

Topic 1 – Introduction & Business Structures

SUMMARY:

- **Definition of Accounting:** Process of accounting concerns identifying, measuring and communicating economic information for decision making
- Users of accounting information may be external or internal
- Management accounting concerns needs of internal users, while financial accounting focuses on reports for external users
- The main sources of company regulation are the Corporations Act, the ASX listing rules and the influence of the accounting profession
- IASB's Framework is applicable to all Australian reporting entities
- Limitations of accounting relate to the time lag, historical nature of information and costs associated with releasing accounting information.

Topic 2 – Business transactions

- Business transactions are occurrences that affect the assets, liabilities and equity items in an entity
- Business transactions are an exchange of goods that occurs between the entity and an outside entity
- The accounting equation:
 - $\text{Assets} = \text{Liabilities} + \text{Equity}$
 - $\text{Assets} - \text{Liabilities} = \text{Equity}$
- A transaction has a dual effect on the equation
- After each and every transaction, the accounting equation must remain balanced
- An accounting worksheet is a summary of business transactions
 - Good for smaller businesses
- Larger businesses will have Journals and Ledgers
- Journals and Ledgers use debits and credits (not covered in this course)

Topic 3 – Balance sheet

➤ Introduced the balance sheet and described its elements: assets, liabilities and owner's equity The **balance sheet** is a financial statement that details the entity's assets, liabilities and equity as at a particular point in time — the end of the reporting period

The balance sheet shows:

- what the entity owns or controls as at a particular date = the assets
- the external claims on the entity's assets (what it owes) = the liabilities
- the internal claim on the entity's assets = the owner's equity

➤ Discussed the definition and recognition criteria of the b/s elements

Recognition means recording items in the financial statements with a monetary value assigned to them