

### 3.1: Introduction

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Man is the measure of all things; of that which is, that it is; of that which is not, that it is not.

Protagoras (ca. 490–421 BC), in Plato's *Protagoras*

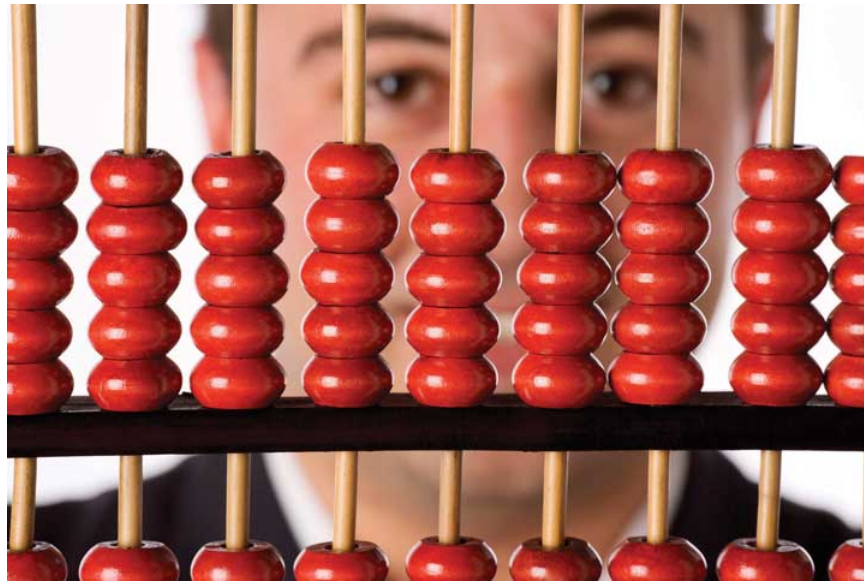


Figure 3.1. © 2010 Jupiterimages Corporation

Man is also the measurer of all things. Measuring by counting, by adding it all up, by taking stock, is probably as old as any human activity. In recorded history, there are “accounts” on clay tablets from ancient Sumeria dating from ca. 3,700 BC. Gary Giroux, [acct.tamu.edu/giroux/AncientWorld.html](http://acct.tamu.edu/giroux/AncientWorld.html) (accessed January 19, 2009). Since the first shepherd counted his 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. Eventually, the current situation becomes a time forgotten with the pride of success, or remembered with the regret of failure.

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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