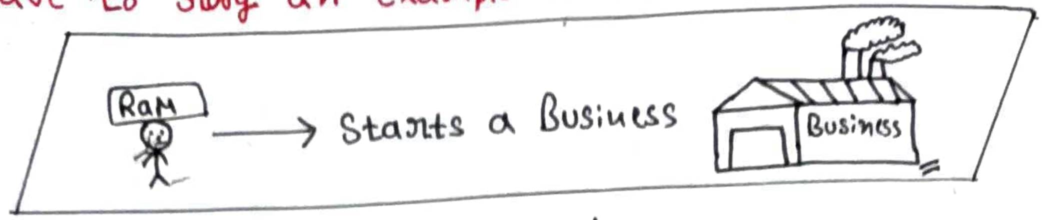
# CLASS - 11th

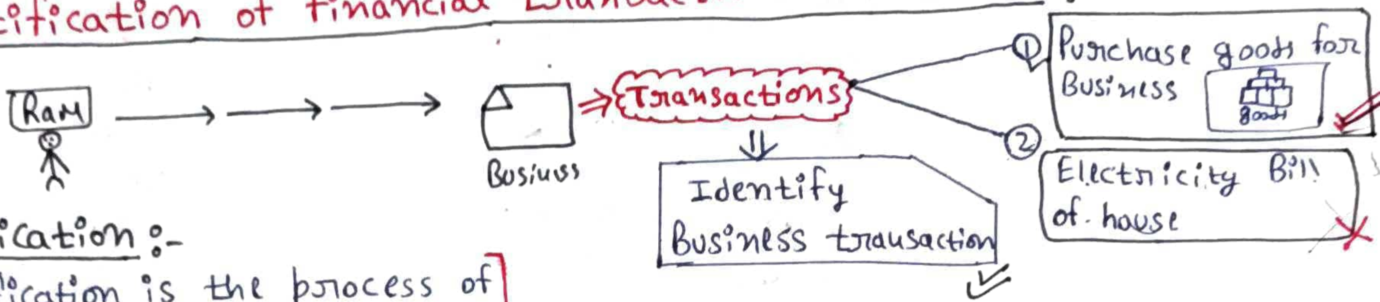
## Chapter - 1 :- Introduction to Accounting.

=> Accounting is fully based on Business, before Learning about accounting we have to Study an example of a Business.




=) We Learn accounting step by-step through a process
⇓

### ① Identification of financial transactions and events :-




• **Identification :-**

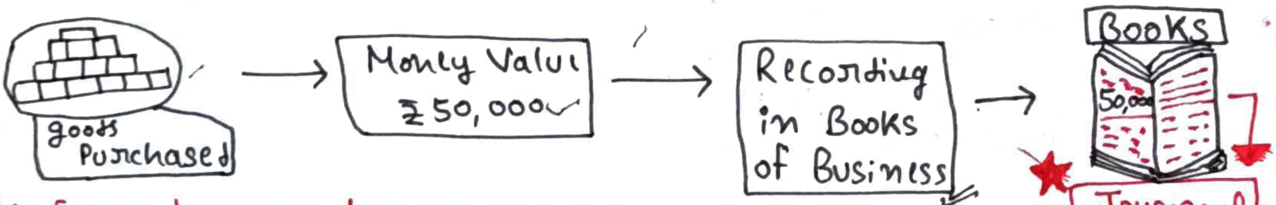
=) Identification is the process of identifying Business transaction out of Many transactions.

### ② Measuring the identified transactions :-

Purchase of goods for ₹ 50,000 =) Measuring the transactions in terms of Money.

=) knowing the Money Value of transaction.

### ③ Recording :-



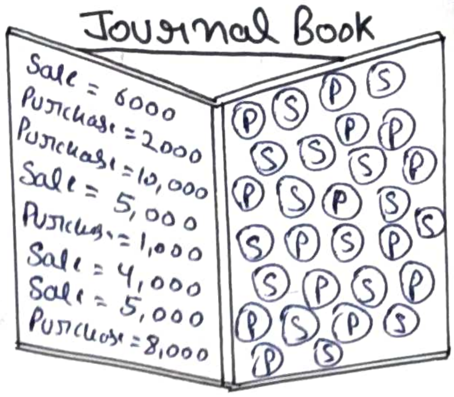

* Note :- Every business has to Maintain a book to record all the transaction of business during the accounting year.

* Note :- The book which is made by business man to record all transactions of business is known as Journal.

(7)

④ **Classifying** :- Classifying of transactions is the process to classify different transactions on the basis of there nature.

Transactions → Recording → Journal Book




LEDGERS ← Classify ←

Posting → Purchase Ledger

| Purchase | = | 2000 |
|---|---|---|
| Purchase | = | 10,000 |
| Purchase | = | 1,000 |
| Purchase | = | 8,000 |

Posting → Sales Ledger

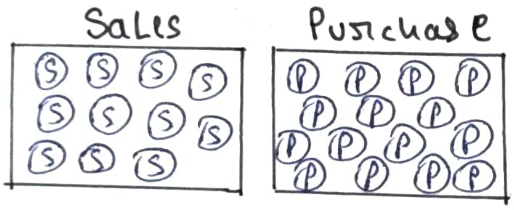
| Sales | = | 6,000 |
|---|---|---|
| Sales | = | 5,000 |
| Sales | = | 4,000 |
| Sales | = | 5,000 |

**Note**

⇒ The process of classifying transaction from Journal to Ledger is known as {Posting to Ledgers}

⑤ **Summarising** :-

⇒ Summarising means to summarise or total.




Summarising

- Total Sales :- 20,000 Rs
- Total Purchase :- 21,000 Rs.

⇒ Summarising includes preparation of following :-

- → Trial Balance
- → Profit & Loss account / Trading A/c
- → Balance Sheet.

⑥ **Analysis and interpretation** :-

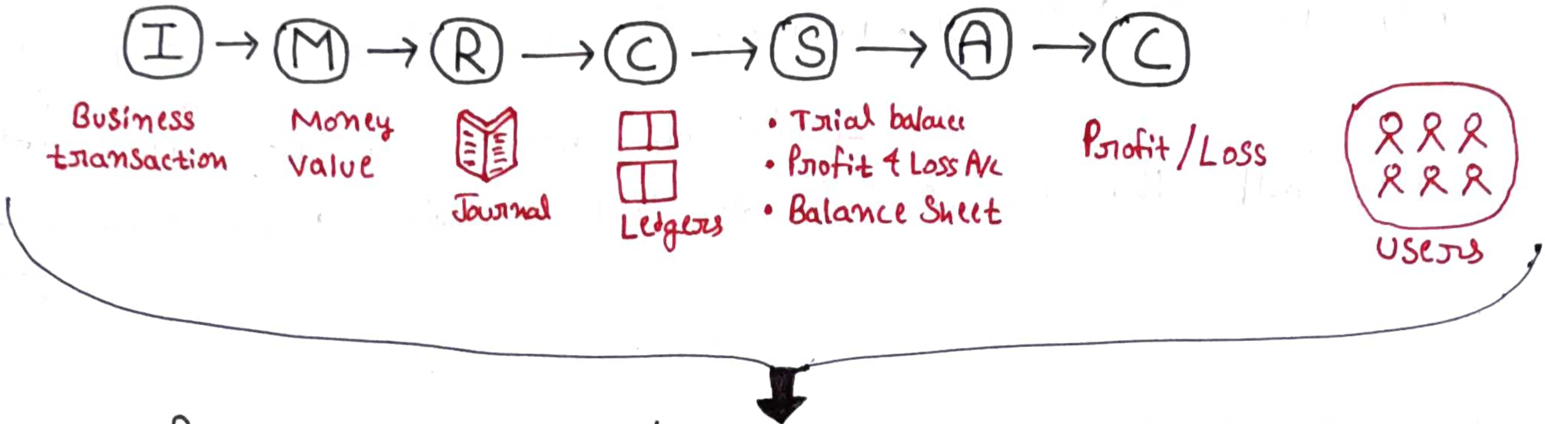
⇒ After summarising of data an Analysis or interpretation of data can be done by accountants to know the profit earned or Loss incurred by the business in that particular Accounting year.

Total Sale = 60,000
Total Purchase = 80,000
Total Expenses = 20,000

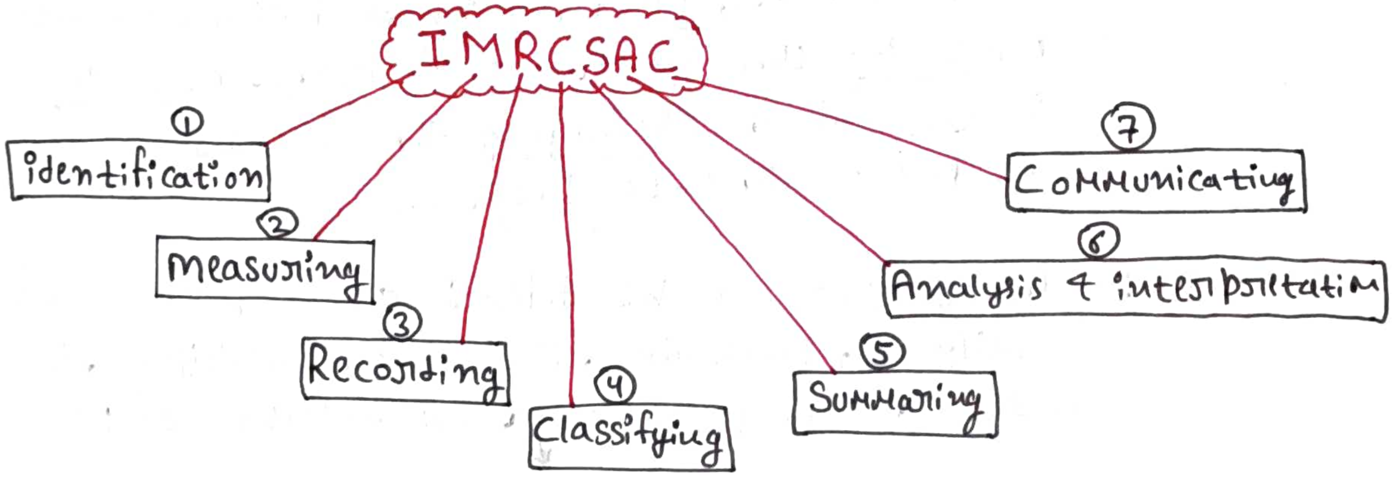
→ Profit & Loss of Business

7 **Communicating :-** Communicating is the process of communication of financial statement to it's users.


# Revision of all process of Accounting :-




## * Process of Accounting / Characteristics / Attributes *




# Meaning & Defination of Accounting :-

=> Accounting can be defined as the process of identifying, measuring, recording, classifying, summarising, interpretation and communication of financial information.

=> Accounting can also be denined as Language of business.

# Branches of Accounting :-

⇒ There are three branches of Accounting :-

① **Financial Accounting** :- It is the branch of accounting which helps in determining Profits earned & Loss incurred during the accounting year.

② **Cost Accounting** :- It is the branch of accounting which helps in determining, Reducing & Controlling cost of production

③ **Management Accounting** :- It is the branch of accounting which helps the business in decision Making about Management.

# Book-Keeping, Accounting and Accountancy :-

① **Book-Keeping** :- Book keeping is a part of accounting which involves, identification of business transaction Measuring them in terms of Money, Recording in Journal & Classifying the recorded transactions by Posting them to Ledgers.

② **Accounting** :- Accounting can be defined as a process of identifying, Measuring, Recording, Classifying, Summarising, Analysis & interpretation, & Communication to Users.

$\boxed{\text{of Financial Statements}}$

③ **Accountancy** :- Accountancy is a Systematic Knowledge of accounting, which explains how to deal with Various aspects of accounting, how to Maintain books of accounts, Summarise & Communication of financial Statements to users.

$\boxed{\text{Note}}$ :- Read the difference between Book keeping & Accounting from Book.

# Objectives of Accounting :-

① Record of financial Transactions & Events.
② Determine Profit or Loss.
③ Determine financial Position.
④ Management
⑤ Communication of informations to users.

# Advantages of Accounting:-

① It helps in determining Profits & Losses of business.
② It helps in Management decisions. Making.
③ It helps to remember transaction by recording
④ It helps in getting Loans from banks & financial institutions.
⑤ It helps as an Evidence in Court.

# Users of Accounting information:-

⇒ Users of accounting information are of two types:-

① Internal Users:-

(a) Owners:- Owner uses financial information of business to know Profit & Loss during accounting year.

(b) Management:- Management uses financial informations to take decisions for the growth of business.

(c) Employees or Workers:- Bonus or increment of worker or employee is dependent upon the profit earned by the business during the accounting year, so that's way they uses financial informations of business.

② External Users:-

(a) Banks:- Banks uses Accounting informations for providing Loans to business by ensuring their repayment.

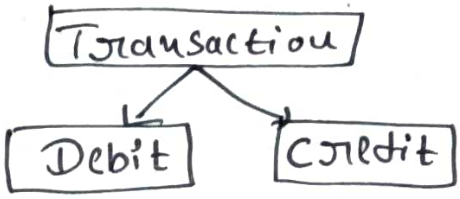
(b) Investors:- Investors uses accounting information to know level of risk in investment into the business by knowing about earning capacity of business.

(c) **Creditors** :- Creditors are the persons who give credit to business by way of credit purchase, & they uses accounting information to ensure their repayment.

(d) **Government** :- Government uses Accounting informations of business to charge taxes like income-tax & GST.

# Systems of Accounting:-

=) There are two systems of accounting :-
① Double Entry Systems.
② Single Entry System.




## ① Double Entry System :-

=) Double Entry system is a system of accounting which states that every transaction has the capacity of affect atleast two accounts at a time, one is debit & other is credit.

=) Every transaction have two aspect Debit as well as Credit aspect.

=) In Example of Cash Purchase of ₹ 20,000, there are two aspect one is of payment of cash & other aspect is of Receipt of Purchased goods.

## ② Single Entry System :-

=) Single Entry System is a system of accounting which is also known as accounting of incomplete records, which donot record transaction on the basis of double entry system.

=) It records either $\boxed{\text{debit}}$ or $\boxed{\text{credit}}$ aspect of transaction.

=) This system of accounting is not realistic & accurate for accounting.

---

**NOTE** :- After Learning the notes you have to do theory Questions behind the Chapter, which includes :-

Must Solve
→ very short type questions. • Important from the point of view of true/false.
→ objective type questions.
→ Short questions.