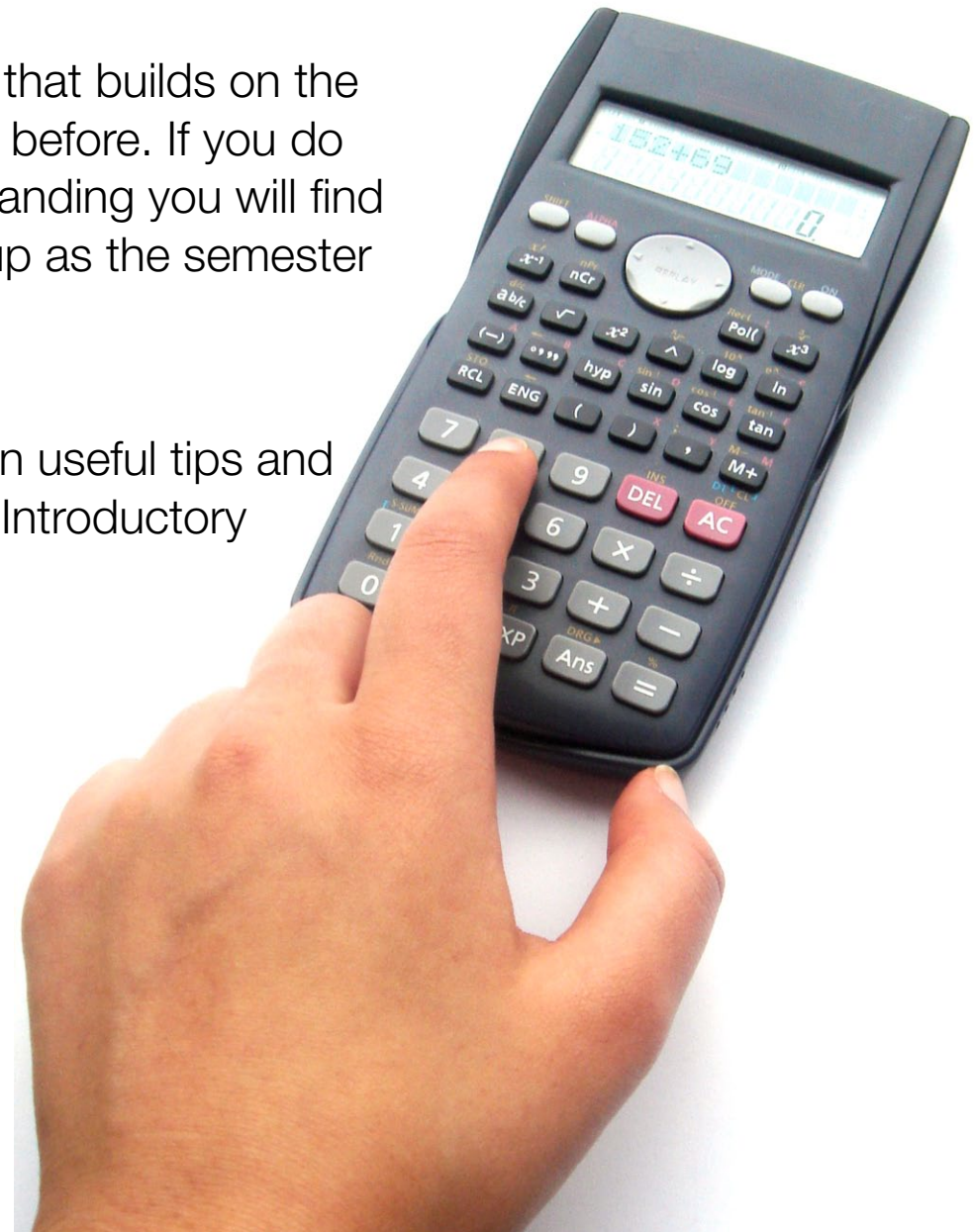


Bachelor of Business

INTRODUCTORY ACCOUNTING - STUDY SUPPORT RESOURCE

Accounting is a course that builds on the knowledge of the week before. If you do not check your understanding you will find it very difficult to keep up as the semester progresses.

These resources contain useful tips and strategies for studying 'Introductory Accounting' effectively.



Steps to reading textbook chapters effectively

The following strategies are based on students using the Accounting textbook.

Birt, J, Chalmers, K, Byrne, S, Brooks, A & Oliver, J 2010, *Accounting: business reporting for decision making*, 3rd edn, John Wiley & Sons, Australia.

This textbook has been chosen because it guides you very carefully through each topic. It is designed to clearly explain each topic and highlight the key points for each topic.

However, these strategies can be used when reading many other business textbooks.



TIP

You are expected to read each relevant chapter before attending the lecture. This will help you gain the maximum benefit from the lecture itself. Download the Course Content slides from your blackboard and during the lecture highlight key points, add examples and make notes that will help you to remember and understand.

Step 1: Overview of the chapter

Gain an overview of how the textbook is structured as this helps you to have a broad summary of the topics and issues explored.

In this textbook the clearly labelled sections are:

- **Learning objectives** –sets out the key points that you will need to learn



learning objectives

After studying
this chapter, you
should be able to:

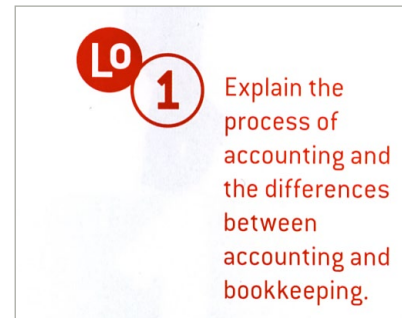
1. explain the process of accounting and the differences between accounting and bookkeeping
2. outline the role of accounting in decision making by various users
3. explain the differences between financial accounting and management accounting

- **Preview** - provides you with the context and a brief outline of the topic
- **Summary of the objectives** - found at the end of each chapter. They provide a guide to the key points that you will be reading about in greater detail.
- **Introduction** - establishes the background to the topic and addresses what is covered in the chapter.

READ THESE FIRST! By reading each of these sections in the order below you will be able to gain a much greater understanding of the topic when you read the whole chapter.

Step 2: Read the chapter

Return to the beginning of the chapter and read the **heading** of each section and the **Learning Objective** (The **LO** is in the left margin).



Note: - New words and terms in the text are **bolded**. The bolded words are defined in the margin. Example:

Bookkeeping The recording and summarising of financial transactions and the preparation of basic reports.

Table 1.1 summarises the process of accounting.
So, now that we have introduced the accounting process, just how does accounting differ from bookkeeping, or is it the same thing? **Bookkeeping** is simply the recording and summarising of financial transactions and the preparation of basic financial statements. Therefore, it may be useful to think of bookkeeping as being part of the accounting process. Bookkeeping represents the first two stages in table 1.1 compared with accounting which represents the four stages of identifying, measuring, communicating and decision making.

Check that you have a clear understanding of their meaning – if they are in **bold** and defined, they are important.

Compile a list of these key words and terms and their meaning.

TIP

Make your own notes as you read. Writing is an active process and writing a brief summary will help you to learn and remember.

Step 3: Read and check your understanding

At the end of each section is a list of bullet points. These points provide a very brief summary. Compare these with the notes you have written.



value to business

- Accounting can be defined as the process of identifying, measuring and communicating economic information about an entity for decision making by a variety of users.
- Bookkeeping is the recording and summarising of financial transactions and preparation of basic financial statements. The bookkeeping process is *part* of the accounting process. In some entities, an accountant may perform both bookkeeping and accounting roles.

Then check your understanding

- Read the coloured pages at the end of each chapter
- Read the **Summary of objectives**.

Summary of learning objectives



What is the accounting process and what is the difference between accounting and bookkeeping?

The process of accounting is one of identifying, measuring and communicating economic information about an entity for decision making by a variety of users. Bookkeeping is simply the recording and summarising of financial transactions and the preparation of basic financial statements.

- check your knowledge and understanding of the chapter with the **self- test activities**

Step 3: Read and check your understanding (cont.)

Check if you know the meanings of all the **Key terms**

Key terms

accounting, p. 4

asset, p. 20

Australian Accounting Standards Board

generally accepted accounting principles

(GAAP), p. 22

historical cost, p. 7

Test yourself with

• Apply your knowledge - Exercises

Problems

Basic

Moderate

Challenging

• Discussion questions

Discussion questions

1.1 What is a business transaction and how does it relate to the accounting process? Give five examples of business transactions.

• Problems

TIP

Use the Tutorial Guide (on your Blackboard) to make sure you have completed all of the highly recommended exercises.

Use the *Solutions Manual* on Blackboard to check your answers.

• Case studies

Case studies

CS1.1 Go to the ASX website (www.asx.com.au).

a. Click on 'Education', then 'What are shares?' Summarise the benefits of owning shares in company.



Step 4: Organise content to remember

Use the lecture slides and the notes you have made to draw a mind map showing the key points and the relationship between ideas.



Using mind maps

Mind maps are a useful visual tool for organising, revising and remembering topics. Mind maps are an extremely useful study tool. They can help you

- to gain an understanding of a topic, and its sub points
- to check your understanding
- to show the relationship between ideas
- to organise ideas and information
- to remember and understand key words and phrases by making the information accessible on a single page

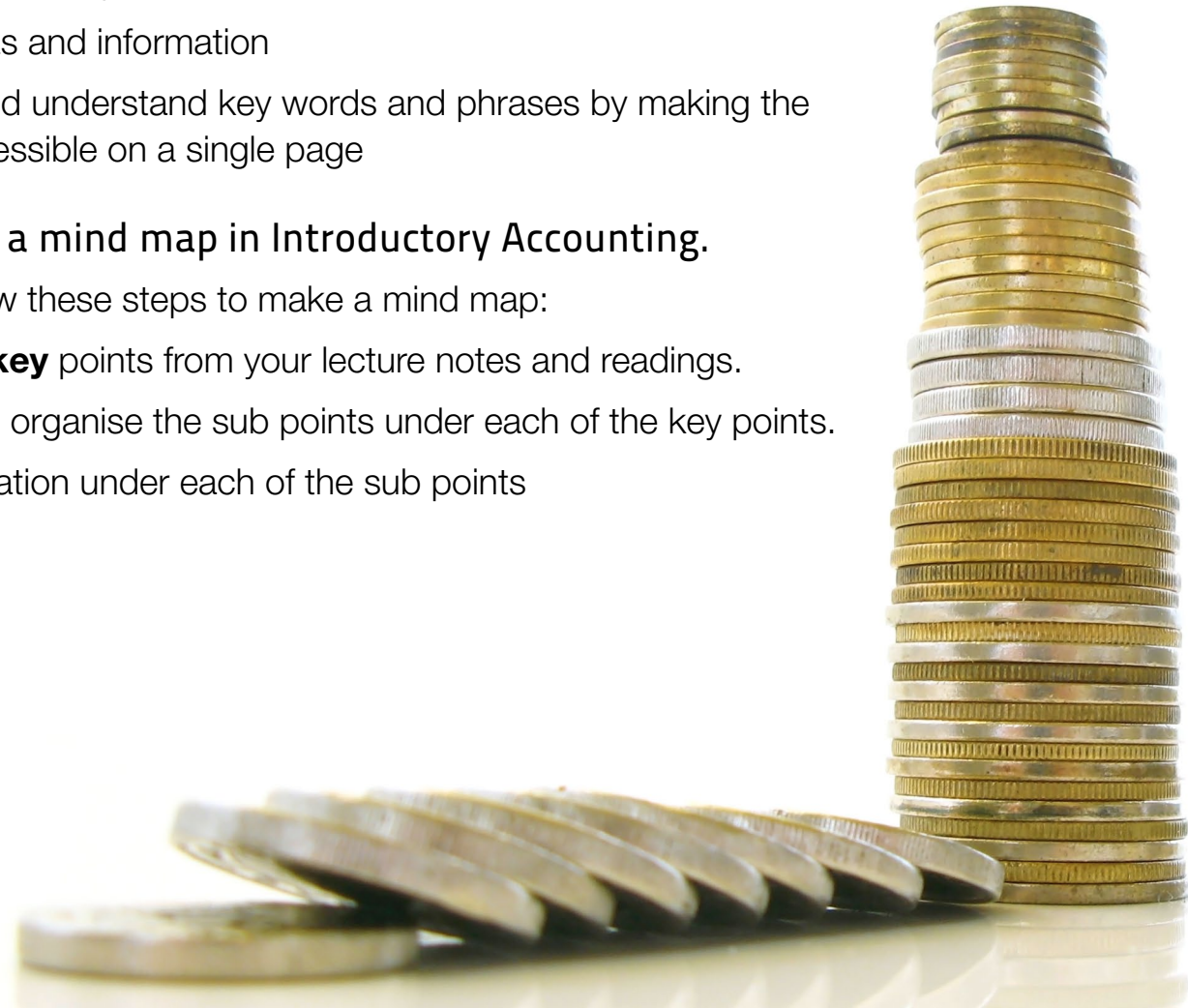
Steps for making a mind map in Introductory Accounting.

For each topic follow these steps to make a mind map:

Step 1: Select the **key** points from your lecture notes and readings.

Step 2: Decide and organise the sub points under each of the key points.

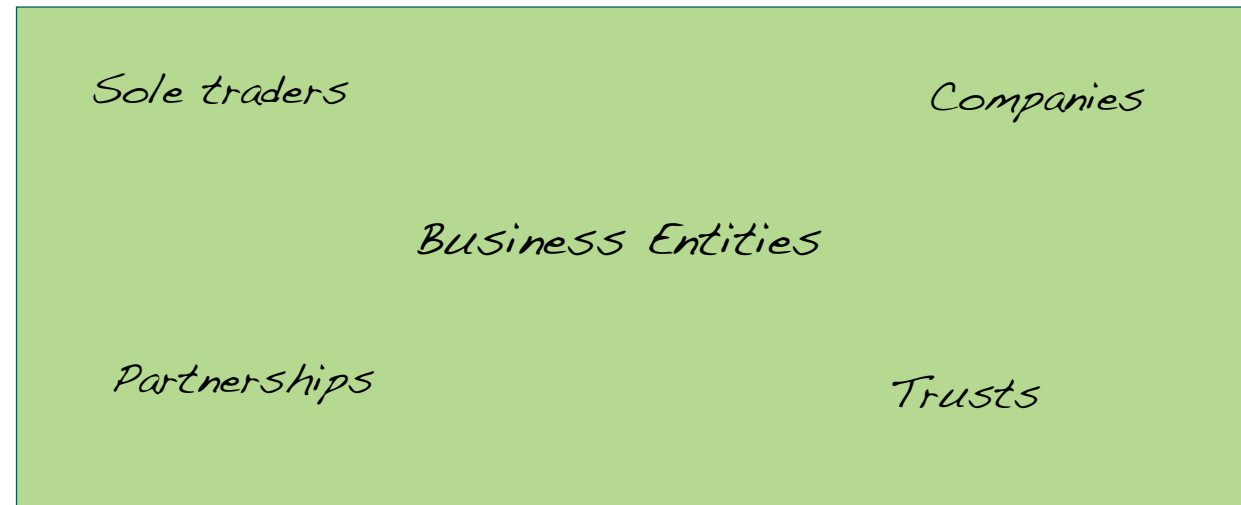
Step 3: Add information under each of the sub points



Example 1

Below is an example of how mind maps work. See the steps and key headings in a mind map for “Business Entities” – Advantages /disadvantages

Step 1: Select the key points from your lecture notes and textbook chapter. In this topic “Business Entities” the key points are ***Sole traders, Companies, Partnerships and Trusts***

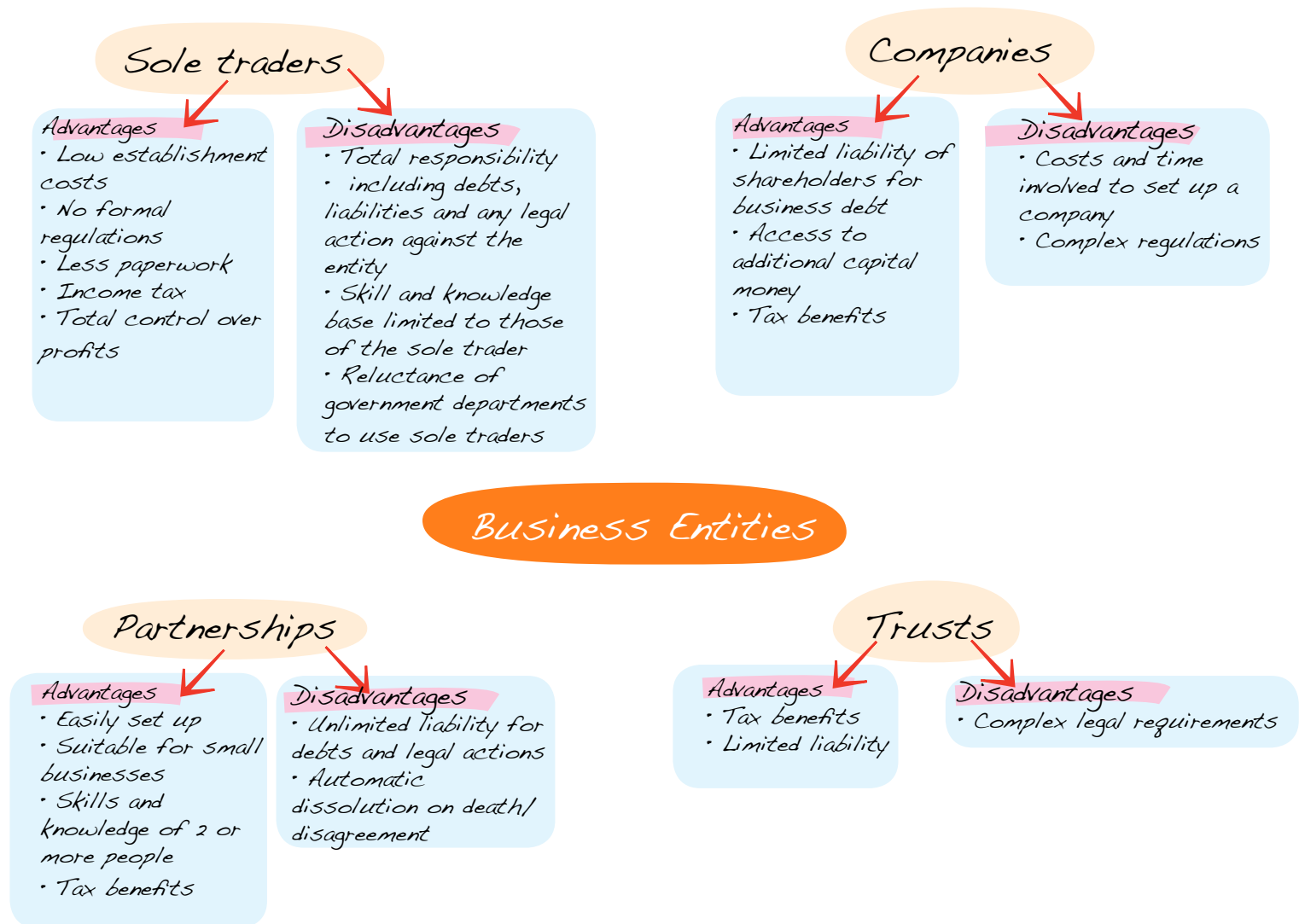


TIP

After each topic make a mind map of key topics, sub points, issues and relevant information. Complete these mind maps after each lecture topic when the content is still fresh in your mind. This will help build your knowledge of accounting.

Example 1 (cont.)

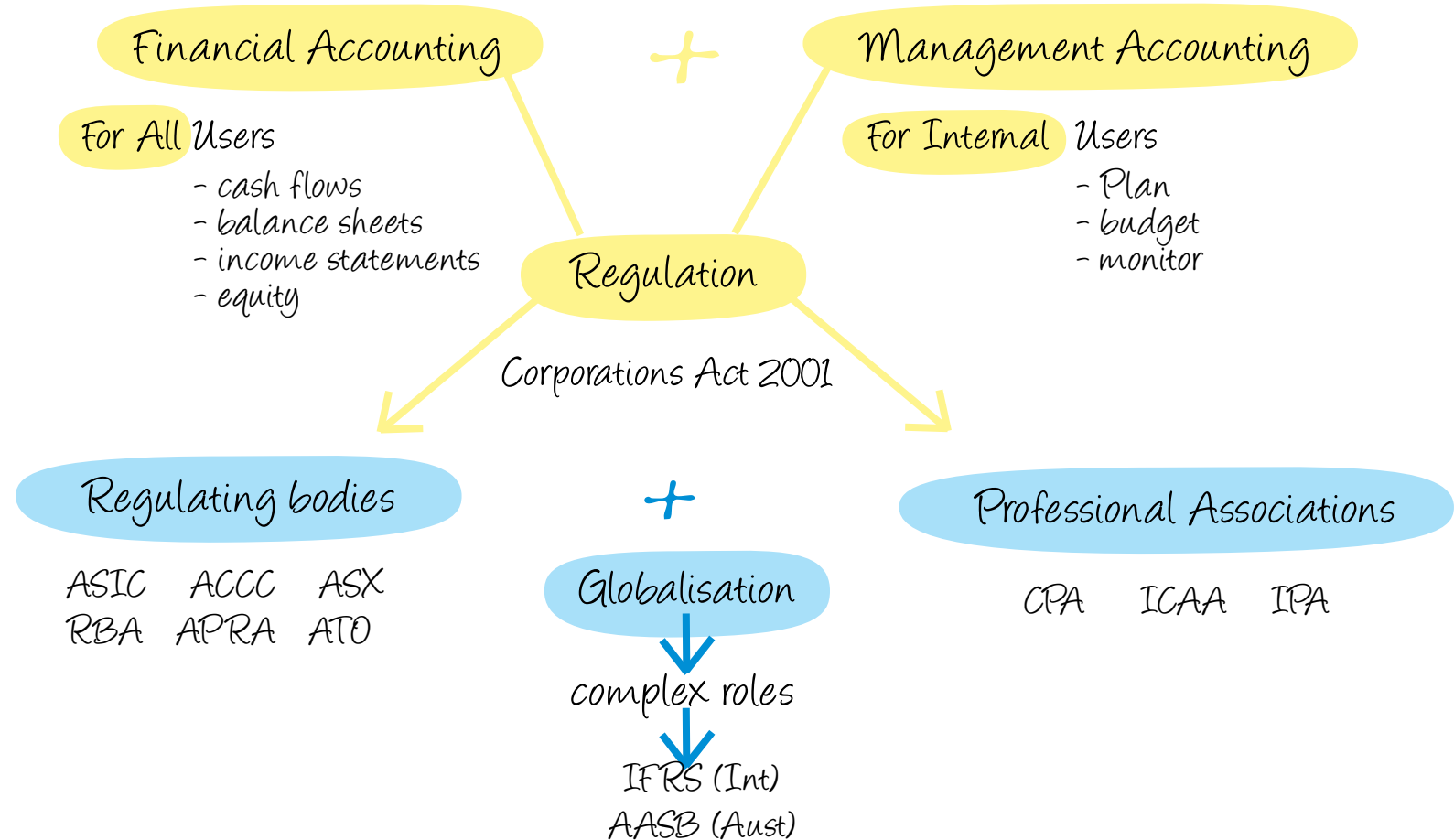
Step 2: Decide and organise the sub points under each of the key points. The sub points in the this topic are **advantages and disadvantages**



Example 2

Intro to Accounting (Lecture 1)

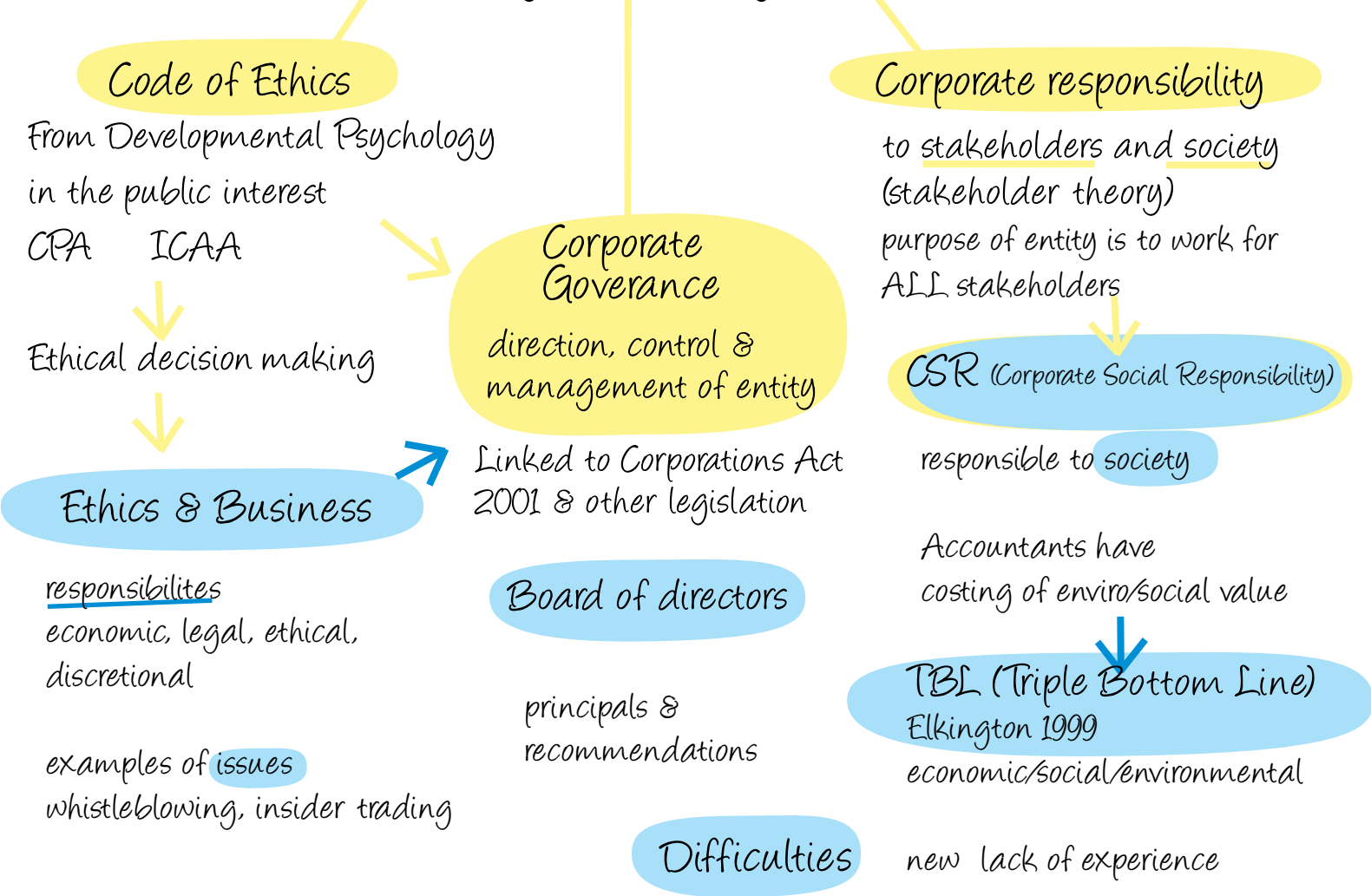
def Accounting - Identify, Measure and communicate economic information about an entity to users



Example 3

Ethics & corporate governance (lecture 3)

def Ethics (Wikip)
Concept of right and wrong behaviour



Writing Accounting answers

When writing short answers it is important to note the **type of question** (simple or complex answer) and the **instructional words** used so that you can **plan and write your answer** accordingly.

Type 1- Simple questions	Type 2 - Complex questions
Generally a simple answer to a straightforward question?	Generally more difficult questions where you are asked to provide an explanation, reasons or a critical evaluation?
What is...? What are...? Describe...	Discuss, analyse, examine, explain...
These questions typically ask for facts and generally require a brief answer.	In these questions you need to demonstrate your understanding of how different factors relate and have an impact on a situation or problem.
	TIP! Usually these questions are worth more marks

Simple questions - Example

What are the 4 main procedures in accounting as an information system?

Answer:

The four main procedures in accounting as an information system are information identification, information recording, analysis and reporting?

Writing Accounting answers (cont.)

Complex questions - Examples

What is corporate governance? What are some of the corporate governance mechanisms in business entities?

Use the **TEEL** structure for writing paragraphs below to construct an answer

Topic – introductory sentence

Evidence, examples

Explanation for your opinion

Last – summary sentence



Writing Accounting answers (cont.)

Complex questions - Example 1

Corporate governance in an entity specifies the distribution of rights and responsibilities among different participants in the entity

Introductory sentence
- a clear statement of the issue

T

The main participants are the board, managers and shareholders.

Facts, evidence, examples

E

Examples of corporate governance mechanisms include: the rights of shareholders, the role and responsibilities of the board, and the disclosure and transparency of the entity.

Explanation for your argument
Reasons
Possible consequence

E

Corporate governance assists in decision making that represents the interests of the entity and the shareholders.

Concluding Sentence

L

Paragraph text in the above sample taken from:
Birt, J, Chalmers, K, Byrne, S, Brooks, A & Oliver, J 2010, *Accounting: business reporting for decision making*, 3rd edn, John Wiley & Sons, Australia.

Writing Accounting answers (cont.)

Complex questions - Example 2

Explain the difference in the role of the journal and the ledger in capturing accounting information efficiently and effectively.

The role of the journal is to summarise and classify transactions efficiently and effectively.

Introductory sentence
- a clear statement of the issue

T

Frequent transactions are recorded in separate journals such as cash receipts journal and cash payment journal. Infrequent transactions are recorded in the general journal.

Facts, evidence, examples

E

Ledger accounts (when used with journals) are used to record the summarised information from the journal (for example the totals are posted from the cash receipts and cash payments journal to the cash at bank account).

Explanation for your argument
Reasons
Possible consequence

E

When used instead of journals, the ledger accounts record each transaction

Concluding Sentence

L

Both journals and ledger accounts enable financial statements to be more easily prepared.

Common abbreviations

In 'Introductory Accounting' you can often assume what a letter stands for in an acronym. For example:

A	Australian
B	Business
I	International
O	Organisation
T	Tax, taxation
X	Exchange

Acronyms - First three chapters of the text book

Chapter 1

Acronym	What do they mean?
AASB	Australian Accounting Standards Board
ACCC	Australian Competition and Consumer Commission
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
CPA	Certified practising accountant
CA	Chartered accountant
FRC	Financial Reporting Council
GAAP	Generally accepted accounting principles
GPFS	General Purpose Financial Statements
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
RBA	Reserve bank of Australia

Rules

GAAP generally accepted accounting principles – a set of rules and practices that guide financial reporting

Corporation Act – 2001 – national scheme of legislation administered by ASIC (Australian Securities and Investments Commission)
– deals with the regulation of companies and the securities and futures industries in Australia

Regulatory bodies

AASB – Australian Accounting Standards Board – responsible for developing accounting standards for Australian companies/entities

IASB – International Accounting Standards Board

ASX – Australian Securities Exchange – Australian marketplace for trading equities, government bonds and other fixed-interest securities

Common abbreviations (cont.)

Chapter 2 - Business Structures

Chapter 2	What do they mean?
AASBs	Australian Accounting Standards
ABN	Australian Business Number
ATO	Australian Tax Office
ACN	Australian Company Number
BAS	Business Activity Statement
FBT	Fringe benefits tax
GST	Goods and services tax
IPO	Initial public offering
PAYG	Pay as you go
STS	Simplified tax system

Chapter 3 - Ethics and corporate governance

Chapter 3	What do they mean?
ASX	Australian Securities Exchange
ASXCGC	Australian Securities Exchange Corporate Governance Council
CSR	Corporate Social Responsibility
OECD	Organisation for Economic Co-operation and Development