

Lecture Notes:

- **Data:**
- **Data** is raw facts and figures.
- Data lacks analysis and context.
- **Information:**
- **Information** is data organised, analysed and put into context.
- **Knowledge:**
- **Knowledge** is the accumulation of understanding and experience, to use information to form judgements and make decisions.
I.e. Through education and experience, managers can use information to make decisions.
- **Management Information System (MIS):**
- **Management information systems (MIS)** is any system for collecting data that can be organised in such a way that it produces information of use to the managers of a business.
- I.e. MIS is any system that allows managers to:
 - Record and store data
 - Organise and analyse that data
- The purpose of a MIS is to give managers the information they need to organize and control the business more effectively.
- Business owners/managers can use MIS to make better informed decisions.
- **Accounting:**
- **Accounting** is a system for collecting, analysing and communicating financial information.
- The purpose of accounting is to measure business condition and performance (revenue, expenses, profits or losses, taxes) and to managers use that information to make decisions.
- Everyone with an interest in the business will use accounting information. These people include:
 - Investors: Buy or sell shares?
 - Bankers: Will the loan be repaid?
 - Employees: Will I receive profit sharing?
 - Government: How much tax is owing?
 - Managers: For all kinds of reasons.
- To measure and analyse all businesses, we use a common unit of measurement: the Dollar.
- There are 2 types of accounting:
 1. **Managerial Accounting:**
 - Aimed at internal users.
 - Is detailed.
 - Tells internal users about performance and problems for planning, decision making and control purposes.
 - Tends to look at individual products, plants or divisions.
 2. **Financial Accounting:**
 - High level.
 - Aimed at external users.
 - Tells external users about financial condition and financial performance.
 - Looks at the business as a whole.
- Financial accounting information is collected on an annual basis. This is because tax authorities want to know how much tax is owed.
- Accountants help businesses plan and prepare annual tax returns.

- Accountants ensure tax payments comply with the law.
- Financial accounting info collected on an annual basis. The year end does not need to be Dec 31st. Owners choose the start/end of the financial year, known as the **fiscal year**.
- Businesses prepare their financial information at the end of every year which doesn't need to be Dec 31.
- Here are the fiscal years of some companies/governments:
 - Best Buy: 1 March to 28 February
 - Govt. of Canada: 1 April to March 31
 - Fed-Ex: 1 June to May 31
 - Maple Leaf Sports: 1 July to 30 June
 - Bank of Montreal: 1 Nov to 31 October
 - Tim Horton's: Sunday closest to 31 Dec
- Accounting terms:
 - **Transaction:** An accounting transaction is a business event having a monetary impact on the financial statements of a business. It is recorded in the accounting records of the business.
 - **Source Documents:** In the accounting industry, source documents include receipts, bills, invoices, statements, checks – i.e., anything that documents a transaction. Any time a business spends or receives money, a source document is created. Source documents are an integral part of the accounting and bookkeeping process.
 - **Books of Prime Entry:** The journals in which information about business transactions are first recorded.
 - **Ledgers:** A ledger is a book containing accounts in which the classified and summarized information from the journals is posted as debits and credits. It is also called the second book of entry. The ledger contains the information that is required to prepare financial statements.
 - **Trial Balance:** A trial balance is a bookkeeping worksheet in which the balance of all ledgers are compiled into debit and credit account column totals that are equal. A company prepares a trial balance periodically, usually at the end of every reporting period.
- **Financial Statements:**
 - Are key reports all companies must prepare.
 - **Income statement** shows revenue, expenses, and profits.
 - **Balance sheet** shows resources owned and available to the business.
 - **Generally Accepted Accounting Principles (GAAP)** is a common set of accounting principles set by Canadian Institute of Chartered Accountants. All businesses must use the same procedures and methods.

Textbook Notes (Chapter 8):

- **Why Businesses Need Information:**
 - Businesses need information to make decisions and to take the appropriate actions.
 - **Note:** Information on its own is not a factor of production.
- **Data:**
 - **Data** is a collection of raw facts and figures.
 - Data on its own has little value.
 - It needs to be interpreted to be turned into usable information.
- **Information:**
 - **Information** is data that has been structured or put into context so that it becomes useful to people.

- **Knowledge:**
- **Knowledge** is the accumulation of understanding and experience, to use information to form judgements and make decisions.
- **Management Information Systems (MIS):**
- **Management information systems (MIS)** is any system for collecting data that can be organised in such a way that it produces information of use to the managers of a business.
- The purpose of a MIS is to give managers the information they need to organize and control the business more effectively.
- Often, the motivation of creating a MIS is to bring order to disorder. For example, a business will want to use a MIS if they find that an employee already cleaned the washroom and 5 minutes later, a second person cleans it again. There's no need for the second employee to reclean the bathroom 5 minutes after it was cleaned.
- **Information Technology & Information Systems:**
- **Information system** is any system that allows people to record and store data, to organize the data into usable form, and then transmit information to the people who need it.
- **Information technology** is any technology that allows managers to collect, record, store and organise data.
- Earliest forms of information technology include chisel and stone, paper from the Han dynasty, printing press and then the information age of computers and digital methods.
- **Information age** is the period since the 1970s when the development of affordable personal computers allowed large quantities of data to be assembled, stored and manipulated by the average person.
- **Moore's Law** is the observation that the amount of data that can be recorded, stored and analyzed by information technology doubles every two years
- The 18th century had the industrial revolution while the 20th century had the information revolution.
- **Data Analysis:**
- **Data analysis** is any operation that organises data into a form that is useful to the user.
- The most common form of data analysis involves some form of mathematical manipulation.
- Other forms of sorting data includes:
 - Statistical analysis involves manipulating the data so as to serve such common statistics as the mean, median or range or the standard deviation.
 - Time series analysis involves sorting data points across different dates or times, from oldest to newest. Time series analysis allows the user to spot a direction or trend.
 - Cross sectional analysis involves looking at a data point for a single representative, for example one store or one sales person, and comparing that result to others in the population.
- By far, the most commonly used and important collection of management information is accounting information.
- **Accounting information:**
- **Accounting** is the system for collecting, analysing and communicating financial information.
- **Accountants** are individuals trained how to collect, organise and present financial data.

- Jobs of accountants:
 - Examine statements/documents to ensure accuracy.
 - Ensure that statements and records comply with law and regulations.
 - Compute taxes owed, prepare tax returns, and ensure prompt payment.
 - Organize and maintain financial records.
 - Prepare standardised reports for business managers.
- People that use accounting information:
 - Business owners/managers to set goals, budgets and develop plans.
 - Lenders such as banks.
 - Employees and unions to negotiate wages and salaries.
 - Government departments and ministries use the information to fulfill their duties.
- **Management Accounting:**
- **Management accounting** is the collection, organisation and presentation of financial information of interest to managers within the business.
- It is used to tell internal users about the business' performance and problems for planning, decision making and control purposes.
- Tends to look at individual products, departments and/or divisions.
- Managers need this information in order to make decisions for their departments, to monitor current projects and to plan for future activities.
- **Financial Accounting:**
- **Financial accounting** is the collection, organisation, and presentation of financial information of interest to the public, concerning the performance and financial condition of the business as a whole.
- **Fiscal year** is a business' operating year for financial accounting purposes especially for the payment of taxes.
- A business' fiscal year does not need to coincide with the calendar year.
- Often businesses will choose their fiscal year to coincide with the ebb and flow of their business activity. They do this to make them look good.
I.e. They have their fiscal year a few months after their busiest month(s).
- Most retail stores have their fiscal year end in January - February because Christmas is usually their busiest time.
- **Auditing:**
- **Audit** is a formal examination of an organisation's financial procedures and financial statements.
- **Auditor** is someone authorized to perform checks on the collection, organisation, and presentation of accounting information in order to prevent fraud and reassure investors and lenders.
- **Generally Accepted Accounting Principles (GAAP)** - The rules and methods that an organisation's accounting system must follow.
- **Financial Statements:**
- **Financial statements** include the balance sheet and the income statement. They are documents that a business must prepare and publish at regular intervals.

Textbook Definitions (Chapter 9):

- **Accountants:** Individuals trained how to collect, organise and present financial data.
- **Accounting:** The system for collecting, analysing and communicating financial information.
- **Audit:** A formal examination of an organisation's financial procedures and financial statements.
- **Auditor:** Someone authorized to perform checks on the collection, organisation, and presentation of accounting information in order to prevent fraud and reassure investors and lenders.
- **Data:** A collection of raw facts and figures.
- **Data analysis:** Any operation that organises data into a form that is useful to the user.
- **Financial accounting:** The collection, organisation, and presentation of financial information of interest to the public, concerning the performance and financial condition of the business as a whole.
- **Financial statements:** The balance sheet and the income statement, documents that a business must prepare and publish at regular intervals.
- **Fiscal year:** A business' operating year for financial accounting purposes especially for the payment of taxes.
- **Generally Accepted Accounting Principles (GAAP):** The rules and methods that an organisation's accounting system must follow.
- **Information:** Data that has been structured or put into context so that it becomes useful to people.
- **Information age:** The period since the 1970s when the development of affordable personal computers, allowed large quantities of data to be assembled, stored and manipulated by the average person.
- **Information system:** Any system that allows people to record and store data, to organize the data into usable form, and then transmit information to the people who need it.
- **Information technology:** Any technology that allows managers to collect, record, store and organise data.
- **Knowledge:** The accumulation of understanding and experience, to use information to form judgements and make decisions.
- **Management accounting:** The collection, organisation and presentation of financial information of interest to managers within the business.
- **Management information systems (MIS):** Any system for collecting data that can be organised in such a way that it produces information of use to the managers of a business.