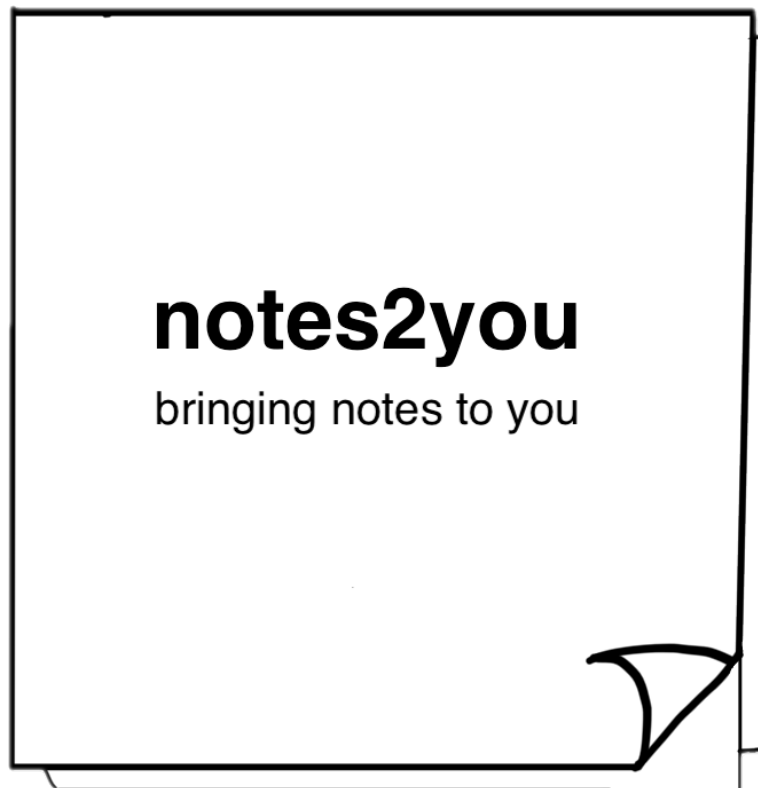


IGCSE ACCOUNTING



MADE BY KHUSHI MOTWANI

DEPRECIATION

ASSETS ACC

| DETAILS | \$ | DETAILS | \$ |
|-----------------|--------------|-------------|---------------|
| Balance b/d | \$\$ | Disposal | original cost |
| Bank - Purchase | \$\$ | Balance c/d | \$\$ |
| | <u>TOTAL</u> | | <u>TOTAL</u> |
| Balance b/d | \$\$ | | |

PROV FOR DEPRECIATION

| DETAILS | \$ | DETAILS | \$ |
|-------------|--------------|-------------------------|--------------|
| Disposal | depreciation | Balance b/d | \$\$ |
| Balance c/d | \$\$ | Income Statement B. fig | \$\$ |
| | <u>TOTAL</u> | | <u>TOTAL</u> |
| | | Balance b/d | \$\$ |

DISPOSAL ACC

| DETAILS | \$ | DETAILS | \$ |
|------------------|---------------|------------------|--------------|
| ASSET | original cost | Depreciation | Depreciation |
| Income Statement | Profit \$ | Income Statement | Loss \$ |
| | <u>TOTAL</u> | Bank | <u>TOTAL</u> |

BAD DEBTS.

ABC ACC

| DETAILS | \$ | DETAILS | \$ |
|---------|-----|----------|-----|
| Sales | 100 | Bank | 80 |
| | | Bad debt | 20 |
| | 100 | | 100 |

BAD DEBTS

| DETAILS | \$ | DETAILS | \$ |
|---------|----|------------------|----|
| ABC | 20 | Income Statement | 20 |
| | 20 | | 20 |

PROV FOR BAD DEBTS

| DETAILS | \$ | DETAILS | \$ |
|------------------|------------------|------------------|-----------|
| Income Statement | reduce next year | Balance b/d | \$\$ |
| Balance c/d | \$\$ | Income Statement | next year |
| | TOTAL | | TOTAL |

RECOVERD

| DETAILS | \$ | DETAILS | \$ |
|------------------|-------|---------|-------|
| Income Statement | \$\$ | ABC | \$\$ |
| | TOTAL | | TOTAL |

Income
STAT
+ Accrued - Pre

ACCURALS & PREPAID

| DETAILS | \$ | DETAILS | \$ |
|------------------|-----------|------------------|---------|
| Balance b/d | Prepaid | Balance b/d | Accrued |
| Balance c/d | Accrued | Balance c/d | Prepaid |
| Income Statement | Balancing | Income Statement | Balance |
| | TOTAL | | TOTAL |
| Balance b/d | Prepaid | Balance b/d | Accrued |

TRIAL BALANCE

| | | |
|-------------|----|----|
| ASSETS | \$ | |
| Drawings | \$ | |
| Expenses | \$ | |
| Receivables | \$ | |
| Payables | | \$ |
| Liabilities | | \$ |
| Capital | | \$ |
| Income | | \$ |
| + Accrued | | |
| - Prepaid | | |

Bank reconciliation

only add

- Bank charges & interests & errors
- Amounts paid by the bank
- Amounts paid to the bank
- Dishonoured cheque

Cashbook doesn't
change

| | |
|---------------------------|------|
| Balance as per cash book | \$\$ |
| LESS : where bank is more | \$\$ |
| ADD : where bank is less | \$\$ |
| Balance as per bank book | \$\$ |

Sales ledger Control = Receivables = Debitors

→ owe us money

Sales ledger Control Account

| Dr | Cr |
|-------------------------------------|--|
| Balance b/d | Payments received / cheques |
| Sales → credit | Discount allowed |
| Bank (Dishonoured cheque) theirs | Sales return |
| Bank / Cash - Refunds - overpayment | Contra → The supplier is also a customer |
| Interest received from supplier | Balance c/d |
| Interest charged to customer | Irrecoverable debts |

They need to pay us

Purchase ledger Control = Payable = Creditors

→ we owe money

Purchase ledger Control Account

| Dr | Cr |
|------------------------------------|------------------------------------|
| Payments made | Balance b/d |
| Discount received | Purchases |
| Purchase returns | Bank / Cash - Refund - overpayment |
| Contra → The customer was supplier | Interest charged to us |
| Cash / Bank - transfers | Dishonoured cheque (mine) |
| Balance c/d | |

→ Returns given but you didn't pay me back

ASSETS

EXPENSES

DRAWINGS

LIABILITIES

INCOME

CAPITAL

INCOME STATEMENT

Revenue

LESS SALES RETURNS

TOTAL

LESS COST OF SALES:

opening stock

+ Purchases

- purchase returns

+ carriage inwards

- closing stock

- Drawings

TOTAL

GROSS PROFIT

XXX

ADD

ADD INCOMES

ACCURED

LESS

LESS EXPENSES

PREPAID

NET PROFIT

X

BALANCE SHEET

Non Current assets

Current assets

CAPITAL

Opening

- Drawings

Non current liabilities

Current liabilities

Payables

Bank overdraft

RECEIPTS & PAYMENTS

* NO accrued & prepaid

| Dr | Cr |
|-----------|--------|
| Receiving | giving |

INCOME & EXPENDITURE

* no long term

INCOMES

Subscriptions + accrued - prepaid

TICKETS OF CONCERT - cost of concert
Profit

EXPENSES

Rent + Accrued

Insurance - prepaid

depre

Interest

loss / profit in Income State / Sales

SUBSCRIPTION

| | | | |
|--------------------------|-------------------|-------------|-----------------|
| Balance b/d | Accrued | Balance b/d | prepaid |
| b/f Income & expenditure | Subs amt | Bank | total received |
| Balance c/d | Prepaid next year | Balance c/d | Accrued next yr |

ACCUMULATED FUND

$$\text{ASSETS} = \text{ACC FUND} + \text{LIABILITIES}$$

$$\text{ACC FUND} = \text{ASSETS} - \text{LIABILITIES}$$

STATEMENT OF AFFAIRS

closing capital - opening capital + Drawings - additional capital = Profit

CAPITAL ACCOUNT

Drawings
Bal c/d

xxx

Balance b/d

Bank

Profit

?

xxx

Balance b/d

Interest

↳ Normal balance sheet to find missing figure.

RATE OF INVENTORY TURNOVER

cost of sales

Avg inventory

No. of times a business replaces
its inventory.

$$\text{Avg inventory} = \frac{\text{opening} + \text{closing}}{2}$$

MARK UP & MARGIN

$$\text{Markup} = \frac{\text{Profit}}{\text{Cost}}$$

$$\text{COST} + \text{PROFIT} = \text{SALES}$$

$$\text{MP} = 35\% \rightarrow 45,000 + 35\% = 15750$$

$$\text{Margin} = \frac{\text{Profit}}{\text{Selling price}}$$

$$\text{M} = 35\% \rightarrow 65\% + 35\% = 100\%$$

$$\frac{45,000}{\div 65 \times 35} + 24231 = 69231$$

$$\text{MP} = 40 \rightarrow 100\% + 40 = 140\%$$

$$50,000 + 20,000 = 70,000 \xrightarrow{\div 140 \times 100}$$

PROFIT OR LOSS APPROPRIATION ACC

| | | |
|--------------------------|-----|-------------------------|
| Profit for the year | | xxx |
| Add Interest on drawings | | + |
| Partner A | xxx | } + |
| Partner B | xxx | |
| | | xxx |
| LESS Interest on capital | | - |
| Partner A | xxx | } + |
| Partner B | xxx | |
| | | xxx |
| LESS SALARY | | - |
| Partner B | | xxx |
| | | <u>Amt to be shared</u> |

CURRENT ACC

* Anything partner is charged with

| | A | B | | A | B |
|----------------------|-----|-----|---------------------|-----|-----|
| Balance b/d | | xxx | Balance b/d | xxx | |
| Drawings | xxx | xxx | Interest on capital | xxx | xxx |
| Interest on drawings | xxx | xxx | Salary | | xxx |
| Balance c/d | | xxx | Profit shared | xxx | xxx |
| Interest on loan | | | Balance c/d | xxx | |
| | abc | xyz | | abc | xyz |

PARTNERSHIP FINANCIAL POSITION

| | A | B | Total |
|-----------------|-----|-----|-------|
| CAPITAL ACCOUNT | xxx | xxx | xxx |
| Current Account | xxx | xxx | xxx |

| | | | |
|-----------------|-----|-----|-----|
| capital account | xxx | xxx | xxx |
|-----------------|-----|-----|-----|

| | | | |
|-----------------|--|--|--|
| Current Account | | | |
|-----------------|--|--|--|

| | | | | |
|-----|------------------------|-----|-----|--|
| ADD | 1) opening balance | xxx | xxx | |
| | 2) interest on capital | xxx | xxx | |
| | 3) interest on loan | xxx | xxx | |
| | 4) Salary | xxx | xxx | |
| | 5) Profit shared | xxx | xxx | |
| | | xxx | xxx | |

| | | | | |
|------|-------------------------|-----|-----|--|
| LESS | 1) Drawings | xxx | xxx | |
| | 2) interest on drawings | xxx | xxx | |
| | | xxx | xxx | |

| | | | |
|-----------------|-----|-----|-----|
| closing balance | xxx | xxx | xxx |
| | xxx | xxx | xxx |

closing capital.

MANUFACTURING ACCOUNT

4 elements

- Direct material - raw material
- Direct labour - workers salary (no supervisor)
- Direct expenses - royalty
- Factory overheads - rent, electricity, etc

Prime cost + Factory overheads - Increase
in work in progress + Decrease in
work in progress = Cost of production

COST OF RAW MATERIALS CONSUMED:

| | | |
|-----------------------------|-------|------------|
| (1) opening raw materials | xxx | |
| (2) + purchases | xxx | |
| (3) - returns | (xxx) | |
| (4) + carriage | xxx | xxx |
| (5) - closing raw materials | | (xxx) |
| TOTAL COST = | | <u>xxx</u> |

| | | |
|-------------------------------|-----|-------------|
| + Direct wages | xxx | |
| + Direct expenses - royalties | xxx | xxx |
| PRIME COST = | | <u>xxxx</u> |

ADD FACTORY OVERHEADS:

| | | |
|---|-----|------------|
| all indirect expenses ONLY RELATED TO PRODUCTION. Depre | xxx | xxx |
| | | <u>xxx</u> |

ADD:

| | | |
|----------------------------|-------|-------------|
| opening work in progress | xxx | |
| - closing work in progress | (xxx) | xxx |
| COST OF PRODUCTION = | | <u>xxxx</u> |

INCOME STATEMENT OF MANUFACTURING ACCOUNTS

| | | |
|---|-------|-------------|
| Revenue | | xxxx |
| LESS COST OF SALES: | | |
| (1) opening inventory of finished goods | xxx | |
| (2) cost of production | xxx | |
| (3) purchases of finished goods | xxx | |
| (4) - closing inventory of finished goods | (xxx) | (xxx) |
| GROSS PROFIT = | | <u>xxxx</u> |
| LESS EXPENSES: | | |
| Selling & distribution & finance expenses | xxx | (xxx) |
| NET PROFIT = | | <u>xxx</u> |

STATEMENT OF FINANCIAL STATEMENT OF MANUFACTURING ACCOUNTS

| | | | |
|---------------------------|-----|------|---------------------------|
| CURRENT ASSETS | | | |
| Inventory - Raw materials | xxx | | |
| closing work in progress | xx | | |
| finished goods | xxx | xxxx | Cost of production |
| | | | + Purchase finished goods |
| | | | - closing inventory |
| | | | cost of sales |

LIMITED COMPANIES

TERMS:-

Issued share capital - amount of capital issued to share holders

called up capital - part of "issued capital" that has been requested to shareholders

paid up capital - part of "called up capital" that has been received from shareholders

TYPES OF SHARES

Preference shares - Preferred over ordinary shares. Fixed rate of dividend ₹ is obtained before any dividend is paid to ordinary shareholders. Dividend is same every year.

Not entitled to vote in meetings.

↳ Redeemable -

Ordinary shares - Also known as equity shares, dividends got after preference shares. Amount varies as per profit of business. Entitled to vote usually 1 vote per share

Debentures

Long term loans business obtains, interests ₹ payable before shareholders. Not a part of business ₹ no votes. Interest under financial costs of income statement

STATEMENT OF CHANGES OF EQUITY

| DETAILS | Ordinary share capital | General reserves | Retained earnings | Total |
|----------------------|------------------------|------------------|-------------------|-----------|
| opening balance | 5000 | 10 000 | 50 000 | 65000 |
| Profit for the year | | | 3000 | 3000 |
| New Shares | 15000 | | | 15000 |
| Dividend (final) | | | (10 000) | (10000) |
| Dividend (interim) | | | (5000) | (5000) |
| Trs general reserves | | 100 | (100) | 0 |
| closing balance | 20000 | 10100 | 37900 | 68000 |

STATEMENT OF FINANCIAL POSITION

EQUITY & LIABILITIES

EQUITY:

Ordinary shares

xxx

General reserves

xxx

Retained earnings

xxx

Non redeemable preference

xxx

xxx

Non current liabilities

INCOME STATEMENT

| | | | |
|--------------------------------------|-----|------------|--|
| GROSS PROFIT | | <u>xxx</u> | |
| ADD INCOMES | | | |
| Profit from disposal | xxx | | |
| Reduction in provision of everything | xxx | xxx | |
| LESS EXPENSES | | | |
| Discount allowed | xxx | | |
| Loss from disposal | xxx | | |
| Provisions | xxx | | |
| Financial costs - Debenture interest | xxx | | |
| Dividend redeemable pre... | xxx | | |
| General reserves | xxx | xxx | |
| Profit/loss from operation | | <u>xxx</u> | |
| LESS loan interest | | xxx | |
| Net / Total profit / loss | | <u>xxx</u> | |

ANALYSIS

working capital = Current assets - current liabilities = Net current assets

capital employed = Owner's capital (equity) + non current liabilities
= total assets - current liabilities

PROFITABILITY

1. $ROCE = \frac{\text{Profit}}{\text{capital employed}} \times 100$

- The higher it is, the more efficient the capital is being used

2. $\text{Gross profit margin} = \frac{\text{Gross Profit}}{\text{Revenue}} \times 100$

turnover = net sales - returns

- higher means more profitable

Margin be improved by:

- increase selling price
- cheaper suppliers
- less cost of sales.

3. $\text{Net profit margin} = \frac{\text{Profit}}{\text{Revenue}} \times 100$

- indicates how well expenses are controlled

Margin improved by

- increase gross margin
- control expenses
- increase incomes.

LIQUIDITY

Ability to turn assets into cash to pay short term debts

1. Current ratio (working capital ratios)

Current assets : Current liabilities

Satisfactory = 1.5 to 2

Over 2 = poor management of current assets

less than = difficulty meeting current liability

Improve by:

→ introducing more capital

→ loans

→ Selling non current assets

→ increase profits

→ reduce drawings

2. Acid test ratio (quick ratio)

Current assets - inventory : Current liabilities

Satisfactory = 0.7 to 1

Over 1 = Cash is idle rather than being in use

less than = do not have enough liquid assets

to pay current liabilities

Rate of inventory turnover = $\frac{\text{cost of sales}}{\text{Avg inventory}}$ = no. of times inventory is stored & replaced

= $\frac{\text{Avg inventory}}{\text{cost of sales}} \times 365$ = no. of days inventory held before being sold out.

Trade receivable collection period = $\frac{\text{Receivables}}{\text{credit sales}} \times 365$ in days

= $\frac{\text{Receivables}}{\text{credit sales}} \times 52$ in weeks

= $\frac{\text{Receivables}}{\text{credit sales}} \times 12$ in months

Trade payable period = $\frac{\text{Payable}}{\text{credit sale}} \times 365$ in days

= $\frac{\text{Payable}}{\text{credit sale}} \times 52$ in weeks

= $\frac{\text{Payable}}{\text{credit sales}} \times 12$ in months