As a small business owner, accounting can present challenges. Like millions of small business owners across the country, your background is most likely in the service you provide, not finance. Accounting can be a daunting task, but it doesn’t have to be. Take a look at this guide for some advice on accounting best practices.

**Key differences between accounting and bookkeeping**

Accounting and bookkeeping have a lot of similarities, but there are a few major differences. It’s important to differentiate between your small business accounting needs as opposed to your small business bookkeeping needs, so that both are taken care of.

Here are three key differences between accounting and bookkeeping:

1. **How data is recorded**
   Bookkeeping is a transactional and administrative role that deals with the day-to-day task of recording financial transactions. Accounting involves extrapolating on the data. Accountants create tax returns, income statements, and balance sheets.

2. **Who’s doing the Accounting**
   An accountant is required to be certified, while bookkeeping does not require any additional certifications. Professional accountants have more of a background and can provide greater insight into financial projections and making smarter business decisions.

3. **Creating Growth**
   Accounting can provide information for forecasts, business trends and opportunities for growth. Accountants exceed record keeping and use the data to improve your business.

**Finding the Accounting Source that’s Right for Your Business**

Accounting is different for each business. What works for one business may not work for your own. It’s important to find what works best for you. Here’s what to look for when hiring an accountant, accounting firm, or utilizing an accounting software for your business:

1. **What are your needs?**
   Complexity is a major indicator when it comes to your accounting needs. Do you need an accountant or can an accounting software suffice?
   - a. If you do business in multiple states or countries, you may want to think about hiring an accountant or a firm to manage more complex accounting.
   - b. If your business is focused locally, an accountant software like Intuit or Freshbooks might be more efficient and cost effective for your business.
Steps to Set Up Your Accounting Process

There’s a lot of information on accounting best practices, but what’s most important is to develop a process that works for you. Here is a list of important steps you should be sure to take when setting up your accounting process:

1. **Determine your accounting method**
   There are two main accounting methods, Cash and Accrual. You can read more about the differences between these two and which method might be best for you [here](#).

2. **Perform Monthly Accounting Reviews**
   According to the National Federation of Independent Businesses (NFIB), you should balance your books at least once a month.

3. **Maintain Backups of your financial records**
   This applies if you perform either physical or electronic accounting. It’s important to have records available to review for any gaps or discrepancies within your accounts.

4. **Create a process to accurately track your records**
   a. The IRS recommends using a journal to record each transaction and a ledger containing the totals from the journal.
   b. The IRS also suggests you maintain the following for a small business:
      - daily and monthly summary of cash receipts,
      - check disbursements journal,
      - business checkbook,
      - depreciation worksheet and
      - employee compensation records.

Accounting is a crucial part of running a small business, but it does not have to be a difficult one. Follow these simple steps this tax season to get all your financial documents in order. Seek advice from business owners in your community and research online resources to learn more.

Additional Information
For more information and resources, check out the Small Business Resource Center for the 50+ at [smallbizrc.org](http://smallbizrc.org).