

The Accounting Industry – Student Notes

Directions:

Fill in the blanks.

What is Accounting Segment

1. Accounting

- Is the process of retrieving, _____, storing and summarizing financial transactions for a business
 - accounting information is also used for _____ and decision making

Bookkeeping vs. Accounting: Bookkeeping is the process of recording daily business transactions which is only one part of the accounting process.

2. Types of Accounting Systems

- Include:
 - manual
 - maintaining accounts by _____
 - computer
 - maintaining accounts with the help of computer software
 - for example:
 - _____[®]
 - Sage 50 Accounting[®]

3. Purposes of Accounting

- Includes:
 - helping management determine the health of a business
 - managers use the information to determine if the company is _____ stable which helps them make decisions such as borrowing money or expanding the business
 - _____ resources
 - helps a company keep track of the goods they have on hand as well as the cost of storing and selling these goods

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4. Purposes of Accounting

- Includes:
 - providing stakeholders with financial information
 - creates records which can help stakeholders make decisions about the company
 - _____ - person who has an interest in a company
 - for example:
 - investors in companies as well as employees, customers and anyone who has an interest in a company are considered stakeholders

5. Purposes of Accounting

- Includes:
 - aiding in maximizing company profits
 - accounting helps companies _____ profits and losses

Profit: amount of money earned is greater than amount of money spent

Loss: amount of money earned is less than the amount of money spent; a loss occurs when there is no profit

6. Types of Accounting

- Include:
 - financial accounting
 - _____ accounting
 - tax accounting

7. Financial Accounting

- Produces information for external use through financial statements
- Ensures external users of company statements receive _____ and useful information to make decisions
 - includes _____, creditors and the government

Creditor: person or company which lends money to another person or company

8. Management Accounting

- _____ information mainly for company/management use
- Ensures managers are aware of the company's _____ health in order to make decisions such as borrowing money or expanding the business

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9. Tax Accounting

- Is the category of _____ which records and files taxes
- Ensures the company reports and pays all taxes which are required by the U.S. government
- Is also used to comply with _____ and regulations

Accounting Process Segment

1. Accounting Cycle

- Includes the following steps:
 - _____ transactions
 - record journal entries
 - post ledger account entries
 - arrive at unadjusted trial balance
 - record and post adjusting entries
 - arrive at adjusted trial balance
 - prepare _____ statements
 - close accounts
 - arrive at post closing trial balance

2. Accounting Cycle

- Can be summarized by two general elements
 - recording business transactions
 - analyze transactions
 - record journal entries
 - _____ ledger account entries
 - arrive at unadjusted trial balance
 - record and post adjusting entries
 - arrive at adjusted trial _____

3. Accounting Cycle

- Can be summarized by two general elements
 - reporting financial information for decision making
 - prepare financial _____
 - _____ accounts
 - arrive at post closing trial balance

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4. Business Transactions

- Is an activity or event which can be measured in terms of _____ which impacts the financial position or operations of a business
- Can be classified as:
 - exchange _____
 - involve physical exchanges such as purchasing, selling, collection of receivables and payment of accounts

5. Business Transactions

- Can be classified as:
 - _____ transactions
 - events not involving physical exchanges, but where changes in _____ are determinable such as wear and tear on equipment and damage to a structure

6. Financial Reporting

- Involves accounting _____
 - accounting records are the foundation of financial reporting
- Is a process of using information gathered from financial transactions and records
 - includes information about cash flow and financial health
- Helps determine how resources are _____

7. Financial Reporting Objectives

- Provide information about company _____
- Provide information useful for investors' and creditors' decision making
- Provide information which _____ shows the health of a company

8. Generally Accepted Accounting Principles (GAAP)

- Are a common set of accounting rules and procedures
- Are needed in maintaining _____ and consistency of financial reports
 - completed _____ financial reports must also follow GAAP
- Are issued by the Financial Accounting Standards Board (FASB)

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9. GAAP Examples

- Include:
 - cost principle
 - reliability principle
 - _____ principle
 - matching principle
 - going concern principle

10. Cost Principle

- States the _____ cost of an item needs to be stated, not its current value
 - for example:
 - a company purchases a _____ on sale for \$500; the printer initially was priced at \$750; when recording the cost of the printer, the company should report \$500 not \$750

11. Reliability Principle

- States accountants must only record information which can be _____
 - for example:
 - receipts, bank statements and _____ should be kept for accountants to record and verify

12. Disclosure Principle

- States all information which is _____ to financial statement viewers must be included in the financial statement
 - for example:
 - a food manufacturer must disclose a _____
 - a company must disclose if they are merging with another company

13. Matching Principle

- States expenses must be reported at the _____ time of the corresponding (matching) revenue
 - for example:
 - if a store makes \$10,000 in revenue in January and employees are paid a total of \$10,000 the same month, both must be recorded in _____

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14. Going Concern Principle

- Is the assumption a company intends to _____ operations
 - if an accountant believes a company is near _____, this should be fully disclosed

15. Accountants

- Are bound by company rules and professional standards
- May face pressure to “break the rules” if a company is in financial _____
- Must have ethical and social responsibilities which they uphold
 - actions of an accountant _____ both the company and outsiders

16. Ethical Responsibilities of Accountants

- Include:
 - _____ laws and regulations
 - utilizing moral values to make judgements
 - recording only _____ business transactions
 - keeping client information confidential
 - presenting financial statements objectively to share holders

Shareholder: individuals who own part of a company through stock ownership

Many companies use accountants who have no financial ties to the company to help prevent unethical reporting.

17. Social Responsibilities of Accountants & Businesses

- Include:
 - taking actions which benefit society as a whole which may result in the company _____ money
 - additional costs beyond normal business costs due to an activity or policy are known as social costs
 - developing _____ reports along with financial reports

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Careers Segment

1. Accountants

- Are individuals who _____ financial transactions and prepare financial reports
- Examine statements to ensure accuracy
- Suggest ways to improve profits and reduce costs
- Compute taxes and prepare tax returns
- Ensure statements and records comply with laws and regulations
- Maintain _____ records

2. Common Personality Traits & Skills of an Accountant

- Include:
 - an eye for _____
 - ability to analyze data
 - willing to travel if needed
 - _____ in math and general computer skills
 - extensive knowledge of accounting software
 - ability to complete repetitive tasks
 - ability to work alone or in a group

3. Types of Accountants

- Include:
 - public accountant
 - _____ accountant
 - government accountant
 - _____ auditor

4. Public Accountants

- Are considered an “_____” accountant for companies
- Have clients such as corporations, governments and individuals
- Have duties including _____ taxes and preparing financial reports

5. Public Accountants

- Have the opportunity to work with multiple clients in different industries
- Must be a good _____ and adaptable to change
- Usually requires a _____ degree in Accounting
 - advanced positions require certification (Certified Public Accountant (CPA))

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6. Management Accountants

- Are considered “_____” accountants for a company
- Work within _____ specific company
- Are also referred to as cost, managerial, corporate or private accountants

7. Management Accountants

- Typically require a _____ degree in Accounting or Finance
 - advanced positions require certification designations such as Certified Public Accountant (CPA) or Certified _____ Accountant (CMA)

8. Government Accountants

- Work for _____, state or local government
- Maintain and examine records of government agencies
- Prepare financial statements and handle payroll duties
- Are an integral part of the budget and _____ process

9. Government Accountants

- May perform _____ on behalf of the government
- Usually requires a Bachelor’s degree in Accounting
 - some organizations may accept experience and passing an _____ exam

Government accountants who work for agencies such as the Internal Revenue Service (IRS) audit private businesses and individuals to ensure their compliance with federal income taxation laws and other government regulations at the national, state and local levels.

10. Internal Auditors

- Examine _____ records of companies to ensure proper management of funds
- Suggest methods of preventing fraud
- _____ fraud to the federal government
- Typically have no connection to a company

11. Internal Auditors

- May have to travel to businesses to complete audits
- Should have excellent analysis skills and be very _____
- Requires a _____ degree in Accounting and a Certified Public Accountant (CPA) license

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12. General Ledger Accountants

- Ensure business transactions are properly recorded in the business or organization's _____, the general ledger
- Should be:
 - familiar with general accounting and bookkeeping skills
 - proficient working in a team or individually
 - _____
- Require a Bachelor's or Associate's degree in business and/or accounting

13. Forensic Accountants

- Specialize in examining accounting transactions for _____ to determine if illegal transactions have occurred
- Investigate crimes related to:
 - fraud
 - such as corporate, health care, mass marketing, hedge fund and securities fraud
 - money _____
 - contract disputes
 - embezzlement
 - bankruptcy

14. Forensic Accountants

- Are required to hold a Bachelor's degree in Accounting or a related field
- Take coursework in business administration, finance, marketing, economics and _____
- May also have earned a graduate certificate or Master's degree in Forensic Accounting
- Are generally required to have their Certified Public Accountant (CPA) certification
- Can also become a Certified Fraud Examiner or Certified _____ Accountant

15. International Accountants

- Specialize in recording and _____ international (non-GAAP) business transactions
- Are typically required to have a Bachelor's degree in a field such as Accounting or Finance and accreditation through certain _____

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16. Professional Certifications for Accountants

- Show accountants have expertise and _____
- Include:
 - Certified _____ Accountant (CPA)
 - Certified Management Accountant (CMA)

17. Certified Public Accountants (CPA)

- May have _____ salaries and client trust
- Have taken and passed the CPA exam
 - a four-part national exam
- Are licensed by their _____ board of accountants
 - for example:
 - state requirements for Texas:
<https://www.tsbpa.state.tx.us/exam-qualification/certification-requirements.html>

18. Certified Public Accountants (CPA)

- Are required by most states to have _____
- Requires approximately _____ work hours

19. Certified Management Accountants (CMA)

- Specializes more in financial _____ and performance management than a CPA
- _____ to take the CMA exam
 - exam has two parts and measures knowledge in management accounting
- Are required by most states to have continuing education and work experience

20. Tips for Exploring Accounting Careers in High School

- Research colleges which offer accounting degree programs
- _____ a local accountant/CPA
- Enhance computer skills (typing, Microsoft® Excel)
- Increase _____ skills/study time
- Thoroughly research CPA test requirements