Electronic and manual record keeping

While some business owners prefer manual record keeping systems, most businesses use an electronic record keeping system - making it easier to capture information, generate reports and meet tax and legal reporting requirements.

There are a number of issues you should consider when setting up an electronic or manual record keeping system, as each has certain advantages and limitations.

Electronic record keeping

Most businesses use accounting software programs to simplify electronic record keeping, and produce meaningful reports. There are many other advantages to using electronic record keeping, as listed below.

Advantages

- Helps you record business transactions, including income and expenses, payments to workers, and stock and asset details.
- Efficient way to keep financial records and requires less storage space.
- Provides the option of recording a sale when you raise an invoice, not when you receive a cash payment from a client.
- Easy to generate orders, invoices, debtor reports, financial statements, employee pay records, inventory reports.
- Automatically tallies amounts and provides reporting functions.
- Keeps up with the latest tax rates, tax laws and rulings.
- Many accounting programs have facilities to email invoices to clients, orders to suppliers, or BAS returns to the Australian Taxation Office.
- Allows you to back up records and keep them in a safe place in case of fire or theft.

Choosing accounting software

Your business may require more than one software program to meet all of your tax and legal needs, so it's important to:

- seek advice from your accountant or financial adviser before purchasing software for record keeping
- check which accounting software is tax compliant on the Australian Taxation Office website.

Electronic backup

Set up a secure electronic backup system to ensure records are safely stored and regularly backed up. Daily backups are recommended, particularly for important records. Make sure the backup copies are stored in a separate location to your business in case of fire, theft or a natural disaster.

For small businesses, the cheapest backup options are CDs and memory sticks. If your business has large amounts of data, external hard drives are a popular backup option.
Cloud backup

Cloud computing provides a way for your business to manage your computing resources and records online. The term has evolved over recent years, and can be used to describe the use of a third party for your storage and computing needs.

Cloud backup services are becoming more popular and can be automated for your convenience, but you should make sure the method you choose protects the privacy and security of your business and customers.

Learn more about cloud computing.

Manual record keeping

Some business owners may want to use a simple, paper-based record keeping system. There are certain advantages to using manual record keeping, as listed below.

Advantages

- Less expensive to set up.
- Correcting entries may be easier with manual systems, as opposed to computerised ones that can leave complicated audit trails.
- The risk of corrupted data is much less.
- Data loss is less of a risk, particularly if records are stored in a fire-proof environment.
- Problems with duplicate copies of the same records are generally avoided.
- The process is simplified as you don't need to be familiar with how accounting software calculates and treats your information.

Streamline your manual record keeping

- Sort and store all paperwork, receipts and payments in 12 separate months.
- Keep all original documents and date all correspondence.
- Record all transaction dates and payment amounts.
- Save all online financial transactions by month and financial year in your inbox and in a separate folder on your hard drive.
- Backup all electronic records on an external hard drive or other storage device other than your computer's internal hard drive.
- Capture nearly all of your income and expenses in statements from both your bank and credit card accounts.
- Request that all statements and bills be sent on a monthly basis - allowing you to reconcile all financial records each month.

For further advice on record keeping, consult your business adviser.

Related links

- Read more about financial statements and forecasting.
- Learn about managing information technology (IT) risk
- Safeguard your information by protecting IT data and systems.

References

This material has been developed by business.qld.gov.au business resource

Disclaimer: Central Highlands Development Corporation (CHDC) has prepared the information in this document as a general reference only. CHDC has made every effort to ensure that the details in this document are correct and cannot be held liable for any inaccuracy or misrepresentation, whether by inclusion, omission, change or withdrawal of services without notice. CHDC does not accept liability for any errors, losses or damage that arise from the use of this document.

All persons using or relying upon this document do so at their own risk and undertake sole responsibility for assessing the relevance and accuracy of that content and should not act or refrain from acting solely on the basis of this document.