

### Role of Accounting

#### What is the role of accounting?

Provide accounting information for stakeholders to make informed decisions for the performance of business

#### What is Decision-Making?

Prepare accounting information and provide both accounting and non-accounting information for decision-making

#### What is Stewardship?

Manage business resources on behalf of owner

### Professional Ethics

**Integrity** Be straightforward and honest in the communication of financial information

**Objectivity** Information must be unbiased and not be influenced by personal feelings

### Types Of Business

**Trading Business** - Exchanges goods for money, e.g supermarkets/furniture/clothing shops

**Service Business** - Exchanges services for money, e.g Dental/Tuition/-Salon

### Stakeholders

#### Internal Stakeholders

**Owner/-Manager** - Measure & Evaluate performance of the business

### Stakeholders (cont)

**Employee** - Whether they should work for the business

#### External Stakeholders

**Shareholders** - Invest into the business

**Lenders and Suppliers** - Whether to provide for the business

**Competitors** - Compare performance

**Customers** - Whether to buy from the business

**Government** - Assess whether business is abiding laws

### Accounting Theories

**Accounting Entity** Only business transaction is recorded

**Accounting Period** Life of business is divided into regular time intervals

**Going Concern** Business to have indefinite economic life unless credible evidence is shown that it may close

**Monetary** Only things that can be recorded down in monetary terms

**Historical Cost** Transactions to be recorded at original cost

### Accounting Theories (cont)

**Accrual basis of accounting** Business activities that have occurred should be recorded in relevant accounting period

**Revenue Recognition** Revenue earned when goods delivered is provided

**Matching** Expenses incurred must be matched against income earned in same period to determine profit earned

**Objectivity** Accounting information recorded must be supported by reliable and verifiable evidence

**Prudence** Least overstates assets and profits and understated liabilities and losses

**Consistency** Once method is chosen, it should be applied for all periods to ensure consistency

**Materiality** Transactions is considered material if it makes a difference in decision-making process

