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so many fake sites. this is the first one which worked! Many thanks

## Chapter 1 Financial Statements and Business Decisions

### ANSWERS TO QUESTIONS

- Accounting is a system that collects and processes (analyzes, measures, and records) financial information about an organization and reports that information to decision makers.
- Financial accounting involves preparation of the four basic financial statements and related disclosures for external decision makers. Managerial accounting involves the preparation of detailed plans, budgets, forecasts, and performance reports for internal decision makers.
- Financial reports are used by both internal and external groups and individuals. The internal groups are comprised of the various managers of the entity. The external groups include the owners, investors, creditors, governmental agencies, other interested parties, and the public at large.
- Investors purchase all or part of a business and hope to gain by receiving part of what the company earns and/or selling the company in the future at a higher price than they paid. Creditors lend money to a company for a specific length of time and hope to gain by charging interest on the loan.
- In a society each organization can be defined as a separate accounting entity. An accounting entity is the organization for which financial data are to be collected. Typical accounting entities are a business, a church, a governmental unit, a university and other nonprofit organizations such as a hospital and a welfare organization. A business typically is defined and treated as a separate entity because the owners, creditors, investors, and other interested parties need to evaluate its performance and its potential separately from other entities and from its owners.
- | Name of Statement    | Alternative Title   |
|----------------------|---|
| (a) Income Statement | (a) Statement of Earnings; Statement of Income; Statement of Operations |
| (b) Balance Sheet    | (b) Statement of Financial Position                                     |
| (c) Audit Report     | (c) Report of Independent Accountants                                   |

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