Business Accounting and Its Changing Trends

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Abstract: Business accounting is important because it allows the tracking of income and expenses, which gives an overall picture of the business's financial health. Business accountants manage and produce balance sheets, pay taxes for the company and oversee all necessary financial reporting. Most companies either keep their business accounting functions internal or outsource them to accounting firms. It can be a challenging and rewarding field for anyone interested in finance. Learn business accounting by training on the job, or taking courses and classes to learn about the responsibilities and requirements of the job.

I. INTRODUCTION

Accounting or accountancy is the measurement, processing and communication of financial information about economic entities. The modern field was established by the Italian mathematician Luca Pacioli, in 1494. Accounting, which has been called the "language of business", measures the results of an organization's economic activities and conveys this information to a variety of users including investors, creditors, management, and regulators. Practitioners of accounting are known as accountants. The terms accounting and financial reporting are often used as synonyms.

Accounting can be divided into several fields including financial accounting, management accounting, auditing, and tax accounting. Accounting information systems are designed to support accounting functions and related activities. Financial accounting focuses on the reporting of an organization's financial information, including the preparation of financial statements, to external users of the information, such as investors, regulators and suppliers and management accounting focuses on the measurement, analysis and reporting of information for internal use by management.

II. ACCOUNTING TASKS

1. Check cash position

Since cash is the fuel for your business, you never want to be running near empty. Start your day by checking how much cash you have on hand. Knowing how much you expect to receive and how much you expect to pay during the upcoming week/month is important, too -- but it is not gas in your tank.

2. Record transactions

Record each transaction (billing customers, receiving cash from customers, paying vendors, etc.) in the proper account daily or weekly, depending on volume. Although recording transactions manually or in Excel sheets is acceptable, it is probably easier to use accounting software like QuickBooks. The benefits and control far outweigh the cost.

3. Document and file receipts

Keep copies of all invoices sent, all cash receipts (cash, check, and credit card deposits) and all cash payments (cash, check, credit card statements). Start a vendors file, sorted alphabetically, (Staples under “S”, Costco under “C,” etc.) for easy access. Create a payroll file sorted by payroll date and a bank statement file sorted by month. A common habit is to toss all paper receipts into a box and try to decipher them at tax time, but unless you have a small volume of transactions, it's better to have separate files for assorted receipts kept organized as they come in. Many accounting software systems let you scan paper receipts and avoid physical files altogether.

4. Review unpaid bills from vendors

Every business should have an “unpaid vendors” folder. Keep a record of each of your vendors that includes billing dates, amounts due, and payment due date. If vendors offer discounts for early payment, you may want to take advantage of that if you have the cash available.

5. Pay vendors, sign checks

Track your accounts payable and have funds earmarked to pay your suppliers on time to avoid any late fees and maintain favorable relationships with them. If you are able to extend payment dates to net 60 or net 90, all the better. Whether you
make payments online or drop a check in the mail, keep copies of invoices sent and received.

6. Prepare and send invoices

Be sure to include payment terms. Most invoices are due within 30 days, noted as "Net 30" at the bottom of your invoice. Without a due date you will have more trouble forecasting revenue for the month. To get paid sooner, consider offering early payment incentives.

7. Review projected cash flow

Managing your cash flow is critical, especially in the first year of your business. Forecasting how much cash you will need in the coming weeks/months will help you reserve enough money to pay bills, including your employees and suppliers. Plus, you can make more informed business decisions about how to spend it.

III. ACCOUNTING INFORMATION SYSTEM

Many accounting practices have been simplified with the help of accounting computer-based software. An Enterprise resource planning (ERP) system is commonly used for a large organisation and it provides a comprehensive, centralized, integrated source of information that companies can use to manage all major business processes, from purchasing to manufacturing to human resources.

Accounting information systems have reduced the cost of accumulating, storing, and reporting managerial accounting information and have made it possible to produce a more detailed account of all data that is entered into any given system.

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