

# Bookkeeping

Bookkeeping is defined as the recording and documentation of the transactions of a business. As you organize a bookkeeping system for your business there are four types of journals or records that you may use. These are:

- Daily cash sheet
- Accounts receivable ledger
- Accounts payable ledger
- Synoptic ledger

Most retail, wholesale and service businesses make sales and receive cash each day.

## Daily Cash Sheet

In businesses where there are significant amounts of cash transactions daily, the proper control of cash is of absolute importance if the business is to be successful. Improper cash records will result in an accounting headache. It also could lead to undetected cash theft and overpaid income tax. The daily cash sheet shows all the cash you take in (sales, accounts receivable and tax) and all the money you paid out. It allows you to recognize problems and discrepancies promptly.

## Accounts Receivable Ledger

If your business makes credit sales on account, you should have an accounts receivable ledger. Each customer who charges is assigned a page and these are kept alphabetically. Each customer's name, address and telephone number are clearly stated at the top of each page. What follows is a history of the credit business you have conducted with this customer. At a glance, you can see what an account balance is, what volume of business has been charged as well as how this customer has handled his account. The cards should be kept in alphabetical order in a separate binder.

## Aging of Accounts Receivable

Each month the accounts receivable should be aged. This means all the accounts are listed and the total balance owed by each customer is divided up into what amounts are current, over 30 days, over 60 days and over 90 days. This will show you which accounts need immediate attention.

## Accounts Payable Ledger

Each supplier of any goods or service that your business purchases from and agrees to pay at a later date would have a page in this ledger. At a glance you would be able to see how much you owe a creditor and when you last sent a payment. By keeping this type of record, you can minimize disputes.

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## Synoptic Journal

A synoptic journal combines all of the above into one comprehensive record keeping facility. It is also known as the general ledger.

## Petty Cash

Petty cash is used to cover smaller, miscellaneous expenses. A cheque for a small amount eg: \$200 is made out for petty cash. The actual money is then placed in a cash box that is left in the care of a trusted individual for safekeeping. It is from this cash that minor amounts such as postage or coffee are paid. When the cash supply is running low, replenish it to the amount of receipts on hand. Always get a receipt or make a notation of what the money was used for and place it in the cash box. Each time cash is replenished, the receipts are removed, grouped in various categories and placed in an envelope, perhaps with the category totals written on the outside of the envelope.

## The Bank Reconciliation

This involves comparing cheques and deposits on your monthly bank statement to journal entries to verify that your records are accurate. It should be done on a monthly basis.

**Note:** in addition to the above journals, it is imperative that the business owner keeps supporting documents for all transactions eg: receipts and invoices.

## For More Information

**Internet:** [www.strategis.ic.gc.ca](http://www.strategis.ic.gc.ca)

**Book:** Accounting and Record Keeping Made Easy for the Self Employed  
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