

workshop

money in / money out

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Money management

tips & tricks

With credit available almost on tap, we Britons continue to spend, spend, spend and it's all too easy to let things get out of control. Thankfully, as Paul Warner explains, getting your accounts sorted out has never been easier – you just need to get into the habit

It doesn't really matter whether you're trying to balance your household budgets or run a business, the bottom line is the same: spend more money than you've got coming in and it will inevitably catch up with you.

Most of us usually manage our affairs reactively. When the bank statement drops through the letterbox, we have the usual inquisition followed by a 'best intention' budget. Many small companies run in a similar way, with the added problem of late payments by customers pushing overdraft limits. This in turn makes firms reluctant to pay their own debtors.

Using a PC to manage your cashflow isn't going to produce more income or find you a new customer that pays all your invoices within seven days. However, it will give you a great tool to keep on top of your finances, help you organise planned expenditure and nag those late payers.

With the right software you'll be able to take control of your personal or business finances and manage to keep one step ahead of the bank's Mafia-rate charges for any unarranged borrowing. And if you're self-employed or running a business, you could save yourself a fortune in accountant and management fees too.

Setting up your account

011 - Maintain Company Information

Company Information | VAT Rate | Bank Account

General Company Information

Company Name: Fred Bloggs
 Address: Bloggs Emporium
 Trades Way
 City Centre
 London
 Post Code: E223 5TT Country: United Kingdom
 eMail Address: fred@bloggsnet.co.uk
 WebUrl: http://www.fredoffice.com
 Tel No: 00023 4567 Fax No: 00123 4568
 Company VAT Number: GB 123 4567 89 Withheld EC: ☒

Company Accounting

One Department Only: ☒ Default Department: 100
 Default Days before stop: 30 VAT Cash Accounting: ☐

011 - Maintain Company Information

Company Information | VAT Rate | Bank Account

VAT Rates

No	Rate	Acct	Dept	NI Description	Short Description	Rt
1	17.50	2300	100	VAT Account	VAT Standard Rate	None
2	0.00	2300	100	VAT Account	VAT Lower Rate	None
3	0.00	2300	100	VAT Account	VAT Zero Rate	None
4	0.00	2300	100	VAT Account	VAT Exempt	None
5	0.00	2300	100	VAT Account	Outside Scope	None
6						
7						

VAT Calculation Defaults

Default Standard Rate: 1 - VAT Standard Rate (17.50%)
 Default Zero Rate: 3 - VAT Zero Rate (0.00%)
 Default Exempt Rate: 4 - VAT Exempt (0.00%)
 Outside the Scope Rate: 5 - Outside Scope (0.00%)
 VAT Calculation Tolerance: 0.05 %

1 Before you can start using your accounts program, you'll need to input some basic data used by all forms and reports. Most programs will use either standard stationery for these reports or enable you to customise your own paper layouts with company contact details so you won't need to get headed paperwork printed

2 Next, set up your accounts. You can usually get started with a single bank account and an opening balance. However, it is useful to have separate credit card and petty cash accounts. If you charge VAT, you could consider setting up for cash accounting so that you don't have to pay your VAT until the bill has been settled

Suitable solutions

You're really spoilt for choice when it comes to choosing suitable software to manage your home or business accounts. Packages fall into three main categories.

If you need to manage the accounts of a small or medium-sized business, there are several applications that you can choose from, varying in price from a couple of hundred pounds to several thousand. Here, we'll take a closer look at some UK-specific packages that are fully compatible with our particular tax, VAT and accounting legislation.

You should expect to pay £50 to £100 for a mid-range application suited to the self-employed or small business that needs a range of basic accounting functions and to keep track of cashflow. Features typically include managing petty cash, credit card, general bank account and perhaps a savings or loan account.

Using sales, purchase and nominal ledgers, these keep track of:

- what you've sold, invoicing goods, services and time billing;
- the nominal ledger to balance the books, produce VAT returns if applicable and categorise both sales and purchases;

- all expenses and purchases, materials, services and general overheads such as running a van or car, wages, insurances, interest payments and building costs.

Finally, there are the sub-£50 products aimed at home finance, chequebook balancing and perhaps club and society accounts. These usually consist of simple income and expenditure records – useful despite their basic structure.

No-cost software

Most PCs come with a software bundle that includes a spreadsheet application that can be used to create a simple accounting system. Don't despair if your PC isn't suitably equipped as you can download several free programs from the internet.

Try the Open Office consortium (www.openoffice.org) which has developed a cross-platform multilingual suite that includes a spreadsheet based on the original Sun Microsystems StarOffice (www.sun.com/staroffice). Another Microsoft file-compatible application is PC Suite, available at www.software602.com/products/pcs.

Hunt around and you should be able to pick up a version of Lotus 1-2-3 for free.

A few years ago, most accountants used Lotus for financial analysis and to create quick profit and loss spreadsheets. Some of the banks distribute accounting software – usually a simple, entry-level version of something like TAS Book-Keeper, supplied free in the hope you'll adopt it and update to the latest version.

- Spreading the cost A spreadsheet is populated with a grid of cells forming a large table. Each cell is capable of holding information, whether simple text, numbers or a formula used to manipulate data within the cells.

At its simplest an account management spreadsheet consists of two columns. The first column lists income; the second, outgoings. It makes sense to use a separate sheet for each calendar month as this keeps things tidy. You can always add an extra sheet to show yearly totals.

Spreadsheets can add up columns of numbers for you, so it's relatively simple to get an instant balance of your household budget. Once you're familiar with your spreadsheet you can build in a spending analysis or use it to calculate saving requirements for that holiday or special purchase.

Customer and product databases

1 If you're running a company that sells products and services to a large number of customers, make sure you buy an accounts package with both customer and product databases. It will make working out costings for invoices much easier

2 At the more sophisticated level, product information is linked with stock control and discounting to enable you to apply discounts to particular customers, keep an eye on stock levels and even clear purchase orders for payment when the items are delivered

Categories and schedules

1 Categorise all your sales and purchases into different groups to get your accounts ready for the year end or tax return. For instance, if you've splashed out on some new computer hardware in the last year, this would be deductible at 100 percent in that trading year

2 Recurring activities such as regular direct debits or loan repayments need to be included in your ledgers and most packages will have some form of scheduler to do this automatically. More advanced accountancy programs will even enable scheduled events to be arranged at a particular time on a specific day of the week

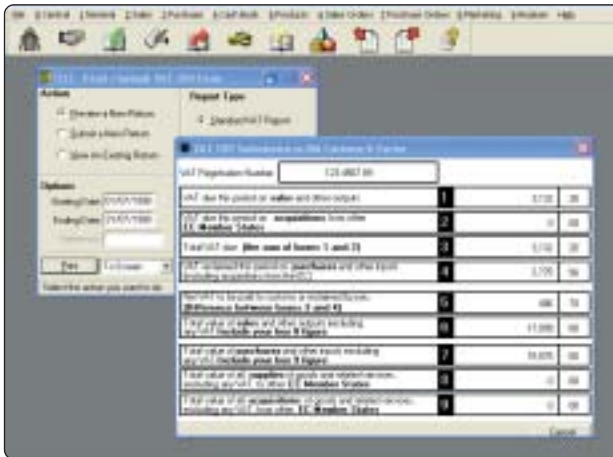
- **Balancing act** Many free chequebook balancing packages are available to download from the internet. These can be useful for general budgeting and checking your bank statements. Take a look at the software download sites such as www.download.com, www.tucows.com or www.jumbo.com; all offer shareware and

freeware downloads like Omni Personal Finance Journal 1.5. These tend to be rather US-centric but are useful for simple financial management.

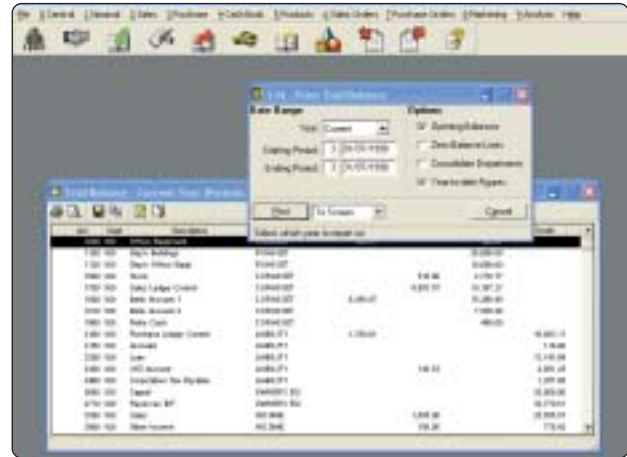
- **Database sophisticate** If you need something a little more sophisticated, a database is another no-cost option – so long as you have Microsoft Access. This

is not just a simple database application but a highly sophisticated tool capable of producing extremely advanced accounting solutions. However, you will need a good understanding of how it is used and a familiarity with Visual Basic – Microsoft's programming application – would be a great help too.

Updating and reporting



1 Once all the critical data has been entered the daily management of your accounts is pretty straightforward. Remember to keep information up to date so you can remain on top of things



2 If all your data is entered, you can print out your VAT returns in a couple of seconds. Many packages include aged debtors reports and will print out individual statements and even write letters to chase up bad payers

Your database could contain details of transaction dates, descriptions and amounts. It can then do the maths, producing balance sheets for you. More elaborate Access features can be employed to create data input forms and produce stock/product management and invoice reports.

Paying for it

When choosing accounting software, pay close attention to the pricing structure as you could well have started at a realistically priced entry-level package only to find vastly inflated license, maintenance and help charges when you upgrade.

- **Entry-level bookkeeping** If you're looking to pay for your first financial management solution, then around £30 will buy you software such as Moneysoft's Money Manager.

This package has developed from what was originally a basic accounts system for home, club or society use and now can handle VAT accounting, multiple companies and even payrolls with the company's Office Manager as a front end to all the applications.

More orthodox entry-level accounts packages are available from software manufacturers MYOB (Mind Your Own

Business), Sage and TAS. These come in modular form and can be upgraded from basic accounting functions to include extra features like stock control, payroll and multinational currency accounting (handy for trading in sterling and euros at the same time).

- **Mid-range packages** For more sophisticated accounting features, look to spend £50-£100 on something like Microsoft's Money. It can handle multiple accounts and enables internet banking and share dealing, even allowing remote operation by storing data online so you can access your info from any location.

In common with most accounting packages, Money has an upgrade path to Deluxe and Business versions that bring additional features more suited to the sole trader or small business including standard forms, legal advice and help with completing your tax returns.

- **High-end packages** All the major accounting software manufacturers produce a range of applications. Most of these roll over from their mid-range solutions so, if you're running an application like TAS or Sage Line 50, you should be able to migrate to the next level without loss of data. Upgrading usually occurs when you require additional features like network versions or inventory control.

The bottom line

The snazziest, most expensive accounts package in the world will be of little use if you don't follow a few basic rules.

- **Backup, test, backup again** If there is one tip that can't be overstressed when running any accounts app, it's to back up your data. It's even worth installing your software on another PC and testing the backup by restoring it to that machine.
- **Do a little often** Keeping on top of your accounts may be a chore but it's a good habit to get into. You'll know things are going off track before the banks and you'll be able to do something about it before that nasty letter comes in the post.
- **Keep track** If you're running a small business, improve your cashflow by invoicing promptly and keep track of any bad debts before they escalate.
- **Get help** You may need a bit of help when first installing an accounts package but once you're familiar with it, things should run fairly smoothly. Be warned: some software suppliers charge more for their maintenance and upgrades than the cost of the original package. ■



See our cover disc for full and trial versions of many programs mentioned in this workshop