

Accounting in Business

Chapter 1

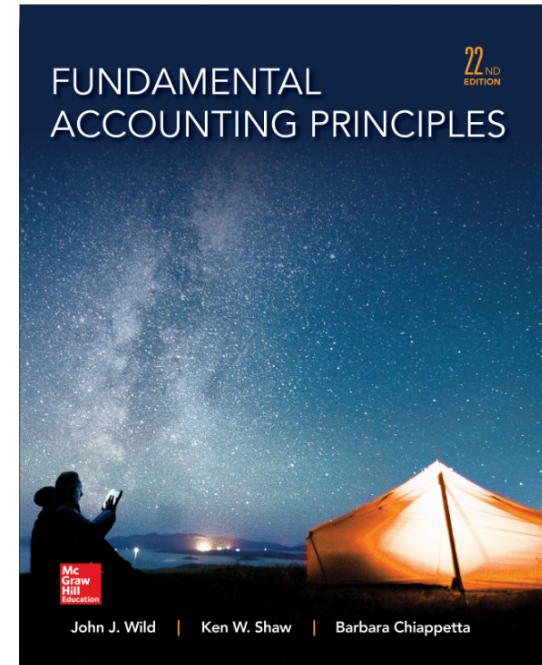
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Fundamental Accounting Principles

22nd Edition



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01-C1: Importance of Accounting

Importance of Accounting

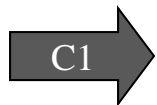
Accounting is an information and measurement system that identifies, records, and communicates relevant information to help people make better decisions.

Identifying



Select transactions and events

For example, the sale by Apple of an iPhone.



Recording



Input, measure, and log

Keep a chronological log of transactions.

Communicating



Prepare, analyze, and interpret

Prepare reports such as financial statements.



01-C2: Users of Accounting Information

Users of Financial Information

Accounting is called the *language of business* because all organizations set up an accounting information system to communicate data to help people make better decisions. Accounting serves many users who can be divided into two groups: external users and internal users.

External users



- Lenders
- Shareholders
- Governments
- Consumer groups
- External auditors
- Customers

Internal users



- Officers
- Managers
- Internal auditors
- Sales staff
- Budget officers
- Controllers

Opportunities in Accounting



Accounting information is in all aspects of our lives. When we earn money, pay taxes, invest savings, budget earnings, and plan for the future, we use accounting.

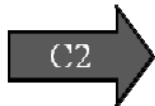
NEED-TO-KNOW

Identify the following users of accounting information as either an (a) external or (b) internal user.

Regulator	a) External user
CEO	b) Internal user
Shareholder	a) External user
Controller	b) Internal user
Executive Employee	b) Internal user
External Auditor	a) External user
Production Manager	b) Internal user
Nonexecutive Employee	a) External user

External users of accounting information are NOT directly involved in running the organization.

Internal users of accounting information ARE directly involved in managing and operating an organization.

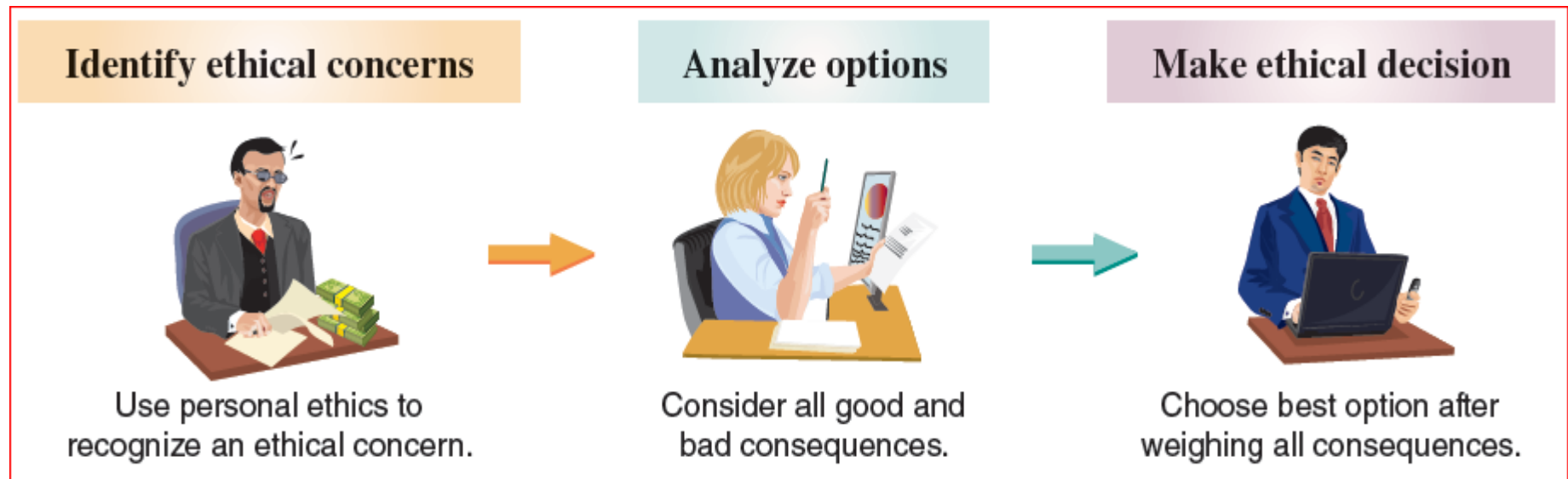




01-C3: Ethics

Ethics – A Key Concept

The goal of accounting is to provide useful information for decisions. For information to be useful, it must be trusted. This demands ethics in accounting. Ethics are beliefs that distinguish right from wrong. They are accepted standards of good and bad behavior.



Fraud Triangle

Three factors must exist for a person to commit fraud: opportunity, pressure, and rationalization.

