

Computerized System in Accounting.

1. Computerized accounting System.

- It is the use of computer to perform accounting processes or functions. It involves recording and analyzing financial transactions electronically over the accounting software.

Importances:-

- High speed.
- Reliability.
- Accuracy.
- Versatility.
- Storage.

2. Storage of Accounting Information:

- Information storage is the place where the different files and documents of accounting information are digitally recorded and kept using a computer in a storage system for future use.

3. Limitations of Computerized Accounting system:

- High Cost of installation.
- Cost of training.
- Lack of common senses.
- Lack of own intelligence.
- Only aids to decision making.

4. Elements of Computerized Accounting system:

- Hardware
- Software
- People
- Procedures
 - software-oriented procedures.
 - Hardware-oriented procedures.
 - Internal Oriented procedures.

2. Fixed Overheads:

- Fixed overheads are periodical cost and related with policy. Generally, these costs remain constant for a fixed period of time like for a month, six months or for a year. For example: Salary of administrative staffs, depⁿ on plant, machinery, building, legal expenses, audit fee, etc.

3. Variable overheads:

Variable costs have direct and proportionate relation with volume of output. The overheads fluctuate on the basis of change in volume of output. For eg: fuel, power, indirect materials, indirect labour, etc.

4. Classification of overhead on the basis of Behaviour:

- Fixed Overheads,
- Variable Overheads,
- Semi-Variable or Semi-fixed Overheads.

5. On the basis of functions:

- Manufacturing Overheads,
- Administrative Overheads,
- Selling and distribution Overheads.

6. Controllable Overheads:

These Overheads are to some extent, Controllable to the management. An efficient manager can influence over such Overheads.

7. Uncontrollable Overheads:-

These Overheads are beyond the control to the management. The management action does not effect on such overhead expenses.

3. Direct wages:

Direct wages is the wages paid to the work force who are directly involved in production process to transform the raw materials into finished goods.

4. Indirect wages:-

Indirect wages is the wages paid to precisely engaged in transforming the raw materials into finished output.

5. Write any three step that should be taken to minimize the fraud in wage payment.

Ans:- The following precautions should be taken to minimize the fraud in wage payment:-

- The management should forecast manpower requirement properly before recruiting labour.
- All the workers should be instructed to record correct time of their arrival in the factory and departure from the factory.
- All possible efforts should be made to eliminate or minimize idle time.

Accounting for Overheads.

1. Apportionment of overhead:

- It is the process of dividing overhead expenses to different production units or cost centre. For example, salary of a factory manager is divided into different production units or cost centers on the basis of his time devotion.

3. Fixed Cost:-

Fixed costs are periodic cost which do not differentiate due to change in quantity or numbers of output. For example; Rent, Salary, depreciation of office assets, advertising, insurance, etc.

4. Direct Expenses:-

All the expenses, other than direct materials and direct labour costs, which are specifically incurred on production process or job, are treated as direct or chargeable expenses. For example:- Cost of making specific pattern or design, cost of making research and experiment.

5. Indirect Expenses:-

Expenses excluding indirect material and indirect labour incurred in other than direct productive work are indirect expenses. For example:- Rent Insurance, depⁿ, lighting and heating, printing and stationery, etc.

6. Direct Cost:-

Direct cost are those, which can be physically identified and traced to the cost objective because there is a direct casual link between them. Example:- Cost of paint in the paint department of an automobile assembly plant.

7. Indirect Cost:-

Indirect Cost cannot be traced to each cost of object and they must be allocated in order to be assigned to a product or department. Example: Cost of national advertising for an airline is indirect to a particular flight.

Difference between public and private Company.

Private Company	Public Company
According to 'company act 2063' the maximum numbers of shareholders cannot be exceed one hundred one.	The maximum number of share holder can be unlimited for the registration of public Ltd company.
Share of private Company are not transferable.	Share of public Company can be easily transferable from one shareholder to another.
"PVT. Ltd" or "(P) Ltd" is written after name of Company.	"Ltd" or "Limited" is written after name of company.

Issue of shares for Cash.

Meaning of shares:

The total capital of the company is divided into small units of equal value. Each unit is termed as a share. It is part of Capital into which total Capital is divided.

Types of shares:

According to Nepal act 2063, a Company can issue two types of shares which are as below:-

(a) Equity share / Ordinary shares / Capital shares / Common-Stock :-

Shares other than preference shares are equity or ordinary shares. Shareholders have their voting rights. They do not get a fixed rate of dividend.

8. ~~Exp~~ Cost Accounting:

A process of assigning costs to cost objects that typically include a Company's products, service, and any other activities that involve the company is known as Cost Accounting.

Important of Cost accounting:

- Identify profitable and unprofitable operation,
- Helps to control and reduce costs,
- Assists to measure efficiency,
- Helps to establish standard of performance.

9. Difference between Cost accounting and financial accounting

Financial Accounting	Cost Accounting
Financial accounting is to keep record of monetary transaction, provide information of operation results and overall financial positions of business.	Cost Accounting is the study and analysis of costs needed to produce a product or to render a service.
Financial accounting record the monetary transactions which have taken place in past.	Costing accounting records both monetary transactions of past and projected cost figure of future.
Double-entry system of book-keeping is taken into consideration while maintaining books of accounts.	There is no any specific rule is followed to estimate and determine cost products.

14. Functional classification of cost:-

According to this classification, costs are divided on the basis of the three important functions of a business, which are; Work Cost, administration, selling and distribution.

15. Elements of Costs:-

- Materials (Direct and Indirect materials),
- Labour Cost (Direct and Indirect Labour),
- Expenses (Direct or chargeable and Indirect expenses).

Accounting for Materials.

1. Codification of Materials:-

- Codification of materials refers to a number or distinct symbols attached to every individual store item.

2. Material Control:-

- It consists of systematic procuring, storing and supplying materials to production units in lowest possible cost.

3. Bin Card:-

- Bin Card is a card of certain size which shows the quantity of materials received, issued and balances of materials in store.

4. Centralized Purchasing:-

In Centralized purchasing, all the materials required of an organization are purchased by the central purchase department in one place.

10. Decentralized stores:-

In decentralized stores, separate stores would be established in every branch or production unit of an organization to handle materials.

11. Centralized stores:-

In centralized stores, a single storehouse is set up for the whole organization and all materials purchased are preserved in that store.

Accounting for Labour:-

1. Labour Cost:

It represents the various heads of expenditure incurred on workers by the employer.

2. Difference between Time Rate system and Piece Rate System

Time Rate System.

- Wages is paid to the workers on the basis of time spent by them in factory.
- More focus is given for quantity quality of work rather than production volume.
- Wages payable to workers are not linked with their efficiency and skill.

Piece Rate System.

- Wages is paid to the workers on the basis of output units produced by them.
- Low focus is given for quality work as emphasis is given to volume of output.
- Wages payable to workers are directly linked with their efficiency and skill.

Calls in Advance:-

Advance received of uncalled-up money is known as Calls in Advance.

Share Capital:

The amount of money the owners of a company have invested in the business as represented by common and preferred share is known as share Capital.

Types of share Capital:-

1. Authorized Capital:-

It is the nominal units of shares Capital that the company is authorized to issue by its memorandum of Association.

2. Issued Capital:-

It is the part of authorized Capital that is offered to the public for subscription.

3. Subscribed Capital:-

It is that part of issued and called up Capital that has been applied by the public for getting share of the company.

4. Called-up Capital:-

It is the part of issued capital that is actually called up from the public on installment.

5. Paid-up Capital:-

It is that part of the called-up capital which is actually received in cash as capital from shareholders.

Theory

Company formation

Date: _____

Page: _____

1. Write the meaning of Prospectus.

Ans:- Prospectus is any documents including any notice, circular, advertisement or other documents inviting offers from the public to subscribe for a purchase any shares or debenture of a body / corporate.

Contents:-

- The objectives of the company,
- A biographical introduction of directors,
- The main points mentioned in the MOA and AOA.

Memorandum of Association (MOA)

It is the charter or Constitution of the company. It contains all the contents necessary for company formation and operation. It is the foundation of company structure.

Contents:

- Name of the Company,
- The address of the registered office of the company,
- Objective of the Company.

Articles of Association (AOA)

It contains rules, regulations, and bye-laws of the company. It provides the framework to maintain internal control to gain defined objectives.

Contents:-

- Proceeding of general meeting,
- Numbers of directors, provisions of alternate directors,
- Provision relating to the transfer of shares.

Advantage of Company:-

- Limited Liability,
- Perpetual existence,
- Transferability of shares,
- Effective management.

Pro-Rata allotment:-

Under this alternative, all applicants are allotted proportionately on a pro-rata basis.

Debenture:-

Debenture is known as borrowed Capital. It is a certificate issued to investors as an evidence of investment in it as a debt. The investors are known as debenture holders.

Features of debenture:-

- It is debt Capital.
- It is long-term Capital.
- It has specified maturity date to redeem.
- The debenture holders get the fixed rate of interest.

Cost Accounting

1. What is batch costing?

Ans:- In this method, a batch of similar products is treated as a job and the cost are accumulated in respect of a batch. It is used by manufacturing enterprises producing small parts machines or vehicles, toy, garments, medicines, etc.

2. Write any two objectives of cost Accounting?

Ans:- Any two objectives of cost accounting:-

- i. Estimation of cost of products or services.
- ii. Determine selling price.
- iii. Planning and control of costs.

5. Decentralized Purchasing:-

In Decentralized purchasing, materials purchase will be made at the various authorized branches or sub. units of the organization.

6. Store Ledger:-

- Store Ledger is a register used to record materials turnover in stores. Generally, it is maintained by cost department in support of evidential documents like goods received note, store requisition notes, material returned note etc.

7. Purchase order:

Purchase order is the process of providing order to the supplies for delivery of specified goods within specific time.

8. Objective / Functions / Duties / Responsibilities of store keep

- To classify and codify materials in accordance with their nature and chemical combination.
- To issue materials uniformly into operational units.
- To maintain a stock position up to date and provide its information to concerned authorities.
- To keep the store neat and clean and take all possible security measures to minimize wastage.

9. Store Control:-

Store control consists of taking care of materials and their costs from the stage of purchase to the stage of their final consumption.

10. Write in brief about the controllable and uncontrollable Cost with example.

Ans:- Cost which can be influenced by the action of departmental manager or responsible authority of the organization are controllable costs. Such costs are influenced by the action of a specific authority in an organization. Generally, direct cost and variable cost are Controllable costs.

Cost which can't be influenced by the action of department manager or responsible authority of the cost centre are uncontrollable costs. In general term fixed costs are beyond the influence of departmental managers. Top level management allocated such costs to different activity centres.

11. Variable Cost:-

The cost that are very directly and proportionately in accordance of volume of output are variable costs.

For example:- Direct materials, direct labour, direct expenses.

12. Semi-Variable Cost:-

The cost which are fixed only up to certain level of output and will be changed when volume of output is increased are semi-variable Cost. For example:- Supervision cost of production process.

13. Limitations of financial accounting:-

- Based on historical information,
- No classification and analysis of Cost,
- Fails to help in planning and decision making,
- No use of standard.

(b) Preference share / Preferred Stock:-

Shares under which there is preferential right in payment of dividend and repayment of investment are preference shares. Preference shareholders do not have their voting rights. They get a fixed rate of dividend.

Types of preference shares:-

- i. Cumulative,
- ii. Non-Cumulative,
- iii. Participating,
- iv. Non-Participating,
- v. Redeemable,
- vi. Irredeemable,
- vii. Convertible,
- viii. Non-Convertible Preferred stock.

Calls in Arrear:-

The unpaid called-up amount is known as Calls in arrear.

Under Subscription:-

It is the situation when subscribed Capital received is less than issued Capital.

~~Over Sub~~

Over Subscription:-

It is the situation when subscribed Capital received is more than issued Capital.

Share forfeiture:-

It is the process of Cancellation of share certificate due to non-payment of called-up money.