Accounting: The Language of Business

Section 1: What Is Accounting?

Section Objectives

1. Define accounting.

2. Identify and discuss career opportunities in accounting.

3. Identify the users of financial information.
The Need for Financial Information
In running a business, you need answers to questions.

- How much cash does the business have?
- How much money do customers owe?
- What is the cost of the merchandise sold?
- What is the change in sales volume?
- How much money is owed suppliers?
- What is the profit or loss?
Accounting Defined
Objective 1

Define accounting.
QUESTION:

What is accounting?

ANSWER:

Accounting is the process by which financial information about a business is recorded, classified, summarized, interpreted, and communicated to owners, managers, and other interested parties.
Financial Information is recorded.
Financial Information is classified.
Financial Information is summarized.
Profits are improving!!

Financial Information is interpreted
Financial Information is communicated.

 Owners

 Managers

 Other interested parties
QUESTION:

What are financial statements?

ANSWER:

Financial statements are periodic reports of a firm’s financial position or operating results.
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