Chartered Certified Accountants

WALSH WEST CCA

COMPANY ACCOUNTS DO'S & DON'TS – INFORMATION FOR CLIENTS

Walsh West Certified Chartered Accountants 2021

Company Accounts Do's & Don'ts

Accounting

There are three reasons you need to be on top of the money coming in and going out. HMRC will need information from you at some point (whether you are a sole trader or run a limited company); you need to know if you have enough cash to get you through the month (cash flow); and finally, it's good to know whether or not you are actually making a profit! Here are your essential bookkeeping tips – the do's and don'ts that will help you to stay on top of your accounts with a minimum of time and effort:

DO

Keep simple records of earnings and expenditure

Bookkeeping can be quite a basic system, where you record money in and money out. In a spreadsheet or even just a book, keep a record of money received in one column, and money paid in another column. You will need to break down how you spent and earned the money to get the information the taxman needs.

Get into the habit
Put aside a regular time each week or month to do your bookkeeping. Many owners of small businesses do it in the evenings or weekends.

Keep your paperwork safe
If your receipts are all over the place, it will make your bookkeeping an even harder task. Have a box that every receipt and paid invoice goes in. Keep cheque book stubs and other irreplaceable documents in a fire proof safe.

If you work from home, try to keep business paperwork away from personal paperwork… and remember that children + jam = sticky paperwork!

Give each invoice a unique number
Set up a simple system and stick to it. For example, issue invoice 58, then 59, then 60. Not many new businesses want to start with invoice number 1 – it's OK to start at invoice 50, as long as you have a note in your files to explain it.

Keep petty cash receipts
It's easy to dip into the petty cash without recording it. Get into the habit of writing down what you spend petty cash on, and ensuring you get a receipt for everything.

Monitor turnover
If your taxable turnover for the last 12 months is over the VAT threshold, or could go over the threshold in the next month, you will have to register for VAT. The threshold is currently £85,000 (from April 2020).

Check your bank statements
Your statements should match your bookkeeping records. If they don't then either you or the bank has made a mistake. Hopefully, you've embraced cloud-based accounting software by now (see below), which will allow you to reconcile your accounts with an automated feed from your bank.

Use good accounting software – it will save time and cut hassle
Online accounting packages typically include a facility for you to do your invoicing and track payments, calculate your VAT liability and allow you to download your banking transactions, so all your financial information is in one place. While it's easy to use a simple spreadsheet, proper accounts software or an online accounting service will help you get more information out of your figures. It could also save you money, as it prepares information in a format preferred by your accountant.

Many of these online services offer you a free trial period, typically one month, and then allow you to pay a monthly fee, so there's no big upfront hit to your cashflow.

Hire a professional bookkeeper
A qualified bookkeeper could be one of the best investments you ever make. They will help keep your company's finances on track and give you the financial information you need, while you focus on what you do best.

To find a book-keeper, ask other business owners in your area to recommend one, or contact the Institute of Certified Book-keepers – thousands of qualified bookkeepers are members – and they can put you in touch with one of its members near you.

DON'T

Make paperwork complicated or look suspicious
Paperwork should be simple. The more difficult you make it, the more it looks like you are trying to hide something. One practice that some new businesses do is "skip" invoice numbers, to make it look like they have more clients than they actually do. This is bad practice, and could leave you open to a tax investigation down the line.

Get behind with your bookkeeping
Leaving great piles of paper lying around waiting to be processed is a sloppy way to run a business. Not only will you not really know what's happening financially, but the chances of losing paperwork are higher.

Mix personal and business expenditure
This applies if you are a sole trader or run a limited company. Keep personal and business spending clear and separate. You should have different bank accounts, so ensure you are using the correct one. If you do accidentally pay for a business expense from a personal account, that's OK, just claim the expenses from your business.

Mistake your limited company's money for "your" money
If you own a limited company, remember that it is a separate legal entity and therefore the money belongs to it, not to you. Even if you own 100% of the company.

If you want to spend money belonging to a limited company on something personal, you must first extract the money from the limited company, typically by drawing a salary and/or dividends.

Throw anything away

You need to keep all paperwork including invoices and receipts for at least 5 years, depending on your business structure. Some accountants advise you keep records for longer than that, in case of any future investigation.

For initial advice about Accounting and Taxation; call our team on 0203 488 7503, 01992 236 110 or contact us by email at welcome@walshwestcca.com or via our website www.walshwestcca.com and we will help you.