



Resources for **small groups**

Setting up a bookkeeping system

The need

One of the most important aspects of financial management is making sure that all the transactions of your organisation are accurately recorded. A good bookkeeping system is an essential part of this.

First steps

When you are setting up your account books, it's worth spending some time planning what headings you will use to record the information.

You need to think about

- What different things you will be spending money on
- Where your income is going to come from
- Whether there are any conditions attached to how income can be used
- What information you want to be able to extract from your accounts

The best starting point is to look at your organisation's budget. The headings you use in your budget should match the headings you use in your account book. This makes life much easier later on when you are trying to monitor expenditure, or trying to draw up a budget for a new financial year.

You also need to think about matching income and expenditure when you have been given money that can only be used for a specific purpose. It is best to have a separate heading for each restricted fund.

Keeping the records

You will need to consider procedures for receiving money and making payments. For example if you receive a cash payment, you should always give a numbered receipt, and all cash received should be paid into the bank. If you receive a grant from the local authority or a charitable trust, you should make sure that you keep a copy of all documentation relating to it. This should all be kept together in a ring binder marked *Income*.

Similarly, you will need to keep all receipts and invoices relating to expenditure. It's a good idea to have a file for unpaid bills, and anything awaiting payment should be put in here as soon as it is received. A cheque requisition form should be raised for all payments, and this should be stapled to the receipt or invoice. A sample cheque requisition form is at the end of this document.

All paid receipts and invoices should then be filed in a ring binder marked *Expenditure* in number order.

You must make sure that you keep all financial records—including receipts and invoices—for at least six years.

Writing up the cash book

Key features of a page from a Cash Book are shown in the image below.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1	Income								Expenditure								
2																	
3	Date	Detail	Ref	Total	Grants	Donations	Other		Date	Detail	Chq no	Total	Rent	Lottery	Phone	Stationery	
4																	
5	1.11.00	Council grant	5	1000	1000				1.11.00	Mr Jackson	201	500	500				
6	3.11.00	Lottery grant	6	500	500				4.11.00	The bus company	202	350		350			
7	7.11.00	Mr Smith	7	50		50			4.11.00	Legoland	203	150		150			
8	30.11.00	Mrs Jones	8	30		30			7.11.00	BT	204	45			45		
9	30.11.00	Bank interest	27	10			10		24.11.00	R Penn	205	40				40	
10																	
11	Total income			1590	1500	80	10		Total expenditure			1085	500	500	45	40	
12																	
13																	
14	Total April - Oct			1110	1000	95	15		Total April - Oct			672	500		75	97	
15	Total to date			2700	2500	175	25		Total to date			1757	1000	500	120	137	
16																	
17																	
18																	
19	Balance at 1.11.00			1200													
20	Add November income			1590													
21				2790													
22	Less November expenditure			1085													
23	Balance at 1.12.00			1705													
24																	

Note the following:

- The figures for total income and total expenditure add up across as well as down. This is a helpful way to check the accuracy of your work.
- Each item of income has a reference number. This should also be written on the documentation relating to income. Interest received is referenced to the number on the bank statement.
- Each item of expenditure is cross-referenced to the cheque number. The receipts and invoices should be filed in a ring binder in cheque number order. This makes it easy to find any document if you need to check anything.
- In this example, there is a separate account heading for lottery expenditure. This makes it easy to see how money received for a particular purpose (in this case an outing) has been spent.
- Total income and expenditure for the year is shown. This makes it easier to keep track of spending, and to make sure that you are not spending over your budget.
- The balance carried forward to the next month needs to be checked against the bank statement. There is a separate fact sheet on bank reconciliation.