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**1**

**Executive Summary**

Accounting is the recording of financial transactions plus storing,sorting,retrieving,summarizing,and presenting the information in various reports and analyses. Accounting is also a profession consisting of individuals having the formal education to carry out these tasks.

Accounting also entails providing a company’s management with the information it needs to keep the business financially healthy. These analyses and reports are not distributed outside of the company. Some of the information will originate from the recorded transactions but some of the information will be estimates and projections based on various assumptions. Three examples of internal analyses and reports are budgets, standards for controlling operations, and estimating selling prices for quoting new jobs. This area of accounting is know as management accounting.

Accounting is the most important part of any successful business.it records all profits,losses,credits,and debts. It tells you the state of the business in numbers, not words. It provides the most vital information you need to understand how your business grows, makes money, where the profit of a business goes, and what your cash flow is. In short, if you do not understand the basic principles of accounting, you cannot run a business, nor can you even hope to help a business grow and profit.

Learning accounting is like any new skill. There is a learning curve, and the skill needs to be practiced, or used in this case, in order for it to be effective. If you have access to your company’s financial statements.

**2**

**Introduction**

Accontancy is the process of communicating financial information about a business entity to users such as stakeholders and managers. The communication is generally in the form of financial statements that show in money terms the economic resources under the control of management; the art lies in selecting the information that is relevant to the user. The principles of accountancy are applied to business entities in three divisiions of practical art: accounting, bookkeeping, and auditing. Financial reports are required by law and are published both quarterly and annually. Fundamental analysis is the cornerstone of investing. In fact, some would say that you aren't really investing if you aren't performing fundamental analysis.Because the subject is so broad, however, it's tough to know where to start. There are an endless number of investment strategies that are very different from each other, yet almost all use the fundamentals.   
  
The goal of this tutorial is to provide a foundation for understanding fundamental analysis. It's geared primarily at new investors who don't know a [balance sheet](http://www.investopedia.com/terms/b/balancesheet.asp) from an [income statement](http://www.investopedia.com/terms/i/incomestatement.asp).While you may not be a "stock-picker extraordinaire" by the end of this tutorial, you will have a much more solid grasp of the language and concepts behind security analysis and be able to use this to further your knowledge in other areas without feeling totally lost.  
  
The biggest part of fundamental analysis involves delving into the financial statements. Also known as quantitative analysis, this involves looking at [revenue](http://www.investopedia.com/terms/r/revenue.asp), [expenses](http://www.investopedia.com/terms/e/expense.asp), [assets](http://www.investopedia.com/terms/a/asset.asp), [liabilities](http://www.investopedia.com/terms/l/liability.asp) and all the other financial aspects of a company. Fundamental analysts look at this information to gain insight on a company's future performance. A good part of this tutorial will be spent learning about the balance sheet, income statement, [cash flow statement](http://www.investopedia.com/terms/c/cashflow.asp) and how they all fit together  
  
But there is more than just number crunching when it comes to analyzing a company. This is where qualitative analysis comes in - the breakdown of all the intangible, difficult-to-measure aspects of a company. Finally, we'll wrap up the tutorial with an intro on valuation and point you in the direction of additional tutorials you might be interested in.   
  
 **3**

**Assignment Questions**

**Question 1**

**In a brief but comprehensive response, define the role of accounting**

The role of accounting is to accumulate and report on financial information about the performance, financial position, and cash flows of a business. This information is then used to reach decisions about how to manage the business, or invest in it, or lend money to it. This information is accumulated in accounting records with accounting transactions, which are recorded through such standard business transactions as customer invoicing or supplier invoices, or through more specialized transactions, known as journal entries.

The accountant may generate additional reports for special purposes, such as determining the profit on sale of a product, or the revenues generated from a particular sales region.These are usually considered to be manage reports, rather than the financial reports issued to outsiders.

It allows the businessperson to know how much is earned. This can be compared with other alternatives to doing business. For example, a businessperson who is earning $1 000 a month from business but would otherwise earn $1 500 as an employee may prefer to close down business and take up a job.Accounting allows the businessperson to have a follow up of trade payables and trade receivables and as such make better decisions about cash management.

Accounting makes information easily available to banks and financial institutions to allow them approve or disapprove a loan request.By calculating ratios from accounting data,owners and investors may compare the results of the business with its past performances as well as with other businesses.

**4**

**Question 2**

**What is the difference between accounts payable and accounts receivable?**

An Account Payable is an obligation to a supplier or vendor for goods or services that were provided in advance of payment and Account Receivable is the money that a company has a right to receive because it had customers with goods or services.

Just as one company’s purchase is another company’s sale, the accounts payable of one company will be the accounts receivable of another company. Some accountants refer to this as symmetry.

To illustrate this, let’s assume that Max Corporation receives $5,000 of goods it ordered from Super Supply Company on credit. This transaction will result in Max recording a $5,000 accounts payable ( and a purchase ), Super Supply recording a $5,000 accounts receivable ( and a sale).

**5**

**Question 3**

**Why does a company’s profit appear as a credit on its balance sheet?**

The accounting equation and the double entry system provide an explanation why a company’s profit appears as a credit on its balance sheet.

Asset accounts usually have debit balances while liabilities and owner’s or stockholders’ equity usually have credit balances. When a company provides services for cash, its asset cash is increased by a credit. The credit is initially recorded in a revenue account, but revenue accounts are temporary accounts that cause owner’s equity to increase.

If the owner withdraws some cash for personal use, the asset cash will decreasevthrough a credit and the owner’s equity will decrease through the debit part of the accounting entry. The debit might initially be recorded in the sole proprietor’s Drawing account but this account is also a temporary account that will cause the owner’s equity to decrease.

Generally speaking, the credit balance reported in the owner’s or stockholders’ equity section of the balance sheet reflects the owners’ investments in the company plus the profits earned minus the amounts distributed to the owers since the time that the company began.

Example : Credit side of balance sheet

|  |  |
| --- | --- |
| Asset | Liability |
|  | Equity and Capital  Capital xxxxxx  [+] net profit @ [-] net loss xxxxxx  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_xxxxxx  [-] Drawings xxxxxx  xxxxxx |

**6**

EXAMPLE OF TRADING ACCOUNTS DR CR

|  |  |
| --- | --- |
| $ $  Opening stock xxxxx  (-) purchases return (xxxx) xxxx  (+)carriage inwards xxxxx  xxxxx  (-) closing stock (xxxx)  Cost of sales xxxx  Gross profit xxxxx  xxxxx | $  Revenue / sales xxxxxx  (-) sales return (xxxxx)  xxxxx  xxxxxx |

**7**

EXAMPLE OF GROSS PROFIT & LOSS PROFIT

DR CR

|  |  |
| --- | --- |
| $ $  (-) Expenses xxxxx  Salaries xxxxx  Wages xxxxx  Carriage outwards xxxxx  Bad debit xxxxx  Discount given xxxx    Net profit xxxx    xxxxx | $  Gross profit xxxxx  (+)income  Discount received xxxxx  Commission received xxxxx  Rent received xxxxxx  Net loss xxxxxxx    xxxxxxxx |

**8**

**Question 4**

**What is meant by reconciling an account ?**

Reconciling an account often means proving or documenting that an account balance is correct. For example, we reconcile the balance in the [general ledger account](https://www.accountingcoach.com/blog/what-is-a-general-ledger-account) *Cash in Checking* to the balance shown on the bank statement. The objective is to report the correct amount in the general ledger account *Cash in Checking*. You will often need to adjust the general ledger account balance for items appearing on the bank statement that were not entered in the general ledger account.  
  
I recall being asked to reconcile the general ledger account *Freight Payable*. What I needed to do was provide documentation that the balance in *Freight Payable* was proper. I proceeded to look at the shipments of recent [sales](https://www.accountingcoach.com/blog/what-are-sales) and then determined how much we would be obligated to pay for the freight on those sales. We then adjusted the balance in *Freight Payable* to my documented amount. This reconciliation was done to have the correct account balance and to provide the outside auditors with documentation which could easily be reviewed.  
  
I also reconciled the balance in Utilities Payable by computing the daily cost of each utility that the company used. The cost per day was then multiplied by the number of days since the last meter reading date shown on the utility bills already entered in our accounting system. We then adjusted the Utilities Payable account balance to be equal to the documented amount.

**9**

THE DIFFERENCES BETWEEN CASH BOOK AND BANK STATEMENT

A cash book is can define as a financial written material that contains all the cash receipts and the payments, that including bank deposits and withdrawals. The entries of this book are posted into the general ledger. Larger firms usually divide the cash book into two parts: the cash disbursement written material that records all the cash payments, such as a accounts payable and operating expenses, and the cash receipts ledger, which records all cash receipts, such as accounts receivable and cash sales. The cash book have several columns, such as date, narrative, folio that reference to the ledgers and the total.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **DR MONEY IN** | | | | **CASH BOOK** | | | | **CR MONEY OUT** | | | |
| **DATE2018 MAY** | **DETAILS** | **F** | **CASH**  **$** | | **BANK**  **$** | **DATE2018 MAY** | **DETAILS** | | **F** | **CASH**  **$** | **BANK**  **$** |
| 1 | capital |  |  | |  | 2 |  | |  |  |  |
| 3 |  |  |  | |  | 4 |  | |  |  |  |
| 5 |  |  |  | |  |  |  | |  |  |  |
|  |  |  |  | |  |  |  | |  |  |  |
| 15 |  |  |  | |  | 19 |  | |  |  |  |
|  |  |  |  | |  | 26 | Motor | |  |  |  |
|  |  |  |  | |  | 31 | Wages | |  |  |  |
|  |  |  |  | |  | **31** | **Balance** | | **c/d** |  |  |
|  |  |  |  | |  |  |  | |  |  |  |
|  | **balance** | **d/b** |  | |  |  |  | |  |  |  |

**10**

The bank statement is can define as this is a statement that sent to the company or the account holder that about the all transactions and checks paid, interest earned, service charges or penalties incurred on an account. The account holder that receive the statement should compare the information in it with the account holders own records of the same transaction. The bank statements should be used to the check that the amounts listed in the cash book agree with the bank statement. Actually this reconciliation of the cash book is with the bank statement is an important check to ensure that no cash has gone missing.

Format of Bank Reconciliation Statement

* Cash book

$ $

Balance from cash book XX (-) (Cr) / Bank statement XX

(+)

(Dr) Bank statement XX c/d XX

XXX XXX

b/d XXX

* Bank Reconciliation Statement

$ $

Debit balance in cash book XXX

(+)

unpresented cheque XX

XX XXX

XXX

(-) uncredited deposit (XX)

credit balance

**11**

**Conclusion**

Whenever you’re thinking of investing in a company it is vital that you understand what it does, its market and the industry in which it operates. You should never blindly invest in a company.

One of the most important areas for any inverstor to look at when researching a company is the financial statements. It is essential to understand the purpose of each part of these statements and how to interpret them.

**12**

**References**

(Information from another sourse must be credited in the reference page).

Example :

* <https://malaysia.search.yahoo.com/yhs/search;_ylt=AwrxgrPkGZBZYA8A0ygPQgx>.;
* From a book ( Accounting Fundamental)
* <https://malaysia.search.yahoo.com/yhs/search;_ylt=Awrxg3y29I9ZPR0AT4MPQgx.;_>
* <http://www.investopedia.com/terms/c/cash-book>
* legalbinaryrobots.com

**13**

**Appendix**



**14**

* **THE END -**