🧾 **SS2 Accounting - Week 1**

Topic: Revision of SS1 Accounting Work

📚 **LESSON OBJECTIVES**

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

1. Define Accounting and its objectives.
2. Recall the branches and users of accounting.
3. Explain basic accounting concepts and principles.
4. Revisit the accounting equation and double-entry principle.
5. Identify the classification of accounts.
6. Reconstruct source documents and books of original entry.
7. Prepare and explain the ledger and trial balance.

STEP 1: Meaning and Objectives of Accounting (10 mins)

🔹 Definition of Accounting

Accounting is often called the language of business. It involves a systematic process of:

- Recording day-to-day financial transactions.
- Classifying those transactions into specific categories (e.g., sales, purchases).
- Summarizing them into reports and statements like the profit and loss account or balance sheet.
- Interpreting the results so that users of accounting information (like managers or investors) can make informed decisions.

🔹 Objectives of Accounting

1. To Keep Systematic Records: Ensure all financial events are documented and can be referenced later.

2. To Determine Profit or Loss: Through income statements (profit and loss account).
3. To Ascertain Financial Position: Via the balance sheet showing assets, liabilities, and capital.
4. To Provide Information for Decision-making: Helps in budgeting, forecasting, and business planning.
5. To Ensure Accountability and Control: Tracks every naira spent or earned, preventing fraud and mismanagement.

STEP 2: Branches and Users of Accounting (10 mins)

◆ Branches of Accounting

1. Financial Accounting: Focuses on external reporting (e.g., annual reports for shareholders).
2. Cost Accounting: Calculates the cost of production to control expenses and set prices.
3. Management Accounting: Provides internal reports for decision-making by managers.
4. Tax Accounting: Ensures correct tax calculations and filing to comply with government tax regulations.
5. Auditing: An independent review of financial records to confirm accuracy and legality.

◆ Users of Accounting Information

- Business Owners: To know if the business is profitable.
- Investors: To assess the viability of investing.
- Creditors: To evaluate the company's ability to repay loans.
- Government Agencies: For taxation and regulation purposes.
- Employees: To ensure job security and fair compensation.

- Management: To strategize and control operations.

STEP 3: Accounting Concepts and Principles (15 mins)

◆ Basic Accounting Concepts

1. Business Entity Concept: The business is treated as separate from the owner's personal financial affairs.
2. Going Concern Concept: Assumes the business will continue to operate in the foreseeable future unless otherwise stated.
3. Money Measurement Concept: Only transactions that can be quantified in monetary terms are recorded.
4. Cost Concept: All assets are recorded at the cost price, not the market value.
5. Accrual Concept: Revenue and expenses are recognized when they occur, not necessarily when cash changes hands.
6. Consistency Concept: Same accounting policies must be used consistently year after year.
7. Dual Aspect Concept: Every transaction affects at least two accounts — this supports the double-entry system.

STEP 4: Accounting Equation and Double Entry Principle (10 mins)

◆ Accounting Equation

Assets=Liabilities+Owner's Equity\text{Assets} = \text{Liabilities} + \text{Owner's Equity}Assets=Liabilities+Owner's Equity

- This equation shows that everything the business owns (assets) is financed by either creditors (liabilities) or owners (capital/equity).

◆ Double Entry Principle

- Every transaction has two sides:
  - Debit (Dr): Receiving value

    - Credit (Cr): Giving value
- This principle ensures that the accounting equation always stays balanced.

Example:
Bought goods for ₦10,000 cash

- Debit: Purchases A/C ₦10,000
- Credit: Cash A/C ₦10,000

STEP 5: Classification of Accounts (10 mins)

Accounting accounts are classified into three main types:

1. Personal Accounts

- Relates to persons or organizations.
- Examples: Customers, suppliers, bank accounts.
- Rule: Debit the receiver, Credit the giver.

2. Real Accounts

- Pertains to assets (both tangible and intangible).
- Examples: Machinery, land, cash, goodwill.
- Rule: Debit what comes in, Credit what goes out.

3. Nominal Accounts

- Deals with income, expenses, gains, and losses.
- Examples: Rent, wages, interest received.
- Rule: Debit all expenses/losses, Credit all incomes/gains.

STEP 6: Source Documents and Books of Original Entry (15 mins)

🔹 Common Source Documents

These are the original written proofs of financial transactions:

- Invoice: Issued for sales on credit.

- Receipt: Acknowledgment of payment received.
- Credit Note: Issued when goods are returned to the seller.
- Debit Note: Sent when returning goods to a supplier.
- Payment Voucher: Document authorizing payment.

◆ Books of Original Entry (Journals)

Where transactions are first recorded before posting to the ledger:

1. Sales Journal: Records credit sales only.
2. Purchases Journal: Records credit purchases only.
3. Cash Book: Records all cash and bank transactions.
4. Petty Cash Book: Records minor expenses handled by the petty cashier.
5. Returns Inward Journal: Records goods returned by customers.
6. Returns Outward Journal: Records goods returned to suppliers.
7. General Journal: Records unusual or non-regular transactions like depreciation, opening entries, and error corrections.

STEP 7: The Ledger and Trial Balance (15 mins)

◆ The Ledger

This is the main book where transactions from the journals are posted. It contains various individual accounts.

Types of Ledgers:

- General Ledger: For all accounts (e.g., capital, purchases, sales).
- Debtors' Ledger (Sales Ledger): Contains individual customer accounts.
- Creditors' Ledger (Purchases Ledger): Contains individual supplier accounts.

◆ Trial Balance

A statement that lists all the balances of the ledger accounts to test the arithmetical accuracy of the accounting records.

📌 If total debits = total credits, it's assumed (but not guaranteed) that records are correct.

Importance:

- Ensures books are balanced before preparing financial statements.
- Helps identify errors early.

✍️ CLASS ACTIVITY / PRACTICE

Q1: State and explain three accounting concepts.
Q2: Record the following in double entry:

a. Bought goods worth ₦5,000 on credit from Kola Ltd.
b. Paid salary of ₦2,000 in cash.

🧠 SUMMARY

- Accounting is the language of business.
- Concepts and principles guide accurate record-keeping.
- The double-entry system ensures balance.
- Source documents back up every entry.
- Ledgers and trial balances summarize transactions for final accounts.

✅ ASSIGNMENT

1. Explain the meaning of the business entity concept and its application in accounting.
2. Differentiate between personal, real, and nominal accounts with two examples each.
3. Identify five source documents and explain their use.
4. Prepare a sample trial balance from at least 5 ledger balances.