ACCOUNTING 101

- Fundamentals of Accounting
- Introduction to Accounting
- Financial Statements

**Fundamentals of Accounting**

- **Accounting**
  - Service activity
  - Provides *quantitative* information, financial in nature, about economic entities which is useful in making *economic decisions*
  - Art
    - Of *recording, classifying, summarizing* in terms of money, transactions, and events that are of financial character and interpreting results thereof
  - Information system
    - Identifies
    - Records
    - Communicates
      - the *economic events* of an org. to intended users
  - Regarded as the *language of business*
    - Provides relevant information to various users, which help make economic decisions

1. **Identification**
   - Of economic events
   - Of accountable transactions
   - Of activities relevant to an entity

2. **Recording/Measurement**
   - In a systematic and chronological diary of events
   - Assign *monetary value* to economic events (un-accountable if none)
   - Also involved: *classifying & summarizing*
   - *grouping part, clerical part of accounting*

3. **Communication**
   - Relaying of accounting info to intended users through *accounting reports*
   - Financial Statements: most common form of accounting report
   - Also involved: *analysis & interpretation* of aggregate accounting

- **Importance of Accounting**
  - Assists *people to make decisions* about allocation of scarce resources
  - Provides *info* to assist users to understand past, present, & future position of an entity
  - Means of *measuring business activity* and communication this to decision makers