

CONSULTING TIP OF THE MONTH  
KEEPING FINANCIAL RECORDS  
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It should go without saying that as small businessmen and women, independent consultants need to keep good financial records. Items to record include:

- Billable time by client, with details for your invoices
- Billable expenses by client, with details for your invoices
- Tax deductible expenses sortable by tax category
- Invoices sent to clients
- Accounts Receivable
- Client payments, including deposits or retainers

The question is, how best to do this. In a discussion in the Chemical Consultants Network (CCN) LinkedIn group, some of the options mentioned were:

- Pen and paper for bookkeeping
- Spreadsheets for bookkeeping
- Template for invoices
- Specialized software for bookkeeping and invoices
- Hire a bookkeeper
- Combinations of the above

Pen and paper may be adequate if you don't do much consulting. Just keep the records in a bound journal and use ink, just as you should for lab records. Although remote, an IRS audit is a possibility.

For a busy practice, several spreadsheets may be needed in order to track all of your activities, expenses and income, as mentioned above. And they need to be sortable by date, client and (for expenses) by tax category.

There is a lot of commercially available software, and even some freeware for small business accounting. However, based on the LinkedIn discussion and a round table discussion on the subject at a recent CCN program (click [here](#) to see the slides), Intuit's QuickBooks appears to be the most popular application among chemical consultants who use accounting software. The same set of slides lists links to accounting software and reviews. Also there is a slide that shows examples of various tax-deductible expenses.

Although there is a significant learning curve with some software, once mastered, it enables consultants to handle all of the accounting chores in one place. For example, some accounting software can send e-mail invoices directly to clients.

Because the software can be complicated, some consultants choose to hire a bookkeeper to handle it. If you need the time for clients, the bookkeeper's hourly rate is probably

much less than yours. But you still need to give accurate records to the bookkeeper, or you know the old saying: garbage in, garbage out!

Thanks to Dr John Newport and Dr. Ron Bihovsky for contributing to the round table discussion and their slides. Next month's Tip will discuss a critical credential, the PE license for chemical engineers.

**Have a comment? Go to [Chemical Consultants Network LinkedIn page](#).**

A frequent contributor to *The Distillate*, Dr. Golton has written and lectured extensively on the subject of consulting. He recently retired as Vice President of [The CECON Group, Inc.](#) Prior to becoming a consultant; he held various positions at DuPont.