



Accounting

WHAT
IS
ACCOUNTING?

..its about keeping track of \$\$\$...

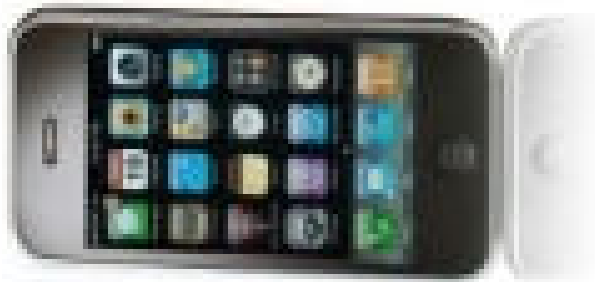


What is Accounting?

- There are **five** main activities:
 - **Gathering** financial information about a business.
 - **Preparing** and collecting permanent records.
 - **Summarizing** and classifying financial information into a useable form.
 - **Reporting** the information in a way that allows management to make decisions and that measures the profitability of a business.
 - **Establishing Controls** to maintain accuracy and honesty.

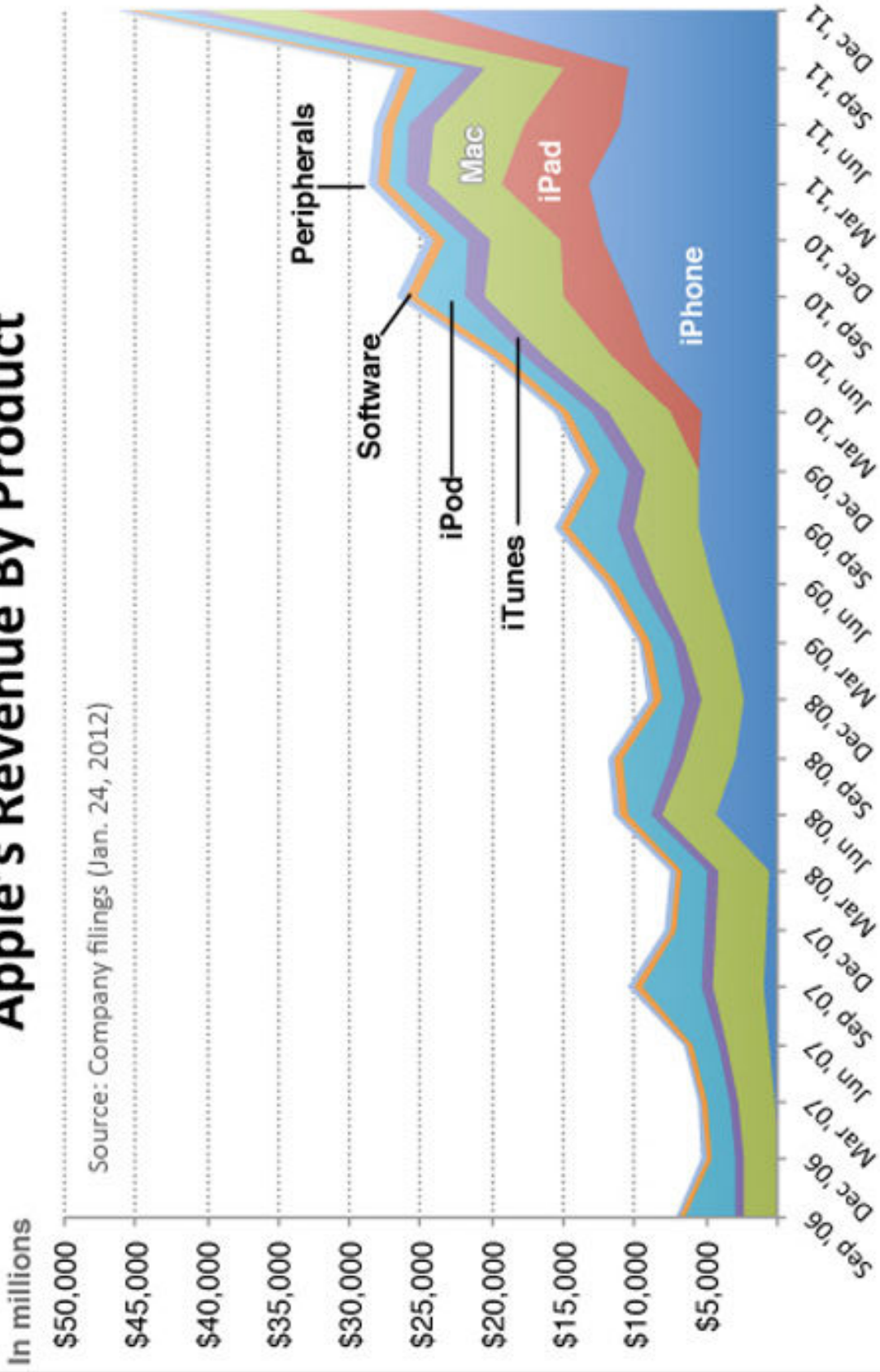
Accounting enables owners and managers to answer the following:

- Is the business earning enough profit?
- Are the selling prices of products high enough?
- How much does ABC company owe the business?
- How much does the business owe to XYZ company?
- What is the value of all the goods for sale?
- Do any of the goods need to be restocked?





Apple's Revenue By Product



Other people / organizations might also want to answer questions like:

- Should I lend money to the business?
(Banker)
- Should I buy shares in the business?
(Investor)
- Can the business afford to pay more to its employees? **(Labour Union)**
- Is this business well run? **(Absentee Owner)**

Why study Accounting?

- there are a lot of jobs requiring accounting or accounting related skills
- to better understand / manage your personal finances
- you may want to own your own business
- to become a professional or public accountant.

Complexity of Business

- There are many laws laid down by the government concerning fair business practices, tax laws, and so on.
- Qualified accountants know these laws, so business owners, managers, and other professionals often seek their advice.

What is a business?

- A business involves the **sale** and/or **manufacturing of goods** in order to earn a profit.
- (Except of course for 'non-profit' or 'not-for-profit' businesses – which still need accountants!)

Types of Businesses

- **The Service Business**
 - Sells services to customers. (It does not make or sell products as its main activity.)
 - Eg. Hair Dresser, Tutoring Service, Dentist, Restaurant



- **The Merchandising Business**

- Merchandisers are businesses that buy pre-fabricated products from a supplier and sell that exact same product at a mark-up to the consumer.
- Eg. Clothing store, supermarket. (& online shopping!)



- **The Manufacturing or Producing Business**
 - Manufacturers buy raw materials, convert them into a product, and sell this product to make a profit.
 - Eg. Paper mill, steel plant (Wescast)



- Producers usually provide these raw materials
- Eg. Farming, mining, forestry, fishing



- **A Non-Profit Organization**

- Carries on its activities to meet a certain need in society and provide a social benefit.
- Eg. Church, Minor Hockey League, Canadian Cancer Society
- (They must keep track of fundraising activities, tax credits from the government, and other accounting records.)

So, who owns these business?

Business Ownership

- **Sole Proprietorship**
 - When the owner is in business for themselves.
 - Eg.
 - E. Munster, Entertainer
 - J. Holmes, Carpenter
 - Carrie's Café



- **Partnership**

- When two or more people share in the ownership and operation of a business
- Eg. Fogle, Silver, & Zimmerman



Robert Wilson Photo

- **Corporations (limited companies)**

- Is a business that is owned by shareholders.
 - I.e. 10,000 people have each bought a share in the company – it has 10,000 owners.
- By law, the company has its own identity, and its liability is thus limited.
- Eg. Walmart Corporation
- Red River Homes Ltd.



In summary....

- Is accounting hard?
Yes!
- Is accounting everywhere?
Yes!
- Is accounting something you need to practice?
Yes!
- Can you do it?
Absolutely!

HOMWORK:

Download the worksheet 'Types of **Business and Forms of Business Ownership**' and, using Skydrive, complete it, as required.

Before the start of next class, **share** your document with

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