

The Accounting Industry

Accounting

process of retrieving, recording, storing and summarizing financial transactions for a business

Bookkeeping

process of recording daily business transactions; only one part of the accounting process

Manual Accounting System

maintaining accounting records by hand

Computer Accounting System

maintaining accounting records with the help of computer software

Stakeholder

person who has an interest in a company

Profit

amount earned is greater than the amount spent

Loss

amount earned is less than amount spent; a loss occurs when there is no profit

Creditor

person or company which lends money to another person or company

Financial Accounting

form of accounting which produces information for external use through financial statements

Management Accounting

produces information mainly for company/management use

Tax Accounting

accounting method used to record tax transactions

Financial Reporting

process of using information gathered from financial transactions and records

Generally Accepted Accounting Principles (GAAP)

common set of accounting rules and procedures; needed in accounting to maintain accuracy and consistency of financial reports

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Cost Principle

actual cost of an item needs to be stated, not its current value

Reliability Principle

accountants must only record information which can be verified

Disclosure Principle

all information which is relevant to financial statement must be included in the financial statement

Matching Principle

expenses must be reported at the same time of the corresponding (matching) revenue

Going Concern Principle

assumption a company intends to continue operations

Ethical Responsibility

duty to uphold rules and regulations based on moral values

Shareholders

individuals who own part of a company through stock ownership

Social Responsibility

taking actions which benefit society as a whole

Social Cost

additional costs beyond normal business costs due to an activity or policy

Accountants

records financial transactions and prepare financial reports

Management Accountant

records and analyzes financial information for internal use by managers

Government Accountant

maintains and examines records of government agencies

Public Accountant

provides services to corporations, governments and individuals; can provide services to multiple companies at once

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Internal Auditor

examines financial records of companies to ensure proper management of funds; usually provides information to law enforcement if necessary

General Ledger Accountant

ensures business transactions are properly recorded

International Accountant

specializes in recording and analyzing international (non-GAAP) business transactions

Forensic Accountant

specializes in examining accounting transactions for law enforcement

Certified Public Accountant (CPA)

designation provided to accountants who have passed the CPA exam and its requirements

Certified Management Accountant (CMA)

designation provided to accountants who have passed the CMA exam and its requirements; CMAs specialize more in financial management than CPAs