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Economics :

Accounting :

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1 credit : 50 minutes [10 weeks only]

2 Major branches → ① Financial Accounting [chartered accountant]
 Specialized fixed

② Managerial Accounting [for other dept]

* INFORMATION SYSTEM = accounting

3 basic activities: → 5th statement

① identify, record, (annual report) communicate,
 economic events.

② organization

③ interested user

* Economic events → Transaction (if it's monetary related)
 or else normal event

example: बाज़ू नास्ता → normal

विन. नास्ता काया → transaction

* statement : record करा लाज 5 टी

* publish क्या करवे?

① Income statement

② Owner's equity

③ Balance Sheet

④ Cash flow

⑤ Notes & Disclosure

Subject: _____

Date:

Forms of business Ownership:

(1) Proprietorship : নিজেই সম কর্তৃত

(2) Partnership : একটি partner আবশ্য

(3) Corporation : Company. share. টহুঁ (Limited share)
board এলো টহুঁ

■ Users of accounting info :

1 * internal user : managers who plan, organize, run
 Marketing + Finance + management + Human resources

2 * External user : outsiders who need financial info (company - ?)

① Investors - invest करने

External

② Creditors - loan (ऋण)

Govt.

revenue - total income

profit - net income

Accounting equ $\rightarrow A = L + E$ ***
 Asset \rightarrow equity (owner's claim on asset)
 liability (creditor)
 (Org. loan) [bank, better]

$$\text{exple} \rightarrow 500,000 = 300,000 + 200,000$$

asset loan + equity

■ External user : competitor, entrepreneurs, sponsors

researcher, customer, supplier

customer - कर्ता, consumer - उपभोक्ता (2)

■ Branches of Acc:

Financial acc: internal + external user / statement (Annual)

Managerial acc: tools - inventory valuation, performance evaluation, constraint analysis, marginal analysis
 [internal user]

■ Inventory: not exposed

→ more branches → cost acc: Managerial - 20 subset

→ identifying, accumulating, assigning costs to cost

② Tax acc

③ Auditing

④ Forecasting

Info Company

External

Govt.

Customer

Researcher

Auditors

Regulatory
authorities

Tax authority

Broker

Financial
analyst

Assets

- current: benefits for 1 yr
- non " : " " more than 1 yr
- Tangible: physical substance
- Intangible: Goodwill, trademark, patent, copyright

Liabilities

- current: need to be paid in a yr
unearned revenue, acc/
rent/advertisement/Salaries,
utilities payable (all accrued
per expense)
- non current: in more than 1 yr
Bank loan, mortgage loan,
notes payable etc.

Subject: _____

<u>Financial</u> (past oriented)	<u>Managerial</u> (future oriented)
users: <u>External + internal</u>	<u>internal</u>
reports: Statements -	reports - Job cost report
- profit and loss	- cost of goods sold
- financial position	- production cost
frequency: reported - annually	frequency - when needed
- semi annually	
- quarterly	
report purpose: helps external make decisions	helps management in making plans + controls.

Branches of accounting :- (others)

- ① Cost acc
- ② Auditing
- ③ Tax acc
- ④ Fiduciary
- ⑤ Project
- ⑥ Forensic
- ⑦ Fund
- ⑧ Govt
- ⑨ Political
- ⑩ International

Auditing : It is the verification of written records on site.

through which the authority, might be internal or external, ensures that the particular organization or corporation are not practicing any frauds or misrepresentation. It confirms validity of their words. It can be done by internal business management p. team or government.

(FA)

■ Forensic accounting: It is the branch that deals with detection and prevention of financial crimes by analyzing cases of fraud and financial crimes using accounting, auditing and investigative techniques. Areas like business economic losses/bankruptcy, family/marital disputes., hidden assets, insurance claims, money laundering, securities fraud or tax fraud include this branch.

An accountant has to investigate, report and litigate the cases.

Auditing Vs FA :

- * Auditor's AT opinion দ্বাৰা → verify কৰিব।
- * Audits yearly রূপালি
- * internal - নীতি auditor's বা,
- * auditors বা user - কে ইনফো কৰিব।
- * FA - regular process না
- * only forensic accountants - কৰতে পাবে (একাউচেন্স acc - পুলিশ police)
chartered accountant
- * FA - court - কে ইনফো কৰিব।
- * Auditing is not a PART of FA .
- * FA if need, auditors - কে report investigate কৰিব।

■ **stakeholder**: External + internal - company नियंत्रित interested
एवं competitors.

■ Qualitative Characteristics of accounting information:

* Fundamental character:

- Relevance: connection ज्ञान लागें
- faithful representation: represent the way it is.

* Enhancing character:

- verifiability: evidence must exists.
- timeliness: publishing records on time.
- understandability: to use good words
avoid bizarre words.



- Comparability: standards way of representation.

Conceptual framework, ethics

■ Ethics codes for auditors:

- ① Integrity: honesty, straightforwardness.
- ② Objectivity: staying impartial, uninfluenced, unbiased.
- ③ Professional competence & due care.
- ④ Confidentiality: end of license if company info leaked.
- ⑤ Professional Behaviour:

■ Why Ethics is so important in accounting?

Ans: ENRON(2001):

Role of Auditors: Arthur Anderson did not only continued to sign off Enron's financials as unqualified, it destroyed, fabricated and hid documents that were essential to

(tsp)

the prosecution of Enron.

Necessity of ethics: * Self regulation and peer review
is not enough

Lack of INTEGRITY,
OBJECTIVITY,
and PROFESSIONAL
BEHAVIOR caused
Enron scandal

- * Auditors should be banned for wrong doings so they would stay honest
- * Compulsory rotation of auditors is needed.
- * ~~* SARBANES-OXLEY Act of 2002 enacted (2002)~~

WORLDCOM (2002): External auditor → Arthur Andersen.

He failed to detect fraudulent accounting practices, accepted management's representation without questions / scrutiny.

Did not sufficiently investigate the large capital expenditures that were being capitalized.
Was greatly influenced by their client.

Lack of INTEGRITY, OBJECTIVITY, PROFESSIONALISM, and this scandal caused bankruptcy and financial losses for investors also resulted in damaged reputation of the Auditors.

Auditor note:

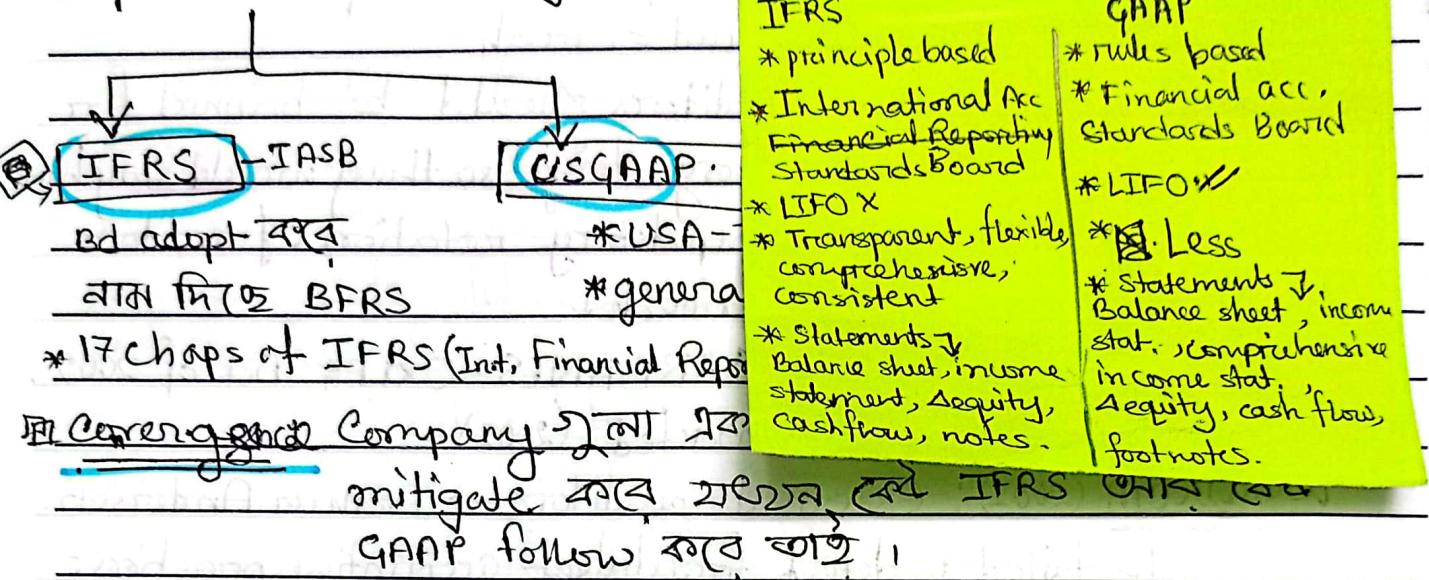
Satyam (2009): * Manipulated by Rangalinga Raju (founder)
* Falsified financial statements.

* Failed to verify existence of clients + contracts

* No independence for auditors

* Helped in covering-up frauds.

- * developed by IASB (Int. Acc. Standards Board).
- * produces rules + regulation.



Acc. assumptions :

3 levels of CONCEPTUAL FRAMEWORK : [nature, functions, limits]

- (1) Why concept [objectives]
- (2) Qualitative characteristics.
- (3) Recognition, measurement, disclosures. (how concept).

Objectives of Accounting : (WHY Concept).

- Compliance with Statutory Requirements (tax, reports etc).
- Safeguarding interests of various stakeholders.
- (provides FINANCIAL ACCURATE & TRANSPARENT FINANCIAL DATA)
- helps in measuring profit & loss. [RECORDS REVENUES & EXPENSES]
- Presentation of historical records (TRACKS EVOLUTION, COMPARISONS, INSIGHTS INTO TRENDS & PATTERN)

tsp

IFRS - IASB

Bd adopt করে

বাস্তু দিয়ে BFRS

USGAAP → FASB

* USA - গোচরণ

* generally accepted principle.

* 17 chapters of IFRS (Int. Financial Reporting standards)

Core engaged Company এর প্রক্রিয়াজ এবং statement mitigate করে যাওয়ান করে IFRS আবশ্যিক
GAAP follow করে আওঁ।

- Periodic reporting & wide availability [STATEMENTS, BALANCE SHEET, REPORTS]
- maintains FULL & SYSTEMATIC Records of TRANSACTION [CLEAR AUDIT TRAIL, RETRIEVAL of HISTORIC DATA]
- depicts financial performance and position of business [Gives SNAPSHOT of FINANCIAL HEALTH by SUMMARIZING, RESULTS OF OPERATIONS, FINANCIAL POSITION, CASH FLOW etc]
- Information - 'Why concept' [reasons behind transactions, analyze underlying economic events that impact business]

④ "Auditors are watchdogs not blood hounds"

- They are supposed to keep eyes on the company's financial records and ensuring that everything is in order, they are not suppose to act aggressively searching for errors or wrongdoings.

④ "All auditors are accountants but all accountants are not auditors".

- auditing is a specialized function within the field of accounting. There are more fields in accounting → financial, managerial, tax etc.

Acc. assumptions : ① Economic Entity

② Monetary Unit

③ Time Period

④ Going Concern.

* Business is separated from owners.

* when owner provides capital for operations,

it's recorded as transaction b/w owner and organisation.

* Equity concept comes from here. ($A = L + E$)

* periodically information provide.

* specific interval - 10. DPO

* normal interval = 12 months.

* interim reports (বর্তমান রিপোর্ট).

* events should be recorded in books (monetary unit)

* non-monetary events record করা না।

* important but "not measured in monetary unit" type event 'notes' - এ ইনকাম বা record- এ না।

* statements are prepared

under assumptions -

company, business-এ

indefinitely করা যাবে

* going concern মান business

to ফিল্ড possibilities, এবং

evidence এর disclosure-এ

add করা যাবে।

Accounting Principles: (how events should be recorded/reported)

① Cost Principle / Historical Cost Principle

② Fair Value Principle

③ Matching "

④ Full Disclosure "

⑤ Revenue Recognition

⑥ Expense "

Full Disclosure: Info investors - দোষ
আবালা নামে (lawsuit এবং অপ্রযোগ)

Revenue recognition principle:

Recognized as soon product is sold / service is performed,
regardless of when the money is received (accrual basis)

⊕ Cost principle: [Cost] → spent (cash or equivalent)

Expense → day-to-day life purchases.

Revenue → Sales.

cost কমায় কারণ: usage, loss of value.

→ প্রতিবছর কমাকে DEPRECIATION করে।

MATH: Comp price = Tk. 50,000 ; usage = 5 years

Depreciation expense per year = $50,000/5 = 10,000 \text{ Tk}$

2020 Dec	2021 Dec	2022 Dec	2023 Dec	2024 Dec
Comp = 50,000 Tk	Comp = 50,000 Tk	Comp = 50,000	Comp = 50,000	Comp = 50,000
acc. dep = 10,000	acc. dep = 20,000	acc. dep = 30,000	acc. dep = 40,000	
total = 40,000	total = 30,000	total = 20,000	total = 10,000	

⊕ Fair Value Principle: Practice of measuring,

assets / liabilities at their current

market value, unlike historical

cost accounting

⊕ Matching Principle: Revenues must match

their expenses.

Sales → 5 books	750	2) Rent → 1000
cost of 10 → 5 "	1000	→ 500

Account → accounting record of increases + decreases in a specific ASSET / LIABILITY / EQUITY

Example - bookstore - বই ফরেন - for credit Tk. 1000.

বই → inventory → asset.

credit Tk. 1000 → account payable → Liability

2 or more (3/4) → accounts in transaction - 2

RECORDING PROCESS :

JOURNAL → LEDGER → TRIAL BALANCE



- initial process

- effects arising from transaction

- not official

- original entry book

- shows debit + credits

Table:

Date	Accounts	Rf	DR	CR
------	----------	----	----	----

- maintained by company

- 1st formal record of transaction

- journal এর ledger transfer

কে posting করা

Table:

Date	Accounts	Rf	DR	CR	Balance
------	----------	----	----	----	---------

- proves mathematical equality of debits and credit.

- useful to prepare financial statements.

inv. not journalized

- correct journal is not posted.

- journal entry is posted twice

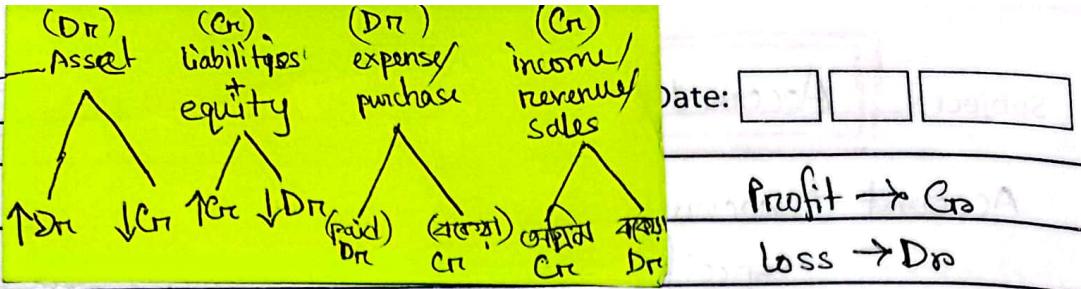
- incorrect accounts are used

- offsetting errors -
2 mistakes cancels each other out - that the

financial statement effect is zero/negligible

Serial	Acc	Rf	Dr	Cn
--------	-----	----	----	----

Subject:



ASSETS :

- resources business owns.

- CASH + EQUIPMENT + ACC RECEIVABLE + SUPPLIES.

(delivery done but
Tk ~~পরিপন্থ~~)

Equity :-

- Capital, investments

- net income

-

LIABILITIES :

- account payable + note payable
(loan)

EQUITY :

- capital + revenues - expense - withdraw
(business start-
কার্য শুরু করা)
(ব্যবসায় স্টার্ট-আপ)
(rent types)
(কর্তৃতা)
(কর্তৃতা)

More lists :

ASSETS :

- (Dr) Machine, equipment (but stock-
কার্য করা)
- (Dr) Inventories (প্রযোজনীয় জরুরি)
- (Dr) Commission (একাডেমিক অফিস কর্তৃত)
- (Dr) Interest receivable
- (Dr) Prepaid expenses
- (Dr) Accrued revenue **/income.
- (Dr) Unexpired insurance (exceptional)
- (Dr) Drawing (patent, trademark)
- (Dr) Land, cash, buildings, supplies

REVENUE :

- (Cr) Unearned revenue
- (Cr) Sales

Liabilities : loan (Cr)

- bills payable (Cr)
- Outstanding rent (Cr)
- Bad debt (কার্য করা)

EXPENSE :

- (Dr) Salary expense
- (Dr) Miscellaneous expense
- (Dr) Bad debt
- (Dr) Depreciation
- (Dr) Purchase
- (Dr) Rent
- (Dr) Wages/salary
- (Dr) Freight (Shipping cost) (tsp)

④ Accrual basis & Cash basis of Acc

Particulars	Cash Basis	Accrual Basis
Revenues (sales)	Cash received in hand	Prod/Service delivered account receivable
Expense (purchase)	Cash paid in hand	Prod/service received account payable

⑤ CONSTRAINTS (Limits) :-

(regulation/confinement)

- ① Materiality : - no need to disclose immaterial info.
 - material means — influential to user decision
 matter of judgement - discretion
 - যথেষ্ট বালির মতো office - এর জন্য - এর asset
 but directly products/service - এর যাওয়া connected
 না so - expense হিসাবে রেজিস্টার (immaterial)

- ② Cost effectiveness : - accounting information - এর cost
 (Cost benefit constraint) should not exceed reported info.
 as in checkbook register আর bank
 statement - এর উলিয়া cost - এর difference
 0.10 Tk রেজিস্টার miscellaneous expense/income
 বেশ কিছু প্রকার প্রচলিত হারে - (negligible amount)

- ③ Conservatism : - Recording expense/liabilities certain/uncertain
 but recognizing revenues/assets when assured
 of being received.

example : - আমার company - এর customer - এর sue
 কর্তৃপক্ষ possibilities আছে but customer ব্যক্ত নি।
 বিষয়টি investors - এর disclosure - এ বলা
 নাগাদ।

- (1) Income Statement :- report revenues + expenses (1st \rightarrow revenue add)
- Net income showcase / net loss.
 - not include investment / drawings.

- (2) Owner's equity Statement :-
- shows changes in equity for the same time period as income statement.

- (3) Balance Sheet :- reports ASSETS, LIABILITIES, EQUITY with details
- serial maintain করব - (1) asset (2) liabilities (3) equity
 - Assets = Liabilities + equity (must) ***
 - Snapshot of company's financial condition at a specific moment in time.
 - (mostly monthend / yearend)

- (4) Cash flow :- Info on cash receipts + payments
- cash $\xrightarrow{\text{কোথা}}$ কোথায় আনা হয়েছে (where)
 - Cash usage
 - change in cash balance.

- (5) Notes & Disclosures : বাকি সব এলান add করব
- explain assumptions used to prepare the financial statements.

* FEATURES OF TRANSACTION :

- (1) 2 parties (Receiver + Giver)
- (2) must be measurable in terms of money
- (3) result in transfer of property / service
- (4) must change financial position (A / L / E)

quantitative change : changes total value

qualitative " : changes in elements of assets / liabilities. *tsp*

Subject: Managerial Accounting

Date: [] [] []

(Cost Concept)

practice of identifying, measuring, analyzing, interpreting, communicating financial info - to managers for org's goal.

↓
Cost Accounting (part subset).

Exple: Biscuit वानावः

- ingredients लागते || Direct Material

- वानावः workers

- workers - वानावः wages

- factory facilities → Manufacturing Overhead

- Tasting

- advertisement cost

- delivery cost

- sales

- manager

- accountants

- office maintenance

(furniture depreciation etc), employee salary etc)

Direct labour

Manufacturing Overhead

(indirect material, indirect labour, factory cost)

Selling &

Distribution expense

Manufacturing cost/
product cost

Inventorarial cost

General &

Administrative
expense

आवृत्ति किसीमियः

Prime cost (Direct material + Direct labour)

Conversion Cost = (Direct labour +

Manufacturing overhead

Manu. Overhead

Controlling cost → manager control करो

Non " " → Treasurer / top management

non controlling cost नियंत्रित नहीं

(exple - production manager's salary)

Non manufacturing cost/

period cost/
non inventorarial cost

3 एला as production

off शान्तिकालीन office off

वादा ना

tsp

- Managers need info like:
- ① cost needed to produce goods
 - ② if production volume increases will cost decrease
 - ③ impact of automation on total cost
 - ④ How can we. best control costs

MANUFACTURING

VS

NON MANUFACTURING

- includes raw materials (DM), work of factory employees (DL), indirect material (toppings on biscuit), indirect labour (factory cleaner - $\text{₹} \text{ salary}$)

- includes selling expenses, advertisement + delivery + salaries + commissions, salary of executives + legal expenses.

PRIME COST

VS

CONVERSION COST

- ingredients $\text{₹} \text{ per TK}$ (DM)
- workers - $\text{₹} \text{ wages}$ (DL)

- manufacturing plant
চালু রাখতে কোটি টুকু এবং
পর্যাপ্ত (DL + Man. overhead).

DIRECT COST

VS

INDIRECT COST

- easily traced
- accumulated with specific product/dept/branch
- DM, DL, advertisement, promotion.

- difficult to trace
~~expense of containers, selling~~
- promotional activities for customers
- only → electricity / rent expense

$$\text{** Net income} = \text{Revenues} - \text{Period Cost}$$

Controllable Cost

- DM, DL, Man. overhead
- Indirect materials / labour

Non controllable Cost

- Depreciation, Insurance, repairs-maintenance
- Rent - utilities expenses

tsp

Subject: CVP (Cost-Volume Profit) Analysis

Date: _____

a way of companies to determine changes in costs and sales volume affect a company's profit

Relationship b/w Cost - Volume & Profit

① Variable Cost (VC) ② Fixed cost (FC)

		Cost	Per unit	totally
Direct Material	Utility bills, advertising	FC	Variable	fixed
Direct labour	Employee salary, insurance, rent expense	VC	fixed	variable

** Why CVP needed / how used by management?

- company figures out how changes in costs and volume affect their operating expenses / net income
- helps management to determine the level of costs
- predict minimum profit + sales.
- helps in planning projects.

** CVP components :
① Volume / activity level
② Unit selling price
③ Variable cost
④ Fixed cost
⑤ Sales Mix

** Assumptions of CVP :

- ① Costs + revenues must be linear throughout the relevant range
- ② of activity index
- ③ costs can be either variable / fixed
- ④ changes in activity can only affect costs.
- ⑤ all units produced are sold
- ⑥ When more than one type product is sold, sales mix remain constant

Subject: _____

* Contribution Margin (cm)

cost remained after deducting expense from sales - (प्रयत्न का खर्च - वार्ता का खर्च)

$$① \text{CM} = \text{Sales} - \text{VC} \quad (\text{per unit})$$

$$② \text{Total CM} = \text{CM} \text{ (per unit)} \times \text{total sales}$$

$$③ \text{CM ratio} = \frac{\text{CM} \text{ (per unit)}}{\text{Sales} \text{ (per unit)}}$$

- gives idea whether VC can be reduced or increase price for profit-

* Break-Even Point (BEP)

no. of products company must sell to cover up the production cost

$$④ \text{BEP} = \frac{\text{TFC}}{\text{CM per unit}}$$

$$\text{BEP point} \rightarrow \frac{\text{Total cost}}{(\text{TC})} = \frac{\text{Total revenue}}{(\text{TR})}$$

$$⑤ \text{BEP} = \frac{\text{TFC}}{\text{CM ratio}}$$

$$⑥ \text{Profit} = \frac{\text{Sales revenue} - \text{TVC} - \text{TFC}}{(\text{not income})}$$

$$⑦ \text{Profit} = (\text{Sales price} \times \text{sales volume}) - (\text{re per unit} \times \text{sales volume}) - \text{TFC}$$

$$= (\text{Sales price} - \text{VC per unit}) \times \text{sales volume} - \text{TFC}$$

* Target net income (TNI)

प्रयत्न का लकड़ी लाभ

$$⑧ \text{TNI} = \text{Sales} - \text{TVC} - \text{TFC}$$

प्रयत्न का लकड़ी लाभ

$$⑨ \text{Sales} = \frac{\text{TFC} + \text{TNI}}{\text{CM ratio}}$$

$$⑩ \text{Sales} = \frac{(\text{TFC} + \text{TNI})}{\text{CM ratio}}$$

* Margin of Safety (mos)

- how far sales fall before operating at a loss

$$⑪ \text{mos} = \frac{\text{actual Sales} - \text{BE sales}}{\text{CM ratio}}$$

$$⑫ \text{mos ratio} = \frac{\text{mos}}{\text{actual sales}}$$

$$CM = Sales - VC$$

$$Profit = Sales - VC - FC$$

$$CMR = \frac{\text{Total CM}}{\text{total sales}} \times 100 (\text{TK}) = \frac{S - VC}{S} \times 100 (\text{unit})$$

$$MOS = \frac{\text{actual sales} - BE \text{ sales}}{BE \text{ sales}}$$

$$MOS R = MOS / sales \quad (\text{TK})$$

$$BEP = TFC / CM = TFC / CMR$$

$$\cancel{TNI(\text{unit})} = \cancel{TFC + \cancel{P}}$$

$$\text{Sales for } TNI = (TFC + TNI) / CM \quad [\text{unit}]$$

$$\text{ii} \quad \text{ii} \quad \text{ii} = (TFC + TNI) / CMR$$

$$MOS(\text{unit}) = \frac{\text{Profit}}{CMR}$$

$$DOL = \frac{CM(\text{TK})}{Profit}$$