

How to Organize Your Shoebox

By Florence Hui, CGA

Throwing receipts into a shoebox is not the most effective filing system. Delivering the shoebox to your accountant is likely to cause the following:

The accountant will not smile at you as arrive (That shoebox looks like a headache). You will be frustrated when the accountant keeps asking you for missing information (It's IN the shoebox). You will be upset because you cannot answer many of the accountant's inquiries I You THOUGHT it was in the shoebox). You will be more upset because the taxes you owe are higher than you expected (Many expenses cannot be claimed because the receipts are missing FROM the shoebox). You will be shocked when you receive the accounting bill (Organizing your shoebox uses a lot of an accountant's valuable time).

This is the perfect time of year to organize your receipts. Here is a simple system to stay ahead of your receipts.

Step 1: Buy envelopes

These envelopes give you a convenient place to store all your business receipts. This system reduces the chance of losing your receipts and helps separate business receipts from personal receipts.

Step 2: Label envelopes with different expense categories

The following is a basic set of categories to get started. Add more categories to suit your needs. You can even add subcategories if you are really into organizing. For example, put auto gas receipts in an envelope before you file it with other auto expenses such as, repair and maintenance receipts. This system will save your accountant time and you money. The accountant doesn't have to read the receipt to know what kind of expense it is.

Some receipts only come once or twice a year, such as insurance. It is better to keep them separate instead of putting all these one time receipts in one miscellaneous envelope for your accountant to sort them out.

Here are some category suggestions for labeling the envelopes:

- Advertising & marketing– e.g. yellow page advertising invoice and brochure printing
- Accounting and legal
- Auto – gas, parking, repair & maintenance, insurance
- Assets – computer hardware, computer software, furniture and equipment
- Computer supplies & repairs
- Courier & postage
- Dues & memberships
- Licences & insurance
- Meals & entertainment
- Office supplies
- Printing
- Subscriptions
- Telephone & communications
- Travel

Step 3: Mark your receipts according to the expense categories created in step 2

Every time you make a purchase, write down what it is for. For a meal receipt, record who dined with you and for what purpose. You may not remember what the receipts are for after several months, so it is better to write it down when your memory is fresh. This system helps you think ahead if the business receipts are legitimate and are claimable expenses or not.

Some receipts may contain different categories of expense items. For example, if you bought a desk and a box of paper, you would classify the desk under “assets” and the box of paper under “office supplies”. What should you do? Cut the paper? Don’t. Just make a note on your receipt of the different expense categories, and put the receipt in the category with most dollar value. For this example, it would be “assets.”

Step 4: File the receipts in the labeled envelopes according to the corresponding expense categories

This system will save you time and energy in the long run. A few minutes a day will save your accountant the time and frustration of digging into your shoebox and trying to figure out what those receipts are for. Furthermore, you will be able to claim the maximum expenses when all your receipts are properly documented and classified. You will also be able to keep your accounting fees lower. Now your accountant can spend quality time providing you with tax planning services instead of spending hours sorting receipts.

Step 5: Organize the receipts in each envelope monthly or quarterly

You can bring these labeled envelopes to your accountant or you can organize your receipts. Sort the receipts by month and sum up the total amount. If you have to file a GST return, you can also add the total GST paid as well.

Whether you can do this monthly or quarterly depends on the volume of receipts. This information will help you file your GST tax returns on monthly or quarterly basis and also give you an idea how much money you have expensed each month. Add up the 12-month total and you have the information ready to file your tax return.

When you bring an organized shoebox, your accountant will smile at you. And, when you receive the accounting bill and your tax refund from CRA, you will be smiling too. **J**

About the author: Florence Hui has a Bachelors of Commerce degree from UBC and obtained her CGA professional designation in 1993. She has 6 years industry experience and 12 years extensive hands-on public practice experience. She has also given tax and accounting seminars in partnership with institutions such as HSBC and TD Canada Trust. She writes and speaks fluently English and three Chinese dialects (Mandarin, Cantonese and Fukinese).