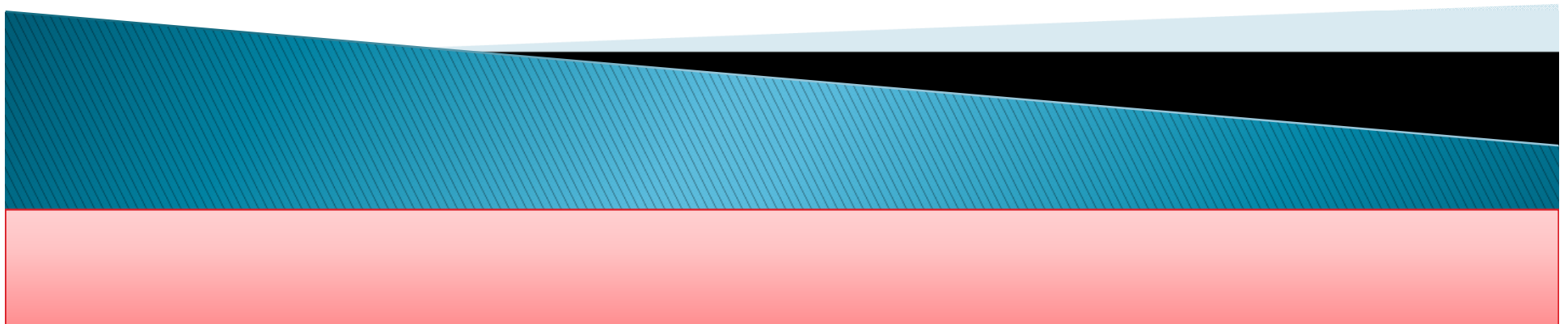


Fundamental Accounting

Chapter1 Introduction to accounting



How to succeed in this course:

- ▶ *Don't Fall Behind.*
- ▶ *Do the homework ON TIME.*
- ▶ *Attend Class!*
- ▶ *Participate!*
- ▶ *Don't try to memorize – most of the time, it won't work!*



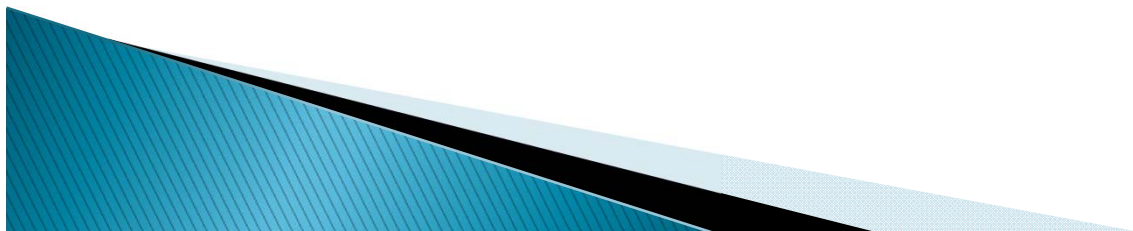
Definition of accounting

- ▶ Accounting is the art of recording, classifying and summarizing in a significant manners and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results there of



Why Study Accounting?

- ▶ Manage your own business
- ▶ Understand financial information
- ▶ Get a job! Applications include:
- ▶ Management, marketing, finance, real estate and government.
- ▶ This course provides information which will be useful to you through *your career* and *your life*.



Accounting as an Aid to Decision Making

- ▶ Accounting information is useful to anyone making decisions that have economic consequences
- ▶ These decision makers include
 - Managers
 - Owners
 - Investors



Financial Accounting

Financial accounting serves external decision makers:

- ▶ Stockholders
- ▶ Suppliers
- ▶ Customers Banks
- ▶ Government



Management Accounting

Management accounting serves internal decision makers:

- ▶ Top executives
- ▶ Department heads
- ▶ Other managers within the organizations



Type of ownership

- ▶ **Sole proprietorship** – owned by one person. Examples: small service-type businesses. Limited life and owners have unlimited liability for debts
- ▶ **Partnership** – owned by two or more persons: Examples: retail/service companies: Limited life and owners have unlimited liability for debts
- ▶ **Corporation** – separate legal entity. Example: GM, Exxon–Mobil, Wal–Mart. Unlimited life and owners are protected from liability.



The Nature of Accounting

- ▶ Accounting is the process of identifying, recording, summarizing, and reporting economic information for decision makers
- ▶ Accountants present this information in reports called financial statements

