



## The Importance of Good Record-Keeping

Most business owners get started as entrepreneurs to serve markets and customers. Keeping detailed records is one of the last things on their minds.

If that is your approach, then think again. Here are several reasons to take record-keeping seriously, having to do with profit finances, taxes, and legalities.

1. Manage your business. Accurate accumulation of information will provide you with information to make your business decisions confidently.
2. Complete records enable your accountant to easily review all your business assets, liabilities, income, and expenses. The financial records that result help you compare your results over time, and to industry standards.
3. Complete records are essential for the preparation of current financial statements, including the income statement and balance sheet. These can be used to show your banker and prospective investors.
4. Detailed records are essential for preparing complete and accurate tax documents. Moreover, if you get audited by the IRS, you will need accurate records to help verify your claims; without such records, the IRS may disallow deductions and credits.

## Build in the Right Systems

When a business begins to grow rapidly, the owners often get so absorbed in meeting demand that they don't devote much time to keeping good records. Here are some suggestions for ensuring that your records stay up to snuff even while your business is growing:

- Hire someone to oversee the updating of your financial records. This may be accomplished by hiring services on an out-sourcing basis. This will be significantly less than hiring a full-time employee.
- Work to correct past problems.
- It's never too late to correct inadequate records from the past. It may be tedious and costly, but it will always cost less now than in the future.
- Find a top-notch CPA. This person should review what the bookkeeper or administrative assistant is doing. Seek an individual with experience working with small businesses and obtain references
- Make your system easy to use. A basic record keeping system should be understandable, accurate, and timely. It should include a basic journal to record receipts, disbursements, expenses, etc. Yes, detailed record-keeping is tedious, and costly. But the time and expenses will likely pay for themselves many times over.

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