SHS LEARNING ACTIVITY

Name: _____ **Score/Mark:** _____
Grade and Section: _____ **Date:** _____
Strand: ☐ STEM ☐ ABM ☐ HUMSS ☐ ICT (*TVL Track*)
Subject: *Fundamentals of ABM 1*
Type of Activity ☐ Concept Notes ☐ Skills: Exercise / Drill ☐ Illustration ☐ Laboratory Report ☐ Essay/Task Report ☐ Others: _____

Activity Title: LA-05. Users of Accounting Information: Internal and External
Learning Target: To define and give examples of external and internal users of accounting information
References: *(Author, Title, Pages)*
1) Hinayon, et al., Fundamentals of Accounting Vol. 1, p. 30
2) (Web) *Users of Accounting Information*, lumenlearning.com, Retrieved July 15, 2019
3) Q. J. Abcede, CVIF Learning Activities

Internal Users of financial information are people ***within*** the organization:

- Managers need financial information to assess whether or not the organization is performing well in the industry, and to take the necessary measures to improve its efficiency.
- Owners need financial information to analyze whether or not the investment they made in the organization is viable and profitable and, accordingly, to decide on any future course of action.

External Users of financial information are people ***outside*** the organization:

- Creditors like banks need financial information to help them decide whether or not they should let the organization borrow money from them.
- Investors need financial information to analyze whether or not they should invest in the organization.
- Customers need financial information to assess the financial position of its suppliers – the organization – which is important in maintaining a stable source of goods/raw materials.
- Tax authorities need financial information to determine whether or not the tax returns filed on behalf of the organization are credible.
- Regulatory authorities need financial information to make sure that the organization is disclosing its accounting information according to the rules and regulations set, for example, by the Securities Exchange Commission (SEC).

Exercises: Identify whether the given question or statement is from an Internal User (I) or an External User (E). Write only the letter (I or E) before the number.

___ 1. Is our net profit sufficient to pay dividends to the investors?
___ 2. Is the company earning well and, thus, not risky to invest in?
___ 3. Should we borrow PhP20M from Caring Bank to finance the construction?
___ 4. Can we afford to give salary raises to our employees this year?
___ 5. The Progressive Fishers Cooperative has submitted all required financial documents and feasibility studies. I think we should grant them a loan.
___ 6. Is Company A more profitable than Company B? Which is bigger in size between the two?
___ 7. The crisis has slowed down sales. Should the company downsize its operations?