

Essay on calender year, account ing period and fisical year

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Introduction

Businesses need an accounting period for keeping financial records and for reporting their incomes. These periods can be broken down as either calendar year, accounting period or a fiscal year.

Calendar year

Calendar year as used in accounting refers to the twelve months in an year that begin January 1st and ends on 31st December (Finney & Miller 1958).

This is the mostly used type of accounting year. Internal revenue service recommends usage of calendar year for those who keep no records or books or do not have a selected a particular accounting year.

Accounting period

Accounting period refers to the period for within which the financial statements of an entity are prepared. It could be the twelve months of the year beginning January 1 to December 31st. It could also be July 1st to end of June whichever period a company adopts that suits them provided it is twelve months (Finney & Miller 1958). The International Financial Reporting standards allows a 52 week period as an accounting period. Accounting period serves as the base for analyzing and reporting an entity's financial performance. Accounting periods uniformity provides room for comparative analysis among different entities.

Fiscal year

Fiscal year refers to a period of twelve months during which a business entity reports its business activities in its annual financial statements. Fiscal period

does not necessarily have to correspond to the calendar year. Fiscal year normally corresponds to an entity's natural cycle that is, period within which they do their operations (Finney & Miller 1958). Fiscal years are normally defined by the date on which they end. For instance an entity's annual income statement could be described as ' for the year ended October 31, 2014'.

Conclusion

Depending on an entity convenience or the laws in a given country, an entity can adopt any of the three methods to disclose their financial records.

Bibliography

FINNEY, H. A., & MILLER, H. E. (1958). Principles of accounting. Englewood Cliffs, N. J., Prentice-Hall. <http://books.google.com/books?id=5UYPAQAAMAAJ>.