

# PROCESS FOR BOOKKEEPING & THE PAPERWORK CHECKLIST

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Bookkeeping is a very important aspect of accounting in a business. It is a legal requirement for all forms of businesses including partnerships, sole traders and limited companies. It is important that you are updated about the financial stage of your business such as accounts payable, accounts receivable, liabilities, corporation tax, equity and other financial activities.

### **What is Bookkeeping?**

“Making good judgements when one has complete data, facts and knowledge is not leadership- it’s bookkeeping.” - Dee Hock

Bookkeeping is the ongoing process of recording financial transactions conducted by a business. It includes purchase, sales, incomes and expenditure.

Traditionally, these records were recorded in physical books called account books and hence the name bookkeeping.

There is two systems of bookkeeping:

- **Single entry bookkeeping:** It is ideally for sole traders and small businesses,. Single entry is a simple and quick bookkeeping system to operate and maintain.
- **Double entry bookkeeping:** Here, every transaction is recorded in two accounts i.e. double entry. It is the preferred method for big businesses. It is complex and time consuming because the financial transaction and assets of a business are distributed among numerous accounts. For example: Recording earnings of £1000 would require making two entries: a debit entry of £1000 to an account named 'cash' and a credit entry of £1000 to an account named 'revenue'. But both systems are called bookkeeping processes.

## Why is Bookkeeping important?

Having adequate bookkeeping systems in place will help you to:

- Allow you to keep track of customer who owe you money
- Know when the payment is due and when to pay suppliers
- Review the cash flow of the business
- Prepare balance sheet and profit and loss account
- Prepare business finance reports
- Process sales invoice documentation

## Key Steps to keeping the books:

Bookkeeping involves a set procedure of major stages. Below are the steps from start to finish in Bookkeeping sequence:

- **Transactions:** Bookkeeping process starts with purchase and sales of items but there are other financial transactions such as nominal journals that will be posted too.
- **Reconciliations:** Once all transactions are posted, you need to reconcile each of the bank accounts including credit cards.

A. **Bank Reconciliation:** A bank reconciliation is the process of matching the balances in an entity's accounting records for a cash account to the corresponding information on a bank statement. The goal of this process is to ascertain the differences between the two, and to book changes to the accounting records as appropriate. The information on the bank statement is the bank's record of all transactions impacting the entity's bank account during the past month.

B. **Supplier Reconciliation:** Reconciling the supplier account ensures supplier balances are accurate for financial reporting and profits are maximized by ensuring no credit notes are missing or invoices duplicated.

C. **Customer Reconciliation:** The reconciliation of accounts receivable is the process of matching the detailed amounts of unpaid customer billings to the accounts receivable total stated in the general ledger. This matching process is important, because it proves that the general ledger figure for receivables is justified.

D. **Control Accounts Reconciliation:** The reconciliation is a work to ensure that the entries in the sales and purchase ledgers (the memorandums, or list of individual balances) agree with the entries in the control accounts. The totals in each should be exactly the same. If not it indicates an error in either the memorandum account or the control account. All discrepancies should be investigated and corrected.

- **Trial Balance:** A trial balance is a bookkeeping worksheet in which the balances of all ledgers are compiled into debit and credit columns. A company prepares a trial balance periodically, usually at the end of every reporting period. The general purpose of producing a trial balance is to ensure the entries in a company's bookkeeping system are mathematically correct.
- **Adjusting Journal Entries:** Once the trial balance is reviewed, you will need to make correcting entries to Nominal ledger by posting journals. There may also be standard journals such as depreciation and stock journals that need to be completed.
- **Financial Statements:** Prepare the profit and loss account statement and a balance sheet using the corrected account balances.
- **Closing:**  
Lastly, close the books for the revenue and the expense accounts.

### Process for bookkeeping:

- You should have a system to store your invoices and receipts such as expenses, sales invoice, purchase invoice, paypal business account etc.



- Organise your invoice by months in sub-folders for expenses, purchase and sales invoice etc. It is highly important to be organised when operating a business.
- Always save your bank statements and other documents on google drive.
- Use a cloud accounting platform so that your accountant can easily access the information.
- Ask your bookkeeper to provide you with Profit and loss statement, balance sheet, cash flow statement.

## Checklist:

You need the following to carry out bookkeeping duties:

- Sales invoices and purchase invoices and other documentation (credit notes, remittance advice notes and statements etc)
  - Fuel receipts
  - Receipts for business expenses
  - Business bank statements
  - Cheque book stubs
  - VAT information (if VAT registered)
  - Wage slips and summaries if you employ staff
  - Details of loans and capital items such as machinery, cars etc
  - Customer and supplier addresses
  - Access to software
- **Bank Reconciliation Checklist:**
- Print daily declaration
  - Add all cash taken over days
  - Fill in bank deposit slips
  - Record the cash receipts journal
  - File declaration, cash records and copy of deposit slips
  - Deposit cash in the bank

- **Daily Reconciliation:**

- Tick off bank statements against cash receipts
- Tick off bank statements against cash payments
- Check for any bank errors
- Record bank errors
- Add unticked credits to the CRJ
- Add unticked debits to the CPJ
- Check every item on the bank statement is ticked
- Calculate the bank balance
- Prepare bank reconciliation
- Verify the two results
- Contact the bank to notify them of errors

- **Accounts Receivable process:**

The buyer:

- Record buyer details

- **Establish your credit practices:**

- Send buyer credit application
- Run credit check on purchasing company
- Approval: Post credit check review
- Send the buyer your terms of sale

- **Invoicing:**

- Check customer payment terms
- Generate and send invoice in your accounting software

- **Tracking:**

- Record your activity digitally
- Make a second physical copy
- Establish monthly contact with your client

- **Accounting for account receivable:**

- Record for sales on credit of services
- Record for sales on credit of goods

- **Accounts Payable process:**

Purchase order:

- Enter purchase order details
- Send to the vendor accounting department
- Send to receiving department
- Send to senior accountant in your department
- File a copy for internal records
- Create a Receiving report

- **Document Validation:**

- Gather the receiving report, PO, and vendors invoice
- Double check a three way match
- Report errors to relevant team members
- Confirm all documents have been amended

- **Payment:**

- Enter the invoice into accounts payable
- Check dates to avoid penalty
- Schedule the payment
- Stamp all documents
- Create voucher for the documents
- Store in paid voucher

You can use the above checklist for efficient and compliant bookkeeping. Bookkeeping is a vital job in any business. Without bookkeeping, your accounts won't be accurate. It will be difficult to make strategic business decisions.