FIRST TERM E-LEARNING NOTE

SUBJECT: FINANCIAL ACCOUNTING **CLASS: SS1**

SCHEME OF WORK

WEEK	TOPIC
1	Introduction to Book-Keeping and Accounting
2	Transactions – Meaning and Classifications
3	Books of Accounts – Layout and Formats
4 - 5	Double Entry Principle: Posting of Transactions to Ledger Accounts; Combinations of Cash and Bank Account
6 – 7	Balancing of Ledger Accounts; extraction of the Trial Balance
8	Source Documents: Purpose Characteristics and Functions
9 -10	Subsidiary Books: Purpose, Characteristics, Functions and Preparations

WEEK ONE

TOPIC: INTRODUCTION TO BOOK – KEEPING AND ACCOUNTING

CONTENT

- Definition of Book-Keeping and Accounting
- Differences between Book-Keeping and Accounting
- Users of Accounting Information/Financial Statements
- Importance/Benefits of Book-keeping and Accounting
- History of Accounting/Book-Keeping

Book Keeping is the systematic recording of the daily financial transactions of an organization so that the financial position of a business can be readily ascertained or determined at any time.

Accounting is the act of recording, classifying, analyzing, summarizing, interpreting and communicating financial information of an organisation to various end-users of such information.

DIFFERENCES BETWEEN BOOK-KEEPING AND ACCOUNTING

1. Book-keeping concentrates only on the routine recording of transactions while accounting goes beyond the aspect of recording to classify, analyse, summarise and interprete financial information
2. Book-keeping is limited in scope (i.e area of coverage) while accounting has a wider scope
3. The time required for training to be a qualified book-keeper is shorter (about few months) compared to an accountant (about five years)
4. Book-keeping records are mainly for internal use in an organisation while accounting records are both internal and external use.
5. Book-keeping is an integral part of accounting while accounting is more complex and has book-keeping as one of its components.

USERS OF ACCOUNTING INFORMATION/FINANCIAL STATEMENTS

The following interested users of financial information should be noted as well as the reasons/purpose for which they would require or utilise the relevant information.

1. **Owners of the Business**
    a. To determine the profitability of the business

b. To assess the competence of the managers of the business
c. To assist them in making important business/investment decisions

2. **Shareholders of a Company**
   a. To determine the profitability of the business
   b. To assess the ability of the company to pay their expected dividends
   c. To project the future growth of the company
3. **Loan Creditors (i.e. lenders to the business)**
   a. To assess the ability of the business to repay loans
   b. To assess the ability of the business to repay the interest as and when due
   c. To assess the possibility/probability of the borrowing company defaulting in repayments
   d. To know whether adequate assets are available as security
   e. To determine the level of credit to grant
4. **Trade Creditors/Suppliers** i.e. those that supply goods to the business on credit
   a. To assess the credit worthiness of the business
   b. To assess the ability of the business to pay back its debts
   c. To determine their level of exposure to the business
5. **Competitors**
   a. To fix their own prices relative to the prices of similar products produced by the business
   b. To determine their position in the market i.e. market share as to sales, profits, number of employees etc.
6. **Customers**
   a. To know if the business is a guaranteed/secured source of supply
   b. To assess the financial position of the business
7. **Employees of the Business**
   a. To know the profitability of the business
   b. To know the extent of job security and the prospects of their future careers
   c. To negotiate for better conditions of service and improved wages/salaries
8. **Tax Authorities** e.g. Lagos State Board of Internal Revenue (LSBIR) or Federal Board of Inland Revenue (FBIR)
   a. To determine the amount of tax to be paid by the business
9. **The Government**
   a. To compute statistics about businesses operating in the country
   b. To enhance the formulation of government policies e.g. on industrialization
   c. To regulate the activities of business by government agencies e.g. CBN, NDIC, SEC, CAC, NSE etc.
10. **The Public**
    a. For employment and economic considerations
    b. To know whether to invest in the enterprise

EVALUATION QUESTIONS

1. Define the following terms:a. Book-keeping b. Accounting
2. State three differences between book-keeping and accounting

IMPORTANCE OF BOOK-KEEPING AND ACCOUNTING OR REASONS WHY ACCOUNTING RECORDS ARE KEPT

1. To determine the profit or loss made by the business during a particular trading period
2. The existence of financial records helps in decision making by managers of the business
3. Financial records helps in the…