

USQ UNIVERSITY OF SOUTHERN QUEENSLAND

MBA - ACC5502

Accounting & Financial Management / S1 / 2013

Introduction to Accounting - I

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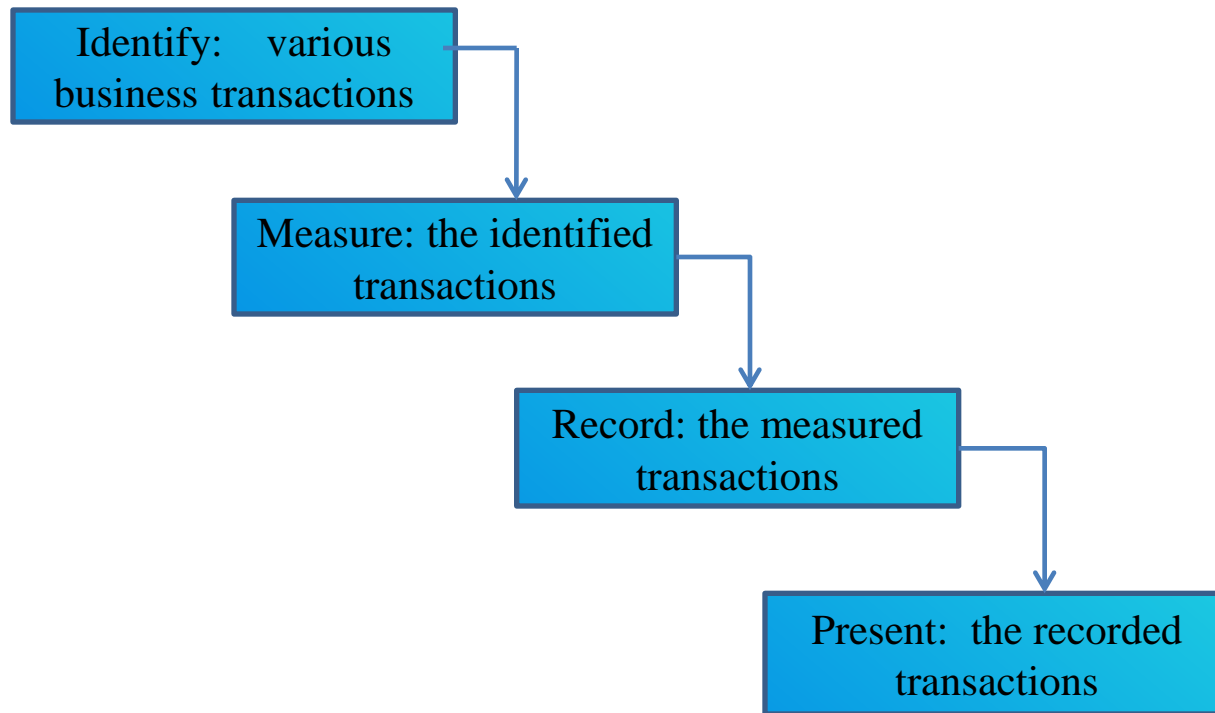
(ACA, ACMA, ACIM, SAT, ACPM)(MBA-USJ/PIM)

Introduction

Accounting is a formal process which basically analyzes financial & non-financial information of the particular entity and present them in a formal manner in order to take (economic) decision(s).

Further,

Accounting is a structured system which entails series of activities; identifying, measuring, recording & presenting (communicating) various business transactions/events in order to serve the needs of different stakeholders.



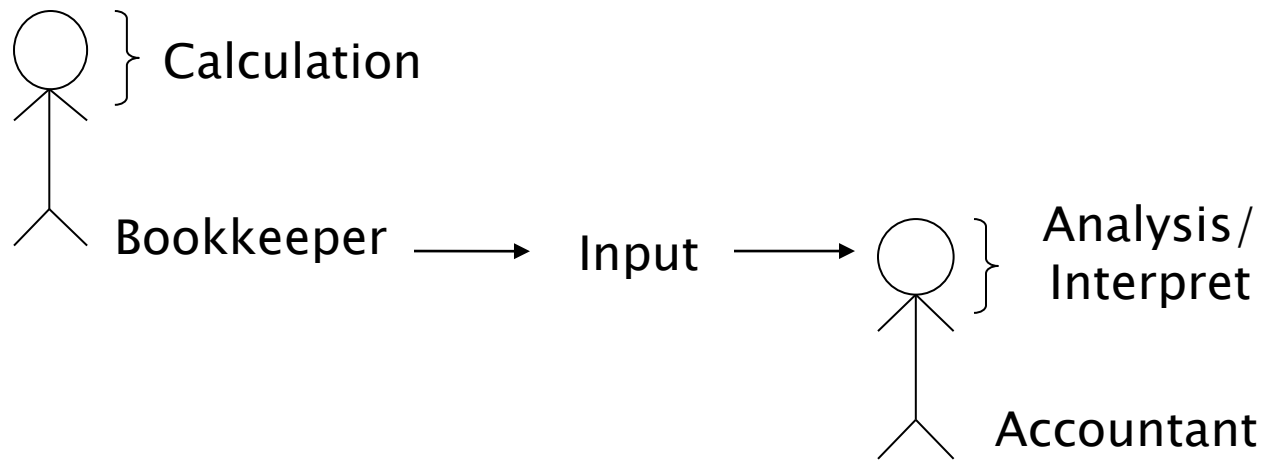
Note: Every entity includes an Accounting system as a key component of its internal control system. (degree of importance)

- Control environment
 - Control procedures
 - Accounting system

Bookkeeper Vs. Accountant

Conceptually, there might not be any significant difference of job duties between bookkeeper and accountant. Some entities attempt to place both in a same job category.

Practically, Bookkeeper is doing routine calculation (task) without using much of judgmental skills while accountant use his/her judgmental skills and analytical skills in order to present financial/non-financial information more meaningfully which already prepared by the bookkeeper.



Relationship between Accounting & Auditing

Auditing (external) is basically provides an assurance (reliability) on financial statement s prepared by the entity. (not 100%, but true & fair view)

Why entity's tend to conduct annual audit? Mandatory and/or other benefits.

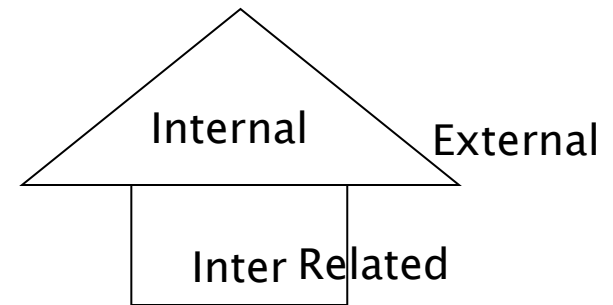
Note: Difference between external & internal Auditing.

Accounting information and decision making

As we have identified in above, main duty of the Accountant is to produce financial information for the users (expected) to make their decisions. (mostly economic decisions)

Types of users

Internal	- Key management
Inter-related	- Financial Institutions (Banks) - Key customers - Key suppliers - Employees (Unions)
External	- Shareholders (sometimes internal) - Government - Public at large

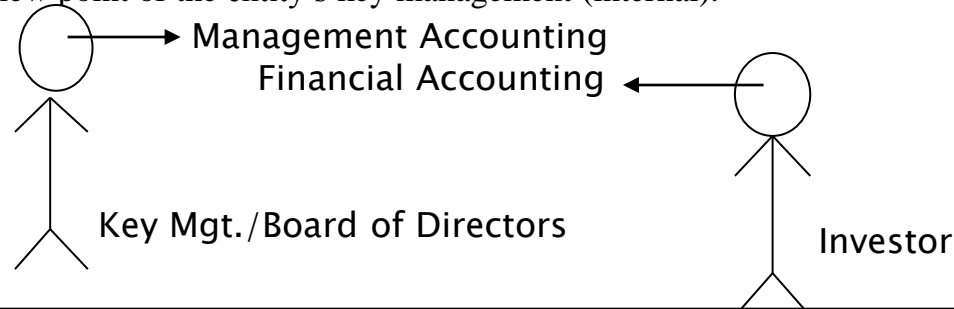


Note: All of the above parties commonly called as “Stakeholders”. Stakeholders are the individual/ party who are interested on operations & results of the entity and change their decisions based on such results (get affected).

Stakeholder	Accounting information need and decision making
Investor	Information to determine the future profitability of the entity, to assess the future cash flows for dividends and the possibility of capital growth of investment.
Banks	Information to determine whether entity has the ability to repay a loan.
Suppliers	Information to determine an entity's ability to repay debt associated with purchase.
Employees	Information concerning job security, the potential to pay or awards and bonuses, and promotional opportunities down the track.
Customers	Information regarding the continuity of the entity and the ability to provide the appropriate goods and services.
Government authorities	Information to determine the amount of tax that should be paid and any future taxation liabilities or taxation assets.
Regulatory bodies	Information to determine if the entity is abiding by regulations such as the Corporations Act and Australian taxation law.
Community	Information to determine whether the entity is contributing positively to the general welfare and economic growth of the local community.
Special interest groups	Information to determine whether the entity has considered environmental, social or industrial aspects during its operations.

Financial Accounting Vs. Management Accounting

Scope of the Financial accounting defines from the view point of the external (third) party while management accounting analyzes information from the view point of the entity's key management (internal).



	Financial Accounting	Management Accounting
Regulations	Bound by GAAP. GAAP are represented by accounting standards, the Corporations Act, and relevant rules of the accounting association and other organizations such as the ASX.	Much less formal and without any prescribed rules. The reports are constructed to be of use to the management.
Timeliness	Information is often outdated by the time the report is distributed to the users. The financial reports present a historical picture of the past operations of the entity.	Management reports can be both a historical record and a projection, e.g. a budget.
Level of detail	Most financial reports are of a quantitative nature. The reports represent the entity as a whole, consolidating income and expenses from different segments of the business.	Much more detailed and can be tailored to suit the needs of management. Of both a quantitative and qualitative nature.
Main users	Prepared to suit a variety of users including management, suppliers, consumers, employees, banks, taxation authorities, interested groups, investors, and prospective investors.	Main users are the key management of the entity; hence the term management accounting.

Limitations of Accounting Information

A particular user should consider the limitations surrounding accounting information prior to use and make a decision on such information.

1. Time lag
2. Use historical information
3. Subjectivity of information
4. Potential costs
 - Information cost
 - Release information to competitors

Apart from above, it is also important to note that the profession of accounting widely broadened with the concepts of Corporate Governance, Code of Ethics and Corporate Social Responsibility.

Note: With rapid changes in the recent past, following new career opportunities also emerged within the profession.

- Fund Accountant
- Internal Auditor
- Forensic Accountant
- Payroll Manager/Accountant

In each & every country, entire profession of accounting governed by rules, regulations, acts, customs. Most of the rules & regulations are established by the government authorities.

- Certified Professional Accountant (CPA) Australia
- ICAA
- The National Institute of Accountants (NIA)
- NZICA

Profession of accounting and some of its key attributes are evolving as a result of the following variables;

- Globalization
- Technological change
- Demographic change
- Social impact