



Accounting for Authors

Quick Reference Guide

Based on Accounting for Authors by D.F. Hart & Mark Leslie Lefebvre

Key Definitions

Foundational Terms

Assets

Things your business owns that have value. Can be tangible (paperback inventory) or intangible (intellectual property).

Liabilities

Things your business owes to others.

Equity

What is left over when you subtract everything you owe from what you own.

Revenue

Income generated from the sale of goods or services. For authors: royalties, direct sales, speaking fees, etc.

Recording Methods

Cash-Basis Method

Items are recorded when money changes hands. Simpler method; provides a clear picture of actual cash position. Recommended for most indie authors.

Accrual-Basis Method

Items are recorded when the activity occurs, regardless of when money changes hands. More complete picture but more complex to maintain.

Double-Entry

Each entry in accounting is two-sided, balancing the accounting equation like a see-saw.



Cost Categories

Direct Costs (Cost of Goods Sold / COGS)

Money spent to make your product. These expenses happen as a direct result of production—no production means no COGS. Examples: cover design, editing, formatting, narration, ISBN.

Indirect Costs (G&A / Overhead Expenses)

Money spent to run your business and advertise/sell your product. These exist whether you publish 500 books or zero. Examples: website hosting, newsletter service, memberships, general marketing.

Fixed Costs

Costs that remain constant regardless of production volume. Example: a flat-rate cover design fee.

Variable Costs

Costs that change depending on usage or volume. Example: print cost per paperback copy, cost-per-click advertising.

Income Terms

Gross Income (Gross Profit/Loss)

Sales Revenue minus Direct Costs. Shows profitability before overhead is considered.

Net Income (Net Profit/Loss)

Gross Income minus Indirect Costs. Your actual profit or loss after all expenses.

Other Key Terms

Balance Sheet

The 'show the math' financial report of the Accounting Equation. Shows what your business owns and owes on a specific date.

Income Statement

The 'show the math' financial report that lists your revenue and all your expenses, showing net profit or loss for a period.

Payables

Expenses your business owes that have not been paid yet.

Receivables

Revenue your business is owed that has not been paid to you yet (e.g., pending royalties).

Risk Tolerance

The amount of uncertainty or risk you are comfortable with as a business owner.

Risk Capacity

The amount of risk you must take to reach your goals.

Readthrough

The measurement of how many people who buy or download the first book in a series go on to read the rest.

Essential Formulas

Metric	Formula	What It Tells You
Accounting Equation	Assets = Liabilities + Equity	Foundation of all accounting
Break-Even Point	Fixed Costs ÷ (Price – Variable Cost)	Units needed to cover costs
Gross Income	Revenue – Direct Costs	Profit before overhead
Net Income	Gross Income – Indirect Costs	Actual profit or loss
Gross Margin	(Gross Income ÷ Revenue) × 100	Profitability percentage
Net Margin	(Net Income ÷ Revenue) × 100	True profitability percentage
Net Return	Results – Initial Cost	Gain or loss from activity
ROI	(Net Return ÷ Initial Cost) × 100	Activity effectiveness %
Payback Period	Initial Cost ÷ First Year Revenue	Years to recover investment
Cost-Per-Click	Ad Cost ÷ Number of Clicks	Ad efficiency metric
Cost-Per-Sale	Ad Cost ÷ Number of Sales	True ad conversion cost
Readthrough	Units Book B ÷ Units Book A	Series continuation rate

Expense Categories for Authors

Organizing expenses by category simplifies tracking and tax preparation.

Direct Costs (COGS)

- Cover design
- Editing (developmental, line, copy)
- Proofreading
- Formatting / interior design
- Audiobook narration
- Translation
- ISBN purchase (for specific title)
- Print costs per copy

Indirect Costs (Overhead)

Dues & Subscriptions

- Professional organization memberships (ALLi, RWA, etc.)
- Newsletter service (MailerLite, Mailchimp, ConvertKit)
- Sales tracking tools (ScribeCount, BookReport)

Computer / Software

- Writing software (Scrivener, Vellum)
- Accounting software (QuickBooks)
- Design software (Canva Pro, Adobe)

Marketing

- Cost-per-click advertising
- Paid newsletter promotions (BookBub, Freebooksy)
- General brand advertising

Website & Domain

- Domain registration
- Hosting fees
- Website maintenance

Professional & Legal

- Copyright registration fees
- Legal consultation
- Accounting/bookkeeping services
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Travel

- Conference attendance
- Book signing events
- Research trips

Training & Development

- Writing courses
- Marketing workshops
- Books on craft and business

Supplies & Postage

- Office supplies
- Shipping for author copies
- Promotional materials (bookmarks, swag)

Bank & Credit Card Fees

- Transaction fees, PayPal fees, currency conversion

Key Principles

Accounting Concepts Are Evergreen

The principles in this guide have not changed and will not change. What you learn today will serve you throughout your author career.

Accounting Concepts Are Universal

These concepts apply regardless of your location, currency, publishing path (wide or exclusive), or business structure.

Consistency Is Essential

Pick one recording method (cash-basis or accrual-basis) and use it consistently. Switching creates confusion.

Calculate Through to Net Income

Many authors feel successful based on gross numbers while actually losing money once all costs are included. Always calculate through to net income.

Track ROI on Marketing

For every significant marketing expenditure, calculate your ROI. Positive ROI means it worked; negative ROI means it cost more than it returned.

Budgeting Rules of Thumb

- **50/30/20 Rule:** 50% needs, 30% wants, 20% savings
- **80/20 Rule:** Put 20% of after-tax income into savings

Budget Characteristics

- **Realistic:** Unreasonable budgets are never followed
- **Flexible:** Able to adapt as your business grows
- **Straightforward:** Keep your approach simple
- **Mindful:** Account for delayed payments (30–90 days) and taxes

Resources

Free Templates

- starkpublishing.ca/accounting
- 2ofharts.com/welcome-to-accounting-for-authors/

Recommended Tools

- **ScribeCount:** Sales data aggregation with expense tracking
- **QuickBooks:** Accounting software for small business
- **Excel / Google Sheets:** Simple, effective tracking for most authors
- **BookReport / BookTrakr:** Alternative data aggregation tools

Further Reading

- *Accounting for Authors* by D.F. Hart & Mark Leslie Lefebvre
- *Financial Statements: A Step-by-Step Guide* by Thomas Ittelson
- *Estate Planning for Authors* by M.L. Buchman

Author Protection Resources

- **ALLi (Alliance of Independent Authors):** allianceindependentauthors.org
- **Writer Beware:** sfwa.org/other-resources/for-authors/writer-beware/