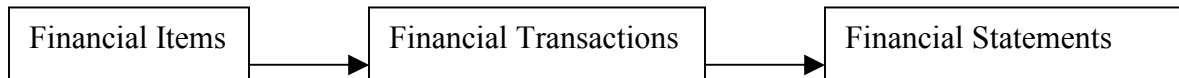


**FINANCIAL ITEMS**

Accounting is the process of recording the financial transactions in a systematic and scientific manner. A financial transaction consists of one or more of financial items. It is necessary to record all the financial transaction for particular period to know the financial result.



The financial items can be broadly classified into four categories

- Expenses
- Incomes
- Properties (Assets)
- Obligations (Liabilities/Sources)

The financial transactions are in fact

- Incurring expenses
- Earning incomes
- Acquiring properties
- Accepting obligation or recognising liabilities

A business organisation enters into several transactions and the items that one find in the books of accounts of an organisation are the manifestation of the above mentioned four items.

To ensure consistency in recording and enable the comparison across the firms and time, the transactions are recorded using certain basic concepts (principles and practices). These concepts are so basic that they can be treated as commonsensical. In the following paragraphs we will understand the some of the important concepts.