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**VIRTUAL COACHING CLASSES
ORGANISED BY BOS, ICAI**

**FOUNDATION LEVEL
PAPER 1: PRINCIPLES AND PRATICE OF
ACCOUNTING**

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CHAPTER 6- Accounting for Special Transactions

- Under this chapter- we are going to study the different special business conditions for which the accounting treatment has to be studied.
- This chapter has 5 units-
 - Unit 1 Bills of Exchange
 - Unit 2-Sale on approval or return basis
 - Unit 3- Consignment
 - Unit 4- Average due date
 - Unit 5- Account current
- Out of the above consignment is little elaborate topic while the other concepts- are the most scoring topics. The marks weightage can be anywhere between 10-20 marks from the concepts.
- WE will be first dealing in the following order based on the complexity of the Unit 2,4,5,3,1.



Unit 5- Account Current

- An account current is a running statement of transactions between parties for a given period of time and includes interest allowed or charged on various items. It take a form of a ledger.
- Situations where the account current is prepared are-
 - It is prepared when frequent transactions take place between two parties. Manufacturer who has frequent transactions with any of his customer and also has to pay to him. SO this running statement shall be used to calculate interest on the same.
 - Statement between banker and his customers can be done this way.
 - Consignee of goods can also prepare this statement between him and consignor to find out the interest chargeable.
- When we say “***A is in account current with B***”- ***it means that B has to prepare the statement and give it to A.***
- Writing the heading is very important as it fetches marks.



Unit 5- Account Current

- An account current is a running statement of transactions between parties for a given period of time and includes interest allowed or charged on various items. It take a form of a ledger.
- It shall be prepared in the following ways-
 - By interest tables method- by calculating it in the way of average due date
 - By means of product method
 - By means of product of balances method
- **By interest table method-** The preparation of the account current is similar to that of a debtor's account. Sales will be recorded on the left hand side (debit side) and the purchases on the Right hand side (credit side). The interest will be calculated based on the number of days (from the due date of the transaction to the final date of rendering the account current).
- The account current will be submitted on a particular date, till which the interest has to be calculated from the due date of each transaction.
- Finally the interest shall be balanced and then added with the net amount payable.



Unit 5- Account Current

- **By means of product method-** All the rules for this method is the same as the above method. The interest will be calculated based on the product of the amount and the number of days (from the due date of the transaction to the final date of rendering the account current).
- The interest shall be calculated at the end, once after finding the net balance payable. The interest shall be posted in the account current along with the amount payable.
- **Red ink interest computation-** In case the due date falls beyond the date of the rendering the account current, then such transaction shall not be included in the account current statement. This was symbolically written in red ink to be excluded from the total amounts.
- **For the purpose of preparing the statement to show the red ink interest- it is written on the opposite side of the actual side.**
- **By means of product of balances method-** This is prepared in case of bank statements. Generally the bank prepares the statement of the customer in the normal pass book, but then as per the account current statement , the interest is calculated based on the product of balances method.



Unit 5- Account Current

- We will be working out the illustrations to understand each method from the exam point of view.



THANK YOU