(6) The Company opens drawings and capital account as an application entity assumption (concept).

a. Continuity
b. Periodicity
c. The entity
d. The monetary unit

(7) All costs paid to buy a car to make ready for intended use, is an application of:

a. Revenue recognition principle.
b. Continuity Concept.
c. Full-disclosure principle.
d. Cost principle.

(8) Using the accounting procedures from year to year means:

a. Conservatism
b. Matching
c. Consistency
d. Materiality

(9) All material information should be disclosed in the financial statements to make these statements clear and understandable for the reader is:

a. Materiality
b. Consistency
c. Matching
d. Full disclosure

(10) All of the following represents outside party that interest in accounting reporting except:

a. Management.
b. Debtors

c. Creditors.
d. Taxation authorities.

☞ Answers question (12):

Question No.	a	b	C	d
(1)	true	true	False	false
(2)	true	false	False	false
(3)			x	
(4)	x			
(5)				x
(6)			x	
(7)				x
(8)			x	
(9)				x
(10)	x			

➊➊➊➊➊➊➊➊➊

Chapter (2)

Accounting Transactions Analysis and Recording

- **The Accounting Cycle**
- **Business and Accounting Transactions**
- **Single Entry System**
- **Double Entry System**
- **Accounting Equation**
- **General Rules of Recording**
- **Elements of Accounting Statements**
- **Basic Accounting Statements**

♦ **Questions and Exercises?**

CHAPTER

(2)

ACCOUNTING TRANSACTIONS

ANALYSIS AND RECORDING

المعاملات المحاسبية
تحليل وتسجيل

The previous chapter explained that the Book-Keeping is an art of recording accounting transactions in a set of books, while the Accounting is the language of business for all activities and practices. Accounting is a standard set of rules for measuring a firm’s financial performance. This measurement pass through the accounting cycle which contains the record keeping process used during and at the end of accounting period that result in financial statements.

A- ACCOUNTING CYCLE الدورة المحاسبية

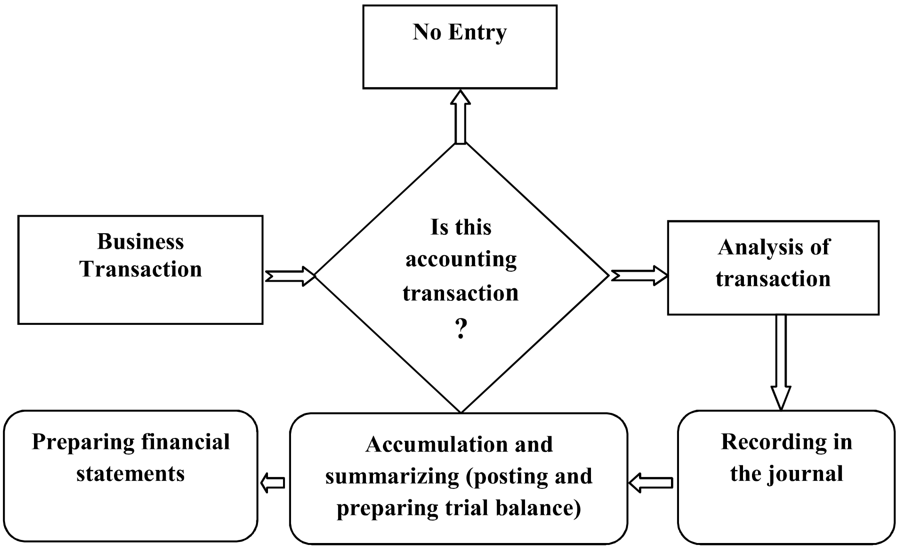
The process of accounting consists (تتضمن) the steps involved in the complete treatments (معالجات كاملة) of business transactions which incurred through an accounting period, starting with analyzing, recording the transactions in a journal (سجل اليومية), preparing a trial balance (ميزان المراجعة), and then ending with preparing the financial statements.

The accounting cycle can be divided into the following steps:

(1) Analyze transactions from source documents.
(2) Record in journal.
(3) Post to general ledger accounts.
(4) Adjust the general ledger accounts.
(5) Prepare financial statements.
(6) Close temporary accounts.

Figure (3)

The steps of accounting cycle appear as the following diagram:



B- <u>BUSINESS AND ACCOUNTING TRANSACTIONS</u>

المعاملات التجارية والمحاسبية

1- Definition of business transaction

Business transaction is an activity which involves money or money's worth is known as a "transaction" something having value is received, and something having value is given out (e.g. Bought furniture for cash).

Business transaction is defined as an exchange of goods, services, money between two or more parties. Transaction is a measurable event internal to a business, such as adjustments for the use of assets in operation.

Any business transaction is an accounting transaction if:

(1) There is a real exchange between two parties.
(2) There is an effect for this transaction on any of the elements of accounting: assets, liabilities, and / or owner's equity.

Accounting transactions are recoded using entries in accounting Journal,(سجل محاسبي) the process is called journalization .(التسجيل في اليومية) The general procedure is to record revenues and expenses as they arise (تنشأ) from external transaction (i.e. Dealing with outsiders and transfer of assets and liabilities to / or from the firm).

2- Transaction analysis تحليل المعاملة

Transaction analysis is first step to identify the type of account involved and then to determine whether a debit or a credit (مدين أو دائن) to the account is required, and then prepare the journal entry (قيد اليومية).

Debit is the name for the left side of an account .Debit represents increase in assets and decrease in liabilities and stockholder's equity. Credit is the name for the right side of an account. Credit represents decrease in assets and increase in liabilities and stockholder's equity.

Transaction Analysis is the process studying a transaction to determine its economic effect on the business in terms of the accounting equation (المعادلة المحاسبية).

Apply transaction analysis to analyze simple business transactions in terms of the accounting model:

Assets = Liabilities + Stockholder's Equity(capital)

(1) Every transaction affects at least two accounts (duality of effects) : it is critical to identify correctly the accounts affected and the direction of the effect (increase or decrease). زيادة أو نقصان
(2) The accounting equation must remain in balance after each transaction.

3- Classification of the accounts

The accounts are classified into three groups as follow:

- Personal accounts الحسابات الشخصية