CHECKLIST

# Keep financial records for your business

You need to keep financial records for a variety of purposes. They are important in helping you to manage your finances and continue to plan your business. They are also required to meet legal and regulatory requirements in company law and for tax purposes.

This involves:

1. researching different systems for recording, monitoring and reporting the finances of your business
2. deciding which financial records to keep, and how and when to keep them
3. selecting an accounting management system that is relevant to the legal format of your business

## What you need to do

- decide what financial records you will keep and how and when you will keep them
- identify the systems and process you will use to control the money coming into and going out of your business
- choose an accounting system that will:
  - provide accurate financial statements;
  - provide statutory returns for reporting to the tax authorities;
  - forecast cash flow, profits and losses; and
  - accurately identify variances
- make sure all financial transactions are properly recorded in the appropriate place
- make sure the financial system will produce suitable invoicing and purchasing records
- use accounting methods that are relevant to the trading status of your business
- make sure that the appropriate people know about the accounting information
- make sure that the way in which financial records are kept and reported on is in line with the legal requirements for businesses

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# What you need to know and understand

## Financial records

- what financial records may be needed for sales. (For example cash and credit sales transactions, purchase transactions and creditors.)
- what financial records may need to be kept about your business assets and funds
- how to produce financial records, including:

  ledgers and journals; and

  invoicing, receipts and payments
- what are the broad principles and procedures in accounting systems
- how to choose manual and computer based accounting systems. (For example ledgers, journals, budgets, invoicing, receipts, payments, accounting periods, financial year and tax year.)
- which financial statements and statutory returns are relevant to your business in terms of your trading status. (For example, profit and loss, balance sheets, old debts, account journals or tax returns.)
- how to choose and use different accounting periods and financial years
- how to use financial records for monitoring the financial state of your business
- how to make sense of cash flow forecast, profit and loss statements, spreadsheets, balance sheets, and what they should contain
- how to relate cash flow, profit and loss and balance sheets to each other
- what financial measures and forecasts are needed by your business
- why businesses need financial information such as keeping a check on customer payments (credit control), managing the amount of money coming in and going out (cash flow management), monitoring the activity in your bank account and the charges made by the bank (bank monitoring)

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## Information and advice

- what information on financial record keeping is available and from which organisation (for example, accountants, lawyers, advice centres, banks and other financial providers). Advisers may be independent or tied to a particular company
- why it is important to use proper technical and professional advice to find out about accounting, cash flow, profit and loss, credit control and tax returns