

Business Plan Workbook #28	
Course	Keeping Track of Your Dream
Topics Addressed	Bookkeeping Accounts Payable & Receivable Using a Balance Sheet Accounting Resources

Key Points

Track Revenue and Expenses

Keep detailed records to track all revenue and expenses as they happen in your Cash Receipts and Payments Journal.

Cash Receipts and Payments Journal

The Cash Receipts and Payments Journal is the day-by-day detail of the money coming into and going out of your business.

This Journal allows you to understand in more detail what is happening daily in your business. At the end of the month, add up all revenue and expenses and these amounts go on your Profit and Loss Statement for the month.

Be Diligent

You should update your Cash Receipts and Payments Journal whenever you make deposits or write checks. If you wait too long to record items, you may forget about them. Or, you may make mistakes in the Journal.

By spending a little time each day to make sure you record items and make sure nothing is missing, you can save yourself a lot of time at the end of the month.

Cash Accounting

Small businesses use something called “Cash Accounting”. This means that we only record things when cash is exchanged. We record revenue when we get cash (or checks) and we record expenses when we pay cash (or write checks). In the US, businesses with under \$10 million of revenue are allowed to use this method of accounting, and it’s much easier than other methods of accounting.

Accounts Payable

An account payable just means that you purchased goods or services from someone and agreed to pay them in the future.

Keep a Sales Invoice Journal

Keep a Sales Invoice Journal to make sure you don't lose any invoices or forget to get paid. The Sales Invoice Journal is very simple and used from month-to-month and year-to-year.

Accounts Receivable

Accounts Receivable means that someone owes money for products already sold to them or for services already provided.

What is a Balance Sheet?

A balance sheet is one of the financial statements that an investor or bank may ask to see.

A balance sheet shows everyone what your business owns, and what it owes. It also shows what you've personally invested in your business. Accountants and bankers have special words for this. Things your business owns (like its checking account) are called "Assets". What your business owes (like the bank loan we talked about earlier) are called "Liabilities". Your investment in the business is called "Equity".

The statement that tracks these things is called a Balance Sheet because it balances.

In other words: $\text{Assets} = \text{Liabilities} + \text{Equity}$

Why is a Balance Sheet Important?

A Balance Sheet is important because it gives a "snapshot" of your business at a specific point in time. You can use it to compare what you own (your Assets) to what you owe (your Liabilities).

Available Resources

DreamBuilder Tools

In the Tools section of your DreamBuilder account you will find templates for all of the financial statements and records discussed in this course, including:

- The Cash Receipts and Payments Journal
- The Sales Invoice Journal
- The Balance Sheet, and
- The Cash Flow Projection

People Who Can Help

If you need a bit more help, you may want to hire an accountant to help you set up your bookkeeping system.

Or you may be able to find help at a local non-profit, a women's resource center, or a library.

Other small business owners may also be able to give you good advice on how they keep track of their business finances.

Accounting Software

There are many helpful accounting software programs that already have the reports you'll need; all you need to do is enter your information. You can find information about these programs online or at a business supply store.

At the end of the day, there are many ways to keep track of the financial side of your business. The key is to make sure you track things consistently and accurately. If you pay attention to this task, it will get easier and you'll have a powerful tool for understanding the financial health of your business.

Related Business Plan Questions

Below, you will see a list of business plan questions related to the topics noted above. If you print this worksheet, you can use the space below each question to write down some initial thoughts and ideas.

When you're ready to start working on your business plan, return to the course, and select "Open My Business Plan".

Q: Describe how you manage your personal finances (not your business finances) now.

Q: How will you keep track of your business finances?

Q: Describe any additional resources (accountants, software, advisors) that will help you keep track of your business finances.