

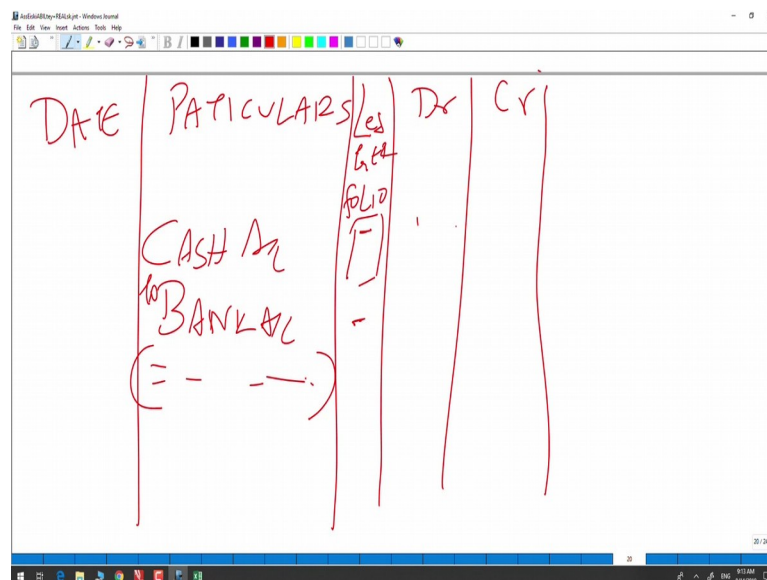
Decision making using financial accounting
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Lecture - 19
Final Accounts

Continuing from where we left in the last class. What did we do in the last class? We did have a list of transactions about 28 transactions, if I am not wrong, that is what I see from here. These transactions last few classes what we did was, these transactions we made what is called as a journal entry. When I say general entry that is we made the debit and credit entry.

If you have to for a purpose for you to refresh, it is sort of return in out in an excel out here and that excel file is also uploaded, I have just opened the excel file out here and then you can actually view that excel file also that is all the journal entries with the debit and credit transaction. This is again let me reiterate one specific aspect out here. I am not doing it in the exact same way what a typical accountant does.

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The screenshot shows a digital whiteboard with a handwritten journal entry table. The table has five columns: DATE, PARTICULARS, Ledger (Led), Debit (Dr), and Credit (Cr). The entry is for 'CASH Ac' and 'BANK Ac'. The 'PARTICULARS' column contains 'CASH Ac' and 'BANK Ac' with a minus sign and a circled minus sign below. The 'Led' column has 'Led' and 'BANK' written vertically. The 'Dr' and 'Cr' columns are empty.

DATE	PARTICULARS	Led	Dr	Cr
	CASH Ac	Led		
	BANK Ac	BANK		
	(= - - -)			

If I have to look at the way in which the manner in which an accountant does this job normally it will have it will go like this. In the sense, it will have what you call it as, it will have first what is called as a date column, that is date of the transaction, then it will have what is called as particulars, the kind of transaction that is whatever what is the

debit and a credit entry, then it will have a debit column, then it will have a credit column. And of course, I did miss out one aspect one more aspect out here in between it will have one more column what is called as ledger folio. It will have one more aspect called as ledger folio. That is ledger folio is this transaction is getting posted in a ledger which page, the page number of that ledger the folio number of that particular ledger that is wherever the debit and credit transaction goes that ledger folio number also we will basically enter for every transaction.

Supposing, I say cash account is debited to what is called as bank account. What do? I do which page number that is folio number or in the ledger is cash account I enter the folio number here, which folio number is the bank account is there I will enter the bank account out here and of course, the amount that goes on. And then in addition you will also find what is called as typical accountants.

We will do what is called as a narration. Narration means what is this. It can say I am withdrawing cash from the bank for office use that is another transaction what you had. You will write that basic entire narration out here in this particular space or that is what basically we see as far as typical accountant how they basically do this enter these kind of transactions, ok.

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S/N	Particular	Dr	Amount	Cr
1	Cash	Dr	10000	
	To Capital of Mukundam			10000
2	Bank	Dr	3000	
	To Cash			3000
3	Purchases A/c	Dr	2000	
	To Creditors (E. Engineer)			2000
4	Cash	Dr	700	
	To Sales (R. Rajaram)			700
5	Debtors (Vijay Merchant)	Dr	700	
	To Sales			700
6 & 7	Cash	Dr	600	
	Discount	Dr	20	
	To Debtors (Vijay Merchant)			700
8	Debtors (Jayanthi)	Dr	600	
	To Sales			600
9	Bank (Jayanthi)	Dr	500	
	To Debtors			500
10 & 11	Creditor (E. Engineer)	Dr	1000	
	To Bank			1000
	To Discount received			30
12	Purchases (Subramaniam)	Dr	500	
	To Creditors			500
13	Cash	Dr	200	
	To Sales (Prabhu)			200

Now, anyway our objective is not that, our objective is more to understand the philosophy what goes behind especially when we talk about accounting out there that is

the reason why we did this. This we posted on to your ledger. When we posted on to a ledger what basically we saw in the last class is all these kind of transaction that is getting posted out here.

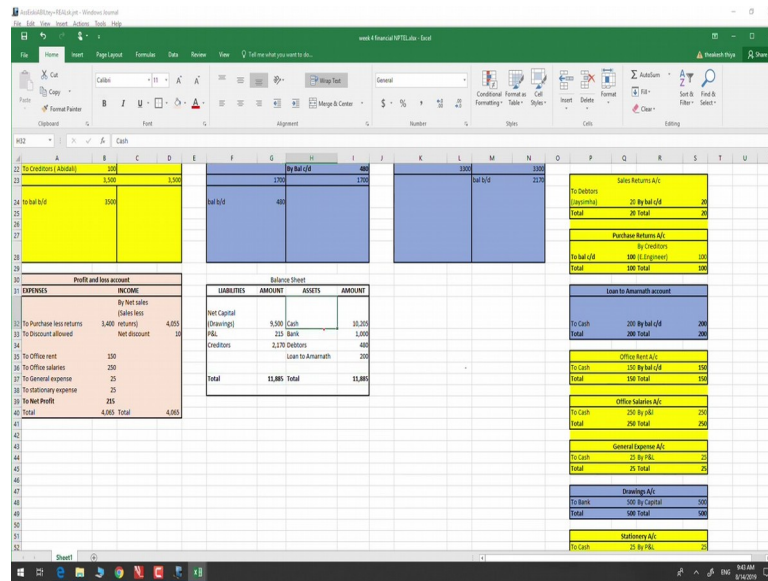
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The screenshot shows an Excel spreadsheet with several T-accounts. The accounts are: Capital A/c, Cash A/c, Bank A/c, Sales A/c, Purchases A/c, Debtors A/c, Creditors A/c, Discount A/c, and Sales Returns A/c. Each account is represented as a T-account with debits on the left and credits on the right. The total for each account is shown at the bottom of the T-account.

Account	Debit	Credit	Total
Capital A/c	10,000	10,000	10,000
Cash A/c	14,650	14,650	14,650
Bank A/c	1,200	390	1,590
Sales A/c	405	855	1,260
Purchases A/c	300	30	330
Debtors A/c	600	30	630
Creditors A/c	2,000	20	2,020
Discount A/c	30	30	60
Sales Returns A/c	20	20	40

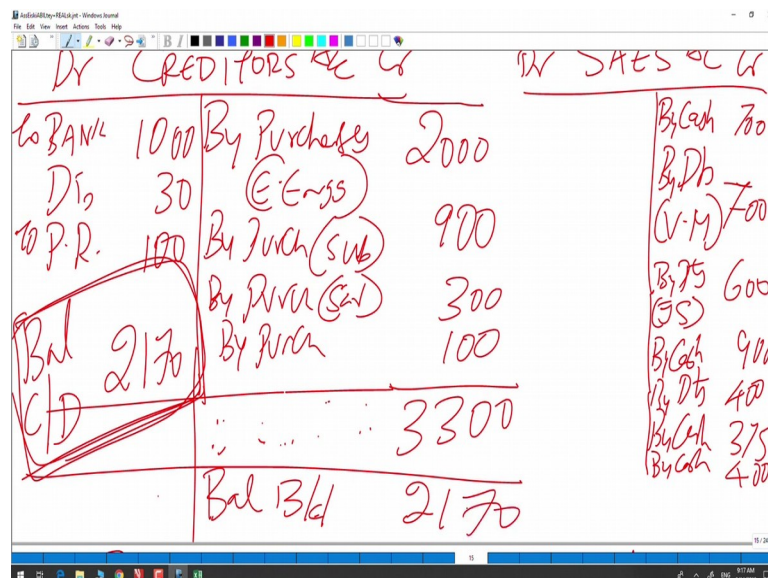
Now, I have again another excel sheet, that is also uploaded out here in the process out here which gives you all this. That is capital account, your cash account, your bank account, your sales account and then your purchase account, your debtors account, your creditors account, your discount account, sales returns account, purchase returns account, loan account, office rent and then basically this entire thing is also right here in this process.

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Now, what do we do with this? We will say we will prepare what is called as a profit or loss statement as a next step and also the balance sheet as a final step out here from these ledger balances what we have. Now, if I have to prepare that, so what I will do? First and foremost, we will come back to it you can always refer to this this is all uploaded out here. What do we do? What we did out here? What we did was basically we closed all these accounts out here.

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Now, in the balance sheet I need to have what is the balance of creditors that is there. I need to know what is the balance of creditors. If I see you out here 2000, 900 plus 100 3300 is the creditors out here. Out of 3300 we have about 1030 that is less in the 1130 that is what we have out here is 3300 minus 1130, that is 2200, 2170 is the creditors balance that is what we will light as balance carried down, 2170 is the balance out here. If you want you can again go to that excel for the piece of understanding out here. I will have what is called as my creditors account somewhere out here. You can actually see this particular aspect out here. You can see this balance carried down 2170 that is there. I am just I let me just bold that number out here.

Balance carried down means for example, why do we say balanced carried down? Now, typically if we actually look at and I what do you call it as a a ledger account out here, imagine this ledger what you are posting is you are doing it every month. Next month when you are beginning you are beginning with this balance. I will say balance brought down 2170 and then from that I will keep on adding the next what is called as creditor's related transaction to this.

So, I have a closed it for this particular month. I have done the totaling, I have closed it for this particular month out here. I am sorry, I let me just do it below. I have closed it for this particular month here. I will say balance brought down what is called as 2170 and then I will start entering. In short, if we go back to the excel also you can actually see out here. What do we do out here? Because this we will say 3000 what I call it as basically 3300 out here that is a total sorry, we move to the next column out here 3300.

And then that basically I close this total out here, I simply what he call it as I am just closing it. Then I will say on, then first of next month I will say balance brought down. How much is the balance brought down? Balance brought down in this particular case is 2170. I will just enter 2170 out here and begin this month operation in the process out here. Am I with you on this?

So, we will begin the next month. Whatever is the additions to the creditors you will have I will keep on entering out here, whatever is a deletions to the creditors what they have I will, whatever the reductions to the creditors what I have I will keep on entering out here on the debit side, whatever this thing we will sort of keep entering in this particular fashion out here. That is what basically we call it as what do you call it we call

it we call it as, we call it basically as what is called as closing the accounts and then starting it again and again and then you go on and on out there. See, normally it is also denoted that this is credit side, this is debit side that is what we wrote. I mean we can you can write that also in the process out here. That is I can say it is basically I am sorry let me just undo it out here and then I will say this is what is called as debit side and then this is what is called as credit side out here and then all I do is I just merge this cell alone to make the heading look a little better in the process out here, that is all. This is all what I have basically done out here.

So, what happens? This is debit and this is basically credit out here in the process, I would say debit side credit side it is very clear. And then not only is it very clear you will also see how the account is closed and the balance is brought back out here this is something which you can actually note out here.

So, we will do the same thing for every account in the process out here. So, we will do the same thing for every account in the process. Of course, many of these we have not totaled we will do it right here in the process for the ease of understanding out here, for the ease of your understanding out here. We have basically done all these totals out here in the process. You will you can see from the next month you will basically start carrying out in the following out here that is what for example, for debtors also I have not done whereas, for all these are they are account are done. It is easier for me to sort of look at it in the process. Let me sort of look at data, closing debtors account.

How would I close debtors account out here? I am just basically what do you call it as, I am just closing the debtors account out here and then; obviously, this will also be the same in the process out here to see that you will see that basically the balancing figure is a balance that is carried down is about 480 in the process out here. So, what do we do out here? In this case, I will say this is the total balance out here, I have sort of closed.

This is the total balance, I have closed it. Then I will say beginning of next month out here because this is carried forward this side, I am sort of bringing it back the balance brought down in this particular case is 480 that is the beginning of next month, I will begin out here in the process. Am I communicating in this process?

Let us do the same thing with the other with what is called as purchase account also. Let us do the same thing when we say purchase account also in the process out here. Now,

out here I have what is called as I write as creditor, creditors out here, and then I can just do it and then out here I can always write what is called as debtors out here and I have done the same thing out here in this particular case out here. Let us see this. In this case what happen? If you actually see this purchases out here this is basically total of purchases, instead of it total of purchases out here all I have to do is basically I just total what is called as the purchases out there, that is 3500 and basically in this case instead of by P and L, I can by P and L means I am basically carrying it to P and L. I will always say, because if I am closing every month I will say by balance carried down, I will say about 3500 out here. So, that is exactly the same aspect total out here what I sort of do in the process.

All that I need to do is I am closing this particular account and this is the basic balance out here, basically what we see. And then, at the beginning of the next month supposing you are preparing a balance sheet only at the end of the year, you are preparing the balance sheet at the end of the year, every month you are closing the account. So, what I have done? I have closed this account and next month I will say to balance sorry brought down, it is brought down from the last month that is how much is a amount out here I will say it is brought down for 3500. I will begin my accounting for the next month from here. Am I sure, I am I am I clear now?

I think at least 3 accounts are basically balanced it and then basically it shown out here. In this particular case also, discount instead of P and L, I will normally enter it as basically P and L is where it is going to balance carried. Basically what is called as balance carried down is what I will normally write in this particular case. So, I will begin the next month out here.

All these balance carried down, so I am just going to bold it for the purpose of our understanding out here basically when I say P and L. It is basically what happens is we are, I in this particular case why did we write specifically P and L? We wrote specifically P and L because we are not having any other additions that is we are not continuing the same account for the next month and so on and so forth. We are closing this account and directly taking it to the profit or loss statement. That is where I will be wrote what is called as a P and L out here.

Otherwise, if you are in the in the in a particular company out here in for example, if you are preparing a ledger every month from the transactions and you are preparing a balance sheet only at the end of the year. That means, at the end of every month you close the account and you carry the balance, you add the balance to the next months what the activity is out there and then at the end of second month the it will be a accumulation of the activities of the second month plus the balance carried forward from the first month I repeat. At the end of the second month whatever activities that are entered in the second month plus whatever is a balance that is carried from the first month.

At the end third month what happens? Whatever activities for the third month plus the balance that is carried forward for the first two months put together. In the 4th month what happens? Activities of the 4 months plus the balance that is carried forward from the month 1, month 2 and month 3, all 3 put together and so on and so forth. So, what happens? Finally, when you take it to P and L and you close it for the year I will say carried to P and L in the process. That is where the reason we will write we normally wrote as P and L.

In this particular case for the benefit of your understanding let me keep it as balance carried now that is basically what I sort of it is where let me maintain what do you call it as uniformity in the process out here. Let me maintain uniformity in the process out here, so that you do not want get confused. So, that is the reason what we sort of look at in this particular case out here purchase returns, everything, and then you can see that every day in this particular case everything is basically sort of taken care of because especially in this particular case what we did. That is the reason I we put it initially as P and L, but that is ok, that we will stand we can you can it is further if as long as you are able to understand the purpose it is perfectly fine out here.

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The screenshot shows an Excel spreadsheet with several T-accounts and summary tables. The T-accounts are:

- Purchases A/C:**
 - Debit: To Creditors (Engineer) 2,000; To Creditors (Mechanic) 200; To Cash 200; To Creditors (Savings) 300; To Creditors (Land) 200; Total 3,000.
 - Credit: By bal of/d 1,500; Total 1,500.
- Debtors A/C:**
 - Debit: To Sales (Vijay Merchant) 300; To Sales (Jayimha) 600; To Sales (Chandrasekhar) 400; By Sales Return (Jayimha) 20; Total 1,300.
 - Credit: By Cash 600; By Discount 20; By Bank 500; By bal of/d 1700; Total 3,000.
- Creditors A/C:**
 - Debit: To Bank 1,000; To Discount 30; To Purchase returns 300; To bal of/d 2,170; Total 3,500.
 - Credit: By Purchases (Engineer) 2,000; By Purchases (Subramaniam) 900; By Purchases (Savings) 300; By Purchases 300; Total 3,500.
- Discount A/C:**
 - Debit: To Debtors (Vijay Merchant) 20; To bal of/d 30; Total 50.
 - Credit: By Creditors 20; Total 20.
- Sales Returns A/C:**
 - Debit: To Debtors (Subramaniam) 20; To bal of/d 20; Total 40.
 - Credit: By Creditors 20; Total 20.
- Profit and Loss account:**
 - EXPENSES: To Purchase less returns (3,400 returns) 4,650; To Discount allowed 20; To Office rent 150; To Office salaries 250; To General expense 25; To Stationery expense 25; Total 5,300.
 - INCOME: By Net sales (Sales less) 4,055; Net discount 20; Total 4,075.
- Balance Sheet:**
 - LIABILITIES: Net Capital 15,200; P&L 215; Creditors 2,170; Loan to Anamath 200; Total 18,885.
 - ASSETS: Cash 15,200; Bank 1,000; Debtors 400; Total 16,600.

Now, we have the balances of all these accounts out here. Let us say sales also. Sales we are carrying it directly to the P and L. I will say normally call it as, balance carried down in this particular case, I mean you can actually look at what is the figure out here in the process that is what; I am just highlighting all these figures for the purpose of ease for you out here. You will see all these are basically bold figures out here. Bold figures means that is basically balanced that is carried down in the process out here. Now, let us go back here.

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The handwritten Profit/Loss Statement is as follows:

Profit / Loss STATEMENT			
Purchases (NET)	3400	SALES (NET)	4055
Off Rent	150	NET DIS	10
Salaries	250		
Gen exp	25		
Stationery	25		
Profit / Loss	215		4065

Now, what is a logical next step out here? The logical next step in this particular case when you are doing here accounting is to prepare a profit or loss statement, to prepare a profit or loss statement. Again, you will have n number of columns and out here and everything, I am not getting into all that, I am just putting only the particulars and basically what is called as the amount out here.

Now, first and foremost. What is the first and foremost generally? First and foremost ledger account we had we do not we forget about the journal entry out here and we focus only on the journal entry is a capital account. Is does it find a place anywhere in the balance sheet? No. So, we will not look at that. Next, cash. Does it find any pair x y space anywhere in the balance sheet, anywhere in the P and L? No. Let us ignore it. Third bank account. Does it find a place anywhere in the P and L account? No. We will hear you have to know it. Fourth, sales.

Does it find a place anywhere in the P and L account? Yes. Sales is basically an income for you, so it is part of your P and L statement out there, that is its part of an income out here. That is where we initially wrote it as to P and L profit and loss account. For the purpose of ease, so that basically I have changed it, basically and made it balance carried down. I mean you can if you want to retain the same way you can retain the same way. So, so sales is the what do you call it as basically which is basically taken to what is called as a P and L.

I have sort of colored it because I want to denote somewhere that I already taken it out here, now what is called as sales in the process 4075, if I am not wrong 4075. Now, another question what some of you might have is should I always prepare the profit and loss in this statement, that is should it have two sides, should it be the right side be what is called as all my income and should right side we all my expenditure etcetera. Need not be. If you actually look at the P and L statements for any annual report if you pick up or any financial statement presented by the company, it is presented in a sequential that is you have the income and you have the expenditure you could also present it this. There is no standard hard and fast rules this is the method that is followed by typical earths well what do you call it as traditional accounting method. So, I am just stick into that. You want, I will write all my income first and then all my expenditure at the bottom perfectly all right no questions answers about it right, ok. Now, sales is done.

Now, I move to the next aspect out here after sales, what is the next aspect? Purchases out there. Yes, there is purchases will also be part of your basic expenditure out there. In this particular case, we do not have any opening stock our we do not have any what is called as closing stock also in this particular case. So, we assume that these entire purchases what you have made is consumed. We assume that this entire purchases what you have made is basically consumed by the by what we called as a business out there, there is no stock.

Supposing it said, there was a stock of what we call it as raw material stock account out here, there were some stock out there basically what do you enter in a P and L statement? I said earlier in the class 1, class 2 itself. We enter only such amount in a P and L which pertains to the period for which you are preparing this financial statement that is in the period whatever is consumed is what you will basically enter in the unit. So, in this case, we will as we assume that entire purchases has been consumed. So, I will say what is the total value of the purchases out here. What is the total value of the purchases? Total value of the purchases is basically 3500.

Now, do I have an excel for this? Yes, I have an excel for P and L and balance sheet also. It is there in the same file, you can refer to it. I am doing it in this manually for ease of understanding, otherwise you can go back and refer that also. Now, the purchases is basically made out here. In this particular case, I am closing I am basically entered the purchases out here. See for every account you will enter what is called as a debit, dr, cr in the in the process out here. I have not done it you could basically do that part of it also.

Now, debtors will it find a p n place in the balance sheet P and L? No. Creditors, will it find a place in the P and L? No. It will all find a place only in the balance sheet. Now, let us look at discount. What is discount? Discount is basically an income or an expenditure. In this particular case it is an income or an expenditure. If it is an income it will find a place in the P and L, if it is the expenditure it will find a place in the P and L. In this case what I have done? I have prepared a single discount account, I have net both out there.

There is an discount you have received up to the extent of about 30 rupees and there is a discount that you have given to the extent of about 20 rupees out there. That is when you sold goods to Vijay merchant you gave what is called as a 20 rupee discount when you

bought goods from somebody if I have to look at the journal entry out here and then you can go back to the journal entry, and also see that you will see that in this particular case that if you look at the 10th, 11th and 10th and 11th transaction out here when you basically bought goods from e-engineer and settled it you got you received what is called as a 30 rupee discount out there. So, there is a 30 dollar discount out here, there is a 20 dollar discount, that you are given 30 dollar discount you have gain.

So, what happens? In net gain in this particular case is what we have entered out here there is a 10 dollar discount is what you are basically gained out there. So, the 10 dollar discount what you gain is basically, what is it? It is a income what here is a net of discount because the actual discount that you are received is 30, so what I have entered and the net of discount is basically 10 dollar what you have actually received out there.

Move further in the process. I am just moving further in this process out here. So, discounted over. Now, sales returns, their purchase returns. What is the sales returns and what is this purchase returns out there? Sales returns and purchase returns are, so you are selling goods somebody is returning it, you are purchasing goods and then you are returning it whatever may be the reason.

Now, if I look at sales return, sales returns to the extent of 20 dollars that is you have sold and the good just come back to you, when you are sold and goods have come back to you what is a basically what do we do in this particular case. Is your sale 4075? No, it is sale is not 4075. I will say net sale in this particular case it is not 4075, it is basically what is called as 4055 only because 100 rupees goods worth of goods has come back to you.

Now, what did you do? That maybe you sold it to somebody else that is why there is no inventory which is pending. Maybe you sold it to somebody else, what we have is aggregate total sales out here, that is where we do not have any stock. If you are say the goods which have come back 20 dollars worth of goods which are come back is still there in my go down, then the 20 dollars will basically be stock. So, what will be consumed will be 3500 minus the 20 dollars out there, minus that 20 dollars out there. Am I with you on this?

Now, same similar exactly in this particular case if you actually see this in this particular case you will also see what is called as purchase returns out here. Purchase, your

purchase you have returned back 100 rupees worth of goods out there when you have returned back 100 rupees worth of goods to somebody. Then, what is your net purchase out here? Your net purchases not 3500, it is basically what happens is net purchases what is called as 3400 I will say net purchase. Am I with you on this? Am I with you on this?

So, now move further in this particular case. If I have to move further in this particular case let us say let us look at this is over, discount is over, sales return is over, I come to what is called as loan to Amaranth account. Giving a loan is basically an asset for you will not come. What is called as office rent, office salary see we have said P and L out here in this particular case because it is we are directly taking into P and L, everything I have not made it balance carried down some of it I have retained it this way basically because for the ease of your understanding.

So, office rent, office salaries basically pertain to what is called office rent, office salaries, and general expenditure all these 3 pertain what is called as to P and L account out here. I will remove the yellow shading when I put the file for you guys to refer. If the yellow shading is just done now for the purpose of ease of understanding out here.

You see office rent is 150, office salaries is 250, general expenditure is 25; office rent is 150, office salaries is 250. What is it? It is an expenditure. Office rent is 150, office salaries is 250, general expenditure is 25 dollars and then there is something called a stationery, stationery you can actually see this there is something that is called as basically stationery out here, in the process stationary out here that is also come to P and L that is to the extent of about 25 dollars in this particular case. So, that also I will add that to 25 dollars out here.

Now, that is all what pertains to P and L. Now, I will not to find out what is the profit or loss out here. My total income is 4065. My total income is 4065. I am just writing this is the differential figure between this and this is basically what is called as a profit or what is called as a loss out here. The differential figure is that is 3400, 3550, 3550 plus another 250 is 3800, 3850, 3850 is what is the expenditure side. So, 3850 minus you are what is called as 4065 is 150 plus 65, 150 plus 65 is 215 rupees is basically what is called as a profit out here. 215 is basically what is called as it is a positive figure. It is basically profit out here.

Let me go back and check whether what have I done in my P and L statement out here. You will actually see net profit out here in his caption sorry. Net profit out there basically in this particular case I will say net profit is 215 dollars in this particular case out here, I am just highlighting this whole thing. So, you can actually see that I have returned income expenditure everything properly and then basically have we have basically entered it out here. Am I with you on this? Ok.

Now, the next statement we move to the next statement. This part is done we move to the next statement that is what is called as actually the next statement out here, that is what we call it as a balance sheet.

(Refer Slide Time: 26:27)

The image shows a handwritten balance sheet on a whiteboard. The title is 'Balance Sheet'. It is divided into two main columns: 'ASSETS' on the left and 'Capital LIABILITIES' on the right. Under 'ASSETS', there are four items: 'Loan Randed' (200), 'Debtors' (480), 'Bank' (1000), and 'CASH' (10205). A horizontal line is drawn below these items, and the total '11885' is written below the line. Under 'Capital LIABILITIES', there are four items: 'Capital' (10,000), 'Less Drawings' (500), 'Net Capital' (9500), and 'P&L' (215). A horizontal line is drawn below 'Net Capital' and 'P&L', and the total '9715' is written below the line. Below this, 'Creditors' (2170) is listed, and another horizontal line is drawn below it, with the total '11885' written below the line. The whiteboard also shows a Windows taskbar at the bottom with various application icons and the system clock.

ASSETS		Capital LIABILITIES	
Loan Randed	200	Capital	10,000
Debtors	480	Less Drawings	500
Bank	1000	Net Capital	9500
CASH	10205	P&L	215
		NET WORTH	9715
		Creditors	2170
	<u>11885</u>		<u>11885</u>

Of course, you have the same way you could presented the column of a assets, liabilities, you could finally, present it, interchange it, present it corner whatever manner you want to present it I am not getting into that level of detail out here. Now, first thing in the P and L, in a P and L will go to this basic excel out here. When you go to the basic excel first thing what is going to be in a balance sheet you will say capital plus liability, my capital balance out here basically if my capital balance out here in this particular case out here, if I see I am just going to however, use a different color out here in the process out here.

My capital does not go into the balance sheet, my capital liabilities plus capital if I sort of see this it is a plus capital, what is called as capital. What is the balance? Balance is

about 10,000 that is what we basically see this. Now, next we will go to the next aspect out here in this particular case. Cash account, what is cash? Balance is right here, cash is basically an asset out there. And then what is the cash balance out there? Cash balance is one 10,205 out here, basically we will find a place in the balance sheet it will find a place out here. Now, cash is 10,205 dollars if I am not wrong. I think that is what I remember reading it out here. Yeah 10,205 dollars.

Next aspect bank account, bank again an asset for you, we will basically take it what is the balance bank balance is only about 1000 dollars out here and I will enter what is called as bank. Bank is about 1000 dollars out here we entered.

Student: (Refer Time: 28:21).

We will come to that. We will come to that. We will come to we will come to drawings. We will come to drawings, Prathik. No problem, perfectly all right. I am just going in. Why I am doing it? I am let me go in a sequential way, so that easier for everybody to understand out there. Now, this is already entered in the P and L. This is entered in the P and L. Next, what is account what we have? We have what is called as debtors out here. What is debtors out there? Debtors is basically an asset for you. When debtors is an asset, what is the balance out there? Balance is about 480 dollars out there. Debtors out here 80 dollars out there.

Go to the next one. In this particular case, I will sort of move the next one basically what we see is creditors out here. What is the balance of creditors out here? Balance of creditors out here is 2170 to creditors. What is creditors? Creditors is a liability for me. 2000 I am forget the, I forget the number, once again let me just check. 2170. Next, I just go back here this part is done, this part is done, this part is done, then there is what is called as a loan account out here. Loan when you have provided loan it is an asset for you, it is an asset for you, so I will go back out here to my balance sheet out there and then enter loan provided 200 dollars.

Then what happens out here? In this particular case, if I move back out here than in this particular case loan is over then drawings. Drawings means what happens? Drawings means reduction in the capital, that is what I basically explained. Drawings is nothing, but reduction in the capital out there, less drawings that is about 500. So, what we call it as net worth, sorry not net worth this is basically capital as of now is about 2000. I am

just going to, I am not erasing it do not worry, I am just rewriting it, I am just creating some space out here, I am just creating some space, that is all, that is all nothing else. Capital as of now what you call it as basically in this particular case that is net capital out here in 9500. Now, is that all?

There is something one major aspect which we have left out. What is that major aspect which we have left out here? Basically, when we talk about a P and L I am just going to differ I am going to use a different color for my P and L out here, basically I am going to use a different color for my P and L out here. When I say P and L out here, what to whom does this profit belong? This profit belongs to the equity providers, equity providers. When I say equity, I am talking about the basically the capital provider out there. So, what happens? This cap, this net profit we call it as it will be it is termed as we will say what you call it as P and L account balance, sometimes it is termed as retained earnings. It is basically the profit and P and L in this particular case 215 and this will be 5 1 9 7, 9715 is basically what we call it as net worth of the enterprise out here.

Now, in this case let me just totally it is about 5 8 8, 11885 in this process out here. Let me say 5 and then 8 and then 4 plus 2, 6 plus 2 is 8 and then 1 1 out here, your balance sheet basically is taken care of, that is assets and liabilities. Now, what is the format? It keeps saying, I mean I have not followed a typical accountant format accountant. Format is fixed asset, than investment, you remember what I had a slide I had put up and that is the basic format what we do. I have actually done it on an excel also out here for a purpose of ease of understanding out here in this case.

I am I in this particular case, we have exactly not followed what you call it is a conventional accounting style. If conventional accounting style I find if I follow, cash will never be on the top out there, cash will always be on the bottom. So, what is the order in which they present? They present what is called as asset which as fixed on top, asset which as easily convertible to cash are, which is equivalent to cash at the bottom out there that is a sequence in which they present. But we are not typical accountants out here, so that is not the objective. Objective here is to classify what is an asset and what is the liability and that is what basically we have done out here. And then you can actually see this basically balance sheet out there.

So, what did we do in the last couple of classes? We have taken you, I have done a work through for you of the journey, from accounting journey from the time or the moment the transaction occurs till basically the time we close the accounts. So, what did we do? Moment the transaction happens, I will record it in a journal that is what basically you saw out here. At every periodic intervals, I take these journals and then group together and then what is called as I post this is basically into your ledger and a ledger account out here.

At the end of a specified period, what do I do? I take these ledger accounts and then I prepare a profit or loss account and basically what is called as a balance sheet. So, that is the entire journey. In between there is something called a trial balance we are not even getting into it, do not worry. They take you through the entire journey, they take you work you through the entire journey from the minute the transaction happens till the closure there is a balance sheet out here. Hope you enjoyed it.

Thank you.