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3 Bookkeeping Pitfalls

Avoid these common mistakes before they hurt your books

1

Mixing personal and business finances

Mixing business and personal funds muddies the waters. It complicates which transactions belong on the books, increases the risk of overstating or understating income and expenses, and makes it harder to judge business performance accurately.

Open separate bank accounts for business and use them exclusively for business transactions.

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2

Over-relying on AI and automation

AI and automations can save time, but they only work correctly with human oversight. They can miss duplicate entries, miscategorized workers, new vendor purchases, and other exceptions — and they may sound confident even when they are wrong.

Use AI, but review everything with a person or professional bookkeeper.

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3

Too many categories in the Chart of Accounts

Setting up a Chart of Accounts is a balancing act between the right detail and avoiding overcomplication. Hyper-specific accounts for every vendor, product, or subscription create bloat, clutter the Profit & Loss report, and lead to decision fatigue when classifying transactions.

Most businesses usually need no more than 50 active accounts. Use Classes, Locations, Projects, or Tags for additional detail in tools like QuickBooks or Xero.

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