=>(Page->1.) Basic Accounting Terms. {chapter-2}

- Assests : Assests means all property. Assests refers to those facts which have the controlled by the proprietor. According to R.N. Anthony Assests are variable resource owned by a business and its acquired at a measurable money cast.

There are two types of assests :

i.) Non-Current Assests (fixed assets) : The assests which are intend to remain in business for use of long time failure and not intended page→2

for sale.

for example : Land
Building
Plant
Machinary
loose tools
Furniture
Investment.

ii.) Current Assets : Refer to those assets which are intended for conversion into cash within short period of time. These assets undergo change frequently. Life to current assets is not exceed up to 12 months.

for examples : Stock, Debtor, Bills payable, Cash / Bank, Short term Investment, Outstanding Income, Advance Expense

Convert into Cash.	at time liquid	with in 1 year	after 1 year
		Current	fixed
	Cash		
	Cash at bank	Stock	

iii.) Expenses : means the amount expend on the cost of the goods and services used in the process of earning revenue.

Eg : purchase of goods,
Salary,
Interest,
Tax.

iv.) Income: The difference between revenue and Expenses is called Income. Hence revenue means sale of goods.

Eg: Revenue − Expenses

A goods cost Rs 50000 were sold Rs 72000,

Income = 72000 − 50000 = 22000 Rs.

v.) Expenditure: Money spend for acquiring goods, services or assests is called expenditure. Its also in the form of liabilities income.

Expenditure can be classified into three categories:

i.) Capital Expenditure:
ii.) Revenue ,,
iii.) Deferred ,,

i.) All those expenditure which are made on purchasing fixed assests or adding to their value are called capital expenditure. for ex: purchase of land, purchase of building, etc.

ii.) Its used for carry on the normal course of business and its benefit is consumed with in the accounting period.
for ex: purchase of goods, salary, Interest, tax.

iii.) A Revenue expenditure whose usefulness stand over more than 1 accounting year.
for ex: large amount, paid on Advertisement, Discount on issue of share and Debenture.

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- Discount: Discount is an allowance which made by the seller to buyer for increase there sell. It is also a reduction from an ammount advanced by creditor to debtor. There are four types of discount:

(a) Trade discount.
(b) Cash discount.
(c) Commodity discount.
(d) Special discount.

i) Trade discount is a reduction of price of goods below list price / invoice price. It is allowed by manufacturer to whole saller, is to retailer and retailour to costumers. These discount is debtered from total amount of goods sold. In accounting treatment trade discount is not mension because its directed debtered from invoice price.
for Eg: purchase good Rs 10000 accept 10% Trade discount.
⇒ amount recarded in accountancy 9000.

ii) Cash discount is allow at the time of expectance of bills or if the payment are made with in a specific period.
for Eg: Sales goods Rs 10000 allow 5% cash discount.
(cr) Sales 10000 =
or Cash Receipt = 9500
Discount allow = 500
10000

iii.) Commodity referred to those perquisit which is provide by seller to purchaser with goods. (Sales, nycil powder, and get fair lovely).

iv.) Sometime the seller allow special reduction in price to reduction in price to special costumers. Then this discount are known as special discount.

- Goods: Goods refer to product, merchandise, Commodities, article, things which intended for sell.

In other words goods is the product Our form which are used in the business for sell.

for Eg: Clothe are goods from are clothe merchant, Sweets are goods for a Sweet shop.

- Stocks: The value of unsold goods in a business concerned are called stock for a given ~~stadd~~ date.

Stock can be classified into two categories:

i.) Opening Stock.
ii.) Closing Stock.

- Purchase: If a business person purchase goods for business are called purchase. But in case Of purchase of assets and services then its not considered as purchase.

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- Purchase return: Goods purchase from a supplier but return to the supplier due to any rea... are called purchase return. It is also known as return outward.

- Sale: Goods and Service sold by business concern are called sells. It may be in the form of cash sale, credit sale.

- Sales return: Goods return by the constumers to the form are known as sales return as return outward.

*(i) Trading Account:
purchase (Dr)
Purchase Return (Cr)
Sales (Cr)
Sales Return (Dr)

(ii) Purchase - Return = Net purchase (Dr)
Sales - Return = Sales (Cr).

- Transaction: Transaction is an event which are internal and external that gave raise to change affecting the operations.

Debtor: when a business person sold their goods on credit System then the person who purchase goods are called debtor.
In short word a person who owes money to the business are known as debtor.

Note: It is a part of current assets. So its recorded in assets side of Balance sheet.

There are three types of debtor:-

i.) Goods debts.
ii.) Doubtful debts.
iii.) Bad debts.

i.) The goods debts which have fully potential to receive to due public money. This debtor has no chance for bad debts.

ii.) The debtor which have minimum chances for collection are called doubtful debts.

iii.) The debtor which is irrecoverable are called bad debts. Bad debts part of . So its debit their profit or loss account.

Drawing: Drawing means goods or cash withdrawn by the owner from the business for domestic use or ~~pe~~ personal use.

Equity: Equity denote the total of capital and liabilities. Its always equal to the value of assets. (It has of two types:)

i.) Outsider's equity.
ii.) Owner's equity.

Insolvent:- when assets is insufficient to pay all the liability then those form or person are known as insolvent.

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Solvent:- A person or businessman can said to be Solvent when he is able to pay his liabilities in full.

Voucher: Voucher is a returned document in support of a business transaction on the basis of voucher business transactions are recorded in the books of A/c.

Cost: The amount of expenditure which incurred for purchase and produce of any good or service are known as cost.

- cost can be verify in the following procedure

(i) Raw material, (ii) Prime cost

i) Raw material consume: The amount which are consumed for the purchase of raw material less closing stock are called raw material consume.

R.M.C =) • Stock of raw material,
• Carriage in word, • Octroi duty,
• C. Stock of raw material, • Sale of scrape.

ii) Prime Cost: A combination of raw material consume and labour or wages are known as prime cost.

Raw material
Add: Direct labour
wage

P. cost ←

iii) work cost: The expenses incured in factory with prime cost are, known as work cost.

work cost: prime cost
* factory Exp
work cost

- The expenses which arised in office activity are adjusted with work cost are known as cost of goods sold.