

PROPER BOOKKEEPING HELPS AN ORGANISATION TO INCREASE PROFITS, REDUCE TAXES AND IMPROVE CASH FLOW.

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Accounting is the process of analyzing, classifying, recording, summarizing, and interpreting business transactions in financial or monetary terms. In order to summarize the results of a business activity, each financial transaction must be recorded in a **bookkeeping system**.

Basics of Accounting :

The owner's right or claim to assets is expressed by the word **equity**, or *investment*. Other terms that may be used include **capital**, *net worth*, or *proprietorship*. **Liabilities** represent debts and obligations of the business. The business may have a liability to the owner, however, creditors' claims to the assets have priority over the claims of the owner.

An equation expressing the relationship of these elements is called the **fundamental accounting equation**.

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

Revenues are the amounts of assets that a business or other economic unit gains as a result of its operations. For example, revenues represent earnings derived from fees earned for the performing of services, sales involving the exchange of goods, rent income for providing the use of property, and interest income for the lending of money.

Expenses are the amounts of assets that a business or other economic unit uses up as a result of its operations. For example, expenses represent the amount of cash paid for services received, such as wages expense rent expense, interest expense and supplies expense.

Revenues and expenses directly affect owner's equity. If a business earns revenue, there is an increase in owner's equity. If a business incurs or pays expenses, there is a decrease in owners equity. So, we place revenue and expenses under the "umbrella" of owner's equity.

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity Capital} + \text{Revenue} - \text{Expenses}$$

Steps to be followed for good Bookkeeping Systems :

Many methods may be used. At a minimum, certain procedures should be done on a monthly or other periodic basis to make sure that your accounting records are accurate. Some of these steps are as follows:

- * All checks written and deposits made should be entered into a check register.
- * A monthly bank reconciliation should be done to make sure that all transactions have been recorded (including bank originated charges) and that the ending cash balances to the adjusted bank balance.
- * All expenses should be classified into business expense categories to record the various expenditures.
- * All deposits made to the account should be identified and classified (e.g., boarding income, interest income and owner contributions).
- * A financial statement should be prepared on a periodic basis to understand the results of your operation.

it is extremely important to identify all the sources of deposits to make sure that actual income from operations is not confused with contributions of working capital from the owner.

Advantage of Computerized bookkeeping :

Computerized accounting systems allow you entry of transactions into an automated system to provide a variety of information. Simple accounting packages can be very powerful tools to assist in understanding the results of business operations. After the entry of the basic transactions, the data is available in a number of reports (e.g., cash disbursements register, income statement, balance sheet.) These systems help “non-accountants” automatically produce standard financial statements without much technical accounting background. Good habits in computer processing procedures *must be used* to make sure that all the transactions are recorded. Otherwise, the financial information presented may not be accurate.

About Author :

Mr. Bhaskar Thakkar is a qualified Chartered Accountant and professional bookkeeper from India. He is a president of M/s. BT Associates, Chartered Accountants. The said firm provides Book keeping, Accounting, Auditing and Tax preparation services to various Chartered Accountants in UK, US and Canada. The firm is also specialized in preparation of VAT returns, Payroll Processing. Visit www.btassociate.com A division of said firm provides various outsourcing solutions please visit www.jobs2india.com to get more details.