

Lecture 1: Introduction to Financial Accounting

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Financial Accounting is a branch of accounting that gives you information about **financial Resources**, **financial obligations** and **economic result of a business activity**

Financial Resources ?

Financial obligations?

Economic result of Business Activity?

Business → activity to earn money

Ginti karna

Old French *acount* (noun) = 'to count'.

Accounting is branch of science in which we study about systematic ways of dealing financial information

pesa, maaliyat

Accounting is a language of Business

Branches of Accounting

- ✓ Financial Accounting → Past Events
- ✓ Managerial Accounting → Future Events
- ✓ Cost Accounting
- ✓ Tax Accounting

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Financial Accounting is a branch of accounting that gives you information about **financial Resources**, **financial obligations** and **economic result of a business activity**

Financial Resources ? →

ASSETS

Cash
Natural Resources : land, oil, and gold etc
Machinery (vehicle etc.) , inventory (foods etc.), furniture
Receivable resources

Financial obligations? →

LIABILITIES

Loans
Payable

Receivable → Jo aapko milna hy

Payable → Jo aap ko dena hy

Economic result of
Business Activity? →

Loss/Profit

Expense → apne jo kharch kia
Revenue → apka jo faida hua

Programology

Asset

اثاثہ

Asset is the financial resource
in business

Cash

Natural Resources : land, oil, and gold etc

Machinery (vehicle etc.) , inventory (foods etc.),

Supplies (furniture etc.)

Receivable resources

i. Tangible Asset

that has Physical appearance

ii. Intangible Asset

that has not Physical appearance

e.g., Copyright, Good will

Receivable → Jo aapko milna hy

Payable → Jo aap ko dena hy

Liabilities

ذمہ داری

قرضہ جات

Liabilities are the financial obligations

e.g., Loans, Payable

Utility Payable

Salary Payable

Revenue

Revenue is the amount earned in business.

i. Sale Revenue

Revenue earned on sales

ii. Interest Revenue

Revenue earned on Interest e.g., for banks

iii. Service Revenue

Revenue earned on Service

iv. Rental Revenue

Revenue earned on rent

Expense

خرچ
لاگت

Expense is the amount paid to produce the revenue in business

i. Salary Expense

Paying salaries to employees

ii. Utility Expense

Paying utility bills

iii. Maintenance Expense

Paying for maintenance in business

iv. Income-Tax Expense

Paying income-tax

v. Advertising Expense

Paying for advertisements

vi. Depreciation Expense

Costs allocated for depreciation of any asset

Depreciation

قدر و قیمت کم ہونا

The decline in value of asset with respect to time
Is called depreciation

Income

آمدنی

aapne kamaya kitna?

Income is the economic benefit in business

$$\text{Income} = \text{Revenue} - \text{Expense}$$

Net Income?

$$\text{NetIncome} = \text{NetRevenue} - \text{NetExpense}$$

Expense

5000 Mobile

Revenue

7000 Mobile

$$= 7000 - 5000$$

$$= 2000$$

Maalik

Haq

Owner's Equity (OE)

Apka apna Haq, apka apna hisa, Apka right

The amount of ownership rights or ownership claim that someone has in business is termed as Owner's Equity (OE). Owner Equity is expressed In terms of Currency (e.g., Dollars, Rs)

Sole proprietorship

تنہا ملکیت



Owner

Partnership

حصہ داری



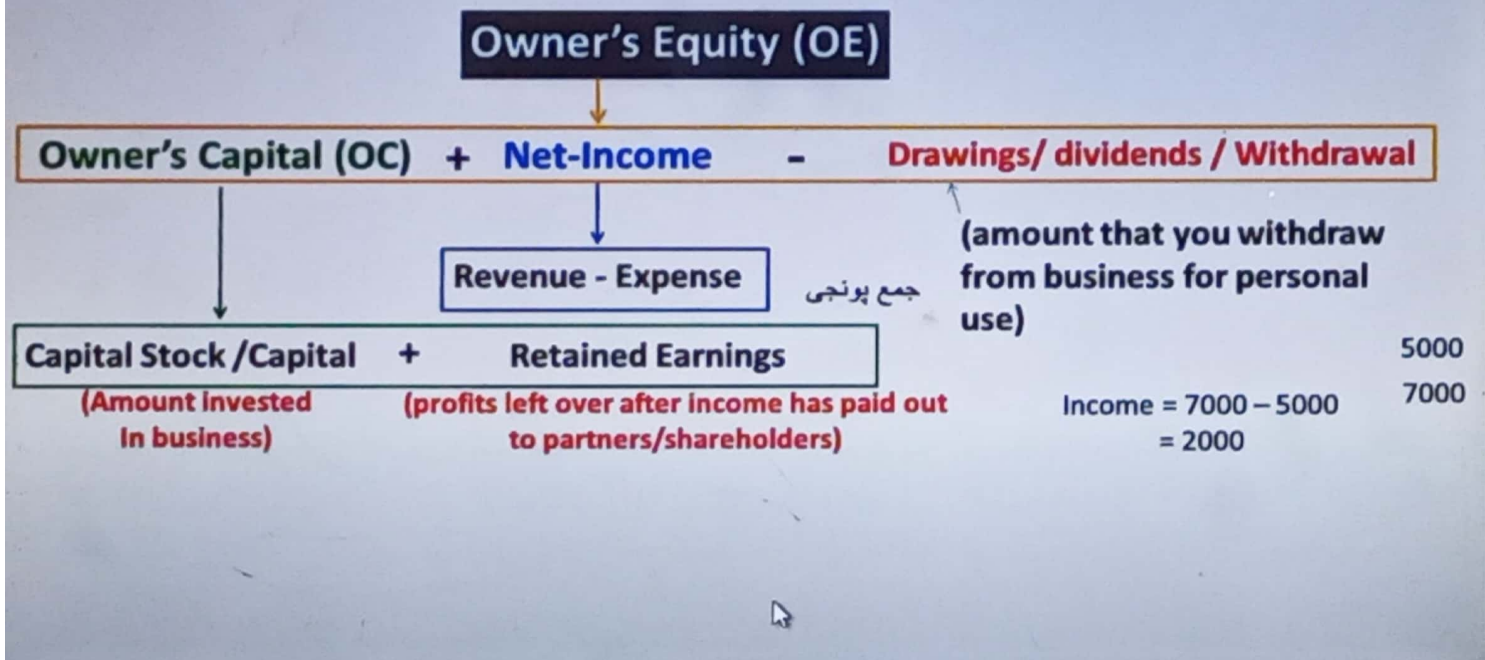
No Owner
Every person is called
As Partner

Corporation

متحدہ



Every investor is owner
Every owner is named as Shareholder
Amount paid to shareholder is termed as Dividend



SUMMARY:

BASIC ACCOUNTING EQUATION

Assets = Liabilities + Owner's Equity (OE)

Owner's Capital (OC) + Net-Income - Drawings/ dividends / Withdrawal

Revenue - Expense

Capital Stock /Capital + Retained Earnings