

ACCOUNTING

FOR NON ACCOUNTANTS





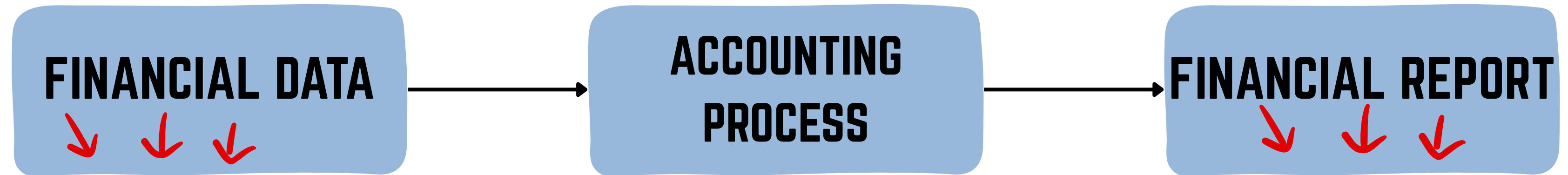
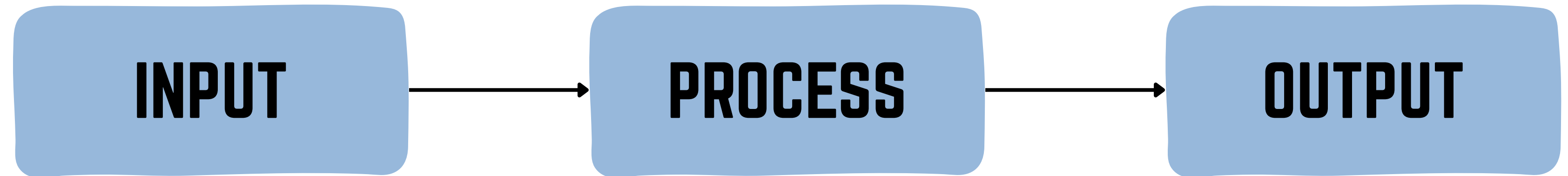
ACCOUNTING

“FINANCIAL INFORMATION SYSTEM”

Accounting is an information system that provides financial reports to users about economic activities of a business.



“FINANCIAL INFORMATION SYSTEM”

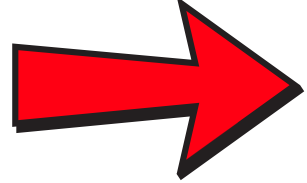
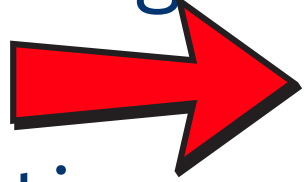


money

process to convert
financial data into financial information

financial information

DIFFERENT USERS OF FINANCIAL INFORMATION

1. **Owners**-Owns business  **PROVIDER OF CAPITAL**
2. **Creditors**-lends money/provide goods & services without paying for them immediately  **PROVIDER OF CAPITAL**
3. **Management**-Oversees operations
4. **Government**-Different government organisations-NBR, Bangladesh Securities and Exchange Commission (BSEC)
5. **Everybody else**-employees, communities, business associations



HOW DIFFERENT USERS USE FINANCIAL INFORMATION PROVIDED BY ACCOUNTING?

Owners:

- Know if their investments are doing good
- Know ROI (Return on Investment)-income you get because of your investment

Creditors

- Know if business can repay their loan
- Should they sell products to this business on credit?
- Is the business solvent? $\text{Asset} > \text{Debt}$

Management-Know if they are managing well

Government-Determine tax and if business has complied with rules

Everybody else-Others



TRANSACTION

➡ An economic event that affects business resources and debts.

➡ An event where a business receive something and loose something.

SOMETHING=MONEY, PROPERTY, SERVICE

➡ Exchange of value for a value.



EXAMPLES OF TRANSACTIONS

Transaction	Value Received	Value Parted With
Invested cash to start a service business	Cash	Ownership
Obtained a loan from a bank for business use	Cash	Obligation to pay
Purchased office equipment for cash	Office equipment	Cash
Purchased office supplies on credit	Office supplies	Obligation to pay

****On credit means items will be delivered but business will pay for it on a future date**



EXAMPLES OF TRANSACTIONS

Transaction	Value Received	Value Parted With
Completed service for customer and received cash	Cash	Service rendered
Paid the monthly rent	Right to occupy the office space	Cash
Completed service for customer on credit	Collectible	Service rendered
Purchased goods for resale on credit	Goods	Obligation to pay

****Collectible/Receivable means business provided something for credit and will receive cash in future**



ACCOUNTS

- Tools we use to record transactions.
- An account is a record that summarizes all transactions related to a specific item over time.
- Example-Cash, Sales Revenue



Think of accounts like classes or objects in programming. Each account is a container for similar types of transactions



ACCOUNTS

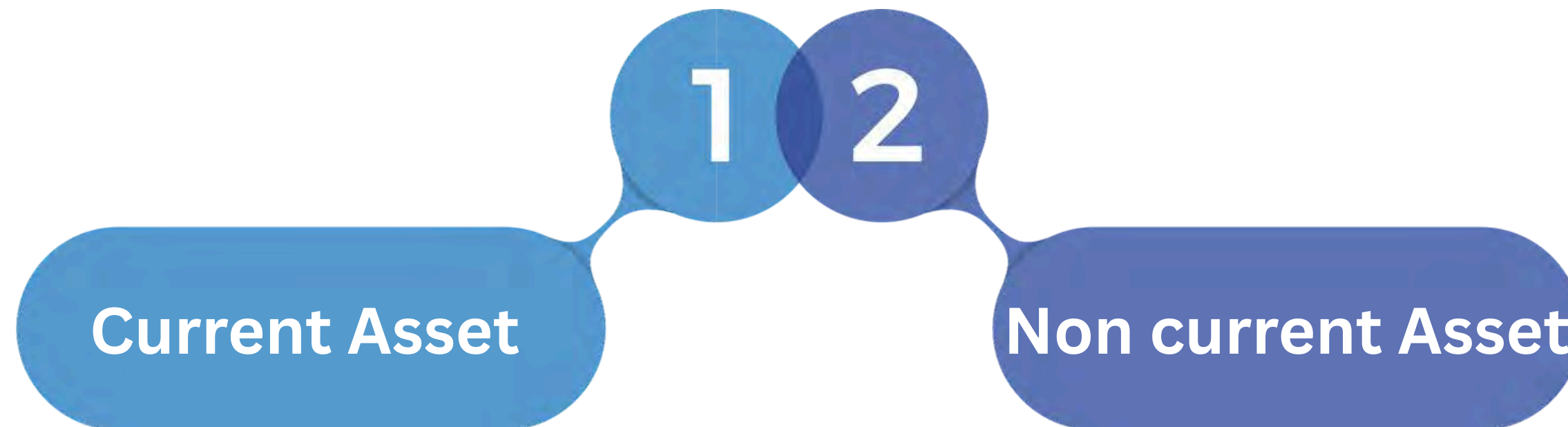
3 Principal Accounts



ASSETS

Resources **owned** and used by the **business**

- personal resources of owners not included
- used for business purpose only



CURRENT ASSETS

Assets to be received, used or sold **within 1 Year**

- **Cash**—coins, bills, cheques
- **Accounts Receivable**—collectibles from customers or clients
- **Inventories**—goods for sale, goods in production, materials used to produce goods for sale
- **Supplies**—office supplies, other materials used in operation
- **Prepayments**—items paid in advance to be consumed or used in the operations (prepaid rent, prepaid insurance)
- **Short term investments**—investments that can be encashed within one year



NON CURRENT ASSETS

Assets to be received, used or sold **beyond 1 Year**

- **Land**—owned and used by the business (not owner's)
- **Building**—owned and used by the business (not rented)
- **Equipments**—office/factory/other equipments used in operation
- **Vehicles**—office vehicles used in operation
- **Furnitures**—tables, chairs, cabinets
- **Long term investments**—investments in other company's stocks or bonds that can be encashed beyond one year
- **Intangible Assets**—Copyright, Patents

