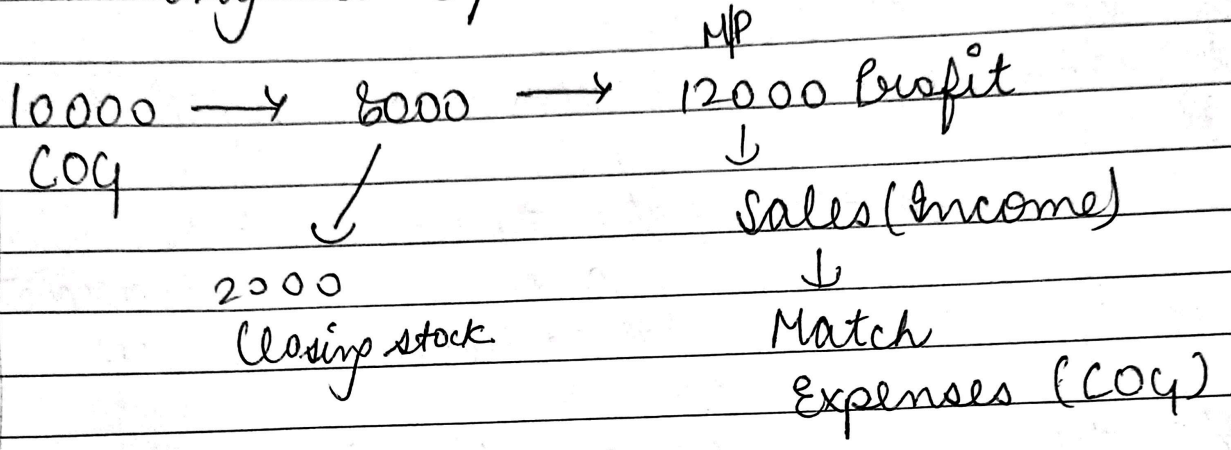


Wednesday

Accounting principals (Concepts)

Going concern
 Accounting period
 Matching concept

P/L (Income statement)
 B/S (Position statement)



Money Measurement Concepts

The function of this is ~~an~~ concept is to record the transactions related to money

- Summarise in P/L A/C
- Classify in ledgers
- Record in Journal

Take information from balance and compare it through ratios like debt equity ratio this is called analysis.

Interpretation → Explain the result from analysis so that the end users can make meaningful judgement about financial condition & profitability

Communicated

Modern Accounting today is a more of a information system rather than recording system.

* Acc to AICPA Accounting is the art of recording, classifying and summarising in significant manner & in terms of money, transactions & events which are in part, at least of a financial character & interpreting the result thereof.

* The function of accounting is to provide quantitative information of financial nature.

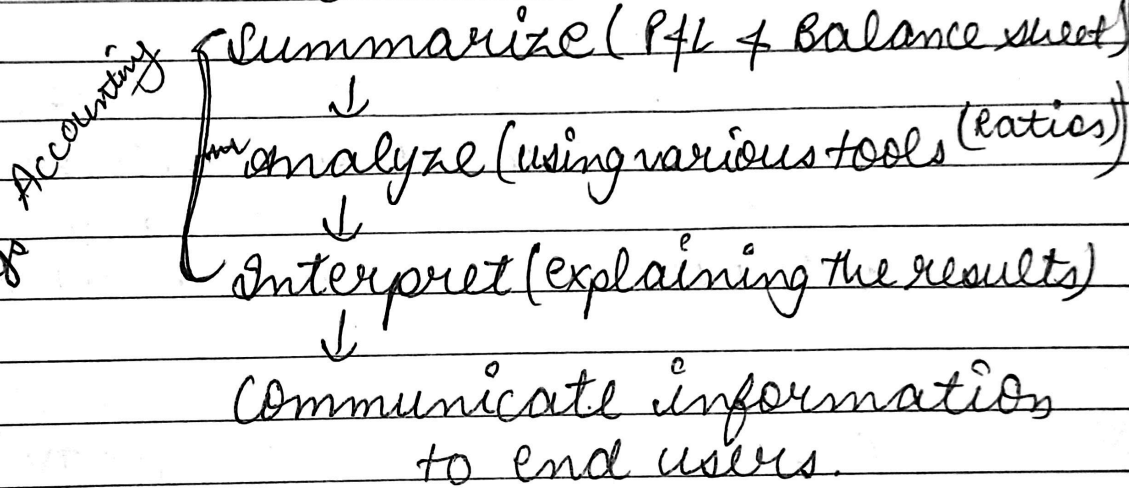
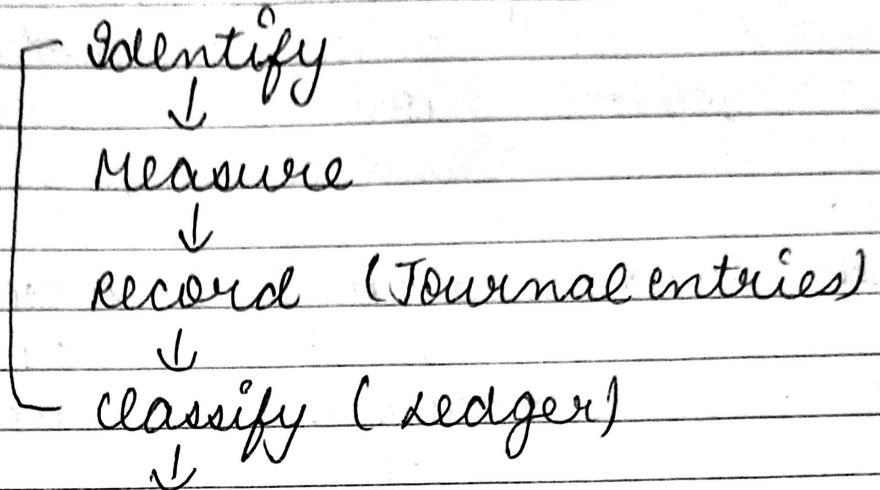
* ① Recording is done in Journal

② Classifying is done with the view to group transactions of one nature at one place (in ledger)

③ Summarising is presenting the classified data in a manner so that it is useful for the external & internal users of the company. Done in P/L Ac. or B/S or Trial Balance.

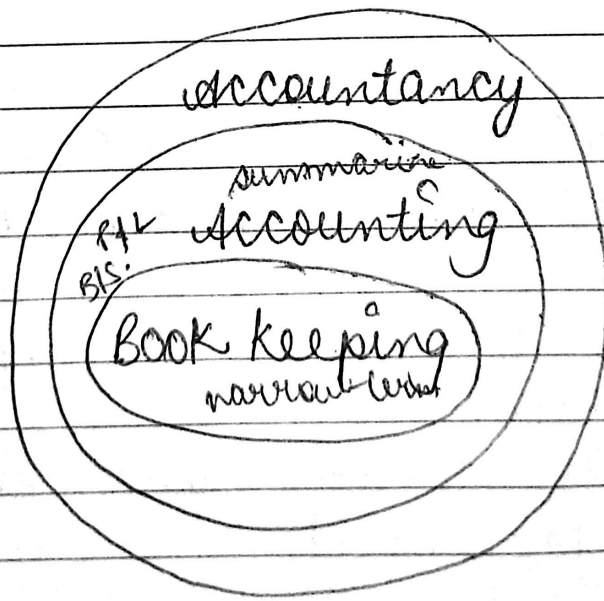
Functions of Accounting

Book Keeping



Recording the transactions in systematic manner

Accounting



* Book keeping → (i) Primary function
(ii) It involves identification, measurement, recording and classifying.

* Accounting → (i) It is a secondary function
(ii) It involves summarizing, analyzing and interpreting the data.

* Accountancy → (i) It is a study of rules and regulations, procedure concepts and conventions which is required to prepare accounts.

$$\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$$

(OWN) (OWE)

Internal liabilities → Equity shareholder
External liabilities → Creditors, debentures

→ Equation is based on the concept of double entry system.

→ It ensures that the balance sheet always remains balanced.