

A composite image featuring a calculator on the left, a line graph on a document in the center, and a stack of coins on the right. The entire scene is overlaid with a semi-transparent dark blue rectangle. The text 'FINANCIAL MANAGEMENT' is centered in white, bold, uppercase letters within this rectangle. Below it, the subtitle 'Accounting and Auditing' is written in a white, italicized serif font. At the bottom left, a yellow-orange box with a red border contains the text 'Lecture No. 2' in white, bold, uppercase letters.

# FINANCIAL MANAGEMENT

*Accounting and Auditing*

**Lecture No. 2**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



# FACUALTY PROFILE



**Mr. Muhammad  
Younis**

(Lecturer Commerce)

**Several Times Topper in  
PPSC & FPSC in this field  
& 6 times Appointed  
against different positions  
of Accounts & Audit**



Contact Details:  
00923001004803

**00923001004804**

[iirsacademy@gmail.com](mailto:iirsacademy@gmail.com)





# BASICS OF ACCOUNTING





## Terms & vocabulary and terminologies of Accounting

- ◆ **Transactions:** Economic activity in which a thing is exchanged for money or money worth.
- ◆ **Capital:** Money invested by owner or proprietor into business.
- ◆ **Drawing:** Money, or goods are withdrawn by the proprietor for personal use.
- ◆ **Assets:** Items that have economic value and will bring cash in the present or in the future.
- ◆ **Liabilities:** any amount payable by company to anyone.
- ◆ **Revenue:** Income or sales or increase in net assets.
- ◆ **Expense:** cost or Outflow of money for purpose for generating revenues.
- ◆ **Loss:** When we get nothing in return or excess expenses over revenue.
- ◆ **Profit:** The difference between the excess amount earned over the amount spent (cost).
- ◆ **Gain:** Increase in wealth or company assets that is earned without effort.
- ◆ **Voucher:** A written document or proof of transaction.
- ◆ **Debtors/ A.R:** To whom goods are sold on credits sometime called account receivable.
- ◆ **Creditors/A.P :** By whom goods are purchased on credits sometime called account payable.
- ◆ **Goods/Stock/Inventory/Merchandise:** things in which we deal, trade or manufactured.
- ◆ **Trade Discount:** trade discounts are reductions in price that a supplier applies to a product's cost when selling to a reseller.
- ◆ **Cash Discount:** Calculated on early cash payment to the vendor or received by the buyer.

## Terms & vocabulary and terminologies of Accounting

- ◆ **Journal:** A book in which original entries of transactions are recorded.
- ◆ **Ledger:** A book of accounts where similar transactions relating to a particular person or thing are recorded from the journal entries.
- ◆ **Trial Balance:** Summary of the ledger and provides much of the information needed to prepare the Financial Statement (balance sheet and the income statement).
- ◆ **Financial Statement:** Income Statement and Balance Sheet are prepared in the financial statement. It is prepared to find out the net result and impact on asset, liability, and owners equity.
- ◆ **Accounting Period:** a period with reference to which accounts and financial statements are prepared. It can be monthly, quarterly, annually.
- ◆ **Statement of Cash Flows:** Summary of the course of changes in cash balance between the two dates of the balance sheets.
- ◆ **Personal Account:** Related to persons or institutions.
- ◆ **Real Account:** Related to Assets and property.
- ◆ **Nominal Account:** Related to expenses, income, and gains.



# *What is Accounting*

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Accounting is the process of **identifying**, **measuring**, **recording**, **classifying**, **summarizing**, **analyzing**, **interpreting**, and **communicating** the financial transactions and events in monetary terms.





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## Accounting Types

**I. Financial accounting:** recording of transactions for a business enterprise or other economic unit and the periodic preparation of various reports from such records

**II. Auditing:** independent review of the accounting records, i.e. public accountants examine records supporting financial reports and give opinion on their fairness and reliability

## BRANCHES OF ACCOUNTING

### FINANCIAL ACCOUNTING

Systematic method of recording transactions, main purpose- P/L & B/S, useful to creditors, banks, financial institutions, etc, accurate picture of financial position

### COST ACCOUNTING

Evaluating cost, cost calculation by considering all factors of both manufacturing & administration, goal-price fixation, cost control, pinpoints wastages, leakages

### MGT. ACCOUNTING

Better administration, efficient decision making via MIS, CVP & BEP analysis, etc., profit enhancement, secrecy of records, useful to creditors, shareholders

### AUDITING

Auditor inspects & certifies the A/Cs for accuracy, internal audit by the co. employee also performed



## Accounting Types

**III. Cost accounting:** determination and controlling of costs, concerned primarily with the costs of manufacturing processes and manufactured products. Also gathering and explaining of actual and prospective cost data

**IV. Managerial accounting:** usage of both historical and estimated data to assist management in daily operations and in planning future operations

## BRANCHES OF ACCOUNTING

<b>FINANCIAL ACCOUNTING</b>	Systematic method of recording transactions, main purpose- P/L & B/S, useful to creditors, banks, financial institutions, etc, accurate picture of financial position
<b>COST ACCOUNTING</b>	Evaluating cost, cost calculation by considering all factors of both manufacturing & administration, goal-price fixation, cost control, pinpoints wastages, leakages
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<b>AUDITING</b>	Auditor inspects & certifies the A/Cs for accuracy, internal audit by the co. employee also performed

In this type of accounting, all records and reports are made according to regulations

Fund accounting is a system of accounting used by non-profit entities to track the amount of cash assigned to different purposes and the usage of that cash. The intent of fund accounting is not to track whether an entity has generated a profit. Thus, the focus of fund accounting is on accountability, rather than profitability.

**TAX  
ACCOUNTING**

Preparation & filing of tax returns, compliance of laws, tax reports preparation, reduction of taxes in legal way, verification, considering different aspects of taxes,

**FUND  
ACCOUNTING**

Keeping records of funds of NPOs, separate funds maintained for separate works for assurance of usage

**GOVT.  
ACCOUNTING**

Keeping records for central & state govt. for allocations & utilization of various budgets to ensure proper usage



## **FORENSIC ACCOUNTING**

**Calculates damages or settling disputes in legal matters, investigations carried out, also called legal accounting**

Forensic accounting is a unique combination of accounting, auditing, and investigative techniques

## **FIDUCIARY ACCOUNTING**

**Accounting & evaluation of a third party's business & property maintained under the care of another person.**

A fiduciary accounting (sometimes called a "court accounting") is a comprehensive report of the activity within a trust, estate, guardianship during a specific period.

**Nature, Scope, and Objective**

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**of**

**Financial Accounting**



# **NATURE OF FINANCIAL ACCOUNTING**

**1**

**ACCOUNTING IS FIRST STEP**

**2**

**ACCOUNTING IS AN ART AND SCIENCE**

**3**

**ACCOUNTING IS A PROCESS**

**4**

**DEALS WITH FINANCIAL TRANSACTIONS**

**5**

**HISTORIC IN NATURE**

**6**

**RECORDS ACTUAL COST**

## **SCOPE OF FINANCIAL ACCOUNTING**

**Scope of Accounting is not limited to the business world alone but spread over in all areas of society and in all professions.**

**Economic activities and transactions occur all along in business organizations, government institutions, NGOs, and professionals. It also includes individuals and families.**



# **SCOPE OF FINANCIAL ACCOUNTING**

- 1. Business Organizations**
- 2. Government Institutions**
- 3. Working Professionals** i.e. accountants, doctors, advocates.
- 4. Individual and Families**
- 5. Non-profit Organizations**
- 6. Tax Accounting**
- 7. Investors and Management**

# OBJECTIVES OF FINANCIAL ACCOUNTING

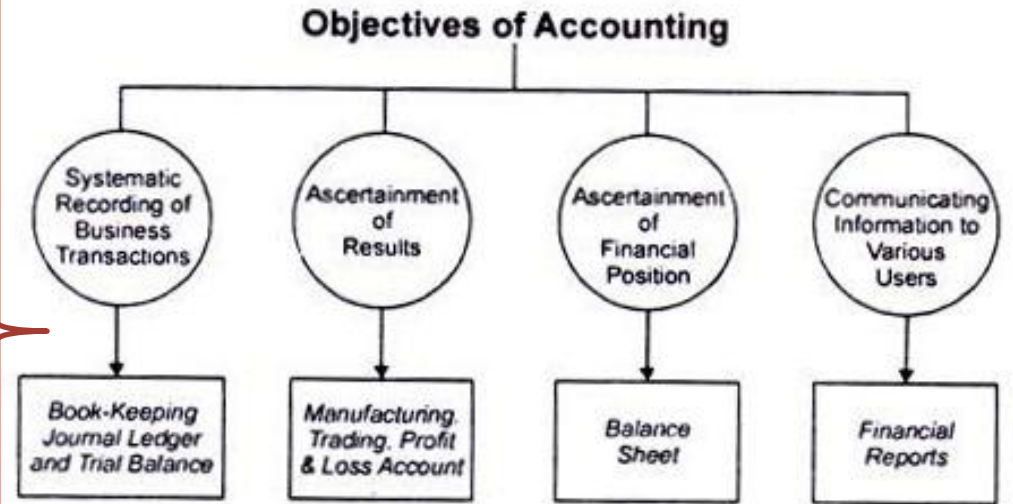
**1 MAINTAINING SYSTEMATIC RECORDS**

**2 ASCERTAINING PROFIT OR LOSS**

**3 ASCERTAINING FINANCIAL POSITION**

**4 ASSISTING THE MANAGEMENT**

**5 PROVIDE ACCOUNTING INFORMATION**







Thank  
You

**Q & A**

You have

**Questions**

We have

**Answers**