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How Do I Do My Accounting?

The word accounting may sound intimidating or overly technical, but it is nothing more than grouping transactions to be analyzed. The process of accounting that will be discussed in this installment of the *Business Development Journal* is designed to simplify the way people think about accounting. This section will explain some basic business accounting concepts to facilitate communication with accountants or other business-savvy people.

Bookkeeping and accounting have two main purposes:

- To keep track of your income and expenses, thereby improving your chances of making a profit
- To collect the necessary financial information about your business to file your various tax returns and local tax registration papers

Personal Versus Business Accounting

The first step is to differentiate the transactions that are personal from the ones that are related to your business. Personal transactions are those that you must make for personal living, whether you have a business or not. Examples of personal transactions are: buying food for your family, buying articles of personal use, or purchasing a refrigerator for your house. Business transactions are those needed to conduct your business. Examples of business transactions could include: pay the business's rent, buy merchandise to sell, buy an office desk, sell merchandise, pay an employee, or buy a vehicle for delivery.

The best way to manage the differences between your personal and business expenses is to have separate bank and credit card accounts. If all your business expenses are paid with only one bank account, your accounting documentation is easier to organize when you do your personal and business accounting.

How Do I Keep Records?

Once you have identified your business expenses, you can keep your records very easily. An important part of your accounting is accomplished when you pay business expenses using only your business checking accounts. Your bank statements and checkbook registers will help you produce your financial statements. Even though your transactions are registered, you have to keep your receipts for tax proposes. Find a safe and organized way to keep your documentation together so you can find it later on.

The other important part of your accounting is your income. To keep track of your income, you have to find a way to register every sale. For example, you may use a notebook to register all sales of the day, or you can use a cash register like many retail stores. Your system should be appropriate to the complexity of your business and the number and diversity of the items sold. The important thing is to know how much you are selling per day, per month, and per year.

The use of accounting software is recommended to keep your financial information, and could also help to produce your financial reports, but is not required for your startup. The following links provide information about accounting software that you may consider for your business:

http://www.quickbooks.com/ Quickbooks is an inexpensive software product that can help you get started (Quickbooks is written by the same company that writes Quicken Financial software).

https://www.pcmag.com/picks/the-best-small-business-accounting-software PC Magazine has a page where you can compare accounting software.

https://www.microsoft.com/en-us/store/b/software This is a site from Microsoft where you can find small business solution software.

https://www.sage.com/en-us/products/peachtree/ Formerly Peachtree, now titled Sage 50, this is a software application used for small businesses.

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