

14 Steps to Reduce Bookkeeping Problems

- Set up a separate checking account for the business. Keep personal and business records **AND** checking activity **SEPARATE**.
- Write checks for all business expenses except petty cash expenditures.
- Set up a petty cash fund by writing a business check for cash; always replace cash withdrawn from petty cash with corresponding receipt. At any time, the petty cash balance and the receipts should add up to the original amount. When the cash balance is low, write a check to bring the fund back to its original total. The reimbursement check should equal the fund back to its original total. The reimbursement check should equal the total receipts. Place these receipts in a folder or envelope and label it “Petty Cash Receipts for period beginning (date) and ending (date) reimbursed with check number.
- Deposit all cash receipts (both cash and checks) **INTACT**. For example, don’t take money from the till for lunch or cash a customer’s check at the grocery store, or get a haircut with money paid on account, etc. Make **DAILY** deposit slips that show all cash sales and cash received on account, even if you go to the bank only two or three times a week.
- To withdraw money from the business for personal living expenses, write a check on the business account and deposit this in your personal checking account.
- Record all necessary information on your business checking stubs and recalculate your bank balance after **EACH** deposit or check.
- Keep daily summary of your sales activity by totaling sales invoices or register tapes. Categorize sales summaries into the important sales components of your business.
- Using your check register or stubs, periodically “distribute” each expenditure by expense classification. Summarize this expense distribution monthly.
- Maintain a property and equipment register to record outlays for assets that cost over \$100 and will last longer than a year. This will facilitate preparation of the depreciation schedule.
- Maintain an accounts receivable ledger and “age” the account balances monthly.

- Prepare a monthly summary of sales and disbursements by category. Also, indicate monthly totals of accounts receivable and accounts payable.
- Have a qualified accountant prepare **TIMELY** financial statements.
- Make a **HABIT** of maintaining bookkeeping records daily, weekly and monthly. Have a system and place for each type of business form, such as sales invoices (should be sequentially numbered), unpaid invoices from suppliers (Accounts Payable File) and paid bills (should be filed by vendor).
- Check with your local Alaska SBDC on upcoming workshops.