



My Virtual Financial Controller

Financial Wizardry for the Self Employed

Get your accounts under control

Lesson 2

“On a mission to help women in business”

Accounting, tax & bookkeeping services
for women in business & microbusiness

Get your accounts under control



Lesson 2

Creating spreadsheets

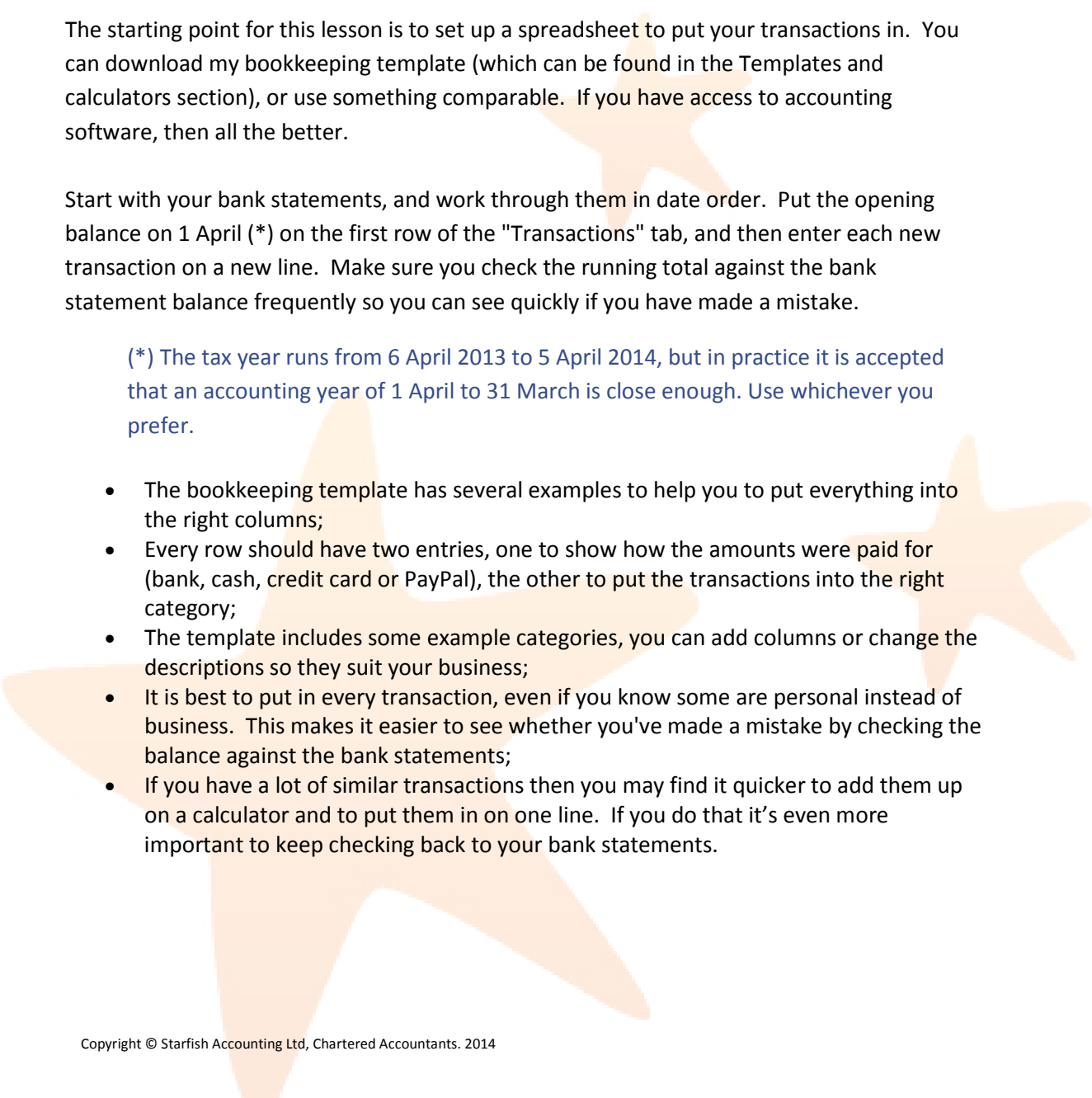
If you successfully completed lesson 1 then you have registered with HM Revenue & Customs, are set up to file your tax return online, and you've got a complete set of bank statements and organised receipts. This is where the fun really gets started.


Lesson 2 will give you your first view of your profit or loss

The starting point for this lesson is to set up a spreadsheet to put your transactions in. You can download my bookkeeping template (which can be found in the Templates and calculators section), or use something comparable. If you have access to accounting software, then all the better.

Start with your bank statements, and work through them in date order. Put the opening balance on 1 April (*) on the first row of the "Transactions" tab, and then enter each new transaction on a new line. Make sure you check the running total against the bank statement balance frequently so you can see quickly if you have made a mistake.

(*) The tax year runs from 6 April 2013 to 5 April 2014, but in practice it is accepted that an accounting year of 1 April to 31 March is close enough. Use whichever you prefer.

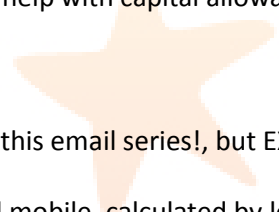
- The bookkeeping template has several examples to help you to put everything into the right columns;
 - Every row should have two entries, one to show how the amounts were paid for (bank, cash, credit card or PayPal), the other to put the transactions into the right category;
 - The template includes some example categories, you can add columns or change the descriptions so they suit your business;
 - It is best to put in every transaction, even if you know some are personal instead of business. This makes it easier to see whether you've made a mistake by checking the balance against the bank statements;
 - If you have a lot of similar transactions then you may find it quicker to add them up on a calculator and to put them in on one line. If you do that it's even more important to keep checking back to your bank statements.
- 



Once you have finished working through your bank statements, do the same for any credit card statements and PayPal statements. You can either add them into your first spreadsheet but keep them in separate columns, or you can use a completely new spreadsheet.

How do I know which expenses are tax deductible?

This depends heavily on what sort of business you are in. I've listed some of the more common ones below:

- Stock;
 - Costs of hiring employees and freelancers;
 - Premises costs e.g. rent, utilities, etc. - including working from home costs (look for more information in week 3);
 - Advertising and marketing;
 - Website hosting costs (development costs are "capital" and therefore treated differently - week 4 will give you some help with capital allowances);
 - Business insurance;
 - Stationery, printing, postage;
 - Professional fees;
 - Ongoing training (including the cost of this email series!, but EXCLUDING re-training costs to learn a new skill);
 - Telephone, including both landline and mobile, calculated by looking at business vs. personal use;
 - Broadband, calculated on the same basis;
 - Travel expenses (see more next week).
- 

I have not included costs of buying assets which you will use in the business over several years such as computers, printers, office furniture, etc. - the tax treatment of these is a little more complicated, we will spend more time looking at that in lesson 4.

This is the hardest bit – once you've got everything in your spreadsheet you are through the worst!

Now have a look at the "Summary" tab in the bookkeeping template to get a first view of your profit or loss. You should see that it is starting to take shape now.

