

Bookkeeping Systems



govern**WISE**
ALLIANCE



Bookkeeping

- Maintaining financial records by entering and sorting transactions (payments, deposits, bills and charges) in accounting software (Sage 50 or 300, QuickBooks, Adagio etc.).
- Source of information for bookkeeping – bank and credit card statements, vendor bills, cheque requisitions, receipts, deposit slips etc.
- Accounting software produces financial statements (income statement and balance sheet) from bookkeeping data automatically.
- Bookkeeping is normally done using the accrual basis of accounting – it tracks amounts owing from customers and to vendors – accounts receivable and accounts payable.
- Three main bookkeeping sub systems – revenue (and accounts receivable or AR), expenses (and accounts payable or AP) and payroll.



Bookkeeping Process

- Starts with a source document – cheque requisition, invoice, etc.
- We review the document then enter details into the software and sort or allocate the transaction to a category (account) and a program (department or class).
- Income and expense categories are called accounts. They're set up based on program needs and funder requirements.
- Departments or classes are set up for individual programs so we can produce reports by program.
- At month end; procedures to verify completeness and accuracy of accounting records are performed. They include review and reconciliations.
- Financial statements are then printed and submitted to management and funders.



Bookkeeping Source Documents – Revenue

- Deposit reports from funders, customer invoices and receipts we issue, deposit notifications, bank deposit books.
- Customer invoice vs receipt – invoice is used when a customer payment comes later (two-step transaction – we first issue an invoice and show an amount owing from customer; when payment is received at a later date, it's applied to reduce the amount owing). If a customer pays immediately, we can just issue a receipt (one step transaction).
- We normally don't issue invoices for government funding unless requested. Funding revenue is recorded based on deposit reports from funders.



Bookkeeping Source Documents – Expenses

- Vendor bills/invoices, cheque requisitions, EFT (online payments) reports, cheque stubs, credit card statements and receipts.
- In a well managed program, cheque requisitions are prepared for all expenses (except for small credit card charges). A cheque requisition includes expense approval by program manager, expense category and department allocation.
- Vendor bill vs expense – we use vendor bill for a two-step transaction (there's a time gap between receiving a bill and making a payment, we show an amount owing to vendor during that time). If a payment is immediate, we record an expense because there's no need to show an amount owing to vendor. Credit card receipts are a good example of expenses.



Bookkeeping Source Documents – Payroll

- Payroll can be done in house using the bookkeeping software or through a payroll service (ADP, Payworks, etc.).
- We're in control of payroll preparation in both options. If using payroll service, they're responsible for calculating and remitting employee deductions (CPP, EI and income tax) and for issuing pay stubs, T4's and ROE's.
- Source documents for in-house payroll are time sheets for hourly employees and employment agreements for salaried employees (kept in employee files, not attached in the bookkeeping software).
- Source documents when using a payroll service – payroll reports provided by the payroll service.

Entering Transactions

- Most Accounting Software has corresponding names for the same type of transaction entry – vendor bill, expense, payment, customer invoice, bank deposit, etc.
- Some older software doesn't have easy reference names and transactions are entered through journals or journal entries. Working with such software is more complicated and requires stronger accounting knowledge.



Bookkeeping Reports

- Chart of accounts – list of all income, expense, asset and liability categories.
- General ledger or GL – list of transactions for the period sorted by category (account).
- Trial balance – list of accounts with total balances on a certain date.
- Departmental income statement/profit and loss by class – income statement by program.



Bookkeeping Verification Procedures

- Bank and credit card reconciliations – matching individual transactions in our records to a bank or credit card statement.
- Transactions review (GL review) – we go through transactions by account to make sure they were properly allocated.
- Program review (income statement by program) – we go through departmental income statement to ensure proper allocation and completeness of revenue and expenses.
- Reconciliations and review should be performed monthly to ensure records accuracy.

Practical Application for First Nations Finance

Thank you for your time



governWISE
ALLIANCE

