BOOKKEEPING: ITS IMPORTANCE

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Proper bookkeeping gives companies or organizations a reliable measure of their performance. It provides also information that make general strategic decisions and a benchmark for its revenue and income goals. Many small companies do not hire full-time accountants to work for them because of the cost. Instead, they hire a bookkeeper or outsource the job to a professional firm.

Companies need to first choose which basis of accounting they will follow in order to properly implement bookkeeping. Companies may choose between basic accounting methods: the cash basis of accounting or the accrual basis of accounting. The only difference between these types of accounting is based on the timing for when the company actually records a sale/money inflow or purchase/money outflow in the books.

While it may seem obvious, bookkeeping is crucial for businesses of all sizes. Bookkeeping becomes more complex with the introduction of tax, assets, loans and investments. Tracing the financial activities of a business is the truest purpose of bookkeeping.

Bookkeeping is a process of keeping track of every financial transaction done by a business firm from the opening of the firm to the closing of the firm.

Accounting analyses, interprets, and reports of financial information for the business firm. The accountant prepares year-end financial statements and the proper accounts for the firm or organization. Effective bookkeeping requires understanding of
the firm's basic accounts. These accounts and their sub-accounts made up the company's chart of accounts.

References:

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