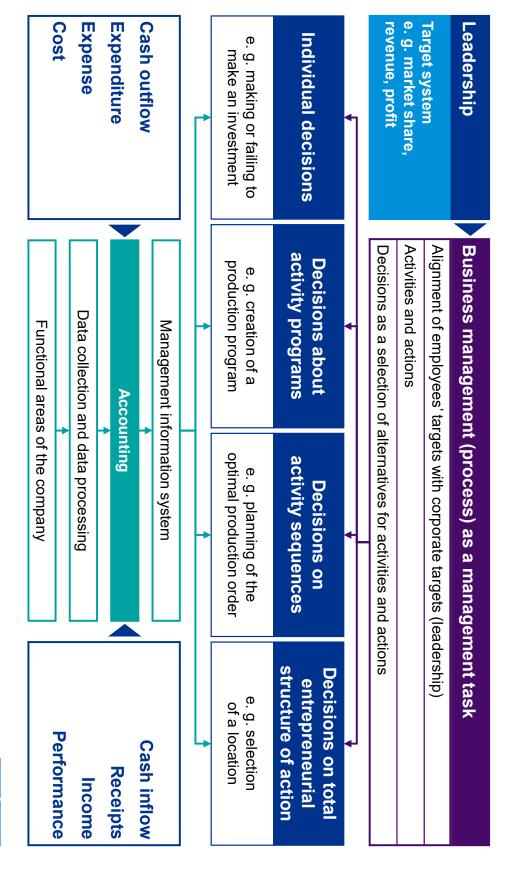
1.1 Purpose of accounting

Accounting as an information system for business management





1.1 Purpose of accounting

larget system of a company

Target system (objectives) of a company

Offer of certain services (Performance target)

Risk reduction (Safety target)

Profit maximization (Success target)

Increase in market share (Success target)

Recommendation for action

Presentation of methods to support the selection of those alternatives for action that best meet the objectives set by the management

Selection of alternatives for activities and actions

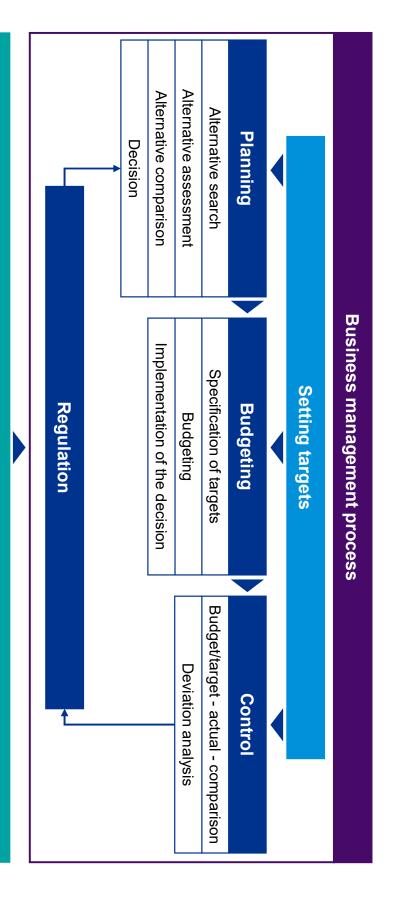
Examples of business alternative:

- Investment decision between a special or universal machine
- Decision on the offer of different types of products
- Choice of multiple manufacturing processes
- Decision between domestic and foreign suppliers



1.1 Purpose of accounting

Relationships between accounting and business management (1/2)



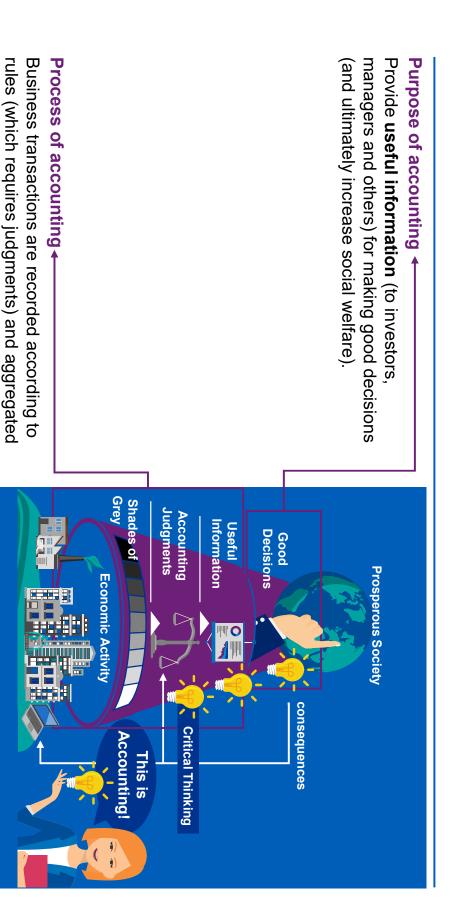
Information provided by accounting

Process of performance creation and utilization



1.2 Process of accounting

ranforming business transactions into the accounts

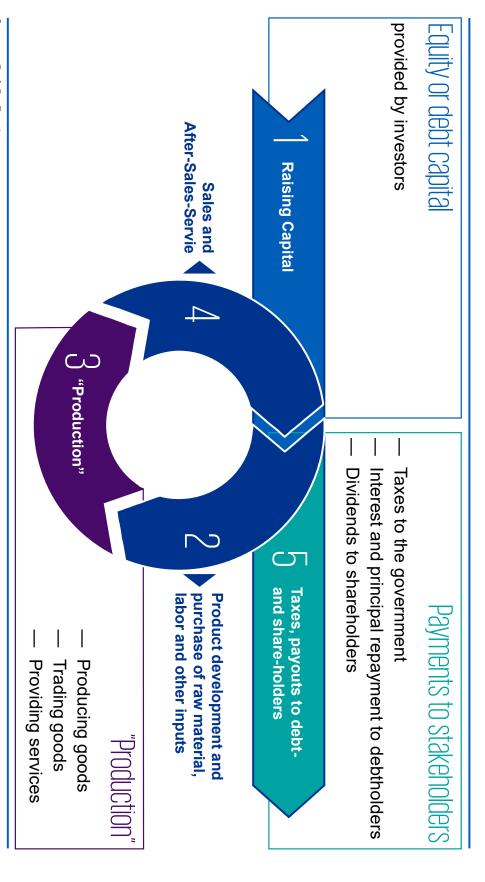


Source: Prof. Dr. Ernstberger

information are disseminated to the public.



1.2 Process of accounting ECONOMIC ACTIVITY

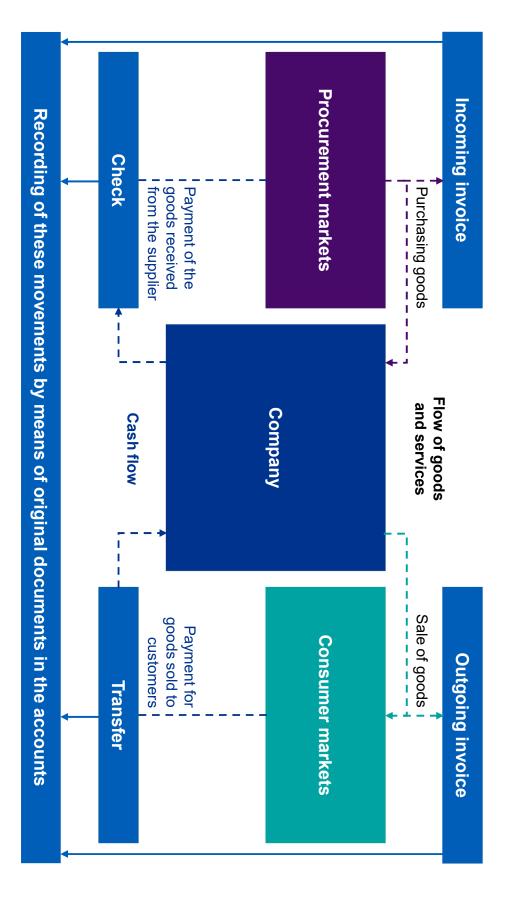


Source: Prof. Dr. Ernstberger



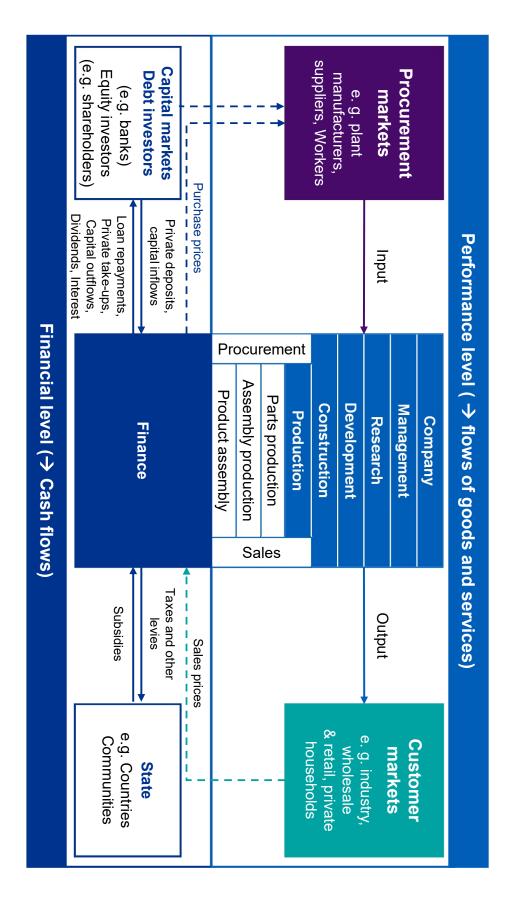
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1.2 Process of accounting Relationship of accounting to the goods and cash cycle



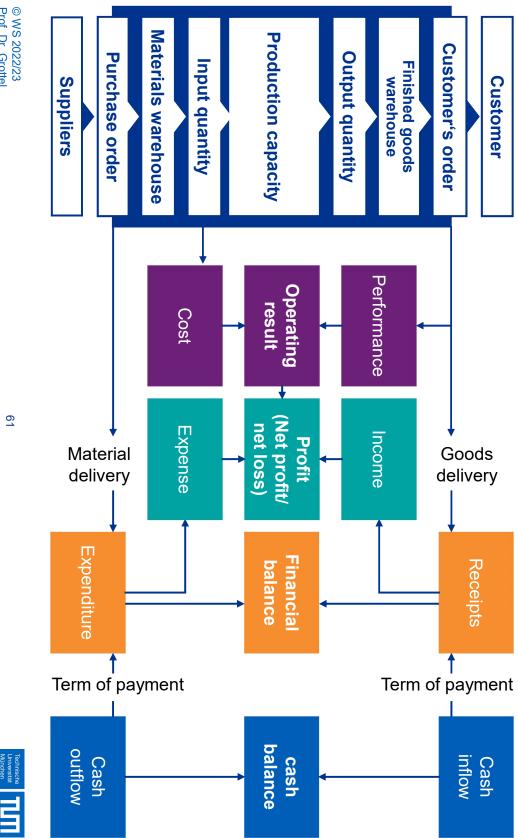


Business transaction between a company and its environment 1.2 Process of accounting





2 Basic terms of accounting nting and company processes



Central questions of the stakeholders

How beneficial are individual measures in the short-run?	Operating profit	+ Performance - Costs	‡	Cost- (and performance) accounting
How successful has the company performed within the last period	Changes in net assets of the period	+ Income - Expenses	‡	Financial accounting
Are the planned or realized investments profitable?	Present value	+ Cash-inflows - Cash-outflows	‡	Investment planning
Is the future solvency secured?	Increase and decrease of cash and cash equivalents of the period	+ Cash-inflows - Cash-outflows	‡	Financial planning
Central questions	Level of information	Flow values		Types of accounting



2 Basic terms of accounting

Cash-outflow	Cash and cash equivalents that are spent by the company within a period. Every cash-outflow decreases the amount of cash on hand and cash in banks. (= total of cash and cash equivalents).
Cash-inflow	Cash and cash equivalents that flow directly to the company within a period. Every cash-inflow increases the amount of cash on hand and cash in banks.
Expenditure	Monetary value of a company's acquired economic goods ^(a) within a period. Regardless whether the cash-outflows are made in the previous or following years.
Receipts	Monetary value of a company's delivered economic goods ^(a) within a period. Regardless whether the cash-inflows are made in the previous or following years.
Expense	Expenses are expenditures periodised and net income affecting. The period expense equals the amount of all consumed respectively used economic goods within that period.
Income	Income are receipts periodised and net income affecting. The period income equals the amount of the realized increase in value within that period.
Cost	Monetarily assessed consumption of goods and services due to providing goods and services.
Performance	Monetarily assessed increase in value due to providing goods and services.

Note: (a) Per definition an economic good needs to have a demand for it and a shortage of that good occurs. This is true for most of all goods.

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