

Simple and effective Accounts

by Andrew Maclay

I HAVE WORKED AS AN ACCOUNTANT AND AUDITOR in many commercial and charitable organisations, ranging from multinational companies in London to tiny churches in Africa. I have seen many different systems for keeping accounts, both in the English-speaking and the French-speaking worlds. One thing I have noticed is that the accounting systems used are often more complicated than necessary.

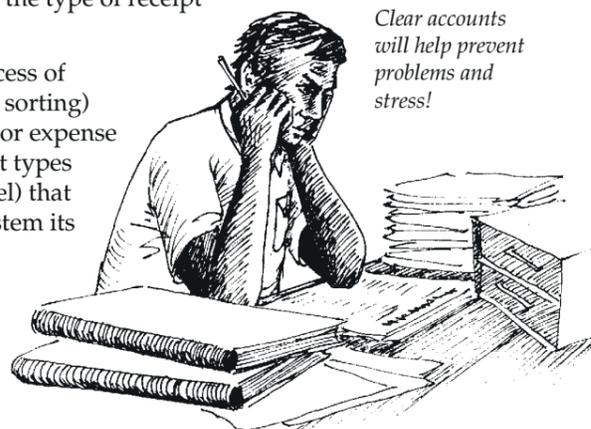
The Analysed Cash Book

The system I would like to recommend here is one which I have used with many churches and small charities. I believe it is very suitable for any type of small organisation or development project.

It is based on the **Analysed Cash Book**. All you need is a large Accounts book, with lots of columns for writing in numbers. You could try large stationery stores or an accountancy book shop – try to find a book with 36 columns. If necessary you may need to adapt smaller accounts books.

The idea behind the Analysed Cash Book is that you write down each receipt (money coming in) and payment (money going out) **twice** when you record it in the Cash Book: once in a column for Bank or Cash, according to whether you used a cheque or cash to buy the item, and once in a column according to the type of receipt or expense.

It is this process of *analysing* (or sorting) each receipt or expense into different types (eg: food, fuel) that gives the system its name.



Clear accounts will help prevent problems and stress!

Advantages of the system

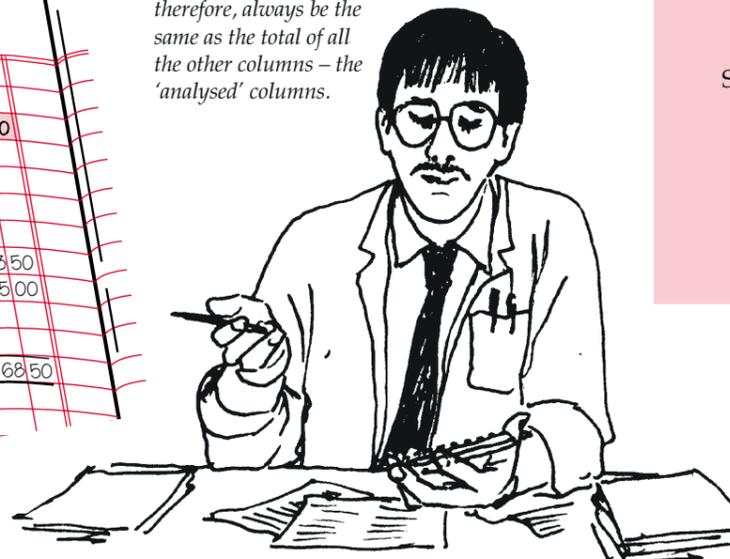
- All payments using cheques are kept separate from payments using cash. This makes it easy to check each month that the total on the bank statement agrees with the total (in the Cash Book) of receipts in the Bank column less expenses in the Bank column.

Bank balance = Bank column receipts – Bank column expenses
(as long as all cheques have been cleared)

- Normally, it is more difficult to balance the amount of cash in the cash tin with the balance in the Cash book, because the number of transactions is usually greater. However this is also easily done by checking that the total in the cash tin agrees with the total (in the Cash Book) of receipts in the Cash column less expenses in the Cash column.

Cash tin balance = Cash column receipts – Cash column expenses

In this example, we can see that each receipt, and also each expense, is recorded in one of the first two columns, as is always the case in all cash books. However, each receipt and expense is also sorted according to its type. The total of the first two columns must, therefore, always be the same as the total of all the other columns – the 'analysed' columns.



Date	Description	Ref.	Bank	Cash	Gifts	Projects	Rent	Sundry
1/3/96	Oxfam	12	1,000.00	35.00	1,000.00			35.00
1/3/96	Use of Toyota	13		8.00		8.00	100.00	
5/3/96	Rent	14	100.00					
10/3/96	Sale of wood	15		43.00	1,000.00	8.00	100.00	35.00
			1,100.00					

Date	Description	Ref.	Bank	Cash	Salaries	Food	Fuel	Sundry
	Budget: March				900.00	500.00	250.00	200.00
2/3/96	Fuel – Toyota	125		50.00			50.00	
2/3/96	Salary – Macumi	126	210.00		210.00			45.00
5/3/96	Beans	127	114.20			114.20		
5/3/96	Stamps	128		23.50				23.50
7/3/96	Stationery	129		45.00				
7/3/96	Salary – Nyanya	130	250.00		250.00			
			574.20		118.50	460.00	114.20	50.00
								68.50

Preparing the final accounts

In the example given earlier the accounts for the period, as presented to the Finance Committee, would be as follows...

Receipts	
Gifts	1,000.00
Projects	8.00
Rent	100.00
Sundry	35.00
TOTAL	1,143.00

Expenses	
Salaries	460.00
Food	114.20
Fuel	50.00
Sundry	68.50
TOTAL	692.70

Surplus for the period will be...

Receipts	1,143.00
less Expenses	- 692.70
SURPLUS	= 450.30

Final comments

- You need to add up all the columns at the end of each page, and to check that the total of the Bank and Cash columns is equal to the total of all the analysed columns, before going on to the next page.
- In the example given, notice that there are also columns for the Date, Description and Reference Number (either for the cheque or for an invoice or bill). These details are always necessary for an organised accounting system.
- One thing I find very useful is to write the budgeted amount available for each expense in red above each column. This will remind you if the total in a particular column is getting close to the amount available in the budget. You will then be aware of the situation immediately, instead of months later when you prepare the accounts.
- Finally, for those of you who may have heard of double-entry book-keeping but thought that sounded too complicated for you, this is a simple form of double-entry book-keeping.

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