

Every month, Ainsley Gill, BA (Hons) FCA, will be sharing some useful financial facts and tips especially for Bexhillian readers. This month the focus is on Bookkeeping for small businesses.



Basic Bookkeeping



WHY IS GOOD BOOKKEEPING IMPORTANT?

There are three main reasons to keep good records; to meet tax requirements, to keep your accountancy fees down and to manage and control your business effectively.

HOW WILL GOOD BOOKKEEPING HELP ME MANAGE AND CONTROL MY BUSINESS?

Accurate bookkeeping will help you identify:

- ❖ Your cashflow position in order to help you plan ahead and meet your obligations;
- ❖ Whether your expenses are in proportion to your income;
- ❖ Which products/clients are most/least profitable;
- ❖ Whether your business is growing or shrinking!

WHAT ARE THE MAIN TAX REQUIREMENTS TO BE AWARE OF?

You will need to complete an annual tax return which is a summary of your income and expenditure over the tax year. In order to do this, you must have accurate records. These records must be kept for five years after the tax return deadline of 31st January.

You will also want to make sure that you are claiming all you can in terms of expenses. Accurate and well kept records will assist with this.

WHAT DIFFERENT METHODS ARE THERE TO KEEP BOOKS?

At McPhersons, we spend time with our clients to set up a robust system. This free service makes our work more efficient and gives our clients peace of mind.

The options are:

- ❖ Manual bookkeeping. This is the way many small businesses start. It is cheap and generally easy to maintain. With a little help, you can save time and keep excellent manual records;
- ❖ Spreadsheets. We can show you how to set up and manage your record keeping using a spreadsheet. This way, data can be extracted and we can set up some key reports to allow you to keep a close eye on your business;
- ❖ Accountancy software such as Sage, Xero or Quickbooks. Your accountant can advise which program is best for you;
- ❖ Outsource it. An accountant or freelance bookkeeper can do it for you. Make sure you choose carefully and are getting a good value, prompt, efficient service.

WHAT ARE THE BASIC THINGS I HAVE TO RECORD?

Some key transactions you need to record are:

- ❖ Sales and Purchases;
- ❖ VAT input and output (if VAT registered)
- ❖ Payroll;
- ❖ Establishment costs (if you have a business establishment);
- ❖ Bank and cash accounts (many transactions are now paperless e.g. bank transfers)
- ❖ Administration costs such as; telephone, stationery, advertising, motor, computer;
- ❖ Capital expenditure on equipment.
- ❖ Petty Cash

This list is not exhaustive so please speak to us for advice.

NEED MORE HELP?

This feature aims to give some informal hints and McPhersons are offering small businesses free advice so get in touch now to arrange your meeting.