



Constructing Efficient Systems - Bookkeeping Systems Are Vital for Success

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ABOUT THE AUTHOR

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If you do not have a good bookkeeping system, it is very easy to lose money and not know that this has happened. You will also waste a great deal of time trying to figure things out when it comes to month end or income tax time. You can either use a manual or computerized system but will likely find that a good computerized system will soon pay for itself in the time that it saves you and the efficiency it provides.

Following are the basic functions that you will need in your bookkeeping system:

Income - You will need to record all of the money that comes into your business. Some will be received from your clients on the same day that you provided them with goods and services. They will usually ask for a receipt for their money. Other contracted services will need to be invoiced for the hours and amount they owe you. Besides this you may receive money from refunds or other sources which will need to be recorded.

A computerized system allows you to set up customer files which will store names, addresses, contact information and notes about each of the people with whom you offer services.

Banking - Your bank will likely provide you with a deposit book and bag which you can use to make your deposits. If you are computerized, there will be a function that allows you to deposit money and print out the deposit slip.

Accounts Receivable - You not only need to know who owes you money but also how long it has been that the amount is due. Sending them statements as well as invoices will remind them of the amount and the delinquency period.

Expenses - When you purchase items you will need to record the amount that you owe and then pay by cash, cheque or credit card. It is important to sort the expenses into categories so that you know how much you have spent in each at the end of the year.

Computerized bookkeeping packages allow you to enter information about vendors, remind you of the date that payment is due and then prepare reports sorting the items into categories.

Asset and Liability Records - The things that your business owns and the debts it owes are important figures not only for Income Tax purposes but also when it comes to determining the financial health of your business. You will likely want to have a schedule that will allow for depreciation of assets over a few years.

Payroll - If you or any of your staff is on salary, you will need to accurately record gross, deductions, and net amounts. As well, certain remittances will need to be made to the government or other organizations on behalf of employees.

Financial Statements - Your accountant will need to prepare your Financial Statements from information that you have recorded throughout the year. The documents that you will receive will likely include an Income and Expense Statement, Balance Sheet, Net Worth Statement and Income Tax forms.

As a solo professional it is very important that you know what your financial situation is at all times so that you can make good decisions and the adjustments necessary to improve your bottom line on an ongoing basis. This can best be done through review of reports on a regular basis and a computerized system is therefore likely more convenient for accomplishing this.

I do all the financial functions in my business on a daily basis and know every single day exactly what was received, paid out and how that compares with the previous month and year.

Having good business financial information allows you to have control of your situation and that presents you with a wonderful adventure every day.