Accounting Readings and Business Transactions

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Chapter(1)

The Conceptual framework of accounting
الإطار المفاهيمي للمحاسبة

A Conceptual framework is like (constitution) that leats the accounting system .The conceptual framework of accounting is made of three levels. the first level is a presented the objectives of financial reporting. And the second level is presented Qualitative characteristics of accounting information .while the third level is the presented The recognition and measurement Concepts: (Assumptions , principles, and constraints)

the chapter presents the accounting function as a book- keeping until the accounting became as an information system having all the features of the science.

The first level: objectives of financial reporting.

A- The concept of book- keeping . مفهوم مسك السجلات

The accounting is often confused with book –keeping.

book- keeping: is an art of recording business transactions in a set of books.

Book- keeping: is a mechanical process that records the routine economic activities of business.

1- Definition of book-keeping. تعريف مسك السجلات

- book-keeping is the process of analyzing the classification of transactions, recording them in a systematic way, and providing information about the financial affairs of the business.

2**- objects of book-keeping:**

the primary object of book-keeping is enable the business to know the following information accurately and with aminimum of time and efforts. we can summarize the objectives of book-keeping and a simple table as follows.

Objectives of book-keeping

primary objects	Sub-object	other object
-To know profit& loss - To know financial position -To have a systematic record	-To know creditors -To know debtors -To know capital invested -To understand cash and stock	-To review the progress -To prevent errors and frauds -To provide valuable information for decision making -To keep a check on property

3- Importance of book-keeping. أهمية مسك السجلات

Book-keeping: is of great importance to business, book- keepers accountants and government officers. Following points explain the importance of book-keeping.

1- Facilitates planning تبسيط التخطيط

Proprietors have to plan their business operations for years to come. Book-keeping generates valuable information about production, sales ,expenses ,and income which helps planning.

2-Decision-making صناعة القرار

Management has to take valuable decision about business book-keeping provides necessary information for decision making.

3-Controlling الرقابة

Management can Control business operation with the help of various types of budgets and book- keeping .it is not necessary to remember the transactions .

4- Protection from theft and insecurity. الحماية من السرقة وعدم الامان

A businessman can protect himself against theft and dishonesty of employees by keeping books of accounting in a systematic manner. he can exercise greater control on his finance through systematic recording.

5- Helpful in getting loans المساعدة في الحصول على القروض

A businessman may require loanse from banks for financing his expansion plans and programs properly kept account can convince the banks about Financial Soundness of the business.

6- Sale of business بيع الاعمال (بيع المنشأة)

In some cases the owner decides selling his business ,the purchase consideration can searching can be decided on the basis of the accounting maintained.

B- Accounting concept: مفهوم المحاسبة

1- Accounting definitions تعاريف المحاسبة

There are more definitions of accounting:

1- Accounting

The accounting is the art of recording, classifying, reporting, and interesting the financial data of an organization.

2-Accounting

The accounting is an information system that processes business transactions to various interested parties for making business and economics decision.

2- The importance of accounting أهمية المحاسبة

The main usefulness of accounting can be given us follows:

1- the Accounting keeps a systematic and permanent record of all financial transactions of a business.

2- The accounting keeps a record of revenues and expenses so that the net results of the business can be quickly known for any period.

3- the accounting keeps a record of assets and liabilities projecting the
financial position of the business at any moment of time.

4- the accounting protects the property of the business by designing the required system of accounting.

5- the accounting keeps a control on expenses to minimize the same.

6- the accounting provides information for meeting various legal requirements such as realization of the income tax where purposes.

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3- Types of accounting .(أنواع المحاسبة)

In general ,there are two kinds of accounting:-

1- Financial Accounting

Financial accounting is the process of providing financial information to external parties.

2- Management Accounting

Management accounting is the process of providing financial information to internal management for use.

4- Accounting classifications. التصنيفات المحاسبية

We can classify accounting into the following categories:

1- Financial Accounting

2- Administrative Accounting

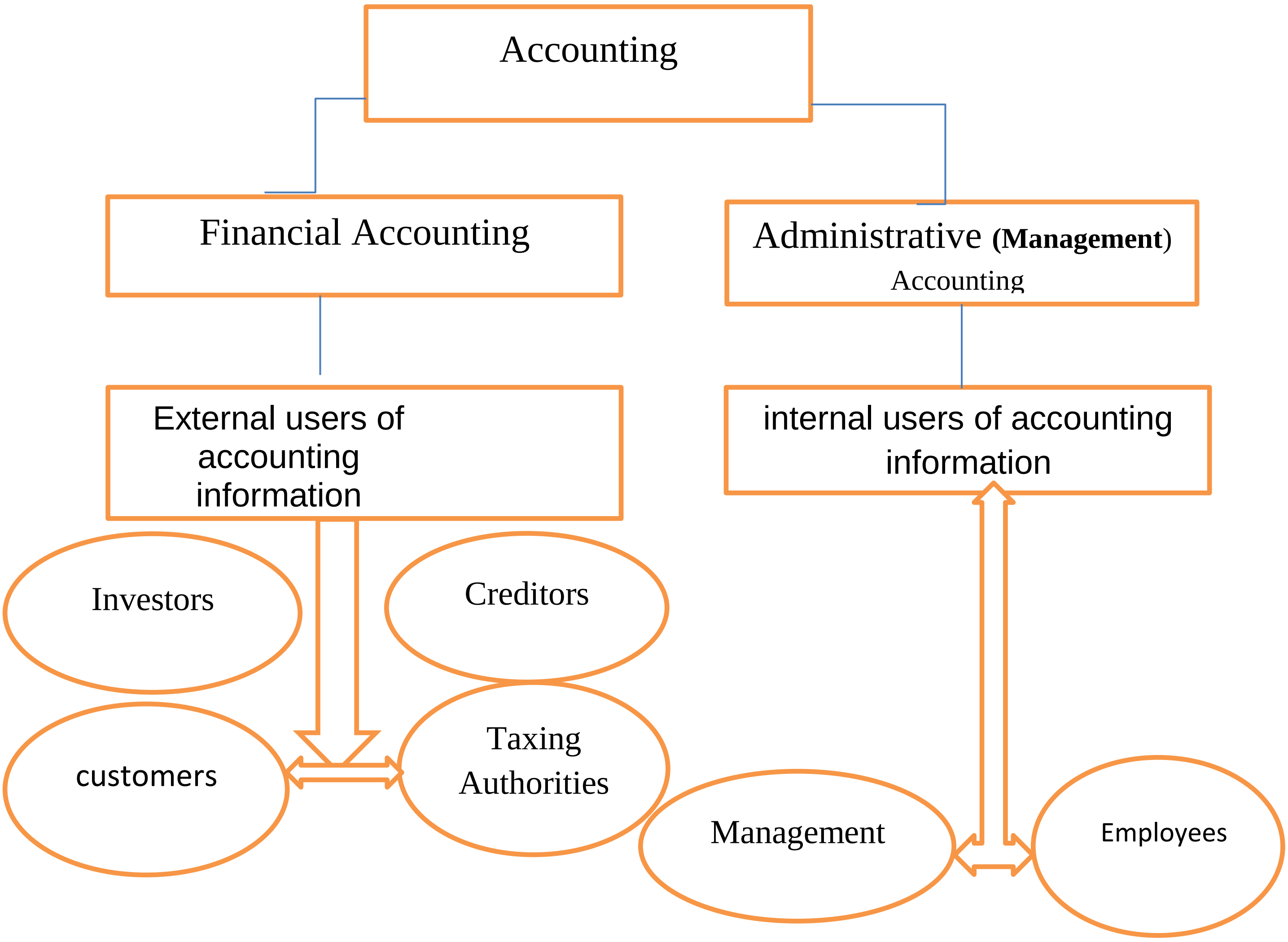
3- Governmental Accounting

4- Tax Accounting

5- Cost Accounting

These classifications are distributed between two types of accounting categories and recorded as in the following figure:

Figure(1)



5- The main users of accounting information.

المستخدمون الرئيسيون للمعلومات المحاسبية

for a business or organisation to communicate its results and position to stakeholders, it needs a language that is understood by all in common. Hence, accounting has come to be known as the" language of business"
the different users of accounting information can be classified as follow:

1- shareholders
2- Investors
3- Creditors
4- government
5- Labors
6- researchers
7- management(administration)
8- other groups

The users of accounting information can be explained as follows:

1-Shareholders

The shareholders in the company are interested to know the results of operations of the company through the annual financial position statement showing the profit earned or loss Suffered and the assets and liabilities.

2- Investors

Those who are interested in buying their shares in a company and advancing money to the company are also naturally interested in the financial statement to know how safe the investment already made is ,and how safe the proposed investment will be.

3- Creditors

A number of suppliers make supplies on credit ,they would like to be satisfied that they will be paid in time .the financial statement greatly help them in properly assessing property and the capability of the firm on payment.

4-Government

All the government in the worlds are using financial statements for preparing Statistics concerning business .the statement are of great importance for ascertaining the income tax payment.

5-Labors

Workers have are entitled of bonus which depends on the size of profit earned. Therefore, they would like to be satisfied that the bonus being paid to them is correct. they are much interested in knowing the profit earned or loss suffered by the Firm. this knowledge helps them in asking for their revision of their wages which need improvement.

6- researchers

The financial statement being a mirror for business conditions ,these statement are, therefore of great interest to scholars undertaking research in accounting Theory as well as business affairs and practices.

7- management(administration)

Management: collectively is the people who have overall responsibility for operating a business and for meeting its profitability goals successfully management consistently make the right decisions based on timely and walid information.

8- other groups

- Labor Unions study the financial statement of corporations as part of preparing for contract negotiations.

- analysts and advisers,brokers ,underwriters,lawyers,economists and the financial press
- Consumer groups, customers and the general public

c- Distinguish between book-keeping and accounting

Book-keeping	Accounting
1- book-keeping is art of recording business transactions in a set of books	1- Accounting is concerned with the design of the system of records, the preparation of the reports and the interpretation of the results, and finally communicating the results to persons who are in Interested in such result
2- is concerned with recording and maintaining books of original entries	2- is concerned with the preparation of accounts to find out a profit or loss and the financial position of the business
3 - is responsible for recording business transactions in a set of books	3 - accounting prepare from the given books, trading and profit and loss account and balance sheet.
4 - The work of a book- keeper is clerical in nature and can be accomplished through the use of mechanical and electronic equipment	4 - accountants Direct and review the work of book-keepers. they must have a higher level of knowledge and analytical skill

The second level:

A- qualitative characteristics of accounting information.

الخصائص النوعية للمعلومات المحاسبية.

Statement No. 2 of the American *F*inancial *A*ccounting *S*tandards *B*oard (FASB) is a conceptual document that specifies the quality by which useful information should be represented and which is called qualitative characteristics and that must be used to judge the usefulness of accounting information. If these characteristics are available in the accounting information, the information is useful and must Inform and communicate it to the beneficiaries (users): -

And the quality that makes information an attractive commodity for decision-making is how useful it is, so does the benefit it carries

Accounting information to users is one of its most important goals:

Figure (2) shows the specific characteristics of the accounting information.

Figure (2)

Accounting information users	decision-makers
General limiter	Benefit- Cost
Users' property	Understandability
Basic characteristics	Convenience, reliability
Elements of basic characteristics	Relevance: predictive value - recovery value - appropriate timing Reliability: verifiable - honesty of the offer - neutral
Secondary characteristics	Comparability – stability
Discrimination limits	Physical(materiality)

Evans, Thomas G., Accounting theory, Thomson, South western U.S.A 2003 P. 150.

It is noted from Figure(2) that the Financial Accounting Standards Board has distinguished between users of the financial statements and Decision makers. The first level has focused on user-related characteristics, and users of financial statements differ As much as they need accounting information, the knowledgeable user may find some information inappropriate because he has knowledge of it Before .

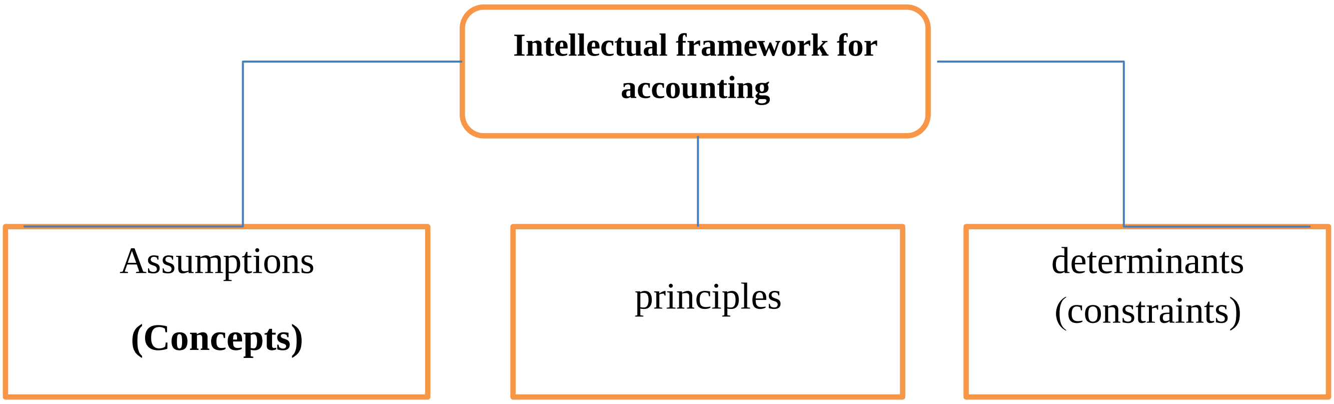
while the underrated user will find it convenient. The expert user differs from the beginner, the expert user has It sees complex accounting information more suitable than the novice user so the nature of the user is the key Which specifies any information that the company should provide or publish.

The third level :Intellectual framework for accounting

Accounting and in all stages of analysis, preparation and presentation of data are based on a number of concepts, namely (assumptions, principles and accounting determinants) These concepts, assumptions and principles are the theoretical framework.

The conceptual of accounting and this framework can be depicted in the following figure (3) :

figure (3)



1- Accounting assumptions(Concepts)
الفروض المحاسبية (المفاهيم)

Assumptions are generally defined as representations that cannot be validated, but which are the basis of the intellectual framework, suitable for inference and accounting results**.** - -Assumptions represent a basis used in deriving accounting principles and preparing financial statements.

1- The imposition of the accounting unit: The economic unit has a legal personality independent from its owners, that isThe necessity of accounting measurement for the economic events and financial transactions for that unit separately from its owner Or its owners. Separation and personal financial receivables are separated from the unit's own money.

2 - Imposing continuity: the unit was born to continue, not with the intention to liquidate it in the near future

3- Assuming the stability of the monetary unit: Accounting is based on the use of the monetary unit as a basis for the measurement 'It was required that the scale be stable in order to be valid(Cash) It is assumed that there is no change in the purchasing value of the monetary unit, that is, inflation is not taken into account Over the years in order to facilitate the processes of measuring the outcome of the activity and presenting the financial position.

4- Imposing the time period: assuming the accounting period for which it is calculated and measuring the result of the activity'Her one year starts on 1/1 and ends on 12/31.

2- Accounting principles المبادئ المحاسبية

Through accounting principles and accounting assumptions, a general framework is formed in which financial operations are controlled and organizations are controlled, and these principles are known as generally accepted accounting principles and are inconsistent with mathematical and scientific laws - they are not scientifically derived, so they are done Reviewing, modifying and constantly reviewing them to comply with the conditions of the surrounding economic environment and using the total cost of ownership, which is as follows:

1- The principle of historical cost: This principle requires that the best evaluation of the assets in the institution be made by measuring its cost historically, which is the amount of cash that was paid to obtain it when Procurement.

2- Principle of recognition of revenue: According to this accounting principle, revenue generated from commercial activity in the establishment is recognized when the service is provided or the product is sold regardless of receiving the amounts resulting from selling or providing the service or not.

3- Interview Principle: Expenses are calculated according to this accounting principle according to the accrual basis of accounting, whereby revenue is recognized whether it is received or receivable later, and by expense, whether due or paid.

4- The principle of objectivity: This principle means that no operation will be recorded in the accounting books unless there is a document and evidence of its occurrence (invoices, contracts, checks, etc.), and this principle also indicates the need to avoid bias and that the measurement is carried out according to objective grounds such that If some accountants perform the same measurement for a specific situation, each of them independently, to reach the same result through the same evidence.

5- The principle of full disclosure: Through this principle, all accounting information is disclosed to the competent authorities, where events are disclosed Finance related to a specific time period, and accountants are required to provide additional clarifications related to financial operations to show their details.

3- Determinants or constraints facing the application of accounting assumptions and principles.
المحددات والقيود التي تواجه الفروض والمبادئ المحاسبية

1- Materiality الأهمية النسبية

Relative importance means that interest in providing accuracy in the processing and analysis of accounting information depends on the extent of its relative importance in the statement of income and statement of financial position. While in theory all elements of any size should be treated in the same way, in practice the correct method of treatment is often ignored when they are associated with relatively small values..

2- Conservatism التحفظ (الحيطة والحذر)

In many situations related to asset valuation and income challenge, there are several values that represent alternatives in the valuation field. In this case, accounting chooses the alternative that results in not increasing the value of income and thus not increasing the values of the asset elements in the statement of financial position. This concept is an application of the rule of caution and in the sense that only the expected profits are taken into account when they are actually realized.

3- Consistency الثبات (التجانس)

This principle means that when the establishment follows a certain accounting procedure or method, it should not change from period to period. The principle of stability is an important principle because it helps users of financial statements explain the changes in the financial position and changes in the income statement. It is noted that the principle of stability does not mean that the establishment can never change its tired accounting methods, but the establishment can change the method followed and switch to a new method if this method provides more information useful to users compared to the method being used. However, such a change and its effects must be disclosed in the financial statements so that users are not misled, and the new approach must then be proven.

4- Cost and benefit التكلفة والفائدة (المنفعة)

When preparing accounting information, the costs of preparing it should be weighed against the benefits that can be derived from using this information, and so that the benefits derived from it outweigh the costs of preparing and providing it.

The most common English words

مصطلحات المحاسبة الادارية والمالية باللغة الانكليزية

عربي وانكليزي

(Administrative and accounting terms)

الكلمة ومعناها المحاسبي باللغة الإنجليزية	الكلمة ومعناها المحاسبي باللغة الإنجليزية
-محاسبة = **Accounting**	عمولة وكلاء البيع = Salespeople's Salaries
-محاسب = Accountant	مصروف نقل للخارج = Transportation Out
-حساب = Account	مصروفات عمومية وإدارية = General & Administrative Expenses
-الدورة المحاسبية = Accounting Cycle	صافي الربح من العمليات التشغيلية = Net Income From Operation
-مدين = Debit	**-ايرادات أخرى = Other Revenue**
-دائن = **Credit**	إيراد عقار = Rent Revenue
-عملية مالية = Transaction	**-فوائد دائنة = Interest Revenue**
-اليومية العامة = General Journal	إيراد أوراق مالية = Dividends
-قيد اليومية = Journal Entry	أرباح بيع أصول ثابته = Gain On Sales Of Assets
قيد التسوية = Adjusting Entry	أرباح من إستبدال أصول ثابته = Gain On Disposal
قيد الإقفال = Closing Entry	مصروفات أخرى = Other Expenses
دفتر الإستاذ = Ledger	**-فوائد مدينة = Interest Expenses**
ترحيل= Post	خسائر بيع أصول ثابته = Loss On Sale Of Assets
-ميزان المراجعة = Trial Balance	خسائر من إستبدال أصول ثابته = Loss On Disposal
ملخص الدخل = Income Summery	ديون معدومة = Bad Debts
-نقد= Cash	**-صافي الربح العام / صافي الخسارة = Net Income / Net Loss**
-على الحساب = On Credit	**-الميزانية العمومية = Balance Sheet**
إيداع = Deposit	قائمة المركز المالي = Statement Of Financial Position
سحب = Withdraw	
اقتراض = Borrow	

Assets = أصول- الموجودات

Current Assets = أصول متداولة-

Cash(Treasury) = الخزينة-

Marketable Securities = أوراق مالية

Accounts Receivable = مدينون-

Notes Recceivablle = أوراق قبض

Fixed Assets = أصول ثابتة-

Accumulated Depreciation = مجمع إستهلاك

Other Assets = أصول أخرى

Preraid Expenses = مصروفات مقدمة

Accrued Revenues = إيرادات مستحقة

Liabilities = خصوم- مطلوبات

Short Term Liabilities = خصوم قصيرة الأجل

Accounts Payable = دائنون-

Notes Payable = أوراق دفع-

Short Term Loans = قروض قصيرة الأجل-

Long Term Liabilities = خصوم طويلة الأجل-

Long Term Loans = قروض طويلة الأجل-

Owners Equity = حقوق الملكية-

Capita = رأس المال-

Owner's Drawings = مسحوبات شخصية

Loans = قروض-

Trade Discount = خصم تجاري

Cash Discount = خصم نقدي

Prerare = إعداد

Merchandise(goods) = بضاعة-

Income Statement = قائمة الدخل-

Sales = مبيعات-

Sales Returns & Allowances = مردودات ومسموحات المبيعات

Sales Discount = خصم المبيعات

Net Sales = صافي المبيعات-

Cost Of Goods Sold = تكلفة البضاعة المباعة-

Beginning Inventory = بضاعة أول المدة-

Purchases = مشتريات-

Purchases Returns & Allowances = مردودات ومسموحات المشتريات

Purchases Discount = خصم المشتريات

Net Purchases = صافي المشتريات-

Transportation In = مصاريف نقل للداخل

Ending Inventory = بضاعة آخر المدة-

Gross Profit = مجمل الربح-

Operation Expenses = مصروفات تشغيلية

Selling Expenses = مصروفات بيعية

Questions and exercises

1 - Define book-keeping..تعريف مسك الدفاتر

2 - What are the goals (objectives) of book-keeping(mention only two)

ما هي اهداف مسك الدفاتر(اذكر اثنين فقط)

3- The importance of book-keeping is(only five)

اهميه مسك الدفاتر (عدد خمس فقط)

4 - Definition of accounting. تعريف المحاسبة

5 - The importance of accounting, mention (only three)

اذكر اهمية المحاسبة(لثلاثة فقط)

6 - Types of accounting number(with explanation)

عدد انواع المحاسبة مع الشرح

7 - Number of accounting classifications only.

اذكر التصنيفات المحاسبيه (عددها فقط)

8 - Main users of accounting information (number only)

اذكر المستخدمون الرئيسيون للمعلومات المحاسبية (تعداد فقط)

9 -Compare accounting and book-keeping for (only two) (2,3)

قارن بين المحاسبة ومسك الدفاتر لاثنين فقط (2-3)

10-The number of accounting assumptions is(only two)

عدد الفروض المحاسبية (لاثنين فقط)

11- The number of accounting principles is (only two)

عدد المبادئ المحاسبية (لاثنين فقط)

12- List the limitations and constraints of accounting assumptions and principles

اذكر المحددات والقيود التي تواجه الفروض والمبادئ المحاسبية

13-Translate the following terms to Arabic.

ترجم الى العربية المصطلحات التالية:

Chapter(2)

Accounting transaction
Analysis and Recording
المعاملات المحاسبية
تحليل وتسجيل

A- Accounting cycle
B- Business and accounting transactions
C- Single entry system
D- Accounting equation
F- Double entry system

A- Accounting cycle: الدورة المحاسبية

Accounting cycle:It is a group process for identifying, analyzing, and recording the company's accounting events. Its chain of steps begins with a transaction, and ends with its inclusion in the financial statements. Additional accounting records used during the accounting cycle include the general ledger, Trial balance.

The accounting cycle can be divided into the following steps:

1- analyse transaction from source document.

2- record in journal.

3- Post to general Ledger accounts.

4- adjust the general ledger accounts .

5-Prepare financial statements.

6- Close temporary accounts .

B-Business and accounting transactions:

1-define of business transaction

business transaction is defined:as an exchange of goods services money between two or more parties.

transaction is measurable event internal to a business such as adjustment for the use of assest in operation.

Any business transaction is an accounting transaction if:

1- there is a real change between two parties.

2- there is an effect for this transaction on any of the elements of accounting: assets,Liabilities, and/ or owners equality.

2- transection analysis:

Transaction analysis is the process is studying a transaction to determine. its economic effect on the business in terms of Accounting equation. المعادلة (المحاسبية)

Apply transaction analysis to analyze simple business transaction in terms of Accounting model:

2- Accounting equation:

Assets =liabilities+ Stockholders quality(capital)

3-Classification of the accounts:

The accounts are classified into three groups as follow:

- personal accounts. الحسابات الشخصية
- real accounts. الحسابات الحقيقية
-nominal accounts. الحسابات الاسمية

C-Single entry system:

1- definition of single entry system:

A system of accounting in which each transaction is recorded only once, in this system separate record showing amounts due and amounts owed are kept on customers, creditors, and cash.

Exercise(1)

- September 1,2011 Ahmed started his business by capital IQD 10000(in thousands IGD).

-December 31, 2011 an inventory made for the assets and liabilities as follow:

Assets	**IQD**	**Liabilities**	**IQD**
Cash	3000	Creditors	6500
Debtors	5500	Loans	5000
Goods	9000		
Furniture	4500		
Equipment	2000		
Machines	14500		

Required:

determine the profit or losses of the enterprise

The Solution:

Total Assets=3000+5500+9000+4500+2000+14500=38500 IQD

Total liabilities=6500 +5000=11500 IQD

Capital 31/12=38500-11500=27000 IQD

Profit or loss= capital 31/12- capital 1/1

27000-10000 = 17000 IQD

Note: the additions To capital or deductions from Capital during the financial period, and the drawings per personal use, either cash or goods, must consider for determination real resul (profit or loss) as follow:

1- increase of capital- additions+ drawings= real profit
2-decrease of capital + additions- drawing = real loss
TShe above equations can be explained by the following equation:

real profit= capital 31/12- (capital 1/1+ additions- drawings)
real profit= capital 31/ 12- capital 1/1-additions+ drawings

real loss= capital 1/1- (capital 31/12 - additions + drawings)
real loss= capital 1/1- capital 31/12 +additions – drawings

خطوات حل السؤال:

1- نجمع عمود الموجودات.
2- نجمع عمود المطلوبات او الخصوم.
3- نقوم بطرح المطلوبات من الموجودات لنستخرج رأس المال في نهاية السنة المالية31/ 12.
4- نستخرج الزيادة في راس المال خلال السنة المالية من خلال طرح الخطوة(3) من رأس المال في بداية السنة 1/1 .
5- نستخرج الربح الحقيقي او الصافي من خلال تطبيق قانون الزيادة في رأس المال نطرح منها الاضافات ومن ثم نجمع الرسومات.
6- وعند استخراج الخسارة الحقيقية من خلال تطبيق قانون النقصان في رأس المال 1/1- 12/31 مع جمع الاضافات ونطرح الرسومات.

<u>Exercise(2):</u>

-October 1, 2011 Amjed started his business buy cash IQD **50000** (in thousands IQD)

- December 31, 2011 he made an inventory of the assets and liabilities as follow:

Assets	**IQD**	**Liabilities**	**IQD**
Cash	15000	Creditors	15000
Bank	10000	Loans	25000
Goods	30000		
Furniture	5000		
Cars	20000		
Equipment	25000		

Additional information: the additions and drawings through the period were as follow:

- additions IQD **10000**
- drawings IQD **5000**

Required: compute the profit or loss of the Enterprise

The Solution:

total Assets = 15000+ 10000+ 30000+ 5000+ 20000+ 25000= 105000 IQD

total liabilities= 15000+ 25000= 14000 IQD

capital 31/ 12= total assets - Total liabilities

Capital 31/12=105000-40000=65000 IQD

increase of capital= capital 31/12- capital 1/1

increase of capital=65000-50000=15000 IQD

real profit = increase of capital- Additions + drawings

real profit= 15000-10000+5000 =**<u>10000</u>** IQD

real loss= capital 1/1- capital 31/12 +additions – drawings

real loss = **50000 - 65000 +10000 -5000**

= -15000+10000 -5000 = <u>-10000</u> IQD

Or

we can use the following equation:

real profit= capital 31/12-(capital 1/1+additions-drawings)

real profit= capital31/12- capital1/1- additions +drawings

Real Profit=65000-50000-10000+5000=10000 IQD

F- Double entry system. نظام القيد المزدوج

Double entry accounting :is in accounting system in which each transaction affects and is recorded in two or more accounts with Equal the debits and credits.

1-Accounting equation. **المعادلة المحاسبية**

Owner's Equity is defined: as the difference betweenThe total of business assets and liabilities. The Definition of Owner's Equity acquired can be stated in the following equation.

Assets - liabilities = Owner's Equity (capital)

Owner's Equity= Total of Assets- creditors(Current Liabilities)

Assets= **Liabilities** + Owner's Equity

2- General Rules of Journal . قواعد عامة لليومية

The following table summarizes the debit and credit rules on the affected accounts.

Category	Increase	Decrease
Assets	Debit	Credit
Liabilities	Credit	Debit
Capital	Credit	Debit
expenses and losses	Debit	Credit
revenues and gains	Credit	Debit

Exercise(3):
Mustafa started his business by the following transactions (amounts in thousands)
1- capital invesited by Mustafa for cash IQD 100000.
2- Purchased land for cash IQD 15000.
3- Purchased furniture from Suhail on account for IQD .900
4- Paied for sundry expenses IQD 270.
5- Purchased goods from Al-Amanah company for IQD 3400,paying cash IQD 1400 and the balance on credit.
6- received cash as commission IQD 70.
7- Sold goods to Zuher on account IQD 2650.
Required:use accounting equation to show their effects on assets, liabilities and capital.

Solution: accounting equation(amount in thousands)

No	Explanation	Assets					Liabilities+ owner's equity	
		Cash	Goods	Account receivable	furniture	Land	Account payable	Mustafa capital
1 2	Capital visited Cash Purchased land cash	+100000 -15000				+15000		+100000
3	Balances Purchased furniture on account	85000			+900	15000	+ 900	100000
4	Balances Paid sundry expenses	85000 -270			900	15000	900	100000 -270
5	Balances Purchased goods for cash on account	84730 -1400	3400		900	15000	900 +2000	99730
6	Balances received cash as commission	83330 +70	3400		900	15000	2900	99730 +70
7	Balances Sold goods on account	83400	3400 -2650	+2650	900	15000	2900	99800
Total		83400	750	2650	900	15000	2900	99800

Assets = Liabilities+ owner's equity

Total Assets = Total Liabilities

(83400+750+2650+ 900+ 15000)= 2900+ 99800

102700=102700

Note:ملاحظة

1- اذا تم شراء بضاعة على الحساب اي لم يتم دفع المبلغ للجهة البائعة للبضاعة نضيف وندون العملية في حقل المطلوبات Liabilities+ owner's equality وعمود حساب مؤجل الدفع Account payable

2- - اذا تم بيع بضاعة على الحساب اي لم يتم إستلام المبلغ من الجهة التي أشترت البضاعة نضيف وندون العملية في حقل الموجودات Assets و عمود حساب مؤجل الاستلام Account receivable(حساب العميل او الحساب المستحق)

We can prepare this accounting equation by simple balance sheet:

balance sheet:

Assets	IQD	Liabilities& owner's equity	IQD
Cash	83400	Account payable	2900
Goods	750	Account receivable	99800
Account receivable	2650		
Furniture	900		
Land	15000		
Total	102700		102700

Elements of Accounting Statements
Chart of Accounts

Current Assets	Liabilities
-Cash -Accountng Receivable -Inventory	-Creditors -Accounts payable -Short term loans -long term loans
Fixed Assets	**owner's equity**
-Land -Building -Office Equipment -Furniture	-Capital -Retained Earnings -reservoir
Expenses	**Revenues**
-Salaries -Electricity -Supplies -Advertisements -Telephone -Insurance -Rent -Depreciation	-Sales -interest received -discount received -commission received

Questions and exercises

First: Define the following terms.

1- The Accounting cycle.

2- Business transactions (Commercial). التجارية

3- Accounting transactions.

4- Transaction analysis.

5- Single entry system.

6- Double entry system.

7- owner's equity (Property rights). حقوق الملكية أو المالك الاسهم

Second: Enumerate (تعداد)the following questions.

1- What are the steps of the accounting cycle?

2- Conditions (شروط) that any Business transaction is an accounting transaction.

3- Accounting is classified into three groups.

Exercises:-

-The following information are extracted From the books of trading Ibrahim (Amounts in IQD thousands).

- January 1, 2012 he commenced his Business by cashIQD125000.

-Jun 30, 2012 he made a periodic inventory for his assets and liabilities as follower:

- Assets: cash 12000,debtors 8000,goods 15000,furniture 5000,cars 20000, Equipment 10000,building 55000.

-Liabilities:Accounts payable14000, notes payable 6000,Loans 5000.

-Additional information:additionl to capital 10000, Drawing 15000

Required: compute the profit or loss of the enterprise by using the single antry system.