



1. financial-accounting-basics.pdf

Title: Financial Accounting Basics

1. Introduction to Financial Accounting

Financial accounting is the process of recording, summarizing, and reporting financial transactions of a business. It helps stakeholders understand the financial health of a company.

2. Objectives of Financial Accounting

- Maintain systematic records
- Determine profit or loss
- Show financial position
- Help in decision making

3. Basic Accounting Concepts

- **Business Entity Concept** – Business is separate from owner
- **Going Concern Concept** – Business will continue in future
- **Accrual Concept** – Record income/expenses when they occur
- **Consistency Concept** – Same methods used every year

4. Accounting Equation

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

Example:

If business has ₹1,00,000 assets and ₹40,000 liabilities → Capital = ₹60,000

5. Main Financial Statements

- **Balance Sheet** – Shows assets & liabilities
- **Income Statement (Profit & Loss)** – Shows profit or loss
- **Cash Flow Statement** – Shows cash inflow and outflow

6. Importance of Accounting

- Helps investors
- Helps management decisions
- Required by law
- Helps in tax calculation

7. Conclusion

Financial accounting provides a clear view of business performance and financial position.