

# The public accounting



In the present world, with the major growth and establishment of private companies, corporate, individual investment or multinational corporations, a high demand for good decision (and advisors on the same) in the corporate or private sector has emerged. The public accounting and financial reporting sector has therefore received a huge mandate to provide the required company information to investors and also advise the shareholders on the best financial decisions to undertake. This research study will try to explain the relevance of the two sectors and their role in investment decisions and also try to provide solutions to the challenges they may face. To achieve this, the research study will explain in depth the effects of standardizing the accounting procedures and the role of regulatory bodies in the accounting sector. The research will provide a detailed insight into public accounting and financial reporting for instance, balance sheet, income statement, monthly operating statement, statement of cash flows et cetera. (AICPA, 1982).

Public accounting is the practice of issuing confirmatory reports that is in line with agreed professional standards. These reports may include consulting services, financial accounting, tax returns reports or accounting processes in business organizations (Sherwood, 2007). Public accounting is not only a record of the past but also a reflection of what is expected in the short or long future, (Maurice and Rowan, 2000). A financial report is any document prepared by a given institution when an accounting period is over and that contains accounting data in summary (Sherwood, 2007). Financial reports are mainly in form of financial accounting statements. Financial statements can be seen as useful tools to various groups; the company, owners, the government, investors and the general public. (Collins et al, 2002) These

statements are very important and are of vital use to a company in many stages for instance, financial decision making and investment processes. It also manages to keep abreast with its performance and assess policy realization. Amount of credit to be granted by corporations or institutions to other business entities are decided using financial reports and statements. To a government good accounting and financial records are important in determination of amount of revenue to be acquired through taxation. To the public, the records are useful in the maintenance of good will and also help to know when and where to invest. Finally, the investors (who are viewed to be the sole users of financial records), can be able to predict future returns from investment of a certain company using the existing records. These groups therefore require a supply of a good accounting system through the financial reports that has been regulated and thereby standardized. Valuation of presumed gains or losses is important as it is the sole reason for business undertaking. To have a good approximation or prediction of future returns requires accurate financial records that reflect a true bearing of a company or a financial institution (Sherwood, 2007).

There is therefore a strong need to maintain proper and accurate financial records in any institution so as to keep a good public accounting reputation. Over time, newer and better methods of record keeping have been implemented so as to help keep up with the global evolving trend. This has facilitated better record keeping enabling transparency, accountability and accuracy of accounting procedures. Provision of timely and relevant data required in the sustaining of decision making, reporting and good management requires an up to date system of accounting (Collins et al,

2002). With such systems, bad decisions evident in the current economic meltdown period could be avoided. Investors can then be able to make wise decisions regarding investment and companies can make better borrowing and lending decisions (Maurice and Rowan, 2000). Failure to this, companies that do not maintain a proper record could incur losses leading to closure.