

Finance for the Arts in Canada

1. ACCOUNTING IS NOT MATH!

Arts managers approaching a finance course often seem to do so with trepidation. In fact, many say, by way of introduction, that they were bad at math in school – implying that they expect to be bad at finance and accounting.

SO –

Some good news about studying accounting and finance:

- Accounting and finance have little to do with mathematics. In order to perform most tasks, you just need elementary school arithmetic – addition, subtraction, multiplication and division – and you’ll most likely use a calculator and/or a computer to do the work. Your success will have a lot more to do with whether you’re an organized thinker, and whether you’re comfortable with detail-oriented work.
- The finance function supports the company’s art. Financial reports simply restate the artistic activity in dollars and cents. When you’re capturing the financial aspects of a company’s artistic life, you’re always dealing with information that should be familiar from your knowledge of the art form. The reports and analysis you prepare can be used to support the artistic work by ensuring that resources are available for the company’s projects.
- Every set of books you’ll encounter is organized according to the same principles: Generally Accepted Accounting Principles (GAAP), as stated by the Canadian Institute of Chartered Accountants (CICA). GAAP permits considerable variation in actual practice – but, at bottom, all accounting systems operate in the same way. If you learn from the viewpoint of principle (as opposed to memorizing how any one particular company does it), you will have a deeper level of understanding, and a new set of portable employment skills.
- Taking it one step further: your own personal finances could be organized in the same way. You’re probably already doing at least some of the things you need to do to be a good financial manager – monitoring your revenues, judging your expenses accordingly, taking action to correct any errors in judgment, reviewing reports (such as a bank book or web access to your account). The key difference between your personal financial management and the financial management of a company is the degree of formalization required.
- At the end of the day, it’s often a relief to work on something that balances! Accounting employs built-in mechanisms to test the correctness of your work. When you’re updating your books, you can know, to a reasonable degree of certainty, that you’ve got it right.

And some not-so-good news about studying accounting and finance:

- Accounting is a technical system for organizing information. It's not intuitive – you just have to learn it. Some memorization is involved, until you get to the point of feeling on the “inside” of the system. At the point when you begin to make sense of accounting on its own terms, you become equipped to reason your way through problems, rather than having to employ rote memory.
- Accounting is not math – but it is working with numbers, so, as noted above, basic arithmetic skills are required. If it's been a long time and you're feeling hazy, please take time to refresh your skills. The following arithmetic refresher addresses a number of a number of points that you probably know, or used to know, such as order of operations (BEDMAS), rounding, and working with negative numbers and percentages. With these concepts under your belt, you're equipped for just about anything the management of a small to mid-sized company is likely to throw at you.

Remember, there's a useful distinction between something that's “difficult” and something that's “technical.” Common wisdom says that rocket science and brain surgery are difficult – but basic bookkeeping is merely technical. Grasping the technique is the challenge; once you understand it, practising it is quite straightforward.

I have observed that students who approach accounting and finance with a positive attitude – “I'm not going to turn into a CA, but I will learn something useful!” – invariably gain from the experience. Those who approach each new lesson by telling themselves “It's going to be hard!” seem less able to assimilate new material. Try to tune out that critic in your head and you'll find the learning process easier and more enjoyable.¹

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¹ Mickey Rooney, actor: “You always pass failure on the way to success.”

Dr. Samuel Johnson, writer and lexicographer: “Self confidence is the first requisite to great undertakings.”