

The Purpose and Nature of Accounting

The underlying purpose of accounting is to provide financial information for decision making about an economic entity. The economic entity we concentrate upon is a business enterprise.

Business executives and managers need the financial information provided by an accounting system to help them plan and control the activities of the business. For example, management needs answer to such questions as the profitability of each department of the business, the adequacy of the company's cash position, and the trend of earning.

Many businesses also compile non-financial information needed for decision making. An airline, for example, must have information about on time arrivals, repair schedules, and physical examinations of flight crews.

The use of computers makes possible the operation of a management information system (MIS) which provides decision makers with both financial and non-financial information. The accounting system is

most extensive and important component of a management information system because it is used by the entire business entity and by outsiders as well. Financial information about a business is needed by many outsiders. These outsiders include owners, bankers, other creditors potential investors, labor unions, government agencies, and the public, because all these groups have supplied money to the business or have some other interest in the business that will be served by information about its financial position and operating results.

A labor union, for example, needs to be informed on a company's financial strength and profits before beginning negotiations for a new labor contract.

Remember that every individual as well as every business must make economic decisions about the future. Therefore, everyone needs some understanding of accounting as a basis for making sound decisions.

To emphasize our basic concept, the goal of the accounting system is to provide useful information to decision makers. Thus accounting is the connecting link between decision makers and business operations.

● با توجه به لغات داده شده متن را ترجمه کنید.

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