







A system and best practices to manage business transactions and source documents (invoices, receipts, checks)

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1. Purpose of the System

Every financial transaction in a business begins with a **source document** — the paper or digital evidence that a transaction occurred.

A **transaction management system** ensures that these documents are properly recorded, verified, classified, and stored so that the business can:

- Maintain **accurate accounting records**
- Prepare **financial statements**
- Satisfy **tax and audit** requirements
- Protect against **fraud and errors**

2. Core Components of a Transaction Management System

 Managing Business Transactions and Source Documents (Invoices, Receipts, Checks)

Component	Description	Example
Source Documents	Original evidence of a transaction.	Sales invoices, purchase orders, receipts, canceled checks, bank statements, and electronic payment confirmations.
Transaction Recording	Entry of the data into journals or accounting software.	Journal entry or QuickBooks/Oracle database record.
Authorization & Verification	Approval or confirmation that the transaction is valid.	Manager's signature on an invoice or vendor verification.
Classification & Posting	Assigning the transaction to the correct accounts (assets, expenses, revenue, etc.).	Post to “Office Supplies Expense” or “Accounts Receivable.”

Component	Description	Example
Filing & Retention	Organized storage of documents (digital or physical).	Cloud folder by month/vendor or locked file cabinet by category.

3. Common Source Documents and Their Roles

Source Document	Purpose	Example Entry
Invoice (Sales or Purchase)	Evidence of sale or purchase on credit.	Debit Accounts Receivable / Credit Sales Revenue.
Receipt	Proof of cash received or payment made.	Debit Cash / Credit Revenue or A/R.
Check or Bank Transfer	Records payment of expenses or liabilities.	Debit Expense or Liability / Credit Cash.
Cash Register Tape / POS Report	Summary of daily sales transactions.	Debit Cash / Credit Sales Revenue.
Credit Memo	Reduction in accounts receivable due to return or adjustment.	Debit Sales Returns / Credit A/R.
Purchase Order (PO)	Internal document requesting goods or services.	Used for verification when an invoice is received.

4. Best Practices for Managing Business Transactions

A. Organization and Record Flow

1. **Standardize the process** — establish consistent document formats for invoices, receipts, and checks.
2. **Use sequential numbering** — helps identify missing or duplicate transactions.

3. **Date everything immediately** — the transaction date drives accounting period accuracy.
 4. **Label transactions clearly** — e.g., “INV-2025-0157” for invoice #157 in 2025.
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B. Data Entry and Review

1. **Record transactions daily or weekly** to avoid a backlog of accumulated transactions.
 2. **Use accounting software** (Excel, QuickBooks, or similar) to automate entries.
 3. **Double-check entries** for correct account classification (asset, liability, equity, revenue, expense).
 4. **Match each journal entry with its source document** for traceability.
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C. Filing and Document Retention

1. **Separate documents by category:**
 - *Sales documents* (invoices, receipts)
 - *Purchases/expenses* (bills, vendor invoices)
 - *Banking* (checks, statements)
 - *Payroll*
 2. **Maintain both digital and physical copies** when possible.
 - Digital: Cloud folders organized by month or vendor.
 - Physical: Labeled binders or file boxes.
 3. **Retention period:**
 - IRS recommends **7 years** for most financial records.
 - Payroll and tax documents may require longer.
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D. Internal Control Practices

- 1. **Separate duties** – the person who records transactions shouldn’t also handle cash.
 - 2. **Reconcile accounts regularly** – compare ledger balances to bank statements.
 - 3. **Lock or password-protect records** – prevent unauthorized changes.
 - 4. **Back up data** weekly or automatically to the cloud.
 - 5. **Perform random audits** to ensure compliance and accuracy.
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5. Example: Manual-to-Digital Workflow 

Step	Manual Practice	Digital Equivalent
Create Invoice	Write a numbered invoice form	Generate an invoice in Excel/QuickBooks
Record Payment	Staple the check copy to the invoice	Attach the PDF receipt to the transaction record
Enter in Journal	Record in the general journal	Post automatically to “Sales Journal”
Verify & File	Manager signs and files by month	Digital approval and cloud folder upload

6. Example for a **landlord managing rental properties through an LLC**

Showing both the workflow and best practices of a well-organized accounting system:

Example: A Well-Organized System for Handling Business Transactions and Source Documents

(for a Landlord Operating a Rental Property LLC)

A. Business Context

- **Entity:** Top NY Property Management, LLC
 - **Type:** Limited Liability Company (LLC)
 - **Activity:** Owns and manages several rental units.
 - **Goal:** Maintain accurate accounting records to track rent income, expenses, property maintenance, and profit distribution — while protecting personal assets and complying with tax regulations.
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B. System Overview

A landlord's bookkeeping system should be structured around the **Accounting Cycle**, with all **source documents** flowing through a consistent, traceable process:

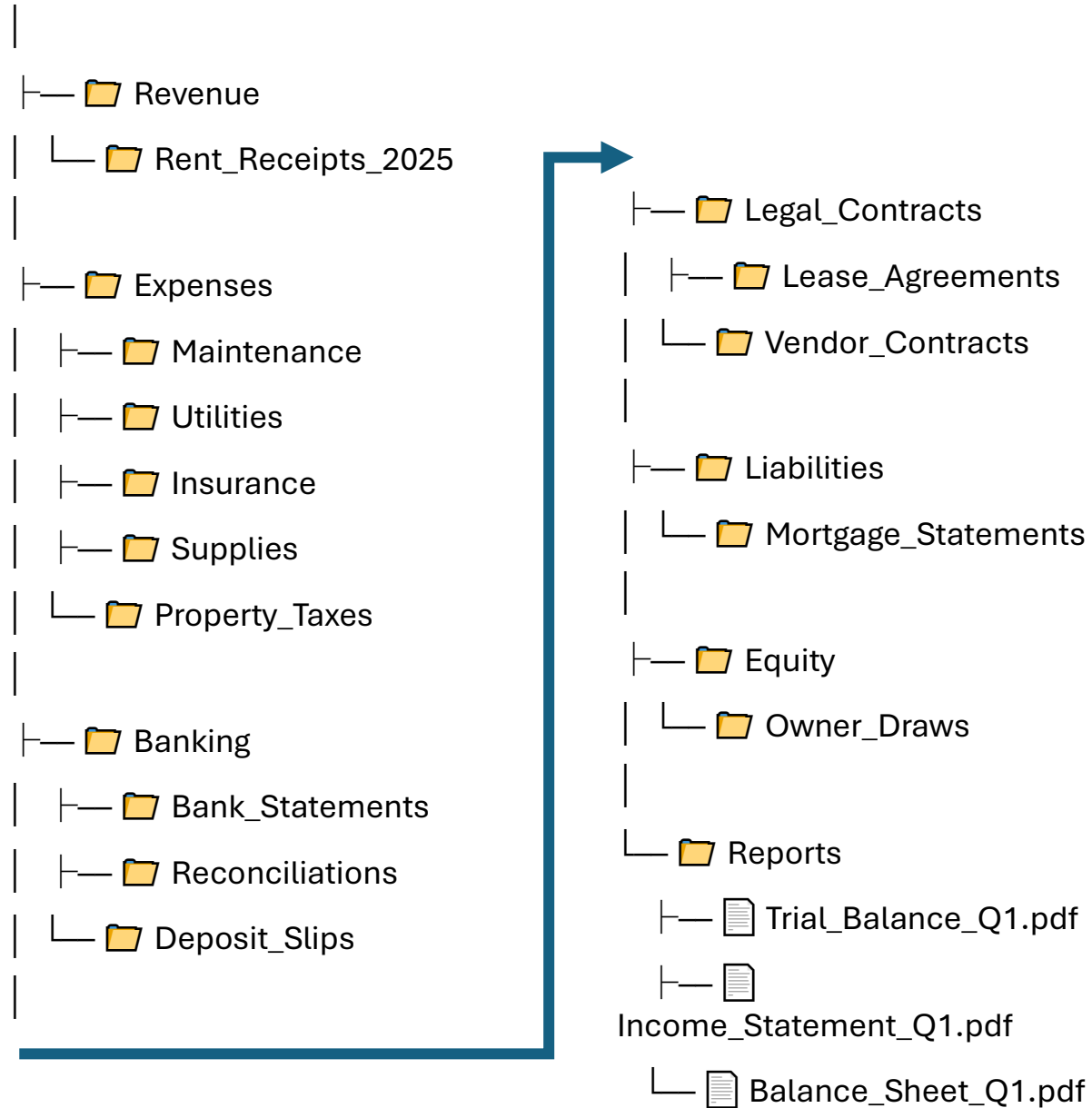
Source Document → Transaction Entry → Ledger Posting → Bank Reconciliation → Financial Statements

C. Source Documents and How They're Handled

Transaction Type	Source Document	Storage Location	Accounting Entry Example
Rent Collection	Lease agreements, rent receipts, bank deposit slips, Zelle confirmations	Folder: /Revenue/Rent_Receipts_2025	Debit Cash / Credit Rental Income
Repairs & Maintenance	Vendor invoices, paid checks, receipts, and work orders	Folder: /Expenses/Maintenance/	Debit Repairs Expense / Credit Cash
Utilities Paid by LLC	Utility bills (PDF), online confirmations	Folder: /Expenses/Utilities/	Debit Utilities Expense / Credit Cash
Property Insurance	Insurance policy invoice, proof of payment	Folder: /Expenses/Insurance/	Debit Insurance Expense / Credit Cash
Mortgage Payments	Monthly lender statements	Folder: /Liabilities/Mortgage/	Debit Mortgage Payable (principal), Debit Interest Expense, Credit Cash
Security Deposits	Deposit forms, lease agreements	Folder: /Liabilities/SecurityDeposits/	Debit Cash / Credit Tenant Security Deposits
Owner Draw/Contribution	Bank transfers to/from the owner	Folder: /Equity/Draws/	Debit Owner's Draw / Credit Cash (or vice versa)

D. Digital File Organization (Best Practice Folder System)

📁 Property_Accounting_2025



💡 **Tip:** Use consistent file naming like 2025-03-01_RentReceipt_Unit2.pdf or 2025-04-10_Maintenance_Invoice_JoePlumbing.pdf.

This ensures easy digital searches and audit traceability.

E. Accounting Record Flow

1. Collect Source Documents:

Each rent payment, expense, or vendor bill produces a document (invoice, receipt, or statement).

2. Record in Journal:

Transactions are entered daily or weekly into the **Rental Journal** or accounting software (e.g., QuickBooks, Excel, or Oracle APEX).

Example entry for rent:

Date: 2025-04-01

Debit: Cash \$1,800

Credit: Rental Income \$1,800

Memo: April rent, Unit 2 – Smith

3. Post to Ledger:

Totals flow to the **General Ledger**:

- Cash Account
- Rental Income
- Maintenance Expense
- Mortgage Payable
- etc.

4. Reconcile Monthly:

Compare the ledger cash balance with the **bank statement** to ensure all deposits and withdrawals are recorded.

5. Review Reports:

Monthly financial reports:

- **Income Statement:** Shows profit or loss for each property.
- **Balance Sheet:** Lists assets (properties, cash), liabilities (mortgages, deposits), and equity.

F. Automation and Digital Integration (Oracle Example)

Database Table	Purpose	Example Columns
properties	Lists each property owned.	property_id, address, purchase_date
tenants	Tracks tenants and lease terms.	tenant_id, name, lease_start, lease_end
journal_entries	Records all financial transactions.	entry_id, date, debit_account, credit_account, amount, memo
source_documents	Links uploaded receipts, invoices, etc.	document_id, file_path, related_entry_id

Integration Example (SQL):

```
INSERT INTO journal_entries (date, debit_account, credit_account, amount, memo)
VALUES (DATE '2025-04-01', 'Cash', 'Rental Income', 1800, 'April rent - Unit 2, Smith');
```

```
INSERT INTO source_documents (document_type, document_number, document_date,
file_path, related_entry_id)
```

```
VALUES ('Rent Receipt', 'RR-2025-04-01-Unit2', DATE '2025-04-01',
'/Revenue/Rent_Receipts_2025/Unit2_April.pdf', 105);
```

This creates a **digital audit trail** — each transaction links directly to its original source document.

G. Internal Control Best Practices

- ✓ Open a **separate business bank account** for the LLC.
- ✓ Never mix personal and business funds.
- ✓ Require **digital backups** (e.g., Google Drive, OneDrive, or Oracle Object Storage).
- ✓ Use **numbered receipts and invoices**.
- ✓ Perform **monthly reconciliations** and retain **annual reports**.
- ✓ Review **cash flow** quarterly to plan for taxes and maintenance.

H. Example Monthly Summary Report

Account	Debit	Credit
Rental Income		\$1,800
Maintenance Expense	\$250	
Utilities Expense	\$180	
Mortgage Payable	\$600	
Interest Expense	\$400	
Net Income (for month) —		\$370

Result:

The system produces clean, verified records showing where every dollar goes — vital for **tax filings, financial decisions, and audit protection.**

7. Summary

A landlord's LLC accounting system works best when every transaction — including rent, repairs, or mortgage payments — is supported by a **source document** and flows through a **consistent recording, verification, and filing process.**

Organized digital folders, separate bank accounts, linked documents, and regular reconciliations make the system efficient, transparent, and defensible.

In other words, a well-organized system for handling **business transactions and source documents** forms the backbone of reliable bookkeeping. Following structured procedures — from transaction recording to document retention — ensures accuracy, accountability, and confidence in financial reporting.