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Business 1050

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REFLECTION 2: Luca Pacioli's Bookkeeping excerpt

I found this reading to be extremely interesting because this is also the same semester that I began my first two accounting classes. The reading begins with Pacioli describing a system that business can use to keep good control over their books. First he describes what the requirements of business are. There are three things, the first is to have capital (like cash or its equivalents, but most important is cash), second a good book keeper, and third a systematic way to arrange your transactions. With this said he goes into the four main elements of good record keeping. The first is inventory of current and long term assets. He says to list the most liquid assets first. The second is the recording of transactions in the Memorandum Book. This book keeps a chronological record of your transactions. He says to not list your inventory in this book though because it is not wise to let others see what you have. Third is the Journal, which is the company's private book. This is the book that you use a debit or credit to record each item. Within the Journal one must enter each entry in neat and tidy detail. Meaning not too many and not too few of words. The fourth is the Ledger. The debits and credits in the Ledger must be equal and the accounts should be listed in alphabetical order. He emphasizes more than once that you must be clear with your bookkeeping, and that people should be able to understand your books "at a glance". Pacioli also relates a good merchant to a rooster, because a rooster is most alert. "[Always] keeps his night vigils and never rests."

When I started my first accounting course in May, I thought that the process of accounting was absolutely odd. Now that I have had a few months to finish my first class and am over halfway finished with my second class I realize that it actually is a genius method. Once you learn the steps in the accounting cycle everything else has to follow the pattern. So essentially you don't learn anything new per se, but just how the different types of accounts and expenses fit in the accounting cycle. The fact that Pacioli came up with the cycle in the 15th century and that we are still using it says a lot about him. I also no longer think the accounting cycle is silly, tedious, but not silly.