

History of double entry bookkeeping

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Born around 1445, Bartolomes Pacioli the Franciscan friar while helping his friend calculate the bronze amount needed for a statue discovered the art of double entry bookkeeping. He is not originally the inventor of the system but he indeed became the first author to publish a feature on the system. This effective system passes a direct message to the owners, users, shareholders, reviewers and many more dependants on the financial information.

This system is identified through owning two accounts with each having two columns for debit and credit side. For every action there is a donor and the receiver, thus both parties must be mentioned and acknowledged (Sanella, 2010). After all, they are the main concern for the action taking place.

Mechanical process of double entry bookkeeping

The T accounts as the name suggests, take the form of capital letter T. They show how the transaction has been recorded in a more understandable way. The left hand side is taken by debit entries while the right hand side is a response to credit effects. Debiting involves entering the amount of the item left column and if it an asset it will increase but it will decrease capital and liabilities (Knutson et al, 2005).

Crediting will be done on the right column and its consequences include; reducing an asset, increasing a liability and increasing the capital. The assets represent the resources the company owns and their capability can be measured using them. While the liabilities are what amount they owe to their suppliers, creditors and it reduces their value if the company is to be sold.

This process starts when a transaction kicks off. A business in buying stock reduces their cash but increases their stock, therefore the keeper needs to

credit the cash account and debit the stock account with the amount used. If they bought a motor vehicle on credit, their assets and liabilities increases and is recorded as; debit the motor vehicle account, credit the creditors account. When they sell stock, it reduces and cash increases so kept as; debit the cash and credit the stock. To reduce the creditors of motor vehicle after they pay their debt, debit them and credit the cash account to show it has been decreased.

When the financial period ends, the T accounts have to be closed off by balancing them. The assets depreciate and others disposed so should be identified and kept. The balance in assets and liabilities would be forwarded to trial balance to counter try they in deed represent the entire truth of the finances.

Fundamental rules and accounting concepts

An individual having a great thought and a belief about something will instill measures and guides on it, so he can maximize it. Accounting all over the world represents one message of finance and therefore requires guidelines so it can not be out of order (Beauchamp, 2001).

A human being is a natural person while a business is a man made institution representing people resources. Once the business is set, it loses attachments to the owner personal accounts, and becomes independent (Wood's & Sangster, 2008). The business also stop depending on the owners personal resources, it should be run using its own materials.

The recorder of information should be honest and sincere in his endeavors. His actions are represented in the concept that the finances of the company he is calculating have to be honest and none misleading.

The accounting twin summarizing all the business assets, liabilities and capital have to be respected. The entire resources initiated to the business added with the property helping run the business but not owned by them should equal the total business value and capability through its assets.

At a particular time, the business owners and management have to evaluate its performance. Therefore a specific period is set for calculating and summarizing the financial resources in a statement for analyzing.

Money is the standard form of exchange internationally. A product's quality and value and if it is to be exchanged it should be in money form, so states the concept. Likewise, the currency will have a rate of interchange because they are different. With the inflation, stability of economy and politics around the world, the money decrease in strength.

Every case requires sufficient evidence for it to be decided upon, same with accounts. An initial document has to have been issued or received for a complete offer. An invoice is issued for sales made and thus should be kept neatly for easy retrieve of the amount records and back up evidence (Wood's & Sangster, 2008).

The valuing of items depends on the time they had been bought and its conditions at the time of valuing it. Furthermore, assets can either be touched or intangible giving them different methods of evaluating them. For instance assets depreciate and would not be equal to the amount it was first

bought with when it was new. Its depreciation methods, percentages all have to be considered before arriving at its net amount. A company needs to be steady and consistent on what methods it applies.

A profit generated should first be received in money form for it to be counted as a profit but the losses deserve a careful informative view (Sanella, 2010). They need to be merged into the business even before they occur. Same with the prepaid and accruals, if they affect the returns of that moment of reporting, then should be included.

Control accounts

The purchases and sales ledger recording individual daily transactions for neat presentation, easy study and reduction in paper work all have to be summed up and their total amount taken to a control account. It keeps off to many details but ensures that the correct balances are taken for financial statement preparations (Knutson et al, 2005). It gives direct information on the remaining amount from the entries inserted into it.

Control accounts need to balance and reconcile to sub ledgers

Information in the control accounts originated from the sub ledgers and with correct lifting and postings they are destined to balance (Knutson, et al, 2005). Because of a slight error like addition mistakes, error of omission or interchanging of values while recording it will lead it not to balance. They represent the debtors and creditors using the sales and purchases respectively therefore, the real amount must be know so one can know what they owed by or owe to customers.

Without them balancing, then definitely the trial balance, balance sheet and all the financial statements will have wrong information (Beauchamp, 2001). This will not represent the true, open and a fair full disclosure required as a concept.

Manual and computerized book keeping

Manual work is a skill of the hand while computerized job represents the data put in a computer for it to control and manipulate and the give out information. Manual keeping is tiring, strenuous and hard to keep track but computerized is easy to track errors, neat, fast, accurate and aids in decision making as it predicts data input in it. The computer will do all the calculations concerning figures input in it but on the other hand one needs to get a calculator or even scribble them down even with large numbers.

Advantages and disadvantages of accounting packages

For a small company, the QuickBooks package suite it because of its availability at globe market level. They are fast, accurate, non expensive, efficient, cost savers, and easy for first time users to learn. They are time savers. They also can help in future planning of the business finances, by preparing budgets and helping in interpreting them. On the other hand the information can be pirated, destroyed with a virus or the staff refuses to adapt to the change of the system.

Conclusions and recommendations

The business environment is fast growing entity and all aspects improving its growth have to be changed to incorporate their pace. Accepting a positive change is very difficult but it holds future rewards that satisfy the clients and

the owners themselves. They do make work easier to handle thus smooth operations will be maximized and exercised. Looking at the above advantages it is encourage that they install QuickBooks software.

Process of reconciliation

It is done when accounts do not balance after being recorded. Every step of recording a transaction is revisited again and where there is a difference it is recorded as an adjusting entry. Errors have to be identified and corrected direct from the source documents.

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