



18

Getting everything just right

One of the wonderful things about MYOB software is that your accounts will always balance. You'll never encounter a Profit & Loss that appears as gibberish, a trial balance where debits don't equal credits or a Balance Sheet that's out of kilter. So, you can sleep easy at night, dreaming of something more exciting than your accounting software.

But – and why does there always have to be a but? – nothing is completely foolproof. Although the total debits and credits always balance, you'll inevitably make mistakes sometimes, allocating something to the wrong account. Once mistakes happen, your financial statements become less reliable and you're back to the old game of crystal-ball gazing, wondering whether your business is really making a profit, or not.

But don't despair! Many of the most common errors can be detected by running a nifty little feature called the Company Data Auditor. Not nearly as scary as it sounds, the auditor provides one central point where you can spot problems, identify coding errors and keep everything humming along so that you can produce reliable, accurate reports with confidence.



Golden rule

Run your Company Data Auditor at the end of every month and fix up any problems before they get out of hand.

Running the Company Data Auditor isn't a particularly technical task. Most of the steps are dull but not difficult - all you need is some time and a bit of patience. After you've done a health-check once, you'll gain a better understanding of the 'behind the scenes' workings of MYOB software, as well as some insights into the mistakes you make and how to avoid them in the future.

By the way, if you're working with MYOB BusinessBasics or FirstEdge, don't despair. Although you don't have a built-in data auditor in your version of the software, you can run many of the checks yourself. Extra references throughout this chapter explain what to do.

Working through the Company File Overview

The first step of the Company File Overview focuses on housekeeping: how long ago it was since you last verified or backed up your file, what the current financial year is and when you last uploaded payroll tax tables. If you're managing a business, but you aren't the bookkeeper, this part of the Company Data Auditor lets you have a quick spot-check that your bookkeeper has this part of their job under control.

*Unfortunately, if you're using MYOB BusinessBasics or FirstEdge, there's no way to see at a glance when the company file was last backed up or verified. If you're at all unsure, grab this moment to perform both activities now, by going to the **File** menu and clicking **Backup** and then **Verify Company File**.*

18.1 What's the go with the Company File Overview?

The Company File Overview is the first part of the Company Data Auditor (found in the Accounts command centre). You see a range of information, including the name of your company file, what software version you're using, when you last backed up and so on. Most of these details are pretty self-explanatory, but the Company File Overview also raises a few things to watch out for:

- **Last Backup Date.** Here you see the date you last backed up or, if you've never backed up before (perish the thought), you see the message 'Never Backed Up'. If this backup date is more than a week old, you need to review your backup procedures. See questions 20.1 to 20.7 for more details.
- **Last Verified Date.** Here you see the date you last verified your file. Verifying your file isn't quite as crucial as backing up your file but nonetheless, it's good practice to verify your file on a regular basis (say, weekly, if you use MYOB software every day, or monthly if you use MYOB software every week). See question 20.15 for more details.
- **Locked Periods.** You need to make sure that you 'lock periods' every time you complete a Business Activity Statement, so that you can't make changes to a month or quarter for which you've already submitted a report. See question 17.24 for more details.
- **Payroll Tax Tables.** If you use the Payroll command centre, you should make sure your tax tables are always up to date. See question 12.44 for more.

Classic mistake



Just because the Company File Overview says you've backed up doesn't mean you can sleep easy. You still need to make sure you've backed up onto an external drive (not onto your hard drive!) and that this backup is stored offsite, away from the office.

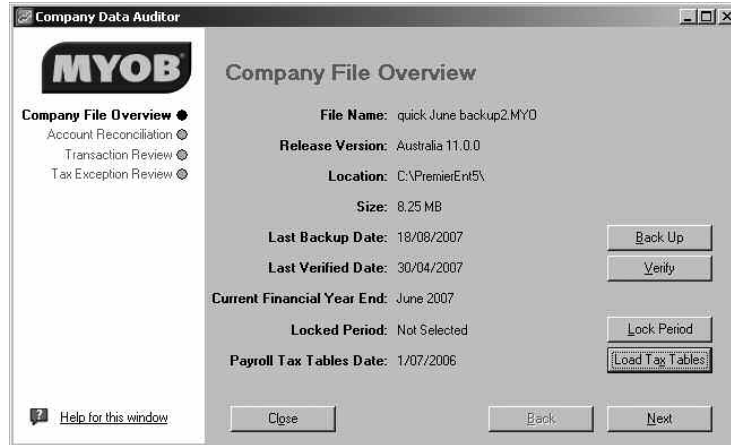


Figure 18-1 The Company File Overview displays recent backup and verification dates

18.2 Why does it say that our company file hasn't ever been backed up even though we back up every night?

As your business grows, you'll probably stop using MYOB's backup command and instead, back up all your data (not just your MYOB company file) using automated backup routines. This being the case, when you go to the Company Data Auditor, you get the slightly disconcerting message that your data has never been backed up.

Although you don't have to take this message at face value (because you know you're backing up, you're just not using MYOB software to do so), do remember to review your backup procedures periodically. See questions 20.1 to 20.7 for more details.

The Account Reconciliation review

The second step of the Company Data Auditor involves checking how recently bank accounts were reconciled. Hopefully, no bank account should ever go more than a month or so without being reconciled and certainly, all bank accounts should be reconciled right up to the last day of the month or quarter before you generate a Business Activity Statement.

By the way, if you have MYOB BusinessBasics or FirstEdge, you can't see this information at a glance. However, you can go to the Reconcile Accounts window, enter the account number for each one of your bank accounts in turn, and check the Last Reconciled Date.

18.3 The Account Reconciliation says some accounts have never been reconciled. Is this a problem?

The Account Reconciliation window is the second part of the Company Data Auditor. In this window, you see a list of all bank and credit card accounts, along with the dates these accounts were last reconciled.

For most accounts, if the last reconciled date is a while ago, you should look into what's going on. However, there are some exceptions:

- You don't have to bother reconciling your Undeposited Funds account as any unreconciled amounts show up in the Prepare Bank Deposit window every time you do your banking.
- If you use an imprest petty cash system, you balance petty cash every time you draw a cheque to top up the tin. Therefore, you don't need to reconcile your petty cash account as well.
- You don't have to reconcile investments and term deposit accounts: you may find it simplest to record interest when you receive it and then compare the account balance in your Balance Sheet against the bank statement for the investment or term deposit.
- Likewise, you don't really need to reconcile your Payroll Clearing or Electronic Clearing accounts, so long as the balance of these accounts shows up as \$0.00. However, if the balance of either of these accounts isn't \$0.00, then you need to investigate further. See question 18.4 for more details.
- You may choose not to reconcile loan accounts, either because you leave this task to your accountant or because you allocate interest using general journals.

18.4 How do I reconcile clearing accounts?

You reconcile clearing accounts as you would reconcile any other bank account. Simply go to **Reconcile Accounts**, select the account number and date, and mark off all cleared transactions. However, the idea with clearing accounts is that total deposits always equal total withdrawals, and therefore the amount you enter as the New Statement Balance must always be \$0.00.

Often, when you're trying to figure out why the current balance of a clearing account isn't \$0.00, you find that there are unreconciled transactions going back many months, or even years. In this situation, a good approach is to start by marking off all the debits and credits that cancel each other out, entering \$0.00 as the New Statement Balance and reconciling one week or one month at a time, simply ignoring any weeks or periods where the deposits don't equal the withdrawals. This process of elimination means that once you're done, only the transactions that don't balance show up in the Reconcile Accounts window. You can then proceed to troubleshoot what went on.

18.5 Is there anything else I should check with my bank accounts?

Even if you reconcile all your bank and credit card accounts religiously every month, you still need to check for any transactions that appear as unreconciled and that are more than a couple of months old.

In the bank reconciliation in Figure 18-2, you can see the bank was last reconciled in mid-November. However, right at the top you can see an old deposit from July, as well as an old cheque and an odd general journal from September.

Go to your own bank reconciliation reports and highlight all unreconciled transactions that are more than eight weeks old. Investigate each transaction and figure out why it still hasn't cleared. Unreconciled transactions are often duplicated entries – if you enter a cheque twice, the duplicate cheque shows up as uncleared.

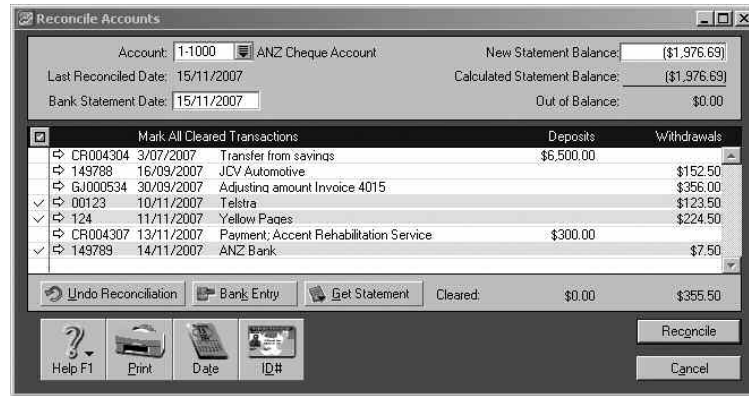


Figure 18-2 Clearing out old gremlins

Tip



If a cheque has gone 'stale' – it hasn't been presented at the bank and is more than twelve months old – then the best tactic is to record a reversal. Refer to question 4.19 to find out how.

The Transaction Review

The third part of the Company Data Auditor is the Transaction Review. There are eight different reports within this review, all of which identify possible problems within your company file.

*To run this review, go to your **Company Data Auditor**, click **Transaction Review** and select your date range (the beginning of your current financial year right up to the current date is usually best). Click **Run Review**. You'll see a window similar to Figure 18-3, with a column showing either green ticks or red question marks. Not surprisingly, the green ticks indicate everything is fine, and the red question marks indicate things you need to investigate further.*

18.6 Why do I need to reconcile invoices and purchases with their linked accounts?

Within the Transaction Review, the first two reports reconcile invoices with linked receivables, and purchases with linked payables. What are these two reports all about?



Figure 18-3 The Transaction Review shows up possible problems in your company file

In a perfect world, if you were to look at your Receivables or Payables in your Analysis menu and the total outstanding was \$33,000, then the corresponding balance of Trade Debtors or Trade Creditors in your Accounts list would also be \$33,000. If the balance isn't \$33,000, then you would have a problem (purely of an accounting nature, of course). So, these two reports show these types of anomalies.

By the way, if you're working with MYOB BusinessBasics or FirstEdge, although there's no Company Data Auditor to tell you if invoices don't reconcile with linked accounts, there's a report that does the same thing. Go to the **Sale Report**

18.7 What kind of things cause my linked receivables or payables not to balance?

Here are the main culprits that cause receivables or payables not to balance:

- Incorrect opening balances, dating back from when you first set up your customers or suppliers.
- A sales invoice that has been allocated to Trade Debtors, rather than an income account.
- A purchase that has been allocated to Trade Creditors, rather than an expense account.

- A general journal where an amount has been allocated to Trade Debtors or Trade Creditors (end-of-year accountant's journals are frequently guilty of this crime).
- Any sales or purchases where the payment date precedes the invoice date (see question 18.10 to find out how to identify such transactions).

Advanced tip



When troubleshooting linked receivables or payables, one of the things that cause these control accounts to go temporarily out of balance is future-dated transactions (a transaction where the payment precedes the invoice or bill date). For this reason, if a red cross appears next to the future-dated transactions item on your Transaction Review, you're best to review this report first before attempting to troubleshoot receivables or payables.

18.8 How can I fix it if linked receivables or payables are out of balance?

If your linked receivables or payables are out of balance, the best approach is to start by identifying when the out of balance amount came into being, using a process of elimination. Here's how:

1. Quit out of the Transaction Review and instead, go to your **Reports** menu. If you have a problem with linked receivables, go to the **Sales** tab and select the Receivables Reconciliation Summary report; if you have a problem with linked payables, go to the **Purchases** tab and select the Purchases Reconciliation Summary report.
2. Click **Customise** and select the first day of your financial year as your **Receivables As Of** or **Payables As Of** date. Click **Display**. The Out of Balance Amount should be nil. (If it isn't, then the problem relates to last financial year, and you should talk to your accountant.)
3. Keep redisplaying the report, moving the date forward a month at a time. Sooner or later, an Out of Balance Amount will spring up.
4. Now, having narrowed down the date of this Out of Balance Amount to within a certain month, enter the days of that month (say, the 7th, 14th and so on), working toward identifying the first day of that month that has an out-of-balance amount. Once you achieve this, note the amount, and the date.
5. Now, go to the **Find Transactions** menu (press **Ctrl-Y** in Windows or **Cmd-Y** on a Macintosh) hit the **Account** tab and scan every transaction in either Trade Debtors or Trade Creditors for that date. The offending transaction will probably leap out at you.

6. Zoom in on the transaction and either change the date (if this was an incorrectly-dated prepaid transaction) or the allocation account (if an amount had been incorrectly allocated directly to Trade Debtors or Creditors). If you are unsure what account you should reallocate the amount to, ask your accountant or allocate this amount to Historical Balancing (usually 3-9999).
7. Continue this process until the Out of Balance Amount is zero, right up to the current date.

18.9 Why do item values not reconcile with my inventory account?

The third report in your Transaction Review compares the value of all items in your Items List (that is, quantities multiplied by average cost) against the value of the inventory account(s) in your Balance Sheet. If you have an out of balance amount, you'll receive a red question mark next to this report.

The best way to troubleshoot out of balance amounts is to use a process of elimination. Go to your **Reports** menu, click the **Inventory** tab and select the Inventory Value Reconciliation report. Enter the first day of your financial year as the date and check that the Out of Balance Amount is nil. (If it isn't, then the problem with your inventory relates to last financial year, and you should talk to your accountant.)

Keep redisplaying the report, moving the **As Of** date forward a month at a time. Sooner or later, an Out of Balance Amount will spring up. Now, having narrowed down the date of this Out of Balance Amount to within a certain month, enter the days of that month (say, the 7th, 14th and so on), working toward identifying the first day of that month that has an out of balance amount. Once you achieve this, note the amount, and the date.

Now, go to your **Find Transactions** menu, (press **Ctrl-Y** in Windows or **Cmd-Y** on a Macintosh), hit the **Account** tab and scan every transaction in your inventory account for that date. The offending transaction should be apparent.

Transactions that cause trouble are usually purchases that have been allocated directly to your inventory account, items that have been incorrectly linked to an inventory account, or general journals that directly debit or credit inventory. If you are not sure how to reallocate a transaction, ask your accountant or allocate it to Historical Balancing (usually 3-9999).

18.10 What's the deal with future-dated or prepaid transactions, or deposits paid?

The fourth, fifth and sixth reports in your Transaction Review scan for future-dated and prepaid transactions, as well as transactions where deposits have been paid.

- **Future-dated transactions.** This report picks up any transactions with a date later than the End Date you enter in the Transaction Review. Given that it's

usually best to select the current date as your End Date, if you have any future-dated transactions, they're almost always mistakes, such as someone dating a transaction 31/12/2017, instead of 31/12/2007.

- **Prepaid transactions.** This report identifies any sales or purchases where the payment date precedes the invoice date. Again, any such transactions almost always indicate a mistake. Not only that, prepaid transactions cause your receivables or payables to go out of balance (see question 18.8 for more details). To fix up prepaid transactions, zoom in on each transaction in turn, either changing the date of the sale or purchase so that it is the same as, or precedes, the payment date.
- **Deposits paid.** This report lists any sales or purchase orders that have a deposit applied. Of course, transactions with deposits against them are not necessarily a problem, and you'll probably review this report and think 'All of that's fine'. However, if you see any really old deposits coming up on this report, then they may well need investigating, as it's all too easy to complete a sale or purchase and forget to convert an order into an invoice or bill.

Advanced tip



With prepaid transactions, you might zoom in on a transaction and think to yourself, "That's correct. The customer did pay me in early June and I didn't do the job until early July." However, if that's the case, the more correct accounting treatment of this transaction would have been to record a sales order for the customer in early June, applying their payment as a deposit at that time. Later, when you completed the job, you would convert the order to a final invoice. You may think this sounds like extra work, but prepaid transactions can be a nightmare for your accountant – and therefore very expensive in fees for you – if they span financial year ends.

18.11 What's the Audit Trail report all about?

The Audit Trail report looks for quirky or strange things in your company file, including deleted transactions, changes to tax codes, linked accounts or preferences. You can view the date these transactions or changes occurred, along with User ID of who was responsible. (Note: audit trail reporting isn't available in MYOB BusinessBasics or FirstEdge.)

The Audit Trail report is pretty fantastic, especially for managers who don't do their own bookkeeping but want to keep an eye out for mistakes or anything suspicious. However, for this report to work, you've got to set up your preferences correctly: go to your **Preferences** menu, click the **Security** tab and select **Use Audit Trail Tracking**. With this preference selected, you'll be able to review audit trail information from that moment onwards.

By the way, the fact that there's a red cross against the Audit Trail item in your data auditor doesn't necessarily mean that there's a problem. Most people end up

deleting or changing transactions at some point or other, or changing preferences, and all of these alterations come up on the Audit Trail report.

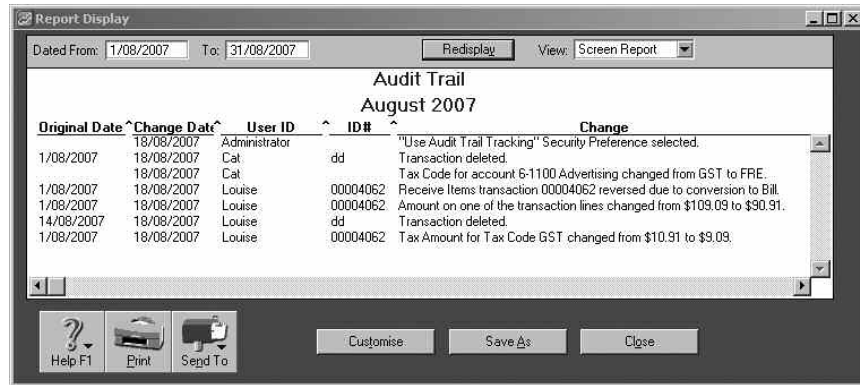


Figure 18-4 The audit trail report shows all quirky things in your company file, highlighting possible mistakes

Advanced tip



In order for audit trail security to be intact, only the boss or senior manager should be able to switch audit trail tracking on and off. Set up your password control so that only the person with Administrator privileges has access to the Security tab of your Preferences menu.

18.12 Is there an audit report that lists all transactions?

The Audit Trail report in MYOB is different to audit reports found in other accounting software packages – and arguably better – because it only lists transactions or changes that deserve additional attention. However, if your accountant or auditor asks for an audit trail report that lists *all* transactions, in the order that they were made, here's what to do:

1. Go to your reports menu, click the **Accounts** tab and double-click the General Journal report.
2. Under the **Advanced Filters** tab, change the **Source Journal** to **All** and select your date range. If you like, specify the **Session Date** too (the session date indicates the date that transactions were recorded).
3. Click the **Report Fields** tab and select the **User ID** field so that all User IDs print on this report. If you want, ask for the **Session Date** and **Reconciled Date** to be printed as well.
4. Click the **Format** button and reduce the size of the font for the body of the report so that all this information fits on one page.

Advanced tip



Transaction reports based on session date can be very illuminating, particularly if there's a concern that a staff member could have made inappropriate entries or misappropriated funds. Combined with the Audit Trail report, you can figure out all entries a staff member did on a particular day, whether they backdated or forward-dated transactions, deleted or changed entries or messed around with preferences. This ability to safeguard your business – and potentially detect fraud – depends on keeping individual User Ids and Passwords private, and is an important rationale for business managers to ensure that the privacy of passwords is maintained.

18.13 Why does it say that my payroll liabilities don't reconcile?

The last step of the Transaction Review indicates whether your Payroll Liabilities reconcile, or not. There can be a bit of confusion around this part of the review, because if you've been using MYOB software for a while and have been recording payroll payments using Spend Money, rather than Pay Liabilities, then the Company Data Auditor will say your payroll liabilities are out of balance, whether they are or not.

If the Company Data Auditor presents a message saying that your payroll liabilities don't reconcile, your best bet is to head for chapter 12 and work through questions 12.43 (balancing superannuation) and 12.50 (balancing PAYG tax).

The Tax Exception Review

The Tax Exception Review has five steps. The first two steps (the Tax Amount Variance reports) relate to tax amount variances and, if you get a red question mark on either of these, you should figure out why, and fix it. The idea is that GST is always 10% – it can never be anything but that percentage – and if GST isn't exactly 10 per cent of the total amount of a bill, you need to split the bill across two or more lines. See questions 17.10 and 17.17 for details.

The third and fourth steps of the Tax Exception Review relate to Tax Code Exceptions and, although it's sometimes okay to get a red question mark against either of these items, you need to investigate why. See question 17.15 to find out more.

The last step indicates whether your tax code details reconcile with linked accounts. Although you'll never get a green tick here if you report on a cash basis for GST – and that's quite okay – if you report on an accruals basis, you should. For more details on how to check whether your GST linked accounts reconcile, refer to questions 17.18 to 17.22.