

# [Users of accounting information assignment](https://assignbuster.com/users-of-accounting-information-assignment/)

And that is what we discussed about along the assignment. First, defining each type of users and their respective categories based in their needs. At the second point, the discussion includes the outline of the information required by the users in the financial statements. At last, the extend or value of the information they need for the decision making with the bases of authors like Sense Launderer, Albrecht accounting principles and applications Halfback Hanson principles of accounting fourth edition and mum. Wisped. Mom Horned. Principles of Financial & management accounting. 1994) and Horned. Introduction to management accounting. 1 10th Edition (1 996 1 . Who are the users of accounting information? – Being an accounting student, I have the knowledge that the accounting information is useful for a lot of different parties, in other to help them to make the best financial decisions and to satisfy the needs of a range of people and groups who use the accounting information’s (accounting users), who according to the book ” Financial Management.

By Author horned” can be divided in to groups: The Internal users (Primary Users) and the External users (secondary users). The Internal users (Primary Users) of accounting information are: Management. Employees. Owners. Human Resources Department To the internal users, the accounting information provided to them, is presented in the form of management accounts, budgets, forecasts and financial statements. External users (Secondary Users) of accounting information are: Creditors. Tax Authorities’. Potential and existing Investors.

Customers (Debtors). Suppliers (Creditors) Regulatory Authorities. Banks Government Other Users( General Public) To the external users, the accounting information they need is presented only n the form of financial statements (general-Purpose information) and it is summarized in three types Of financial Statements, relatively: Balance sheet, Income statement and the statements of cash flows. 2. Outline the information this users requires from the financial statements prepared by financial accountants. 2. Referring to Internal users (primary users), of the accounting information, we can define them as people who work directly in/with the company, as the ones who are involved in the daily operations (the owners) and make sure that we guarantee the sustainability of the company. Those who we identified s the following: Employees. The ones who use the accounting information for the following purpose: To get a job security, remunerations, or an incentive to get the increase in the salary ; For controlling purposes, I mean controlling the progress of the company, in other to develop security and profitability in the Company.

To guarantee the good financial standing of the company. Owners. The owners of the business are the ones who use the accounting information with the following purpose: Evaluation and the maintenance of their investment ; Analyzing, determining the good decision making of the future of the many; To know the financial position of the company in which they invested their funds; To know if their funds are being used properly or not.

Management. Those can be considered as the main internal users of the accounting information on account of their function in terms of protecting the company, measuring the progress and also because of the following reasons; Taking specified decisions; Planning the future of the company; To measure the progresses and the position the company; Improving strategies. Appraising the performance of the subordinates. 2. Referring to the external users (secondary users) of the accounting information, we define them as the people who are indirectly involved in the running of the company, but even working indirectly with the running process Of the business they can still influence or be influenced by it, because they really depend on the accounting information the company provide to pursuit they individual goals. Those external users are: Taxing Authorities. The tax authorities are the ones who use the accounting information to determine the tax liability of the company, in other words, it means Potential and existing investors.

The ones who provides the money to make he business walk, necessarily the ones who need this information to evaluate the past information of the business which they want to invest in, to decide whether they are going to invest in it or not. They also use the information to evaluate the return they can reasonably expect on their investment. Customers (Debtors). They need this information to decide which product they are going to buy and from which organization. They may also need this information to evaluate the ability of the company to survive being supplied to have a long term life in the business.

Suppliers (Debtors). Those are the ones who need the accounting information o see if there are capable to extend credit to the customers or not, in other words, they might need the information to evaluate their ability to pay the purchased goods and to maintain a viable supplier-customer relationship. Regulatory Authorities. They use the accounting information provided in the financial statement to see if the companies are following the rules the law and the rules set for their maintenance.

Investors (Shareholders). Those are the ones who use the accounting information provided to them, to make informed decisions about their shares in different organizations, it means, they use the financial statements to covers how their funds have been utilized and if the investment they do are safe or not, They also use the information to decide about future performance of the organization where they have invested their funds, and how the market as a whole can impact their shares. Banks.

The bank, being a potential financial for a business, they use the information to see the ability of the company to pay any loans and their ability of maintaining their bank accounts. Government. Resuming, the government use the accounting information for controlling and regulatory purposes. For example, they use it to deduce the earnings or sales in a certain period of time on because of the taxation. They also use the information to know better the economic situation of the country. Other users (General public).

Lastly, the general public is the group that is not very exposed to the accounting information compared to management for example, but it relatively depends on the individual interests. But particularly they need this information in some areas like the national budget, specifically where they know the budget affects them. They are also concerned about the use of the public funds, about the uses of resources that can affect them. . TO what extend is the information disclosed in the financial statement sufficient for decision making by users. . 1 To analyze how adequate the information in financial statements is, one has to realize that different users of this information have different needs or requirements that they expect to derive from the financial statement. These users can be the general public, creditors, investors or even financial analysts just to mention a few. The source of the information is the first thing that one has to consider when reading financial statements so as to determine the integrity of the information.

From here, the user can use the many different characteristics of useful financial statements which include relevance, completeness, consistency and many more. To know how extended or adequate is the information disclosed in the financial statement for decision making by users we first has to remember that different users of the accounting information has their needs or needs they expect to find in the financial statement.

And remembering that, there are two (2) groups, both users of the accounting information, I am going to say to what extend is the information provided in the financial statements of each group. Internal users As we said before, that internal users are the ones who work directly in the company or organization, resuming, can say that ‘ the accounting information provided is important for them to decide the best plan in other to control the daily operations and long-term basis”.

External users Remembering that, external users are the one who work indirectly with the organization (existing or potential investors, creditors, analysts, financial advisers, regulatory authorities, unions, and the general public) or the ones who are interested in doing business with the company but they do not have n easy access to financial organization of the company, the reason why the information provided by the financial statement has to be relevant and reliable compared to them in other to support their decisions.

So for the external users use “ the accounting information is useful to make a branch of decisions about whether to buy, or hold, sell, lend continue a relationship or make an agreement”. Conclusion After concluding this assignment, I gained the knowledge that both parties, internal and external of the accounting information share the accounting information but their users differ. Therefore, the types of accounting information they ask is different, I mean, relating my research information with the book: Horned Sunder. 10th Edition Introduction to Management accounting 1 996 on page 4 1 realized that the internal users use the information or short-term planning and for the control of the daily operations while the externals users such as investors and government authorities use the information given to them in other to make decisions about the company. Therefore, both of them use the accounting information in other to make better decisions (decision makers), and that can a bring a mutual advantages or the both sides.