1. Definition of Accounting

Accounting is the process of recording, summarizing, analyzing, and reporting financial transactions of a business.

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2. Objectives of Accounting

- To maintain systematic records
- To ascertain profit or loss
- To show financial position
- To assist in decision-making

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3. Basic Terms

- **Assets**: Resources owned by a business (e.g., cash, building)
- **Liabilities**: Obligations payable by the business (e.g., loans, creditors)
- **Capital**: Owner's investment in the business
- **Revenue**: Income earned (e.g., sales)
- **Expenses**: Costs incurred to earn revenue

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4. Accounting Equation

Assets = Liabilities + Capital

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5. Types of Accounts

- **Personal Account** – Related to persons (e.g., customers, banks)
  - Rule: *Debit the receiver, Credit the giver*
- **Real Account** – Related to assets (e.g., cash, machinery)
  - Rule: *Debit what comes in, Credit what goes out*
- **Nominal Account** – Related to expenses & incomes
  - Rule: *Debit all expenses/losses, Credit all incomes/gains*

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6. Golden Rules of Accounting

Type of Account	Debit	Credit
Personal	Receiver	Giver
Real	What comes in	What goes out
Nominal	All expenses/losses	All incomes/gains

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7. Journal

A book where all financial transactions are recorded for the first time in chronological order.

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8. Ledger

A book that contains individual accounts where journal entries are posted.

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9. Trial Balance

A statement that lists all the balances of ledger accounts to check arithmetical accuracy.

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10. Final Accounts

Includes:

- **Trading Account**: Calculates Gross Profit
- **Profit & Loss Account**: Calculates Net Profit
- **Balance Sheet**: Shows financial position (Assets = Liabilities + Capital)