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The practice of good accounting is always an ‘insurance’ against many legal and tax related problems in an organisation. Without a proper book keeping, you would run many risks.

When you are devising or revising your bookkeeping routine, remember that the purpose of bookkeeping is to help you to manage your business as well as to enable outside agencies like tax departments and banks to evaluate your business activity. As long as your bookkeeping achieves these objectives, it is complete.

There are no set, legal procedures to do your books. It must reflect the business earnings and expenditure as accurately and as simple as possible.

To put things perfect, your business should employ a book keeper to keep track of your finances. But since most entrepreneurs cannot afford to employ a book keeper (at least initially), there are a few tips to tackle this issue.

- Learn basic accounting - Learn basic accounting before you get into a business. This helps you to talk intelligently about your accounting needs with employees, bankers and others. Knowledge in accounting will also helps you to evaluate your competitors or businesses you might wish to start. The best source to learn about the business of a publicly owned competitor of yours is to read their annual reports.

- Consult an accountant- Consulting an accountant helps to set up your accounting system efficiently. When it comes to file income taxes returns, you can consult the same accountant which makes things easier. An accountant can also help you to polish your business plan and project reports for your banker. This can be more helpful if the banker has had prior dealings with the accountant. Retaining the accountant who better knows your business is also important.

- Purchase an accounting software- The best thing you can do for your business is to purchase a small business accounting software. Several affordable softwares are available that not only keep track of your receipts and expenditures, but automatically generate them into quality financial reports as well.

- Keep your finances separate- A big mistake that many new business owners and entrepreneurs make is mixing up their personal and business cash. Even if you are the sole proprietor of a company, it is crucial to keep your finances separate by maintaining different accounts. This is also important at tax point of view and moreover will help you to track your expenses and budget easily and accurately.

- Maintain regular, meticulous records- Never allow to fall behind on your bookkeeping. It is very essential to ensure that your finances are always up to date. If necessary, set aside a specific time in a day or a week to monitor your books. Keeping accurate, up-to-date records will help you to recognise the trends, potential weaknesses and growth opportunities.

- Practice internal auditing and monitoring- Internal controls are safeguards against employee dishonesty. Employee dishonesty is surprisingly a common issue which can devastate your business. Consequently, it is worthwhile to put an internal auditing and periodical monitoring. This can be practised simply through ensuring the deposit of cash and cheques on a daily basis and reconciliation of your bank accounts at least once a month when the bank statement is received. Similarly, review your financial statements regularly. Periodically, you can hire an accountant to audit your books

- Submit polished project reports to lenders- The credit departments of banks and financial institutions are reviewing every loan proposals with microscopic eyes, especially the new generation banks to check defaulters. So, if you are approaching a bank or a financial institution for a loan, produce a professionally prepared account statements and project reports, because it lends financial reliability and value in the eyes of credit department.

The top three Dont’s in business

1. Do not give the authority to sign checks to anyone.
2. Do not rely on verbal agreements on any important matters including purchases.
3. Do not pay an invoice without checking it with your purchase order.

The accurate and honest preparation and presentation of a company's financial statements are the responsibility of the management of the company. Published financial statements are audited by independent certified public accountant. During an audit, the auditor conducts an examination of the accounting system, internal records and financial statements in accordance with generally accepted auditing norms. A fraudulent financial reporting is defined as an intentional or reckless reporting, whether by act or by omission, that results in materia. misleading financial statements.