

IMPROVE YOUR BUSINESSES

Record Keeping



**IMPROVE
YOUR BUSINESS**

RECORD KEEPING

Copyright © International Labour Organization 2015
First published 2015



This is an open access work distributed under the Creative Commons Attribution-ShareAlike 3.0 IGO License (<http://creativecommons.org/licenses/by-sa/3.0/igo>). Users can re-use, share, adapt and build upon the original work, even for commercial purposes, as detailed in the License. Any new works that use the original content must carry the same CC-BY-SA licence. The ILO must be clearly credited as the owner of the original work. The use of the emblem of the ILO is not permitted in connection with users' work.

Translations – In case of a translation of this work, the following disclaimer must be added along with the attribution: *This translation was not created by the International Labour Office (ILO) and should not be considered an official ILO translation. The ILO is not responsible for the content or accuracy of this translation.*

Adaptations – In case of an adaptation of this work, the following disclaimer must be added along with the attribution: *This is an adaptation of an original work by the International Labour Office (ILO). Responsibility for the views and opinions expressed in the adaptation rests solely with the author or authors of the adaptation and are not endorsed by the ILO. Adaptations not endorsed by the SME Unit of the ILO cannot use the SIYB brand name and logo.*

All queries on rights and licensing should be addressed to ILO Publications (Rights and Licensing), CH-1211 Geneva 22, Switzerland, or by email to rights@ilo.org.

International Labour Office

Improve your business (IYB): record keeping / International Labour Office, Enterprises Department. - Geneva: ILO, 2015

ISBN: 9789221287520; 9789221287537 (web pdf); 9789221287414 (set)

International Labour Office Enterprises Dept.

enterprise development / records maintenance / financial management / small enterprise / business

03.04.5

ILO Cataloguing in Publication Data

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and digital products can be obtained through major booksellers and digital distribution platforms, or ordered directly from ilo@turpin-distribution.com. For more information, visit our website: www.ilo.org/publns or contact ilopubs@ilo.org.

Printed in Switzerland

About the Start and Improve Your Business (SIYB) Programme

The Start and Improve Your Business (SIYB) programme is a management-training programme developed by the International Labour Organization (ILO) with a focus on starting and improving small businesses as a strategy for creating more and better employment for women and men, particularly in emerging economies. With an estimated outreach in over 100 countries, it is one of the world's largest programmes in this field.

The programme has four inter-related packages - Generate Your Business Idea (GYB), Start Your Business (SYB), Improve Your Business (IYB) and Expand Your Business (EYB).

The ILO implements the programme using a three-tier structure comprising Master Trainers, Trainers and the end beneficiaries – potential and existing entrepreneurs. The Master Trainers licensed by the ILO are responsible for developing the capacity of the Trainers to effectively conduct SIYB training. Thereafter, the Trainers train entrepreneurs in SIYB packages. The ILO plays a critical role in identifying and disseminating best practices, carrying out trainings, monitoring activities, performing quality control and providing technical advice on the implementation of the SIYB programme.

About Improve Your Business (IYB)

Improve Your Business (IYB) is a management training programme for owners and managers of small enterprises who want to sustain their businesses, increase sales and reduce costs. It addresses the core question of how to improve the performance of your business.

IYB originates from a programme developed by the Swedish Employer's Confederation for local small and medium entrepreneurs. Later, the methods and materials were adapted by the ILO to meet the needs of people running small businesses in developing countries.

The IYB training programme is supported by a set of six manuals (marketing, costing, buying and stock control, record keeping, planning for your business, and people and productivity). These manuals can be taught individually or all combined in a full course. If the full course using all the manuals is delivered, the duration is approximately seven days. The IYB training uses an active, problem-centred learning approach to small business management through, for example, short cases and graphic illustrations.

The IYB Record Keeping manual helps identify records that are important for a business, teaches entrepreneurs how to keep the records, and explains how to use them to improve business performance.

Authors and acknowledgements

The IYB Record Keeping manual is a result of a collective effort and reflects the experience and knowledge gathered by implementing the programme for nearly three decades. In particular, the contributions of SIYB Master Trainers and Trainers who have tested, designed and implemented the programme in different countries over the years have been invaluable. There are many colleagues from the network of SIYB practitioners, consulting firms and in the ILO, whose experience, support and constructive suggestions made the publication of this training manual possible.

This manual is based on the materials originally developed in 1994 by the ILO SIYB Regional Office in Harare, Zimbabwe, where it was written and edited by Mats Borgenvall, Ann Holmes and Barbara Murray.

The author team of the 2015 version, which revised the existing text and wrote new chapters to include recent thinking in enterprise development and related fields comprises Duong Thi Kim Chung and Pranati Mehtha. Stylistic and language editing were carried out by Steve Raymond.

Many thanks are due to SIYB senior Master Trainers Dissou Zomahoun, Gemunu Wijesena, Sibongile Sibanda and Walter Verhoeve for the review of the draft manuscript and suggestions based on their training experience. Short contributions, advice and assistance on integrating linkages to finance in the manual were received from Cheryl Frankiewicz and Severine Deboos (Technical Expert in the Social Finance Unit of ILO's Enterprises Department).

The internal layout and illustrations were carried out by Thai Van Luan and the cover design was developed by Maurizio Costanza.

The review efforts and technical contributions of the SIYB Global Coordination Team members who provided invaluable support to the development and finalization of the manual is greatly appreciated: Merten Sievers (Specialist – Value Chain Development and Business Development Services), Eva Majurin (SIYB Global Coordinator) and Thokozile Newman.

Contents

INTRODUCTION	i
1. What is this manual about?	i
2. Who should read this manual?	i
3. Objectives of this manual	i
4. How to use this manual?	i
PART I - KEEPING BUSINESS RECORDS	01
1. What is record keeping?	01
2. How can records improve your business?	06
Summary	08
Assessment 1	09
PART II - A SIMPLE SYSTEM OF KEEPING RECORDS	11
1. Which records to keep?	12
2. The Basic Record Book	14
3. How to fill in the Basic Record Book?	16
3.1 Create and collect written proof of transactions	16
3.2 Manage the written proof of transactions	23
3.3 Fill in the Basic Record Book	23
4. Other useful record books	31
4.1 Asset Register	31
4.2 Salary Register	34
4.3 Inventory Record	36
4.4 Detailed Cost Record	37
4.5 Loan Record	39
4.6 Creditors' Record	39
4.7 Tax Payable Record	40
5. How to keep your records?	41
5.1 Paper based method	41
5.2 Computer method	43

Summary	45
Assessment 2	46
Answer to Activities	48
PART III - USE RECORDS TO IMPROVE YOUR BUSINESS	49
1. Manage your cash	49
2. Manage your debtors	51
3. Calculate your profit	51
3.1 Profit and Loss Statement	52
3.2 Calculating Gross Profit	53
3.3 Calculating Net Profit	54
4. Calculate your Tax Payable	55
5. Create a Balance Sheet	56
5.1 What is a Balance Sheet?	56
5.2 Why is a Balance Sheet useful?	56
5.3 How to make a Balance Sheet?	57
6. Other uses of records	59
Summary	59
Assessment 3	60
WHAT DID YOU LEARN IN THIS MANUAL?	63
1. Can You Help?	64
2. Action Plan	68
Answers	71
USEFUL BUSINESS WORDS	75
RECORD KEEPING FORMS	77

INTRODUCTION

1. What is this manual about?

This manual defines record keeping and explains the reasons why it is important to small businesses. It helps you to identify records that are important for your business, teaches you how to keep the records, and shows you how to use them to improve your business.

2. Who should read this manual?

Record Keeping is one of the manuals in the Improve Your Business (IYB) series. It is useful for entrepreneurs who are running enterprises and who wish to develop their businesses, increase sales and reduce costs.

3. Objectives of this manual

When you have completed this manual, you should be able to:

- Explain the benefits of record keeping
- Determine which records are important and should be kept
- Keep your business records
- Use these records to improve your business

4. How to use this manual?

In this manual you will find:

- **Stories of businesses:** Compare these examples with your own business and use them to improve the performance and profitability of your business.
- **Activities:** Practical exercises in the middle of each part that help you to proactively think about the concepts and how to apply them to your own business.
- **Summary:** This is provided at the end of each part. Use it to review the key points.

- **Assessment:** This is provided at the end of each part. Answering the questions will help you to assess how well you understand the content presented in that part.
- **“Can You Help?”:** These are exercises at the end of the manual which will give you an opportunity to apply your new knowledge and skills in specific situations. By doing these exercises, you will find out how much you have learned from the whole manual.
- **Action Plan:** Fill in and use the Action Plan near the end of the manual. This will help you to put your new knowledge into practice.
- **Answers:** Answers to Assessments and “Can You Help?” exercises are given at the end of the manual. Finish each exercise before you look at the answer.
- **Useful Business Words:** You can look up the meaning of business words that you do not understand. This part is at the end of the manual.
- **Important notes:** Each of these notes has important information. Use this information to the best of your ability. You can find these notes in the middle of different parts of the manual.

Several icons are used within the manual to help guide your study. Examples of the icons and their meanings are listed below:



When you see this icon, you have activities to do or questions to answer.



When you see this icon, you find an answer for your activities and assessments here.



When you see this icon, it signifies that the information in this part is extremely important.



When you see this icon, you have to complete assessments that help you measure what you have learned.



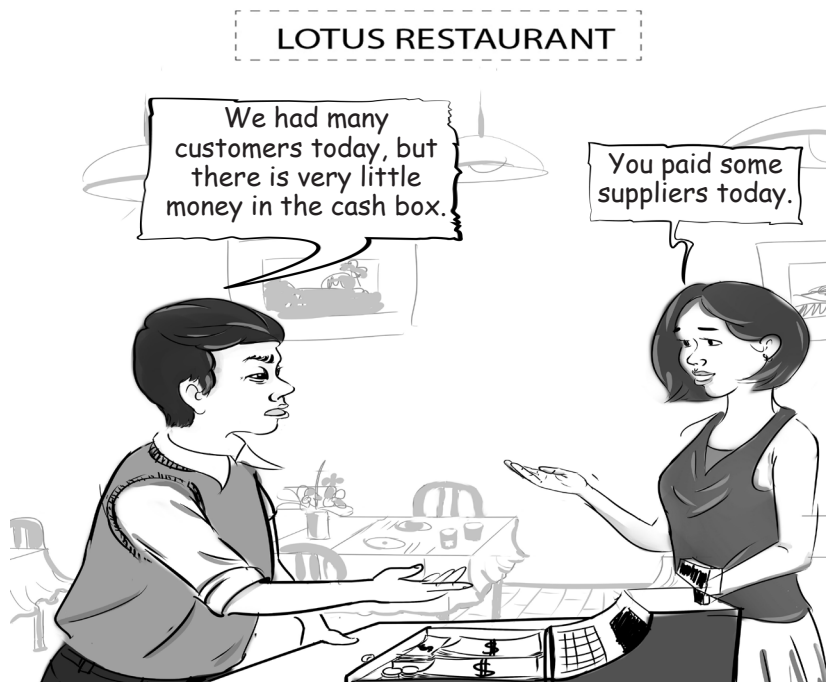
When you see this icon, you will know you have just completed one part and the important ideas that were presented are being summarized here.



When you see this icon, it tells you where to find more information or what to do.

KEEPING BUSINESS RECORDS

1. What is record keeping?



What was the problem at *Lotus Restaurant*?

.....
.....
.....

What should the restaurant owner have done to prevent this problem?

.....
.....
.....

What did the *Convenient Grocery* owner, Fatuma, and the customer disagree about?

.....
.....
.....

What should Fatuma have done to prevent this problem?

.....
.....
.....

You may have recognized that the restaurant owner has a problem managing his cash. He did not remember that he had made some payments. If he had recorded all the money he received and paid out during the day, he would have known exactly why there was only a little cash left.

The grocery owner and her customer disagreed about the amount of money that the customer owed, as well as the dates she was supposed to pay it back. If the owner had recorded the details of the transaction, she would not have had a disagreement with her customer.



Do you think the bank gave Fatuma a loan?

.....
.....
.....

What should Fatuma have done that would have helped her to get the loan?

.....
.....
.....

What was the problem with Fatuma and her supplier?

.....
.....
.....

What should Fatuma have done that would have prevented the problem?

.....
.....
.....

Perhaps you have guessed that the bank did not give a loan to Fatuma. The bank needed to know how well her business had been doing, so they wanted to see her record of sales and profits. Had Fatuma kept such records, she would have been able to show the bank how well her business was doing and she would have been much more likely to get her loan approved.

Fatuma and her supplier had a problem of miscommunication about the discount programme. Had Fatuma and her supplier signed a written contract, there would have not been any miscommunication.

ACTIVITY 1



Do you have similar problems in your business? Do you know of any other business that has had similar problems? Were the problems solved? How were they solved?

.....

.....

.....

In most businesses, there are so many transactions that entrepreneurs cannot remember all of them. Written records of business transactions would help entrepreneurs avoid similar problems. This is the reason that businesses need to keep accurate records. Another reason for businesses to keep records is that, in many countries, the law requires it.



Keeping business records is a legal requirement for many businesses!



From the examples above, can you think about what constitutes record keeping?

.....

.....

.....

Records keeping means writing down all the information that is important to your business, such as:

- How much money does your business receive?
- How much money does your business pay out?
- How much has been sold on credit?
- How much does your business owe others?
- The value of equipment that your business buys
- The money you invest in your business
- Agreements between your business and its suppliers or customers

2. How can records improve your business?

You have been made aware of some of the benefits that keeping records can bring to your business. Neat, accurate records can also help you to find out how your business is doing and to solve problems in your business:

- If your business is doing well, use your records to identify the reason behind it and to find things that you can do to make it even better.
- If your business is not doing well, use your records to identify the problems and then plan how to solve them.

Records are also important for managing relationships with different institutions and individuals that offer the services or manufacture the goods that you need in your business. The contractual agreements you enter into are also part of your business records.

The illustrations below show some of the benefits of maintaining accurate records:

1. Records help you to control your cash.



Your records show how much cash your business should have in hand at any point in time. Use your records to make sure that money does not disappear.

2. Records show you how your business is performing.



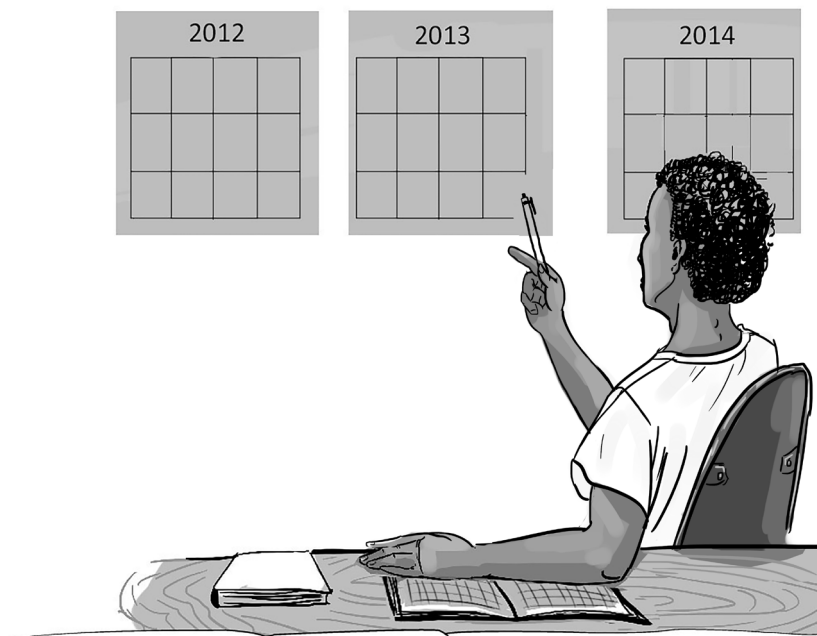
Your records help you to identify problems before it is too late. Use your records to find out if something is wrong, if costs are too high, if sales are falling, etc.

3. Records show others how your business is performing.



You need proper records to apply for a loan, to pay your taxes and for most business activities. Use your records to show that everything is in order and that you are in control of your business.

4. Records help you plan for the future.



Records show how well your business did in the past and how well it is doing now. When you know your strengths and weaknesses, you can properly plan for the future.



ACTIVITY 2

If you keep records, how would you like to use them to improve your business?

.....

.....

.....

In the following parts, we will examine the tools for keeping proper business records and specific details on how to use them.



SUMMARY

Record keeping means writing down all the information that is important to your business. For example:

- How much money does your business receive?
- How much money does your business pay out?
- How much has been sold on credit?
- How much does your business owe?
- The value of equipment that your business buys
- The money you invest in your business
- Agreements and contracts between your business and its suppliers or customers

Record keeping is necessary for every business. Neat, accurate records will help you to identify and solve problems. Use records to:

- Control your cash
- See how your business is performing
- Demonstrate to banks, investors, or other interested parties how your business is performing
- Plan for the future

ASSESSMENT 1



You have just completed Part I of this manual. Try the exercise below to check your understanding. Finish the exercise before comparing your answers with those on page 71.

Write True or False to the left of each statement below:

1. Written records are only important to big businesses. In my business, I always remember all the transactions.
2. Business records are important for managing relationships with my suppliers and customers.
3. Keeping business records means recording all the money that comes in or goes out of my business only.
4. One of the most important reasons for businesses to keep records is to use them to identify problems with their businesses.
5. Record keeping might be a legal requirement for your business.



A SIMPLE SYSTEM OF KEEPING RECORDS



In this part you will learn which records to keep and how to keep them. You will be given record books to make record keeping easy.

1. Which records to keep?



Depending on their requirements, businesses may keep different records. Below are some examples of the basic types of records that are kept at most businesses:

- **Cash transactions:** This is a record of the money that your business receives and disburses every day and the total amount of money in your cash box.
- **Details of debtors:** This record shows how much your customers owe you.
- **Sales:** This is a record of daily, monthly and yearly sales.
- **Costs:** This record shows how much money is spent and where your business spends the money. It is useful for calculating the cost of your goods or services.

Which other records do you think may be important to a small business?

.....

.....

.....

.....

.....

Your correct answer would include the following examples:

- **Bank transactions:** This records the amount that is deposited and withdrawn each day and the total in your business bank account at any given time.
- **Assets and liabilities:** This record is important for managing your business assets and liabilities. It records the value of your assets and how long each asset has been used. It also tells the amount your business owes to other people or businesses.
- **Salary:** This record is important for managing labour costs. It is a monthly record of how much you pay your staff.
- **Inventory:** This record shows you the value of the stock in your business. If your company stores substantial amounts of raw materials for production, or finished goods for sale, you should keep this record.
- **Tax:** Businesses are subjected to different types of taxes, such as value added tax, corporate income tax, payroll tax, capital gains tax, etc. This is a record of all the taxes that the company is required to pay.
- **Agreements with customers or suppliers:** All agreements with customers or suppliers should be in writing, preferably in the form of a contract. This record is important for managing relationships with different organizations and individuals that provide services or goods. It is a written record of all agreements, including pricing, delivery and payment terms.

ACTIVITY 3



Which records are important for your business? – If you do not feel confident to correctly answer this question, you should seek advice from other businessmen or a qualified accountant.

.....

.....

.....

.....

.....

2. The Basic Record Book



The Basic Record Book is a tool that supports your record keeping. You use it to record all the money that came into the business and all the money that went out of the business.

On the next page is an example of a Basic Record Book that is suitable for many small businesses. This book can help small businesses keep records of cash transactions, bank transactions, sales, costs and Value Added Tax (VAT).

3. How to fill in the Basic Record Book?



Fill in your Basic Record Book at the **end of each day**. You need proof of every transaction, even for small disbursements such as the purchase of stamps for a business letter. Some examples of written proof are:

- Copies of receipts you give to customers who buy your goods or services
- Receipts or invoices you receive when you buy goods or raw materials, or pay rent and electricity

3.1 Create and collect written proof of transactions

CASH TRANSACTIONS

The first thing Moyo showed Fatuma was how he records and keeps receipts for everything his business buys or sells using cash. When you buy or sell goods or services for cash, money comes in and goes out immediately.

Money coming into the business

Receipt

Every time Moyo sells something for cash, he writes a receipt. He gives the original or top copy to the customer and keeps the duplicate, or the other copy.

While his business is open, Moyo records all the cash that comes into his business through sales this way.






Record all the cash that comes into your business through sales. Do it as soon as the customer pays, otherwise you may forget the transaction. You may write the receipt on a sheet of paper, but the best type of receipt is one that is pre-printed and consecutively numbered, with duplicates that you can keep. It's even better if you have the name of your business appear on every receipt.

If you are a Value Added Tax (VAT) registered business, your receipt must show the amount of VAT charged.



Daily Cash Sales Record

If your business sells many inexpensive goods or services, use a Daily Cash Sales Record.

DAILY CASH SALES RECORD

Date: 20 Oct 2013

Item (1)	Quantity sold (2)	Unit price(\$) (3)	Amount (\$) (4)
Milk	☑	5	10
Noodle	☑☑☐	14	0.5
Sugar	☑☑☑	15	1

Column 1: Make a list of all the inexpensive items you have for sale.

Column 2: Every time you sell one item, immediately make a mark in an appropriate cell in column 2. At the end of the day, calculate the amount of each item you have sold by counting the number of marks.

Column 3: Write the unit price of each item.

Column 4: Calculate the amount received for each item sold by multiplying the figures in columns 2 (quantity sold) and 3 (unit price) in the same row.

Finally, work out the total cash received on that day by adding all of the amounts in column 4. The total will tell you how much cash came into the business from sales of small items.

You will need a copy of the Daily Cash Sales Record every day, so you need to print or photocopy enough copies to last a while. You can create one Daily Cash Sales Record and then make multiple copies for use every day.



ACTIVITY 4

Does your business use receipts or a Daily Cash Sales Record? Why?

.....

.....

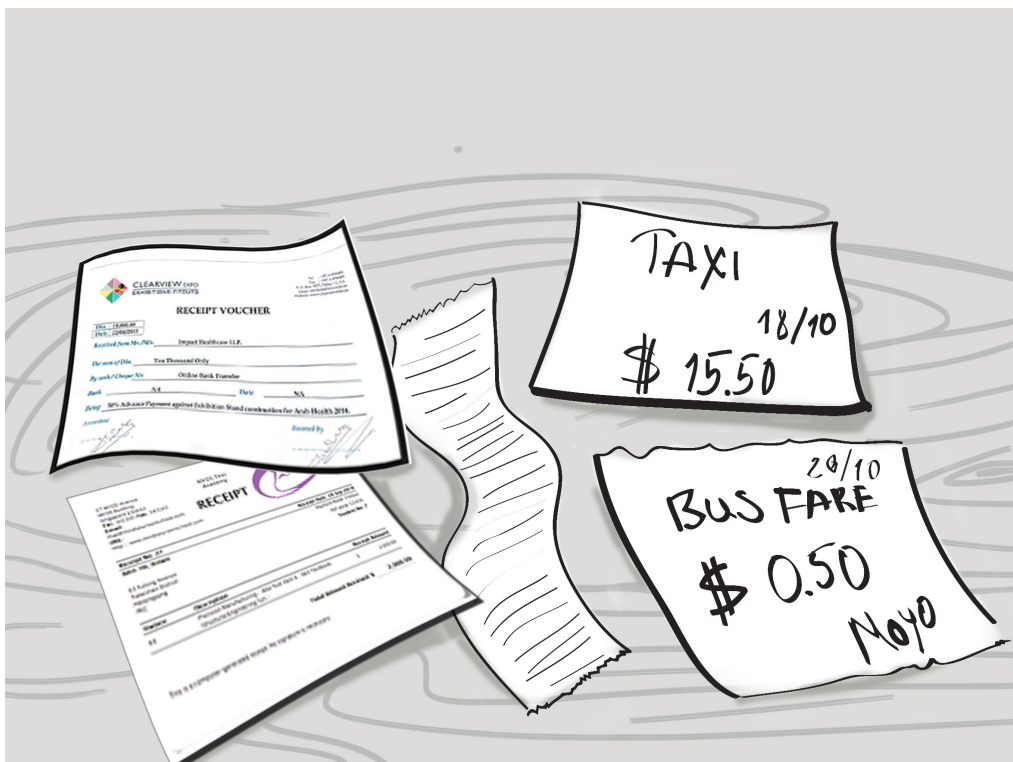
.....

If your business sells many inexpensive goods or services, use both the receipts and the Daily Cash Sales Record. Use the receipts for more expensive or irregular transactions and use the Daily Cash Sales Record for less expensive and more regular items.

Money going out of your business

When you use money from your cash box for daily expenses, keep the receipts you get for all cash disbursements. For example:

- Receipts for buying raw materials or goods to resell
- Payslips for wages and salaries
- Invoices or receipts for rent, telephone and all other business expenses



If your suppliers do not provide you with written proof, you must make it yourself by writing down the details of the transaction to ensure that you will not forget it. You can use a blank sheet of paper to write down the information. It is important to note the following:

- When did the transaction occur?
- Who was involved in the transaction?
- What was the transaction about?
- How much money was involved in the transaction?

“

If you have no written proof of costs, you must write down the details of the transactions yourself.



”

Moyo then showed Fatuma how he records transactions and keeps receipts when his business sells or buys goods or services on credit.

CREDIT TRANSACTIONS



When you buy or sell goods or services on credit, money will be paid or received later. You must have written proof of everything your business sells on credit and everything it buys on credit.

If you sell on credit, write everything down on a sheet of paper. Make your own Customers' Accounts Record with one page or section for each customer. You can use either one record book with a page for each customer, or you can use separate pages in a single file. If you only have a few customers who buy a lot, you might wish to use a separate book for each customer.

This is the Customers' Accounts Record for one of my customers.



The highest amount of credit you will give to the customer

The items the customer buys

The date the customer buys on credit or pays his or her account

The value of the goods or services the customer buys this time

The customer's signature - The customer must sign whenever he or she buys items on credit.

The total amount the customer now owes your business

Your signature - You must sign when the customer pays the bill.

The amount the customer pays

CUSTOMERS' ACCOUNTS RECORD							Modern Furniture
Customer: <i>Welcome Hotel</i>							
Address: <i>12 Main Road, Simba</i>							
Tel. Number: <i>13782784</i>							
Credit Limit: <i>\$800</i>							
Date	Details	Quantity	Credit sale (\$)	Amount paid (\$)	Balance (\$)	Signature	
<i>26/10</i>	<i>Cupboard</i>	<i>2</i>	<i>200</i>		<i>200</i>	<i>phiri</i>	
<i>3/11</i>	<i>Cupboard</i>	<i>2</i>	<i>200</i>		<i>400</i>	<i>phiri</i>	
<i>10/11</i>	<i>Cupboard</i>	<i>4</i>	<i>400</i>		<i>800</i>	<i>phiri</i>	
<i>15/11</i>	<i>Payment</i>			<i>500</i>	<i>300</i>	<i>Noyo</i>	

How can a Customers' Accounts Record help your business?

.....

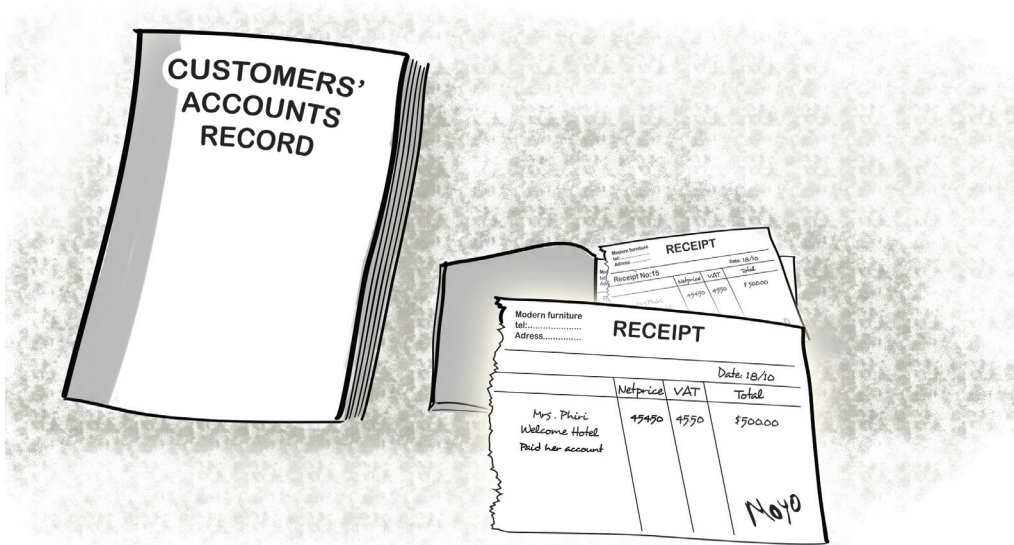
.....

.....

A record of the customers' credit helps you to:

- Know which customers owe money to your business
- Know exactly how much money each customer owes
- Identify those customers who do not pay their account on time
- Avoid disagreements with customers

When a credit customer makes a payment to his or her account, write the amount of the payment in the Customer's Accounts Record. If this payment is made by cash, it is cash coming into the business from sales, so the amount must also be written down in a receipt. Give the receipt to the customer. The copy of the receipt is the proof that you received cash from the credit customer. If this payment is made through a bank transfer, you will have the proof in your bank statement.



Moyo makes a receipt for the payment. He gives the receipt to the customer. His copy of the receipt is the proof that he received cash from the credit customer. Fatuma should do the same thing.

If you buy on credit, keep the invoices and delivery notes. It is a good idea to keep them in a file. You can call the file "Unpaid Suppliers' Invoices".

3.2 Manage the written proof of transactions

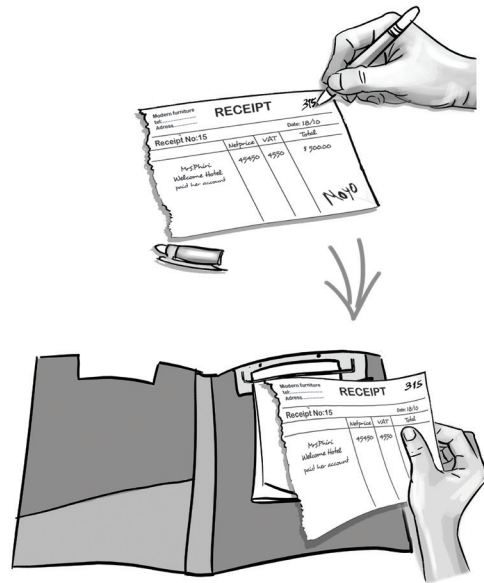
In record keeping, receipts and any other proof of transactions are called **vouchers**. The information to fill in your Basic Record Books comes from all the vouchers.

File all the receipts and notes about the transactions in a safe place, such as a cash box. Receipts should be organized in the order in which the transactions occurred and filed together.

Give each voucher a number. Write a new number on each voucher. You may start with number one for the first entry of the year and then continue in consecutive order with two, three and four and so on, **until the end of the year**. You can use any numbering system you like. By numbering your vouchers this way, it is easy to find a voucher you need. Write down the voucher number when you record the information about the transaction in the Basic Record Book.

After you have recorded the information from the voucher into your Basic Record Book, file all vouchers in consecutive number order. By doing it this way, the vouchers are in the same order in the file as they are in your Basic Record Book.

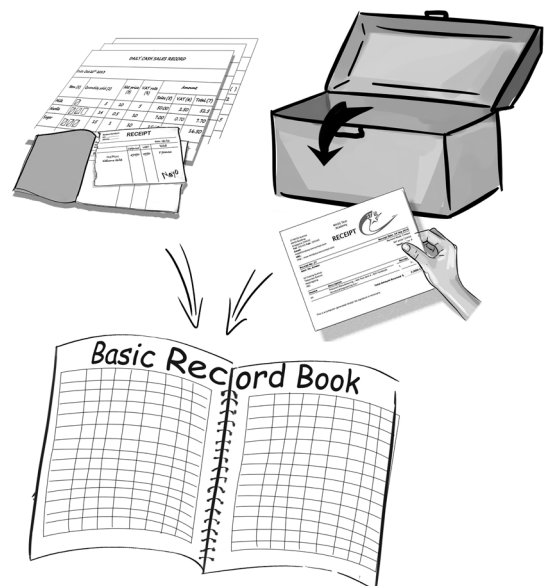
The vouchers are the only proof that your records are correct. If there are mistakes in your record keeping, the vouchers help you to find the mistakes.



3.3 Fill in the Basic Record Book

At the end of the day, when the business is closed, fill in your Basic Record Book by using all the vouchers from that day. In your Basic Record Book, write down:

- All the money that came into your business that day and where it came from (mostly from sales). Get the amounts and details from:
 - Your Daily Cash Sales Record
 - The copies of the receipts you have written
- All the money that went out of your business that day and what it was used for. Your vouchers can be:
 - Receipts for Material Costs
 - Payslips for employees
 - Receipts for Overhead Expenses



- All the money that came into or went out of your business' bank account. Get the amounts and details from:
 - Bank statements
 - Bank vouchers

DAILY CASH SALES RECORD

Date: 20 Oct 2013

Item (1)	Quantity sold (2)	Unit price (\$) (3)	Amount (\$) (4)
Milk	5	10.0	50.0
Mint Candy	5	1.0	5.0
Potato snack	24	0.4	9.6
Onion snack	30	0.5	15.0
Total			322.9

BASIC RECORD BOOK

(Unit: US\$)

Date	Details	Voucher No.	Cash			Bank			Sales	Material Costs	Labour Costs	Overhead Expenses
			IN	OUT	BALANCE	IN	OUT	BALANCE				
20/10	Sales		322.9		1,050			2,000	322.9			
				100	950			2,000				
					950			2,000				

Modern furniture
tel:.....
Address:.....

RECEIPT (312)

DATE: 18/10

	Net price	VAT	Total
Mrs. Pie 5 cupboards	454.50	45.50	\$ 500.00

Noyo

20/10

BUS FARE

\$ 0.50

Noyo

BASIC RECORD BOOK

(Unit: US\$)

Date	Details	Voucher No.	Cash			Bank			Sales	Direct Material Costs	Direct Labour Costs	Indirect Manufacturing Expenses	Overhead Expenses	VAT			
			IN	OUT	BALANCE	IN	OUT	BALANCE						IN	OUT	BALANCE	
18/10	B/f				1,000.0			3,720.0									
18/10	Sell cupboards	312	500.0		1,500.0			454.50							45.50	45.50	
20/10	Bus fare	313		0.5	1,499.5							0.5					

Fill in the columns of the Basic Record Book from left to right with information from the voucher you have collected above.

“Date” column: Write the date of the transaction.

“Details” column: Describe the transaction, for example, “payment of rent for your premises”.

“Voucher No.” column: The voucher number is the number you give each written proof of transaction. Write the number of each transaction in this column.

“Cash” column: Make a note of all the cash that came in or went out in each transaction. At any given time, the balance column shows the amount of cash you should have in hand.

“Bank” column: In this column, make a notation of all deposits made or money withdrawn from your bank account. At any given time, the balance column shows the amount of money you have in your account. Of course, you would only use this column if your business has a bank account.

“Sales” column: Record all your sales in this column.

“Material Costs” column: If you are a manufacturer or service operator, keep a record of all the money your business spends on parts or raw materials in this column. If you are a retailer or wholesaler, use this column to make a note of all the goods you buy for resale.

“Labour Costs” column: If you are a manufacturer or a service operator, use this column to record all the wages your business pays for the people who make your goods or provide your services. Retailers or wholesalers do not need this column.

“Overhead Expenses” column: Write down any cost that has not been covered in the previous columns, including the wages of those who are not involved in production. Retailers and wholesalers record all salaries and wages in this column.

“VAT” column: If you are a Value Added Tax (VAT) registered business, you are required to collect VAT on your sales. Your sales records must show the amount of VAT charged for each sale. Use the “VAT out” column to record any VAT that you receive from a customer and the “VAT in” column to write the amount of VAT you pay when you purchase raw materials or pay for services. The “VAT balance” column then shows you the amount of VAT you need to pay the government. A negative amount (shown by writing the figures within brackets) means your business owes the government. A positive amount means the government owes your business. You only need to use these columns if your business is a VAT registered enterprise. Remember to exclude the VAT amount from your sales and costs.



The IYB COSTING MANUAL tells you more about different types of costs.

For “Balance” columns, whenever there is a transaction that affects a balance, you have to update the corresponding “balance” column.

For example, at the beginning of the day, you have \$1,000 in your cash box, so your opening cash balance is \$1,000. When you record a voucher of a \$50 payment made by cash, in addition to writing \$50 in the “Cash out” column, you need to update your “Cash balance” column by writing \$950 ($\$1,000 - \50). When you write the next voucher, a receipt of \$20 from a customer, you write \$20 in the “Cash in” column and then update your “Cash balance” to \$970 ($\$950 + \20).

When you record an amount of money that came into your business, you write it in either the “Cash in” or the “Bank in” column. You also write the amount in the “Sales” column if the money came into the business from sales. Each amount is written down in **two different columns**, do you know why?

The reason is for control. You need to **control the money** in your business, so you must enter each amount in the “Cash” or “Bank” columns. You need to find out **how your business is performing** and plan for the future, so you must enter each amount in one more column and then you can tell how your business earns and spends money.

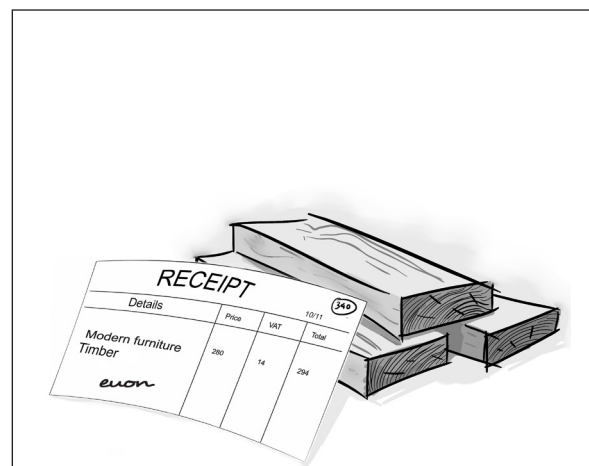
Cash						Bank						Sales			Material Costs			Labour Costs			Overhead Expenses			VAT		
IN	OUT	BALANCE	IN	OUT	BALANCE																			IN	OUT	BALANCE

After transferring the information from all the vouchers to the Basic Record Book, you must file the vouchers in proper order for future reference.

Modern Furniture is a VAT registered business. Here are some of the transactions that took place at *Modern Furniture* in November.



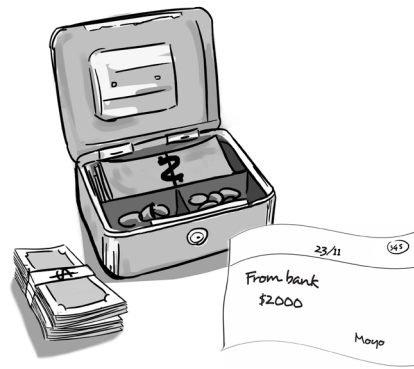
On the first day of the month, Moyo entered the balances from his “Cash” and “Bank” columns on a new page in the Basic Record Book. The balances show how much money *Modern Furniture* had in both the cash box and in the bank account. The figures he entered were the balances written in those two columns on the final day of the previous month and were **brought forward (B/f)** to the month.



Modern Furniture paid cash for timber. The receipt from the supplier is the voucher. Moyo must record the amount on the voucher in both the “Cash out” column and the “Material Costs” column.



A customer bought one cupboard for cash, so Moyo gave the customer a numbered cash receipt and kept a copy for himself. He then writes the amounts on the receipt in three columns in the Basic Record Book. He writes the amount of the price he charged for the cupboard in both the "Cash in" and "Sales" columns and the amount of VAT that needs to be paid in the "VAT in" column.



Moyo took money out of the business bank account and put it into the cash box. He wrote his own cash receipt which becomes his voucher. He must then write down the amount in both the "Cash in" and "Bank out" columns.



Moyo paid monthly wages to two of the carpenters working at his business. Each employee signed a receipt. The two receipts are the vouchers. He must write down the amount in two columns: "Cash out" and "Labour Costs".



Moyo paid himself his monthly salary. He must write down the amount in three columns, under "Cash out", "Labour Costs" and "Overhead Expenses". Two-thirds of Moyo's salary is a Labour Cost and one-third is an Overhead Expense.

Modern Furniture's Basic Record Book for November is shown on the next page.

BASIC RECORD BOOK

(Unit: US\$)
Modern Furniture

Date	Details	Voucher No.	Cash			Bank			Sales	Material Costs	Labour Costs	Overhead Expenses	VAT						
			IN	OUT	BALANCE	IN	OUT	BALANCE					IN	OUT	BALANCE				
1/11	B/f				380.0														
10/11	Bought timber	340		294.0	86.0				280.0				14.0					14.0	
10/11	Sales	341	100.0		186.0			90.9						9.1				4.9	
10/11	Sales	342	1,560.0		1,746.0			1,418.2									141.8	(136.9)	
11/11	Bought varnish, etc.	343			210.0				190.9								19.1	(117.8)	
18/11	Sales	344					2,400.0											218.2	(336.0)
23/11	Bank to cash box	345	2,000.0		3,536.0														
23/11	Bought timber	346			1,500.0				1,428.6									71.4	(264.6)
23/11	Wage	347			310.0					310.0									
23/11	Wage	348			310.0					310.0									
23/11	Own salary	349			600.0					400.0									
24/11	Sales	350			890.0			809.1										80.9	(345.5)
25/11	Electricity	351			90.0													81.8	(337.3)
27/11	Rent	352			250.0													227.3	(314.6)
	Total		4,550.0	3,564.0		2,400.0	2,000.0		4,500.0	1,899.5	1,020.0	509.1	135.4	450.0					

These balances show the amount of money in the cash box and the bank account at the end of this month. The balances are brought forward (B/f) to the first day of next month.

This balance shows amounts of VAT *Modern Furniture* needs to submit for November.



ACTIVITY 5

Convenient Grocery is not a VAT registered business. Help Fatuma fill in her Basic Record Book using the Basic Record Book form at the end of this manual. Below are some of the transactions that took place at *Convenient Grocery* in December (see four receipts and an excerpt of a Daily Cash Sales Record).

A

1/12
Starting
money:
\$1,200

B

1/12
Give
mom
\$15

C

Receipt Dairy Company	
Date	5/12
Item	UHT milk
Quantity	10
Amount	\$30

D

Receipt Electric Company	
Date	7/12
Item	Freezer
Quantity	01
Amount	\$500

E

Potato snack	☑☑☑☑☐	24	0.4	9.6
Onion snack	☑☑☑☑☑☑	30	0.5	15.0
Total				325.0

Did you have any difficulties filling in the Basic Record Book for *Convenient Grocery*? Compare your figures with those on page 48 at the end of this part.

Fatuma uses a simple Basic Record Book because *Convenient Grocery* is a retailer and is not a VAT registered business. You may have noticed that there was no record for transaction B. Fatuma gave cash to her mom. The cash went out of her business account, but it was not for a business related expense. Fatuma should not use business money for personal matters; otherwise she will not be able to control the cash and the costs of her business. She should always separate personal money from business money and should have used personal money for her mother.

If an emergency occurs and funds must be taken out of the business to finance a personal expense, the transaction should be recorded in the Customers' Accounts Record (see page 21) and the outstanding balance should be managed just like that of any credit customer.

The cash taken from the business for meeting a personal expense should be brought back to the business quickly or else your business will run the risk of going out of cash.



It is important not to use business money for personal purposes, even though the business is yours.



Do you know why voucher D was just recorded in one column?

.....

.....

.....

The transaction in voucher D is the purchase of a machine. Unlike other items, such as materials or wages, machines are usually used for a long period of time. Therefore, we do not record the purchase price in the "Material Costs" column.

Items owned by a company that are valuable and last for a long time are considered to be business assets. Many assets lose value when they are used. The loss in value of assets is called **depreciation** and that is the cost of using those assets. So, when you pay for an asset, you make an entry in the "Cash out" or "Bank out" column and another entry in your Asset Register. The cost of using it will be recorded on a monthly basis as a depreciation cost, which will be written as Overhead Expenses. We will talk about the Asset Register and some other useful record books later.

Column 5: Estimate the shelf life or how long your business will be able to use the equipment. You can come up with this estimate by:


- Using your own past experience with similar items
- Asking suppliers about the shelf life of the item
- Asking owners of other businesses using the same or similar equipment

Column 6: The yearly loss in value of the asset. To calculate the yearly depreciation, divide the cost of purchase by the number of years you expect to use it.

Column 7: The amount that the value of the asset has decreased over the years. To calculate accumulated depreciation of an asset, multiply its depreciation per year by the number of years the asset has been used. This column must be updated yearly.

Column 8: The remaining value of the equipment at a specific time. To calculate the remaining value, subtract the accumulated depreciation from the cost of purchase. This column must be updated yearly, as well.

Below is the Asset Register of a garment business, *Reliable Tailors*, at 31 December 2013:



ASSET REGISTER							
Date: 31 December 2013							
Name of asset (1)	Serial number (2)	Year bought (3)	Cost of purchase (\$) (4)	Years to be used (5)	Depreciation per year (\$) (6)	Accumulated depreciation (\$) (7)	Remaining value (\$) (8)
Sewing machine	01	2011	3,000	5	600	1,800	1,200
Sewing machine	02	2011	2,000	4	500	1,500	500
Sewing machine	03	2012	3,000	5	600	1,200	1,800
Sewing machine	04	2013	1,200	3	400	400	800
Total			9,200		2,100	4,900	4,300

Page 44 shows some of *Reliable Tailors'* business transactions for 2013, which are taken from their Basic Record Book of that year. You can see that on 2 January 2013, *Reliable Tailors* bought a sewing machine and made a payment of \$1,320 by bank transfer. On their Basic Record Book, *Reliable Tailors* noted in columns "Bank out" and "VAT in" (no record in cost columns). At the same time, they made a record in their Asset Register for sewing machine 04. The cost of purchase is exclusive of VAT, so they recorded the amount of \$1,200 in column (4) of the Asset Register.

ACTIVITY 6



Convenient Grocery has just bought a freezer. Help Fatuma to complete her Asset Register by December 2014. Here is the information you need:

- *Convenient Grocery* bought the freezer in December 2013
- The cost of purchase (exclusive of VAT) was US\$500
- Fatuma expects to use the freezer for four years

ASSET REGISTER							
Date:							
Name of asset (1)	Serial number (2)	Year bought (3)	Cost of purchase (\$) (4)	Years to be used (5)	Depreciation per year (\$) (6)	Accumulated depreciation (\$) (7)	Remaining value (\$) (8)
Total							

See page 48 for the answers.

Depreciation is a cost, an Overhead Expense, and must be recorded, even though money does not go out of your business to pay for that asset following the year of purchase.



Refer to the *IYB COSTING MANUAL* to learn more about depreciation costs.

The Asset Register should be updated yearly. Every year, when updating your Asset Register, write down the yearly depreciation as one amount in your Basic Record Book. Make it the **very last entry of the year**. Enter the amount under Overhead Expenses.

Some businesses update their Asset Register monthly. They calculate the monthly depreciation by dividing yearly depreciation by 12. They write monthly depreciation as one amount in their Basic Record Book every month under Overhead Expenses.

Look at *Reliable Tailors'* Basic Record Book on page 44. There is a "depreciation" transaction on 31 December in which \$2,100 was recorded as an Overhead Expense. The yearly depreciation for sewing machines at *Reliable Tailors* is \$2,100. *Reliable Tailors* entered that amount when they updated their Asset Register on the same day. The update increased their total accumulated depreciation by \$2,100 and reduced the remaining value of their assets by the same amount (\$2,100).

4.2 Salary Register

You can record your Labour Costs with the information obtained from the payslips. However, if you have many employees, you would have to make many records. So, if your business employs many people, you should have a Salary Register.

The Salary Register is used to record all the payments your business made to the employees. Depending on the type of your business, the payments can be grouped into different categories in a Salary Register as shown below:

- Single product manufacturers or service operators divide their employees into two groups: **Production Labour** and **Non-Production Labour**.
- Multiple product manufacturers or service operators further divide their Production Labour into two groups:
 - Direct Labour: Production Labour whose working time is easy to trace to a particular good or service and their salaries add a considerable amount to the total cost of that good or service.
 - Indirect Labour: The labour involved in the production process but the time they spend cannot be allocated directly to a particular product or their salaries are insignificant compared to the total cost of each product they make.

Multiple product manufacturers or service operators, therefore, have three groups of employees: Direct Labour, Indirect Labour and Non-Production Labour.

- Wholesalers and retailers need no classification. All their employees are Non-Production Labour because they do not produce any good or service.

The salaries for employees involved in more than one function, such as production and administration, should be broken down into different parts in the Salary Register, based on the proportion of time they spend on each function.



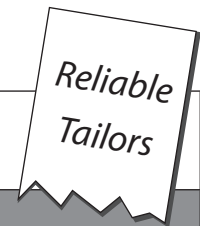
Refer to the *IYB COSTING MANUAL* to learn more about different types of cost.

List all the people working in your business, including yourself, in the “Name” column. Write down all the costs of wages, benefits and insurance (if any) for each employee in the following columns. The “Total” column is the amount the company pays for each employee each month. On payday, write down the total amount your company paid for labour into your Basic Record Book:

- Write the Total Production Labour Cost (or the sum of Direct Labour Cost and Indirect Labour Cost) in the “Labour Costs” column.
- Write the Total Non-Production Labour Cost in the “Overhead Expenses” column.

You can see that classifying employees into groups makes recording and calculating the costs much easier.

Below is an example of a Salary Register of *Reliable Tailors*:



SALARY REGISTER			
Month: September 20xx		(Unit: US\$)	
Name	Wages	Social and Health Insurance	Total
PRODUCTION LABOUR			
Direct Labour			
M.Mario (owner), sewing dust coats	240	60	300
N.Chika, sewing dust coats	144	36	180
F.Habi, sewing overalls	144	36	180
Total Direct Labour Costs			660
Indirect Labour			
M.Mario (owner), supervision	240	60	300
K. Kofi, cutting and design	192	48	240
D.Gugu, over locking	120	30	150
G.Seboni, pressing, folding, etc	96	24	120
Total Indirect Labour Cost			810
NON-PRODUCTION LABOUR			
R.Gitau (owner), sales, administration	480	120	600
T.Neo, delivering messages, cleaning (part-time)	50		50
P. Lisa, record keeping (part-time)	80		80
Total Non-Production Labour Cost			730

You can see from the Salary Register in the previous page that:

- *Reliable Tailors* is a multiple product manufacturer.
- They grouped their employees into three different groups.
- The salary of Mario, the owner, was broken into two parts: Direct Labour and Indirect Labour, because he did sewing and he supervised the production.

Look at *Reliable Tailors'* Basic Record Book on page 44, on the payday of 28 February they made a record of wages payment:

- "Cash out" column: \$2,200 – This amount is the total of the wages paid in February as recorded on their Salary Register.
- "Labour Costs" column: \$1,470 – This amount is the sum of total Direct Labour Cost (\$660) and total Indirect Labour Cost (\$810) recorded on their Salary Register.
- "Overhead Expenses" column: \$730 – This amount is the total of the wages paid for Non-Production Labour.

4.3 Inventory Record

If your business does not stock inventory, or stocks a very small amount of either raw materials, partly finished, or finished goods, you do not need to keep inventory records. However, if you have inventory of items that will be used for production or resale over a period of several months, you should use an Inventory Record.

As with your long term assets, you do not write down the money you spend on the inventory items as cost. You will record the costs (Material Costs) only when you actually use the material. When you buy a large amount of raw materials for use or sales over several months, you should:

- Make an entry in your Basic Record Book, "Cash out" column.
- Make another entry in your Inventory Record, "In" column.

Later, when the raw materials are taken from the stock for production or sales, you use the information on the Stock Cards to make the following records at the month end:

- Record in the Inventory Record, "Out" column.
- Record in the Basic Record Book, "Material Costs" column.

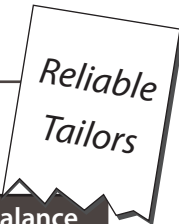
The "Balance" column in the Inventory Record shows how much your stock is worth at a specific time.



Refer to the *IYB BUYING AND STOCK CONTROL MANUAL* to learn about Stock Cards.

Below is an example of an Inventory Record of *Reliable Tailor*:

INVENTORY RECORD					
(Unit: US\$)					
Date	Details	Voucher No.	In	Out	Balance
31/3					1,400
22/4	Bought white cotton drill	096	7,500		8,900
30/4	White cotton drill used in April	101		2,500	6,400



Refer to *Reliable Tailors'* Basic Record Book on page 44, on 22 April they made a record of a fabric purchase:

- Bank out: \$8,250
- VAT in: \$750

Because the white cotton drill bought will be used over several months, *Reliable Tailors* did not make any entry in their "Material Costs" column. Instead, they noted in their Inventory Record, "In" column, the amount of \$7,500 (exclusive of VAT).

When taking white cotton drill from inventory for production, *Reliable Tailors* will record it on their Stock Card. At the end of each month, they get the information from the Stock Card and record that information in their Basic Record Book and Inventory Record.

In April, *Reliable Tailors* used white cotton drill for their production. The amount of white cotton drill used is worth \$2,500. On 30 April *Reliable Tailors* made the following record:

- In the Basic Record Book, "Material Costs" column: \$2,500
- In the Inventory Record, "Out" column: \$2,500

4.4 Detailed Cost Record

Manufacturers or service operators who produce multiple goods or services may need a separate Detailed Cost Record if they want to know exactly how much each of their goods or services costs to produce. Without a separate Detailed Cost Record, it is difficult to separate the cost of each good or service, as there is limited space in the Basic Record Book.

DETAILED COST RECORD										
(Unit:)										
Date	Details	Voucher No.	Direct Material Costs			Direct Labour Costs			Indirect Manufacturing Expenses	Overhead Expenses
			A	B	C	A	B	C		

To allocate the costs for each particular good or service in the most accurate way, multiple product or service manufacturers divide their Material Cost and Labour Cost into **direct** and **indirect costs**. A cost is considered direct if it is easy to trace to a particular good or service and it adds a considerable amount to the total cost. A cost is considered indirect if it is insubstantial and difficult to trace to a specific good or service.

“Direct Material Costs” column: Record all the Material Costs that are significant enough and traceable to a specific good or service, separately for each type of product.

“Direct Labour Costs” column: Record all the wages you pay that are traceable to a specific good or service, separately for each type of product.

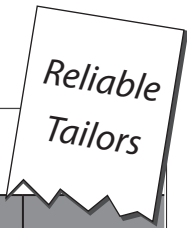
“Indirect Manufacturing Expenses” column: Note all the costs of materials or labour that are **related to the production** of goods or services (Production Costs) but **cannot be considered** Direct Material Costs or Direct Labour Costs because they are either difficult to trace to a particular product or insubstantial.



Refer to the *IYB COSTING MANUAL* to learn more about different types of costs for multiple product manufacturers or service operators.

Below is an example of a Detailed Cost Record of *Reliable Tailors*:

DETAILED COST RECORD								
(Unit:)								
Date	Details	Voucher No.	Direct Material Costs		Direct Labour Costs		Indirect Manufacturing Expenses	Overhead Expenses
			Dust coats	Overalls	Dust coats	Overalls		
3/4	Small buttons	075	20					
3/4	Big buttons	079		40				
5/4	Black cotton drill	081		2,000				
7/4	Thread	088					5	
15/4	Electricity and water	092						20
30/4	Wages	100			480	180	810	730
30/4	White cotton drill	101	2,500					



On 30 April, when *Reliable Tailors* recorded their Material Costs of \$2,500 for dust coats in their Basic Record Book, they also made another record in their Detailed Cost Record to indicate the type of Material Cost. White cotton drill is used for making dust coats only, so it is a Direct Material Cost.

From the Detailed Cost Record above, you also find that their monthly Labour Cost of \$1,470 was broken down into three parts: one for dust coats, one for overalls and the other for both (Indirect Manufacturing Expenses).

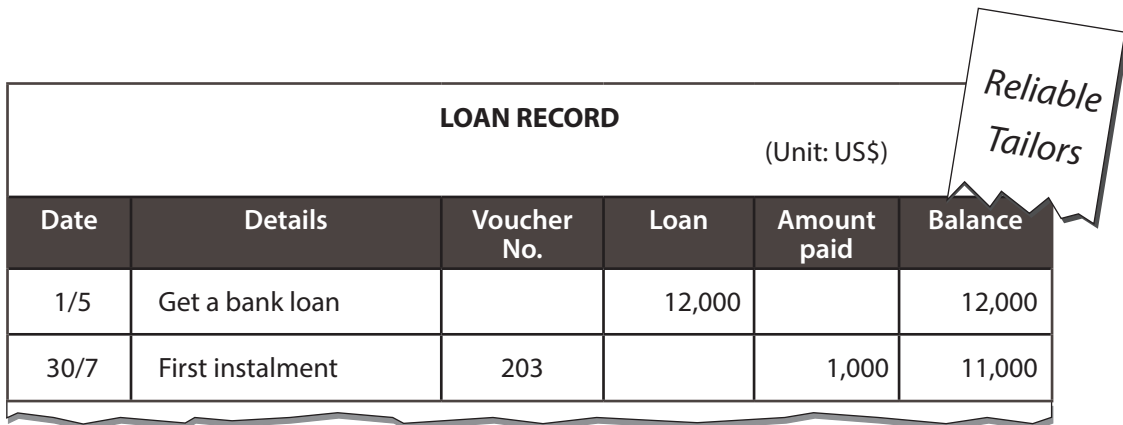
4.5 Loan Record

A loan is money coming into the business, but not from sales. To keep control of your money the loan must be recorded. The Loan Record shows exactly how much money your business currently owes to others.

When you get money from a loan, write the amount in either the “Cash in” or “Bank in” column of the Basic Record Book, depending on where you put the money, and then make another entry in your Loan Record.

When you pay money back on the loan, enter the payment under “Cash out” or “Bank out” in the Basic Record Book and also enter the amount in your Loan Record.

Below is an example of a Loan Record of *Reliable Tailors*:



LOAN RECORD					
(Unit: US\$)					
Date	Details	Voucher No.	Loan	Amount paid	Balance
1/5	Get a bank loan		12,000		12,000
30/7	First instalment	203		1,000	11,000

Refer to *Reliable Tailors'* Basic Record Book on page 44. On 1 May, they got a bank loan of \$12,000. They put the money in their bank account, so they wrote \$12,000 in the “Bank in” column. At the same time, they made another record on their Loan Record (see the Loan Record above).

On 30 July, *Reliable Tailors* made their first payment on the loan of \$1,100 by cash, of which \$1,000 is the principle payment and \$100 is the interest payment. They recorded the transaction in their Basic Record Book as follows:

- Cash out: \$1,100
- Overhead Expenses: \$100

At the same time, they made another record on their Loan Record (see the Loan Record above) that reduced the outstanding amount of the loan to \$11,000 (“Balance” column).

4.6 Creditors' Record

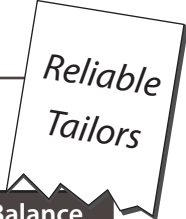
Creditors are people to whom you owe money. If you often purchase items from your suppliers on credit, you should record the amounts in a Creditors' Record. This book shows how much money your business owes to your suppliers.

When you make a purchase on credit, write the amount on the receipt or invoice in the Creditors' Record.

Later, when you pay the supplier, make entries in the “Cash out” and “Material Costs” columns of your Basic Record Book, then make another entry in the “Amount paid” column of your Creditors' Record.

The following table is an example of a Creditors' Record of *Reliable Tailors*:

CREDITORS' RECORD					
(Unit: US\$)					
Date	Details	Voucher No.	Credit purchase	Amount paid	Balance
5/8	Bought black cotton drill		1,200		1,200
10/9	Paid supplier A	275		800	400



Look at *Reliable Tailors'* Basic Record book on page 44. On 10 September they made a payment of \$800 to their supplier by cash. They noted the \$800 payment in both the "Cash out" and the "Material Costs" columns. At the same time, they recorded the amount in their Creditors' Record, "Amount paid" column (see the Creditors' Record above).

4.7 Tax Payable Record

It is important to pay taxes in order to enable the government to provide essential services to its citizens. Failure to pay taxes would result in fines and penalties in excess of the amount of unpaid taxes.

The Tax Payable Record shows how much tax your business needs to pay. Your business records will help you to calculate the amount of tax you need to pay. In the next part, you will learn how to use records to calculate tax payables.

Taxes are the fees charged by a government. Taxes are payable to the government for sales made, profits, employee salaries, capital gains, etc. and are used to finance government expenditures.

Value Added Tax (VAT) is a tax on consumer expenditures. VAT is levied on the consumption of taxable goods and services supplied or imported into a country and are collected by government agencies at designated points. Different products have different VAT rates fixed by the government. When buying goods, one pays the price of the goods, plus VAT (input tax). When selling goods, one charges for the price, plus VAT (output tax). Input tax is offset with output tax and the net amount is paid to the tax authority of the government.

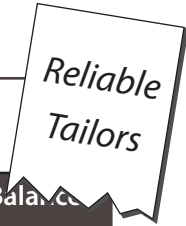
Write down the amount of taxes to be paid in the "Tax payable" column of the Tax Payable Record. When you pay tax, make an entry in the "Amount paid" column of the Tax Payable Record and another entry in the "Cash out" column of the Basic Record Book. The balance shows the amount of tax your business owes the government.



Visit the tax authority in your country to find information on the taxes that apply to your business.

Below is an example of a Tax Payable Record of *Reliable Tailors*:

TAX PAYABLE RECORD					
(Unit: US\$)					
Date	Details	Voucher No.	Tax payable	Amount paid	Balance
1/1	VAT payable in December		540		540
2/1	Income tax last year		1,420		1,960
10/1	Submit VAT	018		540	1,420



The ending balance of VAT in December last year is \$540, so, on 1 January, *Reliable Tailors* recorded the amount on their Tax Payable Record, “Tax payable” column.

On 2 January, *Reliable Tailors* calculated their income tax that was due for incomes made the previous year and recorded the amount on their Tax Payable Record, “Tax payable” column (\$1,420).

Look at *Reliable Tailors’* Basic Record Book on page 44. *Reliable Tailors* submits VAT on a monthly basis, so on 10 January, *Reliable Tailors* submitted the VAT due to the government and they noted it in their Basic Record Book: “Cash out” column. At the same time, they entered the amount in their Tax Payable Record: “Amount paid” column (see the Tax Payable Record above).

5. How to keep your records?

5.1 Paper based method

This refers to the use of paper books to keep business records. You can either use the IYB Basic Record Book, or buy an analysis book or any other suitable book that allows you to draw the same columns as in the Basic Record Book.

The paper based method works well if your business is small and simple and requires just a few record books. One problem with paper books is that a page may fill up before the end of month. What should you do if this happens?

If a page is full, you should add up the columns and carry the totals and balances to the next page. Carrying the totals and balances to the next page is called **balances brought forward**. You should, therefore, write **B/f** in the “Details” column.

5.2 Computer method

Another way of keeping records is by using a computer. If your business is large and requires using several record books, a computer can simplify and improve your record keeping. The advantages of this method are:

- It is easy to correct an inaccurate entry
- You can quickly find recorded information when needed
- All calculations are made automatically

You can use excel worksheets for keeping records. By using excel worksheets, you are able to fill in the record books the same way you do with a paper book, except that all calculations are easier.

You may also use accounting software. There are many simple and inexpensive accounting software programs that are suitable for both large and small businesses. You should consult an accounting expert to help you find the appropriate accounting software for your business.



Make sure that you back up all the information you have on your computer. This means copying the information onto a memory card or a removable disk, or printing copies of vital information regularly. These copies must be stored safely. Keeping all your records on the computer without proper backup procedures can be disastrous if your system malfunctions.

BASIC RECORD BOOK
(excerpts of different months)

(Unit: US\$)

Reliable Tailors

Date	Details	Voucher No.	Cash			Bank			Sales	Material Costs	Labour Costs	Overhead Expenses	VAT					
			IN	OUT	BALANCE	IN	OUT	BALANCE					IN	OUT	BALANCE			
1/1	B/f				820													
2/1	Bought sewing machine					1,320										120		120
10/1	Submit VAT	018		540														
28/2	Wage	039		2,200						1,470		730						
22/4	Bought white cotton drill	096					8,250			1,100						750		(480)
30/4	White cotton drill used in April	101								2,500								
1/5	Loan					12,000				14,200								
30/7	Loan payment	203		1,100								100						
10/9	Pay supplier A	275		800						800								
31/12	Depreciation											2,100						

ACTIVITY 7



Which method of record keeping would you like to use for your business?

.....

.....

.....

SUMMARY



Record keeping provides you with information about your business. Depending on the demands of your business, you may want to keep more than just the basic records. Below are the basic records that most businesses keep:

- Cash transactions
- Details of debtors
- Sales
- Costs

Some additional records that small business owners may wish to keep are:

- Bank transactions
- Assets
- Salaries
- Loans
- Inventory
- Tax payables
- Agreements with customers or suppliers

The Basic Record Book is a tool that supports your record keeping. The Basic Record Book is where you write down all the money that came into the business and all the money that went out of the business. Fill in your Basic Record Book at the end of each day. To do that, you need proof of every transaction. Write down each cash transaction.

For cash coming into your business:

- Use receipts if your business sells only a few expensive goods or services.
- Use Daily Cash Sales Record if your business sells many less expensive items.

Keep the receipts and other vouchers for all cash going out of your business for your record of costs. In case your suppliers do not provide you with written proof, you must write down the details about the transaction yourself.

When you sell on credit, write everything down on a sheet of paper. You can use a Customers' Accounts Record.

Fill in your Basic Record Book from left to right with the information from the vouchers: **date, details, voucher number, and amount**. The amounts from each voucher are often written down in **two different columns**. The vouchers should then be kept in a safe place for later reference.

In addition to the Basic Record Book, the following record books may be useful for larger or more complex businesses:

- Asset Register
- Salary Register
- Inventory Record
- Detailed Cost Record
- Loan Record
- Creditors' Record
- Tax Payable Record

The above records can be kept using the paper based method or the computer based method.



ASSESSMENT 2

You have just completed Part II of this manual. Do the two exercises below to check your understanding. Finish the exercises before comparing your answers with those on page 71.

1. Practise your business language

Some words are missing from this story. Complete each sentence by choosing the right word from the list below. Write the correct word in each space next to the numbers in brackets.

Credit	Overhead Expenses
Daily Cash Sales Record	Material Costs
Customers' Accounts Record	Receipt

Tara is the owner of *Tara Book Shop*. She decided to go on holiday for a month. Before she left, she showed her assistant Unma how to keep records for the business.

Tara: We sell many inexpensive goods. When customers pay by cash, write down the amount of the sale on the (1) Do it immediately. If you wait, you may forget.

Unma: If a customer buys on credit, should I record that sale in the same place?

Tara: No, because a credit sale does not mean cash in for that day. Instead you must write down the details of the credit sale in the (2)

Unma: Should I ask the secondary school to pay cash for their orders?

Tara: No, I agreed to let them buy on (3) because they are good customers. They buy a lot from us and they always pay at the end of each month.

Unma: The supplier will deliver our next order of notebooks and pencils when you are away. Where should I write that down?

Tara: Pay the supplier with cash and keep the (4) he gives you as proof of payment. When you fill in the Basic Record Book that evening, you must write the amount in two places, first under "Cash out" and then under(5)

Unma: When I pay myself at the end of the month, I must enter the amount in the Basic Record Book under "Cash out" and in one other column. Should I write it under "Labour Costs"?

Tara: No, Unma! Your salary is an (6)for my business. That is the other column where you must write down the amount.

2. Which one is correct?

Circle the correct or best ending for each sentence.

1. For accurate business records, you must write down...
 - a. cash sales and cash purchases only.
 - b. all the money coming in and going out.
 - c. credit sales and purchases only.

2. You deposit some money from your cash box into your business bank account. At the end of the day, you enter the amount in your Basic Record Book under...
 - a. "Bank in" and "Cash out".
 - b. "Bank in" and "Sales".
 - c. "Bank in" and no other entry.

3. A voucher is...
 - a. a simple way of calculating profit.
 - b. a way of always writing the amount in two different columns in your Basic Record Book.
 - c. a receipt or any other proof of transaction.

4. It is important to keep a Customers' Accounts Record because it helps you to know...
 - a. how much money you spend on materials.
 - b. how much money a certain customer owes your business.
 - c. how much money you owe your suppliers.

5. A customer pays cash for a bag of sugar. The store owner immediately writes it down in the...
- Basic Record Book.
 - Customers' Accounts Record.
 - Daily Cash Sales Record.



ANSWERS TO ACTIVITIES

Activity 5

BASIC RECORD BOOK											
(Unit: US\$)											
Date	Details	Voucher No.	Cash			Bank			Sales	Material Costs	Overhead Expenses
			IN	OUT	BALANCE	IN	OUT	BALANCE			
1/11	B/f	A			1,200						
1/12	Sales	E	325		1,525			325			
5/12	Bought UHT milk	C		30	1,495				30		
7/12	Bought freezer	D		500	995						

Convenient Grocery

Activity 6

ASSET REGISTER							
Date: 31 December 2014							
Name of asset (1)	Serial number (2)	Year bought (3)	Cost of purchase (\$) (4)	Years to be used (5)	Depreciation per year (\$) (6)	Accumulated depreciation (\$) (7)	Remaining value (\$) (8)
Freezer	F0113	2013	500	4	125	125	375
Total							

Convenient Grocery

USE RECORDS TO IMPROVE YOUR BUSINESS



1. Manage your cash

You can use your records to manage your cash every day. At the end of the day, check your records by comparing the amount in the last cell of the “Cash balance” column and the money you have in your cash box.



If there is a difference, check your records and count the money again. If there still is a difference, try to find the reason.

In the table below is the information taken from *Modern Furniture's* Basic Record Book.

Cash balance at the end of the day	\$540
Money in cash box at the end of the day	\$320

There is less cash in the cash box than there should be. Can you think of the reason?

.....

.....

.....

.....

You may have written down the following:

- Moyo or his employees made a mistake when recording the vouchers.
- Moyo or his employees forgot to get money from a customer.
- Moyo or his employees gave too much change to a customer, supplier or someone else.
- Someone stole money from the cash box.

First, Moyo needs to check all the amounts on each voucher and in his Basic Record Book. Then, do the calculation for cash balances again. If there is still a difference, he should try to find the reason.

2 Manage your debtors

Your Customers' Accounts Record will tell you exactly how much a customer owes you, which customers often pay their debt on time and which customers have reached their credit limit so that you know not to extend any more credit to them until they make a payment. Review your Customers' Account Record and remind your credit customers to pay their accounts on time.

3 Calculate your profit



Sales are not the same as profits. You must subtract the amount of all costs from the amount of your sales income before you can tell if your business is profitable or is losing money.

Money comes into your business from sales. Money goes out of your business for costs. When sales income is higher than the amount of your costs, your business makes a **profit**:



\$7,000
Sales

-




\$4,000
Costs


=



\$3,000
Profit

When sales income is lower than the total amount of the costs, your business shows a **loss**:



				
\$4,000	-	\$7,000	=	(\$3,000)
Sales		Costs		Loss

3.1 Profit and Loss Statement

A Profit and Loss Statement helps you to calculate if your business is making a profit or is losing money. Every business should do a Profit and Loss Statement at the end of every financial year. You can also calculate your profit and loss every month, after three months, or after six months.

The more often you calculate your profit and loss, the sooner you will be aware if your business has problems. Then you can do something about the problems before it is too late.

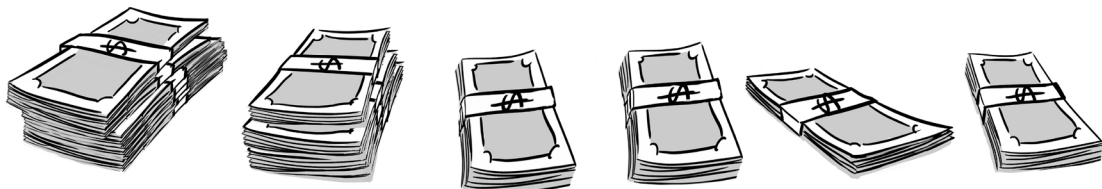
You can follow these steps to make a Profit and Loss Statement:

Follow these steps to calculate your **Gross Profit**.

1. Sales.....	\$7,000
2. Material Costs.....	- \$4,000
3. Labour Costs.....	- \$1,500
Gross Profit	= \$1,500

Follow this step to calculate your **Net Profit**.

4. Overhead Expenses.....	- \$500
Net Profit	= \$1,000

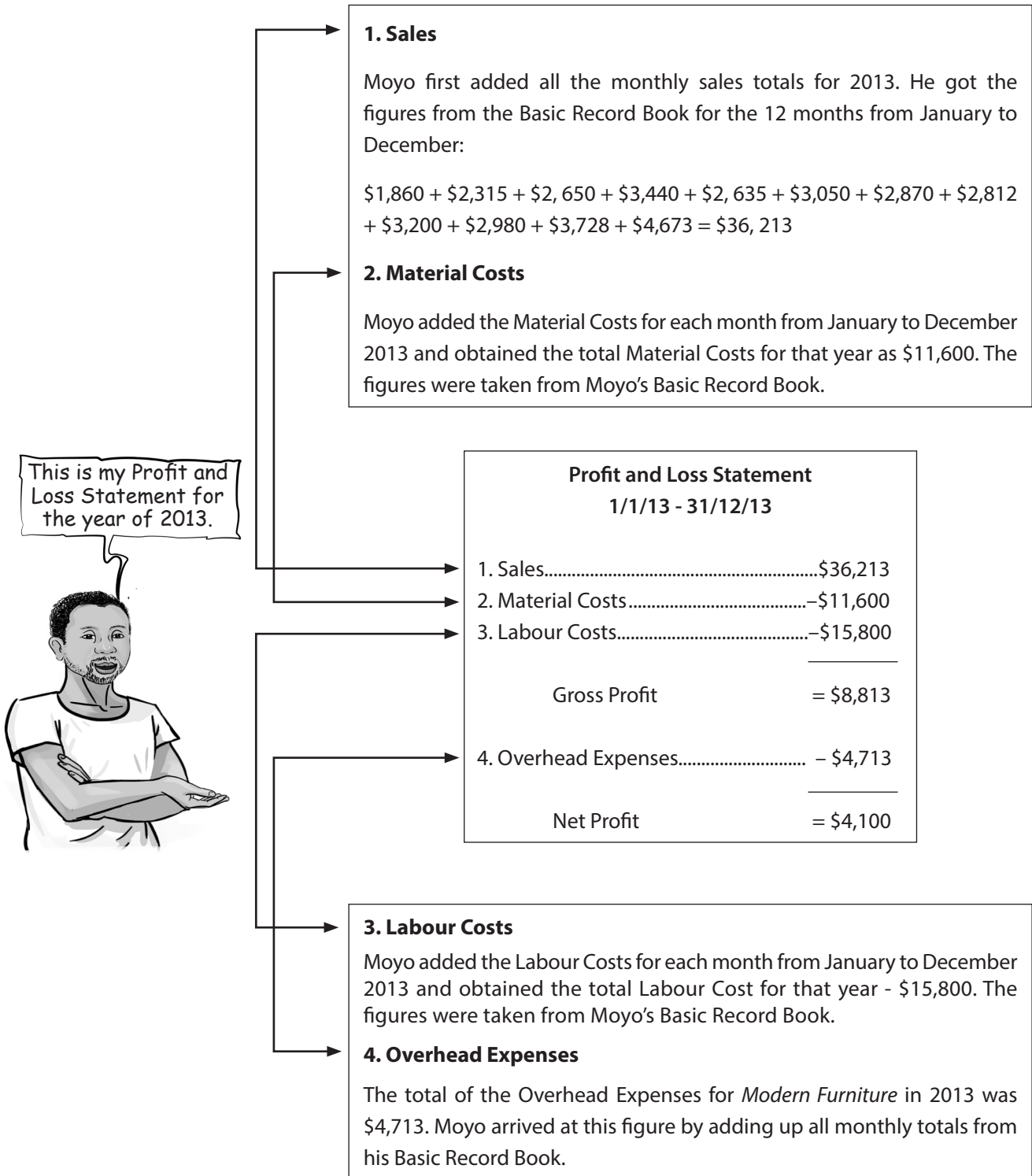


\$7,000	\$4,000	\$1,500	\$1,500	\$500	\$1,000					
Sales	-	Material Costs	-	Labour Costs	=	Gross Profit	-	Overhead Expenses	=	Net Profit

Most of the amounts for your Profit and Loss Statement come from the Basic Record Book.

3.2 Calculating Gross Profit

The **Gross Profit** is a very important figure for your business. It shows the amount of money left after you have subtracted all the costs to make your goods or services, including Material Costs and Labour Costs, from the money earned from sales. The Gross Profit must be high enough to pay for all the Overhead Expenses in your business. Moyo showed Fatuma that he had created a Profit and Loss Statement for *Modern Furniture* in 2013.





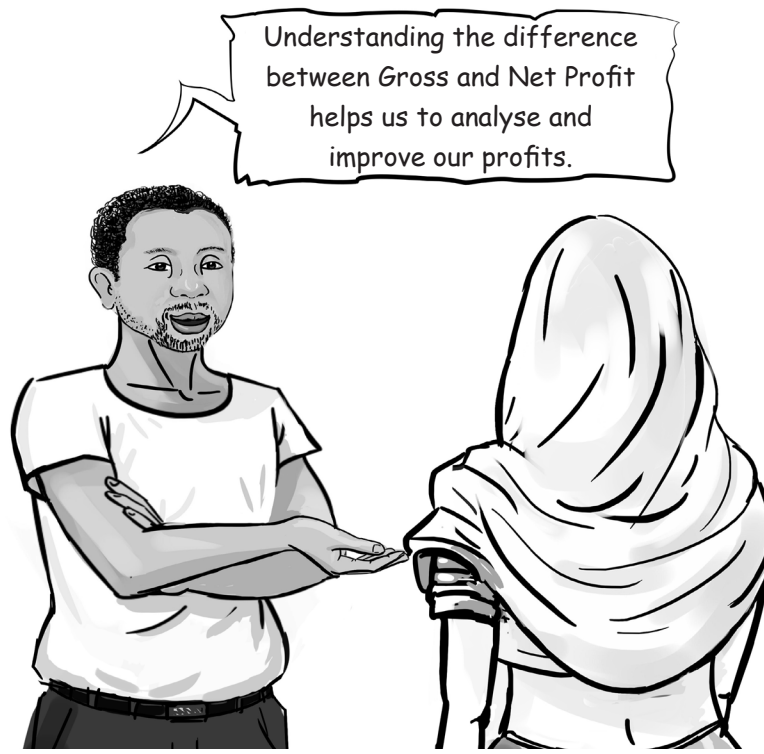
“ Most manufacturers and many service providers have Labour Costs. Retailers and wholesalers record the wages and salaries paid to their employees under Overhead Expenses. If your business does not have labour involved in production, do not enter any amount under Labour Costs. Instead, include all your payments for wages and salaries under Overhead Expenses. See the IYB COSTING MANUAL for more information.



The “Can You Help?” exercise on page 66 in this manual shows how a retailer or wholesaler makes a Profit and Loss Statement.

3.3 Calculating Net Profit





The **Net Profit** is the amount of money left after you have subtracted all Overhead Expenses from the Gross Profit. The Net Profit shows the total result of your business dealings. It tells you how well your business is performing.

4 Calculate your Tax Payable

Tax is deducted from Net Profit. The amount thus obtained is called Net Income. Your business records help determine the Net Profit of your business, making it possible to calculate your income tax payables. You can determine the amount of income tax your business has to pay in a specific year by multiplying your Net Profit for that year by the income tax rate applied to your business.

For example:

$$\begin{array}{rclclcl}
 \$4,100 & & 15\% & & & \$615 \\
 \text{Net Profit} & \times & \text{Tax rate} & = & & \text{Income tax payable}
 \end{array}$$

You can determine the amount of VAT payable every month, quarter, or year by taking the final balance in the "VAT" column from your Basic Record Book.

Material Costs	Labour Costs	Overhead Expenses	VAT		
			IN	OUT	BALANCE
					(314.6)

VAT payable →

5 Create a Balance Sheet

5.1 What is a Balance Sheet?

A Balance Sheet shows you the financial position of your business. It shows you how much money your business has and how much it owes, by tracking assets and liabilities. An **asset** is something that adds value to your business, such as cash or equipment. A **liability** is something that your business owes to someone else, such as a loan or a bill from a supplier.

The amount of your business' liabilities subtracted from its assets will give you the business' **net worth**. Your business' net worth is made up of all the money you have invested and the retained profit (Net Income).

The Balance Sheet always **balances**. The amount of assets must always be the same as the total of the liabilities and the net worth.

5.2 Why is a Balance Sheet useful?

- A Balance Sheet shows how much your business is worth. For example, it can help a bank decide if you should be given a loan.



- A Balance Sheet helps you see how well you have managed your business over time.



5.3 How to make a Balance Sheet

To make a Balance Sheet, you record:

- The assets that your business owns
- The liabilities that your business owes

Modern Furniture owner Moyo makes a Balance Sheet every three months. Here is his Balance Sheet for the month of December.



ASSETS		LIABILITIES		Modern Furniture	
1	Cash	\$2,000	6		Accounts Payable
2	Accounts Receivable	\$1,500	7	Taxes Payable	\$250
3	Inventory	\$4,730	8	Loans outstanding	0
4	Property and equipment	\$3,500			
5	TOTAL ASSETS	\$11,730	9	TOTAL LIABILITIES	\$3,500
			10	NET WORTH	\$8,230

To make a Balance Sheet for your business, follow these ten steps. Remember, a Balance Sheet shows you the position of your business at any point in time. You use current amounts to make a Balance Sheet.

Step 1: Cash – This is the amount of cash that you currently have in your cash box and your bank account. Add these numbers from your Basic Record Book. Write this total amount next to number one.

Step 2: Accounts Receivable – Does your business sell to your customers on credit? If so, this means that you will not receive money for the sale until the credit customer pays you. The amount of money that you are waiting for your credit customers to pay is called your Accounts Receivable. You can find out your Accounts Receivable by adding all the current balances in your Customers' Accounts Record. Enter this total current balance amount next to number two.

Step 3: Inventory – This is the amount of money that the stock of your business is worth. If your business has very limited stock or has no stock at all, write zero next to number three. If your business has a substantial amount of stock and you kept a record of your inventory, the current balance of your Inventory Record shows how much your stock is worth. Enter this current balance amount next to number three.

Step 4: Property and equipment – This is the amount of money that the property and equipment is worth. The property and equipment here should only include items for which you calculate the depreciation, such as buildings or high value equipment.

You can work out the current value of your property and equipment by looking at your Asset Register. Take the Asset Register and look at the remaining value of each item. This is the current value of each asset. The total of the "Remaining value" column is the total current value of your property and equipment. Enter the total next to number four.

Step 5: TOTAL ASSETS – Add up all the amounts in steps 1, 2, 3 and 4. This amount is the total value of the assets in your business. Enter that total next to number five.

Step 6: Accounts Payable – Does your business buy supplies or materials on credit? If it does, you may owe your suppliers cash for what you have bought. The amount of cash that you owe to suppliers for credit purchases is your Accounts Payable. This is a liability because it is money that your business owes to someone else. To determine your Accounts Payable, take the current balance from your Creditors' Record or add up the amount from your invoices that have not yet paid in cash. Enter the amount next to number six

Step 7: Taxes Payable – Your business may owe the tax authority for income tax on your past profits or for VAT. You can get this amount by looking at the current balance of your Tax Payable Record or your tax bills that you have not yet paid. Enter this total amount next to number seven.

Step 8: Loans outstanding – Has your business received any loan for which it is still making payments? If so, the unpaid amount of this loan is a liability. To find the amount of your outstanding loans, look at the balance column of your Loans Record and enter this amount next to number eight.

Step 9: LIABILITIES – Add up the figures from steps 6, 7 and 8. This is the amount that your business owes to others. Enter the total next to number nine.

Step 10: NET WORTH – This is the amount of your business' assets minus its liabilities. To find out the net worth of your business, subtract number nine "TOTAL LIABILITIES" from number five "TOTAL ASSETS". Enter this amount next to number ten. The figure on this line is the net worth of your business.

Decide how often you will make your Balance Sheet. It must be made at least once a year, but may be made monthly, quarterly or semi-annually if you wish to be appraised of the status of the assets, liabilities and net worth of your business more often.

6 Other uses of records

Your business records help you to find out how your business is performing. You can use records to analyse your business and develop plans for improvement. Your business records also help you to calculate the costs of your goods or services more accurately.



See the IYB PLANING FOR YOUR BUSINESS MANUAL to learn more about analysing your business using past business records.

See the IYB COSTING MANUAL to learn about using business records to calculate costs.

SUMMARY



Use your records to:

- Manage your cash: At the end of the day, the money in your cash box and the cash balance should be the same. If there is a difference, try to find the reason.
- Manage your debtors: See which customers need to pay on their accounts and which customers have reached their credit limit.
- Calculate your profit:

$$\text{Sales} - \text{Material Costs} - \text{Labour Costs} = \boxed{\text{Gross Profit}} - \text{Overhead Expenses} = \boxed{\text{Net Profit}}$$

Gross Profit is the amount of money left after you have subtracted all the costs to make your goods or services, including Material Costs and Labour Costs. The Gross Profit must be high enough to pay for the Overhead Expenses in your business.

Net Profit shows the amount of money left after you have subtracted Overhead Expenses from the Gross Profit. The Net Profit shows the total result for your business. Subtract taxes from Net Profit to get Net Income of the business.

- Calculate your Tax Payables: You can calculate the amount of income tax your business needs to pay, based on your Net Profit. Use the information in your Basic Record Book to work out the amount of VAT your business needs to submit.

- Make a Balance Sheet: A Balance Sheet is a tool that shows your business' **assets** (what your business owns) and the **liabilities** (what your business owes to others). The Balance Sheet helps you to find out the **net worth** of your business. To make a Balance Sheet, write down the value of the assets and liabilities of your business by following these ten steps:

Step 1: Cash

Step 2: Accounts Receivable

Step 3: Inventory

Step 4: Property and equipment

Step 5: TOTAL ASSETS

Step 6: Accounts Payable

Step 7: Taxes Payable

Step 8: Loans outstanding

Step 9: TOTAL LIABILITIES

Step 10: NET WORTH

The information you need comes from your Basic Record Book, the Customers' Accounts Record, the Inventory Record, the Asset Register, the Loan Record, the Tax Payable Record and the Creditors' Record.

Make a Balance Sheet at least once each year.

Your business records also help you to better understand your business and to calculate costs.



ASSESSMENT 3

You have just completed Part III of this manual. Do the two exercises below to check your understanding. Finish the exercises before comparing your answers with those on page 71.

1. Practise your business language

Complete each sentence by choosing the right word from the list below. Write the correct word in each space next to the number in brackets.

Net Profit	Liability	Profit and Loss Statement
Gross Profit	Assets	Balance Sheet

- If you subtract Overhead Expenses from your (1)....., you will get the (2).....that your business made that month.
- A loan or a bill that has not yet been paid to a supplier is a (3)..... of your business.
- If you subtract the amount of your business' liabilities from its (4)....., you will know how much your business is worth.

-
- A (5) shows you how much in assets your business has and how much it owes.
 - To determine if your business is making a profit or not, you should make a (6)
.....

2. Which one is correct?

Circle the correct or best ending for each sentence.

1. The best way to find out how well your business is performing is to...
 - a. check your cash box.
 - b. make a Profit and Loss Statement.
 - c. analyse your costs.
2. Your Gross Profit is lower than last year. A possible reason for this is that...
 - a. Overhead Expenses are higher than last year.
 - b. you decided to pay yourself a smaller salary.
 - c. your Material Costs are higher than last year.
3. The money in your cash box at the end of the day is more than the cash balance in your Basic Record Book at the end of the day. A possible reason for the difference is that...
 - a. someone stole money from the cash box.
 - b. you made a mistake when recording a voucher .
 - c. you forgot to get money from a customer.
4. Your business' assets include...
 - a. invoices from your suppliers that have not been paid yet.
 - b. the amount of VAT you have to submit to the government.
 - c. the money in your bank account.
5. If your business has more liabilities than assets, your business...
 - a. is in danger.
 - b. is doing well.
 - c. has a positive net worth.



WHAT DID YOU LEARN IN THIS MANUAL?

Now that you have gone through this manual, try these practical exercises. The exercises will refresh what you have learned. Keeping and using business records properly will help you to improve your business.

The exercises will help you to:

- **Use** what you have learned to solve practical problems (Can You Help?).
- **Take action** to improve your business by using what you have learned (Action Plan).

Compare your answers with the Answers at the end of the exercises on pages 71 - 74. If it is difficult for you to come up with an answer, read that part of the manual again. The best way to learn is to finish each exercise before you look at the answers.

Check the list of Useful Business Words on pages 75 – 77 to quickly find the meaning of a terminology that you do not understand.

“

You have learned more about record keeping in this manual. But what you have learned does not help you until you use the new knowledge in the day-to-day running of your business. Remember to do the Action Plan on page 70 to improve the record keeping in your business.

”



1. Can You Help?

Credit sales at *Reliable Laundry*

Reliable Laundry cleans all types of garments. One of their main customers is *Nighthawk Security*. *Reliable Laundry* allows *Nighthawk Security* to pay on credit. Here are the business transactions between *Reliable Laundry* and *Nighthawk Security* for the month of April. Use this information to fill in the Customers' Accounts Record on the next page. Then answer the questions that follow.



- 3 April *Reliable Laundry* cleaned twenty overalls and ten dust coats for *Nighthawk Security*. The charge for cleaning overalls is \$6 each and for dust coats is \$4 each. When *Reliable Laundry* delivered them, *Nighthawk Security* paid half of the total amount due on this date. (This transaction is already filled in for you.)
- 15 April *Reliable Laundry* cleans 10 overalls and delivers them without collecting any payment.
- 17 April Because the unpaid amount is getting close to their credit limit of \$150, *Nighthawk Security* makes a payment of \$70.
- 23 April *Nighthawk Security* takes five more overalls to be cleaned by *Reliable Laundry*.
- 30 April *Nighthawk Security* pays *Reliable Laundry* \$100.

CUSTOMERS' ACCOUNTS RECORD



Customer: Nighthawk Security
Address: 20 Simba Road, Imara
Tel. number: 13898
Credit limit: \$150.00

Date	Details	Quantity	Credit sales (\$)	Amount paid (\$)	Balance (\$)	Signature
3/4	Cleaning overalls \$6.00 (\$6 X 20 = \$120.00)	20				(Nighthawk)
	Cleaning dust coats \$4.00 (\$4 X 10 = \$40)	10	160	80	80	(Reliable)

After you have filled in the record according to the information above, please answer these questions:

- How much does *Nighthawk Security* owe *Reliable Laundry*?
 - At the end of 17 April
 - At the end of the month
- Who signed the Customers' Accounts Record on:
 - 3 April?.....
 - 15 April?.....
 - 17 April?.....
- At the end of the month, the people at *Reliable Laundry* analyse all of their Customers' Accounts Records. Do you think it is a good idea to continue to give credit to *Nighthawk Security*? Write down your ideas.



Yusuf Solar Distributors and the Basic Record Book

Yusuf, the owner of the retail store, *Yusuf Solar Distributor*, started to keep proper business records.

1. Help Yusuf to complete his Basic Record Book next page.

Write the transactions on the empty lines.

a. On 20 February, *Yusuf Solar Distributors* paid \$340 in cash for hardware goods. This included \$30.90 in VAT.

b. On 22 February, Yusuf:

- Takes \$500 out of the business bank account and puts the money in his cash box.
- Pays Wekesa, a part time employee, his monthly salary of \$100 in cash.
- Pays himself a monthly salary of \$400 in cash.

c. On 25 February *Yusuf Solar Distributors* receives \$407, of which \$370 is from sales and \$37 is VAT. Yusuf gets this figure by adding up the Daily Cash Sales Record sheets for the day.

d. On 26 February Yusuf pays \$590 for various goods, including \$33 in VAT. He pays for the goods by cheque.

e. On 27 February he receives a total of \$572, of which \$520 is from sales and \$52 is VAT.

f. On 28 February, *Yusuf Solar Distributors* receives a loan of \$2,000.

g. Yusuf deposits the loan into the account the same day.

h. Yusuf records a depreciation expense of \$120 on 28 February.

2. Add up the sales receipts and the total disbursements for the month.

Write down the amounts in the Basic Record Book. Make sure that you also have the cash and bank account balances.



3.

a. How much money did *Yusuf Solar Distributors* have in the cash box and in the bank account when the month started?

.....

Where does Yusuf get the figures from?

.....

b. How much money did Yusuf have in the cash box at the end of the day on 22 February?

.....

c. What cash voucher number does Yusuf write on the Daily Cash Sales Record on 25 February?

.....

d. What will the balances be for cash in hand and in the bank account the first day of next month?

.....

e. How much VAT does Yusuf have to submit to the government this month?

.....

4. Enter the totals for *Yusuf Solar Distributors'* sales and costs for February in the empty column below:

This month February	
SALES	US \$
COSTS:	
Material Costs	US \$
Labour Costs	US \$
Overhead Expenses	US \$
TOTAL COSTS	US \$

5. Use your figures to make a Profit and Loss Statement for *Yusuf Solar Distributors* in February.

Do not include any amounts for Labour Costs in the Profit and Loss Statement. Like other retailers, *Yusuf Solar Distributors* has no labour involved in production because the business does not make any products. Instead, Yusuf enters all wages, salaries and benefits given to the employees in the column for Overhead Expenses.

2. Action Plan

This is my Action Plan to improve the record keeping in my business.



WHAT is the problem?	HOW do you solve the problem?	WHO will solve the problem?	WHEN will the problem be solved?
I often forget how much money customers owe my business.	I must buy a book and make a Customers' Accounts Record.	I must keep the records. I must use the record book all the time.	I must have the record ready by 26 June. We must start to use the record on Monday 1 July.

How can your business get better at record keeping? Start by making an Action Plan like Fatuma. In your plan, write down:

1. What problems does your business have with record keeping?
2. How will you solve each problem?
3. Who will solve each problem (you or someone else)?
4. When do you plan to solve each problem?

Write down your Action Plan on the next page. Remember these suggestions:

- Make a plan for a three or six month period
- Be realistic. Only write down what you think is possible to do
- Try to solve the most urgent problem first
- Keep this manual at your business so that you and others in your business can use it when you need it
- Check regularly to make sure that you are following your Action Plan. It is a good idea to check it every week
- Consider putting your Action Plan on the wall so that it is easy to see and check

Plan to improve your record keeping

Use this page to write down your own plan to improve your record keeping.

WHAT is the problem?	HOW do you solve the problem?	WHO will solve the problem?	WHEN will the problem be solved?



Assessment 1

1. False 2. True 3. False 4. True 5. True

Assessment 2

1.
 (1) Daily Cash Sales Record (4) Receipt
 (2) Customers' Accounts Record (5) Material Costs
 (3) Credit (6) Overhead Expense

2.
 1. b 2. a 3. c 4. b 5. c

Assessment 3


1.
 (1) Gross Profit (2) Net Profit
 (3) Liability (4) Assets
 (5) Balance Sheet (6) Profit and Loss Statement

2.
 1. b 2. c 3. b 4. c 5. a

Can You Help?

Credit sales at Reliable Laundry

Your completed record should look like this:

CUSTOMERS' ACCOUNTS RECORD						
Customer: Nighthawk Security Address: 20 Simba Road, Imara Tel. number: 13898 Credit limit: \$150.00						
Date	Details	Quantity	Credit sales (\$)	Amount paid (\$)	Balance (\$)	Signature
3/4	Cleaning overalls \$6 (\$6 X 20 = \$120.00)	20				(Nighthawk)
	Cleaning dust coats \$4 (\$4 X 10 = \$40)	10	160	80	80	(Reliable)
15/4	Cleaning overalls \$6	10	60.00		140.00	(Nighthawk)
17/4	Payment			70.00	70.00	(Reliable)
23/4	Cleaning overalls \$6	5	30.00		100.00	(Nighthawk)
30/4	Payment			100.00	-	(Reliable)

1.

- a. On 17 April, the balance column shows that *Nighthawk Security* owed *Reliable Laundry* \$70.
- b. At the end of the month, *Nighthawk Security* does not owe any money to *Reliable Laundry*.

2.

- a. On 03 April, *Reliable Laundry* delivered goods and *Nighthawk Security* made a partial payment. The *Reliable Laundry* employees must sign as proof that they received the money. *Nighthawk Security* employees must sign as proof that they have received the items.
- b. On 15 April, *Nighthawk Security* received a delivery of the cleaned overalls. *Nighthawk Security* employees must sign as proof that they received the items and that they owe money to *Reliable Laundry*.
- c. On 17 April, *Nighthawk Security* made a payment on their account. *Reliable Laundry* must sign as proof that they received the payment.

3. It is a good idea for *Reliable Laundry* to give credit to *Nighthawk Security* in the future, because *Nighthawk Security*:

- Places regular orders
- Brings many clothes to be cleaned each time
- Pays down the amount before they reach their credit limit during the month
- Pays the full amount due at the end of the month

If *Reliable Laundry* does not allow *Nighthawk Security* to buy on credit, *Nighthawk Security* may go to a different laundry.

Yusuf Solar Distributors and the Basic Record Book

1. & 2. *Yusuf Solar Distributors'* complete Basic Record Book sheet for February should look like the Basic Record Book shown on the next page.

3.

- a. \$130 in the cash box and \$2,100 in the bank account. Yusuf gets the amounts from the balance columns for cash and the bank statement on 1 February.
- b. \$860. This amount is the cash balance after the last entry on 22 February.
- c. Voucher number 33.
- d. Cash balance: \$1,839. Bank balance: \$3,010. These figures are the balances for cash in hand and the amount in the bank at the end of the day on 27 and 28 February. If you had problems entering the loan in the Basic Record Book, see page 39 in this manual.
- e. \$123,1. This figure is the VAT balance at the end of the day on 28 February.

BASIC RECORD BOOK

(Unit: US\$)

Date	Details	Voucher No.	Cash			Bank			Sales	Material Costs	Labour Costs	Overhead Expenses	VAT	
			IN	OUT	BALANCE	IN	OUT	BALANCE					IN	OUT
1/2	B/f				130.0			2,100.0						
4/2	Sales	23	410.0		540.0			372.7					37.3	(37.3)
7/2	Sales	24	445.0		985.0			404.5					40.5	(77.8)
11/2	Goods purchased	25		640.0	345.0				581.8			58.2		(19.6)
13/2	Sales	26	390.0		735.0			354.5					35.5	(55.1)
15/2	Bus fare	27		15.0	720.0						14.3	0.7		(54.4)
18/2	Sales	28	480.0		1,200.0			436.4					43.6	(98.0)
20/2	Bought goods	29		340.0	860.0				309.1			30.9		(67.1)
22/2	Bank to cash box	30	500.0		1,360.0		500.0	1,600.0						
22/2	Wage Wekesa	31		100.0	1,260.0						100.0			
22/2	Own Salary	32		400.0	860.0						400.0			
25/2	Sales	33	407.0		1,267.0			370.0					37.0	(104.1)
26/2	Bought goods	34					590.0	1,010.0	557.0			33.0		(71.1)
27/2	Sales	35	572.0		1,839.0			520.0					52.0	(123.1)
28/2	Loan from bank	36				2,000.0		3,010.0						
28/2	Depreciation	37									120.0			
	Total		3,204.0	1,495.0		2,000.0	1,090.0	2,458.1	1,447.9		634.3	122.8	245.9	

4.

This month
February

SALES	\$2,458.10
COSTS:	
Material Costs	\$1,447.90
Labour Costs	-
Overhead Expenses	\$634.30
TOTAL COSTS	\$2,082.20

5. Your Profit and Loss Statements for February should have these figures:

Profit and Loss Statement	
<i>1 - 28 February</i>	
1. Sales.....	\$2,458.10
2. Material Costs.....	\$1,447.90
3. Labour Costs.....	\$ -

Gross Profit	= \$1,010.20
4. Overhead Expenses.....	\$634.30

Net Profit	= \$375.90

USEFUL BUSINESS WORDS

WORD	THE WORD MEANS	MORE ON PAGE
Assets	The items the business owns that are valuable, such as cash or equipment	56, 59
Asset Register	A book used to write down the information about all the assets your business owns, including the purchase price, the yearly depreciation, the remaining value and the total amount of time to be used.	31-34
Balance Sheet	A Summary of your business' assets and liabilities, showing the financial position of your business.	56 -59
Basic Record Book	A book used to record all the money that came into the business and all the money that went out of the business	14-30
Creditors' Record	A book used to record all the amounts of money your business owes to others.	39-40
Credit sales	The seller agrees to delay the payment. When you sell goods or services on credit, your customers do not have to pay immediately. For, example, if you give a customer 30 days credit, you allow him or her to delay payment until either 30 days after the date of the transaction, or for multiple transactions, 30 days from the date that you send them an invoice.	20, 66
Customers' Account Record	A book wherein you note all items or services your business sells to customers on credit.	21-22
Daily Cash Sales Record	A daily sheet wherein you list all inexpensive and frequently purchased items that your business sells for cash, along with the unit price of each item. A Daily Cash Sales Record is most useful for businesses that sell many inexpensive goods or services.	18
Depreciation	The value of equipment or machines owned by the company that decreases over time.	30-32
Detailed Cost Record	A book used to record the details of the amount spent on the production of each good or service.	37-38

WORD	THE WORD MEANS	MORE ON PAGE
Gross Profit	The amount of money left after you have subtracted the Material Costs and Labour Costs from the money received from sales.	52-54
Income Tax	Tax that a business has to pay once it makes a profit. The tax is based on a percentage of the company's profit. That percentage is designated by the country's government and the amount varies from country to country.	56
Inventory Record	A book used to record the information about the value of the company's stock.	36-37
Liabilities	Something or some amount of money that your business owes to someone else, such as a loan or an unpaid bill.	56, 59
Loans Record	A book to keep track of all the loans your business has made.	39
Loss	The amount of money a business loses. You show a loss when the amount of money that went out of the business for costs is greater than the amount that came into the business from sales.	52
Net Profit	The amount of money left after you have subtracted all Overhead Expenses from the Gross Profit.	52-55
Profit	The amount of money a business earns. You make a profit when the amount of money that comes into the business from sales is higher than the amount of money that goes out of the business for costs. Profit is often divided into Gross Profit and Net Profit.	51
Profit and Loss Statement	A calculation of the amount of profit or loss your business made during a specific period of time, usually for a month, six months or a year.	52-53
Receipt	Written proof that money was received in payment for goods or services.	17,22
Salary Register	A book to record all of the company's information regarding Labour Costs and salaries.	34-36
Tax Payable Record	A book to keep track of taxes your business needs to pay the government	40-41
VAT	Tax that is paid for the sale of goods or services. Your business pays VAT on goods or services that you buy from suppliers. When you sell your goods or services, you collect VAT on behalf of the government.	25, 40
Voucher	Receipt or other written proof of a transaction. The information on the voucher should be transposed into a Basic Record Book daily.	23

RECORD KEEPING FORMS

BASIC RECORD BOOK														(Unit:)	
Date	Details	Voucher No.	Cash			Bank			Sales	Material Costs	Labour Costs	Overhead Expenses	VAT		
			IN	OUT	BALANCE	IN	OUT	BALANCE					IN	OUT	BALANCE
	Total														

CUSTOMERS' ACCOUNTS RECORD

Customer:

Address:

Tel. number:

Credit limit:

Time limit:

Date	Details	Quantity	Credit sales (\$)	Amount paid (\$)	Balance (\$)	Signature

DAILY CASH SALES RECORD

Date: _____

Item (1)	Quantity sold (2)		Unit price (\$ (3)	VAT rate (%)	Amount		
					Sales (\$ (5)	VAT (\$ (6)	Total (\$ (7)
Total							

ASSET REGISTER

Date:

Name of asset (1)	Serial number (2)	Year bought (3)	Cost of purchase (\$) (4)	Years to be used (5)	Depreciation per year (\$) (6)	Accumulated depreciation (\$) (7)	Remaining value (\$) (8)
Total							

SALARY REGISTER

Month:

(Unit:)

Name	Wages	Benefits	Insurance	Total
PRODUCTION LABOUR				
Direct Labour				
Total Direct Labour Costs				
Indirect Labour				
Total Indirect Labour Cost				
NON-PRODUCTION LABOUR				
Total Non-Production Labour Cost				

INVENTORY RECORD

(Unit:))

Date	Details	Voucher No.	In	Out	Balance

DETAILED COST RECORD											(Unit:)
Date	Details	Voucher No.	Direct Material Costs				Direct Labour Costs			Indirect Manufacturing Expenses	Overhead Expenses
			Product	Product	Product	Product	Product	Product	Product		

IMPROVE YOUR BUSINESS

Record Keeping

Started your business already, but have troubles in some aspects of business management?

Improve Your Business (IYB) is the existing entrepreneurs' guide to good principles of business management. **The IYB Record Keeping** manual teaches entrepreneurs to maintain records that are important for their business in order to boost business performance.

IYB is part of the 'Start and Improve Your Business' family of management training courses for start-ups and small entrepreneurs. The programme builds on 25 years of experience working in 100 countries, partnering with 2500 local institutions, 200 certified Master Trainers and a network of over 17,000 Trainers. It has reached 6 million clients to date and these numbers are only increasing!

The IYB training is supported by a set of six manuals:

IYB Costing

IYB Marketing

IYB Record Keeping

IYB Buying and Stock Control

IYB Planning For Your Business

IYB People and Productivity

