The Different Branches of Accounting

1. Financial Accounting

Financial accounting is a specific branch of accounting involving a process of recording, summarizing, and reporting the myriad of transactions resulting from business operations over a period of time. These transactions are summarized in the preparation of financial statements, including the balance sheet, income statement and cash flow statement, that record the company's operating performance over a specified period.

Work opportunities for a financial accountant can be found in both the public and private sectors. A financial accountant's duties may differ from those of a general accountant, who works for himself or herself rather than directly for a company or organization.

2. Management Accounting

Management accountants (also called managerial accountants) look at the events that happen in and around a business while considering the needs of the business. From this, data and estimates emerge. Cost accounting is the process of translating these estimates and data into knowledge that will ultimately be used to guide decision-making.

The main difference between financial and managerial accounting is whether there is an internal or external focus. Financial accounting focuses on creating and evaluating financial statements that will be reported externally, like creditors and investors. In contrast, managerial accounting analyses and results are kept in-house for business leaders to use to drive decision-making and run the company more effectively. Managerial accountants handle many facets of accounting. These include margins, constraints, capital budgeting, trends and forecasting, valuation and product costing.

3. Government Accounting

Governmental accounting maintains tight control over resources, while also compartmentalizing activities into different funds in order to clarify how resources are being directed at various programs. This approach to accounting is used by all types of government entities, including federal, state, county, municipal, and special-purpose entities.

4. Auditing

An audit is an "independent examination of financial information of any entity, whether profit oriented or not, irrespective of its size or legal form when such an examination is conducted with a view to express an opinion thereon." Auditing also attempts to ensure that the books of accounts are properly maintained by the concern as required by law. Auditors consider the propositions before them, obtain evidence, and evaluate the propositions in their auditing report.

Audits provide third-party assurance to various stakeholders that the subject matter is free from material misstatement. The term is most frequently applied to audits of the financial information relating to a legal person. Other commonly audited areas include: secretarial and compliance, internal controls, quality management, project management, water management, and energy conservation. As a result of an audit, stakeholders may evaluate and improve the effectiveness of risk management, control, and governance over the subject matter.

Auditing has been a safeguard measure since ancient times, and has since expanded to encompass so many areas in the public and corporate sectors that academics have started identifying an "Audit Society".

5. Tax Accounting

Tax accounting is a structure of accounting methods focused on taxes rather than the appearance of public financial statements. Tax accounting is governed by the Internal Revenue Code, which dictates the specific rules that companies and individuals must follow when preparing their tax returns.

6. Cost Accounting

Cost accounting is a form of managerial accounting that aims to capture a company's total cost of production by assessing the variable costs of each step of production as well as fixed costs, such as a lease expense.

7. Accounting Education

Accounting Education means that education which teaches recording and maintaining books of accounts . This education came in existence after mathematics and Economics science . In the point of facts , if It should be said that above education is the base of accounting education . Above Education are very helpful for getting accounting Education .

In accounting education , we learn what is way of recording our different transactions. With this education , we can calculate our business's result relating to different transactions and events . It is not easy to find to reward or return on investment made by businessman .

8. Accounting Research

Accounting research is part of the process of reviewing and auditing the firm's financial information to convert the data into insights on complex financial issues that help companies choose the best course of action.

Users of Financial Information

Internal Users - Internal users include managers and other employees who use financial information to confirm past results and help make adjustments for future activities.

1. Investors/Owners/Stockholders

A shareholder can be a person, company, or organization that holds stock(s) in a given company. A shareholder must own a minimum of one share in a company's stock or mutual fund to make them a partial owner. Shareholders typically receive declared dividends if the company does well and succeeds.

Also called a stockholder, they have the right to vote on certain matters with regard to the company and to be elected to a seat on the board of directors.

2. Management

Management is the coordination and organization of business activities. Business managers oversee operations and help employees reach their top productivity levels. A business manager may also supervise or train new employees, help a business reach its operational and financial objectives.

3. Employees

Employees are often the front line of the business. They are the people who make the product or provide the service to the customers. Employees have a massive effect on the outcome of the business. job security.

External Users - External users are entities or individuals who do not participate in running or managing the business but are interested in the financial information of the company. Unlike internal users, they do not make decisions for the business.

1. Financial Institutions/Creditors

A creditor is an individual or business that has lent funds to a business and is owed money. A debtor is an individual or business who has borrowed funds from a business and so owes it money.

2. Government

The government's role in business includes protecting the consumer or customer. When a vendor fails to honor the guarantee, the purchaser has recourse in the law. Likewise, when a product causes harm to an individual, the courts may hold the vendor or manufacturer responsible.

Governments will make use of taxes and tax credits to promote wanted behavior, such as investing in renewable energy or hiring veterans, and to discourage unwanted behavior, like emitting excess carbon. Through a cap-and-trade system, governments are starting to allow would-be polluters to bid for rights to emit carbon dioxide up to a certain level, and then permit them to trade such rights with one another. Rights to pollute thereby become a form of property available to firms that need it most, and every company has an incentive to devise ways to avoid carbon pollution.

3. Potential Investors/Creditors

Creditors are the second type of accounting external user. A creditor is any individual or institution that has lent a firm money. Usually, creditors are banks. Banks use the accounting statements put out by a company to assess the company's lending risk.

Types of Business Organization

- Sole/Single Proprietorship is a business and managed by only one person

Advantages

1. There are minimal costs and requirements in the formation.
2. The owner can withdraw the asset and profits of the business anytime at his or her own discretion.
3. Decision making is solely in the hands of the owner.
4. The duration of the life of the business solely depends on its owner.

Disadvantages

1. Resources are limited as the capital is provided only by the owner.
2. The liability of the owner is unlimited as he or she is accountable to all creditors of the business.

3. Infusion of knowledge in the management of the business is limited to one person only, which is the owner.

- Partnership is a business organization owned by two or more people who agree to contribute money, property, or industry to a common fund for the purpose of earning a profit.

Advantages

1. There are minimal costs and requirements in the formation.
2. There are more funds contributed from the investment of the partners.
3. There is infusion of more knowledge, experience, and skills from two or more partners.
4. There can be division of labor between or among partners.

Disadvantages

1. The partners are liable for the action of each partner as a result of mutual agency.
2. A general partner has unlimited liability if the other partners are limited partners or are insolvent.
3. Disagreement between or among partners can lead to the withdrawal of one or more partners.
4. The death, retirement, withdrawal, or incapacity of a partner results in the dissolution of the partnership.

- Corporation is a form of business organization managed by an elected board of directors. The investors are called stockholders and the unit of ownership is called share of stock.

Advantages

1. The stockholders only have limited liability, as their liability extends only up to the amount of their capital investment.
2. A corporation has continuous existence as its life indefinite.
3. There is more infusion of funds from the stockholders or investors.
4. Shares of stocks can be transferred without the consent of other shareholders.
5. Management of the corporation is vested upon its board of directors.

Disadvantages

1. A corporation entails many requirements and is more costly than partnership.

2. The government exercises strict control over corporations and impose high taxes.
3. Shareholders have little or no participation in the management of the corporation.
4. Distribution of net income depends upon the declaration of dividends by the board of directors.
5. In large corporations, there is formal or impersonal relationship between employees and management due to the big number of employees. Hence, chances of creating personal and friendly atmosphere in the corporate setting are minimal.

- Cooperatives - Under Section 3 of Republic Act 6968, a cooperative is duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.

In short, a cooperative is an association of small producers and consumers who come together voluntarily to form a business which they own manage and patronize.

Advantages

1. The prices of products offered to consumers are lower due to direct purchases of cooperative members from producers or manufacturers.
2. Cooperative are managed by the members themselves; thus, saving on management costs which leads to lower prices of products inuring to the benefit of the consumers.

Disadvantages

1. There is limited capital due to underprivileged members.
2. The cooperative is strictly for members only and shares cannot be transferred to non-members.
3. Lack of efficient management as it is managed only by its members.

Three Types of Business Activities/Operations

1. Service - A service business is an enterprise composed of a professional or team of experts that deliver work or aid in completing a task for the benefit of its customers. The product a service business delivers isn't like a product you buy at the store, such as a television, piece of clothing, or food item.

A big part of whether you are happy with a service business is based on your customer service experience. Your customer service experience is all the things the business does to ensure your satisfaction. This is a key part of the success of these businesses and how they try to differentiate themselves from the competition. This includes the quality of work they perform, how friendly they are, the timeliness of completing their job, and their ability to answer questions or address any problems that may arise. Take a minute and think about a business you like to use or are very loyal to. They probably deliver a great customer service experience.

2. Trading or Merchandising - Merchandising is the presentation and promotion of goods that are available for purchase for both wholesale and retail sales. This includes marketing strategies, display design, and competitive pricing, including discounting. Merchandising is important for retailers looking to cultivate their brand, improve the experience of customers, compete with others in the sector, and ultimately, drive sales.

KEY TAKEAWAY

- Merchandising refers to the marketing and sales of products.
- Merchandising is most often synonymous with retail sales, where businesses sell products to consumers.
- Merchandising, more narrowly, may refer to the marketing, promotion, and advertising of products intended for retail sale.
- Technology is changing the face of merchandising, with electronic point-of-sale terminals to targeted and personalized mobile ads.
- Categories of merchandising include product, visual, retail, digital, and omnichannel.

3. Manufacturing - A manufacturing business is any business that uses components, parts or raw materials to make a finished good. These finished goods can be sold directly to consumers or to other manufacturing businesses that use them for making a different product. Manufacturing businesses in today's world are normally comprised of machines, robots, computers, and humans that all work in a specific manner to create a product.

Manufacturing plants often use an assembly line, which is a process where a product is put together in sequence from one work station to the next. By moving the product down an assembly line, the finished good can be put together quicker with less manual labor. It's important to note that some industries refer to the manufacturing process as fabrication.

Manufacturing businesses can be very simple, with only a few parts required for assembly, or they can be very complicated, with hundreds of parts needed to create a finished product. Compared to other businesses, manufacturing businesses usually have more legal regulations and environmental laws to deal with. These things can range from scrutinized labor laws to environmental and pollution issues. Although labor unions are not as common as they were 50 years ago, they still heavily exist in the manufacturing industry, where wages, benefits, and other rights are negotiated. Let's take a look at a few examples of manufacturing businesses.