



THE USERS OF FINANCIAL INFORMATION



THE USERS OF

FINANCIAL INFORMATION



We all know that Accounting is the language of business. It's essential for the top management people to understand basic accounting principles because it can help them understand the financial health and performance of the company at any given time. So that they can capitalize on it and make advantageous decisions for the future of the business. Good for them, but why is it important to you?

THE USERS OF FINANCIAL INFORMATION



Internal Users

Internal Users refer to the managers of the company who use the accounting information in interpretation of past performance and basis for future decisions. Also the bottom management people are considered internal users as they are directly affected by it as well.

These are the common internal users of Financial Information:

- **Owners** -It's important for them to see the financial health of the business because they need to know how much money their investment is generating. Same as with stockholders, they need to know how long they will need to hold on stocks, when to sell it, or when to buy more.



THE USERS OF FINANCIAL INFORMATION



- **Management** - These people has critical need for financial information. The management needs to assess the company's efforts through comparing the current financials to last year's result in order for them to make sound decisions in reaction to what variables they see. They also need to know the cash flow of the company to know what their limitations are.

- **Employees** - The workers of the company also needs to know how to read financial statements. It can increase their involvement and understanding of the business so they can be more motivated. It can also give them the sense of when is the time to ask for an increase and job security.



Image courtesy of stockimages at <http://freedigitalphotos.net/>

THE USERS OF FINANCIAL INFORMATION



External Users

External Users are individuals who are outside management but has special interest on the financial information of the company.

- **Creditors/Suppliers** -These are banks or any supplier that you need to lend you money. These creditors will assess your liquidity, cash flow and many more so they can be confident that you can pay them back the money that you'll be borrowing from them.
- **Government** -The Bureau of Internal Revenue (BIR) will be the one to determine and collect the tax your business will incur.



THE USERS OF FINANCIAL INFORMATION



- **Investors** -These people will rely on your company's financial statements to see its performance and profitability. As an investor, a good track record can be a determining factor if they would invest or not.
- **Customers** - Customers also need to study financial information if they are finding a long-term supplier. They need to make sure that the company is stable enough to last as long as they need supplies from them.
- **Competitors** -And lastly, if your competition are lucky enough to gain some financial information about your business, it can only benefit them so they can have some form of an advantage over you.



Image courtesy of suphakit73 at <http://freedigitalphotos.net/>

THE USERS OF FINANCIAL INFORMATION



We're glad to help you!

If you want to learn more about Accounting, check out these awesome slides here:

TrendStatic Business Solutions is also a Training provider in Ortigas, Philippines.

Click this link to see our [Accounting for Non-Accountants](#) Course Outline.