

**Suite 202****BOOKS AND ACCOUNTS**

*Books and accounts*  
*Good housekeeping*  
*Basic bookkeeping*  
*EU Directives & Regulations*  
*Life without stress*

**202.01 BOOKS AND RECORDS**

It is only common sense to keep good books and records, but it is also essential to keep them to support your tax claims and contributions. If you are a company with limited liability or a corporation you will have further legal responsibilities in the keeping of your records. This may involve the filing of quarterly and annual accounts as well as records of board meetings and such things as transactions in your company's shares.

Now it is quite easy to set up a simple set of books and we will help to remove the mystery about it. Think of it as a simple filing system for figures which will paint a picture of how well or badly your business is doing. At the centre of every successful business is an efficient record system.

**202.02 ARE THEY NECESSARY?**

You will need these records and the information they provide in order to properly run your business. They will be necessary for your accountant to complete your tax return.

Whether a sole trader, partner or corporation the tax rules are different, your accountant will know what is necessary. But, in all cases you will be required to produce complete financial records.

**202.03 RULE OF LAW**

There are specific laws and rules with regard to keeping information about people electronically on a personal or company computer system. Be sure that you are aware of any and all laws, rules and regulations that might apply to your company. As an example, in the United Kingdom you must register under the Data Protection Act. Under this Act, computer users must follow 8 Data Protection Principles for using computers to store information on personnel.

**202.04 TYPES OF RECORD SYSTEMS**

What record system should I use? Whichever you decide on it should be simple, easy to use and understand, reliable and accurate. All records are meant to be permanent in recording your daily income and expenses. There are many types available. For example:

- The Double Entry Bookkeeping where each transaction is entered twice, one as credit and one as debit. A Commercial Bookkeeping System which is available through stationary outlets.
- One-Write Systems – copyrighted systems set up using carbon-backed cheques; when writing a check it transfers the data to a record system.
- There are computerized Systems which are available through various software programs.
- Single Entry Bookkeeping which are recorded only once as income or expense, an asset or a liability. All entries are recorded on a one page synoptic journal or also called a revenue and expense journal.

## **GOOD HOUSEKEEPING**

### **202.10 A FUNDAMENTAL SYSTEM**

It would be impossible to think in terms of succeeding without a proper approach to financial housekeeping. An effective book-keeping and accounting system is fundamental to meeting the company's responsibilities to the tax laws. A good system will be able to provide you with critical information whenever you need it.

Such as:

- Cash position
- Working capital
- Stock levels
- Overhead
- Variable costs
- Debtors
- Creditors
- Profits

It is important that the records you structure and keep are meant to be permanent and long lasting. By law you are required to keep your tax records for a certain number of years. If you don't keep these records it could jeopardize the future of your business and may cause difficulties when completing tax returns.

In order to manage your finances adequately you should keep a complete record of things like quotations you may make, invoices, bills, receipts and payments in cash, Sales or Value Added Tax (VAT), etc.

Attend to your books and enter your transactions on a regular basis. Do not procrastinate and allow them to pile up. Be sure your system is simple and easy to both use and understand and make sure you have someone reliable that can take over from you in the event you are injured or away on holiday.

Good financial records will:

- Manage your cash flow
- Measure your performance
- Improve financial control
- Alert you to rising costs
- Provide you with quick notice of problems
- Monitor your profit margins
- Keep the tax man happy
- Keep Employee filings up to date

## **BASIC BOOKKEEPING**

### **202.11 CASH BOOK**

The Cash Book is a record of the business's **income and expenditure** and the more detailed the better.

You must have columns for Sales Tax (or VAT if European) under both income and expenditure.

If you provide your customers with credit, or you get credit from your suppliers you will need to record the transactions in Sales and Purchase Day books. When you are in receipt of payments you must transfer the figures to your Cash Book.

At regular intervals, weekly or at least monthly, the book should be added up and reconciled with your bank statement. Remember that your bank statement will usually be behind your records and will not include your most recent transactions.

### **202.12 SALES DAY BOOK**

The Sales Day Book will provide you with an immediate picture of **who owes you money**. This will indicate to whom you have sold product and a copy of the invoice. (You must be sure to keep a copy of the invoice).

Should you offer a discount for early payment, you must add another column.

When the invoice has been completed be sure to keep them in the right order. This will make them easier to find and when the bill is paid, make a record of it on the invoice and transfer the invoice into a permanent file.

### 202.13 PURCHASE DAY BOOK

The Purchase Day Book will provide you with an immediate picture of **money you owe**. This will provide a ledger of goods you have been supplied and should indicate any credit period before you are required to pay. Just as with your Sales Day book record your transactions immediately. Don't allow them to pile up. Be sure you maintain a record system which will assist you in making sure you pay the invoices on time.

### 202.14 SALES AND PURCHASE LEDGERS

The **sales ledger** book will provide you with a **record of sales**. In creating your records keep a separate page for each and every customer. These pages should provide the customers name, address and telephone number, the terms of trade, level of credit allowed, credit control information (you need this information should it become necessary to chase payment) and you will need the name of their bankers. It is customary to have the details of sales on the left-hand side of the page and payments received on the right hand side. When you add up the two columns and then subtract the sales receipts you will determine the current balance owed by the customer. Keeping this current and accurate will also provide a complete picture of how promptly bills are being paid.

Late payment of invoices by customers can result in causing the business to have a severe cash flow problem. Many profitable businesses fail due to poor cash flow management. Therefore, it is imperative to keep up-to-date with debtors and chase them for payment on a regular basis.

The **purchase ledger** will provide you with a **record of purchases** from your suppliers. These pages should provide the date of order, invoice number, suppliers name, address, phone number, etc. Again it is customary to keep a separate page for each supplier, keeping a record of every payment you make for products in the left hand column with services entered on the right. When you add up the two columns and then subtract your payment figures from the total cost of what you have bought from the particular supplier it will provide a summary of what you owe. This figure should exactly match any statement the supplier sends you.

It is necessary to keep sales and purchase ledgers if you are giving or receiving credit. Very few businesses are not involved in either providing credit or receiving it to some degree.

### 202.15 PETTY CASH ACCOUNT

The petty cash book is where you **record all of your minor spending**. It is a good idea to have this in a separate book. This cash account will be used for such things as minor office supplies, postage and other daily small items. If possible it is advantageous to estimate either a monthly or quarterly budget for this purpose and deposit this into the Petty Cash Account. Starting with this fixed figure try and maintain your records so that you can always balance the receipts and remaining cash in the account with the original figure opening the account.

It tax is included in the receipts you might want a more lasting record. Keep a separate column for all tax paid.

It is wise to make sure that whoever controls the petty cash balances it regularly and that it is checked (and signed off or initialled) by someone else once a month.

## **202.16 OTHER RECORDS**

Of course, there are other record keeping tasks such as: stock records, inventories, 'replenishment' systems, wages books, and more. Consult with your accountant and secure advice on other record-keeping tasks. The more complicated your business becomes, the more you may need further records.

Even if you work from home you must keep accurate records. And, don't forget to keep track of various permissions such as; planning permission and access.

## **EU DIRECTIVES & REGULATIONS**

### **202.12 ACCOUNTING DIRECTIVES**

With application to all those who wish to do business and maintain books to EU regulations: The European Commission has published a draft directive to amend the Fourth Company Law Directive and the Seventh Company Law Directive. This can be accessed for full text under EU, Company administration, Policy and regulation: accounting. In order to secure the original text:

Link to EU under World Organizations:

<http://develop.e-project.ru/worldorganisation/data/set-33.html>

## **LIFE WITHOUT STRESS**

### **202.13 KEY POINTS**

There are many ready made recording systems available all of which could make your life easier.

- For those accustomed to the computer there are many software packages designed to be helpful. Discuss the various options with your accountant as he/she would know the best system for your business.

- Remember the law requires you to maintain accurate tax (both sales and Customs and Excise) records and you are obliged to report accurately to them.
- Keep all your records and write them up promptly and regularly – do not allow invoices and receipts to accumulate.