

SS1 Accounting – Week 1: Introduction to Accounting

Lesson Overview

This first week introduces students to the foundational concepts in accounting. It aims to clarify what bookkeeping and financial accounting mean, distinguish between them, and explain why accounting is essential in real life and business.

Lesson Objectives

By the end of the lesson, students should be able to:

1. Define **bookkeeping** and **financial accounting**.
 2. Distinguish between bookkeeping and financial accounting.
 3. Understand the **importance** of accounting in various fields.
 4. Justify the need to study financial accounting as a subject and career.
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1. Meaning of Bookkeeping

Bookkeeping is the **systematic recording** of day-to-day financial transactions of a business.

◆ Characteristics:

- Bookkeeping focuses solely on **data entry** and **transaction logging**.
- It is **chronological** – meaning it records transactions as they occur.
- It doesn't analyze or interpret data – that's accounting's job.
- It is usually the **first step** in the accounting process.

◆ Examples:

- Recording sales and purchases
 - Posting customer receipts
 - Maintaining cashbooks, journals, and ledgers
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2. Meaning of Financial Accounting

Financial Accounting is the **process of collecting, recording, classifying, summarizing, interpreting, and communicating** financial information to interested users.

◆ Characteristics:

- Helps track and manage business performance.
- Used for **decision-making** by management, investors, creditors, etc.
- Prepares **financial statements**: Income Statement, Balance Sheet, etc.
- Requires knowledge of accounting **principles and standards** (e.g., GAAP, IFRS).

◆ Examples:

- Preparing the **Profit and Loss Account** for a company
 - Summarizing income and expenses for a business owner
 - Analyzing the financial position of a school or church
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3. Differences Between Bookkeeping and Financial Accounting

Aspect	Bookkeeping	Financial Accounting
Definition	Recording of daily financial transactions	Process of summarizing and interpreting data
Scope	Narrow: records only	Broader: includes classification, analysis
Objective	Keep accurate and updated records	Help stakeholders make financial decisions
Handled By	Bookkeeper	Accountant
Output	Journals, ledgers	Financial statements, performance reports
Complexity	Basic knowledge required	Advanced knowledge and professional training

4. Importance of Accounting

◆ **A. To Businesses:**

- **Tracks income and expenditure** – keeps finances organized.
- Helps measure **profit or loss**.
- Provides records needed to **file taxes**.
- Aids in preparing **budgets and forecasts**.
- Helps prevent **theft, fraud, and mismanagement**.

◆ **B. To Individuals:**

- Helps manage **personal budgets**.
- Aids in keeping track of **expenses, savings, and debts**.
- Ensures better **financial planning** and accountability.

◆ **C. To Government:**

- Accounting supports **budgeting** and **public fund management**.
- Ensures **transparency** in public expenditures.
- Guides the formulation of **fiscal policies** and economic decisions.

◆ **D. For Career Opportunities:**

- Professions in accounting include:
 - Chartered Accountant
 - Auditor
 - Tax Consultant
 - Financial Manager
 - Cost Analyst
 - Sectors include banks, ministries, firms, NGOs, and self-employment.
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📌 **5. Justification for Studying Financial Accounting**

Studying accounting equips students with:

- **Practical life skills** for managing personal finances.

- **Business literacy** to run and grow enterprises.
- **Analytical thinking** and problem-solving skills.
- **Preparation for accounting careers** (ICAN, ACCA, CPA, etc.).
- Understanding of **how money flows** in an economy and organizations.