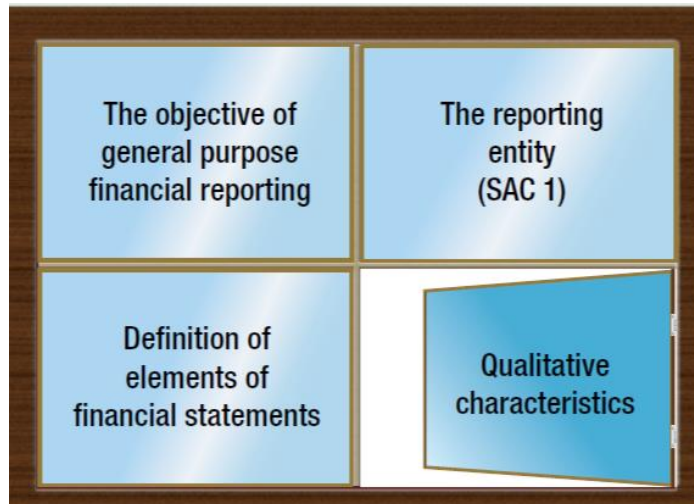


INTRODUCTION TO ACCOUNTING AND THE CONCEPTUAL FRAMEWORK

Accounting: the process of identifying, measuring, recording and communicating the economic transactions and events of a business operations

Conceptual framework



1. Objective of general purpose financial reporting is to
 - provide financial information about the reporting entity that is useful to existing and potential equity investor, lenders and other cedes in making they decisions about proving resources to the entity
2. The reporting entity
 - an entity in which it is reasonable to expect the existence of users who depend on general purpose financial reports for information to enable them to make economic decisions
3. Financial Statements
 - Provide vital information to users when making decisions
4. Qualitative Characteristics
 - Fundamental
 - Relevance
 - is information capable of making a difference in the decisions made by users
 - contains predictive and/or confirmatory value
 - affected by materiality (if information's omission or misstatement could affect users' decision)
 - Faithful representation
 - information is complete, neutral and free from material error
 - Enhancing
 - Comparability
 - facilities users identifying similarities and differences between different economic phenomena
 - Verifiability
 - represents economic phenomena without bias or material error and has been prepared with an appropriate recognition and measurement methods
 - Timeliness
 - whether information is available to users because it crease to be relevant therefore information received while it is capable of influencing the decision users make based on information
 - Constraint on financial reporting

- cost constraints limit the information provided by financial reporting

Key Terms

Asset	<p>characteristics:</p> <ul style="list-style-type: none"> - future economic benefit (selling and using) - control (ownership, ability to deny access from others) - past event <p>recognition criteria:</p> <ul style="list-style-type: none"> - probability test (likelihood of economic benefit, above 50%) - reliable test (measurement, dollar amount) <p>liability + equity</p>
Liability	<ul style="list-style-type: none"> - present obligation (eg. warranties) - past event (depends on future course of action) - outflow of economic benefit (give something) <p>recognition criteria</p> <ul style="list-style-type: none"> - probability test - reliable test
equity	<ul style="list-style-type: none"> - residual interest - assets-liability
income	<p>increase in economic benefits during the accounting period in the form of inflows of enhancements of assets or decreases of liabilities</p> <ul style="list-style-type: none"> - revenue- arising in ordinary course of business, - gains- increases in economic benefits other than ordinary course
expense	<p>decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities</p> <ul style="list-style-type: none"> - operating expenses- arising in ordinary course of business - losses- decreases in economic benefits other than ordinary course

<p>General Purpose Financial Reports prepared for users who do not have the power to ask specific information, therefore, they rely on these reports</p>	
Balance Sheet	<p>summarises the financial position of an entity at a particular date</p> <p>contains sections for assets, liabilities and equities</p>
Income statements	<p>provides info on an entity probability for a period of time</p> <p>measures the difference bw revenues earned during a period and expenses incurred to earn revenues</p>
Statement of cash flows	<p>shows the changes in cash account</p> <p>shows cash receipts (inflows) and cash payments (outflow) for a period of time</p> <ol style="list-style-type: none"> 1. operating activities (day to day) 2. investing activities (acquisition and disposal on non-current assets) 3. Financing activities (long term debt and equity)