

Organize Your Business Records

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All small business owners must deal with the massive amounts of paperwork. How you organize that paperwork is totally up to you; however most small business owners would like more guidance. The following is generally how I advise my new business clients to set up their records:

Purchase three **plastic manila folder boxes**. Label them as follows:

- Enter into Computer
- To Be Paid
- To Be Filed

Every receipt that your business obtains should first go into the box labeled **“Enter into Computer”**. After you have entered the item into your computer, then it either needs **“To be Paid”** or it needs **“To be Filed”**.

When an item needs **“To be Paid”**, it is placed in that box, filed by the date it is to be paid. After the item is paid, you should mark on the item the date it was paid and how (what check number or if by credit card, which card). If you have check stubs, staple the stub to the receipt indicating it was paid. Then the item is moved to the **“To Be Filed”** box.

Items in the **“To Be Filed”** box should be filed at least weekly, if not daily. These items will be filed, either in the filing cabinet or in a binder.

Purchase a **filing cabinet**. Filing cabinets can be expensive so if money is tight, look for used ones at Goodwill, yard sales, etc.

Purchase **manila folders**, to be placed in the filing cabinet, to hold all your business expense receipts. The following are examples of how your files may be labeled. Your business may not have all these expenses – if you don't, then you don't need a folder for it. If your business has an expense category that isn't listed, just label the folder accordingly. File the folders alphabetically in your filing cabinet. Inside each folder group your receipts according to vendor (for example, in **“Car and Truck Expenses”** you may have receipts from Jiffy Lube, Shell and Tire Max), preferably alphabetically.

- Advertising
- Car and Truck Expenses
- Charitable Contributions
- Commissions & Fees
- Contract Labor
- Employee Benefits
- Insurance
- Legal
- Meals & Entertainment
- Other Professional Services
- Office Expense
- Payroll
- Pension & Profit Sharing Plans
- Rent or Lease
- Repairs or Maintenance
- Start-up Costs
- Supplies

- Taxes & License
- Travel
- Utilities
- Wages
- [Business Use of Your Home](#)

Purchase large **binders** and label them as follows:

- **Bank Statements** – After you have reconciled your bank statement each month, staple the reconciliation to the bank statement and file it by month in this binder.
- **Fixed Assets** – Every time you purchase something for your business that you expect to last longer than one year, file it in this binder. Divide your purchases into groups such as Furniture & Fixtures, Computers & Equipment, Vehicles, Leasehold Improvements, etc.
- **Accounts Receivable** – After a sale is generated, if it was not paid for immediately, file it alphabetically by customer last name in this binder. Once a customer has paid their bill, remove it from this binder, mark how and when it was paid and put the invoice in the box labeled, “Enter Into Computer”.
- **Sales Collected** – After you have received payment for a sale and it was entered into the computer the sales invoice should be filed in this binder by month received.
- **Long-Term Debts** – Any time you enter into a long-term financing arrangement (bank loan, line of credit, shareholder loan), file that paperwork in this binder, divided by loan.
- **General Ledger** – Every month, after all transactions for the month have been entered, print a detailed general ledger for the month and file it, by month, in this binder
- **Financial Statements** – Every month, after the detailed general ledger is printed, print your financial statements (Balance Sheet and Income Statement) and file them by month in this binder
- **Minutes** – Even if you are not required to keep company minutes it is a good idea to get into the habit of recording important business decision throughout the year. I often will tell clients to make notes of things in their records, like why they decided to increase their sales prices or why they decided to discontinue a product line or why they had an unusual business expense, etc. This is where all those notes should be kept. Then if you do decide to incorporate you would have already developed the habit of keeping business minutes.

All **folders in your filing cabinet**, items in your **Bank Statements binder**, **Sales Collected Binder** and **Financial Statements binder** can be boxed up every year. Label the boxes and store the boxes for at least 4 years, but there's no need to keep them longer than 10 years.

The items in the **Fixed Asset binder** and **Long-Term Debts binder** should be kept in the binder until the item is no longer of use to the company (the asset was sold or removed from service, the debt was paid in full or refinanced, etc.). At that time it can be boxed up and stored for at least 4 years or the remainder of what it's useful life was plus 4 years, whichever is greater.

You do not have to set up your filing system this way. You do not have to use a computerized bookkeeping system. But you do have to have some sort of system which will enable to find information when you need it.

For additional information visit the IRS website and view the following articles:

- [Why should I keep records?](#)
- [What kind of records should I keep?](#)
- [How long should I keep records?](#)

Gina L. Gwozdz is a CPA who has chosen to specialize in taxes. Visit her website at <http://GLGcpa.com> to view more Tax Tip Articles.