

Small Business Bookkeeping
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Now that you've [organized your business records](#) you need to develop a bookkeeping system.

A bookkeeper's job is to record your books of original entry. This means they write checks, create invoices, make out deposit slips, try to collect on old accounts and deal with creditors. For most start-ups and small businesses this "bookkeeper" is also the owner. Most owners want and need to spend time managing their business and not doing their books. For this reason, you need to create a bookkeeping system that is efficient, accurate and cost effective. Your bookkeeping system will either be a manual system or a computerized system.

Manual System

Many small businesses do not need a computer for their business operations. In these situations, it is rarely cost effective to purchase a computer to perform your bookkeeping tasks. When you purchase a computer to do your bookkeeping your business you will be incurring not only the cost of the computer, but also the cost of virus protection software, the cost of firewall software, the cost of your backup method, the cost of your bookkeeping software, and ongoing upgrades and maintenance costs.

For those businesses who decide to forgo the computer I like to recommend that they use a "one-write" also called a "pegboard" system for their bookkeeping. A pegboard is used to align one-write forms (like checks, deposit slips, invoices, etc.), such that as you write on the form the information is automatically entered into the appropriate bookkeeping journal. Checks are automatically recorded in your disbursement journal. Deposits are automatically recorded in your receipts journal. This system allows you a means to keep a running checkbook balance and a place to put your general ledger code.

I have found that clients like a one-write system because it is easy and always available. They do not have to go to the computer to write a check and they don't have to figure out what computer report to view to find a previous check that they wrote. They have the option of coding the checks at the end of the month or the end of the year, instead of being put on hold until the right general ledger account is determined. In addition, it is difficult to mess up your books with this method, you'd pretty much have to lose the journals.

Computerized System

If you need a computer for your other business operations, then it may be cost effective to have a computerized bookkeeping system. This is usually true because you already had to pay for the computer, anti-virus software and firewall. The only other major expense will be the cost of the bookkeeping software that you choose. I like to recommend [Choice Accounting](#), but **any system that you understand and will use regularly and correctly will do just fine**. The key is that you need to remember to enter everything into the computer accurately.

The following are the reasons I recommend [Choice Accounting](#):

- **The basic bookkeeping system is FREE (<http://freeaccounting.net>)**. Their free system allows you to enter all your cash receipts, cash disbursements, payroll and journal entries for free. **For most start-ups and small businesses this is all they ever need.**
- They do not force you to upgrade to newer versions, but if you want to their free version is still free.
- They offer upgrades, add-on modules (such as check printing, job cost, inventory tracking, etc.) and customization if and when your business grows to the point that it needs these

features in an accounting system. If you don't, then you are never forced to buy something you don't need or want.

- Inventory is calculated based on IRS permissible methods (specific identification, LIFO or FIFO).
- The system can be installed as a single user or over a network
- Very flexible and useful security determined at user levels
- Excellent import/export features allows you to send your data to your accountant without having to stop working on your file while your accountant is working on your file.

Conclusion

Whether you determine that a manual or computerized system is right for your business (or which accounting software is best for your company), the important thing to remember is that the **bookkeeping functions are extremely important to the success of a business** and should not be taken lightly. The books of original entry are summarized and used to prepare financial statements and tax returns.

A good accountant gives you advice based on reading your financial statements and tax return. If your books of original entry are not accurate then your financial statements, tax returns and the advice your accountant is giving you based on them will not be accurate either.

Gina L. Gwozdz is a CPA who has chosen to specialize in taxes. Visit her website (<http://GLGcpa.com>) to view more Tax Tips Articles.