An introduction to bookkeeping with an Excel cashbook

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Building confident charities

We work with small and medium organisations with big ambitions

How to stop worrying and learn to love finance

Embrace Finance is a non-profit organisation working with charities and social enterprises to build financial sustainability by building financial confidence

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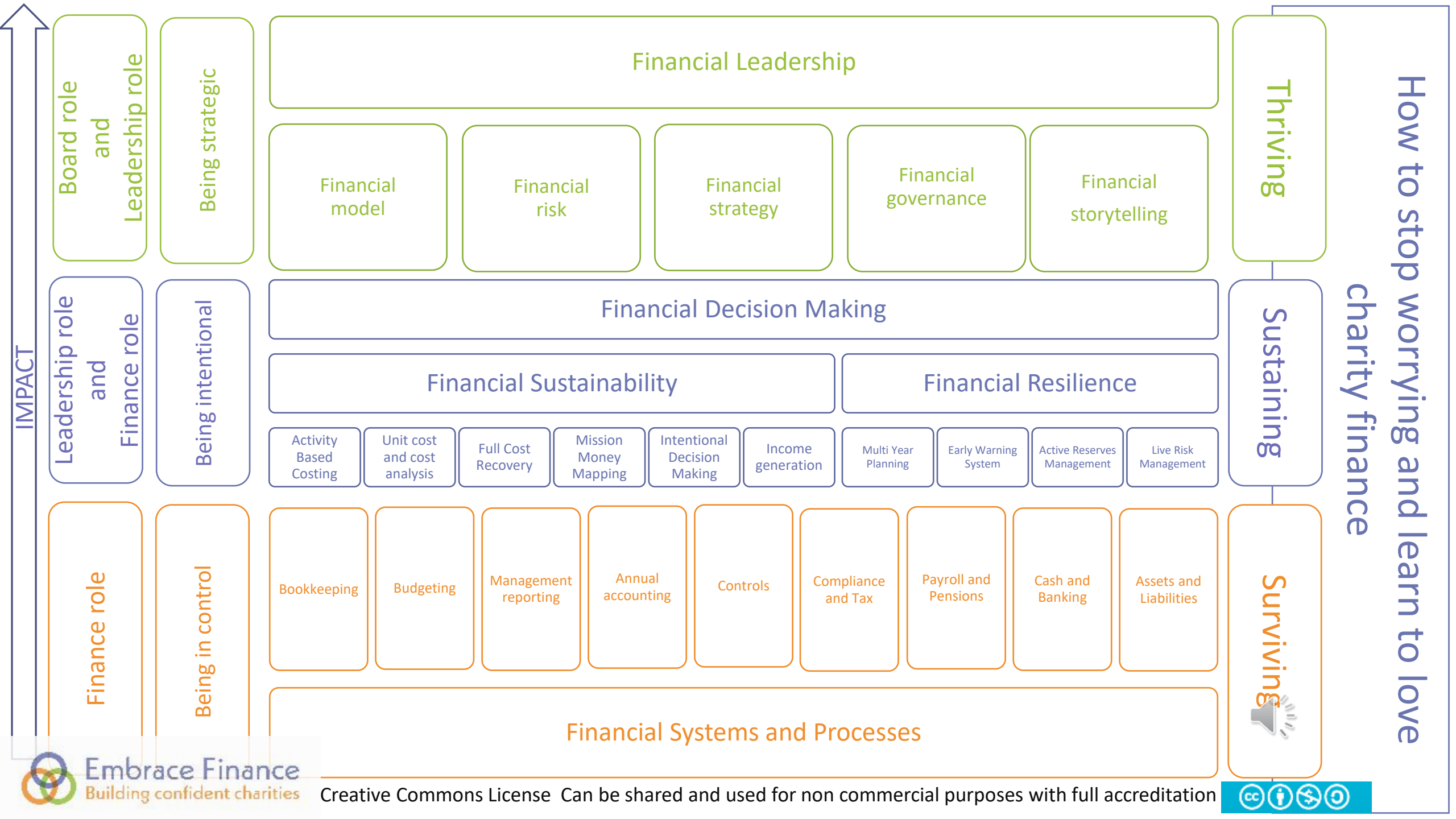

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Today

- What we talk about when we talk about bookkeeping
  - What it is
  - Why we need to do it
  - How to do it
  - Managing grants
  - Managing year end
  - High tech v low tech
  - In-house v Outsourced
- Limitations of bookkeeping

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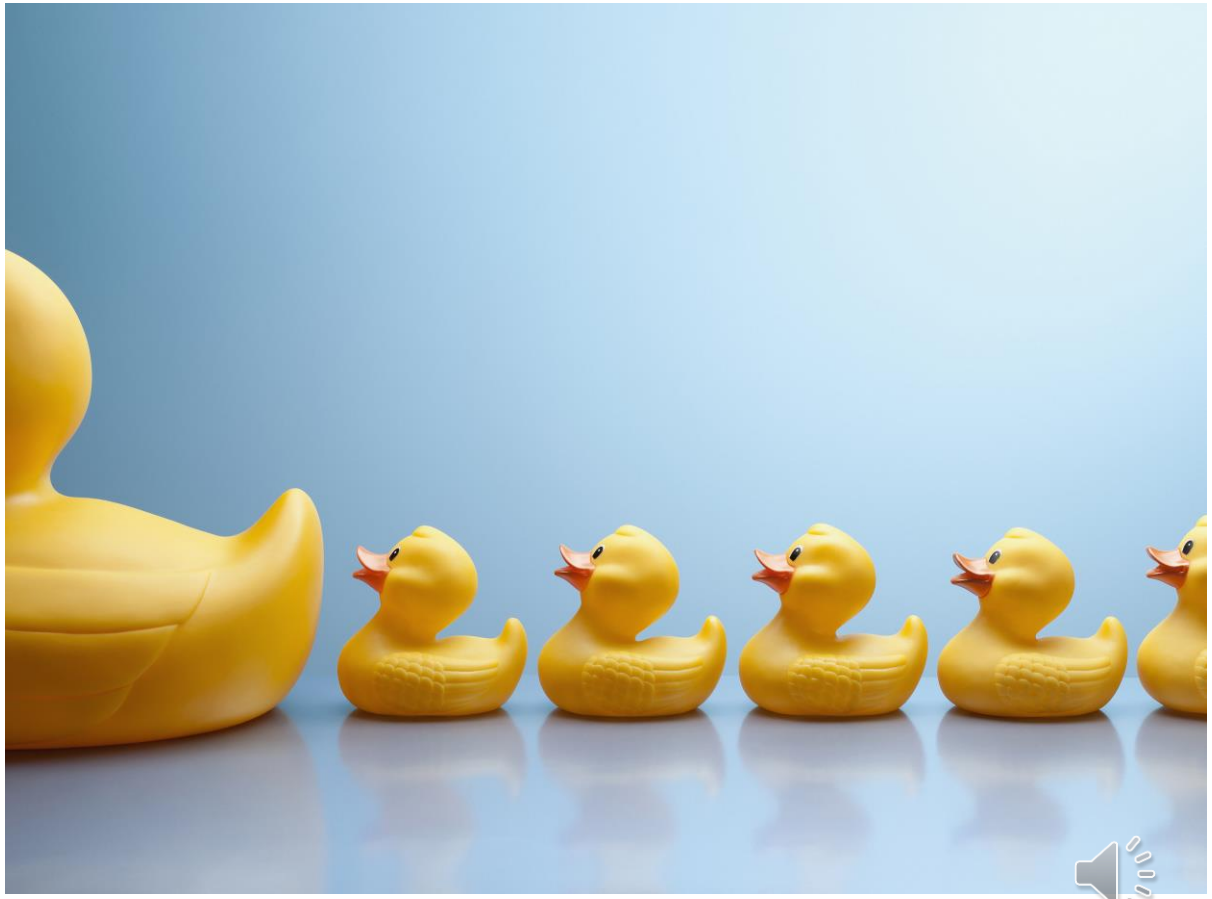
What is it

- The process of recording financial transactions in a way which enables us to comply with our duties when running a charity and find the stories behind the numbers
- It has rules. Double entry bookkeeping is over 400 years old.
- Now, it is mostly done in an Excel cashbook or in an online accounting platform such as Quickbooks or Xero



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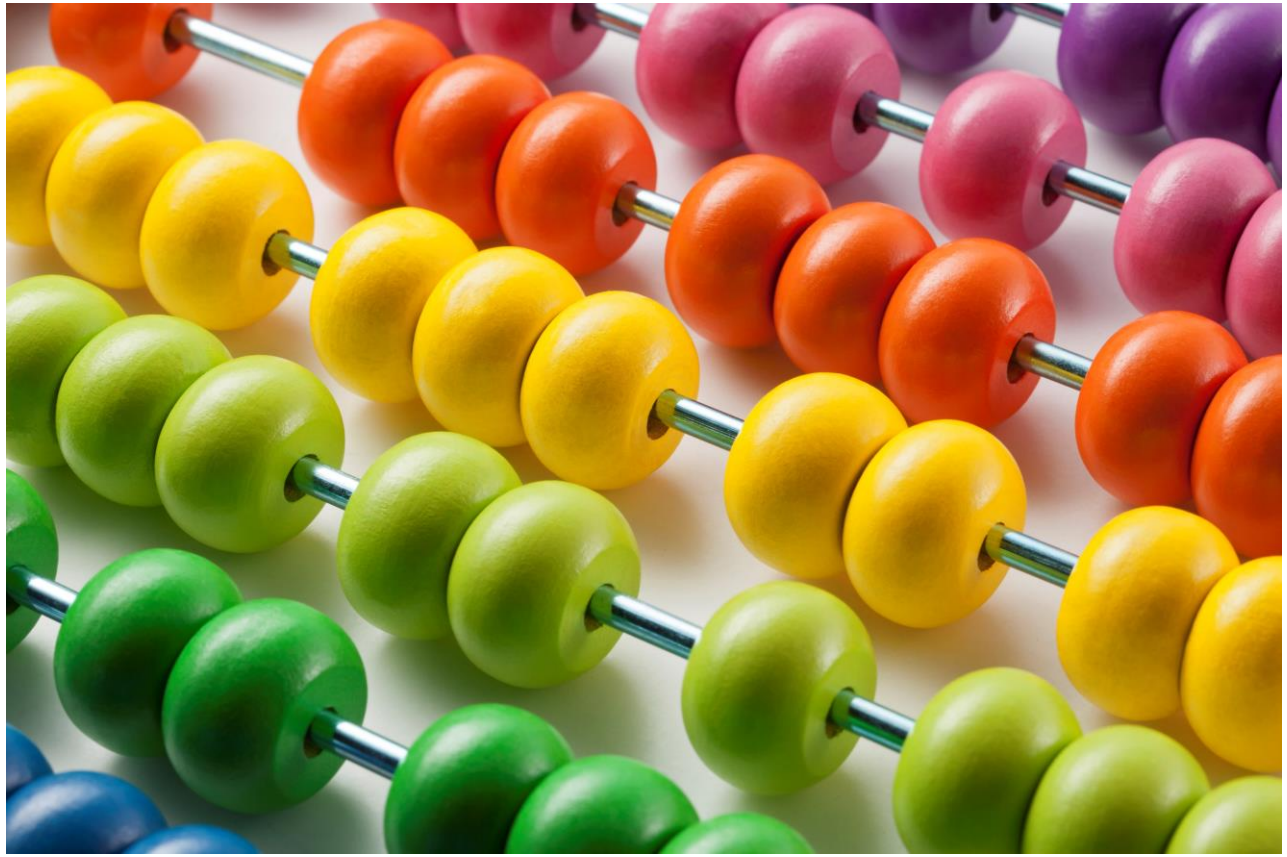
What is it

Bookkeeping is not accounting. Bookkeeping is the process of recoding transactions, accounting is the process of ' summarizing, analyzing, and reporting these transactions to oversight agencies, regulators, and tax collection entities'. (Definition by Investopedia)



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Why we do it

Bookkeeping is the foundational piece of managing our finances. In finance, all roads lead to bookkeeping.

Done well:

- we can remain compliant with the regulatory framework
- we can report on grants we are awarded
- we can get us valuable insights into our financial activities

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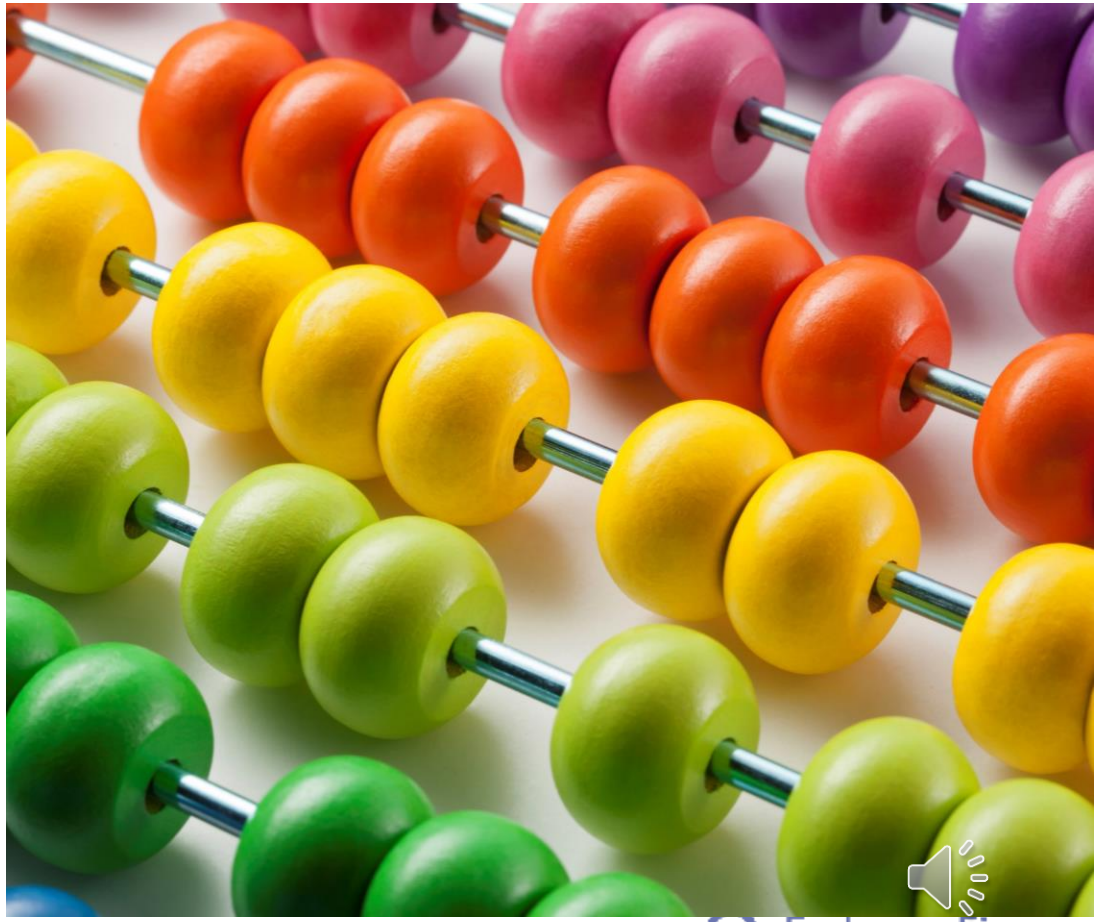
How we do it

- When we spend money, typically, we want to know what we spent it on. We might also want to know which activity it relates to.
- All bookkeeping systems have a chart of accounts to enable us to analyse our transactions in this way.
- The chart of accounts includes:
  - a list of income and expenditure codes, and
  - cost centres to track our income and expenditure by activity
- Many charities use their cost centres to track the income and expenditure on their grants.



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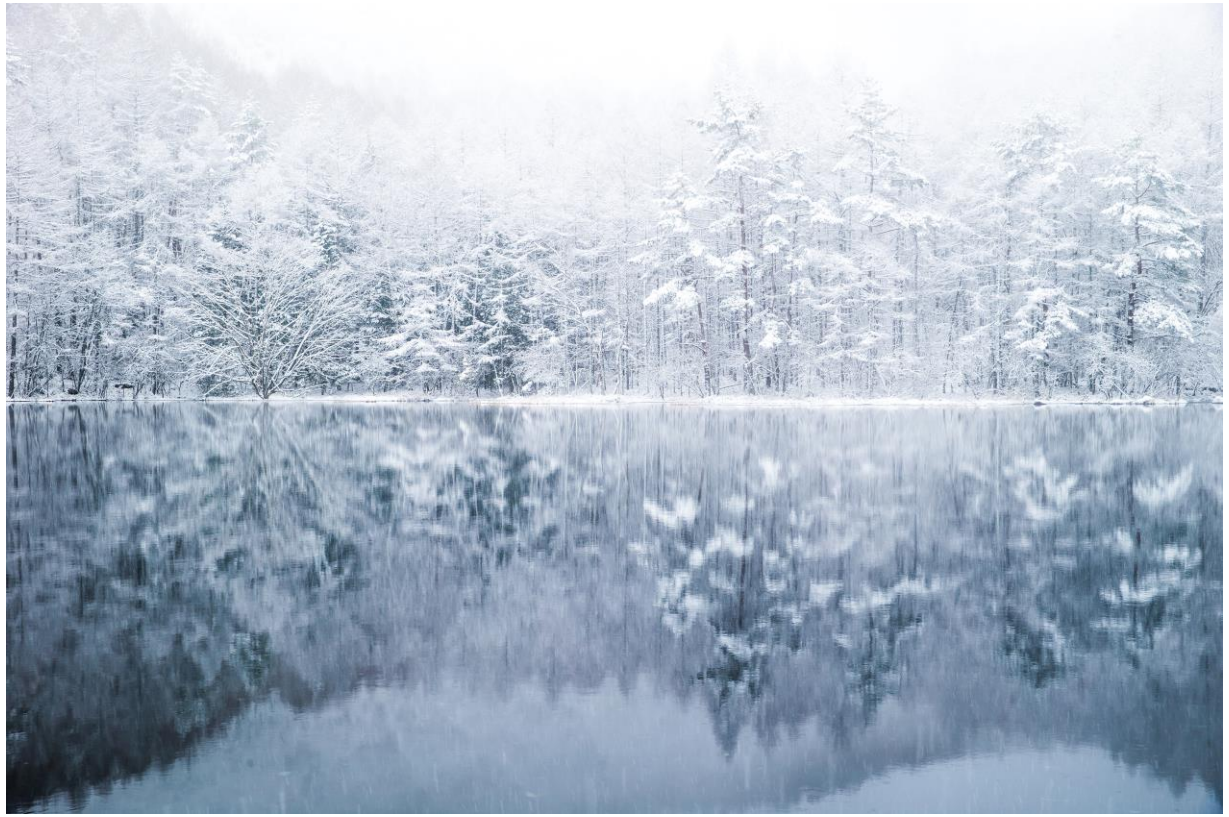
Process

- Start with a list of bank transactions
- Add them one by one to the cashbook and calculate the running bank balance
- Reconcile this monthly to the actual bank statement
- Adjust for any errors or omissions until it matches
- Allocate all transactions to relevant income or expenditure activity and grant



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Managing grants

- When attributing income and expenditure to grants
- We allocate all direct costs fully
- We apportion any shared costs on a fair and reasonable basis
- Any costs not covered by a grant comes out of core income or reserves

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Managing year end

- Year end accounts are a summary of our bookkeeping data that we have recorded in the year
- These need to prepared in a set format with proper professional advice
- It is helpful to set up our bookkeeping structure (aka chart of accounts) so that we can make the year end process as easy and smooth as possible

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Limitations of bookkeeping

- Tracks the past only, need a way to forecast the future
- Tracks actuals only, need a way to track performance against budget too
- Garbage in, garbage out
- Only as useful as we make it

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In house v out sourced

Benefits of doing bookkeeping ourselves

- High control
- Low cost
- Timeliness
- Other?

Benefits of out-sourcing to a professional

- Reliability
- Speediness
- Low stress
- Other?

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Cloud accounting

- Why use a cloud accounting system?
- Which system is best?
- When to migrate?
- How to migrate?

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Questions to ask ourselves

- Do we have a bookkeeping system which tracks income into and expenditure out of our bank account?
- Do we keep it up to date monthly?
- Does the monthly bank balance in our system match the bank statement?
- Can we analyse this data by grant and report on grants easily?
- Can we prepare our year end accounts easily?
- Can we compare our data to our budget easily?
- Do we keep it up to date?

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