

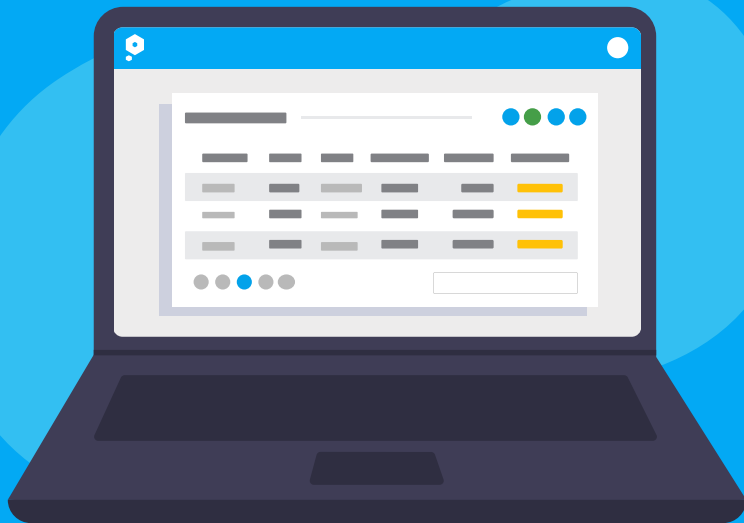


# Good Bookkeeping Habits

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Simple steps to manage your business bookkeeping





## What's inside?

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## The basics of bookkeeping

Bookkeeping is the process of recording and organising financial data accurately. It includes things like invoicing, categorising bank transactions, and logging expenses.

### Are bookkeeping and accounting the same thing?

No, bookkeeping and accounting are not the same thing, although it's not unusual to hear the terms used interchangeably!

Bookkeeping is all about capturing the right data, and recording it accurately in the correct place. Accounting takes this information, and uses it to make sure the business fulfils its legal requirements, and operates efficiently.

For instance, bookkeeping data is used to complete a tax return correctly. It can also be used to generate reports about how the business is performing, and to identify areas which might need attention. It's why it's so important to get those good bookkeeping habits in place early on!





## Why is bookkeeping so important?

Your bookkeeping data is at the heart of everything that your business needs to succeed.

Keeping your financial records up-to-date and reviewing them regularly helps you to:

- ✓ Make more effective business decisions
- ✓ Plan ahead, and take steps to protect cashflow
- ✓ Operate more efficiently
- ✓ Minimise the risk of penalties for inaccurate or late tax submissions
- ✓ Take advantage of tax relief on allowable expenses
- ✓ Stay on top of pending payments and overdue invoices
- ✓ Avoid overspending

## What good bookkeeping looks like

The best bookkeeping habit anyone can adopt is to keep everything as up to date as you possibly can.

It sounds like a lot of work, but using bookkeeping software can help you automate a lot of the day-to-day jobs without adding too much extra stress.

For instance, some software includes Bank Feeds, which connect your bookkeeping to your bank account so that transactions are recorded automatically.

This is great because it means your records stay current, and the information will be more accurate because there's less risk of data-entry errors.



## Top tips for better bookkeeping

- ✓ Use cloud-based software so you can access it whenever you need to, making it easier to keep things up to date.
- ✓ Don't leave it until the last minute - keep your accounts updated as you go.
- ✓ Keep your personal and business finances separate. This is a requirement for limited companies, but it's good practise for sole traders, too. It makes it much easier to keep track of what's what!
- ✓ Stay on top of late payments.
- ✓ Keep hold of your receipts and invoices.
- ✓ Review of your processes regularly to make improvements where necessary.
- ✓ Automate tasks wherever you can. It reduces the risk of errors, and saves you time so things are more likely to be up to date.



## What bookkeeping tasks should I do at least once a week?

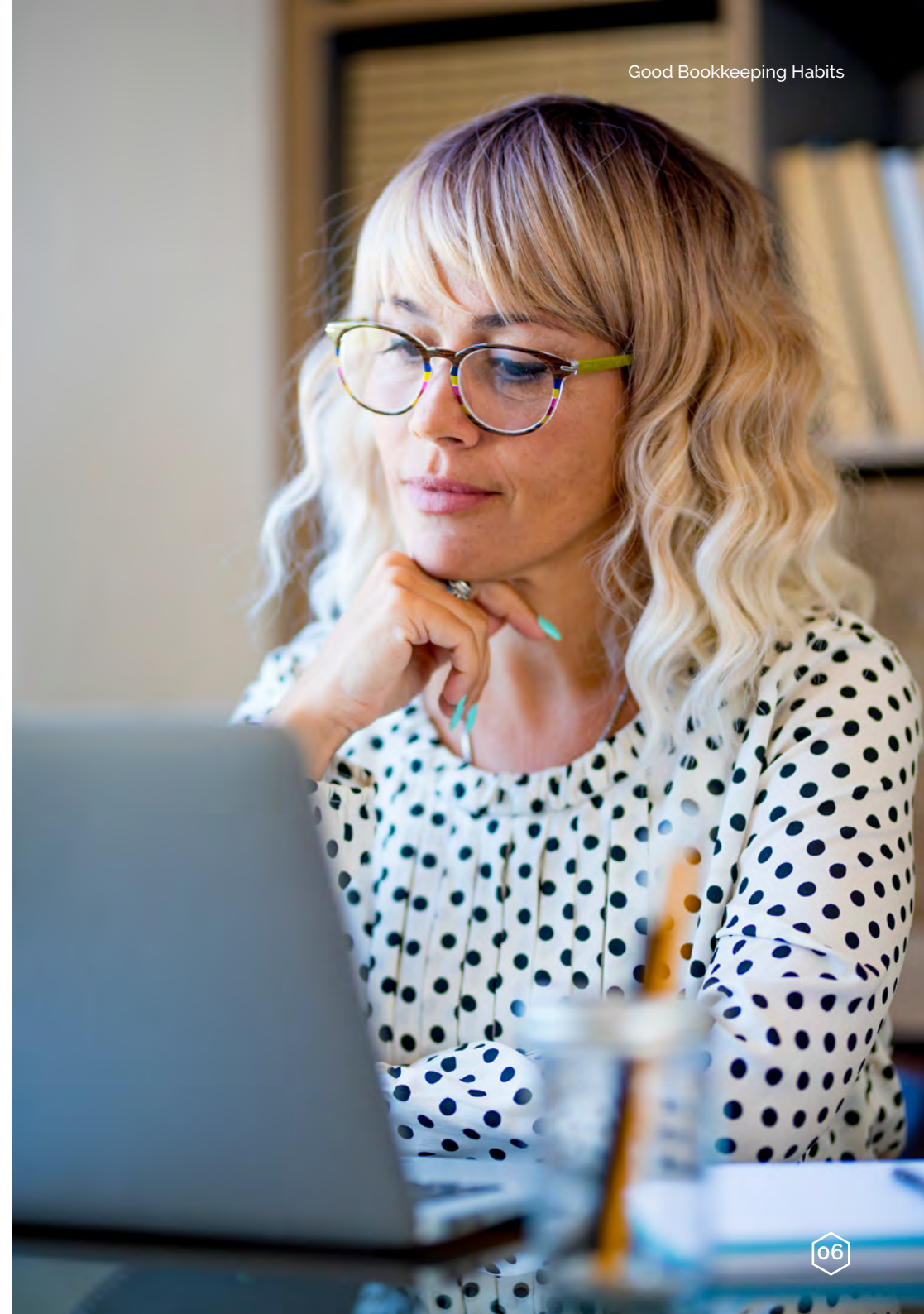
Enter banking transactions, and record them against the correct categories, projects, and tax codes. This helps you to see where you spend money in your business, as well as being important for your tax return.

If you use payment platforms, such as PayPal, make sure you record this information in your bookkeeping too).

Enter supplier invoices and credit notes so you know Stay on top of late payments. what bills you have coming up (and don't upset your suppliers by being Late!)

Record expenses and other payments (and keep those receipts safe as proof).

Invoice customers



Follow up overdue customer invoices, and send reminders for unpaid invoices which will be due soon.

Update stock and inventory to make sure you have enough resources, and know what your business currently holds.

Deposit any cash or cheque payments you might have received.

Check financial reports so you know what's coming up in the future. For example, a Payables' report shows you what bills are due in the time period that you set.





## It's really good practice to get into the habit of doing these on a monthly basis, too.

Other monthly tasks might include:

- ✓ Checking that your VAT category balance matches the amount that you owe for this period (if you're VAT registered).
- ✓ Review Longer-term financial reports, such as your cash-flow forecast, profit and Loss, and balance sheet.
- ✓ Check that your bank balance figures (and any other payment platforms that you use) match the figures in your bookkeeping.
- ✓ Pay staff (if you employ people), and record wages in your bookkeeping as well as in your payroll.

Because businesses keep records on the basis of a financial year, it's also important to make sure you carry out annual processes to make sure your bookkeeping is accurate at the end of one year, ready to start the next.

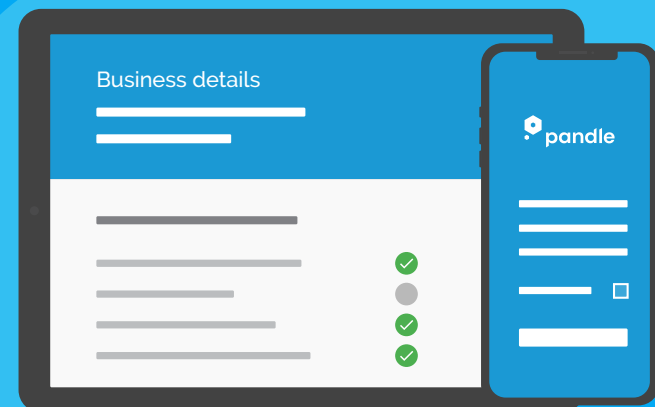
That way, if you 'carry forward' information from one year into the next, you're not taking any mistakes with you!



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