

Title:

5 Reasons Why Recordkeeping Is So Important

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Summary:

When you decided to start your business, was your first priority concerned with setting up your filing system for recording your expenses? I seriously doubt it. This simple task (yes it is simple) is usually the item that is the last thing on the new business owner's mind. The more "important" issues of what product to sell, how am I going to advertise, how much money is it going to cost me, and how much money can I make are the first questions we consider when going into bus...

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Article Body:

When you decided to start your business, was your first priority concerned with setting up your filing system for recording your expenses? I seriously doubt it. This simple task (yes it is simple) is usually the item that is the last thing on the new business owner's mind. The more "important" issues of what product to sell, how am I going to advertise, how much money is it going to cost me, and how much money can I make are the first questions we consider when going into business.

The task of recordkeeping is usually procrastinated until the very last minute, when it is required. It is time to file your tax return, or time to go to the bank to get a loan for the business and the banker wants to see some financial records for the business. This can be a very daunting and cumbersome task if you have to dig through receipts and expenses for the whole year! No wonder we hate keeping records. That's no fun!

Well, guess what? If you aren't keeping good, timely, and up-to-date records monthly, you don't need to be in business. That's right. I said it. Here are the top five reasons why I truly believe this statement.

1. Lost tax deductions = Lost Money If you are throwing your receipts in a shoebox each month and not keeping an organized record of your income and expenses, I can bet you money that you are losing out on some major tax

deductions. A smart businessperson keeps track of her income (cash in) and expenses (cash out) monthly, sometimes even weekly. You do not need a fancy accounting software package to do this. You don't even need a computer! Simply keep a journal monthly and log in all of your receipts and invoices, and there you have it.

2. High CPA/Tax Preparer Fees = Lost Money I can speak from personal experience, that if you bring in that shoebox of receipts for the year and expect your tax preparer to record and properly deduct your business expenses on your tax return, you are sadly mistaken. Tax season is the busiest time of year for these professionals. If you expect them to do your bookkeeping and recordkeeping as well, expect to pay for it. They don't have the time, or the desire to make sure that every receipt is accounted for. As a businessperson, it is your responsibility to make sure they are given the right totals and you can trace it right back to your tax return.

3. Too much time spent looking for receipts The time you spend looking for a past receipt for a particular purchase for whatever reason, you can be utilizing this time in advertising your business or producing your product. These are important money generating activities that you are sacrificing due to your lack of recordkeeping.

4. No financial statements Every business owner should review at least the profit and loss statement (income statement) for their business MONTHLY. This important piece of paper tells you if you are making money or losing money. How can you possibly run your business and make a profit if you are not analyzing your sales and expenses continuously? A good recordkeeping system will allow you to have this information at your fingertips.

5. No need for expensive accounting software If you are just starting your business, or are a small business owner, you more than likely do not need software to prepare your books. A simple journal that is kept monthly of your income and expenses is all you need. At a glance, you will know how your business performed for that particular month.

As a business owner, you need to realize the importance of a good recordkeeping system. This should also be a task that the business owner performs for at least three to six months before delegating the job to someone else. You will be able to run your business more effectively, determine possible cycles in the business year, and know where your money is going. Your business will be much more successful if you keep a simple recordkeeping system.