

BASICS OF ACCOUNTANCY

Accounting → Accountancy → Accountant

Accounting is a process in which all Financial transactions (either fully or partly financial) of any Organizations (either trading or non-trading) are recorded, classified, summarised, analyzed, finding out result and finally results are communicated to the various users or parties who are interested in knowing the data and information.

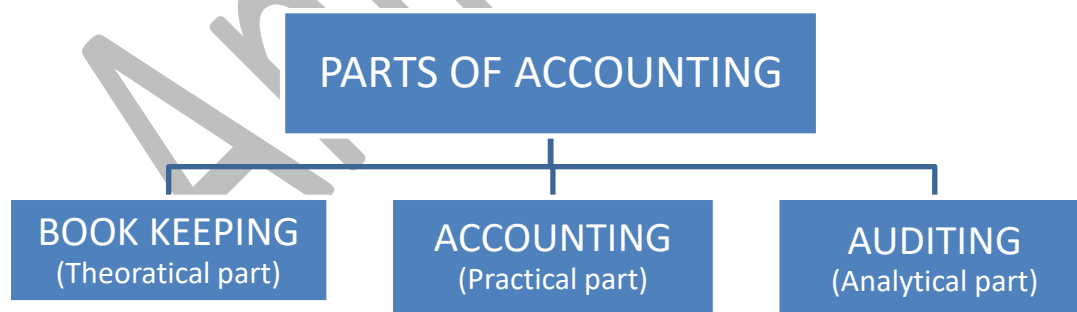
NOTE: - *Financial transaction* are those transactions or events which can be measured, expressed and valued in term of money.

Non financial transactions are those transactions or events which are most important in operation of business concerns. However, those can't be measured, expressed and valued in money....

In other words, we can say that Accounting is a systematic process of identifying, measuring, recording, classifying, summarizing, interpreting and communicating financial information and data to the users. It gives information mainly on the resources available, how the available resources have been employed and the results achieved by their use.

It shows the annual result of Business Operation as profit or loss during the accounting period, value and nature of assets, liabilities and Owner's capital. i.e. Capital Since Accounting is a medium of communication, so it is called language of business.

According to *American Institute of certified Public Accountants*, "Accounting is the art of recording, classifying and summarising in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character and interpreting the result thereof."



NOTE: *Fully financial transaction:* Transactions for which cash is paid or received immediately at the time of transactions.

Partly financial transactions: Transactions for which cash is not paid or received immediately.

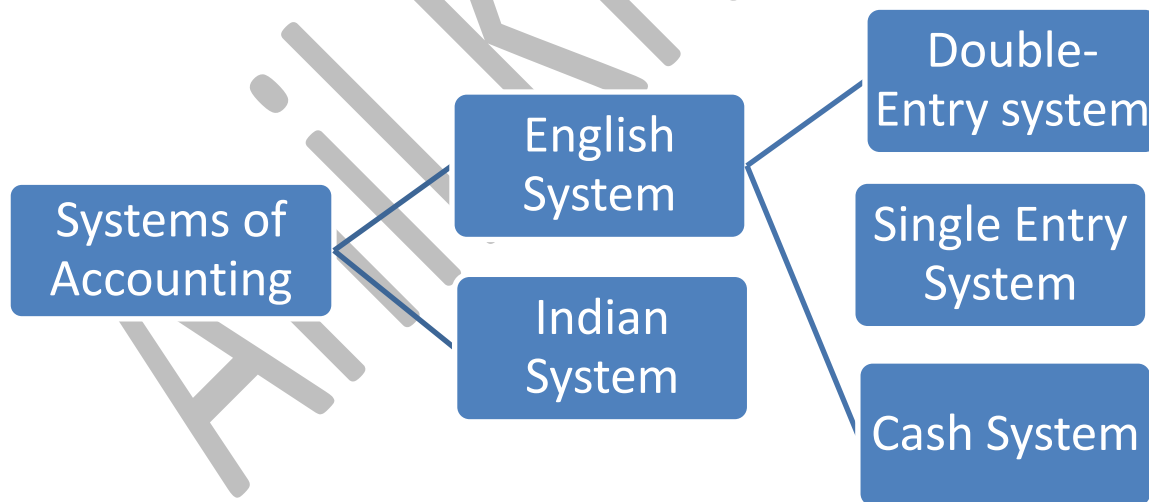
BOOK KEEPING : Book Keeping is the process of recording the financial transaction and events of a Business concern. It is a part of Accounting which involves following four activities mainly:

1. Identification of financial transactions and events.
2. Measurement of transactions and events in terms of money
3. Recording the financial transactions in Journal and Subsidiary books.
4. Classifying them through ledger.

ACCOUNTING : Accounting is the process of identifying, measuring, recording and communicating economic transactions. Accounting begins where, book-keeping ends. It is also known as *'the art of recording, classifying, summarizing the financial data, analyzing and interpreting the result thereof for making economic decisions.'*

AUDITING : Auditing is the examination of books of accounts by an external and independent body. i.e. CA .

SYSTEMS OF ACCOUNTING



Indian System : An Indian system is also known as **Mahajani Accounting System**. This system is very Ancient system and now a days it is not in use. Under this system all transactions were recorded in the Books of Accounting, according to some rules in Hindi or regional languages. Books used in this system were long unruled yellow pages

and red binding. At present era most of business houses either small or large maintain their accounting under English system.

English System : English System has been derived from British Accounting System. It has three Sub-systems.

- 1) **Double Entry System :** Out of three subsystems of English System, double entry system is the most popular and significant system of accounting. Most of biggest Industrial and Business houses maintain their accounting under this system. This system is widely used because of some salient features it has. like-
 - Under this system both parties involved in a transaction, are recorded in the primary books of recording properly. No one is ignored.
 - When we adopt this system, all transactions either small or large are recorded properly. No single transaction is overlooked.
 - This system has certain and rigid rules and regulations for recording the transactions.
 - It gives exact and accurate arithmetical result as profit or loss at the end of year.
 - This system is very scientific and trustworthy.
- 2) **Single Entry System :** It is also known as Incomplete recording system, which has no certain and rigid rules and regulations for recording. Under this system, sometimes both parties are recorded and sometimes one is recorded and another is ignored. In this system small transactions are recorded properly because of this system doesn't give exact and accurate arithmetical result. This system has lack of trustworthiness.
- 3) **Cash System :** Cash system is the system which is followed or adopted by those organizations where transactions are made only in cash or cash equivalent . Like.. Bank, Insurance Co. Government Offices etc..