

The importance of keeping good business records

There are a number of reasons for keeping good business records including the fact that it is a legal requirement. By law, the Australian Taxation Office requires you to keep business records:

- For 5 years after they are prepared, obtained or the transactions are completed (whichever occurs later), and
- In English and in Australian dollars or in a form that tax officers can access and understand in order to determine your tax liability.

There are penalties for not maintaining the required records and failing to keep them for 5 years.

Other reasons for keeping good business records:

- Make it easier to complete your BAS and prepare Income Tax Returns
- Monitor the health of your business and be able to make sound business decisions by keeping track of your debtors, creditors and cashflow
- Demonstrate your financial position to banks and other lenders and also to prospective buyers of your business, and
- Make best use of your accountant. Rather than paying them to sort through a shoebox of paperwork, providing well prepared records lets us focus on growing your business profits and value.

Should you keep electronic or paper records?

You can store records in either paper or electronic form.

The advantages of an electronic record keeping system include:

- Helps record your business transactions (including income and expenses, wages to employees and stock and asset details)
- Automatically tallies amounts and provides reports to assist with preparation of BAS
- Can produce invoices and provide summaries and reports of your business profit/loss position
- Keeps up with the latest tax and superannuation rates for employees
- Requires less storage space
- Allows you to backup records and keep them in a safe place in case of fire or theft
- Enables you to use your time more efficiently

On the other hand, an electronic record keeping package is more expensive to set up. You also need to be comfortable using a computer and the software. Depending on the program, you might also need to be familiar with accounting principles to understand how the software automatically stores and calculates the information.

There are a range of commercial accounting software packages available and we urge you to consult with our office before making your choice.