

ACC1200 NOTES – MANAGEMENT FOR ACCOUNTING

WEEK 1 – Intro to accounting and business decision-making

Accounting = The process of identifying, measuring and communicating economic information about an entity to a variety of users for decision-making transactions.

- Identifying = Taking into account transactions that affect the entity's financial position.
- Measuring = Analysing, recording and classifying business transactions.
- Communication = Sharing accounting info through various reports.
- Decision-making = Various users using accounting info to make decisions.
- Business transactions include cash withdrawals, paying wages and salaries, earning revenue, purchase of assets, owners contributing capital, incurring interest on loans, and paying GST.

Role of accounting info in decision-making =

- Internal users = making decisions in the business, evaluating the success in achieving objectives
- External users =
 - o Shareholders = whether to invest or pull out depending on performance
 - o Banks/suppliers = whether to give a loan depending on level of risk
 - o Employees = whether their job is secure depending on CEO reports
 - o Government authorities = whether business is profitable and following regulations

Financial accounting = The preparation and presentation of financial information for all types of users to enable them to make economic decisions regarding the entity, outlined in both general purpose financial reports and special purpose financial reports as governed by generally accepted accounting principles (GAAP), rules of the Corporations Act, and rules of the ASX.

- Financial statements = includes statements of cash flows, balance sheet, statement of changes in equity, and income statement.
- Statement of cash flows = reports on an entity's cash inflows and outflows, classified into operating, investing and financing activities.
- Balance sheet = reports an entity's assets and liabilities at a point in time, aka statement of financial position.
- Income statement = reflects the profit (income minus expenses) for the entity for a specified time period.
- Highly regulated, outdated info, not that detailed, for external users
- Generally accepted accounting principles (GAAP) = Guide the presentation and preparation of accounting information.

Management accounting = A field of accounting that provides economic information for internal users (owners and management), including formulating plans and budgets and providing info to use in monitoring and control of the entity. Reports have few rules and hence are less formal, and are tailored to the needs of management so are as detailed as needed.

- Not regulated, up to date info, very detailed, for internal users