

Acc205 final paper essay



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Final Paper Matthew Duncan ACC205: Principles of Accounting 1 LaKeitha Givens June 13, 2011 Final Paper What makes a large organization like Wal-Mart financially successful? One could say it is the result of outstanding personnel or perhaps a strong determination to succeed. These factors certainly contribute. However the key to financial success in organizations lies in good accounting. Since early civilization began, accounting has been an important part of our financial transactions. In today's world our use of modern accounting systems and accurate financial statements are critical components that make modern organizations successful.

To facilitate understanding of this point one must understand how modern accounting systems have changed organizations, why accurate accounting is important, and how both factors contribute to organizational success. As already mentioned, accounting is by no means a new practice. Archeologists have revealed that early civilizations used forms of accounting in their societies. (Accounting History Page, n. d.) One of humanities most crucial periods of progress in history, the renaissance, saw the advent of more complex accounting systems created by Luca Pacioli.

After the renaissance, accounting continued to progress and advance. During the tremendous stock market crash of 1929 and subsequent Great Depression gave rise to more complex and standardized accounting procedures. These new procedures grew ever more complex, requiring organizations to possess more staff that were better trained, and more knowledgeable than before. Still, there was only so much that humans and paper alone could accomplish. Indeed this all changed with the introduction

of the personal computer and information technology to the workplace.

Modern organizations have been profoundly changed as a result.

Accounting in practice has many facets, payroll, inventory, taxes, money accounts, and liabilities... just to name a few. Before the aid of computers these tasks were arduous and required a good deal of man power in larger organizations. Modern computer software alone has impacted nearly all areas of accounting. " Accountants often use a work sheet—a document with several columns—to summarize data for the financial statements. "

(Horngren & Harrison, 2007, p. 197) With modern software like Microsoft Excel, mathematical functions are built into sheet the allowing for automatic processing of formulas.

However, Excel is only a basic program. Many software companies have built programs that offer an entire suite of accounting tools that streamline an organization's accounting functions. A good example would be Sage Peach Tree accounting software. These programs incorporate every function of an organizations accounting into one program and can be tailored to meet specific needs. Accounting software allows for an organizations accounting function to be more flexible, more compatible, and extremely flexible. The difference that modern organizations experience with modern technology can be summed up in cost/benefit.

As technology provides modern organizations with many autonomous functions that previously were handled by people, new workplace dynamics emerge. The accounting software previously mentioned, Sage Page Tree, comes at an affordable purchase price of \$299. (Sage Peachtree, 2011)

When you compare this with the average wage of an accountant, \$29, 928 - \$60, 777, the difference is staggering. (Salary Snapshot for Accountant Jobs, 2011) Modern organizations can now rely on fewer accounting employees by integrating accounting software that in turn results in lower expenses with greater streamlining, standardization and accuracy.

When you consider the information flexibility the internet provides when combined with the features of software, it becomes apparent that modern technology acts as a force multiplier that allows one employee to do the work of what previously took many. The benefits that modern organizations reap from technology do come at a price. Technology has undoubtedly changed accounting in modern organizations, but the change is on many levels. As organizations utilize software and the internet together to make transactions and complete accounting functions, the threat of cybercrime comes into play. Cyber crime against private business is growing, and consuming a larger share of Federal Bureau of Investigation resources than ever before..." (Kelly, M. , & 42 staff, 2011) Modern organizations that utilize technology must now use their resources to protect themselves from malicious cybercrime activities. A " hacker" could illegally intrude into an organizations information network and use accounting software to mine information and steal assets at a relatively low risk of being caught.

With new threats introduced in the accounting environment, modern organizations now must work hard to safeguard information that was not at such a risk prior to new technology. Outside threats are a real danger to accounting functions in modern organizations, but other dangers to success lie from within. " Accounting is the information system that measures

business activity, processes the data into reports, and communicates the results to decision makers. " (Horngren & Harrison, 2007, p. 4) Decision makers within an organization need accurate accounting information to manage organizational activities and turn these efforts into success.

Internal accounting accuracy plays just as important of a role outside of internal organizational affairs. This is best illustrated by the credit system in our economy. When an individual requests a loan from a financial institution, the bank then proceeds to check their credentials to ensure they are a safe risk. Just like consumers, organizations require loans and investments to grow and achieve success. Financial statements from within an organization provide outside investors with a clear image of the company's credentials.

If the investor or bank deems the company a safe risk based on their accounting reports, then they will loan assets to the organization with confidence of return. Unfortunately, the opportunity for criminal activities comes back into play. An organization that lacks the credentials to garner outside business investments could be tempted to falsify their financial reports to provide a better than real image of themselves. An organization that conducts itself in this manner would be committing fraud and debasing the fundamentals that economy is built on.

To counteract this risk the Government has created laws and agencies to provide auditing and oversight to business financial activities which make it " a criminal offense to falsify financial statements. " (Horngren & Harrison, 2007, p. 7) Businesses must establish internal controls to ensure accuracy of their financial reporting, and protect themselves from criminal activities from

inside the organization. Allowing for inaccuracies creates a risk for not only the organization but other businesses and in turn our entire economy.

The Enron Corporation scandal illustrates the importance of reporting of accurate data. As a result of Enron Corp. reporting misleading data, many innocent people lost their jobs and the stock market suffered. In today's economy the use of modern accounting systems and accurate financial statements are critical components that make modern organizations successful. One must understand how modern accounting systems have changed organizations, why accurate accounting is important, and how both factors contribute to organizational success.

Keeping up with technology is critical for success, but change always leaves room for new vulnerabilities for dishonest individuals to exploit. Throughout all changes in the realm of accounting one constant always remains; the need for ethical and moral behavior of organizations is the foundation for success. References: Kelly, M. , & 42 staff. (2011, June 10). Cyber crime represents a growing threat, FBI agent tells summit attendees. Retrieved June 13, 2011, from [http://www. al. com/42/index.ssf/2011/06/cyber_crime_a_growing_threat_s. html](http://www.al.com/42/index.ssf/2011/06/cyber_crime_a_growing_threat_s.html)

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