



The Carbon Accountancy Guide to book-keeping

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The importance of bookkeeping

In any business it is important to be in control of your finances.

An accurate set of financial records can help understand how to make changes in a business to become more profitable, to manage cash flow, be able to file various tax returns and claim appropriate tax deductions.

All businesses have a legal responsibility to maintain proper records - what constitutes proper records will vary depending on the size and complexity of the business.

This guide sets out general guidance for keeping records. It is not intended to be a substitute for proper professional advice from your accountant or tax adviser.

Main reasons for keeping good records:

- i. Help manage and grow your business by keeping track of income and expenses - this allows you to evaluate the business by comparing forecasts with actual monthly figures and to identify early cash flow warnings in order to act quickly.
- ii. Collect necessary financial information about the business to comply with legal and tax requirements and be in a good position to show HMRC, banks and investors where the business stands - there are minimum periods for which information and records must be kept. Normally business records must be kept for six years.

How to keep your books

Keeping track of the books is something that every business owner needs to consider. There are a number of different options available depending on the type of income and expenses that is dealt with on a regular basis. Some businesses are dealing with keeping track of revenue and the occasional expense. Other businesses are dealing with suppliers, employees, VAT, and a variety of other types of expenses.

There are various bookkeeping options for small businesses. The one that is right for you will depend on the size and complexity of the business and types of income and expenses dealt with. We have reviewed the possible solutions for you and put them in order of complexity - starting with the simplest first!

If you decide to move from one package to another (you may wish to get more complex systems as the business grows) we would recommend that you do this at the start of your financial year if possible.

Excel

An Excel spreadsheet is the simplest way to deal with bookkeeping. It can be quite effective if there are not a lot of different types of income and expenses to deal with. A few simple formulas will allow to total and subtotal different columns. We have provided a very simple template to download and use if you wish to do so - please note that you will need to ensure that you maintain the integrity of the spreadsheet if you decide to use this as making changes can affect formulas.

Quickbooks

QuickBooks Pro is another commonly used type of bookkeeping software. It has easy access to all figures, reports, invoices, customer details and more. All financials are organised and searchable in one place. It can customise and manage suppliers, process employee timesheets and a variety of other tasks a larger small business needs to handle.

- i. Can run a variety of standard reports or very easily customise own.
- ii. Able to download online banking transactions.
- iii. Ability to restore and share data with other people through back up files.
- iv. Available as desktop version where it is installed on a computer or online version which is accessible over the internet.

However the downside to QuickBooks desktop version is that if a backup on a newer version of the software is not saved in the correct format it may not be compatible with a previous version of QuickBooks.

QuickBooks is more complicated than a simple Excel spreadsheet, and requires a small investment up front - both in time to learn and the cost.

Xero

Xero is an online accounting system for small business owners designed to be understood by business owners and not just accountants. It can be accessed from anywhere in the world and at any time through the internet.

It is developed to clearly guide users through day to day accounting and bookkeeping tasks that provides instant and automated invoicing.

- i. Easy Accounting Software: Simple, clear, user-friendly interface designed to be understood by business owners, not just accountants.
- ii. Secure & Encrypted.

Sage

This is one of the most popular software used for bookkeeping. It is simple to use if you have a reasonable knowledge of double entry book-keeping and analyses accounts simply and quickly. With a number of reports to support final accounts, including profit and loss account, trial balance and detailed nominal accounts listings.

- i. New data can be entered quickly with the ability to post more than one invoice and/or transactions at the same time.
- ii. Previously posted data can be edited with ease as last minute changes will immediately update all reports and documents.
- iii. Ability to restore and share data with other people through back up files.

It integrates with existing Microsoft Office applications and also allows transferring data from other Sage software, as it offers various accounting software options which is able to integrate stock, invoicing, sales & purchase order processing etc., as well as producing VAT Returns for you, and many management reports, saving time and reducing the potential risk of re-keying information.

However Sage is more complicated than a simple Excel spreadsheet, and requires a reasonable knowledge of book-keeping - but Sage do provide very good training courses.

Do it yourself, In house or outsourced bookkeeper

Generally when a business starts you will do the book-keeping yourself. As you grow you may take on an in house administrator or an external book-keeper.

As an entrepreneur it is always good to understand the numbers - so the time spend doing it yourself will provide you with useful tools when you grow to the point where you can delegate the administration.

If you choose to have an outside book-keeper we recommend that either you provide the software for them to work on or you insist that they send you a back-up of the program each time they process information. This way you always have a soft copy of the data which you can load onto your own software should you need to do so - in the event of your book-keeper falling out with you or not being available it means you do not have to re-process all the information again.

If you use an outside book-keeper try to avoid sending documents in the post - even registered mail can lose documents - if you do chose this route we recommend that you send copies and keep the originals.

