

- **Trade Creditors (Suppliers);** these are suppliers who provide goods for the company on credit and Suppliers want to know about the company's ability to pay debts;
- **Trade debtors (Customers);** these are customers who purchase the goods or services provided by the company. Customers need to know that the company is a secure source of supply and is in no danger of having to close down.
- **Employees of the Company;** these should have the right to information about the company's financial situation, because their future careers and the size of their wages and salaries depend on it.
- **Financial analysts and advisers;** these need information for their clients or audience, for example, stock brokers need information to advise investors. Credit agencies want information to advise potential suppliers of goods to the company. Journalists need information for their reading public.
- **Government and their agencies,** these are interested in the allocation of resources and therefore in the activities of business entities. They may also require information in order to provide a basis for national statistics.
- **Financial institutions.** These include banks which allow the company to operate an overdraft, or provide longer term finance by granting a loan. The bank wants to ensure that the company is able to keep up the interest payments and eventually repay the amounts.
- **The Public.** Entities affect members of the public in a variety of ways, for example, they may make a substantial contribution to a local economy by providing employment and using local suppliers.

1.2 Qualitative characteristics of accounting information (Available Qualities of Accounting Information)

The demand for accounting information by investors, lenders, creditors, etc., creates fundamental qualitative characteristics that are required in accounting information. There are six qualitative characteristics of accounting information. Two of the six qualitative characteristics are fundamental (must have), while the remaining four qualitative characteristics are enhancing (nice to have).

Fundamental (Primary) Qualitative Characteristics

Qualitative characteristics of accounting information that must be present for information to be useful in making decisions:

1. Relevance
2. Faithful Representation

Enhancing (Secondary) Qualitative Characteristics

Qualitative characteristics

the purchase cost, salvage value, depreciation method, and useful life, the accountant should be able to reproduce the same result. If they cannot, the information is considered not verifiable.

Timeliness

Timeliness is how quickly information is available to users of accounting information. The less timely (thus resulting in older information), the less useful information is for decision-making. Timeliness matters for accounting information because it competes with other information. For example, if a company issues its financial statements a year after its accounting period, users of financial statements would find it difficult to determine how well the company is doing in the present.

Understandability

Understandability is the degree to which information is easily understood. In today's society, corporate annual reports are in excess of 100 pages, with significant qualitative information. Information that is understandable to the average user of financial statements is highly desirable. It is common for poorly performing companies to use a lot of jargon and obfuscating in its annual report in an attempt to disguise the underperformance.

Comparability

Comparability is the degree to which accounting standards and policies are consistently applied from one period to another. Financial statements that are comparable, with consistent accounting standards and policies applied throughout each accounting period, enable users to draw insightful conclusions about the trends and performance of the company over time. In addition, comparability also refers to the ability to easily compare a company's financial statements with those of other companies.

The qualitative characteristics of accounting information are important because they make it easier for both company management and investors to utilize a company's financial statements to make well-informed decisions.

1.3 Forms of Business Entity

There are three types of business organizations and these are; sole traders, Partnerships and Limited Liability Companies.

Sole traders

A sole tradership is a business owned and run by one individual, perhaps employing one or two assistants and controlling their work. The individual's business and personal affairs are for legal