

1. ACCOUNTING AN-INTRODUCTION

1. **Accounts:** It refers to a places, where the business transaction are recorded.
(A record of person, thing or item of income or exps.)
2. **Accountancy:-** It refers to a systematic knowledge of accounting.
3. **Accounting:-**It is a business language (ianguage of recording business transaction)
4. **Transaction:-**It means “exchange ” in which each Participant “Receives or sacrifice” some values .
5. **Event:-**it is happening /end result of any transaction (appear in the balance sheet)
6. **Procedure of accounting:-**
 - ❖ **Recording:-** Means Journalising of business transaction in orderly manner.
 - ❖ **Classifying:-** Means Grouping of similar nature of recorded transaction at one place (preparation of ledger)
 - ❖ **Summarizing:-** means” preparation & presentation of classified data.
 - ❖ **Like:-** preparation of (i) Trial balance (ii) P & L a/c (iii) Balance Sheet etc.
 - ❖ **Analysing:-** Means” methodical classification of item given in the Financial statement.
Ex: Classification of: Fixed Assets, Current Assets, Long term liability, short-term liability etc.
 - ❖ **Interpreting:-** Means” Explanation of analysed date in user friendly language.
 - ❖ **Communicating:-** Means” Transmission of “analysed summarized & interpreted information to end user.
7. **Objective of Accounting:-**
 - Systematic recording of transaction: (Book keeping)
 - Ascertainment of Results (profit / loss position)
 - Ascertainment of financial position (Balance Sheet)
 - Providing information to users (Financial Report)
 - To know the solvency position
8. **Function of Accounting:-**
 - ⇒ **Measurement:-** It measured the past performance of business and depicts current financial position.
 - ⇒ **Forecasting:-** It helps in forecasting future performance & position using past data.
 - ⇒ **Decision Making:-**It provides relevant information to user for decision making.
 - ⇒ **Comparison & Evaluation:** It helps in comparing actual performance with previous one and helps in taking remedial action.

⇒ Control : It also identifies the weaknesses of operational system and provides feedback.

⇒ **Government Regulation & Taxation:-** It provides relevant information to Government, to exercise control as well as for collection of tax revenues.

9. Sub-Field or Branch of Accounting

- ⇒ Financial Accounting
- ⇒ Cost Accounting
- ⇒ Management Accounting
- ⇒ Social Responsibility Accounting
- ⇒ Human Resource

10. User of Accounting Information:-

Internal:- Board of director, partner, Manager, Officer etc.

External:- Investor, Lenders, Supplier, customer, Government, employee.

11. Limitation of Accounting:-

1. Non-Monetary Factors are not considered.
2. It deals in past data, Not in future data.
3. It ignores changes in Money factor (Inflation)
4. Some accounting principle conflicts with each other.

12. Book Keeping:-

- ⇒ It is part of Accounting
- ⇒ It is mainly concerned with Recording & Classifying of transaction.

13. Characteristics of Financial Statement:-

1. **Understandability:-** It must be understandable by users.
2. **Relevance:-** It must be relevant to the decision making needs of users.
3. **Reliability:-** Information must be reliable (free from material error).
4. **Comparability:-** Information must be comparable, to know the trends, in performance & position.
5. **Materiality:-** Financial statement must disclose all material (Important) item separately.
6. **Faithful Representation:-** Information must represent faithfully, all the transaction & events.
7. **Substance over Form:-** information must be recorded & presented in accordance with their substance and economic reality not merely by their legal forms.
8. **Neutrality**
9. **Prudence:-** Use to your own skill
10. **Full & Fair Disclosure**
11. **Completeness**