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

BY DR STEPHEN ODO
CHAIRMAN TECHNICAL COMMITTEE
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 Bookkeeping
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.
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

<table>
<thead>
<tr>
<th>No</th>
<th>Date</th>
<th>Description</th>
<th>Cash in</th>
<th>Cash out</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.2.04</td>
<td>Initial cash in</td>
<td>2345.00</td>
<td></td>
<td>2345.00</td>
</tr>
<tr>
<td>2</td>
<td>3.2.04</td>
<td>Electricity</td>
<td></td>
<td>126.50</td>
<td>2218.50</td>
</tr>
<tr>
<td>3</td>
<td>3.2.04</td>
<td>Shop rent</td>
<td></td>
<td>930.40</td>
<td>1288.10</td>
</tr>
<tr>
<td>4</td>
<td>4.2.04</td>
<td>Sales of products</td>
<td>455.70</td>
<td></td>
<td>1743.80</td>
</tr>
<tr>
<td>5</td>
<td>5.2.04</td>
<td>Taxes</td>
<td></td>
<td>780.90</td>
<td>962.90</td>
</tr>
<tr>
<td>6</td>
<td>5.2.04</td>
<td>Sales of products</td>
<td>1675.80</td>
<td></td>
<td>2638.70</td>
</tr>
<tr>
<td>7</td>
<td>5.2.04</td>
<td>Raw materials</td>
<td>1675.80</td>
<td></td>
<td>962.90</td>
</tr>
<tr>
<td>8</td>
<td>7.2.04</td>
<td>Sales of products</td>
<td>780.45</td>
<td></td>
<td>1743.35</td>
</tr>
<tr>
<td>9</td>
<td>8.2.04</td>
<td>Raw materials</td>
<td></td>
<td>345.70</td>
<td>1397.65</td>
</tr>
<tr>
<td>10</td>
<td>9.2.04</td>
<td>Water</td>
<td>125.60</td>
<td></td>
<td>1272.05</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Sum balance</strong></td>
<td><strong>5256.95</strong></td>
<td><strong>3984.90</strong></td>
<td><strong>1272.05</strong></td>
</tr>
</tbody>
</table>
## Basic cashbook

<table>
<thead>
<tr>
<th>No</th>
<th>Date</th>
<th>Description</th>
<th>Cash in</th>
<th>Cash out</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2/12/2010</td>
<td>Initial cash in</td>
<td>250,000</td>
<td></td>
<td>250,000</td>
</tr>
<tr>
<td>2</td>
<td>1/1/11</td>
<td>Rent</td>
<td></td>
<td>80,000</td>
<td>170,000</td>
</tr>
<tr>
<td>3</td>
<td>10/1/11</td>
<td>Raw materials</td>
<td></td>
<td>150,000</td>
<td>20,000</td>
</tr>
<tr>
<td>4</td>
<td>11/1/11</td>
<td>Pay security man</td>
<td></td>
<td>5,000</td>
<td>15,000</td>
</tr>
<tr>
<td>5</td>
<td>15/1/11</td>
<td>Sold goods</td>
<td>65,000</td>
<td></td>
<td>80,000</td>
</tr>
<tr>
<td>6</td>
<td>18/1/11</td>
<td>Pay light/water bills</td>
<td></td>
<td>1,500</td>
<td>78,500</td>
</tr>
<tr>
<td>7</td>
<td>20/1/11</td>
<td>Raw materials</td>
<td></td>
<td>50,000</td>
<td>28,500</td>
</tr>
<tr>
<td>8</td>
<td>20/1/11</td>
<td>Govt tax</td>
<td></td>
<td>800</td>
<td>27,700</td>
</tr>
<tr>
<td>9</td>
<td>21/1/11</td>
<td>Transport</td>
<td></td>
<td>4,500</td>
<td>23,200</td>
</tr>
<tr>
<td>10</td>
<td>23/1/11</td>
<td>Shop repair</td>
<td></td>
<td>3,000</td>
<td>20,200</td>
</tr>
<tr>
<td>11</td>
<td>26/1/11</td>
<td>Sold goods</td>
<td>180,650</td>
<td></td>
<td>200,850</td>
</tr>
<tr>
<td>12</td>
<td>28/1/11</td>
<td>Pay workers salaries</td>
<td></td>
<td>20,000</td>
<td>180,850</td>
</tr>
<tr>
<td>13</td>
<td>31/1/11</td>
<td>Pay Director salary</td>
<td></td>
<td>30,000</td>
<td>150,850</td>
</tr>
<tr>
<td>14</td>
<td>31/1/11</td>
<td>Total</td>
<td>495,650</td>
<td>344,800</td>
<td>150,850</td>
</tr>
</tbody>
</table>
CLAS 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 on 20/1/2011
- Govt tax@ 800 on 20/1/2011
- Cost of transport for goods @4,500 on 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