

Employment and Productivity Training

Bookkeeping Basics

500

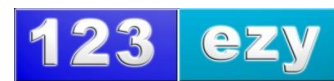
Bookkeeping basics, accounting terms, chart of accounts

Pre-requisites

You should have a certain number of skills already if you are going to progress further with any word processing program. You should know:

- a) How to start a program (Beginners 101),
- b) How to open and save a file (Beginners 102),
- c) How to move around the text in a document (Beginners 103), and
- d) How to make changes (edit) to text (Beginners 103).
- e) How to access and navigate around a website (Internet 105)

Websites, Social Media and Online Digital Marketing Service



Get all the tools you need to create, maintain, optimise your content marketing strategy for new and existing clients. Includes:

- Using WordPress to create and maintain landing pages and blogs.
- Create and manage social media profiles
- Generating relevant and interesting content
- Creating Pay-per-Click and Pay per impression ad campaigns
- Enter keywords, page descriptions and page titles to optimise your website for search engines like Google (SEO)
- Website analytics to measure where visitors are going, how many pages they visit and how long they stay at your site.
- Statistics to show you what your visitors are looking at



Visit www.123ezy.com or www.virion.com.au for more information.

CloudPBX Telephone Systems

Get all the features of a robust business telephone system AND the benefits and cheap calling rates of VoIP. Includes:

- Extensions can be in remote (including home office) and still be part of the system.
- Calls from extension to extension are free, no matter where they are located.
- Unlimited Local and National calls included.
- Hold, music on hold and the ability to transfer all included
- Voicemail messages to email
- Digital Assistant / Auto Attendant (IVR)

Visit www.cloudpbx.com.au for more information.



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Bookkeeping Basics Introduction

DIY Accounting

This section contains some videos that will give you a general introduction to Accounting and Bookkeeping. We go through things such as the Australian Tax codes and what these may be used for, Debit and Credit principals in an accounting sense and the meaning behind Cash and Accrual accounting.

DIY Accounting Introduction

Bookkeeping is something that every business has to do. It doesn't matter how large or small your business is and it doesn't matter where you are based – whether in an office or factory, or working from home as a remote contractor.

Getting your bookkeeping done promptly is not only important as part of your compliance requirements for the Australian Taxation Office, but the information you get from this bookkeeping data entry helps you understand how your business is performing and if there is anything that you need to change.

The bookkeeping process begins the moment you start out in business and incur expenses and most of the time spent in bookkeeping is involved in data entry and what accountants call “coding” – ie. putting each expense, income, asset and liability in the correct “account”. A simple example of demonstrating this is that costs for petrol need to go into the Motor Vehicle expenses category in your accounting software.

WHY DO IT?

- > Smaller businesses may be less complicated
- > Give it a go themselves
- > Pass it onto an accountant/bookkeeper when it gets complicated
- > Save money
- > Owner feels more in control




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WHAT'S THE LEAST YOU CAN DO?

Consider the following:


- > The size of the business
- > The business structure
- > Number of employees
- > GST Registration
- > Reporting Requirements



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WHAT'S THE LEAST YOU CAN DO?

- > Daily Banking
- > Entering Sales
- > Entering Purchases
- > Chasing up debtors
- > Payroll
- > Reporting
- > Etc.



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Get help if you need it

If you get to a point where it is starting to get too complicated for you, you could get a Bookkeeper that is a registered BAS agent or your Accountant to help.

Charts of Accounts**What is the Chart of Accounts?**

They are a list of accounts created & used by a business which tells them about what their money was spent on or who they received money from.

The Chart of Accounts also helps a business to arrange their finances by separating the expenses, income, assets & liabilities in order to give the relevant people a better understanding of the businesses finances.

Customising the Chart of Accounts

The Chart of Accounts can be customised to suit any business.


The smaller the business, the smaller the list of accounts is needed. Whereas the larger the business the more accounts are needed for detailed reporting purposes.

Chart of Accounts & General Ledger?

The General Ledger contains all of the accounts for recording transaction relating to a company's assets, liabilities, owners equity, income & expenses.

COMPLICATED YET?



GST REPORTS BAS
E.O.F.Y IAS
TAX PAYROLL



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CHART OF ACCOUNTS

➤ What are they?





➤ Customizing

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CHART OF ACCOUNTS

➤ What does the COA have to do with the General Ledger?



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The General Ledger report shows the transaction applied to any or all of the accounts within the Chart Of Accounts.

The General Ledger is the number 1 report in any accounting system, which holds financial & non financial data for an entity.

Chart of Accounts & Trial Balance

The Trial Balance shows the balances in each respective accounts in the Chart Of Accounts list.

The Trial Balance shows a list of all the Active General Ledger accounts with a debit or credit balance.

Active means accounts with any balance whether they are positive or negative.

Tax Codes

Tax Codes are codified system that designates and defines government levies on transactions, also known as Taxes.

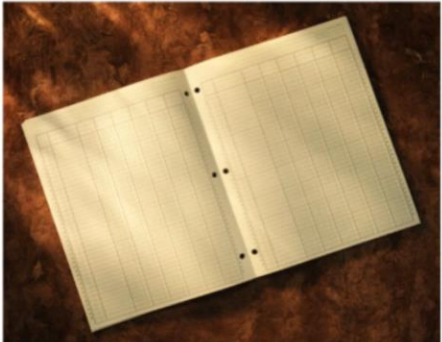
What are the main Tax Codes?

- GST - 10% = GST is applicable to a particular item and 10% of the amount should be allocated to the GST Account.
- FRE - 0% = GST is NOT applicable to a purchase.
- N-T - 0% = GST is NOT reportable on a purchase.

Examples of FRE & N-T:


CHART OF ACCOUNTS

➤ What does the COA have to do with the Trial Balance?



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WHAT ARE THE MAIN CODES?



- GST - 10%
- FRE - 0%
- N-T - 0%

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FRE vs. N-T

Tax Code	Description	Notes
FRE	Basic Food; Milk, coffee	These may go into Staff Amenities Expense account
FRE	Most Education	Take care - This might also go into your Staff Amenities Account
N-T	Super Contributions	This applies to Compulsory and optional
N-T	Depreciation	Generally done by Accountant


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Examples of GST & CAP:

Essentially the difference is based on whether your payment is an expense or an asset purchase. Unless there are special exemptions to stimulate the economy assets much be depreciated over time whereas expenses can be claimed at the time they are incurred to reduce your taxable income.

GST vs. CAP

Tax Code	Description	Notes
GST	Electricity	Used in Business
GST	Merchant Fees – Bank	These Fee's are subject to GST
CAP	New Business Computer	This usually goes to An Asset account
CAP	Land	This usually goes to An Asset account



Tax On Invoices.

If you are registered for GST your invoices should include the following:

TAX ON INVOICES

ARE YOU REGISTERED FOR GST?



Valid Tax Invoice :

- Suppliers ABN
- A brief description & prices
- Date
- The amount of GST (if any)

Total Price Includes GST?
Work this out by dividing the total price by 11, that is the GST component.



Cash Vs. Accrual Accounting Methods

What is Cash Accounting?

The Cash Accounting Method records income when it is actually received. It also records outgoing payments and expenses when they have actually been paid.

Cash Accounting and the BAS.

If you are registered for GST you will have to lodge a BAS Statement usually quarterly but it can also be lodged monthly if you have organised this with the Tax Office.

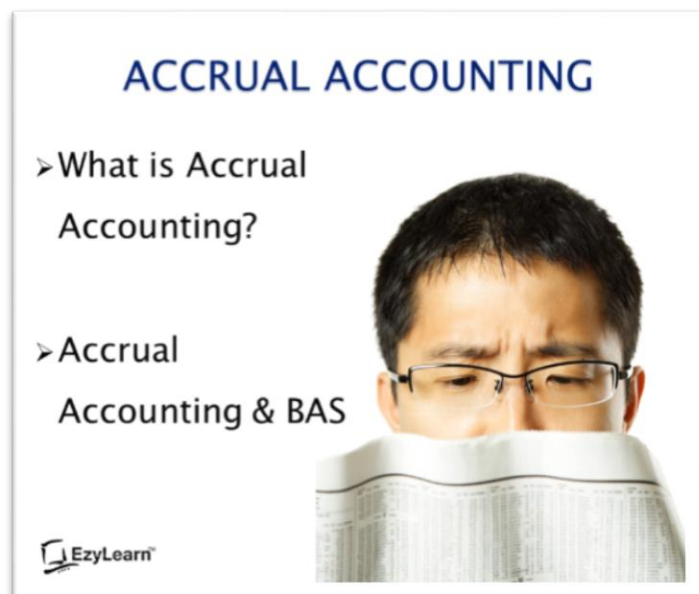
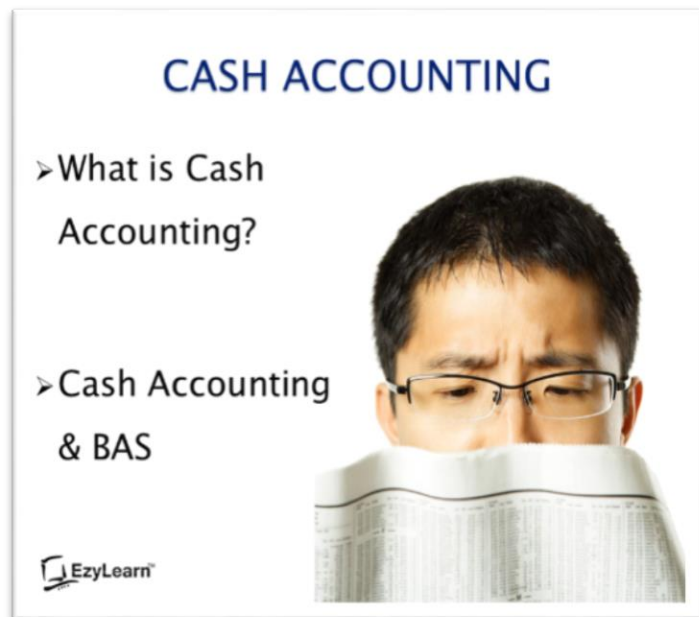
Let's say as an example we invoice a customer on the 15th December but they don't actually pay until 5th

January. We would need to put the payment transaction on the third quarter BAS which is 1st January to 31st March as the payment was made on the 5th January.

What is Accrual Accounting?

Accrual Accounting records income when it is actually earned & records outgoing payments when it is incurred regardless of any pay dates.

Let's say as an example again, we invoice a customer on the 15th December but they don't actually pay until 5th January. With the Accrual Accounting Method we would need to put the invoice transaction on the second BAS which is 1st October to 31st December as the invoice was dated 15th December.



Debits-Credits-Income-Expenses:

Income Accounts

Types of Income you would need to report to the Tax Office include sale of goods or income from providing services, rental income and investment returns (from things like shares)

TYPES OF INCOME


- Sale of Goods
- Providing Services
- Share Dividends
- Rental Income
- Interest Received




Expense Accounts

Expenses that you can declare to reduce the tax you pay on your income include the Cost of Goods Sold (COGS), operating costs like rent, power, petrol etc and the costs associated with hiring and managing staff.

TYPES OF EXPENSES



- Purchase of Goods
- Purchasing Services
- Operational Expenses
- Payroll Expenses
- Interest Expenses



When Do You Use a Sales Invoice?

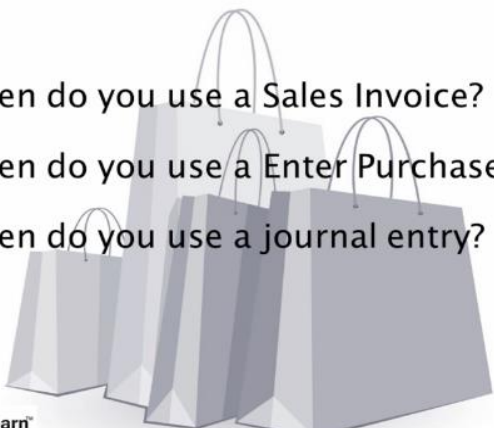
You would use a Sales Invoice when goods are sold or a service is provided to a customer.

When Do You Use an Enter Purchase?

You would use a Purchase when you receive a bill or invoice for a purchase i.e. purchases for some stationary from officeworks, an invoice you have received for electricity. These would then be entered in as a purchase.

WHEN TO USE?

- When do you use a Sales Invoice?
- When do you use a Enter Purchase?
- When do you use a journal entry?



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When Do You Use a Journal Entry?

A Journal Entry is used for example: to record an Owner's Capital into a business, for a BAS transaction, for year ending adjustments.

A sample of a Journal Entry (as shown on the right) using the Double Entry System, you would Debit the Bank Account with the \$50,000 and Credit the Owner A - Equity with the \$50,000.

Double Entry bookkeeping uses a formula for debits & credits. When you debit a Bank account you are increasing that bank account & therefore adding funds to it.

SAMPLE JOURNAL ENTRY

- Business Owner depositing \$50,000 into the business as Capital.

Account	Debit	Credit
Primary Bank Account - Cash	50,000	
Owner A - Equity		50,000

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Debit and Credit

Debit & Credit are 2 critical terms used in business transactions. Every Debit transaction needs a Credit transaction and vice versa.


Debits & Credits are frequent terms used in Bookkeeping and Accounting. It controls and establishes how to record any financial transactions.

You will often see the Debit term shown as DR and the Credit term shown as CR in Bookkeeping and Accounting.

The screenshot to the right is the formula for Debits & Credits in the accounting sense.

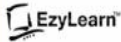
The above accounts are an example of how you enter the transactions in a Journal Entry as to whether you would Debit or Credit the transaction. It also shows you whether it would Increase or Decrease the account you have allocated it to.

DEBITS & CREDITS



- What is a debit?
- What is a credit?
- Why do you need to balance these?


- +



DEBITS & CREDITS

- +

Account	Increase	Decrease
Asset	Debit	Credit
Liability	Credit	Debit
Income	Credit	Debit
Expense	Debit	Credit
Equity	Credit	Debit



Intro to Credit Control

A Creditor is your Supplier for expense type transactions.



CREDITORS & PURCHASES

- Your Supplier
- For Expenses



A Debtor is a Client or Customer revenue or income type transaction.



DEBTORS & INCOME

- Your Client or Customer
- For Revenue or Income

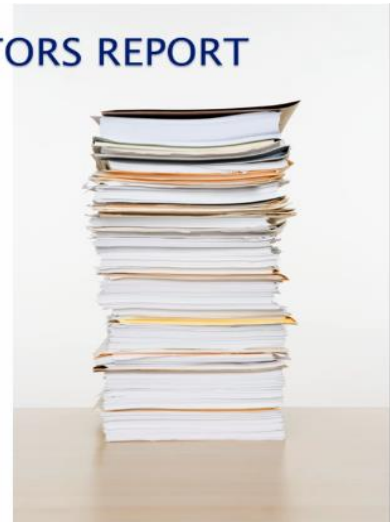


Creditors Report

A Creditors Report is an Accounts Payable Report that tells you how much money you owe to your Suppliers. It lets you know the number of days payment is outstanding, any overdue balance and the total balance owed to each supplier. This is recorded as an expense transaction type.

CREDITORS REPORT

- Also known as an Accounts Payable or AP Report



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Showing the

Debtors Report

A Debtors Report is an Accounts Receivable Report that tells you how much money your clients and customers owe you. It lets you know the number of days payment is outstanding, any overdue balance and the total balances you are owed. This is recorded as an income or revenue transaction type.

DEBTORS REPORT

- Also known as an Accounts Receivable or AR Report
- Showing the reader whom owes money to your business



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What's next

You should now feel quite comfortable using many of the terms used in accounting software and ready to learn more about some of the popular accounting and bookkeeping software programs.

Are you looking for work?

EzyLearn courses include case studies based on real world scenarios so you'll be able to follow every aspect of using accounting software from Setup to Payroll and everything in between. When you choose the Course & Certificate option you'll get a certificate to demonstrate your knowledge and commitment to learning.

Want to start your own bookkeeping business?

To be capable of running your own business is a dream aspired to by many smart Australians and The Startup Academy and National Bookkeeping will help you get there faster and with the help of mentors and achievement coaching.

Call us on (02) 9971 0000, email support@ezylearn.com.au or visit our website www.ezylearnonline.com.au for more information about your success.

Disclaimer

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