

FACTSHEET: How To Keep A Simple Cashbook

The importance of keeping accurate records:

Keeping well planned and organised financial records is very important for the success of your project or organisation. Whatever type of activity you are involved in, or organisation you are running, if money is involved you need to be able to keep track of your financial activities. Well planned and organised financial records make it much easier for you to know how you are doing financially. Several government departments legally require organisations to keep financial and other records. See Section 11 of the 'Community Resource Kit' on www.community.net.nz and the Inland Revenue Department www.ird.govt.nz for further information on what records you need to keep.

How can keeping accurate records help with funding applications?

Effective financial records also help others, such as people in funding agencies, to understand and have confidence in your activities. In order to apply for funding you often need to prove that your project or group is financially well organised. In the booklet 'Smart Business' the Inland Revenue Department suggests that "it is much easier to put a good case together when applying for loans or grants if you've got accurate records to support your intentions". (see www.ird.govt.nz)

What is a Cash Book?

A cash book is a system to help you organise your finances. It is a simple record in which you can record all payments made and income received. There are different types of cash books – e.g. it can be a simple hand-written book, a spreadsheet on a pc, or a computerised system. Whatever system you choose it's important to start your cash book correctly and maintain it regularly. This will help make it easier for you to manage your finances and also assist those assessing your financial situation. A well kept cash book can also help you to work out your cash flow needs for the coming year (cash flow budget), your end of year financial accounts and tax returns.

Acknowledgement:

The following information on pages 1-2, and on page 4 of this fact sheet about how to set up and use a simple Cash Book accounting system (*excluding any information marked with an asterisk) was reproduced from Section 6, the 'Financial Management' section of the 'Community Resource Kit' available on www.community.net.nz. The 'Community Resource Kit' was first published in October 2006 by: Family and Community Services, Ministry of Social Development, P O Box 1556, Wellington, New Zealand and the Local Government and Community Branch, Department of Internal Affairs, P O Box 805, Wellington. ISBN 0-478-29339-9

Cash Book Accounting System

While a computer system makes financial recording and reporting easy, for small community groups a cash book accounting system is adequate. A cash book is a spreadsheet, either in a multi-column book or on a computer (see sample on page 4). It records all financial transactions, keeps you financially up-to-date, and allows you to keep control over your finances. The cash book keeps track of receipts and payments. It tells you:

- how much money has been paid into the bank

- where the money came from
- what cheques have been paid out, to whom and for what
- the total for the month or year for specific purposes e.g. rent
- the total for the month or year for all income and expenses
- your current bank balance

CASH BOOK CHECKLIST

To operate a cash book:

- use a cash book with as many columns as you think you will need – in a hand-written system, a 16-column book is best
- start each month on a new page (or spreadsheet)
- use the income and receipt columns that are most relevant to your organisation
- where possible, have separate columns for expenses that occur frequently
- make sure you write (or enter) the cheque number in the cash book – this makes it easier to reconcile with the bank statement
- if you are GST registered, set up separate columns for GST paid and received (manual cash books are more appropriate for smaller groups that are not GST registered)
- when you receive your bank statement, enter any automatic payments, bank fees or other items that appear on the bank statement
- add all the columns up at the end of the month and make sure the total of the “income” columns equals “receipts”, and the total of the “expenditure” columns equals “payments”.
- balancing the cash book will double-check your figures. The “expenditure” columns should add up to the “payments” column and the “income” columns should add up to the “receipts” column. The opening balance of your bank statement, plus income, less expenditure or any unrepresented items should equal your closing statement balance as at that date.

Sample Cash Book

On [page 4](#) is an example of a small community group (XYZ Community Group Inc) that is not registered for GST and has no paid staff. The group is using a manual cash book accounting system but the same methods can be applied to a computer spreadsheet.

See www.ird.govt.nz for a sample of a cash book for GST registered organisation/person*

Some key terms used in financial reporting are:

- **assets** – what the business owns or monies due to it e.g. cash, equipment
- **fixed asset schedule*** - a list of ‘physical’ assets owned including purchase date and cost (e.g. property and equipment)
- **liabilities** – what the business owes e.g. bank overdraft, creditors, loans, staff leave not yet taken
- **expenses** – the costs incurred by running your business e.g. wages, rent, phones
- **revenue or income** – what you earn e.g. grants, membership subs

- **creditors*** – people or businesses you owe money to for goods or services
- **debtors*** - people or businesses who owe money to you
- **Statement of Financial Performance* - (Profit and Loss)** – shows the revenue and expenses of the business for the business for a period of time
- **Statement of Financial Position* (Balance Sheet)** – lists all assets and liabilities

Signing Off or Auditing required by funding agencies

In order to complete your funding application funding agencies may require some evidence that your cash book has been examined and 'signed off' by an accountant or independent person with a good general understanding of financial matters. They may ask to see your annual financial reports or ask for evidence that these have been 'audited' by an accountant.

Auditing is a process where an independent chartered accountant not directly involved in your activities, reviews and checks that your financial statements are true and correct. They do this to make sure everything is in order and the accounts are a true representation of your financial activities.

Whether or not your accounts require auditing depends on the requirements of the funding agency you are applying to, and the structure and rules of your organisation. If you are part of a non-profit group check your organisation's official 'Rules' for information about whether your accounts need to be audited. If your group has a Treasurer ask them.

To ensure you meet all the information requested by a particular funding agency, you need to find out exactly what information is expected to support your application. This is normally stated in the information about 'how to apply'. If this is not clear, contact their office. This is very important as applications that do not include all information expected may be rejected. Some funders will contact you for more information while others immediately reject an incomplete application.

Annual Accounting Procedures

To find out more about annual accounting processes in general see 'Financial Management' Section 6 of the Community Resource Kit www.community.net.nz. For a list of accountants in your area see the 'Yellow Pages'. For information about IRD audits see the IRD booklet IR 297 'Inland Revenue Audits'.

Acknowledgements, Resources, Websites

As well as the 'Community Resource Kit' this fact sheet also used the Inland Revenue's IR 320 'Smart Business: a guide for businesses and non-profit organisations' published in October 2005 by the Inland Revenue Department, as a key resource. Please note: the IRD also suggests you read their IR 254 'Clubs and Societies' booklet to find out more about running a non-profit organisation. These booklets are available from their website or by telephoning IRD on 0800 377 774.

For further information on how to operate a Cash Book and more about Auditing procedures see: www.community.net.nz www.biz.org.nz www.ird.govt.nz www.nzica.com

DISCLAIMER: The TSB Community Trust has done the best to ensure that the information in this fact sheet is correct and current at the time of publication and takes no responsibility for any incorrect information in this fact sheet. This fact sheet does not constitute legal advice. It is the responsibility of the reader to keep up to date with any changes to the information and systems described in this fact sheet, or laws affecting its contents.

© Crown copyright 2006

XYZ Community Group Inc.Receipts and Payments for the month of February 2006

DATE	EXPENDITURE/ INCOME	CHEQUE/ RECEIPT NO.	RECEIPTS	BANKING	PAYMENTS	BALANCE	INCOME			EXPENDITURE					
							Donations	Grants	Other	Rent	Power	Volunteer costs	Office supplies	Telephone	Other
2006	Balance brought forward					550.00									
7/02/06	H Waru – mileage	120			12.40	537.60						12.40			
7/02/06	Powerco	121			45.00	492.60					45.00				
7/02/06	Telecom	122			100.00	392.60								100.00	
15/02/06	J Smith	r/555	100.00			492.60	100.00								
18/02/06	I M Lucky	r/556	25.00	125.00		517.60	25.00								
20/02/06	Lottery grant	r/557	4,000.00	4,000.00		4,517.60		4,000.00							
28/02/06	Petty Cash Reimbursement	123			41.80	4,475.80							21.80		20.00
28/02/06	Interest	b/s	6.20	6.20		4,482.00			6.20						
15/02/06	Bank fees	b/s			3.00	4,479.00									3.00
25/02/06	Rent	a/p			200.00	4,279.00				200.00					
Total	<i>Total for month</i>		4,131.20		402.20		125.00	4,000.00	6.20	200.00	45.00	12.40	21.80	100.00	23.00
Add last month year to date			4760.35		5390.75		1,452.00	3,000.00	308.35	2,000.00	380.00	960.00	424	875.00	751.75
Total year to date			8,891.55		5,792.95		1,577.00	7,000.00	314.55	2,200.00	425.00	972.40	445.80	975.00	774.75