

# 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 19<sup>th</sup> 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

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