

# **Preparing for Success**

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- ✓ **Set achievable financial goals**
- ✓ **Do business on the books**
- ✓ **Keep personal and business money separate**
- ✓ **Accept the responsibility of paying taxes on time!**
- ✓ **Develop a code of ethics for your business, and stick to it**
- ✓ **Commit to keeping track of your budgets and comparing them to actual expenses**

# **Why Keep Records?**

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## **Financial Management**

- **To provide financial background information about your business**
- **To help produce financial statements**
- **To provide tax preparation information**
- **To provide borrowing information**
- **To pay and/or collect bills when due**
- **To control cash flow**

## **Internal Control**

- **To watch costs and budgets**
- **To prevent theft**

## **Legal**

- **To document events in case of lawsuits**

## **Management Decisions**

- **To provide planning information**
- **To monitor business progress**

# **Learn the Terminology**

## **What is Recordkeeping?**

**Recordkeeping (or bookkeeping) is the tracking of income and expenses that relate to your business.**

**Client lists, shipping and receiving documents, sales records, time sheets, payroll records, expense records, income records...they are all part of your Recordkeeping System!**

## **What Does “Cash vs. Accrual” Mean?**

**There are two methods of accounting for your income and expenses:**

### **Accrual Method**

- **Work is done**
- **Record revenue & expenses at this time, even though cash may not have been collected yet**

### **Cash Method**

- **Cash is received**
- **Record revenue & expenses at this time, even though work may not be complete**

# Record Retention Guide

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<u>Type of Record</u>	<u>Retention Period</u>
Bank statements	7 years
Business licenses	Until expired
Cash register tapes	3 years
Check registers	Keep permanently
Canceled checks	3 years
Deeds, titles, title insurance	While you own property
Financial statements	Keep permanently
General ledger	Keep permanently
Inventory records	7 years
Invoices (A/P)	3 years
Invoices (A/R)	3 years
Phone/Utility bills	3-6 years
Property, plant & equip. records	Keep permanently
Purchase orders	3 years
Receiving reports	3 years
Tax returns (& related backup)	10 years minimum
Time cards or tickets	3 years
Travel expense records	7 years
Other: _____	_____
_____	_____
_____	_____

# Paperwork and Forms

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Form Name	Purpose of the Form	Supplier
Sales Order Form		
Purchase Order Form		
Price List		
Packing List		
Shipping Record		
Invoice		
Statement		
Time Sheet		
Payroll Sheet		
Accounting Ledgers		
Out-of-stock Memo		
Phone Message Form		
Accident Report Form		
Payroll Tax and Reporting Forms		
Business Entity Tax Forms		
Other:		

# **Computerized Accounting Systems**

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**Be sure you find out about:**

- ✓ **Hardware requirements**
- ✓ **Ability to modify**
- ✓ **Support services**
- ✓ **Ability to expand**
- ✓ **User friendliness**
- ✓ **Training**
- ✓ **Reports and documents**
- ✓ **Personnel requirements**
- ✓ **Local use (other businesses using this software)**

# **Business Ownership & Tax Forms**

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**Each legal entity has its own tax filing requirements. Contact your accounting professional for help in finding out which forms must accompany your tax returns.**

## **Common Payroll Tax Forms**

- ☐ **941 Employer's Quarterly Federal Tax Return**
- ☐ **940 Employer's Annual Return**
- ☐ **8109 Tax Deposit Coupon**
- ☐ **W2 Wage and Tax Statement**
- ☐ **1099 Miscellaneous Income Statement** (used to report independent contractor wages)
- ☐ **Workers' Compensation**

# **Tips for Keeping Better Books and Records**

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## **1. Keep your records daily!**

**Deal with your bookkeeping on a regular basis, and it could take as little as 20 minutes a day.**

## **2. Keep an audit trail**

**Keep checks in numeric order. Never skip a number, and always record voided checks. Keep invoices filed sequentially and/or alphabetically. Make everything easy to find and track!**

## **3. Request a bank statement with a “month-end” cut-off date**

**It’s easier to reconcile your records when they all end at the same time.**

## **4. Keep withholding taxes withheld**

**Don’t spend this money—it’s NOT YOURS!**

## **5. Don’t panic if you find a mistake**

**Everything can be fixed, if you’ve kept up with your recordkeeping chores.**



# Twelve Check-Writing Tips

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- 1. Always write in ink (or type the check)**
- 2. Always write clearly, and be sure the spelling is correct**
- 3. Date the check correctly**
- 4. Write the payee's name after the printed words "Pay to the Order of..."**
- 5. Write the amount of the check in numbers close to the printed dollar sign (\$) so that other numbers can't be inserted**
- 6. Write the amount of the check in words starting as far to the left as possible leaving no room for the amount to be changed**
- 7. Draw a wavy line through any blank space**
- 8. Do not sign a blank or partially complete check**
- 9. Sign the check just as you signed the signature card**
- 10. Use the memo line to help keep a record of your spending**
- 11. Record each check you write or deposit you make in your checkbook register immediately**
- 12. Don't forget to record automatic withdrawals or deposits in your checkbook register**