

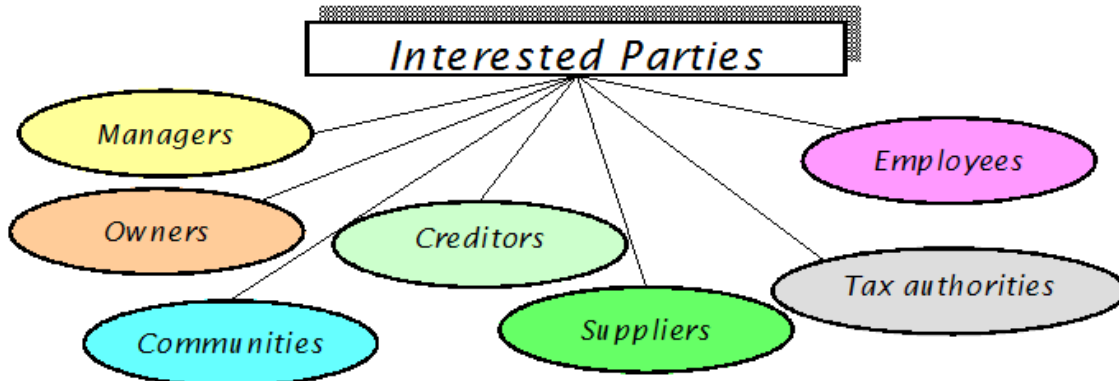
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PROLOGUE

Who is interested?

Who specifically would have an interest in the economic (accounting) information for a particular firm? In general, it would be everyone who needs to make some decision involving the firm. The accounting information signals the general health and viability of the firm that decision makers need in their decision making process.

Remember that privately owned firms are not required to provide accounting information to all the interested parties shown below



| | Questions they might ask |
|-----------------|--|
| Owners | Are we making money? |
| Managers | Am I managing better than I was last year? |
| Creditors | Will this firm be able to repay the loan? |
| Suppliers | How much will this firm likely buy from us next year? |
| Employees | Will this firm continue to be able to employ me in the future? |
| Tax authorities | How much income did this firm have and what tax is due? |
| Communities | Will this firm provide jobs in our community? |

Parties interested in the outcomes measured and recorded by accounting systems include owners and investors from sole proprietors to partners to stock holders; employees of the firm itself; creditors such as vendors and bank lenders; tax authorities such as the IRS and State revenue and income tax offices; and finally the communities in which businesses operate. The economic fabric of these communities can be dramatically affected by a firm's strategic decisions. All of these parties have a vested interest in the financial and economic condition of these organizations. Their reliance on accounting information ranges from a passing interest to near complete dependence on the information to make major decisions with sizeable negative impacts if the information is not reliable.