10 BOOKKEEPING FORMS AND TEMPLATES

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10 BOOKKEEPING FORMS AND TEMPLATES

PART ONE

PRINTABLE

Forms and Templates

I recommend that you **print** off this document so that you can lay the blank forms and templates side by side with the completed examples and the information pages. This will make it easier to follow along with how they work.

I hope you enjoy learning how these bookkeeping forms and templates are used in a business setting, and that your confidence grows!

Contact me if you have any questions or comments.

Regards

Sarah Booysen

CA	\sim	\sim	\sim	.,	
		 		_	

Month:	Business / Name:	

	Details		Money In			Mone	y Out			
Date	Description	Ref		Total In				Total Out	Bank Balance	
								Out	Dalance	
										_
										_
Totals										

BANK RECONCILIATION REPORT

Busines	ss Name:					
Date of	Bank Statement:					
Bank A	ccount:					
	Outstanding Withdraw	als		(Outstanding Deposits	
Date	Detail	Amount		Date	Detail	Amount
	Total A				Total B	
					10101.5	
<u>R</u>	<u>leconciliation</u>					
C	Closing Cash Book Balan	ce				
Δ	add: Outstanding Withd	rawals (To	tal A)			
S	ub-total					
L	ess: Outstanding Depos	sits (Total B	3)			
E	xpected Bank Statemei	nt Balance				

	CKET		
Date: De	ocket No:		
Delivery to:	upplied by:		
Customer PO#: Order Date:	Tel No:		
Delivery Date:			
Date Description	Ordered	Quantity Shipped	Backorder
	Ordered	этрес	Backeraci
Please retain this delivery docket as proof of purchase. Comments:		ı	

	SALES	INVOICE		
Date:		Invoice No:		
То:		From:		
Quantity	Description		Unit Price	Cost
Comment:			Subtotal _	
			_ Discount _	
Payment due by:			Tax _ _	
Pay to Bank Account		Total Due		
Interest of	per annum will be charged on la	te payments.		
Remittance	Cut h	nere ⊁		
			Customer Name	
			Invoice No	
			Amount Paid	

	9	STATEMENT O	F ACCOUN	IT	
То:			From:		
Date:					
				ning Balance:	
Date	No.	Description	Amount	Payment	Remaining
Comment				Subtotal	
				Interest	
Payment due	by:			Total Due	
Please make p	payment into Ba	nk Account No.:			
Interest of	% per annı	ım will be charged on la	ate payments.		
Remittance		Cut Here	e %		
Remittance			Customer	Invoice	es Paid
	Deference			T. 15	
	Reference			Total Paid	

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PETTY CASH LOG

DATE	VOUCHER NUMBER	DETAILS	CASH IN	CASH OUT	BALANCE
			TOTAL	CASH LEFT	

FLOAT: LESS TOTAL CASH LEFT = TOPUP AMOUNT				
AMOUNT AMOUNT	ELOAT:	LESS TOTAL CASH LEET	= TOPUP	
	FLUAT:	LESS TOTAL CASH LEFT	AMOUNT	

	PET	TTY CASH VOUCHER	1
Date:		Cash Out:	
Detail:		Cash In:	
		Total:	
	Voucher No:		
	PE1	TTY CASH VOUCHER	
Date:		Cash Out:	
Detail:		Cash In:	
		Total:	
	Voucher No:		
	PET	TTY CASH VOUCHER	1
Date:		Cash Out:	
Detail:		Cash In:	
		Total:	
	Voucher No:		
	PET	TTY CASH VOUCHER	1
Date:		Cash Out:	
Detail:		Cash In:	
		Total:	
	Voucher No:		

INCOME Description (sxample - Sales, Service Income, Inventory Income) Total Income COST OF GOODS SOLD Description (sxample - Materials, Subcontractor, Inventory) Amount Total Cost of Sales Gross Profit (Total Income Less Total Cost of Sales) EXPENSES Description (example - Advertising, Stationery, Postage, Gas) Amount Total Expenses Net Profit/(Loss) (Gross Profit Less Total Expenses) Net Profit/(Loss) (Gross Profit Less Total Expenses)		PROFIT AN	ID LOSS REPO	ORT	
Description (example – Sales, Service Income, Inventory Income) Total Income COST OF GOODS SOLD Description (example – Materials, Subcontractor, Inventory) Total Cost of Sales Gross Profit (Total Income Less Total Cost of Sales) EXPENSES Description (example – Advertising, Stattonery, Postage, Gas) Amount Total Expenses Amount Total Expenses Amount Amount Amount					
COST OF GOODS SOLD	IN	COME			
Total Income COST OF GOODS SOLD Description (example - Materials, Subcontractor, Inventory) Total Cost of Sales Gross Profit (Total Income Less Total Cost of Sales) EXPENSES Description (example - Advertising, Stationery, Postage, Gas) Amount Total Expenses Amount Amount Amount Amount Net Profit/(Loss) Amount	_		Amount		
COST OF GOODS SOLD Description (example – Materials, Subcontractor, Inventory) Total Cost of Sales Gross Profit (Total Income Less Total Cost of Sales) EXPENSES Description (example – Advertising, Stationery, Postage, Gas) Amount Total Expenses Amount Net Profit/(Loss)	- - -			Amount	
Description (example – Materials, Subcontractor, Inventory) Total Cost of Sales Gross Profit (Total Income Less Total Cost of Sales) EXPENSES Description (example – Advertising, Stationery, Postage, Gas) Amount Total Expenses Amount Net Profit/(Loss)			Total Income		
(example – Materials, Subcontractor, Inventory) Total Cost of Sales Gross Profit (Total Income Less Total Cost of Sales) EXPENSES Description (example – Advertising, Stationery, Postage, Gas) Total Expenses Amount Total Expenses Amount Net Profit/(Loss)	C	OST OF GOODS SOLD			
Total Cost of Sales Gross Profit (Total Income Less Total Cost of Sales) EXPENSES Description (example – Advertising, Stationery, Postage, Gas) Total Expenses Amount Amount Amount Amount Amount Amount Net Profit/(Loss)	- -		Amount		
Description (example – Advertising, Stationery, Postage, Gas) Total Expenses Amount Amount Amount Amount Amount Net Profit/(Loss)	_			Gross Profit	Amount
Description (example – Advertising, Stationery, Postage, Gas) Total Expenses Amount Amount Amount Amount Amount Net Profit/(Loss)	F)	(PFNSFS	(10101111001100111001110011100111001110011100111001110011100111001110011001100111001100110011001100110011001100110011001100110011001100110011000110001100011000110001100011000110000		
Total Expenses Amount Net Profit/(Loss)	- -	Description	Amount		
Total Expenses Amount Net Profit/(Loss)	-				
Total Expenses Amount Net Profit/(Loss)	- -			Amount	
			1	Net Profit/(Loss)	Amount

GENERAL JOURNAL

Date	Description	Debit (Dr)	Credit (Cr)	Ref

GENERAL LEDGER

Account:

Date	Description	Ref	Debit	Date	Description	Ref	Credit

	HOME OFFICE EXPENSES											
	Power/ Electricity	Heating	Telephone (Landline)	Interest on Mortgage	Rent	City Rates/ Taxes	Home & Contents Insurance	Repairs & Maintenance	Depreciation	Total Per Month		
January												
February												
March												
April												
May												
June												
July												
August												
September												
October												
November												
December												
Total Paid												

Grand Total	
Percentage	
TOTAL CLAIM	

Enter the percentage of your home that is exclusively used as the business office

10 BOOKKEEPING FORMS AND TEMPLATES

PART TWO

COMPLETED EXAMPLES

Forms and Templates

CASHBOOK EXAMPLE Month: August 2016 Business / Name: My Business

Details Money In					Money Out									
Date	Description	Ref	Hats	Tops	Total In	Draw- ings	Stat- ionery	Web- host	Office Equip.	Petty Cash	Bank Fees	Total Out	Bank Balanc e	
Aug-01	Balance b/f												300.00	R
Aug-01	Petty Cash float	Cash								100.00		100.00	200.00	
Aug-04	Folders and pens	Eft					15.00					15.00	185.00	R
Aug-15	Ms E Inkson Invo31	DC	18.22	35.78	54.00								239.00	R
Aug-18	Mr R U Redy Invo32	DC	30.00		30.00								269.00	R
Aug-19	Drawings	Eft				10.00						10.00	259.00	R
Aug-21	Envelopes & Stamps	Eft					20.00					20.00	239.00	R
Aug-24	Web host fees	DD						40.00				40.00	199.00	R
Aug-27	Simply Chairs: Chair	0001							127.00			127.00	72.00	
Aug-29	Mr J Mighty Invo33	DC	30.00		30.00								102.00	R
Aug-30	Ms T Real - IO34	Cash	18.22	35.78	54.00								156.00	R
Aug-30	Bank Fee	Fee									2.50	2.50	153.50	
														$\parallel \parallel \parallel$
														$\dagger \dagger$
Totals			96.44	71.56	168.00	10.00	35.00	40.00	127.00	100.00	2.50	214.50	153.50	

BANK RECONCILIATION REPORT **EXAMPLE**

	My Business			
Date of Bank Statement:	August 31st, 2016			
Bank Account:	Current Account			

Outstanding Withdrawals							
Date	Detail	Amount					
Aug 27	007	127.00					
	Total A	127.00					

Outstanding Deposits									
Date	Date Detail								
Aug 30		54.00							
	Total B	54.00							

Reconciliation

Closing Cash Book Balance	\$153.50
Add: Outstanding Withdrawals (Total A)	\$127.00
Sub-total	\$280.50
Less: Outstanding Deposits (Total B)	\$54.00
Expected Bank Statement Balance	\$226.50

DELIVERY DOCKET EXAMPLE

Date: 09.04.16 Docket No: DD15

Delivery to: Supplied by:

Small Store Inc. At my address

At this address 5 Any Street

In this town Any City

At this area Code This Area Code

Customer PO#: PO5032 Tel No: 12456789

Order Date: September 3, 2016 Reference:

Delivery Date: September 4, 2016

Date	Description	Quantity				
Date	Description	Ordered	Shipped	Backorder		
09.04.16	Hats	25	20	5		
09.04.16	T-Shirts Size M	35	35			
09.04.16	T-Shirts Size L	35	35			
09.04.16	Shorts Size L	35	20	15		

Please retain this delivery docket as proof of purchase.

Comments:

Backorders expected delivery date 20.09.16

SALES INVOICE EXAMPLE September, 14 2016 1035 Date: Invoice No: To: From: My Business Small Store Inc. 5 Any Street At this address In this town Any City At this area code This Area Code Quantity **Description Unit Price** Cost Hats 20 \$4.00 \$80.00 T-Shirts Size M 35 \$5.00 \$175.00 T-Shirts Size L \$5.00 \$175.00 35 Shorts Size L \$7.00 \$140.00 20 Comment: Your PO#5032 Subtotal 570.00 Discount 0.00 Ref our Delivery Docket DD15 09.04.16 Tax _ 0.00 Payment due by: October 30, 2016 Pay to Bank Account No: \$570.00 12345678910 Total Due Interest of 10 % per annum will be charged on late payments. Cut here ≫ Remittance My Business Small Store Inc. **Customer Name** 5 Any Street Any City Invoice No. 1035 This Area Code Amount Paid

	STA	TEMENT OF AC	COUNT EXA	MPLE	
To: Small Stor	re Inc.		From: My Business		
At this ac	Idress		5 Any Street		
In this too	มท		Any City		
At this ar	ea code		This Area Co	ode	
Date:	Septemb	er 30, 2016	Reference:		
			Open	ing Balance:	\$400.00
Date	No.	Description	Amount	Payment	Remaining
09.14.16	I035	Şale	\$570.00		\$970.00
09.18.16	I042	Şale	\$320.00		\$1,290.00
09.30.16		Payment		\$300.00	\$990.00
Comment	Please pa	y your overdue amou	nt of \$100.00	Subtotal	\$990.00
	within 7 c			Interest	\$2.74
	payment into	ber 31, 2016 Bank Account No.: 123 will be charged on late p	8 4567891 0 payments.	Total Due	\$992.74
		Cut Her			
Remittance	e		Small Store Ir	nC.	
My Busine	SS		Customer	Invoice	The customer fills in the
5 Any Stre			-	I035	amount they are paying
Any City			-	<u> </u>	
This Area	Code		- -		
	Referenc	e		Total Paid	

PETTY CASH LOG EXAMPLE

MONTH:	August 2016
IVIOIVITI.	August 2016

DATE	VOUCHER NUMBER	DETAILS	CASH IN	CASH OUT	BALANCE
Aug-01	1	Float	100.00		100.00
Aug-04	2	Milk		3.50	96.50
Aug-07	3	Box of blue pens		10.00	86.50
Aug-08	4	Ground coffee		7.00	79.50
Aug-15	5	Ream of printer paper		9.00	70.50
Aug-19	6	Croissants - Staff Meeting		15.00	55.50
Aug-20	7	Milk		3.50	52.00
Aug-21	8	Customer payment: Invo27 (hats)	12.50		64.50
Aug-22	9	Jenny – office cleaner		25.00	39.50
Aug-23	10	Print ink		18.00	21.50
Aug-24	11	Parking		3.00	18.50
		<u> </u>	TOTAL	CASH LEFT	18.50

FLOAT: \$100.00 LESS TOTAL CASH LEFT \$18.50 = TOPUP AMOUNT \$81.50

PETTY CASH VOUCHER EXAMPLE

Date: August 1, 2016 Cash Out: Detail: Float - Cash from main \$100.00 Cash In: bank account \$100.00 Total: Voucher No: 1 PETTY CASH VOUCHER EXAMPLE Date: August 4, 2016 \$5.00 Cash Out: Detail: Milk \$1.50 Cash In: Total: \$3.50 Voucher No: PETTY CASH VOUCHER EXAMPLE Date: August 7, 2016 Cash Out: \$10.00 Detail: Box of blue pens Cash In: \$10.00 Total: Voucher No: 3 PETTY CASH VOUCHER EXAMPLE Date: August 8, 2016 Cash Out: \$7.00 Detail: Ground Coffee Cash In: Total: \$7.00 Voucher No:

PROFIT AND LOSS REPORT EXAMPLE **INCOME** Description Amount (example - Sales, Service Income, Inventory Income) The income and expenses on Sales Income - Hats 108.94 this report include totals from Sales Income - Tops 71.56 both the **Cashbook** and the Petty Cash Log added together **Amount** 180.50 **Total Income COST OF GOODS SOLD** Amount Description (example - Materials, Sub-Contractors, Inventory, Freight) Amount **Total Cost of Sales** 0.00 Amount **Gross Profit** 180.50 (Total Income Less Cost of Sales) **EXPENSES** Description Amount (example – Advertising, Stationery, Postage, Fuel) Bank Fees 2.50 Note: Petty cash float and Drawings go on the Cleaning 25.00 **Balance Sheet** Kitchen 29.00 Office Equipment 127.00 Parking 3.00 Stationery 72.00 Webhost 40.00 Amount 298.50 **Total Expenses** Amount Net Profit/(Loss) (118.00)(Gross Profit Less Expenses)

GENERAL JOURNAL EXAMPLE (Page 1)

J1

Description	Debit (Dr)	Credit (Cr)	Ref
Petty Cash	100.00		
Bank		100.00	
Cash withdrawal for petty Cash float	for posted goes into	o the 'Ref' column	V
Stationery	15.00		601
Bank		15.00	001
Folders & pens from Stationers Corp.			
paid with bank Card (EFT)			
Bank	54.00		001
Sales Income – Hats		18.22	418
Sales Income – Tops		35.78	
Sale: Ms E Inkson paid by check			
Bank	30.00		001
Sales Income Hats		30.00	418
Sale: Mr R U Redy paid by direct			
deposit			
Drawings	10.00		330
Bank		10.00	001
Owner's private use of business funds			
paid by bank card (EFT)			
Stationery	20.00		601
Bank		20.00	001
Envelopes & stamps from Stationers			
Corp. paid with bank Card (EFT)			
	Petty Cash Bank Cash withdrawal for petty Cash float Stationery Bank Folders & pens from Stationers Corp. paid with bank Card (EFT) Bank Sales Income – Hats Sales Income – Tops Sale: Ms E Inkson paid by check Bank Sales Income Hats	Petty Cash Bank Cash withdrawal for petty Cash float Stationery Bank Folders & pens from Stationers Corp. paid with bank Card (EFT) Bank Sales Income – Hats Sales Income – Tops Sale: Ms E Inkson paid by check Bank Sale: Mr R U Redy paid by direct deposit Drawings Drawings Drawings paid by bank Card (EFT) Stationery Stationery Stationery Drawings Drawings	Petty Cash Bank Cash withdrawal for petty Cash float Stationery Bank Stationery Bank Stationery Bank Stationery Bank Stationery Stationery Bank Sales Income – Hats Sales Income – Tops Sale: Ms E Inkson paid by check Bank Sales Income Hats Sales

GENERAL JOURNAL EXAMPLE (Page 2)

J2

Date	Description	Debit (Dr)	Credit (Cr)	Ref
August 24	Webhost Expenses	40.00		
	Bank		40.00	001
	August webhost fee paid to Webhost			
	Inc. by Direct Debit			
August 27	Office Equipment Expense	127.00		
	Bank		127.00	001
	Office chair from Simply Chairs			
	paid with Check 0001			
August 29	Bank	30.00		001
	Sales Income – Hats		30.00	418
	Sale: Mr J Mighty paid by bank			
	deposit			
August 30	Bank fees	2.50		
	Bank		2.50	001
	Monthly account charge			
August 30	Bank	54.00		001
	Sales Income – Hats		18.22	418
	Sales Income – Tops		35.78	
	Sale: Ms TReal paid by Cash			

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GENERAL LEDGER EXAMPLE 1

Account: BANK 001

Description	Ref	Debit	Date	Description	Ref	Credit
August 2016						
Opening balance	b/f	300.00	Aug 01	Petty Cash	J1	100.00
Sales - Hats	J1	18.22	Aug 04	Stationery	J1	15.00
Sales - Tops	J1	35.78	Aug 19	Drawings	J1	10.00
Sales - Hats	J1	30.00	Aug 21	Stationery	J1	20.00
Sales – Hats	J2	30.00	Aug 24	Webhost Exp.	J1	40.00
Sales – Hats	J2	18.22	Aug 27	Office Equip.	J2	127.00
Sales – Tops	J2	35.78	Aug 30	Bank Fees	J2	2.50
		468.00				314.50
September 2016						
Opening balance	b/f	153.50				
	August 2016 Opening balance Sales - Hats Sales - Tops Sales - Hats Sales - Hats Sales - Hats Sales - Hops Sales - Tops	August 2016 Opening balance b/f Sales - Hats J1 Sales - Tops J1 Sales - Hats J2 Sales - Hats J2 Sales - Hots J2 Sales - Tops J2 September 2016	August 2016 Opening balance b/f 300.00 Sales - Hats J1 18.22 Sales - Tops J1 35.78 Sales - Hats J1 30.00 Sales - Hats J2 30.00 Sales - Hats J2 18.22 Sales - Tops J2 35.78 468.00 September 2016	August 2016 J1 300.00 Aug 01 Sales - Hats J1 18.22 Aug 04 Sales - Tops J1 35.78 Aug 19 Sales - Hats J1 30.00 Aug 21 Sales - Hats J2 30.00 Aug 24 Sales - Hats J2 18.22 Aug 27 Sales - Tops J2 35.78 Aug 30 \$eptember 2016 \$eptember 2016	August 2016 Dening balance b/f 300.00 Aug 01 Petty Cash Sales - Hats J1 18.22 Aug 04 Stationery Sales - Tops J1 35.78 Aug 19 Drawings Sales - Hats J1 30.00 Aug 21 Stationery Sales - Hats J2 30.00 Aug 24 Webhost Exp. Sales - Hats J2 18.22 Aug 27 Office Equip. Sales - Tops J2 35.78 Aug 30 Bank Fees 468.00 Feptember 2016 Feptember 2016	August 2016 Dening balance b/f 300.00 Aug 01 Petty Cash J1 Sales - Hats J1 18.22 Aug 04 Stationery J1 Sales - Tops J1 35.78 Aug 19 Drawings J1 Sales - Hats J1 30.00 Aug 21 Stationery J1 Sales - Hats J2 30.00 Aug 24 Webhost Exp. J1 Sales - Hats J2 18.22 Aug 27 Office Equip. J2 Sales - Tops J2 35.78 Aug 30 Bank Fees J2 September 2016 Feptember 2016 Feptember 2016 Feptember 2016

GENERAL LEDGER EXAMPLE 2

Account: STATIONERY 601

Date	Description	Ref	Debit	Date	Description	Ref	Credit
	August 2016						
Aug 1	Opening balance	b/f	50.00				
Aug 4	Bank	J1	15.00				
Aug 21	Bank	J1	20.00				
Aug 7	Petty Cash	J 3	10.00				
Aug 15	Petty Cash	J 3	9.00				
Aug 25	Petty Cash	J 3	18.00				
			122.00				

GENERAL LEDGER EXAMPLE 3

Account: SALES INCOME - HATS 418

Date	Description	Ref	Debit	Date	Description	Ref	Credit
	August 2016						
Aug 1	Opening balance	b/f	1,560.00				
Aug 15	Bank	J1	18.22				
Aug 18	Bank	J1	30.00				
Aug 29	Bank	J2	30.00				
Aug 30	Bank	J2	18.22				
Aug 22	Petty Cash	J 3	12.50				
			1,668.94				
	September 2016						
Şep 1	Opening balance	b/f	1,668.94				

GENERAL LEDGER EXAMPLE 4

Account: DRAWINGS 330

Date	Description	Ref	Debit	Date	Description	Ref	Credit
	August 2016						
Aug 1	Opening balance	b/f	125.00				
Aug 15	Bank	J1	10.00				
			135.00				
	September 2016						
Şep 1	Opening balance	b/f	135.00				

	HOME OFFICE EXPENSES EXAMPLE									
	Power/ Electricity	Heating	Telephone (Landline)	Interest on Mortgage	Rent	City Rates/ Taxes	Home & Contents Insurance	Repairs & Maintenance	Depreciation	Total Per Month
January	308.05		110.11	289.10		150.00	110.00			967.26
February	323.12		125.53	278.05		150.00	110.00			986.70
March	315.65		98.68	275.09		150.00	110.00			949.42
April	302.48		112.10	271.01		165.00	110.00	250.00		1210.59
May	295.17		122.00	268.68		165.00	110.00			960.85
June	260.01		121.04	265.23		165.00	110.00			921.28
July	204.78		85.22	262.72		172.00	110.00			834.72
August	258.63		111.16	259.24		172.00	110.00			911.03
September	263.92		102.98	256.83		172.00	110.00			905.73
October	275.87		118.63	253.10		178.00	110.00			935.6
November	299.02		105.02	249.98		178.00	110.00	80.00		1022.02
December	310.44		187.60	247.02		178.00	110.00			1033.06
Total Paid	3,417.14		1,400.07	3,176.05		1,995.00	1,320.00	330.00		11,638.26

Grand Total	11,638.26
Percentage	10%
TOTAL CLAIM*	1,163.83

Enter the percentage of your home that is exclusively used as the business office

The journal is: Debit "Home Office Expenses" expense account and Credit "Owner's Funds Introduced".

^{*}The TOTAL CLAIM amount will be brought in to the books by a journal at the end of the financial year so that it becomes part of the expenses listed on the Profit & Loss report. You can enter the amounts monthly if you wish by calculating 10% of the Total Per Month each month.

10 BOOKKEEPING FORMS AND TEMPLATES

PART THREE

USING THE TEMPLATES

Information Guide

Follow this link to find Microsoft Excel based templates for all these forms.

If you want these templates in **Microsoft** *Word* format, please <u>Contact</u> me.

Single Entry Bookkeeping – Using a Cashbook

It is possible for a business to operate with the single entry bookkeeping system if the business is new or the business transactions are low in volume and un-complicated.

Single entry bookkeeping is a great, easy way to ease yourself into accounting! And it's cheap because you do not have to invest in bookkeeping software.

This method of bookkeeping is a simple record of income and expenses using a manual **cashbook** and calculator, or a spreadsheet in a self-calculating program such as Open Office, Excel or Quattro Pro.

If you are keen on starting with single entry bookkeeping for your budding business, then take a look below at the sample of a very simple cash book/spreadsheet. It's easy to set one up just like it.

Date	Description	Ref	Income	Expenses	Bank Balance	
1-Дрг	Balance b/f				200.00	R
4-Дрг	Folders and pens	1		15.00	185.00	R
15-Дрг	Sale: Ms E Inkson	2	54.00		239.00	R
18-Дрг	Sale: Mr R U Redy	3	30.00		269.00	R.
19-Дрг	Drawings	4		10.00	259.00	R
21-Apr	Envelopes & Stamps	5		20.00	239.00	R.
24-Дрг	Web host fees	6		40.00	199.00	R
27-Apr	Simply Chairs: Chair	2		127.00	72.00	
29-Дрг	Sale: Mr J Mighty	8	30.00		102.00	R
30-Дрг	Bank Fee	9		2.50	99.50	R.
30-Дрг	Sale: Ms TReal	10	54.00		153.50	
	Totals		168.00	214.50	153.50	C/F

BANK RECONCILIATION					
Cash Book Balance	153.50				
Add: Unpresented check	127.00				
Subtotal	280.50				
Less: Deposit not yet showing	54.00				
Bank Statement Balance	226.50				

The Date - This is the date of the transaction which you can get off the <u>accounting source</u> documents.

Description - A brief description of the transaction. You can put whatever information you feel necessary, but don't overdo it!

Reference - You can basically choose whatever reference will help you identify the transaction. Some people use the invoice numbers, or the initials of the type of payment transaction (like DC for Direct Credit). The reference can be written somewhere on the transaction document, if it's not on there already - like an invoice number. This is a good way of cross referencing the transaction and payment between the cashbook and the document.

Income/Expenses - Simply insert the value of the transaction into the appropriate column... is it money coming in to the business or money going out of the business? You could change the headings to 'Money In' and 'Money Out' if you prefer.

Bank - This is a running balance column that changes each time a transaction is entered. Add the income, subtract the expenses. Notice on 01 Apr there is an opening balance. This is the balance taken from the last day in March and brought forward (b/f) to Apr. It can also be called b/d - brought down.

Okay! Now you've got the hang of that, let's discuss the bottom section of the spreadsheet...

Check out our related page on the <u>cash book format</u>.

The Bank Reconciliation

This is done to match the cash book total to the bank statement total for the end of April. You just need to go through and tick each cash book item that has a corresponding entry on the bank statement. Or you can put an R for reconciled as the example above shows.

Also included in the reconciliation is the check of \$127.00 - this was already written in the cash book but as at the end of April the supplier had not yet presented it to their bank so it is 'added back in'. The deposit made of \$54.00 is yet to be taken to the bank by our bookkeeper so this should be 'taken away'.

Do not include any transactions in the cash book that are never going to be reflected on the bank statement. The two should always agree.

Expanding the Single Entry Bookkeeping Spreadsheet

If you want to keep a slightly more detailed cashbook, you can! See the Cashbook Template in Part One of this book and the filled in example in Part Two of this book.

A separate column is made for each sale item and each expense item, and totaled. This is a great way of keeping closer tabs on how much you are receiving or spending for each income or expense type.

By the way, these separate columns are what make up the 'accounts' of a bookkeeping system i.e. bank account, stationery account, internet account and so on.

With this extended sheet it is wise to double check that the totals going across the sheet add up to the totals going down the sheet and so maintaining the accuracy of your accounts.

The difference between the Income and Expenses is written just below the Income Bank column as the c/f figure. Carry on with a bank reconciliation as in the previous example.

Once your business grows and you're able to process a cashbook with confidence you can move on from single entry bookkeeping.

Remove the training wheels and expand into double entry bookkeeping.

Bank Reconciliation Statements

Learn everything you need to know about bank reconciliation statements for a business - how to do them and how often. This information can also be used to balance your personal bank accounts. Check the Bank Reconciliation Form in Part One and the example in Part Two.

What are Bank Reconciliation Statements?

Any business that is receiving and spending money will use banking and bank reconciliation procedures.

The bank will regularly send the business a bank statement which lists, in date order, the money that has gone in and out of the bank account.

In the meantime, the business bookkeeper will have entered these withdrawals and deposits into the business cashbook.

Why Do Bank Reconciliation Statements Need to Be Done?

Bank reconciliations verify that the funds going in and out of the *cashbook* agree with the funds going in and out of the *bank account*.

If the closing balance of the cashbook does not match the closing balance of the bank statement, the cashbook will need to be adjusted or amended. The reconciliation helps the bookkeeper to find what is causing the difference and make the necessary adjustments.

Of course, there may be an error on the bank statement rather than the cashbook, however, in my experience banks very rarely make these errors. I'm not saying they don't happen, but it is rare!

If you live in a country where you must collect and pay sales tax, bank reconciliation statements will help you find any entries you may have doubled up on in the cashbook – which will help you avoid paying too much sales tax – or too little!

Your tax accountant will want to check the accuracy of your cashbook by viewing your final bank statement and reconciliation statement for the end of the financial year.

An accurate cashbook plays a big part in ensuring the correct tax is paid to the government.

How Often Should Bank Reconciliation Statements Be Done?

Bank reconciliation statements are generally completed **once a month.**

However, if your business is very busy with many transactions you could ask your bank for an extra **statement mid-month**, **or even weekly**.

That way you can easily stay on top of the reconciliations and avoid feeling rushed or stressed once a month.

If you have access to **internet banking** you do not have to wait for the bank to send you a statement. Simply print a transaction listing for the dates you require. Ensure there is an opening balance and a closing balance because these are required to complete an accurate reconciliation.

There are no "rules" about how often to do a bank reconciliation statements. You can do it **daily** if you wish. Then again, you could do it **six monthly** but only if you have *very* few business transactions so that you don't overload yourself with too much work in one sitting!

Also, important to note is that you should never reconcile a bank statement to **today's date**, because today is not yet over and your closing balance might change by the end of the day. The most up-to-date you can make a reconciliation is to yesterday's date (meaning up to the day before you prepare a reconciliation).

How to Do Bank Reconciliation Statements

Options on where to do it:

- Enter a reconciliation summary underneath the relevant month in the cashbook, or
- Prepare a bank reconciliation form, or
- Invest in bookkeeping software that has reconciliation capabilities.

If you are keeping a manual cashbook you need to check each cashbook entry against each bank statement entry. You can put a small tick *on* the bank statement next to the entry and put a tick or an 'R' for reconciled *in* the cashbook next to the relevant entry.

If there are extra entries in the cashbook that do not show up on the bank statement, or vice versa, you need to highlight or circle them so that you can adjust the cashbook once you find out what they are. They might be: -

Outstanding checks/withdrawals* - these are checks that your business has entered into the cashbook and sent to vendors but which did not show up at the bank by the closing date of your bank statement.

Outstanding deposits/receipts** - these are payments that you have received into the cashbook, but which were not deposited to your bank before the bank statement closing date.

Bank Fees and Interest - these are charges that you would normally only know about after receiving your bank statement. You will need to enter these into the cashbook.

Other Unidentified Entries - if there are any other entries missing from either document then you will need to investigate how they got there and make the necessary adjustments.

- * Outstanding checks/withdrawals will be added to the reconciliation
- ** Outstanding deposits/receipts will be deducted from the reconciliation

If the bank account is in overdraft, then do it the other way around.

Reconciliation in the Cashbook

See the <u>example reconciliation</u> underneath the cashbook spreadsheet in this link. It shows how a reconciliation report can be entered directly underneath the completed month.

Bank Reconciliation Form

If you don't want to enter the reconciliation *into* the cashbook, you can use the form in this book in Part One and see the example in Part Two.

Bookkeeping Software Reconciliation

Bookkeeping software that has reconciliation capabilities makes the whole process quick and easy. All you need to do is click on the reconciliation section of the software, run your eyes down the bank statement, check off each entry in the software's reconciliation section, add in the extra entries, press a button...

...and voila! you should have an automated bank reconciliation statement that you can print out and place into your filing system.

Delivery Docket Template

Use this free delivery docket template to produce one for your business with ease.

All the basic information necessary for producing your own sheet is here.

All you have to do is add in the details relevant to your business and you are ready to deliver the goods.

Delivery Docket Advantages

For the seller

- The docket can be used to check the items against the customer's order
- The warehouse can prepare one without worrying about putting in the prices as this will be done by the accounts office when they prepare the sales invoice
- It can be useful for quickly getting the items out, giving the bookkeeper time to check on prices/queries, if necessary
- The docket can go with the shipment, whilst the sales invoice can be emailed to the customer.

For the buyer

- The department receiving in the goods can use it to double check the goods have all been received according to what was originally ordered
- The docket is the source document for updating the inventory records
- Once checked and authorized the docket can be given to the accounts department who will then know to expect an invoice from the seller.

Check the filled in delivery docket sample in Part Two of this book to see how to complete the template.

The following information should be found on this document: -

- The date
- The number

- The name and address of buyer
- Name, address and contact details of seller
- Buyer's purchase order number (PO#)
- Date of order
- Date of delivery
- Description and code of goods
- Quantity ordered and delivered
- Items that are not immediately available are placed in the back-order column
- Comments about anything specific to the order, such as when the etd. (estimated time
 of delivery) of the back ordered items is due to be shipped.

Handling This Document

By the Seller

- The docket should be placed inside the envelope or box at the top where it can be easily retrieved.
- Another way is to place it inside a plastic sheath for protection which is then taped onto the outside of the shipment envelope or box.
- You can also email a copy to the buyer.

By the Buyer

- The accounts department should keep it in a folder where it can be matched up to the purchase invoice once received. It can be attached to the back of the invoice, or filed away into a separate folder in alphabetical order.
- Delivery dockets are not always necessary to issue because a sales invoice can also be used as a type of delivery docket, thus avoiding having to use a delivery docket template.

Sales Invoice Template

Create Your Own Invoice

A sales invoice template is an outline document into which is added information relevant to each sale you make to a customer.

This template is available from the following resources: -

- The PDF version in this eBook
- A pre-printed duplicate invoice book available from stationery suppliers
- A sales invoice template within your favorite spreadsheet program such as Excel
- Bookkeeping computer software that has the capability of producing invoices.

The outline of the sales invoice template will include unchangeable information like: -

- Your business name, address and logo
- Your business sales tax number if applicable
- The words 'Date' and 'Invoice No.'
- Column headings, etc.
- Your payment terms
- If you want payment directly into your bank account, then display the account number
- Your interest charge per year for overdue payments
- A remittance slip (optional)

Hint - always use the decimal point and cents units. Example, \$5.00 is better than \$5 - this avoids any doubt about the full cost.

You probably receive sales invoices, also called bills, all the time. Study one and take note of what information is on it.

What details from a sale should an invoice include?

Refer to the Sales Invoice Example in Part Two of this eBook.

The Top

- The customer's name and address
- An invoice number. Start with something like 4001 or 0002510 rather than number 1 which is too basic
- The date of the sale. If you deliver a product and only prepare the invoice several days later, use the date you prepare the invoice. On the invoice you could indicate the delivery date and docket number in the Description column (It's always a good practice to issue delivery dockets if the invoice is only going to be posted out later).
- The customer purchase order number if they have given you one

The Middle

Columns headed: -

- Quantity (optional)
- Description
- Unit Price (optional)
- Discount (optional)

The above *optional* items are optional because you could put a one-line detail into the 'Description' column. For example - '3 x hats @ \$5.00 each' with the total of \$15.00 in the 'Cost' column. It looks more professional to use *all* the columns so it depends on your situation.

Many businesses provide both service *and* parts in the same job (like a plumber spending time fixing a sink - *the service*, and providing the replacement parts - *the items*). These can both be included on the same invoice.

The Bottom

- A subtotal below the 'Cost' column (optional)
- A tax amount (optional)
- The total due
- Your early payment discount terms if you provide them

Your payment terms should indicate whether you want cash on delivery, or payment within 7 days or by the end of the month following the date of invoice or some other date.

The Remittance Slip

This is a bit of paper the customer can return to you with their payment so that you know who it's from and what sales invoice it is for. The remittance should show: -

- The customer name
- The sales invoice number
- The amount due
- A blank line onto which they can write how much they are paying (if they are not paying the whole amount)

Discounts

Early Payment Discounts

You could offer an early payment discount of say 10% as an incentive for the customer to pay cash before receiving delivery, or to pay by the due date if you extend credit. Just be sure you can afford the discount. Does your markup cover it?

Most people love to know they can pay less than they have to. If a discount encourages them to pay on time at least you are getting the money in and not wasting energy, time and money on chasing overdue payments.

Bulk Discounts

You can also offer a discount to customers who buy in bulk. Here again you need to decide what your limits are. A customer buying 100 hats could well deserve a discount of 20% if your original markup per hat still allows you some profit after this discount.

Discounts are an expense to your business and coded to a 'Sales Discounts' expense account in your Chart of Accounts.

Hint: Sales are coded to the Income account in your Chart of Accounts. You can break it down to two - Service Income and Parts Income

Credit Note

A Credit Note is usually produced to reduce the total of an invoice in the following scenarios: -

An error has occurred such as an overcharge

- A customer complains about the product and you decide to give them a discount
- To 'cancel' out a sales invoice when an unsatisfied customer returns a product

You can use the exact same layout as your sales invoice template replacing the words 'Tax Invoice' with 'Credit Note' and put a negative sign next to the value (like this -\$5.00).

In the description column be sure to indicate which sales invoice the credit note is amending. Keep the description short and sweet; if you want to keep lots of detail put it on a separate sheet of paper to file with the copy of the credit note.

Post out to the client as you would a sales invoice.

Statement of Account

Sample and Template

A statement of account is a summary of all sales made to a customer during the month.

It is usually only issued to customers whom the seller has previously approved to have an account with them, and who have signed the sales/purchases terms of agreement.

Statements only need to be sent to customers who pay their account in the months following the date of invoice. Customers who pay right away or within a short time frame, like 7 days, don't need to be issued a statement.

A customer with a zero balance on their account does not need to be sent a statement unless they specifically request one, which doesn't usually happen.

Statements can be printed and posted, or emailed to the customer. If you prefer to send emailed documents, you can use an <u>Excel template</u> of this form. Simply fill in all your details, and 'save as' a PDF document. If you want to fill the form in by hand, you can use the template in this book. Look at the filled in example in Part Two of this book.

Details On Statement of Account

Some of these details may be obvious requirements but check the list carefully as there may be one or two things you hadn't thought of.

Name and address

- Top Half On the top half of the statement the customer's full business name and address needs to be included, as well as yours, the seller, with contact numbers.
- Bottom Half Complete your business name and address on the remittance, and your customers name on the right.
- Reference This could be your customer's account number if you allocated them one when approving them as account holders. Or you could use the month as a reference i.e. April. Or just leave it blank.

Date

Some businesses date their statements at the last day of the month e.g. August 31, this statement will show all invoices and credit notes for the month of August.

Some businesses date their statements at the first day of the month i.e. September 1, and will show all invoices and credit notes for the month of August.

There is no strict rule about how to date it. Choose your preference and stick with it. Our preference is the last day of the month.

Opening Balance

This is the 'total due' balance taken off the statement sent out the previous month.

Headings

- Date this is the date on the invoice or credit note sent
- Inv. No. this is for the numbers of the credit notes or invoices that were sent out. Payments can be allocated the reference number given it in the cashbook
- Description describes the type of document or transaction affecting the customer
- Amount this is the amount of each sales invoice or credit sent to the customer note the credit has a negative sign in front of it
- Payment the column in which to show any payments the customer made during the month.
- Remaining the amount left after each invoice addition or credit/payment subtraction.

Totals/Interest

The sub-total is the balance left once all the invoices, credits and payments have been factored in. Then the interest can be added on – <u>calculated on overdue payments</u> from the previous month - or a discount for early payment taken off. This ends up with the final total due by the customer. Make the final total stand out in a bold or larger font.

Extra Details

• Comments - The comments section can be used for a personalized message by the seller to the customer such as 'thank you for your business!'.

- Due date/payment type It is important to let the customer know when payment is expected. Give them options of type of payment you accept, like direct banking (be sure to include your full bank account number), check or credit card.
- Interest percentage also often called 'finance charge'. Remind the customer how much interest will be charged on overdue payments. Go to <u>accounts receivable collections</u> to learn how to calculate interest charges.

Remittance

Entering your business name and address on the remittance makes it convenient for the customer – it means they don't have to do it and they can simply pop it into a window envelope to be posted to you. Fill in your customer's name on the right so that you know which customer the remittance is from when you open the envelope.

Note: many customers will pay by direct banking but will post the remittance so you know exactly what they are paying. Many customers will not use it which can be a nuisance if they only pay a portion of each invoice leaving you not knowing which invoices to allocate their payment against – ring them in this instance.

Customer Cut Off Dates

Many business customers have a cut-off date (such as 5th of the month) beyond which any invoices you send will not be included in their current pay run but held over for the next month's one, so be sure to process all your invoices as soon as the month has ended and issue your statement of account right away.

Invoice/Statement Adjustments

Once a statement of account has been sent to the customer, do not then go back and amend an invoice unless it has been discussed with the customer so they are aware of any issues. If you have to amend an invoice, then be sure to send the customer both the amended invoice and an amended statement of account showing the new balance.

Petty Cash Log

Know Your Petty Cash Procedures

Here you will learn how to keep a petty cash log, when to use petty cash slips, and how to stay on top of the petty cash float. Ensure your petty cash procedures are up to scratch so that you can confidently reconcile your cash expenses at the end of every month and claim them for tax purposes.

What is Petty Cash?

Petty cash is a small amount of cash that any business can keep on their premises in a lockable container. Petty cash should be properly controlled with a petty cash log and accurately entered into the bookkeeping system in the same way you would maintain a bank account.

Petty cash can be used for: -

- small purchase items such as tea, coffee, sugar, stationery
- giving change to customers who pay cash
- holding cash that has been paid by a customer it can be 'deposited' into the petty cash box instead of the bank account (larger cash payments should be deposited to the bank).

Four Steps to Setting Up the Petty Cash Box

Step 1: Purchase a Petty Cash Box

Read our article on <u>10 things to consider</u> when buying a cash box. Choose the size appropriate for you and one that has a lock and keys. Most boxes have a removable tray on which you place all the coins. The tray comes out and underneath is a space for the notes of cash and the vouchers.

Step 2: Decide on the Petty Cash Float

The float is the maximum amount with which you start off your cash box. You may decide \$50 is enough to start with, so the float is \$50.00. Withdraw \$50 from your business bank account ensuring you ask for the coins you think you will need. Fill in a petty cash voucher/slip as per the example below, and place the money and your very first voucher in the box!

Step 3: Petty Cash Voucher

You can buy pre-printed, numbered petty cash vouchers from a stationery store, or you can design one on your computer, or use the ones in this book. These pre-printed slips are good for helping you to remember all the details you need to put on the voucher. Blank bits of paper may encourage sloppy habits such as forgetting to put the date, the proper amount etc.

Step 4: Petty Cash Log

The petty cash log is useful for keeping a running total of the balance left in the box - a good way to ensure the box doesn't run short of cash.

Prepare a blank petty cash log utilizing a small book or you can use the template in this book in Part One and check out the completed example in Part Two.

Keep this log readily available so you can fill it in on a regular basis taking the information off the petty cash vouchers.

Four Steps to Maintain the Petty Cash

Step 1: Cash Withdrawals/Deposits

Every time cash is taken out the box a voucher should be filled in like the examples in Part Two of this book.

There are several options here: -

- 1. Fill a voucher for cash out of say \$5.00 and when the change is returned complete the 'cash in' box of the voucher and attach the receipt; or
- 2. Take the cash, buy the item, put the change and the receipt back into the box and only then fill in the voucher 'cash out' with the exact amount as per the receipt.
- 3. Take the cash, buy the item, put the change and the receipt back into the box. Don't worry about filling in vouchers. Simply fill in the petty cash log.

With option 2) and 3) care needs to be taken to at least put a receipt of some sort into the box if you don't have the patience to fill in a voucher or log.

If you are forgetful you may discover at the end of the month that cash has been taken with absolutely no record of what it was used for. If this has happened to you, put it to owner's drawings

– and only if you are the owner or have permission to do so! Otherwise you need to fess up to the boss and admit there's been an error :(.

Ensure there is a receipt for every item purchased just the same as when you make purchases from your business bank account (except of course this may not be possible in some cases like with parking meters). Keeping receipts and/or invoices is a standard bookkeeping and accounting practice and is something an auditor will check.

Step 2: Petty Cash Log

On a regular basis (perhaps every time the cash box is used, or weekly) complete the petty cash log. Keep it in or near the petty cash box so it is within easy reach.

Step 3: Petty Cash Reconciliation

The petty cash should be reconciled at the end of the month the same way a <u>bank account is</u> <u>reconciled</u>. Also, the cash will need to be counted and the total should match the total at the bottom of the petty cash log.

Step 4: Petty Cash Top-Up

The final step is to top-up the petty cash to the float amount. Many people get confused about topping up a float. If you initially decided that the float is \$50.00, and at the end of the month you have more than \$50.00, the extra should be deposited into the bank account so that you start the new month with \$50.00. If there is less than \$50.00, then the cash box should be topped up *to* the \$50.00 amount. You do not top up *with* \$50 (unless of course, there is nothing left in the box)!

Profit and Loss Statement

A **profit and loss statement** provides information on how the business is doing.

Is it making a loss or is it making a profit?

The information for this report is taken from the business bookkeeping records from a period of time, such as one month or a year.

This report is only as good and accurate as the data in the bookkeeping system.

The statement lists the Income and Expenses, which is why it also goes by the name of Income and Expense Report, or more simply Income Statement.

It is also known as the **Statement of Financial Performance**.

The following is found on a profit and loss statement: -

- All the Income
- All the <u>cost of goods sold</u> (also known as cost of sales)
- All the deductible business expenses
- The accounting profit or loss result

It **does not** have the following information: -

- Assets
- Liabilities
- Equity

...these details are included on another report - the Balance Sheet.

This report can be produced weekly, monthly or annually.

Monthly is recommended for keeping an eye on how the business is doing. It can be based on accrual figures or cash figures.

What is a Profit and Loss Report used for?

Calculate Tax

If a net <u>profit</u> is earned, this figure will be used towards calculating the Income Tax payable to the government. This is done at the end of every financial year (every 12 months).

If the year-end result is a loss, there will usually be no income tax to pay because losses are tax deductible but they are not so good for the day to day running of the business as it means the cash flow will be tight and it will be difficult to cover expenses.

Loan Applications

If the business is applying for a financial loan, the loan provider (like a bank) will want to see the applicant's Profit and Loss Statement to analyze if loaning money to the business is a viable step.

Check the Cost of Goods Sold

To help the bookkeeper pin-point if the business is recouping its cost of goods sold. i.e. is the business on-charging to customers all the direct costs it incurred to complete a job?

Analyze Business Trading Trends

A chart of monthly summary figures taken from the Profit and Loss statement is useful for showing the trends of business trading, such as the rise and fall of income and expenses.

This gives the owner an opportunity to analyze the activities of the business and investigate why, for example, income in one month was much lower than another month which leads to the next point...

...An aid to Improve Business Operations

To help business management work out ways of improving business operations such as where to cut down on expenses.

Bookkeeping Journals

Bookkeeping journals are the daily diaries of a business into which all transactions are recorded in date order, much like personal journals in which people record the events that happen in their life in date order.

They also go by the name of: -

Day books - these books are used daily;

Books of original entry - these are the first place the transactions are recorded using the information taken from <u>accounting source documents</u>.

The information from the bookkeeping journals is transferred to bookkeeping ledgers. This transfer is called 'posting'. The journals show which ledger account should be debited with the transaction amount and which one should be credited with the same amount.

Check out <u>debits and credits</u> for a better understanding of this system.

Journal Types

There are two main types

General Journal (see example in Part Two of this book)

Special Journals: -

- Sales Journal
- Cash Receipts Journal
- Sales Returns and Allowances
- Purchases Journal
- Cash Payments Journal
- Purchases Returns and Allowances

On this page we will discuss the General Journal and *two* Special Journals i.e. the Sales and Purchases Journals.

General Journal

The General Journal is the main bookkeeping journal of a business. Most transactions are entered into it.

Information from the General Journal is posted into the main ledger known as the <u>General Ledger</u>.

It is easy to set up a journal in a lined exercise book or computer spreadsheet. You need five columns.

Sample General Ledger Journal Entry: -

Date	Description	Dr	Cr	Ref
Oct 18	Telephone	35.00	- 3	005
	Bank		35.00	001
	Telecom bill paid with Chq 0025			

The first line (telephone) is against the margin which means that this ledger account is to be debited. Notice how the second line (bank) is indented to show that this is the account to be credited.

There is a description line which gives a brief explanation of the supplier's name and how it was paid.

Once the information has been posted to the ledgers, the last column 'Ref', also known as 'Post Ref' can be used in two ways: -

- 1. Enter a 'P' (for posted), or
- 2. Enter the ledger account number as in the above illustration.

If the P or the account number is not there it would mean the information has not been posted yet.

The next business transaction will be recorded directly below this one by simply skipping one line.

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The whole page of the General Journal will be filled up in this manner with business transactions as they happen.

Each page of the journal is assigned a number such as J1 for the first page, J2 for the second and so on. This page number will be used as a reference in the bookkeeping ledgers.

Sales Journals

Date

Let's have a look at an example of an entry in the general journal for a sale on credit (sales that will only be paid for in 30 or 60 days etc.): -

Description Dr

General Journal

Cr

Ref

| Sep 18 Accounts Receivable | 120.00 | 002 |
| Sales | 120.00 | 003 |
| Mr Green: terms 30 days |

Note - <u>Accounts Receivable</u> is the 'control account' ledger used for recording sales that have not yet been paid for. If the sale was paid for right away the debit account would be 'bank'.

There is a problem with this type of entry...

... many sales on credit require the entry of repetitive bookkeeping journals which would be tedious. It is better to only have one journal to enter - a summary of all sales on credit - at the end of the month.

Therefore, it makes sense to maintain a separate journal designed to handle customer transactions... The Sales Journal.

The sales are listed under each other using only one column for the amounts. This takes away the need to do debit and credit entries and a description line for every sale, which greatly reduces time spent on this task.

At the end of the month, the list is totaled and the debit and credit journal entry indicated on the bottom line.

The reference is the first letter of the client's name (or surname for an individual), or it could be assigned a number, e.g. if the Accounts Receivable ledger is given the account number '003, then customers could be given the number 003.1, 003.2 etc.

Here is a sample of a Sales Journal:

SJ₁ Ref Amount Date Account Inv No. Terms 4001 30 days Jul 2 C. Harvey Н 150.00 4002 60 days 18 A. Best B 240.00 4003 30 days 27 C. Harvey 190.00 31 Dr Accounts Receivable, Cr. Sales \$580.00

Purchases Journals

These work much the same as sales journals and are used to record the purchase of items that will only be paid for in 30, 60 etc. days.

Here is an example of a general journal entry for a purchase on credit: -

Date	Description	Dr	Cr	Ref
Jul 8	Office Supplies	180.00		005
	Freight	20.00	3	006
	Accounts Payable	28	200.00	002
	Purchase from N E Vendor: 60 days			

Note - <u>Accounts payable</u> is the 'control account' ledger used for recording purchases that have not yet been paid for. If the purchase was paid for right away the credit account would be 'bank'.

Unlike sales, there are usually many different types of purchases so the Purchases Journal has multi columns to show the detail.

Some types of purchases are made on a frequent basis so these have their own columns. See the illustration below. The frequent ones are Purchases, Store Supplies and Office Supplies. The other purchases that don't happen so regularly are detailed under the generic 'Other Accounts' column: -

Notice how the account numbers are shown in brackets at the bottom of the columns for the frequent purchases.

P5

			Accounts		Shop	Office	Other Accounts Debited		
Date	Account Credited	Ref	Payable CR	Purchases DR	Supplies DR		Account DR	Ref	Amount
June 1	N E Vendor		230.00		140.00	90.00			
4	Easy Market Suppl.		560.00	560.00					
14	Bits and Bobs		230.00				Shop Tools	201	230.00
25	Stationery Galore		28.00			28.00			
24	Easy Market Suppl.		480.00	480.00					
29	Real Bargains		1000.00				Office Equip.	112	1000.00
			2,528.00	1,040.00	140.00	118.00			1,230.00
			(100)	(110)	(212)	(214)			

Whew! ...and that's only three of the bookkeeping journals! Your head is probably spinning now with all this information.

<u>Check out these journal entry examples</u> **and try your own with this** <u>journal entry template in excel</u>

Bookkeeping Ledgers

Bookkeeping ledgers are defined as books of financial accounts.

There are three ledgers used in the double entry bookkeeping system: -

- 1. The General Ledger
- 2. The Accounts Receivable Ledger
- 3. The Accounts Payable Ledger

The General Ledger

This is the **main bookkeeping ledger** for a business. Each page of this ledger represents one account found in the <u>Chart of Accounts</u>.

The details from every business transaction, such as the date and amount are posted from the General Journal into the appropriate General Ledger pages.

			Ban	k		001		
Date	Description	Ref	Debit	Date	Description	Ref	Credit	
Apr 1	Opening balance		4,500.00	Apr 1		J1	25.00	
4		J1	180.00	4		J1	250.00	
10		J2	25.00	8		J2	145.00	

The above sample ledger page is for the **bank account** as can be seen in the heading.

- The **date** columns indicate that this bookkeeping ledger is for the month of April.
- The **debit** column (left-hand side of the 'T') increases the bank account.
- The **credit** column (right-hand side of the 'T') decreases the bank account.
- The **opening balance** is the amount brought forward from March.
- The **reference** is the page number in the journal from which each transaction is taken from.
- There is very little information in the **description** columns because these details can all be found in the journal.

At the end of the month the <u>debit and credit</u> columns are totaled.

The credits are taken away from the debits to calculate the closing balance of the bank account. The closing balance will be carried forward to the bank ledger for May and entered as the opening balance.

What Is the Point of Bookkeeping Ledgers?

You may well ask why the information is first entered in the <u>bookkeeping journals</u> and then again in the bookkeeping ledgers.

Isn't this just doubling up on the amount of work?

Well, there is a good reason for doing this...

...whilst the journal is a diary of business transactions carried out in date order, and whilst the journal shows which General Ledger account to debit and which one to credit, it does not provide the means for adding up the totals of *each* account. In other words, it does not keep a running tally for each account.

This can only be done in the bookkeeping ledgers.

Of course, you might then say why not just record the information straight to the ledger accounts and miss out the journal altogether?

The reason for this is that each ledger account only shows one side of the business transaction, be it a debit or a credit. You cannot see from one account page which other account is involved in the transaction (unless you follow the reference back to the journal).

For example, for every entry in the bank sample ledger above there will be an opposite entry on another account page (following the rule of double entry bookkeeping).

So, let's say that the \$25 debit on April 1st was a payment for a telephone bill. You will find the opposite entry on the telephone account ledger page. (debit telephone account; credit bank account)

The totals from the General Ledger are used to produce reports such as the trial balance, <u>profit and loss</u> (also called an income statement) and <u>balance sheet.</u>

Keep in mind, there are always two accounts involved in double entry bookkeeping for each transaction!

The Accounts Receivable Ledger

This is a **subsidiary** ledger used to keep track of how much money customers owe a business. Only customers who buy goods or services on credit are included here. A customer who owes money is called a **debtor**. (The details from cash paying customers go straight from the General Journal into the Bank and Sales accounts in the General Ledger).

Each page of the <u>Accounts Receivable</u> ledger is dedicated to a customer and is headed with the customer's name. The information in these pages is taken from the Sales Journal.

Accounts Receivable Illustration

Below is a sample of just two pages from an Accounts Receivable Ledger. You can clearly see the name of the customer on the top left, the page name on the right.

The Ref is the page number from the Sales Journal which is where this information is posted from.

A Best					В
Date		Ref	Debit	Credit	Balance
Jul 18	Terms 60	SJ1	240.00		240.00
					3
	is .				

	Ref	Debit	Credit	Balance
Terms 30 days	SJ1	150.00		150.00
Terms 30 days	SJ1	190.00		340.00
		Terms 30 days SJ1	Terms 30 days SJ1 150.00	Terms 30 days SJ1 150.00

The Accounts Payable Ledger

The <u>accounts payable</u> ledger is another subsidiary ledger used to keep track of how much the business owes to its suppliers/vendors, also known as **creditors**.

This ledger contains one page per supplier and the information is taken from the Purchases Journal. It is only used for purchases made on credit.

What Are Subsidiary Ledgers?

They are ledgers *supplementary* to the General Ledger - which simply means they are extra ledgers which are not used in the preparation of the reports mentioned above under 'General Ledger'.

Instead, the month end overall total from each subsidiary ledger is entered in their corresponding **parent** or **control** account found in the General Ledger. The control accounts just happen to be called Accounts Receivable and Accounts Payable!

General Ledger Formats

A standard ledger account is displayed in a 'T' format as in the General Ledger sample near the top of this page.

Another format is the **three-column ledger**, as illustrated in the Accounts Receivable sample above, which provides a running balance in the third column. This is handy for seeing the ledger balance at any time during the month, instead of waiting until month end to calculate the balance as in the 'T' format.

A third format is the **four-column ledger** which breaks the running balance column into two columns, one headed debit and one credit.

Bookkeeping Ledgers are the end of the road for all business transactions.

In fact, the General Ledger is called the **Book of Final Entry**.

Home Office Tax Expenses

It is expected that a business owner will claim home office tax expenses if their small business is run from home. This should be done to reduce the amount of tax that must be paid.

The office or workshop space used needs to be the principal place from which the business is run and it needs to be used regularly.

The office or workshop space needs to be used solely for business for claims to be made.

If the dining room table is used to do office work and then also used for dinner and where the kids do their homework and where mother does sewing, or any other personal or family activity, this cannot count as office space upon which to claim home expenses.



If there is no spare room available the owner should set up a corner of a room that has space as an office, put a small table or desk there and only use it for business activities.

The home owner should keep thorough records of all personal expenses for the year as detailed below. These details then need to be provided to the tax accountant at the end of the year to be included in the tax calculations.

It is assumed that all the above bills will have been paid by the owner from their personal funds. If any of them were paid using business funds, the amount needs to be split in the business bookkeeping cashbook between the percentage of the home office (coded to the name of the expense), and the percentage of the home (coded to Drawings).

Note that only a portion of these is claimable as home office tax expenses and the values depend upon the size of the space used as an office or workshop, see how to calculate the percentage below.

Claimable Expenses

Interest on mortgage

Keep a good record of the interest paid towards the home loan so these can be included in the home office calculations.

Unfortunately, the principal payments cannot be claimed as these are viewed as capital items, which is the same for ordinary financial loans for a business too.

Local utility or council rates

You can claim a portion of whatever rates apply in your area for home owners such as water, sewer, rubbish removal etc.

General repairs and maintenance

This only applies if the repairs or maintenance are carried out in the specific office area along with the rest of the home. It does not apply to improvements as this is a capital expense. The two need to be distinguished carefully. If the repair or maintenance was only done in the specific office space the claim is fully deductible.

On the other hand, if the dining room or bedroom had some work done on them but the office in another part of the house had no work done on it... then nothing can be claimed... logical really!

Power

This includes heating and lighting.

Rent

If the business owner lives and works from a rented home as a sole trader, they may be able to claim rent. However, if the director of a limited or incorporated business is running the business out of their rented home they may be able to charge the business a portion of rent.

This then becomes a deductible business expense for the business and a home office claim for the director on their personal tax return.

Insurance

This is for home and contents insurance only. It does not apply to life insurance which is not counted as a home office tax expense.

Depreciation

This is for the depreciation on the home and on other capital equipment such as the computer and printer in the office.

Calculating the Claimable Portion

The business space is calculated as a percentage of the house.

The office or workshop needs to be measured and the whole house needs to be measured to arrive at the square footage of each.

Then divide the office+workshop area by the house area.

Use this online percentage calculator: -

- A will be the total measurement of your home office space, and
- B is the total measurement of your home (excluding the garden please!)
- Result % is the percentage you can multiply against your total bill payments.

Here is a practical example: -

Tom Green Handyman

House measurement = 1200 sq. ft. Business area = 300 sq. ft. (workshop plus office both used solely for the business)

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Percentage: 300 / 1200 = 0.25 ...... Home Portion = 25%
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If Tom pays \$5,000 interest on his mortgage for a year, the claimable portion is \$5,000 multiplied by 0.25 = \$1,250

There may be a threshold on the maximum percentage allowed for claiming home office tax expenses and this will need to be checked out with the local tax authorities.

Home Telephone Used for Business Calls

A good way of claiming home telephone expenses is to pay the monthly bills using business funds.

Then in the bookkeeping system split the personal calls to 'drawings' and code the business calls to 'telephone'.

However, this may be a time-consuming task every month if there are many calls so it could be simplified by doing the above for just three months and calculating the percentage of business calls.

This percentage would then be used on all telephone bills for the rest of the year.

To keep the tax man happy if he checks up on things, you need to keep copies of these bills handy as proof of how you calculated the percentage.

Depending on where you live you may be able to claim 50% of the line rental.

Sole Proprietor Tax Deductions

A sole trader who has a small number of business transactions may forgo using an accountant to prepare end of year accounts and taxation.

They may prepare their own tax returns based on their bookkeeping information utilizing the list of deductible business expenses, and they will have to calculate their home usage as discussed above.

There will be tax forms to complete to show these home expenses along with the business ones.

Below are some excellent resources about home office tax expenses. Just click on the one that relates to the country you are in - it will take you directly to the relevant tax department for that country.

We have only listed the top countries that use this website. If you need to find your country just do an internet search using the phrase "self-employed home office expenses [name of country]".

USA - IRS

Canada - CRA

UK - HMRC

Ireland - Revenue, plus this other helpful resource

Australia - ATO

NZ - IRD

South Africa

India

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