01.What is Management?

Management is a process of planning, decision making, organizing, leading, motivation and controlling the human resources, financial, physical, and information resources of an organization to reach its goals efficiently and effectively.

ব্যবস্থাপনা হল পরিকল্পনা, সিদ্ধান্ত গ্রহণ, সংগঠিত, নেতৃত্ব, অনুপ্রেরণা এবং একটি সংস্থার মানব সম্পদ, আর্থিক, শারীরিক এবং তথ্য সংস্থানগুলিকে দক্ষতার সাথে এবং কার্যকরভাবে লক্ষ্যে পৌঁছানোর জন্য নিয়ন্ত্রণ করার একটি প্রক্রিয়া।

Management is essential for an organized life and necessary to run all types of management. Good management is the backbone of successful organizations. Managing life means getting things done to achieve life's objectives and managing an organization means getting things done with and through other people to achieve its objectives.

একটি সংগঠিত জীবনের জন্য ব্যবস্থাপনা অপরিহার্য এবং সব ধরনের ব্যবস্থাপনা চালানোর জন্য প্রয়োজনীয়। ভালো ব্যবস্থাপনা সফল প্রতিষ্ঠানের মেরুদণ্ড। জীবন পরিচালনা করার অর্থ জীবনের উদ্দেশ্য অর্জনের জন্য জিনিসগুলি করা এবং একটি সংস্থা পরিচালনা করার অর্থ হল এর উদ্দেশ্যগুলি অর্জনের জন্য অন্য লোকেদের সাথে এবং তাদের মাধ্যমে জিনিসগুলি করা।

02.what is manager in management?

A manager is **a person responsible for supervising and motivating employees and for directing the progress of an organization**. An example of a manager is the person who is in charge of customer service, who deals with customer disputes and who oversees and supervises customer service agents.

Informational Roles

- Monitor – includes seeking information regarding the issues that are affecting the organization. Also, this includes internal as well as external information.
- Disseminator – On receiving any important information from internal or external sources, the same needs to be disseminated or transmitted within the organization.
- Spokesperson – includes representing the organization and providing information about the organization to outsiders.
- • মনিটর - সংস্থাকে প্রভাবিত করছে এমন সমস্যাগুলির বিষয়ে তথ্য চাওয়া অন্তর্ভুক্ত। এছাড়াও, এতে অভ্যন্তরীণ পাশাপাশি বাহ্যিক তথ্য অন্তর্ভুক্ত রয়েছে।
- · ডিসিমিনেটর - অভ্যন্তরীণ বা বাহ্যিক উত্স থেকে কোনও গুরুত্বপূর্ণ তথ্য পাওয়ার পরে, একই সংস্থার মধ্যে প্রচার বা প্রেরণ করা প্রয়োজন।
- · মুখপাত্র - সংগঠনের প্রতিনিধিত্ব করা এবং বহিরাগতদের কাছে সংস্থা সম্পর্কে তথ্য প্রদান অন্তর্ভুক্ত।

Decisional Roles

- Entrepreneur – involves all aspects associated with acting as an initiator, designer, and also an encourager of innovation and change.
- Disturbance handler – taking corrective action when the organization faces unexpected difficulties which are important in nature.
- Resource Allocator – being responsible for the optimum allocation of resources like time, equipment, funds, and also human resources, etc.

- Negotiator – includes representing the organization in negotiations which affect the manager's scope of responsibility.

• উদ্যোক্তা - একজন সূচনাকারী, ডিজাইনার এবং উদ্ভাবন এবং পরিবর্তনের উত্সাহকারী হিসাবে কাজ করার সাথে যুক্ত সমস্ত দিক জড়িত।

· ডিস্টার্বেন্স হ্যান্ডলার - যখন সংগঠনটি অপ্রত্যাশিত সমস্যার মুখোমুখি হয় যা প্রকৃতিতে গুরুত্বপূর্ণ।

· রিসোর্স অ্যালোকেটর - সময়, সরঞ্জাম, তহবিল এবং মানব সম্পদ ইত্যাদির মতো সম্পদের সর্বোত্তম বরাদ্দের জন্য দায়ী।

· আলোচনাকারী - আলোচনায় সংস্থার প্রতিনিধিত্ব অন্তর্ভুক্ত করে যা পরিচালকের দায়িত্বের সুযোগকে প্রভাবিত করে।

Q-6:- The Science and an art of management.

Ans:

The science of management:- many management pr
and issue can be approached in way that ar
rational, logical, objective and systematic. mana
can gather data facts and objectives informatio
They can use quantitive models and ~~decision~~ decisio
making technique to arrive at correct decisio
And they need to take ~~som~~. such a specific
approached to solving whenever possible, excep
especially when are the dealing with relatives
routine and straightforward issue.

The art of management refers to the creative and intuitive aspects of managing people, resources, and processes in an organization. It involves the ability to apply knowledge, skills, and experience to unique situations and challenges, and to make sound decisions based on intuition and judgment.

While the science of management focuses on the principles and techniques of management, the art of management involves the ability to apply these principles in a way that is effective and appropriate for a given situation. It requires a deep understanding of human behavior, organizational culture, and the dynamics of teamwork and collaboration.

Some of the key skills involved in the art of management include communication, leadership, problem-solving, decision-making, and creativity. Effective managers must be able to inspire and motivate their employees, build strong relationships with stakeholders, and navigate complex and rapidly changing environments.

Overall, the art of management is about finding the right balance between science and intuition, and using both to create a vision and lead people towards achieving common goals. It is a challenging but rewarding field that requires a combination of knowledge, experience, and creativity.

the nature and purposes of planning

Planning is a crucial function of management that involves setting goals and objectives, developing strategies to achieve those goals, and creating action plans to implement those strategies. Here are some of the key nature and purposes of planning:

1. Provides direction and purpose: Planning provides direction and purpose to an organization by setting clear goals and objectives. It helps managers and employees understand what they need to achieve and how their efforts fit into the larger picture.
2. Minimizes uncertainty and risk: Planning helps minimize uncertainty and risk by anticipating potential problems and developing contingency plans to address them. This enables organizations to be better prepared to deal with unexpected events.
3. Improves efficiency and effectiveness: Planning helps improve efficiency and effectiveness by identifying the most effective and efficient ways to achieve goals. This helps organizations optimize their use of resources and reduce waste.
4. Facilitates coordination and control: Planning facilitates coordination and control by providing a framework for aligning the efforts of different departments and individuals. It helps ensure that everyone is working towards the same goals and objectives and allows managers to monitor

5. Encourages innovation and creativity: Planning encourages innovation and creativity by providing a structured framework for exploring new ideas and opportunities. It helps organizations identify new markets, products, or services and develop strategies to capitalize on them.

Overall, the purpose of planning is to help organizations achieve their goals and objectives more effectively and efficiently. It enables managers to anticipate and respond to changes in the external environment and to align the efforts of individuals and departments towards a common goal. By doing so, planning helps organizations adapt to changing circumstances and maintain their competitive edge.

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why is decision making often described as the essence of a manager's job ?

Decision making is often described as the essence of a manager's job because managers are responsible for making strategic and operational decisions that have a significant impact on the organization. Effective decision making is essential for achieving organizational goals and objectives, and it requires the ability to weigh options, consider risks and benefits, and select the best course of action.

Managers make decisions at every level of the organization, from setting overall goals and strategies to determining specific tactics and operational plans. They must consider various factors such as market trends, customer needs, competitor actions, resource availability, and internal capabilities when making decisions.

Moreover, decision making is not a one-time event, but an ongoing process. Managers must continually monitor and evaluate the effectiveness of their decisions, and make adjustments as necessary to ensure that the organization is on track to meet its goals.

In summary, decision making is the core of a manager's job because it involves making choices that affect the organization's performance, resources, and future direction. The ability to make sound decisions is essential for effective leadership and management.

Decision making process:

Managers at all levels and in all area of organization make decision.

1. Identifying a problem: Every decision starts with a problem, a discrepancy between an existing and a desired conditions. Managers also have to be cautious not to ~~be~~ confuse with problem. Also keep in mind that problem identification is subjective. We can see effective identifying problems is important but not easy.

2. Identifying decision criteria: Once a manager has identified a problem, he or she must identify the decision criteria that are important to resolving the problem.

3. **Allocating weight to the criteria:** If the relevent (প্রাসঙ্গিক) criteria aren't equally important, the decision maker must weight the item in order to give them the correct priority in the decision.

4. **Developing alternatives:** The fourth step in the decision making process requires the decision maker to list viable (টেকসই) alternatives that could resolve the problem.

5. **Analyzing alternatives:** Once alternatives has been identified, a decision maker must evaluate each on Sometimes a decision maker might be able to skip this step.

6. **Selecting an alternative:** The sixth step in the decision making process, it choosing the best alternative or the one that generated the height total in step-5.

7. **Implementing the alternative:** In step-7, in the decision making process ~~involves evaluating the~~ we ~~outcome or result of the decision to see~~ out the decision ~~to see weather~~ into action

by conveying it to those affected and getting their commitment to it.

8. Evaluating Decision effectiveness : The last step in the decision making process involves evaluati in the decision making process to see the outcome or result of the decision to see whether the problem was resolve.

What is Human resource management ?

Human Resource management is the strategic approach to the effective and efficient management of people in a company or organization such that they help their business gain a competitive advantage

Why is HRM Important ?

HRM is important for three reasons. First it can be a significant source of competetive advantage as various studies have concluded. And that's true for organizations around the world.

Second HRM is important part of organizational strategie Achieving competitive success through people means managers must change how they think about their employees and they view the work relationship.

Finally the way organizations treat their people has been found to significantly impact organizational performance.

types of orientation and training

Orientation and training are critical components of employee development and retention. Here are some of the common types of orientation and training:

1. Onboarding: This is a type of orientation that helps new employees get acclimated to the organization and their role within it. It typically includes introductions to colleagues, training on company policies and procedures, and an overview of job expectations.
2. Technical training: This type of training provides employees with the skills and knowledge necessary to perform their specific job functions. Technical training can include hands-on training, online courses, or classroom instruction.
3. Soft skills training: This type of training focuses on developing skills such as communication, teamwork, problem-solving, and time management. Soft skills training can improve employee productivity, morale, and job satisfaction.
4. Leadership training: This type of training is designed for managers and supervisors and helps them develop leadership skills such as communication, coaching, and delegation.
5. Safety training: This type of training is critical for employees who work in hazardous environments or perform dangerous tasks. Safety training helps ensure that employees understand how to stay safe on the job and minimize the risk of accidents

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strategies for retaining competent,high performing employees

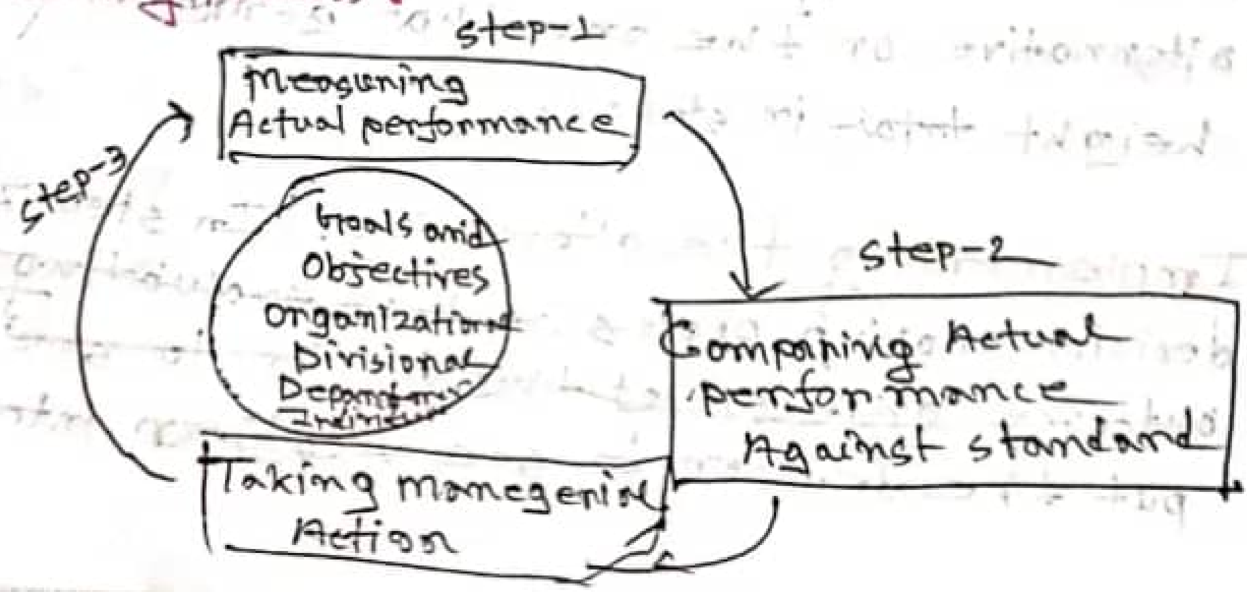
Retaining competent, high-performing employees is essential for the success of any organization. Here are some strategies that can help organizations retain their best employees:

1. Offer competitive compensation and benefits: Employees who feel that they are being paid fairly are more likely to stay with an organization. Offering competitive compensation and benefits packages can help ensure that employees feel valued and appreciated.
2. Provide opportunities for growth and development: Employees who are given opportunities to learn new skills, take on new challenges, and advance in their careers are more likely to stay with an organization. Providing access to training, mentoring, and career development programs can help employees see a clear path for growth within the organization.
3. Foster a positive work environment: Employees who enjoy their work environment and feel supported by their colleagues and managers are more likely to stay with an organization. Encouraging positive relationships, open communication, and work-life balance can help create a supportive and engaging workplace culture.
4. Recognize and reward performance: Employees who feel recognized and appreciated for their contributions are more likely to stay with an organization. Offering rewards such as bonuses, promotions, and public recognition can help employees feel valued and motivated to continue performing at a high level.
5. Offer flexible work arrangements: Employees who are given the flexibility to work from home or adjust their schedules as needed are more likely to stay with an organization. Offering flexible work arrangements can help employees manage their work-life balance and reduce stress.

What is controlling?

Controlling is the process of monitoring, comparing and correcting work performance.
Effective controls ensure that activities are completed in ways that leads to attainment of goals.

Controlling process:



step-1 : Measuring Actual Performance:

To determine what actual performance is, a manager

step-1 : Measuring Actual Performance :

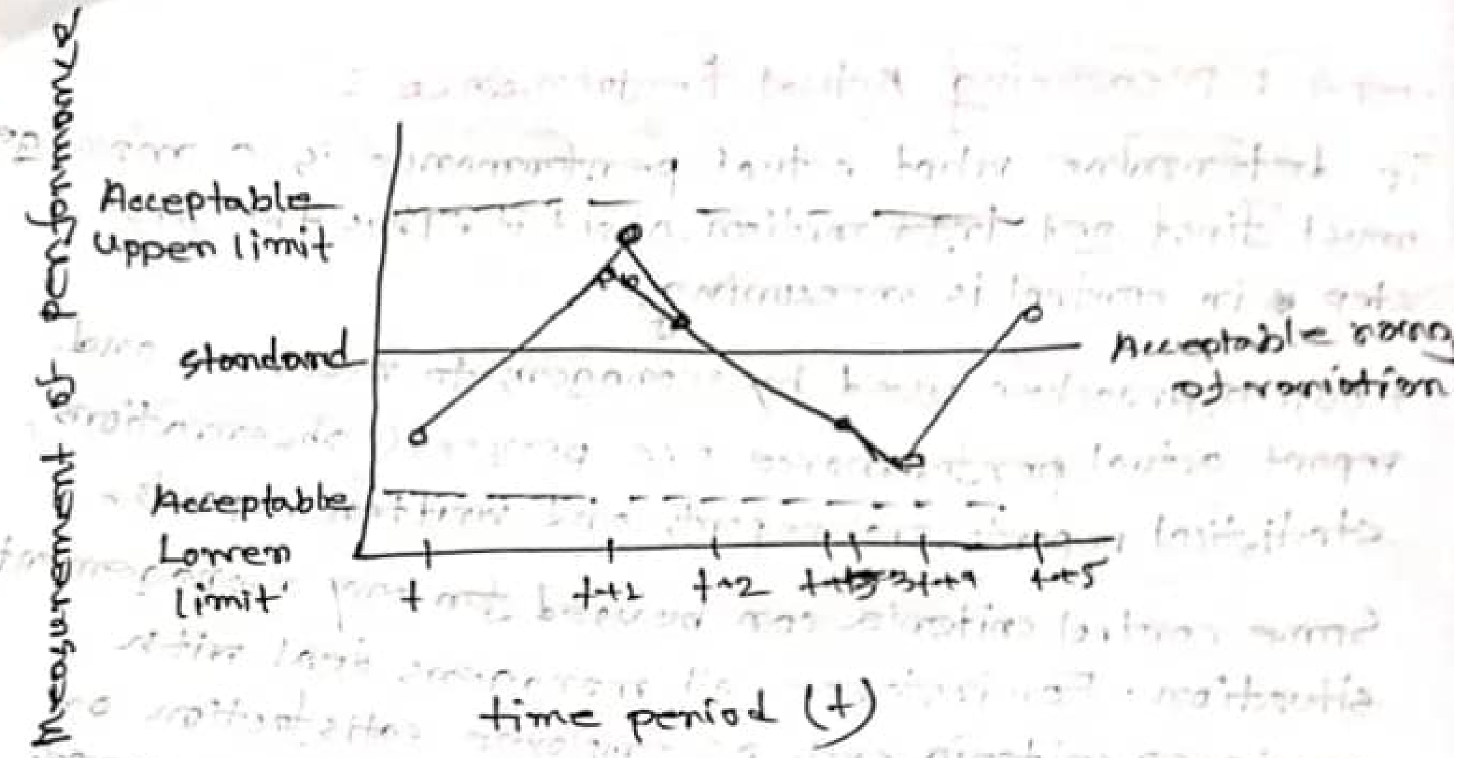
To determine what actual performance is, a manager must first get information about it. Thus, the first step is in control is measuring.

Four approaches used by managers to measure and report actual performance are personal observations, statistical reports, oral reports and written reports.

Some control criteria can be used for any management situation. For instance, all managers deal with people, so criteria such as employee satisfaction or turnover and absenteeism rates can be measured. Most work activities can be expressed in quantifiable terms. However managers should use subjective measures when they can't.

Step-2 :- Comparing Actual performance Against the standard.

The comparing step determines the variation between actual performance and the standard. Although ~~the~~ some variations in performance can be expected in all activities. Its critical to determine an acceptable range of variation.



Step-3 : Taking Managerial Action :

Managers can choose among three possible courses of action: do nothing, correct the actual performance or revise the standards.

Because "Do nothing" is self-explanatory, let's look at the two.

Correct Actual Performance : Depending on what the problem is, a manager could take different corrective actions. For instance, if unsatisfactory work is the reason for performance variations, the manager could correct it by things such as

Correct Actual Performance: Depending on what the problem is, a manager could take different corrective actions. For instance, if unsatisfactory work is the reason for performance variations, the manager could correct it by things such as

training programs, disciplinary action, changes in compensation practises and so on. One decision that a manager must make is to take Immediate corrective actions. which corrects problem at once to get performance back on track.

Revise the standard: It's possible that the variance was a result of an unrealistic standard – too low or too high a goal, In that situation, the standard not the performance needs the corrective action. If performance consistently exceeds the goal, then a manager should look at whether the goal is too easy and needs to be raised.

18.2 The Control Process

When Maggine Fuentes joined Core Systems in Painesville, Ohio, as HR manager, she knew that her top priority was reducing employee injuries. The number of injuries was "through the roof; above the industry average." The high frequency and severity of the company's injury rates not only affected employee morale but also resulted in lost workdays and affected the bottom line.[7] Maggine relied on the control process to turn this situation around.

The **control process** is a three-step process of measuring actual performance, comparing actual performance against a standard, and taking managerial action to correct deviations or to address inadequate standards. (See Exhibit 18-2.) The control process assumes that performance standards already exist, and they do. They're the specific goals created during the planning process.

Step 1. Measuring Actual Performance

To determine what actual performance is, a manager must first get information about it. Thus, the first step in control is measuring.

HOW WE MEASURE. Four approaches used by managers to measure and report actual performance are personal observations, statistical reports, oral reports, and written reports. Exhibit 18-3 summarizes the advantages and drawbacks of each approach. Most managers use a combination of these approaches.

WHAT WE MEASURE. What is measured is probably more critical to the control process than how it's measured. Why? Because selecting the wrong criteria can create serious problems. Besides, *what* is measured often determines what employees will do.[8] What control criteria might managers use?

Some control criteria can be used for any management situation. For instance, all managers deal with people, so criteria such as employee satisfaction or turnover and absenteeism rates can be measured. Keeping costs within budget is also a fairly common control measure. Other control criteria should recognize the different activities that managers supervise. For instance, a manager at a pizza delivery location might use measures such as number of pizzas delivered per day, average delivery time, or number of coupons redeemed. A manager in a governmental agency might use applications typed per day, client requests completed per hour, or average time to process paperwork.

Most work activities can be expressed in quantifiable terms. However, managers should use subjective measures when they can't. Although such measures may have limitations, they're better than having no standards at all and doing no controlling.

Step 3. Taking Managerial Action

Managers can choose among three possible courses of action: do nothing, correct the actual performance, or revise the standards. Because "do nothing" is self-explanatory, let's look at the other two.

CORRECT ACTUAL PERFORMANCE. Sports coaches understand the importance of correcting actual performance. During a game, they'll often correct a player's actions. But if the problem is recurring or encompasses more than one player, they'll devote time during practice before the next game to correcting the actions.[9] That's what managers need to do as well.

Depending on what the problem is, a manager could take different corrective actions. For instance, if unsatisfactory work is the reason for performance variations, the manager could correct it by things such as training programs, disciplinary action, changes in compensation practices, and so forth. One decision that a manager must make is whether to take **immediate corrective action**, which corrects problems at once to get performance back on track, or to use **basic corrective action**, which looks at how and why performance deviated before correcting the source of deviation. It's not unusual for managers to rationalize that they don't have time to find the source of a problem (basic corrective action) and continue to perpetually "put out fires" with immediate corrective action. Effective managers analyze deviations and if the benefits justify it, take the time to pinpoint and correct the causes of variance.

REVISE THE STANDARD. It's possible that the variance was a result of an unrealistic standard—too low or too high a goal. In that situation, the standard needs the corrective action, not the performance. If performance consistently exceeds the goal, then a manager should look at whether the goal is too easy and needs to be raised. On the other hand, managers must be cautious about revising a standard downward. It's natural to blame the goal when an employee or a team falls short. For instance, students who get a low score on a test often attack the grade cutoff standards as too high. Rather than accept the fact that

Controlling and planning are two essential functions of management that are closely linked. Planning involves setting goals, determining actions to achieve those goals, and creating a roadmap for success. Controlling, on the other hand, involves monitoring progress towards goals, identifying deviations from the plan, and taking corrective action to ensure that objectives are met.

The linkage between controlling and planning is a continuous feedback loop. Planning sets the framework for controlling by providing a benchmark for expected performance. Once a plan is in place, controlling helps to measure progress against the plan and identify any deviations or variances from the expected outcomes. This feedback then informs future planning efforts by highlighting areas where adjustments may be necessary to improve performance.

Effective controlling requires a well-designed planning process, which includes setting clear and specific goals, identifying key performance indicators, and establishing a system for tracking progress towards those goals. The feedback provided by controlling helps to ensure that planning efforts remain relevant and responsive to changes in the business environment, such as shifts in customer needs, market conditions, or resource availability.

In summary, the linkage between controlling and planning is critical for achieving organizational success. Planning provides the foundation for controlling by establishing clear goals and objectives, while controlling provides the feedback n[illegible]nning efforts remain relevant and effective. By establi[illegible]back loop between controlling

Regenerate response

AR

the sources of information for measuring performance

Measuring performance is a critical function of management, and gathering accurate and reliable information is essential for making informed decisions. Here are some of the sources of information that managers can use to measure performance:

1. Financial statements: Financial statements, such as balance sheets, income statements, and cash flow statements, provide a wealth of information about an organization's financial performance. These statements can help managers evaluate profitability, liquidity, and overall financial health.
2. Key performance indicators (KPIs): KPIs are specific metrics that are used to track progress towards important goals or objectives. KPIs can be used to measure performance in areas such as sales, customer satisfaction, employee productivity, and operational efficiency.
3. Customer feedback: Feedback from customers can provide valuable insights into how well an organization is meeting customer needs and expectations. Customer feedback can be obtained through surveys, focus groups, social media, and other channels.
4. Employee feedback: Employee feedback can provide insights into areas such as job satisfaction, morale, and productivity. Employee feedback can be obtained through surveys, one-on-one meetings, and other communication channels.

5. Performance appraisals: Performance appraisals are a formal process for evaluating employee performance against established goals and objectives. Performance appraisals can provide managers with valuable information about employee strengths and weaknesses, and can help identify areas where additional training or support may be needed.
6. Operational data: Operational data, such as production rates, inventory levels, and customer wait times, can provide insights into how well an organization is performing in specific areas of operations.
7. Industry benchmarks: Industry benchmarks are standards of performance that are established by industry associations or other organizations. Comparing an organization's performance to industry benchmarks can provide insights into areas where improvements may be needed.

Overall, managers can use a variety of sources of information to measure performance, and it's important to gather information from multiple sources to get a comprehensive understanding of organizational performance. By using accurate and reliable information, managers can make informed decisions that help drive organizational success.

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defference between mechanistic and organic structures

Mechanistic and organic structures are two different approaches to organizing work and people within an organization. Here are some of the key differences between mechanistic and organic structures:

1. Structure: Mechanistic structures are highly centralized with a clear hierarchy of authority and decision-making power concentrated at the top of the organization. Organic structures, on the other hand, are decentralized and more fluid, with decision-making distributed across the organization.
2. Communication: Mechanistic structures rely on formal communication channels, with clear lines of authority and well-defined rules and procedures. In contrast, organic structures encourage informal communication, with a focus on collaboration and flexibility.
3. Job design: In mechanistic structures, jobs are highly specialized, with well defined roles and responsibilities. In organic structures, jobs are more flexible and adaptable, with employees encouraged to take on multiple roles and responsibilities.
4. Flexibility: Mechanistic structures are inflexible and slow to respond to change, with a focus on stability and predictability. Organic structures, on the other hand, are more flexible and adaptable, with a focus on innovation and creativity.
5. Culture: Mechanistic structures tend to have a more formal and rigid culture, with a focus on following rules and procedures. Organic structures, in contrast, have a more informal and open culture, with a focus on collaboration, creativity, and experimentation.

Mechanistic structures are like a machine - they are highly structured, hierarchical, and focused on efficiency and predictability. They have clear rules and procedures that everyone follows, and decisions are made by people at the top of the organization.

Organic structures are more like a living organism - they are flexible, adaptable, and focused on innovation and creativity. They encourage collaboration and communication across the organization, with decision-making distributed throughout.

In other words, mechanistic structures are good for stable, predictable environments, while organic structures are better for dynamic, unpredictabl environments.

When designing a structure, managers may choose one of the traditional organizational designs. These structures tend to be more mechanistic in nature. A summary of the strengths and weaknesses of each can be found in Exhibit 10-10.

Traditional organizational design

Simple Structure

Most companies start as entrepreneurial ventures using a **simple structure**, which is an organizational design with low departmentalization, wide spans of control, authority centralized in a single person, and little formalization.[39] As employees are added, however, most don't remain as simple structures. The structure tends to become more specialized and formalized. Rules and regulations are introduced, work becomes specialized, departments are created, levels of management are added, and the organization becomes increasingly bureaucratic. At this point, managers might choose a functional structure or a divisional structure.

EXHIBIT 10-10

Traditional Organizational D

Simple Structure

- Strengths: Fast; flexible; inexpensive to maintain; clear accountability.
- Weaknesses: Not appropriate as organization grows; reliance on one person is risky.

Functional Structure

- Strengths: Cost-saving advantages from specialization (economies of scale, minimal duplication of people and equipment); employees are grouped with others who have similar tasks.
- Weaknesses: Pursuit of functional goals can cause managers to lose sight of what's best for the overall organization; functional specialists become insulated and have little understanding of what other units are doing.

Divisional Structure

- Strengths: Focuses on results—division managers are responsible for what happens to their products and services.
- Weaknesses: Duplication of activities and resources increases costs and reduces efficiency.

Functional Structure

A **functional structure** is an organizational design that groups similar or related occupational specialties together. You can think of this structure as functional departmentalization applied to the entire organization.

Divisional Structure

The **divisional structure** is an organizational structure made up of separate business units or divisions.[40] In this structure, each division has limited autonomy, with a division manager who has authority over his or her unit and is responsible for performance. In divisional structures, however, the parent corporation typically acts as an external overseer to coordinate and control the various divisions, and often provides support services such as financial and legal. Walmart, for example, has two divisions: retail (Walmart Stores, International, Sam's Clubs, and others) and support (distribution centers).

Hopefully, you've seen in this chapter that organizational structure and design (or redesign) are important managerial tasks. Also, we hope that you recognize that organizing decisions aren't only important for upper-level managers. Managers at all levels may have to deal with work specialization or authority or span of control decisions. In the next chapter, we'll continue our discussion of the organizing function by looking at contemporary organizational designs.

Describe six key elements in organizational design.

The key elements in organizational design are work specialization, chain of command, span of control, departmentalization, centralization-decentralization, and formalization. Traditionally, work specialization was viewed as a way to divide work activities into separate job tasks. Today's view is that it is an important organizing mechanism but it can lead to problems. The chain of command and its companion concepts—authority, responsibility, and unity of command—were viewed as important ways of maintaining control in organizations. The contemporary view is that they are less relevant in today's organizations. The traditional view of span of control was that managers should directly supervise no more than five to six individuals. The contemporary view is that the span of control depends on the skills and abilities of the manager and the employees and on the characteristics of the situation.

The various forms of departmentalization are as follows: *Functional* groups jobs by functions performed; *product* groups jobs by product lines; *geographical* groups jobs by geographical region; *process* groups jobs on product or customer flow; and *customer* groups jobs on specific and unique customer groups.

Authority refers to the rights inherent in a managerial position to tell people what to do and to expect them to do it. The acceptance view of authority says that authority comes from the willingness of subordinates to accept it. Line authority entitles a manager to direct the work of an employee. Staff authority refers to functions that support, assist, advise, and generally reduce some of managers' informational burdens. Responsibility is the obligation or expectation to perform assigned duties. Unity of command states that a person should report to only one manager. Centralization-decentralization is a structural decision about who makes decisions—upper-level managers or lower-level employees. Formalization concerns the organization's use of standardization and strict rules to provide consistency and control.

Accounting equation: In a particular time, the total asset of an organization should be equal to the sum of owner's equity and external liabilities.

The eqation that represents this fundamental concept is known as accounting equation.

Asset = Liability + Equity

Asset: Asset means the economic resources that belong to a business that is invested for making profit. For example- Furniture, buildings. etc.

Liability: Liability means the financial rigidity that has to be paid up after a certain period of time. That is it is the claim of the third party over the total assets of the business.

Owner's Equity: If the claim of the third party of the business is deducted (বাদ দেওয়া) from the total assets of the business. That is the rest will be known as owner's equity. the claim of the owner over the entire assets of the business is known as owner's equity.

Four elements affect owner's equity

- Investment of owner. → বিনিয়োগ
- Income
- Drawings
- Expense

Extending Accounting equation—

Assets = Liabilities (দায়) + Capital (মূলধন) + Revenue (রাজস্ব) − Expenses − Drawings

$$A = L + (C + R - E - D)$$

The Accounting Equation

LEARNING OBJECTIVE 3

State the accounting equation, and define its components.

The two basic elements of a business are what it owns and what it owes. **Assets** are the resources a business owns. For example, **Alphabet Inc.** has total assets of approximately $167.5 billion. Liabilities and owner's equity are the rights or claims against these resources. Thus, Alphabet has $167.5 billion of claims against its $167.5 billion of assets. Claims of those to whom the company owes money (creditors) are called **liabilities**. Claims of owners are called **owner's equity**. Alphabet has liabilities of $28.5 billion and owners' equity of $139.0 billion.

We can express the relationship of assets, liabilities, and owner's equity as an equation, as shown in **Illustration 1.5**.

Assets	=	Liabilities	+	Owner's Equity

This relationship is the **basic accounting equation**. Assets must equal the sum of liabilities and owner's equity. Liabilities appear before owner's equity in the basic accounting equation because they are paid first if a business is liquidated.

The accounting equation applies to all **economic entities** regardless of size, nature of business, or form of business organization. It applies to a small proprietorship such as a corner grocery store as well as to a giant corporation such as **PepsiCo**. The equation provides the **underlying framework** for recording and summarizing economic events.

Let's look in more detail at the categories in the basic accounting equation.

Assets

As noted above, **assets** are resources a business owns. The business uses its assets in carrying out such activities as production and sales. The common characteristic possessed by all assets is **the capacity to provide future services or benefits**. In a business, that service potential or future economic benefit eventually results in cash inflows (receipts). For example, consider Campus Pizza, a local restaurant. It owns a delivery truck that provides economic benefits from delivering pizzas. Other assets of Campus Pizza are tables, chairs, jukebox, cash register, oven, tableware, and, of course, cash.

Liabilities

Liabilities are claims against assets—that is, existing debts and obligations. Businesses of all sizes usually borrow money and purchase merchandise on credit. These economic activities result in payables of various sorts:

- Campus Pizza, for instance, purchases cheese, sausage, flour, and beverages on credit from suppliers. These obligations are called **accounts payable**.

Liabilities

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- Campus Pizza, for instance, purchases cheese, sausage, flour, and beverages on credit from suppliers. These obligations are called **accounts payable**.

- Campus Pizza also has a **note payable** to First National Bank for the money borrowed to purchase the delivery truck.
- Campus Pizza may also have **salaries and wages payable** to employees and **sales and real estate taxes payable** to the local government.

All of these persons or entities to whom Campus Pizza owes money are its **creditors**.

Creditors may legally force the liquidation of a business that does not pay its debts. In that case, the law requires that creditor claims be paid **before** ownership claims.

Owner's Equity

The ownership claim on total assets is **owner's equity** (see **Helpful Hint**). It is equal to total assets minus total liabilities. Here is why: The assets of a business are claimed by either creditors or owners. To find out what belongs to owners, we subtract the creditors' claims (the liabilities) from assets. The remainder is the owner's claim on the assets—the owner's equity. Since the claims of creditors must be paid **before** ownership claims, owner's equity is often referred to as **residual equity**.

HELPFUL HINT

In some places, we use the term "owner's equity" and in others we use "owners' equity." *Owner's* (singular, possessive) refers to one owner (the case with a sole propri-

Generally Accepted Accounting Principles

The accounting profession has developed standards that are generally accepted and universally practiced. This common set of standards is called **generally accepted accounting principles (GAAP)**. These standards indicate how to report economic events.

The primary accounting standard-setting body in the United States is the **Financial Accounting Standards Board (FASB)**. The **Securities and Exchange Commission (SEC)** is the agency of the U.S. government that oversees U.S. financial markets and accounting standard-setting bodies. The SEC relies on the FASB to develop accounting standards, which public companies must follow. Many countries outside of the United States have adopted the accounting standards issued by the **International Accounting Standards Board (IASB)**. These standards are called **International Financial Reporting Standards (IFRS)** (see **International Note**).

As markets become more global, it is often desirable to compare the results of companies from different countries that report using different accounting standards. In order to increase comparability, in recent years the two standard-setting bodies have made efforts to reduce the differences between U.S. GAAP and IFRS. This process is referred to as **convergence**. As a result of these convergence efforts, someday there may be a single set of high-quality accounting standards that are used by companies around the world. Because convergence is such an important issue, we highlight any major differences between GAAP and IFRS in *International Notes* (as shown in the margin here) and provide a more in-depth discussion in the *A Look at* IFRS section at the end of each chapter.

Historical Cost Principle

Helpful Hints further clarify concepts being discussed.

The **historical cost principle** (or cost principle) dictates that companies record assets at their cost. This is true not only at the time the asset is purchased, but also over the time the asset is held. For example, if **Best Buy** purchases land for $300,000, the company initially reports

it in its accounting records at $300,000. But what does Best Buy do if, by the end of the next year, the fair value of the land has increased to $400,000? Under the historical cost principle, it continues to report the land at $300,000.

Assumptions

Assumptions provide a foundation for the accounting process. Two main assumptions are the **monetary unit assumption** and the **economic entity assumption**.

Monetary Unit Assumption

The **monetary unit assumption** requires that companies include in the accounting records only transaction data that can be expressed in money terms. This assumption enables accounting to quantify (measure) economic events. The monetary unit assumption is vital to applying the historical cost principle.

This assumption prevents the inclusion of some relevant information in the accounting records. For example, the health of a company's owner, the quality of service, and the morale of employees are not included. The reason: Companies cannot quantify this information in money terms. Though this information is important, companies record only events that can be measured in money.

Economic Entity Assumption

An economic entity can be any organization or unit in society. It may be a company (such as **Crocs, Inc.**), a governmental unit (the state of Ohio), a municipality (Seattle), a school district (St. Louis District 48), or a church (Southern Baptist). The **economic entity assumption** requires that the activities of the entity be kept separate and distinct from the activities of its owner and all other economic entities (see Ethics Note). To illustrate, Sally Rider, owner of Sally's Boutique, must keep her personal living costs separate from the expenses of the business. Similarly, **J. Crew** and **Gap Inc.** are segregated into separate economic entities for accounting purposes.

AR

what is debits and credits

Debits and credits are the two sides of every accounting transaction. They are used to record the changes in financial accounts and ensure that the accounting equation (Assets = Liabilities + Equity) remains balanced. Here's a simple explanation of debits and credits:

- Debits are used to record increases in assets, expenses, and dividends, and decreases in liabilities, revenues, and equity.
- Credits are used to record increases in liabilities, revenues, and equity, and decreases in assets, expenses, and dividends.

For example, let's say a company purchases inventory for $1,000 in cash. This transaction would be recorded with a debit to the Inventory account (to increase the asset account) and a credit to the Cash account (to decrease the asset account). The total amount of debits and credits in this transaction would be equal, ensuring that the accounting equation remains balanced.

Debits and credits are always recorded in pairs, with each transaction involving at least one debit and one credit. Understanding debits and credits is essential for maintaining accurate financial records and preparing financial statements.

AR

debits and credits use in the recording buisness transanction

Debits and credits are used in the double-entry accounting system to record business transactions. In this system, each transaction is recorded in at least two accounts, with one account being debited and another account being credited. The total debits must always equal the total credits in each transaction to ensure that the accounting equation (Assets = Liabilities + Equity) remains balanced.

Here's an example of how debits and credits are used to record a business transaction:

Suppose a company purchases $1,000 worth of inventory on credit. The transaction would be recorded in the company's accounting records as follows:

- Inventory account is debited for $1,000 to record the increase in the asset account.
- Accounts Payable account is credited for $1,000 to record the increase in the liability account.

The total debits and credits in this transaction are equal, ensuring that the accounting equation remains balanced.

AR

what is an account ?

In accounting, an account is a record of all financial transactions related to a particular asset, liability, equity, revenue, or expense. An account is used to keep track of the changes in the financial status of an entity, such as a business or an individual.

An account is a crucial component of the recording process in accounting. Here are some ways accounts help in the recording process:

1. Organization: Accounts provide a systematic way of organizing and categorizing financial transactions. Each account has a unique name and purpose, allowing for easy identification and tracking of specific types of transactions.
2. Record-keeping: Accounts help in the accurate and complete recording of financial transactions. By tracking all debits and credits, accounts ensure that every transaction is properly recorded, and the accounting equation (Assets = Liabilities + Equity) remains in balance.
3. Analysis: Accounts facilitate the analysis of financial transactions and the financial position of an entity. By tracking transactions in specific accounts, accountants can evaluate the financial performance of a business and make informed decisions.
4. Reporting: Accounts help in the preparation of financial statements, which are used to communicate an entity's financial position and performance to external parties. Accurate and complete accounting records are essential for preparing reliable financial statements.
5. Auditing: Accounts facilitate the auditing process by providing a clear and organized record of financial transactions. Auditors use accounting records to verify the accuracy of financial statements and ensure compliance with accounting standards and regulations.

Practice Problem

Prepare a tabular presentation and financial statements.

(LO 4, 5) Joan Robinson opens her own law office on July 1, 2022. During the first month of operations, the following transactions occurred.

1. Joan invested $11,000 in cash in the law practice.
2. Paid $800 for July rent on office space.
3. Purchased equipment on account $3,000.
4. Performed legal services for clients for cash $1,500.
5. Borrowed $700 cash from a bank on a note payable.
6. Performed legal services for client on account $2,000.
7. Paid monthly expenses: salaries and wages $500, utilities $300, and advertising $100.
8. Joan withdrew $1,000 cash for personal use.

Instructions

a. Prepare a tabular summary of the transactions.

b. **Financial Statement** Prepare the income statement, owner's equity statement, and balance sheet at July 31, 2022, for Joan Robinson, Attorney.

Solution

a.	Assets				Liabilities		+	Owner's Equity			
Transaction	Cash	+ Accounts Receivable	+ Equipment	=	Notes Payable	+ Accounts Payable	+	Owner's Capital	− Owner's Drawings	+ Revenues	− Expenses
1.	+$11,000			=				$11,000			
2.	−800										−$800
3.			+$3,000	=		+$3,000					
4.	+1,500									+$1,500	
5.	+700				+$700						
6.		+$2,000								+2,000	
7.	−900										−500
											−300
											−100
8.	−1,000								−$1,000		
	$10,500	+ $2,000	+ $3,000	=	$700	+ $3,000	+	$11,000	− $1, 000	+ $3,500	− $1,700
		$15,500						$15,500			

b.

Joan Robinson, Attorney
Income Statement
For the Month Ended July 31, 2022

Revenues		
Service revenue		$3,500
Expenses		
Rent expense	$800	
Salaries and wages expense	500	
Utilities expense	300	
Advertising expense	100	
Total expenses		1,700
Net income		$1,800

Joan Robinson, Attorney
Owner's Equity Statement
For the Month Ended July 31, 2022

Owner's capital, July 1		$ 0
Add: Investments	$11,000	
Net income	1,800	12,800
		12,800
Less: Drawings		1,000
Owner's capital, July 31		$11,800

Joan Robinson, Attorney
Balance Sheet
July 31, 2022

Assets	
Cash	$10,500
Accounts receivable	2,000
Equipment	3,000
Total assets	$15,500
Liabilities and Owner's Equity	
Liabilities	
Notes payable	$ 700
Accounts payable	3,000
Total liabilities	3,700
Owner's equity	
Owner's capital	11,800
Total liabilities and owner's equity	$15,500

TION PLAN

)etermine normal alances and list ccounts in the order hey appear in the edger.

ccounts with debit alances appear in the eft column, and those vith credit balances in he right column.

'otal the debit and redit columns to prove quality.

DO IT! 4 Trial Balance

The following accounts come from the ledger of SnowGo Comp

157	Equipment	$88,000	301	Owr
306	Owner's Drawings	8,000	212	Sala
201	Accounts Payable	22,000		W
726	Salaries and Wages Expense	42,000	200	Note (d
112	Accounts Receivable	4,000	732	Utili
400	Service Revenue	95,000	130	Prep
			101	Cash

Prepare a trial balance in good form.

Solution

SnowGo Company
Trial Balance
December 31, 2022

	Debit	Credit
Cash	$ 7,000	
Accounts Receivable	4,000	
Prepaid Insurance	6,000	
Equipment	88,000	
Notes Payable		$ 19,000
Accounts Payable		22,000
Salaries and Wages Payable		2,000
Owner's Capital		20,000
Owner's Drawings	8,000	
Service Revenue		95,000
Utilities Expense	3,000	
Salaries and Wages Expense	42,000	
	$158,000	$158,000

21. Short answer

1 Describe how accounts, debits, and credits are used to record business transactions.

An account is a record of increases and decreases in specific asset, liability, and owner's equity items. The terms debit and credit are synonymous with left and right. Assets, owner's drawings, and expenses are increased by debits and decreased by credits. Liabilities, owner's capital and revenues are increased by credits and decreased by debits.