

SK Startup Institute Webinar

Bookkeeping 101

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Jordan Brown, CPA, CA

- Graduated from U of S with Bachelor of Commerce (BComm) degree in 2009.
- Started working at PwC LLP in Calgary in 2009.
- Graduated from U of S with Master of Professional Accounting (MPAcc) degree in 2011.
- Earned Chartered Accountant (CA) designation in 2012.
- Received Chartered Professional Accountant (CPA) designation in 2014.
- Focused on working with small businesses and self-employed individuals in Western Canada.

Presentation Overview

- 45 min Slide Presentation
- 15 min Q&A Session
- Topics Include:
 - Core differences between bookkeeping and accounting
 - Chart of Accounts
 - GST and PST compliance
 - Business vs Personal expenses
 - Key Financial Statements

Bookkeeping vs. Accounting

- Bookkeeping is the systematic day-to-day recording of a company's financial transactions (sales, purchases, payments), creating the raw data.
- Accounting is the broader process that takes this organized data, interprets, analyzes, summarizes, and reports on it to provide strategic insights for financial health, decision-making, and tax planning.
- Essentially, bookkeeping is the foundation (data entry), while accounting builds upon it (analysis and interpretation).

Bookkeeping

- **Focus:** Recording all financial transactions accurately.
- **Tasks:** Managing invoices, payroll, paying bills, recording receipts, and maintaining ledgers.
- **Role:** A clerical function that provides the essential financial records.

Accounting

- **Focus:** Analyzing, interpreting, and reporting on financial data.
- **Tasks:** Creating financial statements, tax preparation, financial forecasting, and strategic advice.
- **Role:** A strategic function that uses the recorded data to understand business performance and guide future decisions.

The Accounting Equation

Everything in bookkeeping revolves around on simple formula. It must always stay in balance.

$$\textit{Assets} = \textit{Liabilities} + \textit{Equity}$$

- **Assets:** What the business owns (Cash, Inventory, Equipment).
- **Liabilities:** What the business owes (Loans, Accounts Payable, Taxes).
- **Equity:** The owner's "stake" in the business (Owner's investment + Retained earnings).

The Chart of Accounts (COA)

Before you record a transaction, you need to know where it goes. The **Chart of Accounts** is a list of categories (accounts) used to identify every transaction. Think of it as a filing cabinet with five main drawers:

1. Assets (Cash, Accounts Receivable)
2. Liabilities (Accounts Payable, Loans)
3. Equity (Common Stock, Owner's Draw)
4. Revenue (Sales Income, Interest Earned)
5. Expenses (Rent, Utilities, Marketing)

Double-Entry Bookkeeping

This is the industry standard. It means that for every transaction, at least **two** accounts are affected.

One account is Debited and another is Credited.

- Debits (DR): Recorded on the **left** side.
- Credits (CR): Recorded on the **right** side.

Note: In bookkeeping, “Debit” doesn’t necessarily mean “subtract” and “Credit” doesn’t always mean “add”. It depends on the type of account.

Debits vs Credits

Account Type	Increase	Decrease
Assets	Debit	Credit
Liabilities	Credit	Debit
Equity	Credit	Debit
Revenue	Credit	Debit
Expenses	Debit	Credit

The Bookkeeping Cycle

The process repeats every month to ensure the books stay clean and accurate.

1. **Analyze Transactions:** Look at a receipt or invoice.
2. **Journalize:** Record the entry in a “Journal”.
3. **Post to General Ledger:** Move the data to specific accounts.
4. **Trial Balance:** Total up all debits and credits to make sure they match.
5. **Adjusting Entries:** Account for things like depreciation or unpaid expenses.
6. **Financial Statements:** Generate your Balance Sheet and Income Statement.

Cash vs Accrual Basis

You must choose one method of accounting:

- **Cash Basis:** You record income when the money hits your bank account and expenses when the cash leaves. (Simple, popular for small freelancers).
- **Accrual Basis:** You record income when you **earn** it (even if the client hasn't paid the invoice yet) and expenses when you **incur** them. (More complex but gives a truer picture of long-term health).

Essential Terms to Know

- **Accounts Receivable (AR):** Money customers owe you.
- **Accounts Payable (AP):** Money you owe to suppliers.
- **General Ledger (GL):** The “Master Document” containing the history of all accounts.
- **Reconciliation:** Comparing your bookkeeping records against your bank/credit card statement to ensure they match.

GST

GST Stands for Goods and Services Tax and is 5% in Canada.

- You must register for a GST account if your taxable sales are over \$30,000 over four consecutive calendar quarters.
- Small Supplier Exemption if your taxable sales are below \$30,000 over four consecutive calendar quarters.
- You have the option to voluntarily register for a GST account if you are a Small Supplier.

GST

Types of Sales

- Taxable Sale – GST applies at a rate of 5%.
- Zero-Rated Sale – GST applies at a rate of 0%.
- Exempt Sale – GST doesn't apply.

GST Input Tax Credits (ITCs)

- You can claim a GST ITC for the GST you pay on your business expenses.

Net GST Owing

- To calculate your Net GST Owing you will subtract your GST ITCs from the GST you collected from your customers.

PST (SK)

PST stands for Provincial Sales Tax and is 6% in Saskatchewan.

- Businesses operating in Saskatchewan must register to obtain a PST number.
- Depending on the nature of the business, either a vendor's licence number or a registered consumer number will be issued.
- Small Trader Exemption if you produce and sell goods from your home and your annual sales are less than \$10,000.

PST (SK)

Types of Sales

- Taxable Sales – PST applies at a rate of 6%
- Exempt Sales – PST doesn't apply
- Businesses may purchase goods for resale exempt from PST by quoting their PST vendor's licence number at the time of purchase.
- Businesses must pay PST on taxable goods and services purchased or consumed for business use.
- PST is generally charged once to the final "end user" (unless the end user is tax exempt).

Business vs Personal Expenses

Business Expense

- A reasonable expense incurred for the purpose of earning business income.
 - Examples: Advertising, Business License, Insurance, Motor Vehicle, Professional Fees, Rent, Software, Telephone, Travel, Utilities.

Personal Expense

- An expense incurred for the purpose of an individual's or family's daily living, needs, or wants.
 - Examples: Housing costs, Food and Dining, Transportation, Personal Care, Clothing, Travel and Vacations, Gifts and Donations.

Key Financial Statements

Balance Sheet

- Shows assets, liabilities, and equity on a specific date.

Income Statement

- Shows income and expenses over a fixed period of time.

Cash Flow Statement

- Shows the sources and uses of cash over a fixed period of time.

Practical Bookkeeping Tips

- Use a receipt pouch in your vehicle
- Use receipt capture/scanning tools
- Use cloud-based bookkeeping software
- Store physical receipts in a sturdy box
- Use cloud storage for digital receipts
- Use mileage tracking apps
- Keep all your records for six (6) years

Q&A Session

- Thank you for listening to my presentation!