



Introduction to Accounting

B. Carter

Semester 1



Introduction to Accounting 120 is a course intended to provide essential understandings, economic framework, consumer skills and attitudes to successfully participate in a society influenced by financial and business decisions. Students will better manage personal finances, understand obligations of business owners and make informed decisions concerning life careers and choices. The intention of this course is to encourage students to further their education in post-secondary business studies.

Materials Needed:

Textbook - Accounting 1 - 7th Edition

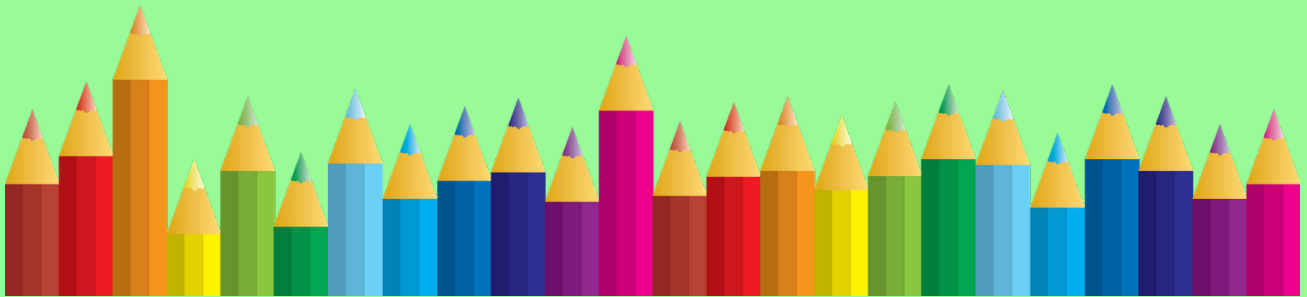
Binder

Calculator

Curriculum Outcomes:

By the end of this course, students will be able to demonstrate an understanding of:

- The Necessity and Basic Activities of Accounting in Various Forms of Businesses
- Financial Position and the Preparation of a Simple Balance Sheet
- Changes in Financial Position and Their Effect on the Balance Sheet
- Debit and Credit Theory and Journalizing
- Owner's Equity, Income Statements & Report Form Balance Sheets
- Source Documents and Accounting for Sales Taxes
- Posting to the General Ledger
- Six-column Worksheet, the Preparation of a Classified Balance Sheet and Income Statement and how Financial Decisions are Based on These Documents
- Adjusting Entries, Closing Entries, Depreciation, the Extended Worksheet and the Preparation of a Post-closing Trial Balance

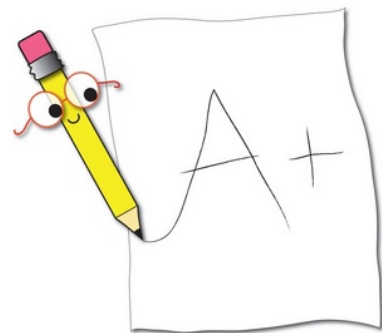


Evaluation:

Assignments 40%

Quizzes 20%

Tests 40%



What is accounting?

FIVE main activities involved in Accounting:

- gathering financial information
- preparing and collecting permanent records
- re-arranging, summarizing and classifying financial information
- preparing information reports & summaries
- establishing controls to promote accuracy and honesty among employees

Accounting—An Information System

By enabling financial information to be gathered and prepared, a good accounting system provides the answers to many questions. For example, owners and managers might seek answers to questions such as the following:

- Is the business earning enough profit?
- Are the selling prices of the products set at the right amount?
- How much does ABC Company owe the business?
- How much does the business owe to XYZ Company?
- What is the value of all of the goods for sale?
- Do any of the goods for sale need to be restocked?
- To whom was cheque No. 502 issued?
- How much does it cost to produce product X?
- How much did John Smith earn last year?
- Are our customers paying their bills on time?
- Do we have enough money to meet our needs?
- Can we finance a business expansion?

Other persons, companies, or organizations might seek answers to the following questions:

- Should I lend money to this business? (a banker)
- Should I buy into this business? (a potential investor)
- Should I sell this business? (an owner)
- Is the business operating efficiently? (an absentee owner)

Why study accounting?

Accounting on the Job:

- Anyone interested in taking business
- Organization/Clerical skills

Accounting in Daily Life:

- Personal business/banking affairs
- Personal budgets
- Preparing an income tax return

Owning Your Own Business:

- Banking
- Who owes the business (Customers)
- Who does the business owe (Suppliers)

Accounting as a Profession:

- Requires several years of study and practice
- CA, CMA, CGA

Local Businesses

- ① "THE" WALMART
- ② O'DONAGHUE'S
- ③ PIZZA DELIGHT
- ④ HEADMASTERS
- ⑤ MIRAMICHI DENTAL CLINIC
- ⑥ SUBWAY
- ⑦ EMPIRE THEATRES
- ⑧ MORRIS WHOLESALE
- ⑨ NISSAN
- ⑩ SPCA

1.3 ► Characteristics of Business

Types of Business

Businesses form the economic framework upon which our society is built. Generally, a business involves *the manufacture and/or sale of goods or services in order to earn a profit*.

Most businesses fall within one of the following four main categories:

1. The Service Business

A **service business** sells a service to the public; it does not make or sell a product as its main activity. Examples of a service business are a hairdressing salon, a music recording studio, a dental clinic, and so on.

2. The Merchandising Business

A **merchandising business** buys goods and resells them at a higher price for a profit. Examples of a merchandising business are a clothing store, a computer store, or a supermarket.

(Note: Sometimes a service business sells some products; for example, a hairdressing salon will carry a line of shampoos. However, the sale of shampoos is only a sideline, not the main business, which is the service of hairdressing. Similarly, a merchandising business, such as a clothing store, may provide some services, such as repairs and alterations. Such services are only add-ons to the main business of selling goods.)

3. The Manufacturing or Producing Business

A **manufacturing business** buys raw materials, converts them into a new product, and sells these products to earn a profit. Examples of a manufacturing business are an auto maker, a paper mill, or a steel plant. Another type of business, closely related to manufacturing, is the **producing business**. A farm, for example, produces milk, grain, and other foods. Other activities of producing businesses include oil extraction, mining, forestry, and fishing.

4. The Non-Profit Organization

A **non-profit organization** may carry on activities to meet social needs and not for a financial profit. Examples of these organizations are a church, a service club (such as the Rotary Club), an organization (such as the Canadian Cancer Society), or a recreational club (such as a community hockey league). These types of organizations hope that their work will provide a social benefit. They are required to keep accounting records, especially if they receive funds or a tax-deductible status from the government.

Forms of Business Ownership

There are three main forms of business ownership. If you take a walk down any commercial street, you can see examples of each one, like the following:

1. You might notice a sign that reads “J. Wouk, Carpenter.” This sign indicates that J. Wouk is in business for himself. He may work alone or others may work for him. This type of business is known as a **sole proprietorship**. The owner is a sole proprietor.
2. You might come across a sign that reads “Dewey, Chatum, and Howe, Accountants.” This sign suggests that three persons share in the ownership and operation of an accounting business. A business of this type, involving more than one owner, is known as a **partnership**.
3. You might find a sign that reads “Red River Homes Ltd.” This sign tells you that Red River Homes Ltd. is a limited company or a corporation. A **limited company** or **corporation** is a special form of business that is considered a type of legal person or legal entity. A corporation is owned by shareholders and it has its own separate existence with separate rights and obligations. Almost all large business operations are corporations, and some have several thousand shareholders.

THREE forms of business ownership:

Sole Proprietorship	<u>Pro</u>	<u>Con</u>
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<u>Pro</u>	<u>Con</u>	Partnership
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Corporation	<u>Pro</u>	<u>Con</u>
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