

Ministry of Higher
Education And Scientific
Research
College of Economic &
Administration
Al-Muthana University



وزارة التعليم العالي والبحث
العلمي
جامعة المثنى
كلية الإدارة والاقتصاد

**ACCOUNTING READINGS
AND
BUSINESS CORRESPONDENCES**

قراءات محاسبية
ومراسلات تجارية

الأستاذ الدكتور
سعود جايد مشكور

Prof. Dr. Saoud Ch. MASHKOOR

**Head of
Accounting Department**

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⊠ حقوق الطبع محفوظة للمؤلف

يمنع منعاً باتاً طباعة هذا الكتاب بالكامل أو جزء منه بأي
طريقة من طرق الطباعة والتصوير والنقل والترجمة والتسجيل
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Introduction

Accounting is the process of recording, summarizing, analyzing, and interpreting financial (money related) activities to permit individuals and organizations to make informed judgments and decisions. All the firms must keep accounting records according to the conditions of laws. Thus decisions should be based on accounting information for profit and non-profit companies.

The objects of this book are not only to learn the beginners' students of some accounting readings but, also to maintain the required standard for development their capabilities on writing business letters and dealing with the trading transactions. The accounting readings concerns the definition of accounting, name and explain accounting concepts and accounting principles, explain the main basics of accounting, explain how to record accounting transactions in the journal by using double entry system, and how to post them to ledger and then preparing of the trial balance. The book not stops at this last point of accounting procedures, but it continues to contain the necessary financial information for making the various decisions. This accounting information represents the financial statements.

The book covers in brief subjects that are essential to prepare, read, and understand, interpret, use easily the financial statements that

are prepared in accordance with generally accepted accounting principles.

Communication through exchange of letters is known as correspondence. We need to write the various letters for communicating our feelings, thoughts, demands etc. to our friends and relatives through letters that may be called personal correspondence. The governmental institutions receive more letters and demands from the public to obtain the different services which can be called official correspondences. A Business also writes and receives letters in its daily transactions, which may be called business correspondence.

An important part is assigned in this book for writing business letters to suppliers and reply, write business letters of customers and reply. Therefore, the book of “accounting readings and business correspondences” contains main six chapters as follow:

- The conceptual Framework of Accounting.
- Accounting Transactions: Analysis and Recording.
- Accounting Procedures and Financial Statements.
- An Introduction to Business Correspondences.
- An Application on Business Letters.
- Invoicing the Goods and Making Payments.

I hope that all students, accountants and interested users can find primarily their way to some readings about the principles, fundamentals, accounting procedures and business correspondences.

The Author
2012

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Part (I)
Accounting Readings

Chapter
(1)
The Conceptual Framework
of Accounting

- **Concepts of Book-keeping**
- **Definition of Accounting.**
- **Kinds of accounting.**
- **Usefulness of Accounting.**
- **The main users of Accounting Information.**
- **Qualitative characteristics of accounting information.**
- **Accounting Assumptions, Principles and Constraints.**

♦ **Questions and Exercises?**

CHAPTER

(1)

THE CONCEPTUAL FRAMEWORK **OF ACCOUNTING**

الإطار المفاهيمي للمحاسبة

A conceptual framework is like constitution (دستور) that leads the accounting system. The conceptual framework of accounting is made of three levels. The first Level is presented the objectives of financial reporting. The second Level is presented (A) Qualitative

characteristics of accounting information and (B) Elements of financial statements. While the third Level is presented the recognition and measurement concepts: (Assumptions, Principles, and Constraints).

This chapter presents the accounting function as a book-keeping until the accounting became as an information system having all the features of the science.

A- CONCEPTS OF BOOK-KEEPING مفاهيم مسك السجلات

The accounting is often confused (غالبا ما تتشوش) with book-keeping (مسك السجلات).

- Book-Keeping: is an art of recording business transaction in a set of books.
- Book-keeping: is a mechanical process that records the routine economic activities of business.

1- Definition of Book - keeping تعريف مسك السجلات

Book - keeping is defined as the process of analyzing, classifying and recording transactions in a systematic manner and of providing information about the financial affairs of the business concern. It is also defined as the art of recording in the books of accounts, the monetary aspect of commercial or financial transactions. Maintaining books of accounts in a systematic order is also known as book-keeping.

2- The main features of book-keeping المعالم الرئيسية لمسك السجلات

Analysis of the previous definitions brings out the following features of Book-keeping:

- (1) Book-keeping is an art of recording transactions scientifically.
- (2) The recording requires a documentary support for every transaction.
- (3) The system of recording should be universal.
- (4) The recording is made of monetary transactions only. Non - monetary transactions cannot be recorded.

3- Objects of book-keeping أهداف مسك السجلات

The primary object of Book-keeping is to enable the business to know the following information accurately and with a minimum of time and efforts. We can summarize the objects of book-keeping in a simple table as follows:

Objects of Book-keeping

Primary objects أهداف رئيسية	Sub-objects أهداف فرعية	Other Objects أهداف أخرى
-To know profit/loss. -To Know financial position. -To have a systematic record.	-To know Creditors -To Know Debtors -To Know capital invested -To Understand cash and stock.	-To review the progress -To prevent errors and frauds -To keep a check on property -To provide valuable information for decision making.

4- Importance of Book-keeping أهمية مسك السجلات

Book-keeping is of great importance to business, book-keepers, accountants, and government officers. Following points explain the importance of Book-keeping.

1) Facilitates Planning تبسيط التخطيط

Proprietors have to plan their business operations for years to come. Book-keeping generates valuable information about production, sales, expenses, and income which helps planning.

2) Decision - making صناعة القرار

Management has to take valuable decisions about business. Book-keeping provides necessary information for decision making.

3) Controlling الرقابة

Management can control business operations with the help of various types of budgets and book-keeping. It is not necessary to remember the transactions.

4) Aid to Memory مساعدة الذاكرة

Human memory has certain limitations. A businessman cannot remember all the business transactions. Book-keeping helps the businessman in this mission (مهمة).

5) Comparative study دراسة مقارنة

Proper records help a businessman to compare the performance of its business. A comparative study enables a business to take proper corrective action.

6) Sale of business بيع المنشأة

In some cases the owner (المالك) decides selling his business; the purchase consideration can be decided on the basis of the accounts maintained.

7) Helpful in getting loans المساعدة في الحصول على القروض

A businessman may require loans from banks for financing his expansion plans and programs (الخطط والبرامج). Properly kept accounts can convince the banks about financial soundness of the business.

8) Protection against Theft and Dishonesty الحماية من السرقة وعدم الأمان

A Businessman can protect himself against theft and dishonesty of employees by keeping books of accounts in a systematic manner. He can exercise greater control on his finance through systematic recording.

5- Utility of Book-keeping فائدة مسك السجلات

The utility of Book-keeping can be studied from various points of view. The Book-keeping is useful to many persons as described below:

- (1) The main beneficiary of book-keeping is the businessman or the owner of the business.
 - Financial transactions take place at every stage of the business operations.
 - Book-keeping enables businessman to record all financial transactions.
 - Book-keeping provides the valuable information to businessman from the point of view of business.
 - Businessman can ascertain the profit or losses in the business.
 - Businessman knows the financial position at any time.
 - Important business decisions can be taken more realistically by maintaining books of accounts.
- (2) The shareholders, proprietors or partners can get valuable information about the business from the books of accounts.
- (3) Labor unions can use accounting reports as a basis for supporting wage demand.
- (4) Book-keeping ensures proper calculation of tax liability.
- (5) A systematic record of business transaction can also be produced as evidence in a court of law in case any dispute arises
- (6) In the event of insolvency, a businessman can explain his financial position in a better way.
- (7) The investors can decide whether to invest or not in a particular firm by studying the books of accounts.