

OFFICE PRACTICE & ACCOUNTANCY

GRADE X



OFFICE PRACTICE & ACCOUNTANCY

Grade X



Mr. L P Pandey
M.B.A. (T.U.)

Mr. Dhruva Subedi
M.B.A., M.Ed.(Eng.), L.L.B. (T.U.)

NINTH EDITION

B U D D H A



P U B L I C A T I O N S

OFFICE PRACTICE & ACCOUNTANCY

Grade X

Edition First 2005
Eighth 2015
Ninth 2017
Reprint 2018
Reprint 2019
Reprint 2020
Tenth 2021

*Text © reserved by authors, press processing, layout, design and formatting
© reserved by publishers.*

Contact: *L P Pandey 9840050354
Dhruba Subedi 9851084481*

Publishers: **Buddha Publications Pvt. Ltd.**
Anamnagar (Buddha Complex)
Kathmandu - 29, Nepal
Tel. 00977-1- 5705165, 5705210, 5705177
e-mail: buddha@wlink.com.np
www.buddhapublication.com

Design by: **Dipendra Shrestha**
Rajani Shrestha

ISBN: 978-9937-30-051-3

Printed in Nepal

CONTENTS

CHAPTER 1

OFFICE PROCEDURE

Introduction	2
Meaning	2
Considerations for Office Procedure	2
Tippani	2
<i>Objectives</i>	3
<i>Considerations for Drafting a Tippani</i>	3
Drafting a Tippani	4
Report	4
<i>Objectives</i>	5
<i>Considerations for Drafting Report</i>	5
<i>Types of Report</i>	6
Resolution	8
<i>Importance and Objectives</i>	9
<i>Types of Resolution</i>	9
Key Terms	10
Chapter Summary	10
Theoretical Questions	11
SLC Questions	12

CHAPTER 2

FILING AND INDEXING

Introduction	14
Meaning and Definition	14
Objectives	14
Need and Importance	15
Methods of Classification of Filing	16
<i>Alphabetical Classification</i>	16
<i>Numerical Classification</i>	18
<i>Subject Classification</i>	19
<i>Geographical Classification</i>	20
Systems of Filing	21

Traditional Filing System	21
<i>Misil Filing</i>	21
<i>Box Filing</i>	22
Modern Filing System	23
<i>Horizontal Filing</i>	24
<i>Vertical Filing</i>	25
Differences between Horizontal and Vertical Filing Systems	26
Indexing	26
<i>Introduction</i>	26
<i>Meaning and Definition</i>	26
<i>Importance of Indexing in Filing</i>	27
Key Terms	27
Chapter Summary	28
Theoretical Questions	29
SLC Questions	30

CHAPTER 3

TRADE

Introduction	32
Meaning and Definition	32
Home Trade	32
<i>Procedure of Home Trade</i>	32
<i>Terms and Conditions of Home Trade</i>	34
<i>Documents used in Home Trade</i>	35
Foreign Trade	36
<i>Procedure of Foreign Trade</i>	37
<i>Terms and Conditions of Foreign Trade</i>	38
<i>Documents used in Foreign Trade</i>	39
World Trade Organization (WTO) and Nepal	40
<i>Functions of WTO</i>	40
South Asian Free Trade Area (SAFTA)	41

<i>Functions of SAFTA</i>	41
Invoice	42
<i>Items Mentioned in the Invoice</i>	43
<i>Importance</i>	43
<i>Types of Invoice</i>	44
Means of Payment	45
Key Terms	47
Chapter Summary	48
Theoretical Questions	49
SLC Questions	50

CHAPTER 4

FINANCIAL INSTITUTIONS

Introduction	52
Types of Financial Institutions	52
Bank	52
<i>Introduction</i>	52
<i>Meaning and Definition</i>	52
<i>Origin of Bank</i>	53
<i>Importance of Bank</i>	53
<i>Classes of Bank and Financial Institutions</i>	54
<i>Types of Bank</i>	55
Differences between Central Bank and Commercial Bank	61
Cheque	67
<i>Parties to a Cheque</i>	68
<i>Types of Cheque</i>	68
<i>Rules of Issuing Cheque</i>	71
<i>Dishonour of Cheque</i>	71
<i>Endorsement of Cheque</i>	72
<i>Computerized Payment System of Cheque</i>	73
Insurance	73
<i>Introduction</i>	73
<i>Meaning and Definition</i>	73
<i>Functions of Insurance</i>	74
<i>Types of Insurance</i>	75
Differences between Life Insurance and Non-life Insurance	81

<i>Advantages of Insurance</i>	81
<i>Disadvantages of Insurance</i>	83
Employees Provident Fund	83
<i>Functions of Employees Provident Fund</i>	84
Citizen Investment Trust	85
<i>Functions of Citizen Investment Trust</i>	85
Financial Co-operatives	86
<i>Functions of Financial Co-operative Institution</i>	87
Key Terms	88
Chapter Summary	89
Theoretical Questions	92
SLC Questions	93

CHAPTER 5

TRIAL BALANCE

Introduction	96
Meaning and Definition	96
Objectives	97
Advantages	97
Procedures of Preparation	98
Errors	104
Types of Errors	104
<i>Errors Disclosed by the Trial Balance</i>	105
<i>Errors not Disclosed by the Trial Balance</i>	106
Locating Errors	107
<i>Steps for Locating Errors</i>	107
Adjustment and Closing	107
<i>Suspense Account</i>	108
Key Terms	108
Chapter Summary	109
Theoretical Questions	110
Class Work Problems	110
Home Work Problems	112
Group Assignments	114
SLC Questions	115

CHAPTER 6

FINAL ACCOUNTS

Introduction	118
Meaning and Definition	118
Objectives of Final Accounts	119
Trading Account	119
<i>Meaning</i>	119
Objectives of Trading Account	120
Importance and Advantages of Trading Account	120
Items included in Trading Account	121
<i>Items relating to Debit Side</i>	121
<i>Items relating to Credit Side</i>	121
Ruling or Specimen of Trading Account	122
Procedures of Preparing Trading Account	122
Profit and Loss Account	125
<i>Meaning</i>	125
Objectives of Profit and Loss Account	126
Importance and Advantages of Profit and Loss Account	127
Items included in Profit and Loss Account	128
<i>Items relating to Debit Side</i>	128
<i>Items relating to Credit Side</i>	128
Ruling or Specimen of Profit and Loss Account	129
Procedures of Preparing Profit and Loss Account	130
Differences between Trading Account and Profit and Loss Account	131
Balance Sheet	132
Objectives of Balance Sheet	133
Advantages and Importance of Balance Sheet	133
Similarities between Trial Balance and Balance Sheet	133
Differences between Trial Balance and	

Balance Sheet	134
Items of Balance Sheet	134
<i>Items Relating to Liabilities Side</i>	134
<i>Items Relating to Assets Side</i>	135
<i>Marshalling of Assets and Liabilities</i>	136
Ruling or Specimen of Balance Sheet	137
Procedures of Preparing Balance Sheet	137
Adjustments in Final Accounts	140
<i>Closing Stock</i>	141
<i>Outstanding Expenses</i>	142
<i>Accrued Incomes</i>	142
<i>Prepaid Expenses</i>	142
<i>Advance Incomes</i>	142
<i>Depreciation/Amortization</i>	142
<i>Bad Debts and Provision for Bad Debts</i>	143
<i>Interest on Capital</i>	143
<i>Interest on Loan</i>	143
Key Terms	149
Chapter Summary	150
Theoretical Questions	151
Class Work Problems	152
Home Work Problems	161
Group Assignments	169
SLC Questions	172

CHAPTER 7

GOVERNMENT ACCOUNTING

Meaning and Definition of Government Accounting	176
Differences between Government and Commercial Accounting	176
Accounting Systems	177
Historical Development of Government Accounting in Nepal	177
New Accounting System	179
<i>Introduction</i>	179

<i>Meaning of New Accounting System</i>	179
Features of New Accounting System	180
Objectives of New Accounting System	181
Importance of New Accounting System	182
Limitations of New Accounting System	182
Levels of New Accounting System	183
<i>Central Level Accounting</i>	183
<i>Operating Level Accounting</i>	183
Differences between Central Level and Operating Level Accounting	184
Forms Used in New Accounting System	184
Office of the Auditor General	185
<i>Functions, Rights and Duties of the Auditor General</i>	185
Financial Comptroller General Office	186
<i>Functions, Rights and Duties of Financial Comptroller General Office</i>	186
District Treasury Controller Office	186
<i>Functions, Rights and Duties of District Treasury Controller Office</i>	187
Treasury Single Account	187
<i>Features of Treasury Single Account</i>	188
<i>Objectives of Treasury Single Account</i>	189
Payment Order Statement	189
Auditing	191
<i>Meaning and Definitions</i>	192
<i>Development of Auditing in Nepal</i>	192
<i>Importance and Advantages of Auditing</i>	193
<i>Types of Audit</i>	193
Differences between External and Internal Audit	196
Code and Classification of Budget Expenditures	196
Key Terms	201
Chapter Summary	202
Theoretical Questions	205
SLC Questions	205

CHAPTER 8

JOURNAL VOUCHER

Introduction	208
Meaning	208
Objectives of Journal Voucher	208
Advantages and Importance of Journal Voucher	209
Ruling or Specimen of Journal Voucher	209
Parts of Journal Voucher	211
Considerations for Preparing Journal Voucher	211
Rules for Preparing Journal Voucher	211
<i>Rules based on the Types of Account</i>	211
<i>Rules based on the Accounting Equation</i>	212
Types of Journal Voucher	213
<i>Journal Voucher for Budget Expenditure</i>	213
<i>Journal Voucher for Advance Transactions</i>	216
<i>Journal Voucher for Miscellaneous Transactions</i>	222
Mixed Journal Voucher	234
Key Terms	238
Chapter Summary	238
Theoretical Questions	239
Class Work Problems	240
Home Work Problems	244
Group Assignments	248
SLC Questions	249

CHAPTER 9

BANK CASH BOOK

Introduction	252
Meaning	252
Objectives of Bank Cash Book	252
Importance and Advantages of	

Bank Cash Book	253
Ruling or Specimen of Bank Cash Book	253
Accounts involved in the Bank Cash Book	254
Considerations for Preparing Bank Cash Book	255
Preparation of Bank Cash Book	255
<i>Posting from the Journal Voucher for Budget Expenditure Transactions</i>	256
<i>Posting from the Journal Voucher for Advance Transactions</i>	257
<i>Posting from the Journal Voucher for Miscellaneous Transactions</i>	261
<i>Posting from the Journal Voucher for Mixed Transactions</i>	265
Preparation of Trial Balance	267
Closing of Bank Cash Book	268
Key Terms	268
Chapter Summary	269
Theoretical Questions	269
Class Work Problems	270
Home Work Problems	271
Group Assignments	273
SLC Questions	274

CHAPTER 10

BUDGET SHEET

Introduction	276
Meaning	276
Objectives of Budget Sheet	276
Importance and Advantages of Budget Sheet	277
Parts of Budget Sheet	277
Procedures of Preparing Budget Sheet	277
Closing of Budget Sheet	278

Key Terms	283
Chapter Summary	283
Theoretical Questions	284
Class Work Problems	284
Home Work Problems	285
Group Assignments	286
SLC Question	287

CHAPTER 11

MONTHLY STATEMENTS

Introduction	290
Meaning	290
Objectives of Monthly Statements	290
Importance and Advantages of Monthly Statements	290
Types of Monthly Statements	291
Statement of Expenditure	291
Objectives of Statement of Expenditure	292
Ruling or Specimen of Statement of Expenditure	292
Statement of Outstanding Advance (AGF No.211)	295
<i>Meaning</i>	295
Objectives of Statement of Outstanding Advance	296
Bank Reconciliation Statement (AGF No.212)	296
<i>Meaning</i>	296
Objectives of Bank Reconciliation Statement	296
Causes of Disagreement between the Balances of Bank Cash Book and Bank Statement	296
Ruling or Specimen of Bank Reconciliation Statement	297
Procedures of Preparing Bank Reconciliation Statement	297
Monthly Statement of Security Deposit (AGF No. 607)	298

Key Terms	299	Model Answer for SLC	
Chapter Summary	299	Questions - 2069	313-317
Theoretical Questions	300	SLC Questions - 2070 (2014)	318-319
Class Work Problems	300	SLC Questions - 2071 (2015)	320-321
Home Work Problems	303	SLC Questions - 2072 (2016)	322-323
Group Assignments	305	SEE Questions - 2073 (2017)	324-335
SLC Questions	306	SEE Questions - 2074 (2018)	326-327
		SEE Questions - 2075 (2019)	328-329
Specification Grid	308-310	Bibliography	330
SLC Questions - 2068 (2012)	311-312		

PREFACE

Quality education ensures the overall development of an individual. Quality education demands quality textbooks that shape and develop inner potentiality of a reader. The traditional reading materials have failed to fulfill the present competitive requirement of the learners who have the urgency to strengthen themselves in diverse fields and expose or apply their competency in the global environment.

Considering this reality, we have come up with '**Office Practice and Accountancy**' for SLC level students. We, indeed, feel immense pleasure for our invaluable attempt to meet the pressing and changing need of the present day learners. It is, in fact, an ideal product with distinct concepts and features in the field of '**Office Practice and Accountancy**'. Truly speaking, it is an outcome of prolonged and efficient teaching experience in the concerned field. It has been written in plain words with practical examples to match the requirement and level of the learners.

The book contains the following distinct **features**:

LEARNING OBJECTIVES Every chapter of the book begins with learning objectives, which the readers should be able to achieve after they have completely studied it. The illustrative examples, figures, lists, theoretical questions as well as class work and home work problems are designed to help them achieve the objectives.

POINTS TO REMEMBER (PTR) Important points and concepts have been emphasized in the boxes entitled 'PTR'. These boxes help to overview quickly the main points of the sections as well as additional information required to the readers. Those PTR also help to remind the main conclusion of the text as well as main points of the topic.

ILLUSTRATIONS The illustrations given in the chapters cover every possible requirement of the readers. These illustrations help to clarify the subject matter relating to theoretical aspect as well as practical aspect.

KEY TERMS At the end of every chapter, a list of key terms has been provided for a quick review and linking purposes of the relevant terms. Those terms help to clarify the meaning of the related terms used in the chapters.

CHAPTER SUMMARY At the end of each chapter, chapter highlight is given as the summary of the chapter. Such summary helps students to extract and recall the main contents of the chapter without loss of time with great ease and comfort.

THEORETICAL QUESTIONS At the end of every chapter, a section relating to 'Theoretical Questions' is provided which helps the readers to develop their theoretical understanding of the concerned chapters. Such theoretical questions are also useful from the point of view of final examinations of SLC.

CLASS WORK AND HOME WORK PROBLEMS This book has provided a large number of numerical problems at the end of the concerned chapters. These problems help the readers to get mastery in the chapters. These problems are arranged in order of simple to complex, and the problems are classified into class work problems and home work problems. The class work problems are to be solved in the classroom with the help of the teacher and home work problems are for home assignments, which the students can easily solve after solving the class work problems.

GROUP ASSIGNMENTS At the end of each practical chapter, Group Assignments have been given with a view to motivate students share and learn problems in group.

SLC PROBLEMS At the end of each chapter, the SLC questions of previous years are given. This section helps the readers to identify and learn the pattern of the questions that have already been asked and helps them to prepare for upcoming SLC examinations.

MODEL ANSWER At the end of the text, a model answer is presented. Such presentation will guide students to attempt all the questions in a balanced form within the specified time duration in the SLC examinations.

ACKNOWLEDGEMENTS

This book is an outcome of a long inspiration and moral support of many people, especially, our SLC graduate students in Nepal, and we are always grateful to all of them. It is hardly possible to list the names of all our well-wishers here but we sincerely acknowledge the precious encouragement they offered us. We take this opportunity to express our sincerest gratitude to all those who have inspired to write this book.

We are indebted to all those authors whose works have directly or indirectly influenced in this textbook. We have also taken a number of references, which have been listed, at the end of the text. We sincerely acknowledge the references used in this book.

We are proud to acknowledge Prof. Dr. Prem Raj Pant, Prof. Dr. Puskar Bajracharya, Prof. Dr. Kundan Dutta Koirala, Prof. Dr. Madhav Raj Koirala, Prof. Dr. Dev Raj Adhikari and Prof. Dr. Jai Raj Awasthi, Tribhuvan University, whose philosophy and guidance has inspired us to write the text in this form.

Besides, we are also fortunate to acknowledge Prof. Dr. Kamal Das Manandhar and Prof. Dr. Kamal Deep Dhakal, Tribhuvan University, who encouraged and provided us moral support to write the book.

Similarly, we would like to acknowledge Mr. Umesh Shrestha, Founder Principal of Little Angels' School, Lalitpur, Mr. Tika Uprety, Founder Principal of Devkota Memorial School, Biratnagar, Mr. Laxman Rajbanshi, Principal of Siddhartha Vanasthali Institute, Kathmandu, Mr. Narayan Prasad Sharma, Principal of Budhanilkantha Higher Secondary School, Kathmandu, Mr. Karna Thapa, Former Principal of Little Angels' College, Lalitpur, Mr. Nanda Thapa, Vice Principal of St. Xaviers' School, Lalitpur and Mr. Lok Nath Poudel, Principal of New Horizon School, Butwal who inspired and provided us moral support for preparing this book.

We would like to acknowledge Mr. Nabaraj Bajgain of Buddha Publications Pvt. Ltd. for his constant support in every way of writing and publishing the book.

We are equally grateful to Mr. Dipendra Shrestha and Ms. Rajani Shrestha for taking a good care during computer typing, setting the matters and other issues.

Our special thanks are due to **Mr. Govinda Prasad Acharya, Lecturer, Shanker Dev Campus** for carrying out the painstaking job of the final proofreading.

Last but not least, we express our affectionate credit to Mrs. Sushila Pandey and Mrs. Bimala Subedi for the vigorous support they offered to Mr. L P Pandey and Mr. Dhruba Subedi in writing the book.

We are entirely responsible for the errors undetected despite our meticulous proofreading of the matter. We would be highly obliged if such errors were pointed out by the learned teachers and beloved students for its improvement in the next edition.

Authors