

An easy way to keep business records

A simple system to keep your business records under control. Buy seven cardboard A4-size storage boxes. Label them:

- Bank statements, cheque books, deposit books
- Invoices - paid
- Invoices - unpaid (that is, your debtors)
- Bills - unpaid (that is, your creditors)
- Bills - paid (including invoices for purchases, credit card purchases)
- Petty cash receipts
- Others.

Each box should be dated for the current tax year.

You'll also need:

- A wages book for employees
- A cashbook for day-to-day operations
- A business diary.

How you actually file things is up to you.

A suggested simple method to file things

Invoices

Make two copies of each invoice you send out. Send one to the person/business who owes you money and file the other copy in the 'Invoices - unpaid' box.

When payment is received (perhaps a cheque arrives or payment is made electronically) pull out the relevant invoice and write the date and relevant the cheque number on it, then transfer it to the 'Invoices - paid' box.

Store these paid invoices for seven years, as required Inland Revenue, and then recycle the box back into your system.

Bank statements

Check these against your cheque butts and then store them in the 'Bank Statements' box. Before you store them, transfer the information concerning bank charges, automatic payments etc into your cashbook, and then do a bank reconciliation.

It's a good idea to code the entries on the statement so your accountant can check them quickly. For example, the telephone payment might be coded 01, the power payment 02, car expenses 03, and so on. The best way to save money on accounting fees is to use the same code as your accountant (so it's familiar to them), so ask them for their coding system before you start.

Keep your used cheque butts and deposit books in this same box. An accountant's tip: the clearer the details on your deposit and cheque butts, the easier it is for your accountant to follow what you've done. That means lower accounting fees. So remember to fill in those cheque and deposit butts with a full explanation of what the money was spent on, or where it came from (in the case of a deposit) and which invoice it settled.

If you are paying using internet banking, include as much information as you can in the references boxes (such as which invoice you are paying) as this will show up on your bank statements.

Bills

When tax invoices arrive, file them in the 'Bills - unpaid' box.

As you file each bill, make a note of the amount and its due date on the relevant page of your business diary.

Jotting down due payment dates for bills in your business diary helps you:

- manage your cashflow (you can page through the diary to check on your future cash commitments)
- pay on time and thus keep your credit lines secure

- avoid missing any discounts on offer for early payment.

When you're ready to pay the bill, take it out and write the date paid and your cheque number on it. If you are paying using internet banking, then print out the 'confirmation' page and attach it to the invoice in lieu of a cheque number. Then transfer the invoice to the 'Bills - paid box' and keep it for the required seven years.

This box should also contain invoices for items you paid for using eftpos, credit cards or internet banking. Remember, if you buy something using eftpos or your credit card make sure you get a tax invoice as well as transaction record as you need this for invoice for your records.

Others

This box can be used to store other information you are required to keep. Some of this information may be kept electronically. But you may want to print out hard copies for back-up purposes.

- cashbook (and other any bookkeeping workings such as journals and ledgers)
- wage book, if you're an employer
- details of entertainment expenses for clients, staff or suppliers
- till tapes and day books
- stocktake figures
- list of debtors and creditors
- interest and dividend statements
- list of assets and liabilities
- depreciation schedules
- final profit and loss statements and balance sheets
- any other documents that confirm entries in your accounts, such as worksheets.

Summary

If you use this simple 'office in seven boxes' approach, you won't need a complicated filing system. Four simple boxes take care of your debtors and creditors (paid and unpaid in each case), with two extra boxes storing bank statements and petty cash receipts, and the last box storing other records. Inside the boxes you can arrange items alphabetically or by date. Filing by date can make it easier to find out who has owed you money the longest, and who you owe money to the longest.

Most importantly, you need an efficient cashbook system showing the daily recording of sales, expenses and drawings.