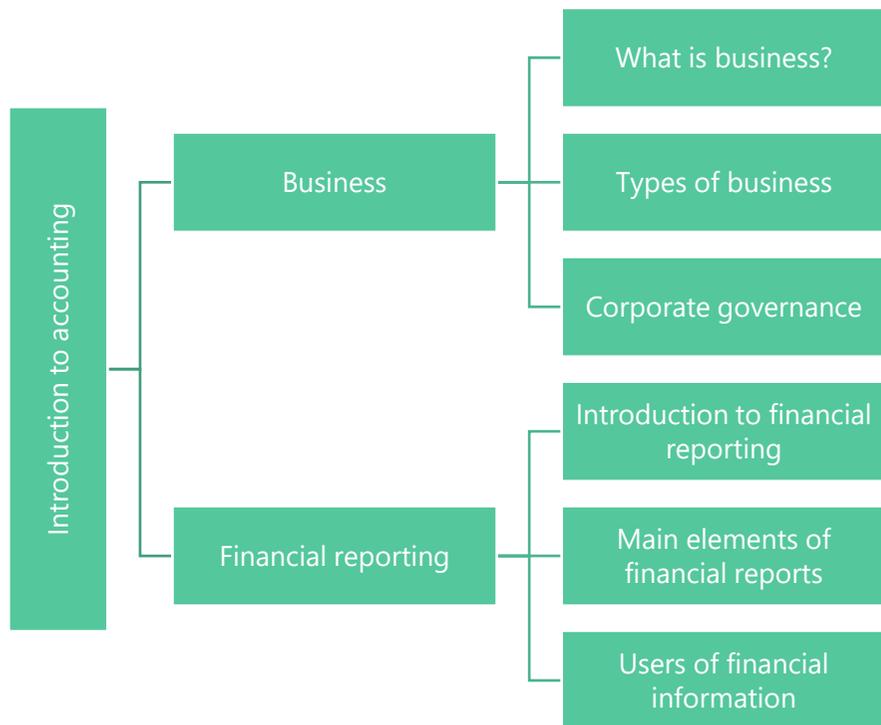


INTRODUCTION TO ACCOUNTING

FINANCIAL ACCOUNTING – PART A – CHAPTER 1

MAIN CONTENTS



KEY REVISION:

1. What is the **business**?
2. Differentiate between **sole trader, partnership, limited liability company** (nature, capital structure, advantages & disadvantages)
3. Define **corporate governance**
4. Describe the **statutory duties of directors**
5. Describe the **responsibilities** of the board of directors in the **preparing of the financial statements**
6. What is **financial reporting**? Distinguish between **financial accounting** and **management accounting**
7. What is the **statement of profit or loss**? Define **income, revenue, and expenditure**
8. What is the **statement of financial position**? Define **assets, liabilities, and equity**.
9. Describe differences in **information needs of users** of financial statements

1. WHAT IS BUSINESS?

Business is:

2. TYPES OF BUSINESS

Business can be operated in one of several ways

2.1. Sole trader

Sole trader - nature

Sole trader – capital structure

Sole trader – advantages & disadvantages	
<i>Advantages</i>	<i>Disadvantages</i>

Partnership – capital structure

2.2. Partnership

Partnership – nature

(*) Lưu ý: Các công ty partnership truyền thống bản thân nó chỉ bao gồm các thành viên hợp danh (partners), còn các công ty partnership mới bao gồm cả các thành viên hợp danh và các thành viên góp vốn thường được nhắc đến như là các công ty LLP (limited liability partnership).

Partnership – advantages & disadvantages	
<i>Advantages</i>	<i>Disadvantages</i>

2.3. Limited liability company

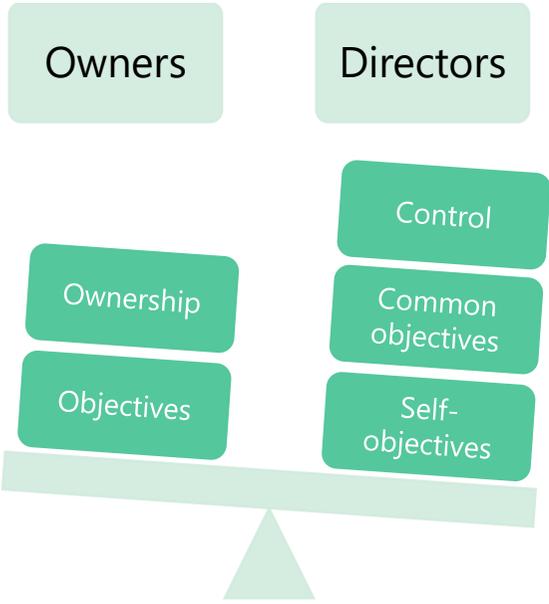
Limited liability company - nature

Limited liability company – capital structure

LLC – advantages & disadvantages	
Advantages	Disadvantages

Các bạn có thể thấy bài tập ở phía sau cùng nhé!

3. CORPORATE GOVERNANCE



3.1. Introduction to corporate governance

What is corporate governance?

(Phần principles of corporate governance không được đưa vào vì thuộc phần mở rộng – nếu các bạn muốn ghi thêm phần này, vui lòng ghi ở phía cuối tài liệu, trong phần free notes)

Basic elements of corporate governance

3.2. Role of the board

Those charged with governance are:

Statutory duties of directors

Responsibilities of directors for the preparation of financial statements

According to effective corporate governance, the director should:

(*) Đọc thêm: nếu muốn tìm hiểu sâu hơn về Corporate Governance, các bạn có thể đọc tài liệu [UK Company Act 2006].

4. INTRODUCTION TO FINANCIAL REPORTING

4.1. Nature and scope of financial reporting

Define financial reporting

Accounting system:

<i>Management accounting</i>	<i>Financial Accounting</i>

Financial Accounting & Management accounting		
	FA	MA
<i>Purpose</i>		
<i>Requirement</i>		
<i>Primary Audience</i>		
<i>Regulation/guidelines</i>		
<i>Frequency</i>		
<i>External review</i>		
<i>Focus</i>		
<i>Scope</i>		

(Phần sơ đồ các bản báo cáo tài chính là phần mở rộng, nếu các bạn muốn ghi thêm, xin vui lòng ghi chú ở phần free note cuối tài liệu này).

5. MAIN ELEMENTS OF FINANCIAL REPORTS

5.1. Statement of financial position

Unit: 1,000,000 VND

		2016	2017	Quarterly Annual 2018
ASSETS				
A. CURRENT ASSETS AND SHORT-TERM INVESTMENTS		857,192	1,423,152	2,490,560
I. Cash and cash equivalents		273,223	477,326	410,883
II. Short-term financial investments		146,615	401,144	1,060,182
III. Short-term receivables		362,985	478,704	832,320
IV. Inventories		43,626	19,407	120,088
V. Other current assets		30,743	46,571	67,086
B. FIXED ASSETS AND LONG-TERM INVESTMENTS		218,371	328,105	343,597
I. Long-term receivables		1,291	2,956	3,187
II. Fixed assets		174,223	244,658	214,350
III. Real Estate Investments				
IV. Long-term assets in progress		478	2,065	13,746
IV. Long-term financial investments		195	4,000	
V. Total other long-term assets		42,184	74,425	112,314
VI. Goodwills				
TOTAL ASSETS		1,075,563	1,751,257	2,834,157
CAPITAL RESOURCES				
A. LIABILITIES		714,535	1,261,789	2,153,879
I. Current liabilities		709,803	1,261,370	2,153,736
II. Long-term liabilities		4,732	418	142
B. OWNER'S EQUITY		361,028	489,468	680,278
I. ShareHolder's equity		361,028	489,468	680,278
II. Funding resources and other funds				
TOTAL CAPITAL RESOURCES		1,075,563	1,751,257	2,834,157

Statement of financial position (SOFP)

Assets:

Liabilities

Equity:

Assets	
Current assets	Non-current assets

Chapter 1: Introduction to accounting

Liabilities	
Current liabilities	Non-current liabilities

		Quarterly Annual			
		2015	2016	2017	2018
Unit: 1,000,000 VND					
1. Total business operating revenue		1,992,855	2,928,455	4,031,745	4,922,417
2. Deductions of revenue				1,120	112
3. Net revenues (1)-(2)		1,992,855	2,928,455	4,030,625	4,922,305
4. Cost of goods sold		1,819,208	2,684,781	3,685,683	4,375,727
5. Gross profit (3)-(4)		173,448	243,675	344,942	546,578
6. Revenue of financial operations		3,205	10,047	20,654	48,672
7. Financial expense		976	1,598	2,859	18,868
-In which: Loan interest expenses		1,150	1,069	3,192	18,806
8. Profit or loss from joint ventures, associated companies					
9. Cost of sales		483	2,951	14,157	29,855
10. Enterprise administration expenses		92,129	107,013	136,532	199,725
11. Net profit from business operations (5)-(6)-(7)+(8)-(9)-(10)		83,063	142,180	212,048	346,802
12. Other income		1,244	1,300	2,557	5,342
13. Other expenses		1,650	2,118	1,074	2,115
14. Other profit (12)-(13)		-406	-818	1,483	3,227
15. Total accounting profit before tax (11)+(14)		82,657	141,342	213,531	350,030
16. Costs of current corporate income tax		20,076	29,096	43,475	70,998
17. Costs of deferred corporate income tax					
18. Costs of corporate income tax (16)+(17)		20,076	29,096	43,475	70,998
19. Profit after corporate income tax (15)-(18)		62,581	112,246	170,056	279,032
20. Interest after tax of shareholders who not control					
21. Profit after tax of parent company shareholders (19)-(20)		62,581	112,246	170,056	279,032

Statement of profit or loss (SOPL)

Income

Expense

5.2. Statement of profit or loss

Revenue

Example 1: Steve opens a coffee shop with the aim of providing high-quality service the same as what Starbucks does. He decides to make an investment of \$25,000 for business. After a year of operating, the shop earns a monthly revenue of \$5,000. In this year, he also draws \$1,000 each month for personal purpose. Calculate the balance of the capital account of the business

6. USERS OF FINANCIAL INFORMATION

Internal users	External users	
<i>Managing group</i>	<i>Financing group</i>	<i>Public group</i>
<ul style="list-style-type: none"> • Board of directors • Partners • Managers • Officer 	<ul style="list-style-type: none"> • Investors • Shareholders • Lenders • Suppliers 	<ul style="list-style-type: none"> • Govt. agencies • Labor union • Employees • Customers

Example 2: Among these answers, which one is not the advantage of a sole trader?

- A. A sole trader can raise fund easily from the public
- B. A sole trader can save money from not having reporting obligations.
- C. A sole trader has unlimited liability for debts and losses
- D. A sole trader has a simple structure; hence, easy to be managed.

Example 3: Which one of the following statements is true in relation to a partnership?

- A. A partnership is a separate legal entity

EXERCISE

Chapter 1: Introduction to accounting

- B. A partnership is jointly owned and managed by the partner
- C. A partnership can raise capital by issuing shares to members of the public
- D. A partnership is able to own property and other assets in its own name

Example 4: Which of the following statements is true in relation to a limited liability company?

- A. A limited liability company can incur liabilities in its own name.
- B. A limited liability company cannot acquire assets in its own name
- C. A limited liability company cannot incur liabilities in its own name
- D. A limited liability company can be formed on an informal basis by a simple agreement between the first shareholders

Example 5: Which of the following statements best defines a statement of profit or loss?

- A. It is a summary of assets and expenses at a specified date
- B. It is a summary of cash receipts and payments made during an accounting period
- C. It is a summary of assets, liabilities, and equity at a specified date
- D. It is a summary of income and expenditure for an accounting period

Example 6: Which of the following statements best defines a statement of financial position?

- A. It is a summary of assets and expenses at a specified date
- B. It is a summary of cash receipts and payments made during an accounting period

- C. It is a summary of assets, liabilities, and equity at a specified date
- D. It is a summary of income and expenditure for an accounting period

Example 7: Which one of the following user groups is likely to require the most detailed financial information?

- A. The management
- B. Investors and potential investors
- C. Government agencies
- D. Employees

FREE NOTES