Introduction to Accounting

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What is accounting?

the system of recording and summarizing financial transactions and analyzing, verifying, and reporting the results

http://www.merriam-webster.com/dictionary/accounting

Who uses accounting?

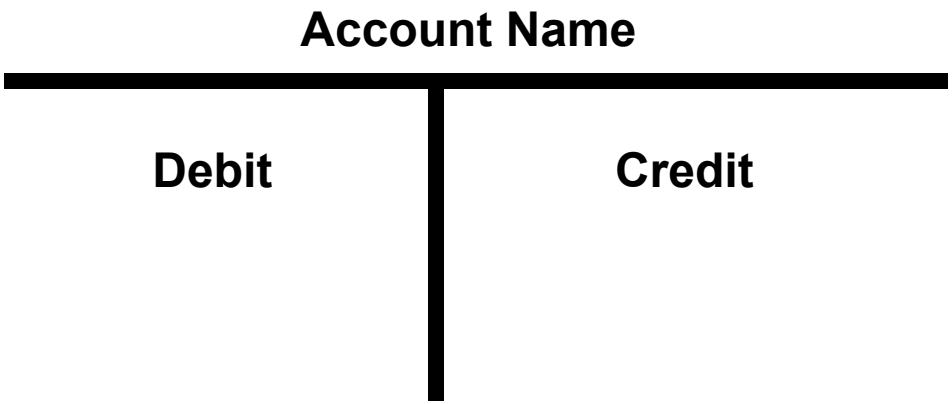
- **Everyone**!
- **Businesses** use accounting information to run the business.
- **Investors** use it to make decisions about whether to buy a company's stocks.
- **Creditors** use it to make decisions about whether to loan money to a company.
- **IRS** use it to determine how much taxes the company must pay.
- **Customers** use the information to determine which company to purchase products or services from (you want a company that is going to be around in the future).

Key Terms

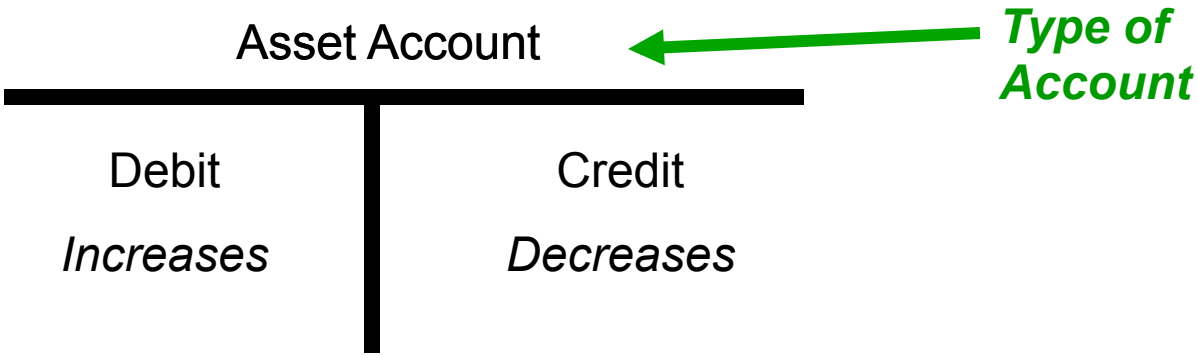
- Assets – things you own
- Liabilities – a debt or obligation (money owed)
- Owner's Equity – the amount of the initial investment plus retained earnings.
- Income – a monetary gain (usually from the sale of products or services)
- Expenses – financial burdens; cost

What is credit & debit?

- **Credit** – the entry on the right side of an account
- **Debit** – the entry on the left side of an account



Example of Debit & Credit



In this example, your parents gave you $150 cash and you spend $100 on clothes.

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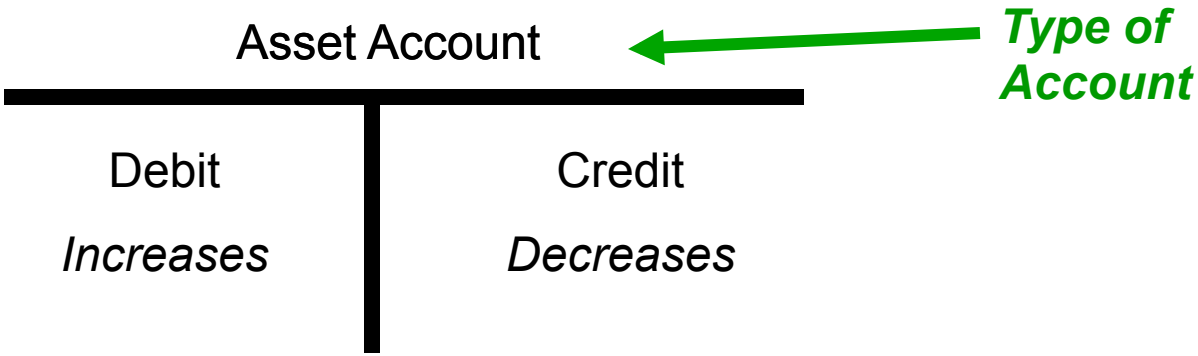

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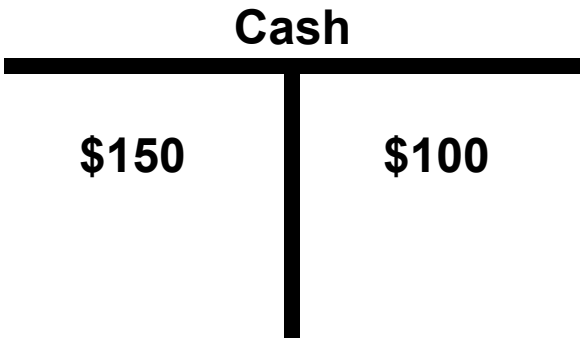

What is the balance of your cash account? ***$50***

Financial Statements

- **Balance Sheet** - *An official financial statement that includes the company's assets and liabilities. It determines the value of the company by subtracting liabilities from assets.*
- **Income Statement** - *A financial statement of a company's operation. Shows a company's income, expenses, and income for a period of time. Shows the company's profit or loss for a given period of time.*

BCS III – Accounting Unit Essential Questions

- What are debits? credits?
- What are the basic account types?
- What is an Income Statement?
- What is a Balance Sheet?

Let's get started!