

Money Matters 101

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We'll cover some accounting basics, but what do you want to learn?

Generally Accepted Accounting Principles (GAAP)



- Generally regarded as the common set of accounting principles, standards and procedures. GAAP is a combination of authoritative standards (set by policy boards) and the accepted ways of doing accounting.

Audit

- An unbiased examination and evaluation of the financial statements of an organization. It can be done internally (by employees of the organization) or externally (by an outside firm).



Accrual Basis Accounting

- Revenues and expenses are recognized when they are accrued, i.e. accumulated (earned or incurred), regardless of when the cash is received or paid out

General Ledger

- The main accounting record of a business which uses double-entry bookkeeping. It will usually include accounts for such items as current assets, fixed assets, liabilities, revenue and expense items, gains and losses.
- The general ledger is a collection of the group of accounts that supports the items shown in the major financial statements.

Assets, Fixed and Otherwise...

- Assets
 - Anything tangible or intangible that an organization possesses, usually considered as applicable to the payment of debts is considered an asset. Simplistically stated, assets are things of value that can be readily converted into cash
- Tangible
 - Current assets
 - Fixed assets
- Intangible
 - Nonphysical resources

Liability



- “A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.”

IASB F. 49(b)

Revenue & Expense

■ Revenue

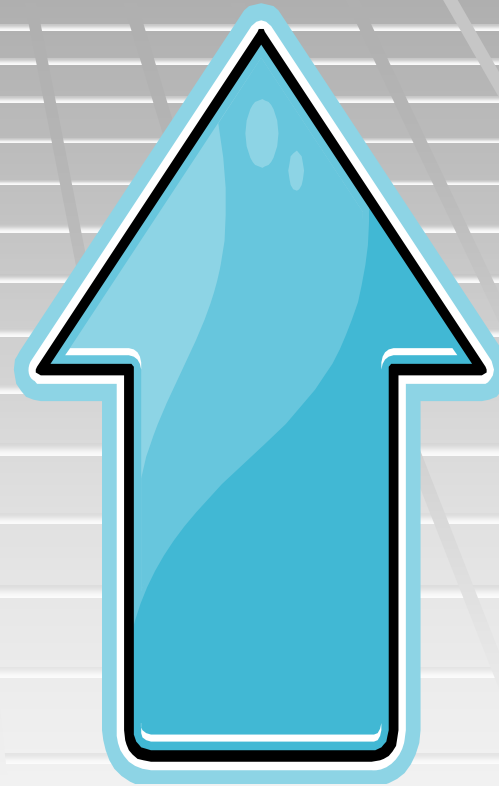
- In business, revenue or revenues is income that a company receives from its normal business activities, usually from the sale of goods and services to customers. Some companies also receive revenue from interest, dividends or royalties paid to them by other companies.[]

■ Expense

- An outflow of cash or other valuable assets from a person or company to another person or company. Technically, an expense is an event in which an asset is used up or a liability is incurred.

Gains

- Often associated with investments, derivatives and other financial instruments, they can also result from something as simple as selling a production asset (such as a machine) for more than its net book (accounting) value.



Loss



- Best defined by examples:
 - the loss on the sale of an asset used in the business
 - loss from investment such as stocks and bonds

Encumbrance

- **Pre-encumbrance**
 - Amount expected to spend, but for which there is no legal obligation to spend. A requisition is a typical pre-encumbrance transaction.
- **Encumbrance**
 - Amount for which there is a legal obligation to spend in the future. A purchase order is a typical encumbrance transaction.
- **Expenditure**
 - Amount for which there has been an expenditure of funds. An expenditure is recorded in Commitment Control for both vouchers payable and journal entries.

Depreciation

- A term used in accounting and finance to spread the cost of an asset over the span of several years.



Thank you! Any last
questions?

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