

Introduction

What is accounting? Who needs it? How does it benefit businesses?

This book answers those questions for the non-accountant. Accounting provides information that helps people in business increase their chances of making decisions that will benefit their companies. Accounting is the language of business, and like other languages, it has its own terms and rules. Understanding this language and learning to interpret it is your first step to becoming successful in your own business and in your personal financial life as well.

In your personal life you can use accounting information to make decisions about investing in the stock market, applying for a loan, and evaluating potential jobs. Banks use accounting information to make decisions about granting loans. Government agencies base their regulations on accounting information. Accounting information can even be useful to non-business entities with an interest in how businesses affect local, national, or foreign communities and community members. Businesses use accounting information for planning and budgeting and for making decisions about borrowing and investing. Overall, accounting aids businesses in the process of making better decisions.

The basics of accounting are the same regardless of the size or type of business. In *Accounting for Non-Accountants*, you will learn the basics of accounting through the examination of an imaginary small business, Solana Beach Bicycle Company. For more complex businesses, the economic transactions become more varied and complex, as does the process of reporting them to various users. The foundation of it all, however, remains the same. This book will give you a solid foundation you will be able to use in any accounting situation you encounter.

Whether you own a business or do not, even if you've never had any experience with accounting and financial statements, this is the book for you. Several changes have been made to create this third edition.

Chapter 2, Generally Accepted Accounting Principles, has been expanded to include a comparison of U.S. standards to those of the International Accounting Standards Board and a discussion of these differences. In chapter 5, the entire approach to the Statement of Cash Flows has been changed to make it more understandable to non-accountants. Many changes have been made to chapter 11, Audits and Auditors, to include more information on the Sarbanes-Oxley Act, which puts more responsibility on the management of companies as well as the auditors to better report areas of potential fraud and weaknesses in internal control. A new chapter has been added (chapter 12) to discuss fraud and ethics and how ignoring these issues can be the downfall of a small business. The appendix on websites to help accountants and non-accountants has been expanded, and a new appendix has been added with useful questions and answers for you to use as a reference after reading the book.

One of the biggest and most exciting changes in this third edition is reader access to two new websites that offer a wealth of accounting resources for the non-accountant. Free online tests and practice problems not found in the book are available exclusively to *Accounting for Non-Accountants* readers at www.sourcebooks.com/accountingquizzes.

At www.LearnAcctgOnline.com, you can chat about questions you have concerning accounting and small business, and you can participate in a blog on important accounting topics. You will also be able to learn more about the study guide that accompanies this book, which includes practical questions and answers on topics covered throughout the second edition. I hope that you find this book useful in helping you understand these accounting issues as they apply to your small business and to your personal life. Please feel free to contact me at AskDrL@learnacctgonline.com with your thoughts on the book or on the other materials, or questions about accounting in general.