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Accounting 1 (Quickstudy: Business)



ACCOUNTING 1

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ACCOUNTING BASICS

CONCEPTS, PRINCIPLES & BASIS

1. **Entity Concept**
Business is a separate legal entity independent of its owner.
Example: If you own a business, you are not personally liable for its debts.
2. **Going Concern Concept**
Business is assumed to continue indefinitely.
Example: A company is not liquidated just because it is in financial difficulty.
3. **Accrual Concept**
Transactions are recorded when they occur, not when cash is received or paid.
Example: If you sell goods on credit, you record the sale immediately.
4. **Cost Principle**
Assets are recorded at their original cost.
Example: If you buy a car for \$10,000, it is recorded at \$10,000 even if its value drops.
5. **Monetary Principle**
Transactions are recorded in terms of money.
Example: You cannot record a transaction in terms of "units" or "items".
6. **Realization Principle**
Revenue is recognized only when it is realized (received in cash or its equivalent).
Example: If you sell goods on credit, you only recognize revenue when you receive the cash.
7. **Matching Principle**
Expenses are recorded in the same period as the revenue they help to generate.
Example: If you sell goods in January, the cost of those goods is recorded in January.
8. **Conservatism Principle**
When in doubt, choose the option that is less likely to overstate assets or income.
Example: If you are unsure if a liability exists, you should record it.

THE ACCOUNTING EQUATION

1. **Assets = Liabilities + Owner's Equity**
This equation always balances. If it doesn't, there's a mistake.
2. **Assets**
Resources owned by the business.
Examples: Cash, inventory, equipment, buildings.
3. **Liabilities**
Obligations the business owes to others.
Examples: Bank loans, accounts payable, mortgages.
4. **Owner's Equity**
The owner's claim on the business.
Examples: Common stock, retained earnings.
5. **Transactions**
Events that change the accounting equation.
Examples: Selling goods, borrowing money, paying expenses.
6. **Journal Entries**
Records of transactions in a double-entry format.
Example: Debit Cash, Credit Sales.
7. **T-Accounts**
A visual representation of journal entries.
Example: Cash account with debits on the left and credits on the right.
8. **Financial Statements**
Reports that summarize the financial performance of a business.
Examples: Income Statement, Balance Sheet, Statement of Cash Flows.

BALANCE SHEET ACCOUNTS

ASSETS	LIABILITIES	EQUITY
Cash	Accounts Payable	Common Stock
Accounts Receivable	Notes Payable	Retained Earnings
Inventory	Long-Term Debt	
Property, Plant, & Equipment		

JOURNAL ENTRY

Date	Account	Debit	Credit
Jan 1	Assets	100.00	
	Liabilities		100.00
	Equity		100.00

FINANCIAL STATEMENTS - FORMAL REPORTS OF AN ENTITY

Statement	Period	Key Information
Income Statement	Periodic (e.g., monthly, quarterly, annually)	Shows revenue, expenses, and net income.
Balance Sheet	Point-in-time	Shows assets, liabilities, and equity at a specific date.
Statement of Cash Flows	Periodic	Shows cash inflows and outflows.
Statement of Retained Earnings	Periodic	Shows changes in retained earnings.

Account	Debit	Credit
Cash	100.00	
Accounts Receivable	200.00	
Inventory	150.00	
Equipment	50.00	
Accounts Payable		100.00
Notes Payable		50.00
Common Stock		100.00
Retained Earnings		100.00

Account	Debit	Credit
Cash	100.00	
Accounts Receivable	200.00	
Inventory	150.00	
Equipment	50.00	
Accounts Payable		100.00
Notes Payable		50.00
Common Stock		100.00
Retained Earnings		100.00

Account	Debit	Credit
Cash	100.00	
Accounts Receivable	200.00	
Inventory	150.00	
Equipment	50.00	
Accounts Payable		100.00
Notes Payable		50.00
Common Stock		100.00
Retained Earnings		100.00

INCOME STATEMENT

Account	Debit	Credit
Sales		1,000.00
Cost of Goods Sold	600.00	
Gross Profit		400.00
Operating Expenses	200.00	
Net Income		200.00

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Synopsis

Also known as financial accounting.Â Â Â For any student of business, or anyone already tackling business in the real world.Â Â Â

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Customer Reviews

A refresher if you already have basic accounting knowledge. Good enough as an introduction to accounts but definitely not comprehensive.

product came as expected. cheaper than buying it from the school bookstore.

Good reference

I bought this Quickstudy of Accounting I. It was all right in reading and reviewing at the fast glace. But some parts of the Accounting theories and mathematics calculations, you must study a text at first. It will be a good product for somebody who has already studied Accounting I and Accountin II. If you are currently taing Accounting I and II, may be moreefficient to read and review the text, and later review with this Qucikstudy.

nice

gotta learn. this helps

This is especially helpful for us non-account types. This Quick Study guide, in conjunction with the Accounting 2 Quick Study guide, the Accounting Equations & Answers Quick Study guide, and William G. Droms' book, "Finance and Accounting for Nonfinancial Managers" go a long way to filling in the blanks for those of us whose focus is necessarily elsewhere.

Helps a bit

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