M2D1

1. Explain the importance of recording transactions in the books of account.

Transactions must be recorded in order to keep records for reasonable consideration of business viability as well as tax reporting. (Harrison, Horngren & Thomas, 2013) Whether a sole proprietorship or multinational corporation, a business must be able to demonstrate its ability to produce desired outcomes – usually profits or some semblance of self-sufficiency financially.

1. Discuss whether entering a transaction in a journal and posting it again in the ledger involves unnecessary duplication of work.

Transactions in journals and ledgers are different animals, and therefore not redundant. As demonstrated in the course text (Harrison, Horngren, & Thomas, 2013), journals are the intimate detailed accountings of each business’ transactions, and the ledger is a collection of totals from a potential variety of journals. Even if there is only one business, the journal remains a level of detail important to the proprietor or manager, but not reportable as a requirement for tax or regulatory purposes. The ledger is the totals, arranged to facilitate simple tax and regulatory reporting.

Harrison, W., Horngren, C., & Thomas, C. (2013). *Financial accounting*. (9th ed.). Pearson Education, Inc.