


**BASIC ACCOUNTING  
PRINCIPLES  
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# What is Accounting ?



# **Accounting Information for Decision Making**

**Accounting**

**Vs**


**Financial Management**



# Users of Accounting Information



# Steps in Accounting Process

1. Understand Accounting Principles
  2. Write Journal Entries
  3. Ledger Posting
  4. Balancing the Ledger
  5. Subsidiary Books
  6. Prepare trail Balance
  7. Financial Statements
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# Accounting Principles

- ❖ Economic Entity Concept
- ❖ Going Concern Concept
- ❖ Money Measurement Concept
- ❖ Cost Concept
- ❖ Accounting Period Concept


Continued



- ❖ **Dual Aspect Concept**
- ❖ **Matching Concept**
- ❖ **Realization Concept**
- ❖ **Accruals and Deferrals**
- ❖ **Conservatism**

Continued



- ❖ **Consistency**
  - ❖ **Disclosure**
  - ❖ **Materiality**
  - ❖ **Reliability**
  - ❖ **Revenue Recognition**
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# GAAP Vs IFRS



# **Branches of Accounting**

- 1. Financial Accounting**
- 2. Cost Accounting**
- 3. Management Accounting**



# Classification of Accounts

**Personal Accounts**

Debit the Receiver  
Credit the Giver

**Impersonal Accounts**

**Real A/C**

Debit What Comes in  
Credit What Goes Out

**Nominal A/C**

Debit all Expenses & Losses  
Credit all Income & Gains

# Self Check

- Land
- Gopi
- Cash
- Furniture
- Tele-Phone Bill
- Tele-Phone
- Goods
- Salary
- Machinery
- Stationary
- Inventory

# JOURNAL FORMAT

1 Date	2 Particulars	3 L.F	4 Dr Amount Rs	5 Cr Amount Rs

# LEDGER FORMAT

Dr

Cr

Date	Particulars	J.F	Amount Rs	Date	Particulars	J.F	Amount Rs

# FORMAT OF PURCHASE /SALES BOOK

1 Date	2 Particulars	3 J.F	4 Details Rs	5 Amount Rs

**Debit Note**  
**Credit Note**





# Practical Problems

2014

April

		Rs
1	Mishra Commenced business with cash	1,50,000/-
1	Purchased a motor truck	50,000/-
2	Purchased goods from Ahmed	20,000/-
3	Sold goods	1,000/-
4	Returned goods to Ahmed	500/-
7	Sold goods to Chand	2,500/-
8	Chand returned goods	100/-
11	Cash purchases	5,000/-
14	Purchased postage stamps	50/-

Continued...

		Rs
16	Paid for advertising	500/-
20	Paid office expenses	40/-
25	Drew cash for personal use	1,000/-
26	Cash sales	800/-
27	Paid insurance premium	200/-
30	Paid rent	1,000/-
30	Paid salaries	5,000/-

# JOURNAL ENTRIES

April		Dr	Cr
1	Cash A/C Dr To Capital (Being Capital Introduced)	1,50,000	1,50,000
1	Motor Truck A/C Dr To Cash (MT Purchased)	50,000	50,000
2	Purchases A/C Dr To Ahammed (Credit Purchases)	20,000	20,000

Continued...

April		Dr	Cr
3	Cash A/C Dr To Sales (Cash Sales)	1000	1000
4	Ahammed A/C Dr To Purchase Returns (Purchase Returns)	500	500
7	Chand A/C Dr To Sales (Being Credit Sale)	2,500	2,500

Continued...

April		Dr	Cr
8	Sales Returns A/C Dr To Chand A/C (Chand Returned Goods)	100	100
11	Purchases A/C Dr To Cash (Being Cash Purchases)	5000	5000
14	Postal Stamps A/C Dr To Cash (Postage Spent)	50	50

Continued...

April		Dr	Cr
16	Advertising A/C Dr To Cash (Being Spent on Advertising)	500	500
20	Office Expenses Dr To Cash (Office Expenses)	40	40
25	Drawing A/C Dr To Cash (Cash With Drawn for Personal)	1000	1000

Continued...

April		Dr	Cr
26	Cash A/C Dr To Sale (Cash Sales)	800	800
27	Insurance Premium A/C Dr To Cash (Premium Paid)	200	200
30	Rent A/C Dr To Cash (Rent Paid)	1000	1000
30	Salaries A/C Dr To Cash (Salaries Paid)	5000	5000

# LEDGER ACCOUNTS

## CASH ACCOUNT

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Capital	-	1,50,000/-		By Motor Truck	-	50,000/-
	“ Sales	-	1,000/-		“ Purchases	-	5,000/-
	“ Sales	-	800/-		“ Postal	-	5,000/-
					“ Advertising	-	500/-
					“ Office Expenses	-	40/-
					“ Drawing	-	1,000/-
					“ Premium	-	200/-
					“ Rent	-	1,000/-
					“ Salaries	-	5,000/-
					“ Balance C/D	-	89,010/-
			1,51,800/-				1,51,800/-
	Balance B/D	89,010					



# CAPITAL ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	To Balance C/D	1,50,000/-		By Cash	1,50,000/-
		1,50,000/-			1,50,000/-
				Balance B/D	1,50,000/-



# CAPITAL ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	To Balance C/D	1,50,000/-		By Cash	1,50,000/-
		1,50,000/-			1,50,000/-
				Balance B/D	1,50,000/-



## SALARIES ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	To Balance B/D	5,000/-		By Balance C/D	5,000/-
		5,000/-			5,000/-
	Balance B/D	5,000/-			

## PURCHASES ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	To Ahammed	20,000/-		By Balance C/D	25,000/-
		5,000/-			-
		25,000/-			25,000/-
	Balance B/D	25,000/-			

## SALES ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	To Balance C/D	4,300/-		By Cash	1,000/-
		-		Chand	2,500/-
		-		Cash	800/-
		4,300/-			4,300/-
				Balance B/D	4,300/-

## PURCHASE RETURNS

Date	Particulars	Amount	Date	Particulars	Amount
	To Balance C/D	500/-		To Ahammed	500/-
		500/-			500/-
				Balance B/D	500/-

## SALES RETURNS

Date	Particulars	Amount	Date	Particulars	Amount
	To Chand	100/-		By Balance C/D	100/-
		100/-			100/-
	Balance B/D	100/-			

## AHAMMED ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	Purchases	500/-		By Purchase	20,000/-
	Returns	19,500/-			
	Balance C/D	20,000/-			20,000/-
				Balance B/D	19,500/-

## CHAND ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	To Sales	2,500/-		Sales Returns	100/-
		2,500/-		Balance C/D	2,400/-
	Balance B/D	2,400/-			2,500/-

## RENT ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	Cash	1000/-		Balance C/D	1000/-
		1000/-			1000/-
	Balance B/D	1000/-			

## MOTOR TRUCK ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	Cash	50,000/-		Balance C/D	50,000/-
		50,000/-			50,000/-
	Balance B/D	50,000/-			

## POSTAGE ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	Cash	50/-		Balance C/D	50/-
		50/-			50/-
	Balance B/D	50/-			

## ADVERTISING ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	Cash	500/-		Balance C/D	500/-
		500/-			500/-
	Balance B/D	500/-			

## OFFICE EXPENSES ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	Cash	40/-		Balance C/D	40/-
		40/-			40/-
	Balance B/D	40/-			



## DRAWINGS ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	Cash	1000/-		Balance C/D	1000/-
		1000/-			1000/-
	Balance B/D	1000/-			

## PREMIUM ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	Cash	200/-		Balance C/D	200/-
		200/-			200/-
	Balance B/D	200/-			

# TRIAL BALANCE

Name of Account	Dr.	Cr.
	Rs.	Rs.
Cash	89,010/-	-
Capital	-	-
Motor Truck	50,000/-	1,50,000/-
Purchases	25,000/-	-
Sales	-	4,300/-
Purchase Returns	-	500/-
Sales Returns	100/-	-
Ahammed	-	19,500/-
Chand	2,400/-	-
Postage	50/-	-
Advertising	500/-	-

Continued...

Name of Account	Dr.	Cr.
	Rs.	Rs.
Office Expenses	40/-	-
Drawings	1,000/-	-
Insurance	200/-	-
Rent	1,000/-	-
Salaries	5,000/-	-
	1,74,300/-	1,74,300/-



*Thank you*