

BCM-102

FINANCIAL ACCOUNTING

**UNIT-1 MEANING, OBJECTS, SCOPE AND
FUNCTIONS**

(B. COM. FIRST YEAR)



Compiled By

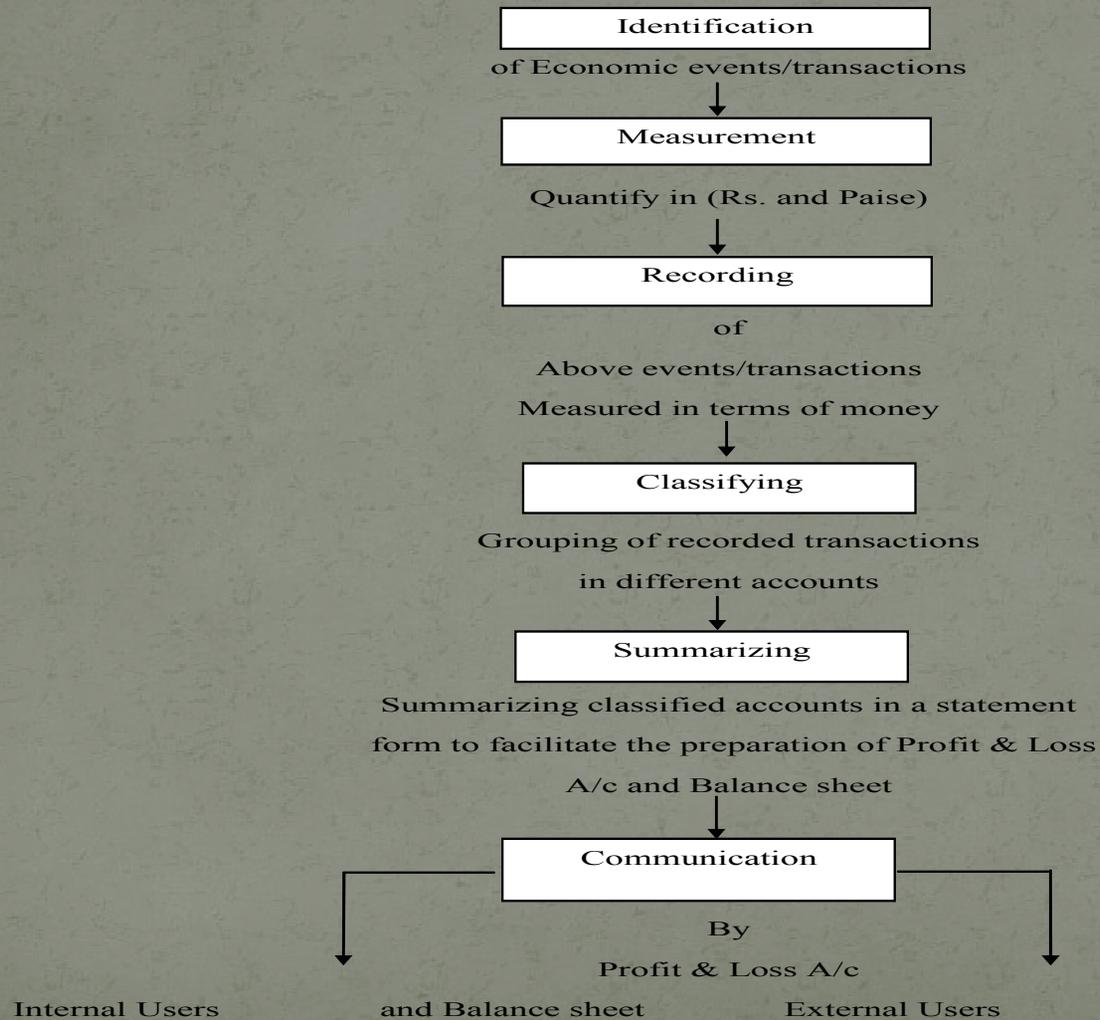
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Accounting : Meaning

- Accounting is a language of business. The basic function of any language is to serve as a means of communication. Accounting also serves this function. It records business transactions taking place during the accounting period. In other words, where ever money is involved, accounting is required to account for it. The main purpose of accounting is to ascertain profit or loss during a specified period and to show financial condition of the business on a particular date and to have control over the firm's property.
- According to American Institute of Certified Public Accounts Committee on Terminology, "Accounting is 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 a financial character and interpreting the results thereof."

Accounting Process

FLOW CHART OF ACCOUNTING PROCESS



Features of Accounting

- 1. It is an art.
- 2. It records transactions / events which can be measured in terms of money only.
- 3. It classifies business transactions in terms of different accounts.
- 4. It summarizes and prepares final accounts i. e. Profit and Loss Account and Balance Sheet
- 5. It communicates results to the users for taking intelligent decisions.

Scope of Accountancy

- **Book- Keeping**

- It is the presentation of routine records of all monetary transactions taking place in an accounting period

- **Accounting**

- Accounting starts where Book-keeping ends. The accounting covers all the accounting activities write from preparation of financial statements and their reporting to users.

Objects of Accounting

- **1. Maintain Accounting Record**
- **2. Ascertain Profit or Loss**
- **3. Ascertain Financial Health**
- **4. Communicate Information to Users**
- **5. Prevent Defalcation of Funds**
- **6. Satisfy Government Authorities**

Functions of Accounting

- 1. Identification of business transactions which can be measured in terms of money. These transactions must be related to the business and accounting period.
- 2. Recording and analyzing the identified transactions in the books of accounts i.e. Journal and Ledger.
- 3. Preparation of summary statements i. e. Trial Balance and accounting reports in the form of Profit and Loss Account and Balance Sheet.
- 4. Supply the necessary information about the operational performance and financial soundness to the users for decision making.

Summary

- Accounting is a language of business. Accountancy covers book-keeping and accounting. Book-Keeping is the preparation of routine records. In other words, writing of transactions in different books of accounts. The scope of accountancy covers all accounting activities or the whole accounting process. The objectives of accounting is to find out the profit or loss and financial position of the business and communicating information to users for taking decisions.

References

- SILM developed by Uttarakhand Open University for BCM-102 (Financial Accounting), Year 2017, ISBN: 978-93-85740-44-2