

## **Setting Up an Accounting System**

It has been said, "Accounting is the language of business." Accounting systems are essential to your business right from the beginning. They are the basis for strategic planning and making vital business decisions on a daily basis. Accurate and reliable bookkeeping processes are imperative for growing an enterprise. The five critical steps to create a dependable accounting system are shown below.

### **Accounting Method**

The two methods recognized by the Internal Revenue Service (IRS) are the cash and accrual basis. The cash basis is for businesses that account for income when it is received and expenses when they are paid. This method is most common for companies that do not use accounts receivable, accounts payable or inventory. They are usually service based enterprises rather than manufacturing oriented.

The accrual method is used for entities that record income when a product or service is sold before any payment has been received. Accrual accounting generally provides a more accurate and timely picture of what is happening with the business because transactions are recorded sooner under the accrual than the cash method. As a result, forecasting and projections tend to be more reliable.

### **Accounting Software**

There are literally hundreds of accounting packages available online. Most of them provide mobile apps, bank integration and many time and project management features. Their offerings tend to grow and change quickly. For example, the demand for clear and accurate multi-currency translation applications is increasing due to the ever-expanding global business environment in which we live.

What you need now will be very different than what you may need in only a few years. However, the online accounting landscape will have changed dramatically by then. The best you can do is keep up with current technology with a keen eye to the future.

Which provider is best for your business? The answer depends on what features you really need, your budget and long-term financial goals.

### **Chart of Accounts**

The Chart of Accounts is a listing of your asset, liability, equity, income and expense accounts. It should be custom made to fit your business and your objectives. It must be fluid and have the ability to change as your business grows.

## **Business Bank Accounts**

It is paramount you keep your personal and business transactions separate. The fastest way to get into trouble with the IRS is to commingle your personal and business affairs.

The easiest way to avoid problems is to have separate personal and business banking accounts. This goes for your savings and credit card accounts as well. Your bank accounts should synchronize seamlessly with your accounting system.

## **Data Entry**

Make sure to enter your bookkeeping data promptly. The best way to accomplish this is to set aside specific times to do this work. We recommend you make digital copies of all your invoices, receipts, contracts and any other business related documents. Store them in one place online for easy retrieval and review. Ask your accountant which documents need to be stored and for how long.

## **Acid Test**

You know you have a good accounting system in place when you can monitor cash flow and rely on your financial projections. Your business will flourish when you can quickly supply your investors, customers and government officials with the financial information they require with a minimum of effort, time, and expense.

## **The best system is the one you use!**

It is a terrible waste of time and energy to establish a robust process and then not use it to its highest capacity. A great accounting method is the foundation of your business and the primary tool to successfully build your company.

## **How We Can Help You**

[Pacific Crest Group \(PCG\)](#) provides professional services that keep your business focused on your critical objectives. We provide strategic Accounting and Human Resource (HR) services created specifically to help you meet your goals. Through exemplary customer service, clearly defined policies and procedures as well as a forward-looking perspective, we provide the outsourced solutions your business needs to grow. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed to maximize all of your business opportunities.