

# 1 LECTURE 1, 15<sup>TH</sup> MARCH, 2019

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## Product

- Anything that satisfy the need of human – solution to the needs and wants of the consumer
- Need mean deficiency
- Need gives birth to want
  - Want depends upon culture
- Want to desire
  - Want is the desire for products or services that are not necessary, but which consumers wish for.
- Desire to demand
- Demand want product
  - Describes a consumer's desire, willingness and ability to pay a price for a specific good or service.
  - calculate the deficiency in terms of money, suppose you have less money as per your desire, so you will change your desire, that you afford
- Consume product
- This gives satisfaction
- You can be customer, or consumer(consumer need to be customer, but not conversely)
- Products keeps on producing
- Two types of product
  - Tangible – that does have physical existence, can be consume in future, product can be store
  - Intangibles – that doesn't have physical existence, consume real time, product cant store

## Concepts on product

### Production

- Quality, and quantity are two different
- Quality can resist few persons, but quantity can be dominant if number is bigger

### Selling

- Product neither follow quality not quantity, your marketing should be enough

### Marketing

- First identify the need
- Example
  - Nokia, phone, big digits, for older persons.

After education there are two types of people

#### 1. Business

- a. Looks for product, and pick up any from universe, prepare it, and may took economic benefits
- b. There are three types of business

- i. Manufacturing business
  - Picks raw material from market
  - Labor on it (skilled and unskilled), that will refine raw material
  - Then you'll get finish product(that is complete and you can use it or sale it)
- ii. Trading
  - First purchase readymade product in low price
  - then sell it
  - And earn profit or loss
- iii. Services
  - Intangible product
  - Business that generates income by providing services instead of selling physical products.
- c. We can start a business in three ways
  - i. Sole proprietorship (one person owner)
    - Owned and run by one person
    - One person is will get profit or loss
    - Unlimited liability
  - ii. Partnership
    - Need bigger capital, you don't have enough, you may do partnership
    - Agreed proportion of investment and profit, on a legal product
    - Collectively all partner called firm
    - Partnership forms after agreement, mean based on agreement
    - There are three types of agreements
      - 1. Verbal
        - Verbal need witness to prove
      - 2. Written
        - Written already proved
        - Partnership deal
      - 3. Implied
        - Understood, no need to do verbal or written, like if we do services from anyone, we have to pay
    - Types of partner
    - There are five types of partners
      - 1. Active
        - Capital, as well as administration
        - Profit and loss both
      - 2. Nominal
        - Doesn't gave capital, give administration or name, mostly famous person(behria town)
        - Has only share in profit, not in loss
      - 3. Sleeping
        - Gives capital, does not participate in administration
      - 4. Minor
        - Age less than 18
        - Cannot enter into a contract

- If court gave permission, to guardian, shareholder in profit, not in loss
- 5. Major
  - Age greater than 18
  - Agreement can only be done with major
- No of partner as per 1932 act
  1. 10 if banking nature
  2. 20 if no of banking nature

## 2 LECTURE 2, 19 MARCH, 2019

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### iii. Joint stock company/Corporation

- 1934 act, companies act 2017
  1. Everything about company
- Also called company
- Wrote name of my company on piece of paper
  1. Share certificate
  2. Share holder
  3. Share's capital
  4. Profit (dividend)
  5. Zone registrar, to register company, fill form, pay chalaan, if company is genuine, he will give you
- Type
  1. Private limited
    - Has (pvt) limited with name
    - Can offer shares to general public
    - At least 2, max 50
    - In stock exchange shares are trade, they cant trade in stock exchange
    - Limited mean liability of shareholder is limited
      1. Example –Share 500, lose 700, each has to give 300 more, he wont pay anymore, company cant say him to pay more
  2. Loss
    - a. Court shuts down, in case of too much loss
    - b. Share holders shut company after meeting.
      - i. Assets will sold
      - ii. Loan will pay, and remaining will be paid to share holder
      - iii. Suppose sold money doesn't meet the load, then loan will be reduce 1 rupee to piasas

### 2. Public

- Only ltd with name, wont have public
  - Minimum 7 to infinity
  - Shares can exchange in stock exchange
  - General public can be offer
- 3. Guarantee
  - (G) with name
- 2. Job

### 3 LECTURE 3, 21 MARCH 2019

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Transaction – Business activity – concern with your business

Accounting in action

1. What is accounting
2. The building block of accounting
3. The basic accounting equation
4. Using the basic accounting equation
5. Financial statements

What is accounting

- Purpose
  - Identify (first), record communicate economic events of an
  - Organization to
  - Interested users
- Record
  - Voucher— evidence of transaction
  - Journal – book that records, at least two accounts
  - Ledgers – has accounts of each
- Communicate
  - Generate report
- Economics activity
- Organization
  - Deliberately arrangement of people to achieve some (common)goal
- Interested users
  - Internal user – Inside business
    1. Managements
      - Manager on different dept
      - Task
        1. Planning
          - Future goals
        2. Organizing
          - Need things to achieve
        3. Leading
          - goal has been set, resources has been arrange, now insert effort to achieve goals
        4. Controlling
          - Meet the Standard

- Check the product, deviation
- 2. HRM
  - Hiring/firing labor – Skilled and unskilled
  - Hire more if profit
  - Fire if in loss
- 3. Finance
  - Management of money
  - Utilization of money
  - If utility bill to pay, they will pay on last date, or even after that, they will invest money on short term business, and may get profit
- 4. Marketing
  - Goes to market, and acknowledge them about product

External user – Outside business

- 5. Investor
  - Does investment – Process of incremental wealth
  - Owner's equity/capital – investment that owner did
  - He need to know how much profit earned
- 6. Labor unions
  - Reports if important for union
  - Leader will go to owner, may demand of bonus,
  - Loss if they strikes
    - 1. Fix cost
      - It has to pay, doesn't matter you used or not
    - 2. Variable cost
      - Depends upon use
- 7. Creditor/accounts payable
  - To hawker for creditor – Account receivable/debtors
  - If profitable – creditor will gave you more credit
  - Sale
    - 1. Cash sale
      - Cash to goods to cash
    - 2. Credit sale
      - Cash to goods, to cash(future)
- 8. SEC(security and exchange commission)
  - Rules and regulation
- 9. Customers
- 10. IRS
  - Price charge
  - Primary revenue
  - Secondary revenue(minor revenue)
  - How to increase these revenues

Rules and regulation about business

- 1. Financial accounting board
  - a. Publishes the book
- 2. Security and exchange commission (SEC)

## Rules

1. Cost principle
  - a. Assets to record on cost
  - b. Asset
    - i. Profit to taken so far(like filled pin)
  - c. Expense
    - i. Expired cost
2. Monetary unit concept
  - a. Local currency
3. Separate entity concept
  - a. Separate business and owner transaction

Assets = liability + owner's equity

## Liability

- Internal
- External

## Financial statement

- Income statement
- Balance sheet
  - Both sides are balanced
    1. Assets side
      - Unexpired cost of business
    2. Liability + owner's equity
- Owner's equity
  - Owner's capital
  -
- Cash flow

## 4 LECTURE 4, 26 MARCH, 2019

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### 4.1 ACCOUNTING EQUATIONS

- Liability
  - Outsider claim
  - Whole seller(A)
  - Hawker (B)
  - Buyer from hawker(C)

## Transaction

Drawing – owner withdraws cash from business for personal use

Revenue – price charge against goods or services

Product

## 5 LECTURE 5, 29 MARCH, 2019

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To check financial condition of business → balance sheet

Internal and external liability

- Internal to pay on profit
- External to pay interest

Assets → account receivable

Liability → account payable

## 6 LECTURE 6, APRIL 2, 2019

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### 6.1 ACCOUNTING CYCLE

Voucher → journal → ledger → trial balance → financial statement

- Record
  - Voucher— evidence of transaction
  - Journal – book that records, at least two accounts
  - Ledgers(account) – has account of each
  - Try balance
    - 1. To balance

## 7 LECTURE 7, APRIL 05, 2019

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## 8 LECTURE 8, APRIL 09, 2019

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What is bank?

- House that deal
- Take deposits in less interest from persons that have
  - Saving
    - 1. small income holder, have interest on income
  - Current
    - 1. Businessman account, no interest
  - Fix deposit
    - 1. Particular time, amount fix deposit, have interest in amount

Other than bank no one can deal with interest in Pakistan, is crime

- And gives loan on higher interest
- Inflation
  - Symbol of problem

- Increase the prices of raw material
- Increases in cost of goods
- Cost push inflation
- Demand push inflation
- Decrease the purchasing power
- Deflation
- Problem
  - Problem
    - 1. Itself problem
  - symbol of problem
    - 1. infection, result of problem
  - only to solve problem
- conventional banking
- Islamic banking
- KYC form(know your customer)
  - Each bank has access to NADRA(CNIC)
  - Account number is unique universally
  - Through check, withdraw
  - Through deposit, deposit
  - Travel check
  - 489/F (FIR offence)
  - Pay order and draft

Title _____ A/C _____ Detail _____	Date _____
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- Bearer check
  - Anyone can cash
- Order check



- Only respective person can cash
- Cross check
  - Only deposit in account
    1. Ordinary crossing
    2. Specific crossing

A/C	S/N	Date 6-April/19
Pay.	Rizwan	or Bearer
Word	fifty thousand only	Rs 5000/-

9 LECTURE 9, 11 APRIL, 2019

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10 LECTURE, 19 APRIL

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Discount –

- General relaxation in price
- Two types

- Trade discount
  1. Discount on the spot
  2. Wont record on the book of accounts
- Cash discount
  1. Bought things on credit, creditor demanded money before decided date, creditor will off few percentage upon decided money, if he pays before decided date called cash discount, otherwise lost cash account
  2. Records on book of account
- Retail price, list price

## Families

- Asset, expense increase debit
  - Example –
    1. Bought machinery, for use, asset,
- Asset, expense decrease credit
  - Purchase means expense
- Revenue and liability
  - Sale – increase revenue
  - Sales return – decrease revenue
- GAAP(general accepted accounting principles)
  - All over the world applied
    1. Principle entity concept
      - Business and owner are separate things, separate books for record transaction
      - Business will record own transaction and owner will record own
    2. Cost principle/historical
      - Assets will record on cost price
      - Cost price – on which bought
      - Book value – 70k thousand bought, after 1 year 7k deduces
      - Market value
    3. Accounting period concept
      - Transactions will record when it happened, neither before not after than activity
    4. Going concern
      - Concern about life of business, how long it will carry on(survive)
      - Business that will survive long
    5. Accounting system
      - Cash bases
        - Transaction will record upon cash
      - Accrual bases
        - Transaction will record involving cash and loan both are recorded
    6. Money measurement concept
      - Things that can be measure in money, should represent in money