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
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

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