

# 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**

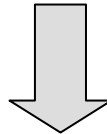


# The Flow of Accounting Information

**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**