Accountants and regulatory bodies

Accountants are the people with the mandate of keeping the financial accounting records. They are responsible for reporting, organizing and analyzing company records under the stipulated set of rules, code of ethics, regulations and accounting procedures: profits preparation and loss statements and monthly closing and cost accounting reports. Accountants also bring together and analyze the available financial data to prepare entries to accounts, such as the general ledger accounts, and file transactions within the business. This helps to establish, maintain, and coordinate the implementation of accounting and accounting control procedures. They are also responsible for analyzing and reviewing budgets and expenditures for local, state, federal, and private funding, contracts, and grants. In addition to the above, accounting officers monitor and review accounting and related system reports for accuracy and completeness and prepare and review the budget, revenue, expenses, entries for the payroll, invoices, and other accounting information to be utilized in the firms general and final financial reports. In other levels, accountants analyze revenue and expenditure trends and recommend appropriate budget levels, and ensure expenditure control. They are also in charge of explaining billing invoices and accounting policies to staff, vendors and clients to assist in the resolution of accounting discrepancies. The above are just a number of the various tasks accountants are faced with worldwide. They are, therefore, a backbone of the accounting sector.

There are several bodies that govern the accounting fraternity. They may be private bodies, nonprofit bodies or governmental bodies. They aim to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent accounting reports. The Generally Accepted Accounting Principles and Practices or GAAP's are the most common norms that govern accounting procedures. Other regulatory bodies include the American Institute of Certified Public Accountants, The Australian Accounting Standards Board, the Federal Accounting Standards Advisory Board, the Financial Accounting Standards Board and The Governmental Accounting Standards Board. There is a great number of the regulatory bodies. In some countries like the US or the UK, there may be more than 50 bodies that govern accounting profession and accountants. They all have a similar intention of standardizing and regulating accounting procedures with strict monitoring of accountants code of ethics, thereby, making the profession exemplary. A financial document is any document relating to payment in a specified financial or monetary trasaction. They are documents exchanged between companies or individuals during the business relationship. Types of financial documents include customer quote, delivery note, customer invoice and inter-company invoice.

Types of Accounting

Accounting has been divided into several categories and sub-categories. These categories make it easier for firms and professionals to specialize in a particular field for better results (Black, 2000). The types/categories of accounting may be classified into;

Management accounting

Management accounting (also referred to as managerial accounting) deals with information regarding accounting, how it is used and provided to managers within a firm. Managers require a firm’s accounting records and projections so as to help make informed economic decisions of the firm.

Forensic accounting

Forensic accounting is also known as financial forensics and aims at describing activities resulting from an actual or an anticipated dispute within the accounting department of a firm.

Governmental accounting

Governmental accounting is a general name for all public entities under the government watch. They may be in the federal or state level. At the federal level in the US, the Federal Accounting Standards Advisory Board (FASAB) is responsible for development of the generally accepted accounting principles (Deloitte, 2008).

Project accounting refers to deliberate creation of accounting records for the sole purpose of tracing progress of a particular project or initiative for purposes of better project management.

Social accounting

Social accounting, also known as sustainability or non-financial accounting, aims at analyzing, reporting and communicating social and environmental consequences of the firm economic decisions or actions.

Public accounting

Public accounting involves performing or willingly offering to perform an engagement aimed at issuing a confirmatory report that follows the set professional standards and code of ethics (Arrow, 1963). It may be services on consultancy, personal financial planning services, the preparation of tax returns or the furnishing of advice on tax matters by a professional association, soole proprietorship, corporation, partnership, a Limited Liability Company, or other business organizations that make their findings known to the public (Deloitte, 2008).

Financial accounting

As discussed above, financial accounting is a type of accounting that measures the economic performance of a firm in terms of money.

The Accounting Cycle

The process of accounting involves a series of actions that start with transaction and ends with closing of the accounting books (Armstrong, 1985). Due to its recurring pattern, during each financial year or every reporting period, the processes is referred to as the accounting cycle and includes a number of steps to complete;

a) Identification of transaction- an event is identified as a transaction and later the source/primary document is collected and generated, for example, purchase order, cash slips or an invoice.

b) Analysis of transaction- in this stage, the transaction amount is determined and then the affected account is identified.

c) Journal Entries - the transaction is recorded on the journal depending on its nature i. e. debit or credit.

d) Posting to ledger- in this section, the transactions are transferred to the appropriate T-accounts on the ledger.

e) Trial Balance- A trial balance is then calculated to make sure that the sum of the debits equals the sum of the credits.

f) Adjusting Entries- Adjusting entries are made for accrued and deferred items. The entries are then journalized and later posted to the T-accounts in the ledger (Deloitte, 2008).

g) Adjusted Trial Balance- A new trial balance is calculated after making the adjusting entries.

h) Financial Statements- The financial statements are prepared.

i) Closing Entries- Transfer of balances of the temporary accounts (e. g. revenues and expenses) to the owner's equity.

j) After-Closing Trial Balance- A final trial balance is calculated after the closing entries are made (Arnould, 1972).