

Miss Efficiency Bookkeeping

REMOVE YOUR BOOKKEEPING HEADACHES



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Give Yourself a Reality Check

Take a step back and a good hard look at your business. Are you running your business or is your business running you? Did you go into business with great vision and now you're just bogged down with the day-to-day grind? Take this short "Reality Check" to see how you're developing as a business person and work out what you need to work on.



- Do you enjoy owning and operating your business? If not, why not?
- What motivates you?
- What are your strengths?
- What are your weaknesses?
- What activities do you like to do in your business?
- What activities do you not like to do in your business?
- What gives you stress in your business?
- What do you like about your business?
- What do you dislike about your business?
- How confident are you in your staff?

As business owners we can get so caught up in the day-to-day operations of the business we forget to look at the bigger picture, and why we're doing it. This exercise should get you thinking about what you want and where you want your business to be and start thinking about how you're going to get there.

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Keep Control of Your Finances

It's not only big businesses that can get themselves into trouble with their finances and cash flow! We all hear about these things when it's big business, but little guys go under without a word and can easily fall into this same vicious cash flow cycle when they don't have control of their finances.



It's great to think big, but do you have the capital behind you to expand? Do you have the basic procedures in place to keep on top of your debtors, and therefore your creditors? Do you know your inventory turn days? Regardless of what the top line looks like and what the bottom line looks like, do you know where the cash is going?

If you've got your finger on the pulse of your business, that doesn't mean that you can't get yourself into trouble. But it does mean that you can see it coming and make informed decisions about which way to take the business before things get too dire!

The cash flow of your small business relies on your customers paying your invoices in a timely manner. Unfortunately, this doesn't always happen, and it can have severe consequences for your business. So, what can you do about it?

Here are some other tips to help get your cash flow back on track:

1. **Discuss your terms at the time of engagement.** Discussing this right at the beginning of the relationship removes all room for confusion down the track, and your customer knows what your expectations are with regard to payment, right from the get go.
2. **Keep detailed records.** Not only does this mean that you're actually charging for everything and not missing out on any revenue, it also means that if there is a dispute you're got accurate and concise records that can be backed up. This will also allow you to provide "work in progress" invoices, or review and discuss price should the job blow out, instead of sending a large invoice at the end of the job and having the customer get a not so pleasant surprise.
3. **Your invoice should be clear and easy to understand.** Your invoice should make sense to the customer and don't leave any room for confusion on the customer's part, which may cause a delay in payment.
4. **Set appropriate payment terms.** Your terms have a large impact on when your customers pay you. If your terms are 30 days, typically you will be paid two weeks late! What does that mean for



your cash flow – you still have your own suppliers to pay, and your staff, and yourself! So if you’re aiming to get paid within 30 days, should you change your terms to 14 days?

5. **Make sure your invoice goes to the person responsible for paying the bill.** So much time can be wasted sending your invoice around the office to every Tom, Dick and Harry – but not to Sally, who actually pays the account! If you’re not sure who to send it to, call and get the correct details.

6. **Email your invoice.** This avoids the delay of snail mail, and you can see that it’s actually been delivered. Not to mention the cost benefit!

7. **Invoice as soon as possible.** The longer you take to send your invoice, the longer it will take to get paid! As soon as the job is complete, or that portion of the job is ready to invoice, get it sent off for payment.

8. **Keep on top of your debtors.** When things become overdue, send reminders and make phone calls to remind your customers that you do expect to be paid for your work, and in a timely manner. People generally don’t like to be chased for money so if you’re known to be somebody who “hassles” them for payment, you may get paid before you have to!

9. **Outsource.** Chasing your customers for payment can sometimes be a little delicate and generally business owners don’t like to do it. But what happens if you don’t do it? You may not get paid! If you have to, outsource this task to somebody who doesn’t have an emotional attachment to the money and you may be surprised how quickly your debtors get tidied up!

10. **Make it easy for your customers to pay you.** Why not put direct debit facilities in place? This means that you get paid on time, and the customer has the convenience of it just happening for you. There are a number of companies where you can get direct debit facilities set up and it’s very easy and cost effective.

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What accounting software is right for you?

Before you go to the expense of purchasing accounting software, it's important to identify what your needs are. What do you want to get out of the system?

- Do you need to pay staff?
- Do you need stock control?
- Do you need multi-currency?
- Do you need multi-user access?
- Do you create purchase orders?
- Do you accrue your WIP hours?



There are many software solutions available today and it's not "one size fits all". It's important to do your homework before making this investment to ensure that you're not going to have a lot of time and expense down the track getting the right solution for you because you didn't get it in the first place. Use our checklist to consider the following:

- What are your current bookkeeping processes:
 - Sales Quotes
 - Sales Orders
 - Sales Invoices
 - Purchase Orders
 - Purchases
 - Employee Timesheets
 - Payroll Processing
 - Time Billing
 - Stock Control
 - Multi Location
 - Multi-Currency
 - Multi User
- Which areas of your business could be streamlined?
- What challenges is your business experiencing?
- What additional information would you like to be able to make better business decisions?
 - In relation to customers / suppliers.
 - In relation to sales information.
 - In relation to stock.
 - In relation to productivity.
 - In relation to cash flow.
- Where do you need to access your data from?



- Multiple locations?
- Multiple devices?
- One location?
- Do you do business online, offline or both?
- Do you have employees? If not, are you planning on hiring in the future?
- Are you looking for a long term solutions or a “quick fix” now and you’re happy to upgrade later?

As you can see, there are a lot of things to consider when it comes to accounting software for your business but going through this checklist will have you on the way to making the right decision!

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Create Business Procedures

Having documented business procedures is vitally important to your business. If you have staff it's important that everybody has the same understanding of how things are supposed to be done – consistency is crucial! If you're a soloist does that mean you don't need procedures? Absolutely not! In my opinion, it's more important than ever to document your processes. Why? What if you get sick and can't work? What if you want to have a holiday? Somebody needs to take over for you while you're away and having clear and concise procedure documents is the best way to ensure that you're not going to come back to your business with a big "fix up" to do.



There are two things to think about when creating procedures – what generally happens in your business, and what happens with each client/project?

What happens in your business? This is the general day-to-day operation of your business. This can be things as simple as how often and where to check the post box, reference to standard documents and standard response emails, information on opening and closing procedures (if you have a store or office), details on filing of documentation both electronically and in paper format, new client setup procedures, new employee procedures, invoicing procedures. When you sit down and think about it, you'll find there's a lot that you do so it's really important to document it.

What happens with each client/project? You may think this is impossible to document because every client is different. That may be the case, but if you think about it you'll see that there is a procedure that gets followed, regardless of the client and their specific requirements. Think about the processes for your client – take a hairdresser for example:

1. Greet with "Good morning and welcome to Exquisite Hair. Please follow me to your chair."
2. Offer a tea or coffee.
3. Offer a "menu" of the services for them to select while you're getting them a drink.
4. Discuss with the client which services they'd like. Discuss up-sale items:
 - a. Treatment
 - b. Colour
 - c. Eyebrow wax
5. Perform the service.
 - a. Customer Satisfaction Survey to be completed.



6. Discuss up-sale items and complete payment.
 - a. Shampoo & conditioner
 - b. At-home treatments
 - c. Cosmetics
7. Book next appointment.

Each of these areas should be documented into a procedure.

Let's look at our bookkeeping business. The traditional bookkeeping business gets the job, hopes all the client's information is there and then spends a lot of time chasing missing documentation. This seems logical, but it's a waste of time and money. Another situation is the client's report for GST quarterly so logically the bookkeeper gets the accounts up to date at the end of the quarter and prepares the BAS. Again, that's not very useful for the client. We have created systems where we can get client information on a monthly (or more frequent) basis. The client doesn't need to remember what and when to send it to us as we have an automated reminder system that specifies to the client what we need. If anything is missing, we have a process for completing the work without that information and have a process for requesting missing information from the client and then updating when it's received.

We have systems in place to get in front of the client before they need to contact us – reminder we need your paperwork; we've received your paperwork and work is scheduled for next week; your paperwork has been completed and your reports will be in the mail today. This means that the client is continually aware of the status of their job and they don't need to call us – they're not concerned and we're not spending a lot of time on the phone!

Back to the salon ... nearly every person coming into the salon is going to want something different. However, the process is the same. Think about the overall process of your business and document it.

Here are some tips on creating your systems:

1. Break your business down into key areas such as administration, accounts, human resources, sales, etc.
2. For each of your core areas, list all the activities that occur in the business – receiving an order, answering the phone, etc.
3. Break up each activity and write down each step that needs to be performed in order to complete the activity.
4. When creating systems, take note of the following:
 - a. Ensure all systems are created using the same template. This makes the systems easier to read and follow. So, create a template page and save as your master and all new systems should use the same format.
 - b. Write the systems so they are easy to understand for a new person coming into the business who may not know your jargon.
 - c. Don't assume anything or leave anything out, despite how basic you think something may be.



- d. Keep each step simple and use bullet points and images where possible so it's easy to understand.
 - e. Keep the document accessible so everybody can keep up to date.
5. Once the system has been created, test it. The best way to do that is to give the procedure document to somebody who's never performed that task before and see if they can do it. Refine as necessary.
6. Regularly review and update your systems to ensure they remain current and accurate.

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Record Keeping

Keeping accurate and up-to-date records is vital to the success of any business. Well-kept records help you to minimise losses and manage cash. It is also a requirement under taxation laws.



Basic Records to Keep

CASH MOVEMENT - Cash book or financial accounting program that records cash receipts and cash payments. Bank account (e.g. cheque books, deposit books and bank statements).

SALES - Invoice books, receipt books, cash register tapes, credit card documentation, credit notes for goods returned and a record of goods used by the business owner personally.

PURCHASES - Cheque butts (larger purchases), petty cash system (smaller cash purchases), receipts, credit card statements, invoices, any other documents relating to purchases including copies of agreements or leases.

End of Financial Year Record Keeping

STOCKTAKE - Details of stock on hand at the beginning and end of the year, to work out whether the business has a taxable income for tax purposes.

DEBTORS & CREDITORS - Details of all your debtors and creditors for the period.

DEPRECIATION - Original purchase agreements or tax invoices, a depreciation schedule, the cost of transporting the items to your business (if applicable) and installation costs (if applicable) - to obtain tax deductions for depreciation (wear and tear) of assets.

EXPENSES - Cheque butts, receipts, cash register tapes, copies of statements and invoices, credit card documentation, details of payments by cash and log books - other than the normal purchases of the business.

STAFF & WAGES - Full details of wages, employment contracts, tax deducted, fringe benefits, superannuation and related matters such as sick pay and holiday pay.



OTHER RECORDS - Stock records, accounts receivable, accounts payable, and other basic accounting records. Sales and purchase contracts, loan agreements, rental agreements, lease agreements, franchise agreements, sale and lease back agreements, trading agreements with suppliers, legal documentation, evidence of deposits with utilities, contracts with telephone companies and your business name registration certificate.

Electronic or Paper

Do you have receipts all over the place? Are you having trouble working out a filing system? Can't decide between paper filing and electronic filing? You're not the only one, so don't panic! There are a lot of ways that you can do your filing and luckily there isn't a 'right' way or a 'wrong' way. As long as you're consistent in your approach you should be okay.

PAPER FILING

- Lever arch folders with dividers for each month.
- Manila folder for each month.
- Large envelope for each month.

We'd recommend filing in month order rather than alphabetical. This makes your annual archiving so much easier!

ELECTRONIC FILING

- Scan and create a folder on your computer for each month.
- Don't forget to scan in your bank and credit card statements.
- Remember to have your data backed up, preferably remotely.

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What Records Do You Need To Keep?

What's the point of keeping records? Your accountant never asks for them. The tax office never asks for them. So why bother?

This may be a question you've asked yourself when you're not sure where to file something. What if you need to prove a purchase? What if you need to return an item? What if you get audited?

It's vital to keep your business records (see above for tips on *how* to keep them).

Records need to be kept for substantiation of all business related expenses – motor vehicle expenses, travel expenses, occupancy expenses, stationery, telephone, staff amenities, cost of goods, etc. Your documentation must be retained for five years. Receipts should contain:

- Name or business name of the supplier
- ABN of supplier
- Amount of the expense
- Nature of the goods or services
- Date of expense
- Date of payment (if not the same as date of expense)
- Details of GST

Sometimes things are purchased for business and personal use – for example, electricity consumed if you work from home. In this instance you or your accountant needs to establish a business percentage and then pro rata the expense. Only the business usage can be claimed.

You should speak with your accountant about the best way to keep records for some other expenses such as:

- Motor vehicle expenses
- Travel expenses
- Employment related work expenses

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Reconciliation of Daily Sales Template

RECONCILIATION OF DAILY SALES			
Reconciliation of daily sales	Day	Date	
Sales			
Takings per cash register tape		Sales per Z-total 1	
A	GST-free sales		
	Input taxed sales		
	Taxable sales		
Cash & cheques in cash register			
B	Notes		
	Coins		
	Cheques	Total cash & cheques 2	
Other sales			
C	Credit card		
	EFTPOS		
	Other	Total other sales 3	
Cash payments from cash register			
D	Business purchases with GST in the price		
	Business purchases with no GST in the price (including GST-free)		
	Purchases for making input taxed sales		
	Cash payments to workers		
	Private cash drawings	Total outgoings	
E	Refund to customer (taxable)		
	Refund to customer (GST-free)	Total refunds	
		Total cash from cash register 4	
		Beginning float 5	
		Additional float 6	
		TOTAL SALES 7 (= 2 + 3 + 4 - 5 - 6)	
Sales reconciliation		*Explanation	
	Cash register tape (Z-total)		
	Less total sales		
	Variation (1 minus 7)*		



Summary Cash Payments & Receipts Template

SUMMARY CASH PAYMENTS BOOK				SUMMARY CASH RECEIPTS BOOK		
Month	Total payments	GST amount	Private use	Month	Total receipts	GST amount
July				July		
August				August		
September				September		
Subtotal				Subtotal		
October				October		
November				November		
December				December		
Subtotal				Subtotal		
January				January		
February				February		
March				March		
Subtotal				Subtotal		
April				April		
May				May		
June				June		
Subtotal				Subtotal		

Cash Flow Projection Template

CASH FLOW PROJECTION	July	August	September	October	November	December	Quarterly total
	RECEIPTS						
Sales/supplies							
- Taxable							
- GST-free							
- Input taxed							
Other income							
- Interest and dividends							
- Rent receipts							
- Other							
Total receipts							
PAYMENTS							
Purchases/acquisitions							
- Taxable							
- GST-free							
- Input taxed							
Total purchases/acquisitions							
Other expenses and outgoings subject to GST							
- Rent							
- Repairs and maintenance							
- Electricity							
- Telephone							
- Vehicle							
- Other							
Total other expenses and outgoings subject to GST							
Other expenses and outgoings NOT subject to GST							
- Net wages							
- Superannuation							
- Bank fees and other charges							
- Other							
Total other expenses and outgoings NOT subject to GST							
Total payments							
PROJECTED CASH FLOW POSITION							
Beginning bank balance (estimate)							
Plus receipts							
Plus estimated refund from the Tax Office							
Less payments							
Less estimated payments to the Tax Office							
Ending bank balance (estimate)							

	January	February	March	Quarterly total	April	May	June	Quarterly total
RECEIPTS								
Sales/supplies								
– Taxable								
– GST-free								
– Input taxed								
Other income								
– Interest and dividends								
– Rent receipts								
– Other								
Total receipts								
PAYMENTS								
Purchases/acquisitions								
– Taxable								
– GST-free								
– Input taxed								
Total purchases/acquisitions								
Other expenses and outgoings subject to GST								
– Rent								
– Repairs and maintenance								
– Electricity								
– Telephone								
– Vehicle								
– Other								
Total other expenses and outgoings subject to GST								
Other expenses and outgoings NOT subject to GST								
– Net wages								
– Superannuation								
– Bank fees and other charges								
– Other								
Total other expenses and outgoings NOT subject to GST								
Total payments								
PROJECTED CASH FLOW POSITION								
Beginning bank balance (estimate)								
Plus receipts								
Plus estimated refund from the Tax Office								
Less payments								
Less estimated payments to the Tax Office								
Ending bank balance (estimate)								



Bank Reconciliation Template

BANK RECONCILIATION		Period to: / /
Name of business: _____		
Bank balance as per bank statement at / / 20__		\$
<i>Plus</i>	outstanding deposits*	
	Date / / \$	
	Date / / \$	
	Date / / \$	
	Total \$	→ + \$
Subtotal		= \$
<i>Less</i>	unpresented cheques**	
	Cheque no. \$	
	Total \$	→ - \$
Closing cash balance as per cash books***		= \$

* Money received by end of period and recorded in cash book, but not yet banked
 ** Cheques issued, but not yet shown on bank statement
 *** If you maintain a running cash balance in your cash book, it should equal this figure if all amounts have been entered