IMPORTANT OF ACCOUNTING TERMS

Business transaction

1) Any dealing between two persons is called transaction.
2) A business transaction is the occurrence of an event that involves transfer of goods or rendering of services which must be record. **Transaction are of two types:**

1) Cash transaction

Cash transaction involves payment or receipt of cash at the time of transfer of goods or services.

2) Credit transaction:

The transaction in which payment is postponed to a future data is called credit transaction.

Business:

Any legal and economic activity which is under taken and earning profit or bear loss is called business.

It includes manufacturing and distributer of the goods or provision of the services for the welfare of society.

Proprietor:

The owner of the business is called proprietor. He/ She invest funds, giving time, care and attention to business.

Capital:

The investment of owner in business is called capital. It may be in the form of cash, goods and any other assets.

Drawing:

The amount of cash goods, assets etc. which is taken away by the owner from the business for his personal use is called drawing.

Merchandise / Goods:

It includes all goods which are bought for resale purpose. In accounting merchandise is recorded in an account called "purchase (Expense)".

Purchase return / Return out wards:

If the goods purchased are found defective, these are returned to the person from who there were purchased (supplier) and are called purchase return.

Sales:

When merchandise / goods are sold, it is recorded as sales (revenue) in accounting.

Sales return:

If the goods sold are returned by the person to whom these were sold (buyer) due to any reason these are called sales return.

Expense:

The value of goods OR services used in the operation of business is called expense. OR any asset spent or liabilities incurred to acquire any things or services for the purpose of business the benefit of which is expired.

Accounting:

A summarized record of transaction relating to a particular person OR things is called accounting.

Sundry debtor/Trade debtor/Book Debts/Account receivable/Sale ledger control:

The person from whom we purchase goods on credit and to whom amount are payable.

Assets:

a) These are the things of value owned by business.
b) The economics resources which are owned by the business for the purpose of use in business. Such as land, building, machinery, furniture, equipment, supplies, account receivable, stock/merchandise, inventory, bank balance, cash etc.

Liabilities:

These are the things of value owned by the business to outsiders such as account payables, bank loan, expenses payable etc.

Stock/ merchandise inventory:

Goods / merchandise which remained unsold at a particular date/time (normally end of year) are known as stock/ inventory. It is an asset of business.

Trade discount:

It is deduction or allowance, from the list price, granted by the seller to the buyer at the time of selling of goods. It is also called counter discount. It is not recorded in the book of account.

Cash discount:

It is deduction or allowance granted by the creditor to the debtor at the time of payment.it is recorded in the book of accounts.

Definition of accounting:

Accounting is a process of recording, classifying and summarizing business transaction in a systematic set of books and interpreting result thereof.

Origin of accounting:

The origin of accounting cannot be exactly located. The value of goods or currency was not known to the people of olden times while barter system was in existence. Later on, innovation of money facilitated to the exchange of commodities. When the goods were sold on credit, it was considered necessary to maintain accounts. So the accounting is as old as business itself.

The first system presentation of double entry book-keeping was appeared in 1494 in an Italian mathematics book written by lucas pacioli. This book was published in English in 1543.it was improved by james pule. Thereafter many works were published but the most important was the published work on accounting in 1795 by Edward Jones, who innovated two columns in the journal entries. The modern system of accounting is based on the principle of double Entry system.

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MBA 3.5 YEARS EQUIVALENT TO M.PHIL FINANCE