

The function of accounting on our society and business essays example

[Business](#), [Company](#)



Most companies rely on a strong financial reporting to help in running the operations of businesses. There exist different types of financial statements that may be used to establish the financial condition of the firm. While some companies rely on the statement of financial position (balance sheet), others rely on Income statements as a means of reporting their financial status. Furthermore, others rely on cash flow statements but almost half of the world companies reports the application of the financial statement of adjustments/changes within equity to report their financial position. However, Coca-Cola Company reports the use of both statement of monetary/financial position as well as a statement of equity change to report their financial status and changes in wealth of the organization (Hays, 2010). The application of the balance sheet is fully embraced by the company since it balances the company assets against the obligations of the business. The company's assets are compared to the amount owed by the firm to the business owners and the outstanding liabilities that the organization owes to other firms. Additionally, statement of changes in equity (statement of retained earnings) helps the company to track the movement of capital in the organization. The company prefers this method since it is healthy to the business practices of the organization. The net profits and losses can be reported alongside share capital. The statement of changes in equity is flexible in that it supports effects changes in accounting policy. Moreover, gains and losses can directly be recognized in the changes in equity (Hays, 2010).

Most scholars tend to confuse the functions of an accountant to those of public certified accountant. However, meta-analysis of five studies of Coca-

Cola Company reveals a wide gap between the two. Accountants in the organization are majorly involved maintaining the books of data entry, making payments for bills for supply to the organization. In addition, the accountant prepares the payroll of employees, reconciles the bank accounts, and distributes pay cheque within the organization. On the contrary, the (CPAs) certified public accountants are involved in financial accounting, analysis, and corporate governance of the organization.

Moreover, they are involved in detecting, preventing, and investigating financial frauds in the organization. Additionally, the accountants prepare annual reports on the cash flow while the certified public accountants perform management roles through performance management (Hays, 2010).

Accounting is very important for efficient and effective operation of businesses. The accountants track movements of cash in the organization. At the same time, they audit the accounts hindering employees from embezzling the funds of the company. However, accounting involves the use of principles that are disastrous to the organization health. The rectification of errors made on accounting is very difficult hence; this may result in the wrong report of profit and financial position of the organization. Moreover, accounting may make the company lose confidence among its employees and customers thereby affecting the reputation of the business.

Nevertheless, the business stakeholders or managements that result in conflicts in the organization may not take errors arising out of accounting kindly. For instance, when accountants make an error on the payroll the workers may experience delays in payments, and this might lead to a crisis

within the organization by worker downing their tools (Lung, 2009).

Even though, merchandising business reports same charts of accounts like those of service companies, Vickers Company adopts different charts of account. The company is a merchandising firm, which majorly relies on the standard chart of accounts with a generalized layout to ensure efficiency in running of the company accounts. However, Coca-Cola Company relies on a strong and effective quarterly chart accounts to run the organization operations (Hay, 2010). The chart is used for quarterly analysis of accounts payable and receivables. Moreover, Coca-Cola uses the client and profit X chart of accounts to report the cash flow and ratios reports. The system enables the company to separate the accounts and draw budget amounts as fast as possible (Labardin & Marc, 2009).

With the advancement in technology, the majority of companies has embraced an automated accounting process. The automating accounting increases the visibility of accounting processes in the organization. In addition, the system decreases the number of errors that arise out of the accounting process. However, some studies are quick to note the failure of internet service at some times that, results in hike ups of the system (Labardin & Marc, 2009).

Lung (2009) argues that, the financial professionals detect fraud risk that most organizations are exposed to which may result in revenue loss (Lung, 2009). Therefore, internal controls are critical in managing such risks.

Centralization of the accounting process should be emphasized in the organization to ensure compliance and visibility of the accounts. Additionally, the company should deploy technology to enhance automated system that

tracks all the accounts to manage backup of documentation. Nevertheless, conducting internal and external audits will manage fraud and misstatements to enable the organization operates with the loss of revenue. The transactions should be made accessible to all the auditors online to ascertain the credibility of the transactions. It should be done through a secure portal that enable the auditors to access all the accounts that they require (Labardin & Marc, 2009).

References

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