

MOHAMED-CHERIF MESSAADIA UNIVERSITY - SOUK AHRAS
Faculty of Economics, Commerce and Management Sciences
Basic Education Department
Foreign Language 2 (English)
(2nd Semester)



LESSON 05

Introduction to Accounting



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CONTENTS:

What Is Accounting?

1

2

The Different Types of Accounting

What Is Bookkeeping?

3

4

Auditing: Definition, Types & Importance

1- What Is Accounting?

Accounting is the process of **recording financial transactions** pertaining to a business. The accounting process includes **summarizing, analyzing, and reporting** these transactions to **oversight agencies, regulators, and tax collection entities**. The **financial statements** used in accounting are a concise summary of financial transactions over an accounting period, summarizing a company's operations, financial position, and cash flows.



2- The Different Types of Accounting:

Financial Accounting	Managerial Accounting	Cost Accounting	Tax Accounting
Financial accounting refers to the processes used to generate interim and annual financial statements .	Managerial accounting uses similar data as financial accounting but organizes and utilizes information differently. Accountants generate monthly or quarterly reports for business management to make decisions.	cost accounting helps businesses make decisions about costing. Essentially, cost accounting considers all of the costs related to producing a product.	Tax accountants use federal, state, or local rules to balance reporting compliance with minimizing a company's tax liability through strategic decision-making.

3- What Is Bookkeeping?

Bookkeeping is the practice of **organizing, classifying** and **maintaining** a **business's financial records**. It involves **recording transactions and storing financial documentation** to manage the overall **financial health** of an organization. Most businesses use an **electronic method** for their bookkeeping, whether it's a simple **spreadsheet** or more advanced, **specialized software**.

For every type of business, bookkeeping includes several components and steps, including:

- Documenting every financial transaction (payments and expenses)
- Recording all debits and credits
- Sending invoices and processing payments
- Preparing financial statements (balance sheet, income and cash flow)
- Maintaining and balancing a general ledger
- Conducting daily banking activities
- Completing payroll functions

Are bookkeeping and accounting different?

Bookkeeping focuses on recording and organizing financial data, including tasks such as invoicing, billing, payroll and reconciling transactions. ***Accounting*** is the interpretation and presentation of that financial data, including aspects such as tax returns, auditing and analyzing performance.



4- Auditing: Definition, Types & Importance

Auditing originates from **the Latin term “Audire”**, which means **“to hear,”** - just as in ancient times auditors used to listen to officers and people of authority to **confirm the validity of their words**. Over the years, the role of auditing evolved **to verifying written reports: specifically, the financial records of individuals and businesses**.

By definition, auditing is an official inspection and verification of the credibility of financial reports. Audits can be conducted by either a business’s management as an internal control process or by the government, in case they notice suspicious financial activity.

Auditing is extremely important to ensure **Credibility, Reliability, and Preventing Fraud**.

Main Types of Auditing:

Depending on who performs financial audits, we categorize audits into three main categories:

Internal	External	Government Audits (IRS Audits)
An internal audit is an audit performed by a qualified auditor or accountant who is part of the company. This audit helps assure that the business is in compliance with laws and regulations and is accurately recording financial information	An external audit is an audit of the financial statements made by an independent, third-party professional. These types of audits can be helpful as they’re more unbiased and reliable than internal audits	Internal Revenue Service (IRS) audits, or tax audits, are government reviews conducted to a business to ensure that financial data has been reported in compliance with tax laws.