

# Keeping Basic Accounts

A guide to keeping basic accounts  
for a small voluntary organisation

# Book-keeping basics



To record the transactions and keep all the relevant paperwork, a group needs a cashbook. The cashbook is the core source document for recording and reconciling financial transactions, a mirror image of the bank statements. You can choose to keep this manually or in computerised format.

## **A physical cashbook for manual recording of transactions**

This should have separate sections for: income, expenditure, receipts and payments. The number of columns depends on the number of different sources of income and types of expenditure. The better the analysis, the easier it is to draw up the income and expenditure accounts.

Restricted income and related expenditure should also be analysed separately, so that it can be easily identified for monitoring purposes and reporting to funders. Restricted income is grants and donations provided for specific purposes.

**A spreadsheet cashbook**, such as Excel, for computerised records.

An electronic cashbook can have many time-saving benefits including: automated formulas to do the addition for you; can be easily stored and shared; simple to insert comparisons. You might choose to purchase a larger or more specific software package that can reconcile all your financial data.

## **A file to keep all the invoices together.**

Where there are quite a lot of invoices, it is easier to have separate files—one for income vouchers, invoices and remittance advices, and another for expenditure invoices and vouchers.

These should be filed systematically—in date order and cross referenced to the entry in the cashbook, so that they can be easily found and identified.

Order forms and delivery notes should also be kept and attached to the back of the invoice and any supplier statements should also be retained.

Where expenses are reimbursed by cheque, an expenses claim form should be completed and authorised and any supporting vouchers attached.

**Cash transactions** should be kept to a minimum.

All cash income should be banked intact, wages and other expenses should be paid by cheque, direct debit or through the bank, and cash drawn from the bank for petty cash expenses only.

All cash should be kept in a safe, if possible, or in a locked box in a lockable, fireproof cabinet. **Access** to cash should be limited to authorised people only.

Cash expenses should only be paid against an invoice or till receipt.

Cash transactions should be recorded in a simple petty cash book, showing the balance of cash in hand (this should agree to the actual cash in the cash box) and can be easily verified at any time.

**The cheque book and bank pay-in book** should also be kept safely in a locked, fireproof cabinet, again with access restricted to authorised people only.

## Book-keeping Golden Rules



These are not rules as such but just **common sense!** They are all simple, require no financial skills, and don't take a lot of time or effort. BUT not doing these is the main reason for groups getting their books into a mess.

1. **Always ask for a receipt** and keep it. Persuade other committee members or staff that they have to do the same. Every item of expenditure should have some kind of voucher to back it up.
2. **Keep all paperwork**—invoices, statements, delivery notes, order forms, till receipts, travel and parking vouchers.
3. **Update cashbook regularly.** This can seem like a chore but it is best done at the time. It is very easy to put it off, but if it is allowed to slip it gets put off further and then panic sets in and, before you know it, the records are in a mess.

The treasurer should always have some **support** from the committee, preferably another committee member who can help with the cashbook and the finances if necessary. After all, any one of us can be faced with illness, a family problem or work pressure.

4. Use the cashbook fully—it's YOUR record of transactions, so details and descriptions should be full enough to make sense not only at the time, but a year later.
5. **Cross-referencing** all paperwork to the cashbook means that the relevant invoice can be found easily. It also ensures that there is a piece of paper to back up every cashbook entry.

## Control of the Bank Accounts



- All cheques and withdrawals should be signed by **two** committee members. It is preferable to have a pool of committee members who are authorised to sign cheques—to cover times when some of the signatories may not be available, due to holidays, illness, etc.
- Cheques should only be signed once they are **fully completed** and supported by the relevant invoice. One of the cheque signatories should initial the invoice at the time of signing the cheque, to verify that the invoice has been seen and checked.
- **Blank cheques should NEVER be signed.** This would be a serious breach of trust and the individual signing the cheque could be held negligent and be personally liable if the cheque was misused or misappropriated.
- Cheques reimbursing committee expenses should **not be** signed by the member being reimbursed.
- **Bank reconciliations** should be carried out regularly. If this is done by the treasurer, they should be reviewed and approved by another committee member. If done by a member of staff, the treasurer should carry out a review.
- The **cheque book and the bank pay in book** should also be kept safely in a locked, fireproof cabinet, again with access restricted to authorised persons only.