

# **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 total of 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