



Bookkeeping and Accountancy Ltd

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Bookkeeping Basics to Save Time and Money

How to set up efficient systems and avoid costly errors

Introduction: Why Good Bookkeeping Matters

Good bookkeeping is the foundation of business success. Accurate, up-to-date records help you make better decisions, prepare for tax efficiently, secure financing, and understand your financial position at any time. Many business owners see bookkeeping as a chore, but with the right systems in place, it becomes a valuable tool rather than a burden. This guide shows you how to set up efficient systems that save time and money.

Top Tip: Spending 30 minutes a week on bookkeeping is far more efficient than spending a full day every quarter trying to catch up.

Essential Records to Keep

HMRC requires you to keep accurate records of all business transactions. Here is what you need to maintain:

Sales Records

Keep copies of all sales invoices you issue, plus any till receipts, contracts, or other evidence of income. Your records should show the date, customer details, amount, and description of goods or services.

- Sales invoices issued
- Credit notes issued
- Cash receipts and till records
- Bank statements showing receipts
- Customer contracts and agreements

Purchase Records

Retain all purchase invoices and receipts for goods and services you buy for your business:

- Purchase invoices from suppliers
- Receipts for cash purchases
- Credit card statements with supporting receipts
- Delivery notes and goods received notes
- Import documentation

Other Essential Records

Additional records that support your business accounts:

- Bank statements for all business accounts
- Petty cash records with supporting receipts
- Payroll records if you have employees
- VAT records if registered
- Asset purchase documentation
- Loan agreements and repayment schedules

Top Tip: Keep records for at least 6 years - HMRC can investigate your affairs going back this far.

Choosing the Right Accounting System

Modern cloud accounting software has transformed bookkeeping for small businesses. The right system can save hours of work and provide valuable insights.

Benefits of Cloud Accounting

Cloud-based systems offer significant advantages over traditional methods:

- Automatic bank feeds reduce manual data entry
- Real-time financial visibility from any device
- Easy invoice creation with professional templates
- Automatic payment reminders to customers
- Built-in MTD compliance for VAT and ITSA
- Secure data backup and storage
- Collaboration with your accountant

Popular Software Options

The main options for UK small businesses are:

- Xero - excellent for growing businesses, strong integrations
- QuickBooks - user-friendly interface, good for beginners
- FreeAgent - designed for freelancers and small companies
- Sage Accounting - traditional brand with modern cloud option
- Wave - free option for very small businesses

Making the Switch

If you are moving from spreadsheets or manual records, plan your transition carefully. Start at the beginning of a VAT quarter or financial year if possible, import your chart of accounts and opening balances, and run parallel systems for a month to ensure accuracy.

Establishing Good Habits

Consistent routines are the key to staying on top of your books without becoming overwhelmed.

Daily Tasks

These quick tasks take just minutes but make a huge difference:

- Photograph receipts immediately using your accounting app
- File any paper documents in a simple system
- Note any cash transactions in your records
- Check your bank account for unexpected items

Weekly Tasks

Set aside 30 minutes each week for these essential activities:

- Reconcile bank transactions in your accounting software
- Send any outstanding invoices
- Review aged debtors and chase late payers
- Enter any expense receipts not yet recorded
- File any accumulated paperwork

Monthly Tasks

At the end of each month, complete these reviews:

- Reconcile all bank and credit card accounts
- Review profit and loss report
- Check cash flow and upcoming commitments
- Reconcile petty cash if applicable
- Review and approve any staff expenses
- Backup your data (cloud systems do this automatically)

Top Tip: Block out the same time each week for bookkeeping tasks - treating it as an unmovable appointment helps build the habit.

Bank Reconciliation Explained

Bank reconciliation is the process of matching your accounting records to your bank statements. This is one of the most important controls for ensuring your records are accurate and complete. With bank feeds in cloud accounting software, much of this is automated, but you still need to review transactions, allocate them to the correct categories, and investigate any discrepancies. Reconcile at least weekly to catch errors quickly.

- Match every transaction to supporting documentation
- Investigate any unmatched or unusual items
- Look for duplicates or missing entries
- Check for timing differences on payments
- Review any transactions in suspense accounts

Working Effectively with Your Accountant

Your accountant is a valuable partner, and you can make the relationship more effective and cost-efficient:

- Keep your records organised and up to date - this reduces their time and your bill
- Ask questions early - it is cheaper to prevent problems than fix them
- Provide information promptly when requested
- Use the same accounting software so they can access your data
- Schedule regular reviews, not just annual meetings
- Share your business plans so they can offer proactive advice
- Keep them informed of major decisions or changes

Top Tip: The better your bookkeeping, the less time your accountant spends on compliance work and the more time they can spend on valuable advice.

Need Personalised Advice?

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