

Business and Accounting

Types of Businesses

3 types of businesses operate for profit

SERVICE

Ex: Delta Airlines - transportation services, Walt Disney - entertainment services.

MERCHANDISING

Ex: Wal-Mart - general merchandise, Amazon.com - internet books, music and videos

MANUFACTURING

Ex: General Motors Corporation - cars, trucks, vans, Dell Inc. - personal computers

What is Accounting?

Defined as an information system that provides reports to users about the economic activities and conditions of a business.

The Role of Accounting

To provide information for managers to use in operating a business.

In the Language of Business

Accounting serves as the means through which business financial information is communicated to users.

Process of Providing Information

- Identify user
- Assess user's information needs
- Define the accounting system to use
- Record economic data
- Prepare accounting reports

Users of Accounting

Internal: Managers employees

External: Customers, creditors, investors, government

Uses of Accounting

Internal Uses of Accounting

Branch: Management Accounting

Objective: To provide timely information for managers to make decisions within the business.

Information is sensitive and includes the customer, prices and plans to expand the business.

External Uses of Accounting

Branch: Financial Accounting

Objective: To provide timely information for users to make decisions outside of the business.

Information here is useful for creditors and lenders who look at financial reports on operations and conditions of a business.

General-purpose financial statements are one type of financial reports.

Opportunities in Accounting

PRIVATE ACCOUNTING

Employed by companies, government and not-for-profits.

Careers: Bookkeeper, Payroll Clerk, General Accountant, Budget Analyst, Cost Accountant, Internal Auditor, Information Technology Auditor

Certifications: Certified Payroll Professional (CPP), Certified Management Accountant (CMA), Auditor (CIA), Certified Information System Auditor (CISA)

PUBLIC ACCOUNTING

Employed individually or as a member of a public accounting firm in tax or audit services.

Careers: Local firms, Public firms

Certifications: Certified Public Accountant (CPA)

Ethics in Accounting

Unethical Practices in Accounting

Failure of Individual Character

Pressure from supervisors to meet company's expectations leads to small violations that adds up.

Culture of Greed and Ethical Indifference

Senior managers set the culture and can create indifference and greed to the truth.

Guideline For Ethical Conduct

1. Identify an ethical decision by using honesty and fairness
2. Identify the consequences and it's effects on others
3. Consider your obligations and responsibilities to the affected
4. Make a decision that is ethical and fair

Sarbanes-Oxley Act passed in 2002 (SOX) to oversee the accounting profession through the Public Accounting Oversight Board (PCAOB).

Accounting and Business Frauds

- Adelphia Communications
- American International Group (AIG)
- American Online Inc. and PurchasePro
- Computer Associates International Inc.
- Enron
- Fannie Mae
- HealthSouth
- Qwest Communications International Inc.
- Tyco International Ltd.
- WorldCom
- Xerox Corporation



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Published 30th January, 2012.
Last updated 12th May, 2016.
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