

BA-5103 Accounting For Management

Unit-I

Part-A

1. Define Book-keeping

According to Spicer and Pegler, “book-keeping is the art of recording all money transactions, so that the financial position of an undertaking and its relationship to both its proprietors and to outside persons can be readily ascertained”.

2. Highlight the Objectives of Book-keeping

- i) Book-keeping provides a permanent record of each transaction.
- ii) Soundness of a firm can be assessed from the records of assets and liabilities on a particular date.
- iii) Entries related to incomes and expenditures of a concern facilitate to know the profit and loss for a given period.
- iv) It enables to prepare a list of customers and suppliers to ascertain the amount to be received or paid.

3. Define Accounting

The American Institute of Certified and Public Accountants Committee on Terminology defined accounting as:

“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”.

4. What are all the important functions executed by Accounting?

Accounting includes the following vital functions,

Keeping Systematic Records: The transactions of the business are properly recorded, classified and summarized into final financial statements – income statement and the balance sheet.

Protecting the Business Properties: The second function of accounting is to protect the properties of the business by maintaining proper record of various assets and thus enabling the management to exercise proper control over them.

Communicating the Results: As accounting has been designated as the language of business, its third function is to communicate financial information in respect of net profits, assets, liabilities, etc., to the interested parties.