

3.1: Introduction

Since the first shepherd counted their sheep, there has been accounting.

In financial planning, assessing the current situation, or figuring out where you are at present, is crucial to determining any sort of financial plan. This assessment becomes the point of departure for any strategy. It becomes the mark from which any progress is measured, the principal from which any return is calculated. It can determine the practical or realistic goals to have and the strategies to achieve them.

Understanding the current situation is not just a matter of measuring it, but also of putting it in perspective and in context, relative to your own past performance and future goals, and relative to the realities in the economic world around you. Tools for understanding your current situation are your accounting and financial statements.

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