(Mr. Tenkey #544)

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Dear Management: Because ALL accounting is important. YES, REALLY!

Let's chat a little about the matching principle... which I briefly brushed upon in yesterday's post.

It came up in the line "BEFORE you have allocated all of the proper expenses,"

And this IS important, as you must properly match income to the expenses that created that income... to properly see what you end up with.

So, welcome to Matching Principle 101!

That principle, being the foundational base in the building blocks of accounting.

It requires "matching" proper income to the corresponding expense(s) that generated that income.

It also places importance on the matching of those same income and expense items, to the period(s) in which the benefits/usage will or have occurred.

Why is this important?

Because, financial statements are KING! (or QUEEN!) in making business decisions... and the story they tell, must be as unbiased and consistent... as it can be.

Anything else turns nonfictional financial statements, into a fictional work of the presenter's hopes and dreams.

My couple pennies.

(More blogs/Find my book @ www.mrtenkey.com)