Accounting Basics

What is Accounting ?

The art of **recording, classifying** and **summarizing** in a significant manner and in terms of money, transactions and events which are, in part at least, of **financial character** and **interpreting the results** thereof."

Account

Debit	Credit
Assets	Liabilities
Expenses	Equity
	Revenue

Assets, Expenses: Debit ↑ Credit ↓

Liabilities, Equity, Revenue: Debit ↓ Credit ↑

Σ Debits = Σ Credits

Accounting Rules

- **Personal Account:**
  Debit the receiver,
  Credit the giver

- **Real Account:**
  Debit what comes in,
  Credit what goes out

- **Nominal Account :**
  Debit all expenses/losses,
  Credit all gains/income

Modern Rules of Accounting

	1.Capital	2.Assets	3.Liability	4.Expense	5.Income
Debit	Decrease	Increase	Decrease	Increase	Decrease
Credit	Increase	Decrease	Increase	Decrease	Increase
Applicable to:	This rule is applicable to all owner's Transaction	This rule is applicable to all assets of the business	This rule is applicable to all Liabilities of the business	This rule is applicable to all Expenses of the business	This rule is applicable to all Income of the business
	Like:- a) Capital Introduced b) Drawings	Like:- a) Cash b) Land and Building c) Plant and Machine d) Furniture and Fixture e) Trade Marks, Etc.	Like:- a) Bank Loan b) Mortgaged Loan c) Creditors d) Short Term Loan, Etc.	Like:- a) Salary b) Wages c) Purchases, Etc.	Like:- a) Sales b) Commission Received, Etc.

Accounting Concepts

Assets

- Sunday debtors
- Fixed Assets
- Current Assets
- Investments
- Stock in hand
- Loans & Advances
- Cash in hand

Liabilities

- Sundry Creditors
- Current Liability
- Bank Overdraft
- Loan
- Secured Loan
- Unsecured Loan
- Provision
- Duties & Taxes
- Reserves & Surplus

Expenses

- Purchase
- Direct Expense
- Indirect Expense
- Miscellaneous Expenses

Revenue

- Indirect income
- Sales

Equity

- Capital

Other

- Branch & division
- Suspense account

Thank You