

ACCOUNTING & BUSINESS

Chapter 1



AGENDA

- What is accounting?
- Why study accounting?
- Types of businesses
- Forms of business ownership
- Categories of accounting work
- The accounting cycle
- Bookkeeper vs professional accountant



What is Accounting?

5 activities:

- Gathering financial info
- Preparing and collecting permanent records
- Summarizing and classifying financial info
- Preparing info reports
- Establishing internal controls



Why Study Accounting?

- **On the Job:**
 - Easier to find a job with understanding of accounting
- **In Daily Life:**
 - Handling your personal budget, keeping records, doing your taxes
- **Owning your own Business:**
 - Tasks like banking, keeping track of money owed to you, and money you owe, keeping records for the government, preparing payrolls
 - For a business to be successful, the owner must be able to make decisions based on good financial records
- **Accounting as a Profession**



Types of Business

- **Service business**
 - Sells a service to the public
 - Hairdresser, dental clinic, accounting firm
- **Merchandising business**
 - Buys products and resells them to the public
 - Convenience store, clothing store, grocery store
- **Manufacturing business**
 - Buys raw materials and converts them into new products
 - Farms, factories, plants
- **Non-profit organizations**
 - Activities for social needs, charitable organizations
 - Red cross, TNO, humanity first



Our focus for this course will be on
Service Businesses

Forms of Business Ownership

- **Sole proprietorships**
 - One person own the business
 - Business and the owner are the same
 - Unlimited liability
- **Partnerships**
 - 2 or more people own the business
 - The next level from sole proprietorship
 - Unlimited liability
- **Corporations**
 - Several people may own the business
 - Limited liability



Our focus for this course will be on
Sole Proprietorship



Categories of Accounting Work

- Routine Daily Activities
 - Repetitive, usually occur every day
 - Processing bills, preparing cheques, banking, recording transactions, etc
- Periodic Accounting Activities
 - Occur at regular intervals
 - Payroll, bank account reconciliations, hst reports/returns, income tax returns/reports, financial statements
- Miscellaneous Activities
 - Recruitment, communication with banks, communication with executives, meetings, etc

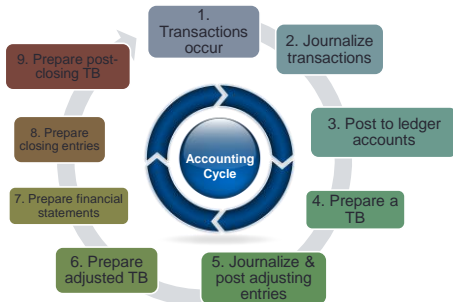


The Accounting Cycle

1. Transactions occur
2. Record them in journal
3. Post journal entries to ledger
4. Prepare trial balance
5. Journalize & post adjusting entries
6. Prepare adjusted TB
7. Prepare financial statements
8. Close ledger accounts
9. Prepare post-closing trial balance



The Accounting Cycle



Bookkeeper VS Professional Accountant

- Accounting clerk / bookkeeper
 - Concerned with routine daily activities
 - Properly record transactions
 - Safeguard supporting documents
 - Prepare payroll cheques
 - Carry out routine banking



Bookkeeper VS Professional Accountant

- Professional Accountants
 - Develop a strategy and a system for correct data to be entered into the accounting system
 - Follow GAAP
 - Prepare financial statements
 - Interpret the financial reports / statements
 - Participate in management meetings
 - Supervise the work of accounting clerks / bookkeepers
- A professional accountant can have high level positions. Usually key executives are professional accountants.



Professional Accounting Organizations

- Accounting as a Profession:
3 professional organizations of accountants in Canada. They are the sources of accounting rules and standards.

• CA – Chartered Accountant

- Canadian Institute of Chartered Accountant

• CGA – Certified General Accountant

- Certified General Accountants Association of Canada

• CMA – Certified Management Accountant

- Society of Management Accountants of Canada

Changes for Canada's Professional Accountants

- CA, CGA, CMA are currently merging. The new designation is **Chartered Professional Accountant**. The process may take up to ten years.
- Training to be a Professional Accountant:
 - University degree
 - 2 - 3 years of specialized courses and work experience