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Accounting: Basic Accounting: Identification, Measurement, Recording and Communication

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- **Identification** implies determining what transactions are to be recorded i.e.. items of financial character are to be recorded. For example, goods purchased for cash or on credit will be recorded. Items of non-financial character such as changes in managerial policies, etc. are not recorded in the books of accounts.
- **Measurement** means quantification of business transactions into financial terms by using monetary unit. If an event cannot be quantified in monetary terms, it is not considered fit for recording in books of the firm. That is why important items like appointment, signing of contracts, etc. , are not shown in the books of accounts.
- **Recording:** Having identified and measured economic events in financial terms, these are recorded in books of accounts in monetary terms, date wise. The recording of business transactions is done in such a manner that necessary financial information is summarized as per well-established accounting practice.
- **Communication:** The economic events are identified, measured and recorded in such a manner that necessary information is generated and communicated in a certain form to management and other internal- external users of information. The financial information is regularly communicated through accounting reports.
- **Organisation:** refers to a business enterprise whether for profit or not for profit motive.
- **Information to users:** Many users need financial information to make important decisions. These users can be investors, creditors, labour unions, Trade Associations, etc.

Evolution of Accounting

- Evolution of Accounting as per Indian mythology Chitra Gupta is responsible for maintaining accounts in God's court.
- A book on Arthashastra written by Kautilya who a minister in Chandra Gupta was' s kingdom twenty-three centuries ago mentions about the accounting practices in India. It describes how accounting records have to be maintained. In China and in Egypt accounting was used for maintaining revenue records of government treasury.
- A book on Arithmetic Geometric, Proportion at Proportionality (Review of Arithmetic and Geometric proportion) by an Italian Luca Pacioli is considered as the first authentic book on double entry book keeping. In his book he used present day popular terms of accounting Debit (Dr.) and Credit (Cr) . He also discussed the details of memorandum, journal, and ledger and accounting procedures. He also stated that, "all entries have to be double entries, i.e.. if you make one creditor you must make some debtor."

Accounting process can be summarized as

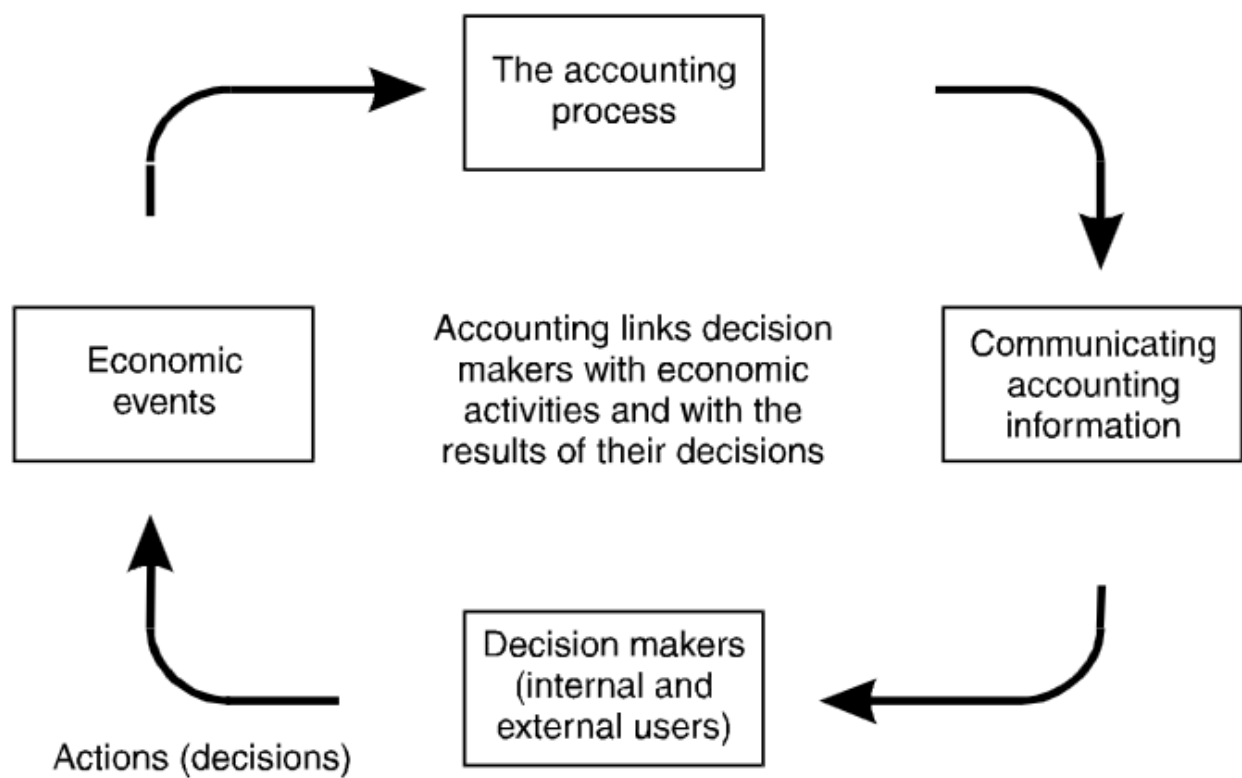


Fig. 1.1 Accounting Process

Difference between bookkeeping and accounting: Book keeping and accounting can be differentiated on basis of nature, objective, function, basis, level of knowledge, etc.

Table 1.1 Difference between Bookkeeping and Accounting

Basis of Difference	Book-keeping	Accounting
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Nature	It is concerned with identifying financial transactions; measuring them in monetary terms; recording and classifying them.	It is concerned with summarizing the recorded transactions, interpreting them and communicating results.
Objective	It is to maintain systematic records of financial transactions.	It aims at ascertaining business income and financial position by maintaining records of business transactions.
Function	It is to record business transactions. So, its scope is limited.	It is recoding, classifying, Summarizing, interpreting business transactions and communicating results. Thus, its scope is quite wide.
Basis	Vouchers and other supporting documents are necessary as evidence to record the business transactions.	Book-keeping works as the basis for accounting information.
Level of Knowledge	It is enough to have elementary knowledge of accounting to do book-keeping.	For accounting, advanced and in-depth knowledge and understanding is required.
Relation	Book-keeping is the first step to accounting.	Accounting begins where book-keeping ends.
Table of Difference between Book Keeping and Accounting		

Frequently Asked Questions (FAQs)

- **NIOS Accounting Study materials for Class 10**

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1 Answer

Class 10 Accountancy study materials have been provided on [NIOS Accountancy Notes for CBSE, ICSE, IAS, NET, NRA \[/NIOS-Notes/Secondary/Accountancy/\]](#). Topics such as Accounting Equation, Bank Reconciliation Statement, etc. have been covered in detail.

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