



Small Business Bookkeeping Basics

The purpose of small business record keeping is to keep track of all your financial transactions. This helps the business manage its cash flow, ensure financial accuracy, comply with tax obligations, and make informed decisions.

It's like having a financial road map that helps the business stay on track and plan for the future. Before you begin entering your financial transactions in GnuCash, there are a few key steps you should take to ensure that you are well-prepared:

1. **Separate Business and Personal Finances:**

The very first step is to open a separate bank checking account for your business. This helps in maintaining clear records and avoid confusion by mixing personal and business expenses.

2. **Gather Necessary Documentation:**

a. Income (Gross Receipts) : You should collect all pertinent documents such as receipts, invoices, bank statements, forms 1099-MISC and any other financial documents related to your businesses gross income. Having these ready will make the process go much smoother.

b. Business Expenses: are the costs incurred during the normal course of running a business. These expenses are necessary for the business to operate and can include items such as rent, utilities, employee salaries, office supplies, advertising, travel, and more.

Essentially, any expense that is directly related to the operation and growth of the business can be considered a business expense. Keeping track of your business expenses helps you manage your finances, ensure accuracy in your records, and comply with tax laws.

It enables you to identify cost-saving opportunities for your business and deductions you are entitled too to reduce your tax obligation , make informed financial decisions, and provide accurate documentation if the IRS audits you.

You generally need to keep the following types of documents to prove business expenses for IRS purposes:

1. Receipts: Detailed receipts showing the amount, date, and description of the expense.

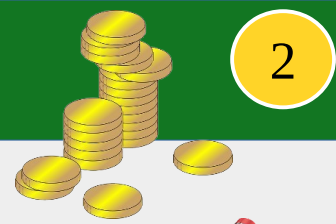
2. Invoices: Invoices from suppliers or service providers.

3. Canceled Checks: Checks that have been processed by the bank.

4. Credit Card Statements: Statements showing the business-related expenses.

5. Bills: Utility bills, rent bills, and other bills related to business operations.

6. Bank Statements: Statements from your business bank account.



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7. Mileage Logs: Logs for business-related travel, including the date, purpose, and miles driven.

8. Proof of Payment: Any document that shows the payment was made, such as electronic funds transfer records.

It's important to keep these documents organized and in a safe place, as they support the entries in your books and on your tax return. By taking these preparatory steps, you will be in a strong position to keep accurate and organized financial records, making the bookkeeping process with GnuCash much more efficient.

3. Define Bookkeeping Policies:

To maintain accurate financial records, and to track your sales and expenses effectively, and to be able to identify potential issues early on, you need to decide on the bookkeeping practices you will follow, such as how often will you record transactions (daily, weekly, monthly etc.).

4. Understand Tax Requirements:

Make sure you are aware of your tax obligations for your business such as understanding sales tax, self-employment tax, and any other local taxes you need to comply with.

If you are unsure you may want to talk with your accountant or your state and local revenue offices.

TO DO LIST:



Watch The Following Videos: Week 1

- About GnuCash
- How To Install GnuCash
- How To Setup the Chart Of Accounts
- Download and Read Bookkeeping Basics

Entering Transactions: - Week 2
Things you will need:

- Bank Statements” from the beginning of your yearly accounting period to date.
- Total Income earned so far this year including the customers name, address and amounts.
- Withdrawal dollar amounts from your business income so far this year including dates and the purpose of the withdrawal.