

GUIDE TO  
**SMALL BUSINESS  
RECORDKEEPING**



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# INTRODUCTION

## **ADVANTAGES OF GOOD RECORD KEEPING PREPARATION AND PLANNING**

Tax preparation

Regulatory and tax compliance

Management information

Operational efficiency

Succession planning



# BASIC CONSIDERATIONS

CONSIDERATION	ELECTRONIC	PAPER
<b>Convenience and Flexibility</b>	<ul style="list-style-type: none"><li>• The most convenience and flexibility</li><li>• Multiple locations and authorized users</li></ul>	<ul style="list-style-type: none"><li>• Single location</li><li>• Difficult to transport</li></ul>
<b>Reliability</b>	<ul style="list-style-type: none"><li>• Easy to backup</li></ul>	<ul style="list-style-type: none"><li>• Susceptible to environmental hazards</li><li>• Costly or impossible to recover lost records</li></ul>
<b>Security and Privacy</b>	<ul style="list-style-type: none"><li>• Easy to control and monitor access</li><li>• Susceptible to online piracy.</li></ul>	<ul style="list-style-type: none"><li>• Dependent on physical security and policies</li><li>• Difficult to detect unauthorized access</li><li>• Susceptible to break-ins and theft</li></ul>

# FURTHER CONSIDERATIONS

CONSIDERATION	ELECTRONIC	PAPER
Storage	<ul style="list-style-type: none"><li>• Clear advantage</li></ul>	<ul style="list-style-type: none"><li>• Burdensome over time</li></ul>
Cost	<ul style="list-style-type: none"><li>• Most economical</li></ul>	<ul style="list-style-type: none"><li>• Storage fees</li><li>• Labor or fees for shredding</li></ul>

# FURTHER CONSIDERATIONS *(continued)*

## FILE LOCATION AND ACCESS CONTROL

CONSIDERATION	ELECTRONIC	PAPER
Standard Protocol	• Standardize, monitor and enforce	
Central location	<ul style="list-style-type: none"><li>• Shared server or cloud provider system</li><li>• Never on individual workstation</li></ul>	<ul style="list-style-type: none"><li>• Central location</li><li>• Not dependent on individual</li></ul>
Limit Access	<ul style="list-style-type: none"><li>• Separate user accounts</li><li>• Specific business purpose</li><li>• Monitor access logs</li></ul>	<ul style="list-style-type: none"><li>• Locked file cabinets/file room</li><li>• Key sign out/in sheet</li></ul>

## FURTHER CONSIDERATIONS *(continued)*

CONSIDERATION	RECOMMENDATION
<b>Safe Deposit Box</b>	<ul style="list-style-type: none"><li>• Documents difficult or costly to replace</li><li>• Records of ownership</li><li>• Keep copies in clearly marked paper or electronic file</li><li>• Additional copies held by attorney</li></ul>
<b>Financial Overview Manual</b>	<ul style="list-style-type: none"><li>• Explains recordkeeping system for employee training and in case of emergency</li><li>• Location of important documents</li><li>• Insurance policy information</li><li>• Bank and investment accounts, credit accounts (institutions and account numbers)</li><li>• Mortgages and loan documents</li><li>• Copies held by trusted family members, attorney, CPA, trustees</li></ul>

## WHAT TO KEEP AND FOR HOW LONG

Document retention policy

visit [cpapowered.org/resources/setup-recordkeeping/financial-overview](https://cpapowered.org/resources/setup-recordkeeping/financial-overview) for recommended retention times for each type of record.

Consult CPA or attorney about specific state's record retention requirements



# SETTING UP YOUR BOOKKEEPING SYSTEM

**CONSULT WITH CPA BEFORE  
PURCHASING SOFTWARE**

**PROPER CHART  
OF ACCOUNTS**

**COMPATIBILITY WITH  
THIRD PARTIES**

