

# Accounting for Business: An Introduction by Marley & Pedersen

For a unique and practical skills building approach to teaching students introductory accounting concepts, take a fresh look at Marley and Pedersen: Accounting for Business...

**Accounting for Business** offers an integrated business development model. It simulates how to build an accounting system for commercial businesses ranging from the smallest enterprise to larger trading businesses which engage in credit transactions.

The underlying principle of this text is that **accounting** consists of both the **recording** and **control of business transactions**. Therefore the study of accounting needs to examine these concepts as a whole rather than as separate components.

Below is a chapter outline, which identifies where appropriate the unique approach the authors have taken.

## Chapter 1

This sets the scene for the function of accounting and the role of the accountant in the modern world. Topics such as accounting principles, the historical development of accounting, the accounting profession (including professional accounting bodies) and applying ethical principles are discussed. This chapter provides the student with an overview of the accounting environment in order to gain an awareness of the “big picture” of accounting in contemporary society.

## Chapter 2

This chapter discusses accounting fundamentals including the different types of accounts and accounting rules. In addition it presents a sample comprehensive chart of accounts that is used as a basis for the illustrative examples and questions that follow in the book.

## Chapter 3

This chapter discusses design considerations of business accounting systems and includes a comprehensive analysis of the implementation of GST within those systems.

**Accounting for Business** adopts its unique philosophical direction from **Chapter 4 - Recording Cash Transactions**. All businesses, no matter how small, will deal with cash transactions and therefore they must maintain as a minimum a cash receipts journal, a cash payments journal and a general journal.

Initially, a small service business which is not GST registered is introduced. The system is then expanded to include trading businesses which are GST registered and then expanded again to discuss the necessary changes to these journals for businesses which have engaged in credit transactions. Finally, possible variations to the cash journals are discussed (for example, where the business gives and receives settlement discounts).

In all chapters in the book equal emphasis is given to both T and Columnar ledger formats. This is necessary as ultimately students need to feel completely comfortable with both formats – the columnar format being the industry (computer) format whereas the T format is often the preferred format for teaching in academia (where many TAFE accounting graduates will eventually pursue further study).

### **Chapter 5: Controls over cash**

This chapter discusses the control (reconciliation) processes needed to ensure the complete and accurate recording of cash transactions discussed in Chapter 4. Placing this chapter immediately after the recording process emphasises the integration of the recording and control of these types of transactions.

### **Chapter 6: Recording of other transactions**

This chapter describes the non-cash transactions which are commonly undertaken by businesses and which are usually recorded in the general journal.

### **Chapter 7: Recording Credit Transactions**

This chapter examines the necessary changes to an accounting system where the proprietor wishes to increase the level of sales by offering credit terms to its customers and conserve cash flow by negotiating credit terms with its suppliers. This is often the next logical step a proprietor will consider to grow their business after the initial establishment phase has been completed.

### **Chapter 8: Control of Credit Transactions**

This chapter discusses the controls (reconciliations) needed for the complete and accurate recording of credit transactions covered in Chapter 7. Placing this chapter immediately following the recording process emphasises the integration of the recording and control of these types of transactions.

### **Chapter 9: End of period adjustments**

This chapter discusses the adjustments necessary in order to properly match revenues and expenses to accurately calculate net profit. General journal entries to record accruals and prepayments, other balance day adjustments and closing entries for service and trading businesses are covered. Finally, reversing entries for accruals and prepayments are discussed.

### **Chapter 10: Preparation of End-of-Period Reports**

This chapter examines the Income Statement and the Balance Sheet for both service and trading businesses. Common classifications of revenue and expenses in the income statement and assets and liabilities in the balance sheet are discussed. Various formats for both the income statement and balance sheet are presented. The ten column worksheet is then introduced to provide the student with an alternative method of preparing financial statements without formally closing the ledger (for example, when interim monthly financial statements are to be prepared.)

### **Chapter 11: The Complete Accounting Process**

This chapter provides a summary of the accounting procedures examined in chapters 4 to 10 through a comprehensive illustrative example. Also included in this chapter are comprehensive case-study and business scenario questions that require the completion of journals, ledgers, trial balance, schedules and financial statements including the implementation of accounting controls (reconciliations).

### **Chapter 12: Recording and Control of Property Plant and Equipment**

This chapter examines the recording of transactions for the purchase, maintenance and disposal of property, plant and equipment for both GST and non-GST registered businesses and the establishment of controls required for the protection of those assets. Included in the discussion are the various methods for calculating depreciation, disposal options and profit/loss on sale adjustments.

### **Chapter 13: Recording and Control of Payroll**

This chapter discusses the recording of payroll transactions and the controls necessary to ensure such transactions are recorded completely and accurately. All relevant payroll records are introduced including time records, pay summaries, earnings records and PAYG tax tables. Also covered are the various methods for payment of wages to employees.

### **A final note about the authors:**

**Stephen Marley** has been teaching in TAFE for 22 years, a Chartered Accountant for 28 years and has continuously operated an accounting practice advising business clients for 20 years.

**Jeff Pedersen** is an educator in finance in TAFE Queensland experienced in course delivery, program coordination and curriculum development. Jeff has been an active resource developer both inside the open learning arm of TAFE Queensland and independently as a writer and author in the finance and accounting field. As a text book author and online resource developer Jeff has endeavoured to bring the realism of business activity into the learning sphere of the student.