

## **WHAT BOOKS SHOULD YOU KEEP FOR YOUR BUSINESS**

It's important for anyone in business – sole trader, partnership or limited company – to keep books and records. It's a legal obligation to do this for tax purposes (and for Companies under the Companies Act as well), and it's also good practice so you know what's happened in your business, where you've been and where you are going.

However there is no one list of what you need to keep, and the practical requirements will differ from business to business.

### Keeping it simple

The very minimum, for a small business, may be a diary with each day's income and expenses written in there, and the expenses cross reference back to the supporting receipts, and a note of your daily business mileage.

Some businesses find a pre formatted accounts book, eg a Simplex book or similar (available from most stationers) is a easy way to work. Others prefer a simple spreadsheet.

### More advanced

If your business needs something more advanced then you may have:

- a cash book (for bank transactions)
- a petty cash book (for cash transactions)
- a sales or purchase day book (for sales and purchase invoices, and records of payment)
- a vat book (for your vat listings and summaries)
- a mileage log
- a wages book

You may not need all of these though.

### Top of the range

The most sophisticated system – and these days it's only really practical to do this by computer – is a full double entry ledger system, which would normally feature:

- cash book
- petty cash book
- sales day book
- purchase day book
- sales ledger
- purchase ledger
- nominal ledger

You need to have experience in bookkeeping and accounting to make this type of system work.

## Computerisation

Bookkeeping lends itself to computerisation but computerised systems can be overly complex – you don't want one that's going to mean you spend all day doing the books and no time running your business!

At the basic level a spreadsheet may well be a good way of using your computer to help you with your accounts. We can set a suitable spreadsheet up for you.

If you want something more sophisticated than an entry level accounts package like Quicken (no longer made now, but still available second-hand) or MS Money may well be suitable. However such programs are normally sold for home use and you will need to change the categories to make them suitable for business use. They also suffer from too much flexibility – which means that you can change things retrospectively and maybe lose track of where you are – eg changing last month after you've done a VAT return will get you in a mess.

At the higher end of the scale are computerised ledger packages. Sage is the market leader and most popular, but Quick Books, Tas and Mind Your Own Business are well known as well. These programs will do a lot for you, including invoicing, wages, stock control and pricing but they can be complicated to use – you may find you are spending all day doing the accounts – they are best suited to businesses where someone can be dedicated to admin and bookkeeping.

## Receipts

Do you need a receipt for everything? Ideally, yes, and the receipts should be cross referenced into your books. However in reality it's difficult to get receipts for small items like parking meters, coffee on the move and so on – so as long as you keep a contemporaneous record of what you spend, eg using a note book, that's probably OK.

## Mileage log

If you claim motoring costs per mile then a mileage log is important – either a notebook in the car, or a record on your PC that you update each day.

## General

Make sure that you always enter individual transactions in your books, not totals. For example, if you make five supplier payments in a day then each one should be listed, not just one total. The exception to this is small cash payments (not bank or credit card) eg parking tickets or fuel, where sometimes it's acceptable to batch transactions up for a day or week and enter them as a total – however you cannot carry out a daily cash balance (important in retail businesses) if you do this.

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