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Introduction

Accounting is one of the oldest disciplines linked to the development of economic activity, originating to organize, record, and analyze financial transactions. As economic activities became more complex and institutions expanded, accounting evolved from a simple recording method to a comprehensive system based on scientific rules and standardized principles.

This section aims to provide the conceptual framework of accounting, covering its origin and concept, the different types of accounting with a focus on financial accounting as the cornerstone of the accounting system, as well as the objectives, scope, and accounting assumptions and principles that ensure the reliability and comparability of financial information.

1-1- Introduction to Accounting: Origin and Concept

1-1-1 Historical Development of Accounting

The development of accounting reflects the evolution of economic activity and the growing need of economic entities for more accurate measurement and organization tools. Accounting evolved from simple practices aimed at tracking daily transactions to an integrated system based on the duality principle, enabling the provision of more reliable financial information. With the major economic transformations brought about by the Industrial Revolution, accounting's role expanded beyond mere record-keeping to become a fundamental tool for control, performance evaluation, and decision-making support within organizations, forming the foundation of contemporary accounting systems.

Table 1: Key Stages in the Development of Accounting

Stage	Time Period	Main Characteristics	Accounting Significance
Pre–Double-Entry Stage	Before the 15th century	Use of single-entry bookkeeping, recording only revenues and expenses, lack of comprehensive financial information	Limited ability to accurately determine the financial position
Double-Entry Stage	Starting	Emergence of the duality principle, structured accounts,	Establishment of the theoretical foundations

	from 1494	beginning of the scientific approach to accounting	of modern accounting
Post–Industrial Revolution Stage	From the 18th century onward	Growth in firm size, separation of ownership and management, expansion of economic activities	Development of accounting functions toward control and decision-making

1-1-2Definition of Accounting

Accounting is a discipline that has evolved alongside economic activity, and its definitions vary according to the perspective from which it is approached. From a practical perspective, accounting is defined as an art and a profession concerned with recording, classifying, and summarizing financial transactions using specific techniques and procedures, carried out by qualified professionals in order to determine the results of operations and the financial position of an entity.

From an academic standpoint, accounting is regarded as an independent science that focuses on studying methods of recording, organizing, and analyzing financial transactions conducted by an entity, with the aim of providing information for various economic and managerial purposes. Accounting is also viewed as an information system, where financial data represent inputs, and financial statements constitute outputs, used by different stakeholders for decision-making purposes.

Accounting is an information system concerned with recording, classifying, summarizing, and analyzing the financial transactions of an entity over a specific period, with the purpose of providing reliable financial information that assists various users in economic decision-making and in assessing the financial performance and financial position of the entity.

1-3 Types of Accounting

Accounting is divided into several types according to the purpose of financial information and the nature of economic activity. General accounting represents the core of the accounting system, as it provides the main source of financial statements intended for external users. Cost accounting and analytical accounting support management by controlling costs, analyzing performance, and assisting in decision-making. Tax accounting ensures compliance with tax legislation, while special accounting addresses the specific requirements of certain sectors, all within the framework of the general principles of financial accounting.

Table 2: Types of Accounting

Type of Accounting	Main Objective	Area of Use
General Accounting	Recording transactions and preparing financial statements	External use (tax authorities, banks, investors…)
Cost Accounting	Determining the cost of goods and services	Internal use
Analytical Accounting	Analyzing results by products, departments, or responsibility centers	Managerial decision-making
Tax Accounting	Determining tax liabilities in accordance with tax regulations	Tax compliance
Special Accounting	Accounting for activities with specific characteristics	Specialized sectors

1-3 Definition of Financial Accounting

Financial accounting is a core branch of accounting, aimed at recording, classifying, and summarizing financial transactions according to recognized accounting principles and standards, in order to prepare financial statements and provide accurate and objective information about an entity's financial position and performance.

Its main function is to convert daily economic transactions into quantitative monetary information, enabling management, investors, creditors, and regulatory authorities to assess the entity's performance and sustainability. Financial accounting is mandatory and regulated, governed by applicable accounting and tax legislation such as the Algerian Financial Accounting System (SCF), and adheres to fundamental principles including continuity, objectivity, prudence, and periodicity.

The resulting financial statements serve as the common language of business, standardizing the presentation of financial information and allowing comparisons between entities both nationally and internationally, thereby supporting informed economic decision-making.

1-4 Objectives and Scope of Financial Accounting (English – Concise Version)

Financial accounting is a key tool in managing economic entities, extending beyond mere recording of transactions to provide accurate and reliable information for evaluation and decision-making.

1-4-1 Objectives of Financial Accounting

- **Recording financial transactions**: systematically, based on legal supporting documents to ensure information reliability.

- **Preparation of financial statements**: including the balance sheet, income statement, and cash flow statement, reflecting the entity's financial position and results.

- **Providing reliable information**: to support management, investors, and creditors in making informed economic decisions.

- **Measuring performance**: determining profit or loss to assess operational efficiency and resource utilization.

- **Safeguarding assets**: through regular accounting control to minimize fraud and errors.

- **Compliance with legal regulations**: ensuring adherence to accounting and tax laws, and financial transparency.

1-4-2 Scope of Financial Accounting

Financial accounting applies to:

- **Economic entities**: industrial, commercial, and service organizations of all sizes, to track financial activity and prepare statements.

- **Various legal forms of companies**: partnerships, corporations, and limited liability companies, to ensure transparency and protect partners' and creditors' rights.

- **Public and private institutions**: respecting the specific characteristics of each sector.

- **External users**: investors, banks, tax authorities, and regulatory bodies, for assessing financial position.

Financial accounting is a fundamental pillar of the economic system, providing transparency, reliable information, and supporting sound economic decision-making.

1-5 Accounting Principles

Accounting principles are guiding rules that regulate how financial transactions are recorded and presented in financial statements. Key principles include:

- **Historical Cost Principle :** Assets are recorded at their actual acquisition cost, without considering market fluctuations, except in exceptional cases prescribed by accounting legislation.

- **Prudence/Conservatism :** Avoids overstatement of assets or revenues, recognizes all probable losses as soon as they are expected, and records profits only when realized.

- **Matching Principle** Revenues and related expenses are assigned to the same accounting period to determine an accurate result for that period.

- **Consistency Principle** Requires the entity to apply the same accounting methods and policies consistently across periods to ensure comparability, with changes allowed only for justified reasons.

- **Full Disclosure Principle** Requires the entity to provide all material information that could affect users' decisions, either within the financial statements or in the accompanying notes.

- **Double-Entry** Principle Every financial transaction affects at least two accounts: debit = credit, ensuring the accounting equation (Assets = Liabilities + Equity) remains balanced and financial statements are accurate.