Accounts is the account of an account for accounts...

- The Presentor Himself

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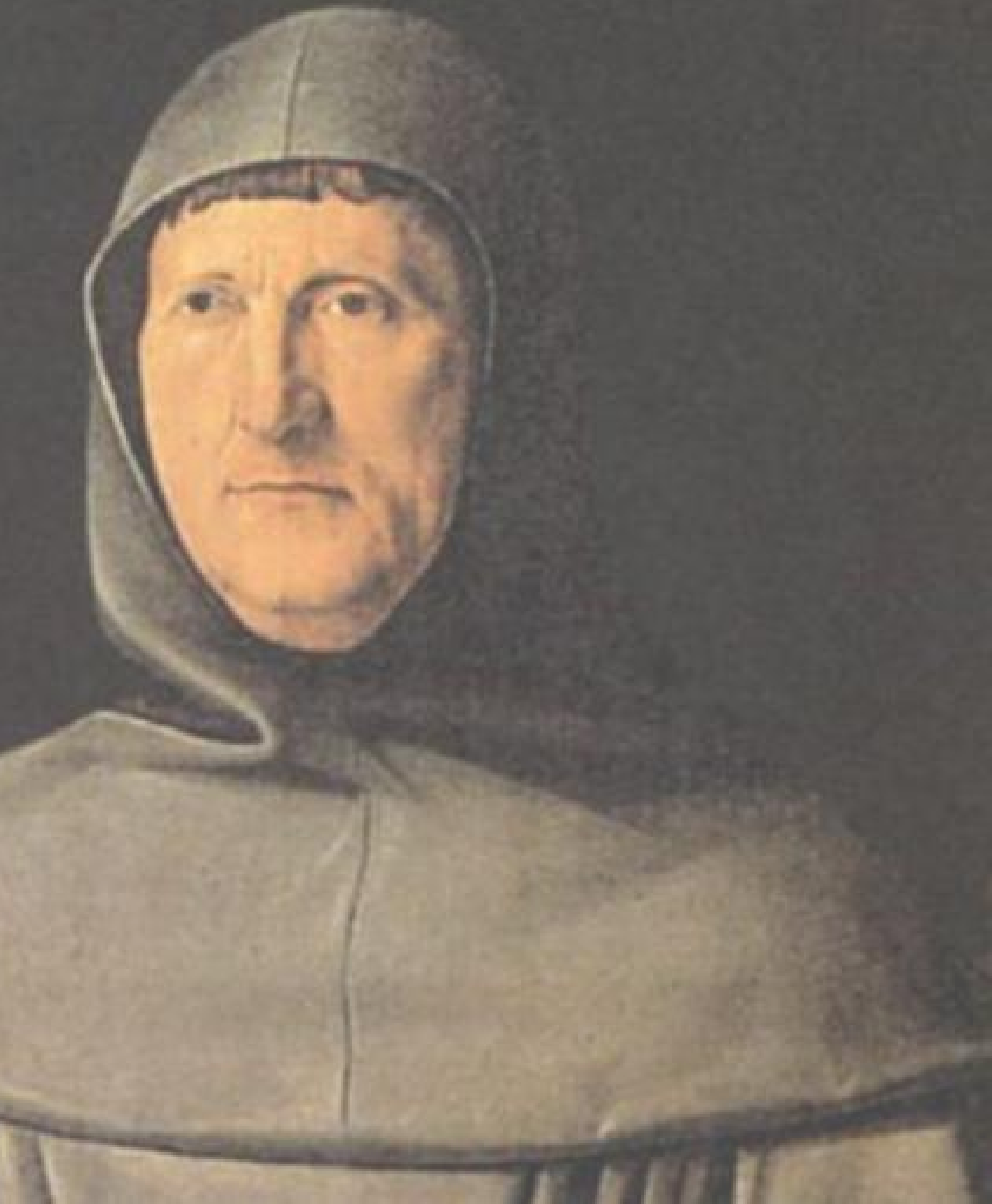
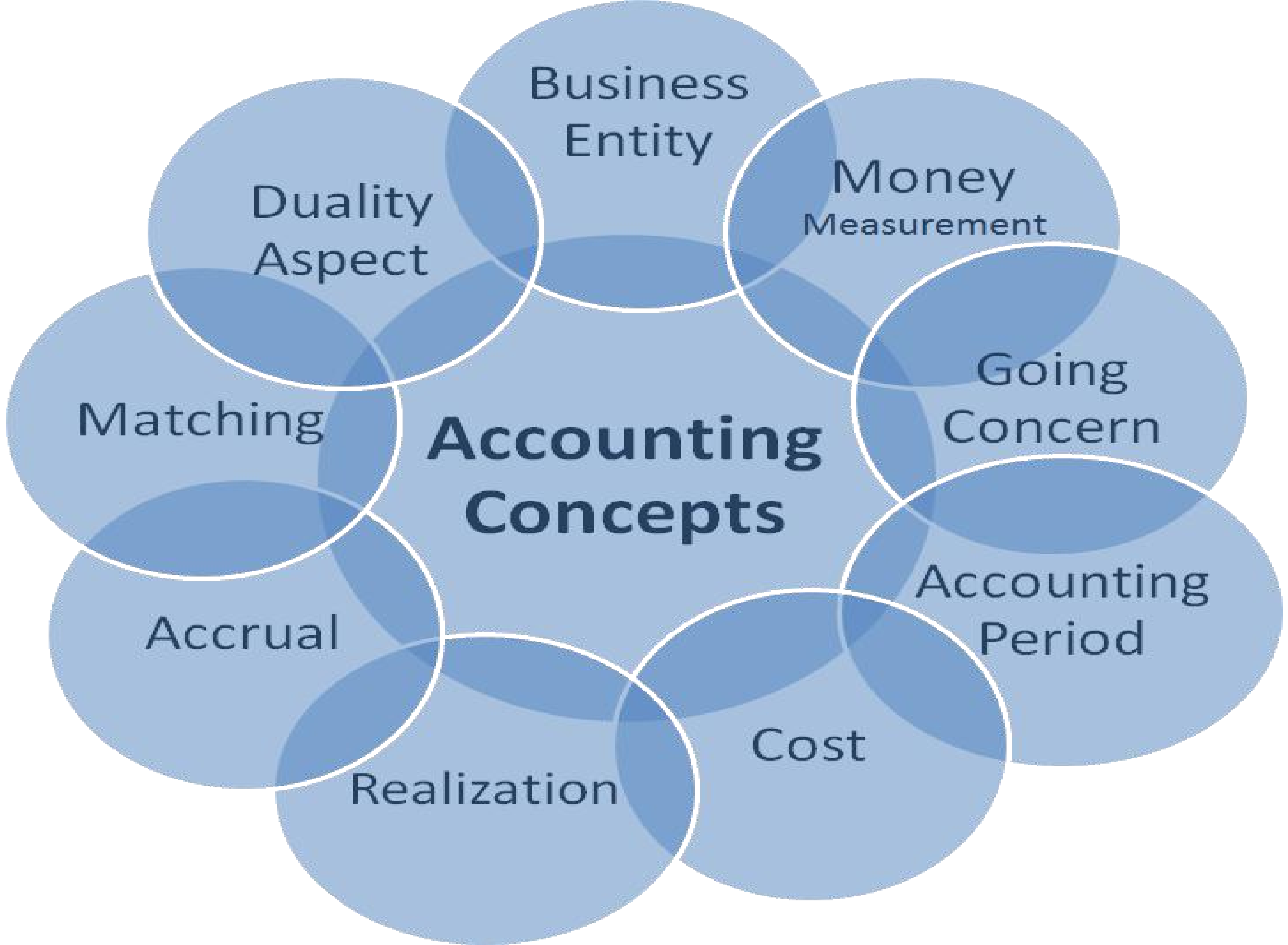
Luca Pacioli
(Father of Modern Acounting)

- Described the system of Double Entry book-keeping in 1494.
- Elaborated the system of Debits and Credits in journal and ledger.
- His system was highly used by Venetian Merchants in Venice.
- Published the concepts in Italic.




Business Entity
Money Measurement
Duality Aspect
Going Concern
Matching
Accounting Concepts
Accounting Period
Accrual
Cost
Realization

- **Business Entity Concept**

A business enterprise and its owners are two separate independent entities. Every money invested in the business is a liability for the business organisation. Book keeping and accountancy is done from the point of view of business organisation.

- **Money Measurement Concept**

All business transactions must be in terms of national currency. Anything measurable in terms of money can only be recorded like incomes and expenses but certain things like sincerity, loyality, honesty of employees cannot be expressed in monetary terms.

- **Going Concern Concept**

A business firm will continue to carry on its activities for an indefinite period of time, thereby proving continuity where the business organisation will not be dissolved in the near future. Reflects value of deferred expenses in the books of accounts.

- **Accounting Period**

Every transaction is for a specific period. Facilitates clearity and regularity in prreparation and presentation of financial statements. Expenses of a particular period only is taken into consideration.

- **Cost Concept**

Cost concept states that all assets are recorded in the books of accounts at its purchase price, which includes cost of purchase, transportation and installation (incidental expenses) and not at its market price.

- **Dual Aspect Concept**

Every transaction has a dual effect, i.e. it affects two accounts which leads to recording in two accounts.

Assets = Capital + Liabilities

- **Realisation Concept**

Realisation refers to creation of legal right to receive money. This concept states that revenue from any business transaction should be included in the accounting records only when it is realised. Mere receiving of an order is not realisation. But sales is treated as realisation.

- **Accrual Concept**

It refers to an amount becoming due that is yet to be paid or received at the end of an accounting period. This leads to receivables and payables even though if cash is not received nor paid for an income or an expenditure respectively.

- **Matching Concept**

This concept states that the expenses incurred to earn income must belong to the same accounting period. Income earned during an accounting year, whether received/receivable and all cost incurred, whether paid/payable should be taken into account while ascertaining profit or loss for that year.

Accounting Conventions

- **Conservatism**

When two values of a transaction are available, the lower-value transaction is recorded. By this convention, profit should never be overestimated, and there should always be a provision for losses.

- **Consistency**

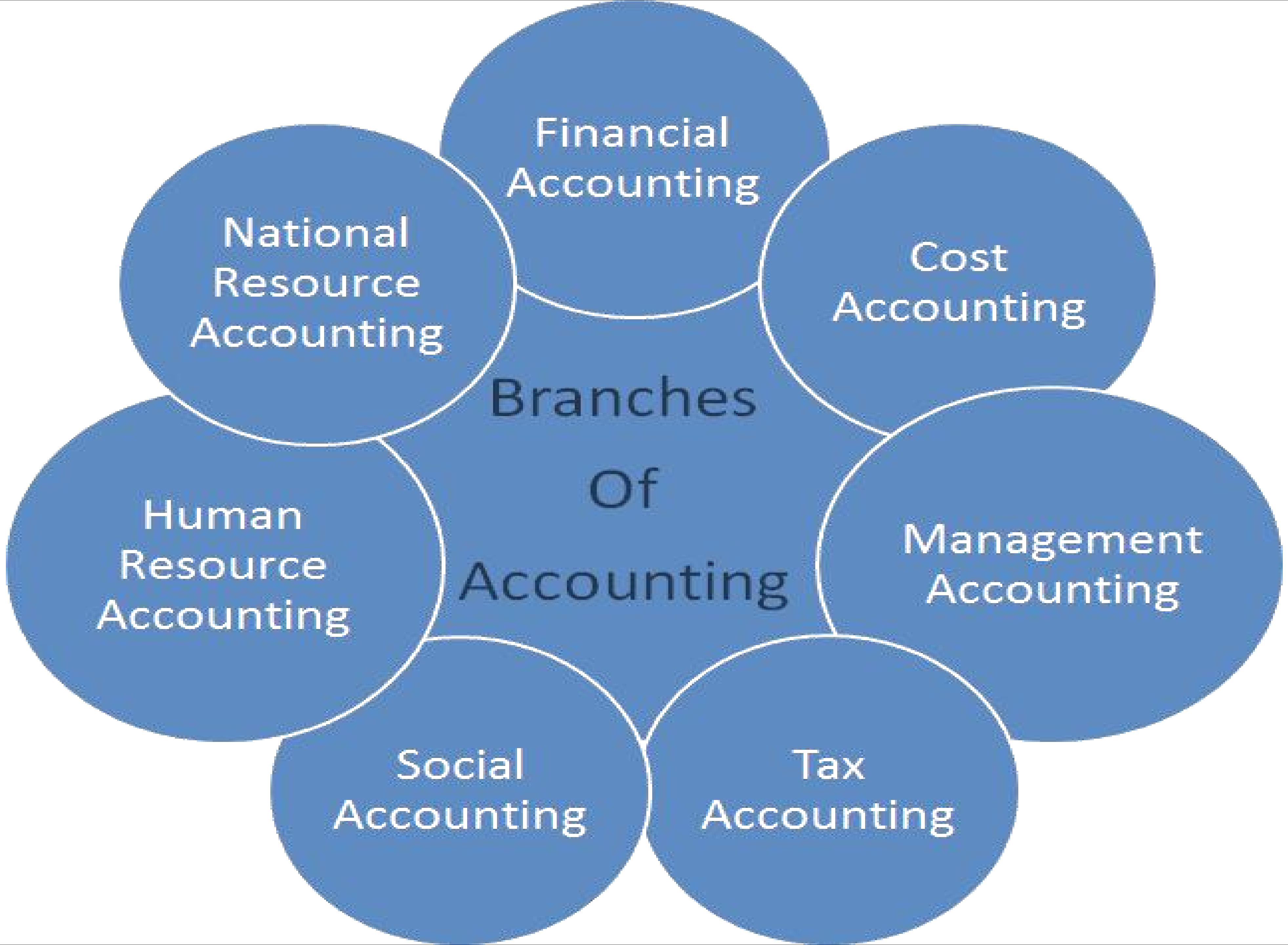
Use of the same accounting principles from one period of an accounting cycle to the next, so that the same standards are applied to calculate profit and loss.

- **Materiality**

All material facts should be recorded in accounting. Accountants should record important data and leave out insignificant information.

- **Full disclosure**

Every information should be revealed, both favourable and detrimental to a business enterprise, and which are of material value to creditors and debtors.


Branches Of Accounting
Financial Accounting
Cost Accounting
Management Accounting
Tax Accounting
Social Accounting
Human Resource Accounting
National Resource Accounting

- **Financial Accounting**

Facilitates recording financial transactions. Summarizing and interpreting them for internal and external requirements. It provides financial position as on year end. It shows profit earned or loss incurred during a period.

- **Cost Accounting**

It analyses expenditure. Cost of various products manufactured by firm and fix prices. It helps controlling costs. It provides necessary costing information to higher level management.

- **Management Accounting**

Generates information relating to funds, cost, profits etc. Helps management in decision making. It assists management in taking policy decisions and to evaluate the impact of its decisions, shows performance of various departments.

- **Tax Accounting**

A company should fully be aware of various tax legislations. This branch of accounting relates to income tax, GST, import duties, etc.

- **Social Accounting**

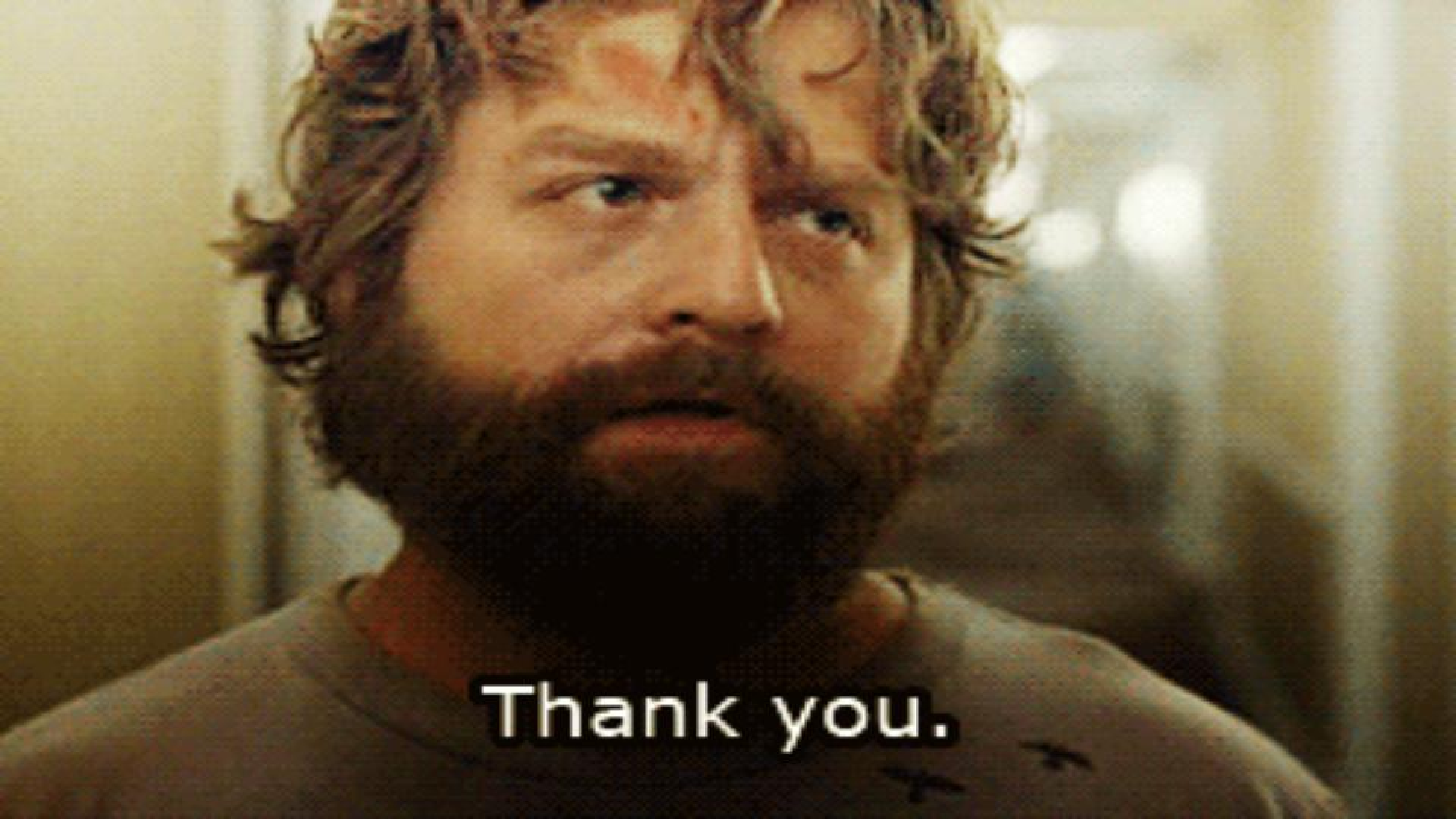
Popularly known as social responsibility accounting. Transactions for social activities incurred by an organisation is recorded in this branch. Social benefits include facilities like medical, housing, education, environment, provident fund, etc.

- **Human Resource Accounting**

Its associated to human resource within an enterprise. It is an accounting of the people of organisation. It applies accounting methods to evaluate human resources in monetary terms.

- **National Resource Accounting**

It considers accounting of transactions related the natural resources of a nation. Elements like water resources, mining, forests, land, etc. is generally concerned. It is usually programmed by economists at macro level.


Thank you.