



BOOK-KEEPING & ACCOUNTANCY

11th commerce

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INTRODUCTION TO BOOK-KEEPING AND ACCOUNTANCY

The 'Book-keeping' means recording of the business transactions in the books of accounts in a systematic way.

All the monetary transactions are recorded date-wise for accurate business results from such records at the end of accounting year.

Book-keeping is an art or science of systematic recording, classifying and summarising the financial transactions of business for a particular period, generally one year.

❖ Definition of Book-Keeping:

Richard E. Strahelm:

"The art of analyzing and recording business transactions, reporting results of business operations through periodic statements and interpreting such results for purposes of effective control of future operations."

R.N. Carter :

"Book-keeping is the science and art of correctly recording in the books of accounts, all those business transactions that results in transfer of money or money's worth."

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- **Features of Book-keeping:**

- ✓ It is the method of recording day to day business transactions.
- ✓ Only financial transactions are recorded.
- ✓ All records are prepared for a specific period which are useful for future references.
- ✓ Records of transactions are based on rules and regulations.
- ✓ It is an art of recording business transactions scientifically.

- **Objectives of Book-keeping:**

- ✓ The main objective of book-keeping is to keep a complete and accurate record of all the financial transactions in a systematic, orderly and logical manner.
- ✓ All the business transactions are to be recorded date wise and account wise.
- ✓ Book-keeping serves as a permanent record of the monetary transactions of an enterprise business and it can

- ✓ be produced as an evidence, whenever and wherever required.
- ✓ To know the profit or loss of the business during the financial year.
- ✓ To know the total assets and liabilities of the enterprise.
- ✓ To know what the businessman owes to others and what others owe to him.
- ✓ Businessman comes to know the current year's progress over previous year and compares its financial results with other business enterprise in similar line.

- **Importance of Book-keeping:**

- **Record :**

It is not possible for anyone to remember all transactions. But Book-keeping maintains records of all the transactions permanently and systematically in the books of accounts.

- **Financial Information:**

Book-keeping is useful to get information related to Profit, Loss, Assets, Liabilities, Investments and Stock, etc, at any given time.

- **Decision Making:**

Book-keeping provides financial information to the businessman for decision making.

- **Controlling:**

Book-keeping enables the executives of the business to control the activities of the business.

- **Evidence:**

Businessman needs financial evidence to be produced in the Court of law in case of any disputes.

- **Tax Liability:**

Book-keeping is useful to find out the tax liabilities e.g. : Income Tax, Property Tax, GST, etc.

- **Utility of Book-keeping:**

- **Owner:**

The businessman can find out Profit, Losses, Assets and Liabilities of an enterprise at any time.

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- **Management:**

Management of an enterprise can plan, take decisions and control overall business activities.

- **Investors:**

Investors can take proper decisions whether to invest or not.

- **Customer:**

Customer can easily understand financial position of the business. He can be assured about supply of goods.

- **Government:**

Government can easily find out different types of taxes due from various sources.

- **Lenders:**

Money Lenders can find financial standing of the enterprise for decision to lend money or not.

- **Development:**

Business enterprise can achieve the business growth with the help of accounting.

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