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## **Application of Financial Accounting within Companies to Improve Their Profitability**

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### **Abstract**

Accounting is a discipline that allows you to manage the resources that are available within a company, allowing to obtain information about the operations carried out by the companies this referring to their inputs and outputs to be able to make appropriate decisions around the objectives already established. This discipline develops the same as financial accounting whose purpose is to account for the economic resources of a company, with the aim of knowing its financial situation and thereby making decisions regarding the direction it must take for the fulfillment of its objectives. The present research aims to describe that financial accounting is important for the improvement of the profitability of companies this thanks to the various data provided through the financial analysis performed, this article will be carried out through a descriptive methodology, where through the opinion of other authors as well as the own opinion it was possible to obtain that the application of financial accounting is efficient for the development of companies.

**Keywords:** Financial Accounting, Control, Companies, Resources.

## Introduction

In accounting, a control and record is kept on the resources that are managed within the companies in order to improve their controls over the income and outputs that occur in it, accounting has several branches which allow to have more specific approaches to where they are directed since accounting can be related to various aspects since its purpose is to facilitate the management and control of economic operations within companies.

Financial accounting allows to have a record of the activities carried out within the companies to know their economic situation and thus be able to make the right decisions on the financial management of the entity since through it a great diversity of data and information is collected that allows to know the economic situation of the entity.

The objective of this article is to describe briefly and concisely the impact that the application of financial accounting has on the companies, because through its application it is mentioned that a better management of the company's financial resources is achieved.

## Methodology

The realization of this research work was done with the purpose of describing in a clear and concise manner the importance of financial accounting within the companies, thanks to the fact that it allows to have a control over the inputs and outputs of resources of the same, having a proper analysis on the management of its resources with which they can make appropriate decisions around the company, which is why the descriptive method was used for its realization.

The descriptive method seeks an initial knowledge of the reality that is produced by the direct observation of the researcher and the knowledge obtained by reading or studying the information provided by other authors. It refers to a method whose objective is to expose with the greatest methodological rigor, significant information about the reality under study with the criteria established by the academy.(Abreu, 2014).

The application of this method allows to have a better understanding of the impact that financial accounting has within companies and how it helps to have an efficient control around their monetary operations.

## What is financial accounting?

First of all, it should be addressed what accounting is, which Vertex (2011). Mentions that its purpose is to measure qualitatively and quantitatively the patrimony of the companies, organizing the financing and investment of the company.

Financial accounting is a branch of accounting of utmost importance for the growth of companies, thanks to the perspective it gives on the economic situation of the companies where it is applied, so using it within companies would help to have a more adequate financial growth.

Financial accounting is enriched from the demands of its environment, increased by the growing complexity of the same, which originates from various sources such as the development of trade, technological changes, the growth of economies, transformations in the management of organizations (Otálora & Cabrera, 2011).

The application of this type of accounting within companies allows them to have a more adequate control environment which allows them to make better decisions regarding the economic situation in which they find themselves, allowing them to have a deeper and more adequate perspective on the profitability they have.

### **Financial accounting and its application in companies**

Companies provide an infinite number of goods and services, which help them to have a greater capital through its commercialization, this means that they must have sufficient resources to meet the existing demands, which in many cases the lack of solvency prevents them from being able to generate more goods so they can not meet the demands of society and this is mostly due to poor financial control that is in the company.

Fernández & Gutiérrez (2017). They define that a company is a basic economic unit of production, i.e., an organization of productive means, whose purpose is to generate, sell and charge for such sale of goods and / or services to thereby obtain a profit.

While in another definition it is understood by company:

As an economic unit or entity, in which capital, labor and management are coordinated to carry out a socially useful production. Its purpose is the production of goods and services, and the obtaining of benefits or profit. A company is understood as a social organism composed of: entrepreneurs; individuals or legal entities that own the company, production factors; which are the human, technical and economic means involved in the production of goods or provision of services. (Franco et. al. 2016).

Having a company implies several aspects where one of the most important is its finances, since through this there is control over the resources that enter and leave the entity, which allows to know more efficiently in which the resources of this are used and if they are being used properly, allowing them to make more appropriate decisions environments to the economic situation in which they are, which is why the application of financial accounting has become important within companies.

Financial accounting is aimed at satisfying the information needs of external users, although it is also used by internal users. Given the variety of interests pursued by different users, it is necessary to standardize the information disclosed by companies so that users can understand and interpret it (Albelda & Sierra, 2021).

Knowing the way in which the companies are in financial terms helps to have a more adequate notion about their productivity and profitability, generating greater confidence; finances within them are essential for their development because these are the resources which are used for the operation of the company, which is why the application of financial accounting makes companies more efficient.

### **Discussion**

The purpose of companies is to generate income through a good or service they offer to society, but for this they must have sufficient resources to meet their operating expenses as well as administrative, so the control of their finances must be adequate around the goals and objectives set so the application of various disciplines help to achieve them such is the case of financial accounting which was described as a discipline that allows adequate control of the economic resources with which a company has this in order to know more detail in which and how these resources are used, It also allows them to know the economic situation in which they find themselves, helps to determine their level of profitability with which they can make the right decisions about the financial resources they have, so the application of this discipline is important for the effective performance of the companies.

### **Results**

Accounting allows to know the situation in which the company is through the registration of all economic operations that take place within it, allowing to have an efficient control over the capital that is used for the realization of the various activities and operations that occur within it; accounting is a discipline that has taken different areas of study with the purpose of having more specific approaches to give a better understanding of a subject and provide greater assistance, such is the case of financial accounting, which allows companies to have a record of the economic activities that are performed internally and externally to thereby know the financial situation of the entity in order to make the right decisions that are beneficial to the company, This type of accounting allows to have a historical record of the various accounting periods that have passed within the companies, which allows to compare the performance of the same with past years, the result obtained in this research showed that financial accounting allows companies to have a higher growth which makes them more productive and therefore more profitable.

### **Conclusion**

Financial accounting allows to keep track and record the expenses and income that occur within companies, analyzing the economic situation in which they are in order to be able to make appropriate decisions around it, this type of accounting is of great importance for the growth of companies this is because it represents a more efficient control over the operations carried out within this.

The development of companies can be complicated from the beginning, the lack of knowledge as well as the lack of resources can be an important factor for an entity such as this not to grow, the use of tools as well as the application of various disciplines influences in an important way in this growth, therefore a better understanding of the benefits that these offer should be feared, in the case of financial accounting allows to have an adequate control over the inputs and outputs of resources that occur within the company, thus generating greater productivity, which makes it more profitable.

In conclusion, it was described that financial accounting allows companies to have a better growth thanks to the efficient control that is presented through the finances of the companies as well as allows to know in which resources are used for the various activities that are performed within it, the implementation of financial accounting within companies allows them to have a more efficient growth, which helps to improve their capital as well as having a more efficient control of their resources.

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