

Financial FACT SHEET

Inspiring Performance

Better Bookkeeping Recommendations

An important part of any business is keeping accurate and up-to-date financial records. Efficient record keeping can help reduce the time needed to finalise your financial statements and tax returns. Here are some simple hints to help you streamline your business record keeping processes, especially if you use MYOB accounting software (however, the fundamentals are the same regardless of your choice of software).

Company Data Auditor (CDA)

Most accounting packages feature tools to assist you in reconciling your accounts. We recommend that you use these tools as part of your end of month procedures. Within MYOB (from v15 upwards) all of these tools can be accessed via the Company Data Auditor (located within the Accounts Command Centre). The CDA is a four-step process which checks:

- » when your bank and credit card accounts were last reconciled;
- » balances of Debtors, Creditors and Inventory and possible causes of errors;
- » GST coding on your transactions; and
- » your data and back-up procedures.

Check tax codes

While tax code identifiers will differ across the various accounting packages, it is important that each transaction uses the correct GST code—eg. bank charges should have a “FIN” code within MYOB or a similar “GST – Financial Transactions” if you’re not using MYOB.

If you post transactions using a “GST Query” code, ensure you review those transactions before finalising your Business Activity Statement (BAS).

Reconcile GST accounts to reports

Always review the balances in your GST general ledger accounts against the GST transaction report for that period. This should be completed before finalising your Business Activity Statement. Manually entering GST into your general ledger accounts should not occur other than to transfer GST as part of the completion of your BAS. All GST-related transactions should be recorded through the appropriate module as part of a transaction—this way it will feature on your GST transaction report.

More than just bookkeeping

Your accounting software is more than just a bookkeeping tool. It can be used for management purposes too. We encourage the practice of producing and reviewing your key financial reports at regular intervals. Reports such as Balance Sheet, Profit and Loss Statements, Outstanding Accounts Receivable (Debtors) and Outstanding Accounts Payable (Creditors) should be reviewed monthly or quarterly as appropriate.

This can also help you identify any input errors or inconsistencies within your file while they are still recent and can still be easily rectified.

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Loan accounts as credit card accounts

Just like your bank accounts, you should regularly reconcile any credit card liabilities on a regular basis. This is an easy process, given that credit card statements are produced monthly. This is also a helpful discipline if you have employees using credit cards and require regular reimbursement of expenses—eg. fuel, parking etc.

You can also set up other loan accounts as credit card general ledger accounts in order to perform similar reconciliations.

Sundry income and general expenses

Implement simple systems to track your miscellaneous income and expenditure. Our suggestions include the following:

- » record detailed descriptions for each transaction;
- » clearly separate costs by staff and clients—particularly for entertainment expenses;
- » establish a separate income account for money received from the sale of fixed assets, rather than allocating that income directly to the respective general ledger account—eg. if you sell a business vehicle, allocate the funds to an Asset Realisation (or similarly-named) income account rather than your motor vehicle asset account;

- » use separate accounts for income and expenses that relate to different items—eg. insurance for an investment property should be allocated to a separate account to public liability insurance (MYOB and Quickbooks allow you to set up many general ledger accounts).

Backing up data

This is probably the most vital part of managing your business financial records. While most accounting software has simple steps to back-up your data, there are two important rules to remember:

- » save your data regularly (at least every month); and
- » save your data away from your computer—either on an external hard drive device, to CD or DVD, USB key or other type of electronic storage that suits your needs.

Experiencing computer failures and lost accounting data without backing up can cause a lot of stress for you and lost productivity for your business.