



OVERVIEW OF ACCOUNTING AND ACCOUNTANTS

Accounting is a very important part of a business. As an entrepreneur, you either do it yourself or get someone else to do it for you. I have included this article for freelancers to have a very broad outline of the accounting profession. With this you can at least appreciate the discipline as well as its role in your business. As your business grows, the distinctions between the different types of accounting will become increasingly important.

When you are first starting, the only form of accounting you'll ever meet would probably be record-keeping and bookkeeping. This is the part where you record the sales you've received and the expenses you have made using receipts, invoices, cheques and other transactions source documents.

Firstly, what is accounting?

For most people, accounting does not concern them because they think of it as a laborious activity performed by people who are 'good with numbers'. Accounting is often confused with the narrow concepts of record-keeping and bookkeeping.

Accounting of course is much broader than that. "Accounting is the system that measures business activities, processes that information into reports and communicates these findings to decision-makers". The accounting system produces financial statements that report on an individual's or an organization's business in monetary amounts.

Who Uses Accounting Information?

1. Individuals, 2. Businesses, 3. Investors and Creditors, 4. Government Agencies, 5. Taxing Authorities, 6. Non-Profit Organizations and 7. Other Users including employees, consumer groups, labour unions and the general public.

The Types of Accountants and The Specialized Services Performed By Them:

1. Private accountants - These work for single organizations. They may perform cost accounting, budgeting, information systems design, internal auditing, financial accounting and management accounting;

2. Public accountants - These serve the general public. They may perform specialized services such as auditing, tax accounting and management consulting.

For small business owners, the areas that would occupy most of your time is financial and management accounting. Financial accounting provides information to people outside the business including creditors and the government for tax purposes. Management accounting generates information for you, the person who manages the operations of the business. This will produce how much you are spending on manufacturing your products or providing your services in a way that you can see where you are lacking and where you are doing well on.

This article was written for OrangesAndLime.com, to help creative individuals — artists, musicians, designers, illustrators and entertainers — build their own freelance businesses. Please note that this article serves as a guideline only. You should still seek professional advice regarding the matter because laws and practices change over time and they differ from country to country.

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