

TOPIC 2 – AN INTRODUCTION TO ACCOUNTING REPORTS: THEIR CONTENT AND USES

Transaction	Is a record of an economic event of an entity
Transaction Analysis	The process of identifying specific effects of transactions and events on the accounting equation
Assets	<ul style="list-style-type: none">• Resources controlled by a business• Usually physical in nature, however can be intangible• Must own it• Result of a past transaction
Liabilities	<ul style="list-style-type: none">• Claims against assets• Existing debts and obligations
Owners Equity	<ul style="list-style-type: none">• Is increased by contributions and revenues• Is decreased by drawings and expenses
Framework Elements	<ol style="list-style-type: none">1. Objectives of financial reporting2. Qualitative characteristics of accounting information3. Elements of financial statements4. Concepts of capital and capital maintenance
Four Financial Statements	<ol style="list-style-type: none">1. Income Statement2. Statement of Changes in Equity3. Financial Position Statement (Balance Sheet)4. Statement of Cash Flows

TOPIC 3 – BUSINESS PLANNING AND COST CONCEPTS FOR MANAGEMENT DECISIONS

Business Plan	<p>A written document that explains and analyses a business; helps to visualise and organise its operations</p> <p>Three main functions</p> <ol style="list-style-type: none">1. Communicate the future of the business2. To convey the credibility of the business to the reader3. To act as an organising tool that can help sell the owners idea and convert it into reality
Direct Cost	Can be traced back to a specific product or service (eg. A pen)
Indirect Cost	Cannot be traced back – eg. Electricity bill usage cannot be traced back
Product Cost	Similar to a direct cost as it can be traced (eg. Purchase cost of a product, or cost of employees providing the service)
Period Cost	Costs are matched with income of a specific time period rather than included as part of the cost of a saleable product (financing costs, selling expenses)