

## Acc 1200 revision, Topic 1, introduction to accounting

### Exam content:

- Distinguish between, and provide examples of, the different types of users of accounting information.
- Explain the difference between financial accounting and management accounting.
- Recognise the purpose of accounting and its role in decision making.
- Apply definition and recognition criteria of the elements.

### Users:

- **Internal:** owners or management of the entity who rely on the accounting information to make important decisions about business operations including initial setup, pricing and expansion. Internal users include, financial controller, divisional manager and managing director.
- **External:** any stakeholders who are interested in how an entity is performing, eg bank, creditors, supplier, costumers, regulators.

### Financial accounting:

The preparation and presentation of financial information for all types of users to help them make informed and economic decisions regarding the entity. These are represented in general purpose financial statements:

- Income statement
- Balance sheet
- Statement of cash flows
- Statement of changes in equity

### Management accounting:

A field of accounting that provides economic information for internal users such as owners and management. The core activities of management accounting include preparing plans and budgets and providing information to be used in the monitoring and control of different parts of the entity. The information is confidential and will not be provided to external users.

### The role of accounting:

- Individuals and entities need accounting information to assist in making decisions such as planning a business and subsequently capital investment decisions.
- Accounting information is useful once a business is established and operating successfully.
- Once operating, financial information is used to record financial performance and then evaluate it against its initial targets.