

ACCT 101 - Chapter 1 Outline

I. Nature of Business

A. Types of Business

1. Service
2. Merchandising
3. Manufacturing

B. Types of Business Organizations

1. Proprietorship
2. Partnership
3. Corporation

C. Business Strategy

1. Low-Cost
2. Differentiation
3. Combination

D. Business Stakeholders – a person or entity that has an interest in the economic performance and well-being of a business.

Accounting data is used by a variety of users. Many monetary and non-monetary decisions are based on results of this data. That is why accounting is often referred to as the language of business.

II. Business Ethics - Moral principles that guide the conduct of individuals.

III. Profession of Accounting...

...Can be very lucrative and rewarding. With tremendous job growth predicted, you can choose from a variety of related fields in the public, private and governmental sectors. Even if you are not an accounting major, as a business major, you will be expected to read and understand financial data. As a manager, most likely part of your compensation may be based on the financial results of the operations you will be in charge of. This is why all business majors must demonstrate an understanding of basic financial accounting principles.

IV. Generally Accepted Accounting Principles (GAAP)

The concepts or guidelines that will dictate everything we do in class this semester. They are the rules that govern what financial statements will look like. The development of these principles rests primarily with the FASB, or Financial Accounting Standards Board, who issue pronouncements or standards, along with interpretations of these standards.

V. Fundamental Accounting Equation

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

A. In ACCT100, we used proprietorships at the form of business, in this class we will be using corporations. The major difference in the two for our purposes is in the Owner's Equity section.

1. The Capital account has been split into two accounts: Capital Stock and Retained Earnings.

VI. Financial Statements

1. Income Statement

2. Statement of Retained Earnings

3. Balance Sheet

4. Statement of Cash Flows