



Tracking your business finances

2024

Webinar

Meet The Advisor

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- **Business Advisor since 2020**
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The Maine SBDC

**No-cost, confidential business advising
for aspiring and experienced Maine
business owners**

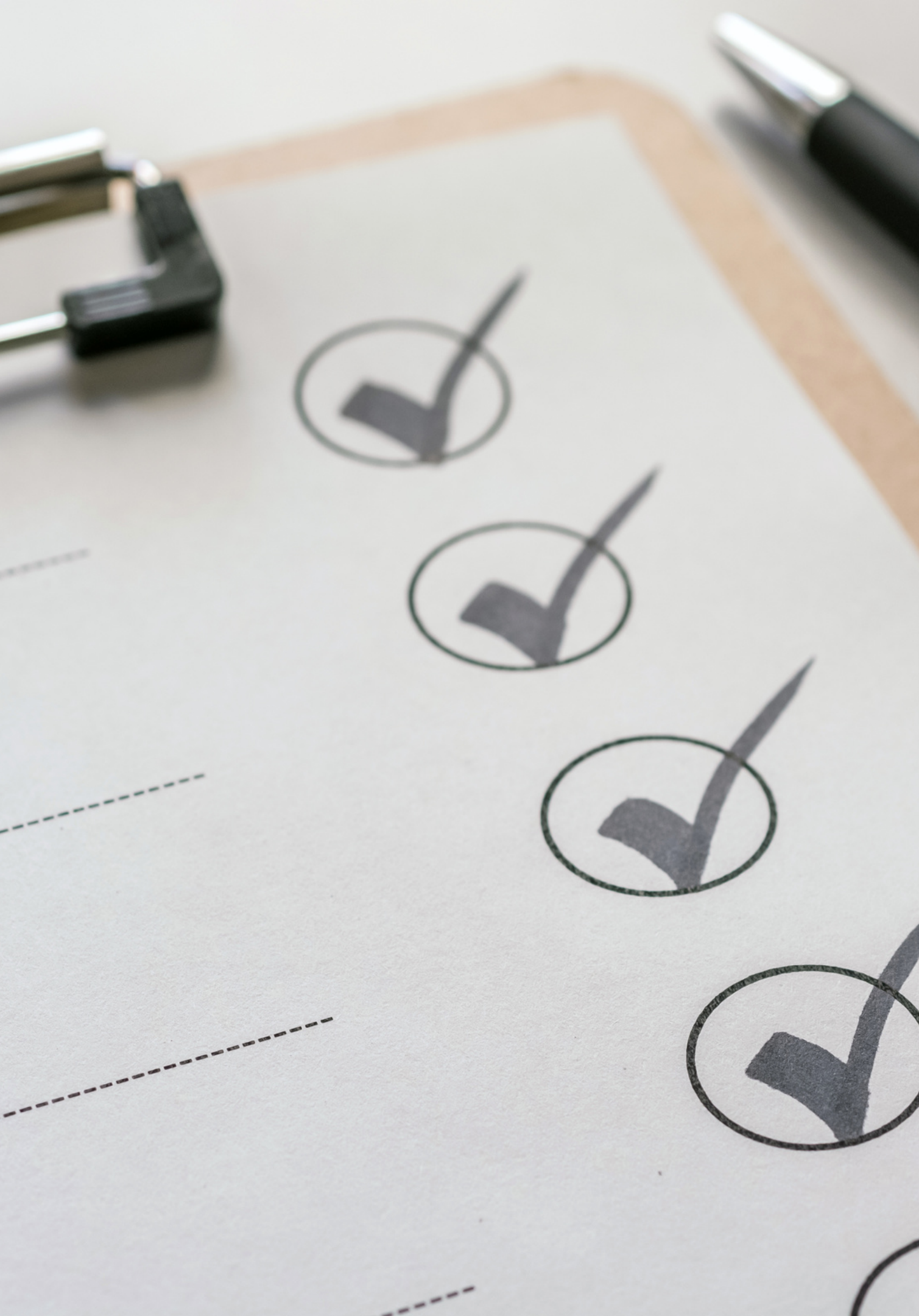
- Business Planning and Startups
- Business Transitions and Exits
- Credit and Financing
- Financial Analysis
- Marketing and Sales
- Operations Management



Disclosure

We are not lawyers, accountants or tax preparers

This information is for educational purposes only and is not a replacement for professional legal, tax or accounting advice. Please seek appropriate guidance before making any tax, legal or accounting decisions that could impact your business.



Webinar details

- This webinar is being recorded and will be posted on our YouTube channel
- You will be sent the slides from this presentation in a follow up email.
- Please put questions in the chat, we will also have a few minutes at the end for questions



Agenda

- Why track your finances?
- What is bookkeeping?
- What system should you use?
- Available options & review



Why do we track business finances?

- It's the law
- It makes tax prep easier (and cheaper)
- It creates financial reports that help you manage your business
- It's required by lenders and investors

A close-up photograph of a person's hands working on a desk. One hand holds a silver and black scientific calculator, with the index finger pressing the '5' key. The other hand holds a black pen, poised to write on a piece of graph paper. In the background, a laptop keyboard is visible, slightly out of focus.

What is bookkeeping ?

The practice of tracking and recording the financial transactions of a business.

Transactions are anything that impacts the value of your business:

- When you make a sale
- Pay a bill
- Take out a loan
- Run payroll
- Buy equipment



Bookkeeping uses a system of “Accounts” (categories)

- **Income** - Sales revenue
- **Cost of Goods Sold:** Direct costs of producing a product
- **Expenses:** Necessary and ordinary costs of running a business

- **Assets:** Purchases of items with longer term value
- **Liabilities** - loans, cc balances,
- **Equity** : Money invested/taken out by owners; profit or losses of the business impact equity



Financial reports

Each account is added up, summarized and presented on financial reports

- **Profit and Loss (AKA Income statement)**
 - Income
 - Cost of Goods
 - Expenses
- **Balance Sheet**
 - Assets
 - Liabilities
 - Equity



Source Documents

Organizing and storing “source documents” prove that each transaction is correct and is an IRS requirement.

- POS reports,
- Customer invoices or Sales Receipts
- Deposit slips
- Bills from vendors,
- Receipts from purchases
- Payroll reports
- Mileage reports
- Bank statements, loan statements, CC statements

PAPER SYSTEM

- **Pros**

- No technology or internet connection required

- **Cons**

- Requires accounting/bookkeeping knowledge
- Prone to mistakes
- Time consuming
- Does not easily get you the reports you need
- Still need to create a system to keep source documents (digital, or paper files)



SPREADSHEETS

- **Pros**

- Can set up spreadsheet easily for free
- Easy to use
- Is better than paper

- **Cons**

- Doesn't offer functionality like invoicing, payroll, sales reports etc
- Does not "grow" with the business

- **Good for**

- Solopreneurs/sole proprietors without employees
- Those with a limited number of transactions
- Side gigs



252.77	157,507.00	460,280.63	521,894.48	104,216.00
56.93	188,104.76	157,507.00	451,372.62	810,766.43
57.21	161,875.33	284,412.00	577,287.64	899,002.60
04.76	353,229.50	100,685.34	155,966.16	772,442.21
75.33	202,252.77	220,685.34	823,795.94	353,229.50
30.63	270,735.90	321,556.93	577,992.12	202,252.77
7.00	154,560.26	577,992.12	670,411.22	299,621.54
1.54	506,864.37	670,411.22	432,559.94	541,700.83
0.83	220,685.34	104,216.00	632,085.12	270,735.90
5.90	321,556.93	810,766.43	157,507.00	154,560.26
9.11	577,992.12	899,002.60	161,875.33	506,864.37
0.62	670,411.22	157,507.00	299,621.54	161,875.33
.29	321,556.93	161,875.33	352,057.21	299,621.54
.83	352,057.21	299,621.54	188,104.76	541,700.83
.33	261,963.45	541,700.83	772,442.21	270,735.90
54	992,577.12	270,735.90	353,229.50	154,560.26
83	870,411.22	154,560.26	202,252.77	506,864.37

BOOKKEEPING SOFTWARE

• Pros

- Fast and automated
- Professional financial reports
- Other tracking reports (location, customer, products)
- Additional functions (invoicing, inventory, payroll, time tracking),
- Accountant has access remotely
- Phone apps with mileage and receipt capture
- Source document management
- Does not require a deep knowledge of bookkeeping

• Cons

- Cost
- Needs good internet connection
- Requires training
- Garbage in means garbage out (you can mess it up)



BOOKKEEPER

- **Pros**

- Professional and accurate
- Less work for you
- Typically offers tax prep as well (or works with someone who does)

- **Cons**

- Most expensive option
- Less control over when entries are done
- Less access
- Less understanding of your business
- You are still responsible for your books and taxes

- **Hybrid**

- You categorize transactions
- Bookkeeper reconciles, looks for errors, handles certain accounts like depreciation, etc





What system should you use?

ASSESS YOUR NEEDS

- Your entity type and tax reporting requirements
- Your industry & business needs (inventory, invoices)
- Integrations like payroll, POS and payment systems, or specific industry software
- Size & complexity of your business
- Your plan for growth
- Your accountant

SOFTWARE

- **Quickbooks**

- US based company with 80% of US market share
- QB Solopreneur
- QB Online (Simple Start, Essentials, Plus, Advanced)

- **Wave**

- Canadian based, owned by H&R Block
- Has a free version (better than a spreadsheet)
- Good invoicing
- Limited functionality and support for the free version

- **Freshbooks**

- Canadian based
- Easy to use, good option for Solopreneurs, limited functionality at lower levels, not as robust as other options



SOFTWARE



- **XERO**

- New Zealand based company
- Widely used in Europe and some in US
- Easy interface, comparable to QB, slightly less expensive

- **ZOHO Books**

- Based in India, gaining use in US, Canada, Japan
- Especially good if using other Zoho apps
- Good for mobile users, easy interface

- **Other apps**

- some banks are offering tracking capability
- Industry software companies offer invoicing
- POS systems offering inventory management, customer tracking

Questions?

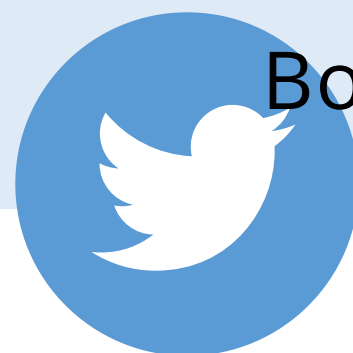
Type your questions in the chat below or
"Raise Your Hand" and unmute yourself!



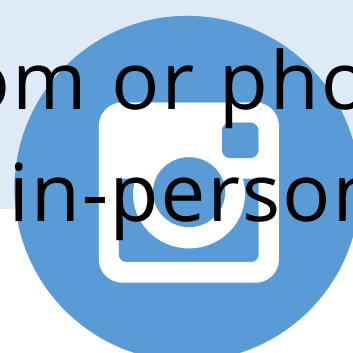
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