

Cooperative Business Management

Level-I

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standard



Module Title: - Basic Concept of Accounting

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Introduction to the Module

Dear learner, the Ethiopian TVET system is now focused on the labor market demands and industry relevance. This translates that the main objectives of the TVET system is to qualify its graduates according to the occupational requirements of the industry. In this learning guide there are four learning outcomes which are broken down into four information sheets. These are listed as follows: create awareness about accounting, differentiate professional ethics of accountant, develop understanding of accounting equation and review record and maintain files. In this learning guide, some learning activities and self-check exercises are included to make your study clear, attractive and precise. These are very important in deepening and enhancing your understanding of the learning outcomes in the module. If you skip doing those activities and exercises, your level of understanding will be limited and insufficient. As a result, you are strongly dedicated and encouraged to do it on time accordingly. Upon the completion of the module you will be able to perform the objectives listed on the instruction sheet.

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LG #10

LO#1-Create Awareness About Accounting

Instruction sheet

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Meaning and nature of accounting
- Objectives and roles of accounting
- Accounting principles
- Duty and responsibility of financial legislative body in Ethiopia
- Types of accounting professions
- Types of Financial statement
- Differentiating bookkeeping and accounting
- Steps of Accounting cycle

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Explains Meaning and nature of accounting
- Identify objectives and roles of accounting
- Identify accounting principles
- List types of accounting
- Identify types of financial statement
- Differentia bookkeeping vs Accounting
- Identify steps of accounting cycle

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets
4. Accomplish the Self-check

Information Sheet -1

1.1. Meaning and nature of accounting

1.1.1. Definition of accounting

Accounting is the process of identifying, measuring, recording, classifying, summarizing, reporting/communicating, and interpreting economic and financial events of an entity for use by interested parties for the purpose of informed judgment and decisions.

- Key Words in the definitions.
- ✓ **Identifying:** - Tracing and collecting recordable economic activities. Accounting records and reports only those economic activities of the organization which can be expressed in terms of money.
- ✓ **Analyzing and Measuring:** - Determining whether the economic activities bring changes in an organization and expressing the changes in monetary terms.
- ✓ **Recording:** - Systematically record of the effects of economic activities on assets, liabilities, capital, revenues and expenses.
- ✓ **Classifying:** - Grouping recorded effects of economic activities into meaningful classes.
- ✓ **Summarizing:** - Gathering and arranging data needed for preparation of reports and statements.
- ✓ **Reporting:** - Preparing statements and reports in a manner that suits the need of users so as to communicate information useful for decision making.
- ✓ **Interpreting:** - Provide explanation on reported information so that users can understand and use the information as a basis for decision making.

1.1.2. Characteristics of Accounting Information

- **Understandability:** to be useful, AI must be expressed with clarity, in such a way that it will be understandable to users.
- **Relevance:** to be useful, accounting information (AI) must assist a user to form, confirm or maybe revise a view - usually in the context of making a decision
- **Consistency:** This implies consistent treatment of similar items and application of accounting policies. (Idea of uniformity in accounting practices over time which facilitates comparison).

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- **Comparability:** This implies the ability to help users to be able to compare performance over time and with similar companies in the same industry/group/.
- **Reliability:** This implies that the AI that is presented is truthful, accurate, complete (nothing significant missed out) and capable of being verified (e.g. by a potential investor).
- **Objectivity:** This implies that AI is prepared and reported in a "neutral" way. In other words, it is not biased towards a particular user group or vested interest.

1.2.Objectives and roles of accounting

1.2.1. Objectives of accounting

- **To keep a systematic record of all business transactions**

Accounting is used to maintain a systematic record of all the financial transactions in the books of accounts of an entity and that is one of the main accounting objectives. For this purpose, all transactions have recorded the books of accounts in chronological order in Journal and then posted to different ledger accounts.

- **To ascertain profit and loss & ascertainment of results**

Every business starts with the motive to earn profits. We can say that profits are the backbone of any business. Also, the users of financial statements are very keen to know the net results of business operations periodically. To check whether the business is earning profits or making losses, we prepare a statement or account called “Profit & Loss Account or Statement of Profits & Losses”.

- **To determine the financial position of an entity**

By accounting for each and every asset owned by an entity and liabilities incurred by the entity, we can get to know the exact financial position of our business at a particular date. In this regard, we prepare a “Balance Sheet” to check the value of assets and liabilities.

- **To provide information to various users of Financial Statement**

Users of financial statements play a major role in the company. The financial statements of an entity can affect the decision-making process of the user of the financial statement. They also participate in future business growth. Providing information to the various interested parties or stakeholders is one of the most important objectives of accounting, it helps them in making good financial decisions.

- **To assist the management**

By analysing the financial data of an entity and providing interpretations in the form of reports, accounting can also assist management in handling the daily business operations in an effective manner.

1.2.2. Roles of accounting

- To determine the operation results of the organization.
- To facilitates rational decision making, for decision makers
- To keep systematic record of business transaction.
- It plays important role in all economic social system

1.2.3. The functions of accounting

The basic functions of accounting in an entity may include the following:

- **To keep financial records**

Accounting helps businesses in maintaining an accurate and up-to-date record of the day-to-day financial transactions of the entity, such as purchases, product sales, receipts, and payments.

- **To Monitor financial transactions**

Accountants may track and record multiple financial transactions which are relating to payments due to the company and receipts earned by the company to ensure it receives the revenue and remain profitable.

- **To prepare financial reports**

In the growth of any business, the accountant or other person authorized on this behalf may need to prepare different types of financial reports. Which can be done after its complete accounting? Accounting involves preparing detailed monthly, quarterly, and annual financial reports about the company's assets, debts owed, profits and losses for internal and external stakeholders and for statutory compliances, etc.

- **For payments of employees due**

The entity can use accounting to make payroll payments every month, manage employee benefits and issue employee work-related bonuses or performance bonuses. Accounting also helps to maintain a clear record of employee welfare fund, statutory PF, employee provident fund, etc.

- **To maintain digital records**

Accounting may involve creating, maintaining, and updating digital accounting systems which can be stored digitally for maintaining the company's financial data.

- **To Make bill payments**

The functions of accounting also involve checking invoices to ensure that bills are properly expensed off and setting dates for payments and paying the bills that the company owes to various vendors and suppliers on a particular date.

- **To prepare forecasts/budgets**

The accounts department may need to prepare forecasts/ budgets of the entity's financial data to check the future profitability of the company. These forecasts/ budgets can be the overall company budget, the departmental/internal budgets, and the project budgets.

- **To make financial projections**

Functions of accounting involve preparing financial projections by analyzing the company's available financial resources, expected revenues, future expenses, etc. using this information entity can predict project viability, future business expansion, and growth.

- **To make available records for Auditing**

It is the responsibility of an Accountant to make available all the related financial records from which the auditor of the company can conduct financial audits of the company, identify accounting discrepancies and provide corrective solutions.

- **To keep financial resources up-to-date**

The functions of accounting can also be used in checking the financial weaknesses and strengths of the organization, providing solutions and strategies to concur the weaknesses and improve strength.

- **For a review of performances**

Accounting also involves performing regular financial reviews and fixing some performance evaluation criteria for each of the company's different departments to check their performance and give rewards to one which fulfills the performance evaluation criteria, it motivates them which is result into the increase their productivity and streamline the expenses.

- **To comply with legal & statutory requirements**

The department of accounting functions makes sure the entity is complying with all the statutory and legal compliances which are applicable to the entity also check all industrial and government rules applicable to the entity, regulations, and policies related to taxation, financial reporting, and employee wages related compliances to save the entity from any penalties for non-compliance.

1.3.Accounting as an Information System

Accounting is used as a means to exchange/provide/ information among/to/ interested parties concerning the financial performance, financial position and related issues of an organization.

It is also commonly known as the “language of business”.

An Accounting System is designed to accumulate data about a firm’s financial affairs and summarize it in periodic reports called financial statements.

Users of accounting information can be divided into two broad groups.

- I. **Internal Users:** are those individuals directly involved in the process of either planning or controlling current operations or for formulating long- range plans and making major business decision.

Example: **Managers and Employees**

- II. **External Users:** are parties that are not directly involved in running the operations of the business. **Examples:** Investors, Creditors, Government Regulatory Agencies, Tax Authorities, Community representatives, Competitors



Figure: 1.1 users of accounting information system

1.4.Accounting principles and practices

Accountants must be able to understand these principles and practices

To understand and prepare financial statements and reports two sets of rules accepted for international use:

- Financial Accounting Standards Board:- General accepted accounting principles (GAAP)
- International Accounting Standards Board:- International financial reporting standards (IFRS)

The main purpose is to guide accountants in measuring and reporting financial events of business enterprises. It has its own

- ✓ Assumptions
- ✓ Principles
- ✓ Constraints

Table 1.1 Accounting principles and practices

Assumptions	<p>Economic (Business) Entity</p> <p>Going Concern</p> <p>Periodicity</p> <p>Monetary Unit</p>
Principles	<p>Historical Cost Principle</p> <p>Realization Principle</p> <p>Matching Principle</p> <p>Full Disclosure Principle</p>
Constraints	<p>Cost-Benefit Relationship</p> <p>Materiality</p> <p>Industry Practices</p> <p>Conservatism</p>

- **Assumptions**

- ✓ **Economic Entity Assumption:** -Each economic entity exists separate from and independent of its owner/s and other economic entities under the same or different owner/s.
- ✓ **Going Concern/Continuity Assumption:** -The economic entity will continue in operation long enough to carry out its existing objectives and commitments.
- ✓ **Time Period Assumption:** -The **time period assumption** states that a company can present useful information in shorter time periods, such as years, quarters, or months. The information is broken into time frames to make comparisons and evaluations easier.

The information will be timely and current and will give a meaningful picture of how the company is operating.

- ✓ **Monetary Measurement assumption:** - In order to record a transaction, we need a system of **monetary measurement**, or a monetary unit by which to value the transaction. In the United States, this monetary unit is the US dollar. Without a dollar amount, it would be impossible to record information in the financial records. It also would leave stakeholders unable to make financial decisions, because there is no comparability measurement between companies. This concept ignores any change in the purchasing power of the dollar due to inflation.
- **Principles**
 - ✓ **Historical Cost Principle:** - This principle states that goods and services purchased or sold should be recorded in the accounting records and then reported on the financial statements at the initial amount (**cost**) at the time of acquisition.
 - ✓ **Realization Principles (revenue recognition concept):** - Revenue may be defined as the value of goods or services that a business enterprise transfers to its customers. The realization principles require that two criteria be satisfied before revenue can be recognized. The earning process is judged to be complete or virtually complete there is reasonable certainty as to the collectivity of the asset to be received (usually cash)
 - ✓ **Matching principle:** - states that expenses are recognized in the same period as the related revenues. The matching principle requires that all expenses incurred in generating that same revenue also be recognized.
 - ✓ **Full Disclosure principle:** naturally if there is accounting information not included in the primary financial statements that would benefit users that information should be provided to. The full disclosure principles mean that the financial reports should include any information that could affect the decision made by external users.
- **Constraints**
 - ✓ **Cost-Benefit Relationship:** Companies must weigh the costs of providing the information against the benefits that can be derived from using it.
 - ✓ **Materiality:** The materiality constraint concerns an item's impact on a company's overall financial operations. An item is material if its inclusion or omission would influence or change the judgment of a reasonable person.

- ✓ **Industry Practices:** The peculiar nature of some industries and business concerns sometimes requires departure from basic theory.
- ✓ **Conservatism:** Few conventions in accounting are as misunderstood as the constraint of conservatism. Conservatism means when in doubt, choose the solution that will be least likely to overstate assets and income.

1.5. Overview of International Financial Reporting Standards (IFRS)

Presently, there are two primary accounting standard-setting bodies

- International Accounting Standards Board (IASB):- IFRSs are determined by the IASB
- Financial Accounting Standards Board (FASB):-GAAPs are issued by the FASB

The IASB is the independent, accounting standard-setting body of the IFRS Foundation founded on April 1, 2001, as the successor to the International Accounting Standards Committee. The Board is an independent group of experts with an appropriate mix of recent practical experience in setting accounting standards, in preparing, auditing, or using financial reports, and in accounting education. The FASB is a private standard-setting body whose primary purpose is to establish and improve Generally Accepted Accounting Principles within the United States. As markets become more global, it is often desirable to compare the results of companies from different countries that report using different accounting standards. In order to increase comparability, in recent years the two standard setting bodies made efforts to reduce the differences between IFRS and U.S. GAAPs.

This process is referred to as convergence

1.5.1. Definition of IFRS

- IFRS is comprised of a group of accounting standards that have been developed over a number of years.
- IFRS is used by businesses to properly organize their financial information into accounting records and summarize it into financial statements, as well as disclose certain supporting information.
- One of the reasons for using IFRS is so that anyone reading the financial statements of multiple companies has a reasonable basis for comparison, since all companies using IFRS have created their financial statements using the same set of rules

1.5.2. Difference between GAAP and IFRS

- The main competing accounting framework is GAAP, which is used in the United States.
GAAP is much more rules-based than IFRS.
- IFRS focuses more on general principles than GAAP, which makes the IFRS body of work much smaller, cleaner, and easier to understand than GAAP.
- Under GAAP, companies may have industry-specific rules and guidelines to follow, while IFRS has principles that require judgment and interpretation to determine how they are to be applied in a given situation.
- There are several working groups that are gradually reducing the differences between the IFRS and GAAP accounting frameworks, so eventually there should be only minor differences in the reported results of a business if it switches between the two frameworks.
- The working groups are proceeding diligently, **but** there are still many issues to reconcile.

1.6.The profession of Accounting

Accountants engage in either private accounting or public accounting.

- I. **Private Accounting:** Accountants employed by a business firm or a not-for-profit organization. The scope of activities and duties of private accountants varies widely. Private accountants are frequently called management accountants. If they are employed by a manufacturer, they may be referred to as industrial or cost accountants.
- II. **Public accounting:** Accountants and their staff who provide services on a fee basis. In public accounting, an accountant may practice as an individual or as a member of a public accounting firm. A major portion of public accounting practice is involved with Auditing. Public accountants who have met a state's education, experience, and examination requirements may become Certified Public Accountants (CPAs).

- **Specialized Fields of Accounting**

Accountants may specialize in different accounting fields including;

- ✓ **Financial accounting:** - area of accounting aimed at serving information needs of external users.
- ✓ **Managerial accounting:** - field of accounting concerned with serving information needs of internal users - managers.
- ✓ **Cost accounting:** - a managerial accounting activity designed to help managers in identifying, measuring and controlling operating costs.
- ✓ **Tax accounting:** - field of accounting that includes preparing tax returns and planning future transactions.

1.7.Types of Financial statement

After transactions have been recorded and summarized, reports are prepared for users. The accounting reports that provide this information are called financial statements. The principal financial statements of a proprietorship are the income statement, the statement of owner's equity, the balance sheet, and the statement of cash flows. The order in which the statements are normally prepared and the nature of the data presented in each statement are as follows:

- I. **An income statement (statement of financial performance)** presents the revenues and expenses and resulting net income or net loss for a specific period of time.
- II. **A retained earnings statement (Statement of Owner's Equity)** summarizes the changes in retained earnings for a specific period of time.

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- III. **A statement of financial position** (sometimes referred to as a balance sheet) reports the assets, liabilities, and equity of a company at a specific date.
- IV. **A statement of cash flow** summarizes information about the cash inflows (receipts) and outflows (payments) for a specific period of time.
- V. **Note to Financial statements**; Notes to financial statements (notes) are additional information added to the end of financial statements that help explain specific items in the statements as well as provide a more comprehensive assessment of a company's financial condition. Notes to financial statements can include information on debt, going concern criteria, accounts, contingent liabilities or contextual information explaining the financial numbers (e.g. to indicate a lawsuit).

1.8. The Distinction between Bookkeeping and Accounting

- **Accounting**: is primarily concerned with the designation of the system of records, recording the data, presentation of reports, and the interpretation of the report. Accounting directs and reviews the work of book keepers.
- **Bookkeeping**: is the art of recording financial transactions of a business enterprise to obtain and communicate necessary information for decision-makers. Therefore, bookkeeping is the initial or the recording phase of accounting.

1.9. Steps of Accounting cycle

There is regularity in most industries. In the accounting field, this regularity is referred to as the accounting cycle. An **accounting cycle** is defined as the specific steps that are involved in completing the process of recording and processing all the financial transactions of a company. A full accounting cycle has to go through all the steps, and the cycles will be repeated in accordance with the fiscal year as long as a company is open and in business.

Different companies may have different accounting needs: some may prefer to look at their performance monthly, while others may put focus on quarterly or annual reports. Completing accounting cycles is generally a bookkeeper's responsibility. When a cycle ends, another cycle will begin. It is important to conduct accounting cycles, as they can provide insight into how the company is performing and facilitate tax reporting and decision-making in business.

- The following are basic phases in accounting cycle
 - ✓ Transactions are analyzed and recorded in the journal

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- ✓ Transactions are posted to the ledger
- ✓ Trial balance is prepared, data needed to adjust the accounts are assembled, and the work sheet is completed
- ✓ Financial statements are prepared
- ✓ Adjusting and closing entries are journalized
- ✓ Adjusting and closing entries are posted to the ledger
- ✓ Post-closing trial balance is prepared
- ✓ Reversing certain adjusting entries (optional)

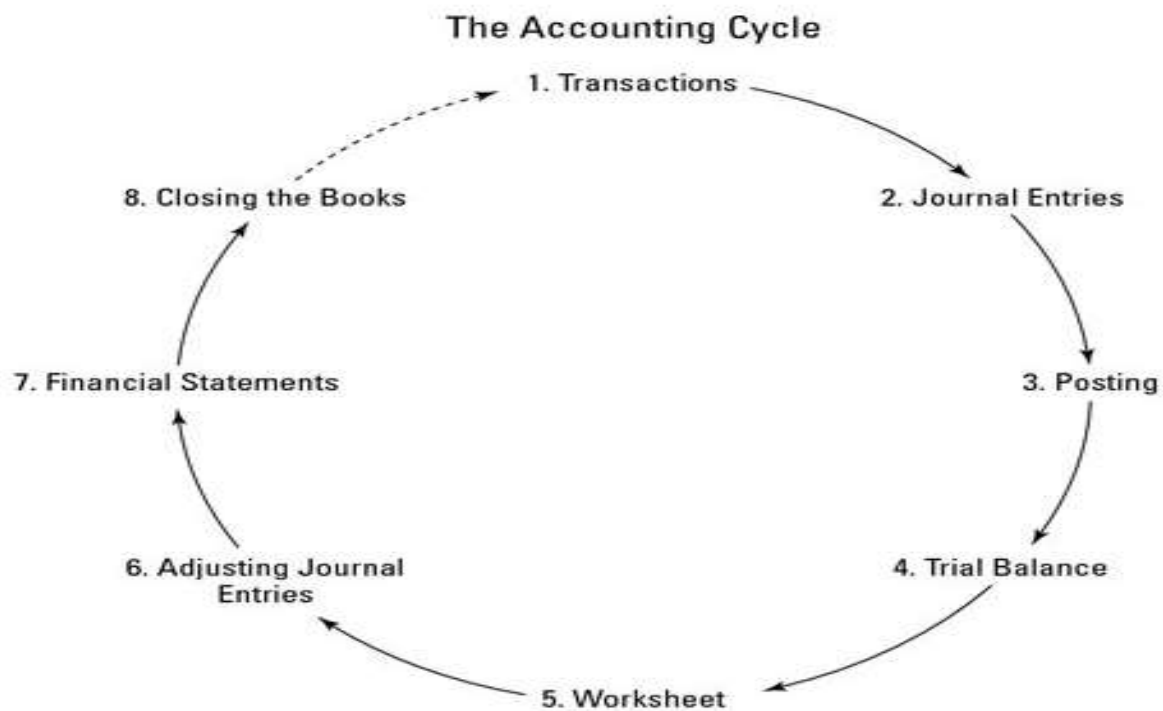


Figure: 1.2. Steps of accounting cycle

- **Transaction:** - is the occurrence of an event or a condition that must be recorded.
- **Journal:** - the accounting record in which a transaction is initially recorded.
- **Posting:** - is the process of transferring the transaction from journal to ledger.
- **Trial balance:** -listing of the accounts in the ledger and their balance to make sure that the total of debit balances equals the total of credit balances.

- **Worksheet:** - is a large columnar sheet prepared to arrange in a convenient form all the accounting data required to prepare financial statements.
- **Adjusting journal entries:**-The accounts that require adjustment are now adjusted.
- **Financial statements:**-After the work sheet is completed financial statements could be prepared easily
- **Closing:** - Some of the accounts in the ledger are temporary accounts used to classify and summarize the transactions affecting capital (owners' equity). These accounts will be closed after financial statements are prepared.

Self-check 1	Written test
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Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Part: I Choose the Correct Answer (2 points each)

- During the life-time of an entity accounting produce financial statements in accordance with which basic accounting concept:
 - Conservation
 - Matching
 - Accounting period
 - None of the above
- When information about two different enterprises have been prepared presented in a similar manner the information exhibits the characteristic of:
 - Verifiability
 - Relevance
 - Reliability
 - None of the above
- A concept that a business enterprise **will not** be sold or liquidated in the near future is known as:
 - Going concern
 - Economic entity
 - Monetary unit
 - None of the above
- The primary qualities that make accounting information useful for decision-making are:
 - Relevance and freedom from bias
 - Reliability and comparability
 - Comparability and consistency
 - None of the above
- Which of these is not included as a separate item in the basic accounting equation?
 - Asset
 - Revenue
 - Liability
 - Stockholders' equity

6. Which of the following principles assumes that a business will continue for a long time?
 - A. Historical cost
 - B. Periodicity
 - C. Objectivity
 - D. Going concern

7. Which of the following highlights the correct order of the stages in the accounting cycle?
 - A. Journalizing, final accounts, posting to the ledger and trial balance
 - B. Journalizing, posting to the ledger, trial balance and final accounts
 - C. Posting to the ledger, trial balance, final accounts and journalizing
 - D. Posting to the ledger, journalizing, final accounts and trial balance

8. The accounting principle that states companies and owners should be account for separately
 - A. Business entity concept
 - B. Going concern concept
 - C. Monetary unit assumption concept
 - D. Periodicity assumption

Part: II Fill in the correct word :(2 point)

1. Recognition of expenses in the same period as associated revenues is called _____ Concept.
2. The accounting concept that refers to the tendency of accountants to resolve uncertainty and doubt in favor of understating assets and revenues and overstating liabilities and expenses is known as _____.
3. Revenue is generally recognized at the point of sale denotes the concept of _____
4. The _____concept requires that the same accounting method should be used from one accounting period to the next.
5. The _____concept requires that accounting transaction should be free from the bias of accountants and others

Part:III- Give Short answer for the following Question (2 point each)

- 1) Write and discussed types of financial statement
- 2) Write and define steps of accounting cycle

Note: Satisfactory rating - 15 points

Unsatisfactory - below 15points

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LG #11	LO #2-Develop understanding of accounting equation
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Instruction sheet
<p>This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:</p> <ul style="list-style-type: none"> • Major accounts are identified and differentiated • Specific types of account are identified and differentiated. • Understanding of the normal balance of accounts is developed. • Debit and credit rules are applied. • How an account affects the accounting equation is explained. <p>This guide will also assist you to attain the learning outcomes stated in the cover page.</p> <p>Specifically, upon completion of this learning guide, you will be able to:</p> <ul style="list-style-type: none"> • Identify and differentiate major accounts • Identify specific types of account. • Develop normal balance of accounts • Apply Debit and credit rules. • Explain how an account affects the accounting equation.
Learning Instructions:
<ol style="list-style-type: none"> 1. Read the specific objectives of this Learning Guide. 2. Follow the instructions described below. 3. Read the information written in the information Sheets 4. Accomplish the Self-checks 5. Perform operation sheet 6. Do the LAP test

Information sheet-2

1.1. Meaning and major types of accounts

1.1.1. Nature of account

In order to provide the necessary information to users, accountants maintain separate records on each element of the financial statements. For example, to report the balance for cash at the end of a year, a record regarding cash should be kept. The record includes beginning cash balance, cash payments & cash collections during the period.

The form used to record individual transactions is called an account. **An account** is a record in an accounting system that tracks the financial activities of a specific **asset, liability, equity, revenue, or expense**.

An account, in its simplest form, has three parts. First, each account has a title, which is the name of the item recorded in the account. Second, each account has a space for recording increases in the amount of the item. Third, each account has a space for recording decreases in the amount of the item. The account form presented below is called a T account because it resembles the letter T. The left side of the account is called the debit side, and the right side is called the credit side.

Title

Left side

Right side

Debit

Credit

Amounts entered on the left side of an account, regardless of the account title, are called **debits** to the account. When debits are entered in an account, the account is said to be **debited** (or charged). Amounts entered on the right side of an account are called **credits**, and the account is said to be credited. Debits and credits are sometimes abbreviated as Dr. and Cr.

A group of related accounts that comprise a complete unit is called **ledger**.

1.1.2. Classification of Accounts

Accounts are classified into five: assets, liabilities, capital, revenue and expenses. The first three are called balance sheet accounts and the other two are called income Statement accounts.

Balance Sheet accounts are those reported on the balance sheet at the end of the reporting period and Income Statement accounts are reported on the Income Statement. The five groups of account are discussed below

- Balance sheet accounts are classified as **assets**, **liabilities**, and **owner's equity**.
- Income statement accounts are classified as **revenues** and **expenses**.



Figure: 3; 1 - Classification of account

- **Assets**

Assets could be tangible or intangible. Tangible assets are assets having physical existence, like cash, land, computer, stationery materials. Intangible asset is a contractual agreement and do not have physical existence. Example: Goodwill, Copyright, patent right. On the balance sheet, assets are classified into two current assets and noncurrent assets.

- ✓ **Current Assets:** are those assets, which can be used, sold, or converted into cash within one accounting year or operating cycle. Example: cash, supplies, prepayments, receivables etc.
- ✓ **Non-current Asset:** All assets other than current assets are called non-current assets. Example: land, patent right, office equipment, vehicles.

- **Liabilities:**

Liabilities are classified into two as current liabilities and non-current liabilities

- ✓ **Current liabilities:** The liabilities that are payable within the next (one) accounting year or operating cycle are known as current liability. Example: Accounts Payable, Rent Payable, Salary Payable.
- ✓ **Non-Current Liabilities:** Debts that are not required to be paid within the next accounting period or operating cycle. Example long term notes payable.

- **Capital:**

The excess of the assets of a business over its liabilities is referred to as capital. It is the equity of the owner or owners in the business.

- **Revenue:**

Revenue is increases in owner's equity resulting from the main operations of the business. E.g. Sales, interest income, tuition fee, and sales commission.

- **Expenses:**

Expenses are decreases in owner's equity in the process of earning revenue. For example, a hotel has to pay salary (expense) to its workers for the services rendered to clients in order to get the income from customers (revenue).E.g. Salary, insurance, depreciation, supplies, utilities, rent etc.

1.1.3. Chart of accounts

A group of accounts for a business entity is called a **ledger**. A list of the accounts in the ledger is called a **chart of accounts**. The accounts are normally listed in the order in which they appear in the financial statements. The balance sheet accounts are usually listed first, in the order of assets, liabilities, and owner's equity. The income statement accounts are then listed in the order of revenues and expenses. In the chart of accounts, the asset accounts are listed according to their liquidity. Liquidity is the ease with which an asset can be converted in to cash. Cash is the most liquid asset so it is listed first.

The order of items (accounts) in the chart of accounts should agree with the order of the items in the balance sheet and the income statement. The accounts are numbered to permit indexing and also for use as references. For most simple (small) business organization has two digits: The first digit indicates the major division of the ledger in which the account is placed. Accounts beginning with 1 represent asset, 2 liabilities, 3 owner's equity and drawing, 4 Revenue and 5

expenses. The second digit indicates the position of the account within its division. A numbering system of this type has the advantage of permitting the later insertion of new accounts in their proper sequence without disturbing the other account numbers.

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Table 3.1. Chart of account

Account Number	Account Description	Account Type	Financial Statement
1001	Cash	Asset	Balance Sheet
1005	Accounts Receivable	Asset	Balance Sheet
1009	Inventory	Asset	Balance Sheet
1014	Plant & Machinery	Asset	Balance Sheet
1011	Land & Building	Asset	Balance Sheet
2001	Short-Term Borrowings	Liability	Balance Sheet
2005	Outstanding Fee	Liability	Balance Sheet
2009	Accounts Payable	Liability	Balance Sheet

2013	Interest Payable	Liability	Balance Sheet
2014	Payroll Payable	Liability	Balance Sheet
3003	Equity Share Capital	Equity	Balance Sheet
3009	General Reserve	Equity	Balance Sheet
3010	Retained Earnings	Equity	Balance Sheet
4001	Sales Revenue	Income	Income Statement
4005	Sales Return and Allowances	Income	Income Statement
4008	Interest Received	Income	Income Statement
5004	Raw Material	Expense	Income Statement
5009	Salary and Wages	Expense	Income Statement
5013	Office Rent	Expense	Income Statement

5015	Electricity Expense	Expense	Income Statement
5020	Miscellaneous Expense	Expense	Income Statement

1.2. Rules of debit and credit

An account may increase or decrease on the debit side or on the credit side depending on the nature of the account. The general rule will be expanded as follows:

Table: 3.2. Rule of debit and credit

ACCOUNT	INCREASED BY	DECREASED BY
Assets	Debit	Credit
Expenses	Debit	Credit
Liabilities	Credit	Debit
Equity	Credit	Debit
Revenue	Credit	Debit

Each business transaction affects a minimum of two accounts, regardless of the complexity of a transaction or the number of accounts affected, the sum of the debit is always equal to the sum of the credits.

This equity of debit and credit for each transaction is inherent in the accounting equation;

Assets = Liability + Capital. It is due to this dual effect of each transaction, that the system is known as double- entry accounting.

- **Title**– The name of the account. This is written at the top of the account.
- **Debit** – is the left hand side of an account –Debit is abbreviated as ‘Dr.’
- **Credit** – is the right hand side of an account. Credit is abbreviated as Cr.

1.2.1. Normal Balance of accounts

In most cases, the sum of an account increase side is equal or greater than the sum of decrease side. Thus at the end of a period, the normal balance of accounts are a positive. Thus, the **normal balance of an account** is either a debit or credit depending on whether increases in the account are recorded as debits or credits. For example, since asset accounts are increased with debits, asset accounts normally have debit balances. Likewise, liability accounts normally have credit balances.

Table: 3.3 normal balance of account

Account Classification	Normal Balance
Assets	Debit
Contra asset	Credit
Liability	Credit
Contra liability	Debit
Owner's Equity	Credit
Stockholders' Equity	Credit
Owner's Drawing or Dividends Account	Debit
Revenues (or Income)	Credit
Expenses	Debit
Gains	Credit
Losses	Debit

Revenues and gains are recorded in accounts such as Sales, Service Revenues, Interest Revenues (or Interest Income), and Gain on Sale of Assets. These accounts normally have credit balances that are increased with a credit entry. In a T-account, their balances will be on the right side.

The exceptions to this rule are the accounts Sales Returns, Sales Allowances, and Sales Discounts; these accounts have debit balances because they are reductions to sales.

Accounts with balances that are the opposite of the normal balance are called contra accounts; hence contra revenue accounts will have debit balances.

1.2.2. Business Transaction

1.2.3. Definition of business transaction

Business transactions are economic events that should be recorded because they affect the financial position of the business enterprise. These businesses transactions are the raw materials of accounting reports, as cotton is a raw material for a textile factory.

A transaction can be an exchange (such as the purchase or sale of property, payment or collection of a loan etc.) between two or more parties. A transaction can also be an event that has the same effect as an exchange transaction but doesn't involve an exchange transaction. Some examples of “non exchange” transactions are losses from fire, flood; physical wear and tear on equipment; donation of property and so forth.

For a given transaction to qualify to be recorded it has:

- To be related to the business enterprise
- To be measurable in terms of money
- To be completed / happened/ action.

Transactions may be divided in to internal and external.

- I. **External transactions:** Involve exchanges between the business enterprise and another entity. Example: Purchase of goods from a supplier, sales of goods to customers, borrowing money from a bank.
- II. **Internal transactions:** such as the expiration or transfer of cost within the enterprise. Example: Depreciation of plant assets

1.2.4. Basic Accounting Equation

The financial position of any business, large or small, is based on two key components of the balance sheet: assets and liabilities. Owners' equity, or shareholders' equity, is the third section of the balance sheet. The accounting equation is a representation of how these three important components are associated with each other.

Assets represent the valuable resources controlled by the company, while liabilities represent its obligations. Both liabilities and shareholders' equity represent how the assets of a company are financed. If it's financed through debt, it'll show as a liability, but if it's financed through issuing equity shares to investors, it'll show in shareholders' equity.

The accounting equation helps to assess whether the business transactions carried out by the company are being accurately reflected in its books and accounts. Below are examples of items listed on the balance sheet.

1.2.5. Importance of accounting equation

The accounting equation captures the relationship between the three components of a balance sheet: assets, liabilities, and equity. All else being equal, a company's equity will increase when its assets increase, and vice-versa. Adding liabilities will decrease equity while reducing liabilities such as by paying off debt will increase equity. These basic concepts are essential to modern accounting methods.



Table: 3.4. Basic Accounting Equation

The Accounting Equation	
Assets	Liabilities
	Equity
$\text{Assets} = \text{Liabilities} + \text{Equity}$	

- **Assets**

Assets include cash and cash equivalents or liquid assets, which may include Treasury bills and certificates of deposit. Accounts receivables list the amounts of money owed to the company by its customers for the sale of its products. Inventory is also considered an asset. The major and often largest value asset of most companies is that company's machinery, buildings, and property. These are fixed assets that are usually held for many years.

- **Liabilities**

Liabilities are debts that a company owes and costs that it needs to pay in order to keep the company running. Debt is a liability, whether it is a long-term loan or a bill that is due to be paid. Costs incurred on account or credit for purchase on account rent, taxes, utilities, salaries, wages, and dividends payable.

- **Shareholders' Equity**

The shareholders' equity number is a company's total assets minus its total liabilities. It can be defined as the total number of dollars that a company would have left if it liquidated all of its assets and paid off all of its liabilities. This would then be distributed to the shareholders. Retained earnings are part of shareholders' equity. This number is the sum of total earnings that were not paid to shareholders as dividends.

Think of retained earnings as savings, since it represents the total profits that have been saved and put aside (or "retained") for future use.

Example 1:

Using the basic accounting equation, compute the missing figures for the following:

Assets = \$100,000, Liabilities = \$40,000, Owner's equity = ?

Assets = ? Liabilities = \$20,000, Owner's equity = \$30,000

Assets = \$120,000, Liabilities = ? Owner's equity = \$80,000

Assets = ? Liabilities + Owner's equity = \$300,000

Solution

Owner's equity = Assets – Liabilities = \$100,000 – \$40,000 = \$60,000

Assets = Liabilities + Owner's equity = \$20,000 + \$30,000 = \$50,000

Liabilities = Assets – Owner's equity = \$120,000 – \$80,000 = \$40,000

The basic accounting equation is: Assets = Liabilities + Owner's equity. Therefore, If liabilities plus owner's equity is equal to \$300,000, then the total assets must also be equal to \$300,000.

Self-check-2	Written test
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Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test Your Understanding

Choose the Correct Answer (2 points each)

- The accounting equation is_____
 - Asset + liability=capital
 - Asset + capital= liability
 - Asset=liability + capital
 - Capital= asset + liability
- Furniture is a/an
 - Asset
 - Liability
 - Revenue
 - Expense
- Economics resource of business that expected to be of benefit in future time referred as?
 - Equity
 - Asset
 - Liability
 - Revenues
- Residual interest in the net asset of an entity that remains after deducting its liability is
 - Owners' equity
 - Liability
 - Asset
 - Expense
- The debit side of an account:
 - Is the right-hand side of the account?
 - Is the left-hand side of the account?
 - Depends on whether the account is an asset, liability, or stockholder's equity.
 - Can be either side of the account depending on how the accountant set up the system.
- A debit may signify a (n):
 - Increase in asset accounts
 - Increase in liability accounts
 - Increase in the capital account
 - Decrease in expense account

7. A credit may signify a (n):
- A. Increase in assets
 - B. Increase in liabilities
 - C. Decrease in capital
 - D. Decrease in revenue
8. Which of the following applications of the rules of debit and credit is true?
- A. Increase rent expense with debits and the normal balance is a debit.
 - B. Decrease accounts receivable with credits and the normal balance is a credit.
 - C. Increase accounts payable with credits and the normal balance is a debit.
 - D. Decrease cash with debits and the normal balance is a credit
9. Accounts with normal debit balances include:
- A. Assets and liabilities
 - B. Liabilities and expenses
 - C. Stockholder's equity and revenues
 - D. Expenses and assets
10. Accounts with normal credit balances include:
- A. Assets and liabilities
 - B. Revenues and expenses
 - C. Liabilities and revenues
 - D. Revenues and assets

Give Short answer for the following question (5 point each)

1. Write major types of accounts.
2. Write Rules of debit and credit.

Note: Satisfactory rating - 15 points

Unsatisfactory - below 15points

You can ask you teacher for the copy of the correct answers.

Operation Sheet

1.1.Procedure /methods

- Use the formula of basic accounting equation
- Identify asset, liability and owner equity
- Check the balance of debit and credit

1.2.Tools and equipment

- Scientific calculators
- Stationary
- Computer

Instruction 1:examine the effects of some transactions on the accounting equation.

Transaction (1) - Owner's investment

AtoDawit starts business by depositing Br. 100,000in a bank account opened in the name of Effective Garage. The transfer of cash from the owner to the business is on owner's investment. The effect of the transaction is to increase the assets (Cash) on the left side of the accounting equation by Birr 100,000 and to increase owner's equity by the same amount.

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

CashDawit Gemechu, Capital

Tran.1 + Br. <u>100,000</u>	+Br. <u>100,000</u>
Balance Br. 100,000	Br. 100,000

Note:-At this point, the company has no liabilities; the only party having claim over the assets of the company is the owner.

Transaction (2)- Purchase of land for cash

Effective Garage bought land for Birr 20,000 in cash, to be used as a future site for the business. This transaction changes the composition of the assets but it doesn't change the total amount of assets. It has no effect on the liability and owner's equity of the business.

Assets		=	Liabilities	+	Owner's Equity
Cash	+ Land				Dawit Gemechu, Capital.
Bal. Birr 100,000					Birr 100,000
Tran. 2	-20,000 +20,000				— - —
Bal. Birr 80,000	+ Br.20,000				<u>=100,000</u>
					<u>100,000</u>

Note:-After the above transaction, the company will have less cash but a new asset (land). The total assets (cash + Land) amount to Birr 100,000, which is equal to the owner's equity.

Transaction (3) -Purchase of Supplies On credit

AtoDawit bought office supplies for birr 2,500 on credit, to be used by the business. Assets can be purchased on credit (on account) basis, where the buyer promises to pay in the future. This type of transaction is called a purchase on account and it results in a liability to the buyer; the liability created when something is bought on credit is called Accounts Payable.

Assets		=	Liability	+	Owners Equity
Cash	+ Supplies		+ Land		Accounts payable Dawit Gem, Capital
Bal. Birr 80,000			Br.20,000		Birr 100,000
Tran(3)	- ___ + 2,500		-	+ 2,500	___ - ___
Bal. Br. 80,000	2,500		20,000	2,500	100,000
					<u>Birr 102,500</u> <u>Birr 102,500</u>

Note:-Goods that are physical consumed, such as a chalk to a school, gas oil for car, and stationery materials for an office, are called supplies.

Transaction (4) – Payment of liability

Effective Garage paid Birr. 1,500 to creditors on account. As you might have noticed, the business bought the supplies in transaction “3” by promising to pay in the future, and as per the promise made it is now settling its liability. The effect of this transaction on the accounting equation is as follows:

Assets_____			= Liability	+	Owners Equity	
Cash	+	Supplies	+	Land	Accounts payable	Dawit Gem, Capital
Bal Br 80,000		Br. 2,500		Br.20,000	Birr 2,000	Birr 100,000
Tran.4 -1,500		-		-	-1,500	-____
Bal. Br. 78,500		Br.2,500		Br.20,000	Birr 1,000	Birr 100,000
<u>Birr 101,000</u>					<u>Birr 101,000</u>	

Note:-As a result of the transaction, the total cash decreases by birr 1,500 because cash is paid and the liability of the company also decreases by the same amount. After the above transaction is completed, the total amount the company has to pay in the future is only birr 1,000. Please note that the transaction has no effect on the supplies that were bought on credit.

Transaction 5 – Selling of service

The amount charged to customers for goods or services sold to them is called revenue. For instance, the amount of money that you pay to a shopkeeper after buying a pair of shoes or something is revenue to the shopkeeper. Different titles may be used for revenue depending up on the source of revenue. For example, a service fee for a garage, interest revenue for interest earned by a bank, rent income for revenues that result from renting rooms, fares earned for revenues from a taxi service and others.

During the first month of operation, Effective Garage earned service Fees of Birr 30,000 receiving the amount in cash for the garage services it rendered.

The effect of this transaction is to increase assets (because cash is collected) and to increase owner's equity by the same amount as revenue is earned.

Assets_____			= Liability	+	Owners Equity	
Cash	+	Supplies	+	Land	Accounts payable	Dawit Gem, Capital
Bal Br 78,500		Br. 2,500		Br.20,000	Birr 1,000	Birr 100,000
30,000		-		-	-	30,000
Bol. Br. 108,500		Br.2,500		Br.20,000	Birr 1,000	Birr 130,000
Birr 131,000			Birr 131,000			

Note: -Service can be given for cash or on credit. In this example, the service is given for cash (i.e., the company collects the cash on the spot service was given). But instead of requiring customers to pay at the time of sale, a business may let the customers to pay in the future. Such expected collections in the future result in an Accounts Receivable to the company. An accounts receivable is as much an asset as cash to the business enterprise. And the revenue from the sale of the service or good on credit is realized and recorded on the date of sale without waiting for the collection of the cash.

Transaction (6)- Recording Expenses

To generate revenue, Effective Garage has to hire employees and pay salary, it has to consume electric power and water resource and pay the bill, and so forth. The amounts of such cash payments and using up of supplies are expenses to the business. That is, an expense is the amount of assets consumed or services used in the process of generating revenue. Just as revenues are recorded when they are earned, expenses are recorded when they are incurred (i.e. when the obligation to pay them arises).

During the month of September, Effective Garage paid Birr 15,000 for different types of expenses (birr 10,000 to salary of employees, birr 3000 Telephone, birr 1,500 for rent, and birr 500 for advertisement).

The effect of these transactions is to decrease assets (because cash is paid) and decrease owner's equity. This can be stated on the accounting equation as follows:

Assets_____				= Liability	+	Owners Equity
Cash	+	Supplies	+	Land	Accounts payable	Dawit Gem, Capital
Bal Br108, 500		Br. 2,500		Br.20,000	Birr 1,000	Birr 130,000
-15,000		-		-	___-___	-15,000___
Bol. Br. 93,500		Br.2,500		Br.20,000	Birr 1,000	Birr 115,000
Birr 116,000				Birr 116,000		

Transaction – 7 Owner’s Withdrawal

AtoDawitGemechu, the owner, withdrew Birr 3000 for his personal from the business. Such assets taken out of the business for the owner’s personal use, by the owner are called withdrawals. Owners can withdraw in cash or in kind. For example, an owner of a super market can withdraw soap or something for his personal benefit instead of cash.

The effect of the transaction in our case is to decrease assets as cash is taken out, and decrease owner’s Equity by the same amount. This can be stated on the accounting equation as follows:

Assets_____			= Liability	+	Owners Equity	
Cash	+	Supplies	+	Land	Accounts payable	Dawit Gem, Capital
Bal Br 93, 500		Br. 2,500		Br.20,000	Birr 1,000	Birr 115,000
-3,000		-		-	___-___	-3,000___
Bol. Br. 90,500		Br.2,500		Br.20,000	Birr 1,000	Birr 112,000
Birr 113,000			Birr 113,000			

Summary

The transactions of Effective Garage can be summarized in a tabular form as shown below. Number identifies the transactions here and the balance of each item is shown after each transaction.

Assets_____ = Liability + Owners Equity

Tra. No	Cash +	Supplies +	Land	Accounts Payable	Dawit Gem. Capital	Type of owner's Transaction
1	+100,000	-	-	-	+ 100,000	Owners Investment
Bal	Birr 100,000	-	-	-	Birr 100,000	
2	-20,000	-	+ 20,000	-	-	
Bal	Birr 80,000	-	Birr 20,000	-	Birr 100,000	
3	-	+2500		+2500		
Bal	Birr 80,000	Birr 2,500	Birr 20,000	Birr2500	Birr 100,000	
4	-1,500	-		-1500		
Bal	Birr 78,500	Birr 2,500	Birr 20,000	Birr1,000	Birr 100,000	
5	+ 30,000	-	-	-	+ 30,000	Service fee
Bal	Birr 108,500	Birr 2,500	Birr 20,000	Birr1,000	Birr 100,000	
6	-15,000	-	-	-	-10,000	Salary Exp.
					-3000	Teleph. Exp
	-	-	-	-	-1500	Rent Exp.
					-500	Adv. Exp.
Bal	Birr 93,500	Birr 2500	Birr 20,000	Birr 1000	Birr 115,000	
7	-3,000	-	-	-	-3000	Owner's withdrawal
Bal	Birr 90,500	Birr 2500	Birr 20,000	Birr 1,000	Birr 112,000	
	Total Assets =Birr 113,000			Total Liabilities + Owner's Equity = Birr 113,000		

LAP TEST-2	Performance test
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Task I: -examine the effects of each transaction given below on the accounting equation.

Transaction a

Mr. X's first transaction is to deposit 10,000bir in a bank account in the name of x-taxi price.

Transaction b

Mr. X next transaction is to purchase land as a future building site for which 7500 in cash is paid.

Transaction c

During the month, Mr. X – purchases 850birr of gasoline, oil and other supplies from various suppliers, is agreeing to pay in the near future.

Transaction d

During the month, 400birr is paid to creditors on account

Transaction e

During the first month operation's Mr. X- business earned 4500birr receiving the amount in cash.

Transaction f

For x- taxi various business expenses incurred and paid during the month were as follows:
Wages, 1, 125birr, Rent, 850birr; Utilities 150birr; miscellaneous 75birr.

Transaction g

At the end of the month it is determined that the cost of the supplies on hand is 250, the remainder (850-250) having been used in the operations of the business.

Transaction h

At the end of the month, Mr. X- withdraws, from the business 1000birr in cash for his personal use.

Task III Identify Weather the below Accounts is/are B/sheet or Income Statement Account

Cash	Account payable
Account Receivable	Sales
Salary Expense	Supplies
Prepaid rent	Common Stock
Tax payable	Investment
Supplies expense	Fees earned

Balance Sheet	Income statement

Task IV Identify Weather the Above task 3 Accounts is/are Debit or Credit normal balance.

Debit	Credit

LG #12

LO #3-Review record and maintain files

Instruction sheet

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Checking accuracy and completeness of record
- Maintaining identified file

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Check records for its accuracy and completeness.
- Identify and review data in a separate class of account.

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets
4. Accomplish the Self-checks

Information sheet -3

3.1. Definition of review records

Review record is important to ensure accountability, facilitate coordination of care between providers and for service improvement. However, the importance of documentation and record keeping may be overlooked/ overshadowed by the focus on direct services to clients. As such, proper documentation and record keeping may be neglected. It is good practice to review records so that service improvements can be made. Hence, records should be reviewed periodically to establish:

- To conduct completeness and accuracy of record
- To ensure accountability, facilitate coordination of care between providers and for service improvement.
- To reduce error and frauds
- To prepare accurate financial statement

3.1.1. Importance of checking document and review proper records

Continuity of care: Records provide a case history and a more holistic picture in order to follow-up on services or try different approaches to assist the client. This is especially for clients with long-term or complex needs, or who require multiple services. Accurate and up-to-date recording is important especially when there is an emergency and the staff-in-charge is not available (due to illness, vacation, resignation, etc.). Good records and documentation will facilitate communication between service providers to ensure coordinated, rather than fragmented, service.

Accountability: It is important to be able to provide relevant client information at any given time and the organization's response to their needs. The information may be needed to respond to queries from stakeholders, who may include the client's family, funders, donors or the courts. One important source of information is the client records. Documentation forms the nature of the professional relationship with the client. Information on problems encountered and the agency's response would assist in the event of a crisis or investigations.

Service improvement: Well-documented records can also lead to improved services to the clients by helping the staff organize his/her thoughts. Aggregated client information can

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also facilitate service planning, service development and service reviews. The information can also form primary data to conduct evidence-based research. Having established the importance of documentation and record keeping as essential elements of professional practice and service to clients, having established the importance of documentation and record keeping as essential elements of professional Practice and service to clients.

3.1.2. Identify and review data in a separate class of account

When you reviewed data, you will be able to identify the accuracy and completeness of records by using the following guidance

- I. Credible
- II. Valid
- III. Reliable
- IV. Precise

Credibility: Credibility refers to how reliable or believable your data collection is. In other words, are the data that you are collecting giving you information about the actual situation? As well, it is important to make sure that the data you are collecting are relevant and they measure the most important information. Be sure to avoid the trap of measuring what is easy instead of measuring what you need. For example, teacher opinions may not be the most credible measure for learning the reasons for high dropout rates. The opinions of the dropouts are a more relevant measure.

Validity: Validity is a term used to describe if a measurement actually measures what it is supposed to measure. Are the questions you are asking giving you information about the issues you want to measure? For example, using waiting lists as a measure of the demand for early childhood education may not be valid. Waiting lists are frequently out of date and parents place children on multiple waiting lists. Two kinds of validity are face validity and content validity:

Reliability: Reliability is a term used to describe the stability of your measurement: that it measures the same thing, in the same way, in repeated tests. For example, the measurement tools for some sporting events need to be reliable. The clock, stopwatch, or tape that measures the distance of a jump, must be measure the time or distance in the same way, each time it is used. If it does, it is considered a reliable measure. If it does not, the results of the study (the

competition) would be flawed and results of the event could be questioned. Birth weights of newborn infants are an example of a reliable measure, assuming the scales are calibrated. Attendance rates are an example of a measure with low reliability unless it is precisely defined. Attendance rates on the first day of school and three quarters of the way through the school year are known to vary substantially.

Precision: Precision is a term used to describe how the language used in the data collection matches the measure. For example, if the question is about countries, then the measures must be at the national level. If the question is about people, then the measures must be on the individual level.

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Self-check 1	Written test
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Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test Your Understanding

Part one choose the correct answer (2 point each)

- From the following which one is **Not** the establishment of review periodically record
 - To conduct completeness and accuracy of record
 - To ensure accountability, facilitate coordination of care between providers and for service improvement.
 - To encourage error and frauds
 - To prepare accurate financial statement
- Importance of checking document and review proper records in are include the following **except**
 - Continuity of care
 - Accountability
 - Service improvement
 - incompleteness
- The reliable or believable of your data collection is depend on_____.
 - Validity
 - Precision
 - Credibility
 - All of the above
 - none of the above
- The term used to describe how the language used in the data collection matches the measure is _____

<ol style="list-style-type: none"> Validity Precision 	<ol style="list-style-type: none"> Credibility Precision
---	--

Part II short answer (4 points each)

1. Write importance of review record data.
2. What you identify during review record data?
3. Discuss the different between record accuracy and record completeness

Note: Satisfactory rating - 10points

Unsatisfactory - below 10points

You can ask you teacher for the copy of the correct answers.

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