

Editorial Note

Overview on Financial Accounting

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Accounting has over a period of time, become an integral part of a business organisation. Accounting is use as the language of business. Accounting involves the procedure of recording the financial transactions in the books of accounts which are helpful to its users for analyzing and interpreting the financial soundness of business. The process of 'Financial Accounting' involves the presentation as well as the interpretation of the financial results of a company's conduct with a view to make an assessment of its financial performance. Financial Accounting provides the requisite information necessary for taking investment decisions. According to American institute of certified public accountants, accounting is art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are in part, at least, of a financial character and interpreting the results. With greater economic development the meaning of the term accounting has gradually become broader. According to American accounting association, accounting is the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information. According to Bierman and Derbin accounting may be defined as the identifying, measuring, recording and communicating of financial information. According to R.N. Anthony accounting system is a means of collecting, summarizing, analyzing and reporting in monetary terms the information of the business.

Objectives of Financial Accounting

Objectives of financial accounting have been summarized in the following points:

To keep systematic records: During the conduct of business, a number of financial transactions take place. As it is not possible to memorise all the transactions, there is a need them. Maintenance of a proper and systematic record of all the business transactions is the main objective of financial accounting.

To determine profit and loss: Preparation of Profit and Loss account or Income and Expenditure statement by a business entity helps to achieve next objective of financial accounting, i.e., to determine the figure of profit earned or loss incurred during and accounting year.

To Ascertain financial position: One of the most important objectives of financial accounting is to enable the management of a business entity to ascertain the financial position of the business, where the business stands, what is owned by it and what it owes, In order to achieve this objective, a balance sheet is prepared at the end of a financial year. The balance sheet depicts the statement of assets and liabilities of a business entity as on a particular date.

To communicate the information: Financial accounting is helpful to the management of a company, majorly in the decision making process by providing financial data and other vital information/facts to different stakeholders are owners, creditors, employees, investors, regulators, tax/other government authorities, etc. Financial accounting helps in Management, substitute to memory, comparative study, settlement of taxation liability, information generated though the process of accountancy enables the management of a company to perform their job in an efficient manner by appropriate planning, monitoring and taking decisions to the advantage of the business organization.

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