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What Is Required For Basic Bookkeeping For New Business Start Ups

Basic bookkeeping for new business start ups begins by recording all purchases, inventory, expenses and incoming capital. During the first year, most businesses will not realize a profit, but investors will want to know where and how money is being spent. It is important to show that all capital is being expended in an effort to earn eventual revenue.

Deciding upon either the cash basis or accrual basis of accounting, or a hybrid that combines the two, is the first item to attend to. After this has been done, then spreadsheets and journals to record all financial transactions must be created. These are what is known as the books.

The cash basis recognizes revenue and expenses when cash, or a cash equivalent, exchange hands. The accrual method recognizes revenues when they are incurred and the corresponding expenses are recognized when they enable the production of those revenues. For example, wages are recognized in the period earned, not necessarily when they are paid.

Bank reconciliations are also an important part of the bookkeeping process in a start up and should be done monthly. The balance of the bank account may not be reflective of the totals that have been recorded by the bookkeeper. Reconciling the numbers rectifies this and enables those that put up the initial capital outlay to better understand what cash is on hand.

Finally, every month a review of all of the transactions should be conducted to ensure there are no errors and money or inventory has not gone missing. Maintaining a complete record of all inventory or material purchases is important for this part. This helps to prevent theft within the company.

Basic bookkeeping for new business start-ups begins with choosing the method of accounting that the company will practice and creating spreadsheets or journals to record all financial transactions. Investors and owners are going to want to know where the money is going and the purpose for which it is being spent. The point of the company is to eventually make a profit, which can only be done if spending is tracked and understood.

Learn more about basic bookkeeping for new business start ups now in our complete overview of everything you should know about how and where to find the best [accountants west london](#) and [chartered accountants London](#) .

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