




BOOKKEEPING
BASICS FOR
HANDMADE BIZ





Don't leave
your
bookkeeping
till tax time!

- The key to a successful bookkeeping system is consistency and systemisation.
- You **MUST** have a system and habit of keeping your bookkeeping up to date.
- Daily, weekly... but no less than this, lest it gets away from you.
- Being consistent will make things so much easier in the long run.
- If you enter everything into your system properly, you shouldn't need to look at bank accounts or receipts/invoices again come tax time.



It's not necessarily complicated or hard -
once we have a system figured out - it's
just BORING (for most of us).


But running a business isn't just about the
fun bits!



It's not all about tax.

- Many people only think about their numbers as they relate to tax time.
- Yes, this is vital, but it's not the only reason to track your business finances - far from it!

You should **KNOW** your numbers!



- If you don't know what your business finances look like, you can't make wise business decisions.
- You need to look at your profit and loss regularly - no less than monthly.
- You need to know how much you are spending each month, and how much you are making - on average.
- You need to know how much profit you are making - and how much you can pay yourself.
- No serious business person neglects their numbers - because you need to know the financial viability of your business.



Okay, but what do you actually need to track in your bookkeeping system?

Let's look at some key elements.

The following
are
non-negotiable

- Income
- Expenses
- Deductions
- Taxes
- Profit/Loss

Income



- **Gross Income:** all the money coming into your business, before you take out anything (taxes, shipping, etc).
- **Net Income:** what's left after deducting the COGS, expenses, depreciation, amortisation, taxes, and interest.

Expenses



- **All the money you spend related to your business. Such as...**
- Fees (PayPal, Etsy)
- Advertising
- Materials
- Packaging
- Postage
- Website hosting
- Tools & equipment
- Education (books, courses, memberships)
- Office materials (pens, paper, printer ink etc!)
- Biz insurance
- Accountants & other professional advisors
- Employees/help
- Your wage!
- Market stall costs
- Taxes
- + more – which may vary depending on your business.

Storing Receipts



- Most will be digital these days, so you won't need to 'store' them per se - but you might like digital copies.
- Make sure to invest in a box or file where you immediately store ALL paper related to your business in a particular tax year.
- Write on the receipt EXACTLY what it was for if it's not clear from the actual receipt itself.
- Enter all cash payment receipts into your spreadsheet immediately. You should never have to look at these again.
- Scan any that might fade and store in a digital folder for that tax year – preferably backed up in the cloud.

Deductions



- **These are expenses you can claim at tax time to reduce your tax debt.**
- Most expenses will be able to be claimed as deductions – but not all. This is where an accountant who knows your local tax law becomes necessary.
- This is also why you need to keep track of different CATEGORIES of expenses, again, dependent on the tax law in your country.

Deductions



- *What can you claim as deductions?*
- When you start your business, invest in a conversation with a local accountant.
- They will know what you can and cannot deduct/claim as an expense for your particular business, and can help you set up your bookkeeping.
- Do your research – find someone who specialises in small biz accounting. Investing in even just one meeting with an accountant to clarify your allowable deductions WILL pay off.
- There may be deductions you haven't thought of!
- **Examples are:** Your rent/mortgage payment, electricity, internet, insurance, fuel to drive to post office.

Taxes



- **What taxes are you liable for?**
- Income tax?
- Sales tax?
- How much, what are the thresholds?
- How, to who, and how often, do you pay your taxes?
- **You need to be putting aside money EVERY MONTH to pay your taxes.**
- You should ideally have a separate savings account where you save tax and retirement/super money for when those payments are due.

Profit/Loss

- This is how you know if your business is making or losing money.
- You need to know all the previous numbers to get to this number.



5 Minute Activity

- **Can you answer the following questions?**
- What was your business Gross Income for the previous financial year?
- What were your Expenses for the previous financial year?
- What was your Net Income for the previous financial year?
- How much money did YOU actually make (your wage) in the previous financial year?
- **If you can't go look this up in a couple of minutes, today is the day we start fixing this!**

Set up a separate Paypal AND Bank Account for your Business

- **This makes it SO easy to keep business incomes and outgoings separate and trackable.**
- It stops your personal and biz finances from getting muddled.
- *I don't have 'business' accounts per se -* I simply opened up a regular personal transaction, savings, and credit card with a SEPARATE bank to my regular one.
- This means I don't pay business banking fees. If you're a Sole Trader in Australia, you can do this.
- If you are outside of Australia, ask your accountant about this - you may be able to do the same.

A Note on Currencies

- Some of you may sell in multiple currencies.
- I account for this in your spreadsheet – but you have to update it very frequently, with the currency conversion at the time.
- It's really important to keep up with this, so you can track everything in your own currency for tax purposes.
- Try to minimise this wherever possible.



Now, HOW to do This?

- There are a few options.
- You can use a simple spreadsheet.
- You can invest in accounting software.



I've set up a downloadable spreadsheet
to get you started!

[Download it here.](#)

Software I recommend

- [Wave](#) - FREE
- [Zoho](#) - Pay when hit an income threshold
- [Quickbooks](#) - PAID
- [Xero](#) - PAID (What I use)
- [Craftybase](#) - PAID, but make specifically for makers, with price calculator, inventory management, COGS, integration with Etsy, Shopify, Amazon. *(Affiliate link - if you sign up for a paid account using this link, I receive a small referral commission.)*
- I believe these all have free trials, so you can try before you buy.



Action Steps

- 1) Choose a bookkeeping system.
- 2) Clarify your expense categories.
- 3) Set up a separate biz bank account/paypal account.
- 4) Start TODAY - entering your income and expenses into your system of choice.
- 5) Enter paper and cash receipts/payments into your spreadsheet the day they happen.
- 6) Scan any receipts you need to – then store all paperwork in one place.
- 7) Put an alarm on your phone/in your calendar to remind you to do this until it becomes second nature!
- 8) Review your current profit & loss on a monthly basis at absolute minimum.

Further Resources

Workshops & Podcasts

- YouTube: [5 Options for Handmade Business Bookkeeping \(& a Bonus!\) | Etsy and Craft Business](#)
- YouTube: [How I Organise my Money as a Self-Employed Creative | Bank Accounts, Tax, Paying Myself, Retirement.](#)