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B.COM. PART 1

CORE CONCEPT OF FINANCIAL ACCOUNTING

DISTINCTION BETWEEN BOOK-KEEPING AND ACCOUNTING

Book-keeping is a part of accounting and is concerned with the recording of transactions which is often routine and clerical in nature, whereas accounting performs other functions as well, viz., measurement and communication, besides recording. An accountant is required to have a much higher level of knowledge, conceptual understanding and analytical skill than is required of the book-keeper.

An accountant designs the accounting system, supervises and checks the work of the book-keeper, prepares the reports based on the recorded data and interprets the reports. Nowadays, he is required to take part in matters of management, control and planning of economic resources.

Book-Keeping	Accounting
<ul style="list-style-type: none">• Book-Keeping is the art of maintaining account in a systematic manner• Book-Keeping can be done by unskilled employees• The employees who carry on this job are called Book-Keeper• There is no need of separate books for each and every accounts• This work is done by junior level employees• It is primary function• Pattern should be same in book-keeping	<ul style="list-style-type: none">• Accounting includes analysis and interpreting of financial statement• Accounting should be done by only skilled employees• The employees engaged in accounting are called accountant• Each and every separate books are to be maintain as per the nature of transaction• The person at a higher level carry out this work• It is a secondary function• This work will have its own design (format)



Accounting as science or art

Science is a systematized body of knowledge. It establishes a relationship of cause and effect in the various related phenomenon. It is also based on some fundamental principles. Accounting has its own principles e.g. the double entry system, which explains that every transaction has two fold aspect i.e. debit and credit. It also lays down rules of journalizing. So we can say that accounting is a science.

Art requires a perfect knowledge, interest and experience to do a work efficiently. Art also teaches us how to do a work in the best possible way by making the best use of the available resources. Accounting is an art as it also requires knowledge, interest and experience to maintain the books of accounts in a systematic manner. Everybody cannot become a good accountant. It can be concluded from the above discussion that accounting is an art as well as a science

Objective of Accounting

i) To keeping systematic record: It is very difficult to remember all the business transactions that take place. Accounting serves this purpose of record keeping by promptly recording all the business transactions in the books of account.

ii) To ascertain the results of the operation: Accounting helps in ascertaining result i.e., profit earned or loss suffered in business during a particular period. For this purpose, a business entity prepares either a Trading and Profit and Loss account or an Income and Expenditure account which shows the profit or loss of the business by matching the items of revenue and expenditure of the some period.

iii) To ascertain the financial position of the business: In addition to profit, a businessman must know his financial position i.e., availability of cash, position of assets and liabilities etc. This helps the businessman to know his financial strength. Financial statements are barometers of health of a business entity.