

Small Business Bookkeeping Explained

According to a [TD Bank survey](#), over half of business owners say that bookkeeping is their least favorite task. The fact is, no one starts a business to become a bookkeeper. It's a time consuming and difficult task where mistakes can be costly. But no matter how begrudging bookkeeping can be—it's a necessary part of any successful business infrastructure.

Choosing the right option for your business can be difficult. There are hundreds of accounting firms and software solutions to choose from, and what works for one business owner might not work for another. But before you can even begin to consider which service provider to choose—you must first decide which *method* is best for you.

When it comes to bookkeeping frameworks, there are three main options AKA the "Bookkeeping Trinity." We will dissect each of these options, how they work, and what they mean for your business.

The "Traditional" Method: Accounting Firms

The most traditional method of bookkeeping is to hire an accountant or accounting firm. (We're talking local mom and pop shops and freelancers.) These guys offer great benefits over the DIY self method—like the fact that you'll barely have to lift a finger and you'll also be privy to expert insight (pending they're qualifications of course).

There are also some drawbacks such as higher fees and slow turnaround times. Many of these places charge high hourly fees for consultations which can make it difficult to set a steady course for your monthly budget, not to mention their services can often be "behind the times" in terms of integrating technology.

When it comes to the traditional method, business owners will have to consider whether or not they want to hire an in-house bookkeeper or an external accounting firm. Both methods can be expensive with hourly consulting fees and salary/benefit considerations for in-house hires. In-house accountants can be a solid option if you own a large operation. Smaller businesses however, might find that the costs outweigh the rewards when it comes to hiring a full-time accountant.

The "Semi-Traditional" Method: DIY Software

DIY software is an increasingly popular option, giving business owners a great UI to track their finances. Companies like [Quickbooks](#) provide robust software that can help facilitate

advanced accounting functions. Not only are many of these types of tools extremely helpful, they can also save money when it comes to hiring a traditional accountant. Although this is a great option for *accountants*, it may not be optimal for business owners.

Having a good piece of software doesn't make you knowledgeable about the US tax code, regulations or requirements. Business owners can miss out on deductions, disqualify themselves as a compliant business, and face IRS auditing through improper tax filing. Having simply taken an accounting class in college is no substitute for the wealth of knowledge an accountant brings to the table.

Even if you feel confident enough in your accounting, there is still the consideration of time. Anyone who has started a business knows that they will soon find themselves being pulled in lot's of different directions. Bookkeeping is a time consuming task—business owners need to ask if reconciling transactions is the best use of their time.

The “Fully Automated” Method: Software as a Service

The third and final option (which no surprise, we're big proponents of), are software as a service options. This hybrid option provides the best of both worlds, giving users access to customized software as well as a dedicated bookkeeper. Instead of having to reconcile your own transactions, a bookkeeper (accountant) will do it for you. Some of these services like [Bookly](#), offer unlimited consultation at no hourly cost. Instead they prefer the more modern “Netflix” model of a monthly flat-rate fee. This gives business owners comfort, knowing they can reach out for advice without fear of incurring extra costs and make more accurate monthly budget predictions.

This option will not be for everyone, for example—extremely large and complicated corporations or accounting firms (just covering our bases). However for the other 90% of business owners—this bookkeeping framework is likely to be the most inclusive and cost effective. It offers all of the good (and more) of the aforementioned methods without the bad. The hybrid mixture of cloud-based tech combined with a human element of a bookkeeper takes away the headache of navigating tax law and entering data—while still providing a high touch high tech solution.

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