

INTRODUCTION

Accounting Terms

Q.1) What is Book-keeping?

Ans.1) Book-Keeping is an art of recording business transaction.

Q.2) What is an Account?

Ans.2) An Account is a summarized record of transaction effecting one person, one kind of property or one kind of gain or loss.

Q.3) What is Debit?

Ans.3) The Receiver of any benefit is termed a Debtor & is Debited. To Debit an A/c: means to enter a transaction on the 'Debit' side of that A/c i.e Left Hand side.

Q.4) What is Credit?

Ans.4) The Giver of any benefit is termed a Creditor & is Credited. To Credit an A/c: means to enter a transaction on the 'Credit' side of that A/c i.e Right Hand side.

Q.5) What is a Contra Entry?

Ans. 5) Contra-Entry effects both the sides of the Cash Book.

After we getting to know the basic Accounting terms, we move further in increasing our knowledge & getting deeper in our study, to know all about this powerful 8 letter word 'A C C O U N T S' There are 3 RULES OF ACCOUNTING on which entire accounts depends upon. Understanding the rules of Accounting is making your foundation in Accounts strong, whereby any transaction can be solved immediately.

The 3 Basic Golden Rules of Accounting.

1. Personal Accounts

Accounts recording transaction with persons or firms are known as Personal accounts. Accounts recording transaction which do not effect particular person, but effects business in general are known as Impersonal A/c's Impersonal A/c's may be either Real Accounts or Nominal Accounts. RULE

Dr-TheReceiver
Cr-The Giver

2. Real Accounts Real Accounts are those accounts of property or possession.

Example:Goods Accounts, Cash Account, Bank Account, Office Furniture Accounts.

RULE

Dr-What Comes in
Cr-What Goes out

3. Nominal or Fictitious Accounts

Records Expenses, gains & losses.

Examples:Rent A/c Salaries A/c Advertising A/c
Interest Recd A/c
Discount A/c
Commission Recd A/c
Wages A/c

RULE

Dr-All Expenses & Losses
Cr-All Income & Gains

Understanding the Various Books Of Accounts

1. **Journal Book** - It is one of the Subsidiary Books. It is used for entering the names of accounts which are effected by each transaction. With effect to Dr. & Cr.

2. **Ledger Book** - It is the process of transferring that transaction which has been Previously recorded in the Journal into appropriate heads of accounts. It is also known as Posting.

3. **Cash/Bank Book** - It records all Cash/Bank transactions. Cash transaction means Cash Receipts & Cash Payments from day to day.

4. **Purchase Book** - Records all Credit Purchases of goods.

5. **Sales Book** - Records all Credit Sales of goods. Out of these various Books of Accounts, we get the following Financial Accounting Statements. These financial statements help in knowing the status of the business at any given date.

1. **Trial Balance** - Is the Summary of ALL your Accounts. It is a list of all Dr Balances & Cr Balances.
2. **Trading Account** - Is an account which gives you the result that is (Gross Profit or Gross Loss) from buying & selling of goods.
3. **Profit & Loss A/c** - Is an account which gives you the result that is (Net Profit or Net Loss) from the transaction during certain.
4. **Balance Sheet** - It is a statement which gives you the exact financial position of the business at the end of the month or year. It is prepared from the Trial Balance. It represents All Assets & All Liabilities. Assets means various possession of business. Liabilities mean the amount owing by the business. The Excess of Assets over Liabilities represents Capital of owner. After going through the

Accounting terms, understanding the Accounting rules & knowing the various Books & Financial Statements of Accounts you are now in a Position to maintain your Accounts on the Computer by using software called Tally. Tally is a user friendly program.

Steps Involved in maintaining Accounts by using Tally

1. Double Click the Icon tally72.exe to bring up the Tally Screen.

2. Create the Company.

3. Create all Ledger Accounts.

1. Liabilities
2. Assets
3. Indirect Expenses
4. Indirect Income
5. Purchase
6. Sales

2. Create the Accounting Vouchers

- a. Payment Voucher
- b. Receipt Voucher
- c. Contra Voucher
- d. Journal Voucher
- e. Purchase Voucher
- f. Sales Voucher
- g. Debit Note Voucher
- h. Credit Note Voucher
- i. Purchase Order Voucher

10. Sales Order Voucher

After Entering all the Vouchers you will automatically get the Books of Accounts mentioned below :

5. Various Books of Accounts

1. Cash/Bank Book
2. Ledger Book
3. Journal Voucher Book
4. Purchase Book
5. Sales Book
6. Debit Note Book
7. Credit Note Book
8. Purchase Order Book
9. Sales Order book

From the Books of Accounts you will automatically get the Financial Statements of Accounts mentioned below

6. Financial Statements of Accounting

1. Trail Balance
2. Trading A/c
3. Profit & Loss A/c
4. Balance Sheet