

Accounting Support Handbook

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Introduction

This manual is for shops where Trade Aid Importers (TAI) in Christchurch provides accounting support for the Trust.

TAI provides various reports for the Trust and this manual aims to clarify where the information comes from and provide a guide on interpreting this information. TAI works to provide what it considers to be sufficient information and analysis to allow the Trust and Manager to reflect on shop performance with a view to implementing improvements.

Specifically the information must be:

- Timely.
- As accurate as the systems allow.
- Relevant.
- Future focused, where possible.

Trusts require information:

- For control of costs.
- For assessing manager/shop performance.
- Assessment of Trust risk.
- Legal compliance.

The Managers require information to:

- Improve sales (both in value and profit margin).
- Manage stock to minimise damage and theft.
- Manage stock to enhance purchasing and improve stock turnover.
- Minimise slow and clearance stock build-up.
- Manage staff and volunteers.

The role of the Treasurer within a Trade Aid shop Trust is to monitor reporting systems to ensure all Trustees understand the shop's financial situation and can make informed and positive decisions for its future.

The Trustees must authorise total payments (and record same in the minutes of the meeting) and confirm the control systems are effective and appropriate to the needs of the Trust. This accounting control function may be passed to a shop committee (through a trust delegate).

Under the Trade Aid Accounting Support Agreement TAI will, each month, provide the Trust with a Financial Report comprising two parts: the Monthly Operating Statement and the Monthly Financial Movement Report. These reports are described below and are submitted to the Trust Chair/Treasurer (as the Trust decides) within 10 working days of month end.

Monthly Operating Statement

This is a summary of the month's business. This is sent to the Chair/Treasurer, to be presented at the Trust meetings so that everyone is aware of the shop's financial situation. Any queries on the months' results should be answered by the Treasurer; however the Treasurer may need additional information from TAI so that he/she can respond at the next meeting.

The example below shows summarised income and expenditure for the month and year-to-date (YTD) in the major categories compared to budget and the variations calculated. Under spending can often be in need of as much attention as overspending.

The Treasurer should review this report in some depth and raise any queries with TAI Accounts. Some detail is provided below on the terms used to assist in the understanding.

Shops with POS

Sales: "SALES (Gross RetailPlus)" is the sales total for the month from the shop POS system of recording sales including GST.

Sales net of GST is "Sales including GST" less the GST (multiply by 3, divide by 23 gives the 15% GST and this is removed to provide the net figure).

Cost of Sales is the month to date (MTD) Sales less MTD Profit from the shop POS system of recording sales and is net of GST.

Shops without POS

Sales comes from the cash banking for the month – note this number will rarely agree with the daily log of sales as the daily banking hits the bank after the sales are made. If the month ends on a weekend there will be several days of sales not recorded as banked, affecting correlation for both that month and the following month. Sales missed from this timing difference will be accrued by TAI Accounts when significant.

Sales net of GST is "Sales including GST" less the GST (15 %) on all sales and this is removed to provide the net figure)

Cost of Sales is around 57% of "Sales net of GST" and represents the approximate purchase cost of the goods sold in the period. This assumes around a 43% profit margin on sales and is used to produce a theoretical Gross Profit. This margin is the mix of most sales being craft at 50% and the balance being commodities at around 25% (plus maybe sale items at very low mark-up from cost). The actual cost of sales is reflected at year end.

Gross Profit (theoretic) is the "Sales net of GST" less the assumed cost of the goods sold. This is used to indicate the gross profitability of shop sales.

Expenses

Below this line are grouped the various operating expenses of the shop which are taken from the cashbook/clearing invoice submitted to the Trust for approval and paid by TAI each month. The YTD expenses are compared to the budget figures which were agreed to at the start of the year, and any significant variations are indicated. The Full Year budget usually remains unchanged – unless the Trust wishes to actively work for changes in the target sales or expense areas due to unforeseen circumstances.

Net Profit is the Gross Profit less the total actual operating expenses and is used to assess the overall shop profitability.

Monthly Financial Movement

The Monthly Financial Movement report presents the position at the start of the month in TAI statements + any Trust Funds Held by TAI, the movement for the month in debtors & Funds Held, and then calculates the end of the month financial position. It should be recognised that this report does not deliver a full financial position, which would need to include the stock value, accruals for unpaid wages and holiday pay, outstanding creditors and so on. It is intended to be a concise and understandable statement of cash flows in the month.

| WHANGAREI | | | | Chair, Manager | | | | | |
|--------------------------------------------------|--------|----------|--------------------------|----------------|---------|-----------|--------|----------|---------|
| Operating statement to January 2009 | | | | | | | | | |
| Month | | | Year to date | | | Full Year | | | |
| Actual | Budget | Variance | | Actual | Budget | Variance | Budget | Forecast | |
| 19,958 | 22,000 | -2,043 | SALES (Gross Retailplus) | 188,549 | 223,000 | -34,451 | ✖ | 333,000 | 298,549 |
| 17,740 | 19,556 | -1,816 | SALES net of GST | 167,599 | 198,222 | -30,623 | ✖ | 296,000 | 265,377 |
| 10,077 | 11,147 | -1,070 | COST OF SALES | 94,983 | 112,987 | -18,004 | ✖ | 168,720 | 150,716 |
| 7,663 | 8,409 | -746 | GROSS PROFIT(Retailplus) | 72,616 | 85,236 | -12,620 | ✖ | 127,280 | 114,660 |
| 43.2% | 43.0% | | | 43.3% | 43.0% | | | 43% | 43% |
| 0 | 1,000 | 1,000 | COMMUNICATION/PROMOTION | 6,609 | 7,000 | 391 | ↔ | 12,000 | 11,609 |
| 0 | 65 | 65 | EDUCATION | 0 | 455 | 455 | ✓ | 750 | 295 |
| 350 | 725 | 375 | BANK & GENERAL EXP | 5,708 | 5,075 | -633 | ✖ | 8,700 | 9,333 |
| 0 | 210 | 210 | POWER | 1,352 | 1,470 | 118 | ↔ | 2,500 | 2,382 |
| 0 | 100 | 100 | INSURANCE & ACC | 480 | 700 | 220 | ✓ | 1,200 | 980 |
| 126 | 150 | 24 | PHONE | 843 | 1,050 | 207 | ✓ | 1,800 | 1,593 |
| 0 | 100 | 100 | REPAIRS | 230 | 700 | 470 | ✓ | 1,200 | 730 |
| 1,887 | 2,111 | 224 | RENT & RATES | 14,027 | 14,673 | 646 | ↔ | 25,226 | 24,580 |
| 4,246 | 5,355 | 1,109 | WAGES | 34,177 | 39,035 | 4,858 | ✓ | 65,001 | 60,143 |
| 6,609 | 9,816 | 3,207 | | 63,426 | 70,158 | 6,732 | ↔ | 118,377 | 111,645 |
| 1,054 | -1,407 | 2,461 | NET PROFIT | 9,190 | 15,078 | -5,888 | ✖ | 8,904 | 3,016 |
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| Key | | | | | | | | | |
| all variances greater than 1,000 are marked with | | | | | | | | | |
| ↔ within +/- 10% of budget | | | | | | | | | |
| ✖ unfavourable variance >10% | | | | | | | | | |
| ✓ favourable variance >10% | | | | | | | | | |
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Monthly Clearing Invoice

This is the clearing invoice of the month payments which should be charged within 10 working days of month end. This schedule and matching invoice will usually be emailed to the shop manager, who approves the accuracy of the expenditure. The Trust (or shop committee) has to authorise (sign and get minuted) and return to TAI. TAI needs the signed copy back and minuted authorisation as it has effectively paid away funds on the Trust's behalf and needs retrospective authorisation to have done so.

| | | Date | Source Name | Description | Paid Amount |
|--------------------------------------|--|------------|-----------------------------|--------------------|-----------------|
| Store Purchases | | | | | |
| | | 01/09/2008 | MAJELLA CANDLES LTD | | 147.38 |
| | | 01/09/2008 | NEW INTERNATIONALIST | 3 copies per month | 116.67 |
| | | 01/09/2008 | NEW INTERNATIONALIST | | 128.79 |
| | | 01/09/2008 | NEW INTERNATIONALIST | | 174.99 |
| Total Store Purchases | | | | | 567.83 |
| IRD | | | | | |
| | | 02/09/2008 | STORE WAGES | | -297.74 |
| | | 16/09/2008 | STORE WAGES | | -629.69 |
| | | 19/09/2008 | Inland Revenue Department | | 1,245.23 |
| Total IRD | | | | | 317.80 |
| ADMINISTRATION | | | | | |
| A.C.C Levy | | | | | |
| | | 05/09/2008 | ACC | | 380.40 |
| Total A.C.C Levy | | | | | 380.40 |
| Bank Charges | | | | | |
| | | 12/09/2008 | NATIONAL BANK | Merchant fees | 65.56 |
| | | 22/09/2008 | ETSL | | 12.94 |
| Total Bank Charges | | | | | 78.50 |
| General Expenses | | | | | |
| | | 01/09/2008 | SUTHERLAND SECURITY LTD | 1151 | 39.00 |
| | | 01/09/2008 | WHANGAREI SECURITY | | 56.25 |
| Total General Expenses | | | | | 95.25 |
| Rent & Rates | | | | | |
| | | 01/09/2008 | STRAND OPEX | | 503.47 |
| | | 01/09/2008 | MALL SYNDICATE | 1151 | 1,620.08 |
| Total Rent & Rates | | | | | 2,123.55 |
| Total ADMINISTRATION | | | | | 2,677.70 |
| COMMUNICATION/EDUCATION | | | | | |
| Telephone & Tolls | | | | | |
| | | 22/09/2008 | TELSTRACLEAR LTD | 0 | 6.72 |
| | | 26/09/2008 | TELECOM NEW ZEALAND LIMITED | 0 | 260.96 |
| Total Telephone & Tolls | | | | | 267.68 |
| Total COMMUNICATION/EDUCATION | | | | | 267.68 |
| Salaries & wages Clearing | | | | | |
| | | 02/09/2008 | STORE WAGES | | 1,367.06 |
| | | 16/09/2008 | STORE WAGES | | 2,633.22 |
| Total Salaries & wages Clearing | | | | | 4,000.28 |
| TOTAL | | | | | 7,831.29 |

Wages analysis

Wages analysis details the hours paid per payroll and is sent by email to the manager each month. This report for the manager and treasurer provides:

- Name of employee and status (salary, casual etc) – check these classifications are correct
- Normal rostered hours
- Paid hrs
- Narration about leave, stats, etc which is relevant to the pay not being a normal one

SHOP PAYROLL REPORT

PAYROLL FOR THE FORTNIGHT

11/12/2007 to 24/12/2007

PAYROLL FOR THE FORTNIGHT

25/12/2007 to 7/01/2008

PAYROLL FOR THE FORTNIGHT

8/01/2008 to 21/01/2008

| New shop | Normal | Total hrs paid | | New shop | Normal | Total hrs paid | | New shop | Normal | Total hrs paid | |
|------------|--------|----------------|---|------------|--------|----------------|---------------------------------------|------------|--------|----------------|--------------|
| Dave Brown | 30 | 38 | 0 | Dave Brown | 30 | 42 | Stats 25/12,26/12. Wked stats 1/1,2/1 | Dave Brown | 30 | 30 | No Timesheet |
| Total | 30 | 38 | | Total | 30 | 42 | | Total | 30 | 0 | |

Petty Cash

The shop has a credit card (purchasing card) which is paid monthly & back to the agreed limit (usually around \$250 the end of the month). The name on the card is the manager & they will have a PIN which allows others to use this card for small purchases.

This system saves holding additional cash on the site & reduces the paper processing. So NO cash should be taken out with card. Monthly you'll get a statement which will require approval by attaching the GST invoices to match the expenditure and completing the Summary of Expenses form This card is only for petty cash and remains in the shop at all times.

Cash Control

Shops with POS

TAI reconciles POS takings to the bank. Any difference over \$20 in a day is queried with the manager within around a week. If a response is not timely or able to be clarified with Accounts the query is passed to the Treasurer for action & nothing further is done by TAI

If the cash banked is not timely (ie within a day or 2 of taking) the shop will be requested to comply with this timing expectation. The request will be passed onto the Treasurer if there is no change to banking timeliness.

Shops without POS

Without being able to verify takings the only check is reasonableness (a consistent level of banking) and timing. The banking is to be prepared daily even if not visiting the bank each day.

GST Returns

TAI files the GST returns for the trusts. These are set up on a two monthly invoice basis.