# Week 1

**Accounting**: Process of Identifying, measuring, recording, and communicating economic transactions and events of a business operation.

**Identifying**: Taking into consideration all economic transaction which affect a business.

**Measuring**: Quantifying in monetary terms.

**Recording**: Analysing, recording, classifying, and summarising transactions.

**Communicating**: Preparing the accounting reports; analysing and interpreting.

**Stakeholders**:

* Owners / shareholders
* Customer
* Employees
* Environment
* Local community
* Unions
* Creditors (banks)
* Government

**Financial Accounting**: The preparation and presentation of financial reports for **external** users.

**Management Accounting**: Provides information for **internal** decision makers of a business.

**Auditing**: Independent examination of the accounting data presented by an entity.

**Tax** **Accounting**: Preparation of tax returns and tax payments.

Business Structures:

* Sole Proprietorship (sole trader)
* Partnership
* Company (limited liability)
  + Private (Pty Ltd) – Financial data not public, max 50 owners, not listed on exchange
  + Public (Ltd) – Financial data is public, any number of owners (shareholders), listed on exchange to allow for purchase and liquidation of shares

# Week 2

**Ethics**: In a broader sense, deals with human conduct in relation to what is morally good, bad, right, and wrong. It is the application of values to decision making. These values include **honesty, fairness, responsibility, respect, and compassion**. (Ethics are external, Morals are internal (individual)).

**Two classifications**:

* Teleological / Consequential ethics (ends justify the means, consequence based)
* Deontological / Non-Consequential ethics (intention based)

**Ethical Decision-Making Process**:

1. Identify ethical issues
2. Gather information and consider ethical principles
3. Identify and evaluate alternative courses of action
4. Decide a course of action

**Accounting Professional and Ethics Standard Board (APESB)***Code of Ethics*:

* **Integrity** (straightforward and honest)
* **Objectivity** (business judgements without compromise of bias, conflict of interest or undue influence of others)
* **Professional competence and due care** (must attain and maintain professional and technical knowledge for clients or employees (requires diligence, training, and supervision))
* **Confidentiality** (must not disclose information classified confidential or sensitive outside of the firm)
* **Professional behaviour** (comply with relevant laws and regulations, avoid any action or omission which may discredit the image of the profession)

# Week 3

**The Accounting Cycle**:

1. Analyse transactions
2. Journalise transactions
3. Post ledger accounts
4. Prepare trial balance
5. Prepare financial statements

**Transaction**:

* An external exchange of something of value between two or more entities.
* Accounting transactions or events are those occurrences which must be recorded / recognised because they have an effect on **Assets, Liabilities, or Equity**.
* Not all transactions are recorded (E.G., hiring a new employee)
* Evidence of a transaction comes in the form of a **Source Document**.

**Assets**: A present economic resource controlled by the entity as a result of past events. An economic resource is a right that has the potential to produce economic benefits.

**Liabilities**: A present obligation of the entity to transfer an economic resource as a result of past events.

**Equity**: The residual interest in the assets of the entity after deducting all its liabilities.

**Income / Revenue**: Amounts received / receivable from selling goods or services. Income is increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to capital share.

**Expenses**: Costs that a business incurs to generate income. Expenses are decreases in assets, or increases in liabilities, that result in decreases in equity, other that those relating to distributions to shareholders.

**Debit and Credit Rules**:

|  |  |  |  |
| --- | --- | --- | --- |
| **Type** | **Debit** | **Credit** | **Normal Balance** |
| Assets | + | - | Debit |
| Liabilities | - | + | Credit |
| Equity | - | + | Credit |
| Income/Rev | - | + | Credit |
| Expenses | + | - | Debit |

**Accounting Concepts and Principles**:

* **Going Concern Principle**: The business will remain in operation for the foreseeable future.
* **The** **Accounting** **Period** **Concept**: The life of a business is divided into artificial periods. Profit is determined for particular periods of time in order to be comparable.
* **Accounting Entity Concept**: Clearly identify the boundaries of the entity being accounted for. (E.G., personal transactions of the owner must be separate from the entity).
* **Accrual Basis Accounting**: The effects of transactions are recognised when they occur, not when the cash is received / paid.
* **Cash-Basis Accounting**: Records transactions and events only at the time of receipt / payment of cash. (I.E., no payables or receivables).
* **Cost Principle**: States that all assets are initially recorded in the accounts at their purchase price or cost.

**Qualitative Characteristics**:

Fundamental Qualitative Characteristics

1. **Relevance** (Information is considered relevant if it is capable of making a difference in the decision made by the users)
2. **Faithful Representation** (Information is a faithful representation of the economic phenomena it purports to represent if it complete, neutral and free from material error.

Enhancing Qualitative Characteristics

1. **Comparability** (Users can identify similarities and difference between two sets of economic data.
2. **Verifiability** (Information is verifiable if it represents the economic phenomena without bias or material error.
3. **Timeliness** (Whether the information is available to users before it ceases to be relevant)
4. **Understandability** (Users who have reasonable knowledge of business and accounting can comprehend its meaning.

# Week 4

**General Journal**:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **General Journal** | | | | |
| **Date** | **Account Name (narration)** | **Ref.** | **Debit** | **Credit** |
| 1/3/21 | Office Supplies (Asset) | 101 | 250 |  |
|  | Cash (Asset) | 100 |  | 250 |
|  | (Bought office supplies with cash) |  |  |  |
|  |  |  |  |  |
| 4/3/21 | Building Supplies (Asset) | 200 | 10000 |  |
|  | Cash (Asset) | 100 |  | 2000 |
|  | Accounts Payable (Liability) | 130 |  | 8000 |
|  | (Bought building supplies with cash and on account) |  |  |  |

# Week 5

**T-Accounts**

Three points:

* Title
* Place for recording increases
* Place for recording decreases

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Cash at Bank** | | | | | |
| **Date (year)** | **Explanation** | **Amount** | **Date (year)** | **Explanation** | **Amount** |
| 3/10 | Chris, Capital | 60 000 | 4/10 | Vehicle | 30000 |
| 15/10 | Income | 6000 | 16/10 | Wages | 5000 |
| 21/10 | Accounts Receivable | 1000 | 20/10 | Accounts Payable | 2000 |
|  |  |  | 25/10 | Chris, Drawing | 1400 |
|  |  |  | Balance c/d (difference) |  | 28600 |
| Balance b/d (normal balance) |  | 28600 |  |  |  |
| **Debit (Dr) Side** | | | **Credit (Cr) Side** | | |

**Normal Balance is on the debit side because we are working with the Cash account (Asset). And the normal balance for Assets is Debit.**

**General Ledger Running Balance**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **ACCOUNT: Cash at Bank** | | | **Account No. 100** | |
| **Date** | **Explanation** | **Debit** | **Credit** | **Balance** |
| 2016 Oct. 3 | Capital, Chris | 60000 |  | 60000 |
| 4 | Vehicle |  | 30000 | 30000 |
| 15 | Income | 6000 |  | 36000 |
| 16 | Wages expense |  | 5000 | 31000 |
| 20 | Accounts Payable |  | 2000 | 29000 |
| 21 | Accounts Receivable | 1000 |  | 30000 |
| 25 | Chris, Drawings |  | 1400 | 28600 |