

# Accounting in business

Finance



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Pros and Cons of the Double Entry System (Affiliation) The double entry system has various advantages, in that it is efficient for the preparation of financial statements. It allows the recording of transactions in a journal that allow the preparation of the trial balance. Double entry also aids in the preparation of the statement of financial position to analyze the performance of a company at the end of a given accounting period (Kieso & Weygandt, 2012). The system also leads to the provision of check and balances for the prevention of misappropriations and frauds due to the recording of complete information. The double entry system also aids in the conduction of Analytical Review Procedures. This is because it facilitates the comparison of financial results from period to period.

However, the double entry system also has its limitations. To begin with, the system is hard to understand due to its complexity. It is also time consuming, because there needs to be the recording of entries in their respective accounts twice. The system is also expensive to maintain. This could occur, especially to companies that have numerous transactions at any given moment. Such companies need to employ more people to maintain the accounting system. In addition, due to the complexity, the maintenance of the books of accounts could become costly. Finally, the system is could be erroneous. For instance, if the system misses to record a particular account, an error of omission occurs (Kieso & Weygandt, 2012). Such an error is not easily detectable, as it does not affect the financial position of an entity because the trial balance still tallies.

#### Reference

Kieso, D., & Weygandt, J. (2012). *Intermediate accounting* (10th ed.). New York: Wiley.

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