

**VICTORIA UNIVERSITY
OF BANGLADESH**

HOSPITALITY FINANCE & COST ACCOUNTANCY

HM :540

PROGRAM: BTHM

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MID TERM TEST

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BATCH: 55TH

Question No: 01

Describe the stapes in accounting process?

Answer to the question no 01

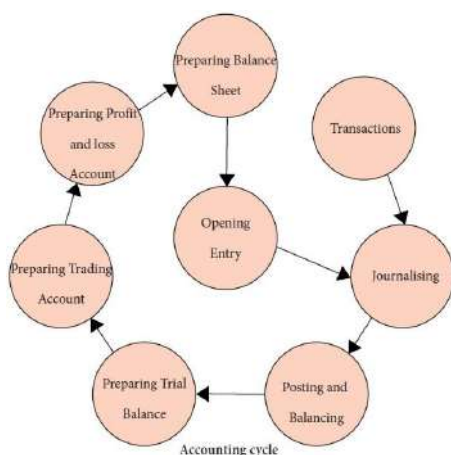
Accounting is the process of identifying, recording and communicating the economic events of an organization to interested users of the information. The steps in accounting process describe below:

- Identification
- Recording
- Communication

Identification: The first step of the accounting process is there to identify economic events that are relevant to a particular business.

Recording: Once identified and measured, the events are recorded to provide a history of the financial activities of the organization. Recording consists of keeping a chronological diary of these measured events in an orderly and systematic manner.

Communication: The information is communicated through the preparation and distribution of accounting reports, the most common of which are called financial statement. A vital elements in the communication process is the accountant's ability and responsibility and interpret the reported information.



Question No: 02

What is the importance of accounting in business?

Answer to the question no 02

Accounting is important as it keeps a systematic record of the organization's financial information. Up-to-date records help users compare current financial information to historical data. With full, consistent, and accurate records, it enables users to assess the performance of a company over a period of time.

The role of accounting in business is to help interested parties, both internal and external, to make business decisions. The importance of accounting in business is as follows:

- 1. Recording Transactions:** A major use of accounting is for the recording of transactions. The function of accounting is also known as bookkeeping. Small business owners use financial accounting to record business activity in the company's ledger. Because financial accounting uses the double entry system, each transaction affects two accounts, representing the two sides to a transaction. The use of accounting is important to small-business owners because it provides a methodological approach to describing the activities of business.
- 2. Communication Information-External:** Business owners use accounting to communicate information to external parties. People and organization that use the financial information of a company, but are not part of the company, are known as external users of financial statements. Owners communicate the financial; health and well being of a company to external users through the financial statements, which are the end result of recording financial accounting transactions. External users will examine the financial statements and compare the result to their own expectations, forming an assessment of the company. Common external users include banks suppliers and leasing companies.
- 3. Communication Information -Internal:** While managerial accounting information is more geared towards internal users, financial accounting is also used for internal information communication. Internal users of financial accounting information include the finance team and employees who may be interested in profit sharing or stock-based compensation agreements. Small business owners can use financial accounting information to share company strengths and weaknesses with employees.
- 4. Analysis and comparison:** Business owners may use accounting information to analyze competitors and evaluate investments opportunities. Because financial accounting is governed by generally accepted accounting principles, the financial

statements of different companies are comparable to one another. This basis for comparability provides a standard method of analysis. Company's financial statements, and compare the ratios to benchmarks or other competitors.

5. **Prevention of fraud and discovery of fraud:** Fraud can only be discovered and prevent where there is a good internal control in place. Accounting and accounting information system in the only way of keeping track of all and help organization to establish a good internal control.



Question No: 03

Accounting is an information system do you agree?

Answer to the question no 03

Yes, there is no doubt about the fact that accounting is an information system. The accounting information is highly useful for different groups of persons. No organization can function without the use of money and hence without accounting. For an organization, accounting information is very important for its functioning. Not only the proprietors and the managers, but also the other groups of person along with their requirement for such information are discussed below in the large organization.

1. **Proprietors:** Proprietors who have invested their money in the business would certainly like to know the financial details at every point of time. Since any business is being carried out to earn profit, accounting information becomes utmost significant to understand profitability and financial soundness.

2. **Managers:** In case organizations which have been managed by professional managers, requirement of watching all those parameters that can affect profits, is highly important. Generally these parameters are related to accounts and hence accounting information is of high interest to these managers. The accounting disclosures helped them in information about what happened and what should be done to improve the profitability and financial position of the enterprise in the period to come.

3. **Creditors:** Creditors are those persons from whom the company has taken loans or credit. These people are also interested to know the financial status of the company so as to know whether the company is in the position to meet its commitments towards them in regard to both payments of interest and the principal amount.

4. **Government:** The requirement on the part of the government to know about the financial details is due to taxation, labor and corporate laws. If government feels it important, it can examine the accounts of any organization.

5. **Prospective Investors:** Prospective investors would also like to know the status of profitability and performance of a company before investing in the business. Accounting information would help them in taking decision.

6. **Employees:** Employees are also interested to known the financial performance of the organization due to their interests in profit sharing and bonus schemes. If some of the employees have purchased the shares of same company, their interests would further increase.

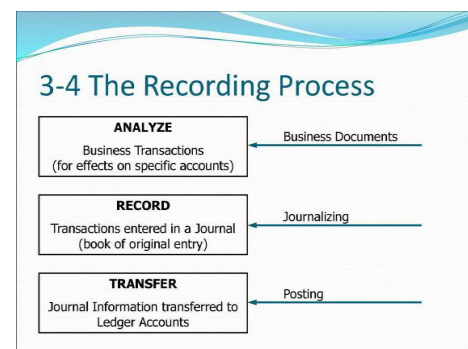
Question No: 04

What are the basic steps in the recording process?

Answer to the question no 04

In practically every business, there are three basic steps in the recording process:

1. Analyze each transaction for its effects on the accounts.
2. Enter the transaction information in a journal.
3. Transfer the journal information to the appropriate accounts in the ledger.



Question No: 06

What do you mean by worksheet?

Answer to the question no 06

Worksheet: A multiple column form that may be used in making adjusting entries and in preparing financial statements. An accounting worksheet is large table of data which may be prepared by accounts as an optional intermediate step in an accounting cycle. The main purpose of worksheet is that it reduces the likelihood of forgetting an adjustment and it reveals arithmetic errors. A worksheet acts as a tool for an accountant and it is not usually intended to be used by third parties. It is an informal document.

A typical worksheet consists of a column on the left showing main account titles and 10 more columns of debits and credits showing trial balance, adjustments, adjusted trial balance, incomes statement and balance sheet.

A worksheet or also known as extended trial balance is a business form containing multiple columns that is sometimes prepared in the concluding stage of accounting cycle. It is prepared after unadjusted trial balance is extracted from the ledger's balances. Major purpose of the worksheet is to incorporate adjustments to the closed accounts in a structured manner following a certain format. Worksheets are prepared in situations where adjustments are in large number and it helps in reducing accounting and arithmetic errors in finalizing accounts.

Question No: 07

Explain the purpose of worksheet?

Answer to the question no 07

THE PURPOSE OF WORKSHEET

Chart of Accounts: Every company keeps a chart of accounts that lists every account the company has. It is divided into five sections: assets, liabilities, equity, revenue and expenses. Each of these accounts is in the company's general ledger, where balances of each account are maintained. An accounting worksheet being by listing each account and the balance each account has.

Adjusting Entries: One main purpose of an accounting worksheet is to record adjusting entries. Adjusting entries are made at the end of each period. They are not normal everyday-type entries,

they only take place at the end of a month or period. Examples of adjusting entries are those adjusting for supplies used, insurance used, revenue earned and interest earned. These entries are recorded on the worksheet.

Trial Balance: After adjusting entries are made, each account is update on the worksheet. If an account had an adjusting entry, The previous amount in that account needs to be adjusted. If no adjusting entry is made to an account, the same balance transfers over to this column. The worksheet helps to keep the company's ledger in balance.

Closing Entries: The worksheet is a 10-column ledger and is also used to calculate and record closing entries. Books are always closed at the end of every fiscal year, and the worksheet aids the closing process.

Financial statements: One of the primary uses for a worksheet is for the information it contains. After making adjusting entries and closing entries, the business can generate financial statements. The worksheet contains entries all the information needed to prepare these statements. After preparing the financial statements, the company beings a new worksheet for the following year.

3-4 The Recording Process

ANALYZE

Business Transactions
(for effects on specific accounts)

Business Documents



RECORD

Transactions entered in a Journal
(book of original entry)

Journalizing



In practically every business, there are three basic steps in the recording process:

4. Analyze each transaction for its effects on the accounts.
5. Enter the transaction information in a journal.
6. Transfer the journal information to the appropriate accounts in the ledger.

