

## **Opening Balances Process for a business that is VAT registered using the Cash Scheme.**

Correct opening balances are the key to book-keeping activities. If you do not enter them accurately your accounts will be wrong (although adjustments can be made subsequently, it is recommended that the opening balances should be correct to begin with). Entering opening balances, although not as straightforward as most other processes, can be achieved by following the instructions accurately and ensuring that you have all the relevant information to hand for each stage of the procedure before starting.

### **What are opening balances?**

Opening balances represent a snap shot of the financial state of your business at the date of starting with the system. The following types of data are usually needed.

- ◆ Customer transactions that have not been completed such as invoices that have been issued but not yet paid by the client.
- ◆ Supplier transactions that have not been completed, Invoices for goods or services received but not yet paid, tax and VAT payments still to be made to the authorities.
- ◆ Other information such as the values of assets, capital, stock or hire purchase agreements. This is known as a nominal trial balance.
- ◆ Bank account balances.

The opening balances that you input must represent the financial position of your business on the day you start entering live transactions.

If this is a recently new activity then there may only a little data necessary to be input, such as opening bank balances and any start up expenditure. However if you are transferring a more established entity from another system it will be necessary to collect the information from that system.

### **What is a trial Balance?**

A trial balance is a list of all the accounts (chart of accounts) at a given date, together with the balance (the value) shown either as a debit or credit balance.

In the double entry bookkeeping system, if correct, the sum of all debit balances equals the sum of all credit balances.

An example of a trial balance: -

<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Capital		3000
Borrowing		5000
Rent	200	
Equipment	1500	
Wages	100	
Materials	500	
Sales		450
Bank Account	6150	
TOTAL	8450	8450

For a bank account in which you may have money, the statement will show this as a credit balance (You are in credit with the bank). However in a trial balance because the money in the bank is an asset (something you own) it is shown as a debit. An overdraft or bank loan would be shown as a credit. All assets are shown as debits and all liabilities are shown as credits.

## Opening Balances Procedure in summary

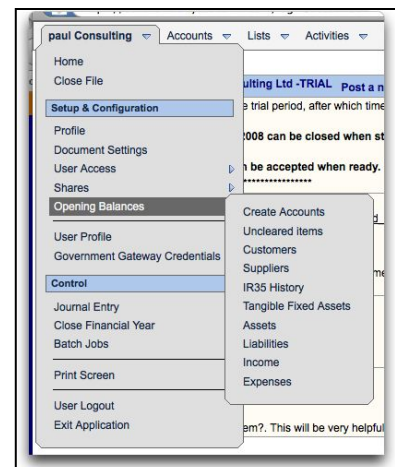
**It is strongly recommended that advice is sought from your accountant or advisor if you are unsure about setting up your opening balances.**

1. Set up and enter balances for the business bank accounts.
2. If you have customers and suppliers any outstanding balances need to be entered first.
3. If you are using fixed assets in your business and recording them as part of your business, items such as equipment, computers, vehicles etc. We would advise details of these items are entered in the asset ledger.
4. Enter opening balances for the rest of your accounts (chart of accounts).  
This will be split up into four smaller pieces of input
  - Assets
  - Liabilities
  - Income (If you are entering opening balances mid-way through a year)
  - Expenses (If you are entering opening balances mid-way through a year)
5. Print your trial balance and verify all figures. Suspense account should be zero.

## The Opening Balances Process

The Opening balance processes are grouped together under the **ENTITY NAME** menu:

**ENTITY NAME → OPENING BALANCES**



## A. Opening Balances for Bank Accounts

At least one bank account is required for the system to operate. A bank account was probably created at the time of setting up the entity, but if not, then an account needs to be set up at this stage.

Additional bank and credit accounts that have opening balances will also need to be created using the process described below.

### Information needed

- ◆ Name and details of Bank account.
- ◆ Bank Statement dated close as possible to your opening balance date.
- ◆ Details of any un-cleared transactions.

Un-cleared items are transactions that have already been recorded in the accounting system; written a cheque to a supplier or a cheque received from a customer, but they have not yet appeared on your bank statement.

### ENTITY NAME → OPENING BALANCES → CREATE ACCOUNTS

In the **Edit Account Details** screen, enter details:

<b>Active</b>	Allows account to be de-activated, in this case leave ticked active.
<b>Account Name</b>	Enter name such as "HSCB Current"
<b>Description</b>	A text description
<b>Account Type</b>	Select account type from list, in this case select "Current Assets – Bank Account"
<b>Sub Account</b>	If the account is a sub account of another, select it. In this case leave blank.
<b>Cross reference</b>	Leave blank, this is used by your accountant in preparing reports
<b>Balance summary</b>	If checked, the account balance is displayed on the business home page.
<b>Opening balance</b>	Enter the balance on your bank statement
<b>Opening balance at</b>	Bank statement date
<b>Account number</b>	Bank account number

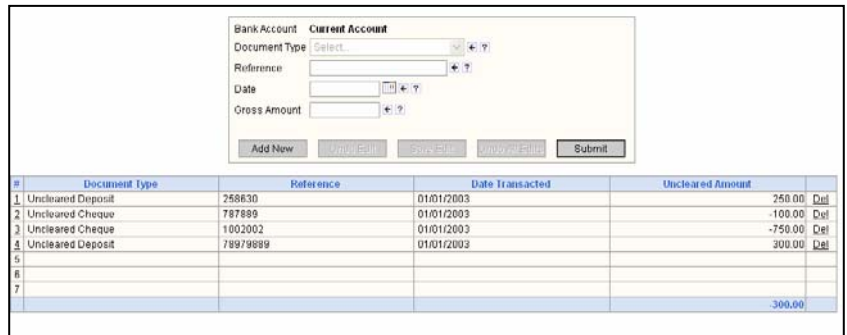
Click on **SUBMIT** when complete

Use the un-cleared transactions screen to enter those items that make up the difference between the bank statement and the bank balance in the opening trial balance.

**ENTITY NAME → OPENING BALANCES → UNCLEARED ITEMS**

Review and check the data you have input by inspecting the bank account balance.

**Note** that un-cleared deposit items are entered as positives but un-cleared cheques are entered as negative amounts.



#	Document Type	Reference	Date Transacted	Uncleared Amount
1	Uncleared Deposit	258830	01/01/2003	250.00
2	Uncleared Cheque	787889	01/01/2003	-100.00
3	Uncleared Cheque	1002002	01/01/2003	-750.00
4	Uncleared Deposit	78979889	01/01/2003	300.00
				-300.00

Now confirm that the balance on the account equates to the amount in the trial balance.

**ACCOUNTS → BANK/CREDIT ACCOUNTS → VIEW this account**

Make adjustments if necessary.

Repeat the above for all bank accounts you wish to set up at this point.

**B. Opening Balances for Customers**

Information needed

- ◆ Name and details of Customers
- ◆ Copies of the invoices and credit notes that are outstanding, i.e. that make up the balance of the trade debtors.

Before opening balances can be entered details of each customer for which there is an opening balance must be entered. (See **Setting up a Customer** user guide for more information)

The process is accessed via the **ENTITY NAMES** menu.

**ENTITY NAME → OPENING BALANCES → CUSTOMERS → ADD NEW**

**Active** Allows account to be de-activated, in this case leave active.

**Customer Name** Enter customers name

**Address Details** Enter invoicing address details

**VAT Number** Your customers VAT number, particularly if they are in other countries of the European Union

**Trading Term** Enter your agreed payment terms

Click on **SUBMIT** when complete

Repeat for all your Customers or if you prefer just those for which there are balances in your opening trial balance and add others later.

Details of individual outstanding transactions for each customer now need to be entered.

Obtain data from your existing accounting system or your accountant. The data needed is as follows:

For EACH invoice raised but not yet paid by your customer:

- Invoice Reference
- Net value of Invoice
- VAT element of Invoice
- Date the Invoice was raised

For EACH credit note raised but not yet cleared by your customer:

- Credit note Reference
- Net value of Credit note
- VAT element of Credit Note
- Date the Credit note was raised.

### Relevant Date

If you are entering opening balances for month one of the new financial year we recommend that opening balances are dated the last day of the previous financial year or the actual invoice date. If you use the actual invoice date, the debtor aging reports will be correct. If you are entering opening balances mid-way through a year, we recommend that you use either the actual invoice date or the last day of the previous accounting period. For example, if the Financial year started January 2002, but the first processing month on Liberty Accounts was August 2002, then either use the original invoice date (and maintain correct debtor aging reports) or 31<sup>st</sup> July 2002.

Each transaction is entered via Opening Balance screen accessed via the **ENTITY NAME** menu and completed for each customer.

### ENTITY NAME → OPENING BALANCE → CUSTOMER

- ◆ **ADD NEW** allows data to be entered.
- ◆ **SELECT** the document type, either an Invoice or Credit Note.

#	Document Type	Reference	Date Transacted	Tax Point	Date Due	Net Amount	VAT Rate	VAT Amount
1	Invoice	20030089	25/03/2003	25/03/2003	24/04/2003	520.00	17.5%	91.00
2	Credit Note	20030090	31/03/2003	31/03/2003	31/03/2003	-120.00	17.5%	-21.00
3								
4								
5								
6								
7								
						400.00		70.00

- ◆ Enter a reference number in the **REFERENCE** box.
- ◆ Enter the appropriate **DATE** and the **TAX POINT** date. (See comments on relevant date above)
- ◆ If trading terms have been entered when the customer was set up, the **DUE DATE** will be calculated, if not enter a date to maintain the correct debtor aging report.
- ◆ The Net value of the transaction is entered in **NET AMOUNT**, an invoice is entered as a positive, a credit note as a negative.
- ◆ Select the **VAT RATE** to calculate the VAT or input the VAT directly.
- ◆ When the transaction is complete, click on **SAVE EDIT** to store.
- ◆ For further entries **ADD NEW**
- ◆ When the screen is complete, click on the **SUBMIT** button at the bottom of the page to record.
- ◆ When all invoices and credit notes have been recorded check that each customers balance equals the amount shown in the trial balance, make adjustments if necessary.

**ENTITY NAME → OPENING BALANCES → CUSTOMERS → EDIT the customer.**

**Note:-** It is also possible to load basic customer information as well as opening balance information using a CSV type file in an upload process. Full details are available in the **Customer and Supplier Upload Process** user guide accessible through the **HELP** menu.

### **Editing Customer Opening Balances**

It is possible to amend a customer opening balance using the route described above provided that no receipt or credit note consumption has been matched against the opening balance item. Likewise if a year end closure has taken place the opening balances cannot be amended. A warning message will display if a change is attempted.

### **C. Opening Balances for Suppliers**

Information needed

- ◆ Name and details of Suppliers
- ◆ Copies of the invoices and credit notes that are outstanding, i.e. that make up the balance of the trade creditors.

Before opening balances can be entered details of each supplier for which there is an opening balance must be entered. (See **Setting up a Supplier** user guide for more information)

The process is accessed via the **ENTITY NAMES** menu.

**ENTITY NAME → OPENING BALANCES → SUPPLIERS → ADD NEW**

<b>Active</b>	Allows account to be de-activated, in this case leave active.
<b>Supplier Name</b>	Enter Supplier name

- Address Details** Enter invoicing address details
- VAT Number** Your Suppliers VAT number, particularly if they are in other countries of the European Union
- Trading Term** Enter your agreed payment terms

Click on **SUBMIT** when complete

Repeat for all your Suppliers or if you prefer just those for which there are balances in your opening trial balance and add others later.

Obtain data from your existing accounting system or your accountant. The data needed is as follows:

For EACH bill received but not yet paid:

- Bill Reference
- Net value of Bill
- VAT element of Bill
- The date the Bill was raised

For EACH credit note raised but not yet cleared:

- Credit note Reference
- Net value of Credit note
- VAT element of Credit note
- Date the Credit note was raised.

### Relevant Date

If you are entering opening balances for month one of the new financial year we recommend that opening balances are dated the last day of the previous financial year or the actual invoice date. If you use the actual invoice date, the creditor aging reports will be correct. If you are entering opening balances mid-way through a year, we recommend that you use either the actual invoice date or the last day of the previous accounting period. For example, if the Financial year started January 2002, but the first processing month on the system was August 2002, then either use the original invoice date (and maintain correct creditor aging reports) or 31<sup>st</sup> July 2002.

Each transaction is entered via Opening Balance screen accessed via the **ENTITY NAME** menu and completed for each supplier.

### ENTITY NAME → OPENING BALANCE → SUPPLIER

- ◆ **ADD NEW** allows data to be entered.
- ◆ **SELECT** the document type, either a Bill or Credit Note.

Supplier: Oil Company	
Trading Terms: 7 Days Net	
Document Type: Select	
Reference: [input]	
Date: [input]	
Tax Point: [input]	
Due Date: [input]	
Net Amount: [input]	
VAT Rate: Select	
VAT Amount: [input]	
<input type="button" value="Add Item"/> <input type="button" value="Cancel"/> <input type="button" value="Save Data"/> <input type="button" value="Reset Form"/> <input type="button" value="Submit"/>	

#	Document Type	Reference	Date	Tax Point	Date Due	Net Amount	VAT Rate	VAT Amount
1	Credit Note	CN45567	20/03/2004	20/03/2004		-250.00	17.5%	-43.75
2	Bill	5677898	29/03/2004	29/03/2004	05/04/2004	1500.00	17.5%	262.50
3	Bill	5677940	21/03/2004	21/03/2004	07/04/2004	850.00	17.5%	148.75
4								
5								
6								
7								
						2100.00		367.50

- ◆ Enter a reference number in the **REFERENCE** box.
- ◆ Enter the appropriate **DATE** and the **TAX POINT** date. (See comments on relevant date above)
- ◆ If trading terms have been entered when the supplier was set up the **DUE DATE** will be calculated, if not enter a date if required to maintain the correct creditor aging report.
- ◆ The net value of the transaction is entered in **NET AMOUNT**, a bill is entered as a positive, a credit note as a negative.
- ◆ Select the **VAT RATE** to calculate the VAT or input the VAT directly.
- ◆ When the transaction is complete, click on **SAVE EDIT** to store.
- ◆ For further entries **ADD NEW**
- ◆ When the screen is complete, click on **SUBMIT** button at the bottom of the page to record.
- ◆ When all bills and credit notes have been recorded check that each suppliers balance equals the amount shown in the trial balance, make adjustments if necessary.

**ENTITY NAME → OPENING BALANCES → SUPPLIERS → EDIT the supplier**

**Note:-** It is also possible to load basic supplier information as well as opening balance information using a CSV type file in an upload process. Full details are available in the **Customer and Supplier Upload Process** user guide accessible from the **HELP** menu.

### **Editing Supplier Opening Balances**

It is possible to amend a supplier opening balance using the route described above provided that no payment or credit note consumption has been matched against the opening balance item. Likewise if a year end closure has taken place the opening balances cannot be amended. A warning message will display if a change is attempted.

### **D. Opening Balances of Tangible Fixed Assets**

If the business is using tangible fixed assets (Machinery, Computers, Vehicles etc) then the trial balance will include amounts for the value of these assets. The value of these assets will have to be entered as opening balances for the original cost or valuation of the assets and the cumulative depreciation.

The input screen for Tangible Fixed Asset opening balances is accessed via the **ENTITY NAME** menu

**ENTITY NAME → OPENING BALANCES → TANGIBLE FIXED ASSETS**

It is recommended that data is entered for each individual asset; if this not possible then an aggregation may be used. Please consult your advisor if you are unsure.

Refer to **Using the Fixed Asset Register** user guide for full details

### **E. Opening Balances for Other Assets**

The trial balance may well include items such as Stocks and other debtors; these are input via the Opening Balance Asset Screen.

**ENTITY NAME → OPENING BALANCES → ASSET**

Obtain data from your existing accounting system or your advisor. The data needed is as follows:

For each asset account (other than Tangible Fixed Assets and Trade Debtors) the balance as at the opening balance date.

The Opening Balance Asset Screen follows a simple input routine. The screen will display all asset accounts that are currently available. If a required account is missing either add from the standard list or create a custom account. (See **Chart of Accounts** user guide for more information.)

- ◆ Enter the opening balance **DATE**
- ◆ For each account that you have an opening balance enter the value in the Opening Balance column.
- ◆ When all balances have been entered click on **SUBMIT** at the bottom of the page to record.

Opening Balance At 31/12/2004		
Account Name	Account Type	Opening Balance
Goodwill	Fixed Assets - Intangibles	0.00
Payments On Account	Fixed Assets - Intangibles	0.00
Other Investments	Fixed Assets - Long Term Investment	20000.00
Stock Provision for Finished Goods & Goods for Resale	Current Assets - Stock	0.00
Work In Progress	Current Assets - Stock	0.00
Asset Disposals	Current Assets - Debtors	0.00
Called Up Share Capital Not Paid	Current Assets - Debtors	0.00
Other Investments	Current Assets - Short Term Investment	0.00
Debit/Credit Card Income	Current Assets - Other	0.00
Loans To Employees	Current Assets - Other	0.00
Statutory Payroll Costs Recoverable	Current Assets - Other	0.00

- ◆ Subsequent amendments may be made by going to the Opening Balance Asset Screen making the changes and clicking **SUBMIT** again.

**F. Opening Balances for Liabilities**

The trial balance may well include items such as borrowings, payroll deduction liabilities these are input via the Opening Balance Liabilities Screen.

**ENTITY NAME → OPENING BALANCES → LIABILITIES**

Obtain data from your existing accounting system or your advisor. The data needed is as follows:

For each liability account (other than Trade Creditors) the balance as at the opening balance date.

The Opening Balance Liabilities Screen is similar to the Opening Balance Asset Screen and data is input in the same way as above.

**F. Opening Balances for Income and Expenses.**

You may ignore this section if you are entering opening balances at the start of a new financial year and no profit and loss transactions have yet been incurred. If your start point for using the system is mid way through your financial year, then Profit and Loss account items (sales and expenses) will have been incurred and they will be part

of the opening trial balance. The balance on any sales and expenses accounts at the date of entering the opening balance needs to be input in a similar way to assets and liabilities.

There are screens provided for this. An Opening Balances Income screen and an Opening Balances Expenses screen. These are accessed as follows:

**ENTITY NAME→OPENING BALANCES→INCOME** or  
**ENTITY NAME→OPENING BALANCES→EXPENSES**

Input data in the same way as described in the section on Opening Balances for Other Assets (above).

### G. Completing the Opening Balances Process.

Print out the Trial Balance Report. This is accessed via the **REPORTS** menu.

**REPORTS → OTHER → TRIAL BALANCE**

Select the Opening balance date.

If all has gone well the balance on the Suspense Account will be zero. If not print out the trial balance report and carefully review and check each figure against your original input data or trial balance.

Example Partnership LLP Trial Balance Report As at January 1, 2003		
	Debit	Credit
Computer Equipment Cost	1,500.00	
Computer Equipment Depreciation		500.00
Accounts Receivable	5,751.45	
Other Debtors	250.00	
Current Account	5,200.00	
Employee NI		112.00
Employer NI		150.00
PAYE		350.00
Trade Creditors		193.67
Capital - Member, Main		5,500.00
Capital - Member, Second		5,500.00
Suspense		395.78
<b>TOTAL</b>	<b>12,701.45</b>	<b>12,701.45</b>

You will need to check that:

Opening balances for all your nominal accounts from your full trial balance have been entered.

An opening balance has not been entered twice

Balances have not been entered as debits when they should be credits and vice versa.

Go back and make any necessary amendments and reprint the suspense account audit trail and trial balance report. Confirm that they are now correct.

**CONGRATULATIONS** you have now completed your opening balance procedures.

Example Partnership LLP Trial Balance Report As at January 1, 2003		
	Debit	Credit
Computer Equipment Cost	1,500.00	
Computer Equipment Depreciation		500.00
Accounts Receivable	5,751.45	
Other Debtors	250.00	
Current Account	5,200.00	
Employee NI		112.00
Employer NI		150.00
Obligations under Hire Purchase		395.78
PAYE		350.00
Trade Creditors		193.67
Capital - Member, Main		5,500.00
Capital - Member, Second		5,500.00
<b>TOTAL</b>	<b>12,701.45</b>	<b>12,701.45</b>