Bite-sized bookkeeping

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Follow this step-by-step EOFY checklist to ensure your records are in order for tax time.

It's time to close the books for the year and if you do your own bookkeeping this may feel daunting. But it doesn't need to be. Taking a few steps to finalise your file can save you a lot of time, money and hassle and give your accountant a huge head start.

An important step is not to look at the task as a whole but break it down into achievable, bite-sized pieces, working through one area at a time. Be prepared to spend time on a lot of basic reconciling – that is, comparing what was supposed to happen with what actually happened.

Face the task with confidence and don't put it off. You will glean valuable insights to help your business during these changing times and into the future.

Follow this checklist to start FY21 on the right footing. Your accountant will thank you for it.

1 ENTER ALL TRANSACTIONS

Check that all your transactions have been entered. Have all transactions paid for personally been entered? You may need to check your personal bank account. If there are multiple directors, their drawings should be equal – check they are. If a related entity purchased an item on behalf of another entity, has it been entered in both sets of books? For the purchaser this represents money owing with no GST claimed. For the other entity it is a liability until it has been paid. Only this entity can claim the expense and GST. If let go, these inter-company loans can spiral out of control. For this year in particular, consider and collect records of your home-office running expenses. The ATO Small Business Tax Time Toolkit provides guidance on this and other expenses; and seek advice from your accountant.

2 RECONCILE ALL BANK-RELATED ACCOUNTS

Reconciling bank accounts, credit cards, foreign accounts, petty cash and loan accounts will be a huge timesaver for your accountant. All transactions on the bank statement should be accounted for and it is vital that the statement's balance at year end matches your balance. This is the first priority for accountants – a fully reconciled file, verified against actual statements.

Ideally, this should be done throughout the year, but if not, start this process now. If your balances don't match go back to the start of the financial year and reconcile month by month, drilling down week by week, day by day if necessary, to isolate and amend errors. Finding errors requires patience and attention to detail. If you discover the issue arises from a prior period, advise your accountant.

3 CLEAN UP BILLS

Check all supplier invoices have been received and compare them against statements. If you believe they have been paid, check for duplicates in your file and confirm that payments were not made in cash or payments allocated incorrectly. A common error is not applying a payment to an outstanding bill. Verify all open credits and apply to open bills where possible. Check projects/job costs are allocated to jobs. Check GST coding, especially known GST, GST free and those with a mixed supply.

Private portions of expenses need to be accounted for. Tax agents can advise on this. This can be done during the year but, at the latest, accounted for at year end.

4 REVIEW SALES INVOICES AND WRITE OFF BAD DEBTS

First, check all sales and billable client expenses have been invoiced. Often, only you will know this. Next, verify what is open. A common error we see is payments being received but not reconciled against the sales invoices, especially if the amounts don't exactly match. Check if the payment has been received in cash.

Review GST coding, especially known GST, export and other GST free, overseas and those with a mixed supply.

Check open credits and apply these

to any outstanding bills. Ensure refunds have been applied to credits correctly.

Finding errors may not be easy but it is important to understand exactly what is owing to you. Now is the time to follow up and collect as many of your outstanding invoices as possible.

You will now be able to review what is left and decide on whether you should write off any bad debts. To write off bad debt you need to retain evidence of the steps you have taken to recover the debt. Always document phone calls and other communication with debtors in your efforts to receive payment. To write off a bad debt, credit the invoice to a bad debt expense account and include GST if it was in the original invoice.

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5 COUNT STOCK

The value of stock needs to be brought into the books at year end. If your inventory system isn't on software which maintains a stock count, a stocktake was likely done at year end. Consider stock held in all locations including in vans, the office, your home, and other locations on consignment but not yet sold. Review your stock list and delete obsolete items and ensure new items are correct. If the stocktake does not match your records consider if returns, damaged items and samples were entered correctly. Advise your accountant of any discrepancies.

6 RECONCILE AND FINALISE PAYROLL

Check employee tax file numbers have been submitted to the Australian Tax Office (ATO) and super funds. Check that the final STP event – or total payment summary for closely held employees not enrolled in STP – equals total wages and salaries. Double check terminations through the year.

Run your profit and loss and payroll report for the year. Total wages on both should match. If not, check you have not assigned payments to the ATO for taxes withheld, or transactions not related to payroll, to the wages expense account.

Do a similar reconciliation for superannuation. Ensure all superannuation payments match what was owing for the year and that payments are up to date. The ATO is inflexible when it comes to late superannuation and we recommend this is addressed as soon as you discover the error. There is a unique opportunity this year to address late or unpaid super from March 2018 and earlier, under the Superannuation Amnesty available until Monday 7 September. If you think you have unpaid super, now is the time to address the issue.

7 LOOK OVER YOUR FINANCIAL REPORTS AND REFLECT

Run your profit and loss and balance sheet for the year and compare it to previous years. Trust your instincts. Does it look right? Investigate any unusual discrepancies that don't seem right. The suspense account should be zero, so investigate any entries that give it a non-zero balance.

If you have been thinking about changing software or moving from manual systems to digital, the start of the new financial year is the ideal time to make the switch.

8 REACH OUT

It is very common at this time to find errors in the books. There is no need to feel bad about this. Importantly, don't feel alone. Reach out to your accountant. Finding a bookkeeper you can trust can take a huge weight off your shoulders. The Institute of Certified Bookkeepers' Find a Bookkeeper service is a source of certified bookkeepers nationwide. ■

EOY KEY DATES

July

14: JobKeeper business monthly declaration – June
14: STP finalisation (20 or more employees)
14: Payment summaries (closely held payees not in STP only)
21: June monthly BAS/IAS
28: June quarter BAS (without agent)
28: June quarter super
31: STP finalisation (19 or fewer employees)

August

14: JobKeeper business monthly declaration – July
14: PAYG Payment Summary Annual Report (closely held payees not in STP only)
21: July monthly BAS/IAS
25: June quarter BAS (with agent)
28: TPAR report on contractors (if applicable)