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GUIDE

Small Business Bookkeeping Basics

Simple Money Systems for Owners

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Simple Money Systems for Owners

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How to Use This Guide

Bookkeeping is the habit of recording the money that comes into and goes out of your business, organized so you can understand it. It is not accounting, which uses those records to prepare financial statements and tax returns and to give advice. You do not need an accounting background to keep good books. You need a simple system, a little time each week and a few rules you follow every time.

This guide is for solo owners and small teams: freelancers, shop owners, makers, trades, online sellers and side businesses that have outgrown a shoebox of receipts. It shows you how to set up a system you can actually keep up with.

What you will learn

- How to separate business and personal money, and choose cash or accrual bookkeeping.
- How to set up a short, useful list of categories (a chart of accounts) and keep receipts and records.
- A 30-minute weekly routine, including the tricky transactions that trip most owners up.
- How to invoice, follow up late payers and close your books each month.
- How to read a profit and loss statement and forecast cash flow.
- How to set aside money for taxes, choose software and decide when to hire a bookkeeper or accountant.

A note on words

Bookkeeping terms differ between countries. Sales tax, VAT and GST are versions of a tax on sales; a sole trader in one country is a sole proprietor in another; a profit and loss statement is also called an income statement. This guide uses common terms and mentions alternatives where it helps.

How to get the most from it

1. **Block two hours for setup.** Chapters 2 to 5 cover the one-time setup.
2. **Pick a start date,** ideally the first day of a month or of your tax year.
3. **Put the weekly routine in your calendar** (Chapter 6) and the monthly close (Chapter 8).
4. **Use the bookkeeping calendar** in the Appendix as your checklist.

TIP

About the examples

The business owners in the examples are illustrative composites, not real people, and their figures show how the methods work. Dollars are used for illustration only; every method works in any currency.

CAUTION

Not tax, legal or financial advice

Tax rules, record-keeping requirements, invoicing rules and accounting methods differ between countries and regions, and they change. This guide explains general bookkeeping practice in plain language. Confirm what applies to your business with your tax authority's official guidance or a qualified accountant.

KEY TAKEAWAYS

- ✓ Bookkeeping records your money in and out; accounting uses those records for statements, tax and advice.
- ✓ A simple system, kept weekly and closed monthly, is enough for most small businesses.
- ✓ Terms vary by country; the principles are the same.

CHAPTER 1

What Bookkeeping Is For 01

Many owners think of bookkeeping as something they do for the tax authority once a year. That is the most stressful way to do it. Kept regularly, your books answer five questions you need answered all year:

1. **Am I making money?** Busy is not the same as profitable.
2. **Where is the money going?** Small costs add up quietly.
3. **Who owes me, and whom do I owe?** Unpaid invoices are easy to forget.
4. **How much tax will I owe, and when?** Surprises are expensive.
5. **Can I prove it?** Tax authorities, lenders, landlords and buyers of your business may ask for records.

Without regular records, owners make decisions on gut feeling, miss deductible expenses, forget to chase invoices and spend days at year end reconstructing a year from bank statements.

The simple system at a glance

Five habits do most of the work:

Habit	How often	Chapter
Keep business money separate	Always	2
Capture every receipt	When you spend	5
Record and categorize transactions	Weekly	6
Close the month	Monthly	8
Set aside tax as you go	Every payment or weekly	11

Invoicing and following up payments (Chapter 7) runs alongside them. For a simple business, the routine often takes about 30 minutes a week and an hour or two a month, though more transactions mean more time.

Single entry and double entry

You may hear these terms. **Single-entry** bookkeeping is a simple list of money in and out, like a detailed checkbook. It can work for a very small business with few transactions. **Double-entry** bookkeeping records every transaction in two places, because every transaction has two sides: when a customer pays you $500, your bank balance rises by $500 and your sales rise by $500. The two sides must always balance, which helps catch errors. Bookkeeping software does double entry behind the scenes, so you rarely need to think about it, but it explains why the software asks you to choose a category for every transaction.

EXAMPLE

Maya's shoebox year

Maya, a freelance photographer, kept receipts in a shoebox and her business money in her personal account. At tax time, it took her three weekends to work out her income and expenses from bank statements. She found about $1,900 of business costs she had nearly forgotten, from lens repairs to software, and discovered that wedding work earned her far more per hour than the portrait sessions she spent most of her time on. She decided she would rather spend 30 minutes a week than three weekends a year, and that she wanted to know which work paid before the year was over.

EXERCISE

Where are you now?

Tick what is already true for your business.

- [ ] Business money goes through a separate account
- [ ] I keep every receipt, in one place
- [ ] I record and categorize transactions at least monthly
- [ ] I know my profit for last month
- [ ] I know who owes me money right now, and how much

- [ ] I set aside money for tax from every payment
- [ ] I know my next tax deadlines
- [ ] I could hand an accountant clean records within a week

The unticked items are your setup list. Which one will you fix first?

Common mistakes

- **Bookkeeping once a year.** It turns a small weekly task into a stressful project.
- **Relying on your bank balance.** It does not show what you owe or what is owed to you.
- **Treating records as only for tax.** Their main value is better decisions.

KEY TAKEAWAYS

- ✓ Good books answer five questions: profit, spending, who owes whom, tax and proof.
- ✓ Five habits do most of the work: separate money, capture receipts, record weekly, close monthly, set aside tax.
- ✓ Double entry records both sides of every transaction; software handles it for you.