

Choosing the Right Accounting System for Your Business

There's no getting around it. If you run a business, you have to do the accounting or bookkeeping. Such is life.

Canadian law regarding financial records specifies that they be a permanent, accurate, and complete record of your daily income and expenses. Keeping good records makes good business sense, since they will:

- Keep you informed about the past and present financial position of your business.
- Keep you in control and give you the information you need to make smart business decisions.
- Facilitate correct and timely remittances to agencies such as Canada Revenue Agency, Canada Pension Plan, Employment Insurance, Department of Finance, Goods and Service Tax, and Workplace Safety & Insurance Board.
- Increase the odds of survival for your new business, and the chances of staying healthy and earning good profits for your established business.

What Types of Record Keeping Systems Are There?

There are many types of record books and bookkeeping systems available, both manual and computerized. Some of the manual systems include:

Double-Entry Bookkeeping - this is the system taught in most high-school and college bookkeeping and accounting classes. Each transaction is recorded twice, with one account credited with the given dollar amount and a second account debited by an equal amount. It's an excellent system, but often requires formal training and practice to master.

Commercial Bookkeeping Systems - usually a package system with instructions and forms to use. They're available through stationery outlets.

One-Write Systems - these are copyrighted systems that are set up using carbon-backed cheques. As you write the information on a cheque, it transfers the data to a record system.

Single-Entry Bookkeeping - a single-entry system means every dollar transaction is recorded only once, either as income or expense, asset or liability. All entries are recorded on a one-page synoptic journal, also known as a revenue and expense journal. It's simple and easily understood, and requires little training.

There are also several excellent software packages available. These programs take advantage of the power of the computer, and can produce daily updated financial statements. As they grow, most small businesses have to manage larger inventories and increased volumes of transactions. That's when they need a computerized system.

What Record Keeping System Is Best For Me?

In my practice I often advise my clients to use a basic computerized system, such as QuickBooks, right from the start. It helps you collect and manage your data and can be

expanded easily as your business grows. The benefits are time savings, accuracy, and consistent record keeping.

With these systems in place, it's easy for a professional accountant to review your processes. And that means you save time and money when you're doing your taxes, evaluating your business, or forecasting the future.

Regardless of size, any business can use a computerized system. To ensure you're getting the most from your system, be sure to get training for the program. Or have a professional accountant review your work periodically to keep you on the right track.

I like to set up the system and do the initial transactions for my client's business to make sure it's done right the first time. Then I train the client on the functions of the package, such as recording invoices, recording bills, receiving payments from customers, and paying bills.

Once these basics are mastered, I move on to reconciling the bank, and familiarizing my client with the system's various reports. And I always make myself available to answer my client's questions as they're learning the ins and outs of the package. Within six months, most businesses are comfortable enough to work more independently.

What's the payoff from using an accounting system? A clean set of books at year end that you can use to remit your taxes in a timely and (almost) painless manner. Remember – a good record-keeping system should be simple to use, easy to understand, reliable, accurate, consistent, and designed to provide information on a timely basis.

Which method is for you? Ask your friendly accountant. He or she will assess your business and your aptitude, and suggest the system that's best for you.

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