WHY ACCOUNTING IS IMPORTANT

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OVERVIEW

Key Topics:
• What is accounting?
• Necessary for company growth
• Helps evaluate the performance of a business
• Communicates results
• Legal requirements
WHAT IS ACCOUNTING?

• Accounting can be defined as the process of recording financial transactions pertaining to a business

• Modern accounting as a profession has been around since the early 19th century

• Is a key function of any business
NECESSARY FOR COMPANY GROWTH

- Helps management make decisions
- A company can see all the aspects of a business, like which products sell the best or if there is any overhead cost that needs to be addressed
- Keeps the business organized
- Necessary to collect and make payments
EVALUATES THE PERFORMANCE OF A BUSINESS

In accounting, you make income statements and balance sheets which show a company’s:

- Revenue
- Expenses
- Net income
- Assets
- Liabilities

These are all very important to know when running a business and evaluating how the company is performing.
COMMUNICATES RESULTS

• Current and potential investors can easily see the finances of a company
• Public companies are required to issue financial statements in compliance with GAAP or IFRS
• Helps show past performance, current value, and future potential of a company
LEGAL REQUIREMENTS

- Proper accounting helps businesses with accurate reporting of financial statements.
- In the United States, the Internal Revenue Service (IRS), uses standardized accounting financial statements to assess a company’s declared gross revenue and net income.
- The accounting system helps make sure that the financial statements of a company are accurate and legal.
THANK YOU FOR WATCHING!

If you have any questions, please feel free to reach out!
WORKS CITED

