# Accounting as a Career

By: Rashid Pervez, FPFA

## Accounting

Accounting is the recording of business transactions of the organization. It studies how the financial position of the organization is to exhibit before the user and reader of the business events and transactions. It studies how the goal of managing the business funds into its optimalization and keeping all the time track as a record. It studies how the business operational transactions are taking place and how they should be dealt with the data forming the informations. It studies the monetary involvement in the business operations and transactions. It studies how to analyze the business data to form an opinion for business decisions for gains.

## Accounting Significance

Accounting is a data based operation. Accounting in the business is a creativity of data based recording of business affairs in treasury form. Accounting is historical information in any financial terms. Accounting as a data based operation is a record of historical and continued financial operations. A simply bank statement is the recording of banking operation of cash and cash equivalents in its banking and utilization. Accounting language is understood by its lien or ownership and obligations. Accounting by its very importance is regular vigilance over business treasury and fund controls. Accounting is a location of fund management, gains over, obligations and opportunity. The business is translated in the value of money, accounting is a measurement of its operation and reserves. Accounting has its own language and terms of making business values into its core logistic operation of funds and investments. The resources of business is maximization of its production / services and sales to the net worth of making profits into the business. These resources are handled by accounting through its capital, liabilities, assets and liquidity, income and expenses. Accounting magnitude itself to the decision making in the business. The data which are resources to the accounting are managed to form a decision to make in the business term, whether the resources of the business is useful to the gains of business operations or not. Each data in the accounting is created through financial transactions.

## Method of Accounting

Method of Accounting is applied to each financial transaction of the business. For the method of accounting there are two comparative analysis terms are used, and they are : Debit, and Credit. Basically debit and credit in the rule is used for liquidity as what comes in called, and what goes out is called credit. There are certain principles which are taken into account as : what had to come is not received is debited as lien that is controlled in receivables or debtors; and what had to go but not yet paid is controlled in payables or creditors. This multiple choice of transaction is hybrid system of accounting or mercantile based accounting. There is mercantile law where recourseable of receivables and payables as lien can be exercised. The basic method of accounting is :

1. Conversion of receivables and payables are to be disposed in liquid form that cash or bank account. Otherwise would be sometime will be regarded as no transaction took place in liquid conversion of transaction and are written off.
2. Every transaction should be equal in debit(s) with equal to credit(s). Otherwise data basing of business is not formed in accounting to its helping report that is trial balance.
3. The effect of liquid operation in business is net of gains, either received in same period or received in other periods.

4. The nominal account are those accounts which are non-cash or non-bank accounts. The net effect of business operation is a gain. In which what comes as net is debited that is liquid resources. And since every transaction ought to be equal amount of debit and credit. So nominal account for equalizing debit and credit are used. When nominal accounts are to be credited the cash, bank or receivable is debited. So what comes is called is called debit either in shape of liquid resources or services obtained for current period values even longer period values.
5. Normal rules of debit credit are :

3. Company

   by directors of the company, members or shareholders, corporate authority, stock exchange(s), bank for bank loans, investors.

The financial reporting classifies the financial statements as:

1. Balance Sheet
2. Profit and Loss account
3. Cash Flow statement
4. Notes to accounts
5. Management or generally accepted accounting policies, adopted for the preparation of financial statements

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|---|---|---|---|---|
| **a** | **Revenue & gains** | **Credit account** | **Cash & Bank/Debtors** | **Debit account** |
| **b** | **Capital** | **Credit account** | **Cash & Bank** | **Debit account** |
| **c** | **Liabilities** | **Credit account** | **Cash & Bank** | **Debit account** |
| **d** | **Expense** | **Debit account** | **Cash & Bank/Creditors** | **Credit account** |
| **e** | **Loss** | **Debit account** | **Cash & Bank/Creditors** | **Credit account** |
| **f** | **Taxation** | **Debit account** | **Cash & Bank/Creditors** | **Credit account** |

## Business Centres

There are three major types business centres:

1. Proprietorship.
2. Partnership.
3. Company.

The Capital in the business centres are:

1. Owner's investment Proprietorship
2. Capital investment of partners Partnership
3. Share capital of the sponsor directors and general through subscription on call publicly by prospectus publicly through stock exchange(s). Company

## Financial Reporting

The financial statements are end product of accounting. Financial statements duly certified is required in cases of :

1. Proprietorship

   by proprietor himself, taxation authority, banks for bank loans.

2. Partnership

   by partners themselves, taxation authority, banks for bank loans

6. Corporate law adherence through fourth and fifth schedules of Companies Ordinance 1984.
7. Other financial and non-financial informations including futuristics informations of the company.
8. Contingencies which cover off-balance sheet informations which the company foresees the liabilities, payments and assets.

The basic equation of Accounting is :

Capital + liabilities = Assets

The Balance Sheet is classified as:

1. Capital
2. Reserves
3. Long term loans
4. Deferred liabilities
5. Current liabilities
6. Contingent liabilities as off balance sheet reporting through notes to accounts.
7. Fixed Assets-Tangible
8. Fixed Assets-Intangible
9. Long term investments
10. Long term receivables
11. Long term deposits
12. Deferred costs
13. Current assets

The Profit and Loss account is classified as :

1. Sales & services
2. Sales Tax
3. Cost of Sales
4. Administrative expenses
5. Selling expenses
6. Financial expenses
7. Taxation
8. Prior year's adjustment
9. Unappropriated Profit & loss opening balance
10. Earning per share

The Cash Flow Statement is classified as :

1. Cash generated from operating activities.
2. Cash generated from investing activities.
3. Cash generated from financing activities.
4. Opening balance of Cash and Cash Equivalents.
5. Arriving out Closing balance of Cash and Cash Equivalents

The Cash and Cash equivalents are Cash in hand, Cash at Bank, ready bonds convertible to cash, and Short term investments having maturity of liquifying into cash at disposal within three months.

## Cash and Bank

Cash and bank values. Bank statements are the third party informations of banking transactions of the company. The Manager Finance called the accountant and said since three months no transactions are entered in the Bank kedger. You have to complete posting for the three months. Accountant was a qualified

person, he asked how it would be worked, Manager Finance said take the three of bank statements. Check the cheques counter-foils as payments in the debit side of bank statement, those cheques which are not appearing in bank statement, make a list as unrepresented cheques, with the confirmations of payments to parties or expenses. Take out the same period's deposit slips and check in deposit or credit side of bank statement, with confirmations of debtors and parties from whom cheques are received to give effect to their accounts. Those deposit slips which are appearing in bank statement make a list as uncleared cheques. But make sure time of credit should not be more 2/3 days. Enquire to the bank in any discrepany. Check online transfers , confirm with the bank and enter in the bank ledger. See those debits and credits in bank statement which is not adviced by bank can be contra entry. Check the debits of bank charges in bank statements and record as expense and payments in the bank ledgers

## Voucher

An Assistant Accountant is hired for basic accounting of the organization. He has to make payment vouchers to the suppliers etc.,. He asked to his boss , when we can pay to the party through his bill and cheque, why voucher preparation is involved. His boss said Voucher is a very significant document in the accounting. It keeps the proof that the payment is being made against some bill, duly cross checked approved and authorized. It gives a similar type or picture of each other voucher. It has internal generated serial number. Description and narration is included which convince the business transaction. Moreover the recipient has also to make acknowledgement that amount of cash or cheque is received by him. In such all process we as accountant are relieved from any ambiguity erupted in the later time, because everything is properly sanctioned and authorized different checks and management.

## Management Accounting

Management Accounting is internally accounting uses by the Management, which is also called Management Information System (M.I.S.). It involves future projections, budgets, tendering bid. Price fixation. Management accounting is used for decision making. Past experienced data are used to analyse for any management decision. Investments by the company is made through management accounting. The values of outcome are analysed from options, like retiring of debt is better to save debt services or gaining more from new investments. Management accounting off-hand gives the accounting data in advance with parameter being considered in making decision with past historical financial data.

There can be lot of creditors in list of company's liquidity obligations, management accounting visualizes decisions to make priority in retiring creditors for further purchases which may be requiring no-break in the supplies.

Management accounting as integrated subjects includes to accounting as personal decisions, management goals, objectivity of further growth and optimalization of business by taking good decisions based on all accounting data for the decision to consider the variations and experiences.

## Production Accounting

Production accounting is also a technical accounting which is dependents on production aides which also occurs production losses :

Production Accounting has the major cost centres :

1. Raw Material
2. Labour/Manpower
3. Factory overheads/expenses

Production accounting monitors the cost of product produced in conversion raw marterial to finished goods. All the components of productions are complied with the inputs at different processes which inform cost of production at each process and compile to the final cost of production of finished goods.

In all machinery flow running is properly supervised to avoid break down and production by time idle of machinery,

which also requires accounting of such maintenance to absorb cost of production.

## Current Ratio

Manager Finance asked the Accountant to arrive out the current ratio from the projections to be submitted to the bank for borrowing. The accountant brought the figure of current ratio as 0.95:1 to the Manager Finance. Manager Finance checked and said how it can be negative we have to submit for bank borrowing. He said I checked in the projections Current Assets was higher than Current Liabilities, it should have been positive ratio. Accountant said I have excluded prepayments from the current assets as these are the sunk cost which cannot be recovered for liability payment. Manager Finance said but prepayments are also current assets why it should be excluded. Accountant said I am also qualified accountant reality said that prepaid expenses are sunk cost and is not available for current obligation meeting. Manager Finance said look Mr., current ratio should be in positive, it is to be submitted to the bank. For your information, had that not been paid in advance as Rent, Insurance, etc., the amount would have been in our cash and bank balances. If not paid would have been as obligations, we have set off obligation by paying at day first and kept obligation in regard to Rent and Insurance as always paid for whole year. Liability paid in advance became our investment sort and as long will not create any obligation. Any way go and I want positive current ratio. The accountant went out and brought the figure of current ratio as 1.1:1.