



## Bookkeeping Basics

### The Accounting Period

The IRS requires that you select an accounting period for tracking and reporting your business profit and loss. You have two options: The Calendar Year Accounting Period or The Fiscal Year Accounting period

#### **1. The Calendar Year Accounting Period:**

The duration of a calendar year starts on January 1 and ends on December 31. If you select this accounting period it means you will track and report your income and expenses from January 1 to December 31.

This is the most commonly used accounting period, because it aligns with the standard calendar year.

#### **2. Fiscal Year:**

The duration of a fiscal year accounting period is any 12-month period ending on the last day of any month except December. Some businesses choose a fiscal year that aligns better with their business cycles.

You may need IRS approval since the IRS allows only certain taxpayers to use a fiscal year as their accounting period, if their business meets specific criteria.

Consult the IRS or an Accountant for more information on this type of accounting period.

Choosing the right accounting method and period is crucial for accurate financial reporting and tax compliance.

Accounting periods and methods are not easily changed once you select and use them and may require permissions from the IRS to change it.