



# Accounting Methods

*Are You Using the Right Accounting Method?*

## 1. Cash Method

- Simple – Records what goes **into** the bank and what gets **paid out**.
- No Balance Sheet is created.
- Useful for small service business such as a hairdresser.

## 2. Accrual Method

- Often Required by IRS.
- Usually Better:
  - Report **income earned** *and* **expenses incurred** for year.
- **Includes** important non-cash business changes:
  - inventory,
  - accounts payable,
  - receivables,
  - debts,
  - loans,
  - equity.

3. Businesses cannot easily switch between methods for taxes

4. Easy to switch between these for QuickBooks reports

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