The video is especially for the science students who come from a different background. This is a very simple and straightforward video so please make sure you watch this video till the end to understand the whole concept of accounting very practically and logically right let 's start this video. The balance sheet gives us the financial position of the business and profit and loss account. Accounting accounting is nothing but recording classifying and summarizing the financial data into meaningful format that is all accounting is right so now let 's see the accounting process. The accounting process is very simple accounting process starts with the source document. The process from source document till trial balance it is called bookkeeping. An asset is a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity that is what an asset is now previously we used to say that asset is something that the company owns if company owns the land and building then that 's an asset of the company'

Expenses are the cost of operations that a company incurs to generate revenue and from which no further benefit is expected is the main difference between a certain expenses that you know in acid we get future economic benefit but here once you incur the expenses that means you have taken the benefit already the benefit is already taken. So see here a present obligation of the entity to transfer an economic resource as a result of past event there will be some past event for example you purchase you know ten thousand worth of goods yeah and you did n't pay then you have present obligation to pay that person pay to pay your supplier. If you owe money to your supplier then that supplier that creditor he will have claim on your total assets of the company. Capital is simply whatever money that is brought in by the owners of the company that's called capital or equity share capital or preferential capital simple as that. The technical definition would be it is the claim of owners in the total asset of the. Company after deducting all it 's liabilities. Shareholders because they 're in companies the capital is divided into small small units of shares.

Sales is our revenue and then rendering of services if it 's a service business then we will render the services and we will get the money etc and also interest received all these things okay other things also etc mean side interest receive rent receive whatever it is dividend receive whatever we get that 's called running simple as that' Let 's say you purchased a machinery to do business yeah you wanted to do some production or something yeah so of course your cash will reduce. Now there is an obligation that is being created that you have to pay 40,000 back to the bank is n't It so this obligation is called a present obligation. Before you had claim on the total assets of the company yes but now there is liability holder also outsider also outsider. First priority goes to the liability holders and then the owners okay so these people will have claim on total assets and also you but you will get only after deducting liabilities okay your claim is only one lakh.

Accounting attempts to record both effects of a transaction or event on the NT these financial statements. Every transaction will have one debit one credit and one credit okay and the effect of them will be equal always equal that 's the duality principle or dual aspect principle of accounting. Every transaction will have dual aspect it will have to us but that is what is meant by double entry and both the aspects have to be recorded so entire accounting is based on this modern equation. When you purchase machinery what happened when you purchase the machinery there was cash cash cash was reduced cash and then this machinery twenty thousand this asset increased. Accounting process shows document you prepare you prepare the journal entries so yeah in the coming videos we are going to