

Financial Accounting

BCA
1st Batch
2nd Semester

Meaning and concept of Accounting



Financial

Non- Financial

Record

Book keeping

Book–Collection of financial transaction

Keeping–Recording

Book keeping

- ▶ Identification
- ▶ Collecting
- ▶ Recording
- ▶ Classifying

Accounting

- ▶ Analysis
- ▶ Interpreting
- ▶ Reporting
- ▶ Communicating

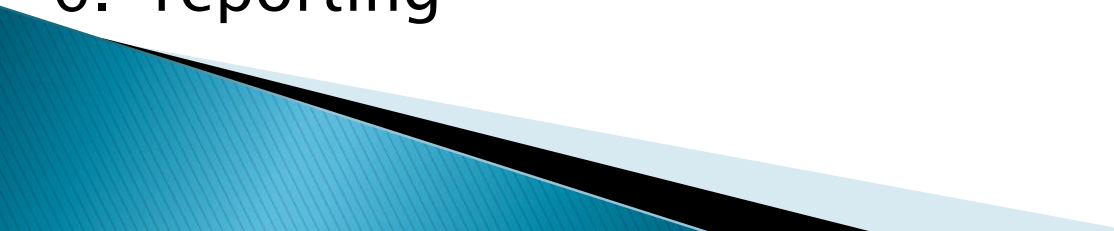
Accounting

Accounting is an act of recording ,analyzing ,interpreting ,reporting & communicating the recorded data or transactions which have monetary value .it helps to find out profit and loss (result) and financial position about the business . It helps to provide necessary information to the various users.

Procedural aspects of accounting

1. Generating financial information
 2. Using financial information
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Generating financial information

1. Recording
 - ▶ Journal
 - ▶ Subsidiary book
 2. Classifying
 3. Analyzing
 - ▶ ledger
 4. Summarizing
 - ▶ Trial balance
 - ▶ Trading ,profit and loss a/c
 - ▶ Balance sheet
 5. Interpreting
 6. reporting
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Using financial info mating

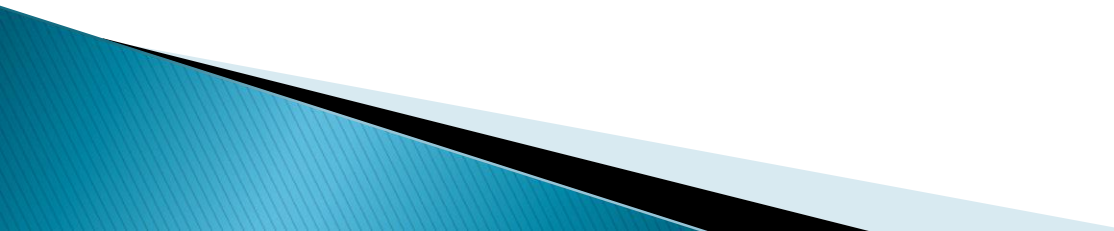
- ▶ Internal user : Owner, Management
- ▶ External user :
 - Inviters
 - Employees
 - Suppliers
 - Lender
 - Customer
 - Government, public

Evolution of Accounting as social science

Traditional Accounting

Book keeping is a regarded as an accounting . The double entry book keeping has been developed 15th century .

The origin of book keeping can month be traced out. It has been practiced from ancient time. luca Pacioli introduced book keeping in 1494 AD who lived in Italy. He published book named about of principles of double entry system .He started the term debit and credit use of memorandum (journal & ledger).



Management Accounting

Management Accounting is the process of analyzing .interpreting reporting the information which helps to decision making ,planning &controlling

Financial Accounting

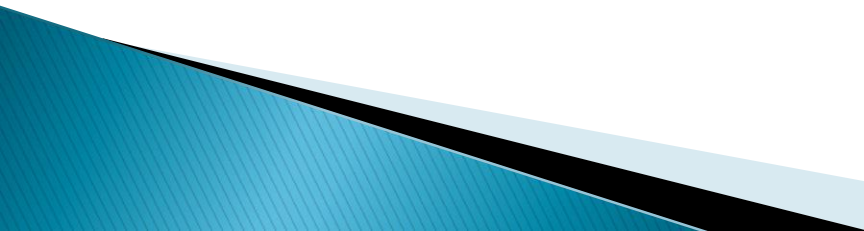
Financial Accounting concerned with identifying measuring & communicating the useful information of business. It includes disclosure of financial statement (i.e.. Profit & loss &balance sheet).



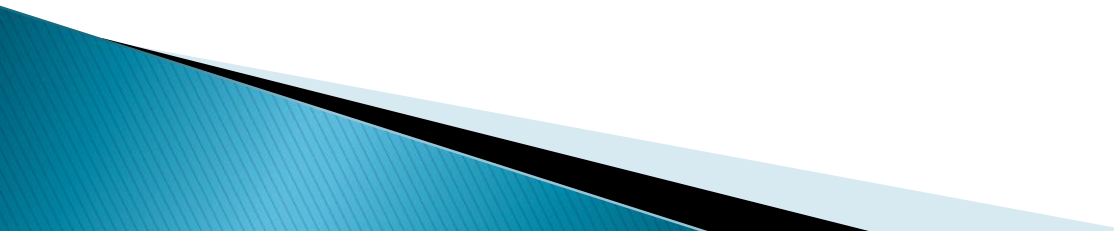
Social Responsibility Accounting

- ▶ It is concerned with social , awareness ,pollution , resources of society quality product CSR (corporate social responsibility).

Objective of accounting

1. To record the financial transaction systematically as per as specified rules .
 2. To find out the result of organization (profit and loss)
 3. To ascertain the financial position .
 4. To provide information to the users.
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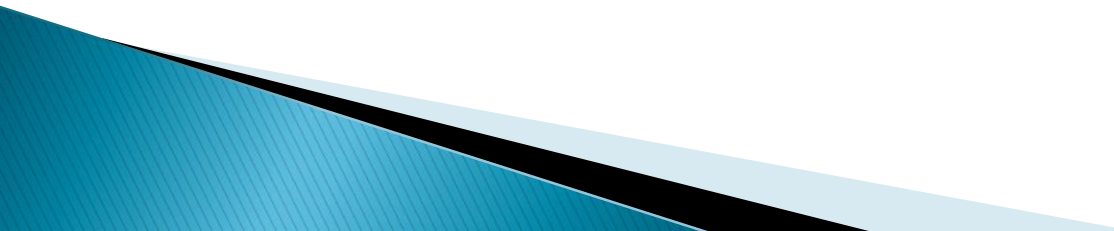
Function of accounting

- 1. Complete records: Human memory is limited and cannot remember for long period . Accounting helps to record completely financial transaction for future reference.
 - 1. Knowledge of result: Accounting helps to find out result (profit and loss)during a certain period .
 - 1. Financial position: Accounting helps to ascertain financial position (Assets and liabilities) of the business.
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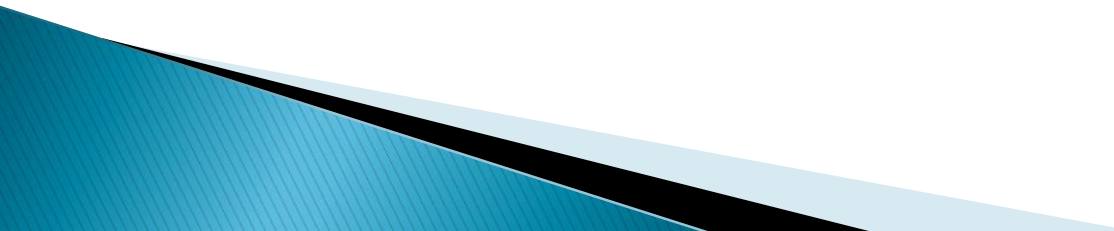
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4. Reporting information : Accounting provides necessary information to the various internal and external users.

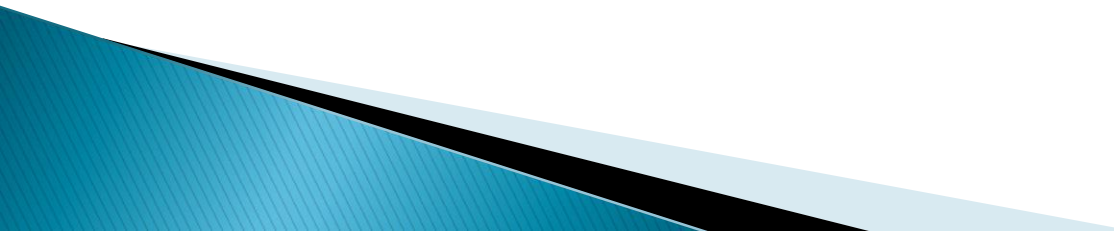
Scope of Accounting

1. Trading concern :It has a scope in trading concern which are establish in profit making like wholesaler ,dealer, industry.
 2. Non-trading : It has a scope in non-trading concern which are established in service making like hospital, transportation ,club ,trust.
 3. Professional : it has a scope in an individual professional like doctor ,engineer, contractors
 4. Government :It has scope in government accounting.
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Sub-field of Accounting

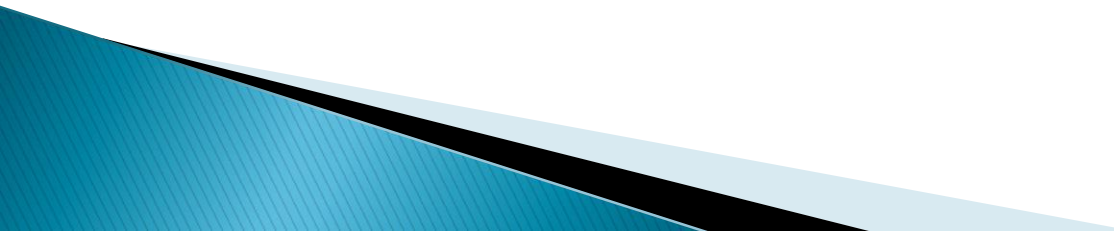
- Booking keeping
 - Financial Accounting(body)
 - Cost accounting(blood)
 - Management Accounting .(brain)
 - Tax Accounting
 - Auditing
 - Social Accounting
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Limitation of Accounting

- ▶ Records only monetary and historical data .
 - ▶ No consideration for price level changes.
 - ▶ Absence of cost analysis
 - ▶ Not unified method
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Accounting concept, principles(GAAP)Generally Accepted Accounting Principles

Accounting concepts:

1. Going concept
 2. Business entry concept
 3. Matching concept
 4. Accounting period concept
 5. Money measurement concept
 6. Cost concept
 7. Revenue realization concept
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1. Business entity concept

- In this concept ,business is considered as separate entity from its owner .Transactions of business should be recorded separately .of personal transaction of owner is mixed up into business ,it can't get actual result.

2. Going concept

- Business will continue forever or long period .business never dies and thinks that it will be closed after some period ,it has unlimited life.

3. Matching concept

- In this concept ,the expenses and incomes relating to certain period should be matches to find out the profit .any income and expenses of last year and coming year should not include in current year.

4. Accounting period concept

- Business organization should be kept and closed with fixed period to know that profit and it may be started from bask ,shrawn,janary,or ended in chaitra,ashad,december.

5. Money management concept

- According to this concept ,there is recorded only those transactions which is converted to monetary term,non-monetary activities like feeling ,emotion are not recorded .

6. Cost concept

- All business transaction should be recorded the book of account of cost price at which they are purchased and paid actually .there is not considered increase and decrease in marker value.

7. Revenue realization concept

- In this concept ,revenue is relished when goods and services are transferred to the customer either cash or pay cash in future

Journal entries

Questions:

a.

1. Raj started business with cash Rs 50000.
2. Deposit cash into bank 10000.
3. Purchase goods on cash 5000.
4. Purchase good from hari 10000.
5. Purchase a computer for 45000.
6. Sold good on cash 20000.
7. Sold good to mohan 15000.
8. Paid salaries 4000.
9. Received rent 2500.
10. Withdraw cash by raj for personal use 4000.
11. Returned goods to hari 1000.
12. Returned goods from mohan 2000.
13. Depreciation on computer 10%.
14. Withdraw cash from bank 2000.

Require :journal entries

Journal entries

In the book.....

Date	Particular	I.f	Debit	Credit
1	Cash a/c.....Dr. To capital a/c (being started business with cash)		50000	50000
2	Bank a/c.....Dr. To cash a/c (being cash deposit into bank)		10000	10000
3	Purchase a/c.....Dr. To cash a/c (being goods purchased on cash)		5000	5000
4	Purchase a/c.....Dr. To hari a/c (being good purchase from hari)		10000	10000
5	Computer a/c.....Dr. To cash a/c (being purchase computer)		45000	45000
6	Cash a/c.....Dr. To sales a/c (being sold good on cash)		20000	20000
7	Mohan a/c.....Dr. To sales a/c (being sold good to mohan)			
8	Salary a/cDr. To cash a/c (being paid salary)			
9	Cash a/c.....Dr. To rent a/c (being receive rent)			
10	Drawing a/c.....Dr. To cash a/c (being withdrawn cash by raj)			

11	Hari a/c.....Dr. To purchase a/c (being return to hari)			
12	Sales return a/c.....Dr. To mohan a/c (being returned goods from mohan)			
13	Depreciation a/c.....Dr. To computer a/c (being depreciation on computer)			
14	Cash a/c.....Dr. To bank a/c (being withdrawn cash from bank)			

◦ B.

1. Mr. Shrestha started business with cash 50000 and furniture 30000.
2. Purchase goods from ram for 20000 and paid cash only 12000.
3. Sold goods to hari for 15000 and received cheque 10000 partially.
4. Paid wage and salary 5000 and 8000 respectively.
5. Sold furniture costing 8000 at 5000.
6. Paid cash to ram 7500 in full settlement .
7. Received cash from hari 4800 in full settlement.

required: journal entries



Journal entries

In the book.....



Date	Particular	If	Debit	Credit
1	Cash a/c.....Dr. Furniture a/c.....Dr. To capital a/c (being started business)		50000 30000	80000
2	Purchase a/c.....Dr. To Ram a/c (being purchase good from Ram)		20000	20000
3	Bank a/c.....Dr. Hari a/c.....Dr. To sales a/c (being sold good to Hari)		10000 5000	15000
4	Wage a/c.....Dr. Salary a/c.....Dr. To cash a/c (being wage and salary paid)		5000 8000	13000
5	Cash a/c.....Dr. P.I a/c.....Dr. To furniture a/c (being sold furniture)		5000 3000	8000
6	Ram a/c.....Dr. To discount a/c To cash a/c (being cash paid to Ram)		8000	500 7500
7	Cash a/c.....Dr. Discount a/c.....Dr. To Hari a/c (being receive cash from Hari)		4800 200	5000

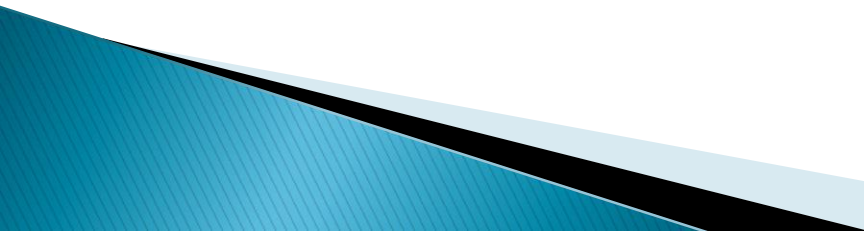


Company and its formation

▶ Meaning of company

company is one of the important form of business organization .it is an associate by group of people who contribute money and they are united for common objectives .its an artificial person which is created by law and it can easily purchase or sale goods and other properties in its own name. it has also separate legal entity from its owner and liability of each member is limited .

features or characteristics of company

- a) Artificial person : A company is an artifial person because it can purchase or sale valuable assets and goods on its own name like a natural person .
 - b) Legal entity : company is created by law and it has also distinct legal entity from its member so that personal transactions of the shareholder are recorded in the book of the company .
 - c) Limited liability : owner of the company is a liable to the value of share purchase only .the company cannot claim money more than nominal value of share to its shareholders .
 - d) Managed by BOD : the shareholder cannot involve directly in the company thus it is managed operated and controlled by board of directors.
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Types of company

On the basis of formation/incorporation

- a) Character company : A company which is established by Royal Charter or Head of state is called character company . In Nepal such type of company is not establish yet.
 - b) Statutory company : A company which is established by special act of parliament is called statutory company .Nepal Rastha bank ,Agriculture development bank is example of statuory company
 - c) Register company : A company which is established and registered under the company act is called registered company .
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