How to Bootstrap your Bookkeeping

by: Tim Miron, CA

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INTRODUCTION

Brock University Grad – 2004
CA - since 2005
Married – 2006
Twins born – 2010
Start-up / tech companies = 1/2 of my clients

INTRODUCTION

OBJECTIVE

To share ways that you can accomplish bookkeeping for your business with little to no money invested.

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Overview

○ Bookkeeping
○ Bank accounts
○ Record keeping
○ Info storage
○ Invoicing
○ Collecting
○ Business Structure
○ Other stuff

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BOOKKEEPING

What is that anyway?

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Bookkeeping is the tracking and recording of all the transactions of a specific entity.
This makes preparing your taxes easy!

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Bookkeeping is the tracking and recording of all the transactions of a specific entity.
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Oh and I HATE doing it!

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BOOKKEEPING - Methods

Shoebox (bad)

File folders

Excel Spreadsheet

Cloud Solutions

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BOOKKEEPING – File Folders

Works for unincorporated individuals

HOW:
Buy plastic file box and some hanging folders
Label each folder a common category
Just drop receipts in during the year
At the end of the year summarize each folder

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BOOKKEEPING – Spreadsheet

BOOKKEEPING – Spreadsheet

Record each transaction.

Uses the double entry system
            (1 Debit / 1 Credit)

See beancounterblog.tumblr.com

BOOKKEEPING – Spreadsheet

Date	Description	Cash	Cash Balance (should = bank statement)	HST	Drawings	Revenue	Office	Error Check Must be zero
4/1/13	Sales - invoice #	113.00	113.00	(13.00)		(100.00)		-
4/3/13	Dell - PC	(56.50)	56.50	6.50			50.00	-
4/9/13	Shareholder withdrawl	(100.00)	(43.50)		100.00			-
4/18/13	Expenses paid by me		(43.50)	13.00	(113.00)		100.00	-

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BOOKKEEPING – Cloud

Wave Accounting (Free)
FreshBooks (Free)
Kashoo
Xero

Link to your bank statement, to remove the data entry for you.

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BOOKKEEPING – Wave

Link your accounts to Wave
Wave imports the transactions
All you have to do is classify them
Be sure to watch the account balances, there are some occasional hiccups.
www.waveapps.com

BOOKKEEPING – Wave

Invoicing (customizable)
Receive payments (2.99% + $0.30)
Payroll
Receipts
Canadian Made
Paypal integration
Collaboration features

BANK ACCOUNTS

Bookkeeping is hard enough when its simple

So get a separate bank account!

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BANK ACCOUNTS

Free – ING and PC
Paypal
RBC / CIBC - $6/month
BMO - $9.50/month
ScotiaBank - $12 / month
TD - $14.95/month
Credit Unions - Meridian $5 / month +

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BANK ACCOUNTS – Credit Cards

Corporate or not – use a personal credit card, but get a separate one.

RECORD KEEPING – Cloud Based

File Folders
Wave Receipts – New / Free
ShoeBoxed – 9.95 / month
Xero – add-ons - various

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RECORD KEEPING – Cloud

Take a picture / upload your receipt
Wave links to the transaction
ShoeBoxed can save more than just receipts.

CRA does not have to accept credit card / bank statements as proof of payment.

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INFO STORAGE

Dropbox
Google Drive

Great for sharing and collaborating

Mozy - $6 (US) / month
            Canada has stricter privacy laws

INVOICING

FreshBooks
Wave Accounting

      Can send Electronically
      Tracks outstanding bills
      Integrates with Accounting

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COLLECTING PAYMENT

FreshBooks
Wave Accounting
Paypal

   Updates accounting automatically
   No need to wait for cheques

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BUSINESS STRUCTURE

Unincorporated

vs

Corporation

SOLE-PROPRIETOR

Unincorporated
All income earned is taxed in year earned, in addition to other income
Simplest business filing
Lowest Cost

CORPORATION

Assumptions:
Unincorporated Income of $120,000 living off of $100,000.

Extra income	$20,000
46% Income Tax	$9,200
Net after tax cash	$10,800

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CORPORATION

Income earned in a corporation.
Owner paid $100,000 salary

Corporate income	$20,000
Additional Costs	$2,000
Net income	$18,000
15% Income Tax	$2,800
Net after tax cash	**$15,200**
34% Tax on Dividends	$5,200
After Tax Cash	$10,000

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Tax savings on incorporation:

Unincorporated after-tax cash	$10,800
Incorporated after-tax cash	$10,000
Tax savings	$-800

This example assumes two things:
1) All the income is earned at the top tax rates
2) The income is all taken out in the same year

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A corporation is effective in tax planning if:

The income is taken at lower tax rates.

The income is not taken out each year (more earnings retained for investment)

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CORPORATION

Unincorporated
After Tax Cash $10,800
Invested for 20 years
Rate of return 5%
(before taxes)

Value $289,100

Annual draw $30,000
Years to draw   9.5

Incorporated
After Tax Cash $15,200

Invested for 20 years

Rate of return 5%

(before corp taxes)

Value $484,300

Annual draw $30,000

Years to draw 16

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HST

Mandatory registration at $30,000 in any year

Net tax (good thing for business)

Early registration

Rate to charge

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How to create your own tax refund!

CREATE YOUR OWN REFUND

Take a % of your income every month and put it in a savings account.

If you estimated properly, then you should have more than your tax bill in your savings account.

Spend the difference like it is your tax refund!

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CREATE YOUR OWN REFUND

Questions

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