

Patrician College of Arts and Science

DEPARTMENT OF ACCOUNTING & FINANCE

FINANCIAL ACCOUNTING

Subject Code CPG1A

Odd Semester

Presented By

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Unit : I

Definition

Objectives

Advantages & Limitation of Accounting

Concepts & Conventions

Journal-Ledger-Trial balance

Cash Book

Petty cash book

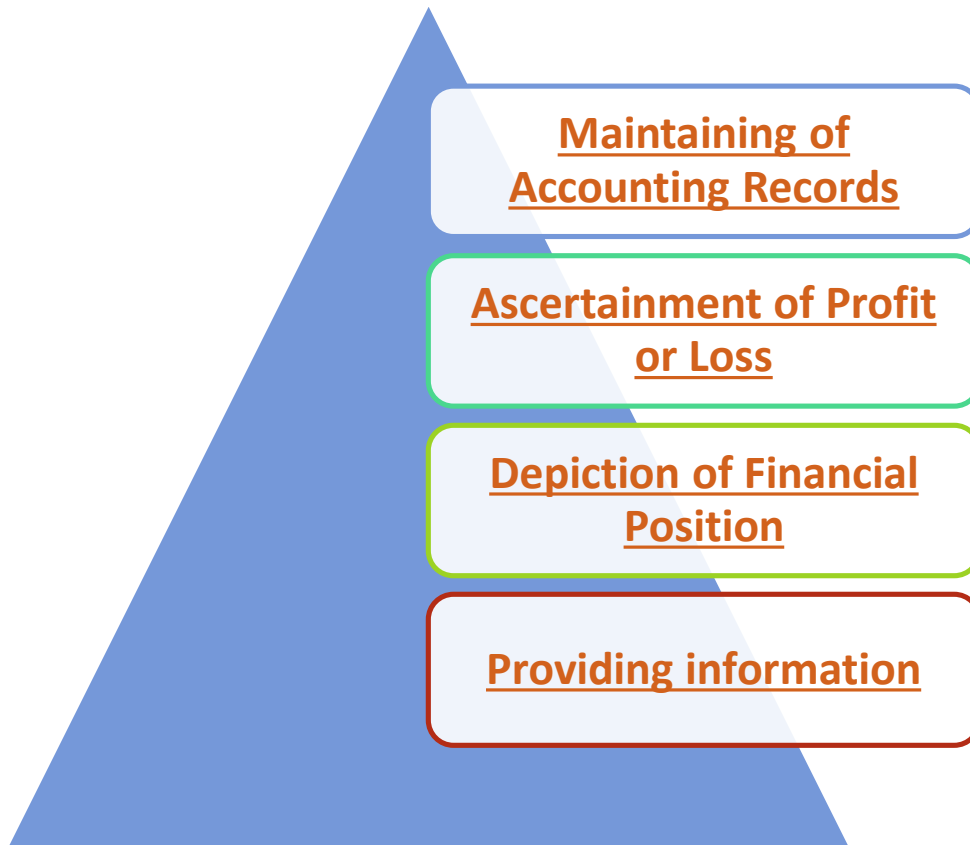
Definition of Accounting

According to the American Institute of Certified Public Accountants(AICPA).

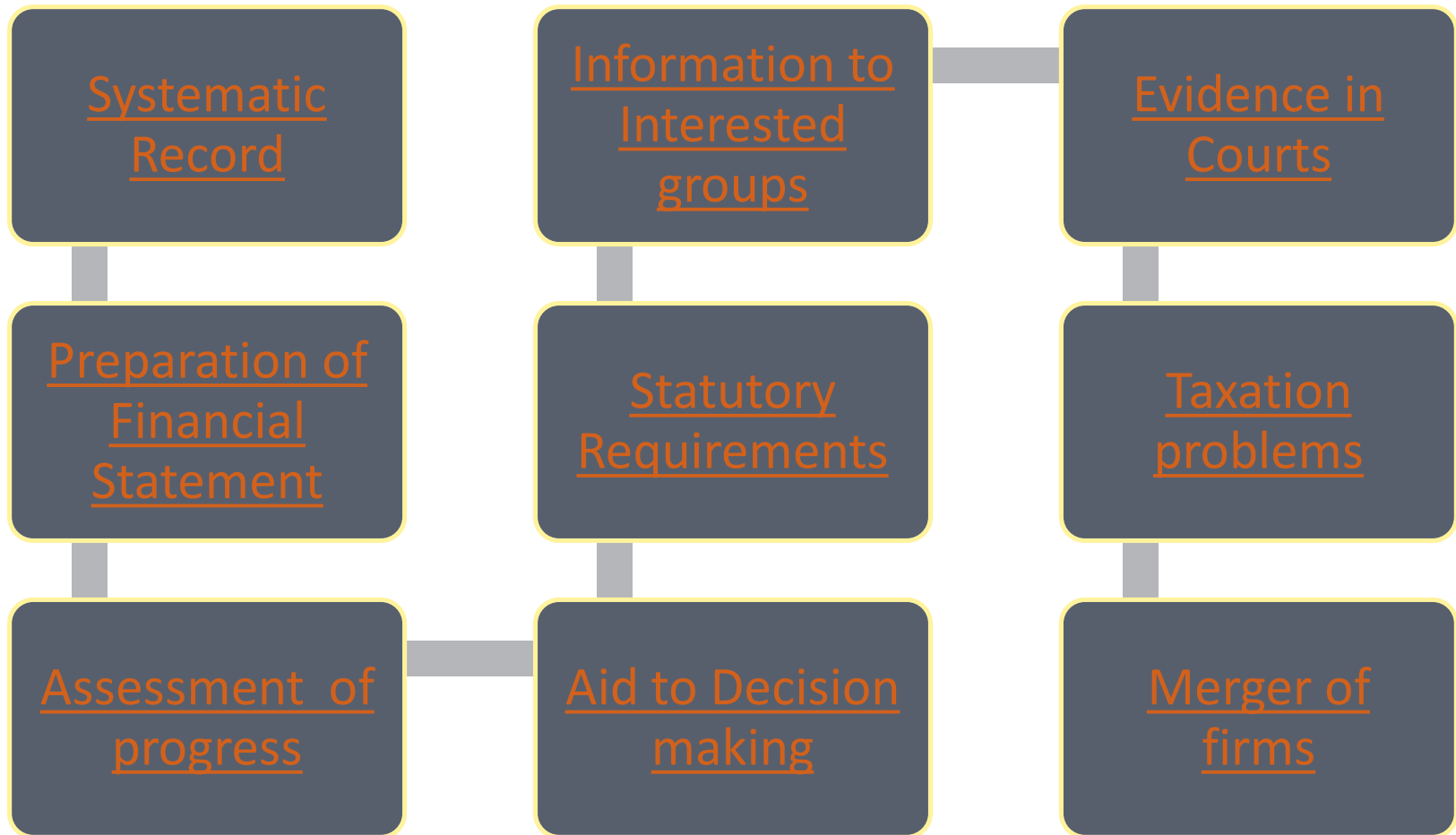
Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money transactions and events which are of a financial character and interpreting the results thereof.

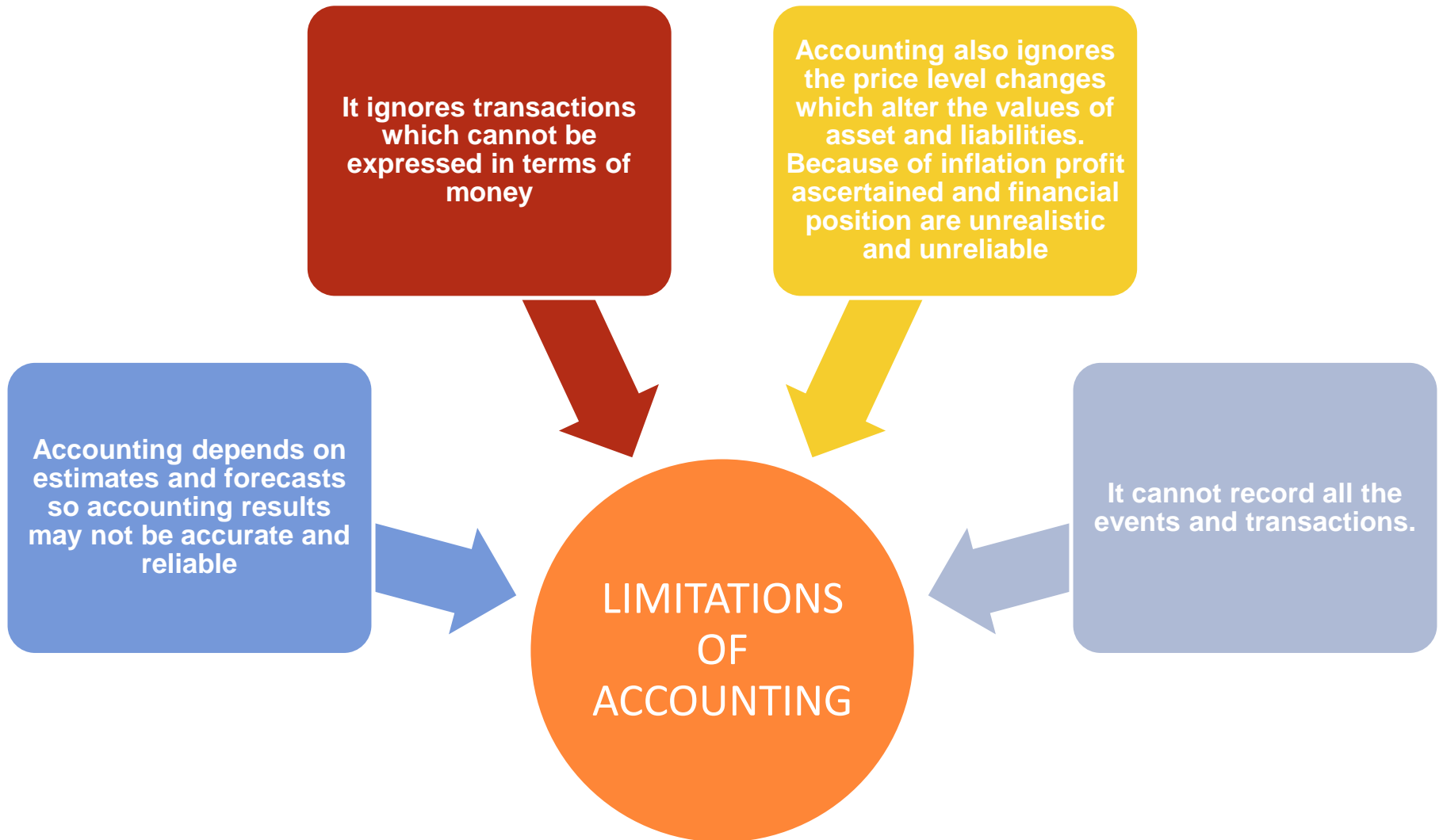
Introduction of accounting

OBJECTIVES OF ACCOUNTING



ADVANTAGES OF ACCOUNTING





DOUBLE ENTRY ACCOUNTING

According to Pacioli, “ Double-entry accounting is based on a simple concept: each party in a business transaction will receive something and give something in return. In accounting terms, what is received is a debit and what is given is a credit. The T account is a representation of a scale or balance.”

Double Entry

Is simply keeping track...

Debit (DR) IN

What product or cash has come IN

Credit (CR) Out

What product or cash has gone OUT

DEBIT

IN

CREDIT

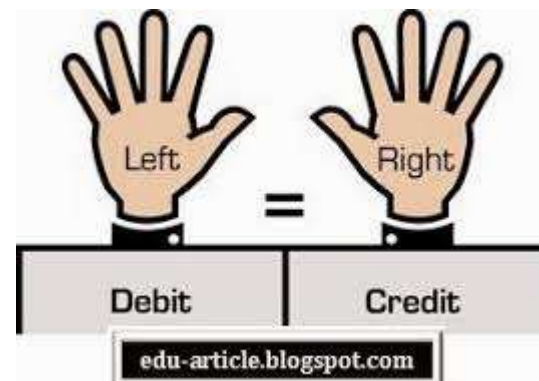
OUT CR

Debits and Credits

Two of the most familiar accounting terms are **“debits and credits.”** In the double-entry system, debits must always equal credits for the accounting equation.

Debit (from the Latin word debere) means **“left.”** It is often abbreviated as “Dr.”

Credit (from the Latin word credere) means **“right.”** It is often abbreviated as “Cr”

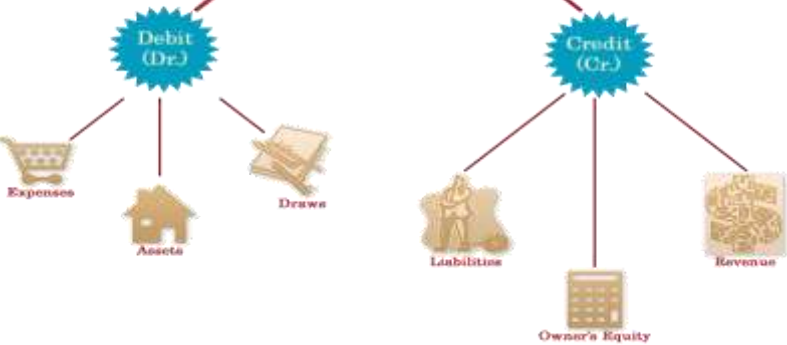


BASIC ACCOUNTING CONCEPTS & CONVENTIONS

Accounting concepts are the assumptions or ideas which are essential to the practice of accounting and preparation of financial statements.

Accounting conventions are the established traditions, customs, methods and practices which usually act as guidelines for preparation and presentation of accounts.

Concepts of Accounting



Click on the concepts and images above to learn the basic concepts of accounting.

ACCOUNTING CONCEPT

Fundamental concepts

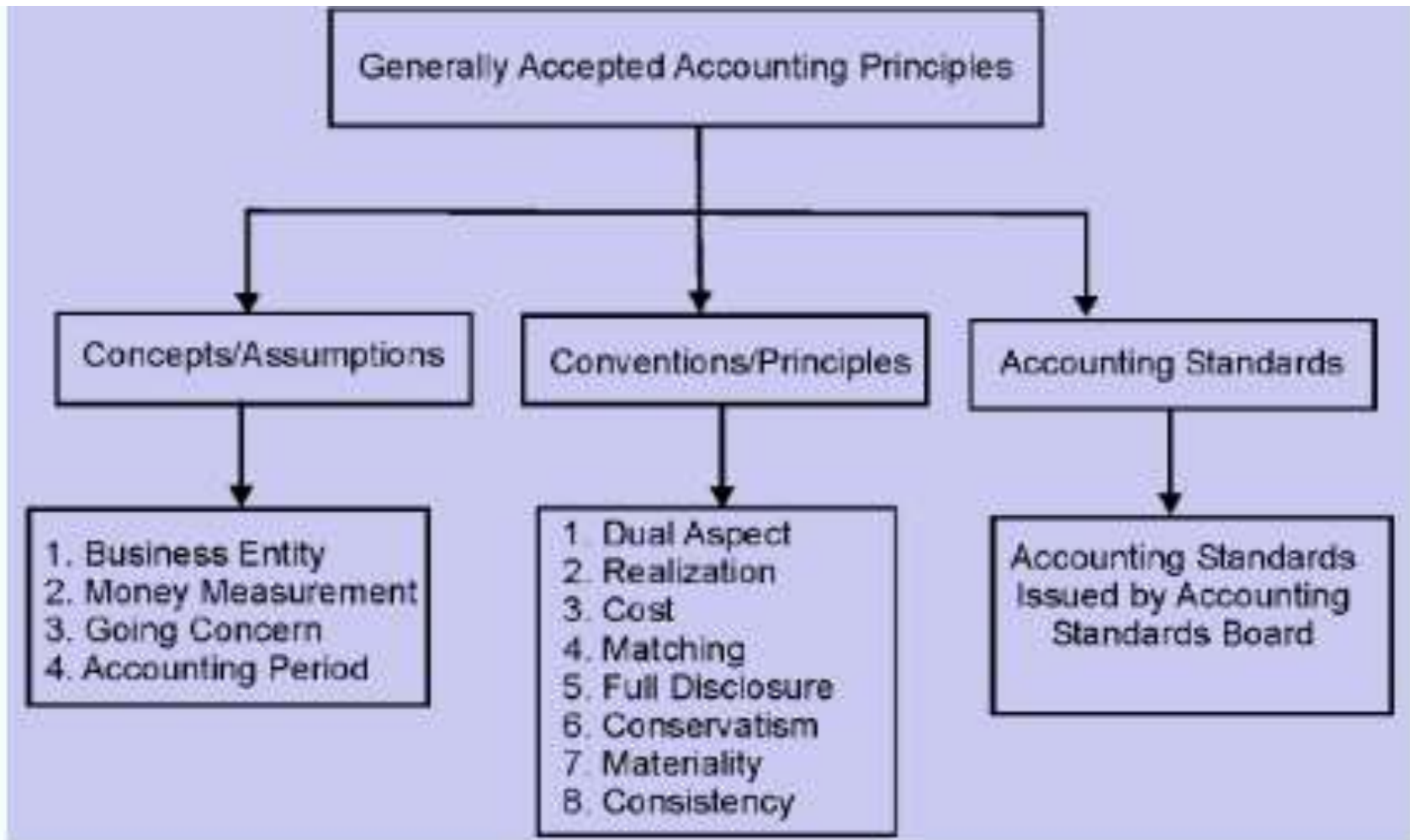
Entity concept: This states that financial accounting information relates to the activities of a business entity only and not to the activities of owners of the business.

The money measurement concepts limits recognition of activities to those which can be expressed in terms of money.

Non-fundamental concepts

Non fundamentals are important for recording and finalizing accounts. But any alterations in them do not affect the nature of financial accounting

CONCEPTS & CONVENTIONS





MEANING :

JOURNAL

The French word 'jour' means 'day'. Journal means a daily record of business transactions. Journal is a book of primary entry or original entry. All transactions are initially recorded in the journal.

LEDGER

Ledger is the main book of accounts in a business. Subsidiary books, though books of original entry, are of secondary importance only. Ledger and the accounts it contains are the core of accounting process.

[how to prepare journal](#)



VS



Distinction between Journal and Ledger

Point of Distinction	Journal	Ledger
1. Nature of Book	It is a book of primary entry.	It is a book of final entry.
2. Basis for Preparation	Primary documents (such as vouchers, receipts, etc.) are the basis for recording transactions in the Journal.	Journal is the basis for recording transactions in the Ledger.
3. Stage of Recording	Recording in the Journal is the first stage.	Recording in the Ledger is the second stage.
4. Object	It is prepared to record all transactions in chronological order.	It is prepared to see the net effect of various transactions affecting a particular account.
5. Format	Journal has five columns: 1. Date, 2. Particulars, 3.Ledger Folio, 4.Debit Amount, 5.Credit Amount.	Ledger has four identical columns on debit and credit side: 1.Date, 2.Particulars, 3.Folio, 4.Amount.
6. Balancing	Journal is not balanced.	All Ledger accounts (except Nominal Accounts) are balanced in the Ledger.
7. Process	The process of recording in Journal is called Journalising.	The process of recording in the Ledger is called Posting.
8. Basis of Preparation of Final Accounts	Journal directly does not serve as basis for the preparation of final accounts.	Ledger serves as the basis for the preparation of final accounts.

TRIAL BALANCE

According to M.S.Gosav “Trial balance is a statement containing the balances of all ledger accounts, as at any given date, arranged in the form of debit and credit columns placed side by side and prepared with the object of checking the arithmetical accuracy of ledger postings.”



Objectives of trial balance

The objectives of preparing a trial balance are:

- **To check the arithmetical accuracy of the ledger accounts.**
- **To locate the errors.**
- **To facilitate the preparation of final accounts.**

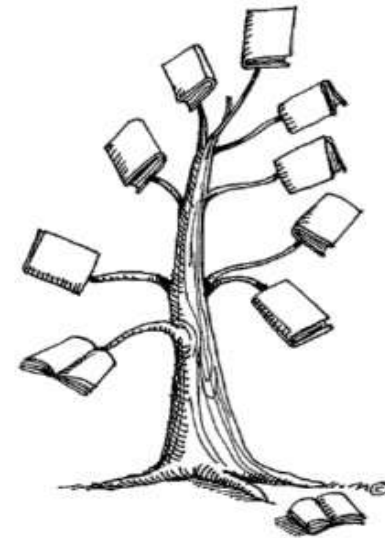


CASH BOOK

- A book of **prime entry**
- Part of the double-entry system
- The cash and bank accounts brought together

Types of cash book

- ❑ **Simple cash book.**
- ❑ **Double column cash book.**
- ❑ **Triple Column cash book.**
- ❑ **Petty Cash book**



PETTY CASH BOOK

The **petty cash book** is a formal summarization of **petty cash** expenditures, sorted by date. In most cases, the **petty cash book** is an actual ledger **book**, rather than a computer record. Thus, the **book** is part of a manual record-keeping system.



SUBSIDIARY BOOK

PURCHASE
BOOK

SALES
BOOK

PURCHASE
RETURNS
BOOK

SALES
RETURNS
BOOK

CASH
BOOK

BILLS
RECEIVABLE
BOOK

BILLS
PAYABLE

GENERAL
JOURNAL



Thank you