

Introduction to Accounting

Assessment 1

Total Marks: 30

Answer the following questions:

1. Define 'Accounting'. What are the primary objectives of accounting. (10)
2. What is accounting cycle? Outline the basic steps included in accounting cycle. (10)

Activity

(10)

List the various accounting activities that an organisation undertakes and give reasons for each as to why that particular activity is performed in the organisations.

1. keeps track of transactions - to keep systematic records
2. maintain up to date accounts - to satisfy the requirements of law.
3. financial statements and records - to facilitate rational decision-making
4. keeps an updated record of assets and liabilities - to protect business properties
5. calculate the profit and loss - to ascertain the results of the operation
6. analyse funds flow - to keep an eye on profit.

ANSWERS:

1. Accounting is, the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events, which are, in part at least, of a financial character and interpreting the results thereof."

Primary objectives of accounting:

- to keep systematic record
- to ascertain the results of the operation
- to ascertain the financial position of the business
- to portray the liquidity position
- to protect business properties
- to facilitate rational decision-making
- to satisfy the requirements of law

2. Accounting cycle is the circular accounting workflow and consists of eight steps. Bookkeepers are assigned with the task to complete the accounting cycle. It is a circular procedure because after the books of accounts are closed at the end of particular accounting period, it starts again by recording transactions for the new period.

The basic steps:

- transactions
- journal entries
- posting
- trial balance
- worksheet
- adjusting journal entries
- financial statements
- closing the books