	45,000	Advertisement	1,000
Interest on Investment	3,000	Beginning Inventory	25,000
Ending Inventory	12,000	Ending Bank balance	6,000

a) Calculate the total amount of those items which will not be include in Trial Balance?

b) Prepare a Trial balance of Shihab and Borthers from the above Ledger balances.

c) From the Trial Balance calculate Revenue Income & Revenue expenditure.

Hints (1) Revenue Expenditure = Cost of goods sold + Other indirect expenditure
Hints (2) Cost of goods sold = Beginning Inventory + Net purchase + Purchase related cost - Ending Inventory

2. Balances of Jubili Enterprise as on 31 December 2025 are as follows:

Capital	150,000	Building	45,000
Furniture & Equipment	50,000	Accounts receivable	30,000
Notes Receivable	30,000	Accounts payable	25,000
Notes payable	25,000	Salaries	5,000
General Reserve	5,000	Unearned Service Revenue	3,000
Cash in hand (1-1-2025)	6,000	Bank overdraft	2,000
Inventory (1-1-2025)	40,000	Cash in hand (31-12-2025)	10,000
Rent	5,000	Insurance Premium	8,000
Allowance for bad debt	3,000	Inventory (31-12-2025)	35,000

a. In the Trial Balance of Jubili Enterprise which balances are not recorded and what is the amount of that?

b. From the above balance prepared a Trial Balance.

c. Determine the amount of Capital expenditure and Revenue expenditure.

3. Accountant of M/S Saleh & co. prepared a Trial Balance but there are some irrelevance in that. Defective Trial Balance is as follows:

Trial Balance
as at 31st December, 2025

S. No.	Accounting Title	L.F.	Debit Taka	Credit Taka
1	Beginning Inventory		34,000	
2	Purchase		1,00,000	
3	Salary		12,000	
4	Accounts receivable		40,000	
5	Accounts payable		16,000	
6	Bank Balance			45,000
7	Return Inward		3,000	
8	Freight			5,000
9	Notes Payable		20,000	
10	Loan			13,000
11	Buillding		55,000	
12	Discount allowed			10,000
13	Capital			67,000
14	Sales			1,40,000
15	Return Outward		6,000	
16	Stationery			5,000
17	Commission			9,000
18	Allowance for Doultful Debts		8,000	
	Total		2,94,000	2,94,000

a) Calculate the amount of Capital Receipts of M/S Saleh & Co.

b) Calculate the amount of Revenue Expenditure from the above information.

c) Prepare the Correct Trial Balacne Considering the stem of M/S Saleh & Co.

4. Following balances of Ohi Ceramics are supplied as on 31 December 2025 for the purpose of mathematical accuracy verification:

Account name	Taka	Account name	Taka
Capital	94,000	Training Allowance	5,000
Cash in hand 1/1/ 2025	15,000	Export duty	13,500
Accounts Receivable	22,000	Discount received	12,000
Accounts Payable	15,000	Investments	15,000
Income Tax	10,000	Dividend received	500
Purchase	1,30,000	Furniture	40,000
Sales	1,45,000	Beginning Inventory	25,000
Rent Received	13,000	Ending Bank balance	16,000
Ending Inventory	22,000	Return inward	3,000

a. Determine total amount that will not be included in the Trial Balance of Ohi Ceramics.

b. Prepare Trial Balance of Ohio Ceramics considering above information.

c. Calculate revenue income and revenue expenditure considering above information.

5. Following balances of Sinthia Enterprise as on 31 December, 2025 are as follows:

Accounting Title	Taka	Accounting Title	Taka
Capital	1,85,000	Stationery	5,000
Prepaid insurance	10,000	Utility expenses	76,000
Saving certificate	1,00,000	Service Revenue	1,55,000
Outstanding rent	12,000	Bank loan	1,00,000
Commission receivable	30,000	Commercial expenses	1,30,000
Unearned revenue	8,000	Accounts Receivable	25,000
Supplies expense	34,500	Rates	38,700
Postage and telegram	22,800	Outstanding advertisement expense	12,000

a) Calaculate the amount of Capital Receipt from information mentioned above.

b) Determine the amount of closing assets and liabilities of Sinthia Enterprise.

c) Prepare a Trial Balance from the above information.

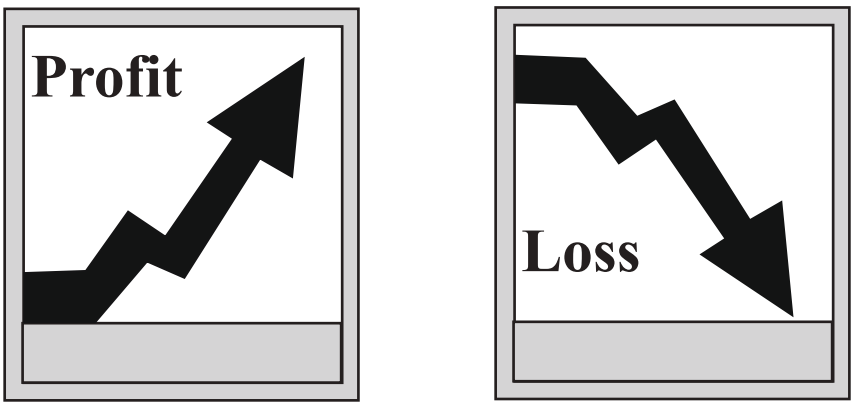
6. Following balances of 'Doel Enterprise' as on 31 December, 2025 are as follows:

Accounting Title	Taka	Accounting Title	Taka
Capital	1,90,000	Mortgage loan	1,00,000
Cash in hand	1,54,000	Purchase	2,54,000
Sales	4,67,000	Accounts receivable	3,62,000
Drawings	15,300	Provident fund	60,000
Return outward	3,500	Income tax	9,200
Advance rent received	8,000	Deferred advertisement	25,000
Prepaid insurance	9,500	Ending Inventory	15,500
Beginning Inventory	30,000	Accounts payable	41,500
Return inward	11,000		

a) From the above information, determine the amount of adjusted purchases.
b) Prepare a Trial Balance of Doel Enterprise.
c) Determine the amount of Ending Owner's Equity of Doel Enterprise.

Chapter Ten
Financial Statements

Every business organization prepares Finanical Statements to know the financial position at the end of a definite period. There are two main purposes of financial Statement: (i) To determine the financial result of a specific accounting period and (ii) To determin total assets, liabilities and equity of a specific date for a business organisation. The statement which is prepared to determine the net income and loss of the business is known as the Statement of Comprehensive Income and the statement prepared to determin the assets & liabilities is called the Statement of Financial Position, which was previously known as Balance Sheet.



Picture: Graph indicator of Profit and Loss

At the end of this chapter, we will be able to –

- differentiate between the transaction of capital and revenue nature as well as the application of this differentiation in preparation of financial statements.
- prepare the Statement of Comprehensive Income and also be able to explain the income and losses.
- prepare the statement of financial position and differentiate between the varieties of fixed and current assets; long term and current liabilities.
- understand how capital accounts can be affected through drawings of cash and goods, inclusion of new capital in the business or net income and losses.
- realize the necessity of consideration of bad debts & allowance for doubtful debts for those debts.
- apply depreciation in financial statements by understanding the meanings, objectives and necessity of depreciation and apply it in financial statements.
- interpret the need for evaluating the financial position as well as the necessity of ratio analysis.
- determine and analyze different types of ratios, for example, net income to sales ratio, net income to capital ratio, currents assets and current liabilities ratio etc.
- compare the comprehensive income statement and important figures between two years and understand the changes of financial position.

Financial Statement

Five types of Financial statements are prepared as per International Accounting Standards to know the financial results and financial position of the business. These financial statements help the investors, bondholders and other accounting information users to make economic decision by providing accounting information of financial results, financial position and cash flows etc. Financial statements are important base to evaluate managerial efficiency and overall condition of the organization. According to the International Accounting Standards-01 (IAS-01); the following five types of financial statements are prepared.

1. The Statement of Comprehensive Income
2. The Statement of Changes in Equity
3. The Statement of Financial Position
4. The Statement of Cash Flows
5. Notes, comprising a summary of significant accounting policies and other explanatory information provided in the financial statement.

In secondary stage (Class 9 & 10), the concept and process of preparation of first 3 parts of financial statements are illustrated:

The Statement of Comprehensive Income:

Revenues & expenses are recorded in comprehensive income statement. In service providing business organisations net income is found after subtracting service providing expenses from service revenue. On the other hand, in merchandising business gross profit is found after subtracting cost of goods sold from the amount of sales. And operating income is found after subtracting operating expenses from gross profit. Net income before tax is found after adding other incomes & subtracting other expenses with operating income. However, in sole proprietorship business net income is considered as owner's income, hence the income tax payable considered as owner's personal expenses. So, in comperhensive income statement of such organisation net income before tax is considered as net income without subtracting income tax expenses.

Objectives of the Statement of Comprehensive Income:

1) We can know net income and loss from comprehensive income statement. The owner that can not claim excess of the net income. Because, claiming excess of net income means the break down of capital structure which may lead to severe interruption of future business activities of the firm.
2) By analyzing different revenues and expenses of the Statement of Comprehensive Income, we can know how to increase net income of a firm by increasing future revenue and decreasing expenses in future.

Preparation of the Statement of Comprehensive Income (Service providing business):

The Statement of Comprehensive Income is prepared in each year for a particular period of time. Net income is ascertained by deducting the expenses from the revenue of that year.

Preparation of the Statement of Comprehensive Income (Merchandising business):

For a merchandising business, main source of revenue is Sales .It is the main operating revenue. There are some other revenue too, such as, commission received, rent received, interest received from the bank etc. Operating expenses are manager's salary, travelling & conveyance expenses, repairing & maintenance expenses, bad debt, depreciation, insurance expenses etc. Statement of Comprehensive Income is prepared mainly in three stages.

In first stage, Gross Profit is calculated by deducting Cost of Goods Sold from Net Sales.

In second stage, Operating income is calculated by deducting Operating

Expenses from Gross Profit.

In third stage, Adding other revenue with operating income and from the sum of these two amount other expenses will be deducted to calculate net income.

The table given below shows the list of operating and non-operating revenues and expenses.

Income/Revenues		**Expenses**		
Operating revenue	Other Income	Cost of Goods Sold	Operating Expense	Other Expense
• Sales • Service Revenue	• Interest on Bank Deposit • Dividend Received • Rent revenue • Commission Income/Received • Profit on Sale of Fixed Assets • Discount Received • Interest on Investment	• Beginning Inventory • Goods Purchased • Carriage Inward • Import Duty • Freight • Dock Charge	• Salary & Allowance • Travel & Conveyance Exp. • Training Allowance • Printing & Stationery • Postage & Telegram Exp. • Electric, Gas & Water/Utility Exp. • Office & Warehouse Rent • Lease Rent • Bank Charge • Marketing & Advertisement Exp. • Packing Exp. • Carriage Outward • Depreciation on Building • Depreciation on Office Equipment • Sales Commission • Insurance Exp. • Legal Exp. • Discount Exp./allowed • Goodwill written off • Patent written off • Trademark written off • Bad Debts • Entertainment Exp.	• Interest on Loan • Interest on Bank O/D • Loss on Sale of Fixed Assets • Interest on Debenture • Accidental Loss/ Sundry Loss

Sample table of the Statement of Comprehensive Income
(Service-providing business)

Name of organization .....

Statement of Comprehensive Income

For the year ended on .....

Particulars	Taka	Taka	Taka
Revenues: Service Revenue	***		
Add: Service Revenue unrecorded	***		
		***	
Interest Revenue		***	
Dividend Income/Received		***	
Total Incomes			***
Less: Expenses: Office Rent	***		
Add: Due	***		
		***	
Salaries & Allowance		***	
Electric & Telephone bill		***	
Insurance Expense		***	
Conveyance Expense		***	
Legel Expense		***	
Printing & Stationery		***	
Total Expenses			(***)
Net Income			***

Sample table of the Statement of Comprehensive Income
(Merchandising business)
Name of the organization.....
Statement of Comprehensive Income
For the year ended on .....

Particulars	Taka	Taka	Taka
Sales		****	
Less: Sales returns		(***)	
Net sales			*****
Less: Cost of goods sold			
Beginning Inventory		****	
Purchase	****		
Less: Purchase Returns	(***)		
Net Purchases		****	
Carriage Inward		***	
Import Duty		***	
		****	
Less: Ending Inventory		(****)	
			(****)
Gross Profit			****
Less: Operating Expenses			
Carriage Outward		****	
Salaries		****	
Office rent		****	
Office Electricity		****	
Office Expenses		****	
Discount allowed		****	
Repairs of Fixed Assets		****	
Postages & Telegrams		****	
Advertising		****	
Stationery		****	
Packing Expenses		****	
Traveling Expenses		****	
Insurance Expenses		****	
Depreciation on Fixed Assets		****	
Lease hold properties Written off		****	
Goodwill Written off		****	
Commission Paid		****	
Bank Charge		****	
Ending Bad Debt & Allowance for doutful debts	****		
Less: Surplus of Allowance for doutful debts & Bad debts (Beginning Balance - Bad debts written off)	(****)		
OR			
Add: Deficiency of Allowance for Bad debt & doutful debts (Bad debts written off - Beginning Balance)	****		
		****	
			(****)
Operating income			*****

Particulars	Taka	Taka	Taka
Add: Other revenues			
Profit from selling of fixed assets		****	
Interest on investment		****	
Discount received		****	
Interest on loan paid		****	
Interest from bank deposit		****	
Commission received		****	
House rent revenue		****	
Dividend received		****	
			****
			*****
Less: Other Expenses			
Loss from selling of fixed assets		****	
Interest on debenture		****	
Interest on loan / bank loan		****	
Interest on bank overdraft		****	
Theft or Accidental losses		****	
			(****)
Net Income/Loss			******

Activity: Fill in the gaps [marked (?)] by correct figure

Business	Sales	Cost of goods sold	Operating expenses	Gross profit/ loss	Net income/ loss
A	10,600	7,800	1,300	?	?
B	9,300	?	1,100	800	?
C	17,200	?	1,400	?	6,200
D	?	11,200	?	4,200	2,650

Some expenditure is discussed below:

1) **Cost of goods sold:** Total of the expenses incurred on the goods sold during a period to bring them into saleable condition is called cost of goods sold. Cost of goods sold = Beginning Inventory + (net purchase + other expenses related with purchase) – Ending Inventory. Here other expenses related with purchase means carriage inward, import duty etc.

2) **Insurance:** Assets of business like Building, Machinery, and Inventory are insured against their destruction in any accident. Premium is to be paid to Insurance Companies at regular intervals. This Premium is treated as insurance expense.

3) **Depreciation:** Reduction of fixed asset arises from continuous use. This reduction is called depreciation. Changes in assets model usages, taste of users, keeping assets unused for a long time also cause depreciation.

4) **Bad Debt:** In case of credit sales, the amount which is confirmed to be not realized from accounts receivable is called bad debt. The reason of bad debt is death, bankruptcy, absconding of accounts receivable.

5) **Provision for Bad & Doubtful Debt:** The amount of debts which may not be realized is called doubtful debt, which is a probable loss and will be included in operating expenses.

Some incomes are discussed below:

1) **Dividend received:** Excess of money is sometimes invested as shares at other companies. Dividend received from Shares is considered as other income.
2) **Interest received:** Additional money which is deposited at bank or invested at profitable ventures and get some benefit is called interest.

Procedure of preparing Statement of Changes in Equity :

Statement of Changes in Equity is prepared to determine the ending balance of owner's equity at the end of the accounting period. To determine this, the additional amount of capital, net income/loss and drawings are adjusted with the beginning balance of owner's equity. A sample table of Statement of Changes in Equity is shown below:

Name of the organization----------

Statement of Changes in Equity

For the year ended on .....

Particulars	Taka	Taka
Capital (beginning Balance)		****
Add: Additional capital employed		****
(+) Net income/ (-) net loss		****
		****
Less : Drawings	****	
Income Tax	****	-***
Add : General reserve		****
Equity (Ending Balance)		*****

The Statement of Financial Position:

To know the financial position of a business at the end of accounting period the Statement of Financial Position is prepared with all assets and liabilities and capital. One can know the amount of fixed or current assets, long or short-term liabilities and capital of the business from the Statement of Financial Position. Various decisions can be taken by analyzing this information, for example, we can know proportion of claim over assets; if current assets are sufficient to meet current liabilities, proportion of net profit over capital employed, etc.

Procedure of preparing the Statement of Financial Position:

Information is recorded in the Statement of Financial Position in two stages. Assets are shown dividing into four types in first stage. i.e.1) Fixed assets, 2) Long-term investment, 3) Current assets & 4) Fictitious assets. Equity and liabilities are shown at the second stage. Liabilities are divided into two types. i.e.1) Long-term liabilities & 2) Current or Short-term liabilities.

Assets & liabilities are summarised in the statement of financial position under two methods. e.i.1) Permanence preference method & 2) Liquidity preference method. In permanence preference method fixed assets are written at the beginning of summarising assets. Investment,current assets & fictitious assets are written chronologically there after. Again long-term liabilities are shown at the beginning & current liabilities are shown at the end of writing liabilities. on the contrary, liquidity preference method is opposite of permanence preference method. However, If there are any ficititious assets, it will be shown at the end of all assets.

Importance of classification of assets and liabilities:

The nature, use, and purpose of different assets vary. If it is determined, which assets can be quickly converted into cash and which are intended for long-term use, it becomes easier to manage various categories of assets and assign appropriate importance to each. Similarly, the nature and purpose of liabilities also differ. Knowing which liabilities are due for immediate payment and which are payable over a longer period enables more effective management of both types, allowing them to be handled according to their characteristics.

Fixed Assets: Fixed Assets are those which are used in the business for long time. Such as, goodwill, land, buildings, machinery, furniture etc.

Current Assets: Current assets are those assets which can be converted into cash within one accounting period e.g. cash & bank balance, accounts receivable, inventory etc.

Long-Term Liabilities: Liabilities which are taken for a long period of time is called long-term liabilities e.g. Bank loan, mortgage loan, debenture etc.

Current Liabilities: Liabilities which are payable within one accounting period is called current liabilities e.g. accounts payable, outstanding expenses, advance income or unearned revenue , bank overdraft etc.

Performa of statement of financial position
Name of the trading firm-------
Statement of Financial Position
As on ---------- Date ----------

Particulars	Taka	Taka	Taka
Fixed Assets:			
Goodwill less written off		****	
Furniture less accumulated depreciation		****	
Office equipment less accumulated depreciation		****	
Machinery less accumulated depreciation		****	
Land & buildings less accumulated depreciation		****	
Total Fixed assets			****
Long-term Investment:			
Investment			****
Current Assets:			
Cash in hand & cash at bank		****	
Accounts receivable	****		
Less: New bed debts & doubtful debts	***		
		****	
Notes Receivables		****	
Unused Stationery Supplies		****	
Income receivable		****	
Expenses made in advance		****	
Ending Inventory		****	
Total Current assets			****
Fictitious assets:			
Preliminary Expenses		****	
Deferred Advertisement		****	
			****
Total Assets			*****
Owner's Equity & Liabilities:			
Equity (ending balance)			****
Long-term Liabilities:			
Bank loan/ Mortgage Loan	****		
Debenture	****		
		****	
Current Liabilities:			
Accounts payable	****		
Notes payable	****		
Outstanding expenses	****		
Advacne income/unearned revenue	****		
Bank overdraft	****		
Total Current Liabilities		****	
Total Liabilities			****
Owner's Equity & Total Liabilities			*****

Application of accounting principles in preparation of statement of financial statements:

In preparation of the Statement of Comprehensive Income and the Statement of Financial Position certain accounting principles are followed. In order to determine accurate net income or loss and to determine the accurate value of assets and liabilities following principles must be followed.

Business Entity Principle: The business owner is considered separate from the business organization. Therefore, all accounts are maintained in the name of the business entity instead of in the name of the owner. As a result, the capital provided by the owner is treated as a liability of the business. For the same reason, any withdrawals made by the owner are considered personal expenses, which reduce the amount of the owner's capital.

Going Concern Concept: According to this concept, except for certain fixed-term institutions, it is assumed that businesses will continue to operate indefinitely. That is, the business is expected to continue year after year, with no intention or plan to shut it down in the foreseeable future. Because of this principle, income and expenses are categorized as either capital or revenue items. The statement of financial position is prepared based on capital items. As a result, depreciation must be charged on fixed assets every year over their useful life. Without the going concern assumption, it would not be possible to prepare the statement of financial position, and there would be no need to record depreciation.

Accounting Period Concept (Periodicity): According to this concept, a business does not have a defined lifespan. However, it is not practical to wait indefinitely to determine its financial position. Therefore, to assess the financial status of the business, a comprehensive income statement and statement of financial position are prepared at regular intervals—typically once a year. The concept divides the business's indefinite life into smaller, equal time periods, known as accounting periods. An accounting period is usually one year in duration.

Accrual Concept: The statement of comprehensive income is not prepared solely based on cash receipts and cash payments. Instead, it is prepared using the accrual basis of accounting. Under this concept, accrued expenses are added to the expenses actually paid, and receivables are added to the income actually received. Conversely, advance income and prepaid expenses are excluded from the relevant accounting categories. In other words, what matters is the income earned and expenses incurred during the accounting period, not the actual cash received or paid.

Conservatism Principle: According to this principle, one should be conservative when determining net income that is, it should be reported as low as reasonably possible. Therefore, all possible future expenses and losses are recorded in the income statement. However, when it comes to income, it must be certain, not just probable; only confirmed income should be reported. If the owner takes a share of the net income based on anticipated income, and that income does not actually materialize, it results in a reduction of capital, which is harmful to the business. In line with the conservatism principle, possible bad debts and doubtful debts are recorded as expenses. Even if the market value of ending invrntory is higher than the purchase cost, the lower value (cost or market) is reported, avoiding the overstatement of profit.

Cost Principle (Historical Cost Principle): According to this policy, fixed assets are shown in the statement of financial position each year at their original purchase price, not at their current market value. This is because fixed assets are not acquired for resale, but for long-term use in the business. The cost price includes both the amount paid to acquire the asset and any incidental expenses incurred to make the asset ready for use.

Consistency Principle: According to this principle, the same accounting methods and procedures should be followed consistently from one year to the next. If different methods are used in different years, it becomes difficult to compare financial statements across periods - for example, one method this year and another method next year. As a result, it is not possible to obtain an accurate and reliable picture of the changes in the business's financial position over time.

Materiality Concept: In accounting, the materiality concept refers to using knowledge, experience, and professional judgment to determine which transactions are significant enough to be recorded in detail. The accountant must assess the relevance and significance of each transaction when recording it in the books of accounts. For example, clock, staple machine, punch machine, calculators etc. are bought to use long span of time in business but since they are lower in price and the value of these assets are comparatively low, at the end of accounting period these items are going to be recorded in specific year's expense account not in assets though it has been written as assets in the primary book of accounts.

Adjustments to be considered at the time of preparing financial statements:

1. Adjustments of ending inventory and cost of goods sold:

Value of ending inventory is calculated at the end of accounting period of a business organization and cost of goods sold are determined. Adjusting entry for this is as follows:

Ending Inventory	Debit
Purchase return	Debit
Cost of goods sold	Debit
Beginning Inventory	Credit
Purchase	Credit
Carriage inward	Credit

It is noticeable that through the above adjusting entry Cost of goods sold account & ending inventory account are created, which is required to prepare financial reports.

2. Outstanding Expenses:

After preparation of Trial Balance it is found that wages are outstanding Tk. 500. Then according to the accrual concept Tk. 500 will be at Statement of Comprehensive Income because this expense is relating to current accounting period. The same amount will be shown in the Statement of Financial Position as current liability. Adjusting entry for this is as follows:

Wages Expense	Debit
Outstanding Wages	Credit

3. Expenses paid in Advance/Prepaid Expenses:

At the end of the year it is found that house rent for Tk.800 paid in advance. According to periodicity concept this prepaid rent will be deducted from the total house rent and shown in the Statement of Comprehensive Income because this expense is not relating to current accounting period. The same amount will be shown in the Statement of Financial Position on current assets.Adjusting entry for this is as follows:

Prepaid house rent	Debit
House rent	Credit

4. Accrued Income:

At the end of the year, it is found that interest on investment of Tk. 600 has been earned but not yet received. According to periodicity concept Tk. 600 will be shown in the Statement of Comprehensive Income as income. The interest receivable will be shown in the Statement of Financial Position as current asset. Adjusting entry for this is as follows:

Interest receivable on investment	Debit
Interest on investment	Credit

5. Income Received in Advance/Unearned Income:

Suppose, in the trial balance of current accounting period, rent received has been shown as Tk. 10,000. Out of this amount Tk. 3,000 received in advance for next year. This prepaid rent of Tk. 3,000 will be deducted from the rent received Tk. 10,000, actual rent received for this year Tk. 7,000 will be shown in the Statement of Comprehensive Income and Tk. 3,000 will be shown in the Statement of Financial Position as current liabilities. Adjusting entry for this is as follows:

House rent revenue	Debit
Advance house rent revenue	Credit

6. Depreciation:

Depreciation is the reduction of value of an asset i. e. buildings, machineries etc. owing to its use or other causes. Such reduction or loss known as depreciation and it will be shown as operating expenses in the Statement of Comprehensive Income. For example Plant and machinery is shown in the trial balance at Tk. 80,000. Depreciation on plant and machinery is to be charged @ 15% p.a. Here depreciation will be (80,000 X 15%)= Tk. 12,000 will be shown as operating expenses in the Statement of Comprehensive Income. The same amount will be deducted from plant and machinery as accumulated depreciation in the Statement of Financial Position. Adjusting entry for this is as follows:

Deprecation expense	Debit
Accumulated deprecation	Credit

7) Bad debts & Allowance for doubtful debts:

Generally Goods sold & service provided in business on credit. So that Accounts Receivable is found at the end of financial accounting period. Generally all Accounts Receviable are not capable of paying their debts. A part of A/R is kept under bad debts & allowance for doubtful debts account to determine correct

net income of a business organization at the end of accounting period. When any A/R fails to pay their debts, then it's identified as bad debt. Different writers have recorded bad debts direcly subtracting from A/R. But in this Textbook the procedure of recording bad debts through **Allowance Method** is shown with illustration.

With the following illustration recording of bad debts written off & bad debts allowance explained: Let's guess, In trial balance - A/R Tk.50,000, opening balance of bad debts & allowance for bad debts Tk. 2000. One of the A/R failed to pay his debt Tk. 1,000 due to financial incapability. For the other A/R 5% bad debt and allowance for doubtful debt has to be determined. Proper Adjusting Entry & effect on Related Accounts are shown for this.

Adjusting entry for this is as follows:

1) Bad debts & allowance for doubtful debts	Debit	Tk.1,000
Accounts Receivable	Credit	Tk.1,000
(Bad debts Tk.1,000 written off)		
2) Bad debts expenses $(50,000-1,000) \times 5\% - (2,000-1,000)$	Debit	Tk.1,450
Bad debts & allowance for doubtful debts	Credit	Tk.1,450

(Bad debts & allowance for doubtful debts charged on Accounts Receivable A/c)

Effect of Bad debts & Provision for doubtful debts in related accounts:

Accounts Receivable Account

Balance B/D	50,000	Bad debts & allowance for doubtful debts account	1,000
		Balance C/D	49,000
	50,000		50,000

Bad debts & Allowance for doubtful debts Account

Debtors	1,000	Balance B/D	2,000
Balance B/D	2,450	Bad debts expense	1,450
	3,450		3,450

Bad debts expense Account

Bad debts & Allowance for doubtful debts account	1,450		

Bad debts & Allowance for doubtful debts are shown in Comprehensive Income Statement & Statement of Financial Position

In Comprehensive Income Statement:

Ending bad debts & allowance for doubtful debts account {(50,000-1,000) x5%}		2,450
Less: Beginning balance bad debts & allowance for doubtful debts account	2,000	
(-) Bad debts written off	1,000	
		1,000
		1,450

In Statement of Financial Position:

Accounts Receivable	50,000
Less: Bad debts written off	(1,000)
	49,000
Less: Ending bad debts & allowance for doubtful debts	(2,450)
	46,550

Activity: Beginning balance of allowance or bad debt Tk. 4,000 in the year 2025 .At the end of the year A/R for Tk.60,000. Suppose that, in current year 10% of accounts receivable may not be collectable. How much loss to be shown in comprehensive income statement and how much rest for reserve debt to be shown in statement of financial position?

For the benefit of students some Financial Statements are given bellow:

Illustration: 1

Prepare Comprehensive Income Statement, Statement of Changes in Equity and Statement of Financial Position from the Trail balance & other information of 'Akon & Associates' of Chartered Accountant Mr. A.R. Akon

Akon & Associates
Trial Balance
31 December 2025

S. No.	Name of Accounts	L/F	Debit Taka	Credit Taka
1.	Capital			3,30,000
2.	Office Equipment		2,20,000	
3.	Service books		1,21,000	
4.	Audit fees			8,70,500
5.	Office rent		2,70,000	
6.	Electric & Telephone Expense		38,500	

7.	Cash in hand		30,400	
8.	Investment (Share)		2,00,000	
9.	Dividend received			42,500
10.	Advance Audit fees			60,000
11.	Conveyance Expense		3,600	
12.	Insurance Expense		6,500	
13.	Salary & Allowance		65,000	
14.	Bank deposit		3,00,000	
15.	Drawings		48,000	
			13,03,000	13,03,000

(1) Audit of Accounts is compeleted of an organization, of which bill Tk.55,000 not yet realised.
(2) Office rent outstanding for three months.
(3) Charge depreciation 10% on office equipment.

(1)

Akon & Associates
Comprehensive Income Statement
for the year ended 31 December 2025

Particulars	Taka	Taka	Taka
Income:			
Audit fees	8,70,500		
Add: Audit fees receivable	55,000		
		9,25,500	
Dividend received		42,500	
Total Income			9,68,000
Less: Expenses			
Office rent	2,70,000		
Add: rent due	90,000		
		3,60,000	

Electricity & Telephone Expense		38,500	
Conveyance Expense		3,600	
Insurance Expense		6,500	
Salary & Allowance		65,000	
Depreciation on Office Equipment		22,000	
			4,95,600
Net Income			4,72,400

(2)

Akon & Associates
Statement of Changes in Equity
as on 31 December 2025

Particulars	Taka	Taka
Capital	3,30,000	
Add: Net Income	4,72,400	
		8,02,400
Less: Drawings		(48,000)
Owner's Equity or Ending Capital		7,54,400

(3)

Akon & Associates
Statement of Financial Position
for the year ended 31 December 2025

Particulars	Taka	Taka	Taka
Assets:			
Fixed Assets:			
Office Equipment	2,20,000		
Less: Accumulated Depreciation	(22,000)		
		1,98,000	
Service book		1,21,000	
Total fixed Assets			3,19,000
Long-term Investment:			
Investment (Share)			2,00,000

Current Assets:			
Audit fees receivable		55,000	
Bank balance		3,00,000	
Cash in hand		30,400	
Total Current Assets			3,85,400
Total Assets			9,04,400
Owner's Equity & Liabilities:			
Owner's Equity (31/12/2025)			7,54,400
Current Liabilities:			
Advance Audit Fees		60,000	
Office rent Outstanding		90,000	
			1,50,000
Owner's Equity & Total Liabilities			9,04,400

Illustration: 2

Accountant of Arthi & Sons has prepared the following Trial Balance.

Trial Balance
31 December 2025

Name of Accounts	Debit Taka	Credit Taka
Purchase & Sales	1,47,000	2,90,000
Goods return	4,000	3,000
Salary	20,000	
Carriage inward	2,000	
Carriage outward	800	
Insurance premium	5,000	
Advertisement expense	2,500	
Cash at Bank	15,000	
Capital		5,00,000
A/R	7,000	
A/P		10,000
Machinery	2,80,000	
Land	4,73,200	
10% Loan (Payable at 2030)		1,00,000
Accumulated depreciation		56,000
Allowance for bad debt		500
Inventory (01 December 2025)	3,000	
	9,59,500	9,59,500

Adjustments:

i. Ending inventory: cost price Tk.5,000 market value Tk.4,000 ;
ii. Depreciate 10% on Machinery;
iii. Salaries are due Tk.6,000 ;
iv. Prepaid insurance premium are Tk. 2,500;
v. Charge allowance for bad debt 10%;
vi. Interest on loan is due.

You are required to prepare Comprehensive Income Statement, Statement of Changes in Equity of Arthi & Sons for year ended 31 December 2025 and Statement of Financial Position as on that date.

Solution:

Arthi & Sons
Comprehensive Income Statement
for the year ended 31 December 2025

Particulars	Taka	Taka	Taka
Net sales:			
Gross Sales		2,90,000	
(-) Return		4,000	2,86,000
Less: Cost of goods sold			
Beginning Inventory		3,000	
Purchase	1,47,000		
(-) Return	(3,000)		
		1,44,000	
(+) Carriage inward		2,000	
		1,49,000	
(-) Ending Inventory		(4,000)	
			(1,45,000)
Gross Profit			1,41,000
Less: Operating Expenses			
Salaries	20,000		
(+) Due	6,000	26,000	
Carriage outward		800	
Advertisement expense		2,500	
Insurance expense	5,000		
(-) Prepaid	(2,500)		
Depreciation (2,80,000 × 10%)		2,500	
		28,000	
Ending bad debts & allowance for doutful debts (7,000×10%)	700		
Less: Beginning bad debts & allowance for doutful debts	(500)	200	
			(60,000)
Operating Income			81,000

Less: Other expenses			
Interest on loan (1,00,000×10%)			(10,000)
Net Income			71,000

Arthi & Sons
Statement of changes in equity
For the year ended 31 December 2025

Particulars	Taka	Taka
Capital (01/01/2025)	5,00,000	
Add: Net Income	71,000	
Owner's Equity (31/12/2025)		5,71,000

Arthi & Sons
Statement of Financial position
as on 31 December 2025

Particulars	Taka	Taka	Taka
Assets:			
Fixed assets:			
Machinery	2,80,000		
Less: Accumulated depreciation (56,000+28,000)	(84,000)	1,96,000	
Land		4,73,200	
Total fixed assets			6,69,200
Current Asset :			
Cash and Bank		15,000	
Accounts receiable	7,000		
Less: Closing bad debts & allowance for doutful debts	(700)		
		6,300	
Prepaid Insurance		2,500	
Ending Inventory		4,000	
Total Current Asset			27,800
Total assets			6,97,000
Owner's Equity & Liabilities:			
Owner's Equity (31/12/2025)			5,71,000
Long-term liabilities:			
Loan (Payable at 2030)		1,00,000	
Short term liabilities:			
Accounts payable	10,000		
Interest due on Loan	10,000		
Salaries due	6,000		
Total current liabilities		26,000	
Total liabilities			1,26,000
Owner's Equity & Total Liabilities			6,97,000

Illustration: 3

From the following information of Arpon Traders you are required to prepare Comprehensive Income Statement & Statement of Changes in Equity for the year ended 31 December 2025 and Statement of Financial Position for that date of Arpon Traders

Arpon Traders
Trial Balance
31 December 2025

Name of the accounts	Debit Taka	Credit Taka
Beginning Inventory	30,000	
Purchase and Sales	76,000	1,57,000
Dock Charge	10,000	
Carriage inward	5,000	
Carriage outward	8,000	
Commission received		500
Salaries	24,000	
Advertisement	10,000	
10% Investment	20,000	
Cash in Hand	3,600	
Accounts receviable and Accounts Payable	30,000	19,500
Import Duty	7,000	
Stationery	3,000	
Office expense	6,000	
Electricity expense	5,000	
Drawings and Capital	40,000	1,70,000
Sales return & Purchase return	7,000	6,000
Bank overdraft		30,000
Sales commission	8,000	
Discount allowed & discount received	1,000	800
Furniture	20,000	
Machinery	70,000	
Interest on Investment		800
Interest on Bank overdraft	1,000	
Total	**3,84,600**	**3,84,600**

Adjustments:

i. Ending inventory (31/12/2025) Tk. 40,000.
ii. Office expense are due Tk. 1,000.
iii. Unused stationery Tk. 500.
iv. Prepaid salaries Tk. 4,000.

Solution:

Arpon Traders
Comprehensive Income statement
for the year ended 31 December 2025

Particulars	Taka	Taka	Taka
Sales		15,7000	
(-) Return		(7,000)	
Less: Cost of goods sold			1,50,000
Beginning Inventory		30,000	
Purchase	76,000		
(-) Return	(6,000)		
		70,000	
Carriage inward		5,000	
Dock Charge		10,000	
Import Duty		7,000	
		1,22,000	
(-) Ending Inventory		(40,000)	(82,000)
Gross Profit			**68,000**
Less: Operating Cost			
Return outward		8,000	
Salaries	24,000		
(-) Prepaid Salaries	(4,000)	20,000	
Advertisement		10,000	
Stationery	3,000		
(-) Unused Stationery	(500)	2,500	
Office expense	6,000		
(+) Due	1,000	7,000	
Electricity expense		5,000	
Sales commission		8,000	
Discount allowed		1,000	
			(61,500)
Operating income			6,500
Add: Other incomes			
Discount received		800	
Commission received		500	
Interest on investment	800		
(+) Accrued Interest	1,200	2,000	
			3,300
			9,800
Less: Other expences			
Interest on bank overdraft			(1,000)
Net Income			8,800

Arpon Traders
Statement of changes in equity
for the year ended 31 December 2025

Particulars	Taka	Taka
Capital (1/1/2025)	1,70,000	
(+) Net Income	8,800	
		1,78,800
(-) Drawings		(40,000)
Owner's Equity (31/12/2025)		1,38,800

Arpon Traders
Statement of Financial position
as on 31 December 2025

Particulars	**Taka**	**Taka**
Assets :		
Fixed Assets :		
Furniture	20,000	
Machinery	70,000	
Total fixed assets		90,000
Investment :		
10% Investment		20,000
Current Asset :		
Cash in hand	3,600	
Accounts receiveable	30,000	
Unused stationery	500	
Prepaid Salary	4,000	
Accrued interest on Investment	1,200	
Ending Inventory	40,000	
Total Current Asset		79,300
Total Assets		**1,89,300**
Owner's Equity & Liabilities:		
Equity (closing balance)		1,38,800
Current Liabilities:		
Accounts payable	19500	
Bank overdraft	30000	
Office expenditure due	1000	
Total current liabilities		50,500
Owner's Equity & Total Liabilities		**1,89,300**

Illustration: 4

From the following information of Showkal Traders you are required to prepare Comprehensive Income Statement & Statement of Changes in Equity for the year ended 31 March 2025 and Statement of Financial Position for that date.

Trial Balance

31 March 2025

Account name	Debit Taka	Credit Taka
Cash in hand	8,200	
Cash at Bank	11,000	
Notes receivable and Notes payable	3,500	2,000
Capital		1,00,000
Beginning Inventory	11,000	
Purchase and Sales	35,000	58,000
Sales returns and purchase returns	3,000	2,000
Accounts receviable	22,000	
Accounts payable		20,000
Gain on sale of furniture		1,000
Advertisement	7,000	
Salaries	10,000	
Carriage	1,000	
Entertainment expenses	2,000	
Allowance for bad debt & allowance for doubtful debts		1,500
Commission paid and commission received	300	500
Lease property (5 years)	30,000	
Furniture	4,000	
Office equipment	5,000	
Drawings	32 000,	
	1,85,000	1,85,000

Adjustment:

i. Ending Inventory Tk. 20,000 ;

ii. Salaries of two months are due;

iii. Tk. 1,000 on Accounts receviable are not recoverable;

iv. Half of advertisement is to be deferred ;

v. Depreciate on Furniture and Office equipment @ 5%.

Solution:

Showkat Traders
Comprehensive Income statement
for the year ended 31 December 2025

Particulars	Taka	Taka	Taka
Sales		58,000	
(-) Sales returns		(3,000)	
			55,000
Less : Cost of goods sold			
Beginning Inventory		11,000	
Purchase	35,000		
(-) purchase returns	(2,000)		
		33,000	
(+) Carriage		1,000	
		45,000	
(-) Ending Inventory		(20,000)	
			(25,000)
Gross Profit			30,000
Less : Operating expenses			
Advertisement	7,000		
(-) Deferred $\left(\frac{1}{2}\right)$	(3,500)	3,500	
Salaries	10,000		
(+) due	2,000		
		12,000	
Entertainment expenses		2,000	
Unrecorded Bad debts	1,000		
Less: Beginning allowance for bad debts & doubtful debts	(1,500)	(500)	
Commission paid		300	
Written off Lease property $\left(\frac{1}{5}\right)$		6,000	
Depreciation- Furniture	200		
Depreciation- Office equipment	250		
		450	
			(23,750)
Operating income			6,250
Add: Other income			
Profit on sale of furniture		1,000	
Commission received		500	
			1,500
Net Income			7,750

Showkat Traders
Statement of Changes in Equity
for the year ended 31 March 2025

Particulars	Taka	Taka
Capital (1.4.2025)	1,00,000	
(+) Net Income	7,750	
		1,07,750
(-) Drawings		(32,000)
Equity (31/03/2025)		75,750

Showkat Traders
Statement of Financial Position
as on 31 March 2025

Particulars	**Taka**	**Taka**	**Taka**
Asset :			
Fixed asset :			
Lease	30,000		
(-) Written off	(6,000)	24,000	
Furniture	4,000		
(-) Accumulated depreciation	(200)	3,800	
Office equipment	5,000		
(-) Accumulated depreciation	(250)	4,750	
Total Fixed asset			32,550
Current Asset :			
Cash in hand		8,200	
Cash at Bank		11,000	
Notes receivable		3,500	
Accounts receviable	22,000		
(-) Unrecorded Bad debts	(1,000)	21,000	
Ending Inventory		20,000	
Total Current Asset			63,700
Fictitious Asset :			
Deferred advertisement			3,500
Total asset			**99,750**
Owner's Equity & Liabilities:			
Owner's Equity (31/03/2025)			75,750
Current Liabilities:			
Notes payable **:**		2,000	
Accounts payable		20,000	
Due salary		2,000	
Total Current Liabilities			24,000
Owner's Equity & Total Liabilities			**99,750**

Illustration: 5

From the following information of Farhan Enterprise you are required to prepare Comprehensive Income Statement & Statement of Changes in Equity for the year ended 30 June and Statement of Financial Position as on 30 June 2025 of Farhana Enterprise.

Trial Balance

30 June 2025

Title	Debit Taka	Credit Taka
Accounts receviable and Accounts Payable	20,000	37,000
Building	70,000	
General reserve		10,000
Cash in hand	18,600	
Capital		1,00,000
Drawings	35,000	
Beginning Inventory	30,000	
Purchase and Sales	84,000	1,54,000
Repair to Building	2,600	
Freight	4,000	
Import Duty	1,000	
Dock charge	1,700	
Salaries and wages	18,000	
General expenses	5,000	
Bank overdraft		3,000
Insurance premium	1,500	
Legal charge & Provision for doubtful debts	3,000	2,500
Advertisement	5,500	
Sundry loss	3,600	
Interest on Bank O/D	10,000	
Discount received		4,000
Travelling expenses	3,000	
House rent received		11,000
Income tax	5,000	
	3,21,500	**3,21,500**

Adjustments:

i. Goods drawings for personal uses Tk.1,000 were not recorded.
ii. Unrecorded Return inward and Return outward Tk.4,000 and Tk. 2,000 respectively.
iii. Insurance premium have paid up to 30 September 2025(For one year).
iv. Unused stationery Tk.1,000 and House Rent for one month is due.
v. Write off Tk. 2,000 as bad debt and charge 10% allowance for bad debt & doubtful debts on remaining Accounts receviable.
vi. Ending Inventory Tk.40,000.

Solution:

Farhana Enterprise
Comprehensive Income Statement
for the year ended 30 June 2025

Particulars	Taka	Taka	Taka
Sales		1,54,000	
(-) Return inward		(4,000)	
Less: Cost of goods sold			1,50,000
Beginning Inventory		30,000	
Purchase	84,000		
(-) Goods Drawings	(1,000)		
	83,000		
(-) Return outward	(2,000)		
		81,000	
Freight		4,000	
Import duty		1,000	
Dock charge		1,700	
		1,17,700	
(-) Ending Inventory		(40,000)	
			(77,700)
Gross Profit			72,300
Less: Operating Expenses			
Repair to Building		2,600	
Salaries and Wages		18,000	
General expenses	5,000		
(-) unused stationery	(1,000)		
		4,000	
Insurance premium	1,500		
(-) Prepaid	(375)		
		1,125	
Legal charge		3,000	
Ending bad debt & allowance for doubtful debts	1,400		
Less: Surplus of bad debt & allowance for doubtful debts	(500)		
(Op.balance tk.2,500-bad debt written off 2,000)		900	
Advertisement		5,500	
Travelling expenses		3,000	
			(38,125)
Operating income			34,175

Other Incomes:			
Discount received		4,000	
House rent received	11,000		
(+) Receivable	1,000		
		12,000	
			16,000
			50,175
Other Expenses:			
Sundry Loss		3,600	
Interest Bank Overdraft		10,000	
			(13,600)
Net Income			36,575

Farhana Enterpise
Statement of Changes in Equity
for the year ended 30 June 2025

Particulars	Taka	Taka
Opening Capital	1,00,000	
(+) Net Income	36,575	
		1,36,575
(-) Drawings :		
Cash	35,000	
Goods	1,000	
		(36,000)
		1,00,575
(-) Income tax		(5,000)
		95,575
(+) General reserve		10,000
Owner's equity (31/03/2025)		**1,05,575**

Farhana Enterpise
Statement of Financial Position
as on 30 June 2025

Particulars	**Taka**	**Taka**	**Taka**
Asset :			
Fixed Asset :			
Building		70,000	
Total fixed Asset			70,000
Current Asset :			
Cash in hand		18,600	
Accounts receiable	20,000		
(-) Unrecorded return inward	(4,000)		
	16,000		

(-) Unrecored bad debt	(2,000)		
	14,000		
(-) Ending bad debt & allowance for doubtful debts	(1,400)		
		12,600	
House rent receivable		1,000	
Prepaid Insurance premium		375	
Unused stationery		1,000	
Ending Inventory		40,000	
Total Current Assets			73,575
Total Assets			**1,43,575**
Equity and Liabilities			
Equity (31/03/2025)			1,05,575
Current Liabilities:			
Accounts Payable	37,000		
(-) return outward	(2,000)		
		35,000	
Bank overdraft		3,000	
Total Current Liabilities			38,000
Equity and Total Liabilities			**1,43,575**

Evaluation of financial condition of business:

From comprehensive income statement and statement of financial position any one can know overall condition of business such as profit, loss, fixed assets, current assets, current liabilities, long term loan, capital etc. But this information is not sufficient. Because the most important item is not only to know profit or loss of a business but also to know how much profit has been earned against how much capital invested. Beside these, we have to know not only the amount of current asset and current liabilities but also to know how much current assets to current liabilities, which indicate the loan repayment capacity of a business through current assets. So, to know the financial condition of a business perfectly we have to compare each item of comprehensive Income statement and Financial statement to another item, we have to calculate percentage of each account to another account or ratio of each account to another account. From these percentage and ratio comparative evaluation of more than one year of a business is possible. Not only this, under these ratio it is possible to compare one business to another business. Some ratio analysis is given below:

Profit ratio:

We can compare net profit to Sales and capital employed. That is, we can calculate percentage of net profit to sales and net income to capital employed. Increase of these ratios indicates good capacity of earning profit. Besides, this profit ratio of business is higher than another business indicates better capacity of earning profit.

$$1.\ \text{Net profit ratio or Profit margin} = \frac{\text{Net income}}{\text{Net sales}} \times 100$$

$$2.\ \text{Net income to capital employed ratio} = \frac{\text{Net income}}{\text{Capital employed}} \times 100$$

Capital employed= Total assets-Current Liabilities

Capacity of loan repayment:

By comparing current assets and current liabilities—specifically by determining the ratio of current assets to current liabilities—the ability of a business to meet its current obligations can be assessed. For this purpose, two ratios are commonly used.

1. $\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$

2. $\text{Liquidity ratio} = \frac{\text{Current Assets} - (\text{Ending Inventory} + \text{Prepaid expenses})}{\text{Current Liabilities}}$

As prepaid expense & stock of goods are not possible to convert into cash quickly, these type of items are deducted from current assets when we are calculating liquid ratio. The standard value of current ration is 2: 1 i,e against every 1 taka current liability business should keep 2 taka current assets, alternatively for liquid ratio business should keep 1 taka liquid asset against every 1 taka current liability. That's why standard value of liquidity ratio is 1: 1.

Illustration:

Following information's are collected from the books of Rani Enterprises and Sreelekha Enterprises of 2025:

	Rani Enterprises (Taka)	Sreelekha Enterprises (Taka)
Gross profit	10,000	15,000
Net income	8,000	6,000
Sales	1,00,000	1,20,000
Capital employed	60,000	80,000
Current Asset	9,000	10,000
Current liabilities	5,000	6,000
Inventory	1,000	1,200

Requirement:

a) Calculate net profit ratio or profit margin and net income to capital employed ratio of two business.
b) Current ratio and liquid ratio of two businesses.
c) Whose business financial condition is better?

Solution: a)

Profit ratio	Rani Enterprises	Sreelekha Enterprises
1. Net profit ratio = $\frac{\text{Net income}}{\text{Net sales}} \times 100$	$\frac{8,000}{1,00,000} \times 100 = 8\%$	$\frac{6,000}{1,20,000} \times 100 = 5\%$
2.Net income to Capital employed ratio $= \frac{\text{Net income}}{\text{Capital employed}} \times 100$	$\frac{8,000}{60,000} \times 100 = 13.3\%$	$\frac{6,000}{80,000} \times 100 = 7.5\%$

b)

Current liabilities repayment ratio	Rani Enterprises	Sreelekha Enterprises
1. Current ratio = $\frac{\text{Current Asset}}{\text{Current Liabilities}}$	$\frac{9,000}{5,000} = 1.8 : 1$	$\frac{10,000}{6,000} = 1.67 : 1$
2. Liquidity ratio $= \frac{\text{Current Assets} - (\text{Inventory} + \text{Prepaid expenses})}{\text{Current Liabilities}}$	$\frac{9,000 - 1,000}{5,000} = 1.6 : 1$	$\frac{10,000 - 1,200}{6,000} = 1.46 : 1$

c) Financial condition of Rani Enterprise is better than that of Sreelekha Enterprise. Profit of Rani is 8% and 13.3% and Sreelekha is 5% and 7.5% Liquidity or loan repayment capacity of Rani Enterprise is better than Sreelekha Enterprise. Standard current ratio is 2: 1 that indicate sufficient cash will remain after loan repayment.

Activity: From the of following information you are required to calculate profit margin or net profit ratio, return on capital employed ratio, current ratio and liquidity ratio:

Gross profit	40,000	Capital employed	1,00,000
Net income	18,000	Current Asset	35,000
Sales	1,20,000	Current liabilities	20,000
		Ending Inventory	5,000

Sample Qestion

Multiple Choice Questions :

1.What is the result of the first step of a comprehensive income statement?
a. Net Sales b. Net Purchases
c. Gross Profit d. Cost of Goods Sold

2. Which is subtracted in determining the cost of goods sold?
a. Beginning Inventory b. Ending Inventory
c. Net Purchases d. Net Sales

3. Operating income includes –
i. Sale of Furniture
ii. Sale of Goods
iii. Service Revenue
Which of the following is correct?
a. i & ii b. i & iii c. ii & iii d. i, ii & iii

4. Which of the following is correct?
a. Profit is part of capital b. Profit reduces capital
c. Capital only comes from profit d. Profit increases capital

5. Gross profit is –
a. Cost of Goods Sold – Ending Inventory
b. Net Sales – Cost of Goods Sold
c. Cost of Goods Sold + Beginning Inventory
d. Net Income – Operating Expenses

6. Other income includes –
i. Interest on Investment ii. Sales iii. Discount Received
Which of the following is correct?
a. i & ii b. i & iii c. ii & iii d. i, ii & iii

7. Sales are Tk. 18,000, Beginning inventory is Tk. 2,500, Ending inventory is Tk. 1,700, purchases are Tk. 13,400, and carriage inward is Tk. 700; what is the cost of goods sold?

a. Tk. 14,900 b. Tk. 15,900
c. Tk. 16,600 d. Tk. 18,300

8. Depreciation is-

a. Purchase price of fixed assets
b. Depreciation reduces of value of fixed assets due to use
c. Proceeds from sale of old fixed assets
d. Replacement cost of old fixed assets

9. A allowance for doubtful debts is made when –

a. The A/R has become bankrupt
b. The A/R cannot be found
c. The amount receivable from the A/R is uncertain
d. The amount receivable from the A/R may not be recovered

10. If gross profit is Tk. 70,000, operating expenses are Tk. 35,000, and other income is Tk. 15,000, what is the net income?

a. Tk. 20,000 b. Tk. 25,000 c. Tk. 35,000 d. Tk. 50,000

11. What is the reason for net loss despite gross profit earned ?

a. Increase in cost of goods sold c. Increase in operating expenses
b. Increase in inventory d. Increase in other income

12. Which one is an operating expense?

a. Office Expenses b. Drawings c. Miscellaneous Losses d.Interest on Loan

13. In which part of the financial statement does 'Accounts Payable' appear?

a. Current Assets b. Current Liabilities c. Fixed Assets d. Long-Term Liabilities

14. In the books of Lina Traders, what does a debit balance of Tk. 500 in the account of Mina & Sons signify?

a. Expense b. Income c. Asset d. Liability

15. Which of the following is the formula for calculating the liquidity ratio?

a. $\frac{\text{Current liabilities - (Inventory+Prepaid expenses)}}{\text{Current liabilities}}$

b. $\frac{\text{Current asset + (Inventory- Prepaid expenses)}}{\text{Current asset}}$

c. $\frac{\text{Current asset}}{\text{Current liabilities}}$

d. $\frac{\text{Current asset - (Inventory+ Prepaid expenses)}}{\text{Current liabilities}}$

Preparing Financial Statements

1. Prepare the Statement of Comprehensive Income, Statement of Changes in Owner's Equity, and the Statement of Financial Position as of June 30, 2025, based on the trial balance and other necessary adjustments of Bishwas Audit Firm, Chattogram.

Bishwas Audit Firm
Trial Balance
June 30, 2025

Serial No.	Name of the accounts	L.F.	Debit Taka	Credit Taka
1	Salaries		3,30,000	
2	Utility Bills (Electricity & Telephone Bills)		72,000	
3	Conveyance expenses		21,000	
4	Drawings and Capital		1,80,000	14,50,000
5	Office Rent		3,60,000	
6	Office Equipment and Furniture		2,40,000	
7	Audit Service Income			8,50,000
8	Professional Books (Audit)		2,20,000	
9	Professional Books (Audit)		7,50,000	
10	Unearned Service Revenue			48,000
11	General Reserve			1,00,000
12	Accounts Receivable		80,000	
13	Advance Office Expenses		1,00,000	
14	Cash in hand and Bank deposits		95,000	
	Total		24,48,000	24,48,000

Adjustment

1. Services worth Tk.30,000 have been rendered from the unearned service revenue
2. Office rent has been paid for 9 months.
3. Audit work has been completed, but the bill amounting to Tk.50,000 has not yet been received (i.e., accrued income).
4. The owner of the firm has brought additional capital of Tk.100,000 for business needs, but it has not been recorded

2. Prepare the Statement of Comprehensive Income, Statement of Changes in Owner's Equity, and the Statement of Financial Position of Ahmed Brothers for the year ended December 31, 2025, based on the following information:

Ahmed Brothers
Trial Balance
December 31, 2025

Serial No.	Name of the accounts	L.F.	Debit (Tk.)	Credit (Tk.)
1	Drawings and Capital		20,000	10,00,000
2	Purchase and Sales		3,00,000	5,50,000
3	Return		25,000	15,000
4	Wages		22,000	
5	External Transportation		18,000	
6	Advertisement		50,000	
7	Income Tax and Additional Capital		10,000	2,00,000
8	Apprenticeship Allowance and Premium		40,000	30,000
9	Accounts Receivable and Accounts Payable		1,20,000	20,000
10	10% Bank Loan (01-07-2024)			2,00,000
11	8% Investment		6,00,000	
12	Beginning Inventory		1,00,000	
13	Land and Buildings		4,80,000	
14	Furniture		2,00,000	
15	Salaries (10 months)		30,000	
	Total		20,15,000	20,15,000

Adjustments

1. The Ending inventory has a purchase cost of Tk. 1,20,000 and a market value of Tk. 1,10,000.
2. Depreciation at 10% is to be charged on furniture.
3. Advertisement expense has been paid for 5 years.
4. Bad debts of Tk.10,000 should be written off.
5. Goods worth Tk.5,000 have been withdrawn for personal use, but not recorded.

3. Based on the following trial balance and adjustments of Alam Traders, prepare the Statement of Comprehensive Income, Statement of Changes in Owner's Equity, and the Statement of Financial Position for the year ended June 30, 2025:

Alam Traders
Trial Balance
June 30, 2025

Serial No.	Name of the accounts	L.F.	Debit Taka	Credit Taka
1	Cash in hand and general Reserve		1,00,000	90,000
2	Purchase and Sales		2,50,000	4,20,000
3	Accounts Receivable and Accounts Payable		60,000	40,000
4	Commission		10,000	20,000
5	Insurance Premium (15 months)		30,000	
6	Drawings and Capital		25,000	5,30,000
7	Bank Overdraft (01-01-2024)			70,000
8	Bad Debts and Bad Debt allowance		3,000	2,000
9	Ship Rent and Sub-rent		23,000	18,000
10	Stationery		10,000	
11	Life Insurance premium		21,000	
12	10% Saving Certificates		2,00,000	
13	Office Equipment		3,88,000	
14	Research Expenses		80,000	
15	Accumulated Depreciation (Office Equipment)		10,000	
	Total		12,00,000	12,00,000

Adjustments

1. Sales on credit unrecorded amounting to Tk. 30,000.
2. Unused stationery at Tk. 2,500.
3. Interest should be charged at the rate of 10% on bank overdraft
4. Tk. 3,000 of accounts receivable are not recoverable; a 10% allowance for doubtful debts should be maintained on the remaining receivables.
5. Inventory of unsold goods is Tk. 35,000.

4. Based on the following trial balance and adjustments of Masnoon Enterprise, prepare the classified income statement, Statement of Changes in Owner's Equity, and the Statement of Financial Position for the year ended December 31, 2025.

Masnoon Enterprise
Trial Balance
December 31, 2025

Serial No.	Name of the accounts	L.F.	Debit Taka	Credit Taka
1	Inventory (01.01.2025)		10,000	
2	Purchase and Sale		1,80,000	4,00,000
3	Return		20,000	10,000
4	Transportation inward		30,000	
5	Rent (9 months)		27,000	
6	Discount		13,000	10,000
7	Bank Charges		5,000	
8	Cash in hand and Dividend Received		8,000	20,000
9	Withdrawal and Capital		27,000	7,00,000
10	Goodwill		4,00,000	
11	Preliminary Expenses		2,00,000	
12	12% Bank Loan (01-10-2025)			2,50,000
13	Investment (Shares)		2,00,000	
14	Advertisement		20,000	
15	Delivery Van		2,50,000	
	Total		13,90,000	13,90,000

Adjustments

1. Goods worth Tk. 5,000 were distributed free of charge among potential customers, which has not been recorded.
2. Unpaid transportation expenses Tk. 3,000.
3. Stationery worth Tk. 2,000 is included in the beginning inventory.
4. Two notes of Tk. 200 each have been completely destroyed and not recorded in the accounts.
5. The value of ending inventory is Tk. 18,000.

5. Based on the following information, prepare the classified Income Statement, Statement of Changes in Owner's Equity and the Statement of Financial Position of Maaisha Traders for the year ended December 31, 2025:

A

Maaisha Traders
Trial Balance
December 31, 2025

Serial No.	Name of the accounts	L.F.	Debit Taka	Credit Taka
1	Furniture & Capital		50,000	4,50,000
2	Machinery and 6% Loan		3,00,000	1,00,000
3	Accounts Receivable and Accounts Payable		1,00,000	70,000
4	Additional Capital			80,000
5	Notes Receivable and Notes Payable		10,000	20,000
6	Advance Salary and Outstanding Duty		20,000	10,000
7	Bank balance		90,000	
8	Leased Asset (for 20 years)		2,00,000	
9	Profit from Sale of Equipment			20,000
10	Dock Charges		30,000	
11	Loan Interest and Commission Received		2,000	10,000
12	Purchase and Sale		2,28,000	3,90,000
13	Beginning Inventory		20,000	
14	9% Investment (01-09-2025)		1,00,000	
	Total		11,50,000	11,50,000

Adjustments

1. Tk. 10,000 of Advance salary has expired.
2. Unrecorded credit purchases and return inward are Tk.12,000 and Tk.10,000 respectively.
3. Depreciation should be charged at 5% on furniture and machinery.
4. A check of Tk.10,000 was given for showroom rent, which has not been recorded.
5. Ending inventory at the end of the year is Tk.25,000.

Short Questions

1. Why are financial statements prepared?
2. Describe the purpose of the Classified income statement.
3. What is depreciation? How is it recorded in financial statements?
4. Describe the methods of arranging assets and liabilities in the statement of financial position.
5. Explain the principle of conservatism in the preparation of financial statements.
6. What is the current ratio?
7. Explain the formula of the liquidity ratio.

Chapter Eleven
Purchase Price of Products , Production Cost and Selling Price

It is very important to determine the production cost and selling price of all the goods and commodities that are produced, purchased and sold for business purpose. To survive in current competitive market situation, determining cost price at the time of production or purchase, also to determine selling price at the time of sales and overall, price is vital for maintaining interest of both purchaser and sellers.



Picture: Sales center of manufactured goods

At the end of this chapter, we will be able to –

- determine cost and selling price of a trading or merchandising concern;
- classify elements of cost of production;
- prepare cost sheet and determine total cost price and total sales price.

Determination of Cost Price & Selling Price:

The prime objective of a business concern is to determine actual net income or loss. Determination of actual net income or loss will be possible if the price of the goods purchased and their selling price are properly determined. Cost price is determined by adding direct expenses incurred to the value of goods produced or purchased. Indirect expenses are added to them to make up total cost of the goods purchased and an expected/desired profit is added to this total cost for determining selling price.

Determination of Cost Price:

In ordinary sense, cost price is that price which is paid at the time of purchasing goods or commodities. But in the real sense, cost price includes all the cost of carrying goods or commodities to the places where these are stored. Such carrying costs are known as direct expenses. For example carriage inward, import duties, dock charge, payment to porters etc. For example:

Samad & Sons of Gazipur purchased 5,000 litres of Soyabin oil from Chittagong at Tk. 120 per litre. He paid truck fare of Tk.15, 000; labour charges of Tk. 1,200; toll charge of Tk. 1,000; Tk.1,500 paid for off-loading expenses to warehouse. In this case, the price of per litre oil will be-

Particulars	Taka	Taka
Purchase of Soyabin oil (5000 litre x Tk. 120)		6,00,000
(+) Direct Expenses :		
Truck fare	15,000	
Labour charge	1,200	
Toll charge	1,000	
Off-loading expenses	1,500	
		18,700
Total Cost price		6,18, 700

Price per litre (6,18,700÷5,000) = Tk. 123.74

The table below shows-Purchase cost, cost of goods purchased and selling price:

Name of the firm

For the year ended on ---------- Dated ----------

Particulars	Taka	Taka
Amount paid for the price of goods purchased		****
Add: Direct expenses:		
• Carriage inward	***	
• Dock charge	***	
• Duty	***	
		***
Cost price		****
Add: Indirect expenses:		
• Rent	***	
• Salary	***	
• Advertisement	***	
		****
Total cost of goods purchased		****
Add: Desired profit		****
Selling price		****

Determination of Selling Price:

Selling price is that price which is determined by adding profit to the total cost of goods purchased or manufactured. For example, shop rent, staff salary, electricity, advertisement expense etc. are added to the cost of goods purchased to find out the total cost. Then selling price is determined by adding desired profit to the total cost. For example, total cost price of soya bin oil was of Tk.6,18,700. To sell the oil they also paid as indirect expenses of Tk.10,500 including staff salary Tk.6,000; electricity bill Tk.1,500; advertisement Tk.2,000 and travelling expense Tk.1000. If the oil is sold at a profit (desired) of 10% on the total cost, then the selling price will be-

Particulars	Taka	Taka
Total Cost price		6,18,700
(+) Indirect Expenses :		
Staff salary	6,000	
Electricity bill	1,500	
Advertisement	2,000	
Traveling expense	1,000	10,500
Total Cost		6,29,200
(+) Desired Profit (6,29,200 x 10%)		62,920
Selling Price		6,92,120

Selling price per liter oil (6,92,120÷5000) = Tk. 138.42

Determination of Purchase cost, cost of goods purchased and selling price are shown below by an example:

Example:

Nasir Enterprise of Dhaka imported 1,000 bundles of Corrugated Iron Sheets from Vietnam at tk. 4,000 per bundle. Following expenses were paid to import 1,000 bundles of Corrugated Iron Sheets:

Import duty Tk.15,000; freight Tk.75,000; Shipping insurance Tk.8,000; clearing charge Tk.7,000; porter expenses Tk.2,000; truck rent Tk.20,000; warehouse and shop rent Tk. 12,000 and as employees' salaries Tk.7,000. He also paid Tk.10 as commission for the sale of each bundle corrugated sheet. The Enterprise earns 15% of profit on total cost by selling the corrugated sheets.

Solution:

Nasir Enterprise, Dhaka

Statement of cost price and selling price

Particulars	Taka	Taka
Purchase of Corrugated Sheets (1,000 bundles × Tk.4,000)		40,00,000
(+) **Direct Expenses**		
Import duty	15,000	
Freight	75,000	
Shipping Insurance	8,000	
Clearing charge	7,000	
Porter expenses	2,000	
Truck rent	20,000	
		1,27,000
Total cost price		41,27,000
(+) **Indirect Expenses :**		
Godown and shop rent	12,000	
Employees' salary	7,000	
Commission (Tk. 1,000X 10)	10,000	29,000
Total Cost		41,56,000
(+) Desired Profit (41,56,000 × 15%)		6,23,400
Selling Price		47,79,400

Cost per bundle of corrugated sheet = (Tk. 41,56,000÷1000) = Tk. 4,156.

Per bundle selling price of corrugated sheet = (Tk. 47,79,400÷1000) = Tk. 4,779.40.

Activity: Hannan & Bros. of Khulna purchased 200 pieces of Pump Machine from Chittagong at Tk.5,000 each. Paid Tk.20,000 as carriage: Tk.2,000 as Transportation insurance; Tk.1,000 as duty and Tk.1,200 as dock charge. Besides, paid Tk.4,000 as warehouse rent; Tk.3,000 as shop rent; Tk.2,500 as staff salaries and Tk.2,000 as electricity charge. Profit 25% on total cost.

Find out cost of purchase, total cost and selling price.

Cost of Production and Elements of Cost of Production



Picture: A Garment Industry

Meaning and significance of cost of Production:

Generally, paying the expenses of all kinds for producing or purchasing of any product is called cost of production. The amount which is paid for acquiring any economic wealth is called cost. In short, the cost of any product is the sum total of all expenses incurred in producing or manufacturing it, so we can say that, the cost of any product is the sum of total expenses incurred at different levels of production in a factory right from the use of raw material up to finished product. For example, the sum total of expenses incurred for timber used in the production of furniture, coloring, burnishing, wages paid for labour, cost of using machinery and other expenses, can be called cost of furniture production. In the same way, the cost of sand, earth and clay, wages and the expenses for bricks baking in total can be considered as production cost of brick manufacturing.

Achieving expected profit through controlling of cost is one of the basic objectives of Cost Accounting. Cost of production plays a vital role in case of determination and control of cost, fixation of selling price, administrative control and managerial policy making of an industry. Determination of total cost

and per unit cost of goods produced in factories is of great importance. If we fail to determine the total cost and per unit cost of any goods and services, we can't determine their selling price. Selling price of any product is fixed only after correctly determining its cost of production.

The elements which are involved in determining total production cost, i.e. all types of direct and indirect expenses are kept and recorded properly. As a result, while we can keep track of the cost incurred with regard to different elements of cost, we can also know the various elements of expenditure, At the same time, we can keep track of losses with regard to theft, wastage, misuse and abuse. Thus, it helps us to control and reduce total production cost.

Activity: Why is the determination of cost of production so important?

Objectives of determining cost of production:

Determination of cost of production is the basic objective of cost accounting. Existence and success of a business majorly depend on perfect determination of cost. Some vital objectives of costing are given below.

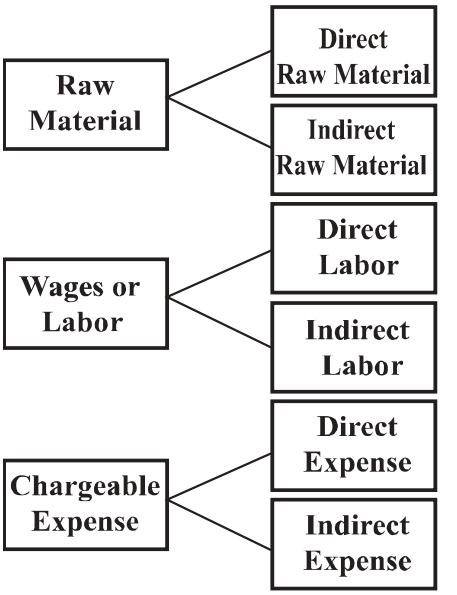
1. **Ascertaining net income or loss:** The prime objective of business is to get true financial picture through ascertaining correct net income or loss. Net income or loss ascertainment can easily be done through determination of cost of production.
2. **Valuation of inventory:** Determination of production cost is important to determine the actual value of inventory after an accounting period.
3. **Fixation of responsibility:** Comparison between predetermined and actual cost can not only find the discrepancy but also find out the reason behind such gap. By doing so, it can easily pinpoint the person who is responsible for this.
4. **Determination of selling price:** Production cost is necessary to determine the profitable selling price in a competitive market. Using cost as a strategy, firstly, per unit cost is determined. After that, considering the demand for goods or services, strength of competitors, government policy, and profit policy the desired percentage of profit is added with cost of production.
5. **Budget preparation:** Budget is considered as the guide line of future action plan.Budget is prepared for every single unit of expenses of a firm. Since per unit cost is determined, so total cost budget can easily be prepared.
6. **Project appraisal:** Economic feasibility of a project is evaluated before the project is in actual operation. So determination of production cost plays an important role in case of feasibility study.

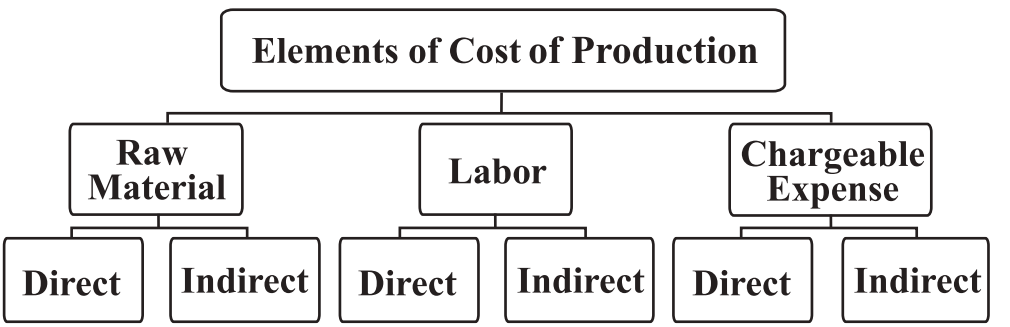
Activity: Which are the other objectives of cost of production?

Elements of Cost of Production:

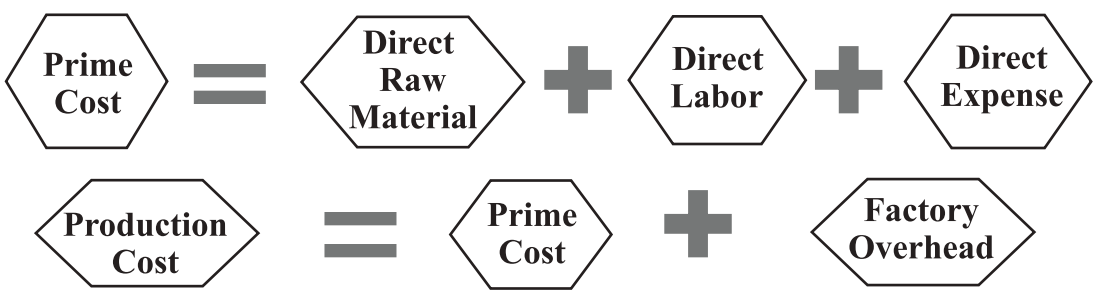
Determination of total cost is not sufficient in case of producing goods or services. For the purpose of appropriate control and decision making, classification and analysis of elements of cost is badly needed. The various elements of cost which go to make up the total cost of any product may be divided into three main heads, Viz: - (a) Raw Materials, (b) Labour and (c) Chargeable expenses.

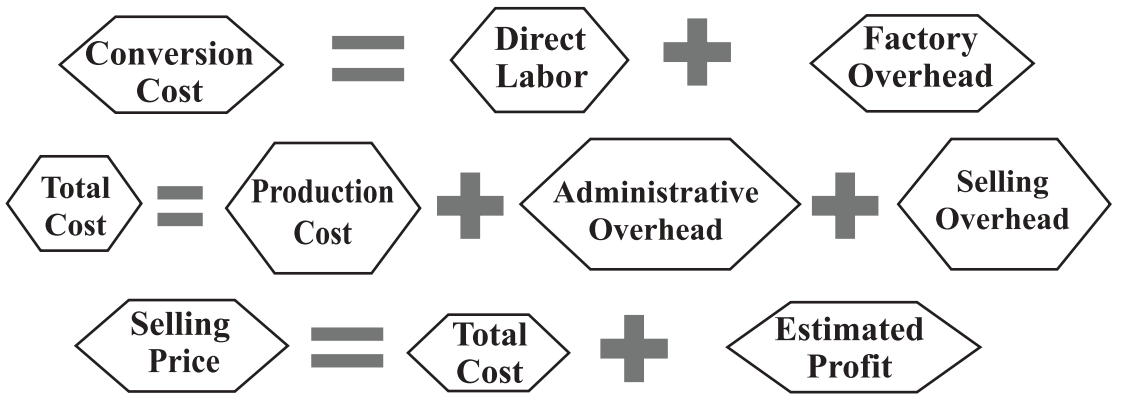
Each of these three elements is again divided into two classes i.e. direct and indirect.





Total cost can be determined by above mentioned cost elements. Total cost can also be analyzed through the table given below-





Elements of cost are discussed below.

1) Raw Material

i) Direct Raw Material: Materials which are primarily used for the production of any goods and which are considered to be inseparable parts of those goods are direct raw materials. Direct raw materials are included in case of determining prime cost. For example, paper for making book, wood for making furniture, yarn for the manufacturing of cloth, sugarcane for sugar.

ii) Indirect Raw Material: The materials other than direct raw materials which are used for production is called indirect raw materials. That is, the materials which are not directly used for production is known as indirect raw materials. Yarn and button for making shirt, Glue for making shoe, and screw, wire, sand paper for making furniture are the examples of indirect raw material. Indirect raw materials are used as materials for production.

2) Labor/Wages

i) Direct Labor: The workers who are directly related with production is called direct labor. The payment that is made to the workers for transforming raw materials into finished product and from working process to finished product is called direct labor or wages. For example, wages paid to the machine operators in factories, worker cost for making furniture, sewing cost for making dress.

ii) Indirect Labor: The workers who are not directly related to the production, but helps for production is called indirect labor. For example, the manager's salary in ready made garments factories are indirect labor. These

labors help in production rather direct participation of production process actively.

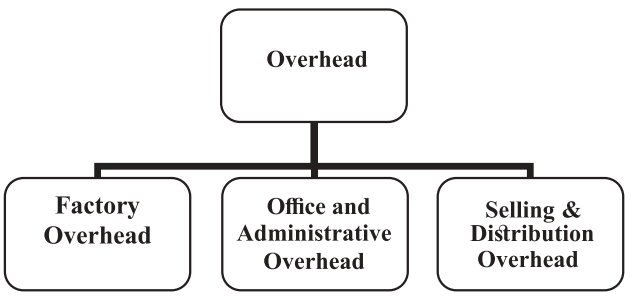
3) Chargeable expenses:

i) Direct expenses: The expenses which are incurred neither for direct raw materials nor for direct labour but they are directly being charged to the production are called direct expenses. These expenses are also called chargeable expenses. For example-

* Expenses of architectural design for construction
* Engineering designing cost
* Special forma making cost for producing shoe
* Purchase of tender in case of contractual job, i.e. tender cost, travelling cost for tender, etc.

ii) Indirect expenses: The expenditure which incurred in the production process cannot be identified separately is called indirect expenses. For example screw expenditure for making furniture, cannot be identified separately. This expenditure is treated as indirect expenditure. These expenditures incurred for overall management of the organization and help various logistic supply regularly. Indirect expenses or Overhead can again be sub-divided into three categories:

a) Factory Overhead: All costs in the factory related to production other than direct materials and direct labour are called factory overhead. For example, Factory rent, Fire Insurance, Electricity and water supply etc.



b) Office and Administrative Overhead: Expenses related to office and administration matters are called administrative overhead. It refers to all indirect expenses incurred in connection with overall administration and office management. For example, salary for office staff, office rent, other office expenses i.e. postage & telegram, telephone & electricity, printing & stationary, conveyance expense,& legal expense etc.

c) Selling and Distribution Overhead: The sum total of indirect expenses incurred for the sale of finished goods is termed as selling and distribution overhead. All expenses in connection with order collection of produced goods, creating new market,

possession of old market, attracting customers. For example, advertisement expenses, rent of showroom, carriage outward, salary & commission paid to sales manager or sales representative, all expenses releated to selling office etc. Again, all expenses related to after sales servicing and repairing, changing the goods are also included in selling expenses.

Activity: Give three examples of each of the followings:
(a) Direct Raw Material and (b) Direct Labour**.**

Cost Sheet:

Cost Sheet is a statement where elements of cost regarding to production are systematically arranged for specific time. Usually, manufacturing organization prepares cost sheet showing the expenses of elements of cost incurred in the process of production as a part of financial statement at the end of the accounting period. Cost sheet can be prepared for monthly, quarterly, half yearly, and yearly, depending on the nature of job of a particular organization. For the purpose of determining cost of production, cost of goods sold and profit, cost sheets can be prepared in three stages. A specimen form of cost sheet is given below:

Name of the Manufacturing firm
Cost of Goods Manufactured Statement
for the period of.....

Element of cost	Details Taka	Taka	Total Taka
Beginning inventory of raw materials		xxx	
Add: Raw material purchase	xxx		
Carriage inward	xxx		
	xxx		
Less: Return of purchased raw material	xxx		
Usable raw material		xxx	
Less: Ending inventory of raw material		xxx	
Raw material used			xxx
Add: Direct wages			xxx
Other direct expenses			xxx
Prime cost			xxx
Add: Factory overhead			xxx
Production cost			xxx
Add: Beginning Work in process (Half finished)			xxx
			xxx
Less: Ending Work in process (Half finished)			xxx
Cost of goods manufactured			xxx

Name of the organization.....
Cost of Goods Sold Statement
for the period.....

Particulars	Taka	Taka
Beginning inventory of finished goods		xxx
Add: Cost of goods produced		xxx
Cost of goods available for sale		xxx
Less: Ending inventory of finished goods		xxx
Cost of goods sold		xxx

Name of the organization.....
Comprehensive Income Statement
for the period.....

Particulars	Taka	Taka
Sales	xxx	
Less: Return	xxx	
Net sales		xxx
Less: Cost of goods sold		xxx
Gross profit/ loss		xxx
Less: Operating cost-		
Office and administrative overhead	xxx	
Selling and distributing overhead	xxx	xxx
Net operating profit/income		xxx

Illustration: From the following information of Simanta Food product as on 30 June 2025, you are required to prepare Cost of goods manufactured statement, Cost of goods sold statement and Comprehensive income statement.

	Beginning		Ending
Inventory:	Taka		Taka
Raw materials	6,400		7,600
Work-in-process (Half finished)	12,300		15,000
Finished goods	10,500		8,700
Packing materials	1,000		800
Purchase:			
Raw materials	63,000		
Packing materials	3,000	Distribution expenses	2,000
Carriage inward	1,000	Selling expenses	3,200
Wages	44,300	Salaries of sales manager & sales man	5,000

	Taka		Taka
Factory cost	8,600	Repair of factory building	2,200
Depreciation on machine	4,400	Managing Director allowances	1,500
Office expenses	2,500	Sales	1,79,000

Solution:

Simanta Food Product
Cost of Goods Manufactured Statement
for the period of half year ended on 30 June 2025

Particulars	Taka	Taka	Taka
Beginning inventory of Raw Materials		6,400	
Add: Purchase of Raw Materials	63,000		
Carriage in ward	1,000	64,000	
Cost of Raw Materials Available		70,400	
Less: Ending inventory of Raw Materials		(7,600)	
Raw Material Used			62,800
Add: Wages			44,300
Add: Direct expenses: Beginning inventory of packing materials		1,000	
Add: Purchase of packing goods		3,000	
		4,000	
Less: Ending inventory of packing goods		(800)	
			3,200
Prime cost			1,10,300
Add: **Factory overhead**			
Production cost		8,600	
Factory Depreciation on Machine		4,400	
Repair of Factory Building		2,200	
			15,200
Production cost			1,25,500
Add: Beginning inventory of Work-in-process			12,300
			1,37,800
Less: Ending inventory of Work-in-process			(15,000)
Cost of goods manufactured			1,22,800

Simanta Food product
Cost of Goods Sold Statement
for the period of half-year ended on 30 June 2025

Particulars	Taka
Beginning inventory of Finished goods	10,500
Add: Cost of goods manufactured	1,22,800
Cost of goods available for Sale	1,33,300
Less: Ending inventory of Finished goods	(8,700)
Cost of goods sold	1,24,600

Simanta Food product
Comprehensive Income Statement
for the period of half-year ended on 30 June 2025

Particulars		Taka	Taka	Taka
Sales				1,79,000
Less:	Cost of goods sold			(1,24,600)
	Gross Profit			54,400
Less:	**Operating cost**:			
	Office & Administrative Overhead:			
	Office Expenses	2,500		
	Salary to Managing director	1,500	4,000	
	Selling and Distribution Overhead:			
	Selling expenses	3,200		
	Distribution expenses	2,000		
	Salary of sales manager & salesman	5,000	10,200	(14,200)
	Net Operating Income			40,200

Activity: Following information is collected from the book of Sonali Manufacturing limited as on 31 December 2025

	Taka		Taka
Raw materials inventory (1.10.2025)	7,500	Fuel & Power	1,250
Raw materials inventory (31.12.2025)	9,500	Carriage inward	1,000
Work-in-process inventory (1.10.2025)	2,800	Carriage outward	1,500
Work-in-process inventory (31.12.2025)	3,600	Indirect wages	1,750
Finished good inventory (1.10.2025)	5,400	Depreciation to machineries	2,500
Finished good inventory (31.12.2025)	3,500	Direct expenses	1,100
Sales of Finised goods	65,000	Office rent	3,500

Raw materials purchase	7,000	Miscellaneous factory expenses	4,500
Direct wages	5,650	Salesmen salaries & commission	2,250
		Miscellaneous office expenses	2,000
		Mass communicaiton expenses	1,700

Prepare Cost of goods manufactured statement, Cost of goods sold statement and Comprehensive Income statement.

Sample Qestion

Multiple Choice Questions :

1. Whàt is meant by factory overhead?
   a. Direct raw materials + Indirect raw materials + Indirect wages
   b. Indirect raw materials + Indirect wages + Factory rent and electricity
   c. Direct wages + Depreciation on Furniture + Machinery repairs
   d. Factory rent + Office rent + Shop rent
2. The expenses included in production cost are:
   i. Depreciation of machinery
   ii. Special expenses for obtaining tenders
   iii. Furniture repair

Which of the following is correct?
   a. i and ii b. ii and iii c. i and iii d. i, ii, and iii

3. Which of the following is a chargeable expenses in shoe production?
   a. Purchase of leather c. Making molds or forms
   b. Purchase of glue d. Purchase of sewing thread

Based on the information below, answer questions 4, 5, and 6:

Prime Cost = Tk.50,000
Factory Overhead = Tk.10,000
Administrative Overhead = Tk.5,000
Selling Overhead = Tk.3,000 and
Profit = 20% on Total Cost.

4. What is the amount of sales?
   a. Tk.81,600 b. Tk.83,700
   c. Tk.84,500 d. Tk.98,500
5. What is the amount of profit?
   a. Tk.12,600 b. Tk.13,600
   c. Tk.15,600 d. Tk.18,600

6. What is the amount of total overhead?
   a. Tk.12,000 b. Tk.18,000
   c. Tk.58,000 d. Tk.68,000
7. Office Overhead includes:
   i. Telephone bill
   ii. Showroom rent
   iii. Purchase of stationery items

Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii, and iii
8. Which one is a selling overhead?
   a. Advertising expenses b. Furniture repair
   c. Printing and stationery d. Electricity and telephone bill
9. Cost of Goods Sold = ?
   a. Cost of goods available for sale + Beginning inventory of finished goods
   b. Cost of goods available for sale + Ending inventory of finished goods
   c. Cost of goods available for sale - Beginning inventory of finished goods
   d. Cost of goods available for sale - Ending inventory of finished goods
10. In a book publishing company, the cost of purchasing paper is what type of cost element?
   a. Direct raw material b. Indirect raw material
   c. Factory overhead d. Office overhead

Creative Questions

1. The transactions of Shaheen Fruit Corner, Dhaka for the first week of June 2025 are as follows:

- Purchased 200 baskets of mangoes from Rajshahi at the rate of TK.500 per basket.
- Each basket contained 10 kg of mangoes. Total TK.5,000 paid for truck rental cost, and a packing cost TK.20 paid for each basket .
- After unloading the mangoes in Dhaka, it was found that 10 baskets were completely damaged and unfit for sale.
- For selling the mangoes during that week, a shop rent of TK.2,000 and a sales commission of TK.1,000 were paid.

a. Calculate the quantity of saleable mangoes (in kg) from the given information.
b. Calculate the total cost of the mangoes sold by Shaheen Fruit Corner.
c. Considering a total cost of TK.1,15,000 and a profit of 20% on cost, determine the selling price per basket and per kg of mangoes.

2. Amin Paper House purchased 100 reams of paper at a rate of Tk.18 per quire. An additional Tk.500 paid on labor and Tk.1,000 on transportation.For selling the paper, expenses include shop rent of Tk.2,000, electricity and telephone bill of Tk.1,000, and salesman's commission of Tk.500.
The company earns a profit of Tk.2 per quire.

a. Calculate the purchase price of per ream paper for Amin Paper House.
b. Calculate the total cost of per quire paper sold for Amin Paper House.
c. Consdering the total cost of sold paper is Tk.40,000, determine the selling price of per quire for Amin Paper House.

3. Shapla Printers of Comilla received an order from Uttara Bank Head Office in 2025 to produce 5,500 diaries.
The following expenses were incurred for this order:

Purchase of paper – Tk.70,000
Purchase of printing ink – Tk.25,000
Direct wages – Tk.12,500
Purchase of glue and cotton– Tk.5,000
Factory rent – Tk.10,000
Factory electricity bill – Tk.3,500
Office and administrative expenses – Tk.12,000
Entertainment or Hospitality expenses – Tk.1,500
Bill collection cost – 2% of the quoted price in the tender
Tender price per diary in the tender – Tk.35

a. Calculate the conversion cost for Shapla Printers.
b. Calculate the production cost per diary for Shapla Printers.
c. Considering the total production cost is 1,25,000 Taka, determine the profit or loss per diary for Shapla Printers.

4. Sonali Garments sold shirts worth Tk.30,00,000 from May 1 to May 31, 2025.The costs related to shirt production and sales are as follows:

Purchase of fabric – Tk.4,20,000
Transportation cost – Tk.11,500
Purchase of buttons and other materials – Tk.42,000
Beginning work-in-process – Tk.72,000
Value of unused fabric – Tk.65,000
Ending inventory of finished shirts – Tk.1,05,000
Beginning inventory of finished shirts – Tk.1,45,000
Showroom rent – Tk.21,300
Total wages of workers – Tk.12,00,000

Office rent – Tk.18,000
Incidental cost of Factory – Tk.52,000
Salesman commission – Tk.25,000
Telephone and electricity bill – Tk.9,000

a. Calculate the cost of raw materials used based on the above information.
b. Calculate the cost of shirts sold by Sonali Garments.
c. Considering the cost of goods sold is Tk.18,50,000, determine the profit or loss.

5. From January 1 to March 31, 2025, the following information relates to the brick production and sales of Ashraf & Co.:

Purchase of soil – Tk.1,60,000
Soil transportation cost – Tk.3,00,000
Fuel cost – Tk.2,00,000
Workers' wages – Tk.1,40,000
Brickfield rent and electricity (per month) – Tk.10,000
Cost of kneading soil or Soil sieving cost – Tk.20,000
Office rent (per month) – Tk.12,000
Travel and telephone expenses – Tk.14,000
Advertisement expenses – Tk.40,000
Salaries of salesman – Tk.60,000
Sales (200,000 bricks) – Tk.16,00,000
Beginning inventory of finished bricks (50,000 bricks) – Tk.2,50,000
Ending inventory of finished bricks (60,000 bricks) – Tk.2,43,000
a. Calculate the quantity of bricks produced from the given information.
b. Prepare a production cost statement quarterly for Ashraf & Co.
c. Considering the cost of produced bricks is Tk.8,50,000, calculate the net income/ profit.

Hint:

Beginning finished units + Units produced = Units sold + Ending finished units

Short Questions

1. What is meant by purchase cost?
2. What is production cost?
3. What is indirect raw material? Explain it.
4. What is overhead?
5. What is meant by conversion cost?
6. What is meant by a production cost statement?

Chapter Twelve
Account of Family and Self Employment Initiative

To maintain our life smoothly and nicely, it is very important to have a well designed plan and an applicable accounting system at every sphere of life. Application of appropriate accounts of income and expenditure can make life well balanced and disciplined. So we have to spend money in our social and family life associated with income. It is not possible to spend on the basis of the income if the accounts of income and expenditure of the family are not maintained. Even without budgeting of income and expenditure a family can't be maintained properly. So every family needs to design appropriate plan for maintaining family accounts strongly. Also preparing budget for project is vital in the case of self-employment enterprise for making a person or a family become self-reliant.





Picture: Self employment Projects of pisciculture and poultry

At the end of this chapter, we will be able to –

- explain the concept and characteristics of family accounting system;
- prepare a family budget;
- prepare the family financial statement;
- prepare budget for self-employment enterprise and also maintain the accounts thereof.

Concept of family accounting system

Family is said to be the destination of happiness. For the sake of this happiness, each and every person thinks about living an improved family life. Planning is necessary to lead the family nicely and systematically and application of appropriate accounting is an indispensable part of that plan. A family without a financial plan cannot be maintained properly. Without maintaining of family income and expenditure account, a family cannot live a disciplined life. As a result family happiness may be disturbed. So maintaining of family income and expenditure account is also essential like business organizations.

Family is not a business organization. So accounting system is different since family is a non-profit making organization. Like other organizations some financial transactions occur in a family. That is, there are some income and expenditure. So maintaining of family budget is essential. There should be predefined plan for maintaining the family smoothly and happily within the limit of income.

Activity: Why is family accounting system vital for peaceful life?

Characteristics of family accounting system:

1. **Non-profit making organization:**
   Family is considered to be a non-profit making organization. Question of profit and loss does not arise here, so a family can know surplus or deficit through preparation of income- expenditure account and financial statement at the end of a particular period.
2. **Assumption of separate unit:**
   Each family member of the family considered separately from the head for completing the accounts.
3. **Responsibilities:**
   Family accounts are not to be submitted to anyone. So there is no need of its audit or responsibility.
4. **Cash transaction:**
   Most transactions of the family are done in cash, so it is easy for record keeping.
5. **Specific head:**
   In most of the cases, family transactions have some specific heads.

Activity: Why are the features of family accounting system different from the features of profit earning organization?

Necessity of family accounting system:

For happy and healthy life within the limit of income, it is essential for maintaining proper accounts. The necessity of family accounts is as follows:

1. **Proper Planning:**
   Transparency can be ensured if accounts are kept properly, thus family ties can be enjoyed more vividly.
2. **Family Solvency:**
   "Expenditure within income"-if this policy is followed, it may be possible to attain financial solvency and happiness of the family.
3. **Creation of Values:**
   Family accounting can ensure transparency which can help creating values and ethics between the family members.
4. **Family Budget:**
   Preparation of family budget and with the help of it, proper management of family can be ensured by controlling all the income and expenditure.
5. **Saving and Consumption Tendency:**
   For better life style in future, money should be saved from the present income. If accounts are kept properly, habit of unnecessary expenditure decreases and tendency of saving increases.
6. **Family Discipline:**
   Possibility of arising of any dispute and misunderstanding among the head and other members of the family is least if accounts are kept systematically and properly.

Activity: Identify and explain some other necessities of family accounting rather than above mentioned necessities.

Family Budget:

Budget is a kind of numerical expression of planning. For achieving some specific purpose, numerical expression of pre-defined plan of income and expenditure of a stipulated time is known as budget. There is no hard and fast rule for the specific time frame; it may be weekly, monthly, or yearly. Family budget means future plan for income and expenditure of the family. Family budget is designed through a pre plan, based on the sources of income and sector wise demand for expenditure of a family. Budgeting helps to keep the family within a financial framework where over expenditure is not possible. If family is maintained within such financial framework i.e. budget, then we can live a better life with limited income.

Steps for Preparing Family Budget:

It is essential ot follow some steps to prepare a family budget. If a budget is prepared following the systematic procedure, implementation of the budget becomes easier. Steps are as follows-

1. **Listing of necessary materials:** Prioritise the list of materials based on the need and demand of the family members for budget time frame.

2. **Valuation of materials:**
   Price and cost of the product and services are to be determined for including the total cost of the product for budget preparation.

3. **Determination of possible income:**
   Expenditure of family budget depends on income. So to make budget more effective, determination of income sources is needed to include them in the budget.

4. **Maintaining balance in budget:**
   In each family, budget is prepared with a view to achieving optimum benefit within the limited income and thus to save for better future. That is why, we are to pay attention of maintaining equilibrium between income and expenses at the time of budget preparation.

5. **Suitability of budget:**
   A family budget should be as such that it is practical and rational. Budget should be flexible so that in special cases if one or more expenditure increases then it can be set off by reducing other expenditures.

Specification of family budget:

Success of budget preparation and implementation mostly depend on socio-economic condition of the family. Forms, sizes, sources of income, taste and desire of the members etc. are to take into consideration strictly while preparing a family budget. Each family will have separate budget. It is not possible to prepare budget of same standard for each family. Over all family budgets can be prepared through equilibrium of income and expenditure. Sector wise allocation of expenses depends upon the structure of the family. For example, expenditure for food 20%-25%, clothing 5%-10%, housing 30%-40%, Education 10%-15%, transportation 15%-20% approximately.

A Pro-forma of Statement of Family Budget is shown below:

Name of the month----------

Income

Description of Income	Expected Income (Taka)	Total Income (Taka)
Income from salary	40,000	
Other sources (rent, agriculture etc.)	10,000	50,000

Expenditure

Description of Expenses	Expected Expenses (Taka)	Total Expenses (Taka)	Percentage (%)
1) Food Items:			
Rice	1,575		
Pulses	300		
Oil	700		
Salt	75		
Flour	200		
Mayda (White Flour)	100		
Noodles	200		
Tea and Sugar	150		
Spices	200	3,500	
Kitchen items:			
Fish	1,500		
Meat	1,000		
Chicken	1,200		
Eggs	700		
Vegetables	1,500		
Fruits	500		
Onion, Garlic and Ginger	400	6,800	
		10,300	21%
2) Housing:			
House rent	15,000		
Electricity	1,000		
Gas	400		
others	300		
		16,700	33%

3) Clothing:			
Purchasing cloths	500		
Sewing and Tailoring	300		
Washing and laundry	200		
		1,000	2%
4) Education:			
Tuition fees	1,000		
Books, work books and stationery	500		
Payment for private tutors	2,000		
Transportation	1,000		
		4,500	9%
5) Medical Expenses:		2,100	4%
6) Personal Expenses:			
Amusements and recreation		2,000	4%
7) Other Expenses:			
Guest entertainments	1,000		
Gifts and charity	1,000		
Subscription of newspapers	400		
Wages of the house-maid	1,000		
		3,400	7%
8) Savings schemes:			
Provident Fund	7,000		
D.P.S	3,000		
		10,000	20%
Total Expenditure:		50,000	100%

Activity: Identify the facilities of family budgeting from your view point.

Preparation of Family Financial Statement:

Transactions relating to income and expenditure of the family are recorded in books of account. But scattered records cannot depict the true financial picture of the family. That is why, preparation of financial statement is essential for finding actual financial picture. Financial statements show the income and expenses of the family for a particular period of time and statement of financial position depicts the financial strength i.e. state of family assets and liabilities. Steps of family financial statement are-

1) Receipts and Payments Account
2) Statement of Income and Expenditure
3) Statement of Financial Position

1. Receipts and Payments Account: From summary of family cash transactions an account is prepared at the end of the year by classifying and summarizing the transactions is called Receipts and Payments Account. Although it looks like a cash book of a business concern but it is not a cash book. It is the first step of family accounting system. This account is prepared by compiling all types of cash transactions.

All sorts of cash receipts are shown on the debit side and cash payments are shown on the credit side. Capital and revenue incomes of any year, which are received in this year in cash are shown on the debit side; and Capital and revenue expenses of any year, which are paid in this year in cash are shown on the credit side of the Receipts and Payments Account.

2. Statement of Income and Expenditure: At the end of the accounting period with the help of revenue nature income and expenditure relating to current year a statement is prepared to determine the excess or deficit of income over expenditure of the family is known as Statement of Income and Expenditure. In this statement if income is more than expenditure then we call it as surplus or excess of income over expenditure, and if the expenditure is more than income then we call it as deficit or excess of expenditure over income. Excess of income over expenditure increases the family fund while deficit reduces that fund.

3. Statement of Financial Position: Shortly it means a statement of assets and liabilities. That is, on a particular date, a statement is prepared showing all assets and liabilities of the family is known as Statement of Financial Position. Like business organizations, family also has some assets and liabilities. For example, assets are building, furniture, investment, cash and liabilities are loan, outstanding expenses, Accounts Payable etc. Families do not have any opening capital because it is not a business organization. But family fund is calculated here. Family fund is shown as liabilities in the Statement of Financial Position. Excess of income over expenditure from the Statement of Income and Expenditure is added with family fund and deficit is deducted from family fund.

A Pro-forma of Receipts and Payments Account is shown below:

Receipts and Payments Account

Receipts	Taka	Payment	Taka
Balance b/d	***	Revenue nature expenses	***
Revenue nature income	***	Capital nature expenses	***
Capital nature income	***	Balance c/d	***
	****		****

Features of Receipts and Payments Account:

1. It is like a cash book of a business concern.
2. Left side starts with beginning cash and bank balance and right side ends with ending cash and bank balance.
3. All receipts are shown on the left side and all payments are shown on the right side.
4. In case of this account, period is not a matter of consideration i.e. receipts and payments of current, previous and next year is recorded here in this book.
5. Transaction of current year's outstanding income or expenses is not recorded.
6. Quantitative figure of the left side is always greater than that of the right side because cash payments can never be greater than cash receipt.
7. Transaction relating to depreciation is not shown in this account.
8. Cash flows can be known from this account.

Activity: What kind of role can be played by the Receipts and Payments Account while preparing family account?

Procedure of preparing Statement of Income and Expenditure from Receipts and Payments Account:

1. Revenue nature incomes are recorded on the income side and revenue nature expenses are recorded on the expenditure side of Statement of Income and Expenditure.
2. Beginning and ending balances of Receipts and Payments Account are not needed to show in the Statement of Income and Expenditure.
3. Capital nature income and expenditures are not shown in the Statement of Income and Expenditure.
4. Only revenue nature income and expenditures are shown in the Statement of Income and Expenditure.
5. Only current year's revenue nature income and expenditures are shown in the Statement of Income and Expenditure.
6. Income and expenditures relating to previous or next year will not be shown in the Statement of Income and Expenditure.
7. Transactions relating to purchase and sale of assets will not be shown in the Statement of Income and Expenditure.
8. Income receivables and outstanding expenses of current year will be included in the Statement of Income and Expenditure.
9. Depreciation will be shown on the expenditure side of the Statement of Income and Expenditure.

Activity: Identify items of the Receipts and Payments Account which will not be included in the Statement of Income and Expenditure.

Procedure of preparing Statement of Financial Position from Receipts and Payments Account:

Basic objective of preparing the Statement of Financial Position is to take perception of assets, liabilities and family fund at a particular point of time at the end of the year.

Procedures are given below:

1. Family fund is calculated by deducting the opening liabilities from the opening assets of a family.

2. Capital nature incomes of the Receipts and Payments account are shown on the liability side and Capital nature expenditures are shown on the assets side of the Statement of Financial Position.

3. Closing cash and bank balances of the Receipts and Payments Account are shown on the assets side of the Statement of Financial Position.

4. Depreciation is to be deducted from respective assets are shown on the assets side of the Statement of Financial Position.

5. All unearned incomes are to be shown on the liability side and all prepaid expenses are to be shown on the assets side of the Statement of Financial Position.

6. Excess of income over expenditures of the Statement of Income and Expenditure are to be added with Family fund and deficits are to be deducted from the Family fund on the liability side of the Statement of Financial Position.

7. Opening cash and bank balances of the Receipts and Payments Account will not be considered in case of preparation of the Statement of Financial Position. Those balances will be used in case of determining the Family fund.

Activity: Identify the items of the Receipts and Payments Account which will be included in calculating the Family fund.

Illustration- 01

Mrs. Rubina who works in Govt. oraganisation maintains family with her salary & the income that comes from her husband's business. Information of her family's income and expenditures mentioned below:

Monthly salary Tk.35,000; Mothly House rent paid Tk18,000. Food Materials expenese for whole year Tk.1,20,000; Medicine & Doctors fees Tk.25,000; Profit from business Tk.4,80,000; Clothes purchased Tk.32,000; Education expenses Tk.95,000; Dinning table purchased Tk.42,000; Income Tax paid Tk.16,000; Computer & Printer purchased Tk.76,000; Gas,Water & Electricity bill paid Tk.38,000; Deposit to DPS Tk.60,000.

Other information:

On 1st January 2025 her family condition was- Cash in hand Tk. 22,000 & FurnitureTk.1,68,000. At the end of year, Gas & Water bills are dueTk. 24,000.

Required: From the above information you are required to prepare Receipts & Payment Account, Statement of Income & Expenditure and Statement of Financial Postion.

Solution:

Mrs Rubina's Family
Receipts & Payments Account
for the year ended 31st December 2025

Debit Credit

Receipts	Taka	Payments	Taka
Cash Fund (1-1-2025)	22,000	House Rent (18,000 ×12)	2,16,000
Salary (35,000 × 12)	4,20,000	Spent for Food Products	1,20,000
Profit from business	4,80,000	Medicine & Doctors fees	25,000
		Clothes purchase	32,000
		Education expense	95,000
		Dining Table purchased	42,000
		Income Tax paid	16,000
		Computer & Printer purchased	76,000
		Gas,Water & Electricity bill	38,500
		Deposit to DPS	60,000
		Cash in hand (31-12-2025)	2,01,500
	9,22,000		9,22,000

Mrs Rubina's Family
Statement of Income & Expenditure
for the year ended 31st December 2025

Particulars	Taka	Taka	Taka
Incomes:			
Salary Received		4,20,000	
Profit from business		4,80,000	
			9,00,000
Less: Expendenitures:			
House Rent		2,16,000	
Food Products		1,20,000	
Medicine & Doctors fee		25,000	
Clothes purchases		32,000	
Educatinal expense		95,000	
Income Tax paid		16,000	
Gas,Water & Electricity bill	38,500		
Add : Due	24,000	62,500	
			(5,66,500)
Surplus of Income			3,33,500

Mrs Rubina's Family
Statement of Financial Position
as on 31st December, 2025

Particulars	Taka	Taka	Taka
Assets:			
Cash in hand		2,01,500	
Furniture	1,68,000		
Add: Dinning Table purchase	42,000		
		2,10,000	
Computer & Printer		76,000	
Deposit to DPS		60,000	
Total Assets			5,47,500
Liabilities and Family fund:			
Gas,Water & Electricity bill due		24,000	
Family Fund (Note-1)	1,90,000		
Add: Surplus of Income	3,33,500		
		5,23,500	
Total Liabilities & Closing Family Fund			5,47,500

Note: Calculation of Family Fund:
Cash + Furniture = (22,000+1,68,000) = 1,90,000

Illustration: 2

Assets and Liabilities of Osman Gani as on 1 January 2025 are- House Tk.20,00,000; Furniture Tk.20,000; Crockeries Tk.13,000; House building Loan Tk.15,00,000. His Receipt and Payment account of that year are as follows:

Receipts and Payments Account

Receipts	Taka	Payments	Taka
Received from Salaries	2,50,000	Food purchase	40,000
Income from agriculture	20,000	Bill for grocer shop	2,280
Sale of old newspaper	2,000	Municipal tax	3,220
		Computer purchase	50,000
		Int. on house building loan	10,000
		Television purchase	32,000
		Refrigerator	60,000
		Water, Gas & Electricity	5,600
		Entertainment	7,000
		Stationery	2,500
		News paper bill	4,800
		Conveyance and other	4,400
		Post office saving bank deposit	48,000
		Cash in hand (31/12/2025)	2,200
	2,72,000		2,72,000

Prepare: Statement of Income & Expenditure for the year ended 31 December 2025 and Statement of Financial Position as on 31 December 2025.

Solution:

Mr. Osman Gani
Statement of Income and Expenditure
For the year ended 31 December 2025

Particulars	Taka	Taka
Income:		
Salaries	2,50,000	
Agricultural Income	20,000	
Sale of old newspaper	2,000	
Total Income		2,72,000
Expenditur:		
Food purchase	40,000	
Bill for grocery shop	2,280	
Municipal tax	3,220	
Interest on house building loan	10,000	
Gas, Water and Electricity	5,600	
Entertainment	7,000	
Stationery	2,500	
Newspaper bill	4,800	
Conveyance and other	4,400	
Total expenditures		79,800
Surplus /Excess of Income over Expenditures		1,92,200

Mr. Osman Gani
Statement of Financial Position
as on 31 December 2025

Particulars	Taka	Taka	Taka
Assets:			
House		20,00,000	
Furniture		20,000	
Crockeries		13,000	
Computer		50,000	
Television		32,000	
Refrigerator		60,000	
Post office saving bank deposit		48,000	
Cash in hand`		2,200	
Total Assets			22,25,200
Liabilities and Family Fund:			
House building loan		15,00,000	
Family Fund (Note-1)	5,33,000		
(+) Surplus	1,92,200	7,25,200	
Total Liabilities and Family Fund			22,25,200

Note-1: Calculation of Family Fund:

Family fund = Opening Assets – Opening Liabilities

= House + Furniture + Crockeries – House building loan

= (20,00,000+20,000+13,000) -15,00,000 = Tk.5,33,000

Activity:

Mr. Abdul Aziz is a physician. He earns money from private practice beside his service. His Receipts and Payment for the year ended 31 December 2025 are as follows:

Receipts and Payment Account
for the year ended 31 December 2025

Receipts	Taka	Payment	Taka
Cash in hand (01-01-2025)	25,000	Investment on Share	1,00,000
Cash at Bank (01-01-2025)	35,000	Food purchase	40,000
Income from Salary	2,50,000	Driver salary	60,000
Income from private practice	1,20,000	Car repair & Fuel exp.	45,000
Income from house rent	30,000	Education expenses	50,000
		Income Tax	31,000
		Computer purchase	40,000
		Interest on Loan	20,000
		Gas, Water & Electricity exp.	37,000
		Almira purchase	15,000
		Cash in hand (31-12-25)	22,000
	4,60,000		4,60,000

Assets and Liabilities of Mr. Abdul Aziz are as follows as 1.1.2025:
Furniture-Tk.1,25,000 ; House Tk.5,00,000; Utensils Tk.40,000; Car Tk.7,50,000 & Loan Tk.2,00,000.

Other information on 31.12.25:

a) Salary Tk.7,000 due for current year.
b) Rent Tk. 3,200 not yet realised.
c) Driver's salary due Tk. 2,400.

Required:

1. Calculate Family Fund of Mr. Abdul Aziz's family.
2. Prepare Income and expenditure statement of Mr. Abdul Aziz's family for the year ended 31 December 2025.
3. Prepare Statement of financial position of Mr. Abdul Aziz's on that date.

Enterprise for self-employment:

For the development of family, Society and also State any people can take initiative for small self-employment enterprise. Employment opportunity can be created by taking initiative for the project of poultry farming, fisheries, cattle farming, apiculture, handloom and cottage industry etc. Anyone can take initiative for self-employment. The success of self-employment project depends on entrepreneur efficiency, knowledge, correct accounting system and effective management. Followings are the statement of Income and Expenditure of family self-employment projects:

Project-1: Fishing Project

Sources of project fund:

	Taka
Own Capital	**1,03,950**
Bank loan (16%)	2,00,000
Total investment	**3,03,950**

A. Capital Investment:

Particular	Taka
Yearly Leasing cost	1,00,000
Pond renovation	20,000
Total Invested cost	1,20,000

B. Yearly statement of cost of Rui fish culture project in a pond of an acre:

Expenditure	**Taka**	**Taka**
1) Contingencies expenditure		
Rotinon (5 KG's @, Tk. 450 per KG)	2,250	
Lime (100 KG's @, Tk. 20 per KG)	2,000	
Water provision expenditure	3,000	7,250
2) Species of fish (20,000 Species @ TK. 5 each)		1,00,000
3) Application of Dung :		
Compost (2000 KG, @ TK.10 per KG)	20,000	
Urea (50 KG, @ TK. 20 per KG)	1,200	
TSP (150 KG, @ 10 per KG)	1,500	22,700
4) Food for fishes:		
Oil cake of Mustards seed (25 KG @ TK. 20 per KG)	5,000	
Packing food (70 KG @ TK. 100 per KG)	7,000	12,000
5) Wages:		
Gourd, food supply, Dunging and cleaning of weeds		15,000
6) Expenditure for fish collection:		
Water removal	2,000	
Fisherman expenditure	20,000	
Miscellaneous	5,000	27,000
Total cost		**1,83,950**

C. Summary of Income and expenditure:

Particular	Taka	Taka
Total income- Sale of fish (3000 KG @ TK 150 per KG)		4,50,000
Less: Total Invested cost	1,20,000	
Operating cost	1,83,950	
Interest on bank loan (200000× 16%)	32,000	
		3,35,950
Net profit		**1,14,050**

Project-2: Duck-Chicken farm

Sources of project fund:

	Taka
Own Capital	1,44,000
Bank loan (15%)	6,00,000
Total Investment	**7,44,000**

A. Capital Investment:

Particular	Taka
Expenditure on pond leasing	1,00,000
Renovation of pond	10,000
Value of house for chicken	1,20,000
Value of house for duck	1,20,000
Wages	30,000
Total invested cost	**3,80,000**

B. Yearly statement of expenditure for duck-chicken joint culture project:

Particular	Taka	Taka
Cost for duck:		
200 ducks for 6 month of age @ TK. 200 per duck	20,000	
Daily 30 KG food for duck @ TK. 20 KG per KG (30×20×365)	2,19,000	
Medicine for duck and miscellaneous	10000	2,49,000
Cost for chicken:		
Boiler (300 boilers of 1 day old @ TK. 60 per boiler)	18,000	
Food for chicken (5000 KG @ TK. 15 per KG)	75,000	
Drinking water container for chicken	5,000	
Medicine	7,000	
Miscellaneous	10,000	1,15,000
Total cost		**3,64,000**

C. Yearly statement of income for duck-chicken joint culture project:

Particular	Taka	Taka
Duck:		
Egg sales –Yearly 180 eggs per duck @ TK. 6 per egg (180×6×200)	2,16,000	
Duck sales - @ TK. 250 per duck (250×200)	50,000	
Chicken:		2,66,000
Egg sales –Yearly 200 eggs per duck @ TK. 6 per egg (180×6×200)	3,60,000	
Chicken sales - @ TK. 200 per duck (250×200)	60,000	
		4,20,000
At the end of year duck and chicken house sales		1,80,000
Total income		**8,66,000**

D. Summary of Income and expenditure:

Particular	Taka	Taka
Total income		8,66,000
Less: Total invested cost	3,80,000	
Feeding cost	3,64,000	
Interest on bank loan (6,00,000×15%)	90,000	
		8,34,000
Net profit		**32,000**

Sample Qestion

Multiple Choice Questions :

1. From the perspective of accounting, a family is considered—
   a. As a profit-making entity c. As a profit-making going concern
   b. As a non-profit entity d. As a non-profit going concern
2. Most of the family transactions occur—
   a. In cash b. By cheque c. On credit d. Free of cost
3. A family budget is prepared—
   a. Based on estimated income c. Based on estimated income and expenses
   b. Based on actual income d. Based on actual income and expenses
4. Recorded items under receipts and payments are—
   i. Capital receipts ii. Revenue receipts iii. Revenue payments

Which of the following is correct?

   a. i and ii b. i and iii c. ii and iii d. i, ii and iii

5. A family income and expenditure statement includes—
   a. Current year revenue expenses
   b. Previous and current year revenue expenses
   c. Current and next year revenue expenses
   d. Previous, current, and next year revenue expenses
6. A family financial statement is prepared in how many stages or steps?
   a. 2 b. 3 c. 4 d. 5
7. Family revenue expenses include—
   i. House construction
   ii. Education expenses
   iii. Property maintenance cost

Which of the following is correct?

a. i and ii b. i and iii c. ii and iii d. i, ii and iii

8. What is the first step in preparing a family budget?
   a. Listing necessary goods items
   b. Estimating probable income
   c. Determining prices of goods or services
   d. Collecting data on demand and supply of goods or services

9. The stages of a family financial statement are—
   i. Cash account
   ii. Receipts and payments account
   iii. Income and expenditure statement

Which of the following is correct?
   a. i and ii b. i and iii c. ii and iii d. i, ii and iii

Creative Questions

1. Mr. Ahsan Habib servess at a private organization with a monthly salary of Tk.12,000 . In addition, he receives an honorarium of Tk.5,000 per month as a part-time lecturer at a college. On Jan 1, 2025, his family's cash fund was Tk.200,000 and their DPS (Deposit Pension Scheme) balance was Tk.100,000. During the year, the family's other transactions were as follows:
   Purchase of food items Tk.30,000
   House rent paid Tk.80,400
   Daily shopping expenses: Tk.24,000
   Furniture purchase Tk.15,000
   Stationery and sundry bills Tk.2,500
   Ornaments or Jewellery purchase Tk.60,000
   DPS (deposit pension scheme) Tk.24,000
   Clothing purchase Tk.11,000
   a. Determine the amount of Family Fund Mr. Ahsan Habib’s family.
   b. Determine the Ending cash fund of Mr. Ahsan Habib’s family.
   c. Based on the information above, determine the family surplus or deficit of income.

2. On Jan 1, 2025, Dr. Mahadi’s family assets and liabilities are as follows:
   House Tk.1,000,000
   Furniture Tk.90,000
   Investments Tk.10,000
   Ornaments or Jewellery Tk.80,000
   Cash in hand Tk.3,000
   Bank loan Tk.6,000

Receipts and Payments Account of Dr. Mahadi's Family
For the year ended December 31, 2025

Receipts	Taka	payments	Taka
Cash in hand (1-1-25)	3,000	Purchase of food materials	60,000
Salaries	3,63,000	Daily shopping	1,20,000
Interest on investment	1,500	Television purchase	23,000
Income from patient visit	1,20,000	Newspaper bill	3,500
		Educational expenditure	28,000
		Gas, water and electricity	21,000
		Bank fixed deposit	,25,000
		Balance (31-12-25)	7,000
	4,87,500		**4,87,500**

Other information's:

1. Gas, Water and Electricity are still due for Tk.1,500.
2. Interest on investment one yet received for Tk.1,000.

a) Calculate family fund of Dr. Mahedi.

b) Prepare his Family Income-expenditure statement for the year ended 31 Dec. 2025.

c) Prepare his Statement of financial position on that date.

3. Mr. Hannan is serving in a private organizaton. His monthly salary Tk.30,000 and gets bonus Tk.20,000 twice in a year. On 1st January, 2025 his family's condition was: cash in hand Tk.12,000; House Tk.5,50,000; Equipment Tk.6,000; Loan from colleague Tk. 40,000.

Following are the tranasctions of his family of whole year:

Food material purchased Tk.78,000; Loan paid to colleague Tk.30,000; Medicine & Doctor fees Tk. 18,000; Repair expenses of house Tk31,000; Mobile Set purchased Tk.14,000; Electricity & Telephone expenses Tk.8,600; Clothes purchased Tk.7,500; Sold agricalture crops Tk.48,500; Refrigerator purchased Tk.36,000; Education expenses Tk. 42,000; Deposit ot DPS Tk.36,000.

Beside this, Electricity bill is due Tk. 3,400.

a) Calculate the Beginning family fund from the above information.

b) Calculate the Ending cash in hand of Hannan's family as on 31st December, 2025.

c) Prepare a statement of family Income and Expenditure of Hannan's Family.

4. Mr. Nannu Mia's family financial position as of January 1, 2025 is as follows:

Cash in hand Tk.20,000
House Tk.350,000
Utensils Tk.25,000
Furniture Tk.50,000
12% loan Tk.60,000

At the end of the year, his family's receipts and payments account is as follows:

Receipts and Payments Account
For the year ended December 31, 2025

Debit Cridit

Receipts	Taka	Payments	Taka
Balance B/D	20,000	Food purchased	77,500
Salaries	1,80,000	Repair of House	8,000
Sold old Table	5,000	Fridge purchased	28,000
Sold agricultural crops	30,000	Electricity Bill	6,000
Profit from Pharmacy	75,000	Treatment expenses	3,500
Business		Deposit to DPS	48,000
		Cycle purchased	12,000
		Education expenses	14,500
		Clothes purchased	16,700
		Interest on loan	5,800
		Balance C/D	90,000
	3,10,000		3,10,000

Other information:

1.There is a stock of food items worth Tk.1,000.
2.Two months' electricity bill is due.

a. Determine the amount of capital expenditure for the family during the current year.
b. Prepare the family income and expenditure statement based on the above information.
c. Considering the family fund is Tk.385,000 , prepare the financial position statement as of December 31, 2025.

Short Questions

1.Write one of the objectives of family accounting system.
2.What is a family budget? Explain it.
3.How is the family receipts and payments account prepared?
4.Write down the procedure of preparing the income and expenditure statement from the receipts and payments account.
5.What is meant by family fund? Explain it.

Answer Sheet

Chapter Eight

Creative question of Excercise: 1. b) Amount of cash memo Tk.28,500. c) Ending cash in hand Tk.96,000 2. a) Value of office equipment Tk.78,000.b) Ending cash in hand Tk. 32,000 & Bank balance Tk.1,55,000. c) Ending cash in hand Tk.1,00,000, Bank balance Tk.57,500, Discount allowed Tk.1,000 & Discount received Tk.5,000 3. a) Tk.58,500. b) Total of cash receipts journal, Cash Tk.1,29,250, Discount allowed Tk.750, Sales Tk.45,000, Accounts Receivable Tk.25,000 & other account Tk.60,000. c) Total of cash payments journal, Purchase Tk.25,000, Accounts Payable Tk.30,000 Other accounts Tk.24,000, Discount received Tk.1,000 & cash Tk.78,000. 4. b) Ending cash in hand Tk.60,700. c) Ending cash in hand Tk.52,000 & Bank balance Tk.3,500. 5. a) Total amount of contra entry Tk. 5,000. b) Ending cash in hand Tk. 19,250 & Bank balance Tk.26,000. c) Ending cash in hand Tk.43,000, Bank overdraft Tk.1,500, Discount allowed Tk.200 & discount received Tk.200. 6. a) Amount of cash discount Tk.300. b) Total of cash receipts journal, Cash Tk.27,000, Discount allowed Tk.100, Sales Tk.7,600, Accounts Receivable Tk.5,500 8: other account Tk.14,000. c) Total of cash payments journal, Purchase Tk.28,500, Accounts Payable Tk.3,500 Other accounts Tk.3,000, Discount received Tk.200 & Cash Tk.34,800.7. b) Ending cash in hand Tk.2,500, Bank overdraft Tk.3,000, Discount allowed Tk.150 & discount received Tk.150. c) Total of cash payments journal, Purchase Tk.7,000, Accounts Payable Tk.9,000, Other accounts Tk.5,500, Discount received Tk.400 & Cash Tk.21,100.

Chapter Nine

Creative question of Excercise: 1. a) Tk.27,000. b) Total of Trial Balance Tk.1,75,500. c) Revenue income 50,500 & Revenue expenses 52,500. 2. a) Tk.41,000. b) Total of Trial Balance Tk. 2,23,000 & Suspense Account (credit) Tk.10,000. c) Capital expenditure Tk.95,000 & Revenue expenses Tk.20,000. 3. a) Tk.80,000. b) Revenue expenses Tk. 1,61,000. c) Total of Trial Balance Tk.2,94,000. 4. a) Tk.37,000. b) Total of Trial Balance Tk.2,79,500. c) Revenue income Tk. 1,67,500 & Revenue expenses Tk. 1,51,500. 5. a) Tk.2,85,000. b) Assets Tk. 1,65,000 & Liabilities Tk. 1,32,000. c) Total of Trial Balance Tk.4,72,000. 6. a) Adjusted purchase Tk.2,65,000. b) Total of Trial Balance Tk.8,70,000. c) Ending owner's equity Tk.3,56,500.

Chapter Ten

Creative question of Excercise:

1. Net income Tk.1,02,000; Ending owner’s equity Tk.15,72,000; Total assets Tk.17,10,000 and Equity and Total liabilities Tk.17,10,000.

2. Gross profit Tk.2,33,000, Operating income Tk.1,39,000; Net income Tk.1,67,000; Ending owner's equity Tk.13,32,000; Total assets Tk.15,68,000 and Equity and Total liabilities Tk.15,68,000.
3. Gross profit Tk.2,12,000 ; Operating income Tk.1,57,800; Net income Tk.2,12,300; Ending owner's equity Tk.7,86,300; Total assets Tk.8,99,800 and Equity and Total liabilities Tk.8,99,800.
4. Gross profit Tk.1,82,000; Operating income Tk.1,11,000; Net income Tk.1,10,600; Ending owner's equity Tk.7,83,600; Total assets Tk.10,75,600 and Equity and Total liabilities Tk.10,75,600.
5. Gross profit Tk.1,15,000; Operating income Tk.67,500; Net income Tk.94,500; Ending owner's equity Tk.6,24,500; Total assets Tk.8,40,500 and Equity and Total liabilities Tk.8,40,500.

Chapter Eleven

Creative question of Excercise:

1. a) Saleable mangoes 1,900 kg. b) Total cost Tk.1,12,000. c) Selling price of each busket Tk.726.32 & Selling price of per kg Tk.72.63. 2. a) Cost price of each ream of paper Tk.375. b) Total cost of each quire paper Tk.20.50 c) Selling price of each quire paper Tk.22. 3. a) Conversion cost Tk.31,000. b) Prodution cost of each diary Tk.22.91. c) Profit of each diary Tk.9.12. 4. a) Cost of used raw materials Tk.3,66,500. b) Cost of sold shirts Tk.17,72,500. c) Net profit Tk. 10,76,700. 5. a) Produced Brick 2,10,000 pcs. b) Prodution cost Tk.8,50,000. c) Net profit Tk.5,93,000

Chapter Twelve

Creative question of Excercise:

1. a) Family fund Tk.3,00,000. b) Closing cash in hand Tk.1,57,100. c) Excess of income over expenditure Tk.56,100. 2. a) Family fund Tk.11,77,000. b) Revenue Surplus Tk.2,51,500. c) Total of statement of financial position Tk.14,36,000 3. a) Family fund Tk.5,28,000. b) Ending cash in hand Tk. 1,59,400. c) Revenue Surplus Tk.2,60,000. 4. a) Capital expenditure Tk.40,000. b) Revenue Surplus Tk.1,51,400 c) Total of statement of financial position Tk.5,99,000.

The End

2026 Academic Year

Classes Nine and Ten : Accounting

আত্মবিশ্বাস সাফল্যের চাবিকাঠি।



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