Chapters Summary
Accounting 101

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Chapter 1 Summary

Part 1: Accounting definition.

Accounting: is a system that **identifies**, **records** and **communicates** business activities and financial information.

المحاسبة: هي نظام يحدد ويسجل وينقل الأنشطة التجارية والمعلومات المالية.

Financial information should be:

Relevant	Reliable	Comparable
• Affects the decision of its users. • ذات صلة: تؤثر على قرارات مستخدميها.	• Is trusted by users. • موثوقة: يتم الوثوق بها من قبل المستخدمين.	• Used in comparisons across years & companies. • قابلة للمقارنة: يمكن استخدامها في المقارنات عبر السنوات وبين الشركات.

All these information should be consistent with **GAAP** *** Generally Accepted Accounting Principles**

SEC *** Securities and Exchange Commission:** a government agency that establishes GAAP .

المعلومات المحاسبية يجب أن تكون متوافقه مع المبادئ المحاسبية المقبوله قبولا عاما ، وهيئه ال SEC هي من تضع تلك المبادئ ومقرها الولايات المتحدة الأمريكية

Part 2 : Users of Accounting Information

	External users	Internal users
Accounting	Financial accounting المحاسبة المالية	Managerial accounting المحاسبة الإدارية:
Information	Provides external users with financial statements: 1.Income Statements 2.Statement of Retained Earnings 3.Balance Sheet 4.Statement of Cash Flows توفر للمستخدمين الخارجيين البيانات المالية مثل: 1.قائمة الدخل 2.قائمة الأرباح المحتجزة 3.الميزانية العمومية 4.قائمة التدفقات النقدية	provides information needed for internal decision makers . توفر المعلومات اللازمة لصانعي القرار الداخليين.
Examples	• Lenders • Shareholders • Governments • Consumer Groups • External Auditors • Customers • المقرضون • المساهمون • الحكومات • مجموعات المستهلكين • المدققون الخارجيون • العملاء	• Managers • Officers • Internal Auditors • Sales Staff • Budget Officers • Controllers • المديرون • المسؤولون • المدققون الداخليون • موظفو المبيعات • موظفو الميزانية • المراقبون الماليون

Part 3 :Accounting Equation

Assets= Liabilities+ Equity **الأصول = الالتزامات + حقوق الملكية**

Expanded Accounting Equation

Assets = Liabilities + (Contributed capital – Dividends + Revenues – Expenses) **الأصول = الالتزامات + (رأس المال المساهم به - الأرباح الموزعة + الإيرادات - المصروفات)**

Assets =	**Liabilities** +	**Equity**
اصول الشركه وجميع ممتلكاتها **Resources owned and controlled by a company**	الالتزامات و الديون **Creditors' claims on assets**	رأس مال المالك **Owner's claim on assets**
Current Assets: • Cash • Accounts receivable • Notes receivable • Inventory • Supplies • Prepaid Accounts Plant Assets (Fixed Assets): • Land • Equipment • Machinery • Buildings • Vehicles • Office Furniture الأصول الحالية: • النقدية, الحسابات المستحقة القبض , السندات المستحقة القبض, المخزون, المستلزمات, الحسابات المدفوعة مسبقاً الأصول الثابتة: • الأرض, المعدات, الآلات, المباني, المركبات, الأثاث المكتبي Note: All plant assets' value decrease by usage, but land does not. تقل قيمة هذه الأصول بمرور الزمن نتيجه إستهلاكها فيما عدا الأرض	• Notes Payable • Accounts Payable • Wages Payable • Taxes Payable • Bonds Payable • Loans Payable • Unearned Revenue • السندات المستحقة الدفع • الحسابات المستحقة الدفع • الأجور المستحقة الدفع • الضرائب المستحقة الدفع • السندات المستحقة الدفع • القروض المستحقة الدفع • الإيرادات غير المكتسبة	• Retained Earnings • Contributed Capital • Common Stock • Preferred Stock • الأرباح المحتجزة • رأس المال المساهم به • الأسهم العادية • الأسهم الممتازة

Part 4:Principles and Assumptions of Accounting

Principles	Assumptions
Measurement principle (Cost principle): means that accounting information is based on actual cost. **مبدأ القياس (مبدأ التكلفة):** يعني أن المعلومات المحاسبية تعتمد على التكلفة الفعلية.	**Going-concern assumption** :means that accounting information reflects a presumption the business will continue operating. **افتراض الاستمرارية:** يعني أن المعلومات المحاسبية تعكس افتراض استمرار عمل الشركة.
Revenue recognition principle: provides guidance on when a company must recognize revenue. **مبدأ الاعتراف بالإيرادات:** يقدم توجيهات حول متى يجب على الشركة الاعتراف بالإيرادات.	**Monetary unit assumption** :means we can express transactions in money. **افتراض الوحدة النقدية:** يعني أنه يمكننا التعبير عن المعاملات بالنقود.
Matching principle (expense recognition): prescribes that a company must record its expenses incurred to generate the revenue. **مبدأ المطابقة (الاعتراف بالمصروفات):** ينص على أن الشركة يجب أن تسجل المصروفات التي تكبدتها لتحقيق الإيرادات.	**Time period assumption**: presumes that the life of a company can be divided into time periods, such as months and years. **افتراض الفترة الزمنية:** يفترض أن عمر الشركة يمكن تقسيمه إلى فترات زمنية، مثل الأشهر والسنوات.
Full disclosure principle: requires a company to report the details behind financial statements that would impact users' decisions. **مبدأ الإفصاح الكامل:** يتطلب من الشركة الإبلاغ عن التفاصيل خلف البيانات المالية التي قد تؤثر على قرارات المستخدمين.	**Business entity assumption** :means that a business is accounted for separately from its owner or other business entities. **افتراض الكيان التجاري:** يعني أن الشركة يتم حسابها بشكل منفصل عن مالكها أو الكيانات التجارية الأخرى.

Part 5 :(Definitions)

Income statement (قائمة الدخل)	describes a company's revenues and expenses along with the resulting net income or loss over a period of time due to earnings activities. تصف إيرادات الشركة ونفقاتها مع صافي الدخل أو الخسارة الناتجة عن أنشطة الكسب خلال فترة زمنية معينة.
Net income	is the difference between Revenues and Expenses. Net Income = revenues – expenses هو الفرق بين الإيرادات والمصروفات. صافي الدخل = الإيرادات - المصروفات
Balance Sheet (الميزانية العمومية)	describes a company's financial position at a point in time تصف الوضع المالي للشركة في لحظة زمنية معينة.
Business Entity Forms	Sole Proprietorship, Partnership , Corporation الملكية الفردية، الشراكة، الشركة المساهمة.
A Sole Proprietorship	is a business owned by just one individual. هي عمل تجاري مملوك لفرد واحد فقط.
A Partnership	is a business owned by two or more individuals. هي عمل تجاري مملوك لفردين أو أكثر.
A Corporation	is owned by many individuals (shareholders) who normally are not active in the day-to-day operations of that business. It's a legal entity that is separate and distinct from its owners. مملوكة لعدد كبير من الأفراد (المساهمين) الذين عادةً لا يكونون نشطين في العمليات اليومية لذلك العمل. وهي كيان قانوني منفصل ومتميز عن مالكيه.

Exercises

Multiple choice questions :

Part 1: Accounting definition.

1) The significant characteristics of accounting are the identification, measurement, and Communication of:
   a. Financial information and business activities
   b. Marketing information
   c. Users' information
   d. Technical information
2) Who is responsible for establishing Generally Accepted Accounting Principles (GAAP)?

   A) Federal Reserve

   B) Securities and Exchange Commission (SEC)

   C) Internal Revenue Service (IRS)

   D) Financial Accounting Standards Board (FASB)
3) Which of the following is a characteristic that financial information should possess?

   A) Flexibility

   B) Relevance

   C) Simplicity

   D) Cost-effectiveness

Part 2 : Users of Accounting Information

4) Choose the External user of the accounting information from the following:
   a. Shareholders
   b. Salesmen
   c. Workers
   d. Mangers

5) Chose the internal user of the accounting information from the following:
   a. Shareholders
   b. Lenders
   c. Suppliers
   d. Mangers

Part 3: Accounting Equation

6) If assets are $550,000 and equity are $210,000 then liabilities equal:
   a. $340,000
   b. $760,000
   c. $210,000
   d. $550,000
7) Assets = Liabilities + Common Stock – Dividends + Revenues – Expenses is known as:
   a. Cost principle
   b. Accounting equation
   c. The expanded accounting equation
   d. Income statement equation
8) If liabilities are $50,000 and assets are $210,000 then equity equals:
   a. $210,000
   b. $200,000
   c. $160,000
   d. $260,000
9) All plant assets' value ……………. Over time.
   a. Does not change.
   b. Decrease including land.
   c. Decrease, but land does not.
   d. Increase, but land does not.
10) Which of the following is NOT considered a current asset?
   A) Cash
   B) Inventory
   C) Land
   D) Accounts Receivable
11) What is true about plant assets?
   A) Their value increases over time.
   B) All plant assets' value decreases over time, except for land.
   C) Their value remains constant.

12) Which of the following is an example of a liability?

A) Retained Earnings
B) Common Stock
C) Notes Payable
D) Prepaid Accounts

13) Which of the following is included in the equity section of the expanded accounting equation?

A) Notes Receivable

B) Dividends

C) Taxes Payable

D) Machinery

Part 4: Principles and Assumptions of Accounting

14) Under which one of the following assumption, a company keeps its activities separate from its owners'?

a. Going Concern
b. Time Period
c. Monetary Unit
d. Business Entity

15) Under which one of the following assumption, a company can divide its economic activities into time periods?

a. Monetary Unit
b. Time period
c. Going Concern
d. Economic Entity

16) Under which one of the following assumption, it is assumed that we can express transactions in money?

a. Monetary Unit
b. Matching
c. Going Concern
d. Economic Entity

17) In which one of the following assumption, accounting information reflects a presumption that the business will continue operating?

a. Monetary Unit
b. Going Concern
c. Economic Entity
d. Time period

18) The consistency principle:

a. Is also called the full disclosure principle
b. Requires that all companies in the same industry use the same accounting methods of Inventory valuation
c. Requires a company to consistently use the same accounting method of inventory valuation unless a change will improve financial reporting
d. Requires a company to use one method of inventory valuation exclusively

19) Which accounting principle states that accounting information should be based on actual cost?

a. Matching Principle
b. Revenue Recognition Principle
c. Measurement (Cost) Principle
d. Full Disclosure Principle

20) Which principle requires a company to report all details that would impact users' decisions?

a. Revenue Recognition Principle
b. Full Disclosure Principle
c. Matching Principle
d. Cost Principle

21) The principle that requires expenses to be recorded in the same period as the revenues they help to generate is called:

a. Revenue Recognition Principle
b. Matching Principle
c. Full Disclosure Principle
d. Cost Principle

22) Which assumption divides the life of a company into time periods such as months or years?

a. Going-concern Assumption
b. Monetary Unit Assumption
c. Time Period Assumption
d. Business Entity Assumption

Part 5 :(Definitions)

23) Which form of business is owned by one individual?
   a. Partnership
   b. Corporation
   c. Sole Proprietorship
   d. Joint Venture

24) A business owned by two or more individuals is known as a:
   a. Sole Proprietorship
   b. Partnership
   c. Corporation
   d. Limited Liability Company (LLC)

25) Which financial statement shows the financial position of a company at a specific point in time?
   A) Income Statement
   B) Statement of Retained Earnings
   C) Balance Sheet
   D) Statement of Cash Flows

Essay Questions:

Q1- What is the definition of accounting?

Q2- Identify the users and uses of accounting information.

Q3- Explain why ethics have crucial role in the accounting profession?

Q4- Define the following concepts:

Monetary Unit Assumption.

Full Disclosure Principles