**Introduction to Accounting**

Slide 1: In this presentation, we will discuss Accounting and why it is important to businesses of all types.

Slide 2: Different textbooks and organizations have their own definitions for Accounting. Here are four readily obtained from the Internet: (Read from screen). We can see that they are all saying pretty much the same thing.

Slide 3: The textbook I currently use from John Wild, among others, agree that Accounting is a process of Identifying, Recording and communicating, where (Read Slide).

Slide 4: In this initial series of presentations, we will be focusing on Financial Accounting, which is concerned, primarily, with the production of the four financial statements. Those statements are the Income Statement (P&L), the Statement of Retained Earnings, the Balance Sheet and the Cash Flow Statement. It is through these financial statements that we communicate the information.

Slide 5: There is no business that doesn’t use Accounting/Financial Statements, no industry that doesn’t use them, and Accounting is pretty much the same anywhere around the globe.

Slide 6: There are three types of businesses (Read)

Slide 7: There are three types of business formation (Read)

Slide 8: In these video presentations we will be covering Financial Accounting as it occurs within the corporate environment, primarily within a Service business. We will also look at two presentations covering Merchandising businesses. Manufacturing businesses are usually covered in Managerial Accounting classes and are not covered at this time. The prime focus of these videos will be the Accounting Cycle, however, there are a few others that cover other aspects of Accounting in greater detail, such as control of cash, inventory and notes.

Slide 9: In my experience teaching students, it is critically important that they understand the nine steps in the Accounting Cycle. If you are stuck, you can figure out where you are and then know which step comes next. Once you know these steps, the rest of Accounting comes more easily.

Slide 10: The nine steps of the Accounting Cycle are: (Read)

Slide 11: Before we get to the first step (Analyzing transactions) we need to cover one of the most important relationships in Accounting, and that is the Accounting Equation. The Accounting Equation serves as the backbone of what we call Double Entry Accounting (which will become clearer in the Step 1 and Step 2 video presentations) and on which the Balance Sheet is based. In the Step 1 presentation, will look at a Spreadsheet presentation that will allow us to understand how to apply debits and credits in the step 2 video.

Slide 12: The Accounting Equation states that Assets = Liabilities + Owners’ Equity. Assets are resources owned or controlled by the company and are expected to provide a future economic benefit. A few examples of Assets are Cash, Accounts Receivable, Supplies, Prepaid Insurance, Equipment and so on. Liabilities are claims on those assets or obligations arising out of current or past transactions. Some examples of Liabilities are Accounts payable, Unearned Revenue, Notes Payable and Bank Loans (I always remember that I am liable to repay the bank…). Owners’ Equity is comprised of owner investments in the business, less any distributions from the business, plus any Net Income retained by the business since inception. Accounts affecting Owners’ Equity are Common Stock, Dividends and Retained Earnings.

There is no situation whereby the equation is out of balance, or not equal. We will see in the step I video some example transactions and how they affect this important equation.