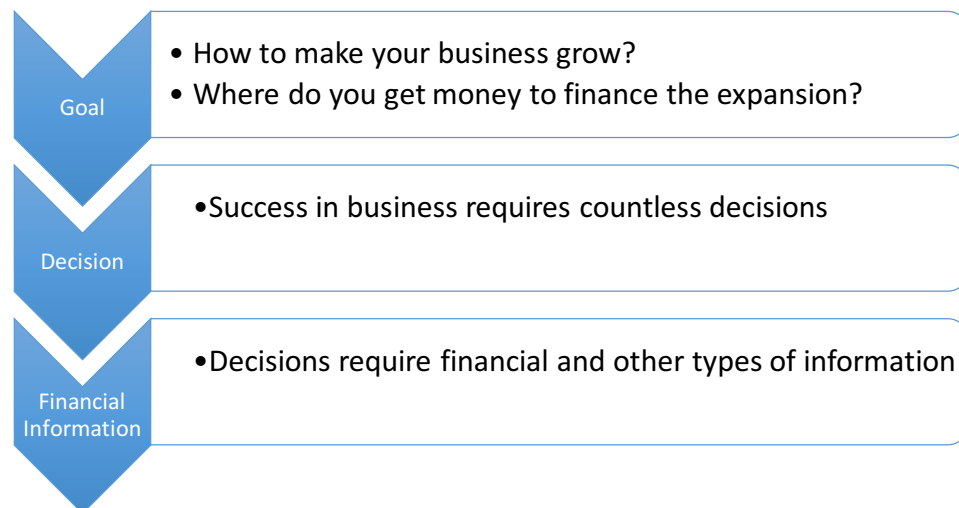


# ACCG100- Accounting in Society

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## Accounting in the Business World

- Plays a **key role** in the **provision of financial information** for decision making
- Is a process of identifying, measuring, recording and communicating economic transactions and events of a business operation



## Accounting and its stakeholders

- Society
- Customers/ individuals
- Government
- Environment
- Suppliers/ creditors
- Employees
- Shareholders
- Business

## Your role as an accountant

### 20th Century Accounting

- Budgeting
- Calculations
- Comparisons
- Preparing financials

### 21st Century Accounting

- Technical competency (financials, audit, regulation)
- Professional skills/ judgement
- Communication
- Group work
- Governance and ethics
- Accountability

- Sustainability
- Leadership

## Management and Financial Accounting

Management Accounting	Financial Accounting
<ul style="list-style-type: none"> <li>• Provision of accounting information within the business entity</li> <li>• Internal Focus               <ul style="list-style-type: none"> <li>○ Planning</li> <li>○ Controlling</li> <li>○ Decision making</li> </ul> </li> <li>• Cost behaviour/ break even</li> <li>• Budgeting</li> <li>• Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Financial reports for external users</li> <li>• External Focus</li> <li>• Reporting Information               <ul style="list-style-type: none"> <li>○ Performance</li> <li>○ Position</li> </ul> </li> <li>• Financing and Investing</li> <li>• Legal compliance</li> <li>• Highly regulated</li> </ul>

## The Diverse Role of Accountants

### Commercial Accounting

- Work in industry and commerce
- The accounting information system provides these accountants with the information they need for planning, decision making and compiling reports for a range of users

### Public Accounting

- Provide their professional services to the public
- Can practice in business organisations that range from small, single run offices to very large organisations
- Audit- Independent examination of the accounting data presented by an entity in order to provide an opinion as to whether the financial statements fairly present the results of the operations and the entity's financial position.

### Government Accounting

- Are employed within government entities and are engaged in a variety of roles and activities

### Not for Profit Accounting

- Focuses on successfully fulfilling its mission and administrative goals rather than on making a profit
- These accountants assist with planning, decision making and preparing financial and management reports for both internal and external users.

## Various Types of Business Organisations

- **Sole proprietorship (sole trader)**
  - Owned by one person (eg dentists)
  - *Advantages*- Simplest, cheaper, very few legal formalities, complete control
  - *Disadvantages* – business is limited by the owner's skills, funds available and time.

- **Owner of the business has no separate legal existence from the business**
- **Partnership**
  - Owned by more than one individual (eg accountants, solicitors)
  - Often formed because one individual does not have enough economic resources to initiate the business, or because partners bring their own unique skills or resources to the partnership
  - Has unlimited liability, which means each partner is made personally liable for all the debts in the partnership
- **Company**
  - Organised as a separate legal entity and owned by shareholders (eg Qantas)
  - The company can sue and be sued and enter into contracts under its own name
  - Limited liability means the shareholders are liable for the debts of the business only to the extent of amounts unpaid on their shares
  - Easy to transfer ownership and raise funds.

## Other forms of business organisation

### Trusts

- A trust is a relationship or association between two or more parties, whereby one party holds property in trust for the other
- A trust has:
  - A settlor (who sets up the trust)
  - A trustee (who manages the trust property)
  - Beneficiaries (people for whom the investments or assets are held and to whom the income is paid)

### Cooperatives

- A form of business organisation that is member owned, controlled and used
- They are distinctive for fostering a highly participative and democratic style of work, pooling resources to be more competitive and sharing skills.

## Not for Profit Organisations

### Associations

- Small, non for profit groups often form associations
- An incorporated association provides an easier and relatively inexpensive means of establishing an entity than forming a company does.

### Government

- Government sector, or public sector, are organisations owned by the government
- Eg public hospitals and schools

## Where Accountants Work

<b>Consultancy</b>	<ul style="list-style-type: none"> <li>• Tax</li> <li>• Audit</li> <li>• Advisory</li> <li>• Strategy</li> </ul>
<b>Corporates- large and small</b>	<ul style="list-style-type: none"> <li>• Budgeting</li> <li>• Forecasting</li> <li>• Compliance</li> <li>• Risk management</li> <li>• Business processes and systems</li> </ul>
<b>Government, regulatory bodies, professional associations and non for profit organisations</b>	<ul style="list-style-type: none"> <li>• Research</li> <li>• Policy setting</li> <li>• Regulations and compliance</li> <li>• Budgeting and forecasting</li> <li>• Risk management</li> </ul>

## The Conceptual Framework

- Consists of a set of concepts to be followed by the preparers or financial statements and standard setters
- The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential equity investors, lenders and other creditors in making their decisions about providing resources to the entity.
- Reporting entity- An entity in which it is reasonable to expect the existence of users who depend on general purpose financial reports for information to enable them to make economic decisions

## Users and uses of financial information

Resource Providers		
Equity Investors	Lenders	Other Creditors
<ul style="list-style-type: none"> <li>• Contribute to the equity of an entity by investing resources for the purpose of receiving a return</li> <li>• Shareholders (existing and potential)</li> <li>• Holders of partnership interests</li> <li>• Other equity owners</li> </ul>	<ul style="list-style-type: none"> <li>• Contribute to an entity by lending resources for the purpose of receiving a return, usually in the form of interest.</li> <li>• Lenders eg banks</li> <li>• Purchasers of traded debt instruments (eg debentures)</li> </ul>	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Suppliers</li> <li>• Customers</li> <li>• Other groups</li> </ul>