SHS LEARNING ACTIVITY

Name: _____ **Score/Mark:** _____
Grade and Section: _____ **Date:** _____
Strand: ☐ STEM ☐ ABM ☐ HUMSS ☐ ICT (*TVL Track*)
Subject: *Fundamentals of ABM 1*
Type of Activity ☐ Concept Notes ☐ Skills: Exercise / Drill ☐ Illustration ☐ Laboratory Report ☐ Essay/Task Report ☐ Others: _____

Activity Title: LA-02. Accounting: Nature and Scope
Learning Target: To describe the nature of accounting
References: *(Author, Title, Pages)*
1) Hinayon, et al., Fundamentals of Accounting Vol. 1, p. 7
2) Weygandt, et al., Accounting Principles, pp. 4-5
3) Q. J. Abcede, CVIF Learning Activities

In the previous activity, we have defined accounting as a system used to provide economic information to users for making better decisions for the business. Basically, accounting involves three major activities: identifying, recording, and communicating.

Nature: Accounting Process

At the start of the accounting process, the business identifies the transactions and events that are not only relevant to the business but are also financial in nature.

Next, the business records these transactions and events in a systematic and chronological way to keep a history of all its financial activities. At this point, these transactions and events, financial in nature, should be measured in pesos and cents.

To finish, using accounting reports – the most common of which are called *financial statements* – the business communicates the economic information gathered to interested users inside and outside of the organization.

Scope: Accounting vs Bookkeeping

A lot of people think that the terms "accounting" and "bookkeeping" mean the same. However, they do not; they are two different terms. When we say accounting, it involves identifying, recording and communicating. Bookkeeping, on the other hand, only involves recording. Therefore, bookkeeping is just a part of the entire accounting process.

Exercise: Tina Molina owns a laundry shop near a university, the "Molina Washers." Identify which of the following transactions/events should be included in the accounting records of her shop by checking the corresponding boxes.

- ☐ Tina buys washers and dryers for the laundry operations.
- ☐ Tina delivers a motivational speech in front of her employees.
- ☐ Tina invests additional money into her laundry business.
- ☐ Tina purchases detergent products for the shop from her friend's store.
- ☐ Tina buys a new bag for personal use using her own money.
- ☐ Tina terminates one of her employees because of poor performance.