

Chapter 1

The Assets

Assets Overview

As you know, the success or failure of a business is measured in dollars. All dollars are recorded and reported using accounting methods. Accounting is truly the language of business. No matter what your role may be, tax preparer, business owner, accountant etc. If you are involved in business, you can benefit from learning accounting. If you want to brush up or consolidate your knowledge in accounting, Ricky's Basic Accounting mini course is for you. You can get more information about this course on our website. This course is all about taking the subject and making it understandable and accessible!

This course on depreciation makes an excellent companion to any standard text, or it can be used as a stand-alone volume. It is designed to present depreciation in a straightforward and approachable manner. You will learn how to calculate depreciation without using a computer; even more, understand the basics and become able to figure out if your computer calculation is accurate or not.

There are no shortcuts to learning financial accounting, but at the same time, if it is taught clearly, it is not difficult. Financial accounting involves all the steps from the original entries in the accounting records, to the preparation of financial statements. There are also other types of accounting such as managerial accounting, cost accounting, and tax accounting, to name a few. The end user of financial accounting is the public; therefore, financial accounting has lots of rules. These rules are necessary to make the information presented in the financial statements consistent and understandable. In contrast to managerial accounting, which is used by the managers of a business to improve the business' operations, efficiency, and profitability, there are relatively few rules. Instead, it primarily consists of techniques that have proved themselves over time.

You cannot be a good tax preparer if you are not a good accountant. You can not be a good accountant if you are not a good bookkeeper. However, the first step in learning accounting is to learn bookkeeping. What makes it accounting and not simply bookkeeping is going beyond just recording the entries, but rather into preparing the financial statements, analyzing the statements, and making the necessary adjusting entries at the end of the accounting period.

A last thing to keep in mind when reading this course and looking at the depreciation examples and descriptions, look at how things are presented and how they are arranged (they are highly variable in practice). Companies and managers adapt forms, schedules, procedures and statements to meet their own needs (within the existing rules). Except as specifically prescribed by accounting guidance, there is an abundance of flexibility. A nimble mind will come in handy in trying to reconcile what is described in this course, with what you may see in the real world. Sometimes these will be the same and sometimes there will be minor differences in presentation, but even given that variability, it should not be hard to take what you learn from this course and relate it directly to real-world situations.

Before we dive into depreciation calculation, we need to understand the base on which the calculation of depreciation is built. The following accounting terms are the basics, and you must be familiar with them since you will encounter them in any of your client's financial statements.