

Definition of Financial Accounting

Accounting is a systematic process which is normally started with a conceptual stage such as the identification of the business transaction of a business transaction and end with user satisfaction. In traditional accounting, only the technical part of accounting or bookkeeping was regarded as entire accounting. But in modern accounting, it covers very wide aspects and ends with the satisfaction of the users by which they can make their wise decision.



Accounting

In conclusion, accounting can be defined as a systematic process of identifying, measuring, classifying, summarizing and communicating the economic transaction to permit informed judgment and decision making by the users. It is termed as a language of business as it conveys the business affairs.

May we point out some functions of financial accounting as below:

- Financial accounting is the process of identifying, measuring and communicating economic information to users.
- Also, it used to prepare the financial statements and communicate with the users.
- It analyzes the business affairs in totality.
- It records the past transactions only.
- Similarly, it provides information to external users to the organization like shareholders, investors, creditors, labor unions, etc.

Users/ stakeholders of accounting information

- **Various levels of management** (they used the information to know the performance and growth rate of the company)
- **Investors/ shareholders** (they used information to know profitability scenario investing in the respective company's share, know the paying dividend level, company's performance)
- **Suppliers/ creditors** (to know the risk of bad debt, credit terms time)
- **Customers/ debtors** (to know the quality of with company's product, its product is reliable or not)
- **Bankers** (to know the ability to pay loan and interest, to take interest rate)
- **Government** (to know the performance on paying tax, overcharging consumers)
- **Society** (to know the company's product quality, its performance towards the society on pollution control)

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