

Accounting Unit 1 Holiday Homework

Refer to your textbook and answer the following questions in your own words.

Task 1

1. What is accounting?
2. Explain the purpose of accounting.
3. Who uses accounting information?
4. What do the terms financial data and financial information refer to and how do they relate to each other?
5. Draw a flow chart showing the 4 stages of the accounting process.
6. What is a source document?
7. State and describe two types of accounting records.
8. State and describe three types of accounting reports.

Task 2

The guidelines we adhere to in this course are:

- Accounting Principles-which govern the way accounting information is recorded
- Qualitative Characteristics-which inform the way accounting reports are prepared

1. Explain the 7 Accounting Principles in your own words
2. Qualitative Characteristics are the qualities we would like our accounting information to possess. Outline the 4 Qualitative Characteristics.

3. In accounting we use an abbreviation for the accounting principles and the qualitative characteristics. The use of a mnemonic will help you to remember the 7 Principles and 4 Characteristics. Using the pictures provided try to decipher the saying which would be represented by the picture clues and then use the information provided to fill in the boxes representing each of the principles and characteristics.

Cut out the following terms and definitions and place them in the correct place on the sheets provided

CONSERVATISM

REPORTING PERIOD

RELIABILITY

COMPARABILITY

ENTITY

HISTORICAL COST

RELEVANCE

GOING CONCERN

**UNDERSTAND-
ABILITY**

CONSISTENCY

MONETARY UNIT

The business should use the accounting methods to allow for the comparison of reports from one period to the next.

Reports should include all information that is useful for decision-making.

The business is separate from the owner and other entities and its records should be kept on this basis.

The life of the business is divided into 'periods' of time. Records should reflect the 'period' in which the transaction occurs.

Reports should be presented in a manner that makes it easy for the user to comprehend their meaning.

All items must be recorded and reported in the currency of the country in which the reports are prepared.

Reports should contain information verified by source document evidence so that it is free from bias.

The life of a business is assumed to be continuous and its records are kept on that basis.

Transactions should be recorded at their original purchase price, as this value is verifiable by source document evidence.

Losses should be recorded when probable, but gains are only recorded when certain, so that liabilities are not understated and assets are not

Reports should be able to be matched up to each other over time through the use of consistent accounting procedures.