

Business recordkeeping basics

Why?

Good business recordkeeping is essential. The government expects you to pay tax on your profits every year, your banker will expect to see how you are doing if you borrowed money to start your business, and you need to know if you are making a profit or losing money.

What?

The two items you need to keep track of are **income** and **expense**.

The following items are helpful in keeping track of **income**:

- Sales slips, invoices, statements
- Income and sales journals
- Bank deposits

The following items are helpful in keeping track of **expenses**:

- Receipts
- Journals or appointment books
- Check ledgers and cancelled checks
- Credit card statements

How?

You can use any system that works for you. The kind and amount of records you need to maintain depend on the size and nature of your business. As you design the perfect recordkeeping system for your business, remember to **KEEP IT ORGANIZED**. It is wise to keep your business records separate from your personal ones. A paper bag or box can do the trick, but it's not the key to success. The following system is simple and easy to use:

- 1. Business checking account:** Deposit all income into the account and write checks or use the debit card for all expenditures.
- 2. Business credit card:** Use this card for business only and make payments to it from the business checking account.
- 3. Cash receipt envelope:** Keep an envelope to collect any expenses that you pay from personal funds and reimburse yourself out of the business account at least monthly.
- 4. Monthly filing system:** In a separate file for each month, keep the bank statement, charge account statement, receipts, and your cash receipts envelope. If you prefer to do everything online, download your statements into monthly folders and scan the receipts.
- 5. Appointment book:** Use it to document everything you do.

