

# Account and Agriculture

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*Author*

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# Account and Agriculture

8

*Publisher:* Green Books

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*Edition*

B.S. 2074 (2017 AD)

*Layout*

The Focus Computer

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*Printed in Nepal*

**Price : Rs. 169.00**

# Preface

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I have a distinct pleasure in placing the book 'Account and agriculture' for the students of grade-8. The objective behind writing this book is to cover the subject matters of the book prepared by CDC, Nepal. I hope this book will help to impart the students an insight into the subject, explaining the complexities involved in a simplified manner and helping them to achieve academic goals. I have attempted to make this book simple, logical and natural.

For an easier navigation and understanding, various topics are dividing into chapters, units and sub-units that help students to understand the subject matter in easy way. I hope, not only students but teachers as well as persons interested in accounting also will be benefitted from this book.

I would like to thank to Green Books team for the publication and distribution of this book. Focus Computer deserves the words of appreciation for the computer work. Similarly, I would also like to express my hearty thanks to my spouse Uma for her great sacrifice and patience which is the great source of encouragement to bring this book.

Finally, a request to the teachers, students and readers to express their views as well as their suggestions for improvements of the book.

Author

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UNIT

1

# Office

## Learning objects :

**After studying this unit, the students will learn:**

- Meaning and definition
- Feature of Office
- Importance of Office
- Functions of Office
- Types of Office

## Meaning

The word 'office', as understood by the common man, means a place where all sorts of clerical work is performed and where all kinds of papers are dealt with.

The office is an important function of business like other function such as production, marketing, personnel, accounting, and financing. The term 'office' should be defined to represent office work rather than the place where the office work is done. That means, the office should not be defined as merely a physical structure at a particular place. If the office is restricted to a particular place only, it will mean that the work which by its nature is office work and is performed outside the four-walls of the office will remain uncontrolled. Therefore, the term 'office' should be interpreted widely to represent functions which it performs rather than the place where they are performed.

**"An office may be regarded as a place where control mechanisms of an organization are located."- George R. Terry.**

In modern times, the word 'office' is used in a broader sense to represent the functions performed by the clerical staff rather than the place where such work is performed.

**"Office exists anywhere, where certain kinds of works are performed."- Edward Roche.**

## Functions of an office

### a. Collecting and Receiving Information

The office is continuously engaged in collection of relevant information from internal and external source. It collects information in the form of telephonic messages, circulars, letters, notes, memoranda and so on. It also receives information from other organizations and government departments which is necessary for the functioning of an office.

## **b. Recording Information**

After receiving and collecting information, the next major function of the office is to record the information in a suitable form. From whatever source or into some form of written record. Records of certain information, such as trade circulars, correspondence with customers, Price lists, etc., are to be preserved for a short period but records which are to be preserved for a long period are books, registers, policy-decision papers, licences, etc. It may be helpful as a proof in case of disputes with other organizations on certain matters.

## **c. Processing or Arranging Informations**

The information received and collected is analysed and arranged or re-arranged in a certain order to make its usability more functional from the point of view of the management.

The processed information is arranged in a logical way. For instance, accounts of expenses and income are arranged in the form of financial statements as is acceptable to income- tax department; pay-rolls, statement of sales, etc., are prepared in such a way so as to serve the purposes of the management.

## **d. Communication of Information**

The office may be compared to a pipeline for supplying information in two ways. On the one hand, it is the function of the office to supply information as collected, recorded and processed by it to the management whenever required; on the other hand, it is also the duty of the office to communicate the policy decisions, guidelines and instructions issued by the management to the departments and departmental executives for their guidance. The information supplied to the management may be of a routine nature, viz., staff attendance, stock position, cash and bank balances, etc. The information may be supplied verbally or in writing.

## **f. Safeguarding of Assets**

The assets of an organization include fixed installations of the office building like telephones, lighting and ventilation systems, fans, air-conditioners, water coolers, etc., as well as movable assets like furniture, office machines, equipments of various types, cash and securities, records, deeds, and documents, etc. These are considered essential for the proper functioning of the organization, and it is the function of the office to arrange for the protection and safeguarding of assets against loss or damage by thief, fire or other means.

## Importance of office

That office serves as the centre for whole organization, no organization can exist in the absence of office. Pro. Dicksee has rightly stated that the office is to the organization what the main spring is to watch. The importance of office can be further explained as under :

1. **Office as information centre:** It can be described as the information center or data bank of an organization. All kinds of information and figures, whether past or present, are available in the office. The information furnished by the office serves as the basis for forecast, planning and control.
2. **Channel of communication:** Office is the channel through which communications, especially written communications, move from top to bottom and in the reverse order as well. An organization would fail, in spite of the best organizational talent, if objectives, policies, orders and results are not communicated in either direction.
3. **Aids in coordination:** The process of coordination is almost impossible without the presence of office. Office furnishes the machinery for coordination. Coordination is possible due to the links that office provides for various activities of the organization. Office provides the necessary information and knowledge for coordination.
5. **Importance to workers:** Effective human relations require effective organization. Preparation of wage and salary sheets and salary sheets and their payment are the responsibilities of the office. Office is also responsible for operating employee benefit schemes, e.g., the pension and the provident fund schemes. In the absence of a good office, the organization may face disgruntled workers.
6. **Importance to shareholders and creditors:** Office serves as the link between the shareholders on the hand company on the other. Works of issue of share certificates, share transfer, issue of dividend warrants, issue of notice of company meetings and answering different enquiries of shareholders is of the office. Similarly office links the creditors with the help of by the office. Similarly office links the creditors with the organisation and has to act as servicing department for them.
7. **Planning and controlling center:** An office collects information regarding past and present performance. Various plans and policies are formulated and implemented through office only. It also monitors progress and prevents unwanted deviation. Therefore it is the control room for whole organization.
8. **Importance in relation to government and general public:** Today a business organization is recognized as a social institution. It is required to satisfy government regulations. The office acts as the link between different government departments and the organization. Office is also the link



between the general public and the organization. Office is responsible for creating a proper type of image for the organization in the minds of people. It is responsible for building up a healthy social image. An organization cannot be anti-social and this idea has to be conveyed to outsiders.

**Questions:**

1. What is an office? Explain its features in brief.
2. Explain the importance of an office for an organization.
3. Office is centre for information. Justify.

# UNIT 2

## Communication Meaning

### Learning objects :

**After studying this unit, the students will learn:**

- Meaning of Communication
- Importance of Communication
- Qualities of good Communication system
- Medium of Communication
- Means of Communication

# Communication Meaning

The word communication is derived from the Latin word 'communis' which means common. It is the process in which two or more people persons and parties exchange information and share meaning. . It is the process of passing information either by speaking or writing or using symbol.

It is sharing of ideas, knowledge, feelings and perceptions. Within the workplace, communication takes place for a number of direct and indirect reasons.

Primarily it is necessary for passing information between people studying or working in the same organization and between the organization and other

A proper communication takes place when a receiver receives a message in the same sense the sender intends to communicate. There must be the proper communication system in an organization in order to receive as well as disseminate the information. A manager collects information from internal and external sources and on the basis of it he makes various plans, policies, and strategies for the organization.

**'Communication is the transfer of information and understanding among people'- Keith Davis**

**'Communication is the transmission of information and understanding through the use of common symbols'- Gibson**

## Importance of Communication

Communication is one of the most important management functions. Communication is essential to maintain co-ordination and co-operation among employees in the organization to achieve organizational goals. The importance of sound communication system is as follows:

### i. Basis of Planning

Planning is the blue print of actions. Information is the backbone for planning.

Reliable information about the past and present trends can be collected through sound communication. Therefore, communication can be used as a basis for better planning.

## **ii. Aids in Decision Making**

Decision making is the process of selecting the best alternative among the set of alternatives. The best alternative is selected on the basis of data's, facts, figures, reports or information. These all can be collected with the help of proper communication. Hence, communication helps for effective decision making.

## **iii. Smooth and Efficient Operation**

For the smooth and efficient operation of the business, there must be the proper communication system. Manager provides plans, policies, information, and instructions of work and receives feedback through means of communication. In fact, efficiency of managerial function depends upon the effectiveness of communication network.

## **iv. Facilitates Co-ordination**

Communication helps to establish proper co-ordination among employees (manager employees, workers and department) through the exchange of information, ideas, feelings, problems or grievances. Thus it creates mutual understanding, harmony and team spirit among employees of the organization.

## **v. Employees Motivation and Morale**

Proper communication system motivates the employees and their morale by providing information of management in clear way along with the proper guidance and instructions from time to time due to which they can clearly understand their jobs and responsibilities and perform their work easily. Also, proper communication system in an organization facilitates to convey employees, suggestions, problems and grievances directly to the management.

## **vi. Maintains Public Relation**

Communication helps to maintain good public relation with customers, suppliers, government, trade unions, medias and other general public by providing different information about the organization like its plans, policies, programs, strategies to general public. It also tries to maintain good public relation by handling the public complains and problem in an effective way.

## **vii. Helps to Overcome Resistance to Change**

The only thing that remains constant in this world is change. Proper communication

system helps the management to overcome resistance to change by properly communicating the employees about the need, benefit and impact of change in the organization.

### viii. Aids in Controlling

Control is the comparison of actual performance with the predetermined standard set by management and taking corrective actions in case of any deviation. Such control measure is only possible when the targeted standard is communicated to the employee and effective inspection technique is followed and information of actual performance and deviation from planned performance are communicated to management and employees.

## Types of Communication

Communication can be classified on following basis:

1. **On the basis of means used:** Communication divided into two groups on the basis of means used:
  - a. **Written communication:** Written communication is the exchange of information through written words. It is the very popular, formal and widely used communication. It is very much important and common in business communication because it ensures accuracy and plays a proof of evident in near future. It includes a letter, circular, manual, bulletin, office memo etc.
  - b. **Oral communication:** Oral communication is the exchange of information, ideas, facts or opinions through spoken words either face to face or through telephone or some other mechanical device. The main benefit of oral communication is that it allows two way communications and can generate immediate feedback. Oral communications are excellent for speedy interchange of ideas.
2. **On the basis of relationship:** Communication divided into two groups on the basis of relationship:
  - a. **Formal communication:** it refers to the communication that follows the official chain of command . It is the proper channel of communication determined by management for flow of objectives, plans, policies, programs, feedback, suggestions and grievances in systematic way. The formal communication is managed and controlled by management of an organization.
  - b. **Informal communication:** it is organizational communication that is not defined by the organization's hierarchy. Thus, it may flow in any

direction without following any organizational structure. Informal communication can take place between any levels of organization.

3. **On the basis of Direction:** Communication divided into two groups on the basis of direction:
  - a. **Upward communication:** it is the communication which flow from the lower level to the higher level i.e. from the sub-ordinates to the superiors in the organization. Generally in this type of communication the problems faced while doing the work, reports, suggestions, grievances, feedbacks, etc. are communicated by the subordinates to their superiors. Suggestion boxes, participative decision making, grievance procedure are examples of upward communication.
  - b. **Downward communication:** it is the flow of information through the organization structure level by level , i.e. from higher level to lower level. Downward communication is important to maintain the regular operation of business. This communication is used to pass various types of information within the organization like plans, policies, instructions and suggestions to their subordinates.
  - c. **Horizontal communication:** it is the exchange of information horizontally between personnel in one division and personnel of equal, lower or superior status in another divisions. The horizontal communication may in both formal as well as informal. It is very useful for achieving coordination and solving problems.

## Means of communication

For the effective transfer of information organization must choose the appropriate means of communication depending on the information i.e. going to be transferred and the audience receiving it. The effective communication take place if the receiver understands the message in the same meaning that is sent by the sender. For accurate and effective communication organizations use different means of communication some of the common and popular means of communication are discussed below:

1. **Telephone:** Telephone is commonly available means of communication in office in these modern days. It is the device used to communicate messages or information verbally through the wire or wireless connection. It is easy and effective means of communication and popular in every office.
2. **Teleprinter or teletypewriter:** Under this system the teleprompters are placed at two ends. A tele printer consist of two parts or machines. One machine is the electronic typewriter with the standard keyboard which is used to print message, and the other part automatically prints the incoming messages. A

message typed on the transmitting end gets printed automatically on the receiving end. Various branches of an organization can be linked with the help of teleprinters for inter-communication.

3. **Telex:** Under the telex services, the teleprinters are haired to the subscribers who are allotted with a code number (like a telephone number) and linked to the nearest exchange. When a message is to be transmitted a signaling button is pressed to call the exchange. The operator then types out the desired telex code number . On receiving confirmation on the exchange that the teleprinter at the receiving end is free, the messaged is typed. The receiver then types out the acknowledgment which is received on the same machine at the transmitting end. However, there can be automatic telex services in which the clearance from the exchange is not needed. On the automatic transmitter, the message to be sent is punched n the tape using a keyboard perforator and following the standard teleprinter code. The tape is then fitted into the transmitter and connected with the telex line. By switching on, the punched tape message is printed automatically on the receiving end. In this way, work can be done very quickly. Now- a- days use of telex is very low due to the development of other advance technologies.
4. **Telegram:** A telegram is a message sent by a telegraph, which is also called a wire .Telegram is also a kind of means of communication used in country side where there is no availability of telephone. Wireless devices are used to deliver the message with system of dialing number like telephone for connectivity. Once the devices get connected, the message to be sent is read in one end and that is written in another end by the operator. And such written messages are transferred to the concerned person or office.
5. **Fax:** Fax is one of the popular medium of communication which allows the transmission of documents containing both text and graphics over ordinary telephone lines. It is mechanical process in which written information are sent and received. For this system two devices for transmitting and receiving messages are needed. Such two devices are linked through telephone connection and written message is transmitted. It is very fast and popular technology, widely used in offices for quick exchange of written information.

### Questions:

1. What is communication? Explain its importance.
3. What are the types of communication? Explain in brief.
4. List out the means of communication and explain any two of them.
5. What is written communication?

# UNIT 3

# Tax

## Learning objects :

**After studying this unit, the students will learn:**

- Meaning of Tax
- Types of Tax
- Importance of Tax



## Meaning

The main objective of a nation is to maintain peace and security in the country, for these duties government needs lots of funds or money which is collected by government by different ways. Out of these, one method is tax. So tax is a compulsory burden to the people who have taxable income. It is the major source of government revenue. In other words, tax is any compulsory levy from individuals, householders and firm to central or local government. The person or entity, which has taxable income, is liable to pay tax without expecting any direct benefit from the government.

## Types of Tax

Tax can be classified into following categories:

**Direct tax :** Direct tax is a tax on income and property. The characteristics of a direct tax are equitable as per the property or income, certainty as per the process of payment, amount to be paid, time of payment, elastic in nature etc. The examples of direct tax are income tax, property tax, vehicle tax etc.

**Indirect tax :** An indirect tax on goods and services. The main features of indirect tax are convenient to pay, mass participation, limited evasion, shifting of incidence, the consumer pays the tax to the business person, not the government etc. The examples of indirect taxes are customs, excise value added tax and so on and indirect tax is universal in nature, i.e. it is collected from all the citizens. It is also elastic and wide base.

**Custom duty :** Customs refer to the taxes imposed on the commodities imported and exported. Customs give a good amount of revenue to the government. These are indirect taxes.

**Taxes on Consumption and Production:** Government collects large share of revenue through the imposition of tax on the production and consumption of goods and services. Different taxes such as value added tax, sales tax, excise

duty, entertainment tax, road tax, etc fall under this heading. These taxes are also indirect taxes.

**Land Tax :** Land revenue and registration are direct taxes. Land tax is charged to the land lord and registration tax is imposed to the people who register land and house on their ownership. It is imposed at the time of registration.

**Income tax :** Government imposes taxes on income and profit of individuals, private and public institutions, etc. according to their level of income and profit. Similarly, taxes are imposed on property such as vehicles, houses, etc. for the ownership of such properties. These taxes are direct taxes.

## Objectives and Importance of tax

Tax is the most important part of the country to develop. Because of tax, government could not do anything in country. It has become an instrument of social and economical policy for the government. The major objectives of taxations are as given below:

- a. Reducing unemployment problem:- The government can reduce the unemployment problem in country by creating various employment generating activities. Because of tax government establish industries in different remote area which provides many employment to the people. As a result, the unemployment problem can be reduced.
- b. Increasing the revenue:- This is also the objective by taxation. Because of the tax, the government economic condition will be strong. So that government will do different programme to develop the country. For this, it needs a huge amount of resources and the government collects resources by different taxes.
- c. Boosting up the economy:- The government controls or expands the economic activities of the country by providing various concessions, rebates and other facilities on the contrary, high rates of taxes may be useful to check inflationary pressure on prices. Tax policy may be used as a regulatory mechanics to achieve price stability, check, business booms and depression.

### Questions:

1. What do you mean by tax? Why is it important?
2. Explain different types of taxes.
3. Define direct and indirect taxes? Explain with suitable examples.
6. Differentiate direct tax from indirect tax.
7. What is the role of tax for the development of a country? Give your opinion.

# UNIT 4

## Insurance

### Learning objects :

**After studying this unit, the students will learn:**

- Meaning of Insurance
- Important terminology of Insurance
- Different types of Insurance
- Importance and advantages of Insurance

## Meaning

The normal activities of daily life carry the risk of enormous financial loss. Many persons are willing to pay a small amount or protection against certain risks because that protection provides valuable peace of mind. The term insurance described any measure taken for protection against risks.

In an insurance contract, one party, the insured, pays a specified amount of money called a premium to another party, the insurer. The insurer in turn agrees to compensate the insured for specific future losses. The losses covered are listed in the contract, and the contract is called a policy.

Insurance an arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium. Insurance is a contract of reimbursement. For example, it reimburses for losses from specified perils, such as fire, hurricane, and earthquake. An insurer is the company or person who promises to reimburse. The insured (sometimes called the assured) is the one who receives the payment, except in the case of life insurance, where payment goes to the beneficiary named in the life insurance contract.

**Legal definition of insurance is “A contract whereby, for specified consideration, one party undertakes to compensate the other for a loss relating to a particular subject as a result of the occurrence of designated hazards.”**

## Characteristics of insurance

The basic characteristics of insurance are:

- a. **Pooling of losses:** one of the characteristics of insurance is pooling of losses. Pooling is the spreading of few losses over the entire group so that in the process average loss is substituted for actual losses. In addition pooling involves the grouping of a large numbers which can operate to provide a substantially accurate prediction of future losses.

- b. **Payments of fortuitous losses:** A fortuitous loss is one that is unforeseen and an expected and occurs as a resulting chance. It means loss must be accident. The rules and regulation of large numbers is based on the assumption the losses are accidental and occur randomly. The insurance pay for fortuitous losses
- c. **Risk transfer:** With the exception of self insurance, a true insurance plan always involves risk transfer. Risk transfer means that a pure risk is transferred from insured to the insurer like risk of premature death, poor health, disability, destruction, theft etc because insurer is in stronger financial position to pay the loss than the insured.
- d. **Indemnification:** Insurance indemnified the losses. Indemnification means that the insured is restored to his or her appropriate financial position prior to the occurrence of losses. So, insurance indemnify the losses.

## Types of Insurance

### Life Insurance

Life insurance contract may be defined as the contract, whereby the insurer in consideration of a premium undertakes to pay a certain sum of money either on the death of the insured or on the expiry of a fixed period. Life Insurance is a financial cover for a contingency linked with human life, like death, disability, accident, retirement etc. It is a contract between the policy owner and the insurer. Human life is subject to risks of death and disability due to natural and accidental causes. When human life is lost or a person is disabled permanently or temporarily, there is loss of income to the household. Though human life cannot be valued, a monetary sum could be determined based on the loss of income in future years. Hence, in life insurance, the sum assured (or the amount guaranteed to be paid in the event of a loss) is by way of a 'benefit'. Life Insurance products provide a definite amount of money in case the life insured dies during the term of the policy or becomes disabled on account of an accident.

### Kinds of Life Insurance Policies:

**Term Insurance | Endowment Policy | Whole Life Insurance | Anticipated endowment life insurance | Children Policies | Annuity (Pension) Plans**

### General or Non-life insurance

The insurance other than life insurance is known as General or Non-life insurance.

#### Fire insurance

Fire insurance is insurance that is used to cover damage to a property caused by

fire. Fire insurance is a specialized form of insurance beyond property insurance, and is designed to cover the cost of replacement, reconstruction or repair beyond what is covered by the property insurance policy. Fire insurance is a form of property insurance which protects people from the costs incurred by fires. When a structure is covered by this type of insurance, the insurance policy will pay out in the event that the structure is damaged or destroyed by fire. Some standard property insurance policies include fire coverage in their coverage, while in other cases, it may need to be purchased separately.

Depending on the terms of the policy, fire insurance may pay out the actual value of the property after the fire, or it may pay out the replacement value. In a replacement value policy, the structure will be replaced in the event of a fire, whether it has depreciated or appreciated: in other words, if homeowners purchase a home and the value increases, as long as it is covered by a replacement value policy, the insurance company will replace it. An actual cash value policy covers the structure, less depreciation. Most accounts come with coverage limits which may need to be adjusted as property values rise and fall.

### **Marine insurance:**

Marine insurance is a type of insurance that covers boats and ships, as well as their cargo and in some instances the places where the boat or ship is docked. Ships sailing on sea are subject to very many risks. They may collide against another ship, or be captured by thieves or King's enemies or founder on a rock. The ships and the cargo (i.e., the goods on board) may be lost in such a case and a tremendous financial loss may be caused to their owners. Such risks, if not covered, will constitute a great obstacle to the international trade. It is to safeguard against them that marine insurance has been devised. Marine insurance was the first type of insurance to make its appearance in the early days of maritime commerce and was followed by life and fire insurance.

There are several varieties of insurance that can be taken out by a boat or ship owner. Marine cargo insurance covers whatever goods the boat is carrying. Inland marine insurance can be procured for floating vessels that are not ocean-bound, but travel primarily on lakes, rivers and reservoirs. There are also more general policies that cover the boat itself and its passengers, liability for damages to other moving vehicles and liability during an encounter with a non-moving object. These all fall under the heading of a marine insurance policy.

### **Motor insurance:**

A motor insurance policy is a mandatory policy issued by an insurance company as part of prevention of public liability to protect the general public from any accident that might take place on the road. It is insurance for a motor vehicle such

as a car, which provides protection against loss in the event of an accident, theft, etc. Now in Nepal, the law mandates that every owner of a motor vehicle must have one motor insurance policy.

### Aviation insurance

Aviation insurance is also known as aircraft insurance.

Aviation insurance is insurance against claims and losses arising from the ownership, maintenance, or use of aircraft, hangars, or airports including damage to aircraft, personal injury, and property damage.

It is a policy that offers property and liability coverage for aircraft. It covers losses resulting from aviation risks that come about due to the maintenance and use of aircraft, property damage, loss of cargo, or injury to people. It protects both its owners and aircraft operators from unforeseen losses.

#### Questions:

1. What is an Insurance? Why do people get their life insured?
2. Explain different types of non-life insurance.
3. State the advantages of insurance.
4. Write short notes on:
  - (a) Marine insurance.
  - (b) Fire insurance.
  - (c) Aviation insurance.
  - (d) Life insurance.

# UNIT 5

## Office Resources

### Learning objects :

**After studying this unit, the students will learn:**

- Meaning of Office Resources
- Necessity of Office Resources
- Types of Office Resources



Every organization is established with specific objective and goal. To achieve the objectives and goal, it has to perform various activities and different types of resources are needed to perform the activities. The resources needed for these purpose in the office are known as 'Office Resources'. In absence of the resources office can not run and the office becomes useless. Manpower plays a key role among all other resources because in absence of competent manpower, the other resources cannot perform well. The success of any office depends on proper and efficient utilization of available office resources.

**"Office resources refer to all those means including manpower, which support in the operation of office procedures." S.P. Arora.**

Thus we can say manpower, money, materials, machines, means of transportation, means of communication etc. are the important office resources.

### Necessity and Importance of Office Resources

Office resources are most essential for any office to conduct daily jobs to prepare strategies. The success of any office depends on proper and efficient utilization of office resources.

Its importance are described as follows:

- i. **Helps to perform daily work smoothly:** Office resources are essential to perform the day to day official jobs smoothly and regularly. In absence of it regular activities are disturbed and work cannot be performed in time.
- ii. **Helps to avoid delay:** due to the unavailability of office resources the official works can not be performed within schedule and given standard. So it is necessary to manage necessary office resources to perform the job in right time.
- iii. **Helps to increase goodwill:** good management of office resources ascertain the better service which helps to satisfy employees, customers and other concerned parties. In fact, satisfied customers, employees and other

concerned parties create positive impression in the society, which helps to increase goodwill of the organization.

- iv. **Helps to increase reliability:** office resources are used to bring the perfection in the job of office for eg. telephone can be used to get the confirmation of the order that has been sent via mail. In this way different other resources also help to increase the reliability in the job.
- v. **Helps to increase productivity:** use of office resources in office reduces the work load in one hand and brings the accuracy and comfort on the other hand. Due to these all, productivity of manpower as well as of office increases.

## Types of Office Resources

Organization may require different types of office resources as per their nature of transactions and activities. Office resources can commonly be grouped into five categories, which are as follows

- I. **Human Resources**
- II. **Communication**
- III. **Materials and office supplies**
- IV. **Transport**
- V. **Finance**

## Human Resources

Human Resources vital for achieving the organizational goal. Human resource does not refer to mere collection of people; all people possess energy and physical strength. Human resource refers to the people having required competencies for the job to be performed. Better people achieve better result. It is considered as the key resource among all, because all other resources are managed and mobilized by Human resource. The effectiveness of the organization largely depends on the performance of the people working in the office.

Human resource of an organization include all the employees engaged in various jobs at different levels. They are ready, willing and able to contribute their skill and knowledge for the organization. Human resource can be categorized into different groups but it is better to classify them into two types which are:

- a. **Technical Human resource**
- b. **Administrative Human resource**

## Communication

communication is the process of passing information either by speaking or writing or using symbol. It is sharing of ideas, knowledge, feelings and perceptions. Within the workplace, communication takes place for a number of direct and indirect reasons. Primarily it is necessary for passing information between people studying or working in the same organization and between the organization and other.

Communication directs our attention to three important issues:

- i. Communication involves transmission and reception of message.
- ii. Communication involves at least two parties; sender and receiver.
- iii. Communication is a process in which a sender and receiver share similar the meaning of message.

## Materials and office supplies

Materials and office supplies are needed by every types of office, whether big or small. For smooth and effective operation of day to day work, availability of material is very essential. Materials or supplies of different kinds needed by the office are writing papers, carbons papers, photocopy papers, pads, inks, pencils gum, staplers, file covers, stamps clippers etc. They provide comfort and ease to the staff for the performance of official works. Materials and supplies are available in different qualities, shapes and sizes and under different brand names. Organization should establish the proper system to ensure the regular supply of material in right quantity. It is necessary that material should be managed in adequate quantity every time. Overstocking and under stocking both are harmful for the organization.

## Finance/ Source of income

Every organization needs money for its regular operation of the activities. The first source of money in the organization is sum of the assets invested which is known as capital . But it is not possible for the organization to use or invest capital whenever money is needed. A regular source of income should be identified to give the life to the organization. The source of income is necessary for each and every type of organizations to meet operating as well as capital nature expenditure. Finance is the source of income which is necessary to pay salary, house rent, water and electricity bill, stationery, communication charge, wages, purchase of materials and other necessities in the organization. The main sources of income for manufacturing and trading organizations are sales of the products, and for service rendering organizations are fees/ amount charged from the costumers. Besides these, capital, profit earned, loans, interest from investments are also

sources of business offices. Similarly source of income of government office are tax revenues, non-tax revenue, donations, budgets from head office etc. Thus sources of income may differ as per the nature of the office. Proper arrangement of finance helps to face any obstacles in near future.

## Transportation

In general terms, transportation means to carry goods from one place to another place. Transportation of goods is necessary because goods are not used in place of production. The goods produced in one country or one place has to be carried to different countries or different places. Transport is very important means to expand market and seek new opportunities of new markets. Due to transport facility there is mass production of goods, timely delivered, customer satisfaction, large number of transaction, etc. It also helps in distribution of goods in right place in right time. Distribution increases time utility of goods. It minimizes price fluctuation, and provides better services to the customer at lower prices.

There are different ways and means of transportation. They are:

- i. **Road transport:**  
**Railway transport**
- ii. **Water transport**
- iii. **Air Transport**

### Questions:

1. Write about significance of office resources.
2. What do you mean by office resources? Write in short.
3. Explain any four office resources.

UNIT

6

# Filing Meaning and Definition

## Learning objects :

**After studying this unit, the students will learn:**

- Meaning of Filing
- Objectives and importance of Filing
- Method of Filing
- Classification and systems of Filing
- Meaning and importance of Indexing

# Filing

## Meaning and Definition

A good filing system is the symbol of the success of an office. It is the process of collecting and arranging the original records or their copies in such a way that whenever needed, they could be located safely immediately.

It is the systematic and scientific collection and preservation of important documents in a proper form and place so that they can be found at the time of requirement without any delay and difficulty. It is the method or way of keeping the important official documents in a logical sequence for future references.

George R. Terry, "Filing means the systematic and scientific collection, store and management of letters, documents and records of past and present for future reference so that they can be safe and easily obtainable at the time of necessity."

### Importance and Objectives of Filing

The primary need of filing is for the preservation of document for future reference in a systematic manner. Besides this due to the following importance filing is essential for the organizations:

1. **Efficient correspondence:** establishing a good and orderly filing system, correspondence becomes more efficient because all the information related to it is available immediately from the concerned files.
2. **Ready references:** a satisfactory filing system helps the concerned employee in studying all the concerned papers and documents and locating the old references. Similarly it provides reference for the correspondence with suppliers, customers, government, etc. Previous letters like circulars, references, orders, complaints, inquires, etc. are taken as reference while making decision with stated parties.
3. **Documentary evidences:** carefully maintained letters and documents can be used as a documentary evidence in case of any dispute. The second party is also unable to refute the validity of the written documents.
4. **Important and valuable information:** by studying old records, management

can obtain valuable information for policy and decisions making purpose because the previous experience proves very useful in providing new directions to the future program.

5. **Safety records :** the main objective or importance of filing is to maintain the information contained in the files safely so that it is not removed here and there, or lost, nor be destroyed by pests, heat, sun , rain, seepage etc. an ideal filing system ensure the safety of the preserved documents.
6. **Statutory requirements:** Filing keeps all the records safely which are useful to fulfill the statutory requirements. It means , filing fulfills various legal obligations of an organization as it maintains records as prescribed by law.
7. **Facility in planning and control:** Filing makes past and present records available to the management. The management formulates future plans on the basis of those records. The management also evaluates enterprise activities and takes corrective action on the basis of filing system.
8. **Prompt Decisions:** a good filing system helps the management in taking prompt and right decision because all the information and facts required for decision making processes are readily available to them as per need.

## Methods of Filing

### i. Alphabetical classification

This is the way of arranging files in accordance with alphabetical order of the names of persons or organizations. This is also known as dictionary arrangement as first letters are arranged alphabetically. If many names occur from the same alphabet subsequent letters are placed into row such as Aa, Ab, Ac..... Az.

#### Advantages :-

- i. This method is very simple and easy to understand.
- ii. It is flexible method useless files can be removed and new files can easily be added.
- iii. For the use of file separate index is not required it is self-indexing method.
- iv. It is economical filing method.
- v. It is equally suitable for small and large scale organizations.

#### Disadvantages:

- i. This method lacks the secrecy.
- ii. It is not suitable for the organization having a large number of documents and files.
- iii. If wrong letter is written and placed , it is very difficult to find

- iv. It is difficult to decide in advance how much space will be required to keep the the files beginning with same letters.
- v. It is time consuming method.

## ii. Numerical filing

The numerical classification is the sequence of arrangement in which each file is given a particular number and then individual files are arranged serially. The files are named after the numbers allocated to them. Out of many ways of numerical classification, consecutive classification, Dewey classification and terminal classification are more important systems.

### Advantages:

- i. There is greater accuracy in filing.
- ii. It is flexible method since it has unlimited scope for expansion.
- iii. Index can be used for other purpose for example, address list.
- iv. This method maintains secrecy.
- v. Easy referencing because the file number can be used as a reference.

### Disadvantages:

- i. It is time consuming method of filing.
- ii. A separate index is needed which increases the cost.
- iii. A minor mistake in filing or index may cause a lot of inconvenience.
- iv. Can not be used other than qualified staff which is not suitable for small scale organizations.

## iii. Geographical classification

Geographical method of classification implies that the files are arranged on the basis of geographical origin. Such classification may be townwise, districtwise, statewise, countrywise or continentwise. This method is very useful for those organizations which have scattered their customers far and wide. Several district and town guides may be used for quicker reference of the file.

### Advantages :

- i. It is very simple to understand and operate.
- ii. Letter can be placed in the files without the help of an index.
- iii. Alphabetic and numeric arrangement can be applied.
- iv. Speedy location of files and folders is possible.



## Disadvantages

- i. Poor geographical knowledge brings continuous error.
- ii. Secrecy can not be maintained due to the use of name of region .
- iii. Various guide cards are needed which is not suitable in small organizations.

## iv. Subjective classification

The method of classification in which documents relating to a common subject are brought together in one file, even they come from different sources is known as subjective classification. Subjective filing is very useful in courts, police station, libraries, etc. where different subjects are to be arranged.

## Advantages :

- i. This method is very popular due to its simplicity.
- ii. It is flexible method because unlimited files can be added.
- iii. This method is suitable to those office which deals with different cases.
- iv. The files can be easily located if only the subject of the letter is known.

## Disadvantages :

- i. The detail of the file due to which secrecy cannot be maintained.
- ii. Its greatest drawback is that it is difficult to classify.
- iii. It is not useful method for miscellaneous paper .
- iii. An index is needed which makes the system costly.

## Meaning and Definition of Indexing

Simply, index is the signal which helps to find the documents or files promptly. The term indexing means pointer or indicator or guide to something. In record management, indexing may be defined as an indicator or guide for locating files , folders and other documents. It is a ready guide to locate the required informations. It can be described as a method of providing indicators for a body of data or collection of records. Indexing is an inseparable part of an ideal filing system. By indexing , the whole record of the files is available and if a file is misplaced it can be located promptly.

**According to J. C. Denyer, "An indexing is anything that indicates or points out its prime function is to act as a guide to a body of data or a collection of records."**

## Purpose of indexing

Indexing can be compared with the eyes of filing. It ensures easy and quick reference to the required record. Its main purpose can be listed as below.

- i. **To increase efficiency :** Indexing helps in speedy location of records. It saves time and effort in searching records, efficiency of staff is increased.
- ii. **Guide to the filing :** One of the major aims of indexing is to guide the location of records. It serves an essential guide to the filing system.
- iii. **Alternative use :** Indexing not only provides location of records, it also serves as a reference for minor information regarding the file. We can get name, address, telephone no., etc. of concerned person or organization from the index.

## Objectives, importance and use

The objectives, importance and use of indexing .

- i. Indexing helps to locate the required files and documents easily.
- ii. It helps to save time, cost and clerical efforts of an office.
- iii. It ensures easy cross-referancing.
- iv. A good indexing system helps to increase the goodwill of an office.
- v. It serves as an essential aid to the filing system

### Questions:

- 1. What is filing? Explain its need and objective.
- 2. What is alphabetical filing method? How does it differ from numerical filing?
- 3. Explain different methods of filing.
- 4. Write advantages and disadvantages of numerical filing.
- 5. Mention the merits and demerits of geographical filing.
- 6. What is indexing? Mention its significance to filing.

# UNIT 7

## Postal Service Meaning

### Learning objects :

**After studying this unit, the students will learn:**

- Meaning of Postal Service
- Utility and importance of Postal Service
- Historical development of Postal Service in Nepal
- Methods of sending letter

The service provided by post office is known as Postal service. Postal service is delivering letters from various places to the addressee. This is a network of collecting mails, transport through buses, rails, flights, and sorting the mails as per destination and then delivery. The fee for services is on the basis of weight and it was distance in olden days. Post office not only transfer the letters, documents and other parcel but it also provides the telegraph service, rendering of money order service, provision of saving bank and investment facilities. The postal service is the oldest, cheapest, easiest, popular, convenient and reliable means of communication. Postal service is not only an oldest means of communication; it is a basic service easily available to the people including the most backward segment due to its affordability. As the post has had the crucial role in uniting the family, friendship and diversity of the country together, it was the only reliable and dependable means of communications.

## Importance of Postal Service

Postal service is not only an oldest means but it is also cheapest, easiest, popular, convenient and reliable means of communication. The importance of postal service are explained below.

1. **For government:** postal service help the government in formulation and execution of plans, policies, decisions, orders etc. Plans and policies are prepared at ministry and department level (i.e. upper level) and are executed at lower level. When plans are made at upper level they are circulated to lower level through postal offices. Similarly suggestions and grievances are sent to upper level through the same. Besides these, government collects the revenue from postal services.
2. **For individual:** Postal service plays very important role in individual life. To communicate personal ideas, news, views, opinions, messages postal service provides cheapest, easiest, popular, convenient services. To keep regular contact at lower cost with relatives, friends and well-wishers postal service is very useful. Government organizations also makes contact to the individuals through post office.

- 3. For business:** Postal service plays the role of bridge between organizations and its customers. Communication is one of the most important resource for the business. A well established internal and external business system helps to lead the business towards success. Postal service helps to a business to communicate its many messages to its customers, supplies, government and other organizations. Written documents and papers which are obvious in business are send through postal service. Besides these postal service also proviceds small banking and money transfer facility which aids to foster the business.

## Methods of Sending Letters

While sending a written message, the sender can make use of a post card, aerogramme or envelop. For sending an article in a packet or parcel, a wrapper (thick paper or cloth) can be used. These are the alternative means of sending any mail through the post office. The following methods can be used for mail service:

- 1. Ordinary Letters:** Ordinary letters are the letters which are sent for ordinary matters. Generally such letters are sent to share personal messages, ideas, opinions etc. and do not contain very important, urgent and confidential matters. Official letters containing ordinary matters also come under this category. A nominal and minimum amount of postal stamp is required for ordinary letter.
- 2. Registered Letter:** Sometimes we want to ensure that our mail is definitely delivered to the addressee otherwise it should come back to us. In such situations, the post office offers registered post facility through which we can send our letters and parcels. To distinguish them from ordinary mail, all registered mails are stamped as “Registered Post” on the envelop.
- 3. Post Card:** Post card is the cheapest means of written communication. It is a card on both sides of which message is written. The postal stamp of the required value is printed on the card itself . It has a limited space to write the address of the receiver.
- 4. Aerogramme:** Like post card, written messages can also be sent using Aerogramme. This card is sold by post offices and is commonly used for sending non urgent and ordinary personal messages. Unlike post card, the written portion of the aerogramme is folded and sealed. It contains the space for writing name and address of the sender, receiver and limited space for writing message.
- 5. Parcel Post:** The postal facility through which articles can be sent in the form of parcels is known as Parcel Post. It provides reliable and economical parcel delivery service. Under parcel post services, parcels of specified size and weight can be sent across the country as well as outside the country.

**Questions:**

1. What do you mean by postal service?
2. What is post card?
3. Write two differences between ordinary and register letter.
4. Explain the importance of post office.
5. Explain any four methods of sending letter by post.
6. Define parcel post.

UNIT

8

# Forms of Business Organization Meaning

## Learning objects :

**After studying this unit, the students will learn:**

- Importance of Business
- Types of Business
- Forms of Business Organization
- Sole Trading Concern
- Partnership Firm
- Joint Stock Company
- Public Enterprises
- Co-operative Society
- Multinational Companies

# Forms of Business Organization Meaning

Literal meaning of Business is to be busy in some work or activities. However, every state of being busy is not called business. In fact, the term 'business' includes all the human activities directed towards producing or acquiring wealth. It can be defined as human activity involving in production, distribution and exchange of goods and services with objective of profit earning. . It is a regular process of exchanging goods and services, which involves risk and uncertainty.

**According to L.H. Haney "Business may be defined as a human activity directed towards producing or acquiring wealth through buying and selling of goods."**

**According to F. C. Hooper, "The whole complex field of commerce and industry, the basic industries, processing and manufacturing industries and the network of ancillary services : distribution, banking, insurance, transport and so on, which serve and interpenetrate the world of business as a whole are business."**

## Importance of Business

Business is major element for economic development. If business in society or country is flourished, it is the indication of well economic prosperity of that place. Business has the following importance:

1. **Helps for economic development:** Business helps for economic development and growth of economic standard of a country. Domestic and international business both are important for economic mobilization. The economic development of the country largely depends on the well development of business i.e. trade and commerce.
2. **Resources utilization :** Business need and utilizes the various types of resources such as natural, human, physical and financial resources for the production and distribution of goods and services. Idle resources are utilized in well flourished business environment. Due to this economic mobilization takes place, employment opportunities are created as a result economic condition of the country is raised. Creates employment : Business



is the major source of providing employment opportunities to the public. Unemployment problems can be solved through the development of trade, commerce and industry. Creation of different types of jobs are possible if there is well development of business.

4. **Source of government revenue** : Business plays a vital role to increase the government source. The tax and other charges such as excise duty income tax; sales tax, etc. paid through the business directly or indirectly which are the main sources of government revenue.
5. **Source of foreign currency** : Well developed business is the major source of earning foreign currency. Manufacturing industry, tourism industry and other firms of business export their products and services to the foreign market and earn foreign currencies. Any country lowers its international financial dependency through developed business activities.
6. **Foster good international relations** : None of the country today is self sufficient. Every country imports the shortage goods and exports the surplus goods. The development of industry and trade leads to the import and export of goods. People of different countries come in contact with each other. It creates co operation, understanding and cordial relations among various nations. That's why, trade relation fosters the good human relation among countries and their people.

## Types of business

### Industry

Industry is the part of business which involves the production of goods and services through the utilization of factors like men, money, material and machine. Industries can produce consumer goods as well as industrial products. Consumer goods are intended to be consumed by consumers whereas industrial goods become raw materials for other industries.

Industry has the following types:

#### i. Extractive Industry

Extractive industries are those industries which are meant for extracting raw materials and foodstuffs from the soil or from beneath the earth's surface. Agriculture, mining, forestry and fishery, are important extractive occupations. Agriculture is concerned with the cultivation of the soil. Agricultural activities are largely governed by the seasons of the year. Mining is the bringing out from below the surface of the earth the mineral deposits for use in manufactures. Fishing is an important occupation of that section of population, which inhabits coastal areas or riverside.

## ii. Construction Industry

Constructive industry is concerned with construction of a new product at a particular place by using the goods produced by the manufacturing industries. Construction of building, roads, canals, dams etc is the example of constructive industries.

## iii. Genetic Industry

The term 'Genetic' refers to heredity. It involves the reproduction of plants, species, birds and animals which are later used for production of medicines, perfumes, etc. Poultry farming and Nurseries are some of the examples of genetic industry.

## iv. Manufacturing Industry

Manufacturing industries are those industries which are engaged in converting raw material into finished products, as is done by a weaver of cotton cloth or in a factory for manufacturing silk, boots and shoes, etc. The manufacturing process begins just after the raw materials reach the factory and ends when the finished goods are complete. It has nothing to do with the purchase of raw materials and sale of manufactured articles. Manufacturing occupations differ from extractive occupations in as much as they are less influenced by nature and are more specialized than the latter.

## Commerce

Commerce includes all those activities which are concerned with the distribution of products and services. It embraces purchase and sale of every kind as well as various services like transport, banking, insurance, warehousing, etc. which facilitate trade.

It is not concerned with manufacturing of the goods but it involves different activities between the producers and consumers. Commerce helps the producers to give a complete form to his business.

Commerce is divided into two broad classes:

### i. Trade:

Trade means the actual purchase and sale of goods. This is done by wholesalers, retailers and similar other middlemen. It is an integral part of business in which the ownership of goods or services is transferred from one to another for earning profit. So trade involves the exchange of goods between producers and consumers.

### a. Home (or internal) Trade:

In this form of trade, the goods and services are exchanged within the geographical territory of a country. It includes the production, purchase and sale of goods within the different parts of the country.

### b. Foreign (or External) Trade

Foreign trade refers to the trade carried on between the citizens of two or more countries of the world. It is an act of the exchange of goods and services outside the geographical territory of a country. It involves the exchange of goods and services in foreign currencies. It is divisible into import trade, export trade and entrepot trade. The purchase of goods from a foreign country is known as importing and the sale of goods to a foreign country as exporting. In entrepot trade, goods are bought from a country in order to sell them to some other country.

### c. Auxiliaries of trade

Trade is carried on with the help of certain commercial bodies, service and institutions which are called auxiliaries of trade. These are the components which help the smooth flow of trade. They do not involve in buying and selling of goods directly but help in trade by providing many services. They are Transport, Banking, communication, advertisement and Insurance.

## Forms of Business Organization

Business Organization may take various forms. The most important forms of business organization are:

- a. Sole trading concerns,
- b. Partnership firms, and
- c. Joint stock companies.
- d. Cooperative societies
- e. Public Enterprises
- f. Multi-national Corporation.

## Sole Trading

Sole trading concern is the oldest form of business organization. The word "Sole" means single or only one whereas trading means carrying out a business activity. So, in simple words, sole trading is a business carried out by a single person. It is owned, managed and controlled by a single person. He invests capital, makes all the decisions of the business by himself, enjoys all the profit and bears all the losses. Sole trading is a widely found business as it is easy to start and dissolve.

**According to A.N. Agrawal – "A person who establishes and manages a business for his own account and risk is known as sole proprietorship business."**

**According to Prof. L.H. Haney, "The individual entrepreneurship is the form of business organization at the head of which stands an individual as the one who is responsible who directs its operations, who alone runs the risk of failure."**

## **Partnership Firm**

When two or more individuals agree to carry on business for their mutual advantage they are said to form partnership. A partnership is an association of two or more persons to carry on business based on the agreement to share its profit and loss. This form of business has evolved in order to overcome some of the limitations of sole trading concern like limited capital, limited managerial ability, unable to operate large scale business, etc. Each person investing capital in a partnership firm is known as a partner of the business. In this way, partner denotes to an individual whereas partnership denotes a business formed collectively by the partners.

**According to L.H. Haney, "Partnership is the relationship between persons competent to make contract, who agree to carry on a lawful business in common with a view to private gain."**

**According to Nepal Partnership Act 2020, "Partnership is any business registered in the books of Government of Nepal, which is carried by some persons in one name sharing the profits with the mutual agreement to participate all partners for each partners or a partners for all the partners in business transactions."**

A joint stock company may defined as an association of several persons, incorporated as a company, who contribute money to a joint or common stock for the purpose of employing it in some business and share among themselves the profit or the loss arising from it. A joint stock company must be an incorporated body. Joint Stock Company is the voluntary association of persons, having separate legal existence, common seal with a large amount of capital and with a motive to make profit. The capital of Joint Stock Company is divided into large number of units called shares and is issued to general public. The group of the people who hold its share is the shareholder of the company and they have liability only up to their investment. These shares can be easily transferred from one person to another. It is managed and controlled by the representatives of shareholders who are known as Board of Directors.

**According to L.H. Haney, "A company is an artificial person created by law having a separate entity with a perpetual succession and a common seal".**

**According to Nepal Company Act 2063 B.S., "Companies formed and registered under this Act" or an "existing company".**

In Nepal, Joint Stock Company should be established under the Company Act 2063 B.S.

## Public Enterprises

Public enterprise is a business organization wholly or partly owned by the state and controlled through a public authority. It is an enterprise under government control. More than half of the total share of a public enterprise is owned by the government and effectively managed by the government. Such organizations are run mainly by government to provide qualitative goods and services to public at a reasonable price. They include all the industrial and commercial activities of the government. The principal objective of public enterprises is to establish basic industries in the country and provide utility services like water, electricity, transportation, communication etc to the people. These public enterprises are established under Corporation Act, Development Board Act, Company Act or special act of the parliament. Nepal Bank Limited, Nepal Oil Corporation, Nepal Electricity Authority, Nepal Salt Trading Corporation, National Trading Corporation, Airlines Corporation, Nepal Television, Dairy Development Corporation are some of the examples of public enterprises in Nepal.

**According to A.H. Hanson, "Public enterprise means state ownership and operation of industrial, agriculture, financial and commercial undertaking."**

## Cooperatives

Co-operative is a form of organization where in persons voluntarily associate together on a basis of equality for the promotion of the economic interests of themselves. Generally the person belonging to a certain locality, region or group form a co-operative society for the promotion of their common economic, educational and social needs. They join together for business with the principle of equality and mutual help. It is a democratic organization established with equal contribution from its all members.

**According to prof. H. Clavert, "Co-operative society is the form of organization in which person voluntary associated together as human beings on the basis of equality for the promotion of economic interests of themselves".**

**According to Nepal Co-operative Act 2048, "Society or unions means a primary co-operative society or union registered under section 5".**

## Principles of co-operatives

- a. Democratic Management:
- b. Self help through mutual help:
- c. Voluntary Membership:
- d. One man one vote:
- e. Distribution of Surplus:

### Questions:

1. Define business. Explain any four important points of business.
2. What is sole trading business?
3. Define public enterprises.
4. What is partnership business?
5. What is Multinational Corporation?
6. What is Co-operative Organization?

# UNIT 9

## Book-Keeping

### Learning objects :

**After studying this unit, the students will learn:**

- Meaning of Book keeping
- Objectives of Book-keeping
- Meaning of Single Entry System
- Advantages and disadvantages of Single Entry System
- Meaning of Double Entry System
- Features of Double Entry System
- Differences between Single and Double Entry System
- Basic Accounting Terms

## Introduction

Book keeping is that branch of knowledge which tells us how to keep the record of financial transactions. The process of recording the financial transactions day to day in proper books of accounts is known as book-keeping. It includes the recording of journal, posting in the ledgers and balancing of accounts. All the records before the preparation of trial balance is the whole subject matter of book-keeping. Thus, bookkeeping may be defined as the art and science of recording transactions in money or money's worth so accurately and systematically in a certain set of book, that the true state of businessman affairs can be correctly ascertained.

**J.R. Batliboi- "Book-keeping is the art of recording business transaction in a set of book."**

## Single entry system

The single entry system is not really a system because in some cases record may be one sided; and in some other cases no record is maintained at all. It is more appropriate to call it an incomplete system of recording transactions.

In single entry system, scientific principles and uniform system of recording of transactions is not followed. It is such type of book keeping which has no fixed set of rules and principles. Thus, this system is incomplete, inaccurate, unscientific and unsystematic style of account keeping. It does not follow the principles of double entry system. It is a system of book keeping in which as a rule, the records of only cash and of personal accounts are maintained. It is a method of record keeping which ignores two fold effects, and fails to provide the necessary information relating to financial position. In this system, only one aspect of every transaction is usually recorded. So, it is called single entry system. In this system personal account of the debtors and creditors are maintained. Real and nominal accounts are not maintained under it.



According to R.N. Carter– "Single entry is a method employed for recording transactions, which ignores the two fold aspects and consequently, fails to provide the businessman with the information necessary for him to be able to ascertain the position."

### Advantages of single entry system

- i. Single entry system is simple method to use and understand.
- ii. It is suitable for small scale business.
- iii. It is economical method because person without specific knowledge of account can maintain it.
- iv. Profit and loss of business can be easily ascertained.
- v. it is time saving method because there no use of various types of books of accounts .
- vi. In this system, secrecy can be maintained.

### Disadvantages

- i. It is unscientific, unsystematic and incomplete system of book-keeping.
- ii. Tax authority does not accept this system.
- iii. There is no clear-cut record of purchases, sales and sales return.
- iv. In absence of real account, balance sheet cannot be prepared. So, true financial position of the organization cannot be shown.
- v. True profit and loss of business cannot be determined in absence of nominal account.
- vi. Since proper records are not kept, control on assets is very poor.
- vii. It records only one aspect of each transactions, so, trial balance cannot be prepared and arithmetical accuracy of accounts cannot be checked.

### Double Entry System

The method of accounting based on what is known as double entry principle. It refers to that system of book-keeping where each transaction is recorded in both of its aspects that is – receiving of the benefit of the transactions and giving away of the benefit of the transactions. For a complete record of transaction, it should be presented in both the accounts. Business transaction affects two aspects of the account in the opposite direction. If one account receives a benefit there must be another account to give the benefit. Thus every transaction involves two accounts—one who give the benefit of the transaction and another which receives the same. The system, under which both the receiving and giving aspects are recorded (as Debit and Credit) is known as the principle of Double Entry System of book keeping. Therefore we can say that every debit must have a corresponding credit

and obviously every credit must have corresponding debit. It follows that any number of transactions can be recorded in the above manner; the total debit must be equal to total credits and this helps drawing of a trial balance to prove the arithmetical accuracy of the account books.

J.R. Batliboi- "Every business transaction has two fold effects and that affects two accounts in opposite directions and if a complete record was to be made of each such transaction, it would be necessary to debit one account and credit another account. It is the recording of two fold affects of every transaction that has given rise to the term double entry system"

Double entry book keeping system was propounded by Italian business man Luca De Pacioli in 1494 AD publishing the book- Summa De Aritmetica, Geometrica , Propertionalita.

## Objectives

The objectives of Double Entry System are listed below:

- i. To record the financial transactions in scientific and systematic order.
- ii. To classify the accounts according to its nature.
- iii. To check the arithmetical accuracy of transactions by preparing the trial balance.
- iii. To detect and rectify accounting errors
- iv. To find out the true profit or loss of business during an accounting period.
- v. To reflect the total financial position of a firm by preparing Balance sheet.
- vi. To provide information and data to management for planning and decision making process.
- vii. To provide records for amendments and to take corrective actions.

## Features

The features of double entry system are as follows:

1. **Dual Aspects:** This implies that there are two aspects for each transaction- represented by debit and credit entries in accounts. Every debit must have a corresponding credit and of course, every credit must have corresponding debit.
2. **Equal Effect:** There are two accounts involved in every transaction – debit and credit. The total debit must be equal to total credits.
3. **Classification of Account:** Account is classified into three types on the basis of nature of transactions. They are:

- i. Personal Accounts
- ii. Real Accounts
- iii. Nominal Accounts
4. **Auditing:** All the transactions are recorded showing dual effects under this system facilitates auditing because dual recording system helps to detect frauds and errors .
5. **Worldwide acceptance:** Accounting maintained under this system is globally accepted as it is based on certain assumptions, rules and principles.
6. **Transfer of Ownership:** Transfer the ownership refers to system of giving and receiving of financial transaction. For example, sale of goods on cash transfers the ownership of goods and cash to each other.

## Importance and advantages

The advantages of double entry book keeping system are as follows:

1. It presents a complete record of transactions. Because it records both the aspects of every transactions, which relates to personal and impersonal.
2. Profit and loss account can easily be prepared. The exact reasons for profit and loss can be ascertained. The information enables the firm to take action to increase the profit and reduce the losses.
3. It gives the exact information regarding the amount due to and by the firm at any time, because the system gives ready references.
4. Arithmetical accuracy can be tested by preparing a list of balances (Trial Balance) from all ledgers concerned.
5. Trading account and profit and loss account is prepared with the help of trial balance to know the exact profit or loss earned by a business during a particular period
6. This system provides full particulars of various assets and liabilities of the business, so financial position can be known by preparing Balance Sheet.
7. It provides facility for internal and external comparison that helps the organization for its growth.
8. Accounts maintained under this system is accepted by court of law and income tax as authentic financial documents.
9. It provides information and data to internal and external users to make right decisions.

## Accounting

As we discussed above , book-keeping is the art of recording business transactions in a systematic and scientific manner. The book of original records, do not give an idea of a company's financial positions. When one has to make a judgment and

take decision regarding the financial position of a firm, the information contained in these books has to be analyzed and interpreted.

Accounting is concerned with recording, classifying, summarizing the recorded data, analyzing and interpreting financial transactions and communicating the results thereof to the internal and external users. Accounting can be defined as science and art. It is science because it has some definite objectives to be fulfilled and it is an art because it prescribes the process through which the object can be achieved. Non-financial transactions are not recorded in accounting, i.e. only transactions of financial nature is the subject matter of accounting. In other words, only those transactions which are expressed in terms of money are recorded. when financial transactions are recorded in primary books i.e. journal or subsidiary book ,they are to be classified by grouping the transactions or entries of similar nature at one place.This is done by opening in a book called ledger. Legers are summarized in order to give useful information to management or other interested parties. This is done by preparing Trial Balance, Trading and Profit and Loss Account. And to reveal the whole financial position of the organization, Balance Sheet is prepared. This is done to interpret the results of the financial transactions and communicating the results.

**American Accounting Association (AAA) "Accounting is the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information."**

Thus we can conclude that accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are of a financial character and interpreting the results thereof.

## Types of Accounting

Accounts can be divided into three types.

1. Management Account
2. Cost Account
3. Financial Account

## Basic accounting terminologies.

### Capital:

Capital is the sum of all assets with which a trader starts the business. It is the amount actually invested in the business at any given time.

## Assets:

All the properties, things, stock of materials having monetary value in business are known as assets. Assets can be classified as follows:

- i. **Fixed assets:** Those assets which have life more than one accounting year are known as fixed assets. Machinery, furniture, land and building, vehicle are the example of fixed assets.
- ii. **Tangible assets:** Those assets which have their physical form and can be seen and felt. Land and buildings, furniture, plant and machinery etc. are tangible asset
- iii. **Intangible assets:** those assets which do not have any physical existence but give benefit to the firm are called intangible assets. Patents, copyrights, goodwill, etc. are intangible assets.
- iv. **Fictitious assets:** Fictitious assets are assets that do not exist. These are the assets, such as pre-payments that do not have a resale value or cannot be converted into cash but are entered as assets on a company's balance sheet. Fictitious assets are written off against the earning of firm. Non-physical assets such as preliminary expenses, underwriting commission, loss on issue of shares or debentures etc. are the example of fictitious asset.
- v. **Current assets:** those assets which can be converted into cash within one accounting year are current assets. They are cash, bank balance, prepaid expenses, stocks etc.

## Liabilities:

Capital and the debts which are due by the firm to other parties are collectively known as liabilities. Bank loan, debentures, bills payable, advance income, creditors, outstanding expenses, profit, advance income are the example of liabilities.

## Revenue:

Revenue is the total earning collected by the business through supply of goods or services. It is also called income of business. Income from sales of goods, income from investments, commission received, dividend received, etc. are revenue.

## Cash:

Cash is assets in business. In addition to coins and currency, cash also includes bank balance, cheque, money orders etc.

## Expense:

An expense is amount paid by the business. It is the cost of running business or cost

incurred for generating income. Expenses can be cash and non cash. Salary, rent, wages, electricity charge, stationery, etc. are cash expenses where as depreciation, and goodwill written off etc. are non-cash expenses.

### **Write-off:**

It is the total reduction in the value of an asset, recognizing that it no longer has any value. Write-downs and write-offs are non-cash expenses that affect profits.

### **Profit and Loss:**

Profit is the excess of income over expenses and loss is excess of expenses over income. Profit increases the capital and loss decreases the capital.

### **Debit:**

An accounting entry where there is either an increase in assets or a decrease in liabilities on a company's balance sheet. Debit is the entry made on the left side of an account. It denotes receiving aspect.

### **Credit:**

An accounting entry that may either decrease assets or increase liabilities and equity on the company's balance sheet, depending on the transaction. When using the double-entry accounting method there will be two recorded entries for every transaction: a credit and a debit. A credit is the entry made on the right side of an account. It denotes giving aspect

### **Audit:**

Audit is a careful review of financial records to verify their accuracy. It is the act of reviewing and verifying the accuracy of financial records as well as validating methods used to calculate financial records.

### **Goods:**

Commodities bought for the purpose of resale are termed as goods. That is the things or service which a businessman sells.

### **Drawings:**

Drawings are the withdrawals of money or assets by the proprietor from the business for personal use.

### **Goodwill:**

Goodwill is an intangible asset representing such things as reputation, customer

loyalty, location, and other items that give a business a competitive advantage. Goodwill is usually recognized only when a business is sold, and is the difference between the amount paid for a business and its net worth. So, goodwill is an overpayment.

### **Debtor:**

The parties and the persons to whom goods sold and services are rendered on credit and amount to be received. Debtor is treated as asset.

### **Creditor:**

The parties and the persons from whom goods purchased and services received on credit and amount to be paid. Creditor is treated as liabilities.

### **Stock:**

The goods remaining in the business firm at a particular time is known as stock. It is the property held for sale in the ordinary course of business or for consumption in the production of goods or services for sale. Stock is of two types- opening stock and closing stock. There may be opening and closing stock of raw material, semi- finished goods and finished goods .

### **Sales :**

Sales is the amounts received or due for goods or services sold to customers. Gross sales are total sales before any returns or adjustments. Net sales are after accounting for returns and adjustments.

### **Fiscal/ financial year:**

A fiscal year is a period of twelve continuous months chosen by an entity for its accounting period. In Nepalese context ,it begins from 1st of Shrawan and ends at the end of Asar.

### **Depreciation:**

Depreciation is the permanent and gradual decrease in the value of fixed assets from any cause. These causes of depreciation may be accident, obsolescence, wear and tear, technology, fall in market price etc. So it is charged on the value of fixed assets recorded on debit side of profit and loss account.

### **Bad debt:**

Bad debt is the definite loss arising from credit sales. It is the amount not paid by the debtors due to their dishonesty and insolvency. It is loss and debited to the

profit and loss account.

### Discount:

Discount is a kind of rebate or facility offered by a seller to the buyer on goods sold or offered by the creditor to the debtors while making payment. Discount is of two types:

- i. **Cash discount:** Cash discount is given by a trader to another trader on payment being made within certain period. It is recorded in the books of account and the entry is passed. It is not deducted while preparing the invoice.
- ii. **Trade discount:** trade discount is allowance made by one trader to another trader or customer. It is generally allowed by a wholesaler to retailer at a fixed percentage on the catalogue price. It is not recorded in general journal book, and the entry is made with the net amount. It is deducted in the invoice.

### Dividend :

It is a portion of the after-tax profits paid out to the owners of a business as a return on their investment.

### Questions:

1. What is book keeping? Explain any four objectives of book keeping.
2. What is accounting? Write four functions of accounting.
3. Define single entry system of book keeping and explain its 2/2 advantages and disadvantages of it.
4. What is double system of book keeping? Explain four features of it.
5. Write any five differences between single and double entry system of book keeping.
6. Explain the following terms
  - (a) Capital
  - (b) Assets
  - (d) Creditors
  - (e) Goodwill
  - (f) Debtors



# UNIT 10

## Journal Meaning

### Learning objects :

**After studying this unit, the students will learn:**

- Meaning of Journal
- Objectives of Journal
- Rules of Debit and Credit
- Format of a Journal and its preparation
- Steps in Journalizing

The journal is the day by day book of the business where both the aspects of all business transactions are recorded in chronological order i.e. date wise. Thus journal is a book of prime entry and also known as book of original entry because transactions are recorded at the first occurrence in this book.

Recording of transactions in a journal is termed as journalizing. Journalizing is an act of recording the debit and credit aspect of a business transactions in journal together with an explanation of the transaction, known as narration. The record of any particular transactions in journal is called journal entry. These entries are then posted from journal into the ledger. Each journal entry shows the account to be debited and the account to be credited.

**According to R.N. Carter– "The Journal or daily record as originally used was a book of primary entry in which transactions were copied, in order of date, from a memorandum or waste book. The entries as they were copied, were classified into debits and credits so as to facilitate this being correctly posted afterwards in the ledger".**

### Advantages/Objectives of Journal

The main advantages and objectives of journal are as follows:

- i. It helps to provide the date wise record of financial transactions.
- ii. It ensures that every transactions occurred in business are recorded.
- iii. Every entries are supported by narrations, that explain about transaction of business.
- iv. Journal is base, not only for ledger account but also for other financial records and documents.
- v. Corresponding debit and credit recording of every transaction helps to reduce the chances of error.
- vi. It can be presented as evidence for legal proof.

## Specimen of journal

Journal book of .....

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)

Journal contains five columns which are explained below:

1. **Date:** It is the first column of journal .in this column, the date on which financial transaction takes place is recorded. For e.g. 2072-01-10
2. **Particulars:** This second column is for recording the account to be debited and credited. After recording the accounts to be credited and debited, narration is given to explain the transaction recorded.

For e.g.

Cash A/c	Dr.	XXX
	To Capital A/c	XXX

( Being business started with cash)

3. **Ledger Folio Number (LF No.):** This column is for recording the page number of the ledger, where the entries are posted. Its main objective is to make link between journal and ledger.
4. **Debit:** the fourth column is to record the amount to be debited.
5. **Credit:** This column is to record the amount to be credited.

### Rule for debit and credit

#### On the basis of Account classification

It is also known as traditional rule. Under this method, accounts are classified as personal, real and nominal account and rule of debit and credit is applied as follows:

Personal Account: all the natural and artificial persons come under personal account.

For example, Ram's A/c, Sita's A/c, Hari A/c ,XYZ Co A/c, Pashupati Trader's A/c

etc.

### **The rule is:**

**Debit the receiver**

**Credit the giver**

### **Real Account:**

All property or assets having monetary value of the business come under real account.. For example Cash A/c, Machinery A/c, Land and Building A/c, Goodwill A/c, etc.

### **The rule is:**

**What comes in Debit**

**What goes out Credit**

### **Nominal Account:**

Accounts relating to expenses, losses, income, and gains come under nominal accounts. For example, rent A/c, salaries A/c, wages A/c, interest A/c, discount A/c etc.

### **The rule is:**

**All expenses and losses are –debit**

**All income and gains are - Credit**

### **On the Basis of Nature of Transactions:**

This method is known as modern rule. Increase or decrease in the value of transactions, record is maintained under this method.

Increase in Assets, Loses and Expenses – Debit

Decrease in Assets, Loses and Expenses – Credit

Increase in Capital, Income and Liabilities – Credit

Decrease in Capital, Income and Liabilities – Debit

Journal preparation and explanation of frequently occurring financial transactions

## Investment of Capital

Commenced a business with cash Rs. 80000 and computer of Rs. 20,000

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Cash A/c Dr		80,000	
	Machinery A/c Dr		20000	
	To Capital A/c			100000
	(Being Business started with cash and computer)			

While investing different assets in business, all assets are debited and the sum of all assets are credited as capital.

As per the rule of real account, debit what comes in, Cash and Machinery are debited because these assets are coming in business. And the capital A/c is credited because capital being proprietor's personal account it is credited as per the rule of personal account.

## Drawing

Drawn cash by proprietor Rs. 9000 for personal expenses.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Drawing A/c Dr		9,000	
	To Cash A/c			9000
	(Being cash drawn for personal purpose )			

Drawing is withdrawal of capital. When the proprietors takes the cash or kinds (goods, assets) from business for personal use, it is drawing.

Here, drawing account is debited because it reduces the capital. Decrease in capital is debited and cash is going out so it is credited.

Goods of Rs. 3000 taken for domestic use.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Drawing A/c Dr		3,000	
	To purchase A/c			3000
	(Being goods drawn for personal purpose )			

In this transaction drawing account is debited and purchase is credited because there is decrease in purchased goods in business.

### Depositing into bank

Cash deposited in to the bank Rs 10,000.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Bank A/c Dr		10,000	
	To Cash A/c			10000
	(Being cash deposited in to the bank)			

Here bank being personal a/c it is debited as per the rule of personal account. On the other hand cash goes out and therefore it should be credited as per real account.

### Purchase and Sale of goods

Purchased goods for cash Rs 5,000.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Purchase A/c Dr		5,000	
	To Cash A/c			5000
	(Being goods purchased in cash)			

Purchase means purchase of goods. So goods and cash both are related to real account being assets. As per the rules of real A/c, 'what comes in' is to be debited and 'what goes out' is to be credited, goods are received so debited and cash is paid so it is credited. There is practice of writing purchase or sale instead of goods.

Sold goods for Rs 4000.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Cash A/c Dr		4,000	
	To Sales A/c			5000
	(Being goods sold on cash)			

As per the rules of real A/c, 'what comes in' is to be debited and 'what goes out' is to be credited, cash is received so debited and goods are sold so it is credited. Sales is written instead of goods.

## Purchase Return

Goods of Rs. 5000 returned to Bigyan.

### Journal

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Bigyan A/c .....Dr To purchase return A/c (Being goods returned to Bigyan)		5,000	5,000

Here Bigyan is receiver so his account is debited as per the rule of personal account and purchase return is credited because as goods is real account, which is going outside.

## Sales Return

Goods of Rs. 5000 returned from Sanju.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Sales Return A/c     Dr To Sanju A/c (Being goods returned to Sanju)		5,000	5,000

Here sales return is debited because goods is real account and it is coming inside. Whereas Sanju is the giver so her account is credited as per the rule of personal account.

## Discount

There are two types of discount:

1. **Cash discount:** cash discount is a rebate offered by seller to buyer to encourage early payment . Cash discount is treated as income (credited) if it is received and as expenses(debited) if allowed.
  - i. Received Rs. 9800 from debtor Prativa in full settlement of her account of Rs 10,000.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Cash a/c.....Dr Discount a/c To Prativa a/c (Being cash received from Prativa in full settlement)		9800 200	10,000

Here cash is debited because it is incoming , discount is debited as it is expenses and Prativa is credited because she is the giver.

ii. **Paid to Kiran Rs. 4750 on his account of Rs 5000 in full settlement.**

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Kiran a/c		5000	
	To Cash a/c			4750
	To Discount			250
	(Being cash paid to Kiran in full settlement of his account)			

Here Kiran is receiver so his account is debited. Cash is credited because it is going outside. Similarly discount is credited as it is income. Actually Rs. 5000 is to be paid but only Rs. 4750 is paid so Rs. 250 discount is like income for the company.

2. **Trade Discount:** Simply trade discount is reduction in invoice (bill) price to encourage customers to buy bulk amount of goods. It is the net amount in which the transactions are recorded so is not shown in books of account.

Goods of Rs. 8000 purchased on cash from Pashupati Cheese Store at 10% trade discount.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Purchase a/c		7200	
	To Cash a/c			7200
	(Being goods purchased on cash and trade discount received)			

**Here trade** discount is given by seller while purchasing the goods. Though price of the goods is Rs. 8000 but actual amount paid is Rs 7200 (i.e.  $8000 - 8000 \times 10\%$ ). The amount of discount Rs. 800 is deducted from bill so it is not shown in books of accounts.

**Purchase and sale of fixed assets**

Purchased Furniture Rs. 12,000

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Furniture A/c Dr		12,000	
	To Cash A/c			12,000
	(Being Furniture purchased for cash )			



Furniture and cash both are concerned with assets and assets are related to real A/c. Furniture is coming in so it is debited and cash is going out and so it is credited.

Machinery of Rs. 22000 sold.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Cash A/c.....Dr To Machinery A/c (Being machinery sold for cash )		22,000	22,000

Here, machinery and cash both are assets and real A/c. Cash is received so it is debited and machinery is sold and going out so it is credited.

### Payment of Expenses

Salaries for the month Rs. 15,000 paid.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	salary A/c.....Dr To Cash A/c (Being salary paid )		15,000	15,000

Here salary is expense and related to nominal A/c. In nominal account expenses are to be debited so, Salary A/c is debited and cash goes out so cash A/c is credited being real A/c .

### Income receipts

1. Commission received Rs. 600

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
	Cash A/c.....Dr To Commission A/c (Being commission received )		600	600

Here, cash is received so, as per the rule of real account, it is debited. Similarly, as per the rule of nominal account, commission is credited because it is income.

## illustrations

Journalize the following transactions.

- Jan-1 : Started business with cash Rs. 30,000 and bank balance of Rs. 70,000.  
 Jan-5 : Goods of Rs. 14,000 purchased through cheque.  
 Jan-7 : Furniture purchased for Rs. 7,000.  
 Jan-9 : Cash drawn for office use Rs. 15,000.  
 Jan-14 : Goods costing Rs. 5,000 purchased from Manju.  
 Jan-20 : Electricity bill paid Rs. 500  
 Jan-25 : A cheque of Rs. 4,900 issued to Manju in full settlement.  
 Jan-30 : Rent paid for the month Rs. 800 through cheque.

Date	Particular	LF	Debit (Rs.)	Credit (Rs.)
Jan-1	Cash A/c .....Dr Bank A/c.....Dr To Capital A/c (Being business started with cash and bank)		30,000 70,000	10,00,000
Jan-5	Purchase A/c .....Dr To Bank A/c (Being goods purchased through cheque)		14,000	14,000
Jan-7	Furniture A/c.....Dr To Cash A/c (Being furniture purchased on cash)		7,000	7,000
Jan-9	Cash A/c .....Dr To Bank A/c (Being cash drawn for office use)		15,000	15,000
Jan-14	Purchase A/c .....Dr To Manju A/c (Being goods purchased from Manju on credit)		5,000	5,000
Jan-20	Electricity bill A/c .....Dr To Cash A/c (Being electricity bill paid)		5,00	5,00
Jan-25	Manju A/c .....Dr To Bank A/c To Dis. A/c (Being cheque paid to Manju in full settlement)		5,000	4,900 100
Jan-30	Rent A/c.....Dr To Bank A/c (Being rent paid through cheque)		800	800

You are given following transaction.

- Baishakh – 1 Started business with cash Rs. 90,000 and goods of Rs. 10,000  
 Baishakh – 2 Cash Rs. 60,000 deposited into Bank.  
 Baishakh – 4 Goods of Rs. 4,000 purchased from Rama.  
 Baishakh – 5 Furniture sold to Uma for Rs. 2,000  
 Baishakh – 10 Cash drawn for domestic use Rs. 10,000  
 Baishakh – 12 Goods of Rs. 2500 sold to Sujan receiving cash Rs. 1,000 partial receipt.  
 Baishakh – 15 A cheque of Rs. 3,900 issued to Kishore in full settlement.  
 Baishakh – 16 Rs. 1,000 was paid for proprietor's life insurance premium.  
 Baishakh – 20 Cash received from Uma.  
 Baishakh – 25 Ganga who owns Rs. 10,000 declared insolvent and her account is closed.  
 Baishakh – 28 Goods of Rs. 5,000 lost by accident out of which Rs. 3,000 claim is admitted by insurance company.  
 Baishakh – 30 Salary Rs. 200 due for the month

Required : i) Journal entries ii) Discount Account

i) Journal entries

Date	Particular	LF	Debit (Rs)	Credit (Rs.)
1-1	Cash A/c ..... Dr Goods A/c .....Dr To Capital A/c (Being business started with cash and goods)		90,000 10,000	1,00,000
1-2	Bank A/c .....Dr To Cash A/c (Being cash deposited into Bank)		60,000	60,000
1-4	Purchase A/c .....Dr To Sujan A/c (Being goods purchased from Sujan)		4,000	4,000
1-5	Uma A/c .....Dr To Furniture A/c (Being furniture sold to Uma on credit)		2,000	2,000
1-10	Drawing A/c ..... Dr To Cash A/c (Being cash drawn for domestic use)		10,000	10,000

1-12	Sujan A/c ..... Dr Cash A/c ..... Dr To Sales A/c (Being goods sold & partial payment received)		1,500 1,000	2,500
1-15	Rama A/c .....Dr To Bank A/c To Discount A/c (Being cheque paid to Rama in full settlement)		4,000	3,900 100
1-16	Drawing A/c .....Dr To Cash A/c (Being proprietor's life insurance paid)		1,000	1,000
1-20	Cash A/c .....Dr To Uma A/c (Being cash received from Uma)		2,000	2,000
1-25	Bad debt A/c .....Dr To Ganga A/c (Being account of Ganga written off)		10,000	10,000
1-30	Salary A/c .....Dr To Salary outstanding A/c (Being salary due)		200	200

The following transactions are given:

- (a) 1, Ashadh 2062 Good purchased of Rs. 70,000
- (b) 2, Ashadh 2062 Goods purchased on credit from Ram of Rs. 30,000
- (c) 5, Ashadh 2062 Goods sold for Rs. 80,000
- (d) 6, Ashadh 2062 Goods withdrawn by proprietor for personal use Rs. 3,000
- (e) 7, Ashadh 2062 Goods destroyed by fire of Rs. 5,000 and claim admitted by insurance company for Rs. 3,000
- (f) 8, Ashadh 2062, Paid to Ram Rs. 29,000 in full settlement of his A/c.

**Required :** Journal Entries.

### Solution:

Date	Particular	LF	Debit (Rs)	Credit (Rs.)
1/3/2062	Purchase ..... A/c Dr To Cash A/c (Being goods purchased for cash)		70,000	70,000
2/3/2062	Purchase ..... A/c Dr To Ram's A/c (Being goods purchased from Ram on credit)		30,000	30,000
5/3/2062	Cash ..... A/c Dr To Sales A/c (Goods) (Being goods sold for cash)		80,000	80,000
6/3/2062	Drawings ..... A/c Dr To Purchased A/c (Goods) (Being goods withdrawn by proprietor for person use)		3,000	3,000
7/3/2062	Insurance Company's .....A/c Dr Profit & Loss A/c (Loss on goods destroyed by fire) Dr To Purchase A/c (Being goods destroyed by fire and partial claim admitted by insurance company)		3,000 2,000	5,000
8/3/.2062	Ram's ..... A/c Dr. To Discount A/c To Cash A/c (Being cash paid to ram for full settlement of his A/c)		30,000	1,000 29,000
	<b>Total</b>		<b><u>2,18,000</u></b>	<b><u>2,18,000</u></b>

You are provided following information:

- Jan-1 Goods of Rs. 2,000 returned to Asmita.
- Jan-5 Furniture costing Rs. 500 sold to Ram
- Jan-7 Goods costing Rs. 1,200 returned by Hari
- Jan-9 Machinery costing Rs. 20,000 purchased from Dinesh paying cash Rs. 9,000, issuing cheque of Rs. 1,000 & balance on credit.
- Jan-10 Purchased goods of Rs. 6,000 for cash and received 10% trade discount
- Jan-15 A debt of Rs. 500 previously by written off as bad debt recovered now.
- Jan-20 Depreciation 10% interest on capital of Rs. 20,000
- Jan-21 Provide 10% interest on capital of Rs. 75,000
- Jan-25 Interest on drawing Rs. 1,000
- Jan-30 Salary due Rs. 2,000

**Required:** i) Journal entries

i) Journal entries

Date	Particular	LF	Debit (Rs)	Credit (Rs.)
Jan-1	Asmita A/c Dr To Return outward A/c (Being goods returned to Asmita)		2,000	2,000
Jan-5	Ram A/c Dr To Furniture A/c (Being furniture sold to Ram on credit)		500	500
Jan-7	Returned inward A/c Dr To Har A/c (Being goods returned by Hari)		1,200	1,200
Jan-9	Machinery A/c Dr To Cahs A/c To Bank A/c To Dinesh A/c (Being machinery purchased from Dinesh making partial payment.)		20,000	9,000 1,000 10,000
Jan-10	Purchase A/c Dr To Cash A/c (Being goods purchased at 10% trade discount)		5,400	5,400

Jan-15	Cash A/c To Bad Debt A/c (Being bad debt recovered.)	Dr		500	500
Jan-20	Depreciation A/c To Machinery A/c (Being depreciation on machinery charged)	Dr		2,000	2,000
Jan-21	Interest on capital A/c To Capital (Being interest on capital Charged)	Dr		7,500	7,500
Jan-25	Drawing A/c To Interest on Drawing A/c (Being interest on Drawing A/c)	Dr		1,000	1,000
Jan-30	Salary A/c To Salary outstanding A/c (Being salary outstanding)	Dr		200	200

## Problems

### Journalize the following transactions of a business

- Purchased goods for cash Rs. 10,000
- Cash sales Rs. 8,000
- Cash deposited into bank Rs. 6,000
- Purchased furniture from Hari Rs. 10,000

### Following transaction were given to you:

- Sold goods to Hari for Rs. 15,000
- Furniture costing Rs. 5,000 were sold for Rs. 3,500
- Received cash Rs. 14,000 from Hari in full settlement of his account.
- Received loan of Rs. 8,000 from the bank

**Required:** Journal entries.

### Journalize the following transactions of a business.

- Sold goods Rs. 5,000 to Ram on credit.

- (b) Ram settled his account and allowed him Rs. 500 discount
- (c) Again goods sold to Ram Rs. 3,000
- (d) Goods returned by Ram Rs. 1,000

**Required:** Journal entries

**The following of transactions are given:**

- 1 Ashadh 2062 : Goods purchased of Rs. 70,000
- 2 Ashadh 2062 : Goods purchased on credit from Ram of Rs. 30,000
- 5 Ashadh 2062 : Goods sold for Rs. 80,000
- 6 Ashadh 2062 : Goods withdrawn by proprietor for personal use Rs. 3,000
- 7 Ashadh 2062 : Goods destroyed by fire of Rs. 5,000 and c/a in admitted by insurance company for Rs. 3,000

**Required:** Journal entries

**The following of transaction are provided:**

- (i) Sold goods to Rita for cash Rs. 10,000 and on credit Rs. 15,000
- (ii) Purchased goods from Dina worth Rs. 8,000 and bills payable accepted for same.
- (iii) Rita settled her account and allowed 4 percent discount.
- (iv) Paid to Ram Rs. 7,600 in full settlement of his account of Rs. 8,000.

**Required:** Journal entries

**You are given the following transactions:**

- Poush 1 Sold goods to Ramesh Rs. 6,000
- Poush 5 Purchased furniture from Ramesh for Rs. 4,000
- Poush 9 Goods returned by Ramesh Rs. 500
- Poush 10 Paid by Ramesh Rs. 5,400 in full settlement
- Poush 15 Paid to Ramesh through cheque

**Required:** i) Journal entries

**1. Prepare journal entries from the following transactions**

- i. Commenced business with cash Rs 1,00,000 and goods Rs. 10,000.



- ii. Purchased goods for cash Rs. 10,000 and credit Rs. 5,000.
- iii. Sold goods for cash Rs. 3,000 and credit Rs. 5,000
- iv. Paid salaries Rs. 1000 to Dilip.
- v. Wages outstanding Rs. 500
- vi. Goods taken by the owner for personal use Rs. 1,000.
- vii. Paid to creditors Rs. 3,000.
- viii. Machinery costing Rs. 20,000 purchased from Kamal

**You are required to prepare journal entries on the basis of the following transactions:**

- a. Started business with cash Rs. 50,000.
- b. Purchased goods from Dhruva Rs. 10,000.
- c. Bought refrigerator for personal use Rs 4,000.
- d. Purchased securities for cash Rs. 4,000.
- e. Dividend received on securities Rs. 1,000.
- f. Loan received from Citizen Bank Rs. 10,000.
- g. Partial repayment of Citizen Bank's loans Rs. 6,000
- h. Interest paid on loan Rs 1,000.

**limited for the month of January:**

- Jan 1 Started business with capital of Rs. 1,00,000
- Jan 2 Cash deposited into bank Rs. 75,000
- Jan 5 Furniture purchased on cash Rs. 15,000
- Jan 8 Rent paid Rs. 4,000 including advance of Rs. 1,000
- Jan 9 Cash drawn for domestic use Rs. 5,000
- Jan 11 Cash drawn for office use Rs. 6,000
- Jan 15 Goods of Rs 1,000 sold to Ram for Rs. 800
- Jan 19 Interest received Rs. 2,000
- Jan 24 Machinery of Rs. 15000 purchased from Dipak.

- Jan 25 Purchased goods from Pashupati Tradings for Rs 12000 at 5% trade discount.
- Jan 26 Cheque issued to Dipak Rs. 14800 in full settlement.
- Jan 27 Paid commission by Cheque Rs. 1200
- Jan 28 Paid to Pashupati Traders at 10% discount.

**Following are the transaction of Barbote Furniture Factory.**

- a. Started business with Rs. 40,000
- b. Sold goods of Rs. 2000
- c. Purchased goods of Rs. 3000
- d. Insurance premium of proprietor Rs. 800
- e. Paid to ABC Rs. 2000 on behalf of Sanju
- f. Goods of Rs. 5000 sold at 10% trade discount
- g. Interest on capital Rs. 1000 provided

**Required :** Journal entries.

**Questions:**

1. What is meant by journal?
2. What are the advantages of journal?
3. Explain the steps of recording the entries in a journal.
4. Mention the rules of debit and credit for personal accounts, real accounts and nominal accounts.
5. What is meant by real accounts? Give five examples.
6. What is meant by personal accounts? Give five examples.
7. Explain nominal accounts with examples.

# UNIT 11

## Ledger

### Learning objects :

**After studying this unit, the students will learn:**

- Meaning of Ledger
- Objectives and use of Ledger
- Format and preparation of Ledger

The book in which accounts are maintained is called ledger. All transactions relating to that account are recorded chronologically. It is the second step of Double Entry Book-Keeping System in which transactions are recorded accounting head wise in chronological order from journal. It is also called secondary entry. From journal each transaction is posted to at least two concerned accounts - debit side of one account and credit side of another account. In ledger, separate account is opened for each and every accounting transactions as Cash a/c, Ram a/c, Rent a/c etc.

A general ledger is a company's main accounting records. A general ledger is a complete record of financial transactions over the life of a company. The ledger holds account information that is needed to prepare financial statements, and includes accounts for assets, liabilities, owners' equity, revenues and expenses.

A general ledger is typically used by businesses that employ the double-entry bookkeeping method - where each financial transaction is posted twice, as both a debit and a credit, and where each account has two columns. Because a debit in one account is offset by a credit in a different account, the sum of all debits will be equal to the sum of all credits.

**According to L.C. Croper– "The book which contains a classified and permanent record of all the transactions of a business is called ledger."**

So a ledger is a book of account; in which all types of accounts relating to assets, liabilities, capital, expenses and revenues are maintained. It is a complete set of accounts of a business enterprise.

### Format of ledger

Ledger account which contains eight columns is divided into two equal parts. The first columns of left hand side represent the debit side and the other four columns of right hand side represent the credit side. The format of ledger account is presented below:

Dr				Name of Account				Cr			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount				

Explanation of the above columns is given below:

- i. **Date:** Respective date of transactions is recorded in this column.
- ii. **Particular:** In debit side, a detail of debit transactions is recorded similarly in credit side details of credit transaction is recorded.
- iii. **J. F. (Journal folio):** In this column, the page number of journal or subsidiary book from where transactions is taken is to be written.
- iv. **Amount :** The amount of respective transaction is recorded in this column.

### Advantages of ledger

Following are the advantages of ledger.

1. Ledger provides detailed information about revenues and expenses at one place. While finding out business results the revenue and expenses are matched with each other.
2. Ledger records every asset separately. Hence, the information about the Book value of any asset can be obtained whenever needed.
3. The information given in different ledger accounts will help the management in preparing budgets. It also helps the management in keeping the check on the performance of business it is managing.
4. Ledger provides information about assets and liabilities of the business. From this we can judge the financial position and health of the business.
5. The business always need to know what it owes to others and what the others owe to it. The ledger accounts provide this information at a glance through the account receivables and payables.

## Illustrations

**Pass the journal entries of the following transaction for the month of Ashadh and post them into necessary ledgers.**

- Ashadh 1 : Started business with cash Rs. 75,000.  
 Ashadh 3 : Cash purchased Rs. 2,000.  
 Ashadh 5 : Cash sales Rs. 1,000.  
 Ashadh 7 : Purchased Furniture Rs 2,000

- Ashadh 9 : Paid rent Rs. 2,000.  
 Ashadh 11 : Cash deposited in to the Bank Rs. 6800.  
 Ashadh 12 : Goods withdrew from Business for personal use Rs. 1,000.  
 Ashadh 15 : Withdrew from Bank Rs. 500 for personal use  
 Ashadh 16 : Purchased goods from Dev Rs. 1,000.  
 Ashadh 18 : Goods sold to Amir Rs. 500  
 Ashadh 21 : Rent paid by cheque Rs. 2,000

## SOLUTION

### Journal Book of .....

Date	Particulars	LF	Dr (Rs)	Cr (Rs)
Ashadh 1	Cash A/c.....Dr To Capital A/c (Being business started with cash)		75,000	75,000
Ashadh 3	Purchased A/c ..... Dr To Cash A/c (Being Purchased goods for cash)		2,000	2,000
Ashadh 5	Cash A/c ..... Dr To sales A/c (Being goods sold for cash)		1,000	1,000
Ashadh 7	Furniture A/c ..... Dr To Cash A/c (Being Purchased furniture )		2,000	2,000
Ashadh 9	Rent A/c ..... Dr To cash A/c (Being paid rent )		2,000	2,000
Ashadh 11	Bank A/c ..... Dr To Cash A/c (Being Cash deposited in to the Bank )		6800	6800
Ashadh 12	Drawing A/c ..... Dr To Purchase A/c (Being goods withdrawal for private use )		1,000	1,000
Ashadh 15	Drawing A/c ..... Dr To Bank A/c (Being withdrew from bank for personal use)		500	500
Ashadh 16	Purchase A/c ..... Dr To Dev A/c (Being goods purchased from Dev)		1,000	1,000

Ashadh 18	Amir A/cDr To Sales A/c (Being goods sold to Amir )		500	500
Ashadh 21	Rent A/cDr To Bank A/c (Being Rent paid by Cheque )		2000	2000

Dr				Cash A/c				Cr			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount				
Ashadh 1	To capital A/c		30,000	Ashadh 3	By Purchase A/c		2000				
Ashadh 5	To sales A/c		1000	Ashadh 7	By Furniture A/c		2000				
				Ashadh 7	By Rent A/c		2000				
				Ashadh 11	By Bank A/c		4500				
				Ashadh 31	By Balance c/d		20,500				
			31,000				31,000				
Sawan 1	To Balance b/d		20,500								

Dr.				Capital A/c				Cr			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount				
Ash.31	To Balance c/d		75,000	Ash.1	By Cash A/c		75,000				
			75,000				75,000				
				Sawan 1	By Balance b/d		75,000				

Dr.				Purchase A/c				Cr			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount				
Ash.3	To Cash A/c		2,000	Ash.12	By Drawing A/c		1,000				
Ash.16	To Dev A/c		1,000	Ash.31	By Balance c/d		2,000				
			3,000				3,000				
			2,000								
Sawan. 1	To Balance b/d										

**Dr.** **Sales A/c** **Cr**

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Ash. 31	To Balance c/d		1,500	Ash.5	By Cash A/c		1,000
				Ash.18	By Amir A/c		500
			1,500				1,500
				Sawan 1	By Balance b/d		1,500

**Dr.** **Furniture A/c** **Cr**

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Ash.,7	To Cash A/c		2,000	Ash.. 31	By Balance c/d		2,000
			2,000				2,000
Sawan.1	To Balance b/d		2,000				

**Dr.** **Bank A/c** **Cr**

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Ash.. 11	To Cash A/c		6800	Ash.. 15	By Drawing A/c		500
				Ash.. 21	By Rent A/c		2,000
				Ash.. 31	By Balance c/d		2,000
			6800				6800
Sawan.1	To Balance b/d		2,000				

**Dr.** **Rent A/c** **Cr**

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Ash.. 9	To Cash A/c		2,000	Ash.. 31	By Balance c/d		2,000
			2,000				2,000
Sawan. 1	To Balance b/d		2,000				

**Dr.** **Driving A/c** **Cr**

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Ash..12	To Purchases A/c		1,000	Ash.. 31	By Balance c/d		1,500
Ash..15	To Bank A/c		500				1,500
			1,500				
Sawan.1	To Balance b/d		1,500				



Dr.				Dev A/c		Cr	
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Ash.. 31	To Balance c/d		1,000	Ash.. 16	By Purchase A/c		1,000
			1,000				1,000
				Sawan. 1	By balance b/d.		1,000

Dr.				Umesh A/c		Cr	
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Ash.. 7	To sales A/c		500	Ash.. 31	By Balance C/d		500
			500				500
Sawan. 1	To Balance b/d		500				

Dr.				Rent A/c		Cr	
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Ash.. 7	To Bank A/c		2,000	Ash.. 31	By Balance C/d		2,000
			2,000				2,000
Sawan. 1	To Balance b/d		2,000				

- 1) B.B. Shrestha commenced a business with capital Rs. 10,000.
- 2) Received cash from Kumar Rs. 500.
- 3) Rent due to the owner Rs. 150.

**Required :** Ledger accounts of above transactions.

### Solution:

Dr				Cash Account		Cr	
Date	Particular	JF	Amount	Date	Particular	JF	Amount
	To Capital A/c		10,000		By Balance c/d		10,500
	To Kumar A/c		500				
			<u>10,500</u>				<u>10,500</u>
	To Balance b/d		10,500				

**Dr** **Rent Account** **Cr**

Date	Particular	JF	Amount	Date	Particular	JF	Amount
	To O/S A/c		150		By Balance c/d		150
			<u>150</u>				<u>150</u>
	To Balance b/d		150				

**Dr** **Capital Account** **Cr**

Date	Particular	JF	Amount	Date	Particular	JF	Amount
	To Balance c/d		10,000		By Cash A/c		10,000
			<u>10,000</u>				<u>10,000</u>
					To Balance b/d		10,000

**Dr** **Outstanding Rent Account** **Cr**

Date	Particular	JF	Amount	Date	Particular	JF	Amount
	To Balance c/d		150		By Rent A/c		150
			<u>150</u>				<u>150</u>
					By Balance b/d		150

**Dr** **Kumar's Account** **Cr**

Date	Particular	JF	Amount	Date	Particular	JF	Amount
	To Balance c/d		500		By Cash A/c		500
			<u>500</u>				<u>500</u>
					By Balance b/d		500

2070 Magh 10 : Purchase furniture from Koshi Furniture work shop Rs. 20,000

2070 Magh 15 : Goods sold on credit Rs. 500

2070 Magh 25 : Furniture costing Rs. 5,000 has been sold for Rs. 5,500

2070 Magh 27 : Cash received from debtor Rs. 4,900 and allowed discount Rs. 100

**Required :** Furniture Account.

## Solution:

Dr				Furniture's Account				Cr	
Date	Particular	JF	Amount	Date	Particular	JF	Amount		
Magh 10	To Koshi Furniture A/c		20,000	Magh 25	By Cash A/c		5,000		
				Magh 30	By Balance c/d		15,000		
			<b>20,000</b>				<b>20,000</b>		
Falgun 1	To Balance b/d		15,000						

## Problems

### 1. You are given the following transactions:

- Started business with cash Rs. 50,000
- Goods of Rs. 4,000 purchased
- Cash Rs. 25,000 deposited into bank
- Furniture purchased from Hari for Rs. 10,000
- Rent paid Rs. 2,000

**Required :** i) Journal entries ii) Cash Account

### 2. Post the following transaction into Furniture Account and balance it.

- April 1 : Opening Balance of furniture Rs. 90,000  
April 2 : Purchased furniture from Rahul Rs.12,000  
April 3 : Depreciation provided on furniture Rs. 8,000  
April 4 : Part of furniture sold for Rs. 35,000  
April 10 : Furniture purchased on cash Rs. 13,000

### 3. Mr. Shrestha's business transactions revealed the following:

- Jestha 4 : Sold goods to Mrs. Pradhan Rs. 30,000  
Jestha 10 : Cash paid by Mr. Pradhan Rs. 10,000  
Jestha 10 : Discount allowed to Mr. Pradhan Rs.1,000  
Jestha 15 : Returns from Mr. Pradhan Rs. 3,000

**Required :** Mr. Pradhan's account in the books of Mr. Shrestha.

## 6. Post the following transactions into:

- i. Cash a/c
- ii. Bank a/c
- iii. Drawing a/c
  - Started business with capital of Rs. 1,00,000
  - Cash deposited into bank Rs. 75,000
  - Furniture purchased on cash Rs. 15,000
  - Rent paid Rs. 4,000 including advance of Rs. 1,000
  - Cash drawn for domestic use Rs. 5,000
  - Cash drawn for office use Rs. 6,000
  - Goods of Rs 1,000 sold to Ram for Rs. 800
  - Interest received Rs. 2,000

## 4. Following are the transaction of Barbote Furniture Factory.

- a. Started business with Rs. 40,000
- b. Sold goods of Rs. 2000
- c. Purchased goods of Rs. 3000
- d. Insurance premium of proprietor Rs. 800
- e. Paid to ABC Rs. 2000 on behalf of Sanju
- f. Goods of Rs. 5000 sold at 10% trade discount
9. Interest on capital Rs. 1000 provided

**Required :** i. Cash account ii. Drawing account iii. Capital account

## 5. Following transactions of a business house for the month of Poush are given to you:

- a. Initiated business with cash Rs. 1,50,000, goods of Rs.11,000 and furniture of Rs. 35,000.
- b. Cash deposited into the bank Rs. 70,000.
- c. Loan taken from Everest bank Rs. 80,000.
- d. Purchased goods from Arya for Rs. 22,000 and partial payment is made through cheque Rs. 12,000 only.
- e. Sold goods on credit for Rs 10,000
- f. Cash paid to Deepa Rs 4,500 in full settlement.
- g. Cash received from debtors Rs 4,500 in full settlement of Rs. 4600.
- h. Payment of loan installment Rs.24000.

**Questions:**

1. What do you understand by ledger?
2. Why is the of ledger important to business?
3. Why is closing and balancing of accounts necessary?
4. Write difference between Journal and Ledger.
5. What is posting? When is posting said to be completed?

# UNIT 12

## Trial Balance

### Learning objects :

**After studying this unit, the students will learn:**

- Meaning of Trial balance
- Objectives of preparing a Trial Balance
- Preparation of Trial Balance

The fundamental principle of double entry system of accounting is that for every debit entry there must be a corresponding credit entry. In the preparation of journal as well as ledger, both aspects of transaction are taken into account. Thus for every debit there is a corresponding credit of an equal amount given to some other account and vice versa. This implies that the total of debit amount must be equal to the total of credit amount. If journal entries are correctly posted to different ledger accounts, the total of all debit posting in the trial balance must be equal to the total of credit posting in trial balance. If debit total or balances do not tally with the credit totals or balances, it means that some mistake has crept in.

Trial balance is the statement of debit and credit balances of ledger balances. Which is prepared to check the arithmetical accuracy of journal and ledger after certain interval of time. Total of debit and credit side of trial balance must be equal if it is not equal, there is arithmetical error either in journal or ledger.

**According to R. N Carter– "Trial balance is the list of debit and credit balances, taken out from ledger, it also includes the balances of cash and bank taken from cash book."**

**According to M.S. Gosav- Trial balance is the statement containing the balaces of all the ledger accounts at any given date, arranged in the form of debit and credit columns, placed side by side and prepared with the objective of checking the arithmetical accuracy of ledger posting."**

Thus, we can say that trial balance is a statement in which the debit and credit balances of all accounts are recorded with the view to ascertain the arithmetical accuracy of the books of accounts.

### Objectives of Preparing a Trial Balance

The following are the main objectives of trial balance.

- a. **To Check Arithmetical Accuracy:** A trial provides a good check on the accuracy of the work done in preparing the ledger accounts. If the trial

balance agrees, it proves that books are arithmetically accurate and that both the aspects of the transactions have been correctly recorded in the books of original entry as well as in the ledger. But if the trial balance totals do not agree, then it shows that there are some arithmetical errors.

- b. **To help to Prepare the Final Account:** Trading account, profit and loss account and balance sheet are combinedly known as final account. The Trial Balance facilitates to prepare the trading and profit and loss account which reveals the profitability of the firm. Similarly it helps to prepare balance sheet to reflect the financial status of the firm.
- c. **To help to locate errors:** Total of debit and credit side of trial balance must be equal, if it is not equal, there is arithmetical error either in journal or ledger. The trial balance helps to locate the arithmetical errors which can be rectified in time.
- d. **to present the summary:** trial balance is a list or statement of ledger balances. It gives the summarized data of assets, expenses, capital, income and liabilities, at a glance.

### SPECIMEN OF TRIAL BALANCE

**Trial Balance of**  
**as on .....**

SN	Particular	LF	Dr (Rs)	Cr (Rs)
1	2	3	4	5

At the top of the trial balance name of the company or firm is written along with the date, on which trial balance is prepared.

1. In this column, serial number of account heads is written.
2. This column is to write the name of account heads.
3. Ledger folio (i.e. page number of ledger) is written in this column.
4. This column is to write debit amount of respective account.
5. Credit amount of corresponding account is written in this column.

### **Methods of preparing trial balance**

There are three methods of preparing Trial balance. They are:

1. Total Method: According to this method, the debit totals and credit totals



of each account of ledger are recorded in respective sides of trial balance. This method is not popular to prepare the trial balance because final account is prepared with the help of ledger balances but this method provides the total amount of debit and credit of each ledger. Normally accounting figures seem large if total method is applied.

2. **Balance Method:** according to this method, only the balances of the accounts either debit or credit, are recorded against their respective accounts. Preparation of trial balance under this method is popular and common, now a days. The difference of the two sides of every account are found out and short amount is added to make the ledger balances equal, if there is difference in ledger. The added amount is brought down in opposite side. The brought down amount is taken to respective side of trial balance. The total of debit column and total of credit column of trial balance should be equal to prove arithmetical accuracy.
3. **Mixed Method:** under mixed method total amount and balance amount both are used for the preparation of trial balance. This is the combination of total and balance methods.

## Considerations for preparation of trial balance

The following points should be taken into consideration while preparing trial balance:-

1. The method of trial balance should be chosen carefully.
2. All the ledger balance should be up to date and correct.
3. Serial number should be written in first column of trial balance.
4. Account heads should from respective sides of ledger should be in second column and page number of ledger is written in third column for the quick location of account heads.
5. Debit and credit amount should be written in fourth and fifth column respectively.
6. Debit and credit side of trial balance must be equal if it does not agree, there is arithmetical error which should be rectified promptly.
7. It should be noted that agreement of trial balance does not assure to the absolute accuracy because only arithmetical errors are disclosed by trial balance.
8. All types of assets, expenses and losses should be recorded in debit side and capital, incomes and liabilities are recorded in credit side.

## Accounts that figure in trial balance

Debit (Assets, Losses and Expenses)

Bank Motor vans Furniture Debtors

Machinery Opening Stock Cash Premises

Goodwill Patent Trademarks Investment

Prepaid expenses Accrued income Bills receivable Copy right

Purchases Carriage in and out Wages and salaries Advertising

Rent and rates Printing and stationery Discount allowed Bad debts writt en off

Depreciation Lighting and heating Other expenses Insurance

Commission paid Interest paid Electricity charges Telephone charges

Traveling expenses Administrative expenses Drawing of cash Drawing of goods

Sales return, etc.

Credit (Capital, Income and Liabilities)

Capital Creditors Loans from others Outstanding exp.

Unearned income Bank overdraft Bills payable Account payable

Unearned income General reserve Sales Provisions

Commission received Rent received Discount received Bad debts recovered

Dividend received Provision for bad debts Purchase return Interest received

Provision for Depreciation, etc.

## Illustrations :

1. The following ledger balances have been extracted from the books of Pathivara Company as on 31st Chaitra 2072. Prepare trial balance.

Bank loan	2,50,000
Creditors	50,000
Cash in hand	40,000
Debtors	60,000
Share capital	3,00,000
Revenue	8,00,000
Fixed assets	7,00,000
Administrative expenses	2,00,000
Salaries	2,50,000
Selling expenses	1,50,000

**Trial Balance**  
**Pathivara Company**  
**As on 31-12-2072**

Share capital	–	3,00,000
Revenue	–	8,00,000
Bank loan	–	2,50,000
Creditors	-	50,000
Cash in hand	40,000	–
Debtors	60,000	–
Fixed assets	7,00,000	–
Administrative expenses	2,00,000	–
Salaries	2,50,000	–
Selling expen	1,50,000	–
	<b>14,00,000</b>	<b>14,00,000</b>

**4. You are given the following information of XYZ Company Ltd as on 31st December 2015.**

Office expenses	74,250
Machinery	1,35,000
Dividend received	15,000
Stock	1,87,500
Salary	78,000
Interest income	9,000
Bad debt recovered	6,000
Bank loan	4,50,000
Bad debt provision	15,000
Debtors	4,50,000
Creditors	3,00,000
Buildings	6,75,000
Bank	63,000
Cash	4,500
Carriage in	23,700

Purchase	7,80,000
Telephone	21,300
Stationery	9,000
Advance income	1,50,000
Drawing	15,000
Insurance	26,250
Wages	60,000
Sales	10,80,000
Advertisement	37,500
Investment	1,50,000
Capital	8,25,000
Bill Receivable	60,000

**Trial Balance**  
**XYZ Company Limited As on 31-12-2015**

Office expenses	74,250	–
Machinery	1,35,000	–
Dividend received	–	15,000
Stock	1,87,500	–
Salary	78,000	–
Interest income	–	9,000
Bad debt recovered	–	6,000
Bank loan	–	4,50,000
Bad debt provision	–	15,000
Debtors	4,50,000	–
Creditors	–	3,00,000
Buildings	6,75,000	–
Bank	63,000	–
Cash	4,500	–
Carriage in	23,700	–
Purchase	7,80,000	–
Telephone	21,300	–
Stationery	9,000	–
Advance income	–	1,50,000
Drawing	15,000	–
Insurance	26,250	–
Wages	60,000	–
Sales	–	10,80,000
Advertisement	37,500	–
Investment	1,50,000	8,25,000
Capital	–	–
Bill Receivable	60,000	–
	<b>28,50,000</b>	<b>28,50,000</b>

## Problems

1. Prepare Trial Balance from the following ledger balance, extracted from the books of laxmi dairy as on 31-12-2015.

Particulars	Amount	Particulars	Amount
Cash	21576		
Capital	50,000	Drawings	2000
Bank	9900	Discount	100
Machinery	10,000	Return our	1300
Sales	25500	Furniture	5000
Purchase	28000	Telephone	500
Debtors	3150	Creditors	4700
Sales return	350	Postage	825

**Ans:** Total Rs 81500

2. From the following information's, prepare trial balance for the year 2015.

Particulars	Amount	Particulars	Amount
Bank	83500	Purchase	140,000
Capital	1,60,000	Advertisement	15,000
Vehicle	50,000	Rent	55,000
Equipment	30,000	Sales	40,000
Creditors	130,000	Drawing	6,000

**Ans:** Total Rs. 3,30,000

3. From the following balance, prepare trial balance of Panchakanya Traders as on 31 Chaitra 2071.

Particulars	Amount	Particulars	Amount
Opening stock	40,000	Office expenses	315,000
Sales	13,50,000	Wages	225,000
Purchase	410,000	Debtors	4,12,500
Creditors	510,000	Land and building	13,86,000
Other income	25,000	loan	1,00,000
Rent	24000	Vehicle	1,85,000
Bank	71,500	capital	13,00,000

**Ans:** Total Rs 32,85,000

#### 4. You are given the following information's.

Bank	20,25,00
Capital	20,00,000
Purchase	6,00,000
Furniture	1,00,000
Rent	50,000
Machinery	1,00,000
Creditors	1,00,000
Debtors	2,00,000
Sales	10,00,000
Telephone bill	5,000
Salary	20,000

**Required:** Trial balance of Pathivara Trading House at the end of 2024.

**Ans:** T.B. Total Rs 31,00,000

#### 5. Prepare trial balance from the given information's below:

Capital, Rs 1,35,800, Drawing, Rs 10,000, opening stock Rs 2,00,000; cash Rs 30,6000, Purchase Rs. 1,00,000 sales Rs 1,60,00, Trade expenses Rs, 1,000, Carriage our Rs. 1,000, Advertisement Rs 1,600, Discount Rs 600, Interest received Rs 1000, Copyright Rs 10,000, Loan Rs, 60,000, Carriage Rs 2000.

**Ans:** TB. Total Rs. 3,56,800

#### 6 Prepare a Trail Balance of S&S Trade Concern for the fiscal year 2073/74 from the following particulars:

Salary	70,000	Purchases	2,00,000
Advertisement	30,000	Sales	3,60,000
Advance income	15,000	Capital	1,25,000
Machine	1,98,000	Discount	2,000
			TB. Total Rs. 5,00,000

**7. Prepare a Trail Balance of Saman Wood Industry as on 31st Ashad 2073 from the following particulars:**

Capital	2,50,000	Purchases	4,00,000
Sales	3,30,000	Drawings	25,000
Bank loan	20,000	Creditors	25,000
Depreciation	10,000	Machine	1,90,000
			TB. Total 6,25,000

**8. Prepare a Trail Balance of Ramesh & Sons Store, Pokhara for the fiscal year ended Ashad 2070/071 from the following particulars:**

Capital	2,10,000	Purchases	1,45,000
Sales	1,89,000	Commission received	6,000
Bank balance	1,80,000	Creditors	30,000
Wages	70,000	Opening stock	40,000
			TB. Total 4,35,000

**Questions:**

1. What is a Trial Balance?
2. Write the objectives of Trial Balance.

# Agriculture

- Unit 1** : Agriculture
- Unit 2** Kitchen garden
- Unit 3** Poultry Farming
- Unit 4** Animal husbandry
- Unit 5** Bee -Keeping (Apiculture)



Agriculture is the science or practice of farming, including cultivation of the soil for the growing of crops and the rearing of animals to provide food, wool, and other products. Agriculture comes from the Latin word 'ager' which means **field**. Dictionaries usually describe agriculture as the art or science of cultivating the ground. This is one of the oldest meanings of the word 'agriculture'. Now, it also means using the land to raise animals, produce fruits, cash crops and food crops. Now, the meaning of agriculture has been further broadened to include some industries connected with agriculture. Apart from the production of crops and livestock, it also includes the supply of farm requirements. In addition to that, it includes the processing and selling of agriculture products which have been converted from the raw materials into the form the consumers want.

## Importance of Agriculture

In the context of Nepal agriculture is indispensable. Agriculture is only the source of food for all living beings. Nepal is agricultural country and the topographical land distribution is also suitable. The importance of agriculture is highlighted by the following points.

- I. Agriculture fulfills our basic needs.
- II. Various raw materials can be produced for industries.
- III. We can earn money by exporting surplus food
- IV. It supports national income.
- V. Various agro based industries can be established
- VI. It provides employment opportunities in the country.

## Branches of Agriculture

Agriculture can be compared with a tree which has six main branches. All these branches are equally important to us. Each branch gives us some important thing which is essential for our day to day life.

- I. Agronomy
- II. Horticulture
- III. Animal Husbandry
- IV. Poultry
- V. Bee keeping
- VI. Fishery

### Agronomy

Agronomy is the branch of agriculture that teaches us about the scientific method of crop production and field management. With the study of agronomy, people will learn to grow different types of crops and able to maintain fertility of the soil.

**Horticulture:** Horticulture is the science of growing flowers, fruits and vegetables.

**Animal Husbandry:** This is another branch of agriculture which teaches us the scientific methods of raising and breeding animals. Animals are very valuable properties of a nation. They provide us with many valuable things. From the study of animal husbandry, people will be able to supply adequate food, control diseases, learn proper management and maintain a good pasture for the animals.

**Poultry Production:** Poultry is the one of the main branches of agriculture. Poultry refers to the birds which have social and economical value to us.

**Bee-Keeping (Apiculture):** Bee-keeping is another important branch of agriculture which teaches us the scientific methods of raising bees and producing honey and wax. Bees are very useful insects. Among the various insects that human beings have studied in detail, bee is one. These days many people keep bees especially for pollination in plants, in addition to honey and wax which they produce.

**Fishery (pisciculture):** Fishery is one of the important branches of agriculture. Fish culture is the growing of fish in ponds. Growing fish in ponds, from which they cannot escape, allows feeding, breeding, growing and harvesting the fish in a well planned way. From the study of this branch of agriculture, people grow fish in a scientific way in good quality and large quantity so that they can earn by selling them in the market.

**Questions:**

- 1 What is agriculture. Explain
- 2 What are importance of agriculture.
- 3 Define agronomy?

Kitchen garden is a piece of land where vegetables are grown for household use. It is a garden in which plants (as vegetables or herbs) for use in the kitchen are cultivated. The main purpose of growing vegetables in the kitchen garden is to produce fresh vegetables for our own family use. Vegetables such as beans, peas, provide protein in the diet of people. The production of vegetables will help to provide fresh vegetables, saves money, keeps people engaged to utilize their leisure time. For this reason, it is important that people learn to produce vegetables in their own kitchen garden. Potatoes, carrots etc. are rich in carbohydrate, while beans and peas are rich in protein. Many vegetables supply useful minerals, and the green leafy vegetables contain important A and C vitamins. Vegetable production is very important from the health point of view. Fruits and vegetable are man's main source of various food elements.

## Importance and Necessity

1. We can easily get fresh and tasty vegetables throughout the year.
2. Working in kitchen garden provides physical exercise.
3. We can utilize our leisure time working in the kitchen garden.
4. It provides recreation and mental satisfaction while working in the kitchen garden with the family members.
5. The vegetables produced in the kitchen garden is fresher, cleaner and more nourishing comparing to the vegetable available in the market.
6. It makes the surrounding attractive and hygienic.
7. It saves our time and money.
8. The kitchen wastage can be used as compost manure in the garden.

## Preparation of Kitchen Garden

A Proper planning and preparation is necessary in order to run a kitchen garden smoothly we should keep the following points in mind while preparing kitchen garden.

1. First of all we have to measure the land, which is left over after keeping aside from building work.
2. After preparing the map of land, the land should be divided into different plots specifying appropriate vegetable for each plot.
3. The kitchen garden must be located in an open space so that it can get sufficient sun-shine and it must not be near tall building or swampy areas.
4. The kitchen garden must be managed with proper irrigation and outlet systems.
5. There must be a proper fencing of barbed wires around the kitchen garden.
6. While mapping kitchen garden, a good track across the passage must be made so that it becomes easy to carry water for irrigation or to reach at any corner without difficulty.
7. Only short and light plant vegetable should be planted in front of the house.
8. While preparing kitchen garden, the pit for compost manure should be made behind the house.
9. While making decision for the planting of vegetable, we have to make plan for cultivating of vegetable so that no land goes wasted all the year round.
10. An area of 250 sq. meter long land is appropriate for a family of 5 members.

## Vegetable Production:

Vegetable are one of the important food items of human beings . We eat different type of vegetable . Different plant are used as vegetable such as seeds pods, stems, roots, flowers, fruit, tuber, bulbs etc.

The present production and consumption of vegetable in our country are very inadequate. The quality and quantity of vegetable should be improved considerably. This target can be fulfilled when we can increase the present area of vegetable production and also the production per unit of land by adopting better agricultural methods.

## Kind of Vegetable

According to the type of seasons the vegetables can be categorized into the following headings.

### (a) Rainy season vegetables

The vegetables which are cultivated in rainy season are called rainy season vegetables.

These types of vegetables are mostly grown from Ashar to Kartik. Tomato, soybean, runner bean, pumpkin, eggplant, bitter gourd, cucumber etc.

### (b) Winter season vegetables

The vegetables which are cultivated in the cold season are called winter season vegetables. Vegetables like cauliflower, cabbage, broccoli etc and leafy vegetables such as spinach, mustard, rapeseeds etc come under this category. These vegetables are grown in the month of Falgun to Mangsir.

### (c) Off season vegetables.

If the vegetables are grown in unfavorable season then, such vegetables are called off season vegetables. Special type of glass house is required to maintain and control the temperature. Some offseason vegetables are Tomato, cucumber, winter radish, carrot, cauliflower, asparagus etc. There is very high demand in the market of the varieties.

## Method of Vegetable Farming

The following factors are to be considered in the process of growing vegetable.

### 1. Selection of land:

For growing a good amount of vegetable, selection of land is essential. As far as it is concerned the land should be located towards the southern side of house. The soil must be loosen and fertile with sufficient organic fertilizers.

### 2. Preparation of land:

After the selection of land, the next step is the preparation of land. The land should be well tilled before planting the seeds. Some times organic fertilizer should be used to make the soil non-sticky. Little quantity of limestone is used to kill the disease and insects. All the grasses and weeds must be removed thoroughly before sowing the seeds or saplings.

### 3. Use of fertilizer:

For optimum production of vegetables fertilizer is essential for the plants. Fertilizer is the food of plant needed for sprouting breeding and growth of plants. There are two types of fertilizers. (i) Organic fertilizer and (ii) Chemical fertilizer.

- (i) **Organic Fertilizer:** Organic Fertilizer is prepared from the waste or by-product of plants and animals. It is good food for the plants because this fertilizer increases the fertility of the soil. Organic fertilizer increases the potentiality of sustaining water as well as the temperature. Approximately 500gram of this fertilizer is appropriate to use in a square feet of land.
- (ii) **Chemical fertilizer:** Chemical fertilizer or inorganic fertilizer is a kind of plant food which is prepared in laboratory by synthesizing of elements by chemical reaction. The chemical fertilizer is used to fill up the shortage of elements like nitrogen, phosphorus, potash from the organic fertilizer. Depending upon the condition of soil, the right amount fertilizer should be used to get good growth and development of crops.

## Some Popular Vegetable Crops Grown in Nepal

### Tomato:

Tomato is one of the most popular vegetable in Nepal as well as many other parts of world. It considered to be one of the protective food of its special nutritive value and also because of its widespread production. It is the worlds largest vegetable corps after potato and sweet potato. Tomato are used for soup, salad, pickle, sauces and many other ways.

Tomato belong to the family solanaceae and to the genius lycopersicon. There are many varieties of tomato which are grown in many part of country.

Tomato is warm season vegetable. It cannot stand severe frost. The best suitable temperature for the crops is 18 degree C to 27 degree C . The best soil for the crops is loam or sandy loam type of soil. Tomato seedling are first grown in nursery. Before planting, the plant are hardened by exposing the seedling to open sun. Spacing varies according to the variety.

Tomato seedling requires regular irrigation. People must apply sufficient water ay right time. Over watering is also harmful to the plants. The crops require frequent shallow cultivation, especially during their first four weeks

in the field. Harvesting time depend upon temperature , purpose of use and distance of the market. Generally , tomatoes are picked after 40-60 days of flowering.

### **Radish:**

Radish is cold season vegetable. It is a cheap and popular vegetable of Nepal. Radish grows well during cool seasons with temperature between 100C to 150C. It can be grown in any type of soil, but a light, friable soil is considered best. The soil should be thoroughly prepared so that there are no clods to interfere with the developed of the root. It is grown for its fleshy edible roots which are eaten raw or as salad, pickle or cooked. Leaves of radish are eaten as leafy vegetable, and are very rich in vitamin A and C as well as minerals. Radish can grow on all types of soil but it needs sufficient water from sowing the seeds to the development of roots. Radish are very rich in minerals and vitamins A and C.

### **Cauliflower:**

The name cauliflower was derived from the Latin word ‘Caulis and Floris’ which means cabbage and flower. Cauliflower is one of the most popular winter vegetables in Nepal. It needs light swampy soil with sufficient amount of organic fertilizer. A fertile loam or clay loam type of soil is best for it.

Seeds of cauliflower are at first grown in nursery and after 4-6 week, they are transplanted in the field either in the evening or on a cloudy day. Cauliflower is grown from the plain of Terai to 3000 meter height of a country. However, the planting time differs according to the height of the place.

## **Floriculture**

The study and production of flowers and ornamental plants is called “Floriculture”. The flowers are used in social and religious functions. Flowers are symbolic of beauty, love and tranquility. Besides their religious value, they are important for their economic uses. Perfumes and other products can also be obtained from flowers.

### **Importance of Floriculture:**

Floriculture is suitable for a country like Nepal. Flowers are used from the very birth to the death of the people. In short, we can present the flowing points to show the greater importance of floriculture in Nepal.

1. Flowers can be a source of income to many people in the countries.



2. Flowers can be used as raw materials to produce some valuable perfumes, soap and some ornamental things.
3. We can export the flowers to various countries of the world and earn foreign currencies.
4. We can establish nurseries and seed production gardens in various parts of the countries that will help to give employment to many people in country.
5. Floriculture helps to improve the tourist industry in the country.
6. We can enrich the beauty of the country by growing different types of flowers.

## Some Common Flowers

### Rose:

Rose is the most beautiful flower in the world. It is symbolized as the 'Queen of flower'. There are several varieties of local and hybrid roses found in Nepal. It requires loamy soil. It can be reproduced through sexual propagation or grafting methods. A great care should be given to make the flower blossom well. Generally it is grown in April to June. It needs to supply water daily and one should keep the surrounding clean. There are many wild rose growing in Nepal in warmer areas. Rose are seen blooming 12 month of the year.

### Marigold:

It is very popular flower of Nepal. Its seeds are sprouted at any place and environment. Usually the seeds are sown in the month of Ashwin to Mangsir. Sandy soil is appropriate for the good growth of this flower. It is available in different colours, it is used to increase the decoration and beauty. The disease and insects can attack this plant so necessary steps should be adopted to protect the plants. Medicines like DDT and BHC are used to kill the diseases and insects. Utmost care needs to be given in irrigation and weeding time to time.

## Horticulture

Horticulture is the scientific method of cultivating and producing different fruits. Orange, Apple, Papaya, Litchi, etc are horticulture crops

## Some common fruits

### Orange:-

Orange is one of the most popular fruits in the world. Orange is the sub-tropical fruit and grows well from 600 to 1200 mt.high in our country. Orange belongs to the citrus family. Some other members of the family are lemons, mausami, ghogafe and nibuwa. Citrus fruits are an excellent source of vit C and minerals which are essential for us.

Orange plants are mostly produced from vegetable propagation, usually by air layering method. Seedling scan also be produced from seeds but such type of seedlings do not carry all the parental characteristics.

Orange plants need very close attention at the stage of their growth. They can get various insects and diseases and must be protected from all these problems to obtain good production. Seedling are planted during Asad and Shrawan at the distance of 7-8 meter. Plants need regular irrigation but there must be proper drainage system as well. Weeding must be done at least once a year.

A grafted plant may take 3-4 yrs time to produce fruits whereas, a seeding plant can take 7-8 yrs time. Orange is generally harvested during Kartik and Mangsir.

### Banana:-

Banana is one of the most popular fruit crops of the world. It is commonly used by many people.

Banana is believed to be originated from south east Asia. It comes under the 'musa' family. There are three main varieties of banana which we eat:

1. Musa Saprentum – is comperatively large and can be eaten green, before it changes its colour.
2. Musa Paradiasiaca – it is eaten only when it matures fully.
3. Musa Cavandesi – is small and bears small sized banana.

Banana is propagated from the root part. It can be sown in the soil either during winter or summer. It is found that the seedlings grow well if they are planted during summer.

Sometimes several plants may come from the same area. In such a situation, thinking should be done.

Bananas are harvested when the fruits are still green and not fully matured. Such fruits are easier to transport to a long distance market.

### Apple:-

It is a temperate fruit. It is mostly found at an altitude of 7000 feet above the sea level. It is a tender and fleshy fruit. Juice, sweet and wine can be prepared from it. It is cultivated in hilly region having sandy soil which contains sufficient organic materials. The saplings should be shifted and planted in the field at a distance of 20-25 feet.

This sapling should be planted in the spring season. The saplings are weak and most fragile so an utmost care should be given in the primary stage. Irrigation must be done when it starts flowering. Humla, Jumla, Ilam and other hilly regions are famous for the cultivation of apple.

### Crops:-

There are two types of crops. They are cash crop and cereal crops.

### Cereal crops:-

Cereal crops are the crops that are grown mainly for consumption. Since most of the farmers in Nepal are involved in subsistence farming, they predominantly produce cereal crops. The major cereal crops produced in Nepal are paddy, Maize and Wheat.

### Paddy /Rice:-

Rice is the most important food crop of Nepal. It is produced in 55 % of total cultivable land of the country. It is believed that rice was originated in Asia. It belongs to Gramineae family.

Paddy or Rice is a hot climatic crop and is mainly cultivated in the month of Ashad and Shrawan. In some places it is grown twice a year. Paddy seeds are sown at first in well prepared muddy field.

The saplings are transplanted when they reach nearly 20 to 22 days old. While transplanting saplings, the land should be prepared by tilling well and adding sufficient fertilizer. The sapling should be rooted out and replanted in well prepared muddy land. Paddy is an aquatic plant. However, irrigation should be stopped a few days after transplantation of seeding. A due care must be given to protect the crop from being destroyed of various diseases. Blast, spotted disease, damping etc. are some of the diseases that destroy the crop. The local breeds of paddy are Basmati, Mansuli, Masino etc. Some recommended types are Taichung, Makawanpur -1, Khumal-2 etc.

## Maize:-

Maize is one of the most important grain crop produced in Nepal. Maize is a giant grass and belongs to the family 'gramneae'. Its botanical name is *zea mays*. Maize is cultivated from the plain of Terai upto 3000 mt. height in our country. It is estimated that maize are grown in about 20% of the total cultivation land of our country. In terms of area and production in Nepal stands as the second important crop.

Maize is very useful crop and can be used in many ways. It provides carbohydrate and starch to the people and is the source of various other nutrients. It is also used to make alcohol, paper gum, milk oil, and packing materials.

Maize can be grown in many different weather and soils. It generally grows well in higher temperature when the night temperature does not go below 60°F. It likes high rainfall but does not like the standing water in the field. Maize plants grow well in fertile, deep and well-drained soil.

There are many varieties of maize which are grown in our country. Some of the main are Kakani Pahelo, Rampur Composit, Arun and Rampur. The maize grains must be properly dry before harvesting. Harvesting is done by collection the cobs.

## Wheat:-

Wheat is known as the oldest cereal crop of the world. It occupies a prime position in terms of production in the world. In Nepal, wheat is the third important crop after rice and maize. It is one of the favorite crops of our country. It is grown from Terai plain to 3000 mt. height in the hills. Wheat cultivation has spread over the rich growing areas in recent years. Wheat is cold season seasonal crop. It is generally sown during kartik and mangshir. It grows well in loam soil which contains higher amount of organic matter. Wheat seeds are sown on soil either by broadcasting or by drilling method. The crop requires at least 6-7 irrigation and all the irrigation must be light and they must not be standing water in the field.

The crop is harvested when the grains harden and straw becomes dry. Most of the harvesting is done by the sickle. The grains are dried in the sun after harvesting and threshing is done in a threshing floor. There are various of wheat. Some are Lerma 52, R.R 21, U.P. 262, lumbini and siddarth.

## Cash crop

### Meaning

The crops that are mainly grown for the purpose of sale to earn money is called cash crop. For e.g. sugarcane, mustard, potato, etc

### Sugarcane:-

**Introduction:** Sugarcane is a tropical plant. It is said to have originated in India. It is not only a cash crop but also an industrial crop. Sugar is obtained from sugarcane. Terai region of Nepal is the best area for the cultivation of sugarcane. Sandy soil with appropriate drainage is necessary for this plant. Sugar cane needs sufficient organic fertilizer, green fertilizer and oil cake for its good growth. Vegetative propagation is used for the re-planting of these crops. It is planted from Falgun to Chaitra. Harvesting is done when the canes are ready. Refractometre is used to measure the maturity of cane. Some recommended species of sugarcane are B.O 84, 88, 99 and Mu Pi 1 etc.

### Mustard:-

Mustard is one of the famous oil crops in the world. It is a winter season crop. Rapeseed and Sarsyu are the crops of same family. It is said to have originated at first in European countries. Light and sandy soil with appropriate drainage is essential for the cultivation of this crop. Terai and inner Terai are suitable areas for the cultivation of mustard. Seeds are sown in a well tilled land with sufficient fertilizers. The crop is ripen within 90 days of sowing the seeds. Type 9 and Bikas are the recommended species of mustard in Nepal.

### Potato:-

Potato is one of the most popular crops of the world. It is used for vegetable but most of the people in the alpine areas use potato as the main food. Potato chops, Chips and curry can be prepared from it. It is cultivated in the entire climate ranging from cold to warm. Light sandy soil is appropriate for its cultivation. Soil should be well prepared at the time of sowing. Potato needs a good amount of chemical and organic fertilizer. Generally Potato is grown from the month of September to November or depending on its Varieties and area of growing. Potato plant is very fragile and cannot withstand to frost. Thus, some recommended medicines should be sprayed to save the crops. Potato needs timely weeding out and loose soil in and around. The harvesting can be done within 90-120 days. Upto date, kufrijyoti, Krufy chandramukhi, Krusa 27 and cardinal etc. are some recommended species of potato in Nepal.

### Questions:

1. What is kitchen garden? Write its importance.
2. Define floriculture. Write four importance of flower.
3. Give a short introduction of rose flower
4. Write economic and religious importance of flower.
5. Define cash crops and cereal crops with examples.
6. Differentiate between cash and cereal crops.
7. How is wheat cultivation done in your place? Write.
8. Write the things to be considered while preparing kitchen gardening.

"poultry" refers to all domestical birds that have an economic important to human beings. The occupation of poultry farming has become famous in our country. This occupation can be started with minimum investment. There is a great importance of poultry today due to the high demand of eggs and meat. Poultry, as a form of business, can be taken up in a small way with a very limited investment of money. Eggs and birds can be sold for cash so that quick return can be expected from the investment.

### Importance of Poultry Production

- (a) Meat and eggs are the good sources of protein.
- (b) It can be started with a small amount of money.
- (c) Chickens require less food o produce eggs and meat than other animals.
- (d) It helps to solve the unemployment problem.
- (e) It can provide regular income to the people.
- (f) Poultry based industries can be established
- (g) Easy and quick return from the investment .
- (h) Feathers can be utilized for making cloths
- (i) It is easy to start and manage; even children and senior citizens handle this work.

## Some Improved Breeds of Chicken

**Leghorn:** The leghorn is the most popular mediterranean breed. The mediterranean breeds are kept primarily for egg production. They are smaller than the American and English breeds and have white ear lobes. They lay white eggs and generally are considered to be the most profitable egg producers. The breed is famous for the compactness of various section of body, uniform blending and pretty carriage. The leghorn includes various colour varieties, and the best known of which are white, brown and black. The white leghorn has become the favourite on account of its excellent laying qualities. The colour of the skin of this bird is yellow and it has single comb. The leghorn is best suited for the dry regions of the country. A white leghorn can lay 250 or more eggs per year.

### New Hampshire

It was first originated in New Hampshire of America. The body color of this breed is light red and feathers are black. This breed of chicken grows faster and weighs nearly 4.5kg. It is useful for eggs and meat.

**Plymouth Rock:** The Plymouth is an American breed of chicken. It is one of the most popular breeds in U.S.A. mainly because it is a bird of good size with excellent flesh and good eggs - laying capacity. There are different varieties of Plymouth Rock. White, Buff, Silver penciled, Partridge etc. In recent years, the white variety is growing in popularity from broiler production.

### Egg laying Type

The egg is a source of animal protein. It is tasty to eat and it is nutritious. Egg is taken as one of the best nutritious foodstuffs. The poultry with the objectives of producing egg is called layer. It is important to select the species of hen that has high egg laying capacity. Generally the hen starts laying eggs when it reaches up to 5 months and it gives commercial production until 18 months. Then it should be sold for meat. The poultry need three kinds of balanced fodder according to their ages.

1. Fodder No 1. (Starter ration) This food is for the chicken of age 1day to 8 weeks.
2. Fodder No 2. (Grower ration) This food is for the chicken of age 8 weeks to 18 weeks.
3. Fodder No 3. (Layer ration) This food is for the chicken of age 18 weeks to till we keep it. In Nepal the commercially kept foreign breeds of chicken are leghorn, highline, saver etc.



**Questions:**

1. How is poultry done in Nepal? Illustrate.
2. List out the feed given on chicken of different ages?
3. What is leghorn type? Explain.

Animal husbandry is the part of agriculture which teaches how to grow and breed the cattle. It is the science of raising and breeding animals. Nearly eighty percent of total population of our country depends on agriculture because they derive their livelihood from it. Animals are the close friends of the farmers who help them in various ways. The cultivator has to depend entirely on bullock labour for tillage, irrigation and carting. Neplease agriculture products and, therefore, the provision of food for the country's large human population depends on the production of the required number of efficient bullocks. Cattle are, therefore, the foundation of agriculture.

1. Milk and meat, which we get from animals, are the main source of animal protein.
2. Cattle by-products or waste products (dropping) are major source of organic fertilizers of soil.
3. Some animals help us in ploughing fields, driving carts and other works.
4. Industries based on animal husbandry can be established in different parts of the country.
5. We can get wool and hair from animals, which are used to make warm clothes and carpets.
6. Animals such as horse, mules and donkeys are used to carry heavy loads.
7. There is plenty of pasture (grazing) land for animals in different parts of country .
8. The climates of our country is suitable for different kinds of animals.

9. The export of dairy products and the hides (skins) of the animals, can be an additional source of national income.
10. Animals husbandry can be a source of employment to the growing number of people in the country.

## Some Important Breeds of Cattle

### Cow:

Cow is the national animal of Nepal. It is considered as incarnation of goddess Laxmi. So cow is worshiped and respected. Cow is mainly kept for milk. Besides, dropping is used for source of fertilizer. Urine and droppings are required even in some religious activities. We can make different types of products from milk. Similarly we can use skin, horns, bones etc according to our need. The milk giving capacity of local breed cow is poor. The farmers have preferred to keep improved breed of cows.

### The improved breeds of cows are as follows

1. Milk Breeds: Jersey, Holstein, Guernsey, Sindhi, Shahiwal, Brown Swiss.
2. Draft Breeds: i) Amritmahal, Khillari, Bachaur. ii) Angi , Hollikar.
3. Dual purpose breeds: Haryana, Kankrej, Krishna, Ghathi, Nellore, Rath, Tharparkar.

### Jersey Cow:

It was first bred up in the Jersey Island of America. It is small cow but gives a lot of milk approximately 3300 liters of milk in one lactation period. Its milk contains 5% fat. The cows of this breed are simpler than others. Therefore, it is easy to take care of them. The color of cow varies from brown, red with some black spots. The back is leveled and there is no hump on the shoulder. Bulls of these cows are quite aggressive, so they are not suitable for dragging purposes. This breed is kept in Terai and hilly regions of Nepal.

### Chauri:

Chauri is our local cow. It is a cross breed of wild bison and yak. Its body is covered with long hair and so it can live in a very cold climate at the altitude of 9 to 16 thousand feet. It has short, strong legs which make it possible to graze in the high mountains. Its daily milk production capacity is very poor but it contains 8% fat which is used to make cheese. This cow is also used for draft purpose.

### **Holstein Friesian:**

This breed of cow was originated in northern Holland. This cow gives a lot of milk and has a large body. It is a black and white spotted cow. It gives nearly 3800 litres of milk in one lactation period. Its milk contains 3.67% of fat. This breed of cow is well suited in Terai, inner Terai and valley areas of Nepal.

### **Buffalo:**

Buffalo is another major cattle farming. It is very popular in our country Nepal. Nepal is one of the few countries in the world where buffaloes are found in domesticated form in large numbers. Buffaloes are primarily kept for milk production. Ghee is one of the main cooking fat and it is produced mainly from the buffalo milk. Many people of our country use buffalo meat. Besides, this, dung and urine can be used as manure. Bones and hides are used for making jackets, shoes, belts etc. The male buffaloes are used for pulling cart and tilling land. Buffalo's milk is very important as it contains high amount of fat.

### **Leeme:**

Leeme is our local breed of buffalo. This breed is best suited for our hilly regions because of its small and light body and short strong legs. It has very long and pointed horns. It is a good forager which can live on poor food and is resistant to diseases. This buffalo produces 600 litres of milk per lactation period. Its milk contains 7.5% fat.

### **Murrah:**

This breed of buffalo was first originated in Northern part of Punjab in India. It has large body with black colour and white mark at the tip of tail. The horns of this buffalo are pointed and turned 'backward'. The average lactation yield is nearly 1700 liters milk with a butterfat contains 7%. It has been kept successfully in Terai, inner Terai and Hilly regions.

### **Goats:**

Goats are produced primarily as source of meat. Goat meat is high source of protein. Most of the people prefer to eat goat meat due to its high quality, tender and taste. Male goat (non-castrated) is used as religious purpose to sacrifice god and goddess. A few local goats are also milked, but the amount of milk produced is very low. Cheese from goat milk has high demand in foreign but its production is limited in few places and supply is limited only in local level.

Among different types of breeds; some of improved breeds of goats which are found in our country are as follows:

## Jamunapari:

Jamunapari is an Indian improved breed of goat. The Jamunapari is a large sized goat. The colour of its body is generally white. This breed has long folded, pendulous ears and has an elongated nose. The jamunapari is tall and has rather long legs. They are said to thrive best under village conditions. They are hardy and very active. The average weight of a full grown buck varies between 60 to 90 kgs. and the female weigh between 50 to 60 kgs. The best milking goat of this breed has yielded 5.4 litres. of milk a day but the average production is nearly 2 to 3 litres. A doe may yield upto 600 liters in a 305 day lactation. Its milk contains 5.3 % fat. Usually, the jamunapari doe kids once a year giving birth to single kid, but twins are not rare.

## Pahade (Hilly) goat:

It is also called local goat which are found mainly found in middle hill and chure range of Nepal. Due to good taste and tender meat, many people like the meat of this breed of goat. This breed of goat is found in different colors. These goats are quite small in size and weight too.

## Sheep:

Sheep are produced primarily for wool, but they are also used for meat, particularly at festival times. Occasionally, the sheep is milked to produces ghee. The "ghee" from sheep's milk is thought to have very important medical properties, particularly in treating cases of burns.

Sheep have many advantages over some other classes of livestock and are particularly well adapted to many areas.

The hilly regions of our country are most suitable for sheep raising. The following breeds of sheep are found in different parts of our country:

1. **Merinos:** The Merinos is the most popular fine-wool breed of the world. This breed of sheep originated from Spain. Merino is easy to herd, enabling one shepherd to control large number of sheep. They are good grazers.

The Merion is a white-faced sheep with white feet. Most rams have horns, whereas the ewes are hornless. Most of their head and feet are covered with wool. Merions are extremely hardy, being able to survive under adverse weather conditions as well as poor grazing conditions.

The average Merion produces 5 and half kgs. wool per year. A mature ram weighs 100 kgs. and a ewe 90 kgs.

2. **Kage:** The Kage is one of the most popular local breeds of sheep in Nepal. Other common local breeds are Rabu, Bhote and Baruwal. Kage is mainly popular for its meat which is soft and tasty. Many people prefer kage's meat to other types of mutton.

Kage are white and their wool, compared to merino's wool, is inferior. The average body weight of this sheep is 25 kg. Shearing can be done twice a year and the average production of wool is 1 kg.

### **Pig raising:**

Pig raising is one of the important branches of livestock production. Pig farming is mainly done for production of meat. It grows fast and therefore, it is profitable activity than other animals. Local breeds like Harra and Chaunche are raised by the farmers of Nepal. These local breeds of hogs are said to have less economical importance because they are small in size even in their well maturity stage.

### **Yokshire:**

It was originated in northern part of England. It is considered as the best breed of pig due to its fast growing capacity. It is white in colour having short snout and the legs are straight with full of hair. It weighs nearly 400 kg at its maturity.

### **Landrace:**

It is an important improved breed of pig. It was originated in Denmark. It has long body with short legs. Its body is white colour with black spots. The back is long and leveled. It weighs nearly 300 kg in its well maturity period.

### **Questions:**

1. Highlight the importance of animal husbandry in agriculture country.
2. Give short introduction and physical structure of Jersey Cow.
3. What are the advantages of goat rearing in Nepal?
4. Why and how is goat rearing done in Nepal?
5. List out the advantages of cow farming.
6. What is the importance of buffalo farming in Nepal?

Bee keeping or Apiculture is the branch of agriculture that teaches us scientific method of keeping bee. Bees produce honey and wax, both of which are valuable marketable commodities. In recent times, however, it has come to be recognised that bees also pollinate various horticultural and agricultural field crops. These pollination services rendered by bees are considered to be of greater value than the honey they produce. Bees are social and gentle by nature and often live in the colony. They are laborious and self dependent. They produce honey and wax which has high market values. Honey is sweet substance so it is used as the substitute product of sugar by many people. Wax is used for making different cosmetic and waterproof materials. Bees not only prepare honey and wax but also help in pollination.

Bee-keeping has a number of advantage in Nepal. The biggest advantage is that very little labour is required and even a fairly large number of hives can be maintained on a part-time basis. Except when honey is being collected, bees require little work.

In Nepal, there is a very good market for honey. Honey is also a very tasty food and there is a large demand for it, so the price is also good. A further advantage is that honey does not get spoiled easily and it can be transported over long distances to reach good market. It can also be stored for long time.

### Some Species of Honey Bees:

Those bees which collect honey and live in an organized colony are called 'Apis'. They make several honeycombs and collect sufficient quantity of honey. The following are the species of bee that come under 'Apis' group.

#### (a) *Apis Dorsata*:

This is a wild bee mostly found at an altitude of 2000 metre above the sea level. Since it is wild in nature and are found in the crevices of rock cavity

or branches of the tree. These bees collect honey by making honey comb of single layer. These bees are quite aggressive in nature and hence people are still unable to domesticate them. This bee often migrates temporarily hills to terai according to the change in seasons.

**(b) Apis Floria:**

This bee is the smallest of all, so it is called the "Little Bee". This bee is found up to the height of 100 metre above the sea level. It makes a single layer of comb. It lives in small bushes or in open area and makes small honey-comb about the size of a palm. This bee is gentle in nature and produces nearly 1 kg of honey. The honey of this bee is said to have very good taste.

**(c) Apis Serana:**

These bees are called Indian bees. They are kept at home for the production of honey. They make several honeycombs for storing honey. These bees prefer to live near human beings. This species of bees does not go for swarming frequently but goes when there is food crisis.

**(d) Apis Mellifera:**

These bees are called European bees and are found famous all over the world for their excellent production of honey. Now a days, some hybrid species have been produced by improving the hereditary of this species. Some recognized bees under Apis Mellifera are, Apis Melifera, Apis Mellifera Kakeshia, Apis Melifera Lingubista etc.

## Types of Bees

### The Queen

There is only one queen in a colony (family). As a mother of the colony, her purpose in the colony and her purpose in life is to lay eggs. She may lay several hundred eggs in one day. These egg may hatch into drones(male), workers or new queens. The queen can determine which type of egg she is going to lay. She lays only the type that she feels the colony needs.

It takes sixteen days for the queen to develop from an egg to an adult. On about the seventh day after hatching , the queen flies from the hive and mates with one or more drones. This is the only time in her life that the queen mates, though she may live for four to five years.

The effective life of a queen may continue upto three years. When her egg-laying power begins to fails, she is killed by the workers. A new queen



is then produced by the bees from the egg of the dead queen. This is the colony's natural habit of replacing a queen.

### The Worker

The workers are undeveloped females. They are unable to mate or produce fertilized eggs. They perform all the works of the colony. Some workers go out of the hive to bring in water, pollen, nectar and other essential things for the hive. Still others clean the hive, build wax comb, nurse the young and control the temperature of the hive. Division of work within the colony, among the workers is based on the age of the individual and on the needs of the colony. Normally, the young bees, immediately after birth, do all the work of cleaning cells, feeding other larvae and other similar duties. When they are grown and their glands have developed, they can secrete the Royal Jelly to feed the queen. These bees

### The Drones

The number of drone bees in a colony varies seasonally. There may be none when the bees have little food, but the number may increase up to 1000 during the honey collecting season. When the honey season is over and food and water becomes scarce, the drones are driven out of the hive to die.

It takes 24 days for a drone to develop from an egg into an adult. The drone does not work in the hive. His only function in life is to mate with the queen outside the hive. He dies after mating with her. The drones are the only male bees in the hive.

Drones are longer and fatter than the queen or the workers. Their bodies are not as long as that of the queen. The drone has a short tongue. He has to take food from workers and from stored honey in the hive. He does not have legs fit to carry pollen, and he is unable to produce wax. He has no stinger to defend himself. The drone is very weak and unable to feed by itself.

### Questions:

1. Define bee-keeping.
2. What are the types of honey bees explain in short.
3. Differentiate between the worker bees and the drone bees.