

So What?

Could you survive without your cellphone and all the information it holds? If you're

like most people, you have a contact list, an appointment calendar, and maybe some apps to access your school work or other data online. Many people say that they would be lost without their phones—because without the information that their cellphones contain, these people wouldn't remember their friends' birthdays, their doctor's appointments, or their homework assignments. It's not just individuals who rely on their cellphones to remember

But storing information electronically or on paper rather than trying to remember every event, transaction, and decision made. That's because if a business forgets or loses important information, it can suffer. The business might lose a lawsuit, misjudge a client's needs, or neglect to pay taxes. And, when a business suffers, its owners, customers, suppliers, and employees suffer, too. So, as an employee, you'll want to know the business information that's important to keep—and why.

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Make a Note of It

Do you realize how many records are kept on *you*?

When you are born, you receive a birth certificate and a Social Security number. When you get a driver's license, you receive photo identification. And when you travel outside the country, you obtain a passport to identify your country of origin. If you break the law, your criminal actions are recorded. And, if you get married or divorced, each event is documented. Even when you die, a record is created—a death certificate.

Whether you like it or not, your life's major occurrences are kept on record. Without these records, it would be difficult to prove who you are or that particular events in your life actually took place.



▲ Your birth certificate, Social Security card, passport, and driver's license are all examples of records that help to prove who you are and provide information about important life events.

Objectives

A Describe the importance of business records.

B Discuss methods of record keeping.

What business records are

Just as personal records are important for proving what a *person* has done, business records are important for proving what a *business* has done. If a business has spent a particular amount of money, hired a certain person, or promoted a specific product, the record is the documentation, or proof, that it really happened. **Business records**, then, are documents containing information about a business's operations and finances—what it has done with its resources and opportunities.

Business records can be either paper or digital. Paper records must be filed alphabetically or numerically and put in a cabinet, in a drawer, or on a shelf. Digital documents, on the other hand, are housed in a computer-related medium, such as an online backup service (also known as cloud storage),

Inventory records. For tracking inventory, businesses keep records on the types and quantities of materials or products available and ordered. If a business is a manufacturing firm, it needs to know about the raw materials and supplies used, the work in progress, and the goods ready for sale. If a business is a wholesaler or retailer, it is concerned with finished goods and can quickly determine the color, style, and brand of each item on the sales floor, in the warehouse, and on order. This information aids in maintaining adequate inventory levels.

Promotional records. Promotional records are documents containing information about the various types of communications that businesses use to inform, persuade, or remind customers of their products, images, or ideas. It's important for businesses to know which promotions they've run, including when, where, and how they've run them. This information helps businesses to time their promotions appropriately and to evaluate the effectiveness of each promotion.

Legal records. No matter what businesses say or do, their words and actions can be used in court to defend or convict them. In light of this, almost every business document is a legal record. Some examples include:

- Contracts and agreements
- Business correspondence (e.g., e-mails, faxes, letters, etc.)
- Intellectual property
 - Patents
 - Trademarks
 - Copyrights
 - Trade secrets
- Leases
- Work orders
- Claims
- Permits

With potential lawsuits in mind, businesses save many documents that might be useful in the future—especially those that offer evidence that their policies and procedures are being followed.

Summary

Business records are the documents containing information about the firm's operations and finances. Quality records are retrievable and reliable. The size of a business and the regulatory factors influencing it determine which records are kept. However, most businesses keep financial, asset, tax, payroll, personnel, inventory, promotional, and legal records.

THE GRAY ZONE

At first, you might say, "Aren't there laws against that?" In some situations, yes. These situations include accessing records regarding personnel files or financial records of companies wanting to share their information with other companies. It is sometimes tempting to share the information of companies wanting to share their information with other companies. What is the right thing to do?

But, online information is not always well protected, legally or otherwise. It would be easy for businesses to share or sell consumer information gathered online. Since privacy laws do not address many online situations, what do you think businesses should do?



1. What are business records?
2. Describe the difference between paper and digital records.
3. Discuss the benefits of keeping digital records.
4. Discuss the drawbacks of keeping digital records.
5. Explain the importance of keeping quality records.
6. Describe the life cycle of a business record.
7. Name three types of business records.

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Jot This Down



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If your favorite aunt neglects to keep a record of your birthday (and forgets to send you a card), you might be disappointed. But, if your bank neglects to keep a good record of the money in your account, you might be *angry*. Some things are just too important to overlook!

A business must know how to keep records. Although one business may have a different record-keeping method than another, all must understand what's involved.

Phases of record keeping

The record-keeping process includes several phases. First, a business must get started—by determining which records to keep, how to keep them, and when they should be destroyed. At the “how to keep them” point, the business must set policies and practices, deciding whether or not the records should be kept digitally and who should be responsible for creating, maintaining, and destroying the records.

The business must then implement the process it has started. This means that everyone in the business needs to know the general plan, and those who are specifically involved need to know the tasks they will be expected to perform to carry out the plan. Implementation includes establishing, communicating, and carrying out procedures—and integrating those procedures with those of every other business department, for a unified effort.

Third, the business needs to monitor its record-keeping process so that it can adjust appropriately as changes occur. With proper evaluation, the business can ensure that its plan is working effectively.

Approaches to record keeping

Businesses can approach the record-keeping process in different ways. Business owners can keep the records personally—something you might do in a small business, in which you are the only person working the account and you are responsible for all the work, either full- or part-time. Or, businesses can outsource the record-keeping of some records (such as financial information). Other businesses outsource their record keeping to a service organization that will handle the tasks for them. One type of service organization is a data processing center, a business that organizes and analyzes information for other companies.

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▲ At the “how to keep them” point in the record-keeping process, businesses must decide whether to keep their records on paper or in a digital format as well as who should be responsible for keeping these records.

Tips for record keeping

All businesses have an approach to record keeping, but not all businesses follow the tips for *good* record keeping:

- Use a system
- Pick a style
- Avoid hazards

Let's take a look at each.

Use a system. Every business should have a workable record-keeping system. The system can be simple or complex, computerized or not—but it must be easy to use. It should be up-to-date and reliable and should allow for quick storage and retrieval of accurate information.

Pick a style. Businesses can keep their records manually or in a computerized manner. Some small businesses use a manual system with standardized forms and even old-fashioned cash-register tapes. (Nowadays, many businesses use paperless methods of recording sales transactions.) Manual systems can work for small businesses, although they may be cumbersome as the businesses grow. Doing things by hand, instead of by computer, takes a lot of time and effort.

Computerized record-keeping systems typically use software to do the “difficult” work. With this style, businesses use computer software to complete calculations and prepare financial reports. You can see the value of this method in keeping inventory records.

With inventory records, businesses can use a computer to record current inventory counts—whether physical or perpetual. Some businesses use a physical inventory system, in which they count all the items in stock once a year. Other businesses use a perpetual inventory system, in which they try to keep an ongoing record of items in stock—and perform a physical count periodically to make sure they’re on track. Scanning bar codes can make the process a lot easier. A computer can calculate when the business needs to order more of a particular item.

Avoid hazards. With a system and a style, businesses are ready to keep records. But, they may not be ready for the common, or typical, hazards that may occur—such as fires and thefts. Storing files in fireproof cabinets can help to prevent a fire from destroying vital information. And, using firewalls and passwords can deter information thieves who try to hack into the computer system.

Unfortunately, the *uncommon* disasters are often overlooked, such as harsh hurricanes, powerful tornadoes, and major floods. Businesses need to plan for these potential problems, consider the protection they will need, and determine the ways they can (and should) respond in these situations. Businesses need to ask:

- Where will the company’s records be located?
- Will the records be safe and accessible?
- If not, what is the back-up plan?

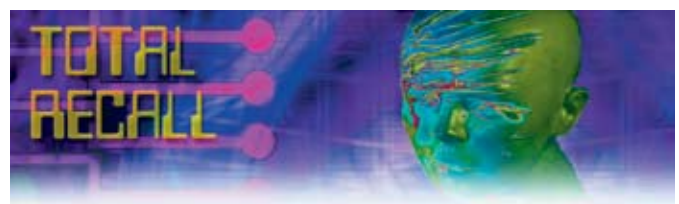
To protect information from major disasters, businesses need to keep duplicate records, label vital records, back up all computer systems, and store information off site (many miles away).



▲ Businesses often use computerized record-keeping systems to complete difficult tasks such as completing calculations, preparing financial reports, and tracking inventory.

Summary

Phases of the record-keeping process include getting started, implementing the process, and monitoring/adjusting the process. Record-keeping approaches include keeping the records personally, hiring an employee or department for the job, and outsourcing the task to a service organization. Record-keeping tips include: use a record-keeping system, select a record-keeping style, and avoid the hazards that can destroy business records.



1. What are the phases of record keeping?
2. Discuss two approaches to applying the record-keeping process.
3. Describe the importance of a record-keeping system.
4. Describe the difference between manual and computerized record keeping.
5. How can a business avoid typical hazards to its records?
6. How can a business avoid uncommon hazards to its records?

Make It Pay!

Think of the records your school keeps them. Why it school? Write down why it think school is important for school. Write down why it think school is important for school.

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