Accounting theory godfrey pdf

Companies, especially corporations, have a number of relationships with both harmonious and competing interests. Owners and stakeholders in a company rely on managers and executives -- also known as agents -- to see that their interests are served. The agency's theory focuses on the nature of stakeholders -- relationships with agencies, including where they are effective and where potential conflicts of interest and ethics lie. Accounting theory, on the other hand, is a system of principles, rules and assumptions governing the accounting profession. Although some aspects of accounting theory touch on how to serve customers and owners, it has little in common with agency theory. The agency's theory holds that company owners or shareholders hire directors, managers and employees to serve their interests. Essentially, owners delegate a certain amount of control and direction over the functioning of their company to agents whose employment is dedicated to the success of their company, which is often defined as maximizing profits. Owners try to align their interests with the interests of top managers through high salaries, bonuses, profit sharing, stock options and other incentives. However, the agency's theory says that there is always a conflict between the personal interests of an agent and those of its directors. Although some theorists disagree on whether debt holders are counted as principal, most definitions of agency theory recognize that debt holders are stakeholders whose interests are sometimes at odds with shareholders -- and therefore also agencies. Debt holders usually want companies to pay their debts fully and as quickly as possible. They believe profits and successes should go to debt servicing before a company pursues new risks and aggressive growth. However, shareholders care most about the profits and efforts that will continue the success of their company. This can create a conflict between two financial stakeholders, which sometimes put agents in the middle. Loyola University teaches its accounting students that accounting theory is a set of concepts and hypotheses and related principles that explain and guide the accountant's actions in identifying, measuring and communicating economic information. Indeed, accounting theory is not a single unified principle or even a short collection of laws, rules, principles, assumptions and practices that have become the standard for financial reporting in both the United States and globally. These include the ethical and accurate concepts necessary to produce organisations and individuals. Business and accounting leaders and experts place conceptual frameworks, accounting legislation, concepts, evaluation models, hypotheses and theories under the umbrella of accounting theory. Since accounting is more of a practice than a science, change the theory and adapt to the needs and circumstances of the times. As a result, accountants must take continuous training courses in order to be aware of the information and to ensure that they carry out their tasks in accordance with legal and societal mandates. Elements of accounting theory can be found as far as the ancient civilizations of Mesopotamia and Egypt. Until the time of the Roman Empire, financial data were widely used, and the government kept detailed financial records. The definition of accounting theory is quite simple. It is a set of assumptions, frameworks and methodologies that are used in the study and application of financial reporting principles. Because businesses and economies are often changing or in flux, accounting theories, along with government regulations that apply to financial institutions, have had to adapt, to some extent, to times. Although accounting elements can be found much earlier, in 1494, Luca Pacioli created an accounting system just like the one we know and use today. This Italian mathematician, who is said to have taught mathematics to Leonardo DaVinci, started what is called the double-entry accounting system. He also introduced the use of ledgers, journals and accounting, key elements of modern accounting. Pacioli is known as the first person to use a balance sheet and an income situation. Two chapters he wrote about accounting, known as De Computis et Scriptes (De reckonings and Writings) and now known as the Venice Method, changed the entire way accounting was seen and used. So although businesses and governments were recording business information long before the Venetians, Pacioli was the first to describe the system of debits and credits in journals and registers, which is still the basis of today's accounting systems. With the advent of the Industrial Revolution of 1700, more advanced cost accounting systems became necessary. Corporations created large groups that were not part of the management of a firm, but had a direct interest in the company's results. They were the first shareholders and bondholders to provide external financing. For the first time, accounting became a profession, first in the United Kingdom and then in the United States. And in 1887, 31 accountants created the American Association of Public Accountants. Ten years later, the first standardized test was given to accountants. In 1896, the first CPAs were licensed. History and the development of accounting theory took a new turn after the Great Depression, which led, in 1934, to the creation of the Securities and Exchange Commission. The SEC was created to the American public to regain confidence in the capital markets of the United States after the collapse of the stock market in 1929. After the establishment of the SEC, all publicly traded companies were required to submit reports that were certified by the accountants. This This the necessity and prestige of accountants. The crash edsomething of 1929 and subsequent Great Depression were caused, in part, by financial reporting practices overshadowed by some publicly traded companies. To help set America on track, the federal government has begun working with professional accounting groups to set standards and practices for consistent and accurate financial reporting. They have come to be known as generally accepted accounting principles or GAAP. The Securities Act of 1933 and the Securities Exchange Act 1934 were two essential pieces of legislation that led to the formation of GAAP. These standards have evolved on the basis of changing economic climates and established best practices. Two key organizations in the accounting profession are the American Institute of Certified Public Accountants, which was founded in 1887. It established accounting standards until 1973, when the Standard Financial Accounting Board was established. At the end of the 20th century, the accounting industry grew and prospered. Large accounting firms have expanded their services beyond the traditional audit function and added many forms of consulting. However, this expansion has sometimes led to unpleasant places. As the responsibilities of accountants have expanded beyond that of the financial watchdog, some accounting firms have been implicated in corporate scandals. Arguably, the biggest scandal was the Enron scandal of 2001. This has had far-reaching repercussions on the accounting industry. Arthur Andersen, one of the best accounting firms in the U.S., went bankrupt as a result of Enron. And the Sarbanes-Oxley Act has tightened restrictions on consulting opportunities for accountants. However, accounting scandals generate more work for accountants, which is a paradox of the profession. Demand for accounting services continued to grow throughout the early 21st century. There may be a difference between accounting theory and practice. While accounting procedures are formulas, accounting theory is more qualitative. It is used as a guide for efficient accounting and financial reporting, and this guide must be more flexible than simple formulas allow. An important aspect of accounting theory is its usefulness. All financial statements should provide important information that can be used to make informed business decisions. This also means that accounting theory should be able to produce effective financial information, even when the legal environment changes. The accounting theory also states that all accounting information should be relevant, comparable and coherent. This means that all financial statements must be correct. They should also ad with GAAP, as this ensures the preparation of financial statements will be both consistent and comparable to a company's previous financial statements as well as to the financial statements of other companies. Four main assumptions guide all accounting aspects financial professionals. First, it is that a business is separate from its owners. The second affirms the belief that a company will not go bankrupt, but it will continue to exist. Thirdly, all financial statements should be drawn up with amounts in dollars and not with other numbers, would be unit production. Finally, all financial statements must be drawn up monthly or annually. As with almost all professions, technology has a huge impact on accounting. A recent survey by Accountancy Age asked 250 accountants what the future might be for the profession. Three things were predicted by those questioned: First, that automation will take on tasks such as entering data, creating electronic documents and producing receipts; secondly, the cloud will change the way professionals store data, collaborate and collect information; thirdly, new developments in accounting software will have an impact. While it might sound like these dire predictions will make you away with the profession, 89 percent of the accountants surveyed said advances in technology are a real positive for the accounting profession and will create new opportunities for them. Seventy-five percent said that the technology they have already started to use has made their job easier or freed up time for them to focus on adding further value to clients. For example, I can now spend more time analyzing accounts and offering business advice. Therefore, this means that the skills used by accountants will never become unnecessary or outdated. Those in the profession should continue to maintain their skills, as well as be aware of the new skills that may be required by the new instruments. As an accountant, it's important to keep up with accounting technology developments and make sure you can adapt. The human brain and its analytical powers, as seen in the field of accounting are now, and in the near future, considered a necessity by business owners around the world. World.