Cheatography

FA - Accounting in Action Cheat Sheet by mgxx2004 (mgrawahi) via cheatography.com/197440/cs/41617/

Marketing Managers, Production Supervisors, Finance Directors, Company

individuals and organisations

outside a company/organis-

Purpose of using accounting information

use accounting

information to

decide to buy,

ownership shares of a company/o-

hold, or sell

rganisation.

use accounting

information to

evaluate the risks

of granting credit

or lending money.

use accounting

complies with tax

info to know

whether the company

law.

ation who want financial information about the company/organisation.

Officers.

Example

Owners

Suppliers

Bankers

&

Accounting Users (cont)

Examples:

2.

External

Users

Type

a.

b.

Creditors

c. Taxing

Author-

ities

Investors

Accounting 101		
Accounting	the information system that identifies, records, and communicates the economic events of an organisation to interested users.	
Financial Accounting	the field of accounting that provides economic and financial information for investors, creditors, and other external users.	
Managerial Accounting	the field of accounting that provides internal reports to help users make decisions about their companies/organ- isations.	
3 Accounting Activities		
3 Accountin	g Activities	
	g Activities consists of three basic activities:	
Accounting	consists of three basic activities: tion (identifying economic	
Accounting 1. Identificate events/trans	consists of three basic activities: tion (identifying economic	
Accounting 1. Identification events/trans 2. Recording ise). 3. Commun	consists of three basic activities: tion (identifying economic sactions).	
Accounting 1. Identification events/trans 2. Recording ise). 3. Commun	consists of three basic activities: tion (identifying economic sactions). g (record, classify, and summar- ication (preparing accounting lysing & interpreting for users).	
Accounting 1. Identification events/trans 2. Recordination ise). 3. Communities reports, and Accounting Bookke at eping of	consists of three basic activities: tion (identifying economic sactions). g (record, classify, and summar- ication (preparing accounting lysing & interpreting for users).	
Accounting 1. Identification events/trans 2. Recordination ise). 3. Communities reports, and Accounting Bookke at eping of	 consists of three basic activities: tion (identifying economic sactions). g (record, classify, and summarication (preparing accounting lysing & interpreting for users). 101 part of accounting that involves nly the recording of economic vents. 	

I here are two broad groups of users of financial information: internal users & external users.

1.individuals inside a company/o-Internalrganisation who plan, organise,Usersand run the business.



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Accounting Users (cont)		
d. Regulatory Agencies	-	use accounting info to know whether the company is operating within prescribed rules.
e. Customers	-	-
f. Labour Unions	-	use accounting info to know whether the company can pay increased wages and benefits to union members.
Accounting 101		
Accounting 1	וס	

Ethics the standards of conduct by which one's actions are judged as right or wrong, honest or dishonest, fair or not.

Steps in analysing ethics cases and situations

1. Recognising an ethical situation and the ethical issues involved.

2. Identifying and analysing the principal elements of the situation.

3. Identifying the alternatives, and weighing the impact of each alternative on various stakeholders.

Accounting Standards

Accounting Standards ensure high-quality financial reporting.

There are two primary accounting-standard-setting bodies:

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- Assets and liabilities should be

reported at fair value (the price

received to sell an asset or

settle a liability).

Assumptions provide the foundation for the accounting process. The two main assump-

an assumption stating that

companies include in the

accounting records only

expressed in terms of

money.

transaction data that can be

In determining which measurement principle to use, companies weighs the factual nature of cost figures vs. the

relevance of fair value.

Assumptions

tions are:

Monetary

Assumption

1.

Unit

Measurement Principles (cont)

2. Fair

Value

Principle

Accounting Standards (cont)			
1. IASB - Intern- ational Accounting Standards Board	Determines Intern- ational Financial Reporting Standards (IFRS).		
	Used in 130 countries.		
2. FASB - Financial Accounting Standards Board	Determines Generally Accepted Accounting Principles (GAAP).		
	Used by most companies in the USA.		

The two standard-setting bodies have made efforts to reduce the difference between IFRS & U.S. GAAP.

Accounting	101
	,

Conve the process of reducing the rgence difference between IFRS and GAAP.

Measurement Principles

IFRS generally uses one of two measuring principles, the cost principle or the fair value principle.

The selection of which principle to follow generally relates to trade-offs between relevance and faithful representation.

1. Cost	- Companies record assets
Principle	at their cost.
(historical	
cost	
principle)	
	- Not only at the time the

at the time the asset is purchased but also over the time the asset is held.

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Assumptions (cont)		
2.	an assumption that requires	
Economic	that the activities of an entity	
Entity	be kept separate from the	
Assumption	activities of its owner and all	
	other economic entities.	

- enables	- vital to
accounting to	applying
quantify	the
(measure)	measur-
economic	ement
events.	principles.

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