Difference between gpfrs and spfrs

Finance

Q1. A. Difference between GPFRs and SPFRs GPFR refer to the financial ments that require production by all public companies. These include the revenue statements, balance sheets and cash flows. The production of GPFR depends on the Generally Accepted Accounting Principles (GAAP). On the other hand, SPFRs refer to financial statements created for businesses to be used by internal stakeholders such as management. SPFRs are more detailed than the GPFRs and can be created at the instruction of the management. The SPFRs can be created for any purpose unlike the GPFRs since they do not depend on regulations when producing them (Hunton 2006, p. 135). B. GPFRs and SPFRs for small firms and family Businesses A firm must produce GPFR regardless of whether it is a family firm or a small business. C. Regardless of the information required they must implement an accounting system to assess the financial performance, assess solvency and liquidity, provide information to the relevant parties, to understand the reasons for any changes, guide the management in the decision making process and control the operations, and to enable the management forecast the financial position and future performance. Implementation and utilization of accounting system based in reporting. D. The managers use accounting information in budgeting as per the business plan requirements and forecasting of the financial outcomes as well as managing the operations. This also helps them in the cost-volume-profit analysis for the business plan, breakeven analysis and in profit planning (Siu & Zhi-chao 2005, p. 334). Q2. 50 shareholder rule This describes the Securities and Exchange Commission (SEC) rule that specifies that companies with over 50 shareholders to register with SEC. As a result, the company incurs significant costs compelling them disclose their financial information publicly. This makes most companies desire to sell their shares to the public as they disclose their financial information. This makes some companies reportedly publicizing their companies based on the 50-shareholder rule. The secondary markets make family companies acquire shareholders. If the company decides to sell the shares to other companies, this marks an additional shareholder to the roll (Siu & Zhi-chao 2005, p. 333). Q3. Accounting standards for SMEs The IASB introduced SMEs to handle the complex issues inherent to application of standards for predates of larger entities in SMEs. The design targeted needs of financial statements in SMEs as well as the cost benefit considerations like cost limitations and the accounting expertise in SMEs. For most small reporting entities, new standard adoption ensured savings for time and costs when preparing for the audits. The adoption of the IFRS among SMEs in Australia appears as a foregone conclusion. As a result, the local adoption by the IASB appears more cost efficient than when conducting the due process of produce individual standard. The IFRS have no impact within SMEs in Australia. However, most commentators believed that IFRS in Australian SMEs allowed for more economical reporting for the entities unlisted by public companies. AASB opposed the use of IFRS for the SMEs from non-public accountable and preferred using full or drafted IFRS (Sunder 2009, p. 101). Q4. Accounting for the results of the SMEs necessitates maintaining the records within an organized and consistent fashion. The shoe-box method represents an elemental, low-cost record-keeping system. The shoe-box method comprises of keeping receipts and writing a memo on a check so as to highlight the purpose of the expenditure. Although, the shoe box method represents a positive step towards establishing a systematic recordkeeping approach for the SMEs records, the quality of output for the recording of accounting information can be regarded as poor (Barker 2011, p. 6). The shoebox method is not an efficient method for collecting and organizing essential business information. This arises from the fact that it fails to avail usable information for the analysis and control of the business. Cash book is a core bookkeeping record within single-entry bookkeeping, which allocates income and expenses to various income and expense accounts. The cash book method requires minimal expertise and can avail more flexibility in tax planning given that, one can shift time for the receipt or revenue or payments of expenses from one year to another. The cash book method of recording accounting information is simple, low-cost, and less time-consuming; nevertheless, this method may sometimes distort income and expenses of the SME (Barker 2011, p. 6). Manual double entry method records financial data as transactions constituting flows of money or money value between diverse accounts. The method encompasses a network of integrated accounts in which each account is designated for every accounting item. The manual system is costly and tedious process and necessitating that accountants spend a significant amount of times preparing the accounting records. Simple mistakes such as entry of incorrect data could generate significant errors, which dents the quality of output (Barker 2011, p. 7). Computerized accounting systems enforce double entry bookkeeping and utilize application software that record and process accounting transactions based on the functional modules. Computerized accounting systems provide a number of advantages such as speed and accuracy and create easier review processes (Diamond and Khemani 2006, p. 97). As a result, accountants can spend minimal time probing errors and more time for analyzing information for decision processes. In most cases, computerized accounting is costly to purchase and maintain. References List

Barker, R. (2011). Short introduction to accounting. Cambridge, Cambridge University Press. Pp. 6-7 Diamond, J. & Khemani, P. (2006). Introducing financial management information systems in developing countries. OECD 5 (3), pp. 97-132. Hunton, J. L. (2006). Financial Reporting Transparency and Earnings Management. The Accounting Review 81(1), pp. 135-57. Siu, W., & Zhi-chao, L. (2005). Marketing in Chinese Small and Medium Enterprises (SMEs): The State of the Art in a Chinese Socialist Economy. Small Business Economics 25(4), pp. 333-46. Sunder, S. (2009). IFRS and the Accounting Consensus. Accounting Horizons 23(1), pp. 101.