

What Is Accounting Anyway?

Anyone who's worked in an office at some point or another has had to go to accounting. They're the people who pay and send out the bills that keep the business running. They do a lot more than that, though. Sometimes referred to as "bean counters" they also keep their eye on profits, costs and losses. Unless you're running your own business and acting as your own accountant, you'd have no way of knowing just how profitable - or not - your business is without some form of accounting.

No matter what business you're in, even if all you do is balance a checkbook, that's still accounting. It's part of even a kid's life. Saving an allowance, spending it all at once - these are accounting principles.

What are some other businesses where accounting is critical? Well, farmers need to follow careful accounting procedures. Many of them run their farms year to year by taking loans to plant the crops. If it's a good year, a profitable one, then they can pay off their loan; if not, they might have to carry the loan over, and accrue more interest charges.

Every business and every individual needs to have some kind of accounting system in their lives. Otherwise, the finances can get away from them, they don't know what they've spent, or whether they can expect a profit or a loss from their business. Staying on top of accounting, whether it's for a multi-billion dollar business or for a personal checking account is a necessary activity on a daily basis if you're smart. Not doing so can mean anything from a bounced check or posting a loss to a company's shareholders. Both scenarios can be equally devastating.

Accounting is basically information, and this information is published periodically in business as a profit and loss statement, or an income statement.