

e.g. Sales, Commission Earned, Service Revenue etc.

18. Expenses:

Any amount, spent for the purpose of running the business operations(activities) is called Expenses

e.g. Electricity, Taxes ,Carriage Expenses etc.

19.Capital/Owner's Equity/Owner's Fund/Owner's

Investment/Contributed Capital:

Capital is the source of funds provided by business's owner to business. Owner invests not only in cash but also in shape of goods and assets.

20. Accounts Receivable/(Debtor):

A person to whom goods or services are sold on credit basis and amount is receivable is called Account Receivable.

21. Account Payable/(Creditors):

The Persons from whom ,goods have been purchased on credit and amount is payable is called Account Payable.

22. Assets:

Assets are the properties and possessions of the business which have future economic value.

E.g. Cash, Land, Motor Vehicles, Good Will, Prize Bonds etc.

23.Narration:

Short explanation written under each transaction in the journal is called Narration.

24. Current Assets/Liquid Assets/Quick Assets:

Current assets are cash or easily convertible into cash within a year or purchase with a view to convert or sell them for cash.

E.g. Cash, Cash in Hand, Bank Balance, Account Receivables etc.

25. Fixed Assets/Physical Assets/Tangible Assets:

Fixed Assets are not readily convertible into cash, they are to be used and retained in business and also have physical existence.

E.g Land, Building, Plant, Fixtures and fittings, Loose Tools etc.

26. Intangible Assets:

108. Bad Debts/Un-Collectible Expenses:

Any amount or debt which is not recoverable is called Bad Debt.

109. Accounting Cycle:

The sequence of accounting procedure used to Record, Classify, and summarize the accounting information is called Accounting Cycle.

The steps comprising the Accounting Cycle are listed below:

1. Record the transaction into journal
2. Posting to ledger accounts.
3. Prepare a trial balance
4. Adjusting entries
5. Adjusted trial balance
6. Financial Statements
7. Closing Entries
8. Closing trial balance.

110. Capital Expenditure/CapEx:

Expenditure incurred for the purchases of fixed assets/permanent assets or to improvement or extension of fixed assets/permanent assets are called Capital Expenditure.

E.g. Machinery, erection of plant, Cost of patents etc.

111. Revenue Expenditure

All the day-to-day expenditures incurred to carry on business are called Revenue Expenditure. Their benefit would be only for current period.

E.g. Salaries, Rent, Cost of Merchandise etc.

112. Deferred Revenue Expenditure/Capitalized Expenditure:

Expenditures on which large sum of revenue expenditures incurred and benefits of which may remain for a number of years are Called Deferred Revenue Expenditure.

E.g. Preliminary Expenses, Discount On Shares, Cost Of New Product Launch etc.

113. Error Of Omission:

When any transaction is omitted to record in the books of accounts due to oversight. That is called Error of Omission.

114. Error Of Commission:

When any transaction is wholly or partially incorrectly recorded. That is called

148. Monetary Events:

Events which are related with money and which change the financial position of the business are called Monetary Events.

E.g. Goods worth Rs.10,000 Destroyed By Fire.

149. Non-Monetary Events:

Events which are not related with money and which don't change the financial position of the business are called Non- Monetary Events.

E.g. Manager Delivered A Lecture To Employees.

150. Depletion:

The wear and tear in the value of natural resources(i.e,Mines,quarries,oil etc) is called Depletion.

151. Amortization:

Amortization means to write-off the cost of intangible assets(Patents,Good Will,Designs,Trade Mark etc.)

152. Quantitative Change:

The change in the total value of assets and liabilities of a business is called Quantitative Change.

E.g. Machinery worth Rs. 50,000 destroyed. This reduces the total value of assets.

153. Qualitative Change:

The change in the different elements of assets and liabilities, not in the value of them is called Qualitative Change.

E.g. Machinery Purchased For Rs. 10,000. 1. Machinery-Debit 2. Cash-Credit

154. Trading Account:

Trading Account shows the gross profit or gross loss of a business over a given period of time. In this Account, All the expenses are debited and all the incomes are credited.

155: Real Assets:

Assets which have some market value are called Real Assets.

E.g. Building, Stock, Cash, Good Will etc.

156. Fictitious Assets/Nominal Assets:

Assets which have no market value at all are called Fictitious Assets.

E.g. Preliminary Expenses, Loss on issue on shares etc.

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Page 23 of 24

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