



Notes

2. Purchase of machinery by cheque

The two aspects in the transaction are

- (i) Reduction in Bank Balance
- (ii) Owning of Machinery

3. Goods sold for cash

The two aspects are

- (i) Receipt of cash
- (ii) Delivery of goods to the customer

4. Rent paid in cash to the landlord

The two aspects are

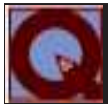
- (i) Payment of cash
- (ii) Rent (Expenses incurred).

Once the two aspects of a transaction are known, it becomes easy to apply the rules of accounting and maintain the records in the books of accounts properly.

The interpretation of the Dual aspect concept is that every transaction has an equal effect on assets and liabilities in such a way that total assets are always equal to total liabilities of the business.

Significance

- This concept helps accountant in detecting error.
- It encourages the accountant to post each entry in opposite sides of two affected accounts.

**INTEXT QUESTIONS 2.6**

Write the two aspects (effects) of the following transactions.

S.No.	Transaction	Ist aspect	IInd aspect
(i)	Owner brings cash in business		
(ii)	Goods purchased for cash		
(iii)	Goods sold for cash		
(iv)	Furniture purchased for cash		
(v)	Received cash from Sharma		
(vi)	Purchased machine from Rama on credit		
(vii)	Paid to Ram		
(viii)	Salaries Paid		
(ix)	Rent Paid		
(x)	Rent Received		



Notes

2.7 REALISATION CONCEPT

This concept states that revenue from any business transaction should be included in the accounting records only when it is realised. The term realisation means creation of legal right to receive money. Selling goods is realisation, receiving order is not.

In other words, it can be said that :

Revenue is said to have been realised when cash has been received or right to receive cash on the sale of goods or services or both has been created.

Let us study the following examples :

- (i) N.P. Jeweller received an order to supply gold ornaments worth Rs.500000. They supplied ornaments worth Rs.200000 up to the year ending 31st December 2005 and rest of the ornaments were supplied in January 2006.
- (ii) Bansal sold goods for Rs.1,00,000 for cash in 2006 and the goods have been delivered during the same year.
- (iii) Akshay sold goods on credit for Rs.50,000 during the year ending 31st December 2005. The goods have been delivered in 2005 but the payment was received in March 2006.

Now, let us analyse the above examples to ascertain the correct amount of revenue realised for the year ending 31st December 2005.

- (i) The revenue for the year 2005 for N.P. Jeweller is Rs.200000. Mere getting an order is not considered as revenue until the goods have been delivered.
- (ii) The revenue for Bansal for year 2005 is Rs.1,00,000 as the goods have been delivered in the year 2005. Cash has also been received in the same year.
- (iii) Akshay's revenue for the year 2005 is Rs.50,000, because the goods have been delivered to the customer in the year 2005. Revenue became due in the year 2005 itself. In the above examples, revenue is realised when the goods are delivered to the customers.

The concept of realisation states that revenue is realized at the time when goods or services are actually delivered.

In short, the realisation occurs when the goods and services have been sold either for cash or on credit. It also refers to inflow of assets in the form of receivables.