

1 Accounting Terminologies

1 **Accounting:** The process of **recording, Summarizing, reporting, analyzing and interpretation** of **financial information** relating to an organization, and which interested parties **make use of to** make informed decision.

Financial Statements

2 **Book-keeping:** The accurate and systematic recording of transaction according to the rules.
Recording+Summarizing+Reporting+Analyzing+interpretation

Book-keeping

Accounting

Book-keeping is just part of the accounting process

3 **Role of accounting:** To communicate financial information that is useful for decision-making purposes

4 **Internal users of accounting information:** Owner and managers who use accounting information in planning and controlling business activities

5 **External users of accounting information:** creditor, investor, suppliers, banker, government

6 **Transaction:** refers to any business event or activity that effect the financial condition of an organization

7 **Cash transaction:** refers to any transaction for which immediate payment is made

8 **Credit transaction:** refers to any transaction for which payment is postponed to a future date

9 **Financial Statements:** Includes Trading and Profit & Loss Account, Balance Sheet, Cash flow statement

10 **Accounting Cycle:** A flow of information form the identification and recording stage up to the reporting of information in the financial statement

11 **Type of business unit:** business firms Sole Trader, Partnership, **Limited Company**

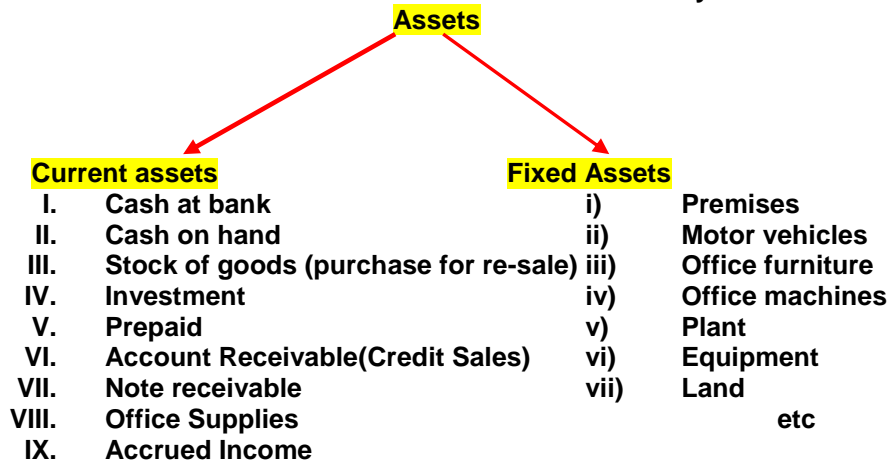
Private Limited Company

Public limited company

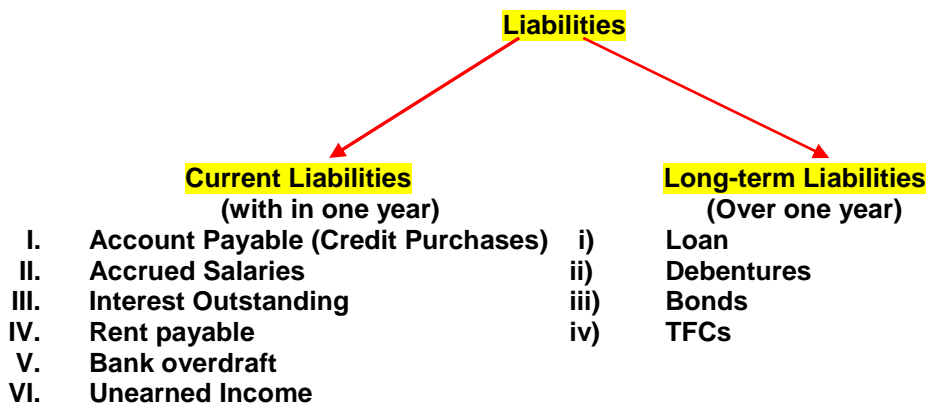
At least one shareholder
Maximum 50 shareholders

No maximum limit #Of
shareholder

25 **Assets:** Assets are resources of value owned by a business



26 **Liabilities:** Liabilities are amount owed by a business to external parties.



27 **Owner's Equity:** Owner's Equity is the Owner's interest or claim on the assets of the business.

Owner's Equity		
I.	Investment	+
II.	Profit	+
III.	Loss	-
IV.	Withdrawals	-

28 **Accounting Equation:** Assets = Liabilities + Owner's Equity