# المحاضرة الاولى

Accounting –Definition

# Accounting –Definition

- The process of identifying, measuring, recording, and communicating economic transaction. Measurement is normally made in monetary terms and the accountant will prepare records in the farm of financial statement, such as a profit and loss account and balance sheet

- Accounting can be subdivided into financial accounting witch is mainly concerned with the legal aspect of the subject and reporting to parties external to an organization and management, accounting witch is mainly concerned with providing information helpful to managers running a business, Accounting includes various activities, such as conducting audits, book-keeping and taxation

- An information system conveying information about a specific entity, the information is in financial term and is restricted to information that can be made reasonably precise (( we can define accounting as a service activities whose function is to provide quantitive information )), primarily financial in nature, about economic entities that is intended to be useful in making economic decisions.

- The process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by users of the information. The establishment of concepts is very important to the development of theoretical framework. Accounting concepts are used to describe the events that comprise the existence of business of every kind, for this reason accounting is often characterized as (The language of business), The basic concepts listed in figure (1) provide the essential of accounting theory

# المحاضرة الثانية

Definition of accounting terminology

# ASSETS

- -Assets are things of value witch are possessed by a business, in order to be classified as an asset the money measurement convention demands that a thing mast have the quality of being measurable in terms of money, the assets of a business comprise not only cash and such properly as land, building, machinery and merchandise, but also money witch is owed by individuals or other enter price (called debtors) to the business.

# Liabilities

- - Liabilities are the amounts owing by the business, most firms find it convenient to buy merchandise and services on credit terms rather than to pay cash, this gives rise liabilities known as a trade creditors. Liabilities arise also when a firm borrows money as a means of supplementing the funds invested by the owner, the reason why amounts of money owed to the creditors by a business are known as liabilities is that the business in liable to them for the amounts owed.
- The assets of business most always be equal to the liabilities and the owners capital, this is the result of double-entry book-keeping, whereby each transaction has__________ effect.

# Revenue

- Revenue is earned by a business when it provides goods and services to customers, where as a trading business will derive revenue mainly from the sale of merchandise, a business witch renders services, such as a lawyer, will derive revenue as a result of charging for the service, it's not necessary for a business to receive cash before recognizing that revenue has been earned.
- The accrual convention recognizes revenue witch arises from the sale of goods or services on credit.

# Expenses

- -Expenses are incurred in earning revenue, examples for expenses are wages and salaries paid to employees and rent paid to the landlord, if expenses are not paid when they incurred the amount is recorded as liability

# Profit

- -profit results when the total revenue of a business for a certain period, such as a year, exceeds the total of the expenses for that period, profit accrues to the owner of business and increases his investment, the increase is reflected in the owner's capital, being a liability due to him

# Transaction

- -Transactions are events witch require recognitions in the accounting records, they originate when changes is in basic concepts are recorded, a transactions is financial in nature and is expressed in terms of money.

# المحاضرة الثالثة

ACCOUNTING

# ACCOUNTING ASSUMPTIONS

- 1- THE CONTINUITY
- 2- THE PERIODICITY
- 3- THE ECONOMIC ENTITY
- 4- THE MONETARY

# ACCOUNTING PRINCIPLES

- 1- MEASUREMENT PRINCIPLE
- a- HISTORICAL
  - b- FAIRE VALUE
- 2- RECOGNITION OF REVENUE PRINCIPLE
- a- REALIZATION
- B- ASSERTION
- 3- MATCHING PRINCIPLE
- 4- DISCLOSURE PRINCIPLE

# CONSTRAINTS ON ACCOUNTING

- 1- MATERIALITY
- 2- CONSERVATISM
- 3- COST AND BENEFITS
- 4- INDUSTRY STANDARDS

# QUAIITATIVE CHARACTERISTIC OF ACCOUNTING INFORMATION ACCOUNTHNG:

- 1-RELEVANCE:
- a- RELEVANCE TIMING
- b- FEED BACK VALUE
- c- ABILITY TO PREDICT

- 2- RELIABILITY :
- a- TRUTH EXPRESSION
- b- NEUTRALITY
- c- ABILITY TO REALIZE

# المحاضرة الثالثة

Fundamental conventions

# The entity conventions

- The entity convention is The Principle that financial records are prepared for a distinct unit or entity regarded as separate from individuals that own it.
- Also, the entity convention is the practice of distinguishing the affairs of the business from the personal affairs of it's owner.
- The accounting and legal relationship between the business and its owner is shown on the balance sheet, witch states the firm's assets and liabilities and hence indicates its financial position.

# The money measurement convention

- The money measurement convention
- By the roman times, money had become the language of commerce, and accounts were kept in the money terms.
- Hence, there is accounting tradition witch dates back some 2000 years of keeping the records of valuable assets and of transaction in money terms.
- It is not surprising, there for, that accounting information today reflects the time-hallowed practice of dealing only with matters capable of expression in money.

# The money measurement

- The money measurement convention sets an absolute limit to the type of information witch may be selected and measured by accountants, and hence limits the type of information witch accountant may communicate about a business enter price

# The going-concern convention

- The valuation of assets used in a business is based on the assumption that the business is a continuing one, not on the verge cessation.

- This convention is important: many assets derive their value from their employment in the firm, and should the firm cease to operate the value witch could be obtained for these assets on a closing-down sale would be much less probably than their book value.

# المحاضرة الرابعة

مصطلحات محاسبية

- ENTRY قيد
- CASH FLOW تدفق نقدي
- LEDGER ACCOUNT حساب الاستاذ
- GENERAL JORNAL اليومية العام
- ADJUSTMENT تسوية
- AUDITING تدقيق

- BONDS سندات
- BUDGET موازنة
- STOCK اسهم
- CURRENNT ASSETS موجودات متداولة
- EQUITY حق الملكية
- FIXED ASSETS موجودات ثابتة

- DEPRECIATION اندثار
- INVESTMENTS استثمارات
- NET INCOME صافي الدخل
- ALLOWANCES مسموحات
- DISCOUNT خصم
- RETURNS مردورات

- NOTES PAYABLE اوراق دفع
- NOTES RECEIVABLE اوراق قبض
- SALES مبيعات
- EXPENSES مصاريف
- REVENUES ايرادات
- PROFITS ارباح
- LOSSES خسائر

- CASH FLOW تدفق نقدي
- JOURNAL BOOK دفتر يومية
- GENERAL JOURNAL اليومية العام
- LEDGER ACCOUNT حساب الاستاذ
- JOURNAL ENTRY قيد يومية
- CREDIT دائن
- DEBIT مدين

| | |
|---|---|
| INVENTORY | مخزون |
| PURCHASES | مشتريات |
| ADJUSTMENT | تسوية |
| CAPITAL | راس المال |

# المحاضرة الخامسة

Accounting Concepts

# Accounting Methods

- Accounting Method - A process used by a business to report income and expenses. Companies must choose between two methods acceptable to the IRS, cash accounting or accrual accounting

- Cash Basis Accounting - An accepted form of accounting that records all revenues and expenditures at the time when payments are actually received or sent.
- This straightforward method of accounting is appropriate for small or newer businesses that conduct business on a cash basis or that don't carry inventories.

- Accrual Basis Accounting - An accepted form of accounting that reports income when earned and expenses when incurred. Under the accrual method, companies do have some discretion as to when income and expenses are recognized, but there are rules governing the recognition. In addition, companies are required to make prudent estimates against revenues that are recorded but may not be received, called a bad debt expense.

- Accou---+nts Payable - Money which a company owes to vendors for products and services purchased on credit. This item appears on the company's balance sheet as a current liability, since the expectation is that the liability will be fulfilled in less than a year. When accounts payable are paid off, it represents a negative cash flow for the company

- Accounts Receivable - Money which is owed to a company by a customer for products and services provided on credit. This is often treated as a current asset on a balance sheet. A specific sale is generally only treated as an account receivable after the customer is sent an invoice.

# Accounting provides information on the

1. resources available to a firm,
2. the means employed to finance those resources, and
3. the results achieved through their use.

# المحاضرة السابعة

accounting and bookkeeping

# DEFINING BOOKKEEPING

- Bookkeeping is an indispensable subset of accounting. Bookkeeping refers to the process of accumulating, organizing, storing, and accessing the financial information base of an entity, which is needed for two basic purposes:
- Facilitating the day-to-day operations of the entity
- Preparing financial statements, tax returns, and internal reports to managers

- Bookkeeping (also called recordkeeping) can be thought of as the financial information infrastructure of an entity. The financial information base should be complete, accurate, and timely. Every recordkeeping system needs quality controls built into it, which are called internal controls

# The function of bookkeeping

- Bookkeeping is the process of recording daily transactions in a consistent way, and is a key component to building a financially successful business.
- Bookkeeping is comprised of:
- Recording financial transactions
- Posting debits and credits
- Producing invoices
- Maintaining and balancing subsidiaries, general ledgers, and historical accounts
- Completing payroll

# The function of accounting

- Accounting is a high-level process that uses financial information compiled by a bookkeeper or business owner, and produces financial models using that information.

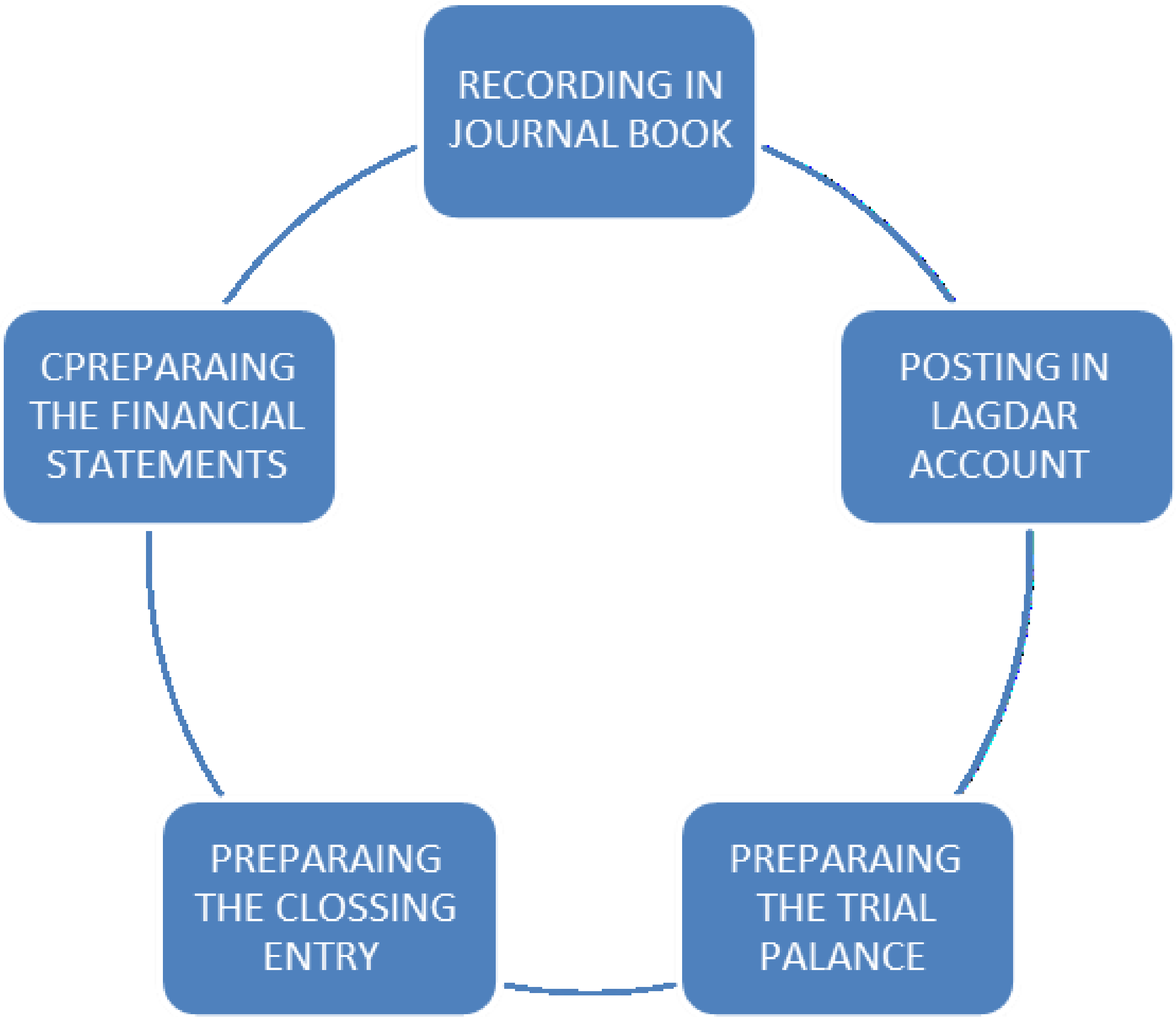
- The process of accounting is more subjective than bookkeeping, which is largely transactional.

# Accounting is comprised of:

- Preparing adjusting entries (recording expenses that have occurred but aren’t yet recorded in the bookkeeping process)
- Preparing company financial statements
- Analyzing costs of operations
- Completing income tax returns
- Aiding the business owner in understanding the impact of financial decisions

# المحاضرة الثامنة

# Cycle accounting



# Cycle accounting

- 1- RECORDING IN JOURNL BOOK
- 2-POSTING IN LAGDAR ACCOUNT
- 3- PREPARAING IN TRIAL PALANCE
- 4- PREPARAING THE CLOSSING ENTRY
- 5-PREPARAING THE FINANCIAL STATEMENTS

# Financial STATEMENTS

1- Balance Sheet - A quantitative summary of a company's financial condition at a specific point in time, including assets, liabilities and net worth.

The first part of a balance sheet shows all the productive assets a company owns, and the second part shows all the financing methods (such as liabilities and shareholders' equity).

- 2- Statement - An accounting of sales, expenses, and net profit for a given period. an income statement depicts what happened over a month, quarter, or year. It is based on a fundamental accounting equation (Income = Revenue - Expenses) and shows the rate at which the owners equity is changing for better or worse.

- 3- Cash Flow Statement - A summary of the actual or anticipated incomings and outgoings of cash in a firm over an accounting period (month, quarter, year).
- It answers the questions:
  - Where the money came (will come) from?
  - Where it went (will go)?
- Cash flow statements assess the amount, timing, and predictability of cash-inflows and cash-outflows, and are used as the basis for budgeting and business-planning

# The accounting data is presented usually in three main sections

- 1. Operating-activities (sales of goods or services),
- 2. Investing-activities (sale or purchase of an asset, for example), and
- 3. Financing-activities (borrowings, or sale of common stock, for example).

# المحاضرة التاسعة

Business correspondence

- Business correspondence may be formal (usually the one in paper form) and informal (especially business e-mails). In most cases, there is a compliance with the proposed rules, stylistics, formality and structure (address, salutation, subject, thank you). In informal business e-mail communication it is permitted the use of abbreviations, acronyms and abbreviated addressing and conclusion of the e-mail.

# Related terms and methods

- Abbreviations in business letters
- Assertiveness
- Contract
- E-mail
- Empathy
- Netiquette

- Related management field:

- Human Resources Management
- Leadership & Communication
- Marketing and Sales

# مثال لرسالة التجارية

- YOU ARE ALIAHMAD PURCHASES MANEGER IN THE STATE COMPANY OF CONSTRUCTIONAL MATERAL IN ATTAR STREET ,BUILDING 2, KARRADA , BAGHDAD IN , IRAQ.SEND ALETTER TO STATE COMPANY ELECTRICAL INSTRUMENT , SABA STREET ,BUILDING 45 ,AMMAN ,JOURDAN
- ASK THEM FOR ACOPY OF THEM CATALOG AND PRICE LIST AND CONDITIONS OF SALES

# الحل

STATE COMPANY OF EIECTRICAL INSTRUMENT

SABA STREET ,BUILDING 45

AMMAN ,JOURDAN

6TH/MAR/2016

Dear Sir,

- Please kindly send me a copy of your catalog and price list of the electrical instrument produced in your factory, together with the relevant price list and your conditions of sales
Thanks and best wishes .

Yours Faithfully

ALI AHMED

PURCHASES MANAGER

STATE COMPANY FOR CONSTRUCTINAL MATERLA

AL ATTAR STREET, BUILDING NUMBER 2

KARRAdA , BAGHDAD ,IRAQ

# المحاضرة العاشرة

Types of Invoices

- There are various industries in a country. A few examples are agriculture, mining, utility, manufacturing, transporting, warehousing, education, real estate, retail, finance, healthcare etc. buying and selling is important for all these industries because each industry depends on the other for its progress. As a result thousands of business transactions are carried out every day and all the transactions require a record. An invoice is the name given to this essential record of transaction. All these industries have different requirements when it comes to invoicing.

- An invoice for the construction industry will not necessarily be the same as an invoice prepared for any retail transaction. This is because invoices depend on whether they are for services rendered on the basis of time, hourly or daily basis or if they are made out products bought or sold. On the basis of these different demands by different industries and also for different products and services, invoices can be of several types

- Standard Invoice:
- It is not called by this name but this for a layman’s convenience. This is a basic format for an invoice and can be used in the same format for different business transactions.

- Commercial Invoice:

- Unlike an everyday invoice that we receive from the nearby department store to the book store, a commercial invoice is a special invoice designed for documentation of any foreign trade such as shipment of machine parts from one country to another

- Progress Invoice:
- This kind of invoice is commonly used in works that stretch over a long period. It is most commonly used in the construction industry as this is one industry which not only takes a lot of time for each project but also is very expensive

- Timesheet:

- This is a special kind of invoice that is preferred by professionals whose services are evaluated on the basis of the time for which the service is being provided

- Utility Invoice:
- We hardly ever think of the electric bill or a bill for the telephone, cable, internet usage, gas as a particular kind of invoice but that is what it is. It shows the amount payable on the usage of electricity or how much you owe to your internet connection provider for availing their services

- Recurring Invoice:
- Such an invoice typically applies to the rental industry. These are invoices which have a fixed rate and are delivered at the end of each month. This can include house rent as well as tools rental such as rent of a tractor or such items that one needs for only a specific time of a yea

- Pro-forma invoice
- Debit Memo
- Pending Invoice:
- Value-based billing:
- Fixed-bid billing
- Time-based billing