

At a Glance

1. Describe the nature of a business and the role of ethics and accounting in business.			
Key Points	Key Learning Outcomes	Example Exercises	Practice Exercises
<p>A business provides goods or services (outputs) to customers with the objective of maximizing profits. Service, merchandising, and manufacturing businesses may be organized as proprietorships, partnerships, corporations, and limited liability companies.</p> <p>A business stakeholder is a person or entity (such as an owner, manager, employee, customer, creditor, or the government) who has an interest in the economic performance of the business.</p> <p>Ethics are moral principles that guide the conduct of individuals. Good ethical conduct depends upon individual character, firm culture, and laws and enforcement.</p> <p>Accounting, called the “language of business,” is an information system that provides reports to stakeholders about the economic activities and condition of a business.</p> <p>Accountants are engaged in private accounting or public accounting.</p>	<ul style="list-style-type: none"> • Distinguish among service, merchandising, and manufacturing businesses. • Describe the characteristics of a proprietorship, partnership, corporation, and limited liability company. • List business stakeholders. • Define ethics and list the three factors affecting good ethical conduct. • Describe the role of accounting in business and explain why accounting is called the “language of business.” • Describe what private and public accounting means. 		
2. Summarize the development of accounting principles and relate them to practice.			
Key Points	Key Learning Outcomes	Example Exercises	Practice Exercises
<p>Generally accepted accounting principles (GAAP) are used in preparing financial statements so that stakeholders can compare one company to another. Accounting principles and concepts develop from research, practice, and pronouncements of authoritative bodies such as the Financial Accounting Standards Board (FASB).</p> <p>The business entity concept views the business as an entity separate from its owners, creditors, or other stakeholders. The cost concept requires that properties and services bought by a business be recorded in terms of actual cost. The objectivity concept requires that the accounting records and reports be based upon objective evidence. The unit of measure concept requires that economic data be recorded in dollars.</p>	<ul style="list-style-type: none"> • Explain what is meant by generally accepted accounting principles. • Describe how generally accepted accounting principles are developed. • Describe and give an example of what is meant by the business entity concept. • Describe and give an example of what is meant by the cost concept. • Describe and give an example of what is meant by the objectivity concept. • Describe and give an example of what is meant by the unit of measure concept. 	1-1	1-1A, 1-1B

3. State the accounting equation and define each element of the equation.			
Key Points	Key Learning Outcomes	Example Exercises	Practice Exercises
<p>The resources owned by a business and the rights or claims to these resources may be stated in the form of an equation, as follows:</p> <p>Assets = Liabilities + Owner's Equity</p>	<ul style="list-style-type: none"> State the accounting equation. Define assets, liabilities, and owner's equity. Given two elements of the accounting equation, solve for the third element. 	1-2	1-2A, 1-2B
4. Describe and illustrate how business transactions can be recorded in terms of the resulting change in the basic elements of the accounting equation.			
Key Points	Key Learning Outcomes	Example Exercises	Practice Exercises
<p>All business transactions can be stated in terms of the change in one or more of the three elements of the accounting equation.</p>	<ul style="list-style-type: none"> Define a business transaction. Using the accounting equation as a framework, record transactions. 	1-3	1-3A, 1-3B
5. Describe the financial statements of a proprietorship and explain how they interrelate.			
Key Points	Key Learning Outcomes	Example Exercises	Practice Exercises
<p>The principal financial statements of a proprietorship are the income statement, the statement of owner's equity, the balance sheet, and the statement of cash flows. The income statement reports a period's net income or net loss, which also appears on the statement of owner's equity. The ending owner's capital reported on the statement of owner's equity is also reported on the balance sheet. The ending cash balance is reported on the balance sheet and the statement of cash flows.</p>	<ul style="list-style-type: none"> List and describe the financial statements of a proprietorship. Prepare an income statement. Prepare a statement of owner's equity. Prepare a balance sheet. Prepare a statement of cash flows. Explain how the financial statements of a proprietorship are interrelated. 	<p>1-4</p> <p>1-5</p> <p>1-6</p> <p>1-7</p>	<p>1-4A, 1-4B</p> <p>1-5A, 1-5B</p> <p>1-6A, 1-6B</p> <p>1-7A, 1-7B</p>