

Accounting Concepts

Accounting Information System (AIS)

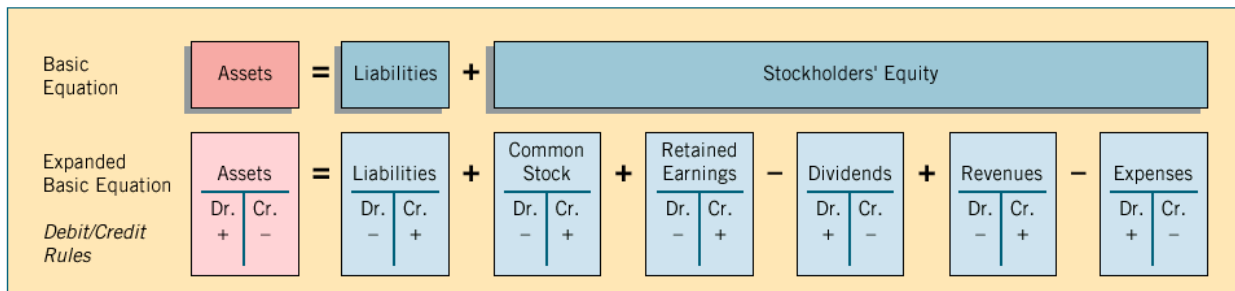
- Collects and processes transaction data and disseminates the information to interested parties.
- Helps management answer such questions as:
 - How much and what kind of debt is outstanding?
 - Were sales higher this period than last?
 - What assets do we have?
 - What were our cash inflows and outflows?
 - Did we make a profit last period?

Debits and credits

- An **Account** shows the effect of transactions on a given asset, liability, equity, revenue, or expense account.
- A **Double-entry** accounting system (two-sided effect) is one in which for each transactions there is always a credit for one account, and a debit for another account
- Recording done by debiting at least one account and crediting another.
- **DEBITS must equal CREDITS**

Basic accounting Equation

The accounting equation represents the relationship among the assets, liabilities and stockholders' equity of a business. The equation must be in balance after every transaction. For every **Debit** there must be a **Credit**



Journalizing

General Journal – a chronological record of transactions. **Journal Entries** are recorded in the journal.

Date	Account Title	Ref.	Debit	Credit
Jan. 3	Cash	100	100,000	
	Common stock	300		100,000
10	Building	130	150,000	
	Note payable	220		150,000

Posting:

The process of transferring amounts from the journal to the General Ledger accounts.

Date	Account Title	Ref.	Debit	Credit
Jan.	Cash		100,000	
	Common stock			100,000

General Ledger					
Cash			Acct. No. 100		
Date	Explanation	Ref.	Debit	Credit	Balance
Jan. 3	Sale of stock	GJ1	100,000		100,000

Financial Statements:

Balance Sheet: Provides a summary of the assets, liabilities and shareholders' equity of a company at one specific point in time (e.g. end of year). The three balance sheet parts provide an idea of what the company owns and owes, as well as how much was invested by the shareholders.

Income Statement: Gauges a company's financial performance over a specific time period.

Financial performance is assessed through summarizing the revenues of a company, and the expenses that were incurred to generate the revenue. It also shows the net profit or loss incurred over the same period, typically over a fiscal quarter or year.

Adjusted Trial Balanc	Debit	Credit
Cash	#####	
Accounts receivable	35,000	
Building	190,000	
Note payable		#####
Common stock		100,000
Retained earnings		38,000
Dividends declared	10,000	
Sales		185,000
Interest income		17,000
Cost of goods sold	47,000	
Salary expense	25,000	
Depreciation expens	43,000	
	#####	#####

Balance Sheet	
Assets	
Cash	#####
Accounts receivable	35,000
Building	190,000
Total assets	#####
Liabilities	
Note payable	150,000
Stockholders' equity	
Common stock	100,000
Retained earnings	115,000
Total liab. & equity	#####