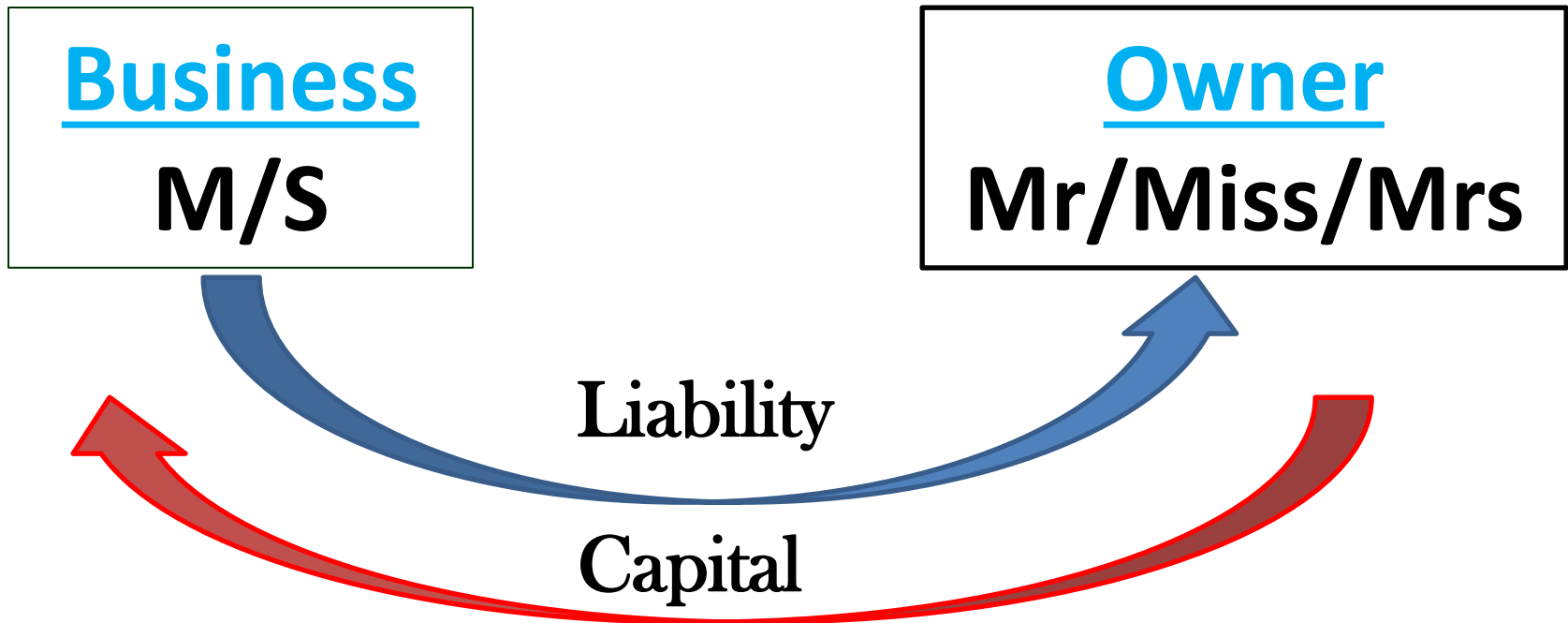


BASIC TERMS USED IN ACCOUNTING

ENTITY: Entity means a thing that has a definite individual existence.



BASIC TERMS USED IN ACCOUNTING

Business: A Business is an organization or entity that sale goods or services for profit.

Owner: Who invest the necessary capital in the business, conduct the business, bear the risk of business, possess the profit and loss.

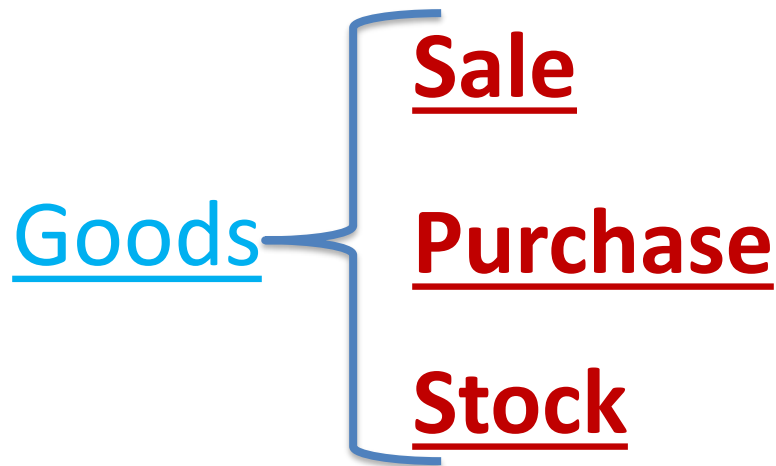
BASIC TERMS USED IN ACCOUNTING

Capital: Capital includes cash or other types of assets that are introduced into business by the owner.

Drawing: Withdrawing money or goods by the owner from the business for personal use is known as Drawing.

BASIC TERMS USED IN ACCOUNTING

Goods: It refers to the products in which the business deals. (All goods are asset but all assets may not be goods.)



BASIC TERMS USED IN ACCOUNTING

Debtors: Debtors is person or entity to whom we sold goods on credit basis .

Debtors are shown on the debit side/asset side of balance sheet.

Creditors: Creditor is a person or entity from whom we purchase goods on credit basis.

It will be shown on liability side of the balance sheet.

BASIC TERMS USED IN ACCOUNTING

Liability: Liabilities are that sum of money which the business owes to outside. E.g.: capital, loan taken, interest etc.

BASIC TERMS USED IN ACCOUNTING

Assets: Assets are things of value which is owned by business organization.

Assets:



Fixed Assets

Which stays in the organization for a long time. E.g.: Land , Building, Machinery etc.

Current Assets

Which in daily basis they do not stay for a long time. E.g.: Cash, stock (inventory).

BASIC TERMS USED IN ACCOUNTING

Transaction:

An event of exchange involving some value between two or more entities. A transaction can be on cash basis or credit basis.

Purchases:

Purchases are the total amount of goods brought by business on credit or cash for the purpose of resale.

BASIC TERMS USED IN ACCOUNTING

Sales:

Sales are total revenue from goods or services sold or provided to customer, sales may be cash sale or credit sales.

BASIC TERMS USED IN ACCOUNTING

Profit:

The excess of revenue of a period over its related expenses during an accounting year.

Revenue – Expenses= Profit

50,000-25,000=25,000

Revenue >Expenses= Profit

BASIC TERMS USED IN ACCOUNTING

Loss:

The excess of expenses of a period over its related revenues is termed as Loss.

Expenses- Revenue = Loss

50,000-35,000=15,000

Expenses>Revenue = Loss

BASIC TERMS USED IN ACCOUNTING

Voucher:

The documentary evidence in support of a transaction is known as Voucher.
E.g.: Cash memo, invoice, receipt.

Accounting: Process of maintaining accounts.

Account: Account is a place where transaction are recorded.

Accountancy: Study of accounting.

Ledgers: Ledger is book where accounts are maintained. You can consider that one physical notebook is one ledger & each page of this notebook you have different accounts.