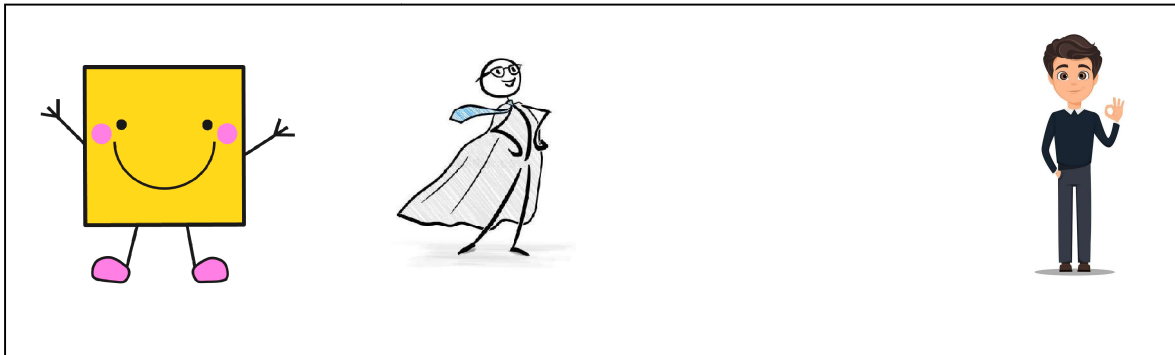


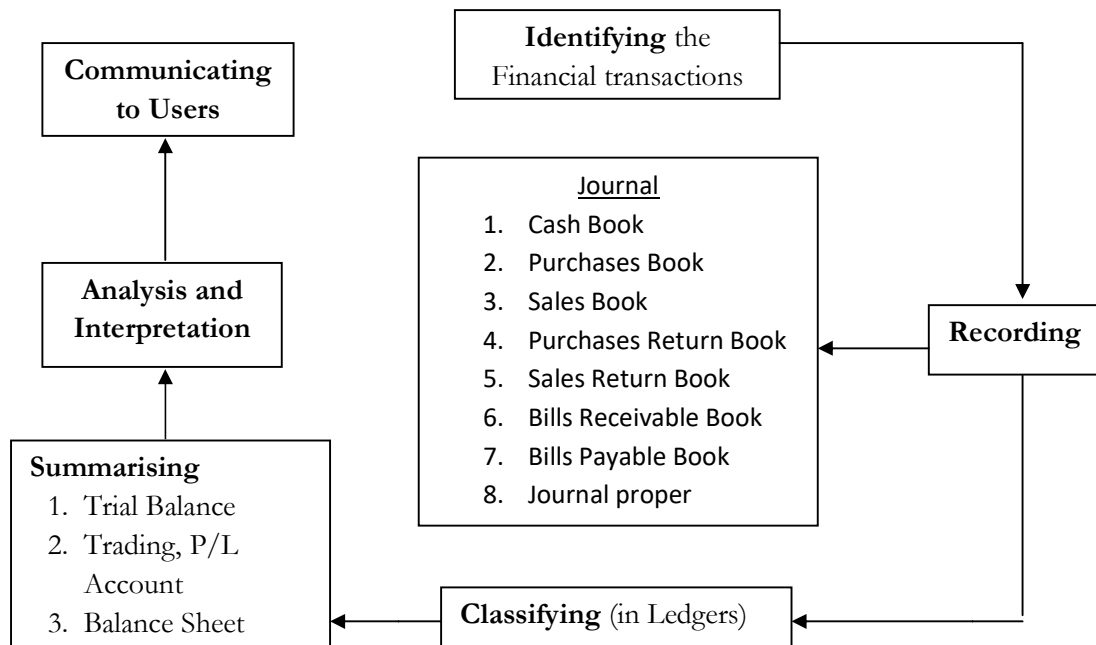


INTRODUCTION TO ACCOUNTING

Accounting is the process of identifying, recording, classifying, summarising, analysing and communicating the financial information to users.



Accounting Process





Characteristics/ Features of Accounting

1. Identifying the Financial transactions
2. Recording
3. Classifying
4. Summarising
5. Analysis and interpretation
6. Communicating to Users

Objectives of Accounting

1. Determining Profits/losses
2. Determining Financial transactions
3. Communicating accounting information to users
4. Assisting the management
5. Record of financial transactions

P
F
C
A
R

Functions of Accounting

1. Meeting Legal requirements
2. Communicating accounting information to users
3. Assisting the management
4. Record of financial transactions

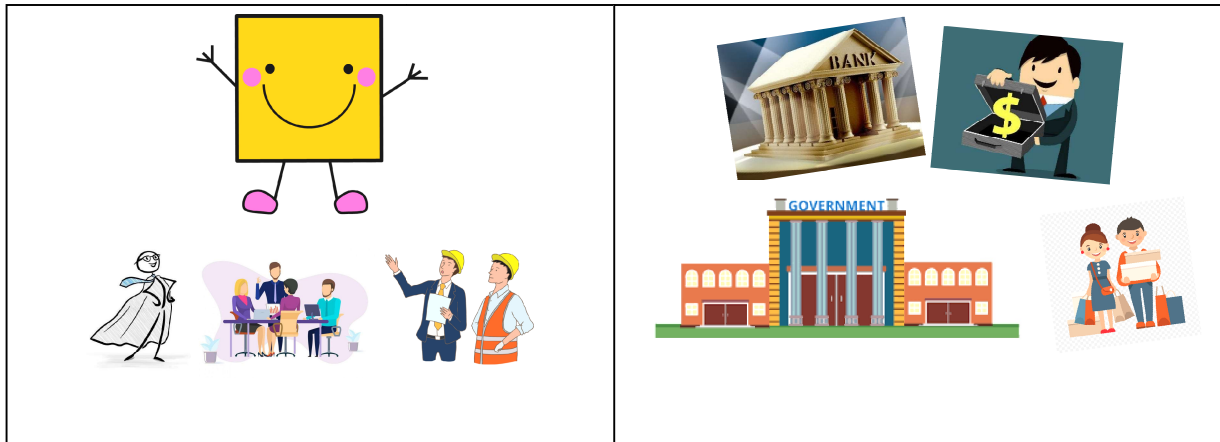
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Advantages of Accounting

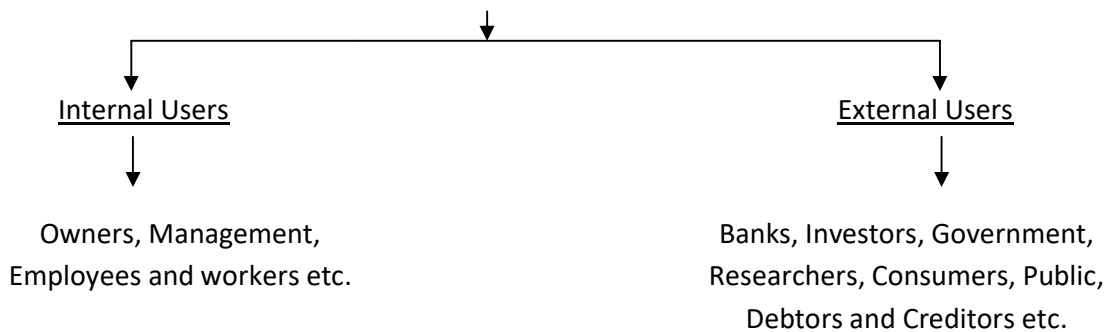
1. Financial information about Business
2. Assistance to management
3. Replaces memory
4. Comparative Study
5. Facilitates settlement of Tax liabilities
6. Facilitate loans
7. Evidence in court

Limitations of Accounting

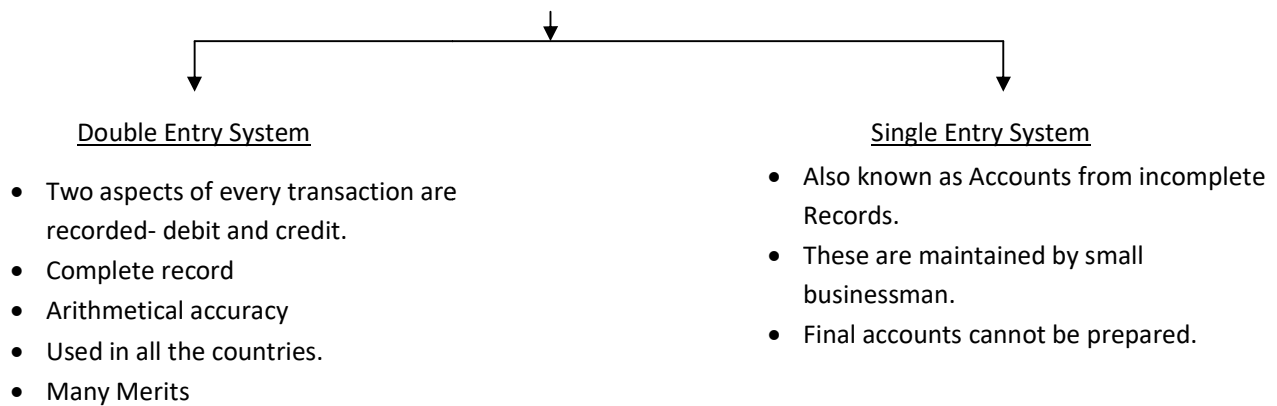
1. Accounting is not fully exact
2. Accounting ignores qualitative aspects
3. Accounting ignores price level changes
4. Accounting may lead to Window-dressing



Users of Accounting



Systems of Accounting





Book Keeping

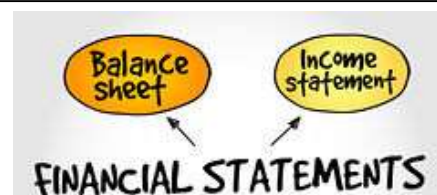
Book Keeping is the process of identifying, recording, classifying the financial transactions.

Basis	Accounting	Book keeping
<u>M</u> eaning	Accounting is the process of identifying, recording, classifying, summarising, analysing and communicating the financial information to users.	Book Keeping is the process of identifying, recording, classifying the financial information.
<u>N</u> ature	Analytical	Routine
<u>O</u> bjective	Ascertain net profit and financial position	Maintain records and classifying them in Ledgers
<u>P</u> erformed by	Junior staff	Senior staff
<u>S</u> tage	Primary stage	Secondary stage
<u>S</u> pecial skills	Not required	Required



Notes / Assumptions:

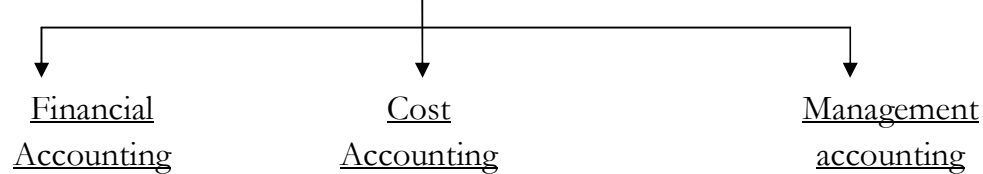
1. Accountancy refers to systematic knowledge of Accounting. (It educates us how to do accounting)
2. Art is the technique which helps us to achieve our desired objectives. Science is any organised knowledge based on certain principles. Hence, Accounting is an Art as well as a Science.
3. Trading, Profit and Loss Account and Balance sheet are collectively known as Final Accounts or Financial statements.





4.

Branches of Accounting



It ascertains the cost of product manufactured and helps in Decision making(e.g. price fixation and cost control)

It addresses the needs of Management by generating accounting information relating to funds, cost and profits.

5. Accounting Information

- a. Accounting Information refers to financial statements generated through the process of Accounting.
- b. Types of Accounting information
 - i. Information related to Profit and Loss- Trading, Profit and Loss Account
 - ii. Information related to Financial Position- Balance Sheet
 - iii. Information related to Cash flow- Cash Flow Statement
- c. Characteristics
 - i. Reliability
 - ii. Relevance
 - iii. Comparability
 - iv. Understandability

