

TOPIC A : INTRODUCTION TO ACCOUNTING

MHE5402

ACCOUNTING AND FINANCIAL MANAGEMENT FOR EXECUTIVES

BY ASST.PROF.DR.CHUMPON RODJAM

27/02/2023



NARRATIVE CONTENT

- **Topic : Introduction to Accounting**
- - The Definition of Accounting
- - Benefits of Accounting
- - Definition of financial accounts
- - Product production operations
- - Operating cycle of trading business
- - Purchase of goods
- - Cash section
- - Summary
- - Exercise



PREAMBLE

- The Definition of Accounting
- The Association of Certified Accountants and Certified Public Accountants of Thailand defines accounts as follows: Accounting refers to the art of collecting, recording, classifying and summarizing information about economic events in the form of money in the book on a regular basis in an orderly and correct manner, and the final contribution of accounting is to provide financial information which is useful to individuals, parties and people interested in the activities of the business.



BENEFITS OF ACCOUNTING

1. To be a measure of business success
2. To help plan and make business decisions
3. To help plan profits and control the expenses of the business
4. To be a tool to help find financing
5. To have a good internal control system and be an alarm of the business
6. For the sake of planning to pay taxes correctly and economically



สมการบัญชี (Accounting Equation) ก็คือ สมการที่วัดด้วยความเท่ากันของหลักการบัญชีที่ว่า

สินทรัพย์ = หนี้สิน + ส่วนของเจ้าของ (ทุน)

Assets = Liabilities + Owner's Equity (Proprietorship)

A = L + OE (P)



Major Account Types

- **Assets**
 - Current (cash, inventory, accounts receivable, etc.)
 - Fixed (property, vehicles, machinery, etc.)

Everything your business possesses
- **Liabilities**
 - Current (within one year)
 - Long Term

Everything your business has borrowed
- **Equity**
 - Contributed capital: owner's investment
 - Retained earnings (profits)

Everything your business owns

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$



DEFINITION OF FINANCIAL ACCOUNTS

- Sukalya Preecha (2010: 4-1) defines financial accounting as accounting that is prepared for third parties to use for decision-making. It complies with generally supported accounting principles, which consist of important financial statements, namely income statements and balance sheets, in which the income statement displays information about the performance in a particular period. The balance sheet displays information about the financial position of the business by showing the assets, liabilities and amount of capital at any given time. Users of this type of information include business owners, investors, creditors, government agencies. Auditor
- Samdet Rojkurisatien et al. (2009 : 16) defined financial accounting as the preparation of accounting for the recording of financial statements. Show changes in financial position and operating results of the business to report to the management. Shareholders, Third Parties



PRODUCT PRODUCTION OPERATIONS

- The business is divided into 3 sectors: services; The main thing to take into account is the goods, which will be recorded in the product account in different ways. Accounting methods vary according to the nature of the business and the method of recording goods. The counting process is therefore different.

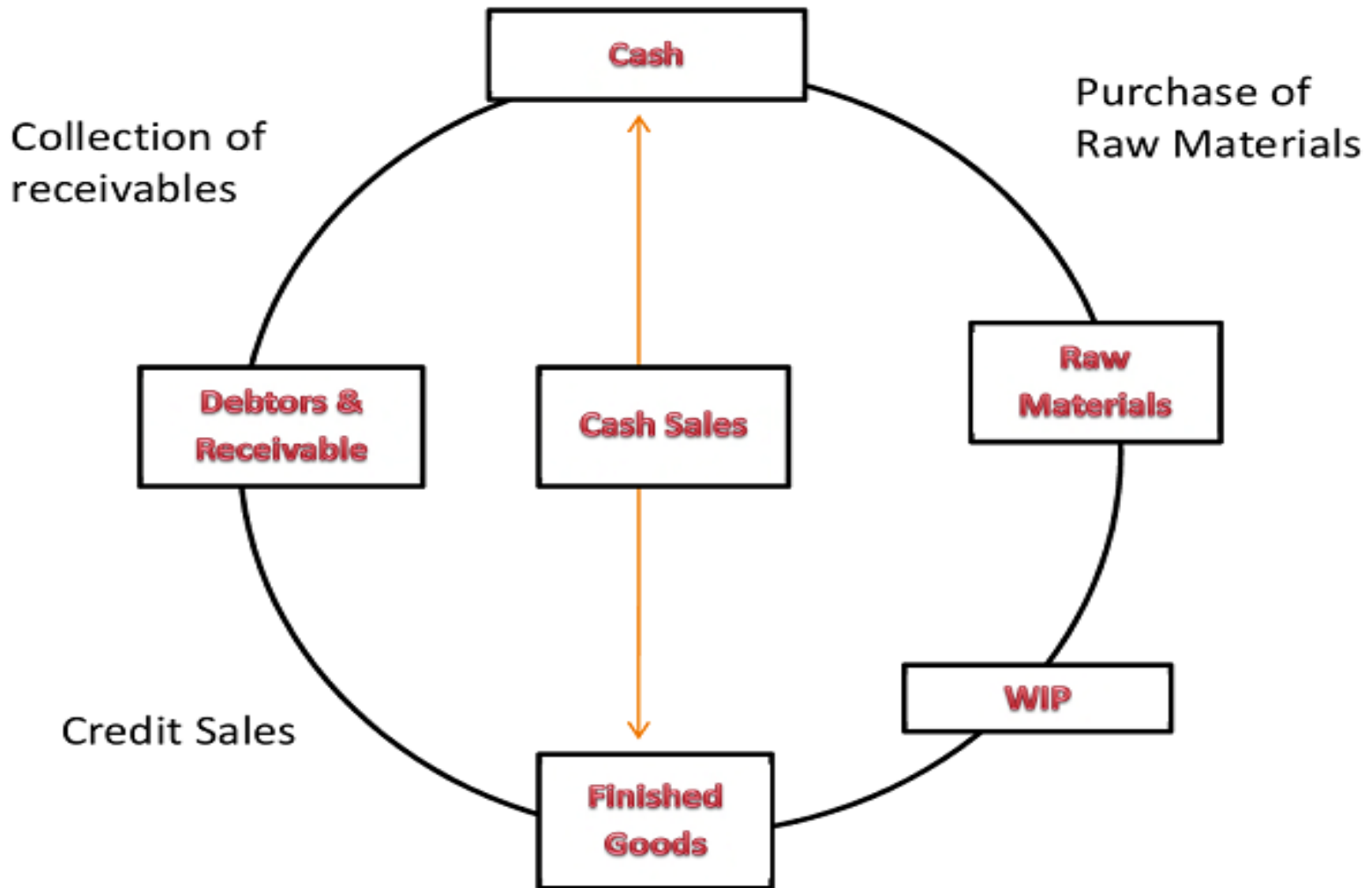


WHAT IS A PRODUCT?

- Goods refers to assets that a business provides for sale, such as a car dealership. Therefore, cars are the products of car dealerships. Computers for office use are not intended for sale.
- Therefore, computers are the assets of the car sales business, but not the product, the business about goods is divided into 2 types
- - Commercial business is the business that buys finished goods for sale without conversion
- - Industrial business is the business that is responsible for producing finished goods by buying raw materials for conversion.



OPERATING CYCLE OF A MANUFACTURING FIRM



PURCHASE OF GOODS

- The brief procedure of purchasing goods is as follows:
- 1. The manager of the department that wants the item prepares the purchase requisition.
- 2. The purchasing department selects the seller and prepares the purchase order.
- 3. When the seller receives the purchase order, the goods will be delivered together with the invoice to the buyer.
- 4. When the goods arrive at the buyer, the quantity, quality and characteristics must be checked to see if they are correct or not, and the product receipt must be prepared to show the details of the received goods.



TRADE DISCOUNTS

- The seller sets the price of the goods sold in the price of the goods or in the price book for only one price, but the actual time of sale will be charged differently.
- **Trade discount** refers to the amount or percentage that the seller agrees to reduce the buyer from the set price. The buyer records the purchased item at the actual paid price.



SAMPLE

- Buy 10,000 B
- 5% discount 500 B
- Cash payment 9,500



CASH SECTION

- Usually, the seller usually determines the loan period, which may be 30 days, 60 days, or 90 days, and the seller may also set a condition that if the debtor pays the debt within the specified deadline, it will give a discount to the debtor. This discount is called a cash discount. The characteristics of the condition are as follows:
 - 1/10, n/30 means to pay the price shown in the invoice within 30 days from the date of the invoice. However, if the buyer pays within 10 days, they will get a 1% discount.
 - Cash discounts can be divided into 2 types as follows:
 - 1. The discount is the amount that the buyer receives from the seller. If the buyer pays the debt within the period specified in the terms of payment. The discount is an item that reduces the cost of goods purchased for sale.
 - 2. The discount is paid in the amount that the seller reduces to the buyer. If the buyer pays the debt within the period specified in the terms of payment. The discount paid will be the item that causes the revenue from the sale of goods to decrease.

Chart of Accounts

Balance Sheet

Account Type	Account Number
Assets	100
Liabilities	200
Owners' Equity	300

Income Statement

Account Type	Account Number
Revenue	400
Expense	500

Balance Sheet

- Shows the assets, liabilities, and equity at a given moment in time
- Assets = Liabilities + Equity**

Equity also referred to as Owners Equity or Retained Equity.

Mark's Atomic Graphic Designs Balance Sheet Summary

As of December 15, 2007

◊ Dec 15, 07 ◊

ASSETS	
Current Assets	
Checking/Savings	▶ 31,990.56 ◀
Accounts Receivable	20,384.70
Other Current Assets	<u>5,794.50</u>
Total Current Assets	<u>58,169.76</u>
TOTAL ASSETS	<u>58,169.76</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	1,300.22
Other Current Liabilities	<u>44.58</u>
Total Current Liabilities	<u>1,344.80</u>
Total Liabilities	1,344.80
Equity	<u>56,824.96</u>
TOTAL LIABILITIES & EQUITY	<u>58,169.76</u>



Income Statement

Mark's Atomic Graphic Designs Profit & Loss Standard

December 1 - 15, 2007

◇ Dec 1 - 15, 07 ◇

Ordinary Income/Expense

Income

Sales	▶	<u>12,632.50</u>	◀
Total Income		12,632.50	

Expense

Contract labor	910.00
Insurance (other than health)	383.39
Repairs and maintenance	1,775.00
Supplies	473.25
Taxes and licenses	699.12
Utilities	<u>23.27</u>
Total Expense	<u>4,264.03</u>

Net Ordinary Income 8,368.47

Net Income 8,368.47

- Summarizes the revenue and expenses of a company over a period of time
- Also called a Profit & Loss or P&L



FINANCIAL CONDITION IN BUSINESS

Example 1:

Particulars	Situation-1	Situation-2	Situation-3
A. Current Assets	Rs.	Rs.	Rs.
Inventory	5000	5000	10000
Debtors	15000	15000	5000
Bills Receivable	5000	5000	6000
Cash in hand	2000	2000	15000
Cash at bank	1500	1500	25000
A1. GROSS WORKING CAPITAL/TOTAL CURRENT ASSETS	28500	28500	61000

FINANCIAL CONDITION IN BUSINESS

B. Current Liabilities	Rs.	Rs.	Rs.
Creditors	15000	17000	12500
Bills Payable	5000	7000	8000
Bank Overdraft	15000	4500	25000
B1. Total Current Liabilities	35000	28500	45500
<i>CURRENT RATIO(CURRENT ASSETS/CURRENT LIABILITIES)</i>	<i>-4.38</i>	<i>1</i>	<i>3.94</i>
<i>NET WORKING CAPITAL(A1-B1)</i>	<i>-6,500</i>	<i>0</i>	<i>15,500</i>



SUMMARY

- What should be known in the content learned is the operating model of the trading business. The operational cycle of the trading business is used for executive planning. How to buy The nature of the cost of purchasing goods and keeping an accurate and accurate accounting record. It can be used to plan for determining costs and profits.



EXERCISE 1 : FIND BALANCE

Date	Particulars	\$	Income	Expenses	Balance
1-Apr	Balance forwarded	1,000			
5-Apr	Supplies	200			
10-Apr	Sales	500			
15-Apr	Electric bills	600			
20-Apr	Sales	1,000			
30-Apr	Bank fees	50			
	Balance				1,650.00

EXERCISE 2 : CASH FLOW

ACCOUNT	Increase / Decrease	Cash Flow
Assets	Increase	
Expenses	Increase	
Liabilities	Decrease	
Equity	Increase	
Revenue	Increase	



DEADLINE

- **Exercise 1 : find balance and Exercise 2 : cash flow**
- **send to chumpon.ro@ssru.ac.th**
- **February 28, 2023**

