

BASICS OF SMALL BUSINESS ACCOUNTING



SRJWW

Growing Business Growing People

- **About Dianne Brown**

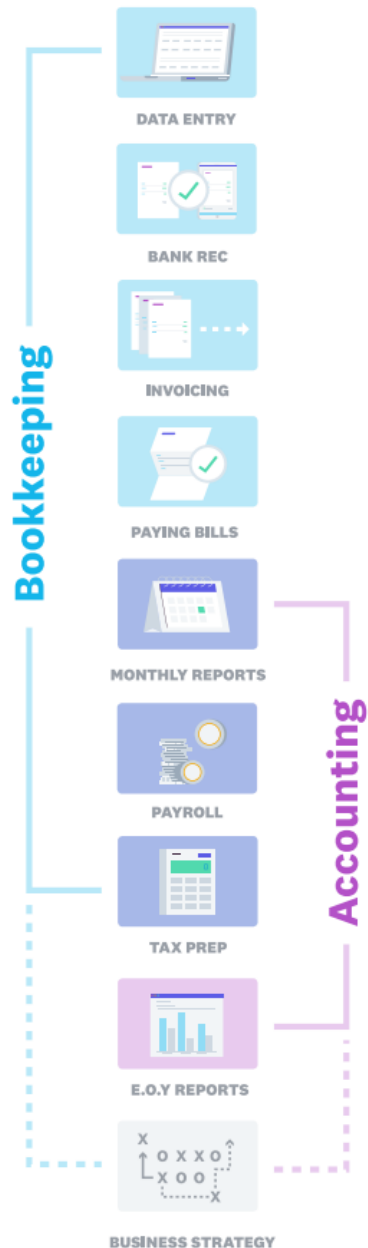
- Chartered Accountant
- Business Advisor
- Education/Training Specialist
- Strategic Business Planning
- Growth & Profit improvement
- Qld Business Mentor
- Accredited Mindshop Facilitator
- **Dianne.brown@srjww.com.au**



Overview

- Introduction to bookkeeping basics
 - Data entry
 - Bank Reconciliation
 - Debtors
 - Creditors
 - Payroll
- Accounting Controls
- Your key monthly financial reports
- Completing your BAS
- Accounting Systems
- Record Keeping

What's the difference between Bookkeeping and Accounting?



- Bookkeeping records day-to-day business transactions. Involves gathering and quality-checking information posted to accounting system
- Accounting involves analyzing, reporting and attending to relevant legislative requirements

Introduction to Bookkeeping Basics

Data Entry

- Establish Chart of Accounts
 - Balance Sheet = Assets – Liabilities = Equity
 - Profit & Loss = Income – Expenses = Net Profit/(Loss)
- Every transaction needs to be recorded and allocated to the correct account in your general ledger

Introduction to Bookkeeping Basics

Data Entry

- Data flows into accounting software from systems that are used to process sales or purchases
- Integrated approach used to streamline processing



Introduction to Bookkeeping Basics

Bank Reconciliations

- Reconciles balance on your bank statement to cash at bank in your accounting system
- Fixes data entry mistakes or missed transactions & detects incorrect payments
- Accounting software facilitates process:
 - Bank feeds can automatically pull through into accounting system
 - Requests verification and assignment
 - Pre-filled based on past transactions/matches/bank rules

BANK STATEMENT	
29 Aug Wilson Online Rent payment	-\$49.90

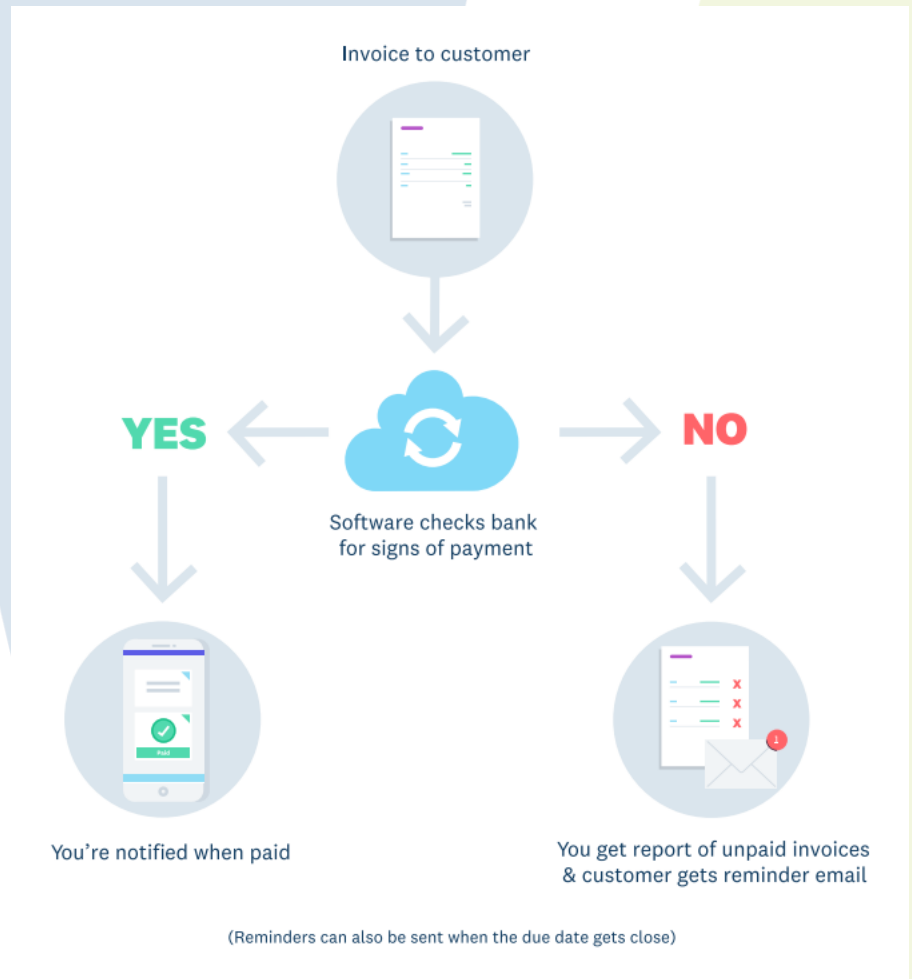
OK

MATCH	
29 Aug Wilson Online Ref: 49882	-\$49.90

Introduction to Bookkeeping Basics

Debtors/Accounts Receivables

- Reconciliation of outstanding invoices to ensure compliance with your credit terms
- Critical component of your cash flow management strategy



Introduction to Bookkeeping Basics

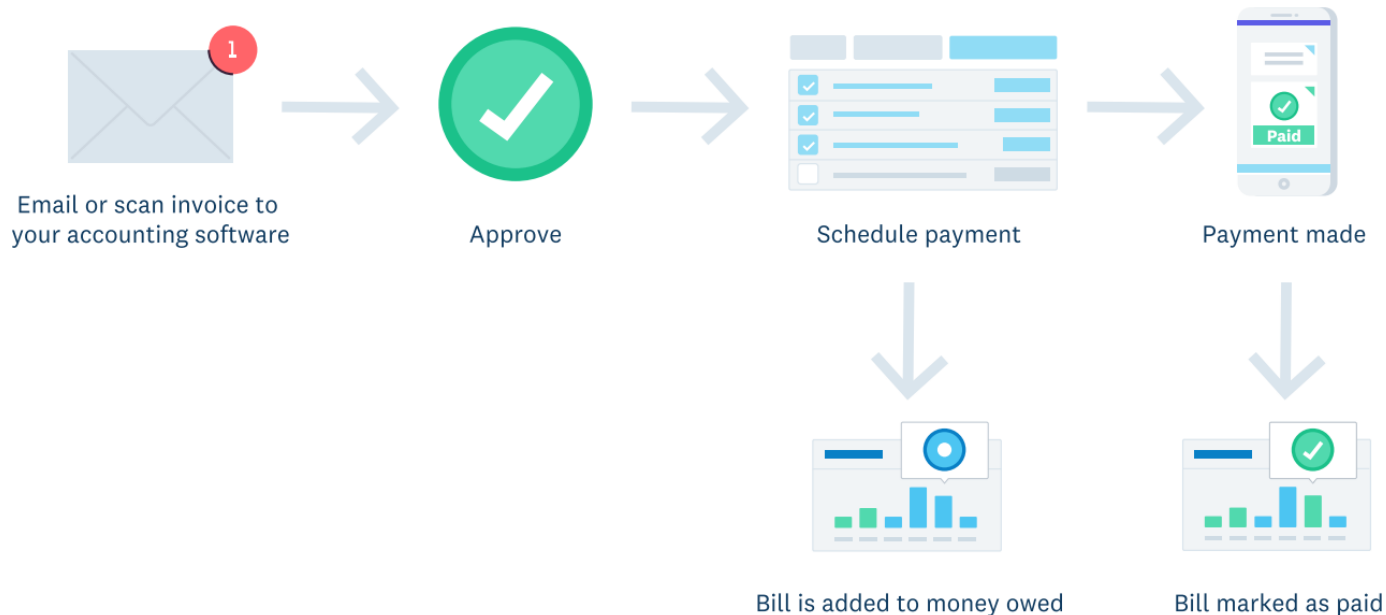
Important Debtor Controls

- **Review your invoicing**
- Prompt (and accurate) invoicing
- Consider payment terms – upfront deposits + progress bills
- **Your Debtors Policy**
- Review your credit terms – who, discounts for upfront payments (provided within margins)
- Ensure ease of payment – EFT, Bpay, Direct Debit
- Regular client communication essential
- Negotiate payment plans
- Identify potential “bad debt” risks early
- Develop your internal systems – Who, When, How?

Introduction to Bookkeeping Basics

Creditors/Accounts Payable

- Important to track all expenditure as it's incurred
- Reconciliations ensure you pay your bills on time whilst managing cash flow



Introduction to Bookkeeping Basics

Important Creditor Controls

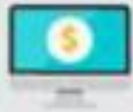
- Utilise your terms of trade
- Consider benefits of early discounts
- Negotiate contract terms or payment extensions
- Expenditure – Authorisation Levels
- Separation of Duties

Introduction to Bookkeeping Basics - Payroll

- Compliance with legislation & regulations essential
- Single Touch Payroll – reports directly to ATO through STP enabled software on a pay-by-pay basis
 - Salaries & Wages
 - Pay as you go Withholding
 - Superannuation Contributions
- All employers required to report using STP with some exceptions until 1 July 2021 (Micro businesses + “Closely Held” employees)
- STP removed necessity for Payment Summaries at year end
- Employees access pay information through MyGov

Introduction to Bookkeeping Basics

Single touch Payroll



1 An employer will run their regular payroll to pay their employees (eg weekly, fortnightly or monthly).



2 Their employee receives their salary or wages, and their payslip as they did previously.



3 The employer's payroll software includes mandatory fields to capture the STP data. This includes year-to-date salary or wages and super information.



4 The STP data is sent to the ATO. The STP file is called a 'pay event'. The way the file is sent will depend on the software. This may be directly, or through a sending service provider (a third party).



5 The ATO receives the STP data and matches the information to the employer and their employees.



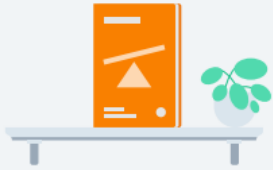
6 The ATO makes STP information available to employees through myGov, to employers through the Business Portal and to tax agents through the Tax Agent Portal. Employees can see their year-to-date tax and super information.

Accounting Controls

- Use your financial systems to identify potential issues **before** they occur
- **Document and communicate** policies and procedures
 - Debtors – Terms, Authorisation & Collection
 - Expenditure – Authorisation Levels
 - Separation of Duties
 - Access & password + two-factor authorization controls

Your key monthly financial reports

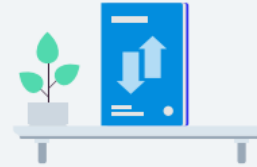
Balance sheet / Statement of financial position



What it tracks
Value of things owned (including cash) vs things owed

What it tells you
If the business gained or lost value, and its current financial position

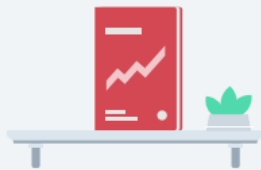
Profit and loss



What it tracks
Money earned vs money spent

What it tells you
If you had a profitable month or ran at a loss

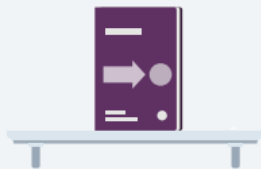
Cash flow statement



What it tracks
How much cash the business earned

What it tells you
This is useful for businesses that sell things on credit because it shows how much spendable money you have.

Aged recivables



What it tracks
Who owes you, how much, and when it is (or was) due

What it tells you
Which accounts to chase

Aged payables



What it tracks
Who you owe, how much, and when it is (or was) due

What it tells you
Demands on your cash and any relationship risks you might be facing

Completing your BAS

- Business Activity Statement (BAS) reports and calculates liabilities for:
 - GST
 - Pay as you go Instalments (PAYGI)
 - Pay as you go Withholding (PAYGW)
 - Other taxes (FBT, LCT, Fuel Tax credits)
- Cash Basis – Business <\$10million T/O easier to manage cash flow
- Accruals Basis

Completing your BAS

Determine your BAS due date

- Quarterly - <\$20 million GST Turnover
- Monthly - >\$20 million GST turnover
- Annually – voluntarily registered (<\$75K)

Determine how you're lodging

- myGovID
- SBR (Standard Business Reporting) Software
- Your BAS or Tax Agent

Tips for Completing your BAS

- Include all transactions for the relevant period
- Ensure all expenses are business related
- Ensure your chart of accounts contains the correct GST codes (GST, NT, Free)
- Enter whole dollar amounts
- Leave boxes blank that don't apply

Tips for Completing your BAS

- What if you make a mistake?
 - Correct in your next BAS if error relates to an underpayment <\$10,000
 - If error involves underpayment >\$10,000 must amend BAS in actual period of error
 - Timing rules re credit (overpayment) errors = 4 years
 - Timing rules re debit (underpayment) errors = 18 months if <\$20 million and also debit error value limits generally <\$10,000 on next BAS

Accounting Systems

- Small Business owners should ensure their financial/operational systems are not limiting their growth and skill sets
- Cloud Technology = game changer
- Integration of business software allows seamless data flow
- Initial technology investment costs offset by reduced labour, increased efficiency and enhanced reporting

Accounting Systems

- Cloud Based Accounting Systems
 - Xero, MYOB etc contain STP & SBR software to facilitate Single Touch Payroll & BAS lodgements
- Receipt Bank – facilitates your ability to manage receipts, invoices etc to ensure accurate, secure financial records. Capture & upload bills directly into your accounting software
- If your turnover <\$10million and <19 employees consider using FREE Small Business Superannuation Clearing House (SBSCH) to facilitate your superannuation guarantee contributions
- Integrate your financial and operational systems
 - Multiple apps that integrate with your accounting software (CRM, Workflow planners, inventory management, E-Commerce, rostering/scheduling etc)

Accounting Systems

Inventory



VendHQ.com



Unleashed Soft...



simPRO



DEAR Inventory

Xero HQ



Receipt Bank



Spotlight Report...



Fathom



FUTRLI

Payments



GoCardless



Stripe



PayPal



Worldpay

Financial Services



iwoca



OFX



MarketInvoice



Satago Finance

Invoicing + Jobs



WorkflowMax



Harvest



ServiceM8



Tradify

Time Tracking



WorkflowMax



Deputy



Harvest



Tradify

Record Keeping

- Generally 5 years unless:
 - Capital Gains Tax
 - Amended assessments
- Preferred electronic records

Where to from here?

- Financial Management
 - Budgeting
 - Cash Flow
 - Break Even Analysis
 - Key Financial Performance Indicators