

**ACCOUNTING MANUAL
ON DOUBLE ENTRY
SYSTEM OF
ACCOUNTING
FOR ICFRE**

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1. Single Entry Accounting System

Single entry system of book keeping may be described as a loose and defective way of recording transactions, wherein some transactions are recorded in their two fold aspect, some are recorded in so far as they effect one aspect only, and few other are completely omitted to be recorded. Thus it can be seen that there is no system or method about single entry. Under this system a cash book and other ledger are maintained.

Disadvantages of Single Entry System.

- Since every debit does not have a corresponding credit, a Trial Balance can not be extracted to test the arithmetical accuracy of the entries.
- In absence of proper records of any assets and of any allowances for depreciation or other losses of value, it is not possible to prepare a Balance Sheet.
- It is too easy to perpetrate the errors and frauds and too difficult to detect them.

2. The book Keeping and Accounting Process

In accountancy the Double Entry Bookkeeping (or double entry accounting) is the basis of the standard system used by businesses and other organizations to record financial transactions. The system is called 'double entry' because each transaction is recorded in at least two accounts. Each transaction results in at least one account being debited and at least one account being credited with the total debits of the transaction equal to the total credits.

For example: - If Company A sell an item to Company B and Company B pay Company A by cheque then the book keeper of Company A credits the "Sales" and debits the "Bank". Conversely the bookkeeper of Company B debits the account "Purchases" and credits the account "Bank".

Historically the debit entries are recorded on the left side and credit values on the right hand side of the general ledger account and in the normal course of business, a document is produced each time a transaction occurs. Sales and purchases usually have invoices or receipts. Deposit slips are produced when lodgements (deposits) are made to a bank account. Bookkeeping involves recording the details of all of these source documents into multi-column journals (also known as a book of first entry or daybooks.)

After a certain period typically a month, the columns in each journal are totaled to give a summary for the period. Using the rules of double entry, these journal summaries are then transferred to their respective accounts in the ledger is called *Posting*. Once the posting process is complete, accounts kept using the "T" format undergo balancing which is simply a process to arrive at the balance of the account.

3. Double entry accounting system

The system of double entry may be well compared to a scale which must have equal weight on both sides in order that the scale is balanced. Thus if the weight of one side of the scale is increased or decreased the same weight must be correspondingly added to or removed from, the other side. A more common expression of double entry book keeping system is the accounting equation.

The total assets of a firm/ institution are equal of the equities. This reflects the fundamental equation of

$$A = E,$$

Where A denotes Assets and E denotes equity.

Assets are the goods and properties which the institute owns as well as claims against outsiders which the institute has not yet collected.

Equities are the claims against the assets and indicate the source of assets. The source may be owners themselves or outsiders, e.g. owners invest funds in Organization and Creditors lend money in the Organization.

Advantage of Double Entry System:-

- It is possible to keep a full record of dual aspect of each transaction.
- Transactions are recorded in a scientific and systematic manner and thus the books of accounts provide the most reliable information for controlling the Organization efficiently and effectively.
- Since the total debit under this system be equal to total Credit, arithmetical accuracy of the books can be tested by means of a trial balance.
- An income and expenditure accounts can be prepared to know the excess income/ expenditure during a particular period and to know how such excess income/ expenditure has arisen
- The financial position of the Organization can be readily ascertained by preparing a Balance Sheet.
- Frauds are prevented, because alteration in accounts becomes difficult and discovery of irregularities is facilitated.

4. Classification of Accounts:-

- **Personal Account:-** when a transaction involved with a person known as personal account such as Mr. Roy, Bose& sons ABC Ltd. co. etc.
- **Nominal Account:-** All recurring expenses/incomes are known as Nominal Account, such as salary, Rent, Interest etc.
- **Real Account:-** Other than above two accounts all are fall under this category, such as Machinery, Furniture etc.

5. Golden Rule of Debit and Credit

- **In case of Personal Account** - Debit the receiver and Credit the giver.
- **In case of Nominal Account**- Debit all expenses and losses and Credit all income and liabilities.
- **In case of Real Accounts** - Debit what comes in and credit what goes out.

6. Abbreviations used in bookkeeping -

- a/c - account
- B/S - Balance Sheet
- c/d - carried down
- b/d - brought down
- b/f - brought forward
- Dr - Debit record
- Cr - Credit record
- G/L - General Ledger: (or N/L - Nominal Ledger)
- P&L - Profit & Loss
- TB - Trial Balance

7. Understanding Debits and Credits -

In a simpler way it can be explained as when an amount is entered on the left side of an account, it is a debit and the account is said to be debited. When an account is entered on the right side, it is a credit, and the account is said to be credited. Here are basic debit & credit rule: -

Assets & Expenses

Dr	Cr
(Increases)	(Decreases)

Liabilities, Capital and Income

Dr	Cr
(Decreases)	(Increases)

An account has a debit balance when the sum of its debits exceeds the sum of its credits: it has a credit balance when the sum of the credits is the greater. In double-entry accounting, which is in almost universal use, there are equal debit and credit entries for every transaction. Where only two accounts are affected, the debit and credit amounts are equal. If more than two accounts are affected, the total of the debit entries must equal the total of the credit entries.

Debits and Credits

Double-entry bookkeeping is governed by the accounting equation. If revenue equals expenses, the following basic equation must be true:

$$\text{Assets} = \text{liabilities} + \text{equity}$$

At any point in time, revenue may not equal expenses. If so the equation can be further expanded, so that the (extended) equation becomes:

$$\text{Assets} = \text{liabilities} + \text{equity} + (\text{revenue} - \text{expenses})$$

Examples of debits and credits

Purchase of a Computer

Debit Computer account (Fixed asset account) is increased

Credit Creditors account (Liability account) is increased

Paying supplier for the Computer

Debit Creditors account (Liability account) is reduced.

Credit Bank account (Asset account) is reduced.

8. Understanding Cash Book, Journal, General Ledger, Trial Balance, Income & Expenditure A/c and Balance Sheet: -

Cash Book - All cash transactions are entered in the cash book straightway, and ledger accounts are prepared on the basis of such records. Hence, Cash Book is considered as a Subsidiary book. Cash book is again a ledger and a principal book since, it serves as cash account and book account, the balances of which are recorded in the trial balance via ledger directly. Cash book has debit and credit sides. All receipts are entered on the debit side and all payments are entered on the credit side. It is maintained under the Double entry principle.

Feature of Cash Book:

1. All cash receipts and cash payments are entered chronologically in the cash book

2. It never shows a credit balance
3. It serves the functions of Journal also.

Journal – A journal is a record that keeps accounting transactions in chronological order i.e. as they occur. All accounting transactions are recorded through journal entries that show account names, amounts, and whether those accounts are recorded in debit or credit side of accounts. A journal entry is called "balanced" when the sum of debit side amounts equals to the sum of credit side amounts.

General Ledger – The complete set of accounts for a business entry is called a general ledger. It is the “reference book” of the accounting system and is used to classify and summarize transactions and to prepare data for financial statements. It is also a valuable source of information for managerial purposes, giving for example the amount of sales for the period or the cash balance at the end of the period.

Trial Balance – As every transaction results in an equal amount of debits and credits in the ledger, the total of all debit entries in the ledger should equal the total of all credit entries. At the end of the accounting period, we check the equality by preparing a two-column schedule called a trial balance, which compares the total of all debit balances with the total of all credit balances. The procedure is as follows: -

1. List account titles in numerical order.
2. Record balances of each account, entering debit balances in the left column and credit balances in the right column.
3. Add the columns and record the totals.
4. Compare the totals. They must be the same.
5. If the totals agree, the trial balance is in balance, indicating that debits and credits are equal for the hundreds or thousands of transactions entered in the

ledger. While the trial balance provides arithmetic proof of the accuracy of the records, it does not provide theoretical proof.

Income & Expenditure A/c - A Income & Expenditure Account, shows the revenues from operations, expenses of operating the concern, and the resulting net profit or loss (Excess of Income over Expenditure/ Excess of expenditure over Income) of a organization over a specific period of time. In short Income & Expenditure Accounts is an account compiled at the end of an accounting period to Net results of operations i.e. (Excess of Income over Expenditure/ Excess of expenditure over Income).

Balance Sheet - A balance sheet is a snapshot of a business' financial condition at a specific moment in time, usually at the close of an accounting period. A balance sheet comprises assets, liabilities, and owners' or stockholders' equity. Assets and liabilities are divided into short- and long-term obligations including cash accounts such as checking, money market, or government securities. At any given time, assets must equal liabilities plus owners' equity. An asset is anything the business owns that has monetary value. Liabilities are the claims of creditors against the assets of the business.

A balance sheet helps a small business owner quickly get a handle on the financial strength and capabilities of the business. Is the business in a position to expand? Can the business easily handle the normal financial ebbs and flows of revenues and expenses? Or should the business take immediate steps to bolster cash reserves?

Balance sheets can identify and analyze trends, particularly in the area of receivables and payables. Is the receivables cycle lengthening? Can receivables be collected more aggressively? Is some debt uncollectable? Has the business been slowing down payables to forestall an inevitable cash shortage?

Balance sheets, along with income statements, are the most basic elements in providing financial reporting to potential lenders such as banks, investors, and vendors who are considering how much credit to grant the firm.

Specimen of Balance Sheet.

Balance sheet

As on 31st March 2xxx

<u>Liabilities</u>	<u>Total Amount</u>	<u>Assets</u>	<u>Total Amount</u>
1) <u>Capital A/c</u>		1) <u>Fixed Assets</u> a. <u>Plant & Machinery</u> b. <u>Furniture & Fixtures</u> c. <u>Computers</u> d. <u>Telephone</u>	
2) <u>Reserve and surplus</u>		2) <u>Long term Investments</u>	
3) <u>Current Liabilities</u> a. <u>Sundry Creditors</u> b. <u>Outstanding Expenses</u>		3) <u>Current Assets</u> a. <u>Cash balance</u> b. <u>Bank balance</u> c. <u>Prepaid/ advances</u> d. <u>Sundry debtors</u>	
Total		Total	

9. Double Entry working examples: -

Before coming to examples on double entry accounting, the following accounts/statements are needed to be understood: -

a) Purchases/ Creditors

Transactions relating to purchases are the basic entries for a trading concern. Recording a transaction always requires a DEBIT and a CREDIT entry. Thus to record the purchases one always requires the creditor/ bank on the other side to tally the entry.

Examples:

1. A refrigerator bought for cash for Rs. 300.

Entry = DEBIT Purchases Rs. 300 (purchase)
 CREDIT Bank Rs. 300 (increase in liabilities)

2. The refrigerator sold for cash for Rs. 350

Entry = CREDIT Sales Rs. 350 (revenues)
 DEBIT Bank Rs. 350 (increase in assets)

On completion of these two transactions the Balance Sheet of the company would be:-

ASSETS

Cash at Bank 50

LIABILITIES

Retained Profit 50

Retained profit is owed to the shareholders and is therefore a liability to them. Conversely, in the balance sheet, losses are recorded as assets, on the principle the company will require an input of funds from the shareholders in order to continue trading

When the giving or receiving of credit is introduced into a transaction, accounting requires that the asset or liability resulting from such a credit transaction are recorded. Recording a transaction, in these circumstances requires 4 booking entries as follows:-

1. A refrigerator bought on credit for Rs. 300.

Entry = DEBIT Purchases Rs. 300 (purchase)

CREDIT Supplier Rs. 300 (increase in liabilities)

Cash Payment

Entry = DEBIT Supplier Rs. 300 (increase in assets, by
reducing liabilities)

CREDIT Bank Rs. 300 (increase in liabilities)

2. The refrigerator sold on credit for Rs. 350

Entry = CREDIT Sales Rs. 350 (revenues)

DEBIT Customer Rs. 350 (increase in assets)

Cash Payment

CREDIT Customer Rs. 350 (increase in liabilities
by reducing the assets)

DEBIT Bank Rs. 350 (Increase in assets).

To take the exercise further, shown below are the entries relating to the following:-

A Government Organization is started up; they received grant in aid for Rs. 10,000. They also negotiate bank facilities.

The transactions during the year are as follows.

1. 6 Chairs purchased on credit for Rs.300 each.
2. Cash withdrawn Rs. 5,000
3. 5 Tables purchased on cash for Rs. 350 each.
4. They also get a rented premise for Rs. 100 per month.
5. Paid Rs. 500 Advance to A as Travelling Advance.
6. A submits a claim for Rs. 200 and returns back Rs.300.
7. Paid Rs. 500 Medical Advance to Kamal, an employee.
8. Kamal submit claim for Rs. 550. The organization pays the balance amount to him.
9. Paid Rs. 200 for Forest Advance to Vimal

The entries would be recorded as follows:-

1. START UP

CREDIT	Grant in Aid A/c	Rs. 10,000 (Revenue Received)
DEBIT	Bank Account	Rs. 10,000 (asset)

2. PURCHASE OF Chairs :-

DEBIT	Chairs A/c	Rs.1,800 (Assets)
CREDIT	Supplier	Rs.1,800 (liability)

3. Cash withdrawn :

DEBIT	Cash A/c	Rs.5,000 (Assets)
CREDIT	Bank A/c	Rs.5,000 (Assets)

4. Purchase of Tables :

DEBIT Tables A/c Rs.1,750 (Assets)
CREDIT Cash A/c Rs.1,750 (Assets)

5. Payment of Rent :

DEBIT Rent A/c Rs.1,200 (Expenses)
CREDIT Cash A/c Rs.1,200 (Assets)

6. Payment of Travelling Advance

DEBIT Travelling Advance to A A/c Rs.500 (Advances)
CREDIT Cash A/c Rs.500 (Assets)

7. Submitting of Expenses by A and returned of Amount

DEBIT Travelling Exp. A/c Rs200 (Expenses)
DEBIT Cash A/c Rs. 300 (Cash Received)
CREDIT Travelling Advance To A A/c Rs.500 (Assets)

8. Medical Advance To Kamal

DEBIT Medical Advance to Kamal A/c Rs.500 (Advance)
CREDIT Cash A/c Rs.500 (Assets)

9. Submitting of expenses and Payment of balance amount

DEBIT Medical Expenses A/c Rs.550 (Expenses)
CREDIT Medical Advance to kamal A/c Rs.500 (Advance)
CREDIT Cash A/c Rs.50 (Assets)

10. Forest Advance to Vimal

DEBIT Forest Advance to vimal A/c Rs.200 (Expenses)
CREDIT Cash A/c Rs.200 (Assets)

In a manually kept nominal ledger these entries would appear thus:

Cash Books:-

Receipt	L	Bank	Cash	Payment	L	Bank	Cash
	.	Amt	Amt		.	Amt	Amt
	f				f		
To grant-in-aid		10,000		By chairs A/c			1,800
To supplier a/c			1,800	By Cash A/c		5,000	
To Bank A/c			5,000	By Tables A/c			1,750
To Travelling Advance to A A/c			500	By Rent A/c			1,200
To Medical Advance to Kamal A/c			500	By Travelling Advance to A A/c			500
				By Travelling Exp A/c			200
				By Medical Advance to Kamal A/c			500
				By Medical Expenses A/c			550
				By Forest Advance to C A/c			200
				By Balance C/d		5,000	1,100
Total		10,000	7,800	Total		10,000	7,800

Ledgers:-

Grant in Aid A/c

Particulars	L/f	Dr. Amount	Cr. Amount	Dr/cr	Balance
By bank A/c			10,000	Cr.	10,000

Supplier A/c

Particulars	L/f	Dr. Amount	Cr. Amount	Dr/cr	Balance
By Cash A/c			1800	Cr.	1800

Chairs A/c

Particulars	L/f	Dr. Amount	Cr. Amount	Dr/cr	Balance
To Cash A/c		1,800		Dr.	1,800

Table A/c

Particulars	L/f	Dr. Amount	Cr. Amount	Dr/cr	Balance
To Cash A/c		1,750		Dr.	1,750

Rent A/c

Particulars	L/f	Dr. Amount	Cr. Amount	Dr/cr	Balance
To Cash A/c		1,200		Dr.	1,200

Travelling Advance to 'A' A/c

Particulars	L/f	Dr. Amount	Cr. Amount	Dr/cr	Balance
To Cash A/c		500		Dr.	500
By Cash A/c			300	Dr.	200
By Travelling Expenses			200		Nil

Travelling Expenses A/c

Particulars	L/f	Dr. Amount	Cr. Amount	Dr/cr	Balance
To Travelling Advance to 'A' A/c		200		Dr.	200

Medical Advance to Kamal A/c

Particulars	L/f	Dr. Amount	Cr. Amount	Dr/cr	Balance
To Cash A/c		500		Dr.	500
By Medical Expenses A/c			550	Cr.	50
To Cash A/c		50			Nil

Forest Advance to 'C' a/c

Particulars	L/f	Dr. Amount	Cr. Amount	Dr/cr	Balance
To Cash A/c		200		Dr.	200

Medical Expenses

Particulars	L/f	Dr. Amount	Cr. Amount	Dr/cr	Balance
To Cash A/c		550		Dr.	550

Now the extracted Trial Balance is as follows:-

Trial Balance

Particulars	L/f	Dr. Amount	Cr. Amount
Grant in Aid			10,000
Supplier A/c			1,800
Cash A/c		1,100	
Medical Expenses		550	
Travelling Expenses		200	
Forest Advance to 'C' A/c		200	
Bank A/c		5,000	
Rent A/c		1,200	
Table A/c		1,750	
Chair A/c		1,800	
Total		11,800	11,800

After Preparing the trial balance the next step is preparation of Income & Expenditure A/c and Balance Sheet i.e. :

Income & Expenditure A/c

Expenditure	Amount	Income	Amount
To Rent A/c	1,200	By Grant-in-aid	10,000
To Travelling Exp.	200		
To Medical Exp.	550		
To Excess of income over expenditure	8,050		
Total	10,000	Total	10,000

Balance Sheet

Liabilities	Amount	Assets	Amount
<u>Reserve And Surplus</u>		<u>Fixed Assets</u>	
<u>Opening Balance</u> nil		Table 1,750	
Add: Income over		<u>Chair</u> 1,800	
<u>Expenditure</u> 8,050	8,050		3,550
<u>Current Liabilities</u>		<u>Current Assets</u>	
Supplier	1,800	Cash 1,100	
		Bank 5,000	
		<u>Forest Advance to 'C'</u> 200	6,300
Total	9,850	Total	9,850

10. **Notes and References** – The following Notes should be considered after/before going through the above points: -

- Classification of accounts is very important, because each of the accounts are increased and decreased according to the type of account it is (asset, liability, capital, withdrawals, revenues and expenses).
- All **asset** accounts will be increased and decreased following the asset diagram. Cash, like all other assets, is increased with a debit and decreased with a credit.
- Revenue is earned and recorded when services are rendered or goods are sold.
- If one transaction refers to a prior transaction, you must look at the prior transaction in recording this transaction to avoid double recording revenue or an expense and avoid misstating a receivable or liability account.
- The rules of debit and credit are used throughout this course and future accounting courses. Since these rules are used repeatedly throughout the term, it is important that you familiarize yourself with these rules.
- A debit or credit is both types of parts of a money transaction in a double entry bookkeeping system.
- A credit always does the opposite to a particular account that a debit does.
- In a complete transaction in a double entry bookkeeping system, the sum of the credits must equal the sum of the debits for the transaction to be in balance.
- Since in the world there are only two kinds of accounts, your companies, and all the other companies in the world, credits and debits should act one way on your accounts, and exactly the opposite on other companies' accounts, so that money either flows from you to others or from others to you.

MAIN MANUAL

This manual contains information and instructions to assist in preparing the annual accounts and other related reports for each of the unit of ICFRE. After conducting the training to staff and after considering the background of people who will maintain the accounts, the manual has been prepared in the simplest of form so that it can cover all the accounting aspects and is understood by each and every person.

1. Books/ Documents to be maintained - The following books of accounts are required to be maintained by all the units: -

- Cash Book
- Journal Register
- General Ledger
- Fixed Asset Register
- Advance Register/Outstanding Register
- File for all the payment/ receipts vouchers with supporting bills
- Bank Reconciliation Statement file

2. Procedures to be followed to Convert the Single Entry System to Double Entry System

The procedure to be followed for conversion of books from single entry to double entry depends upon the records maintain in the single entry system. Where the cash books and ledgers are maintained, the procedure will be as under:

1. The first step is to prepare an Opening Statement of Affairs by balances appearing in Ledger accounts, Cash account and Banks accounts.

Statement of Affairs: A Statement of Affairs is a statement of Assets & Liabilities in the shape of a Balance sheet. It is to be prepared to find out the financial position of Institutes/Entity. While drawing up the Statement of Affairs matters like unpaid or accrued charges, payment made in advance etc should be carefully brought in to consideration.

2. After drawing opening statement of affairs, the opening balances should now be posted to their respective Ledger account.
3. A Journal Book should be maintained for recording day to day transactions according to their occurrence. Journal vouchers (specimen attached herewith) should also be maintained and the posting in journal should be done from these vouchers.
4. Every transaction must be recorded first in journal book/ Cash Book thereafter these should be posted in their respective Ledger accounts.
5. At the time of Posting care should be taken i.e. the receipt side of cash book is to be posted in the credit side of ledger account and payment side of cash book is to be posted in the debit side of ledger account.
6. Every transaction must have a supportive and respective Voucher whether it is Cash transaction or Non Cash transactions.
7. Periodical Bank Reconciliation Statements should also be prepared to keep a track of deposits and withdrawals from bank account.
8. Periodical Trial Balance should also be prepared to check whether posting has been done correctly or not.
9. Periodical Inter Unit Reconciliation Statements should be prepared to cross check inter unit balances.

3. Notes and Suggestions

- 1. Uniform Heads of Accounts** – It is suggested that uniform heads of accounts should be maintained by all the units. These heads should be defined with consultation of all the units. There should be proper guidelines which must describe the heads of accounts to be used for various transactions. This will help us to maintain accounts in uniformity with all units.
- 2. Petty Cash/ Cash Expenses** – There must be a Cash Purchasing Policy, which should pre-define a certain amount by which cash purchases or expenditure can be done. Usually it should be of petty nature say Rs. 1 to Rs. 500, beyond that the payment must be done through cheques. The *“Cash disbursement Voucher (CDV)”* must be maintained for the payments which should be completed and proper support document must be attached. The CDV must also include the signature of the account’s authorized signer and the signers printed name.
- 3. Accounts Payable and Processing of Payments** - All payments for goods or services provided to the units must be processed through the Accounts Payable Department. This is to be done to ensure that all payments are made in compliance with ICFRE’s policies and procedures, and to ensure that proper controls and safeguards are in place to protect ICFRE’s assets. In order for the Accounts Payable Department to process payment, the Accounts Payable Department must secure the proper authorization to process the payment. Accounts Payable cannot process a payment unless the purchase was made in accordance with ICFRE’s Purchasing Policy and the goods or services have been satisfactorily received and this receipt has been communicated in writing to the Accounts Payable department. In order to ensure that proper controls are in place to protect the university’s assets, ensure compliance with federal regulations, and to maintain an environment of sound business practices. To ensure that the university is aware of all expenditures that it is recording, and to

possess documentation sufficient to ensure that proper controls have been implemented and followed. For all payment requests **original** invoices/receipts/statements must be submitted to Accounts Payable.

- 4. Accounting should be done on accrual basis** - The entire accounting must be done on accrual basis i.e. the revenues, costs, assets and liabilities must be reflected in the period in which they accrue and arise.
- 5. Staff Advances:** - Each unit must maintain separate ledger account for each employee. All the advances given to them should be recorded in this account followed by claim made by them against these advances. This will allow the units to know the amount of advance pending with respective employee.

When an advance is paid to staff, it should be debited to concerned advance account, and at time of adjustment of advance, it should be credited to the same head of a/c.

- 6. Inter Institute Transaction.** - As per existing practice of ICFRE, when an employee is transferred from one unit to other, the last pay certificate (LPC) of the concern employee is issued by the previous employer to the present employer with the direction to recover the outstanding balance of advances. Accordingly, the present employer recovers the amount from the salary of the concern employee and remits the same to his previous employer. Under this system problem may arise for recovery and timely remittance of the same, as a result the outstanding advances may not be properly maintain and settle.

In order to avoid any discrepancies to settle the outstanding advances, following procedure should be followed

1. The previous employer will issue a debit note indicating the amount of advance to the present employer.
2. After receiving the above debit note the present employer passes the journal entry in own books by debiting advances account and crediting previous

employer account. Thus that advance will automatically incorporate in present employer's books of accounts.

3. After incorporating the above entry the present employer sends the certified copy or credit note duly signed by him to previous employer.
4. After this the present employer will recover the advances and adjust the same in advance account maintained by him instead of remitting the same to the previous employer.
5. A Register is to be maintained for both outgoing and incoming Debit/Credit Note indicating details of the transaction, date of issue, journal voucher no. etc.
6. Similarly, when a unit receives any amount on behalf of other unit the amount may be adjusted through Credit note with the same Procedure as in case of debit note, as described above.

7. Performa of Debit/Credit Note

Directorate of Administration
Indian Council of Forestry research and education
Dehradun

Debit/Credit Note No.

Dated :

To

The Director

Forest Research Institute

Jabalpur.

Sir,

Mr. Kamal Sharma (employee) has been transferred from Dehradun institute to Jabalpur Institute. The following advances are outstanding against his name.

Nature Of Transaction	Debit/ Credit
1. Travelling Advance	10,000/-
2. Forest Advance	5,000/-
Reference Letter No. dated:	
Total	15,000/-

Debit/Credited by

For I.C.F.R.E.

Dehradun

Signature

Designation

(Seal)

(Seal)

8. Illustration:

A Government Organization receives Grant in Aid amounting to Rs. Rs. 10,00,000 on 1.4.2007. Against this grant the organization spends the following amount during the period ended on 31.03.2008.

<u>Sl. No</u>	<u>date</u>	<u>Particulars</u>	<u>Amount (In Rs.)</u>
1.	01.04.2007	Opened Bank Account by depositing Cheque of Grant in Aid	10,00,000
2.	05.04.200	Withdrawn Cash	60,000
3.	06.04.2007	Purchase of Table & Chairs From Indian Store	1,05,000
4.	06.04.2007	Purchase of Computer From M/s Excel Enterprises	1,50,000
5.	10.04.2007	Cash Purchases of 2 Ceiling Fan	8,000
6.	10.05.2007	Travelling Advance to A	5,000
7.	11.06.2007	Printing Expenses	2,000
8.	12.06.2007	A submit the claim for expenses of	2,000
9.	15.07.2007	Medical Advance to B by Cheque	10,000
10.	24.07.2007	A submit the claim for expenses of	1,000
11.	30.07.2007	Salaries paid by bank	15,000
12.	15.08.2007	A submit the claim for expenses of	1,000
13.	25.08.2007	B, Submitted the Medical Expenses and Balance Amount returned to office	5,000
14.	30.08.2007	Salary paid by bank	15,000
15.	30.09.2007	Salary Paid by Bank	15,000
16.	12.10.2007	Loan Given to C by cheque	12,000
17.	30.10.2007	Salary paid by bank	15,000
18.	1.11.2007	A submit the claim for expenses of	1,000
19.	05.12.2007	Further Advance to A	10,000
20.	25.12.2007	Cash Withdrawn	15,000
21.	30.12.2007	Salary paid by Cash	15,000
22.	15.01.2008	Loan Received from C	12,000
23.	25.01.2008	Printing Expenses	5,000
24.	30.01.2008	Salary paid by bank	15,000
25.	15.02.2008	Salary paid by bank	13,500

	15.02.2008	Salary accrued but not yet paid to D	1,500
26	15.02.2008	Miscellaneous Expenses	12,000
27	17.02.2008	Salary Paid to 'D' in Cash	1,500
28	27.02.2008	Salary paid by Bank	15,000
29	5.03.2008	Printing Expenses	3,000
30	11.03.2008	Telephone Expenses By Cheque	15,000
31	15.03.2008	Advance to Mr. Verma (Employee)	8,000
32	31.03.2008	Payment to Indian Stores by Cheque	50,000
33	31.03.2008	Payment to M/s Excel Enterprises	72,500

Prepare Journal Entries, Cash Book, Ledger Accounts, Trial Balance, Income & Expenditure Account and Balance Sheet as on 31.03.2008