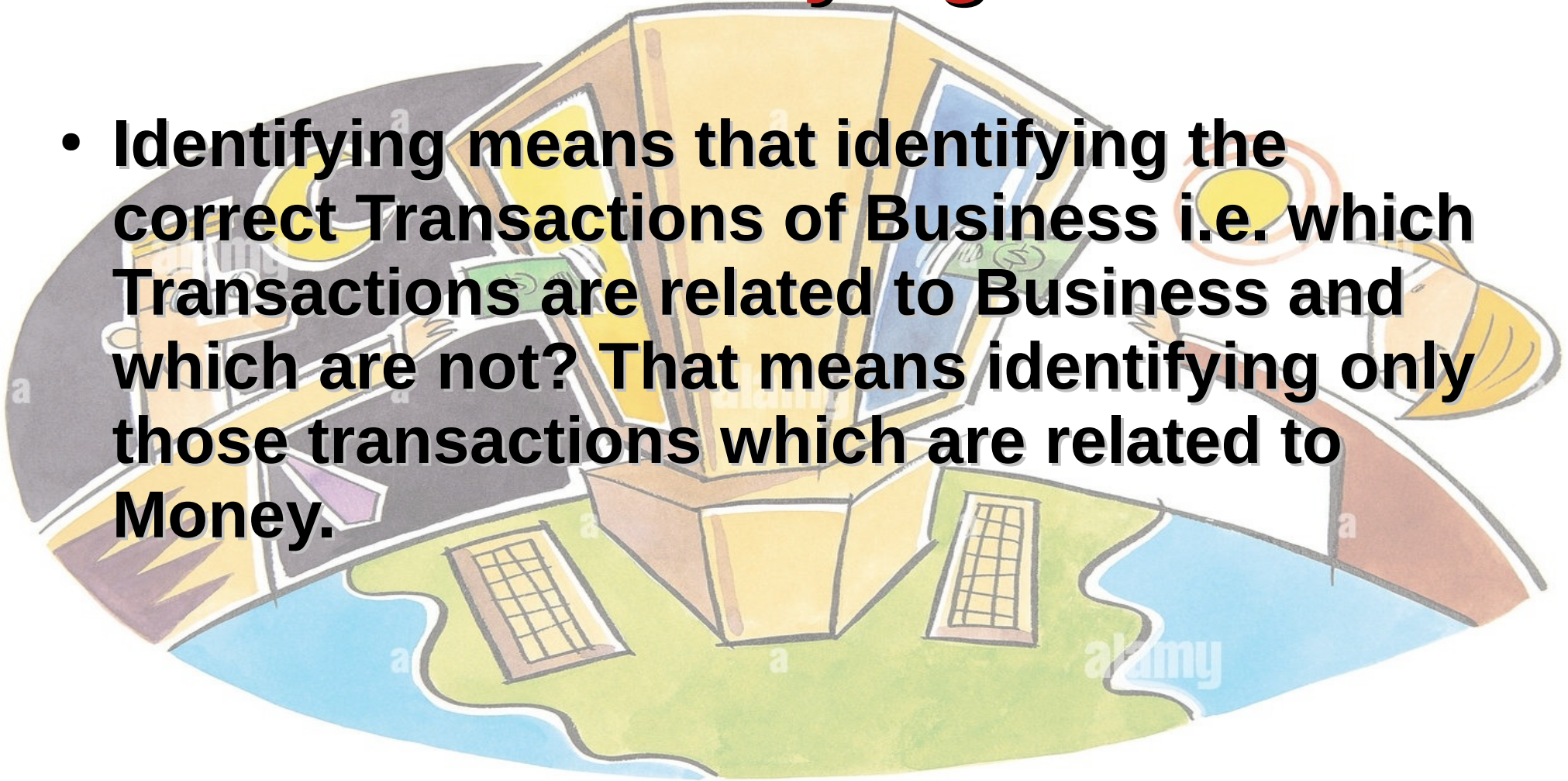


What is Accounting?

“Accounting is an art of recording, classifying and summarizing business transactions with a view to ascertain the net profit and financial position of the business.”

• **Identifying** –

- **Identifying means that identifying the correct Transactions of Business i.e. which Transactions are related to Business and which are not? That means identifying only those transactions which are related to Money.**

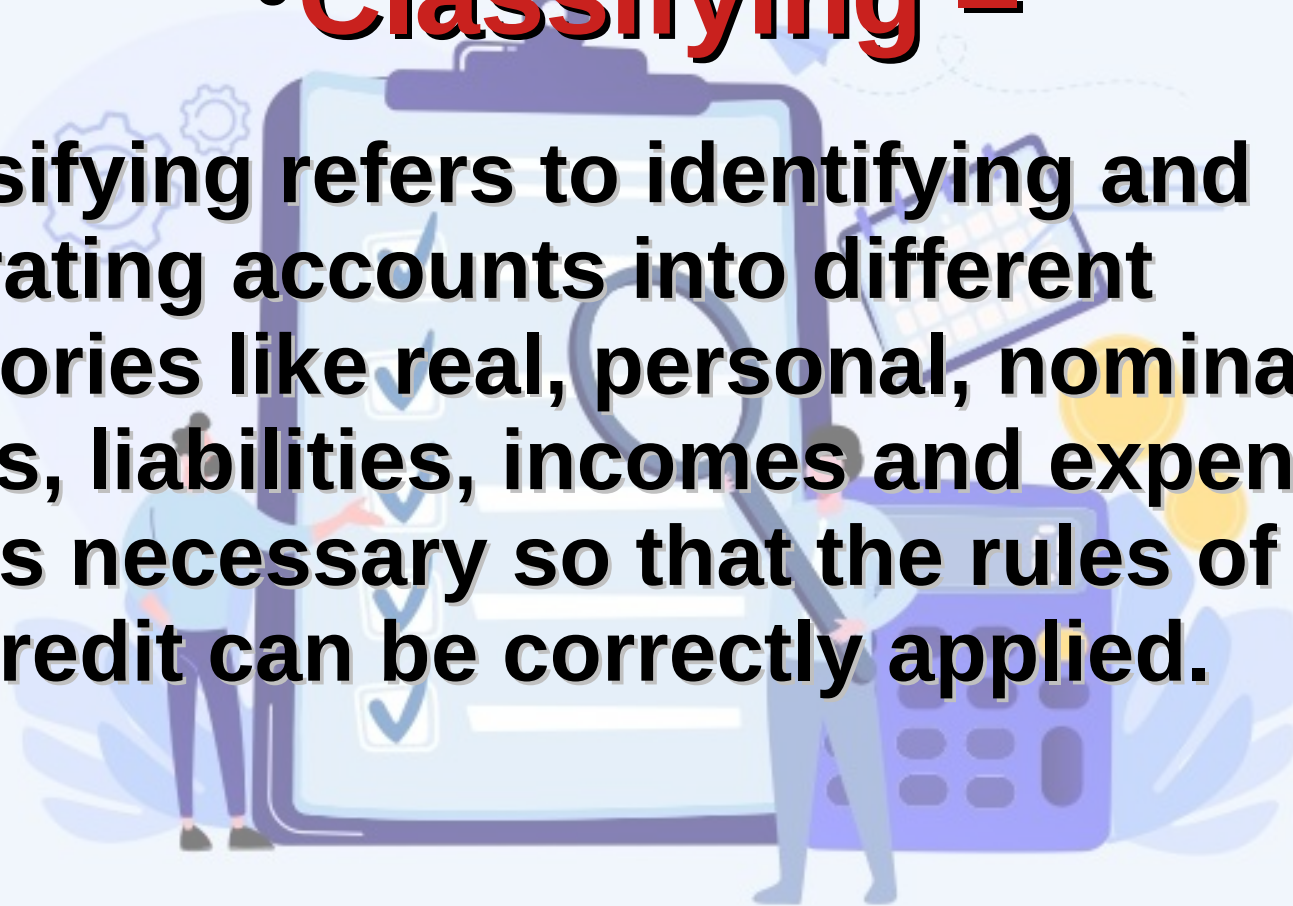


• **Recording –**

- **Accounting records are all of the documentation and books involved in the preparation of financial statements or records relevant to audits and financial reviews.**

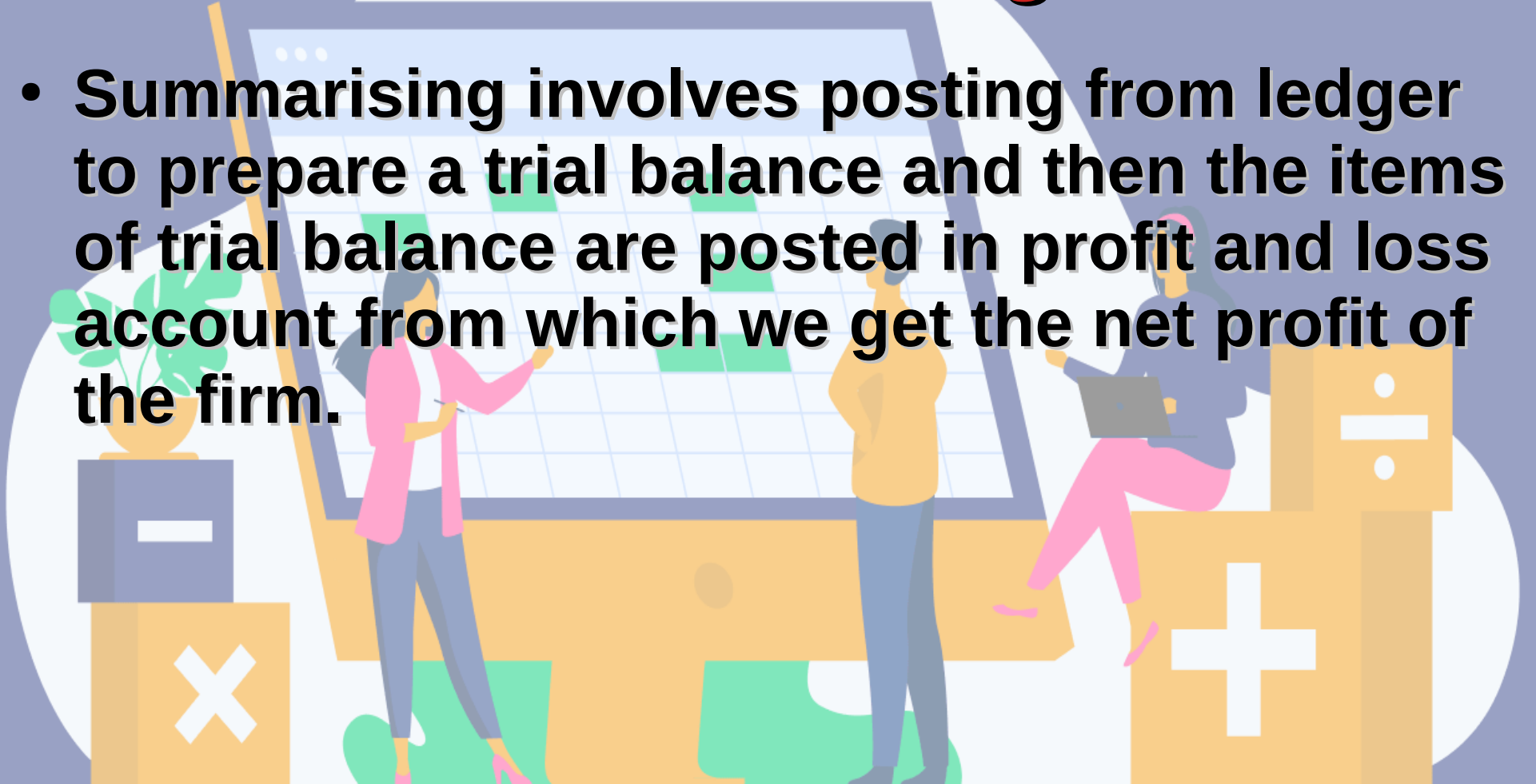
• **Classifying –**

- **Classifying refers to identifying and separating accounts into different categories like real, personal, nominal or assets, liabilities, incomes and expenses. This is necessary so that the rules of debit and credit can be correctly applied.**



• **Summarizing –**

- **Summarising involves posting from ledger to prepare a trial balance and then the items of trial balance are posted in profit and loss account from which we get the net profit of the firm.**



• **Communicating** –

- **Now the financial transactions that have been recorded, classified and summarized, are sent to the authorities or to the main users who need them, that is, they are communicated with so that they analyze that information and take important decisions.**

