How to Set Up Bookkeeping for a Side Business in One Weeke

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Spend one weekend separating accounts, choosing a method, and recording real transactions so your side business has books you can trust and hand over.

Things you will need

- Business checking account in the business name
- Business credit card kept separate from personal
- Savings sub-account used only for estimated tax
- Spreadsheet template or entry-level accounting software
- Smartphone camera app for receipt capture
- Dated folder for scanned receipts
- Invoice template with sequential numbering
- Numbered invoice register or log sheet
- Signed taxpayer-information form for each contractor
- Payroll register showing gross, deductions, and net
- Two-column tax collected and tax paid ledger
- Bank reconciliation checklist printout
- Ageing report template with five buckets
- Shared cloud folder for the accountant handover pack

Saturday Morning: Separate the Money and Pick a Method

1. **Open Business Checking and Stop Mixing Funds**
   Open one business checking account and one business credit card in the business name, both with no monthly fee if you can get them; plenty of banks waive the fee with a $500 to $1,500 minimum balance or by using electronic statements.
2. **Choose Cash or Accrual Before Entering Anything**
   Decide the method before your first entry, because changing it later means re-keying history.
3. **Build a Twenty-Account Chart of Accounts**
   Write out the account list every transaction will be sorted into, and keep it near 15 to 25 lines: revenue, tax collected, advertising, software and subscriptions, contractor payments, bank and card fees, supplies, shipping, travel, meals, home office, insurance, phone, utilities, depreciation, owner draws, and loan payments.
4. **Set One Receipt Rule and a Retention Period**
   Pick exactly one capture path so nothing hides: photograph every receipt into the same folder or app the moment you pay, and name each file with the date, vendor, and amount.
5. **Choose a Spreadsheet or Entry-Level Software**
   Either is defensible for a business with fewer than about 150 transactions a month.

Saturday Afternoon: Enter Real Transactions and Issue Paperwork

6. **Post Two Weeks of Actual Transactions Line by Line**
   Take the last 14 days of bank and card activity and type each line yourself — date, payee, amount,

account, and a one-line memo — which for a typical side business is 30 to 60 entries and takes 60 to 90 minutes.

7. Issue Numbered Invoices With Fixed Payment Terms

Give every invoice a sequential number you never reuse or skip, and put on it your business name and contact details, the invoice date, a service or delivery date, a line-item description, the subtotal, any tax charged shown as its own line, the total, and payment terms in plain words.

8. Track Tax Collected Against Tax Paid Separately

Open two accounts and never net them: tax collected on your sales, and tax you paid on business purchases that you may be able to reclaim.

9. Classify Every Helper as Contractor or Employee

Decide, per person and before the first payment, whether they are an independent contractor or an employee, because the paperwork and the cost differ substantially and the label follows the actual working relationship rather than what you wrote on an invoice.

10. Run Payroll Through a Proper Register

If you have any employee, do not pay wages in cash or by ad hoc transfer.

Sunday: Reconcile, Chase Money, and Close the Month

11. Reconcile the Bank Against Your Books

Work top to bottom and skip nothing: check that the opening balance in your books matches the statement, tick every cleared transaction against a booked entry, list items in your books that have not cleared, list bank items you have not booked such as fees and interest, then confirm the closing balances agree once those two lists are accounted for.

12. Build an Ageing Sheet and Chase Schedule

List every unpaid invoice in five buckets — current, 1 to 30 days overdue, 31 to 60, 61 to 90, and 90 plus — with the client, amount, due date, and last contact in each row.

13. Move Estimated Tax Money to a Sub-Account

Open a separate savings sub-account inside your business banking and transfer a fixed percentage of every deposit into it the day the money arrives, before anything else moves.

14. Run a Ninety-Minute Month-End Close

Pick a weekday — the fifth working day of the month suits most people — and work a fixed 60 to 90 minute sequence: enter everything up to the last bank line, reconcile every account including the card and the tax sub-account, review the profit and loss line by line against the prior three-month average, then write the cash position as a single number.

15. Read a Balance Sheet Against a Profit and Loss

The profit and loss is a video of a period: revenue minus expenses across a month or a year.

Every Month After: Hand Over, Stay Audit-Ready, and Improve

16. Prepare the Accountant Handover Pack in Advance

Assemble the same five-item pack every month and store it in one shared folder, so a professional can start work without a discovery call: reconciled bank and card statements, your trial balance or exported transaction list, the aged receivables report, the tax collected and paid reconciliation, and the payroll register plus contractor payment summary.

17. Keep Records Exam-Ready All Year

An enquiry is far less frightening when the file answers for itself, so keep the raw evidence as disciplined as the summaries: sequential invoices with copies, receipts matched to every expense above a small internal line you set yourself, say $25, contracts, proof of payment, and the reconciliation you signed off each month.

18. Fix Errors the Week You Find Them

When you spot a wrong entry, correct it with a dated journal note rather than deleting the original, because an audit trail that shows the mistake and the fix is stronger evidence than a file that looks immaculate.

19. Review Personal and Business Money Together

Once a quarter, put the business cash position next to your household budget and read the joint picture: what the business owes you, what you owe the business, whether your owner draws actually cover your living costs, and how much of the estimated-tax cushion is genuinely untouched.

20. Decide When to Hand the Books to Someone Else

DIY bookkeeping has a natural expiry date, and it is worth naming so the decision stays deliberate.

Sources

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Written as a checklist from https://www.howcompass.com/how-to/Set-Up-Side-Business-Bookkeeping. Corrections: https://www.howcompass.co