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Introduction

A financial statement refers to a report that gives the summary of how the funds entrusted to the firm by the shareholders or lenders have been used, as well as its financial position at the moment (Financial Statement, n. d.).

There are different types of financial statements in accountings (Accounting-Simplified. com. n. d.):

Income Statement (Profit and Loss Statement): The statement reports the financial performance of the company given as the net profit/loss for over a given period. It consists of two elements, which are income and expense.

The net profit/loss is given by the income minus the expenses.

Balance Sheet (Financial Position Statement): The balance sheet shows the financial position for a firm/organization as at a specific date. It has three elements, which include assets, liabilities and equity.

Statement of Shareholders' Equity: The statement presents the information on the movement of owners' equity for over a period. It gives the information on changes of the equity portion in the balance sheet that include common and preferred shares, retained earnings as well as the other comprehensive income.

Statement of Cash Flows: A statement showing the movement of bank and cash balances for over a period. The cash flows movement is classified into operating activities, investing activities and financial activities.

Footnotes: These are explanatory as well as supplementary notes prepared to accompany or sent together with the financial statements given by a business firm/organization. It forms an integral part when it comes to preparation of financial statements since it provides more important

information about the corresponding financial statement.

The function of an accountant includes books maintenance through data entry, payroll preparation, sales register, bank reconciliation, pay cheque's distribution, annual accounts preparation and preparation of trial balance on a monthly basis. On the other hand, certified public accountant is given higher responsibilities due to his/her certification, for instance, performing auditing, provides tax as well as financial services to the corporation, individuals, non-profit organizations and many other business entities.

Certified Accountant works together with accountants in auditing as well as in overseeing all financial records (Reeves, n. d.). Accounting is important in the society because accounting information facilitates effective communication between different groups (arenas), such as economic, social, political and organizational arenas, in the society. However, the accountants are the ones responsible in guiding the users of accounts to make informed decisions, given the scarce resources. On the other hand, accountings can also have shortcomings in the society because it excludes non-monetary transactions, and yet sometimes people exchanges goods for goods. It also uses estimates that may not be correct or realistic, and thus the possibility of manipulation if not monitored well.

In my creation of a company, I would establish a Service Company (specifically an advertising company), and not a Merchandising Company. The difference between the accounting charts of the two companies is that Service Company recognizes revenue during the time of service delivery to the customer. Commonly, the customer is billed on a later date when the company is making payment request. Unlike Service Company,

Merchandising Company collects the payment from its customers when their customer takes the goods from the store. In other words, the revenue is recognized on the date the company sale (McIntosh, n. d.).

In my advertising company, I would prefer to automate all the accounting processes because it would enhance cost reduction in terms of human labor. For instance, the use of computer software in accounting helps to reduce the number of workers to be employed to prepare financial statements, and at the same time saves the money meant for employees' salaries. The use of computer software in accounting would also help to increase the productivity since it can work for over a long period with less cost. However, in order to detect and prevent fraud/theft within the company, I would implement different types of internal controls as given below (Boundless, n. d.).

Electronic Funds Transfer (EFT): Since the nature of my company is advertising, payments can be made online, for example through PayPal, for internet advertising services offered by my company. Therefore, EFT system would help to minimize the accessibility to company's fund by the public.

Use of Bank Reconciliations: The use of Bank Reconciliations in my company would help in ensuring that the cash accounts recorded in company's books tally with the bank statements.

Use of Voucher System: The introduction of this system in my company would help in recording every aspect occurring from every transaction in order to make sure that all the payments required are made once.

References

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