PREFACE

Accounting is the language of business. Business information is expressed by using accounting language. Information on various business activities and the result thereof, e.g. fund position, operational activities and results, assets, liabilities, capital, income and expenses, etc. are communicated through accounting medium to the users of these information.

A business enterprise, no matter how small, needs an effective accounting system to sustain and establish its long term operational and financial goals. With a good accounting system in operation the enterprise can manage the cash inflows and outflows, can forecast revenues and pay bills, can measure the values of the assets and the worth of the business and can generate reports to have access to the capital/debt market. With the globalization of business, the size of business firm is growing along with increase in the volume of business transactions. These require higher amount of investment in the form of equity and debt capital. There are many opportunities with new problems before the business firm. They have to take decisions with certain degree of precision to reap the benefit of the opportunities and to overcome the problems. Accounting plays an important role to formulate proper policies and to take informed decision.

Accounting information is the output of the accounting process. In the modern technology based and information backed-up competitive business world, quick and reliable availability of information is a pre-condition for success of business. Small business firms, such as, sole proprietorship and partnership business enterprises engaged in wholesale and retail business do not prepare financial reports in the form of annual reports to disseminate information to the
external users in general. It is generally found that most of these small business firms are restricted to the maintenance of cash book and various ledgers. They also prepare trading account, profit and loss account and balance sheet at the end of the financial/accounting year and submit these to various tax authorities and financial institutions for meeting taxation requirement and continuations of finance facilities respectively. It is also true that the values of assets, liabilities and profits may be influenced by changing accounting methods and principles. For this, banks and other financial institutions seek information in black and white on the volume of business handled, the system and procedure of accounting and financial statements of the business enterprise.

While preparing these financial statements by these small enterprises least importance is paid to the application of ‘Generally Accepted Accounting Principle’ (GAAP) which is the basic framework for preparing financial accounts. The present research study makes an effort to focus primarily on the system of maintaining books of accounts, application of GAAP and revenue recognition and the problems faced by the Sole-Proprietorship and Partnership Enterprises in accounting related matter, especially in view of changed environment.

Ramen Barman
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