1. **Accounting adjustments** are modifications made to financial statements to ensure they accurately reflect the financial position and performance of a company.

- These adjustments are necessary to correct errors, align with accrual accounting principles, and update the accounts for events that have occurred but are not yet recorded.
- These adjustments are made at the end of an accounting period.

2. BENEFITS OF ACCOUNTING ADJUSTMENT

- Accurate Financial Reporting
- Compliance with Accounting Standards
- Comparability

3. TYPES OF ACCOUNTING ADJUSTMENTS

- Accrued Revenues/Income - refer to earnings that a company has generated but has not yet recorded in its financial statements because the payment has not yet been received.
- Accrued Expenses/Liabilities - are costs that a company has incurred/earned but has not yet paid or recorded in its financial statements by the end of an accounting period. They are the costs you incurred in one time period but paid for in another.
- Deferred Revenues/Income - refer to payments a company receives in advance for goods or services that it has not yet delivered or performed.

4. ASSET DISTORTIONS

- Asset distortions refer to inaccuracies or misrepresentations in the reporting of a company's assets on its financial statements.

5. **OVERSTATED ASSETS** - Overstated assets refer to the situation where the reported value of a company's assets on its financial statements is higher than their actual worth.

- Generally Accepted Accounting Principles (GAAP)
- International Financial Reporting Standards (IFRS)

Chapter 5

1. **FINANCIAL ANALYSIS TOOLS –** Involves using financial data to assess a company’s performance and make recommendations about how it can improve going forward.

- Ratio analysis
- Cash flow analysis -