

**Guided Works Classes Series N° 01****First: What is the entity?**

- 1) State the definition of the entity
- 2) Mention the classification of entities according to the activity criterion
- 3) State the organization's goals

**Second: What is accounting?**

- 1) State the definition of accounting
- 2) Mention the types of accounting
- 3) State the objectives of accounting

**Third: What is financial accounting?**

- 1) Mention the definition of financial accounting according to the financial accounting system
- 2) Mention the two basic assumptions contained in the Algerian financial accounting system.
- 2) Mention the two accounting agreements contained in the Algerian financial accounting system.
- 3) Mention the qualitative characteristics of the financial information contained in the Algerian financial accounting system.
- 4) Mention all the accounting principles introduced by the financial accounting system
- 5) Explain the principle of double entry

**Model answer to questions****First: What is the entity?****1) Entity definition:**

An entity is a group of material, human and financial means aimed at producing, in the best economic conditions, goods and services aimed at meeting the material needs of humans.

**2) Classification of entities according to activity criterion**

According to the activity criterion, entities can be classified into:

- Commercial entities;
- Industrial (or production) entities;
- service entities;
- Agricultural entities.

**3) Objectives of entities are:**

- **Profit generation:** which allows it to continue in activity and is also used to measure its health and strength;
- **Rationalization of production:** rational use of production factors and avoiding bankruptcy ;
- **Ensuring an acceptable level of wages for workers:** allowing them to cover their necessary needs and improve their livelihood;
- **Providing insurance for workers:** such as insurance against work accidents, health insurance and retirement;
- **Fulfilling community requirements:** covering their requests and providing them with reasonable prices;
- **Achieving research and development:** by developing means and methods of production and creating new products.

**Second: What is accounting?****1) The definition of accounting is:**

“It is an information system concerned with the operations carried out by the various economic agents, which can be expressed in money”.

Or “It is one of the quantitative techniques for data processing, such as statistics, econometrics, and operations research, as some specialists call it business science.”

## 2) Mention the types of accounting

There are 3 basic types of accounting:

- **National Accounting**
- **Public Accounting**
- **Entity accounting** It branches into:
  - **Analytical accounting** (or cost accounting)
  - **Estimated accounting**
  - **General or financial accounting**

## 3) State the objectives of accounting

Among the objectives of accounting we mention:

- Calculate various results;
- Knowing the extent of the development of the institution's financial assets
- Providing analytical accounting and discretionary accounting with the necessary data;
- It represents a basic rule for financial analysis;
- Providing the necessary financial information to its users to make decisions.

## Third: What is financial accounting?

1) The definition of financial accounting according to the financial accounting system is: *“Financial accounting is a system for organizing financial information that allows storing numerical base data, classifying, evaluating and recording them, and presenting statements that reflect a true picture of the financial position and property of the entity, its efficiency, and the status of its treasury at the end of the financial year.”*

2) The two basic assumptions contained in the Algerian financial accounting system are:

- **Commitment accounting** (or Accruals )
- **Continuity of exploitation** (or **Going Concern** )

2) The two accounting agreements contained in the Algerian financial accounting system are:

- **Entity unit conventions**
- **Monetary unit conventions**

3) The qualitative characteristics of the financial information contained in the Algerian financial accounting system are:

- Relevance
- Reliability
- Comparability
- Understandability

4) Accounting principles introduced by the financial accounting system are:

- 1- Relative importance principle
- 2- Financial year independence
- 3- Events after the accounts closing date
- 4- Prudence
- 5- Permanence of methods
- 6- Historical cost
- 7- Opening balance sheet intangibility
- 8- Economic reality over legal appearance primacy principle
- 9- Faithful image principle
- 10- No compensation principle
- 11- Double entry principle

**5) Explanation of the principle of double entry:**

*« The accounting entries are drafted according to the so-called “double-entry principle” where each entry affects at least two accounts, one of which is a debtor and the other a creditor, respecting the chronological order in the recording of operations. The amount debited must equal the amount credited »*