Everyone should be interested in how to manage and earn money. It is a fact that people, especially ones who work for themselves, care about the details of their business finances. Good financial management can make or break your company. Learning basic accounting skills can help you make sound decisions and maintain control over your finances. This article will provide you with the necessary information to help get your feet wet when it comes to understanding basic accounting principles and practices. If you have any questions after reading this article, feel free to contact us at winballada@gmail. com. Accounting is the systematic recording of business transactions in which assets are identified, liabilities are established, revenues are measured, expenses are allocated to costs, and owners' equity is reported. For accounting to be effective in the daily operations of the business it must be kept up-to-date with actual events. The financial statements that are generated in this process tend to have three stages in their development: 1) "Preparation", wherein data collection takes place in preparation for financial reporting; 2) "Processing", wherein data is manipulated by adjusting accounts balances and classifying transactions; 3) "Reporting" where final explanations of accounts balances and classifying transactions is completed based on local requirements. Basic accounting principles Equity is the owner's net worth if all liabilities were assumed to be paid in full. The calculation of equity requires a "balance sheet" which identifies assets, liabilities and owner's equity. Statement 1 below shows an example of a balance sheet for a particular business entity. Statement 2 below shows a sample income statement for a business. The information in both statements is based on the assumption that all liabilities have been paid in full and that the owner has no outstanding debts or other obligations. Statement 3 below shows an example of a profit and loss statement for that same business entity (note: the profit and loss account keeps assets separate from liabilities). Assets: Liabilities: Owner's Equity:

Statement 4 below shows a sample balance sheet for a particular business entity. Statement 5 below shows a sample income statement for that same business entity. The information in both statements is based on the assumption that all liabilities have been paid in full and that the owner has no outstanding debts or other obligations. Statement 7 below shows an example of a sale and receivable account balance. Statement 8 below shows an example of a specific asset account balance (note: assets must be accounted for as separate from liabilities). Statement 9 below shows an example of a specific liability account balance. Statement 10 below shows a sample inventory account balance. Statement 11 below shows a sample cash account balance. Assets: Liabilities: Owner's Equity: Statement 12 below shows a sample income statement for that same business entity (note: the assumption is that all expenses have been paid in full). Statement 13 below shows an example of a supplemental rental income (note: the assumption is that all expenses have been paid in full). Statement 14 below shows an example of an expense account balance (note: expenses must be accounted for as separate from liabilities). Statement 16 below shows a sample payroll expense receipt.

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