Introduction

- Brief overview of course
  - Importance of course guide
- Role of lectures
  - Overview of each topic focusing on key concepts and practices
  - Lecture illustrations/activities in Student Resource Manual
  - Slide handouts uploaded weekly to blackboard

Introduction….continued!

- Role of readings
  - Topic in detail
- Role of activities from textbook
  - Complete prior to relevant tutorial and check with solutions on blackboard
  - Correct use of solutions!
- Role of activities in tutorial
  - Consolidate your learning
- Assessment documents will be provided progressively on blackboard

Improved feedback – have you understood / learnt from your reading and tutorial questions completed prior to the tutorial?

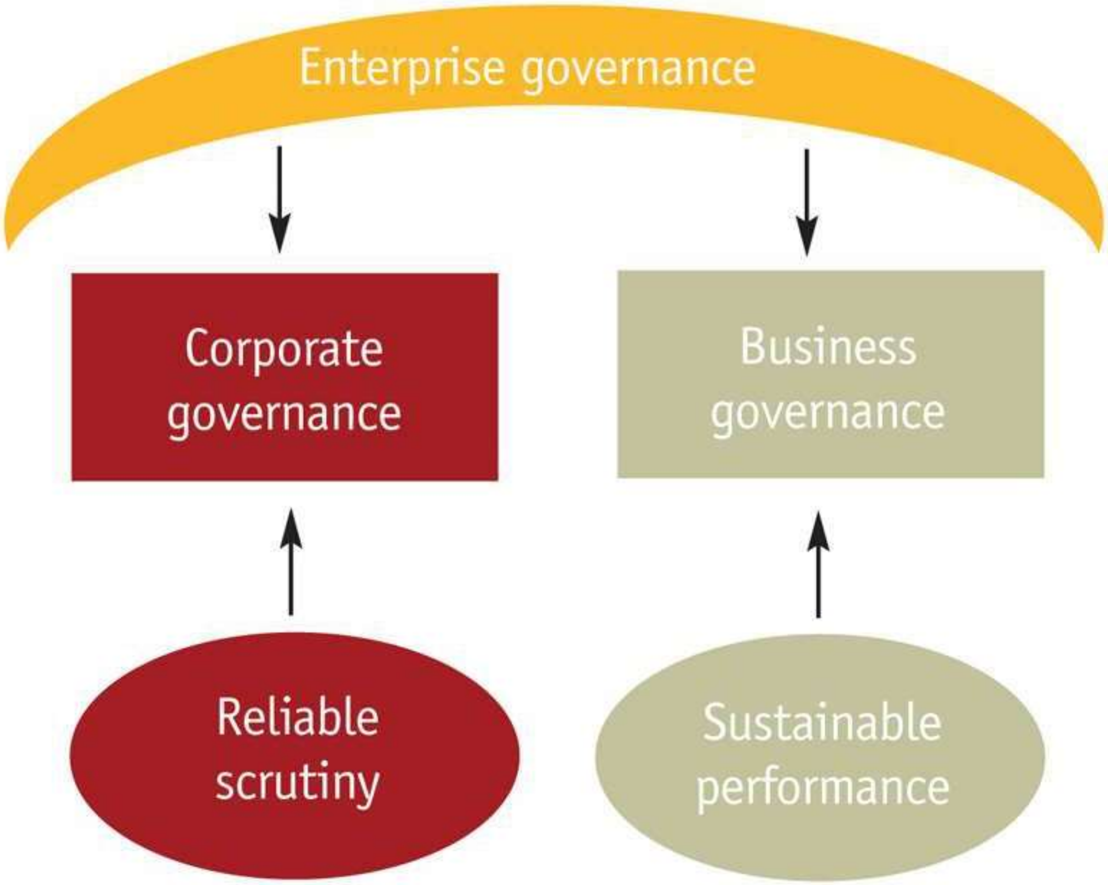
- In-class feedback tests in tutorials (no marks)
  - Test initially completed by individual student then submitted to tutor
  - Test is then completed by group/team (chance to discuss major concepts etc.)
  - Any outstanding issues will then be covered by tutor
- Early tutorials will focus on development of teams through a range of exercises including the in-class feedback tests

What this lecture covers

- What is accounting?
- Who uses accounting information?
- What impacts on accounting practice?
- What are the major financial statements produced?
- Introduction to key terminology

How does accounting fit into society?

Figure 3



Source: ; accessed July 17, 2012

Enterprise governance

- Corporate governance – compliance / reliable scrutiny
- Business governance – performance / sustainable performance

- ‘In the aftermath of a crisis, we hear calls for government action. Everyone is eager to listen to risk managers. The business press is filled with risk management articles. This is as true since the onset of the current crisis as it was following the corporate debacles – such as the collapse of Enron and WorldCom – earlier in this decade. These earlier scandals spawned a slew of corporate governance and internal control policy developments around the world. But when the crisis has passed and the boom times return, the tone changes. Shareholders enjoy high returns and the appetite for scrutiny of all kinds quickly wanes, or worse, is dismissed as a “drag” on performance’.

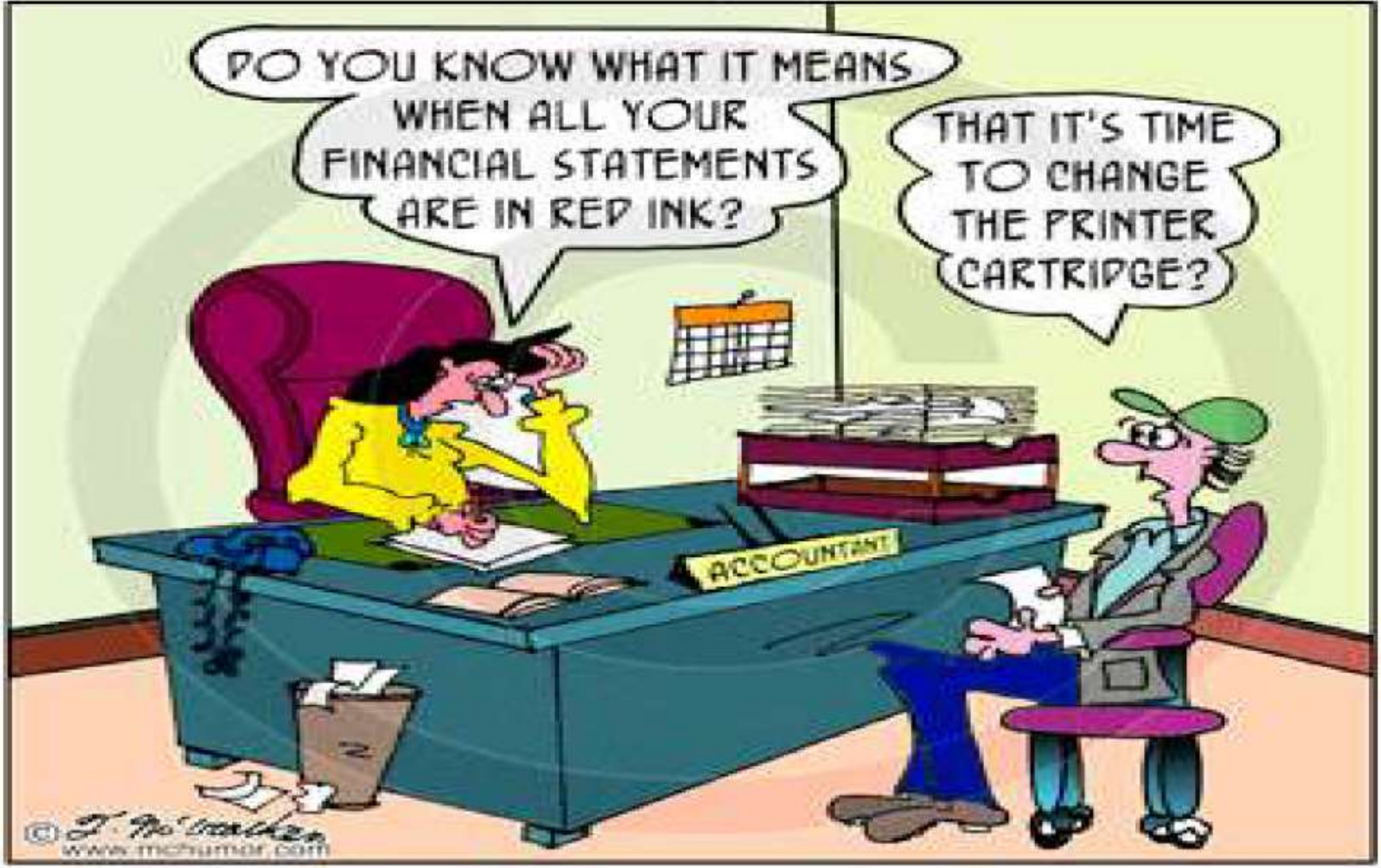
The Changing Role of the Accountant

- Growth in technology and globalisation
- Transactional work fully automated, sent offshore
- ‘Work which involves human ingenuity, creativity and innovation will be most prized. There’s no way you can outsource innovation’ (Craig Rispin Business Futurist) (source: Birt et al., 2012, p.28)
- ‘People who are intellectually broad, innately creative and technically excellent will be the most successful’. (Bernard Salt, social demographer, partner KPMG) (source: Birt et al., 2012, p.29)
- Accountants will be pushed to deliver even higher level, forward-looking strategic business advice…add more value
- Greater competition from management consultants, lawyers, engineers regarding high-level advice

Source: Accounting: Business Reporting for Decision Making, 4th edition, Birt, Chalmers, Byrne, Brooks, Oliver, Wiley Publishers

Accounting can be described by function

- Primary function of accounting is to provide financial information for decision making that is
  - Reliable
  - Relevant
- Accounting often referred to as 'language of business'
  - Refer to the glossary at the end of each chapter in your textbook



Some publisher slides have been adapted/amended/deleted by the lecturer

Or described by the accounting process

- Accounting is the process of identifying, measuring, recording and communicating the economic transactions and events of a business operation
- Transactions are economic activities relevant to a particular business

  e.g., - sale of item to customer

  - purchase of office stationery from supplier
- Other past events do not involve another entity

  e.g. annual depreciation of a non current asset

The accounting process continued

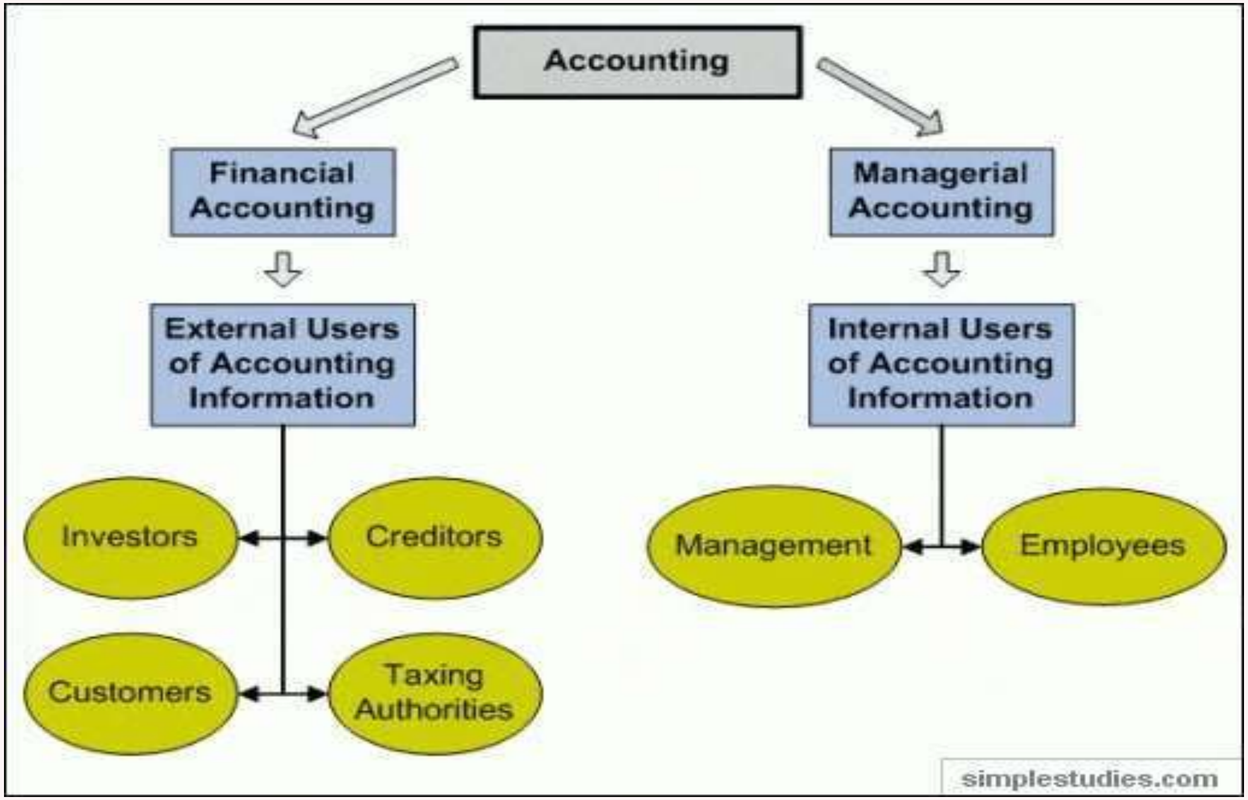
- Transactions are the basic inputs into the accounting process

Identifying → **Measuring** → **Recording** → **Communication**

Identifying	Measuring	Recording	Communication
Taking into consideration all transactions which affect business entity	Quantifying in monetary terms	Analysing, recording, classifying and summarising transactions	Preparing accounting reports, analysing and interpreting

Commonly referred to as ‘bookkeeping’

Who USES accounting information and do they have the same needs????



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Activity 1

Emily has turned 18 and has just got her driving licence. She has saved up $5,000 from working part time and her parents will also contribute $5,000. She has found the following advertisement in the newspaper:

FORD, 10yo, 5 speed manual sedan, air con, tinted windows, power steering, tinted windows, $9,500 ONO, ph

Questions:

How useful is this information in helping Emily arrive at a decision?

What extra information would she need before making her decision?

Activity 2

1. **Identify one decision that each of the following users might need to answer using the financial information of a business:**
   a) **Potential shareholder**
   b) **Employee**
   c) **Customer**
   d) **Manager**
   e) **Current shareholder**
   f) **Australian Tax Office**
2. **Identify 2 transactions that you have had today with another party that would be considered a business transaction by the other party.**

FORMS OF BUSINESS ORGANISATION

One Owner

Panel beater, dentist, restaurants …

Sole proprietor/sole trader

Corporation

BHP, CSR, Westpac, RM Williams…

Partnership

Organised as a separate legal entity & owned by shareholders

Owned by more than one partner

Accountants, solicitors, doctors …

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Why is the form of ownership important?

- **Impact of separate legal entity on accounting**
- **Influence on reporting requirements**
  - Does the organisation need to prepare General Purpose Financial Reports (GPFR) for use by users who are unable to command reports to meet their specific needs?
- **Determines the impact on some transactions**
  - Companies distribute profits via the retained earnings account – distribution called dividends
  - Sole proprietorships distribute profit via the drawings account – called drawings