

Financial management

Section six Bookkeeping

What follows is a system of manual accounting, (that is using cash books). However, your organisation might want to use computerised accounting systems (for example Quickbooks, Microsoft Money) particularly if your organisation needs to keep track of different funds. Please seek professional advice in this area if you are uncertain (see www.communityaccounting.org).

6.1 What is bookkeeping?

Bookkeeping is the recording of financial transactions in an orderly and systematic way. It is necessary so that information regarding the financial position of your organisation is readily available to the members, management committee (MC) and funders.

The main objectives of a bookkeeping system are to provide a record of all transactions, to record the information in a way that makes it easy to retrieve, and to provide an accurate picture of your organisation's financial position.

6.2 How many cash books do you need to keep?

Bookkeeping should require as few cash books as possible. For most RCOs, only **three** books are needed in order to keep all the necessary records outlined above:

- 1 Cash received analysis book – records and analyses all money (cash and cheques) paid into your bank account
- 1 Cash paid analysis book – records and analyses all payments paid by cheque
- 2 Petty cash analysis book – records the amounts withdrawn from your bank for petty cash use, and the payments made using that cash

Cash received analysis book

When money is paid into your bank, all the details (the source of the money, the amount, the date, and any other relevant information) must be recorded on the 'paying in slip'. This is then used to enter the details into the cash received analysis book, and is also filed as supporting documentation.

The columns of the cash received analysis book must correspond to the headings, which appear as 'income' in the budget. This means that you can see at a glance how much money has been received from each source (grants, membership fees, donations, and so on).

In addition, the book has a 'banked' column, which records the total amount of money banked each time. This is useful because you may bank lots of different amounts of money using just one paying in slip. Only the total amount banked each time will appear on your bank statement, and the banked column helps you to identify exactly what this corresponds to when you come to do your bank reconciliation.

Figure 5 - sample 'cash received analysis book'

Date	Details	Reference	Total	Capital Grant	Revenue Grant	Membership Fees	Donations and Fundraising	Refreshments	Banked
01/04/20XX	Council 1st Quarter grant (inc capital)	001	8,683	7,323	1,360				8,683
05/04/20XX	Membership fees (1-30)	MB 1-30	150			150			150
30/04/20XX	Jumble sale	002	200				200		
30/04/20XX	Coffee bar receipts	003	247					247	
30/04/20XX	Membership fees (31-44)	MB 31-44	70			70			517
	April total	c/c	9,350	7,323	1,360	220	200	247	9,350

Cash paid analysis book

The payments you make by cheque must have the details (payee, amount, date, what the payment is for) written clearly on the cheque stub, which is then used to enter the details into your cash paid analysis book.

The columns of the cash paid analysis book must correspond to the headings, which appear as 'expenditure' in your budget. This means that you can see at a glance how much money has been spent under each budget heading (volunteers' expenses, telephone, stationery, and so on).

The book will also have a column to record cash withdrawn from the bank for use as petty cash.

Figure 6 - sample 'cash paid analysis book'

Date	Details	Chq No	Total	Salary, NI, Recruitment	Rent & Rates	Heat & Light	Phone & Post	Stationery & copying	Insurance & Audit	Travel & Training	Capital Equip.	Petty Cash
2/4/00	Cash from bank	001	50									50
2/4/00	Guardian job advertisement	002	450	450								
6/4/00	Rent and rates (12 months)	003	3,000		3,000							
6/4/00	BT phone installation	004	200				200					
6/4/00	The Voice - job ad	005	100	100								
6/4/00	Gazette - job ad	006	85	85								
7/4/00	Jean - Co-op (stationery)	007	76					76				
15/4/00	Co-op Insurance (12 months)	008	340						340			
16/4/00	GLS Supplies - computer	009	807								807	
18/4/00	MFI - office equipment	010	375								375	
30/4/00	J Tambo - salary for April	011	1,073	1,073								
	April Total	c/c	6,556	1,708	3,000		200	76	340		1,182	50

Petty cash analysis book

This is a smaller version of the cash paid analysis book, since the budget headings for which petty cash can be used should be limited and agreed in advance (it will usually cover things like volunteers' expenses and refreshments).

The petty cash analysis book should be reconciled with the cash paid analysis book on a regular basis, usually monthly.

Please refer to **Section seven on Petty cash**, which explains how your petty cash system should be set up and maintained, and gives a sample of how a petty cash analysis book may look.

6.3 Filing

In this modern age, when many organisations use computer software, such as Excel, it is essential to create a cash book file and ensure that you file one or more pieces of paper relating to every entry you make in the cash received and cash paid analysis books. It is crucial to have paper records, because mistakes on computer software can be corrected and changes made without anyone knowing. A common term that is used for 'paper records' to explain each entry, is 'vouchers'.

The three golden rules of filing

1. Keep everything – receipts, invoices, statements, wages records.
2. Keep everything in order – keep one file for income vouchers, one for expenditure vouchers, keep them in order by the date received or paid.
3. Cross-reference everything – you need to link all your receipts and payments together so that you can find, for example, the receipt that relates to a particular cheque. Give each piece of paper you file away, a reference number, and use this number as the reference in your cash books.

Key tips for a good filing system:

- ✓ Reference everything in a logical order.
- ✓ For paid invoices - use the cheque number as your reference and file in number order. For income documents - start from 001 at the start of each financial year, using the reference column in the cash received analysis book and file in this number order.
- ✓ Keep income documents separate from expenditure documents.
- ✓ Keep all documents in ring binder files and not plastic wallets where they are likely to get mixed up.
- ✓ Keep a permanent record of all capital items (such as computers, office furniture) – this should include a brief description of each item, the serial number, its cost, the supplier and where it is kept. If you get rid of any item, make a note of the date and sale price (if you sell it).
- ✓ Keep copies of all MC meeting minutes, particularly those that include financial matters.
- ✓ Finally, do not throw all this filing away once your auditor has agreed your accounts. Any charity must keep records for at least **six years**.

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