



Sindhi Hindi Vidya Samiti's
DADA RAMCHAND BAKHRU SINDHU MAHAVIDYALAYA
(Formerly known as Sindhu Mahavidyalaya)
A Higher Education Premier Institute With CGPA 2.55

ACCOUNTING

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INTRODUCTION

- Accounting is a system meant for measuring business activities, processing of information into reports and making the findings available to decision-makers. The documents, which communicate these findings about the performance of an organisation in monetary terms, are called financial statements.
- Usually, accounting is understood as the Language of Business. However, a business may have a lot of aspects which may not be of financial nature. As such, a better way to understand accounting could be to call it The Language of Financial Decisions

MEANING OF FINANCIAL ACCOUNTING

- For searching the goals of the accounting profession and for expanding knowledge in this field, a logical and useful set of principles and procedures are to be developed. We know that while driving our vehicles, follow a standard traffic rules. Without adhering traffic rules, there would be much chaos on the road. Similarly, some principles apply to accounting
- Thus, the accounting profession cannot reach its goals in the absence of a set rules to guide the efforts of accountants and auditors. The rules and principles of accounting are commonly referred to as the conceptual framework of accounting.

SCOPE OF FINANCIAL ACCOUNTING

- **SINGLE ENTRY SYSTEM:** Cash book and personal accounts are kept in it. It is an incomplete and unscientific system. Hence it is rarely used
- **DOUBLE ENTRY SYSTEM:** This system was originated in Italy. Being a complete and scientific method, it is widely used and more popular
- **MAHAJANI SYSTEM:** This system is completely scientific system as it is based on certain principles

IMPORTANCE OF FINANCIAL ACCOUNTING

- To run a business you need data, records, reports, analysis, accurate information about assets, debts, liabilities, profits; and that is why Accounting is Importance for any business activities.
- The accounting information is very important for the management or the decision making the body of an organization.
- The main objective of Accounting is to record financial transactions systematically in the books of accounts and to find out the profit-loss and financial position of a business.

A background network diagram with various nodes and connecting lines. Nodes are represented by circles of different sizes and colors, including dark blue, light blue, and grey. Lines connect these nodes, creating a complex web of relationships. Some nodes are larger and more prominent, while others are smaller and less visible. The overall aesthetic is clean and modern, typical of a technical or business presentation.

- **Personal Account**

- **Real Account**

- **Nominal Account**

PERSONAL ACCOUNT

Personal accounts may be further classified into three categories:

- **Natural Personal Account**

An account related to any individual like David, George, Ram, or Shyam is called as a Natural Personal Account.

- **Artificial Personal Account**

An account related to any artificial person like M/s ABC Ltd, M/s General Trading, M/s Reliance Industries, etc., is called as an Artificial Personal Account.

- **Representative Personal Account**

Representative personal account represents a group of account. If there are a number of accounts of similar nature, it is better to group them like salary payable account, rent payable account, insurance prepaid account, interest receivable account, capital account and drawing account, etc.

REAL ACCOUNT

Every Business has some assets and every asset has an account. Thus, asset account is called a real account. There are two type of assets:

- Tangible assets are touchable assets such as plant, machinery, furniture, stock, cash, etc.
- Intangible assets are non-touchable assets such as goodwill, patent, copyrights, etc.

Accountingtreatment for both type of assets is same.

NOMINAL ACCOUNT

- Since this account does not represent any tangible asset, it is called nominal or fictitious account.
- All kinds of expense account, loss account, gain account or income accounts come under the category of nominal account.
- For example, rent account, salary account, electricity expenses account, interest income account, etc.

GOLDEN RULES OF ACCOUNTING

<u>Sl. no</u>	<u>Account</u>	<u>Category</u>	<u>Accounting Rule</u>	<u>Eg. for items</u>
1	PERSONAL A/C	Personal a/c	Debit : Receiver Credit : Giver	RAM A/C FINNY A/C FAVAS A/C etc....
2	REAL A/C	Impersonal a/c	Debit : Comes in Credit : Goes out	Machinery a/c Furniture a/c Cash a/c etc...
3	NOMINAL A/C	Impersonal a/c	Debit :- Expense&Loss Credit :- Income&Gain	Rent a/c Commision a/c Salary a/c etc.....

JOURNAL ENTRY FORMAT

Date	Account Name	Debit	Credit
January 1	Debited Account Debited Account Debited Account -Credited Account -Credited Account	XXXX XXXX XXXX	XXXX XXXX
Description of the Journal Entry			

