

How You Can Start A Bookkeeping Business At Home

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How You Can Start A Bookkeeping Business At Home

A home based bookkeeping business is a service to small businessmen who have neither the time nor the expertise to keep sufficient records for themselves. A plumber or piano tuner can make more money plumbing or tuning than doing their book work -- and they're good at plumbing and tuning!

The home bookkeeper's clients drop off their receipts and sales slips for posting to a ledger or computer data bank. The client is provided monthly statements and information for his yearly taxes, plus any other contracted services.

Although it would be nice to have a full capacity computer operation and an MBA in accounting, there is room and a real need for less than expert (at a much lower price) bookkeeping services. Not all small businessmen can afford or even need a lawyer or professional accountant; many simply need someone to keep track of their day to day operations so they can tell where they are financially and stay out of trouble with the IRS.

For example, a one-man painting business might be happy to find someone to keep a single entry ledger for him. The, he just drops off his receipts and copies of tickets and his bookkeeper takes care of them (records the information in the proper column and adds it up each month).

A single entry ledger is a simple form of bookkeeping for uncomplicated operations that does not require any special skill or training (see Chapter 16, *The ULTIMATE HOME BUSINESS Manual*).

For the painter, the ledger would have five columns:

Date, Description, (what was done or bought), Invoice, ticket or check number,. Expenses and Income.

The painter's equipment is almost all expendable because life is five years or less, so little if any of it must be depreciated.

He can even use the mileage option on his work truck or car. When he buys paint the receipt is filed and a line in the ledger filled out with the amount spent written in under Expenses. When he is paid for the job, another line is filled out and the amount received is listed under Income. At the end of the month, total the expense and income columns to see how he did.

Meanwhile the tax preparer can check the expense items to see which ones are listed and how -- the information he needs is right there in the ledger.

As long as the painter is dealing in service, there are no complications.. For example, the customer pays for the paint, it need not be reflected in the painter's books at all. On the other hand, if the price of the job includes the cost of the paint, the paint is a business expense. Either way, the single entry ledger works.

It is only when the painter buys the paint wholesale and retails it for profit over and above the quoted price for the job that some additional records may be needed. As you can see, buying and selling paint separately can be handled more simply by treating the paint as an expense of the job, which allows the easiest bookkeeping.

Profit from the paint is included as job profit rather than profit from resale of the paint. The profit is the same, the painter pays tax on the paint, and there is no need for the tax permit or additional records -- unless the operation grows to the point where it is worth while.

The bookkeeper is legally obligated to accurately and honestly reflect client profits that come to his or her attention. Professionals often advise their clients to be honest, and if they aren't DON'T TELL ME!

Although it is quite possible to start a bookkeeping service with hand kept records (especially the single entry), a really profitable operation will eventually REQUIRE a computer.

With one, some practice and a good records-keeping program, you will learn to operate a surprisingly complex bookkeeping service. You will be able to personally handle at least ten times the volume of records!

Business computers (and programs) can be leased at fairly reasonable rates, and good used systems are becoming more plentiful every day. Prices are also dropping for really good systems.

It should be possible to purchase an IBM compatible XT system with a double disk and/or hard drive and several programs for well under \$1,000 -- perhaps half that within a few months, as businesses try to update to more sophisticated systems.

Each separate account is kept on one or more disks (costing as little as 19 each) and the program on another (or on a much larger, internal hard disk). As receipts are brought in, you simply add the information to each customer's file (disk) -- the computer does all the figuring for you, prints out the reports.

Like riding a bicycle, it is difficult BEFORE you learn how, then it's easy -- you wonder how you ever got by without one! The best

advice you will ever get about your computer is to JOIN AS COMPUTER USERS CLUB (check your phone book, newspaper or computer publication).

Do this before buying a computer - to get some good, unbiased advice and possibly even find a good deal.

A major potential problem area must be addressed here. Smart computer back-up their important disks. There are just too many things that can happen to a disk (even a hard disk) -- it can be inadvertently erased by a magnet, damaged by static electricity from a television (or the rug!), or by an electrical surge during a storm or when the lines are being worked on -- it can be "double exposed" new data written on top of old).

The FIRST thing to do with disks that have important data on them is to DUPLICATE them. The process only takes a minute and the cost of a back-up disk is minimal.

The normal procedure is to retrieve the customer's disk from the main file, update it, duplicate it (it takes only a few seconds to re-copy the entire up updated file), then return both disks to their SEPARATE files. If you forget to back up, just one case of having to retype a year's records and you (like so many of the rest of us) will GET THE MESSAGE.

The client's product will usually be an orderly report of all of his invoices, tickets, checks, etc., (things the IRS requires) that he brought to you, plus a monthly statement and any other requested options that you offer and he has requested (and pays for).

Clients are charged for your time for daily posting, for reports they receive, plus any additional services or information they may require, such as yearly totals for tax computation.

Fees for these are usually based on operator time, computer time (different rates), plus the number and type of reports. Hourly charges average about \$20, depending on the locality, account size, and the degree of your expertise.

A bookkeeping service is similar to a word processing service in that accuracy is extremely important and business connections are especially beneficial. Join the Chamber of Commerce, Rotary, etc. That is where to find potential customers.

Have quality stationery, business cards and brochures. Be visible in community business related affairs (charity balls, cook-outs, fund-raisers).

Place an ad in the service section of the paper and mail out

brochures describing your service to business in your area.

Try to get an easy-to-remember phone number (or convert it to a catchy word).

List your number in the business section of the paper name with A to get listed first in the yellow pages.

The home bookkeeping business can be expanded with the addition of specialized or alternative computer programs and/or more terminals for more hired assistants (each has a keyboard and screen but they all use the same computer).

Also, by adding a tax service or service to train employees for other businesses. When you lose a client that gets his own system, he will often need expertise to get started, and who knows his situation better than his "old" bookkeeper?

When you become really proficient (its is a matter of time), check with the store that handle your type of computer and inform them that you are available for business consultation. You can also increase your business by expanding your capabilities. Take extension or commercial (even correspondence) courses in accounting and income tax.

Another suggestion is to find a professional consultant, such as a CPA that you can go to for advice when necessary. He will probably not worry about the competition because you will handle accounts that couldn't afford him anyway.

BUSINESS SOURCES

SIMPLIFIED BUSINESS SERVICES, 100 Presidential Blvd., Bala Cynwyd, PA 19004. Sells and licenses bookkeeping services for small businesses.

H & R BLOCK (your local office). Offers an excellent 6 week (night school schedules) course in basic income tax preparation for about \$200.

NORTH AMERICAN SCHOOL OF BOOKKEEPING AND ACCOUNTING,, 925 Oak St., Scranton, PA 18508. Offers a one year course in bookkeeping. Free information.

NATIONAL ASSOCIATION OF ACCOUNTANTS, Box 1140, Clearwater, FL 33517. Professional Association.

NATIONAL ASSOCIATION OF ACCOUNTANTS, Box 433, Montvale, NJ 07645. Small business advisory; assn of home business accountants.

QUILL CORPORATION, 100 Schelter Rd., Lincolnshire, IL 60917-4700, 312/634-4800 Office and computer supplies.

IVEY PRINTING, Box 761, Meridan, TX 76665. Letterhead: 400 sheets paper, 200 printed envelopes - \$18.

SWEDCO, Box 29, Mooresville, NC 28115. Three line rubber stamps \$3; Business cards - \$13 per thousand. Free catalog.

NEBS, 500 Main St.,Groton, MA 04171, 800/225-6380. Office supplies.