M92 LEARNING OUTCOME 5

LEARNING OUTCOME 5
Understand accounting principles and practices and their application

FINANCIAL ACCOUNTING

- ✓ Provides historic information to external stakeholders
- ✓ Day-to-day recording of a company's transactions

USERS OF FINANCIAL INFORMATION

- ✓ Owners
- ✓ Directors and managers
- ✓ Employees
- ✓ The public
- ✓ Tax authorities
- ✓ Financial analysts
- ✓ Creditors and lenders
- ✓ Competitors
- ✓ Brokers
- ✓ Customers
- ✓ Regulators

FINANCIAL STATEMENTS

- ✓ **Balance sheet:** Statement of the financial position of the business at a point in time
- ✓ **Profit and loss account:** (income statement) shows the results of the transactions during the accounting period
- ✓ **Cash flow statement:** show sources and uses of cash

BASIC ACCOUNTING DEFINITIONS

- ✓ Income
- ✓ Expenditure
- ✓ Profit
- ✓ Shareholders' equity
- ✓ Capital and regulatory capital
- ✓ Assets
- ✓ Liability
- ✓ Cash
- ✓ Creditor
- ✓ Debtor
- ✓ Depreciation

RECEIPTS AND PAYMENTS

- ✓ Invoices: Amounts that are owed
- ✓ Receipts: Amounts of expenditure

THE ACCOUNTING EQUATION

Assets = Equity + Liabilities

Equity = Assets - Liabilities