

What is Accounting?

- The language of business
- Process of recognizing, measuring, recording, and disclosing economic events and transactions
- It is crucial for informed decision making and business activities

Who wants information about a company?

Internal Group	External Group
- Managers	- Investors, Other Lenders
- Employees	- Suppliers, Customers
	- Government, Public

Different Types of Accounting

Management Accounting	Financial Accounting
- provides info for the company itself	- provides info for users outside the company
- true and objective picture of the company's situation	- picture of company might not be true and objective
- no need to keep information secret	- incentive to keep information secret
- provided more frequently	- only provided once a year

Balance Sheet

Assets	Equity + Liabilities
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Business activities

1. Financing Activities	2. Investing Activities	3. Operating Activities
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Financing Activities

primarily two sources for funding

1. Borrowing money from third-parties
 - Liabilities are the amounts owed
 - Creditors are who we owe
 - Interest is the payment to creditors
2. Issuing shares & selling stocks
 - Equity is the share of stockholders
 - Dividends are the payments to stockholders

Investing Activities

purchase of resources a company needs to operate

1. Property, plant and equipment
 - Trucks, machinery, computers, furniture, buildings, material etc.
2. These resources are called assets.

Operating Activities

sales of product or provision of service

- Revenue: Amount of money earned from the sales during the accounting period
- Finished good inventory: Goods available for sale to a customer
- Accounts receivable: Right to receive money from a customer as a result of a sale
- Parties who owe amounts to our company are debtors
- Expenses: All cost associated with the production of the product or the provision of the service
- Net income or profit: revenue > expenses
- Net loss: revenue < expenses