

CONTENTS

CHAPTER 1

BOOK-KEEPING AND ACCOUNTING CONCEPT

Concept of Book-keeping and Accounting	2	Functions of Accounting	5
Origin and Evolution of Book-keeping	2	Scope of Accounting	6
Meaning and Definitions of Book-keeping	3	Basic Accounting Concepts	7
Objectives of Book-keeping	3	<i>Key Terms</i>	<i>8</i>
Meaning and Definitions of Accounting	4	<i>Theoretical Questions</i>	<i>9</i>
Features of Accounting	4	<i>Model Answer of Theoretical Questions</i>	<i>10</i>
Objectives of Accounting	5		

CHAPTER 2

DOUBLE ENTRY BOOK-KEEPING SYSTEM

Concept of Double-entry book-keeping	14	Accounting Equation	16
Meaning and definitions of Double-entry book-keeping	14	Accounting Process or cycle	17
Features of Double-entry Book-keeping	14	Basic Terminologies	19
Importance and Advantages of Double-entry Book-keeping	15	<i>Key Terms</i>	<i>20</i>
		<i>Theoretical Questions</i>	<i>20</i>
		<i>Model Answer of theoretical Questions</i>	<i>21</i>

CHAPTER 3

ACCOUNTING EQUATION

Concept of Accounting Equation	23	<i>Payment of Expenses, Outstanding Expenses and Expenses Paid in Advance</i>	<i>28</i>
Meaning and Definitions of Accounting Equation	23	<i>Receipt of Incomes and Incomes Received in Advance</i>	<i>29</i>
Computation of Accounting Equation	23	<i>Miscellaneous Transactions</i>	<i>29</i>
Effects of Transactions on Accounting Equation	24	<i>Key Terms</i>	<i>34</i>
<i>Commencement of Business</i>	24	<i>Theoretical Questions</i>	<i>34</i>
<i>Purchase of Goods</i>	24	<i>Class Work Problems</i>	<i>34</i>
<i>Sale of Goods</i>	25	<i>Home Work Problems</i>	<i>36</i>
<i>Settlement of Accounts</i>	27	<i>HSEB Questions</i>	<i>38</i>
<i>Purchase of Assets</i>	28	<i>Practice Yourself</i>	<i>39</i>

CHAPTER 4

JOURNAL ENTRY

Concept of Journalizing and the Journal	42	<i>Raising and Discharging of Liabilities</i>	55
Meaning and Definitions of Journal	42	<i>Expenses and Incomes</i>	56
Types of Journal	42	<i>Trade Discount</i>	57
Objectives of the Journal	43	<i>Cash Discount</i>	57
Specimen or Ruling of the Journal	43	Special Transactions	58
Journalizing	44	<i>Interest on Capital</i>	58
Rules of Journalizing/ Rules of Debit and Credit	44	<i>Depreciation</i>	59
<i>Rules Based on the Types of Account</i>	44	<i>Bad Debt and Bad Debt Recovered</i>	59
<i>Rules Based on the Accounting Equation</i>	46	<i>Goods Given as Charity or Distributed as Sample</i>	60
Journal Entries	46	<i>Loss of Goods by Some Reasons and Acceptance of Claims by Insurance Company</i>	60
Application of Rules of Journalising and Their Explanations	47	<i>Miscellaneous Transactions</i>	61
Analysis of Different Transactions and Journal Entries	49	<i>Compound Transactions</i>	63
<i>Commencement of Business</i>	49	<i>Bills of Exchange</i>	64
<i>Drawing of Capital</i>	50	Key Terms	68
<i>Purchase and Purchase Return</i>	51	Theoretical Questions	68
<i>Sales and Sales Return</i>	52	Class Work Problems	68
<i>Sales of Goods at Profit or Loss</i>	54	Home Work Problems	72
<i>Sales of Fixed Assets at Profit or Loss</i>	54	HSEB Questions	75
<i>Purchase and Sale of Other Assets, and</i>		Practice Yourself	76

CHAPTER 5

LEDGER ACCOUNT

Concept of the Ledger	79	<i>Posting without Journal Entries</i>	83
Meaning and Definitions of Ledger	79	Balancing and Closing of Ledger Accounts	84
Objectives of Ledger	79	Significance of Ledger Account Balances	86
Importance and Utility of ledger	80	Key Terms	88
The Ledger Account and Its Format	80	Theoretical Questions	88
<i>Format/Specimen/Ruling of a Ledger Account</i>	80	Class Work Problems	88
Posting into Ledger Accounts	82	Home Work Problems	90
<i>Posting from Simple Journal Entries</i>	82	HSEB Questions	91
<i>Posting of Compound Journal Entries</i>	83	Practice Yourself	92

CHAPTER 6

SUBSIDIARY BOOKS

Concept of Subsidiary Books	95	<i>Purchase Returns Book>Returns Outward Book</i>	107
Meaning and Definitions of a Subsidiary Book	95	<i>Sales Returns Book>Returns Inward Book</i>	110
Importance and Advantages of Subsidiary Books	95	Key Terms	113
Limitations of Subsidiary Books	96	Theoretical Questions	114
Types of Subsidiary Books	96	Class Work Problems	114
<i>Purchase Book</i>	96	Home Work Problems	117
<i>Sales Book</i>	102	HSEB Questions	120
		Practice Yourself	122

CHAPTER 7

CASH AND BANKING TRANSACTIONS

Concept of Cash Transactions	125	<i>Transactions</i>	136
Meaning of Cash Transactions	125	<i>Cash Book with Cash and Discount Columns</i>	137
Objectives and Importance of Cash Transactions	125	<i>Cash Book with Bank and Discount Columns</i>	138
Bank Account	126	<i>Cash Book with Cash and Bank Columns</i>	139
Meaning of a Cheque	127	<i>Cash Book with Cash, Bank and Discount Columns</i>	141
Parties to a Cheque	128	Petty Cash fund	143
Types of Cheque	128	<i>Meaning</i>	143
<i>Bearer Cheque</i>	128	<i>System of Petty Cash</i>	143
<i>Order Cheque</i>	129	Petty Cash Book	144
<i>Crossed Cheque</i>	129	<i>Meaning</i>	144
Rules for Drawing a Cheque	131	<i>Importance and Advantages</i>	144
Dishonour of a Cheque	131	<i>Types</i>	145
Endorsement of a Cheque	133	Key Terms	147
Pass Book	133	Theoretical Questions	147
Cash Book	134	Class Work Problems	148
Types of Cash Book	135	Home Work Problems	152
<i>Simple Cash Book</i>	135	HSEB Questions	155
<i>Simple Bank Book / Cash Book for Banking</i>		Practice Yourself	157

CHAPTER 8

BANK RECONCILIATION STATEMENT

Concept of Bank Reconciliation Statement	160	Need and Importance Bank Reconciliation Statement	160
Meaning and Definitions of Bank Reconciliation Statement	160		

Reasons for Disagreement between Cash Book and Pass Book Balance	161	Bank Overdraft (Debit Balance) shown by Passbook (Starting Point: Debit Balance of Passbook)	174
Bank Overdraft	166	<i>Key Terms</i>	177
Preparation of Bank Reconciliation Statement	166	<i>Theoretical Questions</i>	178
<i>Debit Balance shown by Cash Book</i>	167	<i>Class Work Problems</i>	178
<i>Overdraft Balance (Credit Balance) shown by the Cash Book</i>	169	<i>Home Work Problems</i>	182
<i>Bank Balance (Credit Balance) shown by the Passbook</i>	172	<i>HSEB Questions</i>	185
		<i>Practice Yourself</i>	187

CHAPTER 9

TRIAL BALANCE

Concept of Trial Balance	191	Specimen of Trial Balance	192
Meaning and Definitions of Trial Balance	191	<i>Theoretical Questions</i>	199
Objectives of Trial Balance	191	<i>Model Answer of theoretical Questions</i>	199
Importance of Trial Balance	192	<i>Class Work Problems</i>	200
Methods of Preparation	192	<i>Home Work Problems</i>	201

CHAPTER 10

JOURNAL PROPER

Concept of Journal Proper	203	Preparation of Adjusted Trial Balance	211
Meaning of Journal Proper	203	<i>Key Terms</i>	218
Types of Entries	203	<i>Theoretical Questions</i>	218
<i>Opening Entries</i>	203	<i>Class work Problems</i>	218
<i>Closing Entries</i>	204	<i>Home work problems</i>	222
<i>Transfer Entries</i>	205	<i>HSEB Questions</i>	225
<i>Adjustment Entries</i>	206	<i>Practice Yourself</i>	227
<i>Credit Purchase and Credit Sale of Assets</i>	211		

CHAPTER 11

RECTIFICATION OF ACCOUNTING ERRORS

Concept of Rectification of Errors	231	Methods of Locating Errors	235
Meaning of Accounting Errors	231	Rectification of OF Errors	235
Causes of Accounting Errors	231	Methods of Rectification of Errors	235
Types of Errors	232	<i>Rectification of Errors located before preparation of Trial Balance</i>	236
<i>Types of Errors based on their Nature</i>	232	<i>Rectification of Errors after preparation of Trial Balance</i>	243
<i>Types of Errors based on Disclosure by Trial Balance</i>	233		

Suspense Account	243	<i>Model answer of Theoretical Questions</i>	247
<i>Utility of Suspense Account</i>	244	<i>Class Work Problems</i>	248
<i>Disposal of Suspense Account</i>	244	<i>Home Work Problems</i>	251
Effect of Errors on Profit or Loss	245	<i>HSEB Questions</i>	253
<i>Key Terms</i>	246	<i>Practice Yourself</i>	254
<i>Theoretical Questions</i>	247		

CHAPTER 12

CAPITAL AND REVENUE CONCEPT

Concept of Capital and Revenue	257	<i>Revenue Profits</i>	260
Meaning of Capital and Revenue	257	Capital and Revenue Losses	261
Capital and Revenue Expenditures	257	<i>Capital Losses</i>	261
<i>Capital Expenditures</i>	257	<i>Revenue Losses</i>	261
<i>Revenue Expenditures</i>	258	Capital and Revenue Reserve	262
Capital and Revenue Receipts	259	<i>Capital Reserve</i>	262
<i>Capital Receipts</i>	259	<i>Revenue Reserve</i>	262
<i>Revenue Receipts</i>	259	<i>Key Terms</i>	263
Capital and Revenue Profits	260	<i>Theoretical Questions</i>	264
<i>Capital Profits</i>	260	<i>Model Answer of theoretical Questions</i>	265

CHAPTER 13

FINAL ACCOUNTS

Concept of Final Accounts	269	<i>Marshalling of Assets and Liabilities</i>	278
Meaning and Definitions of Final Accounts	269	<i>Preparation of Balance Sheet</i>	279
Preparation of Final Accounts	269	Adjustments for Final Accounts	282
Trading Account	270	<i>Closing Stock</i>	283
<i>Importance and Advantages of Trading Account</i>	270	<i>Outstanding Expenses</i>	283
<i>Objectives of Trading Account</i>	270	<i>Accrued Income</i>	284
<i>Preparation of Trading Account</i>	270	<i>Prepaid Expenses / Unexpired Expenses</i>	284
<i>Closing Entries Relating to Trading Account</i>	271	<i>Advance Income / Unearned Income / Pre-received Income</i>	284
Profit and Loss Account	273	<i>Depreciation /Amortization</i>	285
<i>Advantages of Profit and Loss Account</i>	273	<i>Appreciation</i>	285
<i>Objectives of Profit and Loss Account</i>	273	<i>Bad Debts and Provision for Bad and Doubtful Debts</i>	285
<i>Preparation of Profit and Loss Account</i>	274	<i>Provision for Discount on Debtors</i>	286
<i>Closing Entries relating to Profit and Loss Account</i>	275	<i>Provision for Discount on Creditors</i>	286
Balance Sheet	277	<i>Goods Destroyed and Insurance Claim</i>	286
<i>Objectives of Balance Sheet</i>	278	<i>Interest on Capital</i>	287

<i>Interest on Drawings</i>	287	<i>Goods Sold on Returnable Basis (Sale or Return)</i>	290
<i>Interest on Loan</i>	288	Key Terms	302
<i>Interest on Investment</i>	288	Theoretical Questions	303
<i>Outstanding Manager Commission</i>	288	Class Work Problems	303
<i>Goods Withdrawn by Owner</i>	289	Home Work Problems	312
<i>Cash Withdrawn by Owner</i>	289	HSEB Questions	322
<i>Goods Distributed as Sample</i>	289	Practice Yourself	327
<i>Preliminary Expenses Written off</i>	289		

CHAPTER 14

ACCOUNTING FOR DEPRECIATION

Concept of Depreciation	333	<i>Reducing Balance Method</i>	341
Meaning and Definitions of Depreciation	333	Key Terms	346
Causes of Depreciation	333	Theoretical questions	347
Need for Providing Depreciation	334	Class Work Problems	347
Factors affecting the Amount of Depreciation	335	Home Work Problems	351
Methods of Providing Depreciation	335	HSEB Questions	355
<i>Fixed Instalment Method</i>	336	Practice Yourself	356

CHAPTER 15

RESERVES AND PROVISIONS

Concept of Reserve and Provision	359	Objectives of Provision	367
Meaning of Reserve	359	Accounting Treatment for provision for Doubtful Debts	367
Objectives of Reserve	359	Key Terms	373
Types of Reserve	359	Theoretical Questions	374
Capital Reserve	360	Model Answer of theoretical Questions	375
Revenue Reserve	361	Class work problems	376
<i>General Reserve</i>	361	Home work problems	377
<i>Specific Reserve</i>	362	HSEB Questions	378
Secret Reserve	365	Practice Yourself	380
Meaning of Provision	366		

CHAPTER 16

ACCOUNTING FOR NON-TRADING CONCERNS

Concept of Non-Trading Concern	382	Terminologies of Non -trading Concern	382
Meaning of Non -Trading Concern	382	Receipts and Payments Account	386
Accounts of Non-Trading Concern	382	Features of Receipts and Payments Account	387

Limitations of Receipts and Payments Account	387	Balance sheet	392
Income and Expenditure Account	389	<i>Key terms</i>	403
Features of Income and Expenditure Account	389	<i>Theoretical Questions</i>	403
Preparation of Income and Expenditure Account from Receipt and Payment Account	390	<i>Class Work Problems</i>	404
<i>Steps of Preparing Income and Expenditure Account</i>	390	<i>Home Work Problems</i>	413
		<i>HSEB Questions</i>	420
		<i>Practice Yourself</i>	425

CHAPTER 17

ACCOUNTING FOR INCOMPLETE RECORDS

Concept of Single Entry System	430	<i>Preparation of Statement of Affairs</i>	434
Meaning and Definitions of Single Entry System	430	<i>Treatment of Adjustments in Single Entry System</i>	436
Features of Single Entry System	430	<i>Key Terms</i>	439
Advantages	431	<i>Theoretical Questions</i>	439
Disadvantages	431	<i>Class Work Problems</i>	440
Calculation of Profit or Loss under Single Entry System	432	<i>Home Work Problems</i>	442
Net worth Method	432	<i>HSEB Questions</i>	445
<i>Statement of Affairs</i>	434	<i>Practice Yourself</i>	447

CHAPTER 18

GOVERNMENT ACCOUNTING

Concept of Government Accounting	451	<i>Wasil Banki Sresta Pranali</i>	454
Meaning and Definition of Government Accounting	451	<i>Syaha Sresta Pranali</i>	454
Features of Government Accounting	451	<i>Form Sresta Pranali</i>	455
Objectives of Government Accounting	452	<i>Bhuktani Sresta Pranali</i>	455
Historical Development of Government Accounting in Nepal	453	<i>Key Terms</i>	456
Types of Accounting Systems used in Nepal	454	<i>Theoretical questions</i>	456
		<i>Model Answer of Theoretical Questions</i>	456

CHAPTER 19

NEW ACCOUNTING SYSTEM

Concept of New Government Accounting System	459	New Government Accounting System	459
Evolution of New Government Accounting System	459	Features of New Accounting System	460
		Objectives of New Accounting System	461

Importance of New Accounting System	462	<i>Operating Level Accounting</i>	464
Limitations of New Accounting System	462	Classification of Budget Head Expenditures	464
Forms Used in New Accounting System	463	Key Terms	468
Levels of New Accounting System	463	Theoretical Questions	468
<i>Central Level Accounting</i>	463	Model Answer of theoretical Questions	468

CHAPTER 20

JOURNAL VOUCHER

Concept of Journal Voucher	471	<i>Journal Voucher for Advance Transactions</i>	476
Meaning of Journal Voucher	471	<i>Journal Voucher for Miscellaneous Transactions</i>	480
Objectives of Journal Voucher	471	Petty Cash Fund	484
Advantages and Importance of Journal Voucher	471	<i>Loan</i>	486
Ruling or Specimen of Journal Voucher	472	<i>Distribution of Salary and Deductions made on it</i>	488
Consideration for Preparing Journal Voucher	472	Key Terms	503
Rules for Preparing Journal Voucher	473	Theoretical Questions	504
Rules based on the Types of Account	473	Class Work Problems	504
Rules based on the Accounting Equation	474	Home Work Problems	508
Types of Journal Voucher	474	HSEB Questions	512
<i>Journal Voucher for Budget Expenditure</i>	474	Practice Yourself	514

CHAPTER 21

BANK CASH BOOK

Concept of Bank Cash Book	517	<i>Loan</i>	528
Meaning of Bank Cash Book	517	<i>Posting for Mixed Transactions</i>	531
Objectives of Bank Cash book	517	<i>Preparation of Trial Balance</i>	538
Importance and Advantages of Bank Cash book	518	Closing of Bank Cash book	538
Ruling or Specimen of Bank Cash book	518	<i>Monthly Closing</i>	538
Considerations for Preparing Bank Cash book	519	<i>Annual Closing</i>	538
Preparation of Bank Cash book	520	Key Terms	539
<i>Posting from the Journal Voucher for Budget Expenditure Transactions</i>	520	Theoretical Questions	539
<i>Posting from the Journal Voucher for Advance Transactions</i>	520	Class Work Problems	539
<i>Posting from Journal Voucher for Miscellaneous Transactions</i>	524	Home Work problems	541
		HSEB Questions	543
		Practice Yourself	544

CHAPTER 22**BUDGET SHEET**

Concept of Budget sheet	547	<i>Key Terms</i>	552
Meaning and Definition of Budget Sheet	547	<i>Theoretical Questions</i>	553
Importance of Budget Sheet	547	<i>Class Work Problems</i>	553
Parts of Budget Sheet	547	<i>Home Work Problems</i>	554
Closing of Budget Sheet	548	<i>HSEB Questions</i>	556
Ledger Accounts	548	<i>Practice Yourself</i>	557

CHAPTER 23**PETTY CASH FUND**

Concept of Petty cash book	559	<i>Petty Cash Book or Petty Cash Fund Account (AGF No. 22)</i>	561
Meaning of Petty Cash Fund and Cash Book	559	<i>Requisition Form for the Reimbursement of Cash Payment (AGF No. 6(A))</i>	561
Importance of Petty Cash Fund	559	<i>Key Terms</i>	563
Forms used for Operating Petty Cash Fund	559	<i>Theoretical Questions</i>	563
<i>Cash Payment Slip (AGF No. 6)</i>	559	<i>Class Work Problems</i>	563
<i>Cash Payment Slip and Cash Control Form (AGF No. 7)</i>	560	<i>Home Work Problems</i>	564

CHAPTER 24**STATEMENT OF EXPENDITURE**

Concept of Statement of Expenditure	566	<i>Key Terms</i>	576
Meaning of Statement of Expenditure	566	<i>Theoretical Questions</i>	576
Importance of Statement of Expenditure	566	<i>Class work Problems</i>	576
Specimen of Statement of Expenditure	566	<i>Home work Problems</i>	579
Divisions of Statement of Expenditure	567	<i>HSEB Questions</i>	582
<i>Division Showing the Position of Budget</i>	567	<i>Practice Yourself</i>	585
<i>Division Showing the Position of Fund</i>	567		
Monthly Advance Expenditure Report (AGF No.14)	573	<i>Syllabus</i>	587
Bank Reconciliation Statement	574	<i>NEB 2074 Question</i>	592
		<i>Bibliography</i>	596