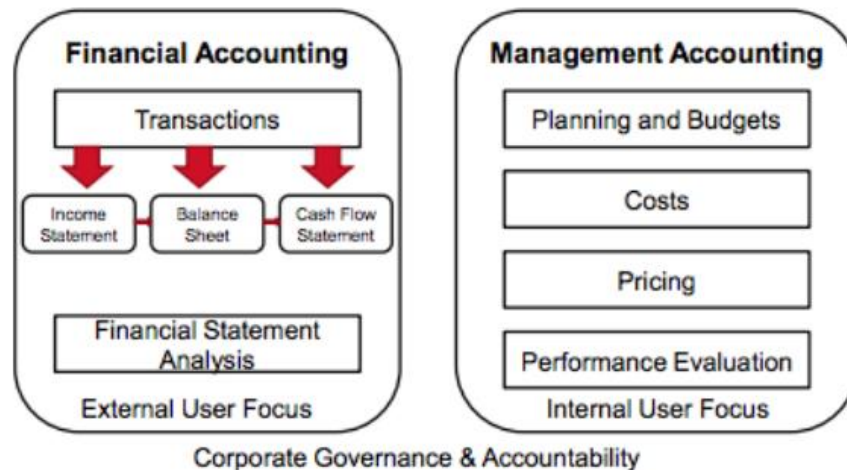


# Accounting 1030

## WEEK1: Introduction To Accounting

- What is accounting → financial and management accounting
  - Accounting is informational system that communicates financial information (LANGUAGE OF BUSINESS)
- **Financial:** for external (primary) users. Transactions → financial statement analysis
- **Management:** internal users (non-primary). Costs, performance evaluation



- Ethics in accounting
  - Normative rather than factual
- Regulation accounting
  - Regulation refers to financial accounting. Bound by Australian Accounting Standards
  - Australia like the rest of the are adapting International Accounting Standards
- Type of business organization
  - Sole Proprietorship
  - Partnership
  - Company

| Sole Proprietorship                                 | Partnership   | Company                                      |
|---|---|--|
| <b>What are some advantages?</b>                    |   |  |
| total undivided authority                           | better credit standing - possibly   | separate legal existence                     |
| no restrictions on type of business – must be legal | more brain power, but consultation with partners required                     | limited liability of shareholders            |
| easy to setup                                       | simple to form  | transferability of ownership relatively easy |
| <b>What are some disadvantages?</b>                 |   |  |
| unlimited liability                                 | unlimited personal liability for general partners                             | separation of ownership and control          |
| limitation on size – fundraising power              | partnership agreement highly recommended to overcome possible future problems | extensive governmental regulation            |

- Primary objectives of financial reporting
  - Provide info useful for making investment and lending decisions
  - Trade-offs: relevance, reliability, cost, confidentiality, full disclosure
  - Fundamental qualitative characteristics: relevance faithful representation
- **General Accepted Accounting Principles: GAAP (REMEMBER)**
- The cost principal
  - Assets and services acquired should be recorded at their actual cost
  - EXAMPLE: 1000L of petrol purchased at \$1.00/L. Next day price is \$1.20/L. cost principle suggests recording at **historical cost** (\$1.00/L)
- Accounting time period concept
  - The unit of time for which accounting data is collected and the financial statements prepared
  - July 1 – June 31 in Australia
- Going concern principle – the entity will continue to operate in the future
- ACCRUAL ACCOUNTING:
  - Expenses recognition principle: expenses recognized at the time when they are earned.
    - EXAMPLE: A company pays employee wages fortnightly. Therefore, wages expense is recorded every 2 weeks.
  - Revenue recognition principle – revenue recognized when service is performed or goods delivered.
    - EXAMPLE: A customer preorders and pays for service. Company must record “Revenue earned in advance” (unearned revenue...as a liability). Revenue only recorded once service carried out.
- DIFFERENCE:
  - Cash accounting records only when \$ exchange hands
  - Accrual accounting records everything. Including credit/debit

## **WEEK2 – Key Accounting Concepts**

- Used to be external and internal users → now called **PRIMARY** and **NON-PRIMARY USERS**
  - Document “*conceptual framework*” is constantly change and changed.
- Look into these businesses:
  - 3 main accounting bodies in Australia
  - CPA – graduates
  - CA – graduates
  - NIA (*name changed*) – non-graduates
- ASIC!!! – very powerful in Australia. Organisation looking after companies in Australia. Ensures companies behave correctly.
- ASX
- AASB
- **2 types of companies:**
  - public → shareholders
  - private → no shareholders
- LIMITED LIABILITY means LTD