



FUNDAMENTALS OF ACCOUNTING

PGDM Section B

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Objectives of Accounting

- ❖ It includes maintaining systematic records, determining profit or loss, and assessing the financial position of a business.
- ❖ They also involve preventing errors and frauds, managing assets and cash efficiently, forecasting future finances, and providing reliable information to support decision-making and evaluate business performance.

Disciplines of Accounting

- ❖ It is closely linked with several disciplines. With economics and management, it helps in analyzing market behavior supports strategic decisions and performance evaluation.
- ❖ It aligns with law by ensuring compliance with tax and regulatory requirements, and with statistics, it aids in interpreting financial data through analysis and forecasting.
- ❖ Additionally, accounting relies heavily on mathematics for calculations, accurate record-keeping, and quantitative analysis, forming the backbone of all financial processes.

Branches of Accounting

- ❖ Accounting consists of various specialized branches. For example, financial accounting records and reports financial transactions for external stakeholders.
- ❖ Management accounting provides internal data for decision-making strategy.
- ❖ Cost Accounting focuses on analyzing and controlling production costs and branch accounting tracks and manages the financial activities of individual business branches separately to assess their performance.

Objectives of Accounting



Objectives	What is it all about?
Systematic financial records maintenance	❖ Ensures all business transactions are recorded accurately and in order. This provides a clear and reliable financial history for analysis and reporting.
Estimating Profit and Loss	❖ Accounting helps determine the net profit or loss over a specific period. This aids in evaluating business performance and making informed decisions.
Preparing Financial Position Reports	❖ It involves creating financial reports like the balance sheet and income statement. These reports help assess the company's financial position.
Auditing Financial Reports	❖ Auditing ensures that financial statements are accurate, complete, and comply with legal standards. It enhances transparency and builds confidence among investors, regulators, and other stakeholders.
Forecasting Future Finances	❖ It helps predict future payments, expenditures, and budgets based on past financial data. This supports effective planning, resource allocation, and financial stability.

Objectives of Accounting



Objectives	What is it all about?
Tracking Business Progress	❖ It compares financial results year-to-year to assess growth and performance. This helps in identifying trends and making strategic decisions.
Preventing Errors and Frauds	❖ It help identify and correct errors while detecting potential frauds. This ensures accuracy, reliability, and integrity in financial records.
Managing Cash and Assets	❖ It ensures efficient tracking and utilization of cash and assets. This aids in maintaining liquidity and maximizing resource effectiveness.
Providing required Financial Information	❖ It provides essential financial data to internal and external stakeholders. This information supports decision-making, planning, and regulatory compliance.
Facilitating Rational Decisions	❖ It helps predict future payments, expenditures, and budgets based on past financial data. This supports effective planning, resource allocation, and financial stability.

Objectives: Soft bank’s investment in OpenAI



WHY SOFT BANK IN THE NEWS?



Soft bank announced a \$40 Billion investment in OpenAI partnership. It launched SB OpenAI Japan for AI services. It returned to profit with around Rs. 1,15,000 Cr (FY 2025) after 4 years of losses.

WHY ACCOUNTING MATTERS AT SOFT BANK

It helps keeps track of massive investments, helps evaluate profits, risks, and performance, and builds trust with investors and stakeholders

Record-Keeping at Soft Bank	Understanding Financial Position	Decision-Making Support
<ul style="list-style-type: none">1. \$40B investment includes many companies and currencies2. Accounting helps: Classify assets (AI, R&D, infrastructure)3. Track expenses and capital use	<ul style="list-style-type: none">1. Profits and losses2. Net assets of around Rs. 27.8 Lakhs Cr3. Helps stakeholders assess business health	<ul style="list-style-type: none">1. Forecasting returns2. Measuring risks vs. benefits3. Setting R&D budgets

SUMMARY: SoftBank’s AI investment shows why accounting is crucial. It helps record, report, and evaluate massive global projects. It also ensures smart decisions and accountability in tech-driven growth.

Statement

Accounting connects with other disciplines which eventually helps in analyzing market trends, make informed decision, performance evaluation, etc. In this section, we have discussed about relationship of accounting with management, economics, and mathematics.

<div>Applications</div> <ul style="list-style-type: none">❖ Plan budgets, monitor performance, and control costs❖ Provide reliable data on production, consumption, and resource allocation.❖ Forecasting and decision support	<div><div>1. With Management</div><div>Accounting provides all sorts of financial information to management in project planning and implementation of a business.</div></div> <div><div>2. With Economics</div><div>Accounting records financial transactions of income and expenditure measurable in money. It provides necessary information to its users for taking economic decisions.</div></div> <div><div>3. With Mathematics</div><div>Accounting will not make any sense without mathematics because accounting expresses all its transactions and events of financial changes in the language of mathematics.</div></div>
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Key Take Aways

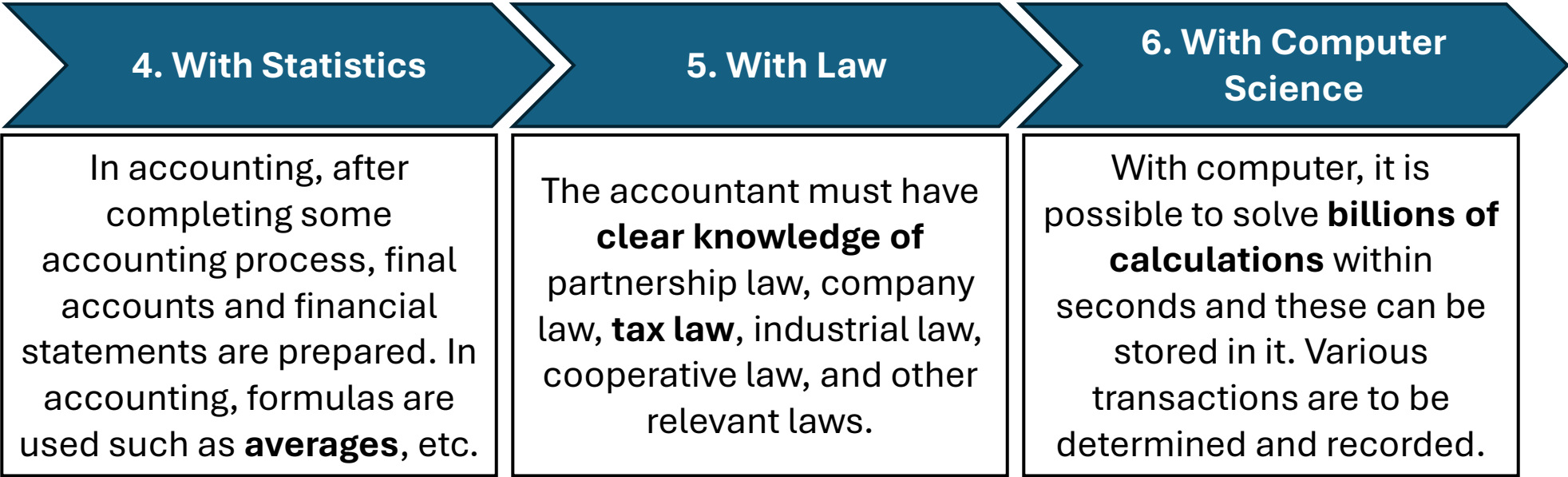
It helps in creating a common framework that aligns managerial decisions with organizational strategy.

Statement

In this section, we have discussed about relationship of accounting with statistics, law, and computer science.

Applications

- ❖ Statistical methods such as regression analysis.
- ❖ Ensures legal compliance with forensic accounting
- ❖ Integrates with ERPs, data automation, and analytical tools



Key Take Aways

It helps in creating a common framework that aligns managerial decisions with organizational strategy.

Disciplines: Otipy's crash and burn



OVERVIEW



On May 17, 2025, Otipy ceased operations abruptly after its **planned \$10 million funding** tranche—expected from the Hero family office—fell through at the last minute, precipitating an immediate cash crunch and inability to meet payroll or other obligations.

ACCOUNTING IMPLICATIONS

Liquidity and Working Capital

In Otipy, unpaid liabilities are **bills they've received such as salaries for workers and invoices from vendors** that they still owe money on. When a company can't pay these on time, it shows up as a promise to pay in their books and can cause big problems if they run out of cash.

Deferred Revenue

In Otipy, the **money customers loaded in their accounts** shows up as a promise to deliver groceries (or refund), so it sits on the books as a liability until the order is fulfilled or the cash is returned.

Tangible and Intangible Assets

When Otipy shut down, it had to **check if tangible & intangible assets were still worth** something. If not, they write down their value, which means saying, "This is what they're really worth now," even if it's less than before.

Inventory Write-offs

As Otipy had to delt with fresh fruits and the spoiled or **unsold items remained in the inventory** at the time of shutdown, those items need to be **written-off** which will be counted as loss.

Disciplines: IndusInd bank wake up call



OVERVIEW



In early **2025**, IndusInd Bank revealed that it had **hidden losses** of around **₹1,400+ crore** due to improper internal accounting of foreign exchange and derivative transactions. Further audit investigations uncovered **possible fraud**, with discrepancies now estimated at **up to ₹2,600 crore**.

KEY ACCOUNTING ISSUES

MTM Accounting

They had some **internal financial deals** and they didn't update their values when the market changed especially when the rupee lost its value.

Because of this, **losses stayed hidden** until it was too late.

Financial Misstatement

Because they didn't show the updated losses from MTM accounting, their financial reports **looked better than reality**.

This **tricked investors and regulators** into thinking the bank was healthier than it actually was.

Governance

They **didn't have strong checks** to spot the missing MTM entries. Senior leaders may have **ignored the issue or allowed it** to keep profits looking good.

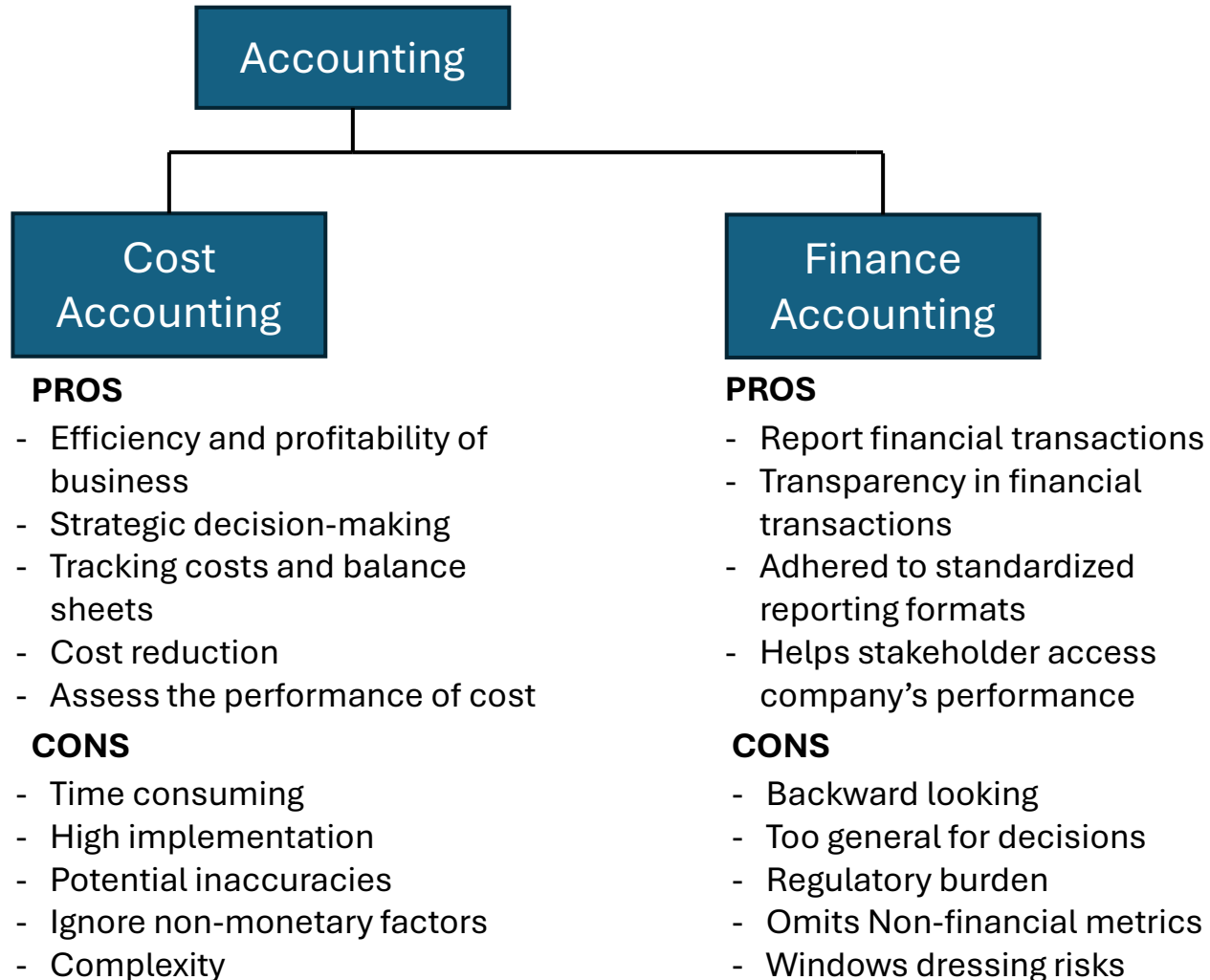
It showed **poor leadership oversight**, and key people resigned after the truth came out.

*Mark-to-Market (MTM): Updating values based on today's market

Branches of Accounting



Main Branches of Accounting - I



Other Branches

- 1 Tax accounting** revolves around systematically recording, analysing, and reporting an organization's financial transactions for tax purposes.
- 2 International accounting** addresses the challenges of financial reporting and accounting standards in a global business environment.
- 3 Fund accounting** is primarily for non-profit organizations and governmental entities. Fund accounting segregates financial activities into distinct funds.
- 4 Auditing** is the vital branch of accounting dedicated to the systematic examination and verification of financial records and processes.

Cost Accounting: Ford Motor standard costing



OBJECTIVE



We expect each car door to cost **\$50** in materials



Each worker should take exactly **1 hr** to attach a door

WHAT REALLY HAPPENED?

- ❖ Material for a door ended up costing \$60 instead of \$50, that's an **unfavourable variance** of \$10.
- ❖ It took a worker around 1.2 hrs instead of 1 hr, that's another **unfavourable variance** of 0.2 hrs.

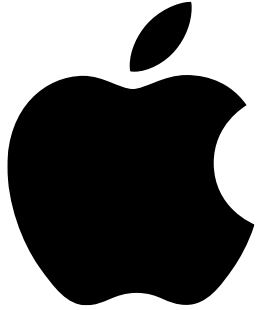
SOLUTION

Comparing **standard vs what really happened**, Ford Motor quickly spots where they are burning extra resources and then tweaks the process so future batches of cars stay on budget.

Finance Accounting: Apple's 10-Q/10-K reports



WHO IS INVOLVED?



- ❖ Apple
- ❖ US Security and Exchange Commission (SEC)
- ❖ Investors

WHAT GETS REPORTED?

- ❖ Balance Sheet
- ❖ Income / Profit & Loss Statement
- ❖ Cash Flow Statement
- ❖ Equity

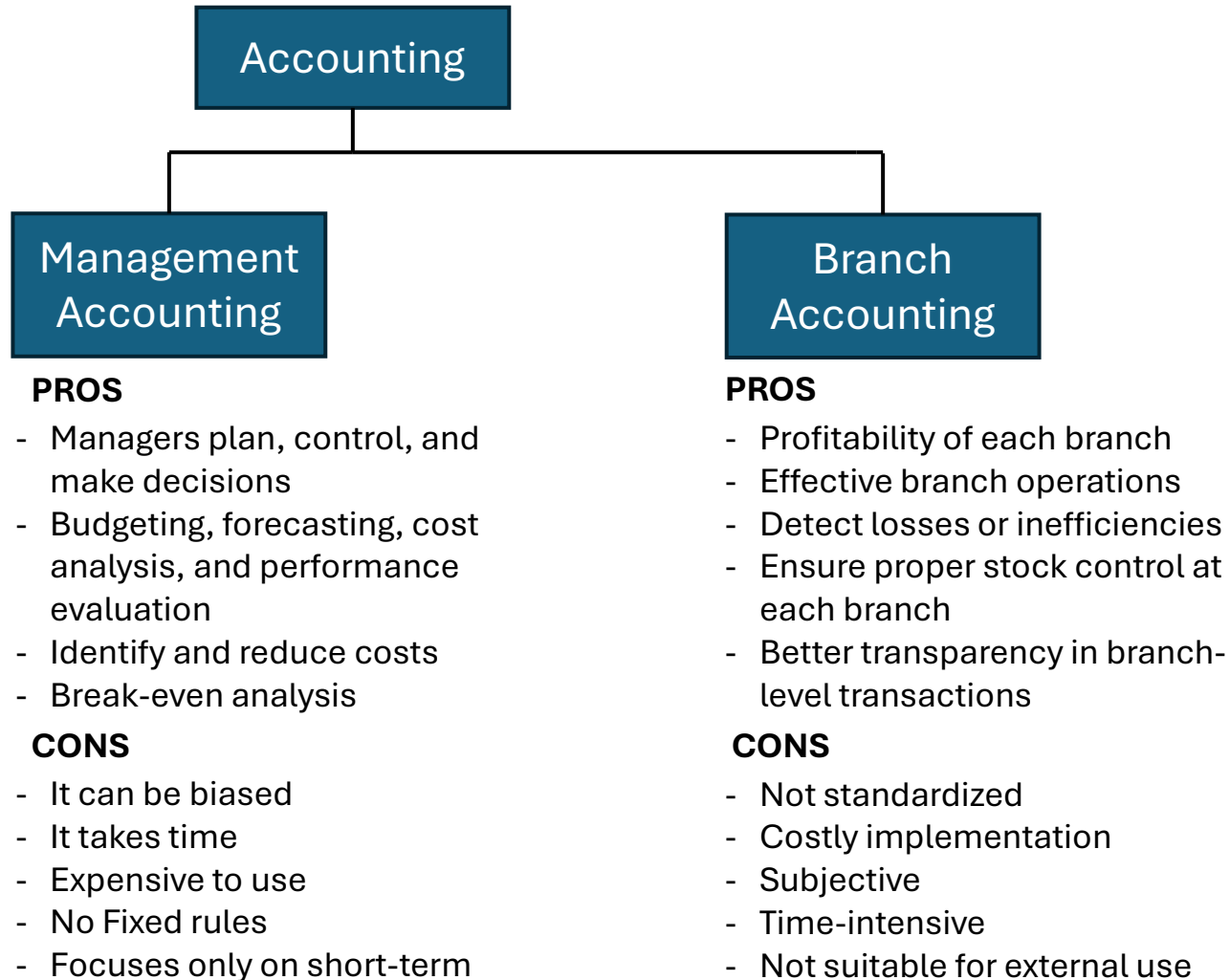
WHY IT MATTERS?

- ❖ By standardizing all numbers under SEC, big funds company or individual investors can compare Apple's performance with other companies.
- ❖ Because these reports are audited by an independent firm, people trust that the numbers are accurate.
- ❖ Other factors include regulatory compliance, transparency & trust, investor decisions, risk disclosure, performance benchmarking, credit & lending, and strategic insights.

Branches of Accounting



Main Branches of Accounting - II



Other Branches

- 5 Accounting Information Systems (AIS)** refer to the use of technology and software to collect, process, and report financial data efficiently within an organization.
- 6 Government Accounting** involves recording and managing the financial transactions of public sector entities, ensuring transparency and accountability in the use of public funds.
- 7 Forensic Accounting** is the application of accounting skills to investigate fraud, financial crimes, or legal disputes, often used in court proceedings.
- 8 Fiduciary Accounting** is the process of managing and reporting financial activities carried out by someone entrusted with another person's assets, like a trustee or executor.

OVERVIEW

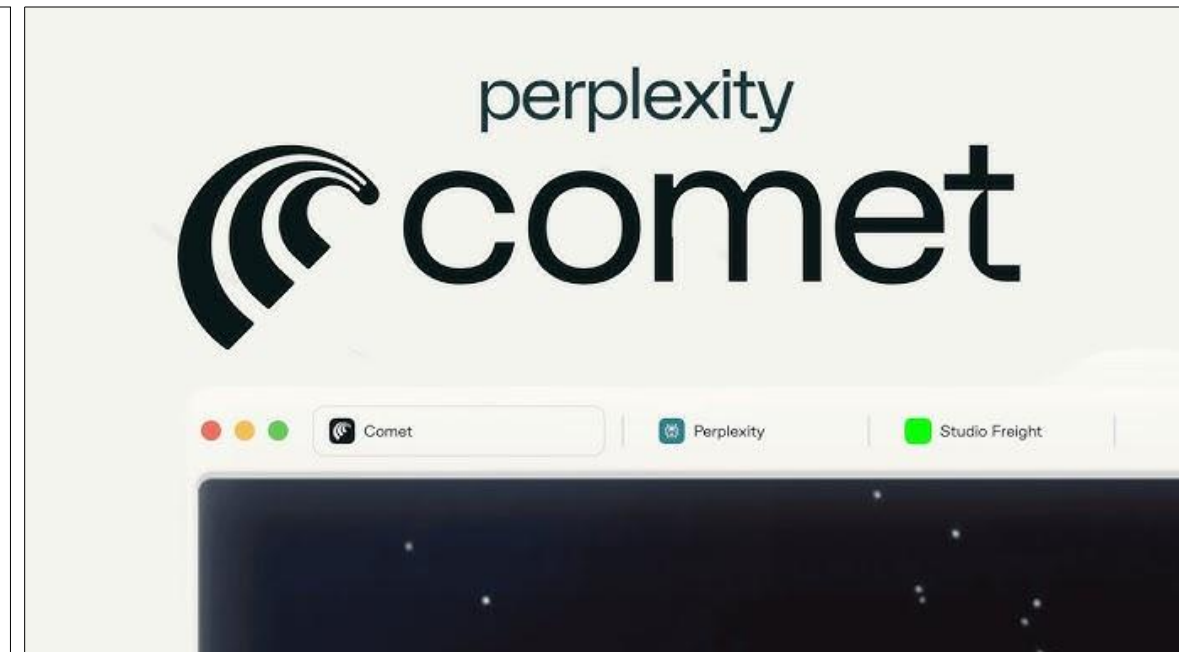


Comet Browser launched in **2025** is an AI-powered web browser from Perplexity AI, built on Chromium and currently available in an invite-only beta that embeds a “Comet Assistant” sidebar to handle tasks like summarizing pages, booking flights, or managing emails directly within your browsing session.

HOW IT WILL BE DONE?

The perplexity company is planning to launch a new product. The management accountant will:

- ❖ Prepare a cost estimate for production
- ❖ Forecast sales based on market research
- ❖ Analyze profit margins
- ❖ Help management decide whether the product launch is feasible



Branch Accounting: Domino's Pizza



OVERVIEW



Domino's operates thousands of outlets worldwide, each functioning as an individual **branch**. To manage such a large and dispersed network, Domino's uses **branch accounting** to keep track of each outlet's performance separately.

What each branch track?

Sales Records

Every branch logs its daily pizza sales, combo deals, online and offline orders. This helps determine the revenue generated at that specific location.

Inventory Accounts

Inventory includes items like flour, cheese, toppings, boxes, and beverages. The branch maintains an account of purchase from suppliers, daily usage, wastage of suppliers, and stock balance at the end of the day or week.

Expense Reports

Each branch records its operating expenses such as staff salaries and wages, rent and utilities, local advertising or promotions, and equipment maintenance.

Role of the head office

Identify Profitable Branches

For example, a branch in New York City might consistently show high sales and profits. This signals strong customer demand and efficient operations

Spot underperforming branches

If a branch in a small-town reports repeated losses, low sales, or high wastage, the head office can investigate whether it's due to poor location, mismanagement, or high overheads.

Guide strategic decision

Open new branches in high-performing regions. Close or relocate branches that fail to meet financial targets. Restructure teams or improve supply chains in underperforming outlets.

Guide strategic decision

Branches doing well may be allocated more marketing funds or new product testing. Struggling branches might get training support, equipment upgrades, or tighter budget controls.

Difference b/w main branches of accounting



*Why we took Branch Accounting?

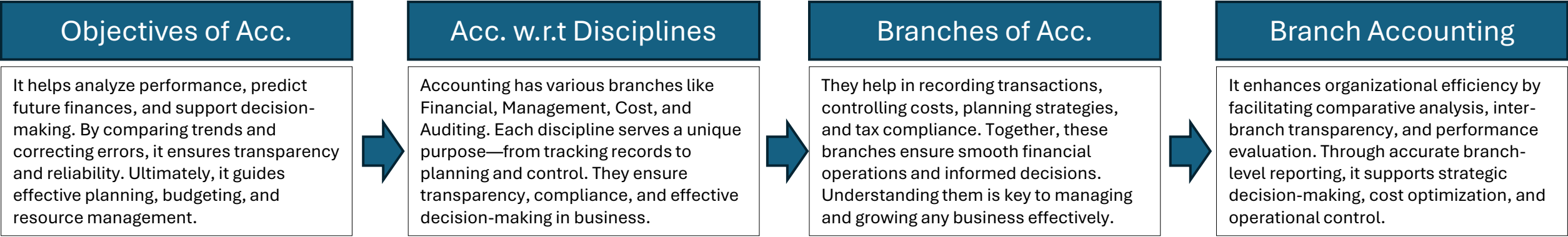
- ❖ Branch accounting is well established.
- ❖ Used by multi-location company which are very well established.
- ❖ Branch accounting sits at the cross roads of financial reporting, management control, operations, and technology.

Statement

Different branches in accounting helps businesses, governments, and individuals manage their finances efficiently, ensure compliance, and support decision-making and so getting the difference between some of the main branches becomes crucial.

Difference

Cost	Finance	Management
Focuses on the determination, tracking, and controlling of costs incurred in the business.	Records financial information to reflect the profitability and the correct financial position of the company at a particular date.	Concerned with providing financial and non-financial information to managers for organizational decision-making and control.
Reducing and controlling costs.	Keeping a complete record of financial transactions, measuring profit and financial position.	Aiding management in planning, decision-making, and performance evaluation.
Relates to material, labor, and overhead used in the production process.	Transactions measurable in monetary terms.	Both financial and non-financial information relevant to managerial decision-making.
Both historical and pre-determined costs.	Historical cost only.	Includes all types of costs, also focuses on qualitative information.
No statutory forms, voluntary presentation.	Prepared according to accounting standards and in compliance with various acts.	No statutory format; tailored to meet the informational needs of management.



Key Drivers			Key Performance Indicators	Market Trends
Cost	Finance	Management	<ol style="list-style-type: none">1. Financial report accuracy rate and month end closing time2. Finding issues which an auditor flags3. Branch profit margin4. Cost per unit	<p>Cloud Accounting Adoption Moving from desktop programs to online platforms let firms work and share data in real-time.</p> <p>AI & Automation Tool Bots and machine learning speed up tasks like invoice processing and error detection.</p> <p>Advisory & Consulting Growth Rather than just preparing reports, accountants are advising on strategy, risk, and growth.</p> <p>Blockchain and digital ledger Emerging use of distributed ledgers promises more transparent and tamper-proof transaction records.</p>
Cost Control	Compliance	Strategic planning	Industry Challenges	
Efficiency	Transparency	Budgeting	<ol style="list-style-type: none">1. Rules and tax laws change often so firms need to update with the process.2. Clients expect lower fees, so firms need to deal with lower margins3. AI can handle routine bookkeeping, so firms shift towards advisory work	
Internal cost analysis	Accurate external reporting	Decision Making		



Books

Home

Items

Banking

Sales

Purchases

Time Tracking

Accountant

Reports

Documents

Payroll

Configure Features list

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Total Receivables

+ New

Total Unpaid Invoices ₹0.00

CURRENT

OVERDUE

₹0.00

₹0.00

Total Payables

+ New

Total Unpaid Bills ₹0.00

CURRENT

OVERDUE

₹0.00

₹0.00

Cash Flow

This Fiscal Year

5 K

4 K

3 K

2 K

1 K

0

Apr 2025

May 2025

Jun 2025

Jul 2025

Aug 2025

Sep 2025

Oct 2025

Nov 2025

Dec 2025

Jan 2026

Feb 2026

Mar 2026

Cash as on 01/04/2025

₹0.00

Incoming

₹0.00 +

Outgoing

₹0.00 -

Cash as on 31/03/2026

₹0.00 =

17



Books

Home

Items

Banking

Sales

Purchases

Time Tracking

Accountant

Reports

Documents

Payroll

Configure Features list

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Search in Customers (/)

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Dashboard

Getting Started

Recent Updates

+ New Dashboard

Income and Expense

This Fiscal Year ▾

Accrual

Cash

5 K

4 K

3 K

2 K

1 K

0

Apr 2025

May 2025

Jun 2025

Jul 2025

Aug 2025

Sep 2025

Oct 2025

Nov 2025

Dec 2025

Jan 2026

Feb 2026

Mar 2026

Income

Expense

Total Income

₹0.00

Total Expenses

₹0.00

* Income and expense values displayed are exclusive of taxes.

Top Expenses

This Fiscal Year ▾

No Expense recorded for this fiscal year

18

Books

Home

Items

Banking

Sales

Purchases

Time Tracking

Accountant

Manual Journals

Bulk Update

Currency Adjustments

Chart of Accounts

Budgets

Search in Chart of Accounts (/)

Active Accounts

Employee Advance
Other Current Asset

Prepaid Expenses
Other Current Asset

TDS Receivable
Other Current Asset

Advance Tax
Other Current Asset

Petty Cash
Cash

Undeposited Funds
Cash

Accounts Receivable
Accounts Receivable

Accounts Receivable

Accounts Receivable

Edit

CLOSING BALANCE

₹0.00 (Cr)

Description : The money that customers owe you becomes the accounts receivable. A good example of this is a payment expected from an invoice sent to your customer.

There are no transactions available

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THANK YOU

**POST GRADUATE DIPLOMA IN MAN
PROGRAM EDUCATIONAL OBJECTIVE**

- PEO - 1: To provide society, a cohort of young post graduate students with managerial skills.
- PEO - 2: To prepare students to have the ability to solve problems and take cultural business environment.
- PEO - 3: To promote social awareness, sustainable development and team students.
- PEO - 4: To produce ethically responsible and technically competent managers absorption by industry.