



Guide 12: Accounting and Record Keeping

Key Definitions

Accounting – summarising and interpreting data in the financial records

Record/book keeping – recording financial transactions in an accounting system

Transaction – buying or selling something

Ledger – a book of financial accounts

Learn

Accounting

1. What is Accounting and why is it important?

Accounting is the process used to **keep track of the money** coming in and out of a business. Tracking your income and costs is important because it gives you a clear picture of **how the business is performing** and **helps you make sensible decisions** to **maximise your income** and **minimise your costs**. More specifically, accurate financial records will give you **information** you need (your biggest expenses, money you owe, your income) to help you **plan for financial commitments** (e.g. paying back a loan or obtaining one), **identify your strengths and weaknesses** and **manage changes and improvements**.

2. Regular Record Keeping

Record keeping is the day-to-day process of **writing down all the income and expenditure** for your business (i.e. every time you buy or sell something). You will need to set up a system that records: **(a) Income, (b) Costs and (c) Profit** – your income minus your costs. Everyone on the team should learn how to update the school business' financial records after every purchase or sale, but one student can be placed in charge of it overall. There are two main record keeping systems: **purchase ledger** and **sales ledger**.

3. Purchase Ledger

A **purchase ledger** is a system for recording the business' costs/expenditures. Here is an example record:.

Student	Date	Supplier	Description	Cost of product	Additional Costs	Date Paid	Receipt?
Rosemary	12/01/2018	Ana's Farm	Bag of Apples	\$10	\$2 (Bus Fare)	12/01/2018	Yes

4. Sales Ledger

A **sales ledger** keeps a record of everything the school business has sold. Here are two example records:

Student	Date and time	Product	Quality (a)	Amount (b)	Total (a x b)
Carl	15/01/2018 (10:30)	Apple Juice	1	\$2	\$2
James	15/01/2018 (10:45)	Apple Juice	3	\$6	\$18

Keep the proof (receipts) so you can check your records if something does not add up, and always keep up-to-date by updating your purchase and sales ledgers regularly.

5. Cash Book

A **cash book** will help you keep track of how much cash you have in hand or in your bank account. Each week, add up the total income from sales (from your sales ledger records)

	Week 1	Week 2	Week 3
Opening balance	0.00	13.00	37.00
Income	20.00	30.00	25.00
Expenditure	7.00	6.00	4.00
Closing balance	13.00	37.00	58.00

and the total spent on the business (from your purchase ledger records), then fill in your cash book. $Opening\ balance + Income - Expenditure = Closing\ balance$. **The closing balance** in your cash book should **match the cash you have in hand**. If not, check your records, as you may have forgotten to record a purchase or sale.

6. Managing your Finances

Once your school business is up and running and generating money, it is recommended to **set up a series of simple procedures in order to ensure financial transparency** – being clear and open about all your financial activity.

Here are some tips you could follow to set up a simple cash management procedure:

1. **Determine where cash can be located safely** in the school (e.g. in a locked cupboard in the school office)
2. Identify **where money comes from and goes** and create the necessary **paperwork** to track cash movement
3. Identify **who is responsible** for producing the records or paperwork (e.g. a teacher/bursar and student)
4. Identify where in the cycle cash can be **exposed to potential threat or theft** and how to **lessen this risk**



Check

Try answering these questions to check what you have learned. If you are not sure of the answers, go over this guide again before you move on.

1. **What is Accounting and Record Keeping? Why is it important?**
2. **What information should you write in a purchase ledger? And a sales ledger?**
3. **What could you do to manage cash safely at your school?**



Do

Once you have launched your school business, **you should be consistently tracking your finances**. Refer back to Guide 8 if you need a reminder about the difference between direct/indirect costs and gross/net profit. **After at least three months**, complete the following sections on your **Silver Annual Report Template**.

Do these activities:

Fill in your Silver Annual Report template: **Done**

1	Fill in your purchase/sales ledger every time you buy/sell something for the business	Section F: Appendix – Students in Action	
2	Track and calculate your income	Financial Reporting: Section 1. Income (actual)	
3	Track and calculate your direct costs	Financial Reporting: Section 2. Direct Costs (actual)	
4	Track and calculate your gross profit	Financial Reporting: Section 3. Gross Profit (actual)	
5	Track and calculate your indirect costs	Financial Reporting: Section 4. Indirect Costs (actual)	
6	Track and calculate your net profit	Financial Reporting: Section 5. Net Profit (actual)	
7	Spend any profit as you wish (refer back to your Profit Share Agreement)	Section C: Management & Use of Profits	

Remember to also fill in at the beginning of the Financial Reporting section which **currency** you are using (your local currency and its exchange rate to US Dollars) and the **period of time** covered, in months.