

# Keeping Track Of Your Income And Expenses

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“I’m not a pencil pusher. I’m a businessman.” If this is your attitude towards the operation of your home business, then you are in a lot of trouble before you even get started. Bookkeeping makes everyone feel intimidated, but if you really want to operate a successful home business you are going to have to do more than stuff your records into a shoe box and not let them out until tax time.

First of all, make sure that the financial records from your business are kept apart from your personal records. Keep them in a filing cabinet in your home office that is for the purpose of finances alone. In this cabinet, have separate compartments for your income and for your expenses. Your expense compartment will likely be more varied, so be prepared to use several files. Label them accordingly. “Internet charges”, “Professional fees”, and “Office supplies” might be some of the labels you use. Whenever you make a business purchase, place the receipt in the file after making sure that you circle the date. You might even want to take it one step further and subdivide your folders into expenses for each month.

Do the same thing for your Income compartment. Keep records of your clients and the work or goods you have supplied them with, along with their purchase receipt and the date of the final transaction. Again, you might want to sort your income according to the month of the year, in order to make your income easier to determine at tax time.

Hard copy should not be the only way that you keep track of your expenses. There are lots of programs available that help to budget and keep track of your work income and expenses. Every time you make a purchase or receive payment (including pending payments) you can enter the information into this software. This will provide you with some easily accessible information on how your business is doing and where you need to focus your energies. When you keep your program carefully, it can also give you a very good idea of what you are going to owe come tax time. Remember that just because you have your records on file in a program on your computer does not negate the importance of hard copy. In the event that you are audited, you will need to be able to produce evidence that you did indeed make those purchases and receive that form of payment.

Remember that you should take account of your business yearly, and the best time to do so is when taxes are due. You are going to have to go through all your information at this time anyway, so you might as well do a final round-up for the year and affirm your figures. Once this is done and your taxes have been filed, you can compile all your records into one file and label it with the year. This new file should now be stored in another secure location in case you need it in the future. The software you used should be backed up and kept as well, in a secure location such as a safe deposit box or a home safe. This way, you have a couple of different sources of information in case disaster strikes.