

# HOW TO KEEP TRACK OF YOUR BUSINESS

## A BASIC SYSTEM



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**PAUKTUUTIT**  
INUIT WOMEN OF CANADA

# HOW TO KEEP TRACK OF YOUR BUSINESS

## A BASIC SYSTEM

### TO TRACK THE FINANCIAL POSITION OF YOUR BUSINESS

Keep records to show:

- Where every penny came from. This is your Revenue. (MONEY IN)
- Where every penny was spent. These are your Expenses. (MONEY OUT)
- What your financial position is at any time. Revenue minus Expenses equals Current Financial Position.

### TOOLS YOU WILL NEED

- Accordion file divided by months of the year. Place all your receipts in this folder
- Cash flow projection form
- Record of Transactions form (Keep the forms in a binder.)
- Bank account for your business only, with a monthly printed statement from the bank
- A numbered invoice book to bill customers for your services
- A calculator

### 1. BUDGET AND CASH FLOW

The first thing to do when you are planning your new business is to research all the sources from which you might receive money, and all the things that will cost you money. You have to find out or estimate how much the actual dollars will be for these things. Then you can put it on a chart, which is known as a **CASH FLOW PROJECTION**. There is an example on page 35 of 'Journey to Success – Aboriginal Women's Business Planning Guide', which illustrates this very well.

- The months of the year are written in columns across the top.
- The names of all of your sources of revenue are written down the side of the page. These might be start-up grants or loans, your own cash, and sales of your product or service. Then you add them up for a line for total revenue.
- After that you list the names of all your expenses, and you add them up for a line of total expenses. Expenses might include equipment, rent, advertising costs, bank loan interest, telephone.
- The next part is to show these Revenue and Expense amounts in the column for every month in which they will happen. That means there will be a telephone cost in every month, for example. When you do the math on this cash flow sheet, you will be able to see at the bottom, whether you are making money or not, and you will be able to plan on how to improve the situation, if necessary.
- At the end of this document there is a blank **MONTHLY CASH FLOW PROJECTION** form you can use to try out your own business idea.

## 2. REVENUE – MONEY IN

### SALES OF PRODUCT OR SERVICE

You need to have a piece of paper to back up every sale you make. The easiest way is to get a receipt book, and fill out all the details. A better way is a basic invoice book. The invoices should be numbered and have a carbon copy. You can mark "Paid" on the invoice, and give a copy to the person making the purchase.

Make sure to always show the following: Invoice Number; Date; Sold To; Description; Amount; and GST, (if you are at that level).

### LOANS

If a business loan, keep all documentation.

If a personal loan, make sure that you sign a document stating that you owe the money, to whom, and any terms of repayment.

### GRANTS

Keep the documentation you receive with the cheque.

Make a 'REVENUE' sheet and record every item of revenue as you receive it. Make three columns on the sheet:

DATE            DESCRIPTION            AMOUNT

**\*ALWAYS RECORD YOUR RECEIPTS AND EXPENSES RIGHT AWAY!!\***

## 3. EXPENSES – MONEY OUT

Get an expanding file that shows the months of the year. Put all your receipts in it.

Every time you spend money for the business, get a receipt or supplier invoice. Write on the back what it is for; if there is no description on it. If they do not have a receipt to give you, write one out for them and have them sign it, to show they received your money and the name of the item, date, etc.

Make another sheet for Expenses, and put the three headings:

DATE            DESCRIPTION            AMOUNT

**\*ALWAYS RECORD YOUR RECEIPTS AND EXPENSES RIGHT AWAY!!\***

## 4. ONE JOURNAL – RECORD OF TRANSACTIONS

Now that you understand this concept, you can combine it all on one record sheet. What you are doing is called working on a CASH BASIS. You are recording your revenue and expenses when they actually happen. Tracking this will save you hundreds of dollars in accounting fees, because you have done the basic work.

MY            BUSINESS            Page # \_\_\_\_\_  
RECORD OF TRANSACTIONS

DATE	INVOICE #	INFORMATION/ Explanation	Revenue (plus)	Expense (minus)	BALANCE
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This example will help you understand how it works. There is a full sheet at the end of this document for you to copy as you need it.

## 5. BANK ACCOUNT AND STATEMENT

Open a separate bank account for your business. In some cases this will be a requirement to receive a grant or loan to finance your business. This account should be a chequing account, NOT savings.

With a chequing account, the bank will mail you a statement of your account activity every month. You can use this statement to cross-check with the journal where you record your income and expenses, and see if all the items match. This will help you to make sure your records are accurate. You will usually see bank charges that you will have to record on your list. Call the bank if there are things on your statement that you do not understand. Banks make mistakes too! Remember that if you wrote some cheques close to the date when the statement is sent out, they may not appear on the statement. You may have less money than you think!

## 6. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts Receivable is the name for money that is owed to you.

Accounts Payable is the name for money that you owe to someone else.

These are not listed in your simple system, as you are doing things on a CASH BASIS. However, they can very much affect how well your business appears to be doing at year end. You should give your accountant a list of all accounts receivable not collected, and accounts payable not paid.

## A NOTE ON TAXES

If you are running a business from your home, you will be able to deduct a portion of household expenses such as rent, hydro, telephone, and other utilities. If you have an accountant to help you, they will set this up at year end and it will lower the amount of taxes you will owe. The cost of paying the accountant can also be deducted as a business expense.

## NOTES ON BANKING

- Develop a relationship with your financial institution (i.e. bank). Get to know someone who has decision-making powers, even if it is only by telephone.
- Find out what the Northern Stores or Co-op would charge to finance a purchase, and then compare the total cost with other sources, such as a bank loan.
- Keep in mind the cost of transactions when you do business with any financial organization.





**BANK RECONCILIATION**

**BANK STATEMENT**

**STATEMENT OF ACCOUNT**

**ACCOUNT NO \_\_\_\_\_**

**YOUR BUSINESS NAME**

**STATEMENT DATE**

**31-Jan-06**

<b>Date</b>	<b>Description</b>	<b>Withdrawals</b>	<b>Deposits</b>	<b>Balance</b>
1-Jan-06	opening balance			\$ -
4-Jan-06	Deposit		\$ 2,000.00	\$ 2,000.00
4-Jan-06	cheque 1	\$ 250.00		\$ 1,750.00
5-Jan-06	cheque 4	\$ 363.42		\$ 1,386.58
6-Jan-06	cheque 2	\$ 74.00		\$ 1,312.58
7-Jan-06	Deposit		\$ 5,000.00	\$ 6,312.58
10-Jan-06	Debit - cheque order	\$ 16.00		\$ 6,296.58
13-Jan-06	cheque 6	\$ 2,081.11		\$ 4,215.47
15-Jan-05	cheque 10	\$ 66.50		\$ 4,148.97
15-Jan-06	cheque 3	\$ 50.00		\$ 4,098.97
16-Jan-06	cheque 7	\$ 152.31		\$ 3,946.66
17-Jan-06	Deposit		\$ 250.00	\$ 4,196.66
20-Jan-06	cheque 9	\$ 1,008.93		\$ 3,187.73
24-Jan-06	Direct Deposit		\$ 400.00	\$ 3,587.73
25-Jan-06	cheque 13	\$ 570.90		\$ 3,016.83
26-Jan-06	cheque 15	\$ 285.31		\$ 2,731.52
27-Jan-06	cheque 8	\$ 877.40		\$ 1,854.12
28-Jan-06	cheque 14	\$ 337.84		\$ 1,516.28
28-Jan-06	Deposit		\$ 600.00	\$ 2,116.28
29-Jan-06	cheque 11	\$ 45.39		\$ 2,070.89
30-Jan-06	Deposit		\$ 250.00	\$ 2,320.89
31-Jan-06	cheque 12	\$ 1,191.02		\$ 1,129.87
31-Jan-06	Service Charge	\$ 24.00		\$ 1,105.87

# LEDGER

MY BUSINESS

Page #

## RECORD OF TRANSACTIONS

DATE	INVOICE # RECEIPT	INFORMATION/ Explanation	Expenses (minus)	Revenue (plus)	BALANCE
1-Jan-06		BALANCE FORWARD			\$ -
4-Jan-06		SAVINGS		\$ 2,000.00	\$ 2,000.00
4-Jan-06	1	Deposit on order	\$ 250.00		\$ 1,750.00
4-Jan-06	2	Northern - stationary	\$ 74.00		\$ 1,676.00
4-Jan-06	3	Hamlet Licence	\$ 50.00		\$ 1,626.00
6-Jan-06	4	sewing machine	\$ 363.42		\$ 1,262.58
7-Jan-06	5	Postage	\$ 16.00		\$ 1,246.58
7-Jan-06		KEDC Grant		\$ 5,000.00	\$ 6,246.58
7-Jan-06	6	computer	\$ 2,081.11		\$ 4,165.47
8-Jan-06	7	supplies - Co-Op	\$ 152.31		\$ 4,013.16
9-Jan-06	8	material - Edmonton	\$ 877.40		\$ 3,135.76
10-Jan-06	R001	kommiks to Paul S		\$ 250.00	\$ 3,385.76
11-Jan-06	9	fur - Auction House	\$ 1,008.93		\$ 2,376.83
11-Jan-06	10	supplies - Co-Op	\$ 66.50		\$ 2,310.33
13-Jan-06	11	supplies - Northern	\$ 45.39		\$ 2,264.94
13-Jan-06	12	material - Yellowknife	\$ 1,191.02		\$ 1,073.92
15-Jan-06	13	furs - Winnipeg	\$ 570.90		\$ 503.02
20-Jan-06	R002	Parka to Robert K		\$ 600.00	\$ 1,103.02
21-Jan-06	14	material - Edmonton	\$ 337.84		\$ 765.18
22-Jan-06	15	supplies - Northern	\$ 285.31		\$ 479.87
28-Jan-06	R003	mitts to Karen M		\$ 250.00	\$ 729.87
30-Jan-06	16	Postage	\$ 19.26		\$ 710.61
30-Jan-06	17	brochures	\$ 538.50		\$ 172.11
31-Jan-06	18	supplies - Co-Op	\$ 60.99		\$ 111.12
31-Jan-06	19	freight	\$ 79.15		\$ 31.97
31-Jan-06	R004	mitts to Lena O		\$ 75.00	\$ 106.97



## Bank Reconciliation for the month of January 2006

Current Balance per Bank Statement				\$1,105.87
<b>Plus</b>	Outstanding Deposits			\$ 75.00
<b>Less</b>	Outstanding Cheques			\$ (713.90)
		5	\$ 16.00	
		16	\$ 19.26	
		17	\$538.50	
		18	\$ 60.99	
		19	\$ 79.15	
			\$713.90	
<b>Adjustments</b>				
	Direct deposit not recorded			\$ (400.00)
	Cheque order			\$ 16.00
	Bank service charge			\$ 24.00
<b>Adjusted Bank Balance</b>				<b><u>\$ 106.97</u></b>
<b>Ledger Balance</b>				<b><u>\$ 106.97</u></b>