The Changing Face of Accounting

These days, the business environment is changing rapidly and become more competitive. This is due to a developing global economy, technological advancement, pressures from shareholders and volatile financial markets. This has meant that the accounting profession has had to change and develop itself.

Financial accounting has developed a set of international rules which must be followed. This ensures that financial reports are easily interpreted and ensure information is shown more faithfully.

Management accounting used to be focused entirely on internal factors of the business. Now it is essential to consider outside factors (such as competitors and customers) to remain competitive. It is also important for a business to consider its costs and ensure that they are controlled.

Why Do I Need to Know Anything About Accounting and Finance?

It is an essential topic for any business student as accounting and finance information is integral to the business operations. The decision on whether to continue with a project, to sell a particular product line, to continue or close a department of the business will all require some financial information before an informed decision can be made. Therefore, all managers within a business will need to be able to interpret financial reports to make the best decision.

The Quest for Wealth Creation

The main objective of a for-profit business is to create its shareholders wealth, so most decisions made will be with this goal in mind. However, it is also important to care for other stakeholders in the business, such as employees and customers. Caring for other stakeholders’ interests is essential for the business to be productive and ultimately increase wealth.

Shareholders also require a balance between risk and return. The higher the risk in investing in the business, the higher the return should be to compensate for that. The banking crisis shows what can happen is from too many risks are taken: the collapse of the entire sector.

Not for Profit Organisations

Charities, clubs, churches, universities and local government authorities. Although they do not have the aim to make a profit for shareholders, they still require accounting information in order to make decisions.