



# THE BEGINNER'S GUIDE TO BOOKKEEPING

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for small business owners

JIL & ASSOCIATES, INC

# THE ABCs OF ACCOUNTING

Understanding accounting can be daunting, especially if you're not familiar with the terminology. But as a small business owner, it's important to have a grasp of some key accounting concepts that can help you keep track of your finances and make informed decisions. Let's dive in!



## ★ ACCOUNTING

This is the process of keeping track of a company's money, where it comes from, and where it goes.

## ★ ACCRUAL ACCOUNTING

Accrual accounting is an accounting method in which payments and expenses are credited and debited when earned or incurred

## ★ CASH BASIS ACCOUNTING

A method of accounting that recognizes revenues and expenses at the time cash is received or paid out.

## ★ INCOME

The money a company earns from sales or services.

## ★ EXPENSES

The money a company spends to run its business, like rent, supplies, and employee wages.

# THE ABCs OF ACCOUNTING

## ★ PROFIT

The money left over after subtracting expenses from income.

## ★ LOSS

When expenses are greater than income.

## ★ LIABILITIES

Money a company owes to others, like loans or bills.

## ★ EQUITY

The difference between a company's assets and liabilities.

## ★ REVENUE

The total amount of money coming into a business.

## ★ ACCOUNTS PAYABLE

Money owed to others for goods or services received but not yet paid for.

## ★ ACCOUNTS RECEIVABLE

Money owed to a company for goods or services provided but not yet paid for.

## ★ INCOME STATEMENT

A financial statement that shows a company's revenue, expenses, and net income over a period of time.

## ★ BALANCE SHEET

A financial statement that shows a company's assets, liabilities, and equity.

## ★ CHARTS OF ACCOUNTS

A list of things a company can put in its general ledger, each with a special number.

## ★ TAX

Money paid to the government to fund things like roads, schools, and public safety.



# IMPORTANCE OF BOOKKEEPING

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Bookkeeping helps you keep track of your business's finances, including income and expenses. Without proper bookkeeping practices, it can be challenging to make informed decisions about your finances. Accurate bookkeeping allows you to understand your financial position, track your progress, and make informed decisions based on real-time financial information.



## HOW GOOD BOOKKEEPING CAN HELP A BUSINESS GROW

By keeping accurate records, you can identify trends and patterns in your financial data, which can help you make more informed decisions about your business operations. Additionally, accurate bookkeeping can help you secure funding, as lenders and investors often require detailed financial records before extending credit.



# BOOKKEEPING *Checklist*

One way to stay on top of your finances is to establish a consistent bookkeeping routine. This can help you avoid any surprises at tax time, keep your cash flow healthy, and make informed business decisions. To help you get started, we've put together a Bookkeeping Checklist that outlines weekly, monthly, and annual tasks you should prioritize. By following this checklist, you can ensure that you're staying organized, compliant, and in control of your finances.

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## WEEKLY

- Record transactions
- Collect receipts and store them in your preferred location or accounting software
- Prepare and send invoices
- Pay bills
- Set aside a reasonable amount of your sales to a separate bank account for taxes.

## MONTHLY

- Reconcile bank statements and credit card statements
- Review inventory levels
- Process and review payroll
- Review accounts payable and accounts receivable reports
- Review financial statements (Balance Sheet, Income Statement, Statement of Cash Flow)

## ANNUALLY

- Review year-end amounts and compare to goals and budget
- Complete year-end inventory count
- File and pay taxes
- Set financial targets, goals, and budgets for next year

# UNDERSTANDING FINANCIAL REPORTS

## 1. PROFIT and LOSS REPORT

Gem Landscaping	
Profit and Loss	
January 1 - April 25, 2023	
	TOTAL
Income	
Design income	2,250.00
Discounts given	-89.50
Landscaping Services	1,287.50
Job Materials	4,605.22
Labor	300.00
<b>Total Landscaping Services</b>	<b>6,192.72</b>
Pest Control Services	40.00
Sales of Product Income	912.75
Services	503.55
<b>Total Income</b>	<b>\$9,809.52</b>
Cost of Goods Sold	\$405.00
<b>GROSS PROFIT</b>	<b>\$9,404.52</b>
Expenses	\$4,937.31
<b>NET OPERATING INCOME</b>	<b>\$4,467.21</b>
Other Expenses	
Miscellaneous	2,916.00
<b>Total Other Expenses</b>	<b>\$2,916.00</b>
<b>NET OTHER INCOME</b>	<b>\$ -2,916.00</b>
<b>NET INCOME</b>	<b>\$1,551.21</b>

A Profit and Loss (P&L) statement, also known as an income statement, is a financial report that summarizes a business's revenue, expenses, and net profit or loss over a specific period of time. This report provides valuable insights into a business's financial health and can be used to evaluate its profitability.

The P&L statement typically includes the following information:

- Total revenue
- Cost of goods sold (COGS)
- Gross profit
- Operating expenses
- Earnings before interest and taxes (EBIT)
- Interest expenses
- Taxes
- Net profit

# UNDERSTANDING FINANCIAL REPORTS

## 2. BALANCE SHEET

Gem Landscaping	
Balance Sheet	
As of April 25, 2023	
	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	\$2,001.00
Accounts Receivable	\$5,281.52
Other Current Assets	\$2,658.77
<b>Total Current Assets</b>	<b>\$9,941.29</b>
Fixed Assets	\$13,495.00
<b>TOTAL ASSETS</b>	<b>\$23,436.29</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	\$1,602.67
Credit Cards	\$157.72
Other Current Liabilities	\$4,370.94
<b>Total Current Liabilities</b>	<b>\$6,131.33</b>
Long-Term Liabilities	\$25,000.00
<b>Total Liabilities</b>	<b>\$31,131.33</b>
Equity	\$ -7,695.04
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$23,436.29</b>

A Balance Sheet is a financial statement that provides a snapshot of a company's financial position at a specific point in time. It summarizes a company's assets, liabilities, and equity, and shows how these three elements are related to each other.

The Balance Sheet is typically structured as follows:

- **Assets:** This section lists all of the resources that a company owns, such as cash, accounts receivable, inventory, property, and equipment.
- **Liabilities:** This section lists all of the debts and obligations that a company owes, such as loans, accounts payable, and accrued expenses.
- **Equity:** This section represents the amount of capital that has been invested in the business by the owners, including retained earnings.



# UNDERSTANDING FINANCIAL REPORTS

## 3. STATEMENT OF CASH FLOWS

Gem Landscaping	
Statement of Cash Flows	
January 1 - April 25, 2023	
	TOTAL
<b>OPERATING ACTIVITIES</b>	
Net Income	1,551.21
Adjustments to reconcile Net Income to Net Cash provided by operations:	<b>644.81</b>
<b>Net cash provided by operating activities</b>	<b>\$2,196.02</b>
<b>INVESTING ACTIVITIES</b>	
Truck:Original Cost	-13,495.00
<b>Net cash provided by investing activities</b>	<b>\$ -13,495.00</b>
<b>FINANCING ACTIVITIES</b>	
Notes Payable	25,000.00
Opening Balance Equity	-14,337.50
<b>Net cash provided by financing activities</b>	<b>\$10,662.50</b>
<b>NET CASH INCREASE FOR PERIOD</b>	<b>\$ -636.48</b>
Cash at beginning of period	4,700.00
<b>CASH AT END OF PERIOD</b>	<b>\$4,063.52</b>

A Cash Flow Statement is a financial statement that shows the inflow and outflow of cash during a specific period of time. It summarizes a company's sources and uses of cash and provides insights into its ability to generate cash and manage its cash position.

The Cash Flow Statement is typically structured as follows:

- **Operating activities:** This section lists the cash flows generated or used by a company's primary business operations, such as cash received from customers, cash paid to suppliers, and cash paid to employees.
- **Investing activities:** This section lists the cash flows generated or used by a company's investments, such as cash paid for property and equipment, cash received from the sale of investments, or cash used to acquire other businesses.
- **Financing activities:** This section lists the cash flows generated or used by a company's financing activities, such as cash received from the issuance of debt or equity, or cash used to pay dividends or repay debt.

# FIVE-STEP GUIDE TO DIY BOOKKEEPING

## SET UP A SYSTEM

- Research different bookkeeping methods to find the one that suits your business needs.
- Consider factors such as your business size, industry, and accounting knowledge when choosing a system.
- Choose a bookkeeping system that allows you to easily track income and expenses, generate financial reports, and prepare for tax season.
- If you decide to hire a Bookkeeper, make sure they are qualified, experienced, and trustworthy.



## KEEP TRACK OF ALL EXPENSES

- Categorize your expenses into different groups such as supplies, rent, utilities, payroll, etc.
- Record all expenses in a timely manner to avoid missing any important transactions.
- Keep receipts and other supporting documents for each expense, in case of an audit.
- Separate business and personal expenses, to avoid confusion and potential issues during tax season.

A close-up of a black calculator with white numbers and symbols. Below it is a financial statement with columns of numbers and some text. The numbers are arranged in a grid-like format, likely representing a balance sheet or income statement.

0	(1,000)	0
208	660	544
(1,042)	(5,052)	(2,976)
(1,683)	(1,363)	(3,024)
(2,513)	(6,751)	(5,382)
(498)	(491)	(934)
(8,627)	(69)	(9,502)
(10,047)	(5,896)	(21,346)
6,061	1,836	8,886
7,835	2,603	15,371
(292)	447	(358)
(5,568)	(1,570)	(7,883)
\$ 10,610	\$ 4,023	\$ 10,610

## RECORD ALL INCOME

- Create a system to track all sources of income, such as client payments, sales, interest, etc.
- Keep accurate records of invoices sent, payments received, and outstanding balances.
- Record all income as it is received to ensure that your financial records are up-to-date.



## FIVE-STEP GUIDE

# TO DIY BOOKKEEPING

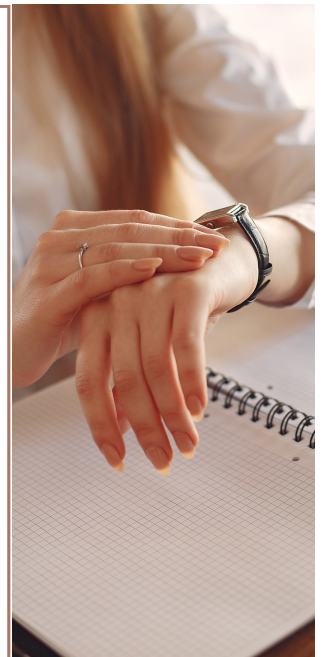
### *RECONCILE YOUR ACCOUNTS*

- Regularly compare your bookkeeping records to bank statements to make sure they match.
- Investigate any discrepancies between your records and bank statements to avoid fraudulent activity or errors.
- Keep a record of reconciliations to monitor your business's financial health over time.



### *REVIEW YOUR RECORDS REGULARLY*

- Set aside time each month to review your bookkeeping records and make sure everything is in order.
- Use financial reports generated by your bookkeeping system to analyze your business's performance.
- Make any necessary adjustments to your bookkeeping records to ensure accuracy and completeness.
- Use your financial records to make informed decisions about your business's future growth and financial goals.





I hope that this bookkeeping guide has offered valuable insights and practical tips to streamline your receipt management. It's important to recognize that bookkeeping plays a pivotal role in any business, and maintaining accurate records is key for informed decision-making.

If you feel overwhelmed or need further assistance, don't hesitate to reach out. I'm always here to help you with your bookkeeping needs. Let's schedule a call, so we can discuss your business goals and how I can help you achieve them.



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