

# **Class 11 Accountancy - Chapter 1: Introduction to Accounting**

## **### What is Accounting?**

Accounting is the process of identifying, measuring, recording, and communicating financial information to users for decision-making.

## **### Objectives of Accounting:**

1. To maintain systematic records of financial transactions.
2. To determine profit or loss of the business.
3. To ascertain the financial position of the business.
4. To provide information to stakeholders for decision-making.

## **### Importance of Accounting:**

- Helps in decision-making.
- Ensures compliance with laws and regulations.
- Assists in financial planning and budgeting.
- Facilitates taxation and auditing processes.

## **### Basic Accounting Terms:**

1. **\*\*Assets\*\*** - Resources owned by a business (e.g., cash, inventory, buildings).
2. **\*\*Liabilities\*\*** - Financial obligations of a business (e.g., loans, creditors).
3. **\*\*Capital\*\*** - Owner's investment in the business.
4. **\*\*Revenue\*\*** - Income earned by a business from operations.
5. **\*\*Expenses\*\*** - Costs incurred in running the business.
6. **\*\*Profit/Loss\*\*** - Difference between total revenue and total expenses.

## **### Limitations of Accounting:**

- Ignores qualitative aspects (e.g., employee satisfaction).
- Based on historical data, not future predictions.
- Can be influenced by accounting policies.