

Accounting and Bookkeeping

They are familiar terms that we vaguely understand but try to avoid at all cost. The moment you gain a little of enthusiasm towards them and open a book, or scan a website to learn more, you retract in horror at what it involves! And yet, if you have a methodical system, maintain some legible records then you can survive that initial terrifying moment of realisation. Bookkeeping and Accounting all boils down to detailing your business income and expenditure.

Simple bookkeeping

For the most simple set of accounts you need:

- a cash book to record money entering and leaving the business
- a sales ledger, which details money received and owed
- a purchase ledger, which logs outgoings
- a wages book, which details salary payments and National

Insurance contributions

These books will most likely exist within a spreadsheet in some computer software these days so you will be able to see everything on a single screen.

It is also a good idea to start as you mean to go on. So get a box file and divide it into months so you can keep cash purchase receipts. Then get a couple of files and store unpaid purchases in one and paid purchases in the other.

For cash, cheque and card payments, till rolls are an ideal means of updating your sales ledger. If your company will be issuing invoices then sales paid and sales unpaid need to be separated into files electronically or with another couple of ring files manually. You need to keep just about every piece of paperwork that you receive, no spam though, that can be shredded. Keep bank and card statements, fill out paying-in books and cheque book stubs meticulously, maintain payroll records (if you employ people) and VAT records (if you're registered). For help in any of these areas go to the PAYE or VAT sections.

Electronic bookkeeping systems

The software for basic accounting may not be as expensive as you think. A budget of £100-£180 would get you basic accounting software and you can choose one that comes with free support. The most popular software for electronic records (spreadsheets) is Microsoft Excel.

There are also dedicated accounting packages which are easy to use. See the Mother website (www.managewithmother.com/about/cashbook) for the bookkeeping software that ABC backs. It is a great tool and we can recommend it because we have several clients that are very happy with it.

Software is ideal because any errors can be corrected quickly; you can get financial reports with the click of a button. Any money you owe or is owed will be brought to your attention. You can also see sales patterns and costs, which helps with forecasting and budgeting for your business.

If you cannot afford a full-time bookkeeper then you will have to do much of it yourself. As your business expands the role of a bookkeeper can be combined with other duties, such as office or HR manager. A part-time bookkeeper may be more viable for small to medium businesses.

It is possible to do it yourself and then get an accountant to take care of the complex bits that quite frankly would give you sleepless nights and a nasty tension headache. A small business will be faced with the chore of doing the books after hours, or at weekends. Once your business expands then the quality of the accountant you choose could have a great impact on your company.

The best advice when choosing an accountant is to follow your gut feeling, see how up front they are about their fees and test their knowledge before signing up with them. Don't go for the one up the road before getting a feel for whether they are right for your business.