

2.1.2 Definitions of book-keeping
 “Book-keeping is an art of recording business dealings in a set of books”. - *J.R.Batliboi*.

“Book-keeping is the science and art of recording correctly in the books of account all those business transactions of money or money’s worth”. -*R.N.Carter*.

2.1.4 Objectives of book-keeping - To

- have a complete and permanent record of all business transactions in chronological order and under appropriate headings.
- facilitate ascertainment P&L
- facilitate ascertainment B/S
- know the progress of the business.
- find out the tax liabilities.
- fulfil the legal requirements.

2.1.5 Advantages of Book-keeping

- Systematic records of Trans
- permanent and reliable record
- useful to get the financial info
- helps to have control over..
- serve as a legal evidence
- Comparison of financial info
- useful to find out the tax liability.

Accountancy
 [Accounting (Book-Keeping)]

2.1.6 Limitations of book-keeping

- Only monetary transactions
- Effects of price level changes are not considered.
- Only past data (historical) are recorded.

Book-Keeping	Accounting
Scope: recording and classifying	Full accounting cycle
Stage: primary, base for accounting	Primary as well as secondary
Nature: routine and clerical	Analytical in nature
Knowledge required: principles of journalizing and posting to Ledger	Required Thorough knowledge of accounting principles, procedures and practices.
Skill: analytical skill not required.	Requires analytical skill

2.4 Accounting Principles – are the basic norms and assumptions developed and established as the basis for accounting system.

- adopted universally
- provide uniformity and consistency in the accounting methods and process
- Such accounting principles are known as Generally Accepted Accounting Principles (GAAP).

GAAP – Generally Accepted Accounting Principles
 IFRS – International Financial Reporting Standards
 - issued by the IASB (International Accounting Standards Board)
 ICAI – Institute of Chartered Accountants of India (in India they issues the standards)
 ASB – Accounting Standards Board
 AS – Accounting Standards (in India it is Ind AS)

Accounting standards have been issued by national and international regulatory authorities to ensure uniformity of accounting procedure and accounting results.

2.5.1 Need for accounting standards - to

- promote better understanding of financial statements
- help accountants to follow uniform procedures and practices
- facilitate meaningful comparison of fin.stmt of 2 or more entities
- enhance reliability of financial statements
- meet the legal requirements effectively

Going concern, Consistency and Accrual concept are considered as fundamental accounting assumptions.

Accounting **concepts** are the **basic assumptions** whereas **conventions** are the **guidelines** based upon practice or usage. (Refer to page 25 of text book)

CONCEPTS of ACCOUNTING: [ABC DGM MOPR]

Accrual – Transaction is recorded when it is entered into and not when settlement takes place
 Business entity – Owner and business are two different entities
 Cost – Assets are recorded at cost price
 Dual aspect – Every transaction has two aspects – debit and credit
 Going concern – Business will continue for a foreseeable future
 Matching – Expenses relating to a particular period are to be matched with revenues relating to that period.
 Money measurement – only monetary transactions are recorded
 Objective evidence – every transaction must have supporting evidence
 Periodicity – Accounts are closed at the end of accounting period (generally 1 year)
 Realization – Revenue should be recorded only when it is realized

CONVENTIONS of ACCOUNTING: [CCFM]

Conservatism or prudence – While recording transactions, only the prospective losses and not the prospective incomes should be considered.
 Consistency – Accounting rules and practices should be continuously observed
 Full disclosure – Accounts must disclose full and fair information
 Materiality – Relatively important and significant monetary items are to be recorded and disclosed in the fin. statements