

# Class - 11 Accountancy

Ch -1

Introduction to Accounting



# Meaning and Definition

- What is Accounting?
- Accounting involves identifying, recording, classifying, summarizing, interpreting, and communicating financial information. It's the backbone of all business and economic activities.
- Key Definition

"Accounting is the language of business" as it helps stakeholders understand financial health and performance.

# Objectives & Features.

- Objectives of Accounting

- To maintain a systematic record of financial transactions.
- To calculate profit or loss for a specific period.
- To determine the financial position of a business (assets vs. liabilities).
- To provide data for decision-making and future planning.
- To meet legal requirements (e.g., taxation, compliance).

- Features of Accounting

- Identification of Transactions: - Only financial transactions are recorded in accounting.
- Systematic Record-Keeping: - Maintains chronological records, ensuring accuracy and accessibility.
- Classification and Summarization: - Data is organized into meaningful formats, like ledgers and financial statements.
- Communication of Information: - Information is shared with stakeholders like investors, creditors, and management.

# Functions & importance Of Accounting.

- Functions of Accounting.
- Recording : - Maintaining a daily journal of all transactions.
- Classifying :- Sorting transactions into categories like expenses, income, assets, and liabilities.
- Summarizing :- Preparing financial statements, including profit and loss accounts and balance sheets.
- Analyzing and Interpreting:- Evaluating the data to identify trends and support decision-making.
- Communication:- Presenting financial results to stakeholders clearly and effectively.

- Importance of Accounting.
- Supports Decision-Making:- Helps managers and business owners make informed financial choices.
- Legal Compliance:- Ensures adherence to laws such as tax regulations and audit requirements.
- Financial Control:- Tracks income and expenses to avoid overspending.
- Investor and Stakeholder Trust:- Transparent records instill confidence in external parties..

# Limitations & Conclusions.

- Limitations of Accounting.

- Ignores Non-Monetary Aspects:-Accounting focuses only on quantifiable data and ignores qualitative factors like employee satisfaction.
- Prone to Bias:- Dependent on the accountant's estimates (e.g., depreciation, bad debts).
- Historical in Nature:- Reflects past data and may not always indicate future trends.
- Complexity:- Preparing and interpreting financial data can be challenging for non-specialists.

- Conclusion.

- Summary: - Accounting is an essential process for any business or organization to track financial transactions, ensure transparency, and aid decision-making.
- Significance: - It bridges the gap between a business's financial activities and its stakeholders, ensuring accountability and growth..

# Users Of Accounting Information.

## Internal Users

- Owners (Proprietor)
- Management
- Employees And Workers.

## External users

- Banks & Financial Institutions
- Investors and Potential Investors
- Creditors.
- Government and its authorities.
- Researchers.
- Consumers
- General Public

# Branches Of Accounting.

1. Financial Accounting.	For Determining Profit/Loss of The Bussiness.
2. Cost Accounting.	Determine the Actual cost to Produce the Product.
3. Management Accounting.	Help the management in Decision Making.

# Bookkeeping v/s Accounting.

Basis	Bookkeeping	Accounting
Scope	Identifying , Measuring , Recording , Classifying.	Identifying , Measuring , Recording , Classifying , Summarising , Analyzing & Communicating .
Performance	Junior Staff ( Accountant , Clerk ).	Senior Staff ( CA , CMA )
Stage	Primary Stage	Secondary Stage . Begins when bookkeeping ends .
Nature of Job	Routine Job	Analytical , As have to do some analysis through skills .
Special Skills	Does not require special skills .	Require special skills.Oooo
Objectives	To maintain records systematically of Financial Statements .	To ascertain net results of operations and financial position and Communicate it to users .



# Is Accounting is an Art or Science ?

- Art ?

Accounting is an art of recording classifying and summarising financial transactions .

- Science ?

Any organised Knowledge based on certain basic principles is a science So, Accounting is also a science as it is an organised knowledge based on certain basic principles .



# Types of Accounting Information

- Information relating to Profit or Surplus - Income Statement makes available the information about profit / loss incurred
- Information Relating to financial position – The Balance Sheet makes Available the information about the financial position of the entity .
- Information About Cash Flow – Cash Flow is a Statement that shows thew inflow & outflow of Cash during a specific period .

# Systems of Accounting

## Double Entry System

- Recognise and records both aspects i.e, Debit and Credit
- It is a Scientific and Complete System of Accounting

## Single Entry System

- Transactions are not recorded on double entry system .
- Account maintained under this system is incomplete and unsystematic and therefore, not reliable .
- The profit & loss account and Balance sheet cannot be prepared