

Corporate level strategy toyota essay sample



**ASSIGN
BUSTER**

1 Littleton (1969) outlined seven pre-conditions necessary for the development of double entry bookkeeping. Discuss each of these in the context of why Littleton felt they were essential.

- Writing

In the past, Many business owner had little education backgrounds. They had insufficient knowledge and had no idea why record keeping was important. Nowadays more and more businessmen are able to read and write and also the availability of paper make written records facilitate the adoption of double entry book keeping.

- Arithmetic

Roman numerals were easy to understand and remember but were arithmetic friendly. Instead, Arabic numerals were easy in calculate in terms of add and subtracting. Therefore, movement away from roman numerals to adoption Arabic numerals facilitated the adoption of double entry book keeping.

- Private property

In the past, most of the property were shared or government owner, people had no idea how much those property costs. Owning assets raises the need to assess the costs and benefits of the property. Double entry book keeping provided a clear framework to report on this.

- Commerce

The increasing number /size of the company and international trades are the signals of growth in commerce. There is a need to keep record in a way to

ensure it can be understood in a wide range. The growth in commerce is a catalyst for adoption of double entry book keeping system.

- Capital investment

Earlier days, depreciation of the assets was not put into consideration. The examples were some new rail way companies in early 19th century. Some managers tried to exaggerate profit figures. They paid out dividends and presents annual reports to shareholders without considering some of the liabilities and relevant costs, for example depreciation of the assets.

Double entry book keeping system helps companies to provide a fair view to investors.

- Money

Money is a comparable common language that things can be converted into. Since it is able to record value, there is a need for double entry book keeping exists.

- Credit transactions

Credit transaction is much more complex than cash transaction. One must keep tracking its accounting receivable until the money is received. Double entry book keeping system enables business to record its account receivable and keep tracking on this record. 2. Is creative accounting necessary bad?

Discuss the case for and against the practice of creative accounting

Cases for the practice of creative accounting:

> Creative accounting deters competition through down playing performance. It may stop price wars or forced take over.

> Creative accounting helps to retain customers / investors for companies.

Investors are likely to invest in a company that has steady growth rather than has a fluctuation in between gain and loss.

> It might not help investors to make correct decisions with too much information providing to them, it may become a burden for investors. For investor who doesn't have many knowledge, creative accounting as well as income smoothing help to prevent over reaction from investors (immediate withdraw money when they see a sudden drop of company's share etc).

> Can be used with good intentions to create stability and helps business to build up confidence in competitive market.

> Creative accounting helps company to raise fund / capital. By providing relatively reasonable information to public without against accounting standards enable companies to attract more investors, therefore helps company to raise capital more quickly and easily.

> Creative accounting provides more flexibility to company as long as their practice falls in the range of accounting standards.

Cases against the practice of creative accounting:

> Once the investors find out the company manipulates those financial figures, their confidence to this company drop immediately.

> Damages Integrity of the profession and the company doing the reporting. Misleads investors regarding risk and return. (Hooper, Davey, Liyanarachchi, & Prescott, 2008)

Since creative accounting has both advantages and drawbacks, it can draw the conclusion that it is not necessary bad.

Reference List

Hooper, K. C., Davey, H., Liyanarachchi, G., & Prescott, S. (2008). *Conceptual Issues in Accounting: A New Zealand Perspective* (1st ed.). South Melbourne: Cengage Learning

Littleton, A. C. (1969). The antecedents of double entry bookkeeping. In Chatfields, M. *Contemporary Studies in the Evolution of Accounting Thought*,