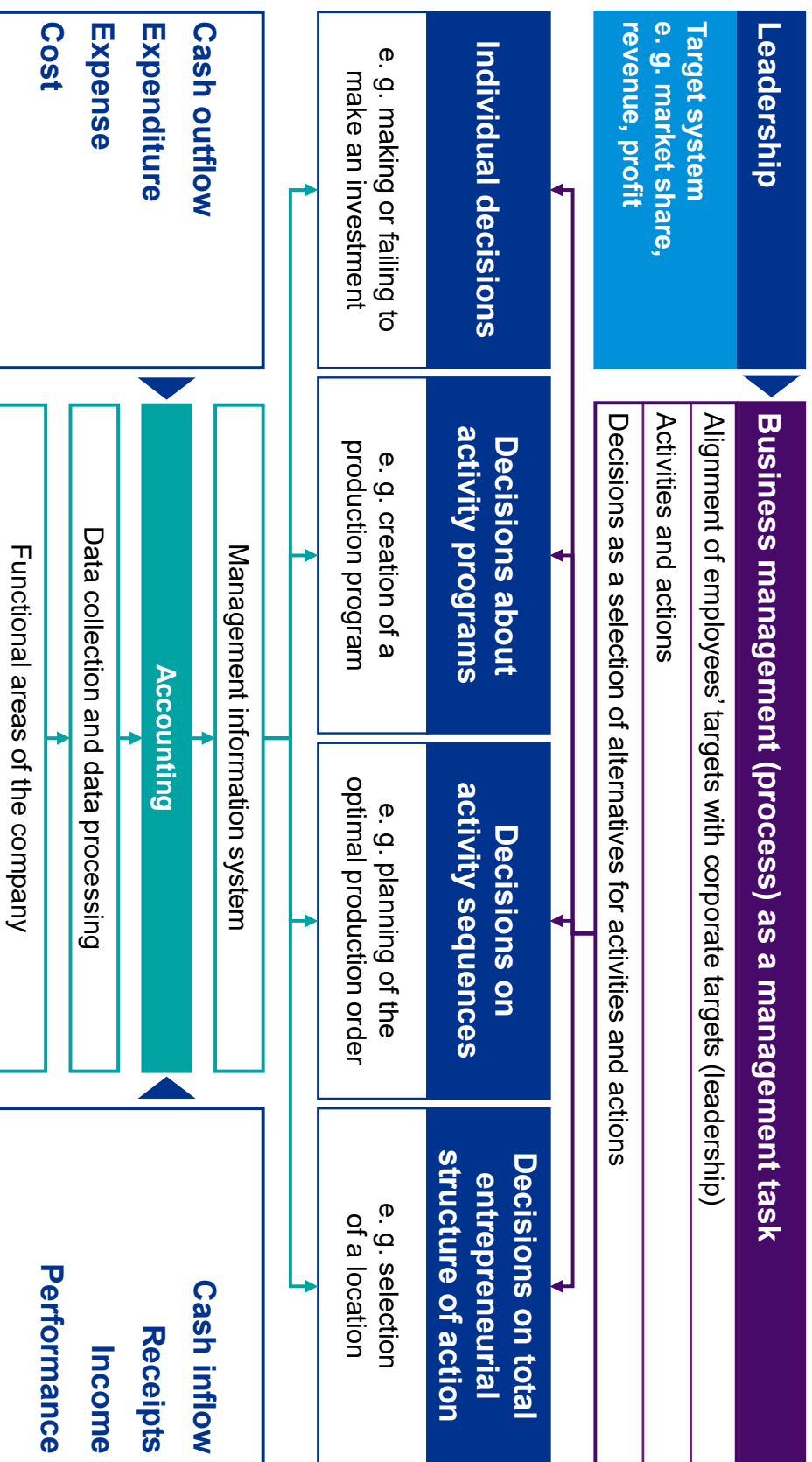


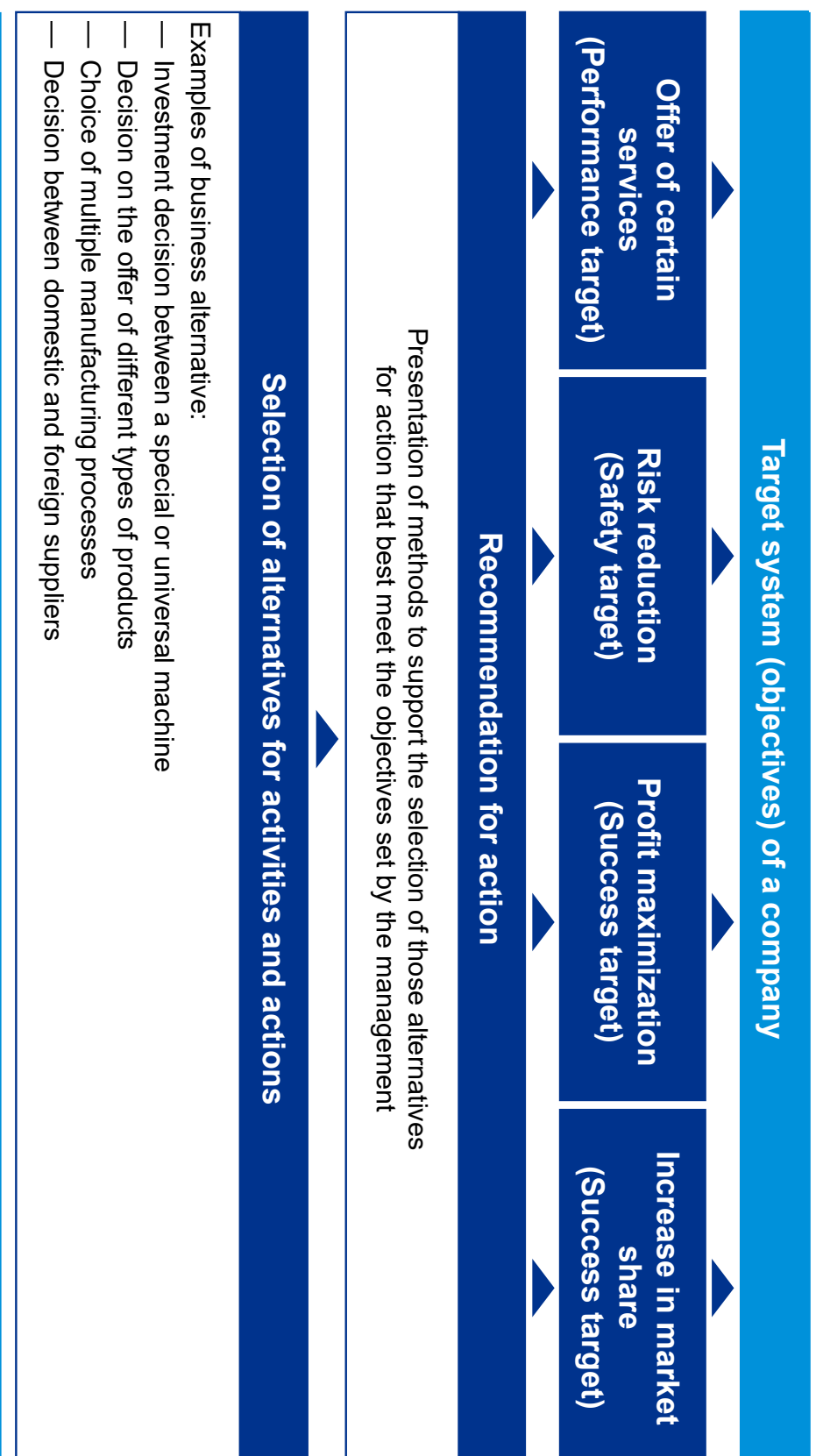
1.1 Purpose of accounting

Accounting as an information system for business management



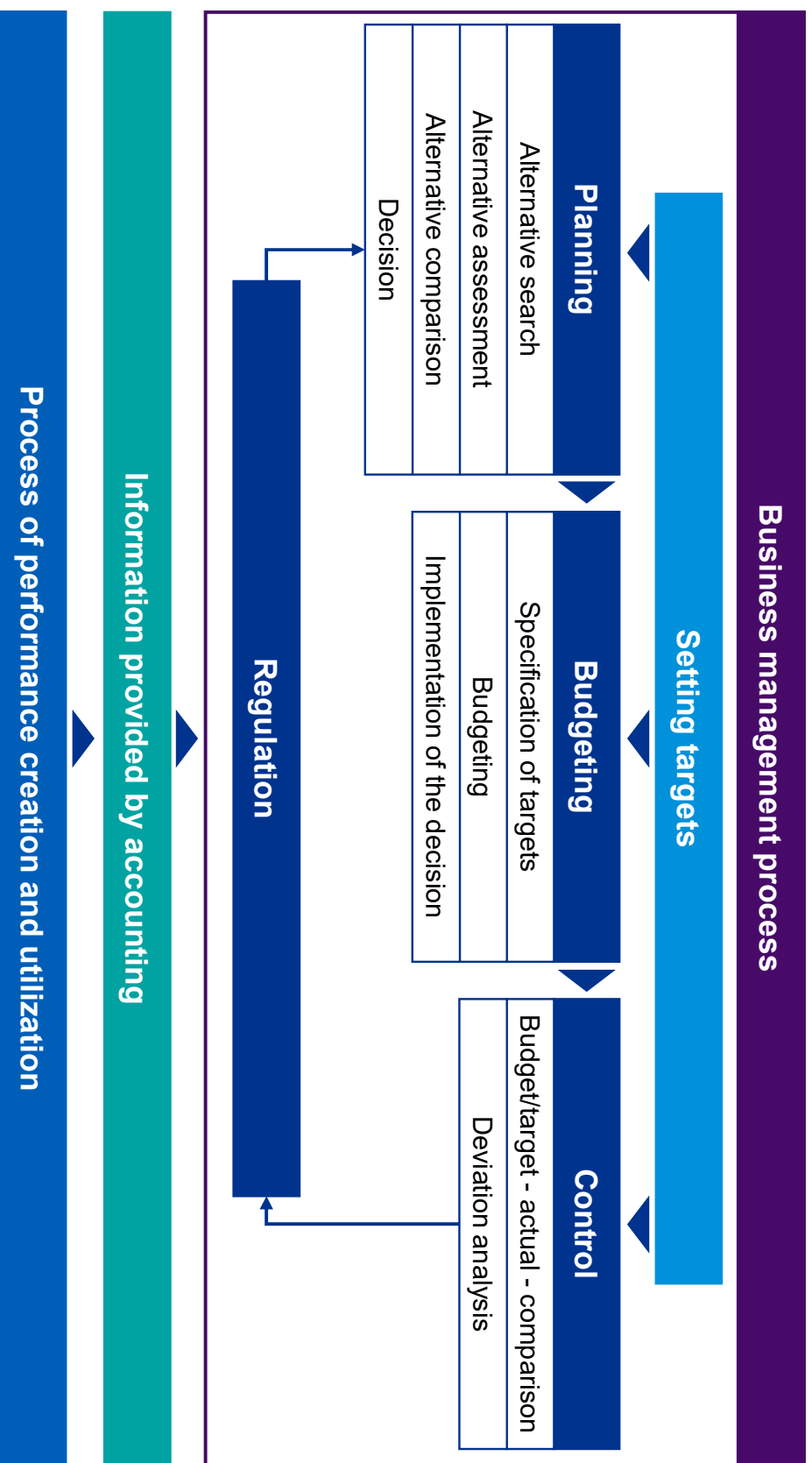
1.1 Purpose of accounting

Target system of a company



1.1 Purpose of accounting

Relationships between accounting and business management (1/2)



1.2 Process of accounting

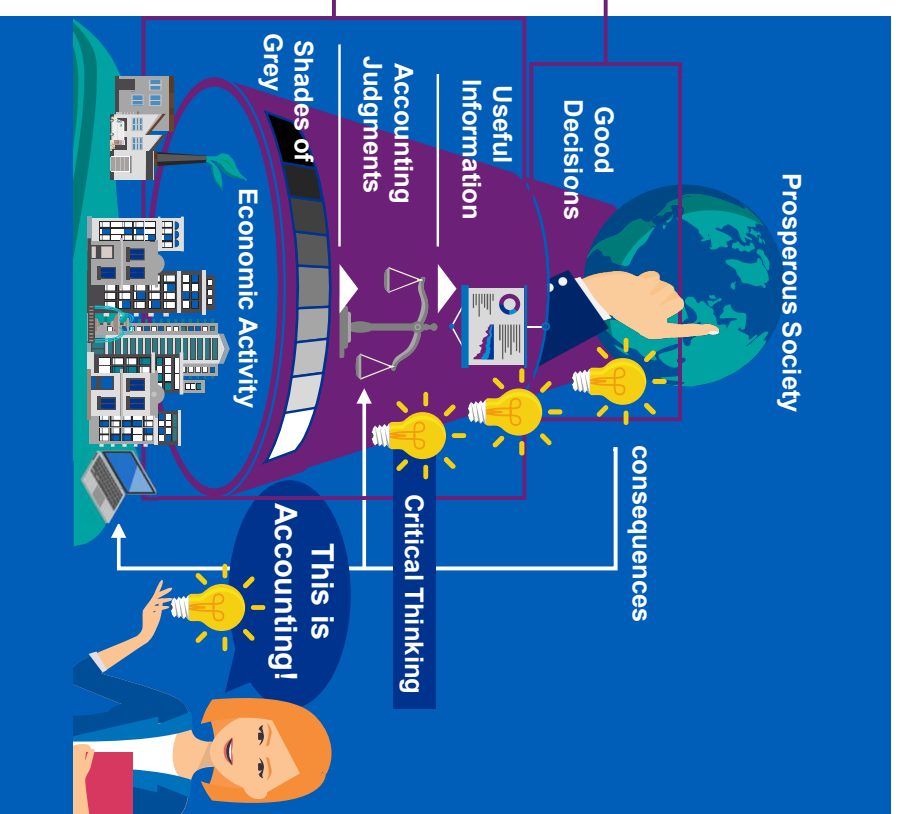
Transforming business transactions into the accounts

Purpose of accounting

Provide **useful information** (to investors, managers and others) for making good decisions (and ultimately increase social welfare).

Process of accounting

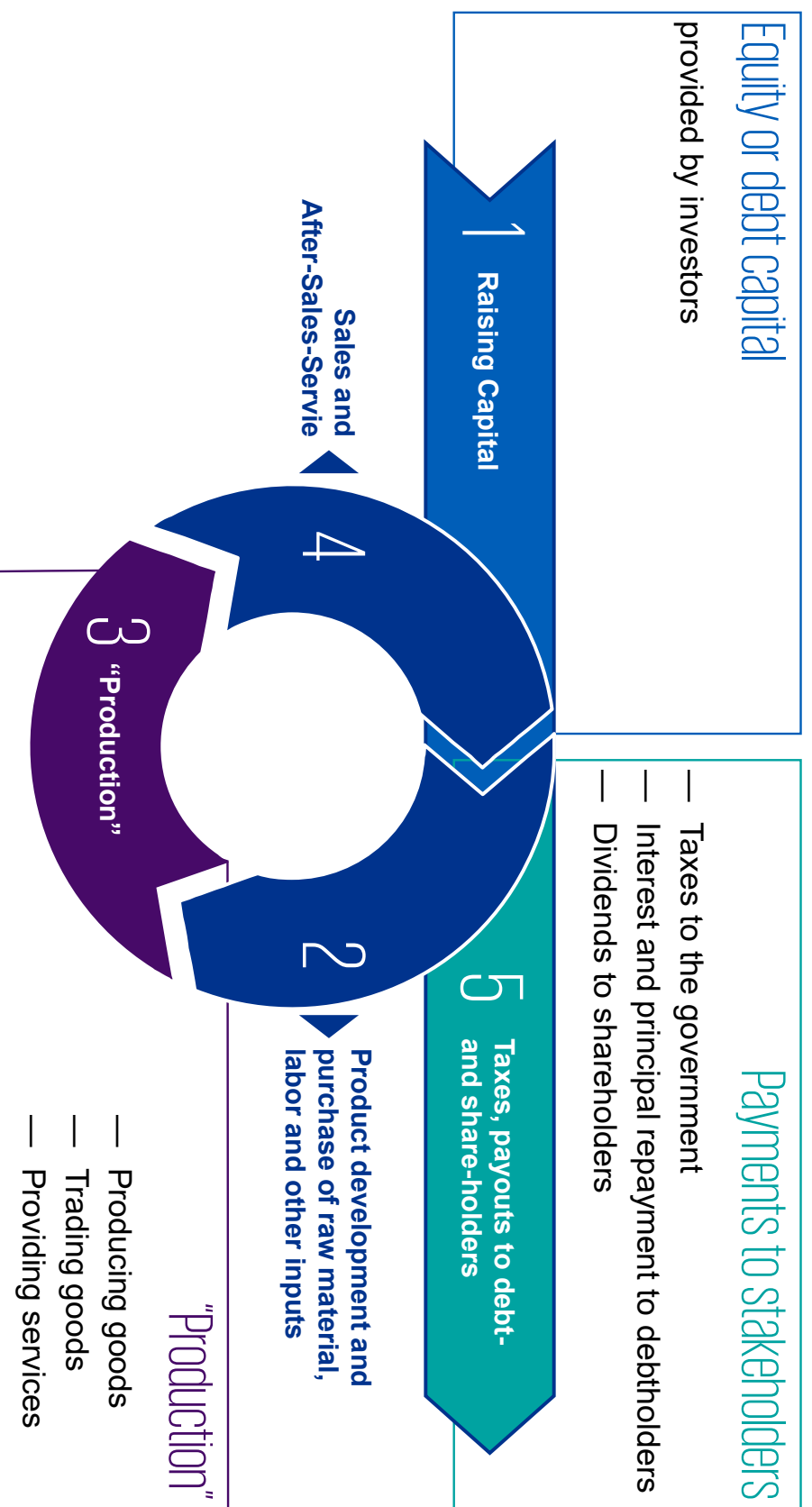
Business transactions are recorded according to rules (which requires judgments) and aggregated information are disseminated to the public.



Source: Prof. Dr. Ernstberger

1.2 Process of accounting

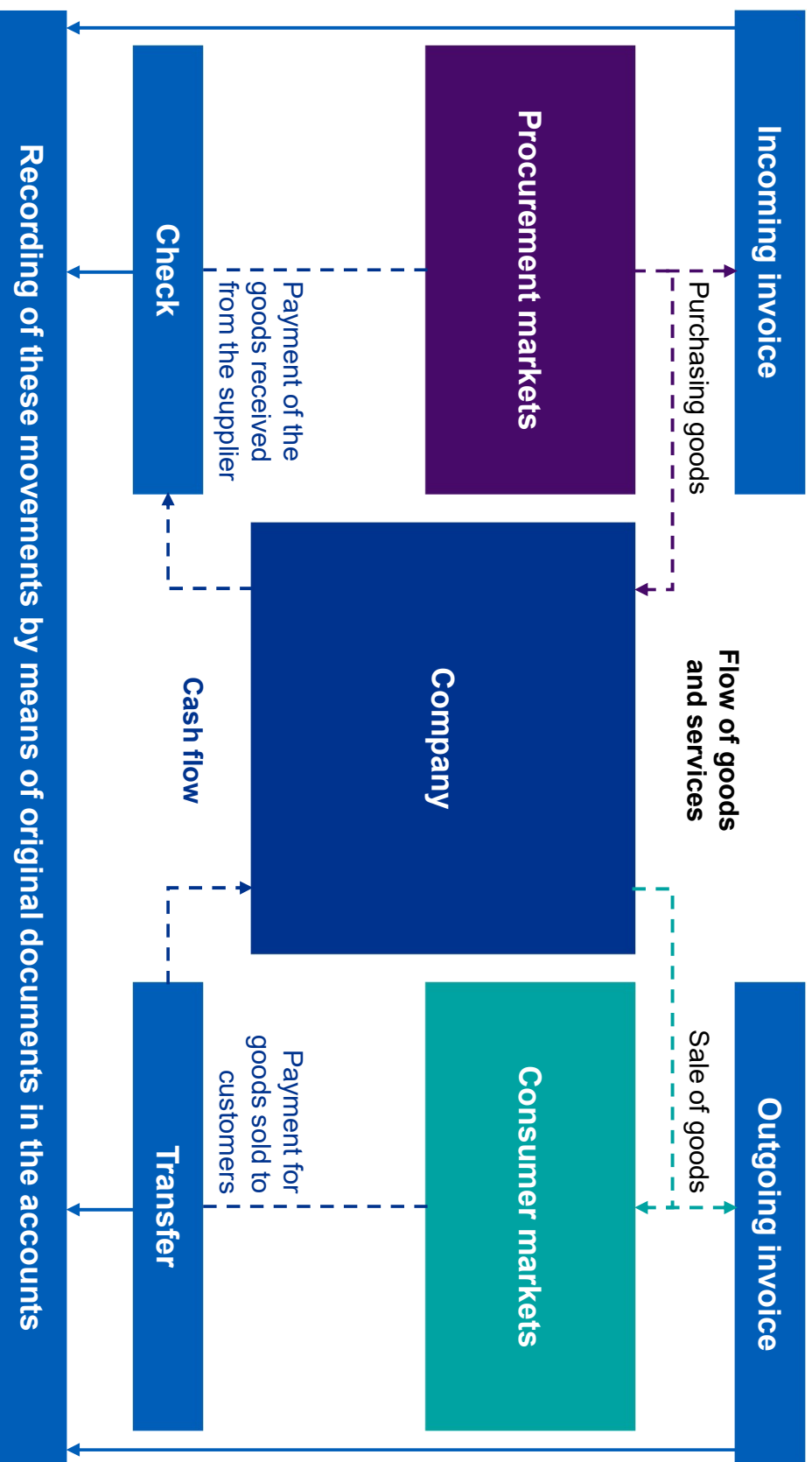
Economic activity



Source: Prof. Dr. Ernstberger

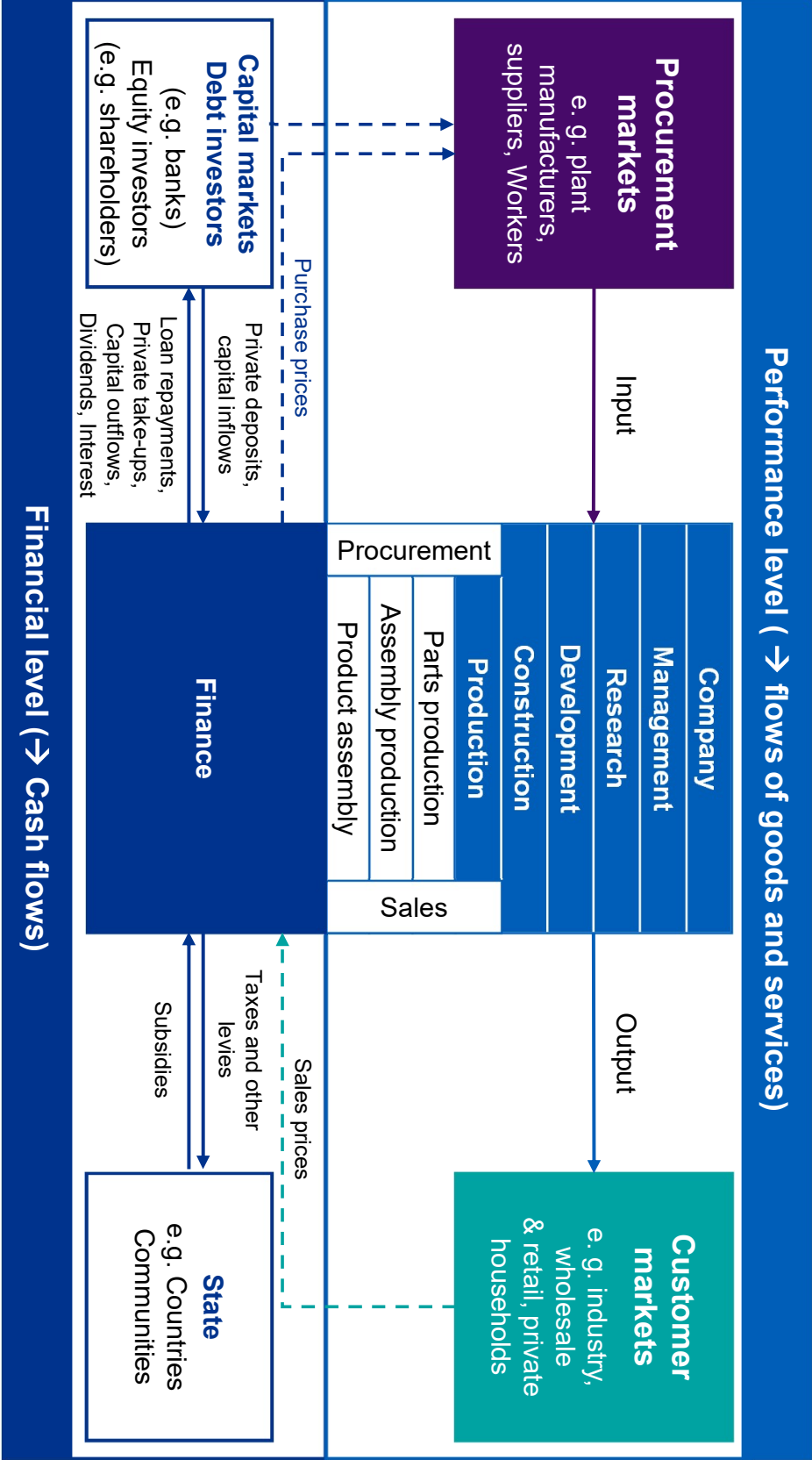
1.2 Process of accounting

Relationship of accounting to the goods and cash cycle



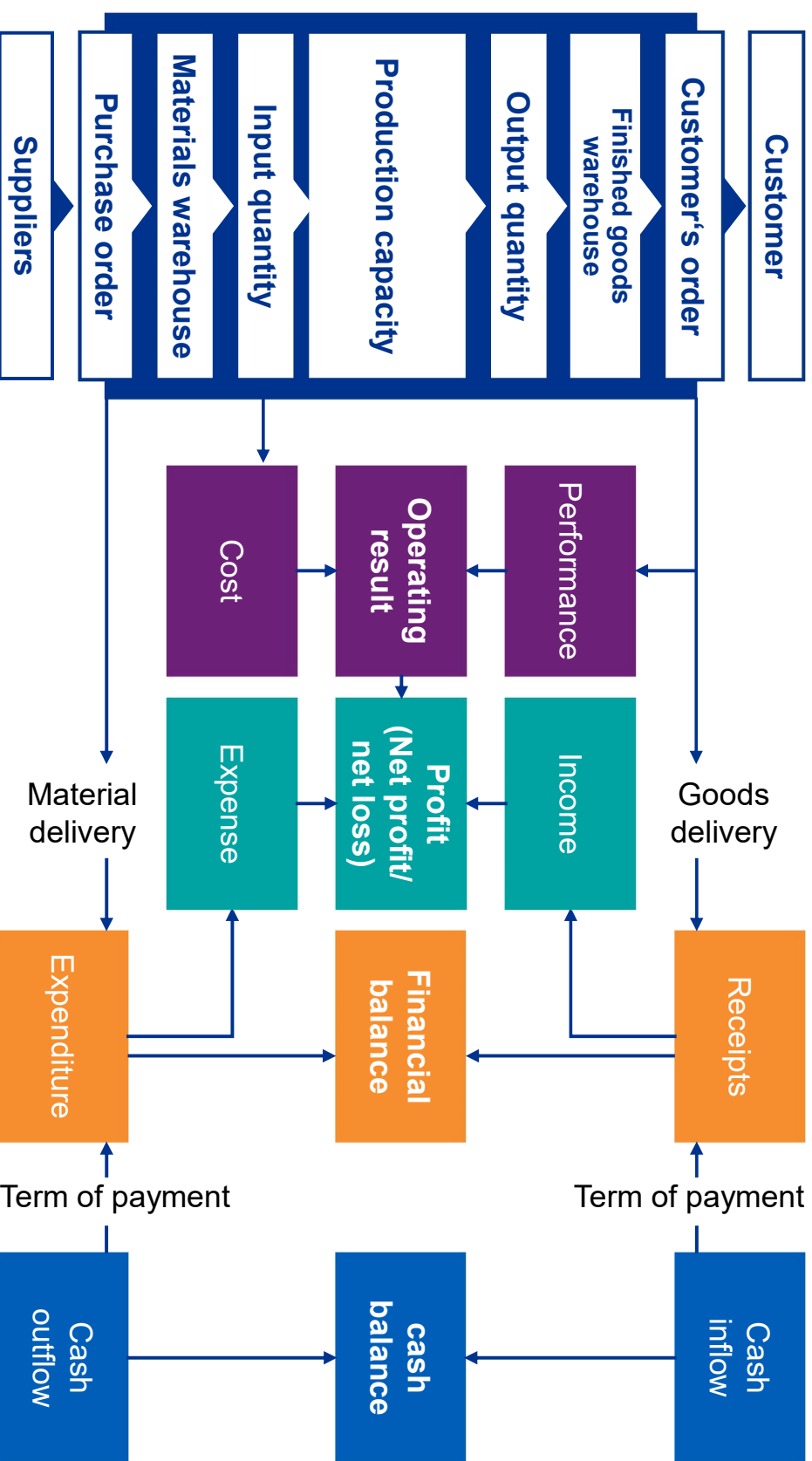
1.2 Process of accounting

Business transaction between a company and its environment



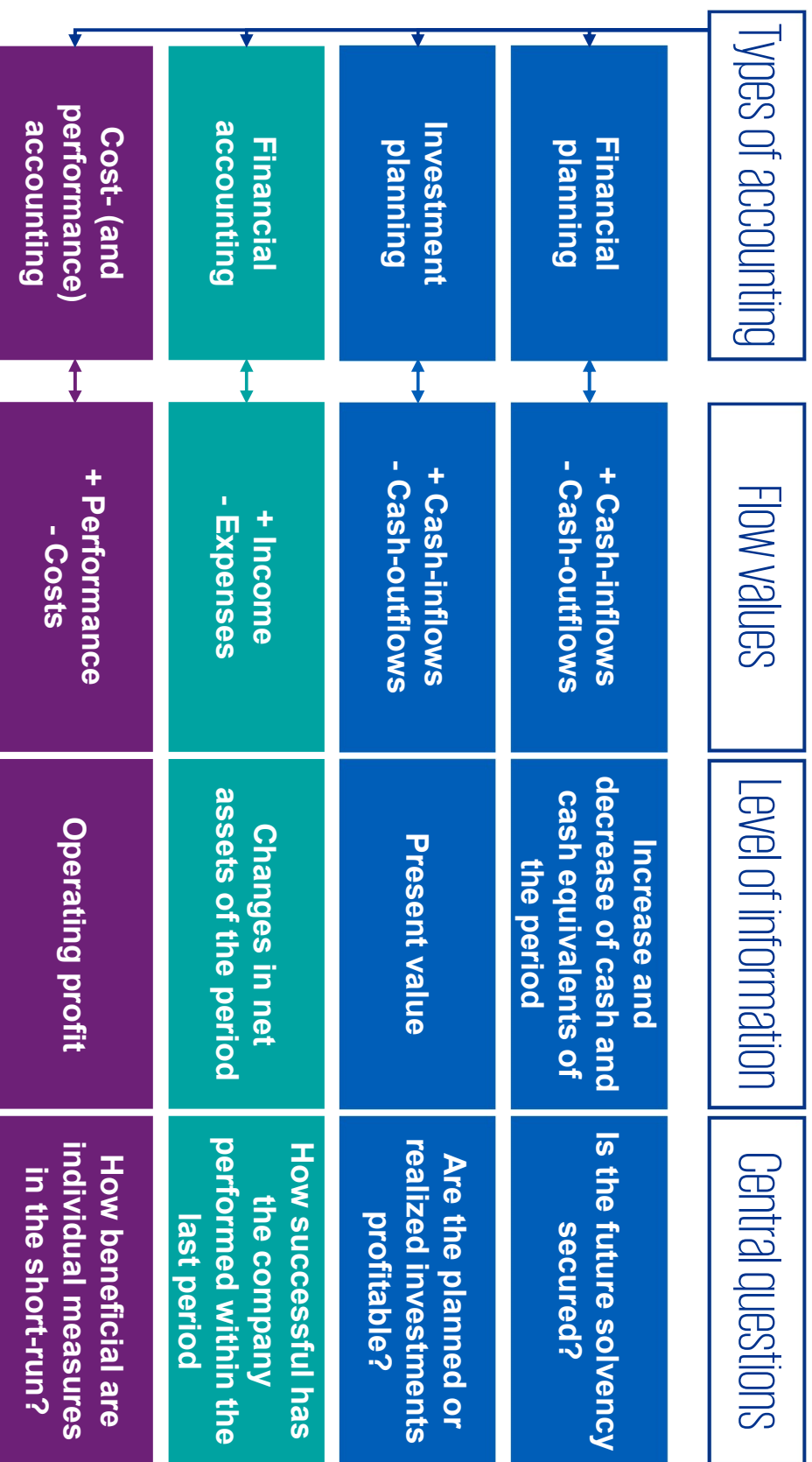
2 Basic terms of accounting

Accounting and company processes



2 Basic terms of accounting

Central questions of the stakeholders



2 Basic terms of accounting

Definitions

Cash-outflow	<p>▶ Cash and cash equivalents that are spent by the company within a period. Every cash-outflow decreases the amount of cash on hand and cash in banks. (= total of cash and cash equivalents).</p>
Cash-inflow	<p>▶ Cash and cash equivalents that flow directly to the company within a period. Every cash-inflow increases the amount of cash on hand and cash in banks.</p>
Expenditure	<p>▶ Monetary value of a company's acquired economic goods^(a) within a period. Regardless whether the cash-outflows are made in the previous or following years.</p>
Receipts	<p>▶ Monetary value of a company's delivered economic goods^(a) within a period. Regardless whether the cash-inflows are made in the previous or following years.</p>
Expense	<p>▶ Expenses are expenditures periodised and net income affecting. The period expense equals the amount of all consumed respectively used economic goods within that period.</p>
Income	<p>▶ Income are receipts periodised and net income affecting. The period income equals the amount of the realized increase in value within that period.</p>
Cost	<p>▶ Monetarily assessed consumption of goods and services due to providing goods and services.</p>
Performance	<p>▶ Monetarily assessed increase in value due to providing goods and services.</p>

Note: (a) Per definition an economic good needs to have a demand for it and a shortage of that good occurs. This is true for most of all goods.