



# Smart Books Pty Ltd

## Policy and Procedures Manual

## Smart Books Policies and Procedures

### Mission Statement

Smart Books offers quality books to its customers and excellent customer service.

### Company Background

Smart Books Pty Ltd was incorporated on 1 January 2018 as a small books retail business that buys and sells quality books.

### GST and BAS Reporting

Smart Books reports GST on an 'accrual' basis and prepare the business activity statement monthly to assist with cash flow. PAYG is also paid monthly, and the PAYG Income Tax Method paid in quarterly instalments.

### Accounting System

In May 2020, the decision made was to engage ACE Finance to review Smart Books' finances and recommend an accounting software package. Before this, the accounts were managed in excel. It was agreed to use MYOB Business to automate all accounting processes.

The business keeps an accrual set of books, accounting for debtors and creditors. Credit purchases are paid for by electronic funds transfer (EFT) from Smart Books everyday account or Bpay. Small purchases are paid for on a business credit card.

### General Ledger

A Chart of Accounts has been drawn up in consultation with Ace Finance. Additional accounts are not to be added unless no other suitable general ledger account is available. Accounts are not to be added or deleted without the accountant's approval.

### General Journal Entries

General journal entries are to be avoided. Journals are only to be used for the following transactions: prepayments, end-of-year adjustments, recording depreciation and stock adjustments if needed.

### Shop Sales

All books and educational resources sold through the shop front are processed through the point-of-sale (POS) system. Customers are given a tax invoice meeting legislative requirements. Evidence of purchase, for example, a copy of the tax invoice, needs to be produced if a customer requests a refund or returns a purchase.

Most card in-store transactions are now contactless. A contactless payment allows customers to pay by tapping or waving a contactless device (usually a card or smartphone) over the reader on the side of the EFTPOS terminal. The EFTPOS terminal will say if the payment is successful or not. If the payment is unsuccessful, cancel the transaction and process it again. Customers must enter a PIN if the credit card transaction exceeds \$200.00.

The Cash draw has a \$700.00 Float made up of the following:

- \$1.00 Coins - \$40.00

- \$2.00 Coins - \$60.00
- \$5.00 Notes - \$100.00
- \$10.00 Notes - \$200.00
- \$20.00 Notes - \$200.00
- \$50.00 Notes - \$100.00

Any cash received from the sale of books, or educational resources is to be placed in the cash drawer. EFTPOS receipts are filed in the cash drawer under the coin tray. At the end of each day's trading, the POS system and EFTPOS terminal are settled and reconciled to the cash and EFTPOS receipts.

Cash and credit card transactions are entered into MYOB as receive money transactions as follows:

#### EFTPOS Sales

- Bank account – 1-1110 Nab Trading Account
- Description of transaction – Daily EFTPOS Sales
- Account 4-1410 – Book Sales or 4-1420 – Educational Resources
- Amount - Total amount of EFTPOS Book or EFTPOS Educational Resources sales
- Quantity – 1
- Description - Book Sales [date] or Educational Resources [date].

#### Cash Sales

- Bank account – 1-1170 Undeposited Funds Account
- Description of transaction – Daily Cash Sales
- Account 4-1410 – Book Sales or 4-1420 – Educational Resources
- Amount - Total amount of Cash Book or Cash Educational Resources sales
- Quantity – 1
- Description - Book Sales [date] or Educational Resources [date].

#### Banking Cash

As most sales are processed through the EFTPOS terminal, only a small amount of cash is received daily.

All cash takings except for the \$700.00 float are removed from the cash drawer at the end of each day and stored in the safe overnight.

Cash from the safe is deposited into the NAB bank every Monday or Tuesday if Monday is a public holiday. A Bank deposit and credit summary slip must be completed and submitted to the bank with all cash deposits.

Once the weekly cash amount has been deposited into the bank, a funds transfer from 1-1170 Undeposited Funds Account to 1-1110 Nab Trading Account must be processed through MYOB to move the lump sum amount from the undeposited funds account to the bank account.

#### Accounts Receivable

A card for each cash or credit customer must be established. This card must contain postal and street address, phone numbers and contacts name, email addresses, ABN, and credit limits.

Under the Privacy Act 1988, details kept must be accurate, kept securely and not given to any person without the customer's consent.

Account customers must complete a credit application, and at least one [1] of the references must be contacted before credit is given.

All account sales are entered into the accounting system at the time of sale. A tax invoice meeting legislation requirements is printed and included with the goods.

Any order received for items out of stock must be followed up immediately with the customer. Orders are taken for goods, not in the showroom; however, a 10% deposit is required. All invoices are due 14 days from the invoice date.

Customers are requested to email a remittance if payment is made by electronic funds transfer. These payments must be entered into the accounting system as soon as possible.

Our preferred payment method for account customers is direct deposit into our bank account. Cheques are only accepted from long-term customers and with prior approval. Upon receipt of the cheque, all information must be checked, including the date, the cheque amount, and the cheque is signed.

### Invoices, quotes and statements

Smart Books Sales invoices, quotes and statements, are generated directly from MYOB using the following template option:

- Pre-designed default template – standard
- Featured colour:
  - R - 179
  - G - 24
  - B - 109
- Header text colour:
  - R - 179
  - G - 24
  - B - 109
- Business details placement – Left
- Business details:
  - Business name
  - Street address
  - Phone number
  - Email
  - Website
  - ABN
- Include Logo
- Default payment terms – 14 days after the issue date
- Smart Books preferred payment method is direct deposit:
  - Account Name: Smart Books
  - BSB: 333-236
  - Account Number: 1235698
- Email settings:
  - From name - Smart Books

- Reply-to email address - [accounts@smartbook.com.au](mailto:accounts@smartbook.com.au)

### Customer Credit Policy

Smart Books' credit terms are as follows:

- All credit sales are invoiced at the time of sale through MYOB. Full payment is required within 14 days of the date of the invoice.
- Credit facilities will be placed on hold when accounts are outstanding for more than 28 days unless an alternative payment arrangement has been negotiated with the customer. Details of such arrangements should be made in the contact log in MYOB.

An aged receivables report is printed at the end of the month, and overdue accounts and credit terms are reviewed. A monthly statement is emailed to customers on the 5<sup>th</sup> day of the following month.

### Overdue Accounts Policy

#### Accounts overdue up to 14 days

An overdue/reminder notice will automatically be sent out through Xero after 14 days.

Sample email

*Hi [Contact First Name],*

*Thanks for working with us. Your bill for [Amount Due was due on [Due Date]].*

*If you have already paid it, please ignore this email and sorry for bothering you. If you have not paid it, please do so as soon as possible.*

*To view your bill, visit [Online Invoice Link].*

*If you have any questions or want to arrange alternative payment, don't hesitate to get in touch.*

*Thanks*

*Smart Books accounts department.*

#### Accounts overdue - 28 days

Credit facilities will be put on hold. The customer should be contacted to assess their financial position and negotiate a payment plan. A note should be added to the customer's contact file in MYOB.

#### Accounts overdue - 42 or more days

A letter of demand will be sent to the customer asking for payment within 14 days. If this fails, a debt recovery service will be used to collect the debt if the amount is more than \$200. Small debts (<\$200) will be written off as bad debts. The debt collection guideline for collectors and creditors (ACCC) must be adhered to at all times.

## Accounts Payable

A card for each supplier must be established. This card must contain postal and street address, phone numbers and contacts email address, company ABN, bank account details and the suppliers' credit terms.

Expense account to track book purchases will be 5-0100 Purchases - Books

Expense account to track educational resources purchases will be 5-0200 Purchases – Educational Resources

When items are returned, the accounting system must raise a credit note. This form is matched with the adjustment note received.

Upon receipt of the goods, the goods and tax invoice must be checked against the purchase order to check that the correct goods have been received and the correct amount charged. The store manager authorises the validity of the invoice received. Any discrepancies are followed up immediately.

This tax invoice is recorded in the accounting system, and all accounts are paid within the credit terms. If a part payment of a supplier invoice is necessary, this is made in MYOB against the outstanding amount.

**A remittance advice is sent to the supplier advising them of the payment amount and the date the payment is made.**

Every two (2) weeks, an accounts payable report and a copy of the bank register for the last two (2) weeks are generated to maintain optimal cash flow. Payment of bills is authorised by Joe Reader from this report, considering the bank account balance and any periodic payments due, such as loan payments [found in recurring transactions].

Payment terms for bills have been negotiated with individual suppliers.

The preferred payment method is via EFT into the supplier's nominated bank account.

## BPAY

BPAY is used to pay some Smart Books bills, including:

- Business Insurance
- Water
- Council Rates

To process a BPAY payment, you must follow the following steps.

1. Log into online banking
2. Choose the BPAY or Bill Payment option
3. Select the NAB Trading Account 1235698
4. Find the BPAY logo on the bill
5. Enter the payment details:
  - a. BPAY Biller Code
  - b. Customer Reference Number [CRN]
  - c. Amount of the bill
6. Click to pay.

## Contra Entries

A contra deal is an exchange of goods and services that do not involve money changing hands. The following procedures must be followed when a contra deal is made.

Contra deals must be documented and filed. A photocopy of the tax invoice received from the supplier, a copy of the sales invoice issued by Smart Books and the method used to contra the amount owing should be noted and authorised by Joe Reader.

## Fixed Assets

### Asset Acquisitions

The business owner will be responsible for the purchase of assets. When receiving the item, items must be recorded into the fixed asset register and tagged with an asset label for identification purposes.

A file is kept for each asset purchased. This file should include the tax invoice, warranties, loan arrangements and any other documentation regarding the purchase. When sold, sale documentation should be added to the file.

The purchase must then be entered into the fixed asset register, documenting as much detail as possible about the asset.

A fixed asset reconciliation report is to be generated at the end of each financial year. Depreciation is to be calculated and recorded monthly. The fixed asset register is updated as the depreciation schedule is prepared and reconciled back to the accounts.

### Asset Maintenance

Maintenance of assets will be recorded in the fixed asset register.

## Petty Cash

Petty cash is to be used for the urgent direct acquisition of goods and services up to the maximum value of \$100 per transaction. Reimbursement for individual items of a higher value will be reimbursed directly into the staff member who made the purchase nominated bank account.

A petty cash voucher must be completed for all petty cash claims. The petty cash voucher must include:

- The date of the claim
- The name of the person who incurred the expense
- The expenditure amounts
- Signature of the petty cash custodian
- Signature of the person collecting the cash, and
- Tax invoice or receipt to support the expenditure.

Petty cash claims without the appropriate receipts will be declined.

The petty cash float of \$500.00 is kept in a locked petty cash box. Each time petty cash is required to make a purchase or pay a minor expense, a request for funds is made to the petty cash custodian, who will take an approximate amount from the box.

After the expenditure of the petty cash, the change and a tax invoice is given to the petty cash custodian, who places them in the petty cash box. Balancing the petty cash is the responsibility of the petty cash custodian.

At any time, the amount of cash plus tax invoices should equal \$500. When the balance is less than \$250, the petty cash amount is replenished to \$500.

### Record a petty cash purchase in MYOB

You record petty cash purchases the same way as other Spend Money transactions. Use the Petty Cash account rather than your bank account.

- From the Banking menu, click Spend Money.
- In the Bank account field, select 1-1140 Petty Cash account.
- In the Description of transaction field, enter a description of the transaction.
- In the Account field, select the applicable expense account.
- Enter the Amount for the purchase.
- Enter the Quantity of items purchased
- Enter a Description of the items purchased
- Select the applicable Tax/GST code.
- Click Save.

### Reconcile the petty cash account

From time to time, you may want to reconcile your petty cash account to make sure it balances with your cash receipts and the amount of physical cash you have in your petty cash fund. It also provides you with the reimbursement amount.

- Count the amount of cash you have left in your Petty Cash fund. The cash amount and total of all the receipts should match the Petty cash float amount.
- Go to the **Banking** menu and choose **Reconcile accounts**. The **Reconcile account** page appears.
- In the **Account field**, enter **1-1140 Petty Cash**. The Last reconciled date for this account is shown.
- For the **Statement date**, choose the date you are reconciling. Only unreconciled transactions dated on or before that date will appear. If you are reconciling as at the end of a week or month, and your statement has transactions dated later, choose the last day of the period you're reconciling.
- In the **Closing bank statement balance (\$)** field, type the amount of cash you have left in the petty cash fund.
- For each receipt, select the corresponding transaction on the **Reconcile accounts** page. The Calculated closing balance will update to show the expected closing balance based on the transactions marked as cleared in the list.
- If a transaction on your bank statement has not yet been recorded in MYOB, record it now, then come back and complete the reconciliation.
- When the **Calculated closing balance** equals the **Cash on hand** and no Out of balance is shown, click **Reconcile**.

### Reimburse the petty cash account



You can use the Bank Reconciliation Report to work out how much you need to top up your petty cash to get it back to its required balance. Here's an example report which shows a remaining balance of \$28.47 in the petty cash account, which means \$71.53 is needed to return the balance to its original \$100.

<b>Bank Reconciliation Report</b>			
<b>Coffee House</b>			
For: Petty Cash As at 23 May 2017			
Date	Reference	Description	Amount
23/05/2017		Calculated closing bank balance	<b>\$28.47</b>
<b>Closing balance adjusted by outstandings:</b>			<b>\$28.47</b>
<b>Account balance in MYOB Essentials</b>			<b>\$28.47</b>
<b>Reconciled Transactions</b>			
17/05/2017	SM000125	Opening balance for petty cash	100.00
18/05/2017	SM000126	Card purchase - office supplies	-5.55
20/05/2017	SM000129	Card purchase - cleaner	-55.00
21/05/2017	SM000128	Card purchase - trade magazine	-8.98
22/05/2017	SM000127	Card purchase - photocopying	-2.00
<b>Total Reconciled Transactions</b>			<b>\$28.47</b>

Record a **Spend Money** transaction to reimburse the account.

- From the **Banking** menu, click **Spend Money**.
- In the **Bank account** field, select **1-1110 NAB Trading Account 1235698**.
- In the **Description of transaction** field, enter Petty Cash reimbursement.
- In the **Account** field, select **1-1140 Petty Cash**.
- Enter the **Amount** for the reimbursement.
- Select the NT Tax/GST code
- Click **Record**.

### Errors and Discrepancies

It is essential that the books of the business are accurate and correct. The bookkeeper should review any discrepancies. A file should be kept documenting all changes to accounting records. A screen dump of the error, corrective measure and any supporting documentation or notes should be stored in this file and made available to the accountant if required. Where necessary, entries should **not be** deleted, e.g., dishonoured cheques. The entries in the accounting system should be corrected if necessary.

### End of Month Reconciliation

#### Bank Account and Credit Card reconciliation

The business banks with the National Bank. The bank emails a PDF copy of the following:

- NAB Rewards Platinum Credit Card Statement
- NAB Trading Account Statement
- NAB Business Saver Account Statement

at the end of each calendar month.

## **Bank Account Reconciliations**

Bank reconciliations are performed in MYOB at least once a month on the last day of the month to reconcile the accounting records against the bank statements.

A few transactions will appear on the bank statements, which must be manually entered in the MYOB data file.

A bank reconciliation report showing the cleared and outstanding entries is saved as a PDF and filed with the bank statements.

If there are any discrepancies with amounts, the source document must be checked, e.g., tax Invoice and /or payment details. An appropriate adjustment to the books of the business may be needed. If the bank has made the error, an adjustment entry will have to be made in MYOB until the bank corrects the error.

## **Accounts Receivable Reconciliation**

At the end of the month, an Aged Receivables Reconciliation Report is printed and checked for accuracy.

The amount owing by customers should equal the Accounts Receivable account in the Balance Sheet at the end of the month. Out of balance amounts must be investigated.

## **Accounts Payable Reconciliation**

At the end of the month, an Aged Payables Reconciliation Report is printed and checked for accuracy. Review all unpaid accounts, checking that the payment has not been entered in "Spend Money."

The amount owing to suppliers should equal the Accounts Payable account in the Balance Sheet at the end of the month. Out of balance amounts must be investigated by checking all statements received from suppliers against the supplier's ledger in Xero. Discrepancies should be reported to the bookkeeper.

## **GST Reconciliation**

Before completing the monthly BAS, the following tasks should be completed

- Reconcile Bank Account(s)
- Reconcile Credit Card(s)
- Review and reconcile accounts receivable to General Ledger
- Review and reconcile accounts payable to General Ledger
- Review the GST report and reconcile it to the General Ledger
- Complete the monthly BAS and lodge by the due date

Each month cents not reported in the monthly BAS must be written off to the GST Rounding account. [Expense Account Tax Code N-T not reportable].

## **Filing Procedures**

### **Bank Statements**

A copy of the bank reconciliation, including the bank statement, must be filed electronically by month C/Finance/Monthly Financial Statement folder.

### **Monthly reports**

A copy of all other monthly reconciliations and financial reports must be filed electronically by the month C/Finance/Monthly Financial Statement folder.

### **Data Security**

MYOB is a cloud accounting application; all data is kept secure without needing to be backed up in the same way you would desktop software.

All staff who access MYOB must log in with multi-step authentication (MSA). When you have multi-step authentication enabled, you must provide two authentication "factors" to log in, plus your MYOB username. The first factor is your password. The second factor is a unique six-digit code generated by a separate app on your smartphone.

With multi-step authentication enabled, only the MYOB user with access to that trusted device will be able to log in. This makes it more difficult for unauthorised people to access your data.

ACE Finance allocates user access to the Smart Books MYOB file. Access can be requested by emailing Andrew at Ace Finance at [andrew@ace.finance](mailto:andrew@ace.finance)

Any files that are shared externally must be shared through team file sharing. This will ensure that the main documents are secure.

All hard copy financial documents no longer required in the business must be shredded for security reasons and never put in the rubbish bin.