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Monday

classmate
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Fundamentals of Accounting

Introduction :-

→ Accounting is a Universal Subject ie is accounting can be applied to all forms of organisation in the world.

Objective of a business :-

Wealth maximisation for profit making.

Objective of an Accountant :-

Calculation of correct profit or loss and financial position of a business and to communicating clearly correctly timely and periodically to the interested parties of the business

Systems of Accounting

For calculating profit or loss and the financial position of a business, the accountant must follow systems of accounting. There are two systems of accounting :

a) Double Entry System of accounting
b) Single Entry System of accounting

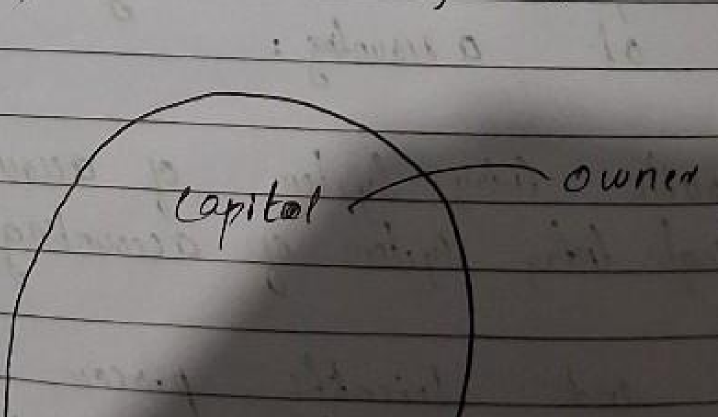
Systematic and Scientific process followed for calculating profit or loss and financial position of a business in accounting is known as double entry system :

system followed for calculating profit or loss and financial position of a business in accounting is known as single entry system or accounts from a complete Informatio

→ Accounting is known as language of the business because all the Informations relating ~~to~~ to a business communicated to the interested parties of the business through the work of an accountant (Journal to Balance sheet)

For calculating profit or loss and financial position of a business by an Accountant for a business , while following the accounting procedure (journal to Balance sheet) must follow :-

a) Concepts
b) Principles
c) Traditions
d) Assumptions
e) Estimations
f) Our own Judgement



1. Seprate Entity Concept

While following the accounting procedures (Journal to B/S) by an accountant for a business, the accountant must consider the owners of the business as outsiders, this is only a concept not a true factor actually the all and all of a business organisation is owner of the business. In otherwords expense and incomes of the owners should not be treated expenses and incomes of the business

Capital

It is the word used in accounting language for recording it into the books of accounts. (Journal book and Ledger Book) by an accountant when the owners of the business contributed cash (other assets) into the business for conducting the business. capital is also known as owner's equity.

Assets

It is the word used in accounting language for recording it into the books of accounts (journal book and ledger book) by an accountant when things and property owned by our business not for selling them to the customers but for increasing sale of goods and services for making profit.

Goods

Word used in accounting language for recording it into the books of accounts (Journal book and ledger book) by an accountant whom things and properties owned by our business for the intention of selling them to the customers for making profit

→ Expenses and Losses

→ Incomes and Gains

Business Transcation

All those transcations related to our business which can be measured in terms of money as per money measurement concept is known as business transcation. It can be

a) Cash Transcations
b) Credit Transcations

Reciepts or payments for a transcation made on the spot of the transcation is known as cash transcation.

Reciepts or payments for a transcation not made on the spot of the transcation but postponed for a future date is known

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1 Money measurement Concept :-
For recording a transcation into the books of account it must be measured in terms of money is known as money measurement concept

eg
(Q) Mr Malhotra started business by contributing Capital of rs 800000 - Cash transcation

Q) Paid Salaries rs 25000 - Cash transcation

Q Purchased goods for Cash rs 60000 - Cash transcation

Q) Mr Suresh manager of the business suspended from the business - not a business transcation

Q) Purchased goods for Cash from Mr Rahul for r 40K - Cash transcation

Q) Purchased goods on Credit from Mr Mohan for rs50000/ - Credit transcation

Q) Purchased goods for rs 100000 - Cash transcation

Q) Deposited Cash into bank rs 60000 - Cash transcation

Q Purchased Building to rs 75 lakhs on Credit from Trichur Builders — Credit transcation

1 Dual aspect Concept

Every transcation must have two aspects as per double entry system is known as dual aspect concept

eg: Paid Wages rs 1000 –
Cash transcation

Cash   Wages

Deposited cash into federal Bank rs 25000
Cash transcation

Cash   F. Bank

Purchased laptop and Computer for rs 60000
Cash transcation
Cash
laptop and Computer

Purchased Furniture on Credit from ABC traders for rs 75000
Credit transcation
Furniture
abc traders

Cash taken from the bank rs 25000
Cash transcation
Cash
Bank

Purchase

Word used in accounting language for recording it into the books of accounts when goods purchased for cash or on credit from suppliers.

eg: Purchased goods for cash rs 25000

Cash transcation < Purchase / cash

eg: Purchase Goods on credit from Mr. X for rs 75000

Credit transcation < Purchase / Mr. X

Purchase returns or Return outword.

Word used in accounting language for recording it into the books of accounts when goods purchased ~~for~~ on credit is returned to the suppliers due to various reasons.

eg: Goods returned to Mr. X rs 5000 -

Credit transcation < Mr. X / purchase return

Sales

A word used in accounting language for recording it into the books of accounts when goods sold for cash or on credit to customers

eg: sold goods for Cash rs 30000

Cash transcation < Cash / Sales

Sold goods on Credit to Mr. rajeev for rs 25000

Credit transcation < Sales / Rajeev

Sales returns : or return Inward

Word used in accounting language for recording it into the books of account when goods sold on credit to customers returned by them due to various reasons.

eg: goods returned by Mr. rajeev for rs 10000

Credit transcation. < Sales return / Rajeev

Stock / inventory

Word used in accounting language for recording it into the books of accounts when there is unsold goods at the end of the accounting year as per accounting period concept.