

Radio Days – 2011-09-17

Tip of the Week – Accurate Bookkeeping II

Another week, another bookkeeping problem! This time it was the boss' accountant who noticed that the boss was paying income tax. Shock! Horror! According to the accountant, the boss should have been paying no tax because he was sacrificing all his salary to his superannuation. This, in turn, affects the super paid by the employer under the Superannuation Guarantee Act. This Act states that an employer must pay to an employee's chosen superannuation fund 9% of his or her *earnings base*. This easily becomes complicated so my client was in a quandary about how to handle the situation. He is also threatening to resign.

Do not treat your employees to this sort of stress: let them know in advance what is expected of them so that they can do their job properly and in a timely manner!

Entering Bookkeeping Data Correctly

A number of recent clients were entering incorrect data at the wrong time. This is a problem because it meant that their bank reconciliations were meaningless. Now I realise that many people feel that doing a bank reconciliation is pointless, but they do not know that it is an essential tool when keeping accurate records. There are a number of reasons for doing a bank reconciliation each time you receive a bank statement:

- To check your work and see that you are entering your data correctly and accurately
- To keep the banking bastards honest
- Because the ATO tells you that it will check your bank reconciliations when your business is audited

If you have done all this correctly and accurately, and your bank has not made any mistakes, you will find that your bank reconciliation is both quick and easy. The steps I recommend that you take are:

- Enter all your data from your source documents: cheque butts, deposit books, docketts from purchases and all other scraps of paper which you get during your working life.
- File all these pieces of paper where you can find them: I use a manila folder for each BAS (which, for me, is once a quarter) and in that folder I have an exercise book to store all the small pieces of paper from purchases like fuel.
- When you write a cheque or buy anything using a credit or debit card, enter this into your accounting program immediately. This keeps all your records up to date and easy to reconcile.
- When you deposit money into your bank account or credit card enter the deposit into your accounting program immediately.
- When you transfer money between bank accounts, or from a bank account to a credit or debit card, enter it immediately.

Doing all this as transactions happen will make your bank reconciliation both quick and easy. You will have no end-of-period panic attacks when you realise that none of this has been done and all your paper records have been mislaid.

Further Information

Superannuation www.ato.gov.au/super

QuickBooks www.quicken.com.au

MYOB www.myob.com.au