INTRODUCTION OF ACCOUNTING

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ACCOUNTING

Accounting is used by business entities for keeping records of their monetary or financial transactions. A businessman who has invested money in his business would like to know whether his business is making a profit or incurring a loss, the position of his assets and liabilities and whether his capital in the business has increased or decreased during a particular period.

Stages of Accounting

Accounting has the following stages:

- The transactions of a business that have, at least in part, a financial character are identified and recorded.
- The recording is done in a manner which identifies the different classes and types of transactions.
- The resulting records are summarized in such a way that the owners or other interested parties in the business can see the overall effects of all the transactions. The statements prepared by the summarizing process are known as financial statements which will show the profit or loss made by the business over a period of time and the total capital employed in the business. Such financial statements are used by management to make business decisions.

Branches of Accounting

- *Financial Accounting*
- *Cost Accounting*
- *Management Accounting*

Functions of Accounting

- *Keeping Systematic Records*
- *Protecting and Controlling Business Properties*
- *Ascertaining the Operational Profit/Loss*
- *Ascertaining the Financial Position of the Business*
- *Facilitating Rational Decision Making*

Advantages of Accounting

- *Maintenance of Business Records*
- *Preparation of Financial Statements*
- *Comparison of Results*
- *Decision Making*
- *Evidence in Legal Matters*
- *Provides Information to Interested Parties*
- *Helps in Taxation Matters*

Limitations of Accounting

- *Accounting information is expressed in terms of money*
- *Accounting information is based on estimates*
- *Accounting information may be biased*
- *Fixed assets are recorded at the original cost*
- *Accounting can be manipulated*
- *Money as a measurement unit changes in value*

BOOK-KEEPING

Book-keeping is mainly concerned with recording of financial data relating to the business operations in a significant and orderly manner. It is concerned with the permanent record of all transactions in a systematic manner to show its financial effect on the business. It covers procedural aspects of accounting work and includes record keeping function. It is the science and art of correctly recording in books of account all those business transactions that result in the transfer of money or money's worth. It is mechanical and repetitive. This work of book–keeping is of clerical nature and usually entrusted to junior employees of accounts section of a business house. Now-a-days, most of the book-keeping work is done through computers and other electronic devices. In fact, accounting is based on a systematic and efficient book-keeping system. The main purpose behind book-keeping is to show correct position regarding each head of income and expenditure as well as assets and liabilities. Further, book-keeping is meant to show the effect of all the transactions made during the accounting period on the financial position of the business.

ROLE OF ACCOUNTANT

- *Maintenance of Books of Accounts*
- *Statutory Audit*
- *Internal Audit*
- *Budgeting*
- *Taxation*
- *Investigation*
- *Management Advisory Service*

Accounting Concepts

Accounting concepts are defined as basic assumptions on the basis of which financial statements of a business entity are prepared. They are used as a foundation for formulating various methods and procedures for recording and presenting the business transactions

IMPORTANT ACCOUNTING CONCEPTS

- *Business Entity Concept*
- *Money Measurement Concept*
- *Cost Concept*
- *Going Concern Concept*
- *Dual Aspect Concept*
- *Realisation Concept*
- *Accrual Concept*

THANKS