



# Balancing act

MYOB is free on our cover disc this month. It's a friendly financial package that takes the drudgery out of business accounting. **John Rennie** takes you through the on-screen tutorial.

**M**YOB (Mind Your Own Business) takes you one step beyond personal accounts packages, to provide a complete accounting system for your business. It can produce records and documentation that will keep both your accountant and the Inland Revenue happy. But you need to familiarise yourself with a few basic terms before you get started. Once you've done so, running through the dummy bookkeeping procedures of Widget Ltd, which serve as the MYOB on-screen tutorial, will equip you with all you need to set up MYOB to handle your own company's accounts. And, if you're blinded by figures, don't worry. Beneath all the accounts and bookkeeping jargon is merely the use of addition, subtraction and multiplication.

Firstly, you need to know the structure of your company's financial year. In which month does it begin and end? It won't necessarily begin on 1st April along with the Inland Revenue's. Establish whether you need an extra accounting period built-in to cope with transactions at your year-end. You may want to set expenses occurring after your year-end against your income in the year that's just finished, for example. Which month will you start using MYOB to record your accounts? This will be known as your conversion month. What are the balances of your accounts at the start of this conversion month? This can be tricky to establish because unfortunately, customers don't all conveniently pay by the first of every month. But don't worry, your accountant will know the answers to all these questions.

Okay, those are the basics as they apply to your business. You also need to understand the fundamental accounting terms. First, let's grasp the six basic types of account: assets, liabilities, capital, income, cost of sales and expenses.

**Assets** are all the things your business owns: the cash you hold in your accounts, your stock, furniture and fittings. If Smith Ltd owes you £100 for work or goods you've supplied, that is an asset, too. On the other side of the sheet are **liabilities**: all the money you owe, whether in loans, on credit cards, unsettled bills and so on. Subtract your liabilities from your assets and what you have left is your **capital**. **Income** is any money you receive for products

together to form the **balance sheet**, a snapshot of your financial position at a certain date. The bigger picture, the **profit and loss account**, is constructed from the income, cost of sales and expenses over a fixed period (a month, a quarter or a year). This is the infamous **bottom line**, and tells you whether your business is in profit or not.

## Getting going

Let's run through the Widgets Ltd tutorial, which will cover all the accounting procedures you'll need. Then you can apply the lessons to your own business. Once you've installed MYOB, launch the program and the Welcome to MYOB window appears. Click on Opening an Existing MYOB Data File. Select TUTORIAL.DAT and the Command Centre Window [Fig 1] will be displayed. To get Widgets Ltd in business, we need to rustle up some capital. Your friendly bank manager has stumped up £30,000, enough to rent premises, buy materials and take on staff. Let's put this working capital on deposit.

**1** **CLICK THE CHEQUEBOOK** button in the Command Centre. (Notice the flowchart which appears. This convention runs throughout MYOB and not only makes the package easy to use, but simply and graphically teaches you how companies work.)

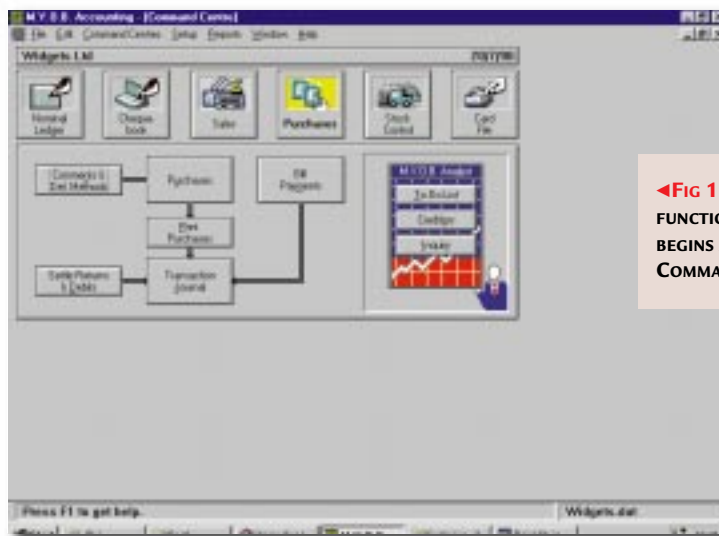
**2** **HIT THE** Make a Deposit button and you will be taken into General Bank Account. Your cursor is in the Date field. Type in "1/1/97", tab down to Amount and enter "£30000".

**3** **TAB TO MEMO** and enter "initial funding of company". Tab to Allocation Account [Fig 2], hit tab again and you'll be given a choice of accounts.

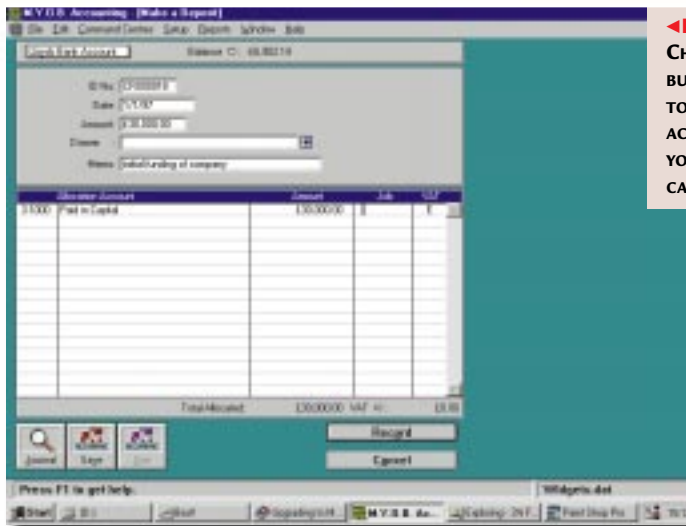
## Hard information that will satisfy your accountant and the tax man

and services you sell. **Cost of sales** covers the price of your raw materials and wages — all your major variable business costs. And the rest of your costs are the **expenses** — your postage, rent, rates and the rest.

These figures are combined to paint a picture of your firm's financial state. Assets, liabilities and capital come



**◀FIG 1 EVERY FUNCTION IN MYOB BEGINS AT THE COMMAND CENTRE**



**FIG 2 THE CHEQUEBOOK BUTTON TAKES YOU TO THE ALLOCATION ACCOUNT, WHERE YOU DEPOSIT CAPITAL**

**4** **CLICK OK** to get back to the Write Cheques window. The name of the landlord will be highlighted: hit tab and his details will

**4** **DOUBLE-CLICK** on Paid in Capital. You'll be returned to the Make a Deposit window, where all your start-up details are now entered.

**5** **YOUR OPENING BALANCE** is highlighted so type in "£30000" once more and hit tab. Blank out the figure in the VAT field, then click Record and Cancel. You're now back in the Control Centre and ready to start things rolling. If you were to view your balance sheet at this point it would show that you have capital of £30,000 (as yet, of course, you have no profit and loss account).

## Office rent

Right, now we've got the capital, we need to rent some office space.

**1** **BACK IN THE CHEQUEBOOK** section of the Command Centre, hit the Write Cheques button [Fig 4].

**2** **GO TO THE AMOUNT FIELD** and type in "£1000". Enter the name of your landlord in the Card field.

**3** **TABBING FROM HERE** will take you to a blank form where you can permanently enter your landlord's contact details. Click New and the card index will pop up. Tab from field to field, entering phone number, fax, address and so on. Be sure to select Supplier as the Card Type in the pop-up window at the top of the card.

be filled in automatically.

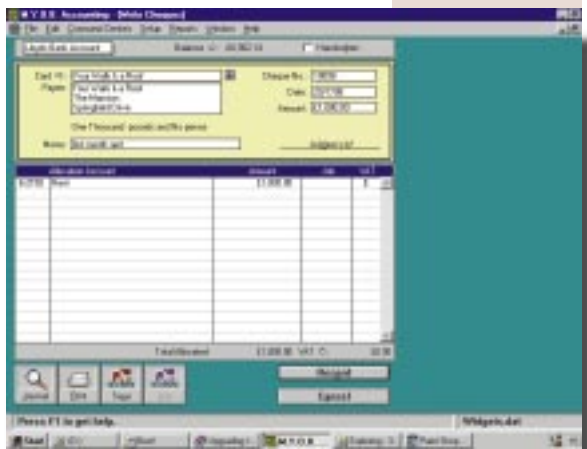
**5** **TAB TO MEMO** and key in a description of the transaction: for example, "first month's rent".

**FIG 3 THE STOCK CONTROL BUTTON LETS YOU BUY STOCK FOR THE BUSINESS**

**6** **TAB TO ALLOCATION**

Account, then tab again. Double-click on Rent and again you return to the Write Cheques window.

**7** **KEY IN "E"** in the VAT column to indicate that your rent is exempt from



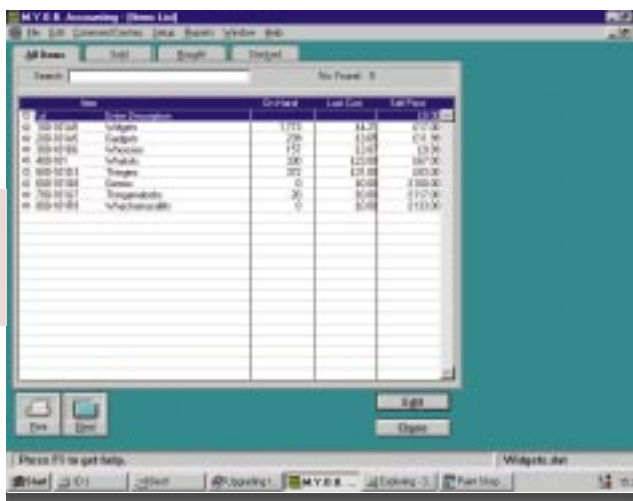
**FIG 4 GO VIA WRITE CHEQUE TO PAY YOUR COMPANY'S RENT**

VAT. Click Record and your rent transaction is logged as part of your profit and loss account. You can follow the same procedure for buying office furniture and for other expenses. Always select "Supplier" as your card type and establish whether the goods or services you are buying are VAT payable or not.

## Stock

The business of Widgets Ltd is buying widgets and selling them at a profit, so we need to buy a stock of widgets.

**1** **BACK AT THE CONTROL CENTRE** window, hit Stock Control [Fig 3] then Items List. Click New: the window that pops up is your method of booking-in items of stock.



**2** **CLICK IN YOUR ITEM NUMBER** (we'll use 100-101A5 for this particular stock item) and tab to Name ("widgets" in this case).

**3** **THE ITEM INFORMATION** window you're working in is used to track all your stock movements, so it includes all the information about buying, selling and stocking widgets. To activate these three elements of your stock control, click the three check boxes at top right: "I Buy...", "I Sell...", "I Stock...". MYOB will automatically link these accounts, so whenever you buy or sell widgets, your overall stock level will be adjusted.

## The profit motive

Balance sheets aren't called balance sheets for nothing, so when you spend £500 on a new stock of widgets the total



in your assets column won't change: the £500 will simply shift from your bank account to your stock total. And neither do profits come out of thin air, so for every sale you make there will be a corresponding debit in your stockholding which will be added to your "cost of sales" total. Hopefully, the revenue you take in from sales is greater than the cost, and that's called profit. This simple but fiddly balancing business is what MYOB does for you automatically, transferring values between the various accounts.

Let's say you want to buy 100 widgets from World of Widgets. Go back to the increasingly familiar Command Centre window and hit Purchases.

### 1 CLICK THE PURCHASES button.

When the Purchases window pops up, hit Type then select Item. Click OK.

**2 YOU NOW TYPE** "World of Widgets" into the Supplier field and tab out. MYOB won't recognise the company as it's a new supplier, so just click New and we return to the card file entry last seen when we were renting our office space. Just follow the same procedure and hit OK. This takes us back to the purchase order window, with World of Widgets highlighted as the supplier.

**3 TAB TO THE RECEIVED FIELD,** type "100" and tab on.

**4 PRESS TAB TWICE:** the selection window is displayed with the first item highlighted. Double-click on "widgets" and you're taken back to the purchases window with the item number "100-101A5", you'll recall, filled in.

**5 TAB TO PRICE,** type in "£9.50" (the unit price of a widget) and MYOB will work out the total cost, the VAT and the balance due. You can also tab down to Comment and enter any special instructions to your supplier, such as "Don't deliver Mondays", "Phone before delivering" and so on.

**6 HIT PENDING,** then Cancel to close the window. No money has changed hands, but the purchase order is in a pending file waiting for the delivery of your goods. When they arrive, you will Record the order and it will become an accounting event.

## Paying for the goods

Now your widgets have arrived, it's time to pay up. Go to Command Centre.

► **FIG 5 BALANCE SHEET SHOWS AT A GLANCE HOW YOUR BUSINESS IS DOING**

### 1 HIT PURCHASES,

then the Purchases button. Hit tab, and a list of suppliers will be displayed.

### 2 DOUBLE-CLICK on

"World of Widgets" and a list of your logged purchase orders will pop up. Double-click on

your pending widget order and the Purchases window will pop up again.

### 3 HIT RECORD and your first order is

logged. Everything comes back to the Command Centre, including sales.

## Handling customers

You've got the stock, so let's get some revenue into the company. Widget Eaters has offered to buy widgets at £25 apiece (a gross margin we're unlikely to attain in the real world, but widgets are scarce).

Hit Sales and then the Sales button on the flowchart. Type your customer name into the Customer field, which will be highlighted as you enter the window.

The rest is straightforward: you click the New button and it's back to the Card File Entry system we've used to log our suppliers. Once that's filled out, OK will bring you back to the invoice window.

One note of caution: make sure you have Item Invoice selected. You can fill in the rest of the details as shown and hit Record to submit your invoice.

## The bottom line

From here on, matters are much easier. As you buy more stock and fill more orders you will encounter pre-filled fields, so there is no need to re-enter the information for Widget Eaters, your landlord and your suppliers.

As you sell widgets to different customers at varying discounts and buy stock at various prices, MYOB will calculate the overall costs and revenues and calculate your balance sheets and profit and loss account accordingly.



Where MYOB will help you is in the numerous reports it provides about your business. The two we're interested in are the balance sheet (the snapshot of your firm's standing on a certain day) and the profit and loss account (the bottom line at the end of the accounting period).

**1 CLICK INTO** the Command Centre window, highlight Nominal Ledger and go to Index to Reports under the Reports menu. You'll be given an exhaustive list of report options on your business (we've taken the example of the balance sheet to show you how the ins and outs of the firm have been accounted for so far [Fig 5]). These can be printed out for an instant rundown of your company's state of health.

## Money management

In our examples we've brought in a lot of information and detail which you may not be interested in mastering. But that's okay; as long as you've been fastidious about entering every expense and every item of income (a discipline you should be maintaining anyway) MYOB will collate the data for you. And it's hard information that will satisfy your accountant and the taxman.

## PCW CONTACTS

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