BRENTWOOD
OPEN LEARNING COLLEGE

# Assignment Cover Sheet

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| **Student Name:** | Mohammad Hammoud |
| **Student Number:** | 9748 |
| **Course:** | Diploma in Accounting and Finance |
| **Assignment NO:** | # 1 |

## Marking Criteria:

We expect the learners to write minimum one well expressed point in three lines against each allocated mark. This means one needs to write 15 lines with 5 well expressed points to get high grades for a 5 marks question.

For high grades use examples and illustrations where appropriate.

Please insert your completed assignment ( in word format) here:

**Answer # 1:**

(I) Accounting is the art of recording, classifying, and summarizing transactions and events in significant way in terms of money which are in part of a financial character results thereof.

(II) The primary objectives of accounting are:

a. Keep Systematic Records: this is to keep records/ track of various business transactions involved in the daily business and to maintain recording them in books of accounts.
b. Ascertain the Results of the Operation : Accounting ascertains any profit earned or loss resulted by a business during a particular period of time through trading Profit and Loss account or an Income and Expenditure account. These accounts match the revenue earned by the business with the expenditure during the same period to calculate the profit or loss.
c. Ascertain the financial position of the business: A business' financial statements reflect its financial position with regard to cash, assets, liabilities, capital, etc. They help the business owner to determine the health of his enterprise.
d. Portray the liquidity position: A business obtains and spends cash for numerous purposes such as lending, repayment of loans, capital transactions, paying cash dividends to shareholders and distribution of resources among owners. This information, along with other factors that determine an entity's liquidity and solvency, is portrayed in financial reports.
e. Protect business properties: Accounting keeps an updated record of the business' assets and liabilities to prevent false claims against the entity's properties.
f. Facilitate rational decision making: Financial statements and records help a business

owner analyze different aspects of his business and decision making.

g. Satisfy the requirements of law: Laws, such as, the Companies Act, Societies Act, Sales Tax Act, Income Tax Act, etc. which govern business operations required by companies, public trusts, and other business entities to maintain up to date accounts.

(III) Limitation of accounting: Accounting assist and facilitates in making assessments of the values of businesses in terms of profits, losses, assets and liabilities. It gives the information that helps to decide future course of actions. Accounting provides us with logical conclusions; however, the facts derived from accounting at times can be biased, inclined, or influenced by one factor or the other. However, please find below Accounting limitations:

a. Record Keeping: Accounting helps in maintaining records of financial transactions only.
b. Accuracy of information generated by accounting system: Financial health of a business, including revenues, losses, assets and liabilities, are analyzed by Accounting.
c. Value of assets: The true market value of the assets is not normally reflected in balance sheets. The assets shown on the balance sheet have their costs adjusted according to the conventional rules of accounting. Later on, many assets enlisted in a balance sheet do not have any real market value at all. These assets may include patents, goodwill, preliminary expenses, etc. When these assets are shown on the balance sheet, the final results may appear dubious.
d. Window dressing: Many firms adopt actions described as window dressing practices in order to increase profits in the short term. These actions may include postponing the maintenance of plant and machinery, which will decrease costs and increases profitability in the short term but, such a strategy can lead to a complete disruption in production and operations when the machinery breaks down.
e. Changing price levels: Accounting measures of performance and evaluation of financial position may not be accurate due to changing prices and changes in the value of assets. Additional information based on the current replacement value of assets is required to get a closer estimate.

(IV) Types of activities included in date evaluation are:

a. Budgets and standard costs
b. Evaluating the performance of the business
c. Analyzing financial statements
d. Analyzing cash flows
e. Choosing alternative courses of action for decision making process.

(V) The main functions of accounting are :

Lenders: who are also known as Creditors can be given for the short term or long term. Short term lenders are also called trade creditors since they supply raw materials, goods and services. They usually lend money for a year or less. Long-term creditors are those who give loans for longer periods of times (usually more than a year) and issue the loans in the form of secured loans.

Lenders are concerned with information about the company's ability to pay its loans back – both in the short and long term. In other words, they are interested in company's credit worthiness, liquidity, profitability, etc. Before lending money to the company, the creditors rely on the financial statements to know if the company will be able to pay back its debts in the foreseeable future.

Employees: Business organization has moved beyond just maximizing profits for shareholders to ensuring the welfare of its employees. The economic and social role of managers has undergone a shift as management theories have progressed. There is a realization that a satisfied and highly motivated workforce is the most efficient and productive as well. Industrial democracy where there is greater participation of employees in managerial decision-making and more emphasis on employee feedback has taken the place of a more autocratic managerial style which focused on maximizing output. Therefore, employees are considered important users of the company's financial information, as their input is required for matters such as settlement of wages, bonuses, output benchmarks, and profit sharing.

Customers: Consumers' groups and other organizations, which look after welfare of consumers and public, use information generated by accounting for several reasons. Through this accounting information, these organizations can analyze and keep a check on the performance and efficiency of businesses. The information also gives an insight into social responsibility of businesses. By looking at various accounting information, including profits and outputs generated by businesses, the consumers' organizations can also keep a track of the growth of businesses and find out whether they are in line with the defined national goals.

**Answer # 2:**

Role of accountants in modern business originations: Modern accounting theory views the process of accounting as a system for generating information. It starts with business transactions of financial nature that are considered as raw data. This data is identified, classified, recorded and then summarized according to standard accounting framework as a part of the book keeping process. Financial statements are generated as an output of processing raw information for internal and external parties that are relevant to the business organization. These statements and reports help in the decision making process as well as in planning and controlling business activities.

**Answer # 3:**

Accounting Cycle: The circular accounting workflow, also known as the accounting cycle consists of eight steps. Bookkeepers are assigned with the task to complete the accounting cycle. The cycle starts with entering financial transactions, processing them and preparing financial statements, and finally closing the books of accounts. It is a circular procedure because after the books of accounts are closed at the end of a particular accounting period, it starts again by recording transactions for the new period.

The eight basic steps involved in the accounting cycle are listed below:

1. Transactions
2. Journal entries
3. Posting
4. Trial Balance
5. Worksheet
6. Adjusting Journal Entries
7. Financial Statements
8. Closing the Books

**Activity answer:**

List of accounting Activities:

1. Gathering financial information about the activities of a business.
2. Preparing and collecting permanent records of business financial activities.
3. Rearranging, summarizing and classifying financial information into a more usable format.
4. Preparing reports and summaries to help management make decisions, to provide information for banks and investors, and the measure the profitability of a business.
5. Establishing controls to promote accuracy and honesty among employees.

## Student Statement:

By submitting this assignment, I confirm that this is my own work.

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| Student Signature | | Date | 29.7.2017 |

## For Tutor / Assessor Use Only

| | |
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| **Total Marks** | |
| **Marks Obtained** | |
| **Percentage / Grade** | |