

KEEP GOOD FINANCIAL RECORDS

Financial records are the foundation of every business activity. It is therefore mandatory and legal to keep records for various advantageous reasons. Record keeping is a necessary evil for small and medium business owners in particular. Record keeping could be laborious and time demanding but offers good historical information about the operation of the business.

Historic data

Accounting records are historic data which gives information on the financial activities of the entity. It serves as the underlying building blocks for the preparation of business accounts and financial statements. Accounting is all about financial records and data processing. The accounting records serve as a good reflection of past activities of the business entity for future decision making.

Keeping records is an investment of time and money and the benefits must outweigh the costs. There is no point in recording information for its own sake. Records must be used if they are to have any value. This means the owner or manager must understand why the information is collected and what it can be used for.

Similarly, the time and effort spent in keeping records must be related to the scale and profitability of the business. While it is true that some successful entrepreneurs keep all their business information in their heads and do not keep records, it means that no one else can help run the business during times of illness or absence.

Benefits of Keeping Records

Every endeavour in life depends on quality decision making. Decisions are best made from the availability of good and dependable records. It is therefore easy to infer that if you are going to run a successful business then accurate and timely financial record keeping is a must.

Obtaining Finance

Finance is the lifeblood of any business development and growth. The providers of finance, the banks and other investors, require the evidence of good financial records to engender confidence in investing in a business. Good records indicate that a business is being run in a sound and professional manner.

Interest of Stakeholders

Majority of business stakeholders and prospective partners love to see dependable and quality records.. Good records and true and fair financial statements attract investor confidence and may attract funding. The main source of information to stakeholders regarding business performance and position is the financial statement.

Budgeting

Budgeting is crucial to any business development. All businesses use budget for planning purposes. It helps to keep the business on track. A budget is as good as the source of the data from which it was prepared. Accurate and good financial records inure to a good planning document for quality decision making.

Tax Returns

All businesses must file tax returns and pay income tax. Good records and financial statement is fundamental to preparation and assessment of tax. It makes it easier to pay tax on timely basis. It also ensures that the right amount of tax is paid. In the absence of good records, a business owner is prone to be assessed on provisional basis. Poor records will invariably lead to over or under paying tax.

Control over Finances

Good accounting records give you control over your business finances. It helps to decide on the relationship between cost and pricing. To make profit, you must assemble your cost elements and add a margin. You can only sustain your business or life by minimizing cost and maximizing income.

Track Money Owed

Another benefit of keeping records is to enable you determine the amount owed to the business. It helps to track all the transactions between the business and its customers. This is crucial, especially when the business is involved in credit sales. The same is applicable to credit purchases. Good accounting records are the bedrock for good business relationships.

Conclusion

Record keeping is fundamental to every business. It is the foundation for decision making in business and in life as well. The processed financial records lead to the financial report which indicates the financial performance and position of an entity. It calls for diligence and discipline. Data is the bedrock of every economy. When used effectively, good financial records could change our economy and invariably our destiny as a people. Let's keep good, quality financial records. It is good for governance.

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