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BASIC ACCOUNTING

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Chapter 1

Introduction in accounting

Introduction

We begin by considering the role of accounting in producing useful data for a business, which means the private-sector of the economy. In this chapter we will identify the users of accounting and financial information and present the ways in which this information can be useful for them. In order to understand the business in general, we shall try to present the business environment and the main form of business enterprises.



What is accounting?

Having its own procedures accounting is concerned with collecting, analysing and communicating financial data regarding the economic and juridical events related to the business of enterprises. As Watts said, the idea of accounting being the language of business does have more meaning than a mere list of definitions – though not necessarily in the way implied in the original expression¹.

The language status of accounting is widely accepted. Very often, specialized works define accounting as a universal business language. There are many similarities to human language. Like human language,

¹ John Watts – *Accounting in the Business Environment*, Pitman Publishing, 1996, page 2

- 7415 Subsidies for social security contributions
- 7416 Subsidies for other operating expenses
- 7417 Subsidies for natural disasters and other similar events
- 7418 Subsidies related to interest payable
- 7419 Subsidies related to other income

75 Other operating revenues

- 751 Revenues from fiduciary operations
- 7511 Revenues arising from setting of the fiduciary agreement
- 7512 Revenues from fiduciary operations
- 7513 Revenues arising from legal fiduciary liquidating operations
- 754 Bad debts written off and subsequently collected
- 755 Revenues from revaluation of tangible assets
- 758 Other operating revenues
- 7581 Compensations, fines and penalties
- 7582 Gifts and subsidies received
- 7583 Proceeds from disposal of assets and other capital transactions
- 7584 Amortisation of investment subsidies
- 7588 Other operating revenues

76 Financial revenues

- 761 Revenues from long term financial investments
- 7611 Revenues from shares in affiliated entities
- 7612 Revenues from shares on associated entities
- 7613 Revenues from shares on jointly controlled entities
- 7615 Revenues from other long term financial assets
- 762 Revenues from short term financial investments
- 764 Revenues on disposal of financial investments
- 7641 Revenues on disposal of long term financial investments
- 7642 Gains on disposal of short term financial investments
- 765 Foreign exchange gains
- 7651 Foreign exchange gains related to monetary items denominated in a foreign currency
- 7652 Foreign exchange gains from measuring of monetary items as part of a net investment in a foreign entity
- 766 Interest income
- 767 Discounts received
- 768 Other financial revenues

78 Write back of provisions, amortization and adjustments for depreciation or

impairment losses

781 Write back of provisions and adjustments for operating impairment losses

7812 Write back of provisions

7813 Reversal of impairment losses on non-current assets

7814 Reversal of write-down of current assets

7815 Revenues from negative goodwill

786 Reversal of adjustments for amortization and impairment losses

7863 Reversal of impairment losses on financial non-current asset

7864 Reversal of write-down of financial current assets