

RECORDS & SYSTEMS

Bookkeeping Basics for Business Owners

What bookkeeping is, the routines that keep it simple, the common mistakes, and when it makes sense to hand it to someone else.

FOR: START-UPS AND SMALL BUSINESSES • NEW TO BOOKKEEPING

What bookkeeping is

Bookkeeping is the day-to-day recording of the money coming into and going out of your business: sales, purchases, payments, receipts, wages and tax. It is the raw material that your accountant turns into accounts and tax returns, and that you turn into decisions. Done regularly, it takes little time. Left for months, it becomes a chore and the records are less reliable.

The building blocks

- **Sales ledger.** A record of invoices you have issued and whether they have been paid.
- **Purchase ledger.** A record of bills you have received and whether you have paid them.
- **Bank accounts.** Every transaction through every business account, card and loan.
- **Nominal ledger.** Every transaction put into a category: sales, materials, rent, software, wages, and so on.
- **Payroll.** Pay, tax, national insurance and pensions for any employees.
- **VAT.** Output tax on sales and input tax on purchases, if you are registered.

Most cloud accounting software handles these for you, with bank feeds that bring in transactions automatically. Your role is to check them, categorise them correctly and attach the evidence.

Double entry in one paragraph

Professional bookkeeping uses double entry: every transaction is recorded twice, once as where the money came from and once as where it went. If you buy a laptop for £1,000 by bank transfer, the bank balance falls by £1,000 and the equipment asset rises by £1,000. The two sides always balance, which is why mistakes show up as differences. You do not have to do the entries yourself, because software does, but it helps to know why.

Who this is for

- Owners keeping their own books
- Start-ups choosing between software and a bookkeeper
- Anyone whose records fall behind

Key points

- Little and often beats a big catch-up.
- Reconcile the bank every month.
- Categorise consistently.
- Attach the receipt to the transaction.
- Do not guess. Ask when unsure.

A simple routine

HOW OFTEN	WHAT TO DO
Weekly	Review bank feed transactions, categorise and match them; send invoices; chase overdue ones
Monthly	Reconcile each bank and card account; check payroll; review sales and costs against plan
Quarterly	Prepare VAT return, if registered; review the debtors and creditors list; meet your accountant
Yearly	Year-end checks; stock count; fixed asset review; tidy and file

Before you ask for help

- Is the bank reconciled?
- Are the invoices up to date?
- Are receipts attached?
- Is payroll recorded?
- Is VAT reconciled?
- What are my questions?

Common mistakes

- **Mixing personal and business transactions**, which muddles the records and the tax.
- **Leaving the bank unreconciled**, so errors and missing items are not found.
- **Wrong categories**, which affects tax and the reports you rely on.
- **Missing receipts and invoices**, so costs cannot be claimed.
- **Double counting**, for example recording a sale when invoiced and again when paid.
- **Forgetting loan repayments and VAT** as cash outflows.
- **Not backing up**, or sharing one login.

Do it yourself, or hand it over?

Doing it yourself costs time rather than fees, and keeps you close to the numbers. It makes sense while the volume is low, you enjoy it and you do it regularly. Handing it to a bookkeeper or your accountant makes sense when your time is better spent on the business, when volumes or complexity grow, when you have staff and payroll, or when you keep falling behind. A middle route is to do the sales and receipts yourself and have a bookkeeper do the monthly reconciliation and VAT.

Working with your accountant

Tell your accountant what you do and what you leave for them. Agree a handover point each month. Ask them to review your coding quarterly, which catches small errors before they compound. The better your bookkeeping, the lower your accountancy fees, because less time is spent tidying.

Related guides

If this is useful, you may also want:

- Cloud accounting software
- Maintaining records
- Essential business tools

How King Street can help

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We set up and review your bookkeeping in cloud accounting software, run regular reconciliations for clients who want them, and train you or your team in the routine. If you would rather not do any of it, we can take over the whole process and give you reports every month.

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