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