

Title: How to Do Bookkeeping For A Small Business

Bookkeeping is the systematic recording and organizing of all financial transactions; it's the foundation of any firm's accounting system. Accurate and up to date bookkeeping is the backbone of any successful business. It doesn't matter what industry you operate; Bookkeeping will always be vital for all businesses.

Bookkeeping for small businesses is crucial; it provides you with information about your finances. While the thought of Bookkeeping may be a bit overwhelming, you can always take help from professionals.

A professional bookkeeper will help you with payroll, tax requirements, and manage Bookkeeping. In this digital era, multiple bookkeeping firms work online. Read on to learn more about the [best online bookkeeping services](#) for small businesses.

If you are a small business owner who is venturing in Bookkeeping; here are a few tips that will help you:

1. Understand Business Accounts:

Accounting, in the world of Bookkeeping, is not limited to an individual bank account. It is a record of all your financial transactions which are inclusive of sales or payrolls.

Bookkeeping begins with categorically recording transactions for each account.

There are five types of accounts:

- **Revenue or Income:** The inflow of cash earned through sales
- **Assets:** The money and resources already owned by the business. (inventory, amounts receivable)
- **Liabilities:** the obligations and debts that the company owes. (loans, accounts payable)
- **Expenditure:** The expenses incurred by the company for services or resources (salary, utility)
- **Equity:** The value remaining after liabilities are subtracted from assets, representing the owners held an interest in the business. (stock, retaining earning)

2. Setting up accounts:

Once you have categorically divided the accounts, you have to set them up to make it easier for you. You may create a spreadsheet (which is the cheapest option, among many) inputs each transaction in their respective category.

3. Record Everything:

Even if it is a small purchase such as a pen or a computer or financial software, make sure that you record everything.

Recording deposits are equally crucial as expenditures. Throughout the year, you will have a variety of deposits in your account. To revenues, loans must all be recorded if there is a deposit that is not recorded, you may be open to paying taxes on money that isn't income.

4. Balance your books:

At the quarter, when you tally up the accounts debits and credits, they must match, which means your book is "balanced."

The math is simple here, **Assets = Liability + Equity**.

The two sides of the equation must always match. If they do not match, you have to go back through the ledger and journal entries to find errors. Once you find the errors, follow the same process until the accounts are balanced. This method must be followed for each account in your ledger. When you combine the accounts, the balance must meet the equation.

5. Prepare Financial Reports:

After balancing the books, you will have a clear picture of your company's financial health. This will give you a heads-up on any significant decision you want to take for your business.

The following are the most common financial reports created in Bookkeeping:

- **Balance Sheet:** This document summarizes your company's assets, liability, and equity for a certain period. The balance sheet is the financial health report of your company. This will give you an idea of whether you must expand the company or it needs to reserve cash.
- **Cash Flow Statement:** This report shows you where the company is earning or spending its money and its immediate ability to pay bills. This report is inclusive of only cash and no resources.

- **Profit and Loss Statement:** This report breaks down the company's revenue, costs, and expenses for a specified period. It is a comparison between the sales and expenses which allows you to forecast.

Conclusion:

Understanding the basics will help you manage your finances better. However, managing [Bookkeeping for small business](#) can be a task, and as a business owner, you already have too much on your plate.

Moreover, bookkeeping mistakes can turn out to be expensive and hinders the success of the business, so it is advisable to have an in house bookkeeper or avail online bookkeeping services who can handle every bookkeeping task for you.

Title Tag: How to Do Bookkeeping For A Small Business

Meta Description: Bookkeeping for small businesses! This an easy guide for all upcoming business owners on how they can manage their Bookkeeping.

Headings & Subheadings: Done within the Blog.

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| ➤ Did you make sure your buyer persona would understand it? | Yes |
| ➤ Did you provide relevant and accurate examples? | Yes |
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