

LECTURE 1

INTRODUCTION TO ACCOUNTING

LEARNING OUTCOMES

Upon completion of the lecture, the students should be able to:

- Understand that accounting is concerned with the recording, classifying, summarising, and communicating of the economic data.
- Know the different users who can benefit from using the data.
- Know the different characteristics of useful information.
- Understand the rules to be followed when preparing the financial statements.

- **Definition**

Accounting is the system that measures business activities, processes that information into reports and communicates these findings to the decision makers.

- **Financial statements**

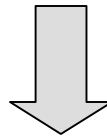
Are the documents that report on an individual's or an organisation's business in monetary terms.

Types of Business Organization

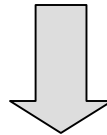
- **Sole Proprietor**
- **Partnership**
- **Company**

The Flow of Accounting Information

People make decisions



Business transactions occur



Accountants prepare reports to show the results of business operations

User of Accounting Information: The Decision Makers

- **Individuals**
- **Businesses**
- **Investors**
- **Creditors**
- **Government Regulatory Agencies**
- **Taxing Authorities**
- **Non-profit Organisations**
- **Other uses [employees and labour unions]**

Specialised Accounting Services

Public Accounting

- **Auditing**
- **Tax accounting**
- **Management consulting**

Private Accounting

- **Cost accounting**
- **Budgeting**
- **Information system design**
- **Internal auditing**
- **Financial accounting**
- **Management accounting**

Accounting Concepts and Principles

- **The Accounting Entity Concept**
- **The Reliability [or Objectivity] Principle**
- **The Cost Principle**
- **The Going Concern Principle**
- **The Stable-Monetary-Unit Concept**