# Easy Steps To Simplifying Small Business Accounting

Small business accounting is a time consuming task that doesn't bring in the reward of additional income. This is most likely what makes small business accounting such a tedious task. If you look at the activities entrepreneurs are most often behind on, it's almost always recording and filing their small business accounting paperwork. I'm not sure if balancing our books is so scary because it seems really complicated or because we're afraid of the bottom line – but you can take the sting out of both with an organized recordkeeping system.

## Complementary Systems

Small business accounting should always be done using a computerized accounting program to track income and expenses. This will not only get you through tax time a lot easier, but will allow you to run more accurate projections and reports about your financial situation. Despite this you still need a system for organizing your small business accounting paper trail. The best possible solution is one that mirrors your electronic system by the same chart of accounts, the same categories, and the same accounting structure. Keep this in mind as you set up each part of your small business accounting file system.

## Tracking Income

Whether your customers pay you with a check or a credit card, it is a good idea to keep a hard copy of the sales receipt and proof of the payment method. I can't tell you the number of times that one of my business clients had a problem with a payment, and all it took was one little piece of paper to save the day. If your bank accidentally deposits your check into someone else's account or credits the wrong amount to you, having a copy of the check will help them correct the problem more quickly. If a customer disputes a charge or claims that you processed a fraudulent purchase, your merchant account may require a signed credit slip in order to rule in your favor. So print out each order or service record and clip a copy of the check or charge slip to it – then file either chronologically (by month) or alphabetically (by the name of the customer). You'll be glad you did if you need to refer back to this information later.

## Tracking Expenses

As I mentioned earlier, your expense files should mirror your company's electronic chart of accounts. However, you don't have to get quite so detailed. The trick is to set up more generalized filing categories, that allow you to group several types of expenses together into one folder – for example:

- marketing
- office supplies
- furniture and equipment
- professional services
- business administration
- travel
- professional development

Use whatever categories make sense to you, just remember that the goal is for you to be able to easily find an expense record if you need to refer back to it in the future. If that means organizing your bills by month so that all of January's paperwork is in one file and all of February's is in another – fine, as long as you can locate what you need down the road.

## Tax Records

Another part of your small business accounting responsibilities will be to file the notices and statements that relate directly to your taxes. The simplest solution is to have a folder called "current taxes" in your file, as a catch-all for collecting this paperwork. Then when tax time rolls around, you can hand this folder and a disc with your small business accounting records on it to your accountant – easy as pie. Of course, you'll also want to have separate files for storing previous years' returns and supporting documents. Those can go in your archive files, rather than your active filing system.

## Saving Time Means Saving Money

Just taking a few minutes a month to organize your financial paperwork and update your small business accounting files will save you hours or days come April 15th. You will also have a clear idea of your bottom line, be able to pay bills on time without late fees, know which customers owe you money, and avoid any nasty financial surprises.

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