

## R.3

# Options for bookkeeping

You have several options for systems to support your bookkeeping, and it can be difficult to understand the differences. We discuss different options below.

**Free templates on Google Sheets.** There are free templates on Google Sheets to help you record your transactions. This is a better option than simply leaving your receipts in physical folders and only organizing them at year-end for tax purposes.

**This option works best for:**

- New operations that may not continue for more than two years
- Very small operations with no infrastructure, little equipment, and few transactions

It makes sense to keep costs down while you are still deciding if you are going to continue farming. This can be a great option for people who are in a farm-incubator for a short period of time.

**You will know it is time to upgrade when:** As your operation grows and you have more transactions and more assets and liabilities it will be increasingly time-consuming to manage all of your bookkeeping needs on Google Sheets. There are various options to add functionality to Google Sheets bookkeeping templates, but by the time you are incorporating these, you are probably not saving money because you are probably spending too much of your own time managing basic bookkeeping functions instead of using the data from your bookkeeping system to manage your business.

**Free bookkeeping software.** There are many options for free bookkeeping software - but they all have limited functionality.

**This option works best for:**

- New operations that may not continue for more than two years
- Very small operations with no infrastructure, little equipment, and few transactions

**You will know it is time to upgrade when:** Don't worry, they will tell you. The free options are all designed with limited functionality. As your operation grows and you have more transactions and more assets and liabilities you will simply outgrow the free options. This is by design!

**Standard bookkeeping software with full balance sheet functionality.** Quickbooks, Sage and Xero are the best established accounting software services.

**Beware of cheaper competitors with lesser functionality.** You want a bookkeeping system that allows **full balance sheet functionality**. Some programs offer very limited balance sheet functionality - only allowing you to track accounts receivable and accounts payable for example, but not allowing you to track equipment, loans, and owner's equity.

**This option works best for:**

- Everyone.

**You will know it is time to hire a bookkeeper when:** You realize you are spending too much of your own time managing basic bookkeeping functions instead of using the data from your bookkeeping system to manage your business.

**A paid bookkeeper.** A good bookkeeper is an invaluable asset to any business. A bad bookkeeper can bring a business down. Hire carefully and supervise closely. See the materials on month end procedures for ways to supervise your bookkeeper and ensure they are doing their job correctly.

**This option works best for:**

- Everyone.

**Unless:**

- You have the wrong bookkeeper.

**What to expect from a bookkeeper:**

- Timely and accurate entry of your financial transactions into a double entry bookkeeping system.
  - Timely means generally within ten working days of receiving the information.
  - Accurately means two things: all financial activity is recorded and transactions are recorded to accounting categories that accurately reflect the substance of the transaction.
- Monthly reconciliations of all business bank accounts and credit card accounts.
- Monthly balance sheet and income statement reports and a monthly list of questions or observations regarding the transactions they have recorded.