

Unit

3

Recording of Transaction - I

Introduction

Business transactions are events that have a direct effect on the operation of an enterprise and are expressed in terms of money. Each transaction must be identified and recorded in the books of accounts of business. Systematic recording of these transactions will enable the business to further process these transactions in to classifying, summarizing and communicating them to the end users, there by fulfilling the objectives of accounting.

The importance of recording can be understood from the above. A separate book is kept for recording of business transactions and this recording can be done only on the basis of some evidences. In this unit we are dealing with the recording of business transactions and its classification.

Values and attitude

Develops an attitude of systematic recording of each and every items of expenses and incomes, not only in business but also in day to day life

Concepts/ Ideas	Process/Activity with assessment	Learning outcome
Meaning of business transactions Source documents Giving aspect and receiving aspect of a transaction	<p>Suggested strategy: General discussion</p> <ul style="list-style-type: none"> Elicit examples of cash & credit transactions Involves reciprocal exchange of two things Listing out the documentary evidences of such transactions. Elicit the contents of a source document <p>Assessment</p> <ul style="list-style-type: none"> Participation in General discussion Table prepared for recording the two aspects of business transactions. Different source documents collected. Skills - Communication, Identification, Comparison, Differentiation 	<p>The student will be able to;</p> <ul style="list-style-type: none"> Identify business transactions. Differentiate the give and take aspects of a transaction
Accounting equation / Balance sheet equation Assets, liabilities, capital	<p>Suggested strategy : General discussion</p> <ul style="list-style-type: none"> Analyze an example of commencement of a business. Elicit the effects of changes in Assets and Liabilities (Capital) on an accounting equation Total of Assets and Liabilities expressed in the form of an equation. Balance sheet (position statement) is issued to verify the validity of accounting equation <p>Assessment</p> <ul style="list-style-type: none"> Participation in general discussion. Transactions translated into accounting equations. Simple balance sheet prepared. Skills- Communication Identification, Critical Thinking 	<ul style="list-style-type: none"> Analyse business transactions and construct accounting equations. Identify the importance of accounting equation in the preparation of Balance Sheet
Rules of Debit and Credit	<p>Suggested strategy: General discussion</p> <ul style="list-style-type: none"> Starts with the two aspects of a transaction: rules of debit and credit are introduced 	<ul style="list-style-type: none"> Define the rules of debit and credit.

Concepts/ Ideas	Process/Activity with assessment	Learning outcome
	<ul style="list-style-type: none"> • PPT graphics are used to show the charges in entities <p>Assessment</p> <ul style="list-style-type: none"> • Participation in General discussion • Prepared analysis table applied to business transactions showing rules of debit and credit. • Skills- Communication, Identification, Discrimination, Comparison and Selection 	<ul style="list-style-type: none"> • Classify account into Assets, Liabilities, Capital, Income and Expenses. • Use the rules of Debit and Credit for recording transaction by selecting the appropriate accounts.
Books of Original entry /Journal	<p>Suggested strategy: General discussion</p> <ul style="list-style-type: none"> • Need for recording of transactions • Application of rules of debit and credit in recording • Introduction of the term Journal using a PPT • Format of Journal -showing ppt <p>Assessment</p> <ul style="list-style-type: none"> • Participation in General discussion • Journal prepared from business transactions • PPT prepared • Skills- Communication, Identification, Selection, Preparation 	<ul style="list-style-type: none"> • Identify journal as the book of primary entry • Explain the relevance of keeping chronological order in recording of transactions. • Prepare Journal from Business transactions
Principal book of entry- ledger	<p>Suggested strategy: Group discussion</p> <ul style="list-style-type: none"> • Analysis a journal already prepared. • Ask to find out the exact cash balance at the end, from the Journal. • Introduction of the concept ledger and its format. • Posting of transactions with the help of PPT graphics <p>Assessment</p> <ul style="list-style-type: none"> • Participation in group Discussion • Prepared table for differentiating Journal and Ledger • Ledger prepared from Journal entries. • Skills- Communication, Identification, Selection, Preparation, Problem Solving 	<ul style="list-style-type: none"> • Compare between Journal and Ledger. • Identify Ledger as a book for classification of transactions. • Sort out the feature of similarity in posting of transactions • Prepare Ledger accounts from Journal entries.

Detailing of learning activity**1. 1. ACCOUNTING EQUATION****Suggested Strategy:- Group Discussion**

Some transactions are given below:

- Started business with cash Rs. 50000
- Received commission Rs. 10000
- Salary paid Rs. 1000
- Obtained bank loan Rs.4000

A few more transaction may be added to the above list.

Before grouping the students teacher shows the following table and discuss the impact of transactions. She further adds that every transaction has two aspects, which comes under any of the following items in the given below table.

Students are to analyze each transaction in terms of increase/ decrease that have been affected in each of the account and place them in the table.

Table showing increase or decrease in accounts

Item	Capital		Liability		Income		Asset		Expense		
	Inc.	Dec.	Inc.	Dec.	Inc.	Dec.	Inc	Dec.	Inc	Dec.	
Started business	50000						50000 (cash)				

Points to be discussed:-

1. Effect of transactions in Income, Expenses, Assets, Liabilities and Capital
2. Identification of Income, Expenses, Assets, Liabilities and Capital associated with every transaction

With the assistance of the teacher, complete the table with the given transactions above

Teacher input:

Then teacher asks students to find the total of each column and find the net balance of Assets, Liability, Capital, Income and Expense. Net balance need be calculated

Teacher Text - I

After finding the net balance, teacher invites the students to observe the picture given below to strengthen the concept of accounting equation.



After discussion teacher asks the students to discuss the balances of the table with the pictures

Discussion points:-

1. Profit of the business
2. Beneficiary person of the profit

From the response teacher can help the students to recognize the importance of adding or subtracting of profit or loss with the capital.

Teacher may ask the students to compare the following formula.

Capital + Profit/ Capital-Loss

Capital+ Income - Expense

Teachers Input:-

Teacher emphasize the following points

1. Dual aspect concept
2. Importance of accounting equation to every business

Check list for peer assessment

Attributes	St.1	St.2	St.3	St.4	St.5
Participated in group discussion					
Contribution of useful ideas					
Understanding of concept					
Determination of assets , liability and capital					
Idea behind the formula expressed above					

2) JOURNAL**Suggested Strategy:- Group Discussion**

Teacher may cite some transactions not more than 10 items which includes Income, Expense, Assets, Capital and Liability.

Students are asked to fill the following table based on the transactions narrated by the teacher. One example is provided in the table

Teachers Input:-

Helps to recollect the various terms assets, liability, capital, expense and income and its two fold effect.

Transactions	Aspects (like cash, salary, capital etc.)	
	1	2
• Salary paid	Salary	Cash
•		
•		
•		
•		

Each aspects listed above is then to be classified on the following basis and table given will be made use of. If a specific item shows an increase then put a (+) sign and a (~) sign for decrease.

Item	Income	Expense	Assets	Liability	Capital
1		Salary(+)	Cash(-)		
2					
3					

Teacher Text - I

After completing the above table students are asked to identify the items

- (1) Which are beneficial to the business and
- (2) Factors causing benefit to the business

Transactions are to be analyzed individually in the following manner which is described using an example.

Aspects	Benefit factors (receiving element)	Factors causing benefit (giving element)
Salary	Salary	Cash
Cash		

Teacher input

"Payment of salary" reflects a benefit to the firm because employees provide a service to the firm. Therefore salary is a benefit factor (receiving factor) and the benefit is caused due to the payment of "cash"

Again the students are given with the task to complete the given table on the basis of nature of accounts ie. Expense, Income, Assets, Liabilities and Capital. Hint is provided with.

Benefit Factor				Factor causing Benefit			
Factor	Nature	Increase(+)	Decrease(-)	Aspects	Nature	Increase(+)	Decrease(-)
Salary	Expense	+		Cash	Asset		-

Here the teacher has to explain the concept that the benefit factors are debits and the factors that cause benefit (giving aspects) are known as credits.

The task will be followed with slight change of heading in the column and further examples are to be given in the form of debits and credits

Factor	Asset		Expense		Income		Capital		Liability	
	+(Dr.)	-(Cr)	+(Dr.)	-(Cr)	+(Dr.)	-(Cr)	+(Dr.)	-(Cr)	+(Dr.)	-(Cr)
Salary			+							
Cash		-								

Teacher can conclude the session and convince the rule for determining debit and credit with the help of another table.

Item	Asset		Expense		Income		Capital		Liability	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Increase/Decrease										
Debit/Credit (Dr./Cr.)										

Finally a format of journal with one example is illustrated as follows

Journal

Date	Particulars	L.F	Debit	Credit
1/1/2014	Salary A/C Cash A/c (paid salary)		1,000	1,000

Groups are asked to observe the content and format of a journal and asked to give an interpretation of it.

Consolidation should focus the following points

1. Meaning of journal
2. Procedure of writing an entry in the journal

Assessment:

1. An increase in expense item will be
2. A decrease in liability will be credited to.....account.
3. Which account can be debited on purchase of an asset? Explain the corresponding rule involved?

(How many students have answered to the above question for assessment purpose)

Teacher Assessment -1

Crossword puzzle

Across:

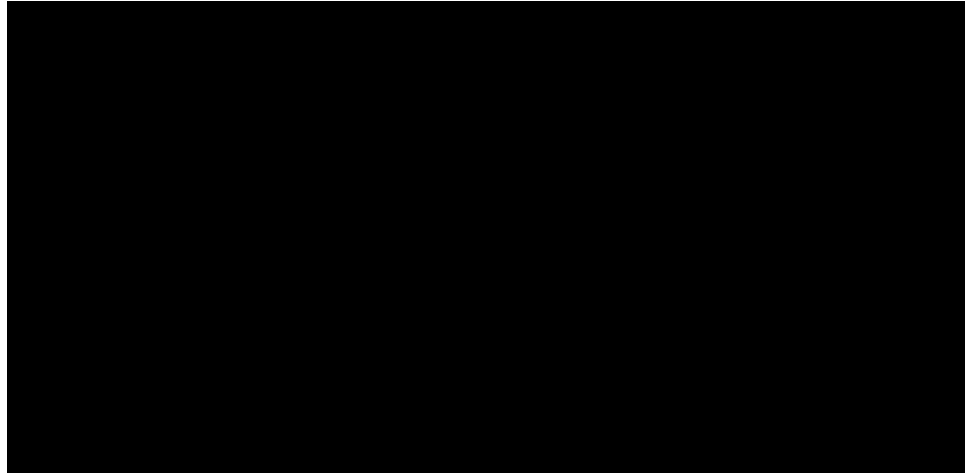
2. The term to denote decrease in the value of asset (12 letters)
6. An example for fixed asset (4 letters)

Repository for CE Possibilities

Process Assessment	Portfolio Assessment	Unit Assessment
General discussion on the Meaning of business transactions, Source documents, Giving aspect and receiving aspect of a transaction	<ul style="list-style-type: none"> • Table prepared for recording the two aspects of business transactions. • Different source documents collected. 	Unit Test Crossword puzzle
General discussion on Accounting equation	<ul style="list-style-type: none"> • Statement of accounting equation • Simple balance sheet prepared. 	
General Discussion on Rules of Debit and Credit	<ul style="list-style-type: none"> • Chart showing Rules of Debit and Credit • Analysis table for transactions 	
General Discussion on Books of Original entry or Journal	<ul style="list-style-type: none"> • Format of Journal • Journals prepared from business transactions • 	
Group discussion Principal book of account- ledger	<ul style="list-style-type: none"> • Prepared table for differentiating Journal and Ledger • Ledger prepared from Journal entries. 	

TE Questions:

1. Give one source document for payment of wages for loading and unloading workers?
2. State one example of transaction which affects only on the asset side of an accounting equation?
3. All postings in the ledger account of purchases will normally be on the debit side. Can you state a transaction where this account will be credited with?
4. Given below is a source document.
 - a. Identify the source document?
 - b. Give your journal entry for this transaction, if Babu Traders is a grocery merchant
 - c. What type of discount is provided in the bill? How does it differ from other discounts?



5. Krishnan's account shows a credit balance of Rs.300 in your books. Is Krishnan your debtor or creditor?
6. Ammu brings her car into the business. Which parts of business equation will change?
 - a. Assets and capital
 - b. Capital and profit
 - c. Liabilities and asset
 - d. Capital and liabilities
7. A credit entry into a ledger represent which of the following:
 - a. Increase in an expense
 - b. Increase in income
 - c. Increase in an asset
 - d. Increase in drawings

Answers to TE questions:

1. Voucher
2. Furniture purchased
3. Goods withdrawn from business
4. a. Bill
b. Purchases a/cDr 3,100
Cash 3100
c. Trade discount, other discount is cash discount
5. Krishnan is a debtor
6. A- Capital
7. B - Increase in income