AIMS OF A BUSINESS

The aim of any business, whether large or small, is to be successful. To achieve this, it is imperative that it practices sound management techniques:

- Employs competent and skilled staff
- Purchases goods/services competitively
- Sell goods/services competitively
- Manages the finances of the business
- Makes a profit

The owners of the business will have invested their own money into the venture with the intention of making profits and having a sustainable and successful business. The money they have invested, in accountancy terms, is called capital and this is used to provide funds to enable the business to start trading. To ensure that the capital is not put as risk, a good financial control system is vital.

Example 1.1: Joe has recently had the opportunity to hire a small woodworking business which previously made fencing panels and posts. He always wanted to have his own business so decides to go ahead and rent the workshop, purchases timber and starts trading on 1 March. The timber cost $15,000, and after machining it he was able to sell the resulting fencing for $22,000.

During the first three months of trading his expense amounted to $2,500. Joe's sales are as follows:

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Sale of goods	22,000
Less Cost of timber	(15,000)
Profit (before expenses)	7,000
Less Expenses	(2,500)
Profit (after expenses)	4,500

Looking at the above example, you can see that Joe purchased his timber at the right price to enable him to make a profit, before his expenses, of $7,000. After paying his expenses amounting to $2,500 for his first three months of trading, he is left with a profit of $4,500.

Managing the finances of any business is the difference between success and failure as can be seen in Exhibit 1.1. However, it must also be noted that all businesses that provide goods or services must have a market in which to sell their products. Having available good financial information enables management with planning, budgeting and making financial decisions to achieve success.

What Is Book-Keeping?

Book-keeping is the process of recording business **transactions** and managing such records in the books of **accounts** or by using a computerized software accounting **package**. In other words, it simply means 'keeping the books of account.' It is the first stage in the accounting process. Some computerized **software accounting packages** are Excel, Peachtree (Sage 50) QuickBooks and Sage.

Accuracy in the recording process is crucial at the book-keeping stage. Any errors that occur may be difficult to find at a later stage and can have a significant effect on the financial statement if not detected and corrected. Therefore, it is important to take care when entering daily initially to ensure complete accuracy.

What Is Accounting?

Once the book-keeper has entered all the information in the accounting system, the information is made available to the accountant. The accountant will then present this information of the financial statements, that is, the trading and profit and loss account (income statement) and statement of financial position (balance sheet), to the owner(s) and manger(s) of the business. These reports are then used to aid the financial control and management of a business. This involves analysis and interpretation of the financial statements, forecasting and budgeting.

The financial reports and statements produced by this process are used by the owners and managers to monitor the continuing viability of the business.