Name: Vasu Tevan Subramaniam.



Login ID: [vasu@oasis-portal.com](mailto:vasu@oasis-portal.com)

Course Title: Accounting Fundamental.

Subject Code: BHM03.

Submitted Date: Aug 14/ 2017

**Table of Contents**

|  |  |  |
| --- | --- | --- |
| **No** | **Details** | **Page** |
| 1 | Executive Summary | 1 |
| 2 | Introduction | 2-3 |
| 3 | Question1 | 4-10 |
|  | Question 2 | 11-12 |
|  | Question 3 | 13-17 |
|  | Question 4 | 18-20 |
| 4 | Conclusion | 21 |
| 5 | References | 22 |
| 6 | Appendix | 23 |

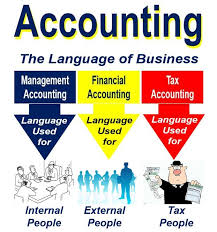
**EXECUTIVE SUMMARY**

In the module,I have coved the topic about fundamental accounting . In starting part we can see the introduction of fundamental account and how important is account , in first question I have study that important of account and concept of account that have in accounts there also I have learn what is and have learn what is credit and debit. I have noted what is asset and current asset and also I have noted what is expenses and incomes I have give the examples.On second question I have done my notes about account receivable and account payable and the example.the third question is about the balance sheet is a data that base on the fundamental accounting equation that is assets = liabilities + owners equity.On the fourth Bank reconciliation that a statement is useful and financial internal control tool used to towards to the fraud.

**INTRODUCTION**

Accounting is all it really important thing for the business, what is accounting?, actually accounting is can as a major language of the business. Its because the accounting is the very important thing in business, the uses of it is communicate with the information that the owners, managers, and the investors need to evaluate about the company’s financial performance. The evaluation of the business performance is helps the business owners to make better decision for improve or maintain their business standard. An also accounting is a systematic process to identify the, record, measure, classify, summarising, analysis, report, interpret and communicate the financial information.

This assignment is contain about the fundamental accounting , actually its can say as a summary of the fundamental accounting module. Actually this assignment say about what is accounting, and what is the use of it. Simply can say accounting is the major language of the business, its really important to the business. An also in this assignment there are four types of questions its related to the accounting that provide the major information of the accounting. Such a this questions are provide the very simple answers. Following that, the information about the financial statement, double entry, balance sheet its also playing major role in business and in the bank. The first question is define about the basic accounting concepts and the history of the accounting in this specially stated about the father of the accounting and the methods. An also this question is contain about the role of the accounting who may used it the accounting. Besides that second question its about the account payable and account receivable its says about the different between this two accounts and also the families of this two accounts provide with examples, such as current asset and non current asset. An the third question its about the balance sheet actually this data base on the accounting equation, an in this question is explain about this an also about the trading accounts,gross profit and loss account. Finally the forth question, this contain about the bank reconciliation account and the purpose of this account. Its also provide with information about the cash book and bank statement. Simply can say like this is a report that about the small research that related to the question or about the accounting.

**QUESTION 1**

ACOUNTING CONCEPT

What is accounting this really important to the business, It expose profit or loss for a given period, and the value and nature of the company`s assets, liabilities and the owners equity, it may handle by the bookkeeper in a company. Accounting is a principles are provide the bases in preparing, and present the general purpose financial statements.There are various of fundamental accounting concepts, actually is used in basic financial statement. The few accounting concepts are accruals concept, going business concept, entity concept, dual aspect concept, period matching of cost and revenue concept, monetary measurement concepts, verifiable objective evidence concept and realization concept. First of all about the Accrual Concept, this concept is about the revenue and expenses. The revenue and the expenses are recorded they are occur, its not when the cash is received or paid out. An its also can say as a accrual system is a method that whereby the revenue and expenses are identified with the specific period of time like a month or half year.

Following that, the entity concepts its a accounting records that reflect the financial activities of a specific business or the organization. All the transaction in the business is must be recorded in the book of the business. Actually this concepts is really helps in keeping private transaction of the owner away from the business transaction. For an example, if a owner invest RM 10000 in the business, it is consider that the owner has give RM 10000 to the business and it is shown as a liability in the books of the business. Its a similarly as, if the owner withdraws RM 1000 from the business, it is charged to them.

Besides that, money measurement concept, this is the accounting process that were records only the activities that can be expressed in the monetary terms, its also can say like this concept is, in accounting everything is recorded in terms of the money. There are some events or transactions that which were cannot be stated in the term of the money, that are not will recorded in the book of accounts. Even though its very important or very useful for the business its will be wont stated in the accounts book. An the kind of purchase, sales of goods and the payment of the expenses and the receipt of the income are monetary transaction which are recorded in the accounting books.

Further more, dual aspect concept, this concept is about every business transaction has a dual affect. For an example if a person starts business with the cash RM 20000 there are two aspects of the transaction, that was Asset Account and Capital Account.The business is gets asset as a cash of RM 20000 and on the other hand the business build on RM 20000 to the person.Finally accounting period concept its about financial records pertaining only to a specific period that are to be considered in the preparing accounts for that period, its also can say as accounting period is the interval of the time. It at the end of which the income statement and the financial position statement that can say as balance sheet. This is usually prepared to know the results and the resources of the business.

HISTORY OF ACCOUNTING

Luca Pacioli is the father of accounting, while working as a tutor to the three sons of merchant, he was continued his own education in Venice in 1464 and during this time he wrote his first book about accounting.  In 1494, his first book on Summa de arithmetica, geometria and proportioni et proportionalita got published in the city of Venice in Italy. The contribution of Luca pacioli in accounting was honored by accountants around the world who gathered in San Sepulcro an Italian village to pay their huge tribute to his book published on double-entry accounting. The first accounting book which was published in 1494 was based on five sections in his mathematical book title in which he showed ‘Everything about Arithmetic, Geometry and Proportions’.

He did not invent the system but he described the method which was used by merchants. The system he introduced in his book of accounting was mostly the accounting cycle which was well known in the modern world of the accounting. Luca Pacioli introduced the use of journals and ledgers in accounting systems and warned that the accountant must not sleep until the debits are equalising to credits. The ledgers he introduced were based on assets receivables and inventories, liabilities, capital, expenditure and income accounts, an also about wide range of topics ranging from accounting ethics to cost accounting.

In this book, he presented the guide to the already written mathematical knowledge and bookkeeping was one of the most important accounting topics covered in this book. He presented 36 short written chapters on bookkeeping in which he gave the necessary instructions in the conduct of business and given the traders precious information on accounting without any delay as to his assets and liabilities. And all the entire users of financial information are indebted to Luca Pacioli for his unbelievable and monumental role in the development of accounting.

Luca Pacioli’s introduced systems of accounting allowed people to record their investments and then attracting the contributions of wealthy merchants into their businesses. Without the contribution of Luca Pacioli in the field of accounting the trade with the new World and the Far East would have been slower and even halted together. At that time different fields were integrated to each other including art, science, business, engineering and mathematics was central to the all parts of the fields.

DOUBLE ENTRY

Double entry is the one of the system in the accounting, it involves in two accounts or more in the business transaction. This system is also one of the fundamental accounting concepts that the use of debit and credit to record in the business transactions, in the simple word can say as the total debits are always equal the total credits. The double entry transaction system is recorded in the term of credit and debit. Since the debit is in one account the credit is in another account, so the sum of all debits are must be exactly equal to the sum of all the credits. This system of the bookkeeping is easy to prepare the accurate financial statement from the accounts book. The double entries is maintain the balance in the accounting equations, that is Debits = Credits and Assets = Liabilities + Owners Equity. Its means that the organizations balance sheet provides and the accurate basis for assess the companies financial position, structure, capitalization, and financial statement.

Asset need to place at debit side and liability have place to credit side and I have elaborate

the asset and liability family in the table below.

|  |  |
| --- | --- |
| **DR** | **CR** |
| **Asset**  Current asset = less than a year   * cash in hand * cash in bank * debtor they pay money * stock/ inventory | **Liability**  Current liability =less than a year   * Creditor * bank over draft |
| Non-current asset(fixed Asset) = more than a year   * only can pay more than a year * land and building * vehicle * Machineries * Equipment | Non-current liability = more than a year   * only can pay more than a year * bank loan * mortgage |

Expenses place at debit side and income place at credit side and I have elaborate the expenses

And income family in the table below,

|  |  |
| --- | --- |
| **DR** | **CR** |
| Expenses   * rental expenses * utilities expenses * salaries expenses * discount given | Income   * rental receive * commission receive * discount received from supplier |

THE ROLE OF ACCOUNTING

The role of accounting is really very important in the business as stated before. Accounting is basically all about the financial information about the company or organisation such as the sales revenue, the cost of benefits and the amount the supplier. Actually without all this information its really difficult to the person who involve in the business to make decision regard their business. Its also help the company manager, business owner, creditors debtors, government agencies, investors, and employees.

First of all, about the investors. They were mainly use the financial statement, and also it is a very important a investor to understand how the business accounting is done and which principles guide financial statement were preparation. Actually the accurate information by the account statement and the knowledge about it is really investors can determine the assets value, and understand a companies financing sources, calculate profitability and estimate the risks in a companies assets. The investors may need to possess the extensive knowledge of different accounting standards to compare specific companies from the different countries.

Following that, its about the business owners or managers, they were summarize the outcomes of a companies financial activities over a specified period of time. The financial statements were in effect, report cards for owners and the managers. An also to get know whether the company did or didn’t make a profit and furnish other information about the firm’s financial condition. An also provide information that managers and owners can use in order to take corrective action. The manager have to involve in accounting and the task of entering checks in a ledger. An also hiring a bookkeeper to come in part time for a couple of hours a week is a good solution to save money and time so can work on a part of the business.

Further more creditor is the person were who may be a bank, supplier or person that has provided credit to a company for the business. The amounts owed to the creditors are reported on the company balance sheet as liabilities. Most balance sheets report the amounts owed to creditors in two group current liabilities and non-current or long-term liabilities. Other than that, is about government agencies actually the businesses are required to furnish financial information to a number of government agencies. The public owned companies are for the ones whose shares are traded on a stock exchange. Its must provide annual financial reports to the a federal agency that regulates stock trades. Companies must also provide financial information to local, state, and federal taxing agencies, including the internal revenue service.

The system records the two side effect of transaction

|  |  |
| --- | --- |
| **Transaction** | **Two Side Effect** |
| Bought furniture for cash  Take a loan in cash | Decrease in one asset  Increase in another asset  Increase in an asset  Increase in a an liability |

**QUESTION 2**

|  |  |
| --- | --- |
| **ACCOUNTS RECEIVABLE** | **ACCOUNTS PAYABLE** |
| DEFINE  Account receivable is can say as the money that the company have the full of right to receive from the consumers that had provided with goods or service. The important thing that to notice is that the accounts receivable definition does not limit itself to any type of the business and customer. But the company have to be careful with this things its because, before the company or the seller granting credit to customers that the company or the seller don’t know or have experience with since these customers can default of the debt and never pay for the product they purchased. Actually its happens in many companies now days, it also can say as a short-term amounts due from buyers to a seller who have purchased goods or services from the seller on credit. Its an very important factor that  in a companies working capital. | DEFINE  Account payable is can say as a liability amount that owed to the creditor, its usually used for the purchase of goods or services. Its actually consider about the buyer that who makes a purchase the goods and takes delivery of the goods but the buyers does not pay to the seller immediately. This makes result that is the seller and the buyer will be in the relationship as a creditor and a debtor, this will be lasting until the buyer pay to the seller. The unpaid purchase price is sits in Accounts payable for the life of the debt. This debt is enters the buyer's system in a liabilities account, and Accounts payable. Following that when the buyer actually pays, the Accounts payable balance decreases by the same amount. As simple as can say like this is all about the source money that the buyers pay to the company or to the sellers. |

|  |  |
| --- | --- |
| **ACCOUNTS RECEIVABLE** | **ACCOUNTS PAYABLE** |
| ASSETS   * Current asset = less than a year * Non-current asset(fixed Asset) = more than a year   EXAMPLE  Sold goods on credit  **Current asset =**   * cash in hand * cash in bank * debtor they pay money * Stock/ inventory   **Non-current asset(fixed Asset) =**   * only can pay more than a year * land and building * vehicle * Machineries * equipment | LIABILITITY   * Current liability = less than a year * Non-current liability = more than a year   EXAMPLE  Purchase goods on credit  **Current liability =**   * Creditor * bank over draft   **Non-current liability =**   * only can pay more than a year * bank loan * mortgage |

**QUESTION 3**

**BALANCE SHEET**

Balance sheet is a data that base on the fundamental accounting equation that is assets = liabilities + owners equity, and its classified under headings such as the current assets, fixed assets, current liabilities, and long-term liabilities. Actually balance sheet is the one of the main financial statement in the company. The financial statement is describe about the what is the company worth at any one point in time its usually the last day of an accounting period. An also a audit balance sheet is often demanded by investors, lenders, suppliers, and its usually required by the law.

The balance sheet is also have to give a true and a fair view of an the organizations state. This document is to know about the companies financial condition, its the all potential investors know how to read, use, and analyse this document and the accounts of the balance sheet do not show results, but its shows the net values. This informations that can be used to the gain an understand of the short-term financial status of an organization or company. When the current assets subtotal is compare to the current liabilities subtotal, one can calculate whether a organization has access to the sufficient funds in the short term to pay off its short-term obligations.

Credit side of balance sheet

|  |  |
| --- | --- |
| Asset | Liability |
|  | Equity and Capital  Capital xxxxxx  [+] net profit @ [-] net loss xxxxxx  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_xxxxxx  [-] Drawings xxxxxx  xxxxxx |

ACCOUNTING EQUATION.

The account equation that is the foundation of double entry accounting. The accounting equation displays that all assets are either financed by borrowing money or paying with the money of the company shareholders. Thus, the accounting equation is Assets = Liabilities + Shareholder Equity. The balance sheet is a complex display of this equation, showing that the total assets of a company are equal to the total of liabilities and shareholder equity. So this is how balance sheet looks about

Example:

ASSETS= LIABILITY+EQUITY

ASEETS= LIABILITY+ (capital)

(+) net profit

(-) drawing

Assets = Liability + Equity

This area sit at credit side cause wealth of business

TRADING ACCOUNTS, GROSS PROFIT AND LOSS ACCOUNT.

When a company lists on the stock market, its shares become available for trading on the stock exchange. Earlier, the exchange had an open outcry system. the stock exchanges adopted the electronic system. This means, all trades were conducted electronically. Simply put, you didn’t have to go to the counter and place an order physically. You could do it through a computer, which would verify the details, the market price, and process the trade .Gross profit is a required income statement entry that reflects total revenue minus cost of goods sold . Gross profit is a company's profit before operating expenses, interest payments and taxes. Gross profit is also known as gross margin. Gross profit is important because it reflects the core profitability of a company before overhead costs, and it illustrates the financial success of a product or service.

Gross profit is used to calculate gross profit margin which is calculated by simply dividing gross profit by total revenue (gross profit / total revenue). Calculating gross profit margin allows you to compare similar companies to each other and to the industry as a whole to determine relative profitability. The account through which annual net profit or loss of a business is ascertained, is called profit and loss account. Gross profit or loss of a business is ascertained through trading account and net profit is determined by deducting all indirect expenses (business operating expenses) from the gross profit through profit and loss account. Thus profit and loss account starts with the result provided by trading account.

DR TRADING ACCOUNTS CR

|  |  |
| --- | --- |
| $ $  Opening stock xxxxx  (-) purchases return (xxxx) xxxx  (+)carriage inwards xxxxx  xxxxx  (-) closing stock (xxxx)  Cost of sales xxxx  Gross profit xxxxx  xxxxx | $  Revenue / sales xxxxxx  (-) sales return (xxxxx)  xxxxx  xxxxxx |

DR GROSS PROFIT & LOSS PROFIT CR

|  |  |
| --- | --- |
| $ $  (-) Expenses xxxxx  Salaries xxxxx  Wages xxxxx  Carriage outwards xxxxx  Bad debit xxxxx  Discount given xxxx    Net profit xxxx    xxxxx | $  Gross profit xxxxx  (+)income  Discount received xxxxx  Commission received xxxxx  Rent received xxxxxx  Net loss xxxxxxx    Xxxxxxxx |

**QUETION 4**

Bank reconciliation that a statement is useful and financial internal control tool used to towards to the fraud. This statement is about the financial records, its can say as the summary of the banking and business activity that reconciles an entity bank account with its financial records. The statement outline of the deposits, withdrawals, and also its about the other activity impacting a bank account for a certain period of time. This statement also can define as a report that which use to compare or measure the bank balance as a company accounting records with the balance stated in the bank statement. Its all about, used to check and explain the differences between the cash balance in the companies accounting ledger and the bank statement balance. Following that, the corrected bank balance is calculated by adjusting the cash book ledger balance for transactions that are recorded by the bank. Actually this is a very necessary performance of the bank reconciliation, to accuracy of the accounting records and for the companies financial statements. For an example the possibility is that the company receive the money on the closing date of the bank statement and its properly recorded the amount in its records. An also the money was deposited into the bank was too late in the day and will be appear on next bank statement.

The main purpose of the bank reconciliation is, its really helps to identify the errors in the accounting records of the company or the bank. An also another important purpose is to detect any difference between the accounting records of the entity and the bank besides those due to normal timing differences. Following this, the some difference might exist due to an error on the part of the company or the bank. As state before the bank balance appearing in the accounting records its can be confirmed to be the correct by compare it with the bank statement balance, an also it provide added comfort that the bank transaction have been recorded correctly in the organisation records. This is also for the regular purpose such as the monthly preparation of the bank reconciliation is assists in the regular monitoring of the cash flows of the business. The bank reconciliation is provide the necessary control of mechanism to help protect the valuable resource through uncovering irregularities such as unauthorized bank withdrawals.

THE DIFFERENCES BETWEEN CASH BOOK AND BANK STATEMENT

A cash book is can define as a financial written material that contains all the cash receipts and the payments, that including bank deposits and withdrawals. The entries of this book are posted into the general ledger. Larger firms usually divide the cash book into two parts: the cash disbursement written material that records all the cash payments, such as a accounts payable and operating expenses, and the cash receipts ledger, which records all cash receipts, such as accounts receivable and cash sales. The cash book have several columns, such as date, narrative, folio that reference to the ledgers and the total.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **DR MONEY IN** | | | | **CASH BOOK** | | | | **CR MONEY OUT** | | | |
| **DATE2018 MAY** | **DETAILS** | **F** | **CASH**  **$** | | **BANK**  **$** | **DATE2018 MAY** | **DETAILS** | | **F** | **CASH**  **$** | **BANK**  **$** |
| 1 | Capital |  | xxxx | |  | 2 | rent | |  | xxx |  |
| 3 | G.Broad |  |  | | xxx | 4 | J fine | |  |  | xxx |
| 5 | Sales |  | xxx | |  |  |  | |  |  |  |
| 7 | F.love |  |  | | xxx | 9 | A moure | |  | xxx |  |
| 15 | P.houd |  | xxx | |  | 19 | ronions | |  |  | xxx |
|  |  |  |  | |  | 26 | Motor | |  |  | xxx |
|  |  |  |  | |  | 31 | Wages | |  | xxx |  |
|  |  |  |  | |  | **31** | **Balance** | | **c/d** | **xxx** | **xxx** |
|  |  |  | xxxx | | xxxx |  |  | |  | xxxx | xxx |
|  | **Balance** | **d/b** | **Xxx** | | **xxx** |  |  | |  |  |  |

The bank statement is can define as this is a statement that sent to the company or the account holder that about the all transactions and checks paid, interest earned, service charges or penalties incurred on an account. The account holder that receive the statement should compare the information in it with the account holders own records of the same transaction. The bank statements should be used to the check that the amounts listed in the cash book agree with the bank statement. Actually this reconciliation of the cash book is with the bank statement is an important check to ensure that no cash has gone missing.

Format of Bank Reconciliation Statement

* Cash book edited

$ $

Balance from cash book XX (-) (Cr) / Bank statement XX

(+)

(Dr) Bank statement XX c/d XX

XXX XXX

b/d XXX

* Bank Reconciliation Statement

$ $

Debit balance in cash book XXX

(+)

unpresented cheque XX

XX XXX

XXX

(-) uncredited deposit (XX)

credit balance in Bank Statement

**CONCLUTION**

From this assignment its clearly get to know about the the main concepts of the accounting, and the fundamental accounting it really important to the business. Following that, the information that provide in this assignment is, its find out from the internet, and also able to complete this assignment. The research that I have done for this assignment its really helps to develop the my knowledge about the accounting. After understand this module easily can understand about the accounting term in the business. Such as the double entry system is involve in more transaction in business. An also get to know about the father of accounts, an accounting equation, balance sheet, about the financial records, different type of the account statement, and also account receivable/ payable an why this things are very important to the business. Its because the accounting is basically all about the financial information about the company or organisation such as the sales revenue, the cost of benefits and the amount the supplier. Actually without all this information its really difficult to the person who involve in the business to make decision regard their business to make profit also. At the last simply can say like the accounting the is the major language of the business.

**REFERENCES**

* <http://www.investopedia.com/terms/c/cash-book>
* legalbinaryrobots.com
* http://www.businessdictionary.com/definition/accounting.html
* https://www.linkedin.com/pulse/causes-differences-between-bank-statement-cash-book-adeyemi
* <http://www.accountingexplanation.com/double_column_cash_book.htm>
* http://www.beginner-bookkeeping.com/cash-book-format.html

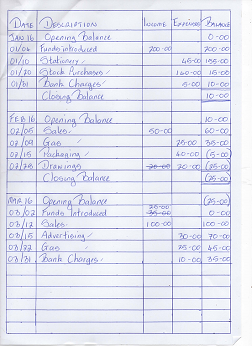
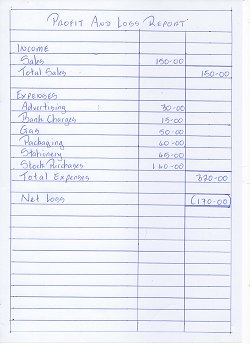
Author( year) ,Title ;Retrieved from: URL

1 AccountingVerse (2017) , *Fundamental Accounting Concept ;Retrived from :*[*http://www.accountingverse.com/accounting-basics/fundamental-accounting-concepts.html*](http://www.accountingverse.com/accounting-basics/fundamental-accounting-concepts.html)

APPENDIX

EXAMPLE: EXAMPLE :

Cash book Profit and loss report

The end