



## **Record Keeping**

Making a profit is certainly one of the most important aspects of being in business. Record keeping is the way you “keep score” and stay out of trouble with the various taxing authorities. Keeping your financial records up to date isn’t a problem if you do what is necessary on a regular basis.

Though particular accounting needs may vary somewhat from one business to another, the following checklist will make you aware of the most common recordkeeping requirements.

### **Daily**

Total all cash on hand. Record income. Enter a summary of sales and cash receipts in an income ledger. Record all payments made by cash or check. Enter deposits in your business checkbook to keep the balance current. Record inventory, adding any new items received.

### **Weekly**

Review accounts receivable, and take action to collect from slow payers. Review accounts payable, remembering to take advantage of discounts. Prepare payroll. (Records should include name and address of employee, Social Security number, number of exemptions, date ending the pay period, hours worked, rate of pay, total wages, deductions, net pay and check number.)

### **Monthly**

Balance checkbook. Reconcile your checking account records to your bank statements to ensure that both sets of records are in agreement. Total all ledgers. Compute monthly totals for sales, expenses and payroll. Make tax deposits. Report and remit withheld employee income taxes and FICA taxes. Also file and remit any federal or state income taxes due. Age accounts receivable. Update your unpaid accounts listing them by length of time on the books, i.e. 30, 60 or 90 days. Use this list to discover which accounts require extra collection attention. Review inventory. Check inventory levels to see which items aren’t moving so you can replace them with new stock. Reconcile petty cash. Make sure the actual cash, plus the total of the paid-out receipts for expenses from petty cash are equal to the starting balance. Replenish if necessary.

### **Quarterly**

File estimated tax returns. File federal and state estimated income taxes. Remit sales taxes. If required, fill out a state sales tax report and send it in along with a check for the amount of sales tax you've collected. You maybe required to remit sales taxes monthly or annually instead of quarterly, depending on the amounts involved. Prepare income statement. This will reflect the sales, expenses and profit for that quarter and for the year to date. Many larger businesses generate this report (as well as the balance sheet and cash flow statement below) monthly as well as quarterly. Prepare balance sheets. This will indicate the financial position of the business at the end of the quarter. Prepare cash flow statement. This will reflect the cash activity and ending position for the quarter.

### **Annually**

Total all ledgers. Compute yearly totals for sales, expenses and payroll. Prepare income statement. This will reflect the sales, expenses and profit for the year. Prepare balance sheet. This will indicate the financial position of the business at the end of the year. Prepare cash flow statement. This will indicate the cash activity and ending position of the business at the end of the year. Send out 1099 forms. Complete and mail a 1099 form (Statement for Recipients of Miscellaneous Income) to each independent contractor who earned more than \$600 from you in the previous year. Send out W-2 form to each employee who worked for you in the previous year. Assemble tax papers. Pull together all the documentation you're going to need for filing your income taxes. Meet with your accountant. Turn over your tax documentation and set up a time to discuss your current financial condition as well as any tax strategy for the coming year.

### **Record Retention**

The question is frequently asked, "How long must business records be kept"?  
The following is a good guideline:

<i><b>Records</b></i>	<i><b>Years To Be Retained</b></i>
General Ledger	permanent
Bank Deposit Slips	3
Bank Statements	3
Bills of Lading	3
Canceled Checks	
• General	7
• Payroll	7
Taxes	
• Payroll	permanent
• Income	permanent
Employee Expense Reports	7
Employee Payroll Reports	7
Invoices	3
Purchase Journal	permanent
Subsidiary Ledgers (Receivables, payables)	7

Time Cards & Daily Time Reports	7
Mortgages & Note Agreements	permanent
Personnel Files	3
Insurance Policies	3
Tax Returns	permanent
Sales & Use Tax Records	permanent
Payroll Tax Returns	permanent

*Note: Check your accountant or attorney for other record retention requirements.*