

Bookkeeping Basics 101



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So, what are the Key Financial Reports (for your business)?

1 PROFIT & LOSS

Shows your business income along with all of the costs of running the business i.e. shows if the business is making a profit or a loss

2 BALANCE SHEET (NOW STATEMENT OF FINANCIAL PERFORMANCE)

Used to clarify if what your bank balances are, how much is owed by your customers, any business assets, loans etc.

3 AGED CREDITORS

Shows the amounts that are due and payable to each of your suppliers, on a specific date.

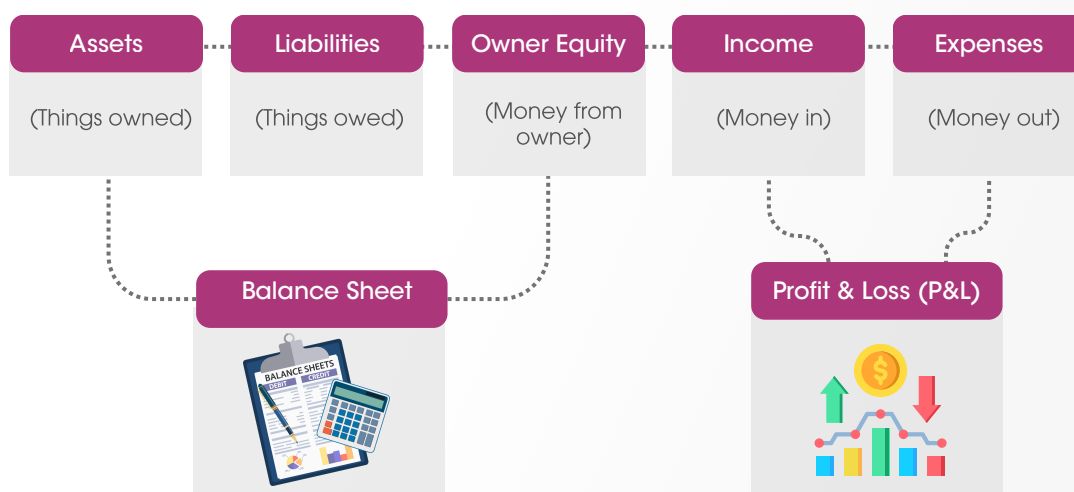
4 AGED DEBTORS

Shows the amounts that are due and payable by each of your customers,, on a specific date,

5 13 WEEK CASHFLOW FORECAST

Shows the 'expected' receipt of cash into the business along with payments to suppliers, employees and HMRC. It also shows what the 'expected' bank balance is likely to be at the end of each week.

STRUCTURE OF YOUR ACCOUNTS



Key Accountancy + Bookkeeping Terms

Customer

Someone to whom you have sent a (sales) invoice for your goods or services.

Debtor (Aged Report)

A customer to whom you have sent out a (sales) invoice and which currently remains unpaid or outstanding in Xero/QuickBooks.

Suppliers

Someone from whom you have bought goods or services and have (should have) received an invoice from.

It's very important to record/keep all the purchase invoices that are received from suppliers e.g. for VAT purposes.

Creditor (Aged Report)

Someone from whom you have (should have) received an invoice from, but which remains unpaid in Xero/QuickBooks.

Sales Invoices

An invoice is a formal document sent to a customer and is generally paid within credit terms (14/30 days).

Reconciliation (bank, PayPal etc.)

This is where all the transactions in a bank (or similar) account have been (accurately) input into Xero/QuickBooks and the balance on the account in Xero/QuickBooks matches that of the bank statement.

Directors Loan

This is where monies are taken from a company bank account to, or for the benefit of, that director, and these monies are not specifically for the payment of salary or dividends.

Profit & Loss

This is the key financial report that reflects all of the 'day to day' business income and costs that have been input into Xero/QuickBooks for the month/quarter/year to date, and indicates whether the business is making a profit or loss.

Making Tax Digital (MTD)

This is HMRC's ongoing project, which will progress from VAT returns (which it covers now) through to all business and personal taxes. It requires all companies' and individuals' information to be input into accountancy software (such as Xero/QuickBooks), for submission directly to HMRC.

Business Expenses vs Supplier Invoices

An expense is an 'out of pocket' minor cost that is paid by debit card or cash, and is generally non VATable or with minimal VAT on the cost.

An invoice is a formal document received from a VATable supplier for a larger business cost, and generally paid within specified credit terms (14/30) days.

Key Accountancy + Bookkeeping Terms

Petty Cash

This refers to a fund of money that's allocated to cover small, everyday office business expenditures. The cash is usually kept in a money box within the office & record is kept whenever money is taken from the petty cash fund with receipts used as proof of purchase.

Typical examples would be to cover an employee purchasing some bottles of water for a meeting or work-related postage costs.

Payment 'Allocations'

Where a payment has been made to a Supplier then 'matching' the payment against the invoices that has been paid, is referred to as 'allocating the payment against that invoice.

Payments on Account (POA)

Where a part payment is made against a Supplier invoice, but the invoice has not been paid in full, then the payment is referred to as a Payment On Account (or POA).

Obviously a final part payment will need to be made against that invoice and will then be 'allocated' against it to pay to off in full.

Deleting Invoices

It's very important to be aware that constantly deleting invoices is not the right approach.

Why is ensuring your bookkeeping is up to date so important?

Where you have decided to manage the weekly and/or monthly bookkeeping for your business, it is really important to ensure that all of your business activity is kept as up to date and accurate as possible!

This is of particular importance where your business...

- is VAT registered.
- is operating a payroll scheme, or
- will be paying corporation or income tax to HMRC.

What this means is that, in practice and at a minimum, your 'day to day' bookkeeping needs to be up to date ahead of each VAT quarter (every 3 months) and at the end of the financial year.

SAKURA always recommend, however, getting into a routine of doing your bookkeeping on a weekly basis - as the longer you leave it, the more that requires to be updated 'in one go'!

None of these issues can be dealt with very easily or effectively if your 'day to day' bookkeeping is 3, 4 or 5 months out of date!

REQUIREMENTS

As we already outlined in our 'Bookkeeping 101! Guide, as a company director or a business owner, there are a few legal or 'HMRC driven' reasons for keeping your records up to date:

- 1** Legal Requirements - Company law (Companies House)
- 2** VAT - 'Making Tax Digital' (MTD)
- 3** Customer Relationships - Have you been paid for outstanding invoices
- 4** Supplier (and HMRC) Relationships - Payment on time for continued service (or to avoid 'a knock on the door')
- 5** Cash!! - How much do you have?

BENEFITS

In addition to the issues above, with 'up to date' and 'accurate' bookkeeping, you will be able to:

- 1** understand 'How the business is doing' (turnover),
- 2** ensure you 'know your costs' (including ALL payroll costs),
- 3** submit VAT returns and pay VAT, PAYE/NI to HMRC on time!
- 4** free up YOUR weekends and evenings, and have some peace of mind!

What you need to do to ensure that your bookkeeping is up to date?

(The Sakura Monthly 6-Step Process)

1 Sales

Prepare and send all your invoices to your Customers for the month using Quickbooks and Xero

2 Purchases

Obtain and input all your Supplier invoices and receipts into Quickbooks and Xero

3 Banks

Allocate and reconcile all of the outstanding bank transactions i.e. match with invoices or post to your costs

4 Banks

Ensure that no transactions are outstanding, and all Current, Savings, PayPal, Stripe, GOCardless, other accounts are reconciled and match the balance on the bank statement

5 Other

Resolve any Suspense or unidentified transactions

6 Payroll

Ensure that salary journals from the payroll reports are input into QuickBooks or Xero

What you need to do to ensure that your bookkeeping is up to date?

(The Sakura Monthly Checklist)

Bank & Cash Accounts

- ENSURE – that all bank accounts in use by your business are setup and included in the QuickBooks or Xero software.

In practice, this will also include such accounts as Paypal, Stripe, TransferWise, company credit cards (and bank loans) etc.

- ENSURE – that all transactions for each of your bank accounts have been included in total for the month or year.

This will also mean ensuring that each bank account balance is 'reconciled' or matching the balance on the bank statement!

Sales

- ENSURE – that payments from Customers are allocated (or 'Paid') accurately against the Customer/Sales invoices, and that 'payments on account' or 'part payments' are all invoiced accurately.

This means that when running the Aged Debtors (or Outstanding Customer invoices reports), there should be little or no...

- payments on the report without invoices or
- invoices on the list which have been paid, but remain outstanding on the report.

Purchases

- ENSURE – that payments to Suppliers are NOT made without having the invoice against which the payment is being made!

This means that the Supplier invoice will be processed into QuickBooks and then, the payment allocated (or 'Paid') against the invoice accurately.

If you also ensure that a copy of the invoice is attached to the 'Bill' in QuickBooks and/or retained on your files, this will make review ahead of the quarterly VAT return or when completing the End of the year accounts as simple as possible.

- ENSURE – that when running the Aged Creditors (or Outstanding Supplier invoices reports), there should be little or no...

- payments on the report without invoices or
- invoices on the list which have been paid but remain outstanding on the report.

Other

- ENSURE – that all monthly Payroll journals are input into QuickBooks and Xero accurately each month.
- ENSURE – that all other bank payments and receipts, that are not against Customer (Sales) invoices or Supplier invoices are processed into QuickBooks and Xero as accurately as possible.

This means being clear as to what expense line(s) that each cost needs to be allocated to e.g., stationery, marketing, travel etc.

What can the Sakura Team do to support you with your bookkeeping?

The SAKURA Team can absolutely deal with all your 'day to day' bookkeeping requirements where you want to outsource this work!

Alternatively, if you have decided to continue to manage the bookkeeping for your business, then we can offer a 'troubleshooting' review for QuickBooks or Xero to:

- 1 IDENTIFY any errors or omissions in your bookkeeping



- 2 Prepare an 'Action list' of what requires to be corrected or input now

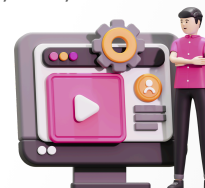


There are other services that we can provide to support you with your bookkeeping needs and requirements including:

- 1 TRAINING courses and 'refresher' sessions on both QuickBooks and Xero



- 2 A 'SYSTEM REVIEW' of QuickBooks or Xero and providing an Action plan to ensure the software works more effectively for you



Feel free to contact the SAKURA Team who can discuss these in more detail or just book in a call !



Damian Connolly FCCA

Fractional CFO & Managing Director



[Book a call](#)



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