

What is Accountancy?

Chapter 11- Introduction to Accounting begins with a simple definition of this discipline. Accounting is referred to as the process of recording, interpreting, reporting, and summarizing financial data. Accounting and bookkeeping play a central role in helping the management to help them make the right decisions as per the current financial status of the company. In other words, accountancy can be referred to as the language of finance. Here are the four prime aspects of accountancy:

- Economic Events
- Organization
- User Information
- Identification

Let us understand the crucial elements of accounting mentioned above in the image-

Economic Events

Economic events take place when a company is involved in several monetary transactions. For instance, purchasing new equipment and machinery, on-site installation, and transportation.

Organization

The concept of Organization is another essential aspect of the Class 11 chapter on introduction to accounting. It is concerned with the business operations and the size of activities.

Identification, Recording, Measurement and Communication

It is essential to establish a system that can identify, record, and measure the financial data. It also involves the process of communicating the right information at the right time to the management.

User Information

User Information is concerned with communicating relevant data to the end-users or consumers. This data will also help them in making informed decisions.

Fundamentals of Accountancy

The primary fundamentals taught in class 11 chapter 1 introduction to accounting are assets, liabilities, and owner's equity. Mentioned below is a detailed description of these concepts:

Assets

Items of financial value which are possessed by a company are called assets. In other words, any item that can be exchanged for money or can generate income is called an asset. Assets can help an enterprise in paying its debt or expenditure. Students get to learn about how to calculate assets in the next chapter of Accounting Class 11.

Liabilities

The total economic or financial value of a debt or obligation payable by a company to an individual or establishment is called a liability. Liabilities can arise out of the obligations of any previous transaction, which is due for payment by an enterprise. Liabilities can be settled with the help of the assets of the business.

Objective of Accountancy

Now that you are familiar with the basic fundamentals of accounting, let us move on to the objectives elucidated in the chapter. The primary objectives of accountancy are:

- To determine the profits and losses
- To maintain an organized record of all the business transactions
- To give information to all the stakeholders
- To assist the company manage inefficient handling of business operations
- To determine the financial position of the company

Features of Accountancy

Accountancy plays a vital role in giving the right direction to the business activities of a company. Here are the major characteristics of accountancy that students must learn to ace class 11 accountancy chapter, introduction to accounting:

Branches of Accountancy

There are ideally three branches of accountancy that students will learn in their introduction to the accounting chapter. These are financial, management, and cost and these branches correspond to the different types of accounting details and reports are required by different segments like owners, management, shareholders, suppliers, creditors, government agencies, taxation authorities, and so on. These branches of accounting will furnish the financial data to all the relevant segments of an economy.

Financial Accountancy

Financial Accounting is one of the most crucial branches of accounting. It is involved in the process of identifying, evaluating, recording, organizing, and summarizing financial transactions. This data is further communicated to the relevant segments of an enterprise for quick and effective decision making.

Management Accountancy

The concept of management accountancy taught in the introduction to accounting is all about the process of providing financial information to the management for its internal decision-making purposes. This branch exclusively deals with management data needs. Financial data related to cost, funds, profits, and losses are included in this type of accountancy. Financial analysis, cost analysis, budgeting and forecasting, and evaluation of business verdicts are the prime aspects of management accounting.

Cost Accountancy

Cost accounting deals with the process of recording and analyzing the manufacturing costs of a company. The prime motive of this branch is to predict future costs and minimize current expenditures. It also helps in determining the future cost management strategies.

Difference Between Bookkeeping and Accounting

As per Introduction to Accounting, bookkeeping is concerned with the recording of the financial transactions whereas accountancy is all about its interpreting, categorizing, analyzing, summarizing, and reporting. Tabulated below are some prominent differences in both the terms.

Criteria	Bookkeeping	Accounting
Definition	It is related to finding, calculating, recording, financial transactions	It is the process of interpreting, summarizing, and communicating the financial information that is categorized into ledger accounts.
Objective	The prime objective of bookkeeping is to facilitate organized data to an enterprise	The prime objective of accountancy is to measure the financial status of the company and communicate the same to relevant authorities
Decision Making	The management cannot take concrete decisions based on the data provided by bookkeeping	The management can take critical decisions based on the financial information provided by accountancy
Skills Required	No special skills are required	Accountancy requires complex analytical skills
Preparation of Financial Statement	There is no need to prepare financial statements during bookkeeping	Financial statements are a crucial part of accountancy

Analysis	No analysis of data is required	Bookkeeping data is used to study and analyze financial information
Types	Single and double-entry bookkeeping	Financial, management, and cost