

The Lagom Finance Bookkeeping Guide

THE ONLY GUIDE YOU NEED TO HELP YOU KEEP
BETTER RECORDS WITHIN YOUR BUSINESS

L

FINANCE
Lagom

CONTENTS

01 Introduction

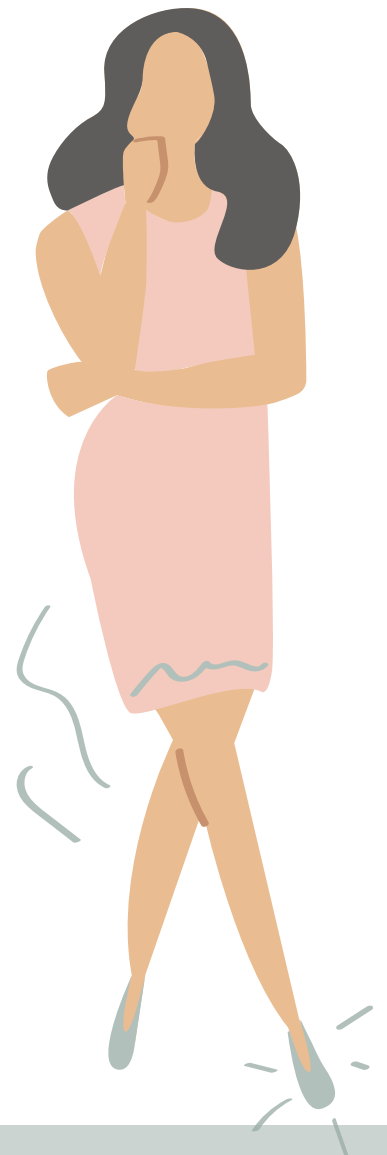
02 Bookkeeping 101

03 Tax Records

04 Filing Records

05 FAQ's

06 Conclusion



01

INTRODUCTION





Introduction

TO YOUR BOOKKEEPING GUIDE

So you want to keep better records for your business. Well, you've come to the right place. Bookkeeping is one of those fairly simple processes that gets bogged down by conflicting rules and regulations for different types of businesses and neglected due to other aspects of your business taking priority.

In this guide, you'll find clear information on what to know, what to do with your finances and accounts and how to continue according to best practices. Whether you're setting up a business or already self-employed, this resource will become your go-to for all things bookkeeping, records, reconciliations, invoices and expenses.

Becki

FOUNDER AND DIRECTOR, LAGOM FINANCE

02

BOOKKEEPING

101



SORRY, IT'S THE LAW

If you're self-employed then keeping tax records is a legal requirement. Simplified and straightforward bookkeeping makes this process easier and will save time on tax returns. 50% of businesses fail due to poor management, poor planning or a lack of cash flow – this sounds scary but it's the reality of running a business and bookkeeping combats each of these things.

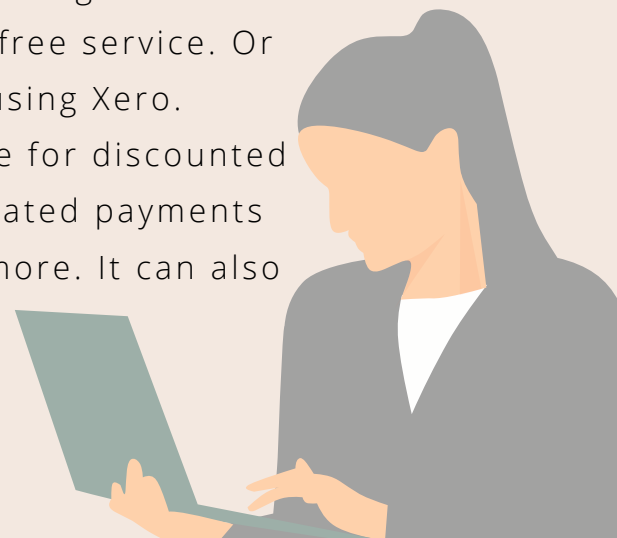


BEGIN WITH THE BANK

Is your bank account set up to benefit you? By opening a bank account that does some bookkeeping for you, you'll reduce the amount of work required. I recommend Starling bank to all my clients but Monzo and Tide are also good options and Coconut is ideal for sole traders.

SOFTWARE SECOND

Automate as much of your bookkeeping as you can using software. I recommend Crunch if you're on a budget as it's a free service. Or if you can afford to pay for software I recommend using Xero. Lagom Finance is a Xero Gold Partner so contact me for discounted rates. Software and banks help with creating automated payments for salaries, subscriptions, pension payments and more. It can also help with reminders to save, if you're forgetful.





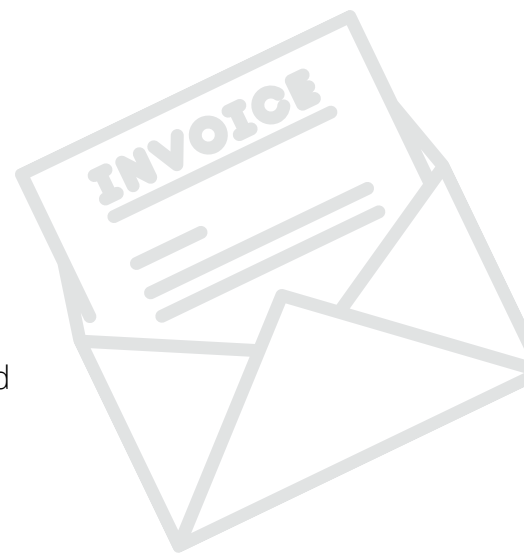
SOFTWARE SECOND CONT...

Software also helps with something called reconciliation. This is the process of matching your transactions with your balance. An important part of the bookkeeping process is ensuring that your incomings and outgoings match your bank balance and there are no discrepancies, no dodgy or unnamed transactions and no unexpected surprises. Having this software at your fingertips is particularly useful for digital nomads. No need to ring the bank, simply check the app.

INVOICES ARE IMPORTANT

It's essential to create sales invoices each time you charge a client so make sure you're doing this. An invoice should contain your business name address and payment information, your company number – if you have one – and a description of goods and services rendered. It should also show the rate and total owed.

Adding a reference number helps so that you can locate invoices easily and of course, the invoice should contain the company name and address of the client you are billing. Add payment terms if you want to and keep a copy on file.





DO IT DIGITALLY

Store all your expenses digitally. Wave comes with a free app to snap pictures of your receipts and I sign all my clients up with Receipt Bank – this is a service where you can simply send invoices and receipts over to your dedicated email address and all info will be extracted for you, including names, amounts, dates, tax amount and categories).

Most banks now also encourage you to upload receipts to each transaction for your own records. A record of a receipt is what's called 'proof of purchase'. You could send HMRC an actual photo of your new laptop in the box next to a copy of today's paper but unless you can show an actual receipt you won't be able to claim the tax for that laptop back for your business.

BANK STATEMENTS

You need these. And no, you don't need them on paper, you can and should save the trees. But you do need access to digital bank statements so make sure you have these to hand for your tax return. If you're only recently begun using a business bank account, make sure you're saving your bank statements for all your personal accounts too so there are no holes in your paper trail when it's time to file your taxes.



HIRE AN ACCOUNTANT

If things seem confusing and you need support, or perhaps if you're VAT registered or have a complicated income stream, of course, I can help. It's almost always worth the investment of having a bookkeeper or accountant if you're VAT registered and sometimes, just for peace of mind.

03



TAX RECORDS

SO YOU'RE SELF EMPLOYED. WHAT RECORDS SHOULD YOU BE KEEPING FOR TAX REASONS?

Your tax records are all the different pieces of documentation that you need to complete a tax return for HMRC. Think of your tax records as your paper trail – a timeline of your incomings, outgoings, which accounts money has gone into, what remains to be paid and what you might have bought for your business with earnings from your sales. Some examples of documents worth saving and storing digitally are as follows...

- ✓ Bank statements
- ✓ Client invoices
- ✓ Invoices and receipts for purchases
- ✓ Cash receipts
- ✓ Till rolls
- ✓ Marketplace statements and invoices from the likes of eBay, Etsy and Amazon
- ✓ VAT records (if you're VAT registered)
- ✓ P60s or P45s if you are employed by another company
- ✓ Mileage claim forms for travel expenses
- ✓ Records about any other income such as dividends or capital gains
- ✓ Copies of previous tax returns and tax calculations you have submitted



HOW LONG SHOULD YOU KEEP TAX RECORDS FOR?

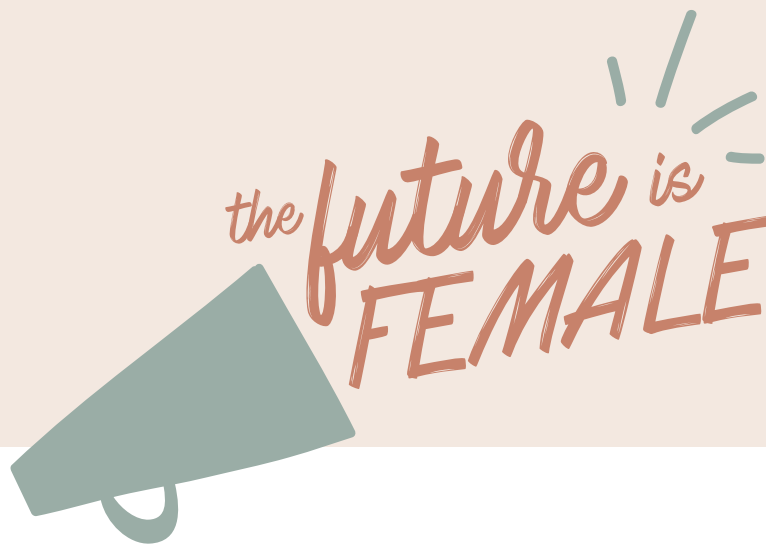
HMRC reserves the right to ask questions and request evidence to check you've paid the right amount of tax on your earnings. Therefore, you're legally required to keep your tax records, including copies of tax returns, for at least 5 years after 31 January when you submit your tax return. For example, you must keep all records for your 2018-2019 tax return, which is due by 31 January 2020, until at least 31 January 2025. These can all be stored in digital files.



04

FILING RECORDS





HOW SHOULD I FILE MY RECORDS?

These days, most businesses are paperless and it's not a requirement to provide paper statements. However, if HMRC sends you paper correspondence I recommend you scan it or take a photo of it for your records. File the letter somewhere safe if you'd like to keep it.

Keeping your records digitally is arguably the easiest way to keep them safe and available for at least five years. I recommend iCloud or Google drives or an external hard drive on which you can create folders according to date and type, for example invoices and bank statements.



05

FAQ'S



I DON'T HAVE A BUSINESS BANK ACCOUNT, SHOULD I RECORD EVERYTHING THAT GOES THROUGH MY PERSONAL BANK ACCOUNT?

Yes, record every business transaction, save your invoices and open a business bank account today. If you need advice on consolidating your financial records, get in touch. But a general rule of thumb is to keep your business and personal account separate, especially when you're self employed.

I BOUGHT SOMETHING FOR MYSELF BUT I USE IT FOR MY BUSINESS TOO. SHOULD I MAKE A RECORD?

Yes, save the receipt and make a record of the transaction. You may be able to offset the tax on this item when you file your tax return.

WHY DO I NEED SOFTWARE LIKE CRUNCH OR XERO?

These services basically measure and record all your transactions and categorise them. They'll show how much you're earning versus your outgoings, calculate tax estimates and illustrate where you're spending your money for your business and help make projections.

WHAT IF I HAVE MULTIPLE INCOME STREAMS OR A HOBBY THAT MAKES ME MONEY?

Record everything. If your self employment income exceeds £1K per year you need to register as self employed. Even if you don't end up owing tax its best to declare everything.



CONT...

However, you should keep detailed records and invoices to ensure you remain below this threshold and can keep track of how this affects your finances.

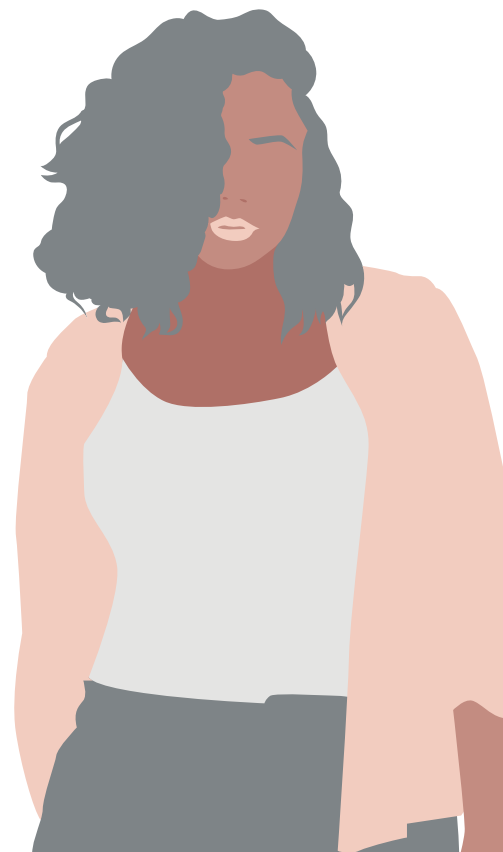
WHAT HAPPENS IF I LOSE FILES OR DON'T HAVE ACCESS TO THEM?

If you have misplaced tax and accounting records then try to get copies by calling your supplier or banks and checking through old emails. You may have to pay penalties or interest if you cannot support figures on your tax return and it turns out you have not paid enough tax.

If you are completing your tax return and are missing information you can still submit it but you must let HMRC know if you are using provisional or estimated numbers.

I DON'T UNDERSTAND TAX JARGON, WHAT SHOULD I DO?

Once you know, you know. Terms like 'accounts receivable' – which means issuing invoices and making sure they're paid – become second nature once you begin using them. Most financial terms are self explanatory, for example, accounts payable simply means paying bills on time. If you have any questions about terminology, just google them, or you can ask me.



06

CONCLUSION





CONCLUSION

So there you have it, your need-to-knows for basic bookkeeping. Follow the steps in the 101, ensure your bank account and software is working hard for you, create folders and drives for your digital receipts and reports, make up your invoice templates and make copies of your bank statements and transactions for future reference. If you have any questions about bookkeeping, records, income streams or reporting, as always, get in touch!

Becki



www.instagram.com/lagomfinance



www.lagomfinance.com