



Bookkeeping for Business Owners

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After 20 years in Industry analysing company data to support commercial business decisions, I founded Business Works with a vision to offer real-world solutions to businesses.

We have grown into a trusted partner for companies seeking a better understanding of their numbers, great customer service, and business growth.

With a team of 12, we are large enough to provide all the finance support SME business owners need, plus the value-added services that help them to flourish and grow.

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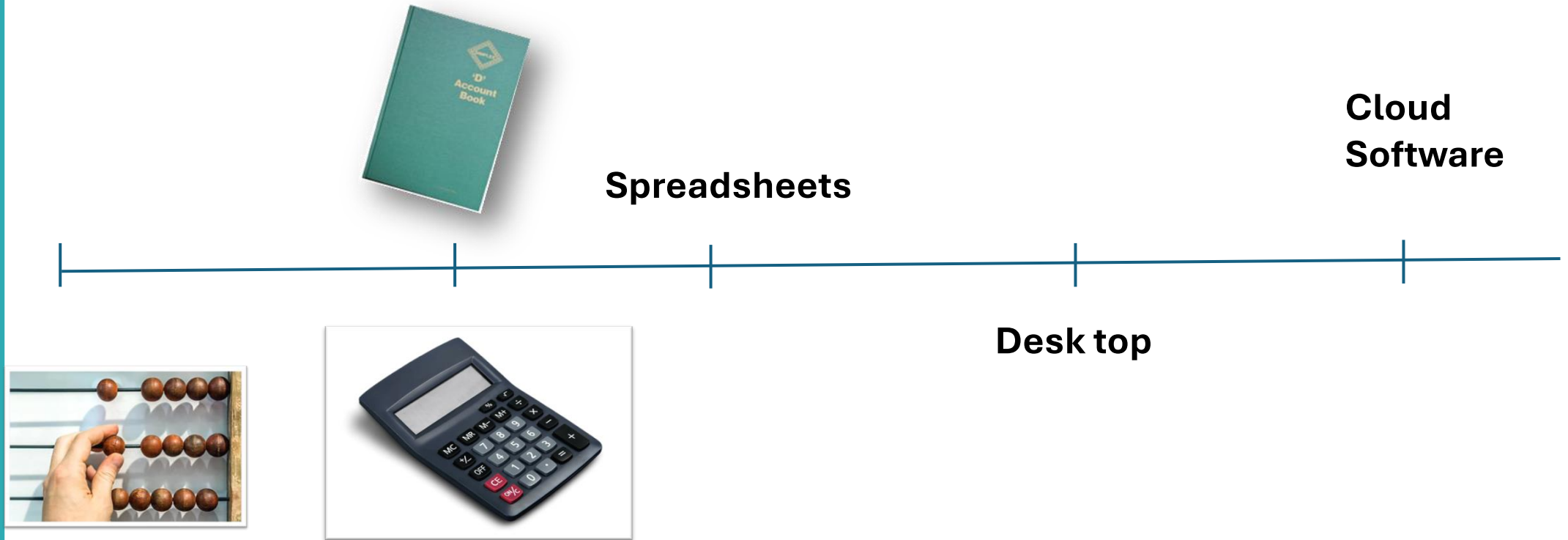
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Software Available

How Bookkeeping has changed over the years


- Record Keeping – how do you do yours?
- Legal requirement – 6 years plus the year you are in
- Money In
- Money out

How Bookkeeping has changed over the years





Why use Bookkeeping Software

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- Why use Cloud based software
 - Pay monthly
 - Always the latest version
 - Backed up
 - Access anywhere – as long as you have an internet connection
 - Live, real time information for all users

Why use Bookkeeping Software

- Less errors
 - Calculator
 - Spreadsheet formulae
- Powerful functionality
 - Receipt Capture
 - Bank Feeds
 - Reporting
 - Links to other software
- Accessibility
 - You
 - Your team (access rights)
 - Your Accountant

Why use Bookkeeping Software

- Benefits to you
 - Time saving
 - Easy access to records
 - Know your numbers – real time
 - Who owes you
 - Who you owe
 - Reports on performance
 - Everything in one place
 - Can save you money in Accounting fees
 - HMRC Inspections
 - Can significantly reduce time
 - Much less likely to find errors

••• A World Class Bookkeeping Process Flow

- Software
 - Have cloud accounting software
 - Link up your bank or banks
 - Link any third-party software you use
- Frequency
 - Use it regularly – min, once a week
 - Less daunting
 - More likely to find receipts/remember what you were doing
- Users
 - Think about who is doing what
- Training

••• A World Class Bookkeeping Process Flow

What is income?

- Sales are income at the point that they are:
 - Despatched – goods
 - Invoiced with no refund available – Think deposits
 - Work completed, in full or in part
 - Your software will use your invoice dates
 - Think about how and when you invoice!
- Grants are other income
- Profit on sale of assets

••• A World Class Bookkeeping Process Flow

Money In

- Raising Estimates/Proposals/Quotes
 - Third Party Software
 - Integration
 - Import
 - In your Accounting Software
- Raising Invoices
 - Convert from Estimate/Proposal/Quote
 - Integration from third party software
 - Create
- Making changes
 - Additional Invoices
 - Credit notes

••• A World Class Bookkeeping Process Flow

Money out

- Receipts – replicate the information on the receipt in your software
 - **Get and keep receipts for everything if available**
 - Receipt capture software
 - Soft copy of receipt
 - OCR Software to save keying
 - Still needs a human to check and finish
 - Saves time
 - Keying
 - Filing
- VAT – must have a receipt to reclaim the VAT
 - Must be a VAT receipt,
 - not a credit card receipt
 - Not an order confirmation

••• A World Class Bookkeeping Process Flow

- Money Out – no receipt
 - Payroll
 - Paying taxes
 - Bank charges and interest
 - Mileage claims
- Subscriptions – often available to download online
- Lost receipts
 - Can't reclaim the VAT
 - Can use supplementary evidence
 - Bank Statement
 - Credit Card receipt
 - Order

••• A World Class Bookkeeping Process Flow

Payroll

- Pay employees Net wages on day payroll processed
- Pay HMRC for PAYE deductions by 22nd of following month
- Pay Pension by 22nd of following month
- Done using journals and bank rules

••• A World Class Bookkeeping Process Flow

Paying Taxes

- Direct Debit
 - Not always great memo text on bank
- Manual payment
 - Say which tax you are paying when you pay it
- Process via bank

••• A World Class Bookkeeping Process Flow

Mileage Claims

- Company car and fuel – process receipts for fuel and maintenance
- Mileage claims for own vehicle on business trips
 - If VAT registered keep fuel receipts for VAT reclaim
 - Keep a mileage log of all business trips
 - Process via a journal into software
 - Re-imburse via bank

••• A World Class Bookkeeping Process Flow

Banking

- Have dedicated bank accounts and credit card accounts
- Link your bank accounts into your software
 - All transactions pushed through by your bank
 - No access to your money
 - No requirement to key any bank entries
 - May still need bank statements to reconcile the bank

••• A World Class Bookkeeping Process Flow

Banking cont.

- Match items on bank with receipts and invoices
 - Software looks for a one to one direct match
- Use Rules where there are no receipts
 - Can save loads of time
 - Ensure you set them up correctly
 - Great for payroll entries to match against journals
- Anything left on the bank needs
 - A receipt
 - Some evidence – maybe a loan agreement, or council tax bill at start of the new year etc

••• A World Class Bookkeeping Process Flow

Banking Cont.

Reconciling the bank

- Address all entries correctly
- Software has a bank balance that matches the actual bank balance
- What can go wrong
 - Incorrect bank account chosen (maybe you paid for it yourself..)
 - Duplication – marked something as paid and then also matched it later
 - Bank entries pushed through missing or duplicating transactions

••• A World Class Bookkeeping Process Flow

- If all our invoices are raised and matched
- And all our money out has receipts matched and journals as required
- And our bank is reconciled

We should have up to date, accurate business records in our software

- Know who we owe
- Know who owes us
- Know how we are doing as a business



Getting it right first time

If we go a bookkeeping clean up, it typically takes 3 times longer than it would for us to have done the bookkeeping originally!

- Do Training – loads of generic training available online for free
- Get one to one training – paid, put specific to what you need
- Recognise if you are not the right person to be doing it and delegate or outsource



Getting it right first time



The information in your bookkeeping software is used for:

- Your VAT returns
- Your year end accounts
 - Can create significantly more work for your Accountant
- For you to know your numbers and
 - How much you owe
 - How much and who owes you
 - How well you are doing



VAT Basics




You must register for VAT if:

- You breached the threshold in the 12 months to the end of last month
- Or since you started trading if less than 12 months

You can voluntarily register if you make VAT'able supplies



VAT Basics




You MUST NOT charge VAT on your supplies if you are not registered for VAT. Including if you are awaiting your VAT number

It can take a month or more for you to receive your VAT registration number

You can not reclaim VAT if you are not registered for VAT



VAT Basics




Once Registered for VAT you must charge VAT at the correct rate on everything you sell!

Artificial separation – disaggregation of a business

- All businesses below the VAT threshold
- Separating activity where the recipients can not recover VAT
- Separating activity where part of the business is selling goods and part is selling services



VAT Basics



Once registered for VAT you can reclaim the VAT on all business related expenses where VAT is suffered and you have a valid VAT receipt

Pre-registration expenses

- Services – 6 months
- Good – if not yet consumed and up to 4 years
- Capital expenses – up to 4 years



VAT Basics



VAT schemes

- Accrual v Cash
- Quarterly v Monthly
- Flat Rate Scheme
- Other schemes

●●● Making Tax Digital

- Submission of tax returns via a digital means
- Submission quarterly

VAT Already live

ITSA Launching April 2026 over £50k
 April 2027 over £30k

CT No date as yet

Complex Issues

Accounting Principle – Double Entry Bookkeeping

Each entry has two sides

A cost to the business

DR	Expense	CR	Cash or AP
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A Revenue of the business

CR	Sales	DR	Cash or AR
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Complex Issues

Accounting Principle – Double Entry Bookkeeping

Each entry has two sides

Profit and Loss Account

A cost to the business

DR Expense

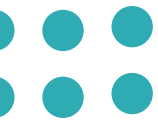
A Revenue of the business

CR Sales

Balance Sheet

CR Cash or AP

DR Cash or AR



Complex Issues

Profit and Loss Account

A financial summary of business income and expenses over a period of time showing whether the business has made a profit or loss

Balance Sheet

What your own and what you owe (and are owed) and a particular date in time



Complex Issues



Accounting Principle – Matching

Income should be reflected in the period it was earned

- Deposits are only income when they are no longer refundable
- Work in Progress
- Payments on Account

Cost should be reflected in the period that they were consumed



Complex Issues

Scenario – we are doing a piece of building work £100k, but the agreement is 50% at the start, then 25% 3 month later and the balance after snagging. Year end is Dec and snagging isn't complete, but isn't expected to cost anything further.

	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Job Totals
Invoiced	£ 50,000			£ 25,000			£ 75,000	£ 100,000
Cost of materials	£ 10,000	£ 2,000	£ 5,000	£ 2,000			£ 19,000	£ 19,000
Payroll	£ 5,000	£ 5,000	£ 5,000	£ 5,000	£ 5,000	£ 5,000	£ 30,000	£ 30,000
	£ 35,000	-£ 7,000	-£ 10,000	£ 18,000	-£ 5,000	-£ 5,000	£ 26,000	£ 51,000

Costs and revenues don't match so we would need to accrue for the additional income, otherwise we are understating taxable profit



Complex Issues



Accounting Principle – Matching

Cost should be reflected in the period that they were consumed

- Stock – not yet sold
- Work in Progress
- Accruals and Prepayments

Complex Issues

Scenario – we have received our council tax bill for the 24/25 year in March 24

		Mar-24		Apr-24		May-24		Jun-24		Jul-24		Aug-24		Sep-24		Oct-24		Nov-24		Dec-24		Jan-25		Feb-25		Mar-25
Council Tax Bill	£	1,800																								
Consumed			£	150	£	150	£	150	£	150	£	150	£	150	£	150	£	150	£	150	£	150	£	150	£	150
Paid			£	180	£	180	£	180	£	180	£	180	£	180	£	180	£	180	£	180	£	180				

The Bill is for 24/25, so only 9 months are in the financial year

Often paid in 10 monthly instalments, of which 9 are in the financial year

Actual cost to be reflected is £1,350, as that is deemed to be consumed..

Need to prepay the remainder

Any unpaid amounts will sit on the balance sheet as owing

Complex Issues

Stock

	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Buy Stock	£50,000			£50,000			£100,000
Sell Stock	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£60,000
Balance of Stock	£40,000	£30,000	£20,000	£60,000	£50,000	£40,000	£40,000

Adjust for Stock	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Invoice for sale of goods	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£120,000
Cost of Goods Sold	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£60,000
Profit - stock adj	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£60,000

Adjust for Stock	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Invoice for sale of goods	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£120,000
Cost of Goods Sold	£50,000	£0	£0	£50,000	£0	£0	£100,000
Profit - stock adj	-£30,000	£20,000	£20,000	-£30,000	£20,000	£20,000	£20,000



Complex Issues



Capital Purchases

Things that last more than one accounting period

- Equipment/office furniture
 - Computers
 - Desks
 - Some vehicles
 - Machinery

Things that add value to another asset

- A house extension



Complex Issues



Capital Purchases

- The costs of these are added to the Balance sheet in the Fixed Asset Register
- Depreciation – impact on the Profit and Loss Account
- Capital Allowances or AIA – impact on tax



Software Available



Bookkeeping Software

Quickbooks v Zero


Sage

FreeAgent

Many smaller players




Software Available

- 
- Available Support and training
 - Links to 3rd Party Software you use
 - Features and functions
 - Cost



Training

- 
- Free resources available
 - Available on software provider website
 - Provided by a certified training provider
 - Reduced frustration
 - Improves efficiency
 - Reduces accountancy fees
 - Reduces errors

Other webinars

Owning a Business – what are my responsibilities

10 am

Thursday 30th Jan



Other webinars

Financial Management – Know your Numbers

10 am

Tuesday 4th Feb



Thank

You



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