

# **CLASS-11 ACCOUNTS SUMMARY**

## **INTRODUCTION OF ACCOUNTING**

The main purpose of accounting is to provide a means of recording, reporting, summarizing, and interpreting economic data. In order to do this, an accounting system must be designed.

## **MEANING OF BOOK KEEPING**

Book keeping is the activities concerned with the systematic recording and classification of financial data of an organization in an orderly manner. It is essentially a record-keeping function done to assist in the process of accounting.

## **DIFFERENCES BETWEEN BOOK KEEPING AND ACCOUNTING**

1. Book keeping stresses on the recording of transactions and so the work is clerical in nature. On the other hand, accounting is all about summarizing the recorded transactions, which require a high level of subject knowledge, expertise, analytical skills, conceptual understanding
2. Accounting is much wider and analytical than Book keeping. Book keeping it is only a part of accounting, which creates a base for accounting.

## **BRANCHES OF ACCOUNTING**

1. Financial accounting
2. Cost accounting
3. Management accounting

## **OBJECTIVES OF FINANCIAL ACCOUNTING**

1. Systematic recording of transactions
2. Ascertainment of result of above recorded transactions
3. Ascertainment of the financial position of business
4. To know the solvency position

## **LIMITATIONS OF FINANCIAL ACCOUNTING**

1. Financial statements do not disclose the current worth of the company. Initially we record transactions at their cost.
2. The value of assets that appears in the statements depends on the standards of the person who deals with it.

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3. As we prepare a balance sheet on the basis of going concern concept, where asset valuation does not represent realizable value or replacement value of the asset.

## IS ACCOUNTING AN ART OR A SCIENCE?

Accounting can be considered an art because it requires creative judgment and skills. In order to perform accounting functions well, discipline and training is required. Accounting can also be considered a science because it is a body of knowledge, but since the rules and principles are constantly changing and improving, it is not considered an exact science.

The American Institute of Certified Public Accountants (AICPA) defines accounting as: "the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least of financial character, and interpreting the results thereof".

## DIFFERENCE BETWEEN ACCOUNTING AND ACCOUNTANCY

1. Accounting is the action or process of keeping financial accounts. Accountancy describes the duties of an accountant, the person whose job is to keep, inspect and interpret financial accounts
2. Accounting is a process of collecting, recording, organising, presenting, analysing and interpreting financial transactions to enable users make informed economic decisions. Accountancy is the profession of accounting. It is what an accountant does on a daily basis.

## WORK SHEET

### SHORT QUESTION

Q1 WHAT DO YOU UNDERSTAND BY ACCOUNTING?

Q2 DEFINE BOOK KEEPING.

Q3 STATE TWO DIFFERENCE BETWEEN BOOK KEEPING AND ACCOUNTING.

Q4 MENTION THE BRANCHES OF ACCOUNTING.

Q5 STATE TWO OBJECTIVE OF FINANCIAL ACCOUNTING.

Q6 IS ACCOUNTING AN ART OR A SCIENCE?