

Mustard Seed Mentoring Unit 27: Accounting and Bookkeeping

January 14, 2020

Accounting 101

Balance Sheet

Assets = Liabilities + Owner's Equity

Goal: Build the Assets and Owner's Equity and keep the Liabilities to zero!

Income Statement

Sales

Less: Cost of Goods Sold

Gross Profit

Less:

Other expenses (fixed and variable)

Net Income

→ Understand what margins you need to be profitable.

→ Cash flow does not equal net income.

Helpful Hints

- Set up a separate business checking account and credit card, even if you are only a sole proprietor.
- Keep good records
 - Use accounting software, if possible, and **get someone to help you set it up correctly before you begin using it.**
- Save receipts for tax deductions.
 - Top 20 deductions for bloggers: <https://mazumausa.com/top-20-items-bloggers-can-expense-and-deduct-on-their-taxes/?gclid=undefined>
 - Business Deductions per IRS: <https://www.irs.gov/publications/p535>
- Hire an accountant/tax advisor who understands your business. I found these online (but I know nothing about them other than what I read on their website):

<https://mazumausa.com/the-business-of-blogging-part-10-hire-an-expert/?gclid=undefined>

<https://amynorthardcpa.com/accounting-for-bloggers/>

- Comply with tax reporting requirements at the federal, state, and local level.
 - Quarterly estimates to IRS and state, if applicable
 - Sales tax, even on online sales:
 - <https://www.salestaxinstitute.com/resources/remote-seller-nexus-chart>
 - <https://www.forbes.com/sites/kellyphillipsrb/2019/10/02/new-sales-tax-rules-take-effective-this-week-in-more-than-a-dozen-states/#5fd85ce05cfb>

- Set up a budget and cash flow budget
 - Are there any capital expenditures or upcoming expenses that you need to save for?
 - Can you afford to pay yourself?
 - Set aside funds to pay income taxes.
 - If you are generating enough income, think about saving for retirement by investing
 - Traditional or Roth IRA
 - Solo 401(k)
 - SEP IRA
 - SIMPLE IRA

- If you have employees, make sure that you consider your internal controls system for fraud prevention:

<https://www.hantzmonwiebel.com/wp-content/uploads/2019/02/A-Dozen-Ideas-for-Small-Business-Fraud-Prevention.pdf>

- Monitor and Review your financial statements
 - Consider which ratios and benchmarks are best for your business to analyze on a regular basis. (For example, if you are a blogger and sell services only, inventory turnover ratio is irrelevant to you.)

- Discuss any questions with your accountant/tax advisor