



Simple Systems

Records Which Show the Flow of Money Into and Out of the Firm

There are two methods which can be used to show the flow of money into and out of the business. One of them is through the use of the checkbook. The other is a file card/cash method which does not include a checking account.

THE CHECKBOOK METHOD

A checkbook is a service offered by a financial institution, such as a bank, where the institution agrees to put your money into an account and pay it out as you direct, through the checks that you write. A business checking account is one for the business; a personal checking account is one for an individual or family. In many instances, a bank will charge a business or a person for the use of the checking account through bank charges.

With a business checking account, you can keep track of cash coming into or being paid out of your business. All cash received from the sale of goods and services is deposited into the checking account. All cash paid out by the business is done through checks. If you add up all of the deposits and subtract all of the checks plus bank charges, what is left is the amount that you have in the account.

