Managely – Accounting basis

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There are different methods used to determine when and how financial transactions are recognized and reported in financial statements. Find out which of the following methods is used by Managely.

The basis of accounting is the method used to determine when and how financial transactions are recognized and reported in financial statements. The two main bases of accounting are cash and accrual, but there is also a modified cash basis that combines aspects of both:

- Cash basis: Records income and expenses when cash is received or paid out, regardless of when the transaction actually occurred.
- Accrual basis: Records income when it's earned and expenses when they're incurred, regardless of when the cash transaction happens.
- Modified cash basis: Records income when it's earned, but expenses when they're paid out.

The basis of accounting used for financial reporting may not be the same as the basis used for budgeting. This is often because the regulations governing budgeting differ from those governing financial reporting.

Cash basis accounting can be misleading and make it difficult to accurately assess a business's health and growth. For example, if a business experiences a decline in sales but many clients pay their invoices during that period, cash basis accounting can show an influx of cash. This can make it difficult to do comparative analysis to project future earnings and identify trends

Managely uses the accrual basis model.

*Note: Managely provides a couple reports used mainly in the cash basis model, such as:

1. Cash Based Sales Report
2. Cash Sales Tax Report