Arun sharma report example

Business, Company

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As complex as the world of accounting is, so is the various accounting statements. Hence, it is of extreme importance to understand as what each accounting statement means and what purpose does it serve. Some of the basic accounting statements are discussed for your convenience:

General Ledger: These are the central repository of all the accounting information of a company that summarizes all the transaction held by the company. In simple words, it is a complete summarized record of all the accounting transactions so posted under the double-entry accounting system under which each accounting transaction affects two financial items, one with a debit and other with a credit, but with an equal amount . In addition, as we discussed before, since, in a transaction, debit amount is equal to the credit amount, the sum of the debit balance should be equal to the credit balance in the General Ledger.

Profit and Loss: Also referred to as ‘ Income Statement’, this financial statement of a company gives complete information relating to the revenue earned, related costs and expenses incurred by the company, with the difference computed as Net Profit. Usually prepared on per year basis, Profit and Loss statement begins with the revenue amount from which the cost of revenue is deducted to arrive at the gross profit, followed by operating expenses which are subtracted from gross profit to estimate the operating profit and finally the net profit, which are ascertained after deducting non-operating expenses and income tax expenses from the operating profit of the company.

Balance Sheet: Also known as ‘ Statement of Financial Position’, this financial statement gives complete information relating to the Assets, Liabilities and Stockholder Equity of the firm. While Assets are the means of operating a business, liabilities and stockholder equity represents the obligations owed by the company and owner's capital invested in the company plus retained earnings, respectively. The Balance Sheet of the company is itself prepared on the equation:

Assets= Liabilities+ Stockholder Equity

This indicates that the assets of the company are balanced through obligations and owner's capital plus retained earnings.

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Bank Reconciliation Statement: A voluntary statement made generally by an individual to find the source of difference between the bank balance and the cash book balance, and then reconcile the balance in both the books. Important to note that in real life, there is a possibility of time differences between the accounting entry recorded in the cash book and in the bank system. For Instance, cheque issued but not presented in the bank is a common source of timing difference between the cash book and the bank system. Hence, with the help of Bank Reconciliation Statement, individual can reconcile the balances.