

## Setting up and keeping a simple cashbook

For many small businesses it will be the basis of their accounting system. This practical guide explains how you can set up and maintain a simple manual cashbook, and how it can help you run your business.

Here's a straightforward way to keep your cashbook

There are many types of cashbook systems. You should choose a system that's easy to use, gives you information about what's happening in your business at a glance, and doesn't take up too much of your time.

Some businesses have three cashbooks (cash payments, cash receipts and bank balance). Small businesses might find it easier to use a single cashbook.

### An overview of how a simple cashbook could work

The cashbook is divided into three parts:

1. Columns 1-6:  
Show details of what has happened in the business, and provide an up-to-date bank balance.
2. Columns 7-8:  
Show the money that has come in.
3. Columns 9-17:  
Analyse the money that has gone out of the business.

The important principle is that you enter all money figures twice - once in columns 4 OR 5, and again in one of the analysis columns (7-8 or 9-17).

[View an example of what a cashbook looks like](#) [This link goes to Inland Revenue's website.]

## The cashbook explained in detail

### Column 1: The date the transaction took place

Remember, you only enter something in the cashbook if cash has actually changed hands. For example, if you complete a job for a client, and you invoice them for \$1,000, this is entered in the cashbook only when the money comes in and is banked.

### Column 2: Where the cash came from or where it's going

If you're entering income, you use this column to explain where the income is from (for example, sales or interest). If you're entering expenses, you write what you're paying it for (for example, stationery or petty cash).

You can decide how much detail you include. For example, for a stationery expense you could just write 'Stationery' or you could write 'Stationery: Whitcoulls'.

For income, the amount of detail you provide might depend on what kind of business you have. If you are a retailer, you'll probably make one entry in the cashbook for each day's takings, whereas if you're a builder you'll probably enter each individual job.

### Column 3: Cheque number

Each time you pay out a cheque, write the cheque number in this column. This acts as a cross-reference and helps you check your bank statements.

### Column 4: Income

Record the dollar amount for any money coming into the business.

### Column 5: Expenses

Record the dollar amount for any money going out of the business.

### Column 6: Running balance

Keep a running balance so you know exactly how much money you have available. If you use an ATM, the internet or phone banking to get an update on your account, remember that this may not be the correct balance as you may have written cheques that have not yet been cashed.

#### **Column 7: Sales analysis**

Use this column to record information about what type of sale you're recording (for example, cash sales or invoice sales). If you want, you can use more columns to give more detail on sales (for example, you can analyse sales by product type), so you can easily see which type of business is best.

For example, if you're a hairdresser, you could analyse sales in terms of cuts, perms, colouring and 'other'. These could be further split into men and women. At the end of the month, you'll be able to work out what percentage of your business comes from men or women clients and what type of service they wanted. This is useful information for your marketing.

#### **Column 8: Income that's not from sales**

Sometimes money comes in that isn't sales and therefore isn't taxable. For example, when you add money to the business or get a GST refund.

#### **Column 9: Stock/materials expenses**

Use this column to record stock, materials etc.

#### **Column 10: Vehicle expenses**

Use this column to record any vehicle expenses (such as petrol, insurance, registration).

#### **Column 11: Rental expenses**

Use this column to record rental expenses, if you have a lease.

#### **Column 12: Promotional expenses**

Use this column to record spending on advertising, business cards, brochures etc.

#### **Column 13: Office expenses**

Use this column to record stationery and office expenses.

#### **Column 14: Miscellaneous expenses**

Use this column to record coffee supplies and any other bits-and-pieces expenses that don't fit into the other expenses columns.

#### **Column 15: Tax and other major expenses**

Use this column to record large expenses, such as company tax and GST bills.

#### **Column 16: Capital expenses**

Use this column to record any capital expenses (or fixed assets) such as machinery, cash registers, computers.

#### **Column 17: Drawings**

Use this column to record any money that you draw out for yourself.

## **Customise your cashbook**

You may wish to have columns also for telephone, postage, power etc.

A cashbook is something you personalise for your own convenience, and is for your use.

Accountants do not necessarily need a cashbook to do your accounts. They rely in the first instance on bank statements, cheque butts and invoices. However, if you are GST registered, the cashbook will show the GST exclusive amounts in the details columns. This may be helpful to your accountant because financial statements and tax returns must be completed on a GST-exclusive basis when you are GST registered.

## **Cashbooks can help you prepare your GST return**

Before you fill in your GST return, reconcile your cashbook with your bank statement. Then work out GST on your sales:

- Step 1: Total your cashbook columns.
- Step 2: Transfer the GST totals in your cashbook to Box 8 in your GST return.
- Step 3: Multiply the figure in Box 8 by 9. This will give you the total sales amount. Put this figure in Box 7.

If you file your GST return online you only need to complete steps 1 and 2. Step 3 will be done for you.

Working out GST on purchases:

- Step 1: Total your cashbook columns.
- Step 3: Multiply the figure in Box 12 by 9. This will give you the total purchase amount. Put this figure in Box 11.

If you file your GST return online you only need to complete steps 1 and 2. Step 3 will be done for you.

[Illustration of using a cashbook to complete a GST return](#) [This link goes to the Inland Revenue website.]

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- This information is provided by The Small Business Company:

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