

**ENTREPRENUERSHIP DEVELOPMENT TRAINING,
ORGANISED BY EBSG LOAN COMMITTEE FOR
BATCH A/B BENEFICIARIES OF THE AGRO BASED
LOAN FOR CIVIL SERVANTS**

TOPIC: BASIC RECORD/BOOK KEEPING FOR SMES

THURSDAY 22ND NOVEMBER, 2018

**AT THE HEAD OF SERVICE AUDITORIUM CENTINARY
CITY**

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BASIC RECORD/BOOK KEEPING FOR SMES



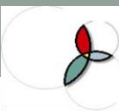
Learning Objectives



- What Record Keeping is for Small Businesses
- The Importance of Record Keeping.
- Who Uses Business Records?
- Types of Business Records
- Practical Session on Book keeping

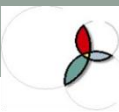
INTRODUCTION

- Record keeping is considered by many entrepreneurs as one of the "least important" part of operating a business (unless you are an accountant).
- Recordkeeping systems are frequently one of the biggest challenges in a small business.
- Taking time to organize a good system can be tedious and time consuming, but it only takes a turndown for a loan by a bank to convince any business owner that an organized system would be useful.



INTRODUCTION

- Your basic recordkeeping system should be:
 - Easy to use,
 - Understandable,
 - Reliable,
 - Accurate, and
 - Timely.

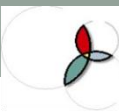


IMPORTANCE OF RECORD KEEPING

- Most business owners still do not know why and for whom they should keep business records.
- Keeping records is primarily in the interest of the business and the entrepreneur. A good record keeping habit can answer the following questions:

IMPORTANCE OF RECORD KEEPING

- How much profit is the business making?
- How much is the business worth?
- How much do credit customers owe the business?
- How much does the business owe its creditors?
- How much taxes, rates and dues should the business pay?

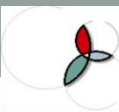


IMPORTANCE OF RECORD KEEPING

- If you are in more than one business, you should keep completely separate records for each business.
- Daily business records are the best
- Identify source of receipts
- Record expenses when they occur
- Keep complete records on all assets

PARTIES INTERESTED AND FOR WHAT

- Bankers may be interested because you have applied for a loan.
- Tax collectors are interested, because they want to assess fair taxes.
- Partners, and others with vested interested like suppliers and creditors.



PARTIES INTERESTED AND FOR WHAT

Specific questions they might ask include:

- How much do you own, how much do you owe, and how much are you worth?
- What was your income last year?
- What expenses do you have?
- What is the present value of buildings, equipment, vehicles, fixtures and other accessories?
- What items of inventory are the best and worst sellers?

WHAT KINDS OF RECORDS SHOULD YOU KEEP?

Salaries: The owner must know the amount paid to self and to all employees.

Cash Balance: The owner must know how much cash is available at any given time to determine if bills can be paid.

Accounts Receivable: Under certain conditions, the owner extends credit to some customers. The money owed is called accounts receivable.

WHAT KINDS OF RECORDS SHOULD YOU KEEP?

Accounts Payable:

Under certain conditions, the owner collects credit from some suppliers. The money owed is called accounts payable.

Stocks:

These are the stock-in-trade and other raw materials.

- **Government Requirements:**

The owner must file annual financial statements for government records and tax purposes.

1. Basic cashbook

| No | Date | Description | Cash in | Cash out | Balance |
|----|--------|--------------------|----------------|----------------|----------------|
| 1 | 2.2.04 | Initial cash in | 2345.00 | | 2345.00 |
| 2 | 3.2.04 | Electricity | | 126.50 | 2218.50 |
| 3 | 3.2.04 | Shop rent | | 930.40 | 1288.10 |
| 4 | 4.2.04 | Sales of products | 455.70 | | 1743.80 |
| 5 | 5.2.04 | Taxes | | 780.90 | 962.90 |
| 6 | 5.2.04 | Sales of products | 1675.80 | | 2638.70 |
| 7 | 5.2.04 | Raw materials | | 1675.80 | 962.90 |
| 8 | 7.2.04 | Sales of products | 780.45 | | 1743.35 |
| 9 | 8.2.04 | Raw materials | | 345.70 | 1397.65 |
| 10 | 9.2.04 | Water | | 125.60 | 1272.05 |
| | | Sum balance | 5256.95 | 3984.90 | 1272.05 |

2. Basic cashbook

| No | Date | Description | Cash in | Cash out | Balance |
|----|-----------|-----------------------|---------|----------|---------|
| 1 | 2/12/2010 | Initial cash in | 250,000 | | 250,000 |
| 2 | 1/1/11 | Rent | | 80,000 | 170,000 |
| 3 | 10/1/11 | Raw materials | | 150,000 | 20,000 |
| 4 | 11/1/11 | Pay security man | | 5,000 | 15,000 |
| 5 | 15/1/11 | Sold goods | 65,000 | | 80,000 |
| 6 | 18/1/11 | Pay light/water bills | | 1,500 | 78,500 |
| 7 | 20/1/11 | Raw materials | | 50,000 | 28,500 |
| 8 | 20/1/11 | Govt tax | | 800 | 27,700 |
| 9 | 21/1/11 | Transport | | 4,500 | 23,200 |
| 10 | 23/1/11 | Shop repair | | 3,000 | 20,200 |
| 11 | 26/1/11 | Sold goods | 180,650 | | 200,850 |
| 12 | 28/1/11 | Pay workers salaries | | 20,000 | 180,850 |
| 13 | 31/1/11 | Pay Director salary | | 30,000 | 150,850 |
| 14 | 31/1/11 | Total | 495,650 | 344,800 | 150,850 |
| | | | | | |

CLASS WORK

- Collects N250,000 for the business on 2/12/2010
- Pays rent @ 80,000 on 1/1/2011
- Buys raw materials @150,000 on 10/1/2011
- Pays security man @ 5,000 on 11/1/2011
- Sells goods @65,000 on 15/1/2011
- Pays for water and electricity @ 1,500 on 18/1/2011
- Buys more raw materials @ 50,000 20/1/2011
- Govt tax @ 800 on 20/1/2011
- Cost of transport for goods @4,500 21/1/2011
- Repairs shop @ 3,000 on 23/1/2011
- Sells goods @ 180,650 on 26/1/2011
- Pays salaries @20,000 on 28/1/2011
- Paid myself @ 30,000 on 31/1/2011

Thank you for listening

