



ACCOUNTING

Definition

Accounting is the process of recording financial transactions pertaining to a business. The accounting process includes summarizing, analyzing and reporting these transactions to oversight agencies, regulators and tax collection entities.

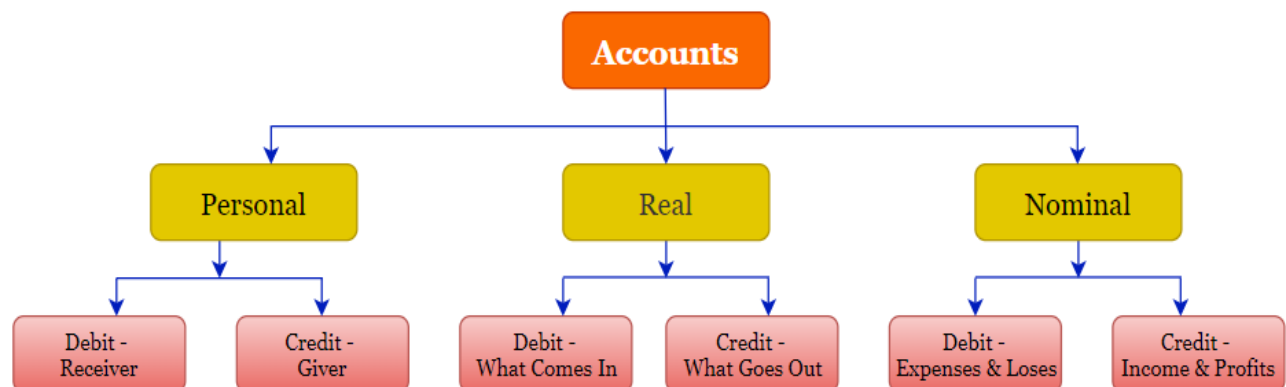
According to the American Institute of Certified Public Accountants [AICPA]; "Accounting is the art of recording, classifying and summarizing in a significant manner and terms of money, transactions and events, which are, in part at least, of a financial character and interpreting the result thereof".

Objectives of Accounting

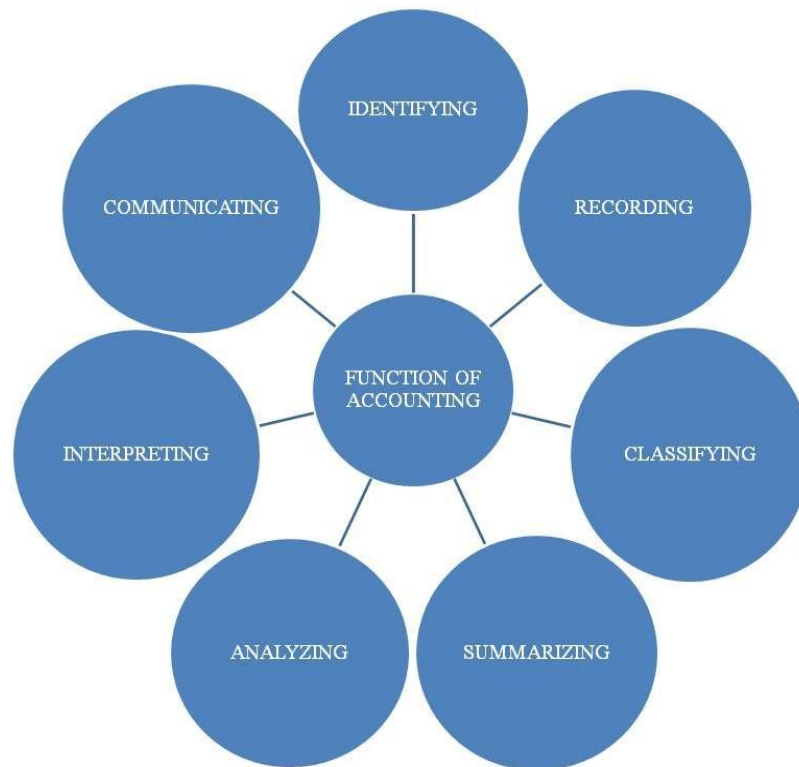
The following are the main objectives of accounting:

1. To maintain full and systematic records of business transactions
2. To ascertain profit or loss of the business
3. To depict financial position of the business
4. To provide accounting information to the interested parties

Types of Accounts



Functions Of Accounting



BOOK KEEPING

Definition

- Bookkeeping is the recording of financial transactions, and is part of the process of accounting in business.
- Transactions include purchases, sales, receipts, and payments by an individual person or an organization/corporation.

Objectives of Bookkeeping

- Show permanent record of business
- To know profit or loss of business
- To know the financial position of business
- Providing the information of total sale and purchase of business.
- Supplies the information of creditors and debtors of business.
- Get knowledge of quantity and Value of stock .
- To determine the amount of Tax liabilities (both income tax and sale tax)

- To provide the information to interested parties like owner of business/ shareholders , managers , creditors , debtors , employees , Govt. etc.

DOUBLE ENTRY SYSTEM OF BOOK KEEPING

Definition

- The double-entry system of accounting or bookkeeping means that for every business transaction, amounts must be recorded in a minimum of two accounts.
- The double-entry system also requires that for all transactions, the amounts entered as debits must be equal to the amounts entered as credits.

Features of Double Entry Accounting system

- A transaction has two-fold aspects i.e. one giving the benefit and the other receiving the benefit.
- A transaction is divided into two aspects, Debit and Credit. One account needs to be debited and the other is to be credited.
- Every debit must have its corresponding and equal credit.

Differentiate between Book Keeping and Accounting:

Basis	Book Keeping	Accounting
1. Scope	Book keeping is concerned with identifying financial transactions; measuring them in money terms; recording them in the books of accounts and classifying them.	Accounting is concerned with summarizing the recorded transactions, interpreting them and communicating the results to the users.
2. Stage	It is primary stage.	It is secondary stage. It begins where book keeping ends.
3. Objective	The objective of book keeping is to maintain systematic records of financial transactions.	The objective of accounting is to ascertain net results of operations and financial position and to communicate information to the interested parties.
4. Nature of Job	This job is routine in nature.	This job is analytical and dynamic in nature.
5. Performance	Junior staff performs the function.	Senior staff performs the function.
6. Relation	Book keeping is this basis for accounting.	Accounting begins where book keeping ends.