

### **Important Topics Exposition:**

*[The important information of this chapter has been provided here at a glance.]*

1. Literally, the meaning of the word transaction is – to ‘receive’ and ‘payment’ that means give & take.
2. Transaction refers to – the events that are measurable in terms of money transactions.
3. The basis of bookkeeping is – transaction.
4. The events that are measurable in terms of money or something that brought changes in financial position are to be treated as – transactions.
5. Any financial event that affect two parties or two organizations is – external transaction.
6. Measurable in terms of money, changes of financial condition, dual entity, complete & independent, visibility, historical events and impacts over accounting equation – are the natures of transaction.
7. Transaction always brings forth changes in -financial condition.
8. Every transaction must include two parties – this is dual entity of transaction.
9. Example of invisible transaction – depreciation and amortization / abolition.
10. Every transaction can be – visible and invisible.
11. Historical or future events – reserve for bad debts, reserve for discounts.
12. Each transaction affects – at least two accounting elements, accounting equation and financial condition.
13. The element of accounting equation is – assets, liability and equity.
14. Correct accounting equation –  $A = L + E$  /  $A = L + (C + R - E - D)$ .
15. The claim of the third party over the total assets of the business is – liability.
16. The claim of the owner over the entire assets of the business is known as – equity.
17. If expense increase, it effectively reduces – equity.
18. Purchasing assets on credit increase – A and L in accounting equation.
19. Cash, goods assets and other opportunities provided by owners are considered as – capital account.
20.  $Equity = assets - liability$ .
21. The documentary proof of goods purchase and sales is – invoices.
22. Invoice is prepared by – the seller.
23. The documentary evidence of transaction is – voucher.
24. Debit voucher is – used for goods purchase and different types of expenses.
25. Credit voucher is – used for sale of goods and income received
26. Invoice and cash memo are – attached with credit voucher while recording in the cash book.
27. A cash memo is – given at the time of cash sale.
28. The purchase journal for returned goods is prepared with – debit notes.
29. The buyer – prepares debit note
30. The seller – prepares credit note
31. The sales journal for returned goods is prepared with – credit notes.

## CQs for Self-assessment (Board CQ):

1. Kamal is a businessman. On 1<sup>st</sup> January 2018, the following transaction are occurred in his business: -

January-01	He started business with cash tk. 1,00,000.
January-03	Purchase sewing machine Tk. 20,000.
January-05	Income from sewing tk. 5,000.
January-10	Publicity expenses tk. 10,000.
January-15	Paid shop rent tk. 5,000.
January-22	Machine installation expenses Tk. 2,500.

### **Requirement:**

- Calculate the amount of capital nature expenditure.
  - Show the effect on the elements of accounting equation of above transactions.
  - Show the effects of transactions on the accounting equation in statement format.
2. Oshim trader's following transactions are given below on March 31, 2018: -

March – 01	Oshim traders started a business with Tk.1,00,000.
March – 05	He paid creditors Tk. 10,000.
March – 07	He placed order to purchase inventory Tk. 30,000.
March – 09	He withdrew tk. 3,000 from the business for his personal use.
March – 18	Tk. 10,000 was stolen from his personal cash.
March – 19	Credit sales to Pintu Tk. 10,000

### **Requirement:**

- Calculate the amount of non-business transaction.
  - Explain the above transaction under accounting equation method.
  - Show the effect of transaction on accounting equation.
3. Mr. Shajedur Rahman started business on 1 November bringing cash tk. 40,000, Furniture tk. 60,000 and loan tk. 50,000. During the month following transactions occurred in his business: -

November-02	Opened a current account with bank tk. 20,000,
November-08	Sold goods to Ritu tk. 30,000.
November-10	Goods purchased from Shomiho for tk. 45,000. Invoice No. 105, discount 5%.
November-13	Paid to bank loan Tk. 16,000.
November-20	Paid shop rent tk.4, 500.
November-24	Cash received from accounts receivable tk. 10,000.

### **Requirement:**

- Determine the opening capital.
  - Prepare an invoice on transaction November 10.
  - According to transaction prove  $A=L+E$  except transaction November 10.
4. Mr. Kamran started his legal practice business to bring cash tk. 1,00,000 and a computer of tk. 50,000 on 1<sup>st</sup> January 2016. The following events are found in his business for the month: -

January-02	Appointed a manager for monthly salary of tk. 15,000.
January-08	Purchase furniture on credit tk. 30,000.
January-12	Legal service provided to the clients for cash tk. 25,000.
January-18	Legal service provided to the clients on account tk. 30,000.
January-20	Loan taken from Janata Bank Ltd. For own purpose tk. 50,000.
January-30	Paid the manager's salaries for the current month.
January-30	Dues for furniture purchase paid off tk. 10,000.
January-31	Paid office rent for the month of January tk. 12,000.

### **Requirement:**

- Find out the total amount of above events, which are not transactions.
- Determine the amount of owner's equity of Mr. Kamran at the end of the January 2016.
- Show the effect on accounting equation.

## Board MCQ:

- Who prepare the credit note?
  - Seller
  - Accountant
  - Purchaser
  - Auditor
- Which are the basic elements of accounting equation?
  - Asset, expense and owner's equity
  - Asset, revenue and owner's equity
  - Asset, liability and owner's equity
  - Asset and owner's equity

*[Considering the following information, answer the question no. 2 & 3.]*

**On 1<sup>st</sup> January 2018 Tutul traders purchase a machine for Tk. 30,000. Installation cost of the machine tk. 5,000. At the end of the year the machine valued at Tk. 28,000.**

- Which features of the transaction directly affected by the different of the price of Tutul Traders value of the machine?
  - Measurable in terms of money
  - Changes of financial condition
  - Visibility & invisibility
  - Historical event
- In the stem Tutul Trader's -
  - Invisible transaction Tk. 7,000
  - Visible transaction Tk. 35,000
  - Visible transaction Tk. 63,000Which one is correct?
  - i & ii
  - ii & iii
  - i & iii
  - i, ii & iii
- Which one of the original bases of bookkeeping -
  - Account
  - Journal
  - Transaction
  - Trial Balance
- Which one of the following is the example of transaction?
  - To provide service free of cost
  - To receive valueless cheque
  - To distribute goods free of cost
  - To determine sales price
- Mr. Habib started the business with cash Tk. 20,000; goods of Tk. 10,000; furniture Tk. 5,000 & bank loan Tk. 10,000.**  
What is the amount of capital of Mr. Habib?
  - Tk. 20,000
  - Tk. 35,000
  - Tk. 30,000
  - Tk. 45,000
- Every transaction affect -
  - Two accounts
  - Accounting equation
  - Financial positionWhich one is correct?
  - i & ii
  - ii & iii
  - i & iii
  - i, ii & iii
- Which one is used for expenses?
  - Credit voucher
  - Debit note
  - Debit voucher
  - Credit note
- Goods sold on credit Tk. 10,000 and the payment of which is received after 5 days. Here goods on credit is a transaction and while 5 days later the payment received is a transaction.**  
Which type of feature of transaction is it?
  - Dual entity
  - Complete and independent
  - Visibility
  - Changes of financial condition
- Which is the example of intangible transaction?
  - General reserve
  - Bad debt
  - Creditor
  - Depreciation
- Who does prepare debit note?
  - Creditors
  - Seller
  - Bank
  - Purchaser
- What is the documentary evidence of sales return journal?
  - Debit note
  - Credit note
  - Debit voucher
  - Credit voucher
- Which one is the documentary evidence of purchase journal?
  - Debit note
  - Credit note
  - Debit voucher
  - Credit voucher
- Which account will be credited if the payment of business expenses by owner's personal fund?
  - Owner's A/c
  - Cash A/c
  - Capital A/c
  - Expenses A/c

16. Which one is used for expenses?  
a) Credit voucher  
b) Debit note  
c) Debit voucher  
d) Credit note
17. Under single entry system -  
i) One party is recorded  
ii) Two parties are recorded  
iii) Some transactions are not recorded at all  
Which one is correct?  
a) i & ii  
b) ii & iii  
c) i & iii  
d) i, ii & iii
18. element of accounting equation is -  
i) asset  
ii) liability  
iii) equity  
Which one is correct?  
a) i & ii  
b) ii & iii  
c) i & iii  
d) i, ii & iii
19. The effect of which of the following owner's equity will be decreased?  
a) Apprenticeship premium  
b) Cash a/c  
c) Drawings a/c  
d) Sales a/c
20. What kind of account is drawings?  
a) Income  
b) Expense  
c) Liability  
d) Equity
21. Which equation is correct?  
a)  $A = C + (L + R - E - D)$   
b)  $A = L + (C + R - E - D)$   
c)  $A = C + (L + E - R - D)$   
d)  $A + L = (C + R + E - D)$
22. Who prepare debit note?  
a) Debtor  
b) Buyer  
c) Seller  
d) Cashier

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