CHOOSING BOOKKEEPING SOFTWARE

What to look for, how the main options compare, and when a spreadsheet or a bookkeeper makes more sense.

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AT A GLANCE

- Bookkeeping software connects to your bank, sorts transactions and creates your financial reports automatically.
- For most small businesses, the right choice is the one that **connects to your bank, handles invoices or sales the way you do, and that your accountant can use**.
- A spreadsheet is fine at the very start. Move to software once you have more than about 30 transactions a month.

Why it matters

Good software turns hours of manual work into minutes. It also produces the reports lenders and investors ask for, like a profit and loss statement and a balance sheet. The wrong tool, or no tool, means more errors and more time.

What to look for

Feature	Why it matters
Bank and card connections	Transactions come in automatically, so you don't type them.
Invoicing	Send bills to customers and track who has paid.
Receipt capture	Snap a photo of a receipt and attach it to the expense.
Reports	Profit and loss, balance sheet and cash flow with one click.
Payroll (add-on)	Pay employees and file payroll taxes, if you have staff.
Sales tax tracking	Useful if you sell products or taxable services.
Accountant access	Lets your accountant log in instead of you emailing files.
Mobile app	Handle receipts and invoices on the go.
Language and currency	Matters if you work in more than one language or currency.

Common options

Popular small business options include **QuickBooks Online, Xero, Wave, FreshBooks and Zoho Books**. Each has different plans, and some offer free or low-cost starter plans. Prices and features change often, so compare current plans on each provider's website before you choose.

If you...	Look for...
Are just starting with few transactions	A free or low-cost starter plan, or a spreadsheet
Send lots of invoices for services	Strong invoicing and payment reminders
Sell products with inventory	Inventory tracking, or a connection to your point-of-sale system
Plan to raise money from investors	Software most accountants use, with clean reports
Have employees	Built-in or connected payroll

> TIP
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> Before you choose, ask the accountant or tax preparer you plan to use which software they prefer. Using the same tool saves time and fees.

Spreadsheet, software or bookkeeper?

- **Spreadsheet:** free and fine for your first months with few transactions. It gets error-prone as you grow.
- **Software:** best for most businesses once sales are steady.
- **Bookkeeper:** a person who keeps your books for you, often monthly. Worth it once bookkeeping takes more than a few hours a month, or when you're preparing to raise money.

Step by step: getting set up

1. Pick your software and start a free trial if one is offered.
2. Connect your business bank account and business card.
3. Set up your categories (see **M-01 Bookkeeping Basics: Tracking Money In and Out**).
4. Add your opening balance: the money in the account on your start date.
5. Categorize your first month of transactions.
6. Run a profit and loss report to make sure it looks right.
7. Invite your accountant.

> EXAMPLE
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> Carlos ran his food truck on a spreadsheet for 6 months. At about 300 card sales a month, he spent 4 hours each week typing. He switched to software that connected to his card reader and bank, and his weekly bookkeeping dropped to 30 minutes.

Common mistakes

- **Choosing on price alone.** The cheapest plan can cost more in your time.
- **Connecting your personal account.** Only connect business accounts.
- **Never checking the automatic categories.** Software guesses. Review its guesses every week.
- **Switching tools often.** Each switch risks losing history. Choose carefully, then stick with it.

Your checklist

- ☐ Count your monthly transactions
- ☐ Ask your accountant which software they prefer
- ☐ Compare two or three options' current plans
- ☐ Connect your business bank and card
- ☐ Set up categories and your opening balance
- ☐ Run your first profit and loss report

Where to go next

- **M-01 Bookkeeping Basics: Tracking Money In and Out**
- **M-04 Reading a Profit and Loss Statement**
- **B-12 Working With Lawyers and Accountants on a Budget**

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