***Assignment***

***PRINCIPLES OF ACCOUNTING***

***Laiba 16191***

***BBA Sec B***  ***2nd semester***

***ACCOUNTING:***

 ***Accounting is the recording of financial transactions along with storing, sorting, retrieving, summarizing, and presenting the result in various reports and analyses. Accounting is also a field of study and profession dedicated to carrying out those tasks.***

***TYPES OF ACCOUNTING INFORMATION:***

 ***There are many types of accounting information and that are widely used in the business community.***

***FINANCIAL ACCOUNTING:***

 ***One part of accounting focuses on presenting the financial information in the form of general purpose financial statements (balance sheet, income statement etc.) That are distributed to people outside of the company. These external reports must be prepared in accordance with general Accepted Accounting Principles often referred to as GAAP or US GAAP.***

***MANAGENT ACCOUNTING:***

 ***Another part of accounting focuses on providing a company management with the information needed to keep the businesses financially healthy although some of the information comes from recorded transactions many of the analysis and reports include estimated and projected amounts based on various assumptions. Generally this information is not distributed to people outside of the company’s management. A few examples of this information are budgets standards for controlling operations and estimating selling prices when quoting prices for new work.***

***Other examples of accounting:***

* ***Advising on accounting systems***
* ***Income tax planning, advising and reporting***
* ***Auditing the financial statements of companies and organizations.***

***CASH FLOW:***

***The total amount of money being transferred into you and out of a business especially as affecting liquidity.***

***BUSINESS ENTITY:***

 ***When we talk about business entities we are referring to the type Or structure offer business as opposed to what the business does how a business is structure affects how Taxes are paid, liabilities are determined, and of course, paperwork.***

***Business entities organisations created by one or more people to carry on a trade are usually created at the state level, often by filing documents with a state agency such as the secretary of state.***

***INCLUDE: corporations, partnerships, limited liability, companies, limited liability partnerships, and sole proprietorships.***

***ASSETS:***

 ***Assets are economic resources that are owned by a business and expected to benefit future operations. An item of property Owned by a person or company, regarded as having value and available to meet debts, commitments, or legacies.***

***COST PRINCIPLE:***

 ***Assets such land, buildings, merchandise and equipment are typical economic resources that will be used in producing revenue for the business. The prevailing accounting view is that such assets should be e recorded at their cost. When we say that an assets is shown in the balance sheet at its historical cost. We mean the original cost of the Asset to the business entity this amount maybe very different from the assets current market value.***

***LIABILITIES:***

 ***A liability is debt owed from one company to a person or company that is not an owner of business. In other words are debts owed to non owners or creditors. The liabilities arising from such purchases are called accounts payable. Many businesses Borrow money to finance expansion for the purchase of high cost assets. When obtaining a lone the borrower usually must sign a formal note payable. A note payable is a written promise to repay the amount owed by a particular date and usually calls for the payment of interest as well. Account payable is contrast with notes payable involve no written promises and generally do not call for interest payments. In essence not payable is a more formal arrangement.***

***OWNER’S EQUITY:***

***Represents the owners claim to the assets of the business because creditors claims have legal priority Over dose of the owner, owners equity is a residual amount. If you are the owner offer business you are entitled to assets that are left after the claims of creditors have been satisfied in full. Therefore, owners equity is always equal to total assets minus total liabilities. For example, using the data from the illustrated balance sheet of Vagabond travel agency. Owners equity does not represent I specific claim to cash or any other particular as set. Rather, it is the owner’s overall financial interest in the entire company.***

***Increases in owner’s equity: the owners equity in a business comes from two sources***

1. ***Investments of cash or other assets by the owner***
2. ***Earnings from profitable operation of the business***

***Decreases in owner’s equity: decrease in owners equity also are caused in two ways:***

1. ***Withdrawals of cash or other assets by the owner***
2. ***Losses from unprofitable operation of the business.***

***ADJUSTING ENTRIES:***

 ***Adjusting entries are journal entries made at the end of an accounting to update certain revenue and expanse accounts and to make sure you comply with the matching principle. The matching principle states the expenses have to be matched to the accounting period in which the revenue playing for them is earned eg, adjustments to unearned revenue, prepaid insurance, office supplies, prepaid rent etc.***