BOOK-KEEPING FOR BEGINNERS

WHAT IS BOOK-KEEPING?

Book-keeping (sometimes called record-keeping) is simply recording all the money that comes into and goes out of the business. This is essential, as it is very difficult to remember transactions without writing them down. You will need these records for any tax returns. They will also show you how well the business is doing and which products or services are selling best.

There are several different methods of book-keeping. Below is a simple and easy approach.

RECORDING TRANSACTIONS

- Buy a simple lined notebook to record your transactions.
- Always record money coming into the business (income) on a separate page to money going out of the business (expenses/costs).
- Every time there is a money transaction, whether it is money earned or money spent, you should record the following:
  (A) Reference – give every transaction a reference number and then write this on the receipt or invoice before you file it so you can easily find the corresponding paperwork.
  (B) Date of the money transaction.
  (C) Description of what was bought or sold and (if known) who the customer or supplier was.
  (D) How the money was received or paid (cash, electronic or mobile phone payment) and the amount.
  (E) Category – each transaction should be put into a category such as raw materials, rent, sales.

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### CASHBOOK MONEY IN (INCOME)

<table>
<thead>
<tr>
<th>Reference</th>
<th>Date</th>
<th>Description of the transaction</th>
<th>How the money was received</th>
<th>TOTAL</th>
<th>Category of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>A001</td>
<td>25/05/2017</td>
<td>Loan received from microfinance company</td>
<td>Cash 800.00</td>
<td>800.00</td>
<td>Sales 800.00</td>
</tr>
<tr>
<td>A002</td>
<td>02/06/2017</td>
<td>Customer AA bought 1 dozen eggs and 1 litre of milk</td>
<td>Debit card 3.25</td>
<td>3.25</td>
<td>Official loan 3.25</td>
</tr>
<tr>
<td>A003</td>
<td>02/06/2017</td>
<td>Customer BB bought 2 dozen eggs</td>
<td>Bank transfer 4.00</td>
<td>4.00</td>
<td>Official loan 4.00</td>
</tr>
</tbody>
</table>

**TOTAL** 7.25 0.00 800.00 0.00 807.25 7.25 800.00

### CASHBOOK MONEY OUT (EXPENSES)

<table>
<thead>
<tr>
<th>Reference</th>
<th>Date</th>
<th>Description of the transaction</th>
<th>How the money was paid</th>
<th>TOTAL</th>
<th>Category of expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>B001</td>
<td>27/05/2017</td>
<td>500 leaflets for marketing</td>
<td>Cash 20.00 Debit card</td>
<td>20.00</td>
<td>Marketing 20.00</td>
</tr>
<tr>
<td>B002</td>
<td>02/06/2017</td>
<td>Paid James rent for market stall to local council</td>
<td>Bank payment 80.00</td>
<td>80.00</td>
<td>Rent 80.00</td>
</tr>
</tbody>
</table>

**TOTAL** 20.00 0.00 80.00 100.00 20.00 0.00 0.00 0.00 80.00

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### BOOK-KEEPING TOP TIPS

- Always keep personal and business money separate. Keep the money in separate bank accounts or purses and keep separate records for each.
- Keep receipts or make a note of all money spent and earned in a day rather than trying to remember it later.
- Have a set time each day or week to do your book-keeping. The more regularly you do it, the more comfortable you will get with the process – and also the earlier you can spot any financial problems.

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For an article on the more complex method of double-entry book-keeping, see Footsteps 11: Accounts and records. Visit www.tearfund.org/footsteps to download a free copy.