

Introduction to Accounting

Introduction to Accounting

1. Definition

- Accounting is the process of recording, classifying, summarizing, and interpreting financial transactions to provide information for decision-making.

2. Purpose of Accounting

- To measure business performance, ensure legal compliance, and provide reliable information to owners, investors, lenders, and regulators.

3. Branches of Accounting

- **Financial accounting:** reporting to external parties.
- **Management accounting:** information for internal decision-making.
- **Cost accounting:** tracking and controlling production costs.
- **Auditing:** independent verification of financial records.

4. Key Users of Accounting Information

- Owners/shareholders, management, employees, creditors, government/tax authorities, and investors.

5. The Accounting Cycle

- Identify transactions, record in journals, post to ledgers, prepare trial balance, adjust entries, and produce financial statements.