



MS 408: Financial Considerations in Engineering Decisions (FCED)

1

Bookkeeping

Group Exercise

Assume all transactions took place in January 2023

- (1) Jan 2: Received \$50,000 cash and issued shares to the owners
- (2) Jan 2: Paid \$40,000 cash for land
- (3) Jan 2: Bought \$3,700 of supplies on account
- (4) Jan 25: Received \$7,000 cash from customers for service revenue earned
- (5) Jan 27: Performed services for a customer on account, \$3,000
- (6) Jan 30: Paid cash expenses: rent, \$1,100; employee salary, \$1,200; utilities, \$400
- (7) Jan 30: Paid \$1,900 on the account payable created in Transaction 3
- (8) Jan 30: Major shareholder paid personal funds to remodel home,
not a transaction of the business
- (9) Jan 30: Received \$1,000 on account
- (10) Jan 30: Sold half of the land for \$22,000 cash
- (11) Jan 31: Declared and paid a dividend of \$2,100 to the shareholders



T accounts

Account Name					
Dr					Cr
Date	Description	Amount	Date	Description	Amount



T Accounts - ledger entries and period close

9/19			
Dr		Cr	
Cash Acct			
①	Capital	50,000	
②		Land Purchase	40,000
④	Service Revenue	7,000	
⑥		6a Rent	1,100
		6b Payroll	1,200
		6c Util	400
⑦		Paid down AP (3)	1,900
⑨	Receipt on A/R	1,000	
⑩	Sold 1/2 of Land	22,000	
⑪		Dividends Paid	2,100
		Bal c/f	33,300
			<u>80,000</u>
		<u>80,000</u>	

Will include date in the real case



T accounts: Simplified Template

Simplified T Charts

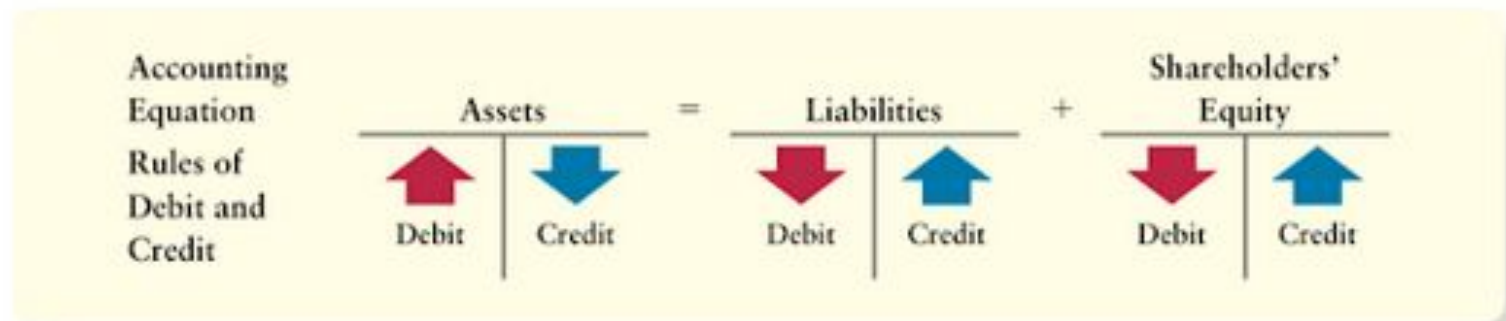
Account Name and Number				
Date	Ref	Description	Dr Amount	Cr Amount

- Identify all accounts and create T accounts for each of them
- **Once T Accounts are completed, close the accounts**
- **Compile** the Income Statement for the month of January and
- **Compile** the Balance Sheet for the period ending January 31, 2023



Double Entry Bookkeeping

Exhibit 2-3 | Accounting Equation and the Rules of Debit and Credit

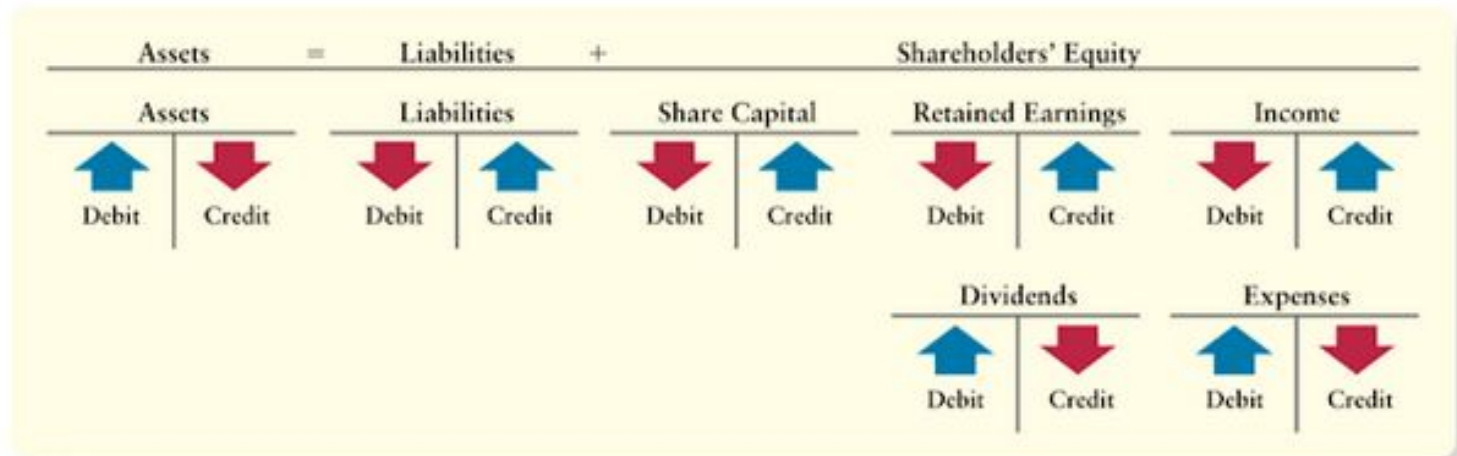


- Increases in *assets* are recorded on the left (debit) side of the account. Decreases in *assets* are recorded on the right (credit) side. You receive cash and debit the Cash account. You pay cash and credit the Cash account.
- Conversely, increases in *liabilities* and *shareholders' equity* are recorded by credits. Decreases in *liabilities* and *shareholders' equity* are recorded by debits.



Double Entry Bookkeeping

Exhibit 2-7 | Final Form of the Rules of Debit and Credit



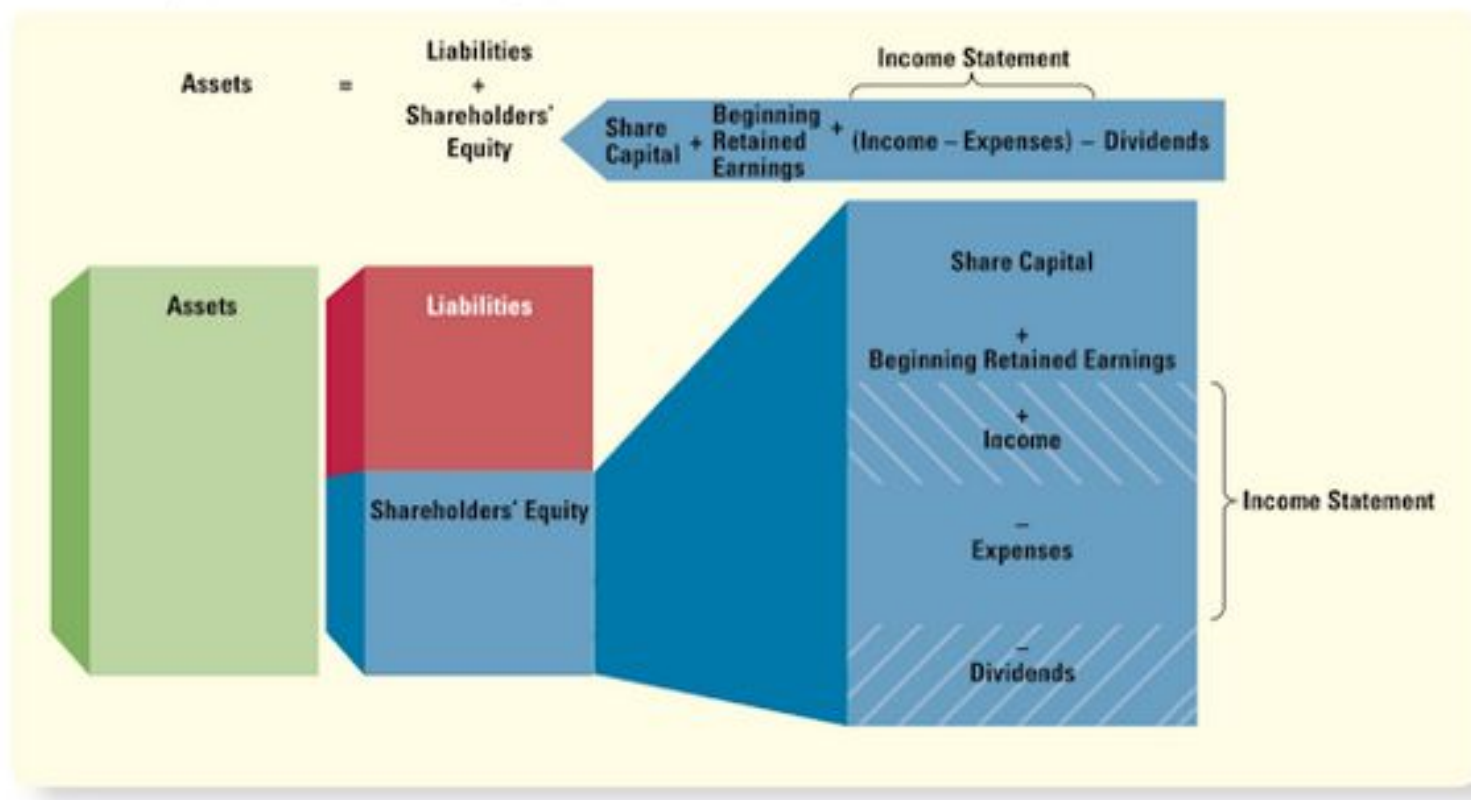


Income Statement			
Revenues		\$10,000	
Other revenue - Land sale (net)		\$2,000	
			\$12,000
Expenses			
Rent		\$1,100	
Salaries		\$1,200	
Utilities		\$400	
			\$2,700
Gross Profit			\$9,300
Dividend			\$2,100
Net Profit after dividend			\$7,200



Double Entry Bookkeeping

Exhibit 2-6 Expansion of the Accounting Equation





Balance Sheet				
		Cash	\$33,300	
		Accounts Receivable	\$2,000	
		Supplies	\$3,700	
			\$39,000	
		Land	\$20,000	
	Total Assets			\$59,000
	Liabilities		\$1,800	
	Equity		\$50,000	
	Retained Earnings		\$7,200	
				\$59,000



Assignment 4: Bookkeeping Exercise: Solution Key

Balance Sheet Accounts				
Assets				
Cash				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 2	1	Issue shares	50,000.00	
Jan 2	2	Payment for land		40,000.00
Jan 25	4	Services rendered	7,000.00	
Jan 30	6	Expenses		2,700.00
Jan 30	7	Payment on account		1,900.00
Jan 30	9	Account collection	1,000.00	
Jan 30	10	Sale of land	22,000.00	
Jan 31	11	Dividend payment		2,100.00
Jan 31	CL	Balance c/f		33,300.00
			80,000.00	80,000.00
Land				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 2	2	Purchase	40,000.00	
Jan 30	10	Sale		20,000.00
Jan 31	CL	Balance c/f		20,000.00
			40,000.00	40,000.00



Assignment 4: Bookkeeping Exercise: Solution Key

Balance Sheet Accounts				
		Assets		
Supplies				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 2	3	Purchase on account	3,700.00	
Jan 31	CL	Balance c/f		3,700.00
			3,700.00	3,700.00
Accounts Receivable				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 27	5	Services on account	3,000.00	
Jan 30	9	Collection		1,000.00
Jan 31	CL	Balance c/f		2,000.00
			3,000.00	3,000.00



Assignment 4: Bookkeeping Exercise: Solution Key

Balance Sheet Accounts				
Liabilities & Equity				
Accounts Payable				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 2	3	Supplies purchase		3,700.00
Jan 30	7	Payment	1,900.00	
Jan 31	CL	Balance c/f	1,800.00	
			3,700.00	3,700.00
Share Capital (Common Stock)				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 2	1	Issue of shares		50,000.00
Jan 31	CL	Balance c/f	50,000.00	
			50,000.00	50,000.00
		Brought Forward		
		Assets	59,000.00	
		Liabilities		1,800.00
		Equity		50,000.00
		Retained Earnings		7,200.00
			59,000.00	59,000.00





Assignment 4: Bookkeeping Exercise: Solution Key

Income Statement Accounts				
Operating Revenue				
Service Revenue				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 25	4	Cash services		7,000.00
Jan 27	5	Services on account		3,000.00
Jan 31	CL	Retained Earnings	10,000.00	
			10,000.00	10,000.00
Operating Expense				
Rent Expenses				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 30	6	Rent	1,100.00	
Jan 31	CL	Retained Earnings		1,100.00
			1,100.00	1,100.00
Salary Expenses				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 30	6	Salary	1,200.00	
Jan 31	CL	Retained Earnings		1,200.00
			1,200.00	1,200.00
Utility Expenses				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 30	6	Utilities	400.00	
Jan 31	CL	Retained Earnings		400.00
			400.00	400.00



Assignment 4: Bookkeeping Exercise: Solution Key

Other				
Gain on Sale of Land				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 30	10	Sale of land		2,000.00
Jan 31	CL	Retained Earnings	2,000.00	
			2,000.00	2,000.00
Dividends				
Date	Ref	Description	Dr Amount	Cr Amount
Jan 31	11	Declared & Paid	2,100.00	
Jan 31	CL	Retained Earnings		2,100.00
			2,100.00	2,100.00
Total (Net) Retained Earnings			7,200.00	
Earnings Before Dividends			9,300.00	
less Dividends			(2,100.00)	
Earnings After Dividends			7,200.00	



Q & A



Chart of accounts: Formalization of Accounts

- Assets
- Liabilities
- Equity
- Income (Revenue)
- Expense



Chart of accounts

- Assets (1)
 - Current Assets
 - Cash
 - Accounts Receivable
 - Inventory
 - Other Current Assets
 - Fixed Assets
 - Property Plant and Equipment
 - Accumulated Depreciation



Chart of accounts

- Liabilities (2)
 - Current Liabilities
 - Accounts Payable
 - Other Payable
 - Unearned Revenue (contrast with earned not paid)
 - Accrued Liabilities
 - Other Current Liabilities
 - Long Term Liabilities



Chart of accounts

- Equity (3)
 - Capital
 - Stock
 - Dividends
 - Retained Earnings
 - Buy backs



Chart of accounts

- Revenue (4)

- Revenue by Product
- Revenue by Service Line
- Revenue by Division
- Deductions from Revenue*
- Other Revenue



Chart of accounts

- Expense (5-9)
 - Salaries & Wages
 - Benefits
 - Occupancy
 - Raw Material
 - Equipment
 - Professional Services
 - Supplies
 - Travel, Meals & Entertainment



Chart of accounts: Exercise

Number **all** the accounts in the solution key
(Tip: Decide apriori minimum number of digits required and use that for all accounts)

Type on chat, Account Names and Numbers



Q & A



How does Daimler determine the amount of its revenues, expenses, and net income? The numbers can't possibly be random. Like all other companies, Daimler has a comprehensive accounting system. Daimler's Income Statement shows that during the financial year ended December 31, 2015, it made just under €150,000 million of sales and earned a net income of €8,711 million.

A1			
	A	B	C
1	Daimler AG	Year Ended	
	Consolidated Income Statement	December 31	
2	(Adapted, in millions of €)	2015	2014
3	Revenue	€ 149,467	€ 129,872
4	Cost of revenue	(117,670)	(101,688)
5	Gross profit	31,797	28,184
6	Selling expenses	(12,147)	(11,534)
7	General administrative expense	(3,710)	(3,329)
8	Research expenditures	(4,760)	(4,532)
9	Other operating income	2,114	1,759
10	Other operating expense	(555)	(1,160)
11	Operating income	12,739	9,388
12	Income from equity investments	464	897
13	Other financial income/expense	(27)	458
14	Interest income	170	145
15	Interest expense	(602)	(715)
16	Income taxes	(4,033)	(2,883)
17	Net profit	€ 8,711	€ 7,290
18			



You can also see below that Daimler has assets totaling under €217.2 billion, funded by liabilities of €162.5 billion and total equity of €54.6 billion.

A1			
	A	B	C
1	Daimler AG	As at December 31	
2	Consolidated Balance Sheet	2015	2014
2	(Adapted, in millions of €)		
3	Cash and cash equivalents	9,936	9,667
4	Inventories	23,760	20,864
5	Trade receivables	9,054	8,634
6	All other current assets	49,097	37,980
7	Total current assets	91,847	77,145
8	Property, plant and equipment	24,322	23,182
9	Intangible assets	10,069	9,367
10	All other non-current assets	90,928	79,941
11	Total non-current assets	125,319	112,490
12	Total assets	217,166	189,635
13	Trade payables	10,548	10,178
14	Loans and borrowings	41,311	36,290
15	All other current liabilities	25,222	20,506
16	Total current liabilities	77,081	66,974
17	Loans and borrowings	59,831	50,399
18	All other non-current liabilities	25,630	27,678
19	Total non-current liabilities	85,461	78,077
20	Total liabilities	162,542	145,051
21	Share capital	3,070	3,070
22	Retained earnings	36,991	28,487
23	Other equity items	14,563	13,027
24	Total equity	54,624	44,584
25	Total liabilities and equity	217,166	189,635
26			



Q & A



Text Book Exercise: Calderon Service Center, Inc.

The trial balance of Calderon Service Center, Inc., on March 1, 20X6, lists the entity's assets, liabilities, and shareholders' equity on that date.

Account Title	Balance	
	Debit	Credit
Cash.....	\$ 26,000	
Accounts receivable.....	4,500	
Accounts payable.....		\$ 2,000
Share capital.....		10,000
Retained earnings.....		18,500
Total	<u>\$ 30,500</u>	<u>\$ 30,500</u>

During March, the business completed the following transactions:

- Borrowed \$45,000 from the bank, with Calderon signing a note payable in the name of the business.
- Paid cash of \$40,000 to a real estate company to acquire land.
- Performed service for a customer and received cash of \$5,000.
- Purchased supplies on credit, \$300.
- Performed customer service and earned revenue on account, \$2,600.
- Paid \$1,200 on account.
- Paid the following cash expenses: salaries, \$3,000; rent, \$1,500; and interest, \$400.
- Received \$3,100 on account.
- Received a \$200 utility bill that will be paid next week.
- Declared and paid dividends of \$1,800.

Text
pp 89 ...



Text Book Exercise: Calderon Service Center, Inc.

Requirements

1. Make the following accounts, with the balances indicated, in the ledger of Calderon Service Center, Inc. Use the T-account format.
 - Assets—Cash, \$26,000; Accounts Receivable, \$4,500; Supplies, no balance; Land, no balance
 - Liabilities—Accounts Payable, \$2,000; Note Payable, no balance
 - Shareholders' Equity—Share Capital, \$10,000; Retained Earnings, \$18,500; Dividends, no balance
 - Revenues—Service Revenue, no balance
 - Expenses—(none have balances) Salary Expense, Rent Expense, Interest Expense, Utilities Expense
2. Journalize the preceding transactions. Key journal entries by transaction letter.
3. Post to the ledger and show the balance in each account after all the transactions have been posted.
4. Prepare the trial balance of Calderon Service Center, Inc., at March 31, 20X6.
5. To determine the net income or net loss of the entity during the month of March, prepare the Income Statement for the month ended March 31, 20X6. List expenses in order from the largest to the smallest.

Text
pp 89 ...



Chart of Accounts – Examples

Asset Accounts

101 Bank/Cash at Bank
102 Cash
108 Deferred Expense
110 Other Assets
112 Accounts Receivable
116 Supplies
130 Prepaid Insurance
157 Equipment
158 Accumulated Depreciation Equipment

Liability Accounts

200 Notes Payable
201 Accounts Payable
209 Unearned Service Revenue
210 Tax Payable
211 Bonds Payable
212 Salaries and Wages Payable
230 Interest Payable



Chart of Accounts – Examples

Equity Accounts (for sole proprietorship and partnerships)

300 Owner's capital

311 Share Capital-Ordinary

320 Retained Earnings

330 Capital contributions

332 Dividends

350 Income Summary

360 Drawings (Distributions)

Equity Accounts (for corporations)

300 Common Stock

310 Capital in excess of par

330 Retained earnings



Chart of Accounts – Examples

Revenue Accounts

400 Rental Income
420 Interest Income

Expense Accounts

570 Office Expense
585 Computer Expenses
595 Communication Expense
597 Labour & Welfare Expenses
598 Advertising Expenses
599 Printing & Stationery Expenses
631 Supplies Expense
711 Depreciation Expense
722 Insurance Expense
726 Salaries and Wages Expense
729 Rent Expense
732 Utilities Expense
905 Interest Expense



Chart of Accounts – Examples (Hospital)

- 1 - Assets
- 2 - Liabilities, Equity, and Capital or Fund Balances
- 3 - Daily Hospital and Ambulatory (out patient) Services Revenue
- 4 - Ancillary Services Revenue
- 5 - Other Operating Revenue and Deductions from Revenue
- 6 - Daily Hospital and Ambulatory Services Expenses
- 7 - Ancillary Services Expenses
- 8 - Research Expenses; Education Expenses;
General Services Expenses;
Medical Care Administration Expenses;
Other Operating Expenses
- 9 - Non-Operating Revenue and Expenses

<http://www.hsrc.state.md.us/documents/hospitals/compliance/accountingbudgetmanual/2011/section200-final-08-01-11.pdf>



Chart of Accounts – Examples (Hospital)

FIRST DIGIT	SECOND DIGIT	THIRD DIGIT	FOURTH DIGIT	DECIMAL POINT	FIFTH AND SIXTH DIGITS
0 Not Used	0 Unrestricted Fund	0 Not used	0 Mandated Reporting Level	.	Classification According to Hospital Needs
1 Asset	1 Unrestricted Fund	1	1	.	
2 Liability and Equity	2 Unrestricted Fund	2	2	.	
	3 Unrestricted Fund	3	3	.	
	4 Unrestricted Fund	4	4	.	
	5 Plant Replacement and Expansion Fund	5 Primary Sub-Classification	5 Optional Accounts	.	
	6 Plant Replacement and Expansion Fund	6	6	.	
	7 Specific Purpose Fund	7	7	.	
	8 Endowment Fund	8	8	.	
	9 Not Used	9	9	.	

<http://www.hsrc.state.md.us/documents/hospitals/compliance/accountingbudgetmanual/2011/section200-final-08-01-11.pdf>



Chart of Accounts – Examples (Hospital)

FIRST DIGIT	SECOND AND THIRD DIGITS	FOURTH DIGIT	DECIMAL POINT	FIFTH DIGIT	SIXTH DIGIT	SEVENTH AND EIGHTH DIGITS
0 Not Used	0 ↑	0 Mandated Reporting Level	.	0 Inpatient-Acute Care	0 Medicare-Part A	0 ↑
1 Not Used	1	1 ↑	.	1 Inpatient-Intensive Care	1 Medicare-Part B	1
2 Not Used	2	2	.	2 Inpatient-Skilled Nursing Care	2 Medicaid	2
3 Daily Hospital and Ambulatory Services	3	3	.	3 Inpatient-Other	3 Other Government	3
4 Ancillary Services	4	4	.	4 Outpatient-Emergency	4 Workmen's Compensation	4
5 Other Operating Revenue	5 Classification by Function	5 Optional Accounts	.	5 Outpatient-Clinic	5 Blue Cross	5 Program Serving Patient
6 Not Used	6 ↓	6 ↓	.	6 Outpatient Referred (Including Ambulatory Surgery)	6 Commercial Insurance	6 ↓
7 Not Used	7	7	.	7 Home Health Care	7 Charity/Uncompensated Care	7
8 Not Used	8	8	.	8 Day Care	8 Self Pay	8
9 Non-Operating Revenue	9 ↓	9 ↓	.	9 Non-Patient	9 Other	9 ↓

US State of Maryland Health Services Cost Review Commission

<http://www.hsrc.state.md.us/documents/hospitals/compliance/accountingbudgetmanual/2011/section200-final-08-01-11.pdf>



Chart of Accounts – Examples (Hospital)

FIRST DIGIT	SECOND AND THIRD DIGITS	FOURTH DIGIT (SEE NOTE BELOW)	DECIMAL POINT	FIFTH DIGIT	SIXTH DIGIT
0 Not Used	0 ↑	0 Mandated Reporting	.	0 Salaries and Wages	0-9 Job Categories
1 Not Used	1 ↑	1 ↑	.	1 Salaries and Wages	0-9 Job Categories
2 Not Used	2 ↑	2 ↑	.	2 Employee Benefits	0-9 Type of Benefit
3 Not Used	3 ↑	3 ↑	.	3 Professional Fees	0-9 Type of Fee
4 Not Used	4 ↑	4 ↑	.	4 Medical and Surgical Supplies	0-9 Type of Supplies
5 Not Used	5 Classification by function	5 Optional Accounts	.	5 Non-Medical and Non-Surgical Supplies	0-9 Type of Supplies
6 Daily Hospital and Ambulatory Services	6 ↓	6 ↓	.	6 Utilities	0-9 Type of Utility
7 Ancillary Services	7 ↓	7 ↓	.	7 Purchased Services	0-9 Type of Service
8 Other Operating Expense	8 ↓	8 ↓	.	8 Other Direct Expenses	0-9 Classification by Type
9 Non-Operating Expense	9 ↓	9 ↓	.	9 Depreciation/Rent/Transfers	0-9 Classification by Type

<http://www.hsrc.state.md.us/documents/hospitals/compliance/accountingbudgetmanual/2011/section200-final-08-01-11.pdf>



Chart of Accounts – Examples (Manufacturing)

1000 ASSETS

1010 CASH Operating Account

1020 CASH Debitors

1030 CASH Petty Cash

1200 RECEIVABLES

1210 A/REC Trade

1220 A/REC Trade Notes Receivable

1230 A/REC Installment Receivables

1240 A/REC Retainage Withheld

1290 A/REC Allowance for Uncollectible
Accounts

1300 INVENTORIES

1310 INV – Reserved

1320 INV – Work-in-Progress

1330 INV – Finished Goods

1340 INV – Reservesd

1350 INV – Unbilled Cost & Fees

1390 INV – Reserve for Obsolescence

1400 PREPAID EXPENSES & OTHER CURRENT ASSETS

1410 PREPAID – Insurance

1420 PREPAID – Real Estate Taxes

1430 PREPAID – Repairs & Maintenance

1440 PREPAID – Rent

1450 PREPAID – Deposits

1500 PROPERTY PLANT & EQUIPMENT

1510 PPE – Buildings

1520 PPE – Machinery & Equipment

1530 PPE – Vehicles

1540 PPE – Computer Equipment

1550 PPE – Furniture & Fixtures

1560 PPE – Leasehold Improvements



Chart of Accounts – Examples (Manufacturing)

1600 ACCUMULATED DEPRECIATION & AMORTIZATION

1610 ACCUM DEPR Buildings

1620 ACCUM DEPR Machinery & Equipment

1630 ACCUM DEPR Vehicles

1640 ACCUM DEPR Computer Equipment

1650 ACCUM DEPR Furniture & Fixtures

1660 ACCUM DEPR Leasehold Improvements

1700 NON – CURRENT RECEIVABLES

1710 NCA – Notes Receivable

1720 NCA – Installment Receivables

1800 INTERCOMPANY RECEIVABLES

1900 OTHER NON-CURRENT ASSETS

1910 Organization Costs

1920 Patents & Licenses

1930 Intangible Assets – Capitalized Software Costs



Chart of Accounts – Examples (Manufacturing)

2100 PAYABLES

2110 A/P Trade

2120 A/P Accrued Accounts Payable

2130 A/P Retainage Withheld

2150 Current Maturities of Long-Term Debt

2160 Bank Notes Payable

2170 Construction Loans Payable

2200 ACCRUED COMPENSATION & RELATED ITEMS

2210 Accrued – Payroll

2220 Accrued – Commissions

2230 Accrued – FICA

2240 Accrued – Unemployment Taxes

2250 Accrued – Workmen's Comp

2260 Accrued – Medical Benefits

2270 Accrued – 401 K Company Match

2275 W/H – FICA

2280 W/H – Medical Benefits

2285 W/H – 401 K Employee Contribution

2300 OTHER ACCRUED EXPENSES

2310 Accrued – Rent

2320 Accrued – Interest

2330 Accrued – Property Taxes

2340 Accrued – Warranty Expense

2500 ACCRUED TAXES

2510 Accrued – Federal Income Taxes

2520 Accrued – State Income Taxes

2530 Accrued – Franchise Taxes

2540 Deferred – FIT Current

2550 Deferred – State Income Taxes

2600 DEFERRED TAXES

2610 D/T – FIT – NON CURRENT

2620 D/T – SIT – NON CURRENT



Chart of Accounts – Examples (Manufacturing)

2700 LONG-TERM DEBT

2710 LTD – Notes Payable

2720 LTD – Mortgages Payable

2730 LTD – Installment Notes Payable

2800 INTERCOMPANY PAYABLES

2900 OTHER NON CURRENT LIABILITIES

3000 OWNERS EQUITIES

3100 Common Stock

3200 Preferred Stock

3300 Paid in Capital

3400 Partners Capital

3500 Member Contributions

3900 Retained Earnings



Chart of Accounts – Examples (Manufacturing)

4000 REVENUE

4010 REVENUE – PRODUCT 1
4020 REVENUE – PRODUCT 2
4030 REVENUE – PRODUCT 3
4040 REVENUE – PRODUCT 4
4600 Interest Income
4700 Other Income
4800 Finance Charge Income
4900 Sales Returns and Allowances
4950 Sales Discounts

5000 COST OF GOODS SOLD

5010 COGS – PRODUCT 1
5020 COGS – PRODUCT 2
5030 COGS – PRODUCT 3
5040 COGS – PRODUCT 4
5700 Freight
5800 Inventory Adjustments
5900 Purchase Returns and Allowances
5950 Reserved



Chart of Accounts – Examples (Manufacturing)

6000 – 7000 OPERATING EXPENSES

6010 Advertising Expense	6800 License Expense
6050 Amortization Expense	6850 Maintenance Expense
6100 Auto Expense	6900 Meals and Entertainment
6150 Bad Debt Expense	6950 Office Expense
6200 Bank Charges	7000 Payroll Taxes
6250 Cash Over and Short	7050 Printing
6300 Commission Expense	7150 Postage
6350 Depreciation Expense	7200 Rent
6400 Employee Benefit Program	7250 Repairs Expense
6550 Freight Expense	7300 Salaries Expense
6600 Gifts Expense	7350 Supplies Expense
6650 Insurance – General	7400 Taxes – FIT Expense
6700 Interest Expense	7500 Utilities Expense
6750 Professional Fees	7900 Gain/Loss on Sale of Assets



Bookkeeping

Accounting

Cash basis

Accrual basis

Talk about accounting equations

$$A = L + Eq + Re$$

$$P = I - Ex$$

$A + Ex = L + Eq + I$... Discuss Re, P time relationship



BASIS FOR COMPARISON	BOOKKEEPING	ACCOUNTING
Meaning	Bookkeeping is an activity of recording the financial transactions of the company in a systematic manner.	Accounting is an orderly recording and reporting of the financial affairs of an organization for a particular period.
What is it?	It is the subset of accounting.	It is regarded as the language of business.
Decision Making	On the basis of bookkeeping records, decisions cannot be taken.	Decisions can be taken on the basis of accounting records.
Preparation of Financial Statements	Not done in the bookkeeping process	Part of Accounting Process



BASIS FOR COMPARISON	BOOKKEEPING	ACCOUNTING
Tools	Journal and Ledgers	Balance Sheet, Profit & Loss Account and Cash Flow Statement
Methods / Sub-fields	Single Entry System of Bookkeeping and Double Entry System of Bookkeeping	Financial Accounting, Cost Accounting, Management Accounting, Human Resource Accounting, Social Responsibility Accounting.
Determination of Financial Position	Bookkeeping does not reflect the financial position of an organization.	Accounting clearly shows the financial position of the entity.