

# Accounting assignment

[Business](#), [Accounting](#)



Question 1:

What are the ideas behind the establishment of Malaysian Institute of Accountants (MIA)? (5marks)

Answer:

MIA is a statutory body established under the Accountants Act, 1967 to regulate and develop the accountancy professions in Malaysia. MIA's responsibilities include education and quality assurance as well as enforcement which are carried out to ensure that the credibility to the profession is maintained and that public interest is continuously upheld. Its regulatory role is carried out through the following approaches:- \* Having an effective and competitive assessment framework in admitting members into MIA to ensure that the profession is able to meet public expectations where its human capital is concerned;

\* Meeting the education and development needs of members as part of a commitment to help members be knowledgeable and maintain their relevance in today's market; \* Implementing professional standards and practices based on internationally accepted guidelines as standards and By-Laws for members to comply within maintaining the integrity of the profession; \* Having in place a robust disciplinary system for those who fail to comply with this standards BY-Laws; \* To enhance the status of members.

Question 2:

Briefly explain the following users of accounting information:

Question 2(a):

Shareholders (2marks)

Answer 2(a):

Any person, company, or other institution that owns at least one share in a company. A shareholder may also be referred to as a " stockholder". Shareholders are the owners of a company. They have the potential to profit if the company does well, but that comes with the potential to lose if the company does poorly.

Question 2(b):

Employees (2marks)

Answer 2(b):

A person doing work for a company is an employee if the employer not only controls the person's work output, but also the manner in which the work is performed. An employee is paid through the payroll system; the employing business is responsible for withholding taxes and paying matching tax amounts where applicable.

Question 2(c):

Lenders (2marks)

Answer 2(c):

A lender is an entity that makes cash loans to other entities or individuals in exchange for either a fixed or variable interest rate.

Question 3:

How Bookkeeping differ from Accounting? (5marks)

Answer:

Bookkeeping	Differences	Accounting	
Bookkeeper	Performed	by	Accountant

Accountants| Result used by| \* Internal Users (Management employed) \* External Users (owners, creditors, banks..)| \* Single-entry bookkeeping system \* Double-entry bookkeeping system| Method used, Principle applied| \* GAAP \* MFRS| Record, classify and summarize transactions | Purpose| Internet preparefinancstatement| Is responsible for maintaining the "business checkbook", much like a personal checkbook. They record routinemoneytransactions like customer payments into a "cash receipts journal" and checks to vendors into a "cash disbursement journal."| Responsibilities| Is responsible for the design and management of the financial systems that bookkeepers use.

They prepare monthly financial statements and tax returns at year end. | The process of recording, in chronological order, the daily transactions of a business entity. It forms part of the accounting information system.| Process| The process of recording, classifying, summarizing, reporting, analyzing and interpreting the financial condition and performance of a business - in order to communicate it to stakeholders for business decision making.|

Question 4:

Discuss the reasons for preparing accounts for a particular organization. (5marks)

Answer:

Reason for preparing accounts for a particular organization. a)To report on company performance to various users and for internal purpose as well \* Able to breakeven, made profits or losses ?

\* May refer to Balance Sheet on company position and Income Statement on company performance. b) To create and maintain the creditors trust.

\* Able to repay?

\* Do repayments are efficient?

\* Creditors trust? Are we maintaining the trust well?

c) To know money owed to the company (debtors)?

\* Collection. Efficient?

\* Bad debts?

d) What is the cash situation of the company?

\* Sufficient? Able to meet short-term obligations?

\* Is the company efficiently using the company funds?

e) Where can efficiencies/expansion required?

\* Ready to expand

\* Domestically or globally?

f) To maintain record of the business.

g) To know financial position.

Question 5:

Explain the FOUR(4) qualities that the accounting information should have.

(8marks)

Answer:

(i) RELEVANCE

In accounting, the term relevance means it will make a difference to a decision maker. For example, in the decision to replace equipment that has been used for the past six years, the original cost of the equipment does not

have relevance. In other words, the original cost is irrelevant or is not relevant in the decision to replace the equipment. What will have relevance are the future amounts, such as the cost of the new equipment, and the savings that will occur when the old equipment is replaced. Here's another expression of relevance:

Costs that will differ among alternatives. Costs that will not differ among alternatives do not have relevance. In order to have relevance, accounting information must be timely. Financial statements issued three weeks after the accounting period ends will have more relevance than financial statements issued several months after the period ends. Having timeliness and relevance may mean sacrificing some precision or reliability.

(ii) RELIABILITY

In auditing, confidence that the financial records have been properly prepared and that accounting procedures and internal controls are correctly functioning. In financial accounting theory, term describing information that is reasonably free from error and bias and accurately presents the facts. Verifiability exists when a reconstruction of financial data, following acceptable accounting practices, results in the same actual results previously attained; further, two accountants working independently will come up with similar results.

Representational faithfulness exists when there is agreement between a portrayal (description) and the item it is supposed to represent (validity). Information is neutral when it does not favor one company over another. See also verifiable . probability that a product or process will perform satisfactorily over a period of time under specified operating conditions.

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(iii) **COMPARABILITY**

This implies the ability for users to be able to compare similar companies in the same industry group and to make comparisons of performance over time. Much of the work that goes into setting accounting standards is based around the need for comparability.

Accounting information should be comparable from business to business and period to period. Comparability results when different companies use the same accounting principles. This characteristic allows users to analyze two or more companies and look for similarities and differences.

(iv) **CONSISTENCY**

This implies consistent treatment of similar items and application of accounting policies. For a single business, consistency by using the same accounting methods from period to period. For example, a straight-line method used for depreciating the company's assets is consistently applied from year to year. A single business may change, the reasons for the change, and the effect of the change on income.

Question 6:

In 10 years from now, you are planning to start your own business. In your answers, you are required to include the following:

Question 6(a):

Type of business (1 mark)

Answer 6(a):

Partnership

Question 6(b):  
Reasons in selecting that type of business  
(3marks)

Answer 6(b):  
Partnership means having more expertise and more resources for capital and business risks can be distributed and shared among partners. With more than one owner, the ability to raise funds may be increased, both because two or more partners may be able to contribute more funds and because their borrowing capacity may be greater. A partnership may benefit from the combination of complimentary skills of two or more people. There is a wider pool of knowledge, skills and contacts.

Question 6(c):  
Disadvantages of those particular types of business (3marks)

Answer 6(c):  
A major disadvantage of a partnership is unlimited liability. General partners are liable without limit for all debts contracted and errors made by the partnership. For example, if you own only 1 percent of the partnership and the business fails, you will be called upon to pay 1 percent of the bills and the other partners will be assessed their 99 percent. However, if your partners cannot pay, you may be called upon to pay all the debts even if you must sell off all your possessions to do so. This makes partnerships too risky for most situations.

The answer would be a different business structure. The partnership may have a limited life; it may end upon the withdrawal or death of a partner. A



partnership usually has limitations that keep it from becoming a large business. Partnership also difficult to attract investors and disagreements in management plans, operational procedures and future vision for the business.

Question 7:

Explain the accounting equation while considering the relationship between asset, liabilities and capital. (6marks)

Answer:

The ability to read financial statements requires an understanding of the items they include and the standard categories used to classify these items. The accounting equation identifies the relationship between the elements of accounting. What liabilities and Owner's Equity have in common is that they are both equities - claims on the assets of the firm. That is, liabilities are what the business owes to external parties, while Owner's Equity is what the business owes to the owner. And both of these claims must be funded from the business's assets. This relationship, between assets, liabilities and Owner's Equity, is described by the accounting equation below: Asset = Capital

Assets = Capital + Liabilities

The accounting equation has exactly the same impact on small businesses as it does on multinational corporations, and all reporting entities are subject to one fundamental accounting law: the accounting equation must always balance. That is, assets must always equal liabilities plus Owner's Equity; it is not possible for the equation to be out of balance.

Question 8:

Identify at least four main areas of opportunities for accounting professionals. For each area identify at least two job possibilities linked to accounting. (8marks)

Answer:

Accountants may be employed in four broad areas, namely, public accounting, private accounting, government accounting and in education. Accounting Professionals| What They Do| Job Possibilities Linked to Accounting| Public Accounting| Who offer their professional services to the general public for a fee. Such services include auditing, tax services, accounting services, and management consultancy. Public accounting services are offered only by those who have a license to practice.| \* MASB \* FRF \* Audit: Larger businesses normally have accounting and finance personnel on staff to do this work, but they hire public accounting firms to conduct periodic accounting audits, or reviews.

\* Tax: The tax professionals within a public accounting firm also advise clients on strategies to reduce their taxes in the future. \* IRS Registration of Paid Tax Preparers: The Internal Revenue Service (IRS) has announced that it will impose professional standards on paid tax preparers starting in 2011. These standards will include passing a competency exam, meeting continuing education requirements of at least 15 hours per year, registering with the IRS, and paying an annual registration fee.| Private Accounting| Who are employed by organizations in various positions such as financial accountants, management accountants, cost accountants, and internal auditors| \* Financial accountant

\* Management accountant \* Cost accountant \* Internal auditor| Governmental Accounting| Who are working in government usually are employed by a federal agency (Accountant General's Office, Auditor-General's Office, Police Department, Internal Revenue Department), state agency (State Economic Development Corporations) or a local authority (municipalities, local councils).| \* Department of the Treasury This federal department has 13 divisions dealing with economic and tax policy. Each of these divisions hires accountants, with several divisions hiring many accountants. \* Internal Revenue Service The Internal Revenue Service (IRS), an agency of the Department of the Treasury, hires many accountants and may be the most common government agency students think of when considering government accounting positions.

\* The General Accounting Office The General Accounting Office (GAO) hires many accountants, including Evaluators and Financial Auditors. Financial Auditors perform work similar to public accountants working as auditors (evaluating internal controls, testing information in financial statements, and analyzing financial data). In addition, they test for compliance with federal laws and regulations| Education| Some accountants become educators in that they teach accounting and related courses. In addition, some of them are also engaged in research and publications as well as consultancy.| \* Accountingteacher\* Accounting lecturer|