



Q9. Describe the role of accounting in the modern world.

Answer :The role of accounting has been changing over the period of time. In the modern world, the role of accounting is not only limited to record financial transactions but also to provide a basic framework for various decision making, providing relevant information to various users and assists in both short run and long run planning. The role of accounting in the modern world are given below.

1. Assisting management- Management uses accounting information for short term and long term planning of business activities, to predict the future conditions, prepare budgets and various control measures.
2. Comparative study- In the modern world, accounting information helps us to know the performance of the business by comparing current year's profit with that of the previous years and also with other firms in the same industry.
3. Substitute of memory- In the modern world, every business incurs large number of transactions and it is beyond human capability to memorise each and every transaction. Hence, it is very necessary to record transactions in the books of accounts.
4. Information to end user- Accounting plays an important role in recording, summarising and providing relevant and reliable information to its users, in form of financial data that helps in decision making.

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