CH-1

INTRODUCTION TO ACCOUNTING

→ Accounting is a language of Business

→ Accounting is the art of recording, classifying & summarising in a significant manner & in terms of money; transactions & events which are, in part at least, of a financial character, and interpreting the results thereof.

* I M R C S A C

① Identification of Financial transaction & events.

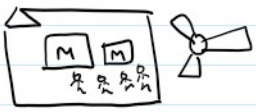
पहचान

Step 1

Business

कुछ होना

Result of transactions



(i) electricity Bill paid (Home)
(ii) Factory Rent paid

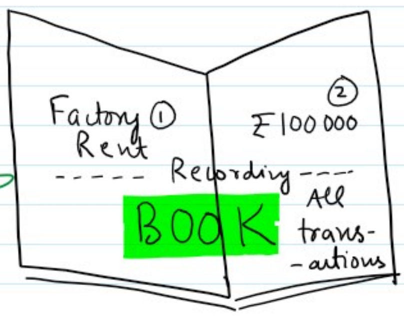
Measurement in terms of money

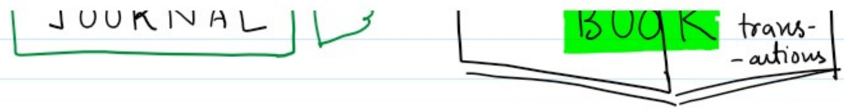
??? ₹ ₹

Factory Rent paid = ₹ 1,00,000

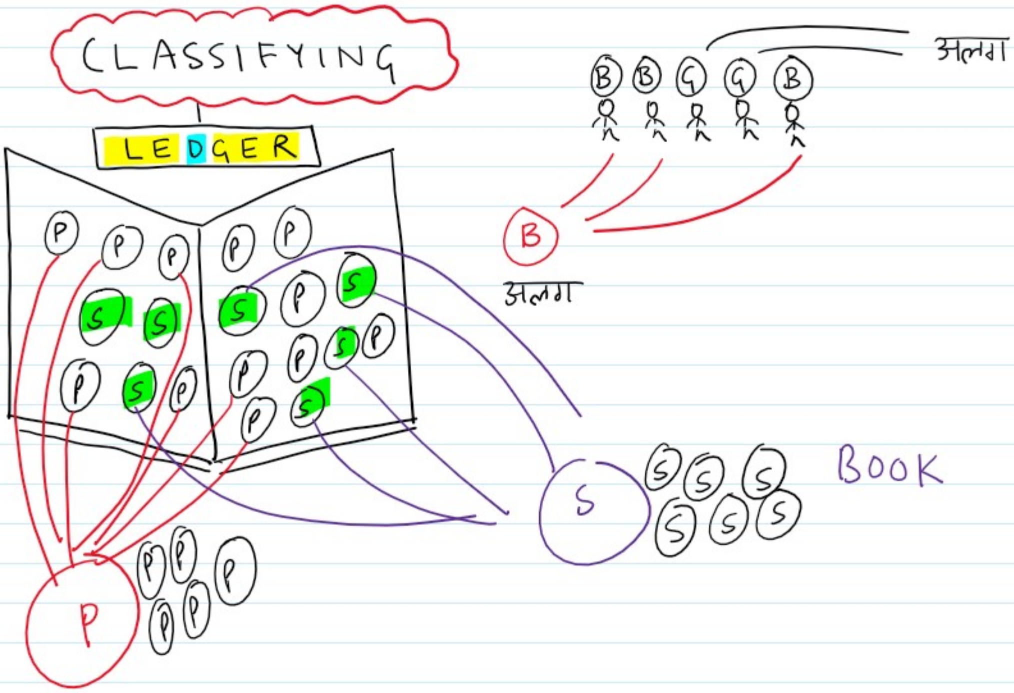
(iii) Recording

JOURNAL

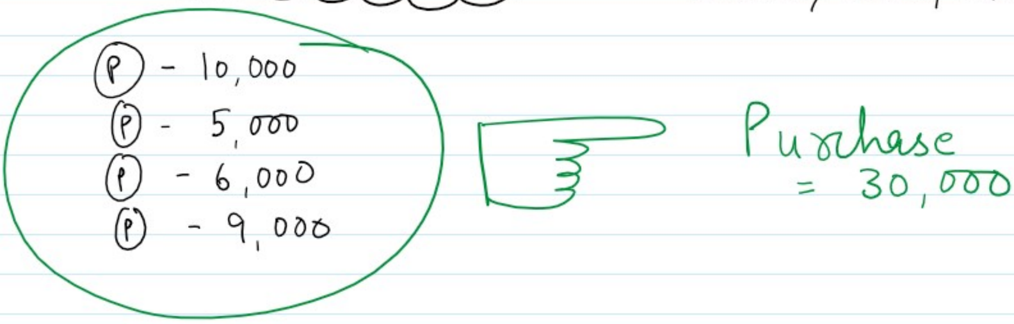




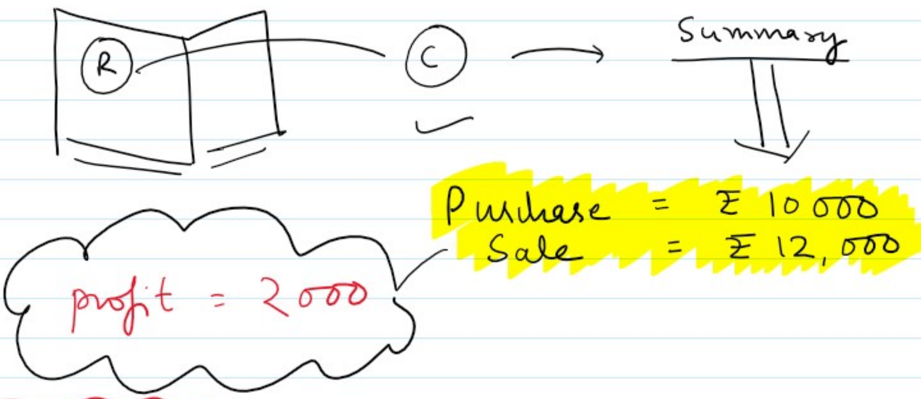
(iv) CLASSIFYING



(v) SUMMARSING → Concise / Short / Summary



(vi) Analysis & Interpretation - determination of profit or loss



(vii) Communicating to users

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बताना
profit = ₹ 2000
Websites ✓

× — × — × — × — × — × — × — ×

* OBJECTIVES OF ACCOUNTING (3/4 Marks)

(i) Maintaining Accounting Records
↳ Journal

(ii) Determining profit or loss → Income
Business
???
Analysis

(iii) Determining financial position
Balance Sheet

(iv) Facilitates management in DECISION MAKING
मदद करना
~~New Investment ₹ 20,00,000~~ planning.
Business
Accounting
I M R C S A
LOSS = ₹ 1,00,00,000

(v) Providing Accounting Information to users.
I M R C S A C

* Advantages of Accounting * (3/4 Marks)

a) Assistance to Management in decision making

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मदद करना

b) Determining profit or loss of the Business

c) Determining Financial Position of the Business

d) Replaces Memory - Accounting helps in systematic recording.

e) Evidence in Court

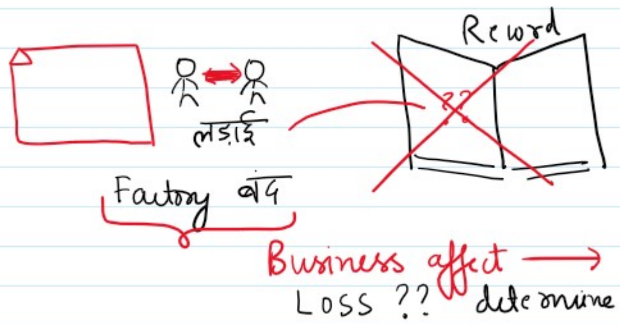
f) Facilitates loans

g) Facilitates settlement of Taxes

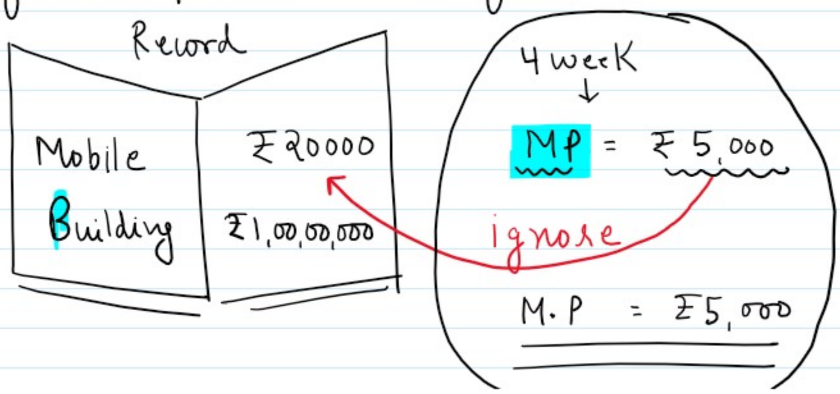
** LIMITATIONS OF ACCOUNTING **
(3/4 Marks)

a) Accounting is not fully exact - because in accounting sometimes we also make estimates
"अनुमान"

b) Accounting ignores Qualitative elements



c) Accounting ignores price level changes



M.P = ₹5,000

d) **WINDOW DRESSING** – Manipulation in accounts to show higher profits.

× —— × —— × —— × —— × —— × —— ×

* Accounting Process *

IMRCSAC

Indentification of financial transaction & event
↓
Measurement in terms of Money
↓
Recording
↓
Classifying
↓
Summarising
↓
Analysis & Interpretation
↓
Communicating to users

* Branches of Accounting * (Imp – 3 Marks)

- Financial Accounting
- Cost Accounting
- Management Accounting
- Social Reporting Accounting (Tata group)
- Human Resource Accounting

① Financial Accounting → It is that branch of Accounting which records financial transactions and events to determine profit or loss of the Business.

~~price~~

and events to determine profit or loss of the Business.

~~price~~

(2) COST Accounting (लागत) → This Branch of Accounting is concerned with ascertaining the $\boxed{\text{COST OF PRODUCT}}$ and determining the PRICE of product.

pen स्याही ₹8 COST

~~MP ₹7, ₹6~~

₹10, 11 ---

(3) Management Accounting – It is that Branch of Accounting which is concerned with generating accounting information as it enables the management in decision making

* BOOK KEEPING (IMRC) VS ACCOUNTING (IMRC SAC) *

3/4 Marks *

	BOOK KEEPING (IMRC)	ACCOUNTING (IMRC SAC)
1) Scope	Book Keeping involves identification, measurement, recording & classifying.	Accounting involves summarising, interpretation & communicating to users.
2) Stage	It is primary stage	It is secondary stage ie. Accounting begins when Book Keeping ends.
3) Nature of Job.	This job is routine in nature	This job is analytical in nature
4) Staff	It is performed by junior staff	It is performed by Senior staff
5) Special skills	It does not require any special skills.	It requires special skills.

* Accounting Information *

* Accounting Information *

→ Accounting information refers to the financial statements generated through the process of Book Keeping.

IMRC

→ Financial statement includes :-

11th – a) Information relating to profit or loss
11th – b) Information relating to financial position
12th – c) Information relating to Cash flow

जानकारी (Financial Statements)

Qualitative characteristics of Accounting Information (3M)

Reliability → Accounting information must be reliable.

Relevance → Accounting information must be relevant to the user, which helps him in decision making.

Understandability → Understandability means that the information must be presented in such a manner that users are able to understand it.

Comparability → Comparability means that the users should be able to compare the accounting information

- Intra Firm comparison
- Inter Firm comparison

* USERS of Accounting Information * 100% (V. Imp)

Internal USERS -	are the users who have access to information that can be taken from the accounting records.
1) OWNERS -	Owner is interested in accounting information to determine profit or loss
2) Management -	because management has to take decision regarding cost, investment

2) Management	because management has to take decision regarding cost, investment etc.
External users	users who donot have access to accounting records.
1. Employees & workers.	because of Bonus & Salaries
2. Banks	because Bank provides loan to the Business
3. Investors	because investors have invest money in the business
4. Creditors	to determine the credit worthiness of the Business
5. Government	to settle taxes
6. Public	to ensure the quality of goods & services.
7. Researchers	for research purposes

* Accounting and Accountancy * (1 Mark)

Accounting	Accountancy
Accounting is the action or process	Accountancy is Knowledge
Accounting is the application of accountancy	Accountancy is Knowledge of Accounting.

* Double entry system and Single entry system * (3M)

Double entry system	Single entry system
→ It means a system of accounting which records both aspects - $\boxed{\text{Debit}}$ and $\boxed{\text{Credit}}$ of a financial transaction.	→ It means recording of one aspect of transaction sometimes.
→ It maintains a ...	→ It is also known as Account from Incomplete records.

financial transaction.

→ It maintains a complete record of each transaction.

→ Since one aspect of transaction is Debited and the other aspect is Credited, the total of debits is always equal to total of credits.

→ "Advantages" of Double entry system – SAME

→ It is also Known as Account from Incomplete records.

→ In this system we maintain only personal accounts and cash Book.