

Bookkeeping

Definition:

Bookkeeping is the process of **recording all financial transactions of a business**. These transactions include money coming in (income) and money going out (expenses). A bookkeeper keeps track of everything to ensure accurate financial records.

Why is bookkeeping important?

- It helps businesses keep track of income and expenses.
- It ensures that financial records are correct.
- It helps businesses prepare for taxes.

Bookkeeping is the **first step** in managing a company's finances. Without proper bookkeeping, a business may not know if it is making a profit or a loss.

Two Methods of Bookkeeping:

Single-entry bookkeeping : Each transaction is recorded only once, either as income or expense.

Double-entry bookkeeping : Each transaction is recorded in two accounts (debit and credit) to balance the books.

Key Records in Bookkeeping

- **Cashbook** : Records all cash transactions.
- **Sales Journal** :Records all sales.
- **Purchases Journal** : Records all purchases.
- **General Ledger** : A book where transactions are classified into different accounts.
- **Trial Balance** : A report that checks if total debits = total credits.

Accounting

Definition:

Accounting is the process of **summarizing, analyzing, and reporting financial transactions**. While bookkeeping records transactions, accounting organizes and interprets the data.

Why is accounting important?

- It helps businesses make financial decisions.
- It shows if a business is making a profit or a loss.
- It helps in preparing financial statements.

Main Accounting Reports:

- **Income Statement** – Shows revenue, expenses, and profit.
- **Balance Sheet** – Shows assets, liabilities, and equity.
- **Cash Flow Statement** – Shows how money moves in and out of a business.

3. Types of Accounting

There are different types of accounting, depending on the **purpose** and **users** of financial information.

1. Financial Accounting

Focuses on preparing financial statements for **external users** like investors, banks, and government agencies.

Example: A company prepares a report for shareholders showing how much profit they made in one year.

2. Managerial Accounting

Helps **business managers** make decisions. Includes budgeting, cost analysis, and performance evaluation.

Example: A company's accountant prepares a report showing which product is the most profitable.

3. Tax Accounting

Focuses on calculating and paying **taxes correctly**. Ensures compliance with tax laws.

Example: A tax accountant prepares a company's tax return.

4. Cost Accounting

Helps businesses **control costs** and improve efficiency. It used in **manufacturing** industries.

Example: A company calculates how much it costs to produce one unit of a product.

Auditing

Definition:

Auditing is the process of checking financial records to ensure accuracy and prevent fraud.

Why is auditing important?

- It ensures financial statements are correct.
- It prevents fraud and errors.
- It builds trust with investors and customers.

Types of Audits:

- **Internal Audit** :Conducted by a company's own employees to check financial accuracy.

Example: A company's finance team checks if employees are following financial rules.

- **External Audit** :Conducted by independent auditors from outside the company.

Example: A bank hires an external auditor to check if the financial statements are correct.

- **Tax Audit :** Conducted by the government to check if a company is paying the correct taxes.

Example: The tax office checks if a company has reported its income correctly.

Conjunctions

What are Conjunctions?

Conjunctions are words that **connect words, phrases, or sentences** to show relationships between ideas.

Common Conjunctions and Their Uses

Conjunction	Use	Example
AND	Adds similar ideas	I like coffee, and I like tea.
BUT	Shows contrast (opposite ideas).	I like coffee, but I don't like tea.
OR	Presents a choice or alternative.	Would you like tea or coffee?
SO	Shows a cause-and-effect relationship.	It was raining, so we stayed inside.
YET	Introduces a surprising contrast	He is rich, yet he is unhappy.
BECAUSE	Explains a reason.	I stayed home because I was sick.
ALTHOUGH / THOUGH	Introduces contrast.	Although he was tired, he continued working.
IF / UNLESS	Expresses condition.	If you study hard, you will pass the test.

HOWEVER Shows contrast between two sentences. I wanted to go to the party.
However, I was too busy.

THEREFORE Shows a result It was raining therefore, we canceled the picnic.

Modals of Suggestion and Advice

What are Modals?

Modals are verbs that express **ability, advice, possibility, or necessity**. In this lesson, we focus on modals for **suggestions and advice**.

Common Modals for Suggestion and Advice

Modal	Use	Example
Should	Strong advice or recommendation	You should eat more fruits.
Could	A polite suggestion or possibility	You could call her later.
Must	A strong necessity or rule	You must wear a helmet.
Might	A weak suggestion or possibility	You might want to sleep early.
Ought to	A softer form of obligation	You ought to exercise more.