
ACCOUNTING SET-UPS

Things to consider in designing an accounting system for your business

There are several things to think about when planning for an accounting system for your business. This article will introduce some important items to keep in mind to ensure that your accounting system works for you.

1. DETERMINE WHAT INFORMATION YOU WANT TO BE ABLE TO ACCESS ABOUT YOUR BUSINESS

Understanding the information you want to be able to retrieve from your accounting records is an essential starting point for designing the appropriate system. Beyond the basics of producing the correct information, in an understandable format, for timely filing tax returns, your accounting system should be able to provide reports that answer questions about your business to yourself, lenders, partners and associates. Although many things can be modified after setup, failing to consider some items in the initial design can result in a lot of frustrating, and expensive, work to correct your records after the fact.

Things to consider include:

1. What is your business structure (sole proprietorship, partnership, corporation, etc.)?
2. Do you have multiple divisions, locations or income streams of your business that you need to track separately?
3. Do you need to track inventory?
4. What information do you need to see in order to plan for your business' growth and to determine what parts of your business need special attention?

2. PURCHASE THE CORRECT SOFTWARE

There are many software choices available for your accounting system. This is not, however, the time to reinvent the wheel. QuickBooks has over 80% of the small business market and is a solid choice for small and medium sized businesses. QuickBooks Pro is available for \$200 to \$250 from stores and online retailers. Its position as a standard in the industry means that most accountants and trained bookkeepers are familiar with its operation. This will allow you to transfer files to your

accountant or to have a new bookkeeper or accountant jump right in to work with your accounting records.

You should be able to perform most of the recordkeeping tasks for your business yourself with a minimum amount of training to become familiar with how to work with the accounting system.

Something to remember with any software vendor, and Intuit (QuickBooks) is no exception, is that they will try to market expanded versions of the software with additional features. *Do not upgrade* unless there is a real business reason to do so. You should be able to use the version of the software you buy for many years.

A payroll subscription is another feature that software companies try to convince you to buy. Unless you have a large number of employees, this is an unnecessary (and expensive) way to track your payments to employees. It is not difficult to include the correct accounts in the setup of your chart of accounts list. With a few minutes of training, you should be able to handle payroll transactions without the need of an ongoing subscription. Federal withholding tables are updated each year and are available without charge from the IRS website or in IRS Publication 15 (also known as Circular E). Your accountant will be able to help you with payroll tax compliance and filing, both with the IRS and with the state.

Note: If you are applying for technical assistance through VC2, you should know that VC2 can fund setup and training for your accounting system, if approved, but cannot pay for the software itself.

3. SEEK PROFESSIONAL HELP

The easiest way to ensure a setup that takes into consideration all of the known factors of a business is to get competent help at the onset. You are more likely to be able to maintain your accounting system when it is set up correctly and when you have some initial training. A system that is set up with the specifics of your business in mind will be much easier to work with and will conform to accounting standards that will make the resulting reports useful to you in making business decisions.

4. FAMILIARIZE YOURSELF WITH RECORDKEEPING TASKS

When your accounting system is first designed, *take plenty of notes during training* and familiarize yourself with the accounting functions you will need to perform. If you get

comfortable with the system at this point, and work with it extensively in the beginning, it will become second nature for you. If the system is set up correctly, each function will be fairly simple.

You will have a much harder time remembering how to handle each function as you need it if you do not work with it from the onset. Learning the system takes effort, but you will be able to do it. The alternative to learning is that you will have to pay someone else to do that work for you -- and that can be expensive.

Take this time to learn how to:

- Enter checks into the register,
- write invoices,
- record the receipt of payments,
- record the entry of cash expenditures,
- reconcile your bank accounts,
- and any other type of transaction that you are likely to need in your business.

IN CONCLUSION

The proper setup of your accounting system is crucial to your success keeping accurate business records and your ability to generate the reports necessary to fully analyze your business operations.

The ability to generate reports about your business operations will be important and helpful to you when making decisions about the various parts of your operations and will help you to concentrate your efforts to make your business work for you. A functional accounting setup will allow you to accurately meet your tax reporting responsibilities and will provide the information that lenders and investors require.