

Kentucky Class Notes

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ACC 201 Miller
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Test 1

Chapter 1: Accounting and the Business Environment

- **Accounting:** The information system that measures business activity, processes the data into reports, and communicates the information to decision makers
 - Accounting is “the language of business”
 - Information is presented in monetary terms
- **Financial statements:** report on a business in monetary terms
 - Answer questions such as “Should my business expand?” “Where can my business get the profits needed to expand?”
- Two types of accounting
 - **Financial Accounting:** Provides information for external decision makers.
 - Reports: Financial statements
 - Audience: Investors, creditors, regulatory bodies, etc.
 - **Managerial accounting:** provides information for internal decision makers.
 - Reports: budgets, cost reports, production reports
 - Audience: Employees, managers, etc.
 - See exhibit 1-1 on page 3 if necessary
- **Creditor:** Any person or business lending money



859.523.3353