

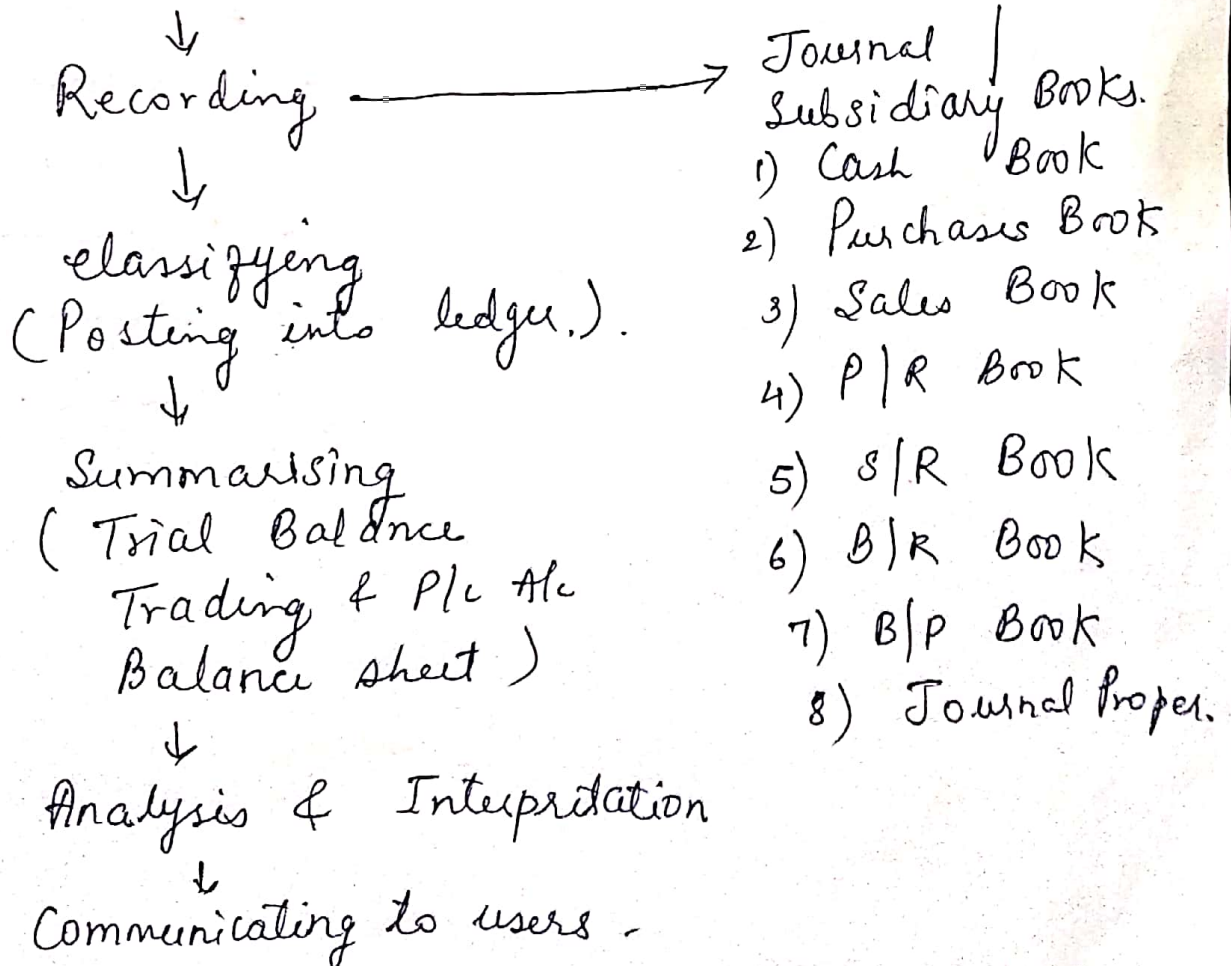
Topic 1: Introduction to Accounting .

Meaning of Accounting

Accounting is a process of identifying, measuring, recording, classifying, summarising, analysing, interpreting & communicating the financial transaction of a business in a useful manner.

Accounting Process .

Financial Transaction & Events .



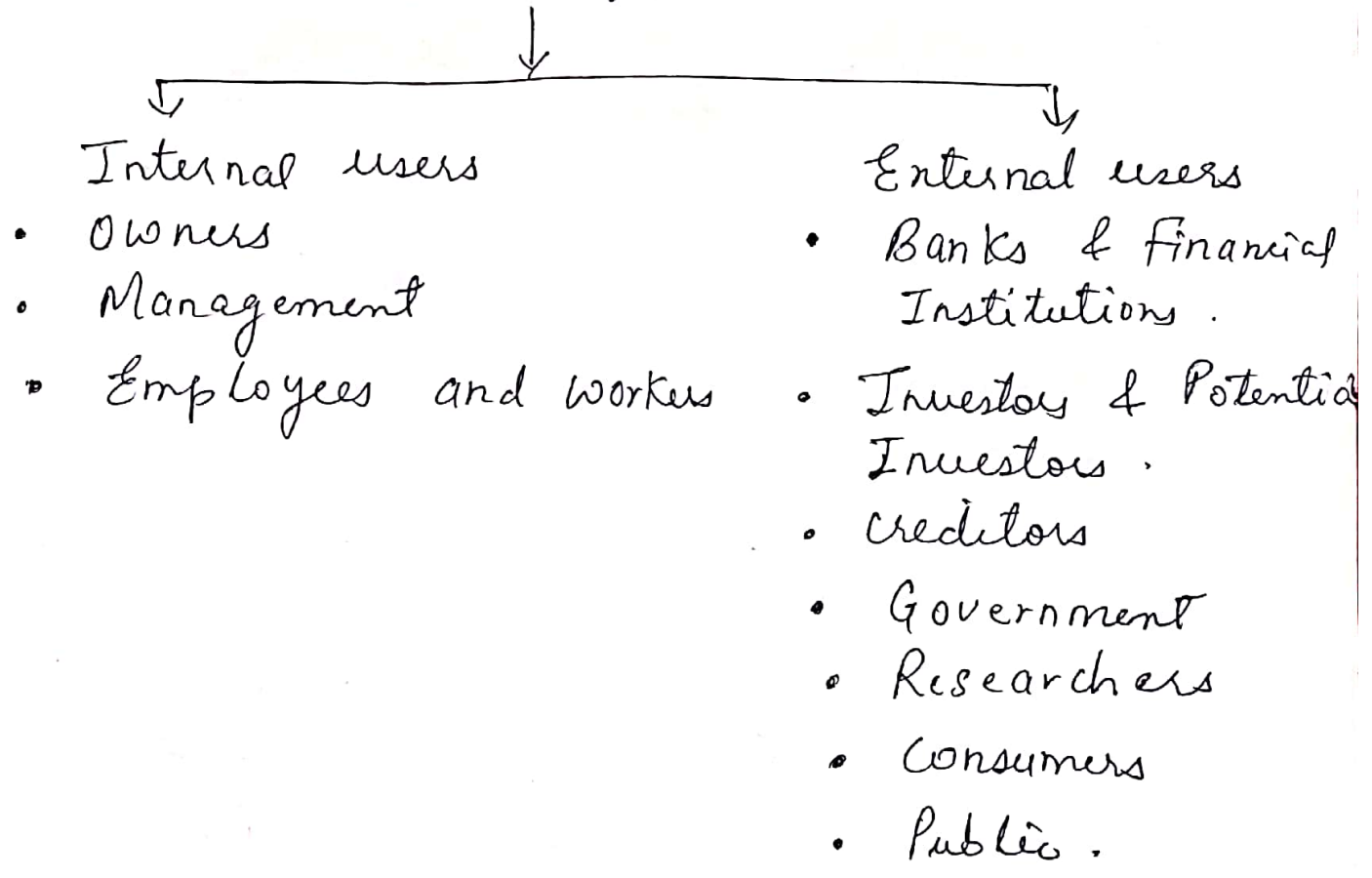
Book Keeping

Book Keeping is the art of recording business transactions in a systematic manner.

Accountancy

Accountancy refers to the entire body of the theory and practice of accounting.

Users of Accounting Information.



2. Topic : Basic Accounting Terms. NOTES (3)

- 1) Business Transactions : It means financial transactions.
- 2) Account : It is a record of transactions under a particular head of account.
- 3) Capital : Capital is the amount invested in an enterprise by the proprietor.
- 4) Drawings : It is the amount withdrawn or goods taken by the proprietor or partner for personal use.
- 5) Liabilities : liabilities means amount owned (payable) by the business.

Liabilities

Non-current liability

current liability.

Non-current liability : It is payable after more than 1 year, Ex: Long term loan.

current liability : It is payable within 12 months. Ex: creditors, B/P, short term loan.

- 6) Assets : Assets are the properties owned by an enterprise.

Assets

Non-current Assets /
Fixed Assets

current Assets

Fictitious
Assets.

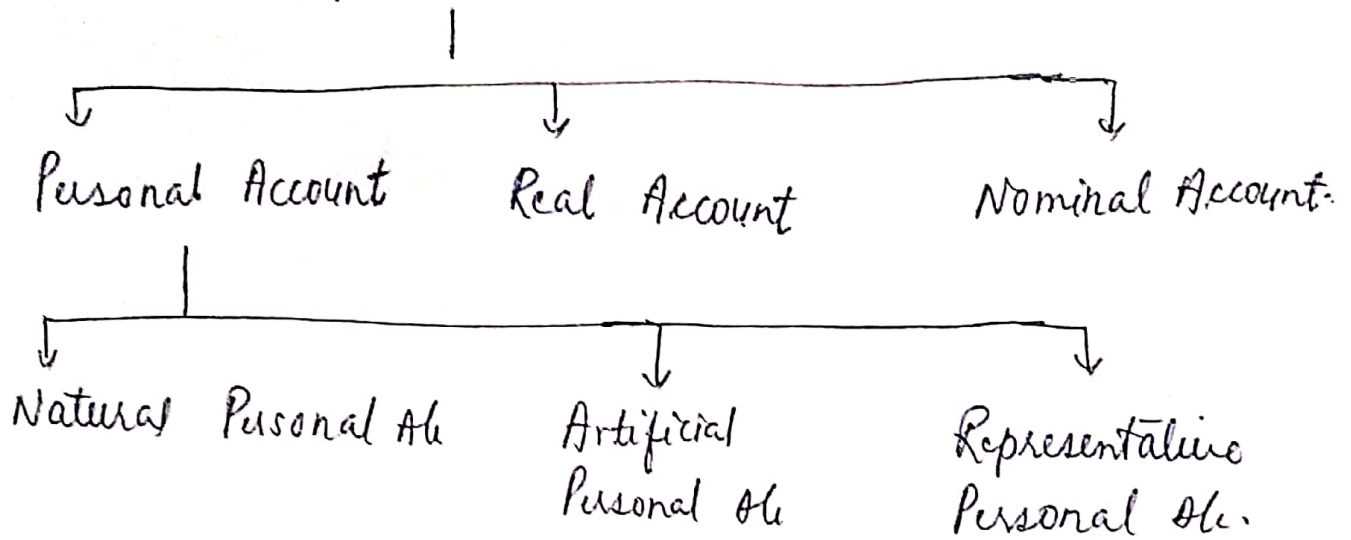
Tangible Assets

Intangible Assets.

- 7) Purchases : It is used for an account to record purchases of goods or Raw Materials. It includes both cash and credit purchases of goods.
- 8) Purchase Return : Goods returned to the seller are known as purchase Returns.
- 9) Sales : The term 'Sale' is used for sale of goods. It includes both cash & credit sale of goods.
- 10) Sale Return : Goods sold when returned by the purchasers are termed as sales Returns.
- 11) Trade Receivables = Debtors + B/R.
- 12) Trade Payables = Creditors + B/P.
- 13) Bad debts = Amount irrecoverable.
- 14) Balance sheet : It is a statement of the financial position of an individual or enterprise at a given date.
- 15) Depreciation : It is a fall in the value of an asset.
- 16) Insolvent : Insolvent is a person or enterprise which is not in a position to pay its debts.
- 17) Solvent : Solvent is a person or enterprise which is in a position to pay its debts.
- 18) Debit : An account has 2 parts i.e debit & credit. Left side is Debit.
- 19) Right side of an Account is credit.

3 Topic : Rules of Accounting. Notes (5)

Types of A/c.



Rules :

Personal A/c.

Dr. the Receiver, cr. the giver.

Real A/c.

Dr. What comes in, cr. what goes out.

Nominal A/c.

Dr. All expenses & losses

cr. All incomes & gains.