

Discussion question 2 week 1 accounting

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Discussion Question 2 Week Finance and Accounting Discussion Question 2 Week 1. “ Bookkeeping and accounting are the same.” In terms of your role in the provision of financial services, present data to support the accuracy of this statement and support your position.

One firmly believes that bookkeeping and accounting share the same adherence to rules in recording financial transactions of an organization but they are not categorically the same. Accounting is the whole integrated system required to accomplish different functions and processes 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” (Miss CPA, 2011, par. 7).

Concurrently, bookkeeping is just one portion of the recording phase.

Bookkeeping was explicitly defined as “ the process of recording, in chronological order, the daily transactions of a business entity. It forms part of the accounting information system” (Miss CPA, 2011, par. 6).

2. Analyze the accounting equation as a concept that underpins the work of professional accountants and how an understanding of the equation can impact business decision making.

The accounting equation is actually defined as “ An equation that reflects the two-sided nature of a business entity, assets on the one side and the sources of assets on the other side (assets = liabilities + owners’ equity)... The accounting equation is the foundation for double-entry bookkeeping, which uses a scheme for recording changes in these basic types of accounts as either debits or credits such that the total of accounts with debit balances equals the total of accounts with credit balances. The accounting equation also serves as the framework for the statement of financial condition, or

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balance sheet, which is one of the three fundamental financial statements reported by a business” (Financial Terms, 2012). As such, the basic theoretical framework significantly impacts business decision making since it clearly pinpoints and accurately identifies the sources of changes in the different accounts of the organization. As such, understanding the concept of the accounting equation would facilitate determination of any evident deviation that significantly impacts current operation, and which were not according to the organization’s plans, thus, should be appropriately and immediately addressed.

References

Financial Terms. (2012). Accounting Equation. Retrieved October 10, 2012, from <http://www.finance-lib.com/financial-term-accounting-equation.html>

Miss CPA. (2011). Difference Between Bookkeeping and Accounting. Retrieved October 10, 2012, from <http://misscpa.com/difference-between-bookkeeping-and-accounting/>