Mid

21 October 2022 00:00

What is accounting
Nature and scope of accounting
Advantages and disadvantages
Conventions of accounting
Principles of accounting
Users of financial accounting information
Differentiate between accounting and book keeping
Accounting standards abd their utilities and limitations
Journal and its rules
Accounting terminologies

11:57 pm

Meaning & Objectives of Accounting

Accounting refers to recording, classifying, analysing and reporting an information of business in monetary terms.

Objectives of Accounting
① Recording ② Classification
② Summarization ④ Analysis
⑤ Interpretation ⑥ Communication

Types of Accounting
① Financial Accounting → payment / profit / loss
② Cost Accounting → cost / per unit
③ Tax Accounting → taxes
④ Management Accounting → management
⑤ Social Responsibility Accounting → pro-activity

Users of Accounting Information
① Investors → Return, Stewardship etc. → Future, Internal, Internal
② External Users → Revenue, Decision etc.

Advantages of Accounting
① Helpful in management of business
② provide complete & systematic record
③ provide comparative study
④ informs in legal matters
⑤ helpful in taking loans
⑥ facilitates sale of business

Book keeping & Accountancy

(Pre-Accounting Transactions, Analysing & reporting)

Accounting
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Basis	Book keeping	Accounting
Meaning	Book keeping is an art of recording all financial transactions in a systematic manner.	Accounting is defined as the process of recording, classifying, summarizing, interpreting & communicating financial information to the business organizations.
Aims	primary	secondary
Objectives	to keep systematic record of financial transactions	to analyse, to interpret, to communicate financial information
Importance	Keeping records of all business transactions	Analysing the results of business activities
Nature	Keeping records of all business transactions	Analysing the results of business activities
Level of knowledge	Lower level of knowledge	Higher level of knowledge

Accounting Concepts & Conventions

(Basic Assumptions)
① Entity → Business Entity (Owner independent)
② Money Measurement → Currency
③ Going concern → Business will continue in future
④ Accounting Period → Financial year
⑤ Cost concept → Historical cost
⑥ Dual aspect → Assets = Liabilities + Capital
⑦ Accrual → Income earned / expenses incurred
⑧ Matching → Revenue = expenses
⑨ Realization → Revenue recognition
⑩ Materiality → Significant information
⑪ Consistency → Consistent use of methods
⑫ Prudence → Conservatism
⑬ Full disclosure → Transparency

Accounting Principles

Accounting Principles are set of rules formed to ensure uniformity. These are man made rules are formed from experience. These are not static & change with time.

Accounting Principles
① Business Entity Principle
② Money Measurement Principle
③ Dual Aspect Principle
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⑥ Revenue Principle
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Accounting Concepts/Assumptions
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Accounting Conventions
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② Materiality → Materiality
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Book of Accounting

Cash Book
• record only cash transactions
• all income & expenses, receipts & payments are recorded when actual cash
• non-cash transactions are not recorded in cash book
• cash not overdue records
• cash is an asset
• debitable for receipts/income
• Receipt side Debit & Credit Transactions
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Accounting Equations
① Assets = Liabilities + Capital (Balance Sheet)
Rules:
① Every transaction has two effects
② Expense → debited from cash
Income → credited to capital
③ Equation should always match

Rules of Debit and Credit

① Debit cash receives Dr. → Cash
Credit cash given Cr.

② Debit the receiver Dr. → Receiver
Credit the giver Cr.

③ Debit all expenses & losses → Expenses/Losses
Credit all incomes & gains → Incomes/Gains

Journal entry, ledger, trial balance

Date:
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Nov 2021

Date	Particulars	L.F.	Debit	Credit
1	By Bank A/c		40000	
	To Capital A/c			40000
2	Bought furniture from cash		10000	
3	Purchased goods for cash		15000	
5	Purchased goods from M/S Company		20000	
8	Received bank loan from Ms Company		30000	
14	Sold goods for cash		15000	
17	Purchased furniture from Ms Sharma & Co		20000	
18	Sold goods to Ms Khan		20000	
23	Bought Machinery for cash & payment check		5000	
23	Goods returned by Ms Khan		2000	
24	Payment to Ms S Company = 5000 - 1% disc → Bank A/c			
25	Withdrawn bank from bank for personal		3000	
27	Through cash through check		2000	
28	Withdrawn from bank for office expenses			
29	Check received from Ms Khan		5000	
29	Paid electricity bill			
30	Cash sales for		6000	
30	Commission received by check		6000	
	24 Nov Dr. To Bank A/c			
	28 Nov Bank A/c Dr. To Ms Khan A/c			
	27 Nov Interest A/c Dr. To Bank A/c			
	29 Nov Office Expenses A/c Dr. To Bank A/c			
	30 Nov Commission Received A/c			

Cash A/c

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
1	To Capital A/c		40000	5	To Purchases A/c		20000
8	To Bank A/c		30000	14	To Sales A/c		15000
				23	To Machinery A/c		5000
				29	To Electricity A/c		5000
			70000				45000
					Balance c/d		25000
			70000				70000
30	Balance b/d		25000				

Bank A/c

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
8	To Bank Loan A/c		30000	17	By Furniture A/c		20000
23	To Cash A/c		5000	24	By S Company A/c		5000
29	To Cash A/c		5000	25	By Drawings A/c		3000
				27	By Cash A/c		2000
				30	By Balance c/d		30000
			40000				40000
30	Balance b/d		30000				

Purchase Book

Date	Particulars	L.F.	Amount
3	Purchased goods from X		25,000
5	Purchased goods from Y		10,000 (@ 10% TD)
17	Purchased goods from Y		30,000 (@ 10% CD)

Sales Book

Date	Particulars	L.F.	Amount
8	Purchases A/c Dr. To X A/c		25,000
			25,000
5	Purchases A/c Dr. To Y A/c		9,000
			9,000
17	Purchases A/c Dr. To Cash A/c		20,000
	To Discount Received A/c		2,000
			22,000
8	X A/c Dr. To Sales A/c		25,000
			25,000
5	Y A/c Dr. To Sales A/c		9,000
			9,000
17	Cash A/c Dr. To Sales A/c		15,000
	Discount Allowed Dr.		1,000
	To Sales A/c		16,000

(1) Cash goods to X 25,000
(2) Credit goods to X 25,000 @ 10% TD
(3) Credit goods to Y 10,000 @ 10% CD

Total debtors - debtors was an account, we make accounting of ledger.

Trial Balance

Date:
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S.No	Particulars (Name of Account)	L.F.	Debit ₹	Credit ₹
1	Cash		35,000	
2	Capital			1,50,000
3	Purchases		20,000	
4	Y		9,000	
5	Sales			25,000
	Total		1,64,000	1,75,000