

Blackpool Enterprise Week

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Making financials work for your business AND make a profit

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Questions

- **Your business has lots of customers, and most pay for your goods or service on time**
- **Your business has lots of customers, and some pay for your goods or service late**
- **Your business has lots of customers, and some do not pay for your goods or service resulting in a detrimental effect on your cash flow**

Seminar Objectives

- **Help you understand how a payment is not a payment until you can spend it**
- **Introduce you to simple bookkeeping principles you can use in your business to ensure you know what you have spent and more importantly what you have earned.**
- **Help you understand how terms and conditions can keep you both protected and legal.**
- **Help you retain hard earned profit.**

Why do we need to do bookkeeping?

Why do we need to do bookkeeping?

- Legal requirement
- Required by HMRC
- Manages your money better
- Increases your chance of success
- Assists cash flow
- Controls income and expenditure
- Tells you what profit you are making.

Will Bookkeeping cost me?

- **DIY manually - Paper version**



- **DIY computerised**



Will Bookkeeping cost me?

- **Bookkeeper**
 - Expertise
 - Save you time
 - Hourly or Monthly fee for what they do
- **Accountants**
 - Expertise
 - Annual charge for what they do
 - Required if you are a Ltd Company
 - Specialise in VAT and Employment records

What records must I keep?

What records must I keep?

- **Purchase receipts**
 - Suppliers name and address, date, amount and a description of goods or service provided
 - Where possible should include your details as proof of your purchase

- **File in date order**



- **Ensure you have a filing system**
- **Number invoices, cross check with bank statement, cheque stub, payment method**
- **Keep them in plastic wallets (1 for each week)**

What records must I keep?

- **Sales**
 - If operating from a shop
 - Cash till roll for each day should be kept in date order, stapled in weeks, and placed in a plastic folder within a separate lever arch file.
- **If you are supplying goods or service, aside from till roll**
 - Raise an invoice, keep a copy
 - Should contain your details, as well as description of goods
 - Date issued
 - Paid or not



What else should I keep?

- **Business bank statements**
- **Pay in Books**
- **Cheque book stubs**
- **Card statements**
- **Order and delivery notes**
- **Copies of credit and debit notes**
- **A list of monies, or goods taken out of the business for personal use**
- **Purchase or sale of assets**

Do your books daily

How long must records be kept?

How long must records be kept?

**Be prepared to keep
paperwork for up to 7 years**

Let's do our own bookkeeping

It really is not frightening

Money Record

Column 1

Physical money coming in to business

Money Record	
Opening money at start of week	£ 100.00

If week 1 input £0

Otherwise it is previous week's money "Money in hand at end of week"

Could be cash in till or petty cash

Daily takings

Column 1

ALL takings should be included
Cash, Cheque, Credit Card, Debit Card

Daily Takings	
Monday	
Tuesday	£ 100.50
Wednesday	£ 78.50
Thursday	£ 203.00
Friday	£ 23.00
Saturday	£ 102.76
Sunday	
Total Takings	£ 507.76

Only include **actual monies received**

Daily Takings

Column 1

Other money coming in

Other money coming in	
From Own Account	£ 500.00
Cash introduced from Bank	£ 200.00
Total	£ 700.00

Excluding sales, include all other monies
Withdrawn from business account, loan, sale of asset, input of personal
money.

Always specify source

Bank Record

Column 2

If week 1 input £0

Otherwise it is the “Previous week’s bank balance figure”

Balance in bank start of week	£ 1,500.00
Daily Bankings	
Monday	
Tuesday	£ 58.95
Wednesday	
Thursday	£ 65.40
Friday	£ 206.54
Saturday	£ 347.00
Sunday	
Total Bankings	£ 677.89

Include all credit or debit card transactions via a terminal.
Record in both Daily cash received as well as daily cash banked
Plus record any cash or cheques you pay into your bank

Bank Record

Column 2

Direct Credits	
Total Credits	£ -
Direct Debits	
Bank Charges	£ 10.40
Bank Interest	
Card charges	
Other charges (e.g. lease payments)	
Cash Withdrawn	£ 200.00
Total Debits	£ 210.40

Direct credits(customer paying direct into your account, BACS) will appear on your bank statement

Direct debits and standing orders or card withdrawals

Other charges relate to lease or HP payments(keep a record)

Payments Record

Column 3

Payment record			
	ref	Cash	Cheque, Card or Direct Banking
Stock / Raw Materials			
Dermalogica	1s		£ 432.00
Sally's	2s		£ 300.00
San Tropez	3s		£ 128.54
Sub Total		£ -	£ 860.54

Payment by cash, paid from takings or cash withdrawn from business account. If from your personal money you must also show as other money coming in!

If you use a personal card reimburse yourself every month.

Record direct banking, non finance payments, in non cash column

Payments Record

Column 3

		Cash	Other
Drawings and NIC			

Drawings and NIC is for your own “wages” and National Insurance as a Sole Trader or a partner

Payments Record

Column 3

Wages costs		Cash	Other
Employee 1			
Employee 2			
Employee 3			

This is where you record staff wages, Directors' salaries and bonuses. Use a separate line for each employee

Payments Record

Column 3

Building Costs		Cash	Other
Rent & Rates	1b		£ 400.00
Light/Heat/Power			
Insurance	2b		£ 35.00
Repairs & renewals			

Repairs covers repairs, renewals and maintenance of business premises, but NOT motor vehicles

Payments Record

Column 3

General expenses		Cash	Other
Telephone + Post	1g		£ 30.00
Stationery	2g	£ 22.50	
Advertising			
Website			
Accountancy/Legal			

Where more than one transaction in the week simply write the Totals in the relevant column.

Accountancy and legal are fees paid for professional services

Avoid other expenses where possible and if you have to use, ensure you include an explanation

Payments Record

Column 3

Motor & Travel		Cash	Other
Mileage allowance		£ 90.00	
Fuel			
Maintenance			
Tax and Motor Insurance			

Important to remember which method you have adopted. Either full cost or mileage method for HMRC. If mileage you can only claim the 45p per mile up to 10,000 miles, on business mileage

Full cost vs mileage method

Full Cost

- Starts with % business use
- Insurance
- Road tax
- Maintenance
- Business Mileage
- Other travel expenses
- Parking

Mileage Method

- ONLY business mileage
- 45p up to 10,000 miles
- 25p per mile thereafter
- Other travel expenses
- Parking
- NO other costs allowable

Payments Record

Column 3

Capital Expenditure		Cash	Credit
Laptop			
Total payment record		£ 112.50	£ 1,325.54

Capital expenditure is the purchase of assets such as vehicles, machinery, tools, office equipment, computers, software, commercial buildings

NOT revenue expenditure, goods, stock and short term items

Weeks money balance

Column 1

Week's Money Balance			Week's Bank Balance	
Opening money	£ 100.00		Opening money	£ 1,500.00
+ Daily Takings	£ 507.76		+ Daily Bankings	£ 677.89
+ Other Money in	£ 700.00		+ Direct Credits	£ -
- Daily Bankings	£ 677.89		- Direct Debits	£ 210.40
- Cash Payments	£ 112.50		- Payments(not cash)	£ 1,325.54
Leaves: Balance	£ 517.37		Leaves: Balance	£ 641.95

It is important to check credit card and bank statements regularly to ensure figures in your books match

Get Started Small Business Accounts Book Exercise

Please complete the exercise provided

Knowing who you owe

Creditors						
Supplier's Name	Invoice date	Invoice Ref.	Amount	Amount paid	Date paid	Paid by
Sally's	12/02/15	16s	128.54	0		
Dermalogica	16/02/15	21s	326.58	326.58	16/03/15	CC
Creditors Totals			455.12	326.58		
Total Outstanding			128.64			

Creditors are people that you owe money to.

Remember HMRC is a creditor, put money aside for this, or open a savings account with HMRC.

Keep a record of what is outstanding and when it needs to be paid

What should your Invoice contain?

- **Company name and address**
- **Invoice date and it's unique reference number**
- **Payment terms**
- **Customer address**
- **What you provided; goods or service**
- **Payment method**

Knowing who owes you

Debtors						
Customer's Name	Invoice date	Invoice Ref.	Amount	Amount paid	Date paid	Paid by
ABC Hotel	15/03/15	D13	250.00	0		
Weddings 4 U	16/03/15	D14	100.00	10.00	16/03/15	cash
Debtors Totals			350.00	10.00		
Total Outstanding			340.00			

More businesses crash through poor cash flow than any other reason.

Ask for BACS or Cash if an option

Control who owes you money and employ a credit control system

Ensure that you have set terms on your invoice and ensure you are paid on time.

Creditors and Debtors Exercise

Please complete the exercise provided

Capital Expenditure

- **Capital items (Assets)**
- **Items maintained on your asset register**
- **Depreciated over more than one accounting period (year)**
- **Examples:-**
 - **Plant and machinery**
 - **Vehicles**
 - **Computers**
 - **Computer software**
 - **Fixtures and fittings**

Capital Expenditure

Depreciation Rates for guidance only	
Plant & Machinery	15%
Fixtures & Fittings	15%
Motor Vehicles	25%
Equipment	33%
Computers and software	33%

Dependant on life expectancy of item and its residual value

You should maintain an asset register for both purchases and sale of assets

Asset register example

Capital Expenditure		
Assets bought during year	Date Purchased	Cost (inc VAT)
eg Apple MacBook Air, 13" 256 MB	14/04/2015	£ 1,230.00

Yearly tasks

- **Complete tax return**
- **Generate profit and loss report**
- **Forecast following year expenditure and income**
 - Can you save money?
 - Can you improve your cash flow?
 - Is your credit control system working efficiently?
- **Complete Annual Expenditure and Cash and Bank**

Credit Control

Sales are not cash in your pocket, until they clear in your bank

- **What is credit control?**
- **How would you check someone is credit worthy?**
- **What do you think happens when **you** have applied for credit?**

Credit Control

Why would you offer credit?

- **Build a relationship**
- **Increase business**
- **Trust**
- **Loyalty**

Credit Control

Manage debtor days

- **Remember you need cash to continue to trade**
- **Allowing Debt to grow uncontrolled, can lead to insolvency**
- **30, 60, 90 days (that could be 4 months from delivery)**
- **You may have paid cash for the goods!**

Credit Control

What do I need to know?

- **Are they a limited company?**
 - www.companieshouse.gov.uk
 - Name
 - Check actual trading address.
 - Who owns the company?
 - Who are the directors?
 - When were last accounts files?
 - Have you checked their social media feedback? **Be careful, not all you read is factual!**
- **Sole Trader**
 - Name
 - Trading address
 - Who actually owns the company?
 - Who else do they trade with?
 - Have you checked their social media feedback?

Only give, and extend credit when you know **all the facts**

Credit Control Procedures

- **Issue a formal letter of application for credit.**
- **Evaluate the credit request as in previous slide.**
- **Does the request fit with your cash flow situation?**
- **External agencies may be beneficial such as**
 - **Dun & Bradstreet for larger Businesses and Companies**
 - **Experian for Sole Traders**
- **Credit must go hand in hand with terms and conditions**

If you are a Sole Trader remember debt resides with you

Terms and conditions

- **Terms of Payment.**

Payment of ALL invoices are due within 30 days of invoice date (e.g. Invoice dated 31st May 2016 is due to be paid no later than 30th June 2016) (Or whatever terms are applicable to your business) In default supply of goods/ Services will be suspended

- **Time for payment shall be the essence of this contract**

- **Price**

Supply of goods/services will be at the price agreed in writing prior to the supply/delivery. No variance will be accepted unless agreed in writing by ourselves

- **Title**

Title of goods supplied will not pass to the buyer until payment in full for each consignment

- **Time limit for notification of disputes**

Any dispute regarding delivery (Damage, Shortages, and Discrepancies etc) must be notified in writing (by a form of recorded delivery) within 3 working days.

- **Jurisdiction**

The contract is governed by the Laws of England & Wales who shall have exclusive jurisdiction

We recommend that you always seek advice from an experienced solicitor who specialises in Contract Law

Make it easy to deal with you

- **Cash**
- **BACS**
- **Direct Debit**
- **Standing Order**
- **Cheque**
- **Online payment via card reader/ PayPal etc.**
- **Credit**

Overdue Accounts

- **Your customer is a human being, treat him like one**
- **Know who pays the bill**
- **Who makes the ultimate decisions**
- **What are your customers processes and procedures?**
 - Automated
 - Manual
 - What day do they process invoices?
 - What are their terms of payment, are they the same as what you expect?
- **Talk wherever possible.**
- **People deal with People!**

Be clear

- **When will bill be settled**
- **Can you speak to decision maker(you should know who that is!)**
- **It is your money, make it clear you are only asking for payment for goods or services received as per your agreed terms**
- **Spell out consequences in a firm but friendly manner**
- **Explain that orders may be delayed or stopped, credit may be affected**

If invoice is overdue

30 Days Credit

After 3 working days, recorded delivery letter

1st reminder

FAO the Accounts Payable Dept.

Reference overdue account number *TB00123*

According to our records we note the following account is overdue & in breach of our payment terms.

Invoice dated 24/04/2016

Invoice no 0012345/TB

Overdue £315.75

Total overdue £315.75

We shall be obliged if you would forward your payment for the above amount by return of post. Alternatively, should you have any queries regarding the above overdue account then please do not hesitate to contact the writer by return of post.

Thanking you in anticipation

If invoice is still overdue

4/5 days after letter no. 1 ring the customer and ascertain the problem, if no resolution the following procedure should be adopted

2nd reminder

FAO The Accounts Payable Dept.

Reference overdue account number *TB00123*

Further to our letter dated 27/05/2016 we are disappointed to note that the following account remains overdue & in breach of our payment terms.

Invoice dated 24/04/2016

Invoice no 0012345/TB

Overdue £315.75

Total overdue £315.75

We shall be obliged if you would forward your payment for the above amount by return of post. Alternatively, should you have any queries regarding the above overdue account then please do not hesitate to contact the writer by return of post.

Thanking you in anticipation

If invoice is **still** overdue

4/5 days after letter no. 2 ring client and convey urgency that payment is now overdue, reminding client of any promises made but not yet Honoured

3rd reminder

FAO The Accounts Payable Dept.

URGENT REMINDER

Reference overdue account number *TB00123*

Further to our previous correspondence, we are disappointed to note that the following account remains overdue and in serious breach of our payment terms. We must now advise you that unless payment is received within the next 7 days then services/goods will be suspended & your account will then be passed to our debt collection agency who may apply statutory late payment charges to your account.

Invoice dated 24/04/2016

Invoice no 0012345/TB

Overdue £315.75

Total overdue £315.75

We shall be obliged if you would forward your payment for the above amount by return of post.

Alternatively, should you have any queries regarding the above overdue account then please do not hesitate to contact the writer by return of post.

Thanking you in anticipation

If invoice is **still** not settled

- **Make contact and explain your next course of action**
- **Repercussions for them and indeed you.**
- **If you said you would pass to debt collectors etc.....**
- **Can you afford to lose the custom?**
- **Will it affect your reputation?**
- **Long term custom versus short term issue?**
- **Relationships often reduce conflict.**
- **Know the decision maker!**

Recap

- Bookkeeping done daily need not be a pain
- Knowing who **you owe** and who **owes you** money, keeps you in control
- Make it easy for people to pay you
- Terms and Conditions matter
- It's your money control it
- Be Organised, Get Paid