Lesson no. 3: Accounting Introductions

Accounting is a process of identifying, recording summarizing and reporting economic information to decision makes in the form of financial statements. Financial statements will be useful to the following parties:

- Suppliers
- Customers
- Employees
- Bank
- Suppliers of equipment, buildings and other assets
- Lenders
- Owners

Meaning of Accounts

We can understand accounts like as:

Debit (Dr) : Debit by receiver.
Credit (Cr) : Credit by giver.

Classification of Accounts

There are basically three types of accounts maintained for transactions:

- Real Accounts
- Personal Accounts
- Nominal Accounts

Real Accounts:

Real accounts are accounts relating to properties and assets, which are owned by the business concern, Real accounts include tangible and intangible accounts.

For example:

- ❖ Cash Account
- ❖ Furniture Account
- ❖ Machinery Account
- ❖ Building Account
- ❖ Land Account

Personal Accounts:

Personal accounts are accounts which relate to persons. Personal accounts include the following.

For example:

- Capital Account
- Drawing Accounts
- Ram (personal)
- Asha Traders (Company)
- Bank Accounts

Nominal Accounts:

Nominal accounts are accounts which relate to incomes and expenses and gains and losses of a business concern.

For example:

- Interest Account
- Discount Account
- Commissions Account
- Wages Account
- Purchase Account
- Sales Account

Golden Rules of Accounting

	Real Accounts	Personal Accounts	Nominal Accounts
Debit	What comes in	The Receiver	Expenses and Losses
Credit	What goes out	The Giver	Incomes and Gains