

## **Starting A Small Business: Record Keeping**

Creating and maintaining thorough business records is essential. These records will help you analyze your business's profitability, stay out of trouble with tax authorities, maintain positive relationships with clients and vendors, protect your business from lawsuits and win lawsuits if you are harmed. For the most part, you can choose any record keeping system that works for you. However, laws require and best practices suggest specific methods of record keeping and lengths of time to keep different types of records. Which specific regulations and practices apply to you will depend on your line of business. Certain records are key to all businesses, however, and we'll discuss a few of the most important ones here.

### **Client Files**

You should have paper files and/or electronic files for every client and every project. It's important to keep a record of the work you've done and the business agreements you've made in case you or the other party has a question after the fact. Also, sometimes you can use past assignments and agreements to inform future ones, saving you time. Client files are also a good place to store notes about a client's preferences or anything else unique to that client that you want to remember. Set aside some time once a day, once a week or once a month to keep your files organized. The same goes for backing up your electronic files. Consider using a secure cloud-based backup service since hard drives can fail without warning.

### **Contracts**

If your business provides a service, you should sign a contract with your client every time you begin doing business with a new person or company. If you provide a product, you may have contracts with suppliers and distributors. And if you have employees or contractors, you'll definitely want to draw up work contracts. If you're working with an established business, it will often have an existing contract for you to sign. Of course, it may be beneficial if you're the one who writes the contract, as it may give you bargaining power over the terms of the business relationship that way.

As for smaller businesses and individuals, you'll usually need to bring your own contract to the table. Before you open for business, you should create a standard contract template that lays out the basic areas you want to

cover in every business agreement, such as time frame, pay and job parameters. Your contract may also cover issues such as confidentiality, records, liability and ownership of work product. You will want to tailor the contract to each business agreement you create, but that process will be faster and you'll be less likely to omit something if you have a

Template.

Contracts serve the obvious purpose of making it easier for you to file a lawsuit if you don't get paid or if your client commits any other harmful breach of contract. But contracts also serve a few less obvious functions. They spell out the details of the work to be performed, giving both you and your client an opportunity to make changes or clarifications before the work begins, when it is cheaper and easier to do so. Contracts also help weed out people who have no intention of paying you and show your clients that even though your business may be small and new, you are a professional and you take your work seriously. Both you and your client should keep a copy of the signed contract for your records.

### Accounting and Tax Records

If your business has complicated financial records or if you want to be able to prepare financial statements with the click of a button, business accounting software such as QuickBooks can be a big help. Be warned, though, that to use business accounting software accurately and effectively requires some accounting knowledge. If you don't know what debits , credits and journal entries are, this software may just cause you headaches. You can always keep records by hand or by spreadsheet. In many cases, spreadsheet software can serve all of your accounting needs — at least while your business is small. You can even get free spreadsheet software by downloading Open Office, an open-source software suite similar to Microsoft Office, or by using the cloud-based Google spreadsheets.