**Generally Accepted Accounting Procedures**

*by Osmond Vitez, Demand Media*

Accounting is the measuring stick business owners use to gauge their company&amp;rsquo;s performance. Business owners use accounting to record, report and analyze various pieces of financial or business information. Several common procedures exist in the accounting system. Smaller or home-based businesses may not use each procedure since they often have less financial information. Larger business organizations usually have several employees to handle the accounting function.

**Identify Transactions**

Accounting helps business owners identify transactions. Each business transaction produces information relating to goods or services sold during business operations. Business owners must properly identify each transaction so they can handle it according to proper accounting principles.

**Analyze Transactions**

Analyzing transactions allows business owners decide how the financial transaction is recorded. Amount, financial accounts and transaction date are a few pieces of information to analyze before recording the transaction. Business owners can also analyze transactions to ensure employees follow standard operating procedures.

**Journal Entries**

Journal entries are the most common way business owner&amp;rsquo;s record financial transactions into their accounting books. Business owners often use journal entries to record information into one or several accounting ledgers or journals. Small businesses using accounting software can often program automatic journal entries to save the business owner time during the accounting procedure.

**General Ledger**

The general ledger includes the hold of the small business&amp;rsquo; accounting information. Subsidiary ledgers, such as accounts payable or receivable, as well as journals, financial accounts and other information can be included in the company&amp;rsquo;s general ledger. Companies often use the general ledger to create financial statements for their business operations.

**Trial Balance**

The trial balance is the first step in reviewing and closing the company&amp;rsquo;s accounting period. The trial balance lists the total from each account in the company&amp;rsquo;s general ledger. Business owners can review this information to ensure it is accurate and valid.

**Adjusting/Closing Entries**

Adjusting entries usually occur during the company&amp;rsquo;s accounting period closing process. Business owners will create entries to correct any general ledger or trial balance errors. Adjusting entries may also be required if the business owner must estimate certain expenses because a bill has not been recorded for the accounting period. Business owners will also post closing entries, which represent the final information for the accounting period.

**Adjusted Trial Balance**

An adjusted trial balance is run once all adjusting entries for the accounting period are posted into the company&amp;rsquo;s general ledger. Business owners review the adjusted trial balance before creating financial statements because the trial balance can be easier to read and make adjustments if necessary. Larger organizations may require business owners or accounting managers to approve the trial balance before creating financial statements.

**Financial Statements**

Financial statements represent the final accounting reports for accounting period. Business owners use information to review the profit or economic wealth generated by their company. Financial statements can also provide business owners with documents for obtaining external financing or other necessary economic resources for business.

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**About the Author**

Osmond Vitez started writing new media content in 2009. His articles have appeared on websites such as Think+Up and Houston's Chron.com. He is an adjunct accounting instructor and former corporate accountant, with experience ranging from small business to a Fortune 500 company. Vitez has two accounting degrees: a Bachelor of Science from Pensacola Christian College and a Master of Science from Liberty University