

beyond the office



Basic Bookkeeping Tips

by Janelle Kimball, All-Around Business Solutions

For many small businesses, the most common bookkeeping errors are also the easiest to fix. Use these tips to help keep your business on track.

Use the right accounting system

Most businesses use either cash-based or accrual-based accounting. If you use the cash method, you count income when you receive it and expenses when you pay them. Under the accrual method, you count income and expenses when they occur, not when you actually receive or pay them.

You decide which method fits your business. If you keep inventory on hand or handle transactions on credit, the accrual method might be a better choice. In fact, if your business has more than \$5 million in sales or keeps an inventory, the IRS might require you use the accrual system. Otherwise, the simpler cash system should be all you need.

Maintain daily records

This is one of the most basic rules: If you don't keep accurate records, you don't have an accurate way to track the financial condition of your business. There are many different record-keeping systems; what matters is that you have one and use it every day.

Keep backup

Maintain a paper trail, keep receipts, backup your computer system. Establish a routine and use it.

Handle and review checks carefully

Take the same care with checks as you would with cash. Sign checks using a clear, distinctive signature that won't invite forgery. Review canceled checks carefully for any unauthorized checks. And if your business is a partnership, it's a good idea to have at least one of the partners co-sign the checks.

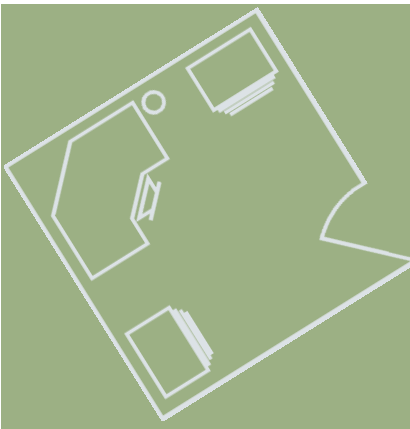
Get a bank statement with a month-end cutoff

Synchronizing your bank statement with other monthly records will make it much easier to reconcile your statement and track expenses.

Reconcile the books with the bank statement each month

The last two tips leads me to the most important tip of all and the least followed. It is imperative to reconcile each month as this is your opportunity to maintain accurate and complete records plus spot any problems immediately.

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Leave an audit trail

Your record keeping will be much more effective if you have a system that allows you to quickly and easily retrace your company's financial activities. This means keeping your invoices and checks in numeric order, not skipping check or invoice numbers, and keeping separate bank accounts for your business and personal funds. If you can't go back a year and reconstruct your company's finances, you probably aren't leaving an effective audit trail.

Use a computer

Computer bookkeeping software is essential for all businesses. These applications make it easy to track income and expenses, prepare tax documents, summarize your company's financial activities and back up records for safekeeping.

Don't do it yourself

Having a competent bookkeeper to handle the books is extremely beneficial. They