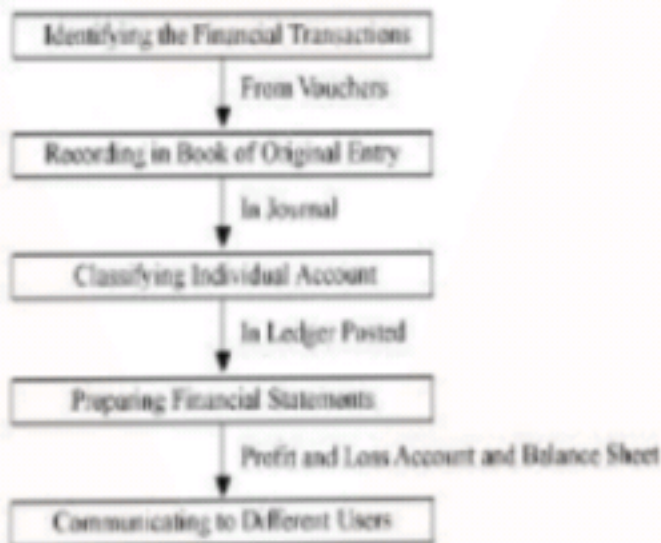


CBSE CLASS 11 ACCOUNTANCY
FINANCIAL ACCOUNTING PART-1
REVISION NOTES
CHAPTER-1
INTRODUCTION TO ACCOUNTING

➤ Accounting

Accounting is the art of recording, classifying and summarising the economic information in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof.

➤ Functions of Accounting



- 1) **Identifying:** The first step in accounting is to determine what to record, i.e., to identify the financial events which are to be recorded in the books of accounts. It involves observing all business activities and selecting those events or transactions which can be considered as financial transactions.

- 2) It contains only those informations which can be expressed in terms of money. It ignores qualitative elements such as efficiency of management, quality of staff, customer's satisfactions etc.
- 3) It may be affected by window dressing i.e. manipulation in accounts to present a more favorable position of a business firm than its actual position.
- 4) It is not free from personal bias and personal judgment of the people dealing with it. For example, different people have different opinions regarding life of asset for calculating depreciation, provision for doubtful debts etc.
- 5) It is based on various concepts and conventions which may hamper the disclosure of realistic financial position of a business firm. For example, assets in balance sheet are shown at their cost and not at their market value which could be realised on their sale.

➤ **Book Keeping - The Basis of Accounting**

Book keeping is the record-making phase of accounting which is concerned with the recording of financial transactions and events relating to business in a significant and orderly manner. Book Keeping should not be confused with accounting. Book keeping is the recording phase while accounting is concerned with the summarizing phase of an accounting system. The distinction between the two are as under.

Accounting	Book Keeping
1) It is the summarizing phase of an accounting system.	1) It is the recording phase of an accounting system.
2) It is a Secondary Stage which begins where the Book keeping process ends.	2) It is a primary stage and basis for accounting.
3) It is analytical in nature and required special skill or knowledge.	3) It is routine in nature and does not require any special skill or knowledge