Basic Accounting

Introduction To Accounting

→ Financial accounting is a specific branch of accounting involving a process of recording, summarizing and reporting the transactions resulting from business operations over a period of time. These transactions are summarised in the preparation of financial statements, including the balance sheet, income statement and cash flow statement, that records the company's operations/operating performance over a specified period.

Types Of Accounting :-

1. Cost Accounting
2. Managerial Accounting
3. Financial Accounting
4. Tax Accounting

Objectives of Financial Accounting :-

1. Recording of financial transactions
2. To Ascertain profit and loss
3. To Disclose financial position
4. To Report financial information
5. To Faciliate decision making

Scope of Accounting

→ Accounting is a process of recording, classifying, summarizing, analysing the financial transaction of the business for the benefit of management and those parties who are interested in business such as shareholders, creditors, bankers, customers, employees and government.

The scope of financial accounting are as follows-

- Identifying monetary transactions
- Measuring and recording transactions
- Classifying payments
- Summarization
- Analyzing, interpretation and communication

Concept of Book Keeping

→ BookKeeping involves the recording, on a regular basis, of a company's financial transactions. With proper bookKeeping, companies are able to track all information on its book to make key operating, investing and financial decisions.

Accurate bookKeeping is also crucial to external users, which includes investors, financial institutions, or the government.

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Importance of Bookkeeping

- Proper bookkeeping gives companies a reliable measure of their performance. It also provides information to make general strategic decisions and a benchmark for its revenue and income goals. In short, once a business is up and running, spending extra time and money on maintaining proper records is crucial.

Methods Of Book Keeping

- Single Entry Book keeping
- Double Entry Book Keeping
- Cash Based or Accural Based

- Single Entry Book Keeping :-
Single entry is a straight-forward method where one entry is made for each transaction in your books. These transactions are usually maintained in a cash book to track incoming revenue and outgoing expenses.

This is a cash based bookkeeping method that tracks incoming and outgoing cash in journal.

Date	Description	Notes	Transaction Value		A/C Balance
			Dr	Cr	

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- Double Entry BookKeeping :-
Double entry bookkeeping is mox robust. It follows that every transaction affects atleast two accounts and they are recorded as debit and credit. For example, if you make a sale of $10, your cash a/c will be debited for $10 and your sale a/c will be credited by the same amount. In double entry, the total credits must always equal the total debits.

- Accural vs Cash Based of Accounting

→ Accural basis of accounting transactions are recorded as and when it

Trading A/C and Profit and Loss A/c for the year 30th Dec, 2010

Dr (Exp) | (Income) Cr

Particular	Amt	Particular	Amt
To Opening Stock	50,000	By Sales 1,40,000	
To Purchase 70,000		Return(-) 4,000	1,36,000
Return(-) 2500	67,500	By Closing Stock	28,000
To Wages	15,000		
To Carriage Inward	8,000		
To Power	5,700		
To Gross Profit (c/d)	17,800		
	1,64,000		1,64,000
		By Gross Profit (b/d)	17,800
To Salary	5,000		
To Carriage Outward	6,000		
To Electricity	4,500		
To Net Profit Trans. to Capital A/c	2,300		
	17,800		17,800

Stock A/c Dr. 28,000

To Trading A/c 28,000