Accounting for Managers (ACF1200)

1. Introduction to accounting and business decision making

The Accounting Process

LO 1 - EXPLAIN THE PROCESS OF ACCOUNTING

Accounting - the process of **identifying**, **measuring** and **communicating** economic information about an entity to a variety of users for **decision-making** purposes.

identifying	measuring	communicating	decision-making
Transactions that affect the entity's (business's) financial position are taken into consideration. They must be able to be reliably measured and recorded.	This stage includes the analysis, recording and classifying of business transactions.	Accounting information is communicated through various reports such as income statements, balance sheets and statements of cash flows.	Accounting information is used for a range of decisions by external and internal users.

Accounting information and its role in decision making

LO 2 - OUTLINE THE IMPORTANCE OF ACCOUNTING AND ITS ROLE IN DECISION MAKING BY VARIOUS USERS

Accounting is an extremely important process, as individuals and entities need accounting information to assist them in making decisions such as planning a business and subsequently capital investment (i.e.assets) decisions.

Accounting information is designed to meet the needs of both internal and external users of accounting information.

Internal users (e.g. owners, managers) use accounting information to:
- Make decisions concerning the operations of the business entity (i.e. initial management planning processes e.g. determining appropriate sales mix and price of goods, forecasting profits, determining the capacity of assets)
- Evaluate the success of the business entity in achieving its objectives (done by comparing the performance of the business entity against budgets and assessing how well employees have achieved their set targets)
- Weigh up various alternatives when investing the resources of the business entity

External users (i.e. stakeholders) use accounting information also