

Bookkeeping Basics

Most people probably think of bookkeeping and accounting as the same thing, but bookkeeping is really one function of accounting, while accounting encompasses many functions involved in managing the financial affairs of a business. Accountants prepare reports based, in part, on the work of bookkeepers.

Bookkeepers perform all manner of record-keeping tasks. Some of them include the following:

- They prepare what are referred to as source documents for all the operations of a business - the buying, selling, transferring, paying and collecting. The documents include papers such as purchase orders, invoices, credit card slips, time cards, time sheets and expense reports. Bookkeepers also determine and enter in the source documents what are called the financial effects of the transactions and other business events. Those include paying the employees, making sales, borrowing money or buying products or raw materials for production.

- Bookkeepers also make entries of the financial effects into journals and accounts. These are two different things. A journal is the record of transactions in chronological order. An accounts is a separate record, or page for each asset and each liability. One transaction can affect several accounts.

- Bookkeepers prepare reports at the end of specific period of time, such as daily, weekly, monthly, quarterly or annually. To do this, all the accounts need to be up to date. Inventory records must be updated and the reports checked and double-checked to ensure that they're as error-free as possible.

- The bookkeepers also compile complete listings of all accounts. This is called the adjusted trial balance. While a small business may have a hundred or so accounts, very large businesses can have more than 10,000 accounts.

- The final step is for the bookkeeper to close the books, which means bringing all the bookkeeping for a fiscal year to a close and summarized.