

Top 12 Bookkeeping Best Practices for Achieving Business Success

8 min read



Managing your personal finances does not require much work. You probably have at least one checking and savings account, a retirement account, a few investments, perhaps a few monthly payments and a file to save receipts for tax records.

Key Takeaways

- **Keep Your Personal and Business Finances Completely Separate:** Ensure you, or your employees, are not buying things for personal use with business funds. If funds are not accurately allocated, it will quickly cause cash flow issues, as well as...
- **Use Accounting Software to Track Expenses:** You should keep a thorough record of all your business expenses. This means saving and recording receipts on at least a weekly, if not daily, basis...
- **Transform Your Back Office from Bookkeeping Service to Business Management Guru with GrowthForce:** At GrowthForce, our bookkeeping experts scale our services to meet your growing company's needs. We provide basic service plans that help you establish sound bookkeeping and accounting practices

When it comes to bookkeeping and accounting for business purposes, however, there is a lot more to consider and, with employees and customers counting on you, the stakes are much higher. There are countless pieces of advice accounting and bookkeeping service providers can give to owners of small and medium-sized businesses.

Most bookkeeping consultants will agree that to achieve success, every business (no matter its size) should adhere to the following bookkeeping best practices.

12 Good Accounting Practices You Should Implement

1. Keep Your Personal and Business Finances Completely Separate

Ensure you, or your employees, are not buying things for personal use with business funds. If funds are not accurately allocated, it will quickly cause cash flow issues, as well as tax filing and auditing complications. You may also suffer legal consequences where you lose the “limited liability” if you pierce the corporate veil by commingling personal and business finances.

If you have a small business, then you likely handle all of the purchases and payments yourself. Even though you might be the only person accessing funds, you should always keep your personal and business finances completely separate.

Open up separate bank accounts and credit cards for your business. Not only will this be immensely helpful come tax time, it will also prevent you from accidentally forgetting that the ream of paper you purchased was actually for home use.

2. Establish Internal Controls

You should establish [internal controls](#) in your company's bookkeeping policies and procedures to reduce the risk of fraud. This includes dual control for processes which involve making or receiving payments of any kind. For example, you should have one employee write the check and another reconcile the bank account and a third sign to authorize the payment.

Regarding internal controls, the person who opens the mail, shouldn't be the same person who is responsible for accounting functions.

The person who opens the mail should keep track of checks in a physical paper log of what checks were received and when. The checks should be handed over to the bookkeeper or accountant with a copy of the list - You can use [customizable check templates](#) for this purpose. This covers both the person who opened the mail, and the bookkeeper or accountant.

Read More: [25 Internal Controls to Reduce Risk in Your Business](#)

3. Determine Which Accounting Method You Will Use

There are [two standard systems of accounting](#) you can use for your business, cash basis accounting and accrual accounting. Cash accounting records transactions at the time cash actually changes hands and is usually only recommended for businesses which do business strictly in cash payments.

The accrual method uses the matching principle to record revenues and expenses in the period they occur, regardless of when payments are made or received. The accrual method can be a bit more complicated, but is usually the best choice for any business which will be invoicing clients.

Another acceptable option is modified cash basis, which is between cash and accrual. Modified cash basis means you are on cash basis except you record bills in Accounts payable and you send out invoices to clients which means you have Accounts Receivable on the books.

You should determine which system is appropriate for your business before you conduct your first transaction.

4. Use Accounting Software to Track Expenses

You should keep a thorough record of all your business expenses. This means saving and recording receipts on at least a weekly, if not daily, basis. Without a solid core [accounting software](#) system (like QuickBooks) and cloud-based [expense](#) technologies, daily bookkeeping tasks will put a major strain on your time. Without using technology, this burden will only become greater as your business grows.

When you determine which accounting software you will use, do not simply consider whether it meets your current bookkeeping needs. You should also evaluate each software system and technology for its ability to scale with your business as it grows and your back office needs expand.

Read More: [What Accounting System Is Best for My Service Business?](#)

5. Track Employee Time if you want to be able to understand your profitability

For service businesses: Instead of entering timesheet information into the system by hand, you can choose to automate these processes. With [time-tracking and payroll automation](#) by adopting an automated system for capturing project-related costs and employee time, you can easily feed this information into your bookkeeping system.

When payroll is then run for your company, it is automatically posted inside QuickBooks, pulling in allocated information from what's on the timesheet. We set it up to code time at the economic unit, the customer or job level, so you can generate true profitability reporting by tagging each job.

You can then:

- Add custom fields to a job form
- Track the sales rep. who sold a job
- See profitability by industry, team, sales rep and marketing campaign

Read More: [Why Every Service Business Should Have Job Costing](#)

6. Optimize Your Chart of Accounts

Most businesses have a simple, alphabetical chart of accounts to track expenses for tax and compliance purposes. The best practice, however, is to use your [chart of accounts](#) as the foundation of a management accounting tool. to help you keep track of your [customer acquisition costs](#), your [break even point](#) and your return on investment for expenses.

Grouping your sales and marketing accounts will help you track cost to acquired a customer, separating your General and Administrative (G&A) expenses will help you see what it costs just to keep the lights on, and Product or Industry specific expenses show the discretionary costs you can cut in a downturn.

7. Diligently Manage Your Accounts Payable and Accounts Receivable

Make the most of your cash on hand by impeccably maintaining your AP and AR. Pay the right amount on time to avoid late fees and to take advantage of early payment discounts. Send invoices promptly and follow up on any past due accounts to reduce [days sales outstanding](#).

8. Download Banking Transactions Daily and Reconcile Bank Statements Regularly and Resolve Issues Promptly

Do not let your bank statements pile up. Balance them regularly and resolve any discrepancies immediately.

Take a minute to review when they come into make sure there are no unauthorized disbursements. Business bank accounts have tight regulations which restrict the time during which it is feasible to resolve inaccurate electronic transactions or cleared checks.

9. Evaluate Your Financial Data Monthly

Elevate your back office from bookkeeping to management accounting by leveraging your [financial statements](#), management reports and KPIs. Build a monthly reporting package that helps you understand the drivers of your business and profitability.

[Keeping these 6 KPI charts at your fingertips can help you drive performance and profitability in your business](#)

[👉 Download your copy!](#)

10. Plan for Taxes Throughout the Year

Keep in touch with your tax accountant on a regular basis to make sure you are doing everything you should to maintain records and track expenses, so when it comes time to file, you have everything you need already organized. Staying organized, with regard to taxes, will also help you make strategic decisions throughout the year to reduce your overall tax burden and avoid costly penalties.

11. Keep Clean and Thorough Records

Speaking of taxes and compliance, are you ready for an audit? After filing your taxes, you cannot toss out your old records and start a new year. The IRS has [established guidelines](#) for the length of time businesses are expected to maintain copies of their tax returns and records, such as expense receipts, applicant information, payroll tax records and operational records. The general rule of thumb is at least seven years, but the actual requirements vary.

12. Speak with a Bookkeeping Consultant Regularly

Keep a list of back office questions and check in with your accounting or bookkeeping company on a regular basis – not just at tax time – to get answers and advice. This will ensure you are tax-ready at the end of the year and will also help you avoid major money pitfalls along the way.

Transform Your Back Office from Bookkeeping Service to Business Management Guru with GrowthForce

At [GrowthForce](#), our bookkeeping experts scale our services to meet your growing company's needs. We provide basic service plans that help you establish sound bookkeeping and accounting practices with the best technology tools available to assist you with monthly tasks. These basic services can be scaled up until you reach a

full-service management accounting option that includes a dedicated team of bookkeeping and accounting professionals who handle daily, monthly and quarterly tasks.

With a strong back office, your business will be able to foresee and mitigate risks and market challenges, streamline operations, [optimize pricing](#) and increase profit margins to achieve ongoing success.