

**Liabilities:** The debts owed by the business.

**Net Profit or Loss:** Gross profit minus total operating expenses.

**Operating Expenses:** All selling and administrative expenses required to run the company.

**Owner's Equity:** The total investments of the business minus total liabilities.

### ***How CED can help you improve your Financial Management Skills***

- i. Business Counselling and Advice
- ii. Management Audits
- iii. Assistance in establishing and maintaining record keeping systems
- iv. Inventory Management
- v. Training in Financial Management
  - (a) Basic Record Keeping
  - (b) Costing and Pricing
  - (c) Financial Statement Analysis, Budgeting and Forecasting for Business Planning

**CENTRE FOR ENTERPRISE DEVELOPMENT INC.**

Ground Floor  
Cooperative League Centre  
Lower Kingstown Park, Kingstown  
P.O. Box 2342  
St. Vincent & the Grenadines

Phone: 784-451-2235  
784-451-2236  
784-533-2291

E-mail: [cedsvg@gmail.com](mailto:cedsvg@gmail.com)  
Website: [www.cedsvg.com](http://www.cedsvg.com)



# Centre for Enterprise Development Inc.

BUSINESS GUIDE NO. 7

## ***Financial Management: Accounting and Bookkeeping***

*“Developing the local economy, one business at a time”*



## ACCOUNTING AND BOOKKEEPING

**Accounting** is a discipline that provides relevant information to decision-makers. It is the act of recording, summarizing and interpreting financial information. Accounting is classified under two main headings:

- i. Financial Accounting
- ii. Managerial Accounting

**Bookkeeping** is the recording aspect of accounting. It is the act of keeping a systematic account of financial transactions.

## THE VALUE OF ACCOUNTING AND BOOKKEEPING TO YOUR BUSINESS

- As a requirement for obtaining capital from financial institutions.
- Aids in filing accurate tax returns, and cases of bankruptcy.
- Needed to promote internal efficiency.
- Important for the preparation of asset schedule for insurance purposes.
- To keep a running record of revenue, expenses and bank balances.

## FEATURES OF AN EFFECTIVE ACCOUNTING SYSTEM

- i. Simple
- ii. Flexible
- iii. Ability to provide a record of transactions
- iv. Presents a true and fair picture of invested resources.

## SOME BASIC TOOLS FOR TRACKING REVENUE AND EXPENSES

- i. A business bank account
- ii. Cheques and cheque stubs records
- iii. Journal
- iv. Ledger
- v. Sales summaries
- vi. Chart of accounts

## Recording Accounting Information

i. Select accounting data from their respective source documents.

ii. Record information in the **Journal** or books of original, or your **One Book** if you are using the One-Book Accounting System.

These books contain three important details:

- The date of the transaction
- The accounts affected by the transactions
- The amount of the transaction

Each journal contains **Ledgers**. Ledgers are divided into a left-hand or *Debt Side* and a right-hand or *Credit Side*.

## TYPES OF JOURNALS

i. **General Journal**: This is the main journal used to record transactions.

ii. **Subsidiary Journals**: These record one type of transaction. Types of Subsidiary Journals are:

- (a) Sales Journal
- (b) Purchase Journal
- (c) Cash Book

## POSTING TRANSACTIONS

- First post transactions in the journal.
- Then post transaction to various ledger accounts.

## SOME TERMS YOU SHOULD KNOW

**Accounts Payable**: Money which the business owes.

**Accounts Receivable**: Money which is owed to the business.

**Asset**: A tangible or intangible item that has value.

**Balance Sheet**: A summary of what the business owes, owns and its net worth.

**Cash Flows**: The actual movement of cash within a business.

**Capital**: Money, buildings, land and equipment used for the business.

**Financial Statement**: Summary of a business financial performance for a period of time.

**Gross Profit**: Revenue minus the cost of goods sold.

**Income Statement**: Reveals sales, expenses and profit or loss.