



Course Overview

- Accounting Principles

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Agenda

- Instructor Introduction
- Course Principles
- Syllabus Review
- Course materials: Seoultech E-class
- Accounting Overview – Concept and Role
- Cases

Instructor Introduction



- Education

- 2020. Ph.D. in Management
- 2007. B.S. in Industrial Engineering

- Employment

- 2022-*Present* Seoultech University
- 2007-2022 Financial Supervisory Service(금융감독원)
- 2005-2006 Samil PwC, LLC (accounting firm)
- 2001-2004 Soft-power, Inc. (ERP Software company)

Course Principles

- Grading Policy
- Class Policy
- Reactions and participations are important.
 - Accounting language (glossary) is different.
 - Ask questions (Please raise your hand first).
 - Gesture¹⁾
- The whole course will be conducted in English.

1) <https://www.youtube.com/watch?v=EoJ4Bvsq7gQ>

Syllabus Review

- Review Syllabus

Course Materials

- Seoultech e-Class
 - Announcement (on-line class notice, etc.)
- Questions
 - In-class questions are most welcomed.
 - In-class, e-Class (Q&A), email, office hour, etc.
 - The Q&A in e-Class is recommended (anonymous posting is also possible).
- Covid-19 Issues
 - : Your COVID test results and suspicious symptom are accepted as an excuse. (Hopefully, it will not happen.)

Accounting Overview

- Accounting
 - “Accounting, or accountancy, is the measurement, processing, and communication of financial and non-financial information about economic entities” (Needles et al., 2013)
- Alternative definitions about accounting:
 - Making a record on an event (to make accounting records)
 - Measurement (to make accounting records)
 - Evaluation (based on accounting records)
 - Economic decision (based on accounting records)

Accounting Overview

- Alternative definition about accounting
 - Making a record on an event, Measurement, Evaluation, etc.
- We need man-made rules to do this.
- E.g.) GPA (Grade Point Average)
 - What is the full point value? 4.3? 4.5?
 - Whole years? Last two semester? Based on major subjects?
- During this course, we will learn many accounting rules.

Accounting Overview

- Accounting Rules

- Accounting rules are man-made.

(These are different from the natural laws such as gravity, arithmetic, electricity, etc.)

- But these rules have been evolved in a reasonable way.
- So, you come to these accounting rules in the end.

→ Let's do this:

Making your own accounting rules!

(Use your imagination! You may develop multiple answers.)

Sibling Case #1

- You have a younger brother (sister). Your parents want to you to guide yo
ur brother (sister) to build a desirable habit.
- When should you give praise to your sibling?

		March	April	May
(Income)	Allowance (Cash)	100,000	100,000	100,000
(Spending)	Transportation	30,000	25,000	30,000
	Snacks	12,000	40,000	8,000
	Buying books	30,000	0	0
	Buying game items			70,000

- How can you improve this situation?
 - Let's give some incentives to your sibling.

Sibling Case #2

- You and your brother made an agreement. You promised that you will give the same amount of money that your brother have at the end of every month.
- Does this promise make your brother a good boy?

		March	April	May	June
(Income)	Allowance (Cash)	100,000	100,000	100,000	100,000
(Spending)	Transportation	30,000	25,000	30,000	0
	Snacks	12,000	30,000	8,000	2,000
	Buying books	20,000	40,000	0	0

- Are there any unintended consequences?
- How can you improve your agreement with your sibling?

Sibling Case #3

- You and your brother made an agreement. You promised that you will give the same amount of money that your brother have at the end of every month.
- Does this promise make your brother a good boy?

		March	April	May
(Income)	Allowance (Cash)	100,000	100,000	100,000
(Spending)	Transportation	30,000	25,000	30,000
	Snacks	12,000	40,000	20,000
	Buying books	20,000	20,000	0
(Income)	Selling books (Carrot Market)			18,000

- Are there any unintended consequences?
- How can you improve your agreement with your sibling?

Sibling Case #4

- You and your brother made an agreement. You promised that you will give the same amount of money that your brother have at the end of every month.
- Does this promise make your brother a good boy?

		March	April	May	June
(Income)	Allowance (Cash)	100,000	100,000	100,000	100,000
(Spending)	Transportation	30,000	25,000	30,000	30,000
	Snacks	12,000	40,000	20,000	20,000
	Buying books	20,000	20,000	20,000	20,000
(Spending)	Buying sneakers			30,000	
(Income)	Selling sneakers				80,000

- Does your brother get more bonus money with sneakers?

Sibling Case #5

- You and your brother made an agreement. You promised that you will give the same amount of money that your brother have at the end of every month.
- Does this promise make your brother a good boy?

		March	April	May
(Income)	Allowance	100,000	100,000	100,000
(Spending)	Transportation	30,000	25,000	30,000
	Snacks	12,000	40,000	0
	Buying books	30,000	0	20,000
	Buying game items			(-)50,000
(Other)	Borrow money from his friend			(+)50,000

- Are there any unintended consequences?
- How can you improve your agreement with your sibling?

Any Questions?

Bakery Case #1

- Setting
 - Your uncle won a lottery with 10,000,000 KRW. So, he opened a bakery shop.
 - He has two options. Which option would you recommend to your uncle?

	Option A	Option B
	(New oven)	(Used oven)
Oven price (by cash, one-time)	7,500,000	5,000,000
flour, sugar, and egg purchase (by cash, monthly)	2,000,000	2,000,000
Bread Sales (by cash, monthly)	5,000,000	4,900,000
Shop rent expense (by cash, monthly)	500,000	500,000
Interest income (from bank, monthly)	0	10,000

Business Entity #1

- Corporation
 - We usually call a company.
 - It can be the entity of rights and obligation, like a person.
 - There are owners of a corporation. The owners can be people or another corporation. Sometimes, government can be an owner of a corporation.
 - A corporation runs a business.
(This is the same as a person opens his/her business shop.)
 - A corporation can borrow a money from a bank to operate its business.
(The corporation should pay back the money to the bank.)

Business Entity #2

- Corporation is a center of the business.
- Major concept around corporation:
 - Shareholder: People who establish a corporation with their money.
 - Employee: The corporation can hire people to run a business.
 - Facilities: The corporation can buy a building and a machine.
 - Revenue: The corporation sell goods to its customers.
 - Salary: The corporation pay salaries to its employees.
 - Dividend: The corporation can return its money to shareholders, if the shareholders want.
 - Debt: The corporation can borrow a money from a bank. (The corporation should pay back the borrowed money and interests to the bank.)

Bakery Case #2

- Setting
 - Sam, Tom, and Jane studied bakery at the same university.
 - Three of them decided to open a bakery shop.
 - They invested their own money:
 - Sam (12,000,000 KRW), Tom (6,000,000 KRW), Jane (2,000,000 KRW)
 - They build a corporation for their bakery business with these money.
 - (The name of the corporation is “AP Bakery Inc.”)
 - They open a bank account under the name of AP Bakery Inc.
 - For now, only Sam and Tom will work for the bakery.

Bakery Case #2

- AP Bakery started its business on 1st of November.
- All transactions were made by cash.

	Nov. 1st~Nov.30th	Dec. 1st ~ Dec. 31st	Jan. 1st ~ Jan. 31st
Shop rent (deposit to the shop owner)	1,500,000	-	-
Shop monthly rent fee	500,000	500,000	500,000
Oven, tables, and chairs purchase	8,000,000	-	-
Flour, sugar, and egg purchase	3,000,000	3,000,000	3,000,000
Number of baked muffins	10,000	10,000	10,000
Value of baked muffins	10,000,000	10,000,000	10,000,000
Number of sold muffins	8,000	9,000	9,500
Value of sold muffins	8,000,000	9,000,000	9,500,000
Electricity charge (paid on the 20th of every month)	200,000	600,000	900,000
Donation of muffins	-	-	-
Salary for Tom and Sam	2,000,000	2,000,000	2,000,000
Dividend to the shareholders		3,000,000	20
Borrow money from a bank			10,000,000

Bakery Case #2

- AP Bakery started its business on the 1st of November.
 - 1) How much cash does AP Bakery Inc. have at the end of every month?
 - 2) In which month does it make the biggest profit? How much was it?
 - 3) How can we improve this business?
 - 4) How much money did Jane received in December?
 - 5) On Feb. 1st, your cousin, Chris, said that he wanted to buy the whole AP Bakery Inc. What would be the appropriate amount for this deal?

Bakery Case #3

- AP Bakery Inc. started its business on 1st of November.
- All transactions were made by cash.

	Nov. 1st~Nov.30th	Dec. 1st ~ Dec. 31st	Jan. 1st ~ Jan. 31st
Shop rent (deposit)	1,500,000	-	-
Shop monthly rent fee	500,000	500,000	500,000
Oven, tables, and chairs purchase	8,000,000	-	-
Flour, sugar, and egg purchase	3,000,000	3,000,000	3,000,000
Number of baked muffins	10,000	10,000	10,000
Value of baked muffins	10,000,000	10,000,000	10,000,000
Number of sold muffins	8,000	9,000	9,500
Value of sold muffins	8,000,000	9,000,000	9,500,000
Electricity charge (paid on the 20th of every month)	200,000	600,000	900,000
Donation of muffins	-	-	-
Salary for Tom and Sam	2,000,000	2,000,000	2,000,000
Dividend to the shareholders		3,000,000	
Number of muffin gifticons issued			10,000
Received cash for the gifticon issuance			9,000,000

Bakery Case #3

- In this case, AP Bakery issued gifticons, instead of borrowing money from a bank on Jan. 31st.
 - 1) On Feb. 1st, your cousin, Chris, said that he wanted to buy the whole AP Bakery Inc. What would be the appropriate amount for this deal?
 - 2) The gifticons were non-refundable. What would be your answer to Question#1?
 - 3) The gifticons were fully refundable. What would be your answer to Question#1?
 - 4) Is the amount different from Bakery Case #2?
 - 5) AP Bakery Inc. paid its electricity bill on Jan 20th. The bill covered the period between Dec 15th and Jan 15th. The electricity charge between Jan. 15th and Jan. 31st would be 500,000 KRW. Does this additional information change the amounts that Chris may offer?

Accounting Information Users

- Major stakeholders
 - 1) Shareholders
 - 2) Employees (CEO, CFO, Directives, workers, etc.)
 - 3) Bank, other lenders, etc.
 - 4) Government (tax authority)
 - 5) Potential investors
 - 6) Customers
 - 7) Others (competitors?)

Any Questions?
(Recap)