

Recordkeeping Principles for Small Business Accounting



The key purpose of small business accounting is to answer the question, “Am I making any money?” In order to get your answer, you need to track your business accounting information. What is your business accounting information? It’s the credits and debits for your business; what are you bringing in (credits) and what are you paying out (debits). These two amounts must always balance with each other. You also need to know what your assets and liabilities are. Assets are the things of value in your company and liabilities are the obligations your company has to another entity or person.

In this day and age, there are many software programs to equip you with the tools to calculate profits and losses for a small business. (NOTE: small business is between 25 to 50 employees. If your company employs more than 50 people, then an enterprise-level accounting system is recommended). Choose an application that is easy to use, yet is robust enough to provide the reporting that you need.

Keep Accurate Records

The most important step to keeping your books is to maintain accurate records. Keep receipts and invoices to help you in this process. Designate a place for all incoming receipts. You can further delineate them to help with inputting them into your software later. Set up consistent habits around recording your entries. Work with your accounting and tax advisors to determine the best accounts and processes for recording transactions.

Organize Records Properly

Define the categories you need when setting up your accounting files. Ask your accountant to determine the extent of detail you need for your business. Common categories include:

- Office Supply Receipts
- Balance Sheet Reports
- Profit/Loss Reports
- Accounts Receivable



- Bank Accounts
- Worker's Compensation
- Professional Dues
- Professional Fees
- Auto Expenses
- Bank Fees
- Contract Labor
- Meals/Entertainment
- Payroll
- Promotional Marketing
- Taxes (Federal/State)
- Accounts Receivable Aging
- Account Payable Aging
- Sales Reports
- Bank Reconciliation
- Income Statement
- Balance Sheet

Do It Monthly

Input your transactions daily or weekly into your accounting software regularly so they don't pile up. Schedule a monthly time to prepare and review the books. You will need to make sure that all your entries are reconciled before printing your reports. Keep monthly reports organized to save time and money when consulting with your accountant or tax advisor.

Running a small business requires you to do many functions. But without accurate accounting, the health of your business is always at risk. Be diligent with your bookkeeping. You may want to plan a fun outing or reward for yourself when you are finished as this is a difficult task for many of us to do.

