

## Lecture 1 Computerized Accounting Date \_\_\_\_\_

• Business Analysis is based on financial data.

Book:

Financial accounting by Meigs & Meigs

What is Accounting?

- کتنا/کتنے
- kitna expense incur kiya
- kitne revenue generate kiya
- Accounting is the language of business.

Types/Flows of Accounting

- Financial accounting
- Managerial accounting
- Cost Accounting.

There are many variations of accounting.



# ① Financial accounting: (imp)

Financial accounting gives you the information about financial resources, financial obligations and results of an economic activity.

- It works of realization of profits

## Resources



## Assets



office/bank balance  
car

most imp asset → cash

→ Our assets are our strength

## Obligations



## liability



loss

→ Agr liabilities ziada hain then it is an issue.

## Result



Net Profit / Net loss





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→ Jo profits ayenge tou business ki worth barhna shuru hojegi

## Basic Equation of accounting

Types of firms

Resources = sources

1) Sole Proprietorship

i) Assets = liabilities + Owner equity/capital  
Properties 30% / 70%      70% / 30%

• If liabilities is greater than owner equity then the organization is in danger.

• Equity - my share in business

• Proprietorship - individual owner

• It will tell us about the strength of our company.

1) Sole Proprietorship

2) Partnerships

Assets = liabilities + P. E.  
partner equity

3. Corporations

Asset = liabilities + share holders

Shareholder - It means that shares of our company are being sold in the market.



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- GAAP - Generally accepted accounting principles
- Point of sale:
  - ketne items sale hogae hai (quantity)
  - Revenue generated (store it)

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- Agr 51% shares of company hmare ps hai tou hmare ps iski ownership hai. We can make decisions of it.  
Agr 51% hmare ps hai tou company hmari hai.

X ——— X

## 2. Managerial Accounting.

MA = From the past data do future predictions / plannings

$$A = L + OE$$

In comparing MA and FA

$$FA = F(\text{Goal}) A(\text{Past})$$

Accounting Principle: GAAP

Point of sale

Transaction record  
Back-keeping  
Goal Accounting is PAST

Vs FA

- To update the equation
- It's response is to update database
- We have to decide future on the basis

FA.

- Forecast Future
- To prepare financial statement

Standard

GAAP  
Generally Accepted Accounting Principle

- Financial
- 1) Income
  - 2) Owner eq
  - 3) Balance
  - 4) Cash flow

→ The are done

Analysis

→ Time

- Present

- Future

- Present than future

3) Cost Acc

It is

compar

Raw material

→ We h

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on expectations /

forecasting  
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## Financial statements

→ At least once in a year it should be prepared.

- 1) Income statement (Profit/Loss)
- 2) Owner equity statement - tell us the position of ownership
- 3) Balance sheet (Balancing account equation)
- 4) Cash flow statement (Inflows/outflows)

→ The analysis of these statements are done by MA.

### Analysis

- Time value of money
- Present value (imp)
- Future value

Present worth is more important than future worth.

### Cost Accounting

It is related to production companies.

Raw material → Dept A → Dept B → Dept C → Dept D  
per unit cost

→ We have to determine the cost of every department and manage them accordingly.

Asset ki life over the time period decrease  
hoti hai - depreciation  
- product ki value km hojana

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### Course Outline :

- Accounting Cycle  
- Consist of 8 steps
- Merchandizing Inventory  
(Buying & selling products e.g. Intex)
- Depreciation
- Time Value of Money
- Analysis of Financial Statement

