

The Importance of Good Bookkeeping

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What is "Good Bookkeeping?"

- Tracking income and expenses
- Tracking debts and investments
- Monitoring net worth and cash flow

Good Bookkeeping & Stewardship

- Good bookkeeping is an essential component of stewardship
 - How can one "manage well" those things entrusted without tracking and monitoring how they are used?
 - How can one "take care of" those things by simply overlooking how they are used?
 - How can one "give an accurate or full account" to the Owner without good bookkeeping habits?

Why is it Important?

- The only way to REALLY know and understand what is going on financially is track income and expenses carefully
- After the end of the year, and as April 15 approaches, the benefits of having taken time to keep books becomes evident
- History is one of the best predictors and is very useful in establishing a meaningful and helpful budget
 - It is important for young people to develop this habit

Some Basic Components

- Balancing your checkbook
- Tracking expenses (and income)
- Pick the right bookkeeping system for you
- Using financial statements

Balancing Your Checkbook

- Balance in checkbook \neq balance on bank statement
 - Deposits made after statement date
 - Checks written but not yet deposited
 - Bank fees / interest earnings not recorded in checkbook
 - ATM / debit card transactions and fees not recorded in checkbook
 - Online bill-pay transactions not recorded in checkbook

Tracking Expenses (and Income)

- Identify Major Expense Categories
 - Housing
 - Taxes
 - Food
 - Tithing
 - Auto
 - Medical
 - Savings
 - Insurance
 - Gifts

Breakdown Major Categories

- Housing
 - Mortgage Interest
 - Property Taxes
 - Homeowner Insurance
 - Utilities
 - Repairs
 - Improvements
- Auto
 - Gas
 - Insurance
 - Repairs
 - Taxes & Registration
 - Accessories

Additional Breakdown(s) if Appropriate

- Housing
 - Utilities
 - Electric
 - Gas
 - Phone
 - Local service
 - Long distance
 - Cell phone
 - Internet service

Record Transactions Regularly

- Record credit card transactions at the time of purchase
- Record checks as they are written
- Record electronic transactions
 - ATM withdrawals / Debit card
 - Electronic payments
- Record cash transactions – the most elusive
- Record Income
 - Paycheck has gross & tax expenses

Pick the Right Bookkeeping System

- Paper
 - Ledgers
 - Ledger paper
- Electronic
 - [Spreadsheet\(s\)](#)
- Accounting Software
 - Microsoft Money (personal)
 - Quicken (personal)
 - Money Matters (Crown Financial)
 - Quickbooks (small business)

Income Statement

- Income less expense equals net income
- Generally the first statement we think about
- It is only a snapshot of a given month or period of time
- Does not give the full or accurate financial perspective
- Useful – but limited

| | Month |
|----------------|---------|
| Income | \$5,000 |
| Housing | 1,589 |
| Tithe | 500 |
| Auto | 790 |
| Entertainment | 84 |
| Food | 387 |
| Clothing | 200 |
| Other | 1,200 |
| Total Expenses | \$4,750 |
| Net Income | \$250 |

Balance Sheet

- Assets = Liabilities + Net Worth
- Neither assets nor liabilities show on income statement (which can be deceptive)
- The Balance Sheet shows a cumulative financial picture
- Truer indicator of financial health

| Assets | As of ... |
|--------------------------|------------------|
| Cash | \$6,000 |
| Retirement | 14,000 |
| Vehicles | 18,000 |
| House | 250,000 |
| Total Assets | \$288,000 |
| Liabilities | |
| Mortgage | \$195,000 |
| Credit Cards | 3,000 |
| Total Liabilities | \$198,000 |
| Net Worth | \$90,000 |

In Summary

- Good bookkeeping takes lots of discipline
 - At times, it feels like “busy work”
 - The rewards are long-term
 - Knowing that you have been a faithful steward of God’s resources
 - Ability to more quickly identify and correct detrimental trends in spending habits and lifestyle
- Anticipate hearing “*Well done, good and faithful servant. Enter into the joy of the Lord.*”

Questions?