taxengineerllc.com · +1 (470) 239-9095
balaji@taxengineerllc.com

GUIDE

The Owner's Guide to a Clean QuickBooks File

10 min read · Bookkeeping

Most "messy books" aren't actually complicated — they're a handful of the same mistakes, repeated monthly. Here's what a clean file looks like and where the usual breakdowns happen.

1. Chart of accounts: fewer categories than you think

The most common problem we see isn't too few categories — it's too many. A chart of accounts with 80 expense categories is harder to keep accurate than one with 25, because every transaction becomes a judgment call. Good structure:

- Group by *type of spend*, not by vendor ("Software" not "Adobe," "Zoom," "Canva")
- Keep a single "Ask My Accountant" catch-all — and actually clear it out monthly
- Avoid duplicate categories that mean the same thing ("Office Supplies" vs "Supplies")

2. Owner's equity: the account that's almost always wrong

For sole proprietors, single-member LLCs, and partnerships, owner's equity should show three things clearly: **contributions**, **draws**, and **retained earnings**. The usual error: owner draws get coded as an expense, which artificially deflates your profit and misstates your tax liability. Draws are *not* a business expense — they're a distribution of equity.

For S-Corp owners specifically: your own compensation should run through payroll, not owner's draw. Money taken outside of payroll is a distribution and needs to be tracked separately for reasonable-compensation purposes.

3. Reconciliations: the non-negotiable monthly habit

A file where every bank and credit card account reconciles to the actual statement balance every month is worth more than one with perfect categorization but no reconciliation.

Reconciliation catches duplicate transactions, missed expenses, and fraud — categorization is just organization.

4. Bank feed hygiene

- Never manually delete a transaction the bank feed pulled in — if wrong, exclude and re-categorize (keeps an audit trail)
- Match, don't duplicate: if you also enter a bill manually, make sure the bank feed transaction is matched to it, not recorded twice
- Set up bank rules for recurring transactions, but review them quarterly

5. The reconciliations most owners miss

- **Payroll liabilities** — should match what you actually owe and paid; a running balance usually means a payroll app isn't syncing
- **Sales tax payable** — should zero out after you remit, not accumulate
- **Loan accounts** — principal and interest need to be split on every payment; lumping the whole payment into "loan expense" overstates deductible interest
- **Undeposited funds** — a growing balance almost always means payments were recorded but never matched to a deposit

6. Attachments and documentation

QuickBooks lets you attach receipts directly to transactions. For anything over ~$75, attach the receipt at time of entry — not at tax time when you're trying to remember what a charge was for.

7. A simple monthly rhythm

- Week 1 of the following month: reconcile all accounts
- Same session: clear anything in "Ask My Accountant" or "Uncategorized"
- Quarterly: review the full chart of accounts for drift
- Before handing off for taxes: run P&L and Balance Sheet and sanity-check them yourself

> A file kept this way turns tax season into a review, not a reconstruction project — which is also the difference between a $400 prep fee and a $1,500 cleanup-plus-prep fee.