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## **Unit - 2**

# **Preparation of books of Accounts**



After identifying and measuring the financial transaction, the accounting cycle begins.

**Step 1. Journalising:** Recording the transaction in the journal.

**Step 2. Posting:** Transfer the transactions in the respective ledger accounts opened in the ledger.

**Step 3. Balancing:** ascertain the difference between the debit side and amount column and the total of credit side and amount column of a ledger account.

**Step 4. Trial Balance:** prepare a list showing the balance of each and every account to verify whether the sum of debit balance is equal to the sum of the credit balance.

**Step 5. Income statement:** prepare trading and profit & loss account to ascertain the profit or loss for the accounting period.

**Step 6. Position statement (Balance Sheet):** prepare the Balance sheet to ascertain the financial position at the end of accounting period.

Journal - Solved problems on journal entries

Preparation of ledger Accounts from the journal entries

Three column cash book - Solved problems

Preparation of Trial Balance from the ledger balances

Depreciation:

- Straight Line method
- Written down value method

Solved problems on both the methods