

Ch (1) : Accounting in action

What is the Accounting ?

The information system that measures business activities , processes that information into reports and communicates the results to decision makers .

Financial accounting :

The field of accounting that focuses on providing information for external decision makers

Managerial accounting :

The field of accounting that focuses on providing information for internal decision makers

Who Uses Accounting Data ?

1 - Internal users :

Management – marketing – finance – H.R .

2 - External users :

Investors – customers – creditors – labor union – taxing authorities – regulatory agencies .

Ethics In Accounting :

Considerations affect accounting , investors and creditors need relevant and faithfully representative information about a company.

Accounting Standards

- International Accounting Standards Board (IASB) : issued (IFRS)
- Financial Accounting Standards Board (FASB) : issued Generally Accepted Accounting Principles (GAAP) .

Measurement Principles

- Cost Principle principles dictates that companies record assets at their cost.
- Monetary Unit : the assumption that requires the items on the financial statements to be measured terms of a monetary unit.
- Economic Entity : requires that activities of the entity be kept separate and distinct from the activities of its owner and all other economic entities.

Accounting equation

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

1. Assets : - economic resources that are expected to benefit the business in the future.

example :

1. Fixed Assets :

- Land.
- Building.
- Furniture .
- Equipment.

2. Current Assets :

- Cash.
- Account receivable.(A/R)
- Note receivable. (N/R)
- Office Supplies
- Inventory.
- Prepaid insurance .

Note: all assets accounts are debit

2. Liabilities : - claims against assets
(obligations – creditors – money's owned)

example :

- Accounts payable.
- Note payable.
- Salary payable.
- Rent payable.
- Interest payable.
- Unearned revenue.
- Bonds payable.

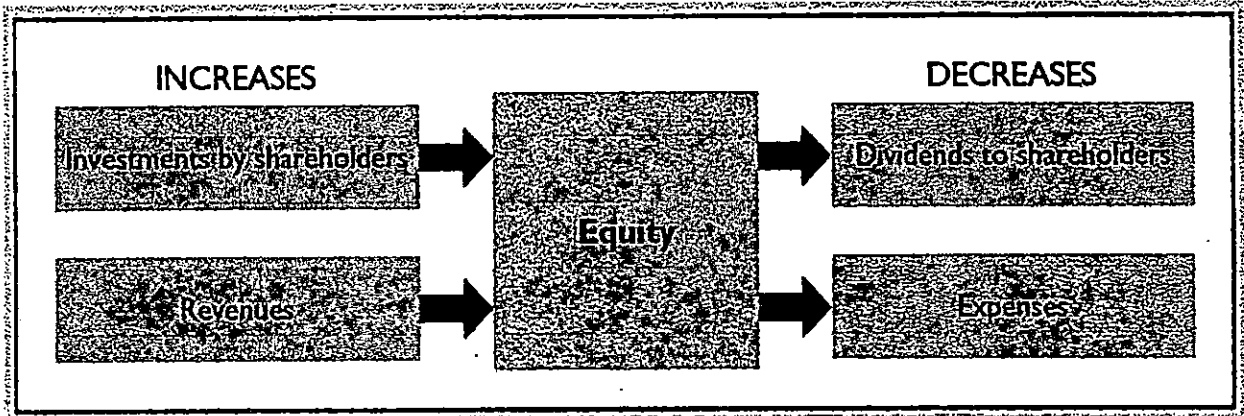
Note: all liabilities accounts are credit

@GUSTKWT - MYGUST

3. Equity : - the owner's claims against assets of business.

example :

- Owner's Capital.
- Owner's Withdrawals
- Revenue
- Expenses



Note: liabilities and equity accounts are credit.

Companies:

- ◆ Proprietorship. (Generally owned by one person)
- ◆ Partnership. (Owned by two or more persons) unlimited personal liability.
- ◆ Corporation. (Ownership divided into shares) Separate legal existence
- ◆ Limited liability company : a company in which each member is only liable for his or her own actions .

@GUSTKAT MYGUST