

Cash Based Businesses

What is a Cash Based Business?

Many businesses are cash based. They receive from their customers' cash, cheques or Credit/Debit card income. They may issue till based VAT receipts but do not send invoices and offer periods of credit to their customers. Examples are shops, pubs and window cleaning type businesses. The system provides some specific functions to allow the recording of cash type transactions, deal with banking, receiving credit/debit card income and any purchases the business makes out of cash on hand.

The functions in a cash based business

Cash businesses will need to deal with one or more of the following:

- ◆ Recording sales income and corresponding VAT (If VAT registered)
- ◆ Recording cash and cheques income.
- ◆ Recording Credit / Debit card transactions.
- ◆ Banking of Cash and Cheques and recording the banking.
- ◆ Receiving credit transfers from the Credit / Debit card company.
- ◆ Monitoring Cash on Hand in the business.
- ◆ Settling business purchases in cash and accounting for them.

The system deals with all these functions easily and efficiently.

VAT Registered Organisation recording Sales Income and VAT

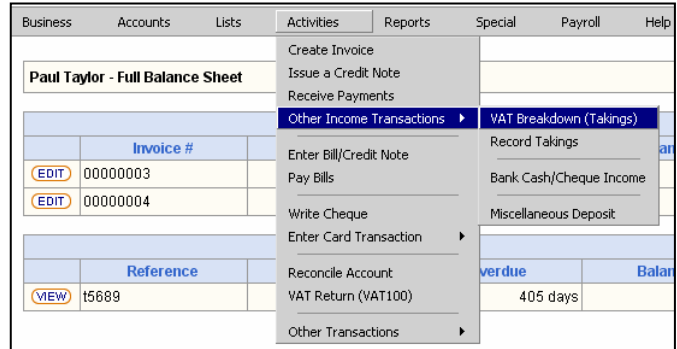
The process consists of a number of stages depending on the nature of the business

- ◆ Record the Sales income takings and the appropriate VAT
- ◆ Record the type and handling of the various tenders, i.e. Cash, Cheques, Card Income.
- ◆ Record the banking of cash and cheques. Bankings can take place at irregular intervals, and can represent a number of days' takings. The system provides controls to ensure all is accurately managed and recorded.
- ◆ Record the cash received from the credit card company as the result of card income.

Either from a till-roll summary or a manually recorded summary, the details of sales values and the relevant VAT (and VAT rates applied) will be available (If you are not sure contact and discuss with your accountant or advisor).

Income and VAT analysis are entered in the **VAT Breakdown** screen. This is accessed via the **ACTIVITIES** menu.

ACTIVITIES → OTHER INCOME TRANSACTIONS → VAT BREAKDOWN (TAKINGS)



- ◆ If branch analysis is in use, select the relevant **Branch**.
- ◆ Add a **Reference** if required
- ◆ The **Date** defaults to to-days date, this to can be amended. This date is the transaction date for recording.
- ◆ If the Tax Point of the transaction for VAT purposes is different, enter the correct date in the Tax point field. Leave blank if not used.

VAT Breakdown (Takings)

Branch: ?

Reference: ?

Date: ?

Tax Point: ?

Memo:

Sub-Total: £1128.00
VAT Total: £197.40
Total: **£1325.40**

Income Account ? Net Amount ? VAT Rate ? VAT Amount ? Memo

Select... Select...

| # | Sales Account | Net Amount | VAT Rate | VAT Amount | Memo | |
|---|-----------------|----------------|----------|---------------|------|-----|
| 1 | ...Food Income | 750.00 | 17.5% | 131.25 | | Del |
| 2 | ...Drink Income | 378.00 | 17.5% | 66.15 | | Del |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| | | 1128.00 | | 197.40 | | |

- ◆ The **Memo** field can be used to enter free format descriptive text, it can be left blank.
- ◆ **ADD ITEM** accesses the Line Item input. Select the **Income Account** from the dropdown. Note that if the appropriate Income account does not exist, use **Add a Custom Account**, See **Chart of Accounts** user guide
- ◆ Enter the **Net Amount** for that **Income Account**. Select the **VAT Rate** from the dropdown and enter the **VAT Amount** for that Income Group. Note that the system does not calculate

the VAT amount (as it could) because in a retail situation with multiple transactions each single VAT amount is separately rounded to the nearest penny and then summed, this can introduce small differences with a VAT amount determined against the total net amount.

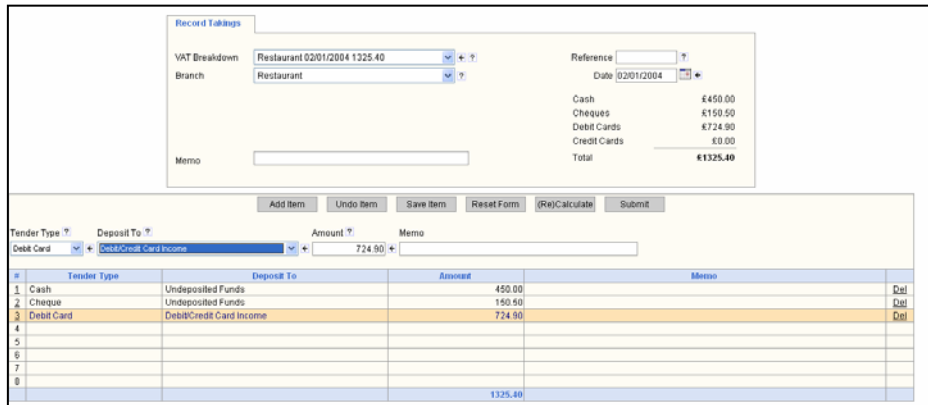
- ◆ **SAVE EDIT** confirms the entry. Further Line items can be entered by clicking on **ADD ITEM** on each occasion. **UNDO EDIT** cancels the current line item data. **UNDO ALL EDITS** cancels all line item inputs.
- ◆ When all line items have been entered, clicking on **(RE)Calculate** ensures that all value extensions are correct. When the **VAT Breakdown (Takings)** data is complete clicking **SUBMIT** saves and confirms the transaction.

At this point, the system has recorded the Income and VAT impact of the sales, but no account has been taken of what is to happen to the actual takings - cash, credit/debit card income or cheques. Cash and Cheques will be recorded as un-deposited funds in the **Un-deposited funds** account as they have not yet been paid into a bank, and therefore are still held on hand inside the business somewhere. Credit/Debit card income are recorded in a **Debit/Credit Card Income** account until the cash is received from the card company.

Recordings are done via the **Record Takings** screen, accessed via the **ACTIVITIES** menu.

ACTIVITIES → OTHER INCOME TRANSACTIONS → RECORD TAKINGS

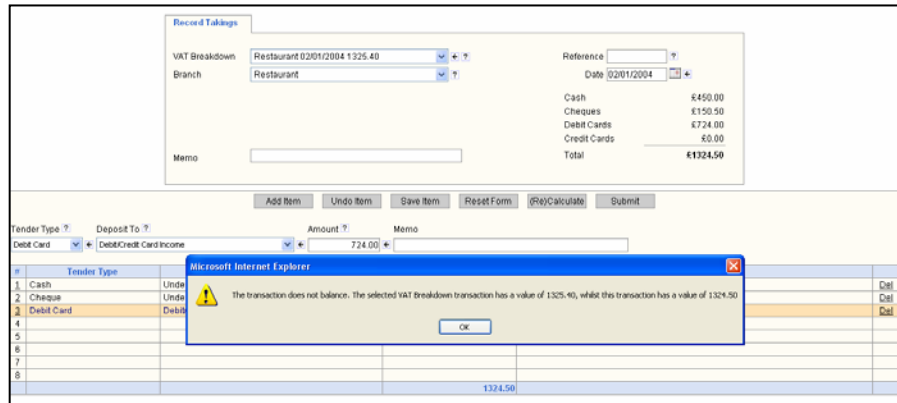
- ◆ From the **VAT Breakdown** dropdown select the relevant VAT Breakdown that is to be analysed. To make the selection easy, the branch (if in use) the date and the amount is displayed.



| Tender Type | Deposit To | Amount | Memo |
|--------------|--------------------------|---------|------|
| 1 Cash | Undeposited Funds | 450.00 | |
| 2 Cheque | Undeposited Funds | 150.50 | |
| 3 Debit Card | Debit/Credit Card Income | 724.90 | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| | | 1325.40 | |

- ◆ Confirm the branch in the **Branch** dropdown. A **Reference** can be added.
- ◆ Enter the relevant **Date**; the default is to-day.
- ◆ The **Memo** field can be used to enter free format descriptive text, it can be left blank.
- ◆ The line items that make up the takings value now need to be added. A line item is a tender type received.
- ◆ **ADD ITEM** accesses the Line Item input. Select the **Tender type** from the dropdown. Select the **Deposit to** appropriate to the tender type; cash and cheques to **Un-deposited Funds** and Credit and debit cards to **Debit/Credit Card Income**. Enter any additional **Memo** Text. **SAVE EDIT** confirms the entry. Further Line items can be entered by clicking on **ADD ITEM** on each occasion. **UNDO EDIT** cancels the current line item data. **UNDO ALL EDITS** cancels all line item inputs.
- ◆ When all line items have been entered, clicking on **(RE)Calculate** ensures that all value extensions are correct. When the **Record Takings** is complete clicking **SUBMIT** saves and confirms the transaction.

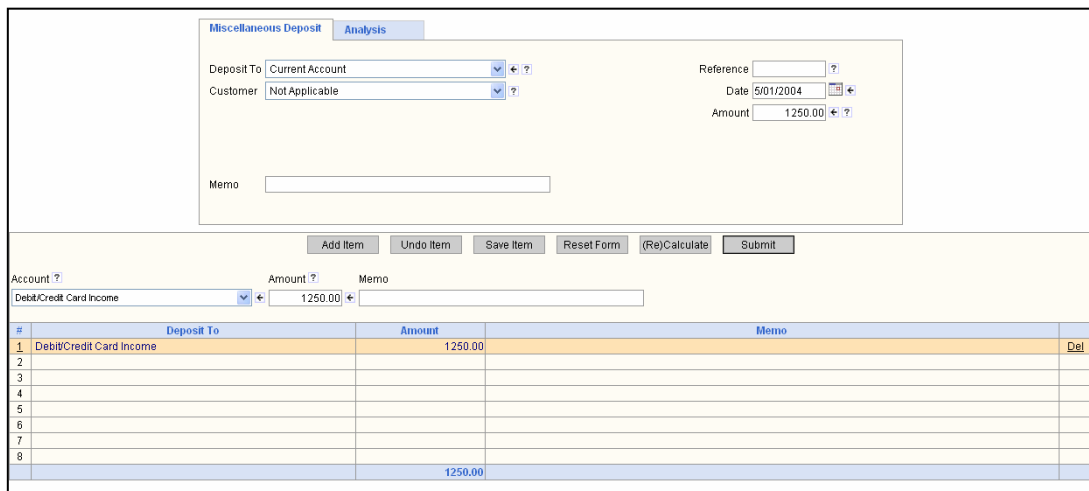
- ◆ If the total of the Record Takings screen does not match the Vat Breakdown total, then a message appears. Correct the Record Takings until the figures are the same.



Debit/Credit Income is now recorded into the **Debit/Credit Card Income** account and Cash and Cheque income is held in the **Un-deposited Funds** account.

When the Credit Card Company makes payment, the cash received needs to be recorded. This is done using **Miscellaneous Deposit**, accessed via the **ACTIVITIES** menu. See **Miscellaneous Deposits** user guide.

ACTIVITIES → OTHER INCOME TRANSACTIONS → MISCELLANEOUS DEPOSIT



| # | Deposit To | Amount | Memo | Del |
|---|--------------------------|---------|------|-----|
| 1 | Debit/Credit Card Income | 1250.00 | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | 1250.00 | | |

- ◆ Either from the bank statement or notification from the Credit Card Company, find the amount to be deposited.
- ◆ Select the appropriate bank account from the **Deposit to** dropdown.
- ◆ Leave **Customer** blank. Enter a **Reference** if required, and the **Date**.
- ◆ **ADD ITEM** and select **Debit/Credit Card Income** for the **Account** and then enter the **Amount**.
- ◆ **SUBMIT** confirms the transaction.

- ◆ Inspect the residual balance in the **Debit/Credit Card Income** account

ACCOUNTS → CURRENT ASSET ACCOUNTS → DEBIT/CREDIT CARD INCOME → VIEW
Any balance should represent outstanding amount from the Credit Card Company

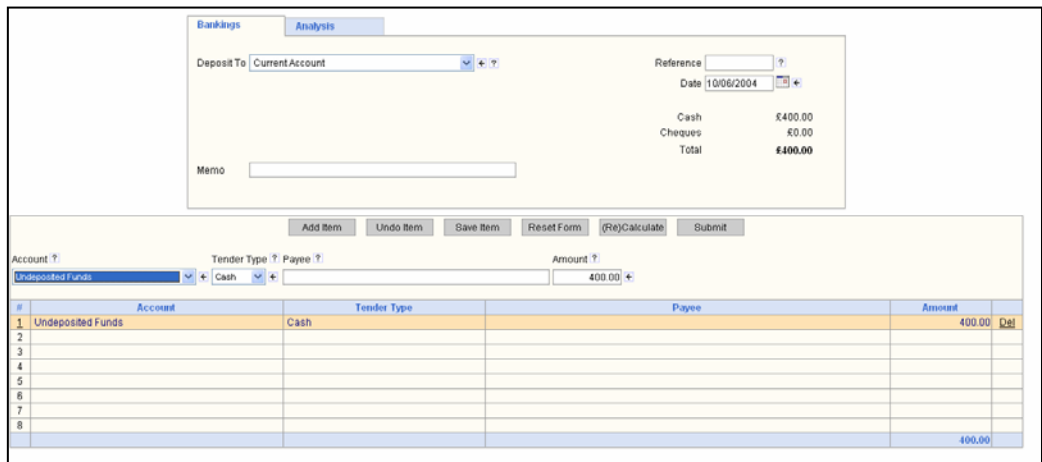
When cash and cheques are physically deposited at the bank, use the **Bank Cash/Cheque Income** screen to record the deposit. This is accessed via the **ACTIVITIES** menu.

ACTIVITIES → OTHER INCOME TRANSACTIONS → BANK CASH/CHEQUE INCOME

- ◆ Select the appropriate bank account from the **Deposit to** dropdown.

- ◆ Enter a **Reference** if required, and the **Date**.

- ◆ **ADD ITEM** and select **Un-deposited Funds** for the **Account**.



- ◆ Select the **Tender Type** being deposited. Note that if desired each cheque can be entered individually together with a **Payee** description, but this is not required.
- ◆ Enter the **Amount** and **SAVE EDIT** confirms the entry. Further Line items can be entered by clicking on **ADD ITEM** on each occasion. **UNDO EDIT** cancels the current line item data. **UNDO ALL EDITS** cancels all line item inputs.
- ◆ When all line items have been entered, clicking on **(RE)Calculate** ensures that all value extensions are correct. When the data is complete clicking **SUBMIT** saves and confirms the transaction.
- ◆ Inspect the residual balance in the **Un-deposited Funds** account

ACCOUNTS → BANK/CREDIT ACCOUNTS → UNDEPOSITED FUNDS → VIEW
Any balance should represent Cash and Cheques still on hand.

NON VAT Registered Organisation recording Sales Income

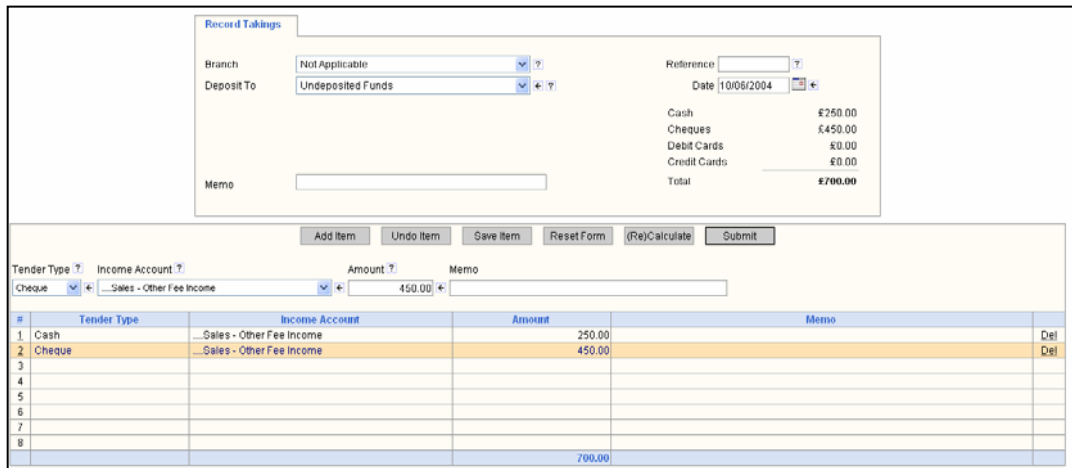
The process consists of a number of stages depending on the nature of the business

- ◆ Record the Sales income takings together with the handling of the various tenders, i.e. Cash, Cheques, Card Income
- ◆ Record the banking of cash and cheques. Bankings can take place at irregular intervals, and can represent a number of days' takings. Liberty Accounts provides controls to ensure all is accurately managed and recorded.
- ◆ Record the cash received from the credit card company as the result of card income.

Either from a till-roll summary or a manually recorded summary, the details of sales values will be available. Cash and Cheques will be recorded as un-deposited funds in the **Un-deposited funds** account as they have not yet been paid into a bank, and therefore are still held on hand inside the business somewhere. Credit/Debit card income are recorded in a

Debit/Credit Card Income account until the cash is received from the card company.

Recordings are done via the **Record Takings** screen, accessed via the **ACTIVITIES** menu.



| # | Tender Type | Income Account | Amount | Memo |
|---|-------------|-----------------------------|--------|------|
| 1 | Cash | ...Sales - Other Fee Income | 250.00 | |
| 2 | Cheque | ...Sales - Other Fee Income | 450.00 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | 700.00 | |

ACTIVITIES → OTHER INCOME TRANSACTIONS → RECORD TAKINGS

- ◆ Confirm the branch in the **Branch** dropdown. A **Reference** can be added.
- ◆ Select the **Deposit to** appropriate to the tender type; cash and cheques to **Un-deposited Funds** and Credit and debit cards to **Debit/Credit Card Income**.
- ◆ Enter the relevant **Date**; the default is to-day.
- ◆ The **Memo** field can be used to enter free format descriptive text, it can be left blank.
- ◆ The line items that make up the takings value now need to be added. A line item is a tender type received.
- ◆ **ADD ITEM** accesses the Line Item input. Select the **Tender type** from the dropdown. Select the **Income Account**. Note that if the appropriate Income account does not exist, use **Add a Custom Account**, See **Chart of Accounts** user guide
- ◆ Enter the **Amount** and any additional **Memo** Text. **SAVE EDIT** confirms the entry. Further Line items can be entered by clicking on **ADD ITEM** on each occasion. **UNDO EDIT** cancels the current line item data. **UNDO ALL EDITS** cancels all line item inputs.

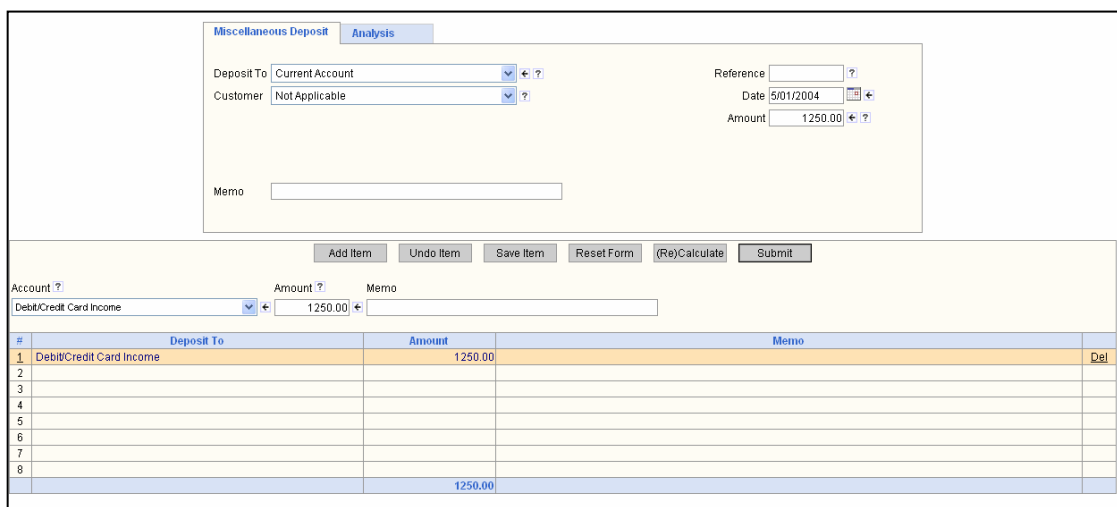
- ◆ When all line items have been entered, clicking on **(RE)Calculate** ensures that all value extensions are correct. When the **Record Takings** is complete clicking **SUBMIT** saves and confirms the transaction.

Cash and Cheque income is held in the **Un-deposited Funds** account.

Repeat for any Debit and Credit Card Income, selecting **Debit/Credit Card Income** as the Deposit to.

When the Credit Card Company makes payment, the cash received needs to be recorded. This is done using **Miscellaneous Deposit**, accessed via the **Activities** menu. See **Miscellaneous Deposits** user guide.

ACTIVITIES → OTHER INCOME TRANSACTIONS → MISCELLANEOUS DEPOSIT



| # | Deposit To | Amount | Memo |
|---|--------------------------|---------|------|
| 1 | Debit/Credit Card Income | 1250.00 | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| | | 1250.00 | |

- ◆ Either from the bank statement or notification from the Credit Card Company, find the amount to be deposited.
- ◆ Select the appropriate bank account from the **Deposit to** dropdown.
- ◆ Leave **Customer** blank. Enter a **Reference** if required, and the **Date**.
- ◆ **ADD ITEM** and select **Debit/Credit Card Income** for the **Account** and then enter the **amount**.
- ◆ **SUBMIT** confirms the transaction.
- ◆ Inspect the residual balance in the **Debit/Credit Card Income** account

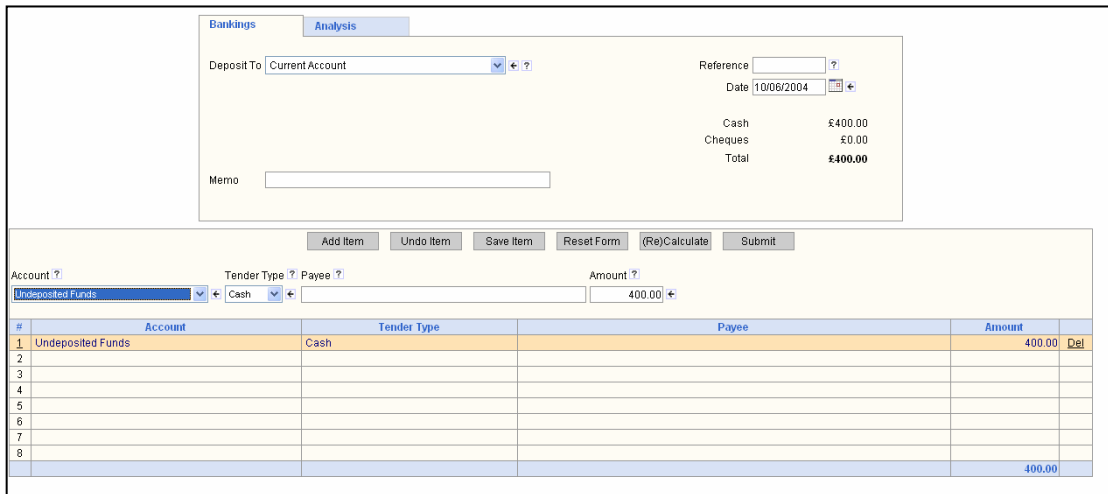
ACCOUNTS → CURRENT ASSET ACCOUNTS → DEBIT/CREDIT CARD INCOME → VIEW
Any balance should represent outstanding amount from the Credit Card Company

When cash and cheques are physically deposited at the bank, use the **Bank Cash/Cheque Income** screen to record the deposit. This accessed via the **ACTIVITIES** menu.

ACTIVITIES → OTHER INCOME TRANSACTIONS → BANK CASH/CHEQUE INCOME

- ◆ Select the appropriate bank account from the **Deposit to** dropdown.

- ◆ Enter a **Reference** if required, and the **Date**.
- ◆ **ADD ITEM** and select **Un-deposited Funds** for the **Account**.



The screenshot shows the 'Bankings' and 'Analysis' tabs. The 'Deposit To' dropdown is set to 'Current Account'. The 'Date' is 10/06/2004. A summary table shows Cash: £400.00, Cheques: £0.00, and Total: £400.00. Below this is a table with columns for #, Account, Tender Type, Payee, and Amount. The first row shows '1 Undeposited Funds' with 'Cash' as the tender type and '400.00' as the amount.

| # | Account | Tender Type | Payee | Amount | |
|---|-------------------|-------------|-------|--------|-----|
| 1 | Undeposited Funds | Cash | | 400.00 | Del |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | | | | | |
| | | | | 400.00 | |

- ◆ Select the **Tender Type** being deposited. Note that if desired each cheque can be entered individually together with a **Payee** description, but this is not required.
- ◆ Enter the **Amount** and **SAVE EDIT** confirms the entry. Further Line items can be entered by clicking on **ADD ITEM** on each occasion. **UNDO EDIT** cancels the current line item data. **UNDO ALL EDITS** cancels all line item inputs.
- ◆ When all line items have been entered, clicking on **(RE)Calculate** ensures that all value extensions are correct. When the data is complete clicking **SUBMIT** saves and confirms the transaction.
- ◆ Inspect the residual balance in the **Un-deposited Funds** account

ACCOUNTS → BANK/CREDIT ACCOUNTS → UNDEPOSITED FUNDS → VIEW
any balance should represent Cash and Cheques still on hand.

Dealing with Expenses paid out of Cash on hand

Occasionally expenses may be settled out of cash on hand. In order to ensure proper control a record of the disbursement needs to be recorded. In effect the payment of the expense will be out of **Un-deposited Funds** (as you have not yet banked the funds)

To record a Cash Expense transaction:

- ◆ Ensure details of the supplier are setup.
- ◆ If the business is subject to IR35, set up contracts
- ◆ If you are using Branch analysis, ensure branches are set up
- ◆ If you are collecting expense details for taxation P11D purposes, ensure the feature is activated and the appropriate employee is set up. (Please contact your accountant for more information.)
- ◆ Create the Cash Expense Transaction

Supplier Details

Supplier details are entered via the **LISTS** menu.

LISTS → SUPPLIER → ADD SUPPLIER

Enter details in the Supplier Maintenance Screen. More Information is available in the **Setting up a Supplier** user guide.

IR35 Contracts

IR35 Contract Data is also set up via the **SPECIAL** menu.

SPECIAL → IR35 → ADD CONTRACT

Enter details in the IR35 Contract Maintenance Screen. More Information is available in the **Working with IR35** user guide.

Branches

Sales Item Information is also set up via the **LISTS** menu.

LISTS → BRANCHES → ADD BRANCH

Enter details in the Branch Maintenance Screen. More Information is available in the **Using Branches** user guide.

P11D

P11D recording is activated via the **Accounting Options** tab, under the **Profile**

BUSINESS → PROFILE → ACCOUNTING OPTIONS

Activate P11D recording by checking **Allow P11D recording?** Further information is available both from your accountant and the **Reporting for P11D and NIC** and **Setting up Officers & Employees** user guides. Ensure that the appropriate employee is set up.

LISTS → OFFICERS/EMPLOYEES → ADD NEW

Creating a Cash Expense Transaction

Creating a Cash Expense transaction is accessed via the **ACTIVITIES** menu

ACTIVITIES → OTHER TRANSACTIONS → RECORD CASH EXPENSE → CASH EXPENSE tab

Note that if the **Prompt for Analysis** box (set in **Profile**) is ticked then when transactions are entered which require analysis to branches, IR35 or P11D reporting; the analysis tab is presented first by default so that the required analysis is not forgotten.

- ◆ Select **Undeposited Funds** from the **Account (A/C)**.
- ◆ Select the **Payee** from the dropdown list.
- ◆ Enter any **REFERENCE** information as necessary

- ◆ The **DATE** defaults to to-days date, this to can be amended. This date is the transaction date for recording.
- ◆ The **MEMO** field can be used to enter free format descriptive text, it can be left blank.
- ◆ The line items that make up the transaction now need to be added. A line item is a particular purchase item shown on the transaction. In many instances there may only be the one.
- ◆ **ADD ITEM** accesses the Account input. Select the **ACCOUNT** from the dropdown. Default value, if it exists, for **VAT RATE** (If VAT registered) is shown. The default may be overridden.
- ◆ Enter the **NET AMOUNT** of the line item, the **VAT AMOUNT** is automatically calculated from the **VAT RATE**. It can be overridden if necessary.
- ◆ Enter a **MEMO** entry if required.

Cash Expense
Analysis

| | | | |
|-------|-----------------------|-----------|------------|
| A/C | Undeposited Funds | Reference | ? |
| Payee | Catering Supplies Ltd | Date | 10/06/2004 |
| | | £ | 282.00 |

Memo

Add Item Undo Item Save Item Reset Form (Re)Calculate Submit

| | | | | | |
|---------------------|--------------|------------|--------------|------|----------------|
| Account ? | Net Amount ? | VAT Rate ? | VAT Amount ? | Memo | Customer ? |
| ...Food Ingredients | 240.00 | 17.5% | 42.00 | | Not Applicable |

| # | Account | Net Amount | VAT Rate | VAT Amount | Memo | Customer |
|---|---------------------|------------|----------|------------|------|----------|
| 1 | ...Food Ingredients | 240.00 | 17.5% | 42.00 | | Del |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| | | 240.00 | | 42.00 | | |

- ◆ If the expense needs to be related to a particular Customer, because it is an expense that will be reimbursable by the customer, select the **Customer** from the drop down list.
- ◆ **SAVE EDIT** confirms the entry. Further Line items can be entered by clicking on **ADD ITEM** on each occasion. **UNDO EDIT** cancels the current line item data. **UNDO ALL EDITS** cancels all line item inputs.

Analysis Tab

The analysis tab allows for further details to be added for recording if the business is using the Branches and/or the IR35 features and/or P11D recording. If these features are not in use, nothing needs to be added in the analysis tab.

- ◆ Select an **Associated IR35 contract** if appropriate (consult your Accountant if you are unsure.) Also see the **Working with IR35** user guide.
- ◆ Select an appropriate **Branch** if this invoice is to be analysed to a branch
- ◆ Select an **employee for P11D purposes** from the drop down.

- ◆ When all line items have been entered as required, clicking on **(RE)CALCULATE** ensures that all value extensions are correct. When the cash expense data is complete clicking **SUBMIT** saves and confirms the transaction.

Editing a Cash Expense Transaction

After a cash expense transaction has been created it may be edited. If a cash expense transaction has been included in a VAT return or reconciled then the details of the transaction may only be viewed they cannot be changed or the transaction deleted. Likewise if a transaction is dated in a closed financial year it also cannot be changed.

It is easiest to locate a particular transaction by listing the Un-deposited Fund account transactions

ACCOUNTS → CURRENT ASSET ACCOUNTS → UNDEPOSITED ACCOUNTS → VIEW

- ◆ Locate the relevant transaction and click on **(EDIT)**
- ◆ The full Cash Expense Transaction screen (see above) is displayed with the current data.
- ◆ Edit the data as necessary
- ◆ When editing line item entries, highlight the appropriate line by clicking on it. The information appears in the edit line. Amend as necessary and **SAVE EDIT** to complete.
- ◆ When all changes have been made, clicking on **(RE)CALCULATE** ensures that all value extensions are correct. Clicking **SUBMIT** saves and confirms the transaction.