

10 Tips for Getting Your MYOB Company File Ready for Your Accountant

Tip No. 1: Reconcile every single bank account

You probably already know that you need to reconcile your bank account in order for your accounts to be reliable. What you may not know is that you need to reconcile all bank accounts, such as savings accounts, loan accounts and even clearing accounts.

- **Savings accounts.** You need to reconcile all savings accounts and term deposits, right up to the last day of the financial year (usually June 30). Credit cards. Think of a credit card in exactly the same way as you would any other bank account. You need to record the withdrawals and deposits and reconcile every statement.
- **Loan accounts.** Loan accounts are a little tricky if you're not used to reconciling them — ask your accountant if you're not sure how.

ID#	Src	Date	Acct	Memo	Debit	Credit	Job
25	CD	2/08/2007	1-1190	Curbys Super Stand		\$164.85	
26	CD	2/08/2007	1-1190	Clear & Bright Filters		\$200.00	
27	CD	2/08/2007	1-1190	Clear & Bright Filters		\$100.00	
28	CD	2/08/2007	1-1190	Clear & Bright Filters		\$50.00	
29	CD	2/08/2007	1-1190	Clear & Bright Filters		\$26.75	
EP000014	CD	2/08/2007	1-1190	Electronic Payment	\$100.00		
EP000015	CD	2/08/2007	1-1190	Electronic Payment	\$200.00		
EP000015	CD	2/08/2007	1-1190	Electronic Payment	\$50.00		
EP000015	CD	2/08/2007	1-1190	Electronic Payment	\$26.75		
EP000015	CD	2/08/2007	1-1190	Electronic Payment	\$164.85		

Beginning Balance	Total Debits	Total Credits	Net Change	Ending Balance
\$0.00	\$541.60	\$541.60	\$0.00	\$0.00

Clearing accounts should always return to a zero balance.

- **Clearing accounts.** If the ending balance of your electronic or payroll clearing accounts is \$0.00 at the end of financial year, then you can skip the reconciliation process. However, if the balance of either of these accounts isn't \$0.00, you should reconcile the account in the same way as you reconcile your regular bank account. The only difference is that, when reconciling, the New Statement Balance should always go back to \$0.00.

With your reconciliations complete, make life easy for your accountant: for every bank account, photocopy the last bank statement and highlight the closing balance on the last day of the financial year. Next, print a Reconciliation Report from your MYOB company file for that date and highlight the Expected Balance on Statement. Assuming that these two balances are the same (and they should be!) provide your accountant with these reports, so that they can see at a glance that you've got everything under control.

Tip No. 2: Run the Company Data Auditor

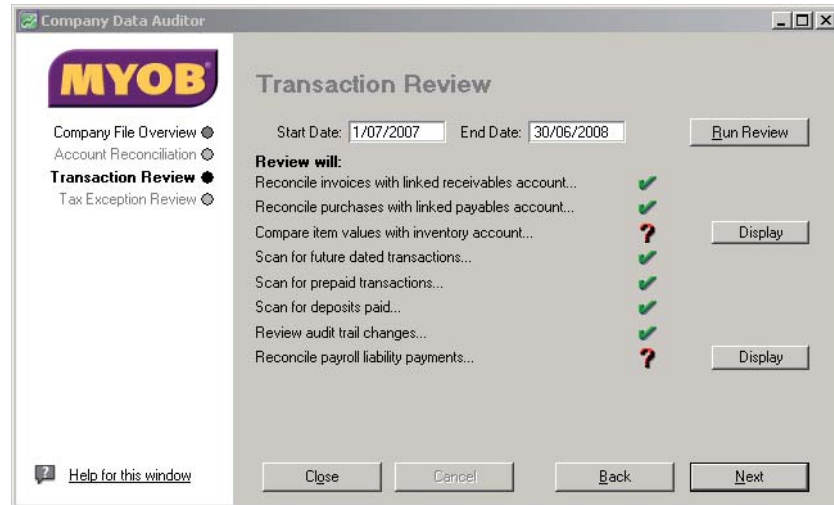
The idea of the Company Data Auditor is to give your company file an automatic 'health-check' and identifies any problems before they get out of hand (note: this feature doesn't exist in MYOB BusinessBasics or FirstEdge).

Try it out: simply go to your Accounts command centre and click Company Data Auditor. There are four stages: the Company File Overview (which reports on admin tasks such as the last date you backed up or verified your file); the Account Reconciliation Review (which reports the last date each bank account was reconciled) the Transaction Review (which identifies possible problems with transactions) and the Tax Exception Review (which examines everything related to GST).

Assuming that you've backed up and verified your file recently and that your bank reconciliations are in order, your main focus will be the Transaction Review and the Tax Exception Review. Put simply, what you want to see for each of these reviews is a column of green ticks, similar to the screenshot below. Or, if you do get a red cross, you want to know the reason why.

Although you want to see green ticks on the first five items in the Transaction Review, in some circumstances it's okay if you have red crosses appearing for the last three items. Having customer deposits on file, changes in your audit trail or unreconciled payroll liabilities isn't necessarily a drama, although it's important you display the exception report for each one.

Similarly, with the Tax Exception review, you want to see green ticks for the first two items, but you haven't necessarily made a mistake if there are ticks on the last three items. For example, so long as you know why there's a tax code exception, and you're confident that the transaction is correct, then you can leave it be.



Always run the Transaction Review and Tax Exception Review before giving your file to your accountant

Accountants love these reviews because it cuts out a lot of work for them — if you've run the reviews yourself and fix up most of the problems, then your accountant is going to be reassured not only that you know what you're doing, but that they can rely on the data that you've provided them with.

Chapter 18 of *Making the Most of MYOB* software, 8th edition, devotes a whole chapter to working with the reviews in the Company Data Auditor. See the order form at the end of this document for more details.

Tip No. 3: Check out your closing and opening balances

This tip is actually the most technical of all the tips listed in this document. What you want to check here is that your closing balances for the previous year match with your accountant's closing balances for the previous year. (Closing balances are important because they become your opening balances for the following year.)

First, the easy bit. You can find your accountant's closing balances by digging out your previous year's financial reports and looking for the Balance Sheet. If you can't see a Balance Sheet, just ask your accountant for a copy.

Next, you need to check out your closing balances.

- If this is first year you've been running MYOB software, go to your Setup menu and select Balances, followed by Account Opening Balances.
- If you've been running MYOB software for more than a year, go to your Analysis menu and select the Balance Sheet report. Click Filters. Select June as the month and ask for Last Year's Actuals Only.

If your closing balances don't match with your accountant's closing balances, you'll need to make a journal entry to bring them into line (don't worry if you've already closed the financial year, you can date this journal the first day of the current financial year). If you're not sure how to do this journal entry, ask your accountant for assistance.

Here's what to do:

- 1 Print a Balance Sheet dated June 30 for the year your accountant has just finalised. (If you've already started a new year, you have to select Last Year in your report filters to get this report.)
- 2 Place this Balance Sheet alongside your accountant's final Balance Sheet for June and play spot the difference. If your accountant has an account listed that you don't have in your Accounts List, then create it now.
- 3 Calculate the value of any differences between your balances and your accountant's balances. For example, if your Accumulated Depreciation account shows a value of \$300 but your accountant's shows a value of \$450, then the difference is \$150.
- 4 Go to your Accounts command centre and click Record Journal Entry. If you haven't started a new year yet, enter 30 June as the date; otherwise, enter 1 July as the date. In this journal, debit or credit the appropriate accounts for any differences in value that you calculated. If you're not sure whether you should enter the difference in the debit or the credit column, just make your best guess at this point.
- 5 In the perfect world, when you get to the bottom of the journal, you should find that total debits equal total credits and you can record the journal. However, if this isn't the case, temporarily whack the difference in your Historical Balancing account (3-9999) and click Record to proceed.
- 6 Print up another Balance Sheet, for either June 30 or July 1 as appropriate, and do the whole process again, comparing where your Balance Sheet is different from your accountant's. With patience and logic, you should be able to get the two reports to match absolutely perfectly.

Tip No. 4: Take a good, hard look at your Profit & Loss report.

The easiest way to print your Profit & Loss report is to go to the Analysis menu (at the bottom of every command centre) and select Profit & Loss. From there, click Filters to change the date range.

Now, read through every line on the report and ask yourself, does this amount make sense?

- Investigate negative or zero balances. If an income or expense account shows a negative balance, chances are there's a mistake somewhere. Similarly, if an

income or expense account has a zero balance, ask yourself if this makes sense.

- Calculate gross profit. If you're a manufacturer, retailer or wholesaler, look at your gross profit margin for the year. Does this margin seem right to you? Is it consistent with last year?
- Look through all miscellaneous items. Watch out for any amounts described as 'Miscellaneous Income' or 'Miscellaneous Expense' — remember that your accountant will be obliged to investigate anything you describe as miscellaneous. Avoid this hassle by reallocating miscellaneous transactions to their correct accounts or, if you really don't know where a transaction should belong, making sure you've got a decent description in the transaction memo.
- Consider your final operating profit. Does it look reasonable? If you find the final figure surprising, try printing a Profit & Loss [Cash] report from the Accounts tab in your Reports menu. Unlike a regular Profit & Loss report (which shows 'true' profitability of trading), a Profit & Loss [Cash] report only shows income when you receive payment for a sale and only shows expenses when you make a payment for a purchase; this report is good for showing where the cash came in and then where it went.

	Selected Period	Year to Date
Income		
Professional Fees		
Fees - Caroline Smith	\$10,861.00	\$51,128.80
Fees - Sandra Walter	\$5,587.00	\$43,687.24
Fees - Cassy Jones	\$301.00	\$17,001.36
Fees - Finbar Stuart	\$2,612.73	\$3,237.73
Fees - Angus McDonald	\$846.72	\$1,285.72
Fees - Lisa Melville	\$1,220.00	\$7,029.08
Conveyancing Income		
Conveyancing fees	\$2,685.00	\$46,473.99
Lease fees	\$275.00	\$4,675.00
Client Deposits	\$0.00	\$0.00
Disbursements		
Disbursements - General	\$4,687.80	\$34,954.72
Disbursements - Conveyancing	\$159.00	\$7,922.11
Disbursements - Leases	\$60.00	\$462.00
Sundry Income		

The quickest place to view your Profit & Loss report is from the Analysis menu

Tip No. 5: Imagine you have to 'prove' every line on your Balance Sheet.

Auditors have a reputation for being able to spot errors in accounting data at the drop of a hat. However, their secret is actually quite simple: the first task of an auditor is to 'prove' every line on the Balance Sheet. For example, if the balance of

a Term Deposit on your Balance Sheet shows up as \$20,000, the auditor will want to see a statement proving that this is the case. If the balance of Accounts Receivable on your Balance Sheet is \$30,000, the auditor will want to see a print out of all debtors, with a grand total of just that amount.

You can pretend to be your own auditor by following this same process. Print a Balance Sheet (simply go to your Analysis menu and select Balance Sheet) and check out every single line, imagining that you have to prove to a third party that the balance of each one is correct.

Tip No. 6: Remember to adjust for personal expenses.

If you work from home, chances are that some of your expenses are a mixture of business and personal. Things such as motor vehicle, electricity, gas, telephone and rates are all good examples of expenses which are likely to be part-business, part-personal.

The easiest way to deal with any expenses that are part-business, part-personal, is to apportion them at the time you enter the transaction. For example, if you were to record a payment for a \$600 motor vehicle repair and you know that you allocate 70% of motor vehicle to business expense, you would allocate \$420 to Motor Vehicle Expense (using GST as the Tax code) and \$180 to Personal Drawings (using N-T as the Tax code).

The screenshot shows the 'Spend Money' window in MYOB. The window title is 'Spend Money'. The 'Pay from Account' section is set to 'Electronic with Clearing Payments'. The 'Balance' is \$35,371.37. The 'Card' is 'Katoomba Automotive', 'Cheque No.' is '33', 'Date' is '21/10/2007', and 'Amount' is '\$600.00'. The 'Statement Text' is 'PAYMENT 33'. The 'Memo' is 'Replace brake pads plus two new tyres'. The 'Tax Inclusive' checkbox is checked. Below the payment details is a table with columns: Acct #, Name, Amount, Job, Memo, Tax. The table contains two rows: 6-1122 Motor Vehicle Repairs \$420.00 GST and 3-1120 Partner A Drawings \$180.00 N-T. Below the table, the 'Total Allocated' is \$600.00, 'Tax' is \$38.18, 'Total Paid' is \$600.00, and 'Out of Balance' is \$0.00. There are buttons for 'Save as Recurring', 'Use Recurring', 'Record', and 'Cancel'. At the bottom, there are icons for 'Help F1', 'Print', 'Journal', and 'Register'.

Acct #	Name	Amount	Job	Memo	Tax
6-1122	Motor Vehicle Repairs	\$420.00			GST
3-1120	Partner A Drawings	\$180.00			N-T

Separate personal from business with all vehicle and home office expenses

With this concept in mind, print your Profit & Loss and go through all expense accounts which are part-business, part-personal, making sure you've done the splits correctly. If you haven't fix the transactions up so that only the business component of home office and motor vehicle expenses shows up in your Profit & Loss report. By working in this way, not only do you end up claiming the right amount of GST on everything, but you make things a whole lot easier and quicker for your accountant.

Tip No. 7: Switch off auto confirmation.

With the most versions of MYOB software, every now and then you're prompted to 'confirm' your software serial number. If you're always connected to the Internet and you've set your preferences for automatic confirmation, chances are that you're hardly even aware of this process. Every few months a messages pops up, you click OK and that's it.

However, if your accountant is working with a copy of your file and a confirmation message falls due when they are connected to the Internet, your file will end up confirming twice. This can cause confusion and ultimately 'use up' the number of company files you can have activated (the limit is usually either five or ten company files, depending on the circumstances).

However, there is an easy solution:

1. Make a copy of your company file, ready to give to your accountant.
2. Open up this copy and select Preferences from the Setup menu.
3. Click the Security tab.
4. Unclick the option that reads 'I Prefer to Use Automated Online Company File Confirmation'.

By the way, if your accountant does receive a message asking to confirm your company file, tell them not to. Rather, ask them to click the option to 'Confirm Later'.

Tip No. 8: Tell your accountant where you're up to.

If you don't tell your accountant where you're up to with your accounts, your accountant will probably feel obliged to check everything. For example, if you don't tell your accountant that you've reconciled all bank accounts, they'll almost certainly feel they need to print Reconciliation Reports and compare these with your bank statements.

So, you can save your accountant time (and yourself money!) by providing your accountant with a written list of all the checks and balances that you've done. If

you've run the Company Data Auditor and there were no problems, then say so. If you reconciled GST and checked all your tax codings, then say so. On the other hand, if you know of transactions that you aren't sure you recorded correctly, list each one, along with the date and a short description.

By the way, don't forget to tell your accountant what version of MYOB software you're using (go to the Help menu and select About MYOB if you're not sure), as well as your password. These are the little things that help your accountant consider you to be the dream client.

Tip No. 9: Write down your password on your backups

As you know, as a business you're obliged to maintain records going back for at least five years, if not seven (depending on where you live in Australia, and on the specific circumstances of the audit).

Hopefully, you already create a special backup at the end of each year and you store these backups separately in a safe place (if not, it's time to start, now!). However, if you change your password from time to time, can you guarantee that you'll be able to remember what your password was five, six or even seven years earlier? Probably not.

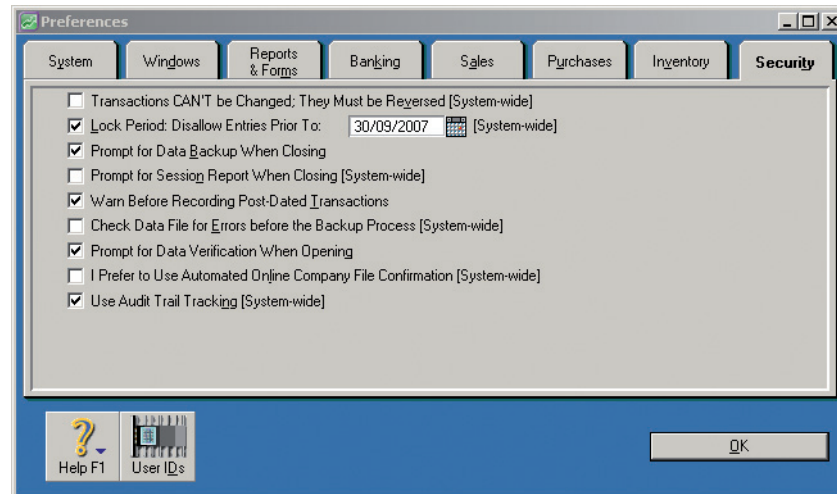
Save yourself from such dramas by writing your password on the front of your end-of-year backups. Or, if you intend to store backups in a place where others could see what's written on them, and you'd rather keep your password private, write a password 'clue' on the front of the backup instead.

Oh, and one more thing. Unless you have a fireproof safe, always keep two sets of archival backups and store one of those sets offsite, away from the office. This is the only way to protect your valuable data from fire and theft.

Tip No. 10: Lock yourself out so you can't make any changes

One danger of working with two financial years 'open' at a time is that you run the risk of inadvertently changing a transaction belonging to last year, or adding a new transaction with last year's date. This can cause huge problems if you've already given end-of-year information to your accountant.

Happily, you can prevent yourself, and others, from making changes to the previous financial year by 'locking periods'. The idea is that after you've given your data to your accountant (but before you've started a new financial year), you can lock periods so that MYOB software won't let you make changes or add transactions to the previous year. Then, when you finally receive your adjusting journals from your accountant, you simply 'unlock' periods, record the journals and start a new year.



Locking periods prevents you from changing data after you've sent it to your accountant

Here's how to lock periods:

1. Go to the Setup menu and select Preferences.
2. Click the Security tab and then mark the Lock Periods option.
3. Select the date that you want to lock periods up to (usually June 30 of whatever year you've just completed) and then click OK.

Tip No. 11: Don't purge unless you have to

Ah, a bonus tip! Promised 10 Tips, but here's 11.

When you're preparing to start a new financial year — you've already gone to the File menu and you're walking through the prompts to start a new year — you're confronted with the choice of whether to purge audit trail entries, purge item movement entries, and whether to keep closed transactions from the previous financial year(s).

Whether you choose to purge data or not depends on the size of your company file, whether there's more than one person working in the file, and whether you already have speed problems. Certainly, if you're working on a network and you don't run in a Terminal Services environment, then every extra megabyte of size in your company file will cause some speed degradation. In this kind of situation, you'll want to purge as much data as possible in order to reduce the size of your file.

If you're feeling a little ambivalent — maybe your company file runs a little bit slow, but not anything significant — then a good compromise is to purge audit trail and item movement entries, but retain closed transactions from the previous year.

On the other hand, if you have no speed problems whatsoever, you may as well choose not to purge any data. Even if you regret this decision later on, it's easy enough to select Purge Journal Entries from the File menu at that point.

One more thing to remember: No matter how much data you choose to purge when you start a new financial year, this won't make any difference to the size or speed of your company file until you optimise your file (optimisation is a process that gets rid of the empty holes in your file and squashes the data together again). For more about file optimisation, refer to chapter 20 of Making the Most of MYOB, 8th edition.

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