**Role of finance**

Accounting is distinct from finance because its main focus is on record-keeping activities. Finance, in contrast, focuses on money management decisions. The two main decisions finance focuses on are the administration of assets and the acquisition of funds.

The finance function plans and controls spending throughout the company, making sure that it stays within the budget. The accounting function produces financial reports. Finance does not refer to spending on investments only.

The finance function would definitely be involved in a decision regarding new business projects and strategies. It is important for a business's financial managers to help top management with planning. Marketing involves decisions about public relations, publicity, and personal selling. The human resources department aids in the hiring process.

The cash conversion cycle is a key component of managing working capital. It refers to how long a business's money is “tied up” between purchasing raw materials and receiving cash from sales. Financing is funding a business activity or project through debt, equity, or venture capital. Capital budgeting is determining which projects a business should invest in. Capital structure refers to a business's mix of financing.

Return on capital is a measure of how well a business generates cash flow. It is a key component of managing working capital. Accounts receivable refers to money owed to the business by others. Capital structure refers to a business's mix of financing. Accounts payable refers to the money the business owes to others.

**Nature of accounting**

An accounting system provides a business with accurate financial information with which it can maintain control of its finances. Keeping track of sales, compiling expenses, and creating reports are all activities of the accounting system that help a business to control its finances.

Accounting records provide managers with such important information as whether the business is earning a profit, what its sales revenues are, the amount of operating expenses, the cost of goods sold, return on investments, and the firm's net worth or total value. This helps managers to know when changes are necessary in order to improve the business's financial position. Keeping good accounting records can point out financial problem areas and show the rate of return on investment but cannot prevent all losses from occurring or increase the return. The accounting system does not usually contribute to the business's image.

Accounting records show the financial health of a business. If its accounting records are inaccurate or out of date, a business cannot be sure what its financial situation is. Posting is transferring accounting information from a daily journal to the appropriate ledger, and it can be done by bookkeepers or clerical staff. The chief executive officer of a business would not have time to approve all the accounting information the system contains. A business may use either the cash accounting method or the accrual method. In the cash accounting method, income and expenditures are recorded at the time the money changes hands. In the accrual method, transactions are recorded at the time they occur even if no money changes hands.

The sales journal—either a special book or computer software—records daily receipts and would provide the daily sales figures the business needs. A disbursement journal records daily expenditures. Income statements and bank statements would show total revenues but not accurate figures for specific days.

A balance sheet is a financial statement that captures the financial condition of the business at that particular moment. This includes the liabilities, or debts, that the business owes. The bank found that the owner's current liabilities were too high to be extended. Budgets show estimated income and expenses but not what is currently owed. Income statements would include the income and expenses for a specific period of time but would not include outstanding debts.

**Nature of information management**

Appropriate information management saves businesses time and money by maintaining higher levels of productivity. Employees can be more productive when good information management decreases information overload and “paper trails.” Information management will not necessarily maintain yearly raises for employees.

Managing information appropriately helps businesses focus on the important task of serving customers more effectively which, in turn, *may* help lead to higher profits, although it is not a guarantee. A business's financial decisions may or may not have to do with serving customers.

Managing information regarding copyrights and trademarks helps a company to preserve its **identity**. If a competitor tries to infringe upon this protected material, the company will be ready to stake its claim quickly. Copyrights and trademarks do not necessarily relate to inventory, correspondence, or customers.

Information management can be a challenge because many people don't understand what it is or what role they should play in it. Many people may want to participate in information management but just do not know how. There is often too much information to manage, something known as information overload. There is no one "right" way to approach information management.

Now, more than ever, the government is cracking down on corporate dishonesty. Companies must adhere to an **increased number of compliance laws and regulations**, and an appropriate information management program is a big part of that. Other trends in information management include increased competition, an increased number of electronic documents, and a decreased number of workers in the office.