Text Book for

INTERMEDIATE

First Year

ACCOUNTANCY

Telugu and Sanskrit Akademi
Andhra Pradesh

Intermediate

First Year Text Book

Accountancy

Pages : xx + 300 + iv

Reprint
2023

Copies : 10000

- Published by Telugu and Sanskrit Akademi, Andhra Pradesh under the Centrally Sponsored Scheme of Production of Books and Literature in Regional Languages at the University level of the Government of India inthe Ministry of Human Resource Development, New Delhi.

Price : **Rs. 157.00**

Printed in India
Laser Typeset by : Telugu and Sanskrit Akademi

Published and Printed by
M/s. GBR Offset Printers and Publishers
Surampalli, Krishna Dist.
on behalf of Telugu and Sanskrit Akademi, Andhra Pradesh

SRI. Y.S. JAGAN MOHAN REDDY

CHIEF MINISTER
ANDHRA PRADESH

AMARAVATI

MESSAGE

I congratulate Akademi for starting its activities with printing of Intermediate textbooksfrom the academic year 2021 – 22.

Education is a real asset which cannot be stolen by anyone and it is the foundation onwhich children build their future. As the world has become a global village, children willhave to complete with the world as they grow up. For this there is every need for goodbooks and good education.

Our government has brought in many changes in the education system and moreare to come. The government has been taking care to provide education to the poorand needy through various measures, like developing infrastructure, upgrading theskills of teachers, providing incentives to the children and parents to pursue education. Nutritious mid-day meal and converting Anganwadis into pre-primary schools with English as medium of instruction are the steps taken to initiate children into educationfrom a young age. Besides introducing CBSE syllabus and Telugu as a compulsorysubject, the government has taken up numerous innovative programmes.

The revival of the Akademi also took place during the tenure of our government as itwas neglected after the State was bifurcated. The Akademi, which was started on August6, 1968 in the undivided state of Andhra Pradesh, was printing text books, works of popularwriters and books for competitive exams and personality development.

Our government has decided to make available all kinds of books required for studentsand employees through Akademi, with headquarters at Tirupati.

I extend my best wishes to the Akademi and hope it will regain its past glory.

Y.S. Jagan Mohan Reddy

Dr. Nandamuri Lakshmiparvathi
M.A. M.Phil., Ph.D.
Chairperson, (Cabinet Minister Rank)
Telugu and Sanskrit Akademi, A.P.

Message of Chairperson, Telugu and Sanskrit Akademi, A.P.

In accordance with the syllabus developed by the Board of Intermediate, State Council for Higher Education, SCERT etc., we design high quality Text books by recruiting efficient Professors, department heads and faculty members from various Universities and Collegesas writers and editors. We are taking steps to print the required number of these books ina timely manner and distribute through the Akademi's Regional Centers present acrossthe Andhra Pradesh.

In addition to text books, we strive to keep monographs, dictionaries, dialect texts, question banks, contact texts, popular texts, essays, linguistics texts, school leveldictionaries, glossaries, etc., updated and printed and made available to students fromtime to time.

For competitive examinations conducted by the Andhra Pradesh Public Service Commission and for Entrance examinations conducted by various Universities, thecontents of the Akademi publications are taken as standard. So, I want all the studentsand Employees to make use of Akademi books of high standards for their golden future.

Congratulations and best wishes to all of you.

N. Lakshmiparvathi

Nandamuri Lakshmiparvathi
Chairperson, Telugu and Sanskrit Akademi, A.P.

J. SYAMALA RAO, I.A.S.,
Principal Secretary to Government

Higher Educational Department
Government of Andhra Pradesh

MESSAGE

I Congratulate Telugu and Sanskrit Akademi for taking up the initiative of printing and distributing textbooks in both Telugu and English media within a short span of establishing Telugu and Sanskrit Akademi.

Number of students of Andhra Pradesh are competing of National Level for admissions into Medicine and Engineering courses. In order to help these students Telugu and Sanskrit Akademi consultation with NCERT redesigned their Textbooks to suit the requirement of National Level Examinations in a lucid language.

As the content in Telugu and Sanskrit Akademi books is highly informative and authentic, printed in multi-color on high quality paper and will be made available to the students in a time bound manner. I hope all the students in Andhra Pradesh will utilize the Akademi textbooks for better understanding of the subjects to compete of state and national levels.

(J. SYAMALA RAO)

THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a [SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC] and to secure to all its citizens:

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the [unity and integrity of the Nation];

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949 do HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.

Textbook Development Committee

AUTHORS

Dr. D. Thiruvengala Chary
Lecturer in Commerce
Kakatiya Govt. College,
Hanumakonda, Warangal.

Dr. P. Venugopal
Lecturer in Commerce
Govt. Degree College
Rajampet, Kadapa District.

Sri P. Vayunandanarao
Lecturer in Commerce
St. Patrick's College, Hyderabad.

Smt. P. Sobha Rani
Jr. Lecturer in Commerce
Vijayanagar Jr. College, Hyderabad.

Dr. B.P. Narasa Reddy
Lecturer in Commerce
Govt. Degree College,
Kothapeta, East Godavari.

Sri V.S. Ayodhya Nadh
Jr. Lecturer in Commerce
Chaitanya kalasala Jr. College,
Hyderabad.

EDITOR

Dr. G. Satyanarayana
Professor, Dept. of Commerce
Andhra University, Visakhapatnam

CHIEF EDITOR

Prof. K. Shankaraiah
Head, Dept. of Commerce
Osmania University, Hyderabad.

Coordinating Committee of Board of Intermediate Education, A.P.

Sri M.V. Seshagiri Babu, I.A.S.
Secretary
Board of Intermediate Education,
Andhra Pradesh

Educational Research & Training Wing (Text Books)

Dr. A. Srinivasulu
Professor

Sri. M. Ravi Sankar Naik
Assistant Professor

Dr. M. Ramana Reddy
Assistant Professor

Sri J.V. Ramana Gupta
Assistant Professor

Telugu and Sanskrit Akademi, Andhra Pradesh
Coordinating Committee

Sri V. Ramakrishna, I.R.S.
Director

Dr. M. Koteswaramma, M.Com., Ph.D.
Research Officer

Dr. S.A.T. Rajyalakshmi, M.Sc., B.Ed., M.A., Ph.D.
Research Assistant

Dr. K. Glory Sathyavani, M.Sc., Ph.D., M.Ed.
Research Assistant

Foreword

The role played by the Akademi in stabilizing Telugu Medium at the level of Higher Education since its inception (1968) is well known. The Akademi has rendered needful services by publishing a number of Text Books, Reference Books, Translations, Popular Series, Monographs, Dictionaries, Glossaries, Readings, etc., over the years. Many among the above mentioned books were also reprinted as per the demand. Sincere effort is being made to improve the quality of these books by conducting workshops, refresher courses and also by taking suggestions given by the intellectuals in general and the students and the teachers in particular.

Akademi has been revising and updating its publications in accordance with the prescribed syllabi, as and when necessary. Akademi is publishing Text Books for Intermediate in Telugu Medium since its inception. In addition, the Akademi has entered a new phase of activity with the publication of language books from the year 1995, and preparation and publication of Intermediate Text books in English medium from the year 1998, as entrusted by the Board of Intermediate education.

For the academic year 2014-15, the Board of Intermediate Education has revised the syllabus of all Humanities Text Books for first year of Intermediate and entrusted the preparation, printing and distribution of Text Books to Akademi. Accordingly, Akademi prepared this Text Book strictly in accordance with the prescribed syllabus for the academic year 2014-15.

We are indeed very much grateful to the Government of India, State Government, State Universities, the Board of Governors of Telugu and Sanskrit Akademi. We also thank the Commissioner, Intermediate Education and Secretary, Board of Intermediate Education of Andhra Pradesh. We are also very much grateful to Text Book Development Committee of the subject concerned for their valuable cooperation.

Constructive suggestions are solicited for the improvement of this book. The suggestions received will be examined and incorporated in the subsequent editions.

Sri. V. Ramakrishna I.R.S.
Director
Telugu and Sanskrit Akademi,
Andhra Pradesh

Preface

In the present competitive and complex corporate environment, Accountancy assumes a vital role in measuring and reporting the business information, related to the operational efficiency and financial position, to the various stake holders. It is governs the business language and executes the accounting process to enhance the understand ability of the users of the accounting information.

As a strong foundation is required at intermediate level to strengthen the specialised knowledge base, every care is taken to impart the relevant information in simple terms, by keeping the limitations and knowledge requirements of the students. The content is presented with relevant illustrations with a prime aim to make the subject understandable to the students.

A unique feature the book is 'the student activities', which enable the students to expose themselves to the practical business environment and acquire the skills that improve their employability and generate the curiosity to pursue higher studies in accounting area. Apart from the students, the non commerce business executives may acquire useful knowledge from this book.

The book contains logically arranged FIVE units, which comprehensively covered and explained the entire accounting process, with suitable and simple illustrations, followed by the sufficient theory questions and problems designed to reinforce the concepts and procedures presented in the body of the units.

The Chief Editor, Editor and Authors solicit and welcome suggestions to further enhance the content and quality of the book in future publication.

Chief Editor

CONTENTS

Chapter 1 Book Keeping and Accounting

1.1 Introduction

Accounting is one of the fastest growing professions not only in our country but also in the entire world. The accounting system provides relevant and reliable financial information to interested parties.

Accounting is often called as the '*language of business'*. The function of language is to facilitate communication among individuals in the society. Accounting helps in communicating the financial information of an organization to various parties interested in it.

1.2 Book Keeping

Book-keeping is the branch of knowledge that reveals how to keep a record of business transactions. It is often routine and clerical in nature. It is important to note that only those transactions related to business which can be expressed in terms of money are recorded. The basic objective of book-keeping is to have permanent record of all the business transactions. In specific terms, Book keeping is defined as

"Book-keeping is the science and art of correctly recording in the books of account, all those business transactions that result in the transfer of money or money's worth". ***- R.N. Carter***

1.3 Accounting

Accounting is considered as a system which collects and processes financial information of a business. This information is reported to the users to enable them to make appropriate decisions. The following definitions explain the meaning of accounting in a more meaning full form.

The American Institute of Certified Public Accountants (AICPA) has defined the Accounting as "*the art of recording, classifying and summarizing in a significant manner in terms of money transactions and events which in part, at least of a financial character and interpreting the results thereof*".

American Accounting Association (AAA) defines accounting as "*the process of identifying, measuring and communicating economic information to permit informed judgments and*