

DON'T BE A BROKEN RECORD



Record-keeping isn't glamorous or fun, but if you do it well, you can save big hassles.

STORY BY **JOHN CORIAS**

Recent natural disasters across Australia left many small business owners reeling. And one of the biggest challenges they faced was the loss of important records and legal documentation.

Of course, you can't predict when such disasters will occur. What you can do is plan and organise your record-keeping effort to minimise the chances of losing vital data. In fact, it is your responsibility to store important records securely. Harsh though it may seem, the Australian Taxation Office (ATO) can fine businesses that fail to take reasonable precautions to prevent the loss or destruction of documents.

Why you need to keep records

You need to keep records because, if asked, you should be able to reconstruct your financial accounts in their entirety. You will not be able to meet your financial or tax obligations if your records are incomplete, and this is what the ATO will be looking for if they investigate your business.

You're probably aware that the ATO requires most records to be held for five years from the date of transaction. However, you may not be aware that there are also situations where you must keep records for much longer periods.

What you must keep

To stay within the the law, protect your business and maintain clear records of your business operations and financials, there are certain documents that you must store with backup copies.

For example, you must store all purchase invoices received from suppliers, sales invoices and all bank and credit card statements. These statements are necessary to prove that you have actually received payment of a sales invoice or made payment of a purchase invoice.

Businesses that use cash transactions must maintain a detailed cashbook that includes dates, amounts, clear descriptions and the source of payments. If the cashbook is kept up to date, then the actual tax invoices can be stored away on a continual basis. If you use cash registers, you need to keep paper photocopies of all thermal paper rolls, record your sales in a separate book or, better yet, use accounting software to record each day's total. Daily cash register readings only need to be kept for one month if your cash register can supply a 'Z total' summary.

All paperwork concerning employees, including their annual leave, expense claims and superannuation, should be kept, even after an employee leaves. This will protect you if disgruntled employees lodge false claims of incorrectly paid leave entitlements.

How to keep your records

Clearly, five years or more of paper transactions and records is a lot of paperwork to keep, and running a business is complex enough without having to constantly worry about sorting through mountains of paperwork.

In addition, storing thermal paper rolls, such as cash register rolls, or keeping original paperwork in ad hoc places like a shoebox or car glove box, is not adequate — it leaves your business exposed to unnecessary risk.

So, what's the solution? Simple: switch to electronic record-keeping. It is the safest, easiest and most efficient way of maintaining the necessary records for your business. Another benefit is that it sets you on your way to having

an organised and paperless office. You can secure, retrieve and back up your documents quickly and simply – and it's good for the environment, too.

Options for electronic record-keeping include entering your records into a software program installed on your computers, or storing them via 'clouds' using a service such as Xero.

There's no denying that getting all your records into electronic format can be time-consuming, but the benefits are worth it:

- Your records will be safe, even in case of fire or other disasters.
- You can retrieve all of your records quickly and easily rather than hunting through paper files.
- If the ATO needs to investigate your business, it has easy access to the relevant information.

If you still need to store some of your records in paper form, you need to ensure they are protected. If possible, keep copies offsite, somewhere both fire and flood-proof.

As a business owner, you owe it to yourself and your business to implement procedures that will reduce the amount of time you or your staff spend dealing with your records, so you can spend more time growing your business. ■

John Corias is a Senior Partner at m.a.s. accountants and has over 20 years' experience in small business accounting. m.a.s. accountants have been servicing small businesses in Australia for almost 50 years and are public accountants with the National Institute of Accountants.

“Businesses that fail to take reasonable precautions to prevent the loss or destruction of documents can actually be fined by the ATO.”



Are Late Payments Affecting your Business' Ability to Grow?

Let Ezidebit optimise your payment process to **REEL IN DELAYED PAYMENTS** and **GROW YOUR CASH FLOW**.



Cash flow is crucial to the success of every business. Delayed customer payments can tighten your company's access to working capital, thereby restricting your capacity for growth. Ezidebit's payment solutions can minimise these cash flow concerns and enable your business to grow and prosper into the future.

- Customers authorise your business to automatically collect payments from their bank accounts or credit cards.
- Proactively control when your business receives payment.
- Fund your business with a reliable revenue stream.

