Keeping the Books

Being a Treasurer of a Club is an important and responsible job. Many people will be reluctant to take it on due to lack of experience or knowledge of what needs to be done.

These pages are designed to help and support you if you are doing this job or considering doing it.

This guide consists of many parts. These have been split simply into Basic and Advanced. You really ought to be familiar with the Basic Topics, the Advanced Topics are extras and for those who already know the basics and want to know more.

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1. Basic Bookkeeping

1.1 Bookkeeping

Bookkeeping is the art of keeping the basic records needed to record financial transactions. It is the bedrock of sound financial management and is within the ability of just about anybody who can do basic arithmetic and joined up writing.

The key to good bookkeeping is to be thorough and to be organised.

It is best to record each and every transaction as it happens. If you try to sort it out later you will miss details and it might be quite hard to piece together.

The key phrases are to “do a little often” and to “keep on top of it”.

Key Tasks are

- Record all cheques received in a sequential list. A cash book is useful for this. You can also use a Spreadsheet or a word processing document.

- Record on cheque counterfoils as much as you can at the time that you write the cheque. This should include the Payee but also any other relevant information that you can squeeze in.

- Record on paying in slip counterfoils as much as you can at the time that you write them out. Consider using multiple paying in slips for multiple cheques to help you to do this.

- Capture as much original documentation as you can. Invoices, receipts, expenses claim forms etc.

- Record on Invoices, expenses claims forms etc, the date and number of the cheque used to pay it.

- Avoid cash transactions.

- Pay Cheques in promptly. This will help the people who issued the cheques and help you to keep track of the clubs funds. Banking by post is usually reliable and much easier than paying a visit to a branch.

- If you have a scanner, consider scanning cheques before paying them in. This can be very useful if anything goes wrong.

- Consider keeping a narrative journal to describe details of transactions if they are not obvious.

- If you can, keep a track of what each item of expenditure or income is for, be this an event or an item of central expenditure. Central items of expenditure could be “Bulletin”, “Committee Meetings”, “Party Grants” etc.

1.2 Events

Some clubs (not all) require event organisers to account for event money. If you do this in your club then you will need to make sure that all such payments in and out are clearly identified as such and be able to keep them separate from other events and non-event transactions.

If your club gives Grants for Parties etc then make sure the policy for what is and is not allowed is known. Promptly making payment of such grants can be a good encouragement to members to put on events.

1.3 Expenses

Clubs need to have their own policy on expenses for Committee members and others. What is allowed and what is not?

Members should not make a profit from their official positions (unless your clubs constitution allows it) and at the same time they should not be out of pocket.

It is a good idea to have an Expenses Claim form as this provides a point at which to accumulate all the items that a person might claim for. It also allows for a declaration that the money has been properly spent by the person claiming it. Finally it is an original document that you can record the cheque details on.

Expenses will tend to be a mix of all sorts of transactions so you need to allocate them to the correct event or expenditure category.

You have a responsibility to make reasonably sure that the claim is valid. This means the purpose and the amount. You should have had supplied to you sufficient evidence of the claim. If not then ask for it. Particularly troublesome can be vague claims for phone calls or other miscellaneous and possibly estimated expenses. You are entitled to see peoples phone bills and other evidence although you should allow these to be anonymised or else have sight of them and not keep a copy.

If you find yourself in a difficult situation over expenses then you will need to use your best skills of tact and diplomacy to sort this out. If needed perhaps discuss with the Chairman whose job it is to be supportive.

If you come under any duress or pressure to pay an expense that you are not completely happy with then you should ask the whole committee for a decision. In that way you and the club are protected. You should also do this for any potentially controversial payments.

1.4 Issuing Cheques

You will need to issue cheques, either for expenses or to suppliers.

Before issuing a cheque you must satisfy yourself that it is for a proper purpose and it is the right amount. This is obviously a key responsibility.

Whoever countersigns the cheque must also satisfy themselves that it is for a proper purpose and is the right amount but their level of responsibility is a little lower. They would not be expected to carry out the same checks.

Do not sign blank cheques. It is very convenient and easy but when someone signs a blank cheque they cannot know that it is for a proper purpose and that it is for the right amount, this negates the reason for having two signatories in the first place. There is good case law that signing blank cheques is so negligent and such a denial of responsibility that in the event of any loss the person who signed the blank cheque can be held personally financially responsible for the loss.

It is permissible for the payee to be one of the signatories on a cheque. However it is best practice if cheques are signed by signatories other than the Payee. This is not a reflection on the honesty of the payee; rather it is protection in case there are any issues.

Issuing of cheques should normally be under the primary control of the Treasurer with the other signatories acting in a supporting role.

1.5 Bank Reconciliation

It is important to check your record of transactions with the Bank Statements. You need to resolve any differences. Chances are that this will help you to find your mistakes as banks rarely make mistakes (after all – it is their job).

A good way to do Bank Reconciliation is to mark next to each transaction in your list of transactions the Bank Statement number that it appears on.

If you had more than one payment into the account on a statement these can be hard to identify separately as the bank will sometimes call them all the same. In this case you can number each of the payments on a statement with a sub-number. For example, if on statement number 49 you had three payments into the account, these could be numbered 49/1, 49/2 and 49/3.

These references could then be placed next to the relevant transactions in your records.

When doing Bank Reconciliation you are looking for two kinds of missing payments

Cheques not been cashed
Payments not showing

You should be able to take the balance at the end of the statement and the two items above and match them to what you think the bank balance is.

To put this in spreadsheet terms

A1 = Balance at end of Bank Statement
B1 = Total of cheques and other payments out not on Statement
C1 = Total of payments in not shown on Statement
D1 = A1 – B1 + C1 = Your figure for the Bank Balance

It is recommended that you have monthly rather than quarterly statements. You might like to consider having weekly statements, some banks do not charge extra for this.

1.6 Changing Signatories

At each AGM it is possible that some or all of your clubs signatories will change. If you're not prepared for handling this then it can take months to get organised and so can seriously hamper your club.

The key is preparation and each Treasurer must prepare before the AGM for the change. Advice is

- Get a copy of the Bank Mandate form well before the AGM (at least a month)

- Circulate a notice that there will be a 2 minute Committee Meeting at the end of the AGM to agree new signatories (this is to make sure that the meeting is legal).

- Hold the 2 minute meeting at the end of the AGM and pass the motion needed for the Bank Mandate. Collect signatures from the signatories at that meeting. Try to avoid allowing any other business at this meeting.

- If not all signatories available at that meeting then consider completing the mandate with those that are available and then do another Bank Mandate later, at your leisure.

Once the new Mandate is completed send off to the Bank straight away. Advice is to do this by Recorded Delivery as sometimes Banks lose paperwork and you will be in a much better position if you can prove delivery.

Leave it for a week and then chase the bank by phone to make sure they have actioned it. Be prepared to be persistent. Banks are not very good at handling club accounts, with multiple signatories; they are much more geared up for more normal accounts.

If you need to change the Clubs address for Bank correspondence, such as statements then this is also the time to do it. Do change this promptly as having statements going to an old address is a security risk and you need the statements to make sure that your idea of what is happening with the clubs money is the same as the banks.

The keys to getting signatories changed are

Preparation
Organisation
Persistence

1.7 Auditing

Auditing is a 3rd party check on the books to make sure that they are a true and fair representation of the financial state of the Club.

Club rules often make provisions for auditing and you should familiarise yourself with these which take precedence over anything said here.

Auditing is a safeguard and a protection for both the members and the Treasurer.

You do not have to have this done by a professional Auditor. This is likely to be prohibitively expensive.

It is best if you can find someone in your own club or a nearby one that has enough financial experience to be able to do this. Ex-Treasurers are a possible source. It is obviously better if the person concerned has some accounting experience or even better if they have qualifications but this is not necessary.

The name of the game is to build confidence.

Some clubs elect a member of the club to do this job. It is important that whoever is your auditor does not have any conflicts of interest. For that reason Committee Members should not be your Auditor.

Being an Auditor is a responsible job and is one of the few things that you might want to make a small payment for. At the time of writing AIVC (which has an annual turnover of around £10,000) pays £150 for the auditing of its main accounts and the separate Conference Account.

1.8 Cash and Receipts

Cash is best avoided.

Cash is expensive and difficult to keep track of. It gets lost and is a security problem.

If you have to deal with cash then try to keep it to a minimum and put into place some simple mechanisms for controlling it.

People in the club who regularly receive cash should ideally have a receipt book. These can easily be bought at low cost from any stationers.

The Treasurer should call in Receipt Books regularly, say every 3 months, for a reconciliation with the money received from the receipt book holder. When you do this, swap with another receipt book, which may have been partly used, so that the receipt book holder can still issue receipts.

Treasurers should issue their own receipts for any cash received, including from receipt book holders. All the treasurers' receipts should be traceable to banking.

You don't need to issue receipts for cheque payments. They provide their own audit trail through bank statements.

2. Advanced

2.1 Budget

A budget is simply a plan of what a club intends to spend and what it expects to receive in income.

By having a plan you know in advance what will be normal and expected and so can more easily spot and manage variances from that norm be they shortfalls in income or unexpected expenditure.

A budget is not a straight jacket. If priorities or opportunities occur during the year then there is no reason why you cannot act outside the budget.

To set up a budget you need to identify lines of income and expenditure.

Income lines will mainly be members subscriptions but may also include bank interest, perhaps sales of some items and profits from major events.

Expenditure lines will be for the Bulletin, Committee Meetings, Party Grants and other lines which will depend on what your Club does.

It's best to prepare the budget at the very beginning of the Committee Year and should cover the financial year

It is useful to keep the budget lines the same so you can build each years budget based on the previous years and so you can compare current year with previous years. Having said that the budget lines need to be relevant so if you need to, do delete obsolete ones and add new ones as needed.

If an item of expenditure comes up, and you have budgeted for it, then you will easily be able to pay it having already allocated and put aside the money.

2.2 Cash vs Value

The prime aim of any treasurer is to keep track of the money that the club has. This is bookkeeping.

A more advanced, and optional, aim is to provide a true and accurate picture of the clubs financial position. That needs an appreciation of the difference between cash and value.

The difference between Cash and Value is what separates accounting from bookkeeping.

A simple example is what happens when you pay £100 cash and buy in £100 worth of stock to sell. In cash terms you have spent £100. In value terms you

have not spent anything as you have paid out £100 of cash and gained £100 of stock so are neither up or down. If that £100 of stock then goes down in value by £20 then in cash terms you have not spent anything. In value terms you have lost £20.

2.3 Prepayments and Accruals

Accruals (or an accrual) is a rarely used word outside accounting and it can be hard to remember what it is.

The term prepayment is a much easier term to remember as it obviously is paying for something before you get it. An Accrual is the opposite, it is when you get something before you pay for it and therefore need to put aside some money to pay for it.

Prepayments and accruals are adjustment values that alter the accounts to show the difference between cash and value.

This is best shown by some examples.

Lets say that three months before the end of the financial year you pay £100 for a years insurance. The accounts must show that you have paid £100 in cash. Unfortunately this implies that you have had £100 worth of value in that year which is not a true reflection of reality.

What has happened is that in that year you have paid £100 in cash and had £25 of value in the three out of twelve months. To adjust the accounts and show a fair view you need to show an adjusting Expenditure Prepayment of £75. This is an asset, just like stock that you might hold.

The opposite situation would be where you have had some value but have not yet paid for it. This would be where you are paying for something in arrears.

An example would be an electricity bill. Lets say you get billed every three months for electricity and you know that the next bill will be about £75. Lets say that the end of the financial year is one month into this three month period. In this case it is true that you have paid nothing in cash terms. It would be an untrue picture to show in the accounts nothing for electricity simply because you haven’t yet paid for it. In the example given you should add an Expenditure Accrual of £25 to the accounts as a liability as in something you owe but have not yet paid.

It can be hard to work out the amount of an Expenditure Accrual. In the case above you can do what is shown here and simply estimate. For this example you could of course actually read the electricity meter and work out fairly accurately what the Expenditure Accrual should be.

It is possible to have an Income Prepayment. A classic example of this would be for member subscriptions which span a financial year end. The unused part of the subscription is an Income Prepayment by the member and so can be shown as a reduction in the relevant years income.

An Income Prepayment such as the example above can also be treated as an Expenditure Accrual in that the unused portion of the subscription is a liability for the club (the club owes that amount of membership).

The whole point of Prepayments and Accruals is to allocate the right amount of value to the right Financial Year and so show an accurate financial picture.

2.4 Creditors and Debtors

Creditors and Debtors are terms often heard around accounts.

A Creditor is someone who you owe money to. This makes a Creditor a liability as (presumably) you will have to pay the debt.

A Debtor is someone who owes you money. This makes a Debtor an asset as (in theory) the money owed will at some time be converted into cash.

Creditors and Debtors do not figure in cash accounting as they are money that either has not been paid yet or has not been received yet.

Creditors and Debtors are vital to value accounting as obviously without them you cannot present a true picture of the clubs financial position.

2.5 Fixed Assets

A Fixed Asset is something of value which the club owns.

Examples would be a computer or a digital camera.

Fixed assets should be depreciated across their lifetime. When a fixed asset is obtained you should at that time estimate the life of the product and then write off its value across that period. The easiest way to do this is as a straight line.

An example of depreciating an asset would be a computer bought for £600 and given a life of 3 years. On straight line depreciation you would write off £200 a year. This should be shown as an item of expenditure like any other.

The opposite of Fixed Assets are Current Assets.

Fixed Assets are those that are relatively fixed. Current Assets are those that are relatively current.

Creditors are Current Liabilities and Debtors are Current Assets as long as they are only outstanding in the short term. (A few months).

Creditors and Debtors which are long term will be Long Term Liabilities or Fixed Assets. Loans due other than in the short tem are a classic example.

The Treasurer should keep track of the clubs fixed assets such as computers, barbeque equipment etc. In formal terms this is know as an Asset Register.

Clubs are advised to make a once a year check on where all their assets are. It's very easy to lose track of club equipment otherwise.

2.6 Write-Offs

At times it becomes obvious that there is no realistic likelihood that a Debtor is going to pay up.

In theory it may be possible to take legal action but unless it's a significant amount of money and is a clear case then legal action is best avoided. It may be best simply to accept the loss.

In such cases the debt should be written off.

Sometimes it may be that money that the club owes to a Creditor cannot be paid. In such cases this should also be written off.

Finally, an item of equipment may become obsolete or not used. You should end its life as an asset if that happens and write off its remaining book value.

The total of write offs should be shown as an item of expenditure in the Profit and Loss Statement.

2.7 Tax

Clubs are not liable for tax on subscription income or for money paid to support activities undertaken by members. This is due to the principle of Mutuality.

Clubs are liable for tax on event profits if that event is open to the public and are also liable for tax on interest received.

Any tax is levied as Corporation Tax even if your club is not a limited company.

Inland Revenue have said that they will not attempt to collect amounts of Corporation Tax of less than £100 and will treat such clubs as being dormant for tax purposes.

Clubs are advised to read the following from the HMRC web site.
http://www.hmrc.gov.uk/ctsa/small-tax-liabilities.htm

2.8 Profit and Loss

A Profit and Loss Statement shows any Profit (or Loss) that the club has made.

Simply enough a Profit and Loss shows the Income less the Expenditure with the result being the Profit (or Loss).

The normal way of laying this out is to show all the items of Income first and the total. Then show all the items of expenditure and the total. Finally the Profit or the Loss.

When listing the items of Income do remember to include any Income Prepayments as a deduction from income and any Income Accruals as an addition.

When listing the items of Expenditure do remember to include any Expenditure Prepayments as a deduction from expenditure and any Expenditure Accruals as an addition.

It is best if Prepayments and Accruals are shown in each line item rather than as lump sums at the bottom. This shows more accurate figures for each item.

The Profit and Loss Statement shows what happens across a period of time. The period of time being the financial year.

Sometimes the Profit and Loss statement is called something else. For example the “Surplus/Deficit Statement” or “Income and Expenditure Statement”

It is normal for a P&L to have two sets of figures, in columns, one for the current year and another for last year so that comparisons can be drawn.

An example P&L is shown here

2.9 Balance Sheet

The Balance Sheet shows all the clubs Assets and Liabilities.

The difference between these is how much the club is worth (or not).

The normal way of laying this out is to first show all the assets and their total. Then show all the liabilities and their total. Finally show the difference.

The assets are usually listed as Fixed Assets (after deducting depreciation), Stock, Bank and Creditors.

You need to deduct from the Assets any Income Prepayments and add any Expenditure Prepayments..

Similarly you need to deduct from the Liabilities any Income Accruals and add any Expenditure Accruals.

You might want to show the individual items that make up the Prepayments and Liabilities rather than showing them as bulk figures.

Prepayments adjust Assets and Accruals adjust Liabilities.

The Balance Sheet is a snapshot of the clubs financial position.

If you take the Balance Sheet at the beginning of the financial period and then at the end then the difference should be as shown by the Profit and Loss Statement.

It is normal for a Balance Sheet to have two sets of figures, in columns, one for the current year and another for last year so that comparisons can be drawn.

An example Balance Sheet is shown here

2.10 Cash Flow Forecasts

A cash flow forecast is rather like a budget in that it is a plan for what the clubs cash position will be over a period of time.

Having a cash flow forecast allows you to act with confidence in terms of paying out large sums if needed and conversely transferring money to a higher interest account.

It is particularly valuable to have a cash flow forecast for clubs that have a fixed membership year end rather than those with a rolling membership system. It is also valuable for clubs that put on large events that need a quantity of cash for deposits etc.

Preparing a cash flow forecast is relatively easy. All you need to do is to make a grid of periods (monthly or weekly) stretching out across the period of interest. You need four columns, one each for Period, Cash In, Cash Out and Net Balance.

Next, for each period, enter the amount of cash expected in and out. Finally calculate the net cash balance which may be positive or negative.

To avoid running out of cash you need to make sure that enough cash is added to the current account at the appropriate times.

A club may make a profit or a loss in a year. Making a loss in itself will not threaten a club. What will is running out of cash. As long as you can keep paying the bills you can keep going.

2.11 Reserves

It’s always a good idea for clubs to keep some money above and beyond their immediate needs in case of unexpected circumstances.

However it is not a good idea for clubs to accumulate disproportionate amounts of money. Doing so will cause energy within the club to be diverted to ‘looking after the money’ and so away from the clubs true aims of putting on events, getting new members and having a good time.

At the extreme end having too much money can actually threaten the existence of a club as the only way that it can be distributed amongst the members is if the club is dissolved. A number of private member clubs in the UK have met their demise in exactly this way.

You may think it is hard to accumulate money in a club. In fact it is probably much harder to reduce the amount of money that a club has as spending it will probably be very controversial.

The question is then – how much money should clubs have in reserve?

This is largely a matter of taste and is an easier question to answer if you have a cash flow forecast.

However it is hard to see how a club can need more than a years worth of income or expenditure (whichever is the greater) at the lowest point of its finances in a year.

So if a club has a rolling membership year then a years income (or expenditure) should be plenty in reserve.

A club with a fixed membership year will get nearly all its subscription income at the same time of the year. For these clubs they will start their membership year with the most money they will have and end it with the least. Such clubs should start the membership year with a maximum of twice their annual income (or expenditure) and end it with an amount equal to their annual income (or expenditure) before the circle starts again.

These are maximum recommended amounts. Most clubs will be perfectly happy with amounts that are half the amount of their annual income (or expenditure) lower than these figures.

To summarise in a table.

Membership Type	**Max Reserves**	**Min Reserves**
Rolling Membership Year End	1 x Annual Income (or expenditure)	0.5 x Annual Income (or expenditure)
Fixed membership Year End	2 x Annual Income (or expenditure) at start of Membership Year 1 x Annual Income (or expenditure) at end of Membership Year	1.5 x Annual Income (or expenditure) at start of Membership Year 0.5 x Annual Income (or expenditure) at end of Membership Year