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**FIRST TERM E-LEARNING NOTE**

**SUBJECT: FINANCIAL ACCOUNTING CLASS: SS1**

**SCHEME OF WORK**

**WEEK TOPIC**

1. Introduction to Book-Keeping and Accounting

2 Transactions – Meaning and Classifications

3 Books of Accounts – Layout and Formats

4 - 5 Double Entry Principle: Posting of Transactions to Ledger Accounts;

Combinations of Cash and Bank Account

6 – 7 Balancing of Ledger Accounts; extraction of the Trial Balance

8 Source Documents: Purpose Characteristics and Functions

9 -10 Subsidiary Books: Purpose, Characteristics, Functions and Preparations

**WEEK ONE**

**TOPIC: INTRODUCTION TO BOOK – KEEPING AND ACCOUNTING**

**CONTENT**

* Definition of Book-Keeping and Accounting
* Differences between Book-Keeping and Accounting
* Users of Accounting Information/Financial Statements
* Importance/Benefits of Book-keeping and Accounting
* History of Accounting/Book-Keeping

**Book Keeping** is the systematic recording of the daily financial transactions of an organization so that the financial position of a business can be readily ascertained or determined at any time.

Accounting is the act of recording, classifying, analyzing, summarizing, interpreting and communicating financial information of an organisation to various end-users of such information.

**DIFFERENCES BETWEEN BOOK-KEEPING AND ACCOUNTING**

1. Book-keeping concentrates only on the routine recording of transactions while accounting goes beyond the aspect of recording to classify, analyse, summarise and interprete financial information
2. Book-keeping is limited in scope (i.e area of coverage) while accounting has a wider scope
3. The time required for training to be a qualified book-keeper is shorter (about few months) compared to an accountant (about five years)
4. Book-keeping records are mainly for internal use in an organisation while accounting records are both internal and external use.
5. Book-keeping is an integral part of accounting while accounting is more complex and has book-keeping as one of its components.

**USERS OF ACCOUNTING INFORMATION/FINANCIAL STATEMENTS**

The following interested users of financial information should be noted as well as the reasons/purpose for which they would require or utilise the relevant information.

1. **Owners of the Business**
2. To determine the profitability of the business
3. To assess the competence of the managers of the business
4. To assist them in making important business/investment decisions
5. **Shareholders of a Company**
6. To determine the profitability of the business
7. To assess the ability of the company to pay their expected dividends
8. To project the future growth of the company
9. **Loan Creditors (i.e. lenders to the business)**
10. To assess the ability of the business to repay loans
11. To assess the ability of the business to repay the interest as and when due
12. To assess the possibility/probability of the borrowing company defaulting in repayments
13. To know whether adequate assets are available as security
14. To determine the level of credit to grant
15. **Trade Creditors/Suppliers** i.e. those that supply goods to the business on credit
16. To assess the credit worthiness of the business
17. To assess the ability of the business to pay back its debts
18. To determine their level of exposure to the business
19. **Competitors**
20. To fix their own prices relative to the prices of similar products produced by the business
21. To determine their position in the market i.e. market share as to sales, profits, number of employees etc.
22. **Customers**
23. To know if the business is a guaranteed/secured source of supply
24. To assess the financial position of the business
25. **Employees of the Business**
26. To know the profitability of the business
27. To know the extent of job security and the prospects of their future careers
28. To negotiate for better conditions of service and improved wages/salaries
29. **Tax Authorities** e.g. Lagos State Board of Internal Revenue (LSBIR) or Federal Board of Inland Revenue (FBIR)
30. To determine the amount of tax to be paid by the business
31. **The Government**
32. To compute statistics about businesses operating in the country
33. To enhance the formulation of government policies e.g. on industrialization
34. To regulate the activities of business by government agencies e.g. CBN, NDIC, SEC, CAC, NSE etc.
35. **The Public**
36. For employment and economic considerations
37. To know whether to invest in the enterprise

**EVALUATION QUESTIONS**

1. Define the following terms:a. Book-keeping b. Accounting
2. State three differences between book-keeping and accounting

**IMPORTANCE OF BOOK-KEEPING AND ACCOUNTING OR REASONS WHY ACCOUNTING RECORDS ARE KEPT**

1. To determine the profit or loss made by the business during a particular trading period
2. The existence of financial records helps in decision making by managers of the business
3. Financial records helps in the prevention of fraud
4. To assess and ascertain the financial position of the business as at a particular date
5. To determine the solvency and liquidity of a business
6. It serves as a basis for assessing the tax to be paid by the business
7. To ascertain the assets and liabilities of the business
8. It is useful for making economic comparison among businesses and comparing recent financial results with past financial results.
9. Properly kept records are used for planning purposes i.e. setting of targets and determining the best ways to achieve them.

**HISTORY OF THE DEVELOPMENT OF ACCOUNTING**

There is no accurate record as to when accounting started but available information suggests that record keeping is as old as man.

The double entry system of modern book-keeping was developed in 1494 by an Italian named Luca Pacioli. In Nigeria, the earliest formal record of business transactions came with the granting of royal charter to the Royal Niger Company in 1886.

On 1st September, 1965 the Institute of Chartered Accountants of Nigeria was established while the Association of National Accountants of Nigeria was established on 31st July,1979 as the second professional accounting body in Nigeria.

**EVALUATION QUESTIONS**

1. List five benefits of book-keeping and accounting.
2. State four duties of an accountant in a business organisation

**READING ASSIGNMENT**

Simplified and Amplified Financial Accounting Page 1 – 7

**WEEKEND ASSIGNMENT**

1. The systematic recording of business transactions in monetary terms is A. auditing B. book-keeping C. debiting D. crediting
2. Financial accounting information is for A. internal use only B. external use only C. business use only D. internal and external use
3. Which of the following is not a purpose of financial accounting A. determining profit B. fixing prices C. credit dealings D. determining cash balance
4. The fourth stage of the accounting information system is A. recording B. summarizing C. interpreting D. classifying
5. The double entry principle of accounting was developed by A. Frank Wood B. Akintola Williams C. Luca Pacioli D. William Pickles

**THEORY**

1. a. What is book-keeping?

b. Give five reasons why accounting records are kept.

1. List eight users of accounting information.