

3. Discuss the advantages of accounting?

1. Complete and Systematic Record:- Accounting

is based on generally accepted principle and a scientific way of presentation of business transactions in books of accounts. As such accounting is a complete and systematic recording of all business transactions.

2. Determination of selling Price:- The main

function of the management is decision making. Accounting helps and guides the management to take decisions in respect of determining selling price, deduction of cost, increase in sales etc.

3. Valuation of Business:- In case of sale of business or conversion of one business into another true and fair value of the business is calculated. Through accounting the correct picture can be depicted in balance sheet and as such the purchase price can be determined.

4. Helps in Raising Loan:- For ~~the~~ further expansion business must have sufficient funds. Sometimes, due to paucity of funds business cannot do well. In those cases further funds can be raised by taking loan from some financial institutions like banks, IDBI, ICICI etc.

### \* Limitation of Accounting

Limitations of Accounting, What are the limitations of Accounting:-

Accounting is not fully exact; Accounting is influenced by the personal judgment in respect of various items people are bound to have different ideas and the estimates will naturally differ from person to person. Thus this will lead to the different amount of profit shown by a different amount of profit shown by a different person. Thus the profit cannot be treated as exact.