

# Twenty Bookkeeping Tips for 2020

## 1. SCHEDULE TIME ON YOUR CALENDAR TO DO YOUR BOOKKEEPING

- a. If you wait too long it becomes a daunting task and often the details of the transactions are forgotten. Getting into a routine that is blocked on your calendar makes this a much easier and more efficient process.

## 2. KEEP PERSONAL FINANCES SEPARATE

- a. Have separate bank account(s) and credit card(s) for your business. This saves a lot of time when doing the bookkeeping tasks rather than sifting through all personal and business transactions and trying to identify what is what.

## 3. CHOOSE YOUR TAX ACCOUNTANT WISELY

- a. Lowest fee isn't always best. Look for someone who not only has experience to find every deduction and tax advantage available, but one who will also get to know your business and teaches you how to get the most out of it. It's also important to find a tax accountant that shares a similar risk tolerance as you. Someone who is very conservative will not feel comfortable with a tax accountant that really pushes the gray areas.

## 4. HIRE A PROFESSIONAL PAYROLL SERVICE

- a. All too often I see business owners take on this responsibility themselves without really understanding all the tax agencies registration process, deposit deadlines and filing deadlines. This leads to errors, penalties and interest expenses that could have been avoided.

## 5. HAVE A GOOD FILING SYSTEM – FOR ELECTRONIC AND PHYSICAL DOCUMENTS

- a. There are many different ways to organize and file documents. Being consistent and keeping up with the filing is the most important part. You should be able to find a supporting document quickly and easily. Scanning documents and filing electronically is a great back up and saves quite a bit of space.

## 6. BACK UP YOUR COMPUTER

- a. I recommend a local and cloud based back up system. The local back up is usually faster to restore, however if you have a natural disaster your local back up could be compromised as well so it's best to also have a cloud based back up as well that can be restored.



## **7. HIRE A RELIABLE BOOKKEEPER**

- a. Most business owners quickly realize that bookkeeping is not what they want to spend their time doing and even if you do enjoy it you may not have time to keep up with it. Know what you want to get out of your financial reports and bookkeeping as not all bookkeepers record details that are essential to properly managing your finances.

## **8. FOCUS ON MANAGERIAL ACCOUNTING**

- a. Many small businesses focus primarily on taxes and compliance and overlook the importance of creating financial reports that provides meaningful data for making informed business decisions. This can easily be done by setting accounting categories that are meaningful to your specific business so it's easy to spot trends, analyze the data and help plan for growth.

## **9. MEAL EXPENSES**

- a. This is a highly scrutinized expense for taxes. In order to document all the details properly, be sure to note on your receipt who you met with and what the business purpose was. The receipt should already have the date, place, amount, but if any of that is missing make a note of that information on the receipt. It must have a business purpose.

## **10. MILEAGE LOG**

- a. Keep track of your mileage properly by notating where you went, the mileage driven, the business purpose and who you met with. You can keep a handwritten log or there are many apps you can use on your phone to track this and then produce a report each month or at year end.

## **11. PROPER INVENTORY MANAGEMENT**

- a. This is often overlooked by small business owners but it's very important to keep good records of inventory. Not only does it help prevent or identify theft but it also provides useful information to business owners on customer buying trends so that they can be more efficient with future inventory orders.
  - i. Depending on your business needs, this can often be accomplished with manual tracking such as excel or within a small business accounting software such as QuickBooks.

## **12. KNOW THE BASICS OF BOOKKEEPING AND YOUR BUSINESS PERFORMANCE**

- a. Even if you hire a bookkeeper to handle the day to day tasks, know your business and what bookkeeping needs to be done and when. Review the reports and look for trends frequently.



### **13. CONSULT WITH YOUR TAX ACCOUNTANT AND BOOKKEEPER**

- a. Often times there are different ways to structure a transaction and by communicating your purchase plans to your expert advisors ahead of time you can structure the transaction to get the best tax advantage.

### **14. USE ELECTRONIC TIME TRACKING**

- a. This can make tracking and reporting employee (and subcontractor) hours for payroll so much easier. It can save time and money during payroll processing and client invoicing. Many applications, such as TSheets, integrate directly into accounting and payroll systems.

### **15. TRACK BARTERING PROPERLY**

- a. The income and expense from a barter should be reported on your financial reports. Since typically cash is not exchanged, set up a “barter clearing” bank account in your accounting software so that you can track client invoices and vendor bills related to barter properly and mark them paid even though no cash is exchanged. The barter account should always net to zero once the barter is 100% satisfied on both sides of the transaction.

### **16. KEEP THESE DOCUMENTS SEPARATE FROM YOUR DAILY TRANSACTIONS**

(these are just a few of the most common – check with your accountant for your specific business needs)

- a. Fixed assets (furniture, equipment, vehicles, etc.)
- b. Insurance
- c. Employee Records

### **17. USE AN ACCOUNTING SOFTWARE**

- a. Be sure to find a software solution suited for your business needs. QuickBooks is a very commonly used software for small businesses and meets the needs of most, but it’s not the best solution for all small businesses.

### **18. RECONCILE YOUR ACCOUNTS**

- a. At a minimum reconcile your bank (including PayPal) and credit card accounts monthly. However, ideally you should check your transactions daily or weekly.

### **19. CORRECT ERRORS RIGHT AWAY**

- a. The longer you let an error remain the harder it is to go back and resolve it. Research and resolve errors immediately to save headaches down the road.

### **20. CREATE A BUDGET**

- a. Budgets shouldn’t be used to tie a business down. Comparing a budget to actuals and then researching/understanding what caused any variances allows business owners to gain a deeper understanding of their business and how to better plan for the future.

