1. Bookkeeping Basics for Small Business Owners - YouTube

<https://www.youtube.com/watch?v=W-ajzzE_upM>

Transcript:

if you're a small business owner and you want to do your own bookkeeping but don't know how this video is for you consider this your bookkeeping 101 crash course here at bench we've done the books for thousands of small businesses bookkeeping may not be the most exciting thing ever but we've got it down to the science in this video we'll teach you what bookkeeping is why bookkeeping really matters and the seven steps to doing your own bookkeeping bookkeeping is defined as the process of tracking all

of your company's financial transactions so you can see exactly where your business is spending money where your revenue is coming from and which tax deductions you'll be able to claim that's a lot of words but why does bookkeeping matter for your small business number one bookkeeping matters because it helps you catch more tax deductions when you record and categorize every transaction in your business you'll be able to see which expenses are tax deductible so that nothing falls through the cracks without

year-round bookkeeping you'll forget about one-off deductions like lunch with a client eight months ago that you could have deducted even with the best of intentions deductions will always all through the cracks at tax time unless you have bookkeeping in place number two bookkeeping matters because it can help you get a business loan if you're applying for a small business loan banks are going to need to see financial statements and I don't just mean the type that you can download from your online banking you're going to need to

have something that shows your expenses and revenue otherwise known as an income statement this is something you're going to be able to get through bookkeeping number three bookkeeping matters because it can help you catch financial mistakes when your bookkeeping you're keeping a close eye on the transactions in your business which means you'll be able to catch things like Bank errors invoicing mistakes like paying somebody twice and sneaky subscription fees for services that you forgot to cancel number four bookkeeping matters because it gives you

a clear picture of where your money is going when you have bookkeeping in place you'll be able to keep track of your expenses so you can budget better you'll also be able to understand your cash flow so you can see what's an expense versus a payment to a loan or a credit card you'll also be able to track how your businesses grow and improving over time and what months are busy and slow this will help you plan for the future don't worry about taking notes everything we're about to say is in our guide bookkeeping basics

for entrepreneurs you'll find the link in the description below now the first step to doing your own bookkeeping is separating your business and personal expenses you'll want to make sure that your business and personal transactions are not intertwined so it's clear to the IRS what your business is earning spending and then what your bottom line net profit is this is especially important for C corporations to have separate bank accounts for business and personal finances see Corpse open themselves up to legal problems when

their finances aren't separate from personal transactions the second step is to choose between single entry or double entry accounting double entry is a system of accounting that tracks where your money comes from and where it's going to essentially you record every transaction twice taking assets from somewhere called a credit and putting it somewhere else called a debit your debits and credits should always equal each other that's how you know that your books are balanced for example say you buy a new laptop for your business and

it costs $1000 you'd subtract $1000 in cash from your credit account and add $1,000 in assets to your debit account you may have lost $1,000 in cash but you gained $1000 in the form of a new asset double entry accounting is kind of like double checking your homework and helps you create financial statements which you'll need to make smart financial decisions so what is a single entry method it's essentially just recording your transactions once as they happen it's less robust but if your business is a simple sole proprietorship with no

inventory and no employees you can probably use the single entry method if your business is any more complex than that your accountant will probably recommend the double entry method the third step is choosing between the cash versus accrual method of accounting on a cash basis you only recognize revenue when you receive it for example when you deposit the check into your account on an accrual basis you recognize revenue when it's earned for example once you complete a project and write the invoice if you're a small business or just

getting started you can probably use the cash method it's easy to switch from cash to accrual if you need to if your business is more complex for example if your business more than five million per year in revenue or if you manage large assets or investments you'll probably need to use the accrual method either way you should talk to your accountant to figure out which method will be best for your business step four is to choose a bookkeeping system your options are to do it manually using something like Excel or just paper or use an accounting

software if you do it in Excel you can use something like our free income statement template for a simple bookkeeping setup all you have to do is enter each transaction as it happens if your bookkeeping means are straightforward this is the easiest cheapest way to go you can download this excel template by clicking the link in the description below if you choose to use accounting software there are a few options for small businesses such as QuickBooks Xero or wait you'll pay a monthly fee for the software which you can use to produce simple financial reports keep in

mind though you may need to have an accountants help to learn how to properly use the software step 5 is to categorize your transactions categories are essentially classifications for your transactions to understand what you're spending on these types of categories can help you understand what your tax deductions are not all transactions are equally tax deductible so you'll want to know what you're spending on office supplies versus what you're spending on meals for example if you buy a box and pens for the office you'll categorize it

as office supplies at the end of the year you'll be able to see the total amount you spent on office supplies and you'll be able to deduct that cost on your taxes step 6 is to organize and store your documents you need to keep records for your bookkeeping but there's a bit more to it than just storing all of your receipts in a shoebox there are two important rules for your record-keeping rule one if the expense is over $75 you should keep a record to prove the expense rule two you should keep every receipt and financial record

for three years as for actually keeping the records we recommend storing them digitally the IRS is totally fine with that and it's an easy away for you you won't need the receipts to actually file your taxes but you will need them if you get audited some tools you can use to keep your records digitally include receipt banks Evernote and shoebox finally the last step is to make it a habit what keeping isn't the most exciting thing but if you do it consistently you'll have smart financial

insight into your business every month of the year and you'll save yourself a lot of time and headaches come tax season at minimum we recommend entering in all your transactions at least once a month block out a recurring time in your calendar and do it somewhere fun like a coffee shop or do something relaxing like putting on netflix while you do the work the more automatic your bookkeeping habit the easier your tax season will be nobody likes a stressful bookkeeping binge now should you do your own

bookkeeping or hire someone else to do it for you doing your own books is free that's the biggest draw but it can be complicated time-consuming and can take you away from running your business if you're interested in doing your own bookkeeping click the link in the description for a free income statement template created by our expert in-house bookkeepers here at bench if you decide to hire someone to do your bookkeeping it helps save you time gives you confidence your books are being done properly and makes tax time a

whole lot easier if you aren't sure who to hire check out bench or the largest bookkeeping service in north america and we'd love to do your books for you and that's it from us here at bench good luck on your entrepreneurial journey and happy bookkeeping