
Comparative Analysis of Accounting and Auditing

Accounting is a specialized language of business which helps to understand economic activities. It is an act of orderly, keeping the records of the daily monetary transactions of the business, the transactions are then classified into various groups followed by summarizing in a way that can be referred at an urgent time and thereafter analyzing and understanding the results of the financial statement and the results must be communicated to the interested parties.

Accounting is governed by Accounting Standards. The main function of accounting is to provide material information related to decision making. Cost accounting, management accounting, financial accounting, are the branch of Accounting.

The objectives of accounting are as follows:

1. Proper record of transactions through Journal, Books, Ledger and Trial Balance.
2. Disclose the profitability position from the records through Income Statement.
3. Presenting the financial position through Statement of Financial Position.
4. Provide necessary information about solvency and liquidity position to interested parties.

Types of accountability:

Political

It is the accountability of the government and politicians to the public bodies such as parliament. It refers to the commitment of government officials to act at the best interest of the society.

Social

D. Crowther defines social accountability as a viewpoint to reporting a firm's activities which give an identification of socially relevant behavior. It is mostly used for corporate social responsibility (CSR) and is used in organization such as NGO.

Environmental

It is a scope that identifies resource use, measures and communicates costs of a company which may impact on the environment. Costs include are penalties and taxes, waste

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management costs, costs of clean up. It measures the effects of natural environment of a company in monetary terms.

Auditing

It is a logical task which examine the financial information independently to give an opinion on the True and Fair view. Here organization refers to all the units regardless of the size, structure, nature and form.

Auditing is governed by Standard on Auditing. Auditing is a paramount inspection of each transaction that is the receipts, account books and documents are verified in order to show accuracy of the financial statement. Moreover, errors and frauds, manipulation in records or misappropriation can be detected through detailed analysis.

Difference Between Accountability and Auditing

Meaning

Accounting means consistently keeping the records of the accounts of an organization and preparation of financial statements at the end of financial year.

Auditing means review of the books of account and financial statements of an organization.

Governed by

Accounting Standards

Standard on Auditing

Work performed by

Accountant

Auditor

Purpose

To show the performance, profitability and financial position of an organization.

To reveal the fact that to which extent financial statement of an organization gives true and fair

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view.

Starts

Accounting starts where bookkeeping ends.

Auditing starts where accounting ends.

Period

Accounting is an endless process.

Auditing is a periodic process.

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