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Manual Accounting - Module 1

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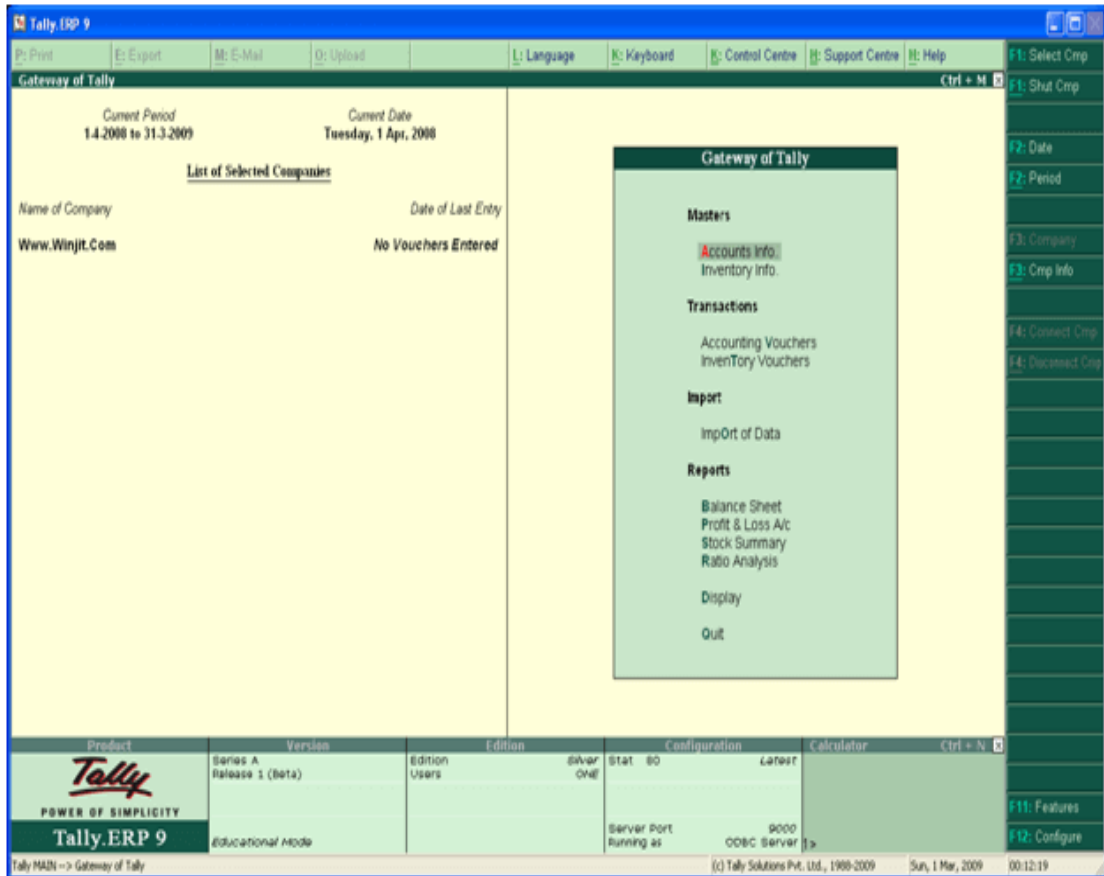
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Tally Solutions Pvt. Ltd. is an Indian multinational company that provides enterprise resource planning software. It is headquartered in Bangalore, Karnataka India

Accounting software describes a type of application software that records and processes accounting transactions within functional modules such as accounts payable, accounts receivable, general ledger, payroll, and trial balance. It functions as an accounting information system.



Designation hold by a person, having wok experience in tally: Book Keeper

Need for Accounting:

At the end of each year, all the businessmen want to know how much they have gained or lost during the year, how much capital is invested in the business at the end of the year, how much amount they are liable to pay and to whom they owe it; how much is owned to them and by whom etc.

In order to attain such information, it is essential to keep a complete and systematic record of each and every business transaction entered into during the year.

By keeping a complete and systematic record of every business dealing, the businessman can how much is the amount of purchase; how much is the amount

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of sales; what are his total expenses and what is the amount of profit earned or loss incurred during the year.

Importance of accounting record is increasing day-by-day. now a days the properly maintained accounts give the answer of a number of questions, such as:

- What is the cost of production?
- Is such cost responsible or not? can it be reduced and if so, in what manner?
- What should be the selling price based on the cost of production?

Thus, business owners can take important decisions with the help of the information provided by accounting data.

Meaning of Accounting:

Accounting is the art of recording, classifying and summarizing in a significant manner and in term of money, transactions and events, which are, in part at least, of a financial character, and interpreting the result thereof”

Objective of Accounting:

1. To keep systematic record of business transaction: the main objective of accounting is to keep complete record of business transactions according to specified rules. Complete record of business transactions help to avoid the possibility of omission and fraud. For this purpose, all the business transactions are first of all recorded in journal or subsidiary books and then posted into ledger.
2. To calculate profit or loss: the second main objective of accounting is to ascertain the net profit earned or loss suffered on account of business transactions during a particular period. For this purpose trading and profit and loss account of the business is prepared at the end of each accounting period.
3. To ascertain the financial position of the business: for a businessman, ascertaining profit of loss of the business is not sufficient, the businessman must also know the financial health of the business. For this purpose, after preparing the profit and loss account a statement called ‘balance sheet’ is prepared. Which shows the assets and their values on the one hand and the liabilities and capital on the other hand.
4. To provide information to various parties: another main objective of accounting is to communicate the accounting information to various interested parties like owners, investors, creditors, banks , employees and government authorizes etc. the information helps them in taking sound and judicious decisions about the business entity.

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Book Keeping, Accounting and Accountancy

These three are sometimes considered as synonymous, i.e., having the same meaning. However, there is a fundamental difference amongst book-keeping, accounting and accountancy.

Book Keeping: book keeping is an art of recording in books of accounts the monetary aspect of commercial or financial transactions. It is mainly concerned with record keeping or maintenance of books of accounts. The maintenance of books of accounts included the following four activities:

- I. Identifying the transactions of financial nature from amongst the various transactions.
- II. Measuring the identified transactions in terms of money.
- III. Recording the identified transactions in the books of original entry.
- IV. Classifying them into the ledger.

The book-keeping function is routine and clerical in nature and can be performed by persons having limited knowledge of accounting. At present this function is increasingly done by computers.

Accounting: according starts where book-keeping ends. It includes the following activities:

- I. Summarizing the classified transactions in the form of profit and loss account and balance sheet etc.
- II. Analyzing and interpreting the summarized result. In other word, drawing the meaningful information from profit and loss account and balance sheet etc.
- III. Communicating the information to the interested parties.

Thus, an accountant's work goes beyond that of a book-keeper. however, in actual practice the accounting process includes the book-keeping function also because on the basis of book-keeping records, an accountant draws up periodically such financial statements as profit and loss account and balance sheet etc. in a small concern, the accountant performs the work of a book-keeper also.

Accountancy: it refers to a systematic knowledge of accounting concerned with the principles and techniques which are applied in accounting. it tells us how to prepare the books of accounts. How to summarize the accounting information and how to communicate it to the interested parties. According to Kohler, 'accountancy refers to the entire body of the theory and practice of accounting.

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Distinction between book- keeping and accounting

Book-keeping differs from accounting in the following respects:

Basis of distinction	Book-keeping	Accounting
1. Scope	Book- keeping includes: a) identifying the transactions of financial nature b) measuring the identified transactions in terms of money; c) recording the measured transactions; and d) classifying them into ledger.	Accounting in addition to book- keeping includes: a) summarizing the classified transactions; b) analyzing and interpreting the summarized results; and c) communicating the results to parties interested in them.
2. Stage	Book Keeping is the primary Stage	It is the secondary stage. Accounting starts where book- keeping ends.
3. Objective	The main objective of book-keeping is to maintain systematic records of transactions of financial nature.	Its main objective is to ascertain the net results and financial position of the business and to communicate them to interested parties.
4. Nature of jobs	The book-keeping function is routine and clerical in nature.	The accounting function is analytical in nature.
5. Who performs	The book- keeping function is performed by junior staff.	The accounting function is performed by senior staff
6. Knowledge level	It can be performed by persons having limited level of knowledge.	It is performed by persons having higher level of knowledge than that of book- keeper.
7. Analytical skill	The book- keeper is not required to possess analytical skill.	The accountant is required to possess analytical skill.

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