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## STEP 18 - Record Keeping

There are essentially three options when it comes to keeping your financial records:

- The 'Shoe Box' or 'Bin Bag' where you dump all your receipts, invoices, bank statements and so on and hand them to your Accountant to sort out and calculate your tax returns and other financial matters. This is NOT RECOMMENDED under any circumstances, but some people still do it!
- The Online Accounting Packages such as Xero, Quickbooks and Sage where you enter all your receipts, invoices and paperwork on-line and the system works it all out for you. Normally your accountant will also have access to the system and can monitor things on your behalf. This may seem simple and easy especially when it seems that you can just scan your bills and so on with your phone. But these systems are somewhat inflexible and you can't just 'click and forget' - you still have to check all the entries!
- A Spreadsheet system like the DIY Accounting offered by GB Accounts which allows you to enter everything yourself on to a set of HMRC compliant linked spreadsheets. The system then 'does all the maths' and provides outputs that you can submit electronically to your accountant for approval. It also allows you to submit quarterly VAT returns to HMRC electronically in compliance with current requirements

To help you decide which way to go here are some comments.

Do not choose option 1, it's a recipe for disaster as well as being the most expensive.

If you want an on-line 'cloud' system go for Xero or Quickbooks. Sage is designed for larger operations and is the most expensive. There is little to choose between Xero and Quickbooks. They both have links to your accountant and they both charge a monthly fee in the region of £30 (at the time of writing) depending on the size of your business.

There are some issues with these however.

It's quite difficult to change anything if you make a mistake or want to recategorize, it usually involves deleting or 'voiding' an entry and creating a new one, and the second problem I've found is that it's difficult to change the Chart of Accounts when the 'standard' or 'typical' one that they provide doesn't meet your needs.

If you do choose this option though, you should always buy direct from the provider, not from your accountant. There have been 'horror stories' of some accountants charging a hefty mark up on the real price of these systems and also 'disabling' parts of them so that you have to pay *them* to do the work!

## Chart of Accounts

In this section identify the 'accounts' or activities that YOU wish to monitor as regards income and expenditure. You can do this by amending the list below (don't change the items shown in bold type)

**Cross out** lines that are never likely to be applicable, **add** any additional items that you wish to monitor.

Identify bank and card accounts and different sales types - **amend** the text shown in brown and replace with black text. Leave blank or in brown where you don't (yet) have an answer. Leave any blank lines blank.

Note: The CoA below is only *typical* for a Limited Company. Sole traders do not need to provide this information - but it is extremely useful and may be asked for.

<b>Bank Current Account</b>	Name of bank, last 4 digits of account number
Bank Savings Account	Name of bank, last 4 digits of account number
Cash account	Held by
Credit Card	Card type/name, last four digits of number
Sales Type A	Your primary category of sales
Sales Type B	Other category of sales
Sales Type C	Other category of sales
<b>Other Revenue</b>	Non-recurring income not related to business activity
Interest Income	Bank and savings interest received
<b>Direct Costs</b>	
Cost of Goods Sold	Direct cost of items resold by the business
Direct Wages	Wages/Salaries <i>directly</i> linked to the product/service
Direct Expenses	Expenses incurred that <i>directly</i> relate to earning revenue
<b>Administrative Expenses</b>	
Advertising & Marketing	
Audit & Accountancy Fees	
Bank Fees	
Consulting	Payments made to consultants
Charitable Donations	Any specific donations you (as a business) intend to make
Entertainment 100%	Deductible entertainment expenses incurred
Entertainment 0%	Non-deductible entertainment expenses incurred
Postage, Freight & Courier	
General Expenses	Other expenses relating to the general running of the business
Insurance	Name of business insurance provider

Interest paid	On current or credit card accounts
Legal expenses	
Light, Power & Heating	
Motor Vehicle Expenses	Including mileage allowances
Operating lease payments	Leased vehicles and equipment (not hire-purchase)
Printing & Stationery	
IT Software & Consumables	
Rates	Business rates
Rent	Premises or land
Repairs & Maintenance	
Salaries & Wages	Normal payments excluding <i>direct</i> wages
Directors' Remuneration	Payments to Directors in exchange for their resources
Employers NI	Business paid National Insurance contributions
Training and CPD	Expenses incurred in relation to training
Pensions Costs	Pension contributions made y the Company
Medical Insurance	If applicable for whom?
Subscriptions	To Publications and Professional Bodies
Internet Hosting & Systems	Domain names, data hosting and specialist costs
Telephone & Internet	Telephony and Internet access costs
Meetings & Conferences	Networking, Seminars, Conferences
Travel - National	
Travel - International	
Corporation Tax	
<b>Accounts Receivable</b>	Invoices issued but not yet paid
Provision for Bad Debts	Proportion of accounts receivable unlikely to be collected
Prepayments	Expenditure paid for in advance
<b>Inventory/Stock</b>	Value of tracked items for resale
Office Equipment	Assets owned and controlled by the business
OE Acc Depreciation	Depreciation on Office Equipment accumulated to date
Computer Equipment	Assets owned and controlled by the business
CE Acc Depreciation	Depreciation on Computer Equipment accumulated to date
Buildings	Property owned by the business
Buildings Acc Depreciation	Depreciation on property owned by the business
Motor Vehicles	Vehicles owned and operated by the business
MV Acc Depreciation	Depreciation on vehicles
Plant & Machinery	Plant and Machinery owned and operated by the business

P&M Acc Depreciation	Depreciation on Plant and Machinery
Intangibles	Assets such as Goodwill and Patents
Intangibles Amortisation	Amount of Intangibles consumed by the business
<b>Accounts Payable</b>	Invoices received but not yet paid
Unpaid Expenses	Expense Claims (from staff) not yet paid
Wages Payable	Wages and salaries overdue for payment
<b>Accruals</b>	Services received not yet invoiced
Income in Advance	Income rcvd for which goods/services have not yet been provided
VAT	VAT payable or refundable
PAYE payable	PAYE due to be paid
NIC Payable	NI Contributions due to be paid
Provision for CT	Provision for Corporation Tax
<b>Directors Loan Account</b>	Monies owed to or by Directors
<b>Historical Adjustments</b>	Accounting and starting balance adjustments
Capital	Paid up share capital