

Importance of Bookkeeping

Proper bookkeeping gives companies a reliable measure of their performance. It also provides information on general strategic decisions and a benchmark for its revenue and income goals. In short, once a business is up and running, spending extra time and money on maintaining proper records is critical.

Many small companies don't actually hire full-time accountants to work for them because of the cost. Instead, small companies generally hire a bookkeeper or outsource the job to a professional firm. One important thing to note here is that many people who intend to start a new business sometimes overlook the importance of matters such as keeping records of every penny spent.

What is Bookkeeping?

Bookkeeping involves the recording, on a daily basis, of a company's **financial transactions**. With proper bookkeeping, companies are able to track all information on its books to make key operating, investing, and financing decisions.

Bookkeepers are individuals who manage all financial data for companies. Without bookkeepers, companies would not be aware of their current financial position, as well as the transactions that occur within the company.

Accurate bookkeeping is also crucial to external users, which includes investors, financial institutions, or the government – people or organizations that need access to reliable information to make better **investments** or lending decisions. Simply put, the entire economy relies on accurate and reliable bookkeeping for both internal and external users.