BOOKKEEPING CHEAT SHEET

To get you started with your record keeping we have laid out the basics of **bookkeeping** below. Once you get going you will find it's not so daunting.

If you're unsure about what to do with a transaction make a note of it or post it to a specific account and ask your accountant about it. Keep all your receipts. You can keep them on paper or electronically, just so long as you keep all your **business** expense receipts for at least seven years.

You can do **bookkeeping** on paper or electronically. Some people like a notebook, some a spreadsheet and some like online software.

Keep a record of what customers owe you and what debts you owe others. This helps you keep on top of the money due in, and helps manage any big payments due out.

BOOKKEEPING BASICS The only exception is if you're VAT registered, when you must use HMRC certified software to be able to file your returns due to HMRC's 'Making Tax Digital' legislation (we explain this a bit more in the VAT guide).

We talk through online software options in the 'Accounting software' section of this guide to help you decide what's best for you, and provide a **bookkeeping** spreadsheet to give you an idea of what's needed.

Start with your bank statement and work through it, checking you have the receipts for everything on there. Make sure you know where each bit of income in your account has come from. Make a note of anything you have questions about.

Split your income and receipts between cash and bank when you're logging them. You need to record all your income, including cash. If you don't keep a record it can be very easy to spend the cash before you've remembered it was income.

Do it regularly! It is so much easier to set aside an hour a month to go through and log all your receipts and income when it's all fresh in your mind instead of waiting until the very end of the year.

Don't be afraid of **bookkeeping!** Keep it simple, keep on top of it and it will not be the nightmare you may imagine.

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To start with, there are some decisions to make:

Are you doing this using software, a spreadsheet or doing this manually? Decide now!

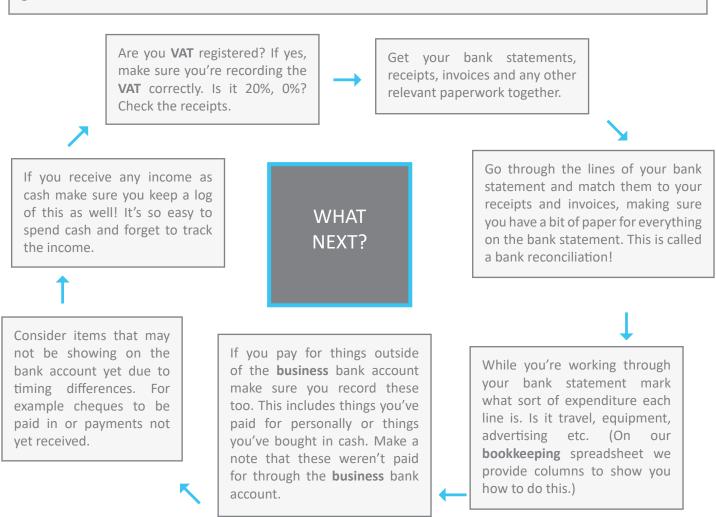
HINT - If you're **VAT** registered you have to use software.

Are you going to be a cash or **accruals based accounting** business? What does that mean?

If you use **cash basis accounting**, you record your transaction when cash changes hands. Cash here doesn't have to be bank notes, but means bank transfers and however else you're paid or pay!

If you're going to offer your customers credit or if you're going to use credit from your suppliers, then you have to use an **accrual basis accounting** system. With **accrual basis accounting** you record purchases or sales immediately, even if the cash doesn't change hands until a later time.

Sometimes firms start their **business** using **cash basis accounting** and switch to **accrual basis accounting** as they grow.



If you can make this a regular process through the year you will find yourself in a great position for completing tax returns and make life very easy (and cheaper for you) if you need to get an accountant involved.

That's your **bookkeeping** done. Hopefully it isn't as scary as you might have imagined!