

# Senior High School

## Fundamentals of Accountancy, Business and Management 1 Quarter 1 Module 1 Part 1– Introduction to Accounting



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## ***What I Need to Know***

This module was designed and written with you in mind. It is here to help you master the Fundamentals of Accountancy, Business and Management 1. The scope of this module permits it to be used in many different learning situations. The language used recognizes the diverse vocabulary level of students. The lessons are arranged to follow the standard sequence of the course. But the order in which you read them can be changed to correspond with the textbook you are now using.

The module is divided into three lessons, namely:

- Lesson 1 – Definition of Accounting and its Nature
- Lesson 2 – Functions of Accounting in Business
- Lesson 3 – History/Origin of Accounting

After going through this module, you are expected to:

1. define Accounting
2. describe the nature of Accounting
3. explain the functions of accounting in business; and
4. narrate the history/origin of accounting



## ***What I Know***

### **Pre-Assessment**

**Direction:** Identify what is being referred in each statement given. Refer your answer to the list provided for the answers and write your letter choice on your answer sheet.

- |                          |                   |
|--------------------------|-------------------|
| A. Decision making       | I. Owners' Equity |
| B. Accounting            | J. Liabilities    |
| C. Owners Investment     | K. Summarizing    |
| D. Accounting Records    | L. Classifying    |
| E. Accounting system     | M. Interpreting   |
| F. Business Transactions | N. Recording      |
| G. Financial statements  | O. Reporting      |
| H. Assets                |                   |

1. The primary reason for preparing financial reports in accounting.  
\_\_\_\_\_
2. The primary sources of capital of a business.  
\_\_\_\_\_
3. Keep track of the activities of the business and reports back its financial position and results of operation.  
\_\_\_\_\_
4. A planned process for providing financial information that will be useful to management.  
\_\_\_\_\_
5. An organized summaries of business financial activities.  
\_\_\_\_\_
6. Financial reports that summarize the financial condition and operations of a business.  
\_\_\_\_\_
7. A business activity that changes assets, liabilities, or owner's equity.  
\_\_\_\_\_
8. Things that have value, owned by the company.  
\_\_\_\_\_
9. The debts of the business.  
\_\_\_\_\_

\_\_\_\_\_ 10. The portion of business assets that completely belongs to the owner.

\_\_\_\_\_ 11. Sorting and grouping similar items together rather than merely keeping a simple diary like record of numerous events.

\_\_\_\_\_ 12. Deciding the meaning and importance of the information in various reports.

\_\_\_\_\_ 13. Entering financial information about events affecting the company into the accounting system.

\_\_\_\_\_ 14. Telling the results of the financial information.

\_\_\_\_\_ 15. Bringing the various items of information together to determine the result.

## Lesson

# 1

## Accounting: Definition and its Nature



### *What I Need to Know*

In this lesson it introduces the basics of accounting, its definition and nature; the basic financial statements and business transactions. It explains the functions of accounting in the business and differentiates it from bookkeeping. It also provides historical background and origin of accounting



### *What's In*

Basic knowledge in accounting can provide first-time entrepreneur that is essential for businesses to become successful. Most of these can be found in the financial statements.

Financial Statements are one of the most important documents in starting a business that it helps fulfil the function of the owners and managers that the businesses should be transparent on the performance and standing of the business and its stakeholders. Thus, it reflects the financial standing and economic activities of the business that can be related to transactions that affects the financial position, financial performance and cash flows of the business.

The objective of financial statement is to provide information about the financial position, financial performance, and cash flows of business that is useful to key personalities who are making economic decisions. It provides information about the business assets, liabilities, equity, income and expenses.



#### *Notes to the Teacher*

The teacher must consider the prerequisite skills needed in the development of this competency including the schema or background knowledge which may



## ***What's New***

Knowledge in Accounting can be used to apply in your everyday life, and for a life-long learner needs for information and intellectual stimulation that can affects real life situation.

### **Word Hunt**

In the given word hunt activity below, kindly search and encircle the words or terms related to accounting that will define the word accounting and its nature.

M	E	Q	U	I	T	Y	P	R	O	F	I	T	D	S
O	B	O	O	K	K	E	E	P	I	N	G	B	Y	S
N	A	C	C	O	U	N	T	I	N	G	A	U	P	O
E	S	T	A	T	E	M	E	N	T	S	G	S	R	L
T	I	R	E	N	T	R	R	A	R	T	H	I	O	I
A	C	E	M	N	E	A	M	S	A	A	T	N	F	A
R	F	C	E	R	I	B	S	S	N	K	T	E	I	B
Y	I	O	T	S	A	E	E	U	S	E	P	S	T	I
S	N	R	Y	O	M	R	A	M	A	H	E	S	C	L
U	A	D	G	O	R	R	S	M	C	O	U	T	A	I
M	N	I	C	A	S	H	K	A	T	L	D	R	P	T
P	C	N	X	L	G	H	P	R	I	D	S	A	I	Y
R	I	G	Y	O	E	T	L	I	O	E	E	N	T	E
O	A	R	T	S	E	R	U	Z	N	R	X	S	A	R
C	L	A	S	S	I	F	Y	I	N	G	P	A	L	T
E	W	A	S	A	V	C	L	N	S	W	E	C	I	H
S	O	A	T	M	N	J	Y	G	A	I	N	T	M	I
S	Y	S	T	E	M	I	N	T	A	R	S	I	M	N
I	N	V	E	S	T	M	E	N	T	O	E	O	U	R
I	N	V	E	N	T	O	R	Y	E	R	S	N	S	E

What words and terms have you find in defining the word accounting?

---

As a learner, cite daily life scenario that gives illustration of accounting in your life and how it affects you as a learner.

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## ***What is It***

### **Business Transactions**

Business transactions take place once a business venture starts operation. These are the interactions between businesses and other stakeholders. Stakeholders include, but are not limited to customers, suppliers, investors and government offices. Business transactions have to be identified, measured, and documented through an accounting process.

## Accounting Defined

After explaining the definition and function of financial statements, we can now define accounting.

“Accounting is the process of IDENTIFYING, RECORDING, and COMMUNICATING economic events of an organization to interested users.” (Weygandt, J. et. al)

According to American Accounting Association (AAA), accounting is the process of identifying, measuring, and communicating economic information to permit informed judgement and decision by users of the information.

Furthermore, the American Institute of Certified Public Accountants (AICPA) defines accounting as the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are in part least of financial character, and interpreting the results.

And finally, the Accounting Standards Council (ASC) sees accounting as a service activity that provides quantitative information primarily financial in nature, about economic entities that is intended to be useful in making economic decisions.

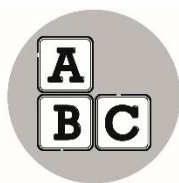
## Nature of Accounting

From the definitions above, we can describe the nature of accounting. Accounting is an art which art refers to the design of how something can be performed that involves behavioural knowledge with creativity and skill. Its nature, accounting is a systematic that has definite techniques and proper application that require a particular skill and expertise.

Besides, it deals with transactions that are financially in nature in which Accounting Standards Council (ASC) requires that business transactions have to be measured in terms of money.

Accounting is a process, a systematic series of actions directed towards a particular outcome. It has a specific actions to perform such as identifying, measuring, and communicating financial information with logical steps to be follow the accounting cycle like recording, classifying, and summarizing financial transactions, and communicating the results after.

Accounting is also an information system which is a set of interrelated components that work together to achieve a common purpose. It is an information system that provides reports to users about the economic activities and condition of a business.



## *What's More*

### Activity 1 Understanding the term Accounting

- A. Briefly discuss accounting.
- B. Why Accounting is an art and a process? Use graphic organizer in your answer.

### Activity 2 Search and Define Me

- A. Look for an example of each financial statement using the internet and describe each in your own words.
  1. Statement of Financial Position
  2. Statement of Comprehensive income
  3. Statement of Changes in Equity

#### 4. Statement of Cash Flow

### Activity 3 Arrange and Complete Me

Arrange the letters carefully to come up with the complete definition of accounting.

(A) identifying (B) to permit informed judgment (C) and decisions, (D) communicating economic information (E) measuring, (F) Accounting is the process of (G) by users of the information.

\_\_\_\_\_

(A) as art of recording (B) summarizing (C) and in terms of money (D) Accounting (E) in a significant manner (F) classifying (G) transactions (H) and events (I) which are in part at least of financial character (J) and interpreting the results thereof.

\_\_\_\_\_

(A) Accounting function is to (B) primarily financial in nature (C) that intended to be useful (D) provide quantitative information, (E) in making economic decision (F) about economic entities,

\_\_\_\_\_



### *What I Have Learned*

Supply the missing words or group of words based on the discussion about introduction in accounting.

#### Key Points

1. Business transactions take place once a business starts \_\_\_\_\_.
2. Stakeholders include, but not limited to, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
3. Accounting is the process of \_\_\_\_\_, \_\_\_\_\_ and communicating economic information to permit informed judgment and \_\_\_\_\_ by users of the information.
4. Accounting is \_\_\_\_\_ and \_\_\_\_\_.
5. An information system is a \_\_\_\_\_ of \_\_\_\_\_ components that work together to achieve a common purpose.
6. Accounting is a process, a \_\_\_\_\_ series of actions directed towards a particular \_\_\_\_\_.
7. Its nature, accounting is a systematic that has definite \_\_\_\_\_ and proper application that require a particular skill and expertise.



### *What I Can Do*

#### Practical Application: Basic Accounting Concepts Infographic

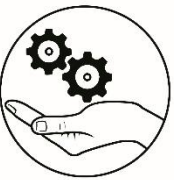
After you learned the necessary information about accounting, you gain knowledge on how to apply it in your daily life routine. As a student how can you apply accounting in your daily life activity? Make an infographic on how you deal with accounting.



## Assessment

Direction: Write **TRUE** if the statement is correct and **FALSE** if the statement is incorrect.

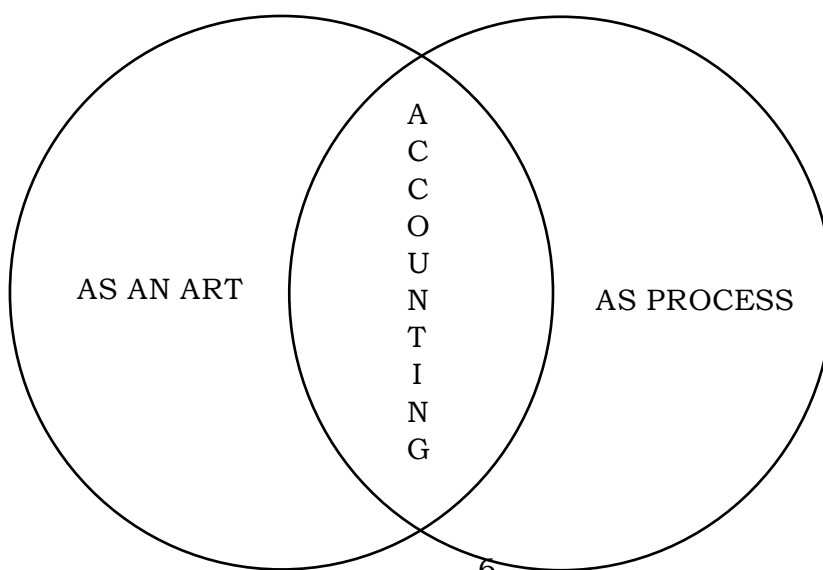
1. Financial statements are one of the most important documents in starting your own business.
2. Stewardship function means that the businesses should not be transparent on the performance and standing of the business to its stakeholders.
3. Business transactions take place once a business venture starts operating.
4. The objective of financial statements is to provide information about financial position, financial performance and cash flows of the business in making economic decisions.
5. Accounting is the process of identifying, measuring and communicating economic information to permit informed judgment and decisions by users of the information.
6. The Accounting Standards Council sees accounting as a service activity.
7. Accounting is an art, refers to the design of how something can be performed.
8. Accounting provides quantitative information, secondarily financial in nature.
9. Accounting as a process, performs not specific actions such as identifying, measuring and communicating financial information.
10. Accounting requires that business transactions have to be measured in terms of money.
11. An information system is a set of interrelated components that work together to achieve a uncommon purpose.
12. Stakeholders include but not limited to customers, suppliers, investors, and government offices.
13. Accounting has definite techniques and proper application requires a particular skill and expertise.
14. Financial statements are the outputs of the accounting process.
15. Accounting deals with transactions that are not financial in nature.



## Additional Activities

### Activity 4 Accounting as an Art and Process?

Compare accounting as an art and process by using Venn diagram to elaborate your answer.



**Lesson**

**2**

**Functions of Accounting in Business**



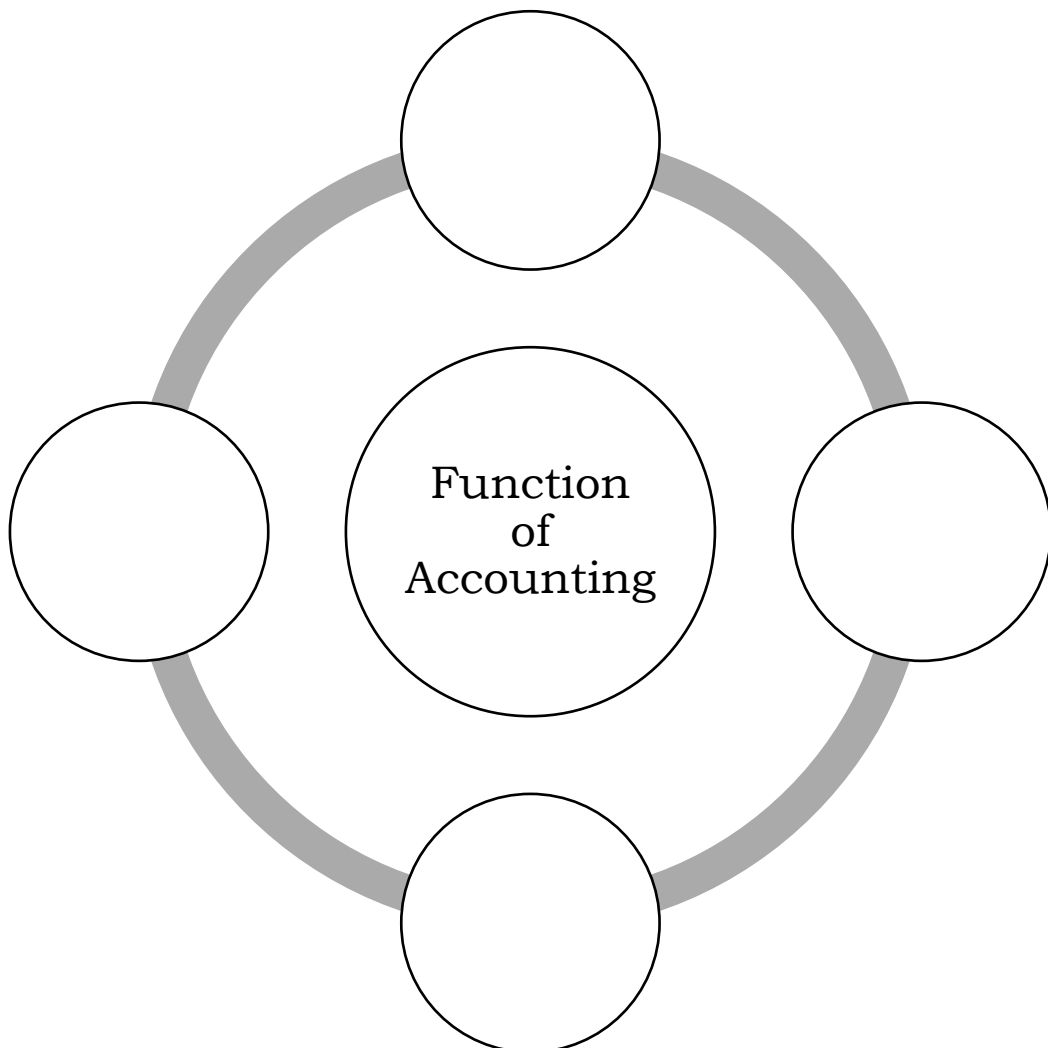
***What I Need to Know***

In this lesson it introduces the functions of Accounting in business. It explains how this function affects business performances.



***What I Know***

Direction: Write your ideas on the subject matter using the given format below.





## ***What's In***

Accounting has a vital role in the success of the business in terms of decision making. The most basic function of accounting in business is to record business transactions that provide relevant financial information to the businessmen and the stakeholders.



### *Notes to the Teacher*

This contains helpful tips or strategies that will help you in guiding the learners.

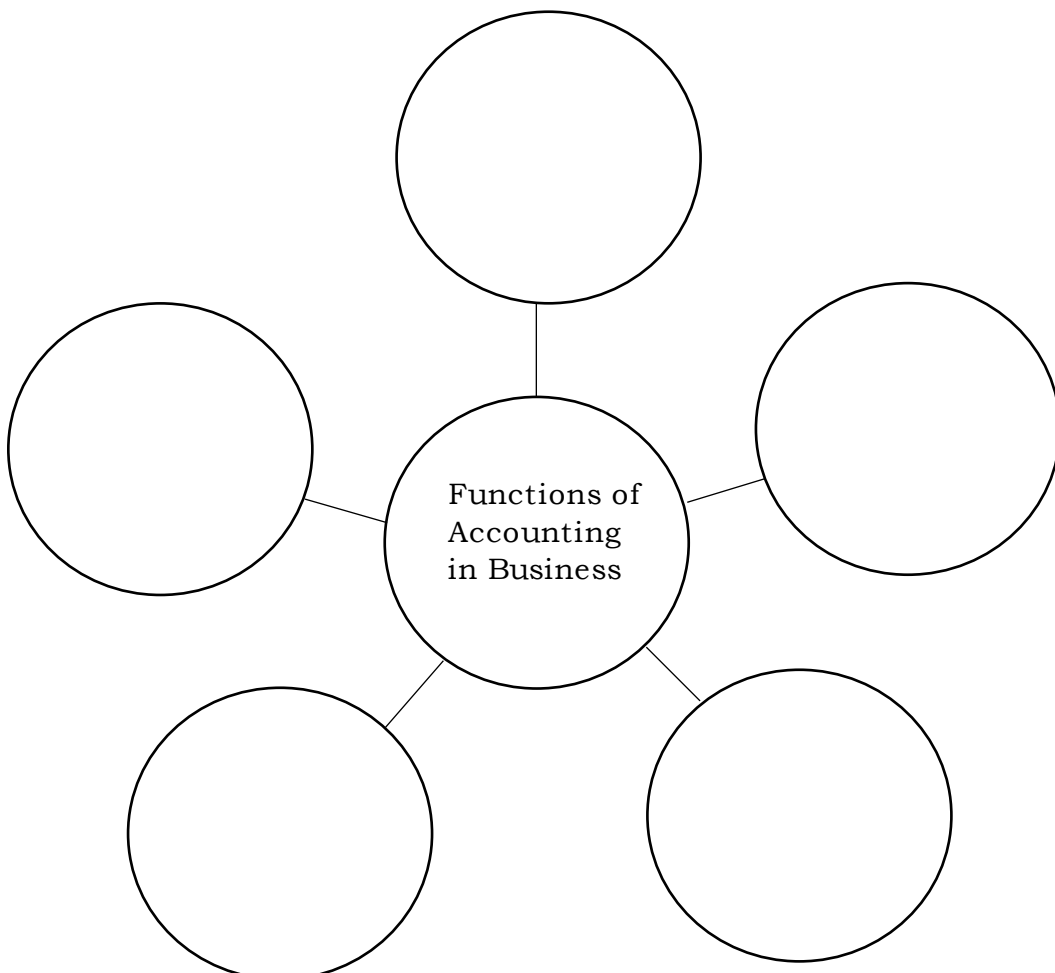


## ***What's New***

Tracking of all business transaction is the function of accounting.

### **Let's think and organize!**

In the given graphic organizer below, think a words or terms that explain the functions of accounting to business.



Elaborate the words that you come up in the given graphic organizer?

---

As a learner, cite daily life instance that gives illustration of the function of accounting in your daily life.

---



## ***What is It***

### **Function of Accounting in Business**

The functions of accounting in business can be attributed to the three fundamental objective of an information system that performs the following tasks.

1. To fulfill the stewardship function of the management or the owners;
2. To help interested users to come up with informed decisions; and
3. To support daily operations of the business

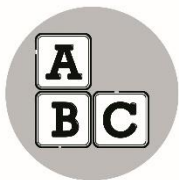
In this case, accounting is to be considered as the language of business. It serves as a means of communication between business and interested users either internal or external.

### **Difference between Accounting and Bookkeeping**

**Accounting** is broader as it includes the bookkeeping function.

**Bookkeeping** is just confined with the recording of monetary transactions which is part of the accounting process

**Bookkeeping** is responsible for the recording of financial transactions whereas **accounting** is responsible for interpreting, classifying, analyzing, reporting, and summarizing the financial documents.



## ***What's More***

### **Activity 1 Understanding the Function of Accounting in Business**

Give some ideas on the function of accounting in business using graphic organizer.

### **Activity 2 Assess and Learn**

- A. Assess your knowledge about the function of accounting in business with the use of flow chart.



## ***What I Have Learned***

Answer the following questions.

### **Key Points**

1. What are the basic functions of accounting in business?
2. Explain the function of accounting in business and give example.



## ***What I Can Do***

**Practical Application:** Function of Accounting in Everyday Life

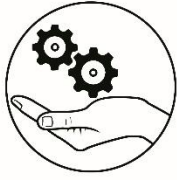
1. How the function of accounting can be applied on the part of the students?



## ***Assessment***

Direction: Write **TRUE** if the statement is correct and **FALSE** if the statement is incorrect.

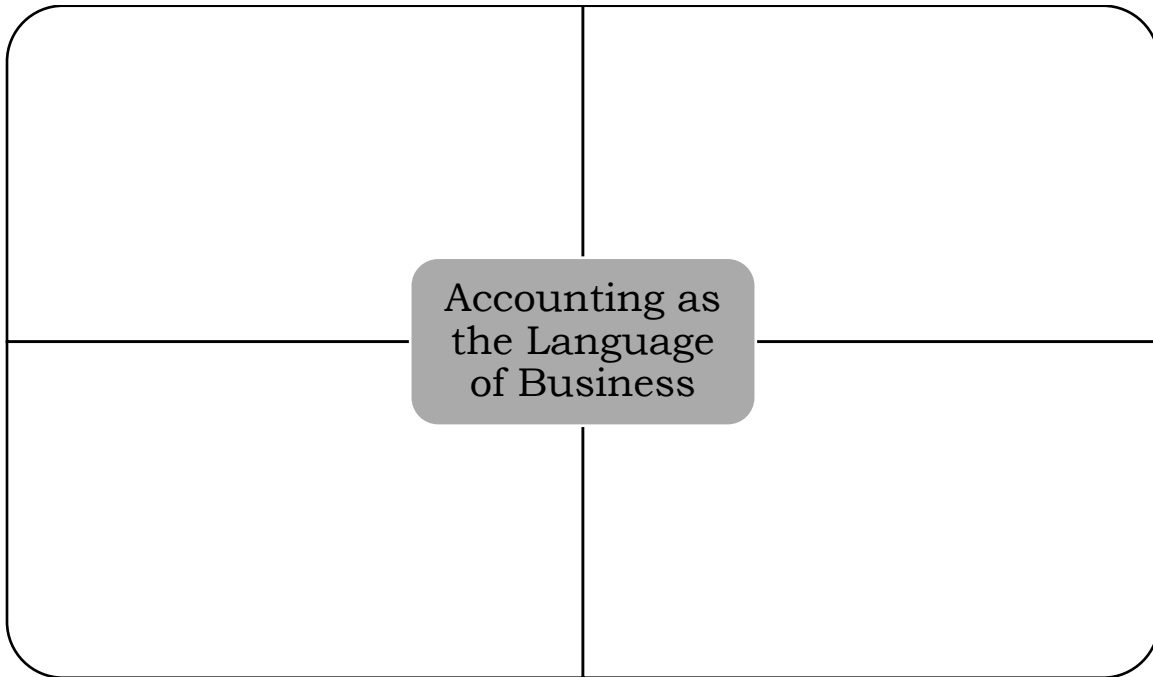
1. Function of accounting in business is to fulfill the stewardship function of the management.
2. Stewardship function means that the businesses should be transparent on the performance and standing of the business to its stakeholders.
3. Accounting is considered the language of business.
4. Accounting helps interested users come up with uninformed decisions.
5. Accounting is broader in scope than in bookkeeping.
6. Bookkeeping is just confined with the recording of monetary transactions which is one part of the accounting process.
7. Accounting function is to support daily operations of the business.
8. Accounting serves as a means of communication in the business only.
9. The management or owners report on how well the business fares which is a reflection of how well they manage the business
10. Interested users use the reports to make informed decisions based on the past performance and the current financial condition of the business.
11. Financial information from accounting is used to come up with recommendations on how to improve the operational effectiveness and efficiency of the company.
12. Accounting facilitates the uneven flow of information in and out of the business.
13. The purpose of accounting is to provide financial information to the stakeholders of the business: management, investors and creditors.
14. Accounting is just confined with the recording of monetary transactions only.
15. Every individual or a business concern is interested to identify the results of financial transactions and their results are established through the accounting process.



## ***Additional Activities***

### **Activity 3 Accounting as the Language of Business?**

1. Explain why accounting is considered as the language of business.



### **Lesson**

# **3**

## **History of Accounting**



### ***What I Need to Know***

In this lesson it narrates the history or the origin of accounting. The timeline of history and development of accounting.



### ***What I Know***

Direction: Write the term (word or phrases) to complete the thought of each statement.

1. The origin of \_\_\_\_\_ can be traced from the Renaissance period.
2. Italian monk and mathematician Frater Luca Bartolomes Pacioli wrote \_\_\_\_\_, 3. \_\_\_\_\_ 4, \_\_\_\_\_ and 5. \_\_\_\_\_.
6. \_\_\_\_\_ was born in Borgo San Selpocro.

7. \_\_\_\_\_ is the Father of Modern Accounting.
8. The first income tax law in the Philippines was enacted in the year\_\_\_\_\_.
9. In the year \_\_\_\_\_, the Philippines became fully compliant with IFRS.
10. The Philippines started transitioning from applying American accounting standards to applying IAS in the year \_\_\_\_
11. In the Philippines, the Accountancy Law was revised and passed under Presidential Decree No.692 in the year\_\_\_\_\_.
12. In 1967, the \_\_\_\_\_in the Philippines was revised and passed under Republic Act No. 5166.
13. In 2001, the \_\_\_\_\_ succeeded the International Accounting Standard Committee.
14. In the Philippines, The Accountancy Law was revised and passed under \_\_\_\_\_.
15. BOA stands for\_\_\_\_\_.



## ***What's In***

Accounting is as old as civilization itself. It has evolved in response to various social and economic needs of men. Accounting started as simple recording of repetitive exchange.



### *Notes to the Teacher*

This contains helpful tips or strategies that will help you in guiding the learners.



## ***What's New***

The time of history and development of accounting that maps out general and specific events that contributed to the accounting that we are studying today.

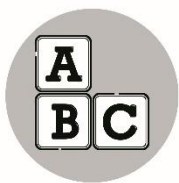


## ***What is It***

### **History and Development of Accounting**

Accounting is as old as civilization itself. It has evolved in response to various social and economic needs of men. Accounting started as a simple recording of repetitive exchanges. The history of accounting is often seen as indistinguishable from the history of finance and business. The Cradle of Civilization Around 3600 B.C., record-keeping was already common from Mesopotamia, China and India to Central and South America. The oldest evidence of this practice was the “clay tablet” of Mesopotamia which dealt with commercial transactions at the time such as listing of accounts receivable and accounts payable. In 14th Century - Double-Entry Bookkeeping. The most important event in accounting history is generally considered to be the dissemination of double entry bookkeeping by Luca Pacioli (‘The Father of Accounting’) in 14th century Italy. Pacioli was much revered in his day, and was a friend and contemporary of Leonardo da Vinci. The Italians of the 14th to 16th centuries are widely acknowledged as the fathers of modern accounting and were the first to commonly use Arabic numerals, rather than Roman, for tracking business accounts. Luca Pacioli wrote Summa de Arithmetica, the first book published that contained a detailed chapter on double-entry bookkeeping. The origin of hardcore accounting can be traced from the Renaissance period. Italian monk and mathematician Frater Luca Bartolomes Pacioli wrote Summa de Arithmetica, Geometria, Proportioni et Proportionalita. Pacioli was born in Borgo San Selpocro and regarded as the Father of Modern Accounting. In the Philippines, the first income tax law was enacted in the year 1913. In 1967, the Accountancy Law in the Philippines was revised and passed under Republic Act No. 5166. The Accountancy Law in the Philippines was revised and passed under Presidential Decree No. 692 in the year 1975. The Philippines started transitioning from applying American accounting standards to applying IAS in the year 1997. In the year 2005, the Philippines became fully compliant with IFRS. In 2001, the International Accounting Standard Board succeeded the International Accounting Standard Committee.

BOA stands for Board of Accountancy



## ***What’s More***

### **Activity 1 Understanding the History of Accounting**

Give some ideas on the importance of the history of accounting in business using a graphic organizer.

### **Activity 2 Assess and Learn**

1. Assess your knowledge about the History of Accounting in business with the use of flow chart.



## ***What I Have Learned***

Answer the question.

### **Key Points**

1. Why is history of accounting important? Give scenario.



## ***What I Can Do***

**Practical Application:** History of Accounting

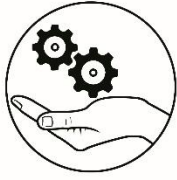
1. How the history of accounting affects the present accounting practices in the business industry?



## ***Assessment***

Direction: Write **TRUE** if the statement is correct and **FALSE** if the statement is incorrect.

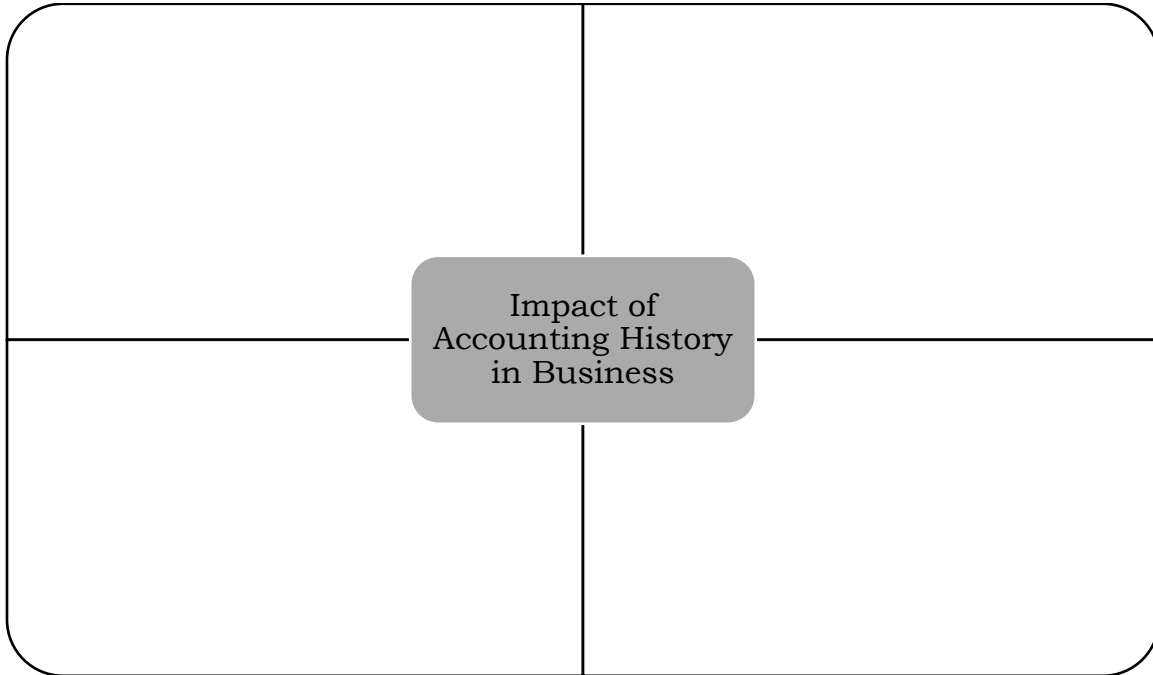
1. The origin of soft accounting can be traced from the Renaissance period.
2. Italian monk and mathematician Frater Luca Bartolomes Pacioli wrote the Summa de Arithmetica, Geometria, Proportioni et Proportionalit
3. Pacioli was born in Borgo San Selpocro.
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10. In 2001, the International Accounting Standard Board succeeded the International Accounting Standard Committee.
11. In the Philippines, The Accountancy Law was revised and passed under Presidential Decree No 692
12. BOA stands for Board of Accountancy.
13. IASB stands for International Accounting Standards Board.
14. IFRS stands for International Financial Reporting Standards.
15. IASC stands for International Accounting Standard Committee



## ***Additional Activities***

### **Activity 3 History that Counts!**

1. What are the impact of Accounting History in Business Setting.





## Answer Key

<p>Assessment(L1)</p> <p>1. True 2. False 3. True 4. True 5. True 6. True 7. True 8. False 9. False 10. True 11. False 12. True 13. True 14. True 15. False</p>	<p>What's More (L1)</p> <p>Activity 1 Activity 2 Activity3 - FAEDBCG DAFBECGHI ADBFCE</p>	<p>What I Know (L1)</p> <p>1. A 2. C/I 3. B 4. E 5. D 6. G 7. F 8. H 9. J 10. C/I 11. L 12. M 13. N 14. O 15. K</p>
<p>Assessment (L2)</p> <p>1. True 2. True 3. True 4. False 5. True 6. True 7. True 8. False 9. True 10. True 11. True 12. False 13. True 14. False 15. True</p>	<p>What I Know (L3)</p> <p>1. Hard Accounting 2. Summa De Arithmetica 3. Geometrica 4. Proportioni 5. Proportionalitas 6. Pacioli 7. Pacioli 8. 1913 9. 2005 10. 1997 11. 1975 12. Accountancy Law 13. International Accounting Standards Board 14. Presidential Decree No. 692 15. Board of Accountancy</p>	<p>Assessment (L3)</p> <p>1. False 2. True 3. True 4. True 5. True 6. True 7. True 8. True 9. True 10. True 11. True 12. True 13. True 14. True 15. True</p>

## **References**

Tugas, Flores C., Salendres, Herminigilda E. and Rabo, Joy S,  
“ Fundamentals of Accountancy, Business and  
Management”p.1-12

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