I BBA
ACCOUNTING - I

CHAPTERS

1. INTRODUCTION [THEORY ONLY]
2. RECORDING OF TRANSACTION UNDER DOUBLE ENTRY SYSTEM
3. CASH BOOK AND BANK RECONCILITATION STATEMENT
4. DEPRECIATION ACCOUNTING
5. ACCOUNTING FOR SPECIAL TRANSACTIONS
6. FINAL ACCOUNTS OF A SOLE TRADER.

UNIT – I INTRODUCTION

History of Accounting Thoughts

First Stage : Early History of Accounting Thought

Second Stage : Development of Accounting after the year 1450 -1494

Third Stage : Age of Stagnation of accounting during the period from 1494 upto the year 1775

Fourth Stage : Period of Growth of Accounting Knowledge

a) During the Period between 1775 -1850

b) During the Period between 1850- 1900

c) During the Period between 1900 -1950

d) During the Period from 1950 to the present day.

LUCA PACIOLI is the Father of Accounting.

Book-keeping – It is the process of recording business transaction in appropriate books of account in a systematic manner so as to ensure the availability of financial information on any point of business, particularly about the profit or loss and the financial position of the business.

Accounting – Accounting has gone through several phases in its evolution and development from simple double entry book-keeping to full pledged financial accounting.

Accountancy – It is a science prescribing the principles or rules governing the recording, summarising and analysing of business transactions.

OBJECTIVES OF ACCOUNTING

i. Maintaining proper records of business transaction.
ii. Ascertaining the profit or loss of the business.
iii. Knowing the sources of revenue and the items of expenses.
iv. Ascertainment of the financial position of the business.
v. Ascertaining the amounts due to the business and the amount due from the business.
vi. Ensuring effective control over the performance of the business.
vii. Protection of the properties of the business.
viii. Prevention of errors and frauds.
ix. Satisfying legal requirements.
x. Making financial information available to various groups of persons.

FUNCTIONS OF ACCOUNTING

1. To keep a systematic record of the financial transaction of the business.
2. Accounting is regarded as the language of business or an information system.
3. It protects the properties and assets of the business.
4. It meets the legal requirements by maintaining proper records.
5. Accounting provides continuous record of the business activities ,which helps to make the comparison of it’s current years activities with the activities of previous year.
6. Accounting helps the business to get the complete knowledge of the past and present activities.

ACCOUNTING PRINCIPLES – Accounting principles are the rules which are adopted by accountants universally. while recording accounting transactions and preparing financial statements.

CLASSIFICATION OF ACCOUNTING PRINCIPLES

1) Accounting concepts 2) Accounting conventions

Accounting concepts :- They are the basic assumptions upon which the science of accounting is based.

1) **Money measurement concept**
2) **Separate entity concept**
3) **Going-concern concept**
4) **Cost concept**
5) **Dual aspect concept**
6) **Accounting period concept**
7) **Objective evidence concept**
8) **Realisation concept**
9) **Accrual concept**
10) **Matching concept**
11) **Legal aspect concept.**

ACCOUNTING CONVENTIONS :-

They are the practices followed by the accountants as a guide in the preparation of financial statement.

1. Convention of Materiality .
2. Convention of Conservatism.
3. Convention of Consistency.
4. Convention of full Disclosure.

ACCOUNTING STANDARDS

Meaning :- Accounting Standards are the guidelines laid down by the apex expert accounting body as to how business transaction are to be recorded in the books of account and the manner in which the business transactions are to be exhibited in the financial statements.

Objectives:-

- To provide information to the users as to the basis on which the account have been prepared and the financial statements have been presented.
- To serve the statutory purpose of eliminating the impact of diverse accounting policies and practices and to ensure uniformity in accounting .
- To make financial statements more meaning and comparable .
- To guide the judgment of professional accountants in dealing with those items which are to be followed consistently from year to year.

BASIS OF ACCOUNTING – It refers to the method under which business transactions are recorded in the books of accounts of a business and the annual results of the business are ascertained.

CLASSIFICATION OF ACCOUNTING BASIS :-

1. **Cash Basis of Accounting :-** It is the method of accounting under which entries for recording the transactions of a business are made only when cash is received or actually paid for those transaction.

2. **Mercantile Basis of Accounting** :-It is a basis of accounting under which the entries for the recording of transactions of a business are made the moment the amounts of those transaction become due for receipt or payment.

3. **Hybrid Basis of Accounting:-** It is a basis of accounting under which incomes are recorded on the cash basis and expenses are recorded on the mercantile basis.