

Principles of Accountancy - Sub. Code: 18BCA13C

Unit - I Reference Book: - 1. Principles of Accountancy
- Nagbajan, Vinayakam, Mani

Accounting Concepts & Conventions - Principles -
Capital & Revenue - Classifications of Assets and
Liabilities - Trial Balance.

Meaning of Accounting: -

Accounting includes the designing of suitable accounting system, preparation of financial statements, for analysing and interpreting the accounting information for internal as well as external end users.

Definition of Accounting: -

"Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money transactions."

- AICPA

Objectives of Accounting: -

1. Maintenance of Accounting records
2. Ascertainment of Profit or Loss
3. Depiction of Financial position
4. Providing Information

Advantages of Accounting: -

1. Systematic Records
2. Preparation of Financial statements
3. Assessment of Progress
4. Aid to decision making
5. Information to interested group.

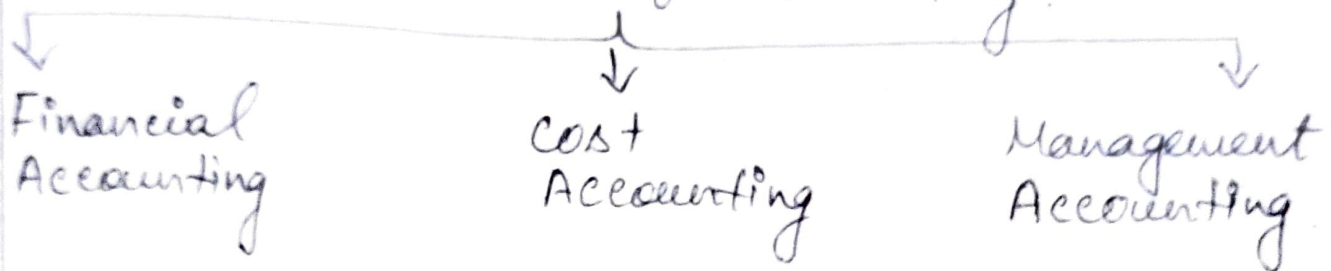
Prepared by
Dr. P. SRIDGVI

Asst. Professor

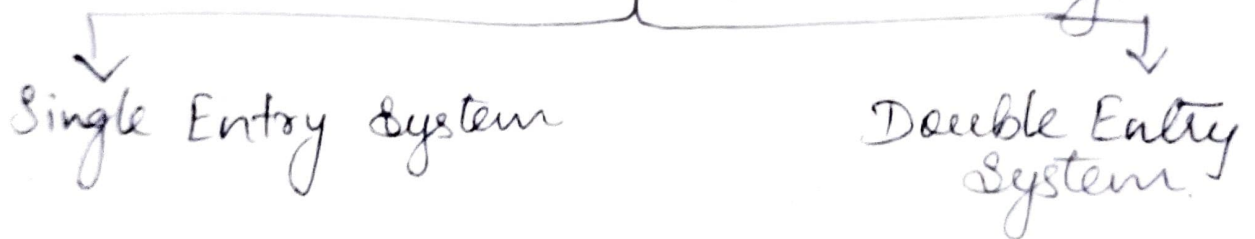
Limitations of Accounting -

1. It can not record all the events & transactions.
2. It can not measure the qualitative aspects.
3. It can not quantify the morale of employees.
4. Accounting results may not be accurate and reliable.

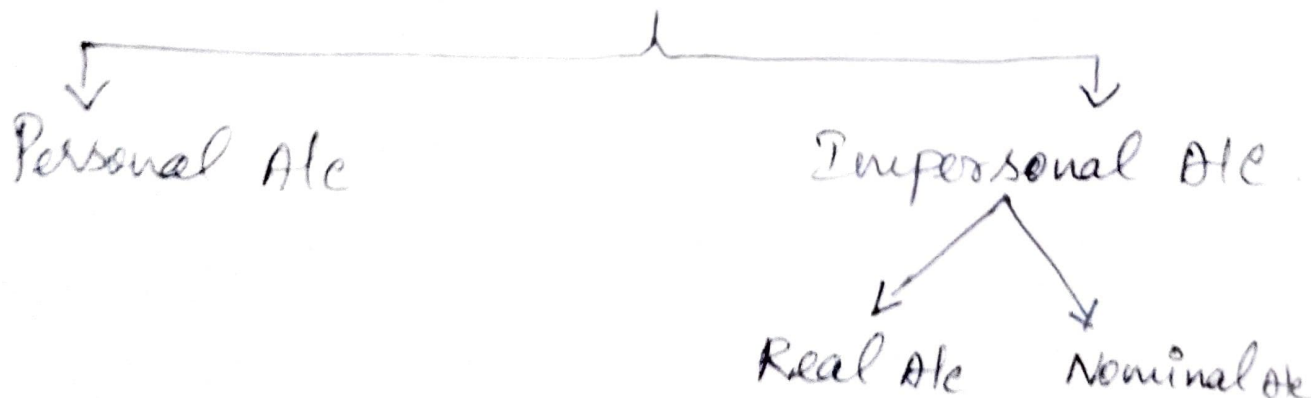
Branches of Accounting



Methods of Accounting



Types of Accounts



Accounting Rules :-

- I Debit → Benefit receiving aspects
- II Credit → Benefit giving aspects

Golden Rules under Double Entry System

1. Personal Accounts : Debit the Receiver
Credit the Giver.
2. Real Accounts : Debit what comes in
credit what goes out
3. Nominal Accounts : Debit all expenses & losses
Credit all incomes & gains.

Important Terms Used in Accounting :-

- | | | |
|-------------|-------------|---------------------|
| • Capital | • Expenses | • Invoice |
| • Drawings | • Debtors | • Voucher |
| • Assets | • Creditors | • Goods / Materials |
| • Liability | • Purchases | • Overdraft. |
| • Revenue | • Sales | • Goodwill |

Accounting Concepts & Conventions :-

- Concepts :-
1. Business Entity Concept.
 2. Money Measurement "
 3. Going Concern "
 4. Dual Aspect "
 5. Accounting Period "
 6. Cost "
 7. Realisation "
 8. Matching "
 9. Accrual "
 10. Object evidence "

- Conventions :-
1. Full disclosure
 2. Consistency
 3. Materiality
 4. Conservatism.

Accounting cycle:

- I Journal
- II Ledger
- III Trial Balance

Meaning of Journal:

It means a daily record of business transactions followed by principles of debit & credit concept.

Format of journal:-

Date	Particulars	L.F. No.	Debit (Rs.) (P)	Credit (Rs.) (P)
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Meaning of Ledger:-

All recorded business transactions or entries are grouped on a predetermined basis. It is the main book of accounts in a business.

Meaning of Trial balance:-

It is a statement in which debit and credit balances of all the accounts in the ledger are shown to test the arithmetical accuracy of the books of accounts.

Problem No. 1 / Page No. 2.35 / Financial Accounting (Reddy & Murthy)

Journalise the following transactions:-
2017

- Jan. 1. Purchased goods for cash Rs. 10000
- 2. Purchased stationery for cash Rs. 500
- 3. Purchase furniture for cash Rs. 3000
- 4. Sold goods for cash Rs. 8000
- 5. Sold goods to James Rs. 2000
- 6. Paid rent Rs. 800
- 7. Paid salary Rs. 8000
- 8. Received cash from Kamal Rs. 850
- 9. Cash deposited into bank Rs. 1750
- 10. Cash withdrew from bank Rs. 1200.

Problem No. 2 / P. No. 2.99 / Financial A/c - Reddy & Murthy.

Enter the following transactions in the journal and ledger in the books of Raj.

- | | Rs. |
|--|-------|
| Mar. 1. Raj commenced business with cash. | 30000 |
| 3. Purchased goods for cash | 1500 |
| 4. Deposited into bank | 21000 |
| 5. Withdrew from bank for office use | 1500 |
| 6. Sold goods to Ramu. | 1500 |
| 10. Purchased goods from Kannan. | 680 |
| 19. Received from Ramu Rs. 1470 and allowed him discount Rs. 30. | |
| 26. Paid rent | 150 |
| Paid salary | 300 |

Problem No. 3 / P. No. 127 / Principles of Accountancy
 - Nagarajan, Vinayakam & Mani

Prepare Trial balance from the following data
 Rs.

Cash in Hand	2400
Capital	200000
Purchases	240000
B/P.	44000
Stock	70000
Debtors	100000
creditors	48000
wages.	32000
Plant & Machinery	120000
Sales	400400
Furnitures	30000
Bad debts Reserve	2000
B/R	40000
Rent & Taxes	20000
Salaries	40000