



Subject-Accounting

Grade-12

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Competency 1.0 – Analyses Accounting and its need.

Competency Level 1.2 – Analyses accounting as a process.

To provide economic information to interested parties of an entity for decision making, transactions and events are firstly recorded in the journals by extracting details from source documents like cash receipts(receipt), cash payments(payment voucher), credit purchases(purchase invoice), credit sales(sales invoice), petty cash payments(petty cash payment voucher), general journal(journal voucher) then they are posted to the assets, liabilities, equity, income and expenses accounts in the general ledger. after that, by using these accounts balances the preparation of financial statements as statement of profit or loss, statement of financial position, statement of changes in equity and cash flow statement is identified as process of accounting.

- What is used as the basic information for the preparation of financial statements are known as the accounting inputs. These are the transactions and events.
- Transactions are the exchange of resources that are measurable in monetary terms between two parties.
- Even where an exchange does not take place between two parties, if changes that are measurable in money terms that affects the elements of financial statements are events.
- The relevant information for accounting inputs are extracted from source documents.

The stages of the accounting process

1. Measuring the “transactions” and “events” of the business in money terms.
2. Recording in the books of prime entry from source documents.
3. Transferring information from the books of prime entry to the ledgers.
4. Balancing the ledger accounts and preparing a trial balance.
5. Preparing the financial statements.

Evaluation

1. Define transactions and events. Give five examples for each.
2. “Accounting is a process of production”. Explain with stages.
3. Show the above information in the stages of accounting process as,
source documents → prime entry books → ledger
4. State separately the types of different transactions recorded in each journal.