

DIY Accounting

DIY Accounting User Guide Self Employed Accounting

Introduction

Thank you for purchasing a license to use our self employed accounting system.

Written upon excel spreadsheets the Self Employed accounting system is based upon single entry accounting principles which has been automated through use of excel formulae significantly reducing the need for bookkeeping or accounting knowledge with all accounting entries automated..

The most important accounting principle to understand is entries to the **Sales** spreadsheets are details of income, sales, while entries to the **Purchases** spreadsheets are the business expenses. With the exception of purely banking items such as bank charges, bank interest payable and received, entries to the **Cash** and **Bank** spreadsheets are not cost items but the platform for the receipt of income already entered on the **Sales** spreadsheet or payment of indebtedness already entered on the **Purchases** spreadsheets. Entries to the **Cash** and **Bank** spreadsheets are optional

Sales spreadsheets deal with business income.

Purchases spreadsheets deal with business expenses.

Cash and Bank spreadsheets record how income was received and expenses paid.

The package contains many features including automated calculation of tax allowances, income tax, stock control and an all important payroll interface which permits the package to be used with or without the automated Payroll Software.

The essential element of the Accounting Software is to reduce the recording of transactions to basics. Using excel spreadsheets to enter data is no more complicated than entering your financial information in 3 lists:

Enter sales receipts on the **Sales spreadsheet**

Enter purchases on the **Purchase spreadsheet**

Enter cash and bank transactions on the preset **Cash and Bank spreadsheets**

Designed to be fast and easy to enter the accounting system is formula driven so that minimum data is entered with automated analysis producing monthly profit & loss accounts, live debtor and creditor details, automated vat returns, and an excel copy of the all important self assessment tax return ready for printing and copying to the Inland Revenue paper copy or filing directly online.

Payroll Software

DIY Accounting payroll is a one click payroll system that can be fully integrated into the Self Employed accounting software by simply saving the payroll files to the same folder as the accounting software. This is achieved by the accounting software already containing a wages interface that has to be manually updated if not using the DIY Accounting Payroll Software. If DIY Accounting Payroll Software is adopted then integration is automatic.

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PREPARING TO GET STARTED

As Self Employed businesses are not required to produce a Balance Sheet each year then entering previous year balances is optional. Entering previous year fixed assets is important to correctly calculate capital allowances due and while previous year debts owing to suppliers or from customers is optional it is advisable to enter these to enable all debts are paid or received.

Previous Year Accounts

Opening Fixed assets

Enter the original cost and accumulated depreciation totals for each category of fixed asset on the **Fixedassets > Schedule** in the top section headed EXISTING FIXED ASSETS

Automated areas of this worksheet are shaded where no entries are required.

List each individual Fixed Assets in the appropriate category.

Depreciation rates have been preset in Column H with typical depreciation percentages to write off the value of the asset over its useful life. Depreciation rates for each category can be changed by entering a new depreciation percentage in the un-shaded boxes in Column H or by changing the percentage in the shaded area of column H for individual assets (not recommended as creates an inconsistent depreciation policy).

First Year or Writing Down Capital Allowances should have been claimed for each existing Fixed Asset bought prior to the start of the current financial year. The Net Written Down Value, that is the amount not yet claimed as a capital allowance should be entered in **Column O**. If these amounts are not available request the information from the Company accountant as the amounts are essential to enable the formulae to automate the calculation of the current year writing down allowances.

Sales not yet received at start of financial year

To provide individual tracking of money still owed to the business by clients from the previous year is achieved by entering the individual sales invoices not yet paid by customers at:

Sales > OpeningDebtors

The Column format A:N being the same as the current year sales worksheets to enable outstanding amounts to be transferred into the **OpeningDebtors** worksheet by copying and pasting from the previous year DIY Accounting worksheets if applicable.

Subsequent receipts can then be entered manually from cash and bank accounts to maintain financial control over the opening debts owed to the Company by customers.

Purchases not yet paid at start of financial year

To provide individual tracking of money owed by the business to suppliers from the previous year is achieved by entering the individual purchase invoices not yet paid to suppliers at:

Purchases > OpeningCreditors

The Column format A:N being the same as the current year sales worksheets to enable outstanding amounts to be transferred into the **OpeningCreditors** worksheet by copying and pasting from the previous year DIY Accounting worksheets if applicable.

Subsequent payments can then be entered manually from cash and bank accounts to maintain financial control over the opening debts owed by the Company to suppliers.

Back up

Should a problem occur during the financial year which results in the loss or damage of your hard drive then both the financial package and the information entered can be lost.

It is important to back up data at regular intervals.

It is recommended that the files are backed up each week by emailing the files to yourself and then filing the most recently emailed files in a separate folder in your mail box. It will take a few minutes and it may never be needed but hard drive problems do occur and if it happens to you a back policy could save you hours of work.

Should a hard drive problem occur the files and information up to the point where you have backed up can be retrieved from the mail box server after your hard drive is fixed.

The same technique can be applied if you acquire a new computer, email the files to yourself and retrieve the files from your mail box as the files are being held not just on your computer but on the hard drive of your mail box server too.

VALUE ADDED TAX

NON VAT registered Business

To disable the vat calculation throughout the accounting system:

Go to **Sales Spreadsheet Column H Row 2. Cell H2 Enter 0** to overwrite the vat rate of 20% and

Go to **Purchases Spreadsheet Column H Row 2 Cell H2. Enter 0** to overwrite the vat rate of 20%

Entering Zero in any of the sales or purchase spreadsheets is then automatically carried forward to the remaining months effectively disabling the collection of vat.

VAT Registration during the financial year

If the business circumstances change and the business becomes vat registered during the financial year the vat function can be enabled as follows.

Go to **Sales Spreadsheet Column H Row 2. Cell H2** in the month vat registration is effective.

Enter 17.5 to overwrite the vat rate of 0% and

Go to **Purchases Spreadsheet Column H Row 2 Cell H2.** in the month vat registration is effective

Enter 17.5 to overwrite the vat rate of 0%

VAT will then be automatically collected and recorded on the vat returns from that month onwards.

FLAT RATE VAT registered Business

Businesses with a turnover including vat of under £150,000 p.a. may adopt a flat rate vat scheme the rate varying according to the industry.

When a flat rate scheme is adopted invoice sales including the 20% standard vat rate.

Also change the vat calculation throughout the accounting system as follows:

Go to **Sales Spreadsheet Column H Row 4. Cell H4, blue shaded cell and,**

Enter the FLAT RATE PERCENTAGE

Go to **Purchases Spreadsheet Column H Row 2 Cell H2** which should be changed to zero.

These entries to the sales or purchase spreadsheets are then automatically carried forward to the remaining months effectively changing the collection of vat from the standard rate to the Flat Rate percentage.

In addition it shows sales turnover net of the flat rate percentage and accounts for all purchases including vat input as a business expense.

Vat records before and after financial year

For Vat registered businesses only:

No set up entries are required to **Vatreturns** if the Vat quarters coincide with the company financial year.

Five automated Vat Returns are provided to ensure overlaps at the start or end of the financial year which

may not coincide with Vat quarters can be accommodated. To ensure any months before or after the

financial year can be included in the **Vatreturns** 8 additional worksheets have been provided on **Vatreturns**

2 months sales before and after the financial year plus 2 months purchases also before and after the financial year.

To ensure the first Vat quarter includes any relevant sales or purchases relevant before the financial year

enter total sales and purchase invoices on these additional worksheets which may typically be entitled for

example **S0312** – Sales March 2012 or perhaps **P0212** – Purchases February 2012, or individual invoices if an audit trail is required.

Any entries to these additional months are included in the vat returns through the

Vatreturns > Vatinterface but with the exception of the vat liability arising are not included in the financial accounts sales and expenses for the financial year.

PROTECTION AND PARAMETERS

Worksheet Protection

Three levels of protection may be applied to worksheets:

Unprotected: Manual entries to cells overwrite formulae in that cell
Protected: Manual entries are not permitted to preserve formulae
Password Protected: No entries required

Main data entry workbooks are Unprotected:

Sales

Purchases

Cash and Bank

Fixed Assets

Financial Accounts Wages Interface

Workbooks requiring none and occasional entries are Protected:

Vat Returns

Stock Control

Password Protected files

Self assessment tax return

To unprotect a Protected Worksheet, go to the menu bar:

Click Tools > Protection > Unprotect Sheet

After all the transactions for an individual month have been completed, protect the worksheet to avoid inadvertent corruption of the information.

Protected advised for sales and purchase spreadsheets to preserve the required Vat audit trail.

To protect a sheet, go to the menu bar:

Click Format > Cells > Protection > Click Locked and Hidden so "ticks" appear > OK

Click Tools > Protection > Protect sheet > OK

Enter a protection password if you require additional security.

Formulae Parameters

Row 1 of the main data entry workbooks contains formulae that sum the contents of each column as follows:

Sales to Row 300

Purchases to Row 300

Cash and Bank to Row 200

Data entries below Row 300 will not be included in the column totals unless the formulae in Row 1 are amended to include the additional rows used.

To extend the column summation, change each cell in Row 1 containing summation formulae from row 300 to the required Row number.

Formulae to analyse entries in the main data entry workbooks have been preset to the same row levels 300 which will require extending to the additional rows.

To extend the formulae below rows 300 highlight the last row containing formulae, place the cursor at the bottom right hand corner of the last cell until a cross sign "+" appears, click and drag the "+" to the required row number. Only click and drag formulae downwards.

DO NOT Click and drag cell formulae across the page as this changes the column reference points and effectively destroys the formulae by changing the reference columns..

Printing Parameters

Printing areas of the main data entry workbooks have been restricted to avoid many blank sheets being printed unnecessarily as follows:

Sales Printing restricted to Row 75

Purchases Printing restricted to Row 75

Cash and Bank Printing restricted to Row 75

Without this printing restriction sheets would be printed down to the last row on which formulae was entered.

The print area can be changed to suit your own requirements, go to the menu bar.

Click File > Page setup > Sheet

In the "Print area" box delete replace the entry with the area required

SALES SPREADSHEET

Record income from all sources, except bank interest received, in the **Sales** workbook using the separate spreadsheet provided for each month. The analysis to separate different types of income received is achieved by entering a single letter in Column F which automates the analysis.

Sales turnover includes all money earned by the business before deduction of business expenses and includes monies for goods sold, fees and commissions receivable. Investment grants and proceeds from the sale of fixed assets are also recorded on the sales spreadsheets and analysed separately through the Code Letter System and subsequently accounted for separately.

Enter sales credit notes and bad debts written off as negative amounts

Data Entry

Column A – Enter the date of the sales transaction

Column B – Enter the customer name or source of sale e.g. a retail business with 2 shops might wish to simply record Shop A or Shop B

Column C – Enter your reference number of the transaction or sales invoice number.

Column D – Enter the mileage incurred in connection with the sale. Should a “sales mileage” be completed without a sale enter the date and nature of the journey and mileage on a separate row.

Claiming mileage allowances is an alternative to vehicle costs, fuel, repairs, tax and insurance. If vehicle expenses are to be claimed leave **Column D** blank.

Column E – Optional column for recording a description of the monies receivable.

Column F – Enter a code letter to analyse the type of monies receivable:

Row 5 shows the only permissible letters that can be used to analyse the transaction

Enter Letter A = Sales turnover Product **A**, use of separate product analysis optional.

Enter Letter B = Sales turnover Product **B**, use of separate product analysis optional

Enter Letter C = Sales turnover Product **C**, use of separate product analysis optional

Enter Letter D = Sales turnover Other **D**irect Income, income subsidiary to main business income

Enter Letter G = Investment **G**rants and Other Government incentive schemes

Enter Letter O = Amount of specific Bad Debt written off due to being **O**utstanding 6+ months.

Enter Letter FS = Value of Fixed Assets **S**old.

Column G – Enter total amount receivable including any Vat chargeable on the sales value.

Column H – No Entry required. **Column H** contains formulae to automatically calculate the Vat output tax. The Vat calculation can be disabled by changing **Cell H2**. This change will then be carried forward to each subsequent month. Non vat registered business see **Vat Returns** section of this guide

Column I – No Entry required. **Column I** contains formulae to automatically calculate the net sales value.

Sales receipts

Column K – Enter the Cash or Bank accounting source where details of the amount received in respect of the item on this row is detailed.

Column L – Enter the actual amount received as shown in the Cash or Bank accounting source record.

Column M - No Entry required. Formula driven to calculate the amount still not received

Column N - No Entry required. Formula driven to calculate the number of day's amount outstanding.

Analysis

Columns P Q R S T U V

No Entries required. Formula driven analysis by the code letter entered in **Column F**

Sub Contractors Only

Column W – Enter amount of income tax deducted from sub contractor as shown on CIS certificate issued

Enter the formula =if(G5>0,I5*0.18,” “) in **Row 5 Column W** to automate the calculation. Click and drag to extend the formula to the rows required, deleting the formulae as required in rows where not required

Column X – Enter reference number of CIS certificate when income tax deducted from sub contractor.

Row One Totals

Each column is totalled to row 200 and collected on the **Financialaccounts > Monthly P&L** to produce the monthly and annual profit and loss account and self assessment return.

The sales mileage recorded is automatically transferred to the **Purchases** spreadsheet which adds the sales mileage to the purchase mileage and calculates the mileage allowance.

Cell A1 of each monthly spreadsheet contains a check total which should be zero after entries completed.

Opening Debtors

The **OpeningDebtors** worksheet as explained in “Preparing to get started” is to maintain continuity of financial control to assist the collection of all amounts due to the business.

Closing Debtors

Part of the year end accounting procedure after all receipts have been entered from **Cash** and **Bank** to the **Sales** workbook **copy and paste** items still outstanding from each month to this worksheet.

PURCHASES SPREADSHEET

Record expenses from all sources, except bank interest and charges, in the **Purchases** workbook using the separate spreadsheet provided for each month. The analysis to separate different types of expenses incurred is achieved by entering a single letter in Column F which automates the analysis.

Business expenses includes all costs incurred by the business before including purchase of fixed assets which subsequently also require to be entered on the fixed asset schedule where individual assets are depreciated over their useful lives and capital tax allowances calculated.

Enter purchase credit notes as negative amounts

Data Entry

Column A – Enter the date of the purchase transaction

Column B – Enter the supplier's name or source of purchase

Column C – Enter your reference number of the transaction or purchase invoice number.

Column D – Enter the mileage incurred in connection with a purchase. Should a "purchase mileage" be completed without a purchase enter the date and nature of the journey and mileage on a separate row. Claiming mileage allowances is an alternative to vehicle costs, fuel, repairs, tax and insurance. If vehicle expenses are to be claimed leave **Column D** blank.

Column E – Optional column for recording a description of the business expense.

Column F – Enter a code letter to analyse the type of business expense.

Row 5 shows the only permissible letters that can be used to analyse the transaction

Enter Letter **S** = Direct Materials purchased for resale including **S**tock and items consumed to generate sales such as manufacturing materials.

Enter Letter **C** = Purchases of sub **C**ontractor services resold to generate sales turnover

Enter Letter **O** = **O**ther Direct Costs includes any other cost of sales purchases.

Enter Letter **W** = Employees gross **W**ages which have not been included in the Paye system.

Enter Letter **P** = **R**ent, business rates and water rates and other premises costs e.g. security Lighting, heating and other costs associated with operating the **P**remises.

Enter Letter **M** = Repairs and **M**aintenance of business premises and equipment

Enter Letter **G** = Telephone, postage, stationery and **G**eneral administrative expenses

Enter Letter **V** = Motor **V**ehicle expenses, fuel, tax, insurance, repairs and emergency memberships

Enter Letter **H** = Travel and **H**otel business expenses

Enter Letter **A** = **A**dvertising, promotion and entertainment expenses

Enter Letter **L** = **L**egal and professional fees, accountants, solicitors, surveyors, architects, licences

Enter Letter **Y** = Other Expenses, avoid entries to this column if possible by finding an alternative suitable category for the expense, for example, Other Direct costs.

Enter Letter **FA** = **F**ixed **A**sset purchases

Column G – Enter total amount payable including any Vat chargeable on the purchase value.

Column H – No Entry required. **Column H** contains formulae to automatically calculate the Vat input tax at the standard 17.5% rate. Where the vat charged is not 17.5% of the purchase value such as non vat invoices, electricity bills and zero rated items enter the actual vat manually overwriting the formula.

The Vat calculation can be disabled by changing **Cell H2**. This change will then be carried forward to each subsequent month. Non vat registered business see **Vat Returns** section of this guide

Column I – No Entry required. **Column I** contains formulae to automatically calculate the net purchase value.

Purchase payments

Column K – Enter the Cash or Bank accounting source where details of the amount paid in respect of the item on this row is detailed.

Column L – Enter the actual amount paid as shown in the Cash or Bank accounting source record.

Column M - No Entry required. Formula driven to calculate the amount still unpaid

Column N - No Entry required. Formula driven to calculate the number of day's amount outstanding.

Analysis

Columns P – AB

No Entries required. Formula driven analysis by the code letter entered in **Column F**

Contractor

Column AD – Enter amount of income tax deducted by Contractors as shown on CIS certificate issued

Column AE – Enter reference number of CIS certificate when income tax deducted by Contractors.

Row One Totals

Each column is totalled to row 200 and collected on the **Financialaccounts > Monthly P&L** to produce the monthly and annual profit and loss account and self assessment return.

Cell A1 of each monthly spreadsheet contains a check total which should be zero after entries completed.

Opening Creditors

The **OpeningCreditors** worksheet as explained in "Preparing to get started" is to maintain continuity of financial control to assist the payment of all amounts due by the business.

Closing Creditors

Part of the year end accounting procedure after all purchases have been entered from **Cash** and **Bank** to the **Purchases** workbook **copy and paste** items still unpaid from each month to this worksheet

TAX HINTS

Expense guidance notes. The Inland Revenue rules for employees/directors claiming expenses are quite strict since they recognise this area as a potential source of tax avoidance.

To comply with the Inland Revenue criteria:

Every expense item should ideally be receipted.

Mileage records have to be maintained showing date of journey, reason for journey and mileage covered.

Expenses covering non-employees have to be excluded.

Personal expenses on credit cards are excluded.

Round sum allowances excluding permitted amounts are extremely frowned upon.

Only the business element of landline and mobile phone bills may be reclaimed.

Only the business element of household bills may be claimed.

Amounts relating to a different business may not be claimed.

Mileage allowances

Purchase and sales mileage, if recorded, are calculated and included as a business expense on **Row 2**.

No entry is required on this row which has been automated from mileages entered in **Column D**

Everyone can claim as an alternative to vehicle running costs mileage allowances of 45p (from April 2011) for the first 10,000 miles and 25p per mile thereafter. The formulae in the spreadsheets automatically calculate these rates. You may not claim mileage allowance and vehicle running costs.

Should the business claim mileage allowance maintain reasonable records of mileage covered and purpose of journey are required. Entering mileage against sales or purchase invoices naturally provides this supporting documentation.

Travel & Subsistence Allowances

You may claim a lunch allowance of £5 or the receipted amount if larger, provided there is only yourself and employees present at lunch and you are away from your normal workplace for more than 5 hours.

You may claim a dinner allowance of £10 or the receipted amount if larger, provided there is only yourself and employees present at dinner and you are away from your normal workplace for more than 10 hours.

If you stay away from home overnight you may claim a subsistence allowance of £5 per night to cover incidental expenditure, all other expenditure being receipted. This allowance is increased to £10 if the overnight stay is out of the UK.

If you stay at a friend or relatives house instead of an hotel you may claim an allowance of £25 per night.

Household expenses

You may claim a proportion of household expenses appropriate to the area of your home used for business purposes. If you claim domestic expenses then specific rooms should be designated as business only. For example, if you reside in a 3 bed-roomed house with a lounge and dining room, ignoring the kitchen and bathroom which are shared facilities you have 5 rooms. If one bedroom is used as a store room and the dining room used exclusively as an office then 2 rooms are designated as business use. It would be appropriate for 2/5 of domestic costs to be claimed as a business expense. Use a single room exclusively for business purposes and you could claim 1/5 of the domestic bills.

Domestic bills include heat & power costs - gas & electricity, rent, general & water rates.

If you own the property you can claim mortgage interest (not the capital element) although this is **not advised** as by claiming mortgage interest the Inland Revenue can subsequently claim the same proportion of any profit made on that property as a taxable capital gain when the property is sold.

Partner assistance

Generally the Inland Revenue do not like claims being made in respect of partners' wages and would normally seek to identify if such claims are real or merely tax avoidance.

If partners' wages are claimed as a business expense produce evidence that the amount claimed has actually been paid, e.g. pay by cheque to your partners' bank account. The amount paid should be consistent with the amount of work done. For a claim to succeed the partner should have performed specific duties such as the business bookkeeping, placing advertisements, answering sales calls, quoting for work, invoicing clients, delivering goods and services, etc. etc.

Stating the partner duties as "Girl (or Man) Friday" would not be acceptable.

CASH AND BANK

Sales and expenses are recorded on the **Sales** and **Purchases** workbooks not the **Cash** and **Bank** records. Entries to the **Sales** and **Purchases** workbooks create accounts of money owing to or by the business regardless of whether these accounts are paid or received instantly. These liabilities are called Debtors (sales not received) and Creditors (purchases not paid).

Entries to the **Cash** and **Bank** records are not used to record sales or expenses, with the exception of purely bank generated income and expenses such as bank interest received, bank interest paid and bank charges. **Cash** and **Bank** records are used to record the receipts from Debtors and payments to Creditors.

As Balance sheets by Self Employed business are optional recording cash and bank is also optional.

Bank Account

Bank Reconciliation

Cell A1 - Enter the actual bank balance at the beginning of the first month. In subsequent months the closing bank balance calculated at **Cell A2** is automatically transferred to **Cell A1** in the next month.

Cell A2 - No entries required, this cell automatically adds receipts and deducts payments to calculate the bank balance at the end of the month.

Cell A3 - Enter the bank balance as shown on the bank statement at the end of the month

Cell A4 - No entries required, this cell automatically compares the entries made on the worksheet with the statement balance and reports the total value of any differences. This cell is the Bank Reconciliation.

Investigate and correct any errors between the bank account spreadsheet and the bank statement.

To keep the accounts simple the Accounting Software does not deal with accruals and prepayments on a month by month basis and therefore receipts may have been banked that are not yet shown on the bank statement or cheques issued that are also not yet shown on the bank statement.

Cut and paste reconciling items which are not yet shown to the subsequent months' spreadsheet where the items should be cleared against the subsequent months' bank statement.

Receipts Data Entry

Record bank receipts in Columns A – Q.

Column A – Enter the date of the bank receipt

Column B – Enter the source of the funds received, e.g. Name of Customer or other debtor

Column C – Enter the sales invoice number or other reference to which the receipt is associated

Column D – Enter the bank deposit reference, optional which can assist tracing errors.

Column E - Enter a code letter to analyse the debtor account associated with the receipt.

Row 5 shows the only permissible letters that can be used to analyse the transaction

Enter Letter BC = Amounts transferred into Bank Account from Cash Account

Enter Letter DR = Amounts received from customers and other debtors

Enter Letter CR = Amounts received from suppliers and other creditors

Enter Letter K = Bank interest credited to current account

Enter Letter RV = Refunds received from HMCE in respect of Vat or CIS returns

Enter Letter DL = Amounts received as capital introduction by the business owner

Enter Letter X = Bank contra items being the same transactions that have been both received and paid in the same month. Example represented cheques are automatically debited to the bank account and then re-credited on representation.

Column F – Enter the amount deposited detailing individual receipts from customers

Analysis

Columns G – M

No Entries required. Formula driven analysis by the code letter entered in **Column F**

Payments Data Entry

Record bank payments in Columns S – AN

Column O – Enter the date of the bank payment

Column P – Enter the name of supplier or other creditor paid

Column Q – Enter the purchase invoice number or other reference to which the payment is associated

Column R – Enter the cheque number or other reference such as Bacs or DD to indicate transaction type

Column S - Enter a code letter to analyse the creditor account associated with the payment.

Row 5 shows the only permissible letters that can be used to analyse the transaction

Enter Letter BC = Amounts transferred from Bank Account to Cash Account

Enter Letter CR = Amounts paid to suppliers and other creditors

Enter Letter DR = Amounts paid to customers and other debtors

Enter Letter W = Net wages paid by cheque or Bacs payments

Enter Letter B = Bank charges, HP interest and leasing charges not entered on Purchases.

Enter Letter J = Bank interest on overdrafts and loans charged during the month

Enter Letter RP = Payments made to HMCE

Enter Letter DL = Amounts withdrawn from the business by the owner

Enter Letter X = Bank contra items being the same transactions that have been both received and paid in the same month. Example represented cheques are automatically debited to the bank account and then re-credited on representation.

Column T – Enter the amount paid against the reference in **Column V** that may consist of several individual payments e.g. where several purchase invoices have been paid with a single cheque. Entering individual invoices on subsequent rows increases financial control over payments

Analysis

Columns U – AC

No Entries required. Formula driven analysis by the code letter entered in **Column X**

Worksheet Checks

Cell O1 and **Cell O2** are automated arithmetical checks that receipts and payments have been analysed using the code letters correctly. Both cells should be zero. Investigate any differences occurring to ensure the bank record is accurate.

Cash Account

Cash Reconciliation

Cell A1 - Enter the actual cash balance at the beginning of the first month. In subsequent months the closing cash balance calculated at **Cell A2** is automatically transferred to **Cell A1** in the next month.

Cell A2 - No entries required, this cell automatically adds receipts and deducts payments to calculate the cash balance at the end of the month.

Cell A3 - Enter the cash balance as shown by a physical count at the end of the month

Cell A4 – No entries required, this cell automatically compares the entries made on the worksheet with the physical cash balance and reports the total value of any differences. This cell is the Cash Reconciliation. Investigate and correct any errors between the cash account spreadsheet and the physical cash count.

Receipts Data Entry

Record bank receipts in Columns A – J

Column A – Enter the date of the cash receipt

Column B – Enter the source of the funds received, e.g. Name of Customer or other debtor

Column C – Enter the sales invoice number or other reference to which the receipt is associated

Column D – Enter the cash deposit reference if available.

Column E - Enter a code letter to analyse the debtor account associated with the receipt.

Row 5 shows the only permissible letters that can be used to analyse the transaction

Enter Letter BB = Amounts transferred into Cash Account from Bank Account

Enter Letter DR = Amounts received from customers and other debtors

Enter Letter CR = Amounts received from suppliers and other creditors

Enter Letter DL = Amounts withdrawn by business owner

Column F – Enter the amount deposited detailing individual receipts from customers

Analysis

Columns G – J

No Entries required. Formula driven analysis by the code letter entered in **Column F**

Payments Data Entry

Record bank payments in Columns L – X

Column L – Enter the date of the cash payment

Column M – Enter the name of supplier or other creditor paid

Column N – Enter the purchase invoice number or other reference to which the payment is associated

Column O – Enter optional cash reference to which the payment is associated

Column P - Enter a code letter to analyse the creditor account associated with the payment.

Row 5 shows the only permissible letters that can be used to analyse the transaction

Enter Letter BB = Amounts transferred from Cash Account to Bank Account

Enter Letter CR = Amounts paid to suppliers and other creditors

Enter Letter DR = Amounts paid to customers and other debtors

Enter Letter W = Net wages paid by cash

Enter Letter J = Other interest charges paid during the month

Enter Letter RP = Payments made to HMCE in respect of Paye liabilities

Enter Letter DL = Payments made to business owner as drawings

Column Q – Enter the amount paid against the reference in **Column R** that may consist of several individual payments e.g. where several purchase invoices have been paid with a single cheque. Entering individual invoices on subsequent rows increases financial control over payments

Analysis

Columns R – X

No Entries required. Formula driven analysis by the code letter entered in **Column U**

Worksheet Checks

Cell S1 and **Cell S2** are automated arithmetical checks that receipts and payments have been analysed using the code letters correctly. Both cells should be zero. Investigate any differences occurring to ensure the cash record is accurate.

FIXED ASSETS

Fixed items are physical items not bought for resale but used by the business for a period of more than one year. Company policy determines at what value such items should be treated as capital expenditure rather than consumable materials.

Depreciation spreads the financial effect on profits over the life of the asset but does not have an effect on the business tax as depreciation is disallowed as an expense as depreciation rates are internally set by the business management. Businesses receive relief for capital expenditure on fixed assets through capital allowances calculated in accordance with government policy and set against its taxable profit before tax.

Depreciation Rates

Depreciation rates have been preset in **Column H** with typical depreciation percentages to write off the value of the asset over its useful life. Depreciation rates for a category can be changed to the individual company policy the **Fixed Asset > Schedule** by entering a new depreciation percentage in the un-shaded boxes in **Column H** or by changing the percentage in the shaded area of **Column H** for individual assets (not recommended as creates an inconsistent depreciation policy).

The following depreciation rates have been preset for the various categories of Fixed assets

Land & Buildings	0%
Plant & Machinery	10%
Fixtures & Fittings	20%
Computer Equipment	33%
Motor Vehicles	25%

Fixed Asset Additions

Expenditure on Fixed assets is recorded in the **Purchases** worksheet.

All items entered on the **Purchases** spreadsheet also have to be manually entered on the **Fixed assets > Schedule** in the New Assets section which starts at Row 56 to enable both depreciation and capital allowances to be calculated.

Enter each asset in one of the 5 categories provided:

Land & Buildings **Plant & machinery** **Fixtures & Fittings** **Computers** **Motor Vehicles**

Column B – **Enter** date asset was purchased

Column C – **Enter** description of asset

Column D – **Enter** the purchase invoice number

Column E – **Enter** the purchase cost net of vat as analysed in **Purchases > Column AJ**

Sale of Fixed Assets

Sales of Fixed assets are recorded in the **Sales** worksheet

All items entered on the **Sales** spreadsheet also have to be **manually entered** on the **Fixed assets > Schedule** to enable both depreciation and capital allowances to be adjusted.

Column U – **Enter** date asset was sold

Column V – **Enter** sales value net of vat as analysed in **Sales > Column V**

Column W and **Column X** – **No entry required** Formula driven to calculate the Profit or Loss on sale which is automated to be carried forward to the profit and Loss account.

Capital Allowances

No entries required First year allowances, writing down allowances and balancing charges, as appropriate, are automatically calculated using the current tax rates which have been preset.

Annual Investment allowances on fixed assets purchased after 1 January 2013 is 100% up to total expenditure of £250,000 for 2 years after which it reverts to £25,000 on 1st January 2015.

Writing down allowances are 18% of the Net written down value for tax purposes for existing assets.

Balancing Charges are adjustments to capital allowances to increase or reduce the value of capital allowances claimed on an asset sold to the difference between the sales value and net written down tax value or zero if the asset was sold at a net profit over purchase price with previous capital allowances being clawed back.

First year allowances are not available on Motor Vehicles and writing down allowances are restarted to £3,000 p.a.

Fixed assets > Fareconciliation

No entries required

Fixed Asset **Purchases** and **Sales** are compared to the values entered in the **Fixed Assets > Schedule** to indicate that all Fixed Assets on the **Sales** and **Purchase** spreadsheets have also been included on the **Fixed Asset > Schedule**

Check Fareconciliation after new fixed assets have been entered to ensure all records from the **Purchases** Spreadsheet have been entered accurately.

If Row 15 is zero all sales and purchases of fixed assets have been entered on the **Fixed Asset > Schedule**.

If Row 15 is not zero all sales and purchases of fixed assets have not been entered on the **Fixed Asset > Schedule**.

Fixed assets > HPfinance

Loans given and received are dealt with as normal financial transactions through the **Cash and Bank** spreadsheets with Long Term arrangements coded directly to Long Term Debtors and Creditors. HP and other finance agreements require special treatment as the transaction often changes from a short term purchase to a fixed longer term arrangement.

Fixed Assets > HPfinance is provided to enable details of such transactions to be automatically transferred via a year end adjustment from **Creditors** to **Long Term Creditors** in the **Published Balance Sheet**

ENTER the original Purchase invoice including vat in the Purchases Spreadsheet

Enter Admin charges shown on the Finance agreement in the **Purchases Spreadsheet**

Do Not Enter the finance interest on the **Purchases Spreadsheet**

Enter the monthly payment on the **Bank Account Spreadsheet** and split the amount paid between capital repayment and interest charged as shown on the **Fixed assets > HPfinance** schedule

Fixed Assets > HPfinance - Enter the Finance Agreement details as follows:

Column B - Enter the Finance Agreement Date

Column C - Enter the name of the Finance Company

Column D - Enter the Finance Agreement number

Column E - Enter the Amount being financed consisting of original purchase cost as shown on the agreement including vat **Excluding** any Administration charges and Interest charged.

Column F - Enter any administration charges quoted on the agreement.

Column G - Enter the total amount of interest to be charged over the full term of the agreement.

Column H - Enter the number of months the agreement is to be paid over.

Column I - No Entry required monthly payment calculated

Column J - No Entry required proportion of capital element in monthly repayment calculated

Column K - No Entry required proportion of interest element in monthly repayment calculated

Column L - Enter Suppliers name as entered on **Purchases** spreadsheet

The Long Term Creditor total shown in **Cell E2** automatically changes the status of this indebtedness from normal **Creditor** to **Long term Creditor** in compliance with published accounts.

Bank account Enter the regular monthly payment to the finance company as follows:

Bank Account Column X - Enter Code Letter LCR for this item then,

Bank Account Column AG **Manually change** the total amount to the capital element shown in **Column J** of the **Fixed Assets > HPfinance** schedule

Bank Account Column AE **Manually Enter** the amount of monthly interest cost shown in **Column K** of the **Fixed Assets > HPfinance** schedule

This entry reduces the Long Term Creditor and charges the profit and loss account with interest paid.

VAT RETURNS

No entries required

Sales and Purchase totals, vat input and output tax are collected by the Vatinterface both for up to 2 months before the financial year and 2 months after the financial year. For periods before and after the financial year go to Preparing To Get Started.

Five Vat Returns are provided for each of the potential Vat quarters during the financial year.

To Generate a Vat Return

Go to the vat Quarter to be produced, for example

Click **Vatreturns > VATQtr1**

Click **Cell G5** which contains the date to which the vat return is to be produced

Click the **Drop Down Arrow** that will appear to the right of **Cell G5**

Scroll Down and Click the **month end date required**

The formula then automatically looks up the values and inserts these amounts in the vat return

Non Vat registered business and Change of Vat status

The standard Vat rate of 20% entered in **column H Row 2** of both **Sales** and **Purchase** spreadsheets are the key entries from which the Vat is calculated in **Column H** each month.

To change the vat status of the business from the **Standard Vat registered** to **Non Vat registered**:

Cell H2 Sales & Purchases Spreadsheet - Enter **0** to disable the vat calculation in **column H**

If **vat registration** takes place during the financial year:

Cell H2 Sales & Purchases Spreadsheet – Enter **20** in the specific month that Vat liability becomes applicable on both Sales and Purchases spreadsheets, vat will to be calculated from that month onwards. Whenever the vat rate is changed in a particular month that vat rate entered is automatically copied to each succeeding month.

Vat Audit Trail

Once a Vat return is complete and the quarterly Vat return sent to HM Customs & Excise the purchase and sales figures for those months should not be changed to provide an audit trail for the return.

To fix this audit trail also protect the **Purchases** and **Sales** worksheets for each of the 3 months making up the return.

Following this procedure adds confidence to potential Vat inspections which occur once every 3 or 4 years that the **Sales** and **Purchases** support the **Vat Return** and the Vat Return is as submitted to HMCE.

If subsequent to completing the Vat return additional sales or purchases are discovered that have not been entered do NOT unprotect the worksheets as this will destroy the Vat audit trail. Instead enter these additional sales or purchases in the next available month where the sheet has not yet been protected.

PAYROLL INTEGRATION

The **Financialaccounts** file contains a **WagesInterface** which can be entered manually if users of the Accounting software are not also using the DIY Accounting Payroll Software.

The **Payrollyear050413** file is provided as a payslip generator (see separate user guide for instructions).

Using the payslip generator provides an automatic integration of the DIY Accounting Payroll with the Accounting Software as the **WagesInterface** is linked directly from these files.

FINANCIAL ACCOUNTS

StockControl

The Stock Control worksheet is only applicable to those businesses that carry physical stock of goods for resale and provided to assist the overall financial control.

Cell D6 and Cell AB6 - Opening Stock Enter manually

Cells H4 N4 T4 - Enter the actual percentage of stock value included in net sales value

Column D – No entry required Formulae then collect direct material purchases from the **Purchases** spreadsheet and net sales of Products A, B and C from the **Sales** spreadsheet which are automatically converted to the stock value sold using the percentage of stock percentage.

The calculation produces an arithmetical calculation of the Stock value at the end of each month.

Column AB – Optional entry of physical stock value to overwrite the calculated value in **Column AB**

Provided the percentage of material sold is accurate the value of physical stock in **Column AB** should equal the calculated stock values in **Column D**. The difference between Calculated Stock Value and Physical Stock Value is automatically shown in **Column Z** – Stock Loss Adjustment and the financial accounts adjusted accordingly.

Significant Stock Losses represent an indication of unexplained losses and should be investigated to determine the reason and reduce the financial loss being suffered by the business.

Cells H4 N4 T4 - have been preset to 0% which disables the Stock Control feature for those businesses which do not wish to use the facility. When disabled the physical stock value defaults to the calculated stock value and no stock adjustment is calculated.

Cell AB30 – Enter Year End Physical Stock Value The disabled stock control worksheet will calculate a stock adjustment if **Column AB** is overwritten with an actual physical stock value at any month end.

A physical stock value is required at each financial year end to verify the actual stock value for tax purposes.

WagesInterface

Enter wages information manually at the **Financialaccounts > WagesInterface** for all months.

The **WagesInterface** is automatically updated from **DIY Accounting Payslip** systems available from April 2013

Entries required for months DIY Accounting Payroll users was not used

Column C – Enter Gross Wages separately for Employees and Directors

Column D – Enter Income Tax deducted from gross wages separately for Employees and Directors

Column E – Enter National Insurance deducted from gross wages separately for Employees and Directors

Column F – Enter Other Deductions from wages separately for Employees and Directors

Column G – No Entry required Net Wages calculated for Employees and Directors

Column H – Enter Employers National Insurance contributions separately for Employees and Directors

Column I – Enter Statutory Deductions recoverable from HMCE separately for Employees and Directors

Income Tax

No Entries Required

Fully automated and available in real time to determine the Income Tax and National Insurance contributions payable after adding back disallowed expenses and deducting capital allowances.

Profit Forecast

No Entries Required

Fully automated and available in real time to determine the Income Tax and National Insurance contributions based upon an automated forecast of the annual profit or loss.

The forecast collects the actual profit or loss each month and calculates the average profit or loss based upon the actual months and automatically enters these amounts in future months.

This enables an automated calculation of the likely year end liability for tax and national insurance which is then entered on the **Financialaccounts > Profit & Loss Account** in the financial health check section

Financial Health Check

Drawings do not require to be entered in self employed accounts as drawings are not wages but personal decisions. The Inland Revenue is only interested in net taxable profit not how much of that the individual has withdrawn for personal reasons.

However the level of Drawings and the future liability for tax and national insurance is critical to the health of the business with Tax and NI taking 28% at standard income tax rates of net profits earned.

Record drawings on the **Cash** and **Bank** spreadsheets and the Financial Health Check provides an indication of the true financial status of earnings against withdrawals and tax liabilities

SALES INVOICE

The Sales Invoice workbook is independent of the accounting package and not being linked to the Sales spreadsheet does not update the sales records. Use of the Sales invoice workbook is optional and included in the accounting package to quickly and efficiently produce sales invoices as required.

Sales Invoice Template

No Entries Required

The Invoice Template is fully automated from the database of information provided in the **Business Details**, **Customer Details**, **Product Details** and **Invoice Database** worksheets. The Template is protected to avoid inadvertent corruption of the formulae contained within it. To change colour schemes and design

Go to Tools > Click Protection > Unprotect

It is recommended that formulae contained within the Invoice Template are not changed and the Template is protected again after any design changes.

Business Details

Enter the main business details that are required to appear on the Invoice template.

Cell B2. **Create and Enter** the short business name to appear prominently in extra bold at Cell C5 on the Invoice Template. For example, the full business name may be DIY Accounting Financial Systems Limited which could be abbreviated in Cell C5 to simply DIY Accounting

Cell B3 – B10 **Enter** the name and address of the business and contact details as required.

Cell B11. **Enter** the vat registration number if the business is vat registered.

Enter a blank space if not vat registered.

Important Note - **Cell B11** has been preset with a blank space which the formulae use to negate vat calculations otherwise incorporated into the Template.

Cell B12 – B13 **Enter** up to 2 customer friendly company slogans which appear at the top of the Template

Cell B14 – B16 **Enter** Terms of Trade which appear next to the Amount Payable

Cell B17 – B18 **Enter** up to 2 footnotes which may include a disclaimer of property rights until paid.

Product Details

Column A **Create and Enter** a numerical Product Code for each product that will appear on the sales invoice when the Invoice database is activated

Column B **Enter** the Product Description that is to appear against each product code on the sales invoice.

Column C **Enter** the Product Selling Price. If the sales price of a product changes then create a new product code in **Column A** or previous sales invoices would be updated with the new sales price.

Column D **Enter** the standard vat rate applicable of 17.5% for standard rated goods, 0 for zero rated items.

Columns F – H are optional being provided for information purposes only and do not appear on the invoice.

Column F **Enter** the cost price which automatically calculates **Column G** profit margin and **Column H** gross margin percentage.

Customer Details

Column A **Create and Enter** a numerical Customer code for each customer.

Column B **Enter** the credit terms applicable, e.g. Cash, Proforma, Payment on Delivery, Credit

Columns C – G **Enter** the customer name, address and post code

Columns J – M **Enter** the delivery name and address only if different to the customer name and address.

The delivery name and address is preset to be the same as the customer details unless overwritten

Invoice Database

Entries to the Invoice Database drive the entries that appear on the Sales Invoice

Column B **Create and Enter** a numerical sales invoice number.

Column C **Enter** the customer number created in customer details which drives the customer name and address and delivery details to appear on the invoice.

Column D **Enter** manually the amount of any carriage or postage to be charged

Column F **Enter** the product code created in product details which drives the product code, description and unit price to appear on the sales invoice.

Column G **Enter** the quantity of items sold.

Columns HI, JK, LM etc., are for up to 19 further products to be entered on each sales invoice

Producing a Sales Invoice

With all the business, customer, product details entered and the invoice database completed an invoice can be created on the **Invoice Template** by

Invoice database > Column A **Enter 1** and the Invoice details shown on that row appear on the invoice where the net amounts to be invoiced, vat and Invoice totals are calculated.

To produce a **CREDIT NOTE** enter the quantity as **NEGATIVE**

To change the invoice selection Change the row number at which 1 appears in column A of the Invoice database.

To print a sales invoice *Go to > Invoice Template > File > Print*

DIY Accounting Contact Information

Our website is the first place to look for any information:

UK product website: <http://www.diyaccounting.co.uk/>

When new packages are available the “Buy” page will be updated on our website.

For accounting and technical problems please try our forum in the first instance:

Technical Forum: <https://forum.diyaccounting.co.uk/>

If no similar query has been posted, you can register and post you own question. We provide technical support through the forum so all members can share the answer.

For technical queries not covered by our forum we have a dedicated email address monitored by our staff and a local rate (when called from land line) number. When calling please use a non-withheld number and leave a message so we can get back to you:

Technical Support email: support@diyaccounting.co.uk

Technical Support phone: 0845 0756015

We have an email address for customer services where you can exchange products, request a VAT invoice and ask about other services we offer.

Customer services email: support@diyaccounting.co.uk

Please send messages from the email account used for the original purchase through PayPal or quote your PayPal transaction ID so we can trace your original purchase.

We also publish to news feeds and social networking sites where you can follow us:

Facebook: <http://facebook.com/DIY.Accounting.Software>

Twitter: <http://twitter.com/DIYAccounting>

Our company registered office address is:

DIY Accounting Limited,
37 Sutherland Avenue,
Leeds,
LS8 1BY.

Directors

Antony Cartwright, Samantha Cartwright, Jane Grundy.

Registered in England and Wales with Company Number: 06846849

We can receive payment for renewals by cheque although we prefer BACS. Please email us before sending a cheque and we'll send an invoice with an up-to-date price calculation and the details for electronic payment.

DIY Accounting