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Accounting 1 (Quickstudy: Business)



ACCOUNTING 1

ACCOUNTING BASICS

CONCEPTS, PRINCIPLES & BASIS

- Entity Concept**
Business is a separate legal entity from its owner.
Example: owner's personal expenses are not business expenses.
- Going Concern Concept**
Business will continue to operate for long enough to realize its future benefits.
- Time Period Concept**
Business activities are recorded on a regular basis.
Example: monthly financial statements.
- Cost Principle**
Assets are recorded at their historical cost.
Example: a building purchased for \$100,000 is recorded at \$100,000.
- Monetary Principle**
Business transactions are recorded in terms of money.
Example: a sale of goods for \$500 is recorded as \$500.
- Unit of Measure Concept**
Business transactions are recorded in terms of a single unit of measure.
Example: all transactions are recorded in dollars.
- Accounting Period Concept**
Business transactions are recorded over a period of time.
Example: monthly, quarterly, and yearly financial statements.
- Matching Principle**
Expenses are recorded in the same period as the revenues they help to generate.
Example: the cost of goods sold is recorded in the same period as the sales revenue.
- Conservatism Principle**
When there is uncertainty, choose the option that is least likely to overstate assets or income.
Example: if there is a doubt about the collectibility of an account, record it as a bad debt.
- Full Disclosure Principle**
All relevant information should be disclosed in the financial statements.
Example: if there is a lawsuit pending, it should be disclosed in the notes to the financial statements.

THE ACCOUNTING EQUATION

Assets = Liabilities + Owner's Equity

- Assets**
Resources owned by the business that have economic value.
Example: cash, accounts receivable, inventory, property, equipment.
- Liabilities**
Obligations of the business to other parties.
Example: accounts payable, notes payable, mortgages.
- Owner's Equity**
The owner's claim on the assets of the business.
Example: common stock, retained earnings.

Expanded Accounting Equation:
Assets = Liabilities + Common Stock + Retained Earnings

Retained Earnings Statement:
Shows the changes in retained earnings over a period of time.
Formula: $\text{Beginning Retained Earnings} + \text{Net Income} - \text{Dividends} = \text{Ending Retained Earnings}$

BALANCE SHEET ACCOUNTS

Assets: Cash, Accounts Receivable, Inventory, Prepaid Expenses, Property, Equipment, Vehicles, Intangible Assets.

Liabilities: Accounts Payable, Notes Payable, Mortgages, Bonds Payable, Deferred Tax Liabilities.

Equity: Common Stock, Retained Earnings, Additional Paid-in Capital, Accumulated Other Comprehensive Income.

JOURNAL ENTRY

Date	Account	Debit	Credit
Jan 1	Cash	100.00	
	Accounts Payable		100.00
	Total	100.00	100.00

FINANCIAL STATEMENTS - FORMAL RECORDS OF AN ENTITY

BALANCE SHEET

Shows the financial position of the entity at a specific point in time.
Formula: $\text{Assets} = \text{Liabilities} + \text{Equity}$

Assets	Liabilities	Equity
Cash	Accounts Payable	Common Stock
Accounts Receivable	Notes Payable	Retained Earnings
Inventory	Mortgages	
Property, Plant, & Equipment	Bonds Payable	
Intangible Assets		

INCOME STATEMENT

Shows the performance of the entity over a period of time.
Formula: $\text{Revenue} - \text{Expenses} = \text{Net Income}$

Revenue	Expenses	Net Income
Sales Revenue	Cost of Goods Sold	
Service Revenue	Salaries & Wages	
Rent Revenue	Utilities	
Interest Revenue	Depreciation	
Dividend Revenue	Insurance	
	Advertising	
	Research & Development	
	Other Expenses	

STATEMENT OF CASH FLOWS

Shows the changes in cash and cash equivalents over a period of time.
Formula: $\text{Beginning Cash} + \text{Net Income} - \text{Dividends} = \text{Ending Cash}$

Cash Flows	Net Change in Cash
Operating Activities	
Investing Activities	
Financing Activities	
Total	Net Change in Cash

STATEMENT OF RETAINED EARNINGS

Shows the changes in retained earnings over a period of time.
Formula: $\text{Beginning Retained Earnings} + \text{Net Income} - \text{Dividends} = \text{Ending Retained Earnings}$

Retained Earnings	Net Change in Retained Earnings
Beginning Retained Earnings	
Net Income	
Dividends	
Total	Net Change in Retained Earnings

STATEMENT OF STOCKHOLDERS' EQUITY

Shows the changes in stockholders' equity over a period of time.
Formula: $\text{Beginning Equity} + \text{Net Income} - \text{Dividends} = \text{Ending Equity}$

Stockholders' Equity	Net Change in Stockholders' Equity
Common Stock	
Retained Earnings	
Additional Paid-in Capital	
Total	Net Change in Stockholders' Equity

RETAINED EARNINGS STATEMENT

Shows the changes in retained earnings over a period of time.
Formula: $\text{Beginning Retained Earnings} + \text{Net Income} - \text{Dividends} = \text{Ending Retained Earnings}$

Additional Information:
This statement is used to provide information about the company's financial performance and position to its stakeholders.

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Synopsis

Also known as financial accounting. For any student of business, or anyone already tackling business in the real world.

Book Information

Series: Quickstudy: Business

Pamphlet: 4 pages

Publisher: QuickStudy; Chrt edition (February 20, 2001)

Language: English

ISBN-10: 1572225122

ISBN-13: 978-1572225121

Product Dimensions: 8.5 x 11 x 0.1 inches

Shipping Weight: 1.6 ounces

Average Customer Review: 4.5 out of 5 stars 64 customer reviews

Best Sellers Rank: #240,390 in Books (See Top 100 in Books) #22 in Books > Business & Money > Accounting > Governmental #25 in Books > Business & Money > Accounting > International #161 in Books > Business & Money > Accounting > Managerial

Customer Reviews

A refresher if you already have basic accounting knowledge. Good enough as an introduction to accounts but definitely not comprehensive.

product came as expected. cheaper than buying it from the school bookstore.

Good reference

I bought this Quickstudy of Accounting I. It was all right in reading and reviewing at the fast glace. But some parts of the Accounting theories and mathematics calculations, you must study a text at first. It will be a good product for somebody who has already studied Accounting I and Accountin II. If you are currently taing Accounting I and II, may be moreefficient to read and review the text, and later review with this Qucikstudy.

nice

gotta learn. this helps

This is especially helpful for us non-account types. This Quick Study guide, in conjunction with the Accounting 2 Quick Study guide, the Accounting Equations & Answers Quick Study guide, and William G. Droms' book, "Finance and Accounting for Nonfinancial Managers" go a long way to filling in the blanks for those of us whose focus is necessarily elsewhere.

Helps a bit

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