



WEEK 2 — Books Matter: They Are Not Just for Reading

Bookkeeping & Accounting Fundamentals for Your Business

HopeBuilds: Dynamic Business Development Program

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Why “Books” Matter

- “The books” are your business's financial records — every dollar that comes in, every dollar that goes out, tracked and organized.
- Keeping accurate books isn't just paperwork — it's how you know if your business is actually making money, how you prepare for taxes, and how you prove your business is real to lenders and funders.
- Businesses that don't keep clean books struggle to get loans, struggle to pay taxes correctly, and often don't realize they're in trouble until it's too late.

What Is Bookkeeping?

- Bookkeeping is the process of recording and organizing all of your business's financial transactions — sales, purchases, payments, and receipts.
- **Accounting**
 - Takes bookkeeping data and turns it into meaningful reports and analysis — telling you whether the business is profitable, and helping you make decisions.

Proper Paperwork: What to Keep

- Receipts for every business purchase
- Invoices you send to customers, and invoices you receive from vendors
- Bank and credit card statements for business accounts
- Payroll records, if you have employees
- Contracts and agreements
- Tax documents (prior filings, EIN confirmation, sales tax records)

Business Entities & Your Books

Why Entity Type Matters

- Your business structure determines how you're taxed
- It determines what records you're legally required to keep
- It affects whether business and personal finances must be kept separate

Common Entity Types

- Sole Proprietorship
- Partnership
- Limited Liability Company (LLC)
- Corporation (S-Corp / C-Corp)

Keep Business and Personal Finances Separate

This is one of the most common mistakes new business owners make — and one of the most damaging to clean bookkeeping. A dedicated business bank account and credit card make your books dramatically easier to keep accurate.

Tracking Cash Flow in Your Books

- Cash flow is the movement of money in and out of your business — your books are what let you actually see it clearly.
- Record income as it comes in, and categorize every expense (supplies, rent, marketing, payroll, etc.) so you can see where money is going.
- Review your books on a regular schedule — weekly or monthly — rather than only at tax time.
- Accurate, up-to-date books make it possible to spot a cash flow problem early, while there's still time to act.

Basic Financial Statements: The Income Statement

- Also called a Profit & Loss statement (P&L).
- Shows your revenue (money earned), minus your expenses, over a specific period of time.
- $\text{Revenue} - \text{Expenses} = \text{Net Profit (or Loss)}$
- This is the report that tells you whether your business is actually profitable — not just busy.

Basic Financial Statements: The Balance Sheet

- A snapshot of what your business owns and owes at a specific point in time.
- **Assets**
 - What the business owns (cash, equipment, inventory)
- **Liabilities**
 - What the business owes (loans, unpaid bills)
- **Equity**
 - What's left over for the owner after liabilities are subtracted from assets

Tools for Keeping Your Books

1

Spreadsheets

A simple starting point for very small or new businesses — free, flexible, but manual.

2

Accounting Software

Tools like QuickBooks or Wave automate tracking, invoicing, and reporting as you grow.

3

A Bookkeeper

Hiring help once volume grows keeps your books accurate without consuming your own time.

4

Your Bank's Tools

Many business bank accounts offer built-in expense tracking and reporting features.

Why This Sets You Up for Success

- Clean books make it possible to apply for credit, capital, and grants with confidence — funders and lenders want to see your numbers.
- Accurate books mean fewer surprises at tax time, and fewer costly mistakes.
- This is the foundation for everything we'll cover next week in Credit, Capital & Cash Flow.

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