Journal of
Business & Financial Affairs

Iqbal, J Bus Fin Aff 2016, 5:2
DOI: 10.4172/2167-0234.1000184

Book Review Open Access

Book Review 'Preparation of Financial Records Small and Medium Businesses'

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The main problem faced by many entrepreneurs is the lack of knowledge about the financial records of the business. This book aims to cover gaps in knowledge among entrepreneurs about financial record keeping in business. This book aims to help small and medium industry entrepreneurs establish a system of financial records organized and efficient in the business. By a system of record that updates will ensure business money handled properly. This book presents the theory and practice of financial record keeping methods that are simple and effective. This book is suitable for use not only by entrepreneurs but also for individuals who want to gain knowledge about basic accounting.

Book keeping is the process of recording business transactions that have the money appropriately and systematically in business books based double entry system. Bookkeeping is the first process in accounting. Accounting has a wider scope than bookkeeping. Accounting involves the preparation of financial information about the business to help traders make a comparison of business activities as well as decision making, planning and control.

Every business that established has specific objectives. However, all businesses have the main objective of which is to gain and improve the return on investments made in the business. To this end, business organizations need to generate business revenue to increase business profits. Business profits derived after taking into account the expenses incurred in the business. Therefore, to understand the meaning and the difference between revenue, expenses, assets, liabilities and owner's equity is essential to enable us to calculate the profitability of the business.

Accounting cycle explains that the record business started from source documents. Information from documents transferred to the journal entry and ledger before the income statement and balance sheet. Therefore, the core business is to record the source documents to ensure that each transaction is recorded properly. Journal also known as first entry book and this book is the first book to be used for recording business transactions with complete before recorded in the accounts ledger. Because there are a lot of ledger accounts to be provided in a business, the record may be difficult for business. When a business is growing, the more ledger accounts to be recorded. To overcome this problem it is appropriate that the entry in the accounts ledgers were not made every day. Therefore the journal is provided to facilitate the entry of transactions conducted daily. Transfers from the journal to the ledger accounts are usually created at the end of each month.

Note ledger is a record of the third stage in the accounting cycle. Ledger is a set of accounts is used to record all transactions that occur in the business. Although first entry books were sufficient to record the transaction, it is more effective if the accounts ledgers provided as well. With the ledger accounts, all transactions can be classified into several categories to facilitate the preparation of financial statements. Matching between revenue and expenditure is one of the important basic concepts in accounting. Due to the accounting records prepared and maintained in accordance with the financial year, the results obtained should be matched with the expenses involved in obtaining these results. The aim is to calculate actual profit and loss for the financial year. Thus for the preparation of financial statements for a financial year, some adjustments must be made in advance to account balances in the trial balance.

Trading and Profit and Loss Account shows the total revenue and expenditure for one company for a financial year. This account is divided into two main parts, namely the gross profit calculation and the calculation of net profit. Part gross profit calculation known as Trading account while calculating the net profit known as Profit and Loss Account. Trading and Profit and Loss Accounts prepared after all ledger account balances are listed in the Trial Balance. Some ledger accounts has to get adjustments at the end of the financial year. It aims to get the actual profit or loss in the Profit and Loss Account and Trade and the correct amount of the accounts of assets, liabilities and capital in the balance sheet. After making adjustments, the accounts of revenue and expenditure needs to be closed and moved to Trading and Profit and Loss Account.

For manufacturers, the addition of the statements required to calculate the cost of goods processed or manufactured, known as Statement Refinery. Knowing precisely the balance of cash business at all times is important. This is to ensure that the business always has enough cash to finance daily needs such as purchase of raw materials, salaries and wages, pay rent and other expenses. In addition, businesses also need to have cash balances in excess of a predetermined minimum balance so that businesses do not suffer from a lack of cash in the event of payment for expenses unforeseen. Typically, excess cash may be invested for the benefit of the investment. If business suffers from a lack of cash, immediate steps should be taken to cover the shortfall as applying for loans, credit facilities and so forth.

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Received March 22, 2016; **Accepted** April 13, 2016; **Published** April 23, 2016

Citation: Iqbal U (2016) Book Review 'Preparation of Financial Records Small and Medium Businesses'. J Bus Fin Aff 5: 184. doi:10.4172/2167-0234.1000184