

# A Brief Note on Accounting

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## Description

Accounting is the measurement, processing, and sharing of financial and non-financial data about organisations and corporations. Accounting, also known as “business language” measures and conveys the results of an organization’s economic activities to a variety of clients, including investors; creditors, managers, and regulators. Accountants are professionals that operate in the subject of accounting. The terms “accounting” and “financial reporting” are often interchanged. Accounting is divided into numerous types, including financial accounting, management accounting, tax accounting, and cost accounting. Accounting information systems are designed to assist in the execution of accounting tasks and operations.

Financial accounting focuses on the reporting of an organization’s financial information to external users of the information, such as investors, regulators, and suppliers, and includes the preparation of financial statements. Management accounting focuses on the measurement, analysis, and reporting of information for internal use by management, whereas financial accounting focuses on the reporting of an organization’s financial information to external users of the information, such as investors, regulators, and suppliers. The process of recording financial transactions in order to produce financial summaries in financial reports is known as bookkeeping.

Double-entry bookkeeping is the most widely used method. Financial accounting is the process of reporting financial data from an organisation to external users such as investors, potential investors, and creditors. It calculates and records company transactions and generates financial statements for external users using Generally Accepted Accounting Standards (GAAP). GAAP, on the other hand, is the outcome of broad agreement between accounting theory and practice, and it changes through time to meet the needs of decision-makers.

Financial accounting provides reports that are focused on the past, such as financial statements, which are normally generated on an

annual or quarterly basis six to ten months after the end of the accounting period and cover the entire organisation. The gathering, analysis, and reporting of data that can aid managers in making decisions in order to fulfill an organization’s objectives is the focus of management accounting. Internal management accounting measurements and reports are based on a cost-benefit analysis and are not bound by the widely accepted accounting concept. The principles are the result of research conducted in 20 countries across five continents and are intended to guide best practice in the profession.

Management accounting creates both past-oriented and future-oriented reports, such as budgets, with varied time horizons. Management accounting reports usually incorporate financial and non-financial data, which may, for example, focus on certain items or divisions. Tax accounting in the United States deals with the preparation, analysis, and presentation of tax payments and returns. For tax purposes, the US tax system mandates the use of specialized accounting procedures that may deviate from GAAP for financial reporting. Sole proprietorship, partnership, corporation, and Limited Liability Company are the four major types of business ownership recognised by US tax law.

Individual and corporate incomes are taxed at separate rates, with marginal rates and average rates changing with income levels. Engagements that originate from or are expected to result from disputes or litigation are referred to as forensic accounting. The term “forensic” refers to work that is “fit for use in a court of law” and forensic accountants must generally adhere to that standard and outcome.

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