1) <u>Define accounting</u>

Accounting is the art of recording, classifying and summarising information or transactions of a financial character and interpreting those results.

The American Institute of Certified Public Accounts states " the art of recording, classifying and summarising in a significant manner and in terms of money , transactions an events which are, in part, at least, of a financial character and interpreting the results thereof."

2) <u>Explain the primary objectives of accounting.</u>

There are seven objectives of accounting which assist practitioners with the following :
To keep systematic records (to record the business daily transactions in a ledger/ books);
To use the information in books to measure whether the company has made a loss or profit during a particular period;
To use bank statements to know the financial health of the business;
To show how much liquidity/ cash is readily available;
To protect against false claims against the business's properties;
To help business owners/ shareholders make sound decisions in different areas of the business;
To satisfy the requirements of the law.

3) <u>Discuss the limitations of accounting</u>

Although accounting is the driving force behind a business success, the profession also have a few set backs based on biases and can be influenced by other factors. For example:
- Record keeping only records information of a financial nature. Therefore, any information that is not related to a transaction that the business conducts will not fall under accounting.
- Accounting relies on real and assumed estimate which means that the information provided is not always accurate. Also, most businesses will have a different standard for practicing accounting.
- Some business' assets may not have a true market value.
- In order for a company to look like if they made a profit, they would delay certain expense during the evaluation period. this is known as window dressing.
- the changing price levels is also a limitation because it can affect the business financial position when measuring its performance.

4) <u>What types of activities are included in data evaluation?</u>
There are four types of activities that are included in data evaluation such as:
- Evaluating the performance of the business - comparing it's revenue and expense within a certain period
- Analysing financial statements
- Analysing cash flow
- decision making once the data have been analyse

5) Outline the main functions of accounting considering the following groups (Please suggest information that each one is likely to need from accounting statements and reports:
- Lenders : also known as creditors, lend money on a short term (less than 1 year) and long term bases (more than 1 year) and are more concerned with the company's ability to pay back the loan. Creditors depend on the financial statements of the company who are borrowing the secured loan.

- Employees : are considered important users of the company's financial statements. Their feedback or input is required for decision making which helps with the settlement of wages, bonuses, output benchmarks and profit sharing.

- Consumers: are concerned with the business performance or growth on a national scale as well as the company's involvement in their corporate social responsibility. They look at the profits and outputs of the business.

6) Discuss the role of accountants in modern business organisations

The role of accountants in modern business organisations is to operate an accounting effective also called Accounting Information System by recording the financial transactions/ data in books or ledger then classifying and summarising the information to be output as Financial statements or reports. For example, An account will receive payments for a product that was sold by the company. They will then record this payment on a balance sheet with all the other transactions of that specific product. Thirdly, the accountant will analyse this information to see whether the company has made a lost or profit.

7) What is accounting cycle, Outline the basic Steps included in accounting cycle.
The accounting cycle is a work flow system which operates in a circular process. The circular process is set in a particular financial period and starts with book keeping following by other steps until the accounts are closed during that specific period. For example, a company records their financial transactions in the 2nd quarter of the company's year to see if any profits were made in comparison to the 1st quarter. If satisfied with the results, the company then starts the accounting cycle for the 3rd quarter until that period is finish.
With that said, there are 8 basic steps such as:
- Transactions
- Journal Entries
- Posting
- Trial Balance
- Worksheet
- Adjusting Journal Entries
- Financial Statements
- Closing the books

8) List the various accounting activities that an organisation under takes and give reasons for each as to why that particular activity is performed in the organisation.

The various accounting activities