

SETTLEMENT OF ACCOUNTS

(a) *Treatment of Losses*

Losses, including deficiencies of capital, shall be paid :

- (i) first out of profits,
- (ii) next out of capital of partners, and
- (iii) lastly, if necessary, by the partners individually in their profit sharing ratio.

(b) *Application of Assets*

The assets of the firm, including any sum contributed by the partners to make up deficiencies of capital, shall be applied in the following manner and order:

- (i) In paying the debts of the firm to the third parties;
- (ii) In paying each partner proportionately what is due to him/her from the firm for advances as distinguished from capital (i.e. partner' loan);
- (iii) In paying to each partner proportionately what is due to him on account of capital; and
- (iv) the residue, if any, shall be divided among the partners in their profit sharing ratio.

Dr.

Specimen of Realization Account

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Particulars	Rs.	Particulars	Rs.
To Sundry Assets (Excluding Cash/Bank, Debit Balance of P&L A/c, Partners' Current, Capital, and Loan A/cs)		By Sundry Liabilities (Excluding Credit Balance of P&L A/c, Partners' Current, Capital, and Loan A/c)	
To Bank/Cash (expenses for realization)		By Provision on Assets	
To Bank/Cash A/c (Amount paid for liabilities and unrecorded liabilities)		By Bank/Cash A/c (Amount realized from assets and unrecorded assets)	
To Partners' Capital A/cs (Expenses or Liabilities paid by partners)		By Partners' Capital A/cs (Assets taken over by partners)	
To Partners' Capital A/cs * (Profit on realization distributed among partners in profit sharing ratio)		By Partners' Capital A/cs * (Loss on realization distributed among partners in profit sharing ratio)	

ACCOUNTING TREATMENT

Step 1

•Open a Realization Account

- ==>Transfer all assets except cash in hand or at a bank at book values to the Debit side of Realization A/C
- ==>Transfer of liabilities to outsiders and provisions and reserves against assets (e.g., Provision for Doubtful Debts) to the credit side of Realization account

Step 2

•Realization of Assets (whether recorded or unrecorded)

- ==>Realization Account should be credited with the actual amount realized by the sale of assets & Cash (or Bank) Account is debited.
- ==>If a partner takes over an asset, his/her Capital Account should be debited and Realization Account credited with the value agreed upon

Step 3

•Discharge of Outsiders's Liabilities (whether recorded or unrecorded)

- ==> Actual amount paid to creditors should be debited to the Realization Account and Cash(or Bank) Account is credited
- ==> If any liability is taken over by a partner, his Capital Account should be credited and Realization Account debited with the amount agreed upon.

Step 4

•Treatment of Goodwill

- ==> If Goodwill appears in the Balance Sheet, it is considered as purchased Goodwill and is treated like any other asset and is transferred to realization account.
- ==> If Goodwill does not appear in the balance sheet, no entry is required for this.
- ==> If something is realized or Goodwill is purchased by any one of the partners, then either Cash (or Bank) Account is debited or Partner's Capital A/c is debited and Realization Account is credited.

Step 5

•Expenses of dissolution

- ==> Expenses of dissolution or realization of assets are debited to the Realization Account and credited to Cash(or Bank) Account.
- ==> When any partner agrees to do the dissolution work for an agreed remuneration, concerned Partner's Account is credited instead of Cash (or Bank) Account.

Step 6

•Transfer of Balance in Realization Account

- ==> In case of Profit, Realization Account is debited and all partners' Capital Accounts are credited
- ==> In case of Loss, all partners' Capital Accounts are debited and Realization Account is credited

Step 7

•Partner's Loan/Advances

- ==> Partner's Loans if any, should now be paid. The entry is to debit the Loan Account and credit Cash (or Bank) Account

Step 8

•Transfer of Accumulated Profits & Losses

- ==> Any reserve of accumulated profit lying in the books (as shown by the Balance Sheet) should be credited to Partners' Capital Accounts in the profit-sharing ratio.
- ==> Similarly accumulated losses (eg. debit balance of P&L A/C, Deferred Revenue Expenditure) should be debited to Partners' Capital Accounts in the profit-sharing ratio.

Step 9

•On making payment to/by a partner

- ==> Current Account balance is transferred to Concerned Partners' Capital Accounts.
- ==> The partner owing money to the firm will pay; Cash (or Bank) Account will be debited and his/her Capital Account credited and thus closed.
- ==> Money owing to a partner will be paid to him; his/her Capital Account will be debited and the Cash (or Bank) Account credited.

Information Technology Unit -I

What is information technology: -

The word technology is derived from the Greek word “**Tecne**” and the word “**logia**” .

The meaning of the Greek word “**tecne**” is **skill**. The meaning of the Greek “**logia**” is **the study of science**.

Formal definition of Information Technology:

Information Technology is the **combination of computation techniques and the telecommunication** in order to procure information, process information, store information, transfer information, and produce information as an output in text format, graphics format, audio format or video format.

Concepts of Data and Information

Data:- Data is the plural form of the Latin word ‘Datum’. The Latin word ‘Datum’ means “*To Give*”. It is a collection of unorganized raw facts. Data is meaningless unless it is processed and structured. The examples of data can be date, names, any character, and any numerical, graphical or statistical figures etc. which are used as inputs for any reference or analysis.

Features of data:

- It is the raw facts and figure.
- It is not defined
- It does not have any meaning unless it is processed.
- It is simple in nature

Information: -

The word information originates from the Latin word ‘*Informare*’ . It means ‘*give form to*’. Information is data which is processed in such a way to that it has a definite meaning to the end user. So Information is the organized collection of data which can be used for various purposes. When data is processed to make meaningful for any purpose it becomes Information.

Example-

61221 is an example of data as it does not have any specific meaning for an end user.

However 6/12/21 is an example of information as it indicates date i.e. 6th DEC 2021

Other examples of information Mark sheet, Forms, Reports, Invoice, pay-roll etc.

Features of information:

- It is processed and structured data
- It is well defined
- It is organized to make meaningful
- It is complex in nature
- It helps in various business activities
- It has significant role to play in informed decision making.

Distinguish between data and information:

The two term ‘data’ and ‘information’ are often pronounced in such a way as if they have the same meaning. However the two term data and information does not have the same meaning.

Pints of Difference	Data	Information
Inputs / output	Data is input	Information is output
Raw facts	Data are raw facts and figures	Information is processed data
Cause/Effect	Data is the cause	Information is the effect.
One System to another System	Information received from one system may be data for another system	Data received from one system may be information for another system.
Decision Making	Data is inactive and does not help in decision making	Information is active because it helps in decision making.
Singular/plural	Data may be singular or plural.	Information is always in plural form.

Information Technology Unit -I

Computer based information system:

Information system can be manual or it can be operated by some machine like computer. When information system is operated by any computer then it is called Computer based information system. The elements of computer based information system are:

1. **Hardware:** The computer equipments used to perform input, processing and output activities.
2. **Software:** The computer program that governs the operation of the computer.
3. **Database:** It consists of two or more related data files
4. **People**
5. **Procedures:** It includes the strategies, policies, methods and rules for using the CBIS.

Impact of information Technology on business:

Business Application: presently computers have been used commercially in business applications for processing, storing and retrieving information. This is due to widespread use of computers and its improvement. Sophisticated new types of software began to appear in the market, giving a helping hand with organizing the mass of complex data on which information system were feeding.

1. **Business data processing:** It is a fundamental business activity. The various steps of data processing are:-
 - i. Recoding of data or data entry.
 - ii. Classification of the recorded data
 - iii. Analysis of the classified data
 - iv. Summary of the analyzed data and
 - v. conversion of the summarized data to information
2. **Business process outsourcing:** It is a process in which one business co hires another company to handle its own specific business task such as payroll etc. It is done for cost saving and also to focus on core areas of business and not on routine business matters. Services offered by the Indian BPO companies include-

Customer support services: 24 X 7 incoming / outgoing call centre services that address customer queries.

Technical support services: Installation, product support, running support, troubleshooting, usage support and problem resolution for software, hardware peripherals etc.

Telemarketing services: interacting with potential customers and creating interest for the customer's service/products.

Data entry and data processing- Data entry from paper, books, images, e-books websites etc.

Bookkeeping and accounting services: maintenance of the customer's general ledger, accounts receivable, accounts payable, financial statement, BRS etc.

TYPES OF SERVICES:

- **On shore Outsourcing:** -The BPO service which is outsourced within the country is called onshore outsourcing.
- **Nearshore Outsourcing:** The BPO service which is outsourced to a neighboring country is called Nearshore Outsourcing
- **Offshore Outsourcing:** When BPO service is outsources to another country is called Offshore Outsourcing.

Types of BPO

There are two types of BPO:

Front Office Outsourcing: Customer related service such as marketing, Technical support and after sales services. It increases customer satisfaction and promote goodwill.

Back office outsourcing: Internal Business functions such as finance, accounting, purchasing, billing payroll, human resource etc.

Services provided by BPO:

Health care, Insurance, Technical support, Retail, Mortgage, Banking, Telecommunication, Travel and Hospitality etc.

Information Technology Unit -I

3. **Knowledge Process Outsourcing (KPO):** a subsystem of BPO is KPO. It is the outsourcing of knowledge information related business activities. It is the allocation of relatively high level task to an outside organization. Services offered by KPO such as Research and development, financial consultancy and services, business and technical analysis etc. It includes those activities that require analytical and technical skills, knowledge, education and high degree of expertise to handle. For example an insurance company might outsource its operation like settlement of claims as part of its KPO initiative. It may also choose to use a KPO service provider to evaluate new insurance applications based on a set of criteria or business rules. This work would require the efforts of a more knowledgeable set of workers than the data entry operator. The current definition of KPO encompasses product development, legal matters, as well as a number of other business functions.

Types of KPO: KPO service includes research and development in the field of biotechnology and pharmaceuticals, legal and medical services, equity research, intellectual property research, training consultancy etc.

Difference between BPO and KPO	
BPO	KPO
BPO provides services like customer care, technical support through voice, telemarketing etc.	KPO provides in depth knowledge, expertise and analysis on complex areas like legal services, Business and Market Research etc.
BPO requires good communication skills and basic computer knowledge	KPO requires specialized knowledge in that particular subject and advanced computer knowledge.
BPO does not require highly qualified employees.	KPO requires skill and expertise of qualified employees

4. **Intra-organizational and inter-organizational communication by using network technology:** These are business term. Intra means “**within**” or “**internal**”. “Inter” means **between** or “**external**”. It refers the internal communication, team meetings etc. Inter-organizational communication occurs between different companies and would include official letters and invoices, bills, proposals etc. Most of the organizations use **local area network** to establish intra organizational communication and **Wide area network** to establish inter organizational communication. Moreover for intra- organization communication or integration of different functional departments Enterprise Resource planning is employed. It enables all the departments to access information at any time which improves the productivity and decision making of all the functional areas of the organization. Some trading partners also adopt **EDI** for electronically transmitting documents like purchase order, invoice etc Intra and inter communication results in fast, efficient and low cost communication system.
5. **Reservation through on-line system:** - Booking a ticket of a flight or a railway becomes easy due to on-line access of the reservation system. The computer reservation system also takes care of maintain waiting lists. In hotel also on line reservation system available and the billing and checkout process becomes faster due to this system. Indian railways have computerized ticket reservation in almost all important railway stations. Computer stores all necessary information required for ticket processing such as train number, distance between stations, number of seat available in each train for each class, train fare etc is also stored by computers in online reservation system.
6. **Transaction in Banks:** Today’s society is cashless society because we are no longer required to carry money in our pockets, because a person can make any transaction at any time during the day and night with the help of automated Teller Machine. EFT, processing of cheques becomes easy due to CBS