

ACC 100 Midterm Tip Sheet

Week 1		Week 2																								
<p>Business: any company that exchanges a service/good for money</p> <p>Sectors</p> <p>Primary: dealing with raw materials (ex: farmer)</p> <p>Secondary: using raw materials to create something (ex: manufacturer)</p> <p>Tertiary: dealing with end consumers (ex: professor)</p> <p>Stakeholder: anyone that cares about a business</p> <p>Internal: direct relationship: employees, manager, owner</p> <p>External: indirect relationship: government, creditors, suppliers</p> <p>Quality Characteristics:</p> <table border="1"> <tr> <td>Faithful</td> <td>Truthful, unbiased, free of errors.</td> </tr> <tr> <td>Relevant</td> <td>Applicable to decision making. Confirms past decisions or helps to make new ones.</td> </tr> <tr> <td>Timely</td> <td>Information is provided quickly and within the appropriate time frame.</td> </tr> <tr> <td>Understandable</td> <td>Present information in a clear and concise manner.</td> </tr> <tr> <td>Verifiable</td> <td>Any reasonable person would come to the same conclusion as another.</td> </tr> <tr> <td>Comparable</td> <td>Comparable with other businesses in the same industry or one business over periods.</td> </tr> </table> <p>Assumptions:</p> <table border="1"> <tr> <td>Separate Entity</td> <td>Business affairs are kept separate from personal affairs.</td> </tr> <tr> <td>Unit of Measure</td> <td>All transactions are recorded in the same monetary value.</td> </tr> <tr> <td>Going Concern</td> <td>Businesses will operate into the future.</td> </tr> <tr> <td>Historic Cost *few exceptions</td> <td>All transactions must be recorded at the price that occurred at that time.</td> </tr> <tr> <td>Time Period</td> <td>Information must follow the same procedure for every artificial period it is broken into.</td> </tr> <tr> <td>Full disclosure</td> <td>All significant information must be reported especially if it will impact a stakeholder.</td> </tr> </table>		Faithful	Truthful, unbiased, free of errors.	Relevant	Applicable to decision making. Confirms past decisions or helps to make new ones.	Timely	Information is provided quickly and within the appropriate time frame.	Understandable	Present information in a clear and concise manner.	Verifiable	Any reasonable person would come to the same conclusion as another.	Comparable	Comparable with other businesses in the same industry or one business over periods.	Separate Entity	Business affairs are kept separate from personal affairs.	Unit of Measure	All transactions are recorded in the same monetary value.	Going Concern	Businesses will operate into the future.	Historic Cost *few exceptions	All transactions must be recorded at the price that occurred at that time.	Time Period	Information must follow the same procedure for every artificial period it is broken into.	Full disclosure	All significant information must be reported especially if it will impact a stakeholder.	<p>Financial reporting elements: Assets, Liabilities, Equity, Revenue, Expenses</p> <p>Simple accounting equation: Assets = liabilities + equity (read bottom to top)</p> <p>Expanded accounting equation (illustrates detailed equity) Assets = Liabilities + Owner's Capital + Revenue – Expenses – Dividends</p> <p>Dividends: portion of profit paid to owners for investing. Note: when given 2 of 3 elements, you can always find the unknown by rearranging!</p>
Faithful	Truthful, unbiased, free of errors.																									
Relevant	Applicable to decision making. Confirms past decisions or helps to make new ones.																									
Timely	Information is provided quickly and within the appropriate time frame.																									
Understandable	Present information in a clear and concise manner.																									
Verifiable	Any reasonable person would come to the same conclusion as another.																									
Comparable	Comparable with other businesses in the same industry or one business over periods.																									
Separate Entity	Business affairs are kept separate from personal affairs.																									
Unit of Measure	All transactions are recorded in the same monetary value.																									
Going Concern	Businesses will operate into the future.																									
Historic Cost *few exceptions	All transactions must be recorded at the price that occurred at that time.																									
Time Period	Information must follow the same procedure for every artificial period it is broken into.																									
Full disclosure	All significant information must be reported especially if it will impact a stakeholder.																									
		Week 3																								
		<p>Accounts: subgroups of the 5 financial reporting elements. The following are common across businesses. Some vary depending on the type of business. For example, a bakery may have “ingredients expense” but a lawn service business will not, instead they may have “gas expense”.</p> <p>Examples of accounts:</p> <p>Assets: cash, accounts receivable, inventory, office supplies</p> <p>Liabilities: accounts payable, bank loan payable, salaries payable</p> <p>Equity: owner’s capital, retained earnings</p> <p>Revenue: service revenue, fees earned (in some cases: interest earned)</p> <p>Expenses: utilities, salaries expense, telephone expense</p> <p>Tricky accounts:</p> <p>prepaid expense (ex: rent or insurance)</p> <p>deferred/unearned revenue</p> <p>note 1: payables tend to be liabilities as they are obligations you owe!</p> <p>note 2: not all accounts that say “expense” in their name are expenses!</p> <p>Note 3: left side of accounting equation (assets) should always match the right side (liabilities + equity)</p>																								

ACC 100 Midterm Tip Sheet

Week 4

note 1: By now, we know equity is broken into several components. In week 4, we're introduced to sub-components of assets and liability.

Assets (current and long-term (intangible))

Liabilities (short and long-term)

Note: bank loan payable can be both short-term (the portion of the loan due within the year) and long-term (the remainder of the loan)

activity: operating, investing, or financing (debt or equity)

operating: day-to-day operations aligned with the business's goals

investing: buying things to run the business (cash-, asset+)

financing-debt: taking on a loan for money (cash+, loan+)

financing-equity: selling a portion of the business for cash (cash+)

note 2: descriptions describing an act tend to be activities!

note 3: short descriptions tend to be accounts!

note 4: think of shark tank or dragon's den for equity financing!

1)Income statement – profit/loss is carried to the following statement

2)Statement of retained earnings – closing retained earnings balance is carried over to the balance sheet under equity

3)Balance sheet – the amount in cash is the same amount in the following statement

4)statement of cash flows – illustrates exactly where cash is coming from and where it is going

Cash inflow – provided

Cash outflow – used

Listed in reverse alphabetical order

Heading: 1) business name 2) name of statement 3) period ending...

note 5: for the balance sheet, only provide the date!

Week 5

Merchandising businesses: businesses that sell physical/tangible products. **Service businesses:** companies that perform intangible services.

Periodic system: inventory checks are done at intervals. There needs to be a physical count of what inventory remains. Example: a small convenience store

Perpetual system: inventory is constantly changing (when sales and purchases happen). Only need to count at the end to see what has been damaged or stolen. Example: Walmart or Costco

Credit terms: example: 2/10 n/30: 2% discount if paid in 10 days, otherwise due in 30 days.

FOB shipping point: buyer owns the inventory and buyer pays for the shipping

FOB destination: seller owns the inventory and the seller pays for the shipping

Other Tips

There is never a single entry! Always 2 or more that either impact 1 side or both sides of the equation!

Always ask yourself, is it an event or a transaction? Events are NOT recorded!

If you're confused about recording transactions, ask yourself the critical questions. Still confused? Ask yourself the enhancing questions!

Critical Questions

1. What did the business get?
2. What did the business give away?

Enhancing Questions

1. What did the business earn?
2. What did the business use, consume, or incur?
3. What does the business owe?