



## Conceptual framework of natural accounting

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**Abstract**

In this communication the author has conceptualized that the basic postulates of accountancy can be equated with the universal happening of natural phenomenon, i.e. assets, expenses, capital, liabilities and profit have identical laws as there exist in earth, water, fire, sky and air.

**Keywords:** accounting, assets, capital, expenses, liabilities and profit

**Introduction**

Science, technology and innovations have had an enormous impact on human development and welfare. A round-the-world trip can be commenced in few days. Scientific research and development have often been at par with human values. Nature and natural laws are supreme and are fundamental with all innovations. ‘Nature’ is always fundamental in its roots of all scientific innovations. Thus, Nature has universal rules and equations which are always involved in all human activities. Natural equations like happening of day-night, seasons, and solar eclipse or full moon – all take place due to the universal laws of Nature. Due to this, not only sea-tides but also, equinoxes, longest day on 21<sup>st</sup> June and longest night on 23<sup>rd</sup> December occur. The east-west winds, storms, cyclones, earth-quake, snow fall, land-slides etc. are also the results of natural rules. These rules of nature are always in existence. All the things of the world, whether living or non-living are changing shape of five natural elements. Everything of the world is sure to go to decay and got mixed with what it is eliminated as per the scheme of nature. We can represent signs and natures of five elements by the following equation:  
 We can complete fundamental rule of accounting and sign of above mentioned natural elements and find that only that everlasting trust which are in the nature are present in the real rules of accounting.

**Table 1**

Physical property	Elements of Nature				
	Earth	Water	Fire	Sky	Air
Density	Solid	Solid	No	No	No
Taste	Yes	Yes	No	No	No
Shape	Have	Have	No	No	No
Limit	Limited	Limited	Unlimited	Unlimited	Unlimited
Nature	Downward	Downward	Upward	Upward	Upward

**Table 2**

	Elements of Accounting				
	Assets	Expenses	Capital	Liabilities	Profit
Debit	Increases	Increases	Decreases	Decreases	Decreases
Credit	Decreases	Decreases	Increases	Increases	Increases

We can see the above mentioned facts in the accounting equation that there cannot be any transaction of any accounting system of any country of the whole world. All the five rules are those which are in physical elements. Assets and Expenses of accounting are Earth and Water of nature and Liabilities, Capital and Profit are just like Fire, Air, Sky. In accounting equation system is as follows:

$$\text{Capital+Liability+Profit} = \text{Assets+Expense}$$

and this is the shape of Balance Sheet in the accounting. The real concept of balance sheet is related with debit and credit that should be equal. We can understand this concept through natural occurrence, for example, if any mountain or any portion of earth is getting height, it means some equal part of earth is also getting depth at the same time. This is balance of Nature such as Height=Depth So Debit=Credit is exactly total quantum of daylight in the year is equal to total quantum of darkness in the year. Let us take into consideration the natural rule of Debit and Credit in the accounting journals as it happens. The following example will explain the application of these natural rules:

**Example 1:** Started business with Rs.1,00,000/- in cash.  
 Effect of transaction=Increase assets of cash in the business.  
 Increase capital business.  
 Action=Asset of cash will be debited and capital credited with same amount as mentioned above.  
 Journal= Cash A/C Dr 1,00,000  
 To Capital 1,00,000

**Example 2:** Bought furniture for Rs. 10,000 in cash.  
 Effect of transaction = Increase of furniture Decrease assets of cash.  
 Action=Asset of furniture debited and asset of cash will be created with same amt.  
 Journal= Furniture A/C Dr. 10,000  
 To Cash 10,000

**Example 3:** Bought a motor car on credit from X & Co. for Rs. 2,50,000

Effect of transaction=Increase asset of Motor Car Increase liability to X & Co.

Action= Assets of Motor Car debited and liability to X& Co. credited with same amt.

Journal= Motor Car A/C Dr. 2,50,000

To X & Co. 2, 50, 000

#### **Example 4**

Paid Rent in Cash Rs.5,000

Effect of transaction= Increases expenses of rent and decreases assets of cash.

Action= Expenses of rent debited and credited assets of cash with same amt.

Journal= Rent A/C Dr. 5,000

To Cash 5,000

#### **Example 5**

Received commission in Cash Rs. 15,000

Effect of transaction= Increase revenue of commission and increase assets of cash.

Action= Debited asset of cash and credit revenue of commission with same amt.

Journal=Cash A/C Dr. 15,000

To commission 15,000

#### **Conclusion**

So the conclusion of the fact is that natural accounting is very much lawful with the financial equation and all the business transaction are full of natural accounting.

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