

Run Things  
With Your

**TIN**

Taxpayer Identification Number

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A Publication of the  
**Federal Inland Revenue Service**

For all Enquiries & Complaints, Please contact:

Customer Service Desk of the nearest Tax Office

Or

Taxpayer Service Department (TPSD)

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2016



## A GUIDE TO SIMPLIFIED BUSINESS RECORD KEEPING

Customer Ledger															
Your Corporation															
NAME		ADDRESS			CITY		STATE			CUSTOMER PHONE		CUSTOMER FAX		PURCHASING MGR	
PURCHASE ORDER #	SALES ORDER #	DATE	ACCT #	QTY	DESCRIPTION	PART #	VIA	DATE		SHIPPED	BILLED				
40099	CC00000	June 13, 2009	000786	600	X17Teals	081101	FEDEX	June 13, 2009	June 22, 2009						

## Introduction

This guide is intended to provide our taxpayers, who have difficulty in maintaining records of their business transactions, with basic knowledge and skills of keeping business records. Using this guide, a person will be able to maintain the basic business records, understand and monitor the trend of his business in a simplified way.

Using the same business records, the person will also easily manage his tax affairs, which will result in reduced compliance costs, especially under the Self-Assessment system which requires voluntary compliance.

## Definition of Business Record

A business record is a written evidence summarising a transaction carried out by a person in his business at a given time or over a given period. Business records are normally kept in books in an organised form. Business records can also be maintained in electronic format.

## Purpose of keeping Business Records

Keeping business records is a very important aspect of managing your business. The records help you

To manage YOUR BUSINESS better by:

- Planning and monitoring your business transactions and the corresponding income and expenditure.
- Identifying easily and correctly whether your business is making a profit or loss at any given time on basis of facts and records.
- Following up consistently on your obligations with business partners (suppliers and customers)
- Providing a basis for mobilising additional capital from banking or co-operative institutions
- Providing a basis for preparing meaningful statements of accounts for the business and for carrying out audits.
- To separate private transactions from that of the business undertaking

To manage YOUR TAX AFFAIRS better by providing basis for;

- Computing correctly your tax liabilities by yourself
- Filing your tax returns accurately and on time
- Paying only the fair tax
- Claiming your lawful entitlements under the tax laws e.g. Allowable expenses, capital allowances on assets in use in your business as well as tax credits and tax refunds where applicable.
- Avoiding tax assessments raised by the Tax Authority using other methods under the laws that may not necessarily be favourable to you as a taxpayer.
- Avoiding protracted tax disputes.
- Avoid contravention of the tax laws

## Kinds of Business Records

A Taxpayer should keep business records which provide enough details on all transactions undertaken at any given moment in a specified currency. These records should be based on documents containing primary information on each transaction carried out in the business. The documents should also be properly and safely kept. Generally, business records include the following;

**Fixed Assets** - are permanent or long term assets which a person acquires to use in running the normal business but are not part of his trading stock e.g. delivery van, plant and machinery, fittings and furniture.

Fixed assets records are kept in the Fixed Assets ledger.

- For each fixed asset record the date, type, details of supplier or buyer, quantity, price and value of the asset bought, or sold or written off .

**Expenditures** - on day-to-day running of business e.g. stationery, maintenance costs, travel, utilities (water, power, telephones, etc.);

- For every expenditure, record the date, type or class, quantity (where applicable) and value of expenditure item

**Tax affairs of your business** – evidence of tax payments (tax receipts, withholding tax Credit Notes, e-tickets, etc)

**Bank transactions** - e.g. bank statements. Bank transactions are kept in the Cash Book

**Additional financial capital into business** - record the date, type and purpose of loan, details of financier and value.

**Personal drawings** - cash or goods withdrawn from business for private use  
For every personal drawing, record the date and value of cash or goods taken out of business for private use.

**Sales** - goods or services sold for profit in the ordinary course of business.  
Sales records are kept in a Sales Book

**Purchases** - goods that constitute the trading stock of a person for resale for profit in the ordinary course of business. Purchases records are kept in a Purchases Book

## Cash and Credit Transactions

**Cash transactions** - are all activities of a business where cash is received or paid out. A Cash Book is used to record cash transactions in order to ascertain the correct cash balance at any given time

**Credit transactions** - are all activities of a business where cash is not immediately received or paid out on the date of the transaction.

## Documents of Primary Information

These are the documents issued by you to your customers or to you by your suppliers of goods or services as the first evidence of any transaction undertaken.

They include:

- Invoices for goods and services sold or bought
- Cash receipts for goods and services sold or bought

- Receipts for Taxes and other Government dues paid
- Vouchers prepared for various business expenses
- Receipts for payments made in respect of assets and utilities (power, water, telephone, etc.)
- Agreements relating to business contracts
- Cheque books and Bank statements
- Bills and orders, etc.
- Other business related correspondences and documents.



These documents should be kept for at least six (6) years as they are always necessary for reference when the need arises and for tax purposes.

## Simple Business Records

Every transaction will involve exchange of goods or service for money. Basic business records, especially for micro and small businesses will normally require consistent record of all cash and credit transactions.

## Simplified Cash Transaction Records Book

It is important to keep track of all cash transactions. A transaction involving receipt of cash will increase the cash balance while that one which involves payment of cash will decrease the cash balance. Below is the illustration of a simplified cashbook in which cash transactions can be maintained:

CASH BOOK				
Date	Particulars of Receipts and Payments	Amount received N	Amount Paid N	Balance N
01/05/14	Balance brought forward	0	0	450,000
01/05/14	Cash sales	105,000	0	555,000
02/05/14	Cash purchases	0	300,000	255,000
02/05/14	Transport charges	0	10,000	245,000
04/05/14	Cash sales	240,000	0	485,000
06/05/14	Payment by credit customer	150,000	0	635,000
07/05/14	Payment to credit supplier	0	220,000	415,000
10/05/14	Private drawings	0	50,000	365,000
14/05/14	Cash sales	180,000	0	545,000
16/05/14	Cash sales	140,000	0	685,000
20/05/14	Cash Purchases	0	300,000	385,000
23/05/14	Cash sales	235,000	0	620,000
25/05/14	Tax paid	0	50,000	570,000
26/05/14	Rent for shop	0	40,000	530,000
28/05/14	Cash sales	270,000	0	800,000
31/05/14	Cash balance carried forward	0	0	800,000

## Simplified Sales Records Book

The other very important element of trade is the sales. The simplest way of tracking sales is to maintain both cash sales and credit sales in Sales Day Book as follows:

SALES DAY BOOK					
Date	Invoice No.	Name Of Customer	Particulars of Goods/Services	Amount N	Cumulative Total N
01/05/14	111	XYZ & Co	Sugar	100,000	100,000
05/05/14	222	Jamil	Assorted merchandise	200,000	300,000
10/05/14	333	XYZ & Co	Soap	70,000	370,000
15/05/14	444	Austin & Brothers	Assorted goods	150,000	520,000
28/05/14	555	Jamil	Assorted goods	150,000	670,000
31/05/14	Total Sales for May 2014			670,000	

## Simplified Purchases Records Book

Another very important element of trade is the purchases. The simplest way of tracking purchases is to maintain both cash purchases and credit purchases in a Purchases Day Book as follows:

PURCHASES DAY BOOK					
Date	Invoice No.	Name Of Supplier	Particulars of Goods/Services	Amount N	Cumulative Total N
04/05/14	123	ABC Ltd	Sugar	300,000	300,000
06/05/14	345	Abuja General Traders	Assorted merchandise	400,000	700,000
12/05/14	456	Sanitary Products Ltd	Soap	150,000	850,000
18/05/14	567	Abuja General Traders	Assorted goods	500,000	1,350,000
30/05/14	678	Abuja General Traders	Assorted goods	600,000	1,950,000
31/05/14	Total Purchases for May 2014			1,950,000	

## Keeping Records for More Than One Business

- It is very common for one person to have more than one business. The best practice is to keep separate records for each business.
- Even in circumstances where some transactions are carried out for two or more businesses together, it is still necessary to separate as much as possible the portions of expenses or income relating to each business.
- It is important for a person to know clearly how each of the businesses is performing, and to identify which business is not doing well.

## Legal Requirement for Keeping Business Records for Tax Purposes

- Various Tax Laws of the Federation of Nigeria require a taxpayer to keep proper records, books and accounts of all business activities which are adequate for the purposes of taxes.
- Some of the tax laws provide further that failure to maintain the records, books and accounts that are adequate for the purpose of taxes is an offence, and attracts penalty accordingly.

This implies that;

- the records, books and accounts should reflect a true and fair view of the business to support any declarations made by a taxpayer for tax purposes
- there are fines and penalties associated with a taxpayer failing to comply with the requirement to keep records, books and accounts
- It is therefore mandatory for a person to keep proper business records. It is also beneficial to the business entity in ensuring good understanding of the affairs at any given time

**...it pays to pay your tax**