Tough $$$ Decisions

The people, who make decisions in accounting, make it based on three categories. First, people who manage a business, second, the external people of a business who have a direct financial interest to a business, and third the people and organizations that have an indirect effect on a business. This applies to non profit organizations as well. Management refers to the group of people who are in charge for operating a business and for measuring up to the profitability and liquidity goals. If a business is extremely large, then the management will most often require more than one person, and the people are hired to perform their job. Managers need to answer important questions such as what was the company's net income, and if they have a substantial rate of return. Does the company have enough assets, and which products bring in the most money? When making a decision, managers usually follow a systematic approach. Even though larger businesses require a more concrete analysis, they follow a similar pattern to small businesses.

Financing a business: Financing for a company is critical, because they need that money to continue their operations. Here is a nice website to find out more information about financing a business. http://www.sba.gov/financing/

Investing in a business: Companies invest in their current assets so that it will make money for them in the future.

Producing goods or services: Operations and production management is responsible for developing and producing goods and services that the company can sell.

Marketing: Learning marketing and advertising skills so that they can distribute goods and services more efficiently. Managing workers: Human resource management requires the hiring of qualified employees, and also paying them.

Providing information: The information management retrieves data about the company such as how much they made in the last month, and organize the information in a way so that it can be used. It also releases information to managers, and to important people outside the business.

Another group of individuals that needs knowledge in accounting is those you have a direct interest in the business, go figures. They use the information to analyze how a business is performing. Most businesses generally publish their financial report which shows how well they meet their profitability and liquidity goals. These statements display how well a company did in the past and probably most important, how well they will do in the future. However, many people outside the business also study the financial reports. They are the investors and the creditors. The investors are the individuals that invest in a business and will keep a part of the ownership. They are concerned with their past success and failures, and also will like to know the potential earnings. A concrete analysis of the financial statement will help prospective investors base their decisions. Once they finish investing they must continue to study a business financial statement. Next, the creditors are the companies that lease money to businesses for short or long term needs. Creditors are the people that deliver money or provide services for companies in advanced before getting paid. Their main concern is whether a business will have the money to repay the money with interest in an approximate time. Some of the things they study before they make their decisions are a company's liquidity, cash flow, and profitability. Some examples of creditors are banks, mortgage companies, and insurance companies. Over the years the shift of people who used accounting information has varied drastically. Now, it is heavily used by governmental agencies, and in matter of fact taxes is the main source of income for government.

According to the rules and regulations of federal, state, or even local laws, individuals and companies are required to pay a variety of taxes. These include but are not limited to, sales tax, excise tax, social security tax, federal, state, payroll, and city income taxes. Each tax requires there own rules and regulations which can be very confusing at times. Reporting your taxes is a law and a very meticulous and tedious process. For example, The Internal Revenue Code contains over a thousand rules for delivering accounting information in federal income taxes. Also, most companies generally have to report to one or more regulating agencies in the United States All corporations must answer to the Securities and Exchange Commission or SEC(To find out more information visit there website at http://www.sec.gov/). This is set up by the government to insure and protect the public by regulating the buying and selling of stocks. Companies that are listed on the Stock exchange must adhere to the rules and regulations. Some other groups such as labor unions analyze the financial statements of corporations to help negotiate a contact. The income of a company plays a major role in forming these contracts. The individuals who give advice to investors and creditors such as brokers and financial analysts have an indirect financial interest in a business. The amount of inertest in the financial health of corporations has been growing by consumer groups such as customers and the public. They are also concerned about how the corporation will affect the social patterns of the environment and of the people that reside in that area. The President's Council of Economic Advisers and the Federal Reserve Board use accounting information to set economic policies and programs. It's interesting to note that about thirty percent of the businesses in the United States consist of non profit organizations. Some examples of non profit organizations (NPO) include hospitals, and universities. Some well known non profit organizations include Red Cross, YMCA, Better Business Bureau, and WWF(World Wildlife fund, was formerly in a lawsuit and won against WWE World Wrestling Entertainment, which was originally known as World Wrestling Federation). You may think that the managers of these organizations don't need to know their accounting skills but they do. They still have a budget and needs to raise money just like any other business.

They raise money by collecting it from creditors, donors, and even investors. They also need to have a nice plan and to pay creditors back in an efficient manner, and they also have to follow the tax rules. So even though businesses and non profit organizations have different agendas they both generally follow the same basic rules. Accounting is a systematic information system that measures, process, and communicate information, I particular financial. When an accountant is making a measurement they must answer four simple questions. First, what is being measured, second when should a measurement be made, third how much money should be placed on what is being measured, and last how the measurement should be classified. These four questions deal with the basic rules of accounting, and the answers help establish what accounting is and what it is not. Accountants in different fields challenge these questions every day, and therefore the answers are changing often so that's why it's a good idea to keep to date with some of the trends. The first question deals with what is measured. Consider a machine that makes clothes. How many different measurements of this machine can you make? Well, you can measure how much it costs, how many t shirts it can produce, and how quickly it can produce the t shirts. Some of these measurements are extremely important to accounting and some of them are irrelevant. Financial accounting will use money to see how business transactions affect other businesses and corporations.

About the Author

Kim and Charles Petty,experienced in Real Estate Market. For FREE Special Report and CD and to schedule strategy session on how you can make Six or Seven Figures A Year Buying and Selling Propertiesacross the USA & abroad go to VirtualRealEstateInvstingProfits or call 1-800-311-9228

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