Proper implementation of budgeting and financial accounting is very valuable to business success. Business managers need accounting information to make sound leadership decisions. Evaluating the accounting helps them realize in which direction the business is going. It helps in recording, summarizing, and classifying all the transactions that are related to your business.
To run an organization and make investment decisions with accurate and timely financial information requires a good accountant to prepare this information. More importantly, accountants make sure that stakeholders understand the meaning of financial information, and they work with both individuals and organizations to help them use financial information to deal with business problems.

What is accounting?

Accounting refers to the process of capturing information about the transactions and events of a business and summarizing that activity into reports that are used by interested parties in the entity. It involves a talented blending of technical knowledge and measurement artistry that can only be fully appreciated via extensive study of the subject. Accounting is a set of concepts and techniques that are used to measure and report financial information about an economic unit. The economic unit is generally considered to be a separate enterprise. The information is potentially reported to a variety of different types of interested parties. These include business managers, owners, creditors, governmental units, financial analysts, and even employees.
The accounting tasks can be divided into two as per the needs and interests of the parties. Financial accounting is concerned with the external reporting of information to parties outside the firm. In contrast, managerial accounting is primarily concerned with providing information for internal management. The accounting period varies from organization to organization. It can be monthly, quarterly, annual, or any specific time range.
Bookkeeping is the record-keeping part of the process in which all financial records of a business, including day-to-day transactions, are recorded and stored in a database. Accounting is the process of keeping financials for a company by recording, summarizing, analyzing, consulting, and reporting. Accounting is connected to bookkeeping in the fact that they are both related to the reporting of financial transactions, but accounting has the more advanced capability of giving a whole idea about the financial health of the business or company whose bookkeeping has been prepared.

Accounting Cycle

To make the accounting process efficient and accurate, businesses must follow the proper accounting cycle. An accounting cycle represents a sequence of tasks involved in the recording, classification, and summarization of financial transactions. It starts as a financial transaction takes place and concludes with the communication of summarized results, followed by the closing of accounts. This cycle repeats itself every fiscal year.

Steps for the Accounting Cycle:

1. Recognize business transactions.
2. Record the transactions in the Journal/Books of Prime Entry.
3. Record the transactions in the Individual Ledger Accounts/Book of Final Entries.
4. Test the accuracy of general ledger account balances by preparing an unadjusted trial balance.
5. Adjust account balances by passing adjustments for items such as deferred revenue, prepaid expenses, depreciation, etc.
6. Prepare the adjusted trial balance once all adjustment entries have been posted in the ledger.
7. Prepare financial statements, i.e., balance sheet, income statement, and cash flow statement.
8. By transferring net income or loss to retained earnings, you can zero the balances of temporary accounts, such as revenue, expenses, and drawing accounts.
9. Prepare for Trial Balance.

Final Words

Organizations with a proper accounting system can easily maintain their financial records, including expenses, gross margin, debt, and more. It allows you to streamline your finances and tasks accordingly.
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