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VIRTUAL COACHING CLASSES ORGANISED BY BOS, ICAI

FOUNDATION LEVEL PAPER 1: PRINCIPLES AND PRATICE OF ACCOUNTING

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CHAPTER 1- THEORETICAL FRAMEWORK

- There are 9 units in total for this chapter
- This chapter mainly deals with the theory part and introduction to the accountancy subject.
- What is Accounting- purpose and methodology, branches in accounting- the principles/conventions/concepts, the distinction between capital and revenue transactions, the Accounting standards and Ind AS.
- All of the above which form an initial base for understanding the concept in depth have been combined together to understand the entire concept in brief.
- Examination point of approach- Each chapter will have discussion of the past examination question papers at the end along with the MCQ's.

Unit 1- Meaning and scope of Accounting

- Accounting is an art of recording, classifying, summarizing, analyzing, interpreting and communicating the transactions and events which are of financial character.
- Accounting is an art- where in there are accounting concepts, principles evolved over a period of time which are applied to the industry based on the expertise of the accountant (personalized).
- Procedure of accounting is two fold- (i) Generation of Accounting information (ii) Using the Financial Information
- Transaction is the one word on which the process of accounting developed. Transaction refers to any action which has a financial value assigned to it- in relation to any economic activity. For ex-Payment of rent, payment of salaries in a business.
- Event refers to various transactions put together to arrive at a conclusion or result of all the transactions put together. For ex- Calculating the profit or loss for the given period.

Unit 1- Meaning and scope of Accounting

- In short it is only due to the art of accounting, the business is able to speak with us- it confirms and complies with all accounting principles and procedures- so Accounting is called as “language of the business”
- What are the objective of accounting? Why should you have accounting?
 - Systematic recording of transactions- through journals, ledgers and Trial balance.
 - Ascertainment of results of above recorded transactions- through Trading, Profit and Loss account.
 - Ascertainment of financial Position of the business- Through Balance sheet.
 - Communicating information to the users- Through the Financial reports
- Functions of accounting – Measurement, Forecasting, Decision making, comparison and evaluation, control and Government regulations and taxation
- Sub fields of Accounting- Financial Accounting, Management accounting, cost accounting, social responsibility accounting and Human resource accounting

Unit 1- Meaning and scope of Accounting

- Book keeping is different from the accounting. Book keeping is the primary process or the base of accounting which refers to the recording, classifying and summarizing the transactions of a business through the journals , ledgers and Trial Balance.
- Accounting is the next step which refers to the preparation of the financials from the books which have been recording the transactions. So book keeping is a part of accounting.
- After the generation of the information- the information shall be of use to someone- those someone can be classified as internal and external users.
- **Internal users** are internal to the business- like the employees, managers, Board of directors whereas the **external users** include- suppliers/customers, Government, financial institutions, investors.
- Finally – as a CA what is the scope that you can pursue once after obtaining the professional Qualification- the areas of scope is very wide ranging from Internal audit, Statutory audit, Taxation matters, Management consulting services, Financial advisory- Investments, insurance, company planning, investigations and other areas- secretarial works, etc.

Unit 1- Meaning and scope of Accounting

- Apart from the above- as a Chartered Accountant one can also join the industry which means joining a company in the financial stream.
- Accountancy is also related to the other subjects in one way or the other- hence it becomes mandatory to learn it as part of the CA syllabus-
 - Maths and Statistics
 - Law
 - Economics
- Hence as a part of the curriculum, Accounting subject is most important of its relevance in today's business world. To become masters of the concept should be the motto.
- As a Chartered accountant apart from possessing the accounting skills one needs to get expertise in the other fields such as taxation, law, costing, finance aspect hence, the accountant is able to cater to the ever growing needs of the business, economy in times of the dynamics dominating the world.



THANK YOU