Individuals have needs and wants which are met through the provision of goods and services. Financial transactions occur, mainly buying and selling goods/services but also the business buying/selling assets, taking out/paying back loans etc.

Financial Documents arise from these transactions (receipts, invoices, loan agreements etc.).

Transactions are recorded using Bookkeeping – Debits and Credits.

A trial balance is prepared at the end of the period showing the Debit or Credit balance on each account.

The trial balance is used to prepare financial statements:
1. Income Statement
2. Statement of Financial Position

Accounts are to be sent to HMRC. Accounts can also be used as the basis for Ratio Analysis.