



**SOS IN COMPUTER SCIENCE &
APPLICATION
JIWAJI UNIVERSITY**

Class : MCA IV Semester

Subject : Accounting and Management Control

Paper Code: (405)

Topic: (i) Rule's of journalizing

(ii) Trading Account

Rules of journalizing

Rule of Personal account:

Dr. the receiver

Cr. the giver

For example: good sold to Suresh. In this transaction, Suresh is a personal account as being a natural person. His account will be debited in this transaction.

Rule of Real Account

Rule of Real Account:

Dr. What comes in

Cr. What goes out

For example: furniture purchased by an entity in cash. debit furniture a/c and credit cash a/c.

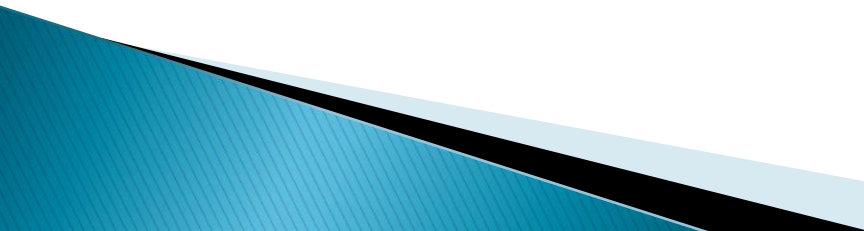
Rule of Nominal Account

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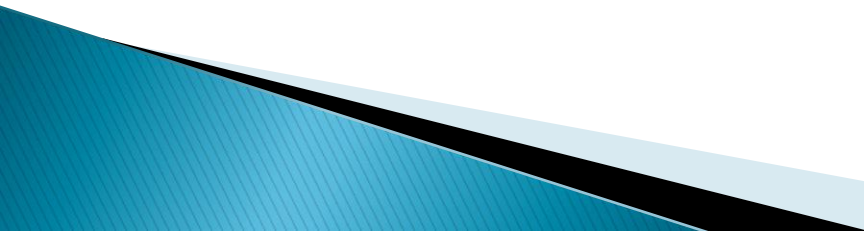
Dr. All the expenses and losses

Cr. All the incomes and gains

For example: salary paid to employees of the entity. Salary a/c will be debited when the expenses are incurred.

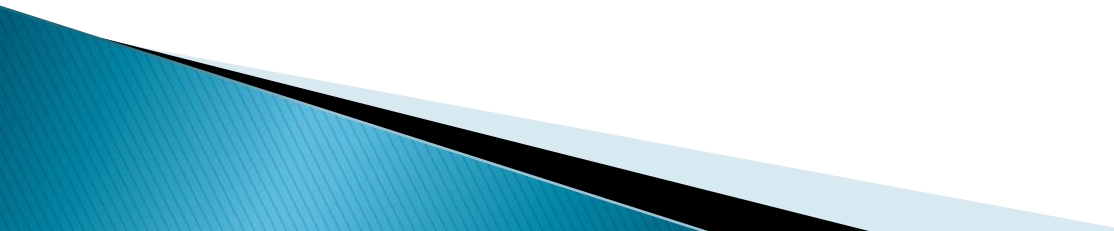


Preparation of Trading Account

- ▶ At the end of the financial year or at the end of the financial accounting period, an entity prepares the financial accounting statement to know the profit and loss and also the financial position of the business. These statements help users of financial accounting, information in decision making.
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Trading account

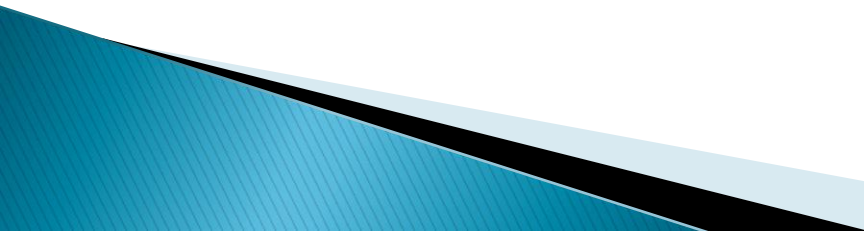
Trading account is the first step in the process of preparing final accounts. It helps in finding out the gross profit or the gross loss during an accounting year, which is an important indicator of business efficiency.



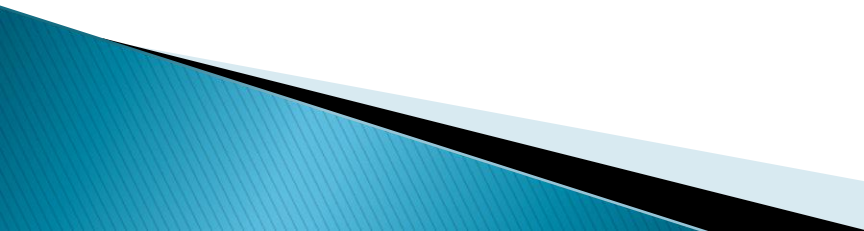
Trading account

- It is normally prepared by merchandising concern which purchase and sales the good during the particular period. The trading account shows the gross profit or the gross loss during the accounting period. Trading account is based on the matching the selling price of goods and services with the cost of goods sold and services rendered.

Features of Trading Account

1. It is a first stage in the preparation of financial accounting statement of a trading concern.
 2. It records only the net sales and the direct cost of goods sold.
 3. The balance of this account discloses the gross profit and gross loss.
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Trading Account statement include

- ▶ 1. Opening stock: Opening stock means the finished goods only. We take the amount of opening stock from trial balance.
 - ▶ 2. Purchases: The amount of purchases during the year includes cash as well as the credit purchases.
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Trading Account statement includes

3. Direct expenses: It means all those expenses which are incurred from the time of purchase to make the goods in suitable condition.

4. Gross profit: If the credit side of the trading account is greater than the debit side of the trading account gross profit will arise.