

The Role And Benefits Of Accountancy

When you hear the word accountancy, it makes you wonder what accountancy really means. Many people come to a quick conclusion that accountancy is just a word or term to go with accounting. Many people do not realize however, that accountancy is the life of any thriving business and is a necessity within any establishment. Once you understand what accountancy is, then you will realize how important of a role it plays in how we run and operate our business finances. We will go over some of the basic aspects of accountancy.

The core of accountancy is maintaining extremely accurate records of any and all aspects of a business and how it earns and spends money. You must maintain multiple types of records to account for every aspect of your business, which is why accountancy can become a very complicated process but is necessary. Different parts of these separate records are your accounts receivable and payable, your current inventory, all of your sales orders for your current tax period as well as an accurate database of your past sales records and your purchase orders. You must also maintain a accurate account of your bank statements and a backup record to cross reference all of your records to make sure they are accurate and up to date. This is only one part of accountancy.

There is another aspect of accountancy which involves knowing what to list each transaction as. Now in accountancy you need to be able to define what are your assets, knowing how to identify your liabilities, being able to show your expenses as well as you positive income. In order to do this properly, you must know how to define these different terms and what they do and do not apply to. This can make what some would view a simple task of maintaining proper records even more complicated.

These two parts of accountancy are extremely important, not only for tax purposes, but also for banking reasons as well as audits that can arise form businesses that you interact with. Accountancy also provides several benefits to businesses that use accountancy properly.

The biggest and most obvious benefit of accountancy is being able to pay your taxes accurately and on time. However, this is a small benefit compared to other vital benefits that accountancy brings. Accountancy can help you keep a accurate spending balance for your bank accounts, as well as give detailed reports of of all of your expenses and cash flow which is necessary for audits. One benefit that you can gain from accountancy, is maintaining accurate expenses and being able to reflect that in your products prices. If you do not accurately maintain records of your costs, then you could accidentally under price your products and actually lose money. Accountancy will give you a

detailed projection of your costs and accurately show you your profit margin that you can compare with your labor and other expenses.

Many businesses suffer financially because they do not keep accurate records for every aspect of their business, which is why accountancy plays a very strong and important role in a business. Without accountancy, a business would suffer and eventually fail as it would have no records or projections to help it progress.