

VisionVPM

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A division of Provet NZ Pty Limited

VisionVPM General Ledger



Taking care of business...Everyday!

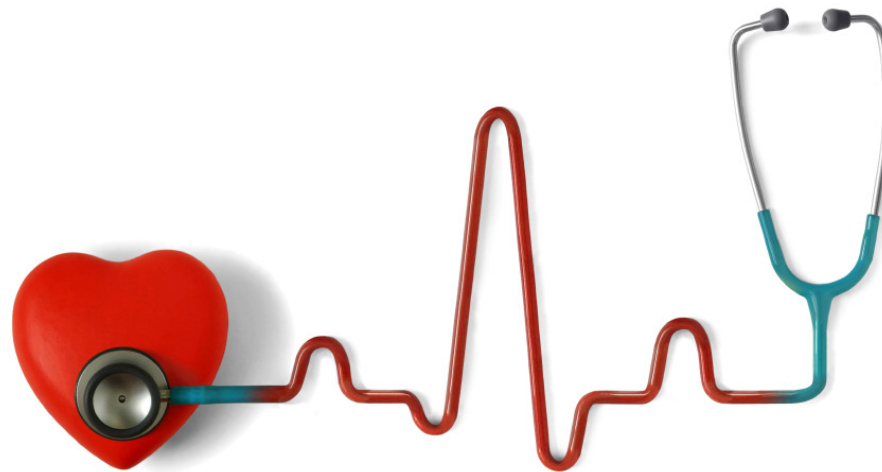
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VisionVPM General Ledger

The Heart of the Practice



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The E-Myth™

- “Entrepreneurial Seizure”
- Often the seizure is money based
- Why do we not then value the \$\$?



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Welcome to the **VisionVPM** General Ledger Seminar

Rocket Science 101



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What is the General Ledger?

- Financial Scorecard
- Where the rubber meets the road
- The proof of the pudding
- See the results of all other strategies
- The basis for any future planning



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What is in the General Ledger?

- Meeting place for \$\$ value of all transactions
- Financials are made up of 4 main sub-ledgers
- Debtors Ledger – what is owed **to** us
- Creditors Ledger – what is owed **by** us
- Stock Ledger – inventory on hand in \$\$
- Bank Ledger – cash we have on hand in \$\$





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Bean Counting 101



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Basic Accounting Rules

Theory of relativity

- The total of assets must always equal the total of liabilities

Timing

- Should try to match Income and Expenses in the same period





Principles of Debit and Credit

For Every Transaction

- Value of Debits = Value of Credits

Extended accounting equation

- **A + E = L + OE + R**
- (where **A** = Assets, **E** = Expenses, **L** = Liabilities, **OE** = Owner's Equity and **R** = Revenues)
- Debit Accounts (**A+E**) = Credit Accounts (**L+OE+R**)





Bean Counting 101

Only **5 categories** of accounts in the GL

- **Assets** – Things you own or are owed - DR
- **Liabilities** – Things you owe - CR
- **Income** – Money you've earned - CR
- **Expenses** – Money you've spent – DR
- **Capital** – Money you owe to the shareholders -CR

Often broken down further into sub-categories





Bean Counting 101

Assets

- **Current Assets** – Things you can turn into cash quickly
- **Fixed Assets** – Plant and Machinery
- **Intangible Assets** – Things you own but can't touch, goodwill or IP





Bean Counting 101

Liabilities

- **Current Liabilities** – Things you need to pay for in the short term
- **Long Term Liabilities** – Things you don't need to pay for in the next 12 months





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Bean Counting 101

Owners Equity – a special liability

- **Funds Introduced** or Capital
- **Retained Earnings** – Profits kept in the business for use to expand



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Bean Counting 101

Income

- **Sales Income** - Money earned from normal trading
- **Other Income** – Interest Received



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Bean Counting 101

Expenses

- **Cost of Sales** - Money spent on stock to sell
- **General Expenses** – Money spent on running the business





The Chart of Accounts

The Chart of Accounts is the structured set of account numbers that an organization uses to gather, record, report and analyze financial transactions





The VisionVPM Chart of Accounts Structure

- 100 – 199 Sales or Other Income
- 200 – 299 Purchase or Cost of Sales
- 300 – 399 Expenses
- 400 – 499 Current Assets
- 500 – 599 Current Liabilities
- 600 – 699 Fixed Assets
- 700 – 799 Long Term Liabilities
- 800 – 899 Capital or shareholders funds





Account Details Screen

Account Details - 4011

Save F7 Cancel F8 Insert F5 Edit F6 Find F4 Activity/Y Balances Close F9

Account Code: 401 Current Account

Subtotal To: [dropdown]

Page No: [input]

Sales
 Purchase
 Other Income
 Expense
 Current Asset
 Current Liability
 Fixed Asset
 Term Liability
 Capital Account
 Owners Expenses

Zero Rated for GST ?
 Bank Account

Level: 0
System ID: 12





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Let's look at an example of a **Poor Chart of Accounts**



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GL Account Defaults Control Accounts



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**So we've now got a cool chart of
accounts and we've set up our
control accounts**

What Next?



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Getting Started with your GL and keeping it working for you



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GL Opening Balances

Unless you're a brand new clinic then you **WILL** have opening balances.

The really important opening balances are

- **Debtors**
- **Creditors**
- **Stock**
- **Bank**

These balances represent the big 4 sub-ledgers that "MUST" balance with the General Ledger





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Can a clinic start using the GL at any time?

The answer to this is **"Yes"** of
course. It just takes a little more
effort



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Can a clinic start using the GL at any time?

“Yes” of course, it just takes a little more effort

- Need to address opening balances
- Especially the **4 critical sub ledgers**
- Start with year end \$\$ supplied by accountant
- General Journal entries for differences except **big 4**
- Once you have balanced to the end of previous year
 - Do a “Junk” “Bank Reconciliation” first



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The Secret to Mastering the GL

The Bank Reconciliation

- Current Bank Statement
- Last Closing Balance
- Drs and Crs reconciled
- Good Eyesight & Sense of Humour
- Don't limit to the physical bank a/c





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General Journals

- What to use for
- Accruals and Provisions
- Adjustments



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What else needs to be done with the GL to keep it up to date?

- Decide Reporting Schedule
 - Monthly, Quarterly or Yearly?
- Post cost of sales journals
- Other general journal entries –
Depreciation, Accrued Expenses



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End of Month Processes & Reporting



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End of Month Processes – Part 1

- End Of Month Procedures – Main menu
- Review Aged Debtors & Print Statements
- Debtors Reconciliation
- Creditors Invoices
- Creditors Reconciliation
- Reconcile to Creditor Statements



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End of Month Processes – Part 2

- **MUST** have completed EOM Part 1
- Post “Cost of Sales” journal
- Are my stock balances correct?
- To “Tick” or “Not Tick” ?





One Last Thing!

Update the Closed Period date
so that entries cannot be
erroneously posted an earlier period

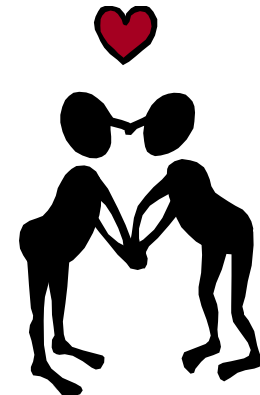
Do this through maintenance menu
– closed period





End of Month Reporting

- What Reports Do I Need?
- Basic Management Reports
- Meaningful to you or the owner
- Not just \$\$ reports from the GL
- Report on your KPIs
- Report in a timely manner
- Make Decisions
- KISS





Financial Reporting

- Trial Balance – does it balance?
- Profit & Loss Report – sub-total?
- Balance Sheet





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What can we do to improve the Financials?

- Keep it simple
- Improve Debtors outstanding
- Improve Inventory Turns
- Reduce the minor expenses



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Debtors Collection Ratio

- Debtors \$ / Monthly Sales \$ * 30
- \$2mill / \$1mill * 30 = 60 days
- 5 day improvement results in an extra **\$166,667** in bank account
- Get on the phone & start collecting



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Inventory Turns Ratio

- $\text{COGS} / \text{Average Stock} = \text{Turns}$
- $\$6\text{mill} / \$1\text{mill} = 6 \text{ times per year}$
- Improve by 0.5 turn equates to **\$77,000** extra cash in bank





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Days of Inventory on Hand

- Average Stock/COGS X 365days
- \$1mill / \$6mill * 365 = 60.8 days
- 5 Day improvement results in an extra **\$82,000** in our bank account



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Expenses

What Can We Do ?

- **Wages** - the biggest expense
- Look at the smaller expenses first
- What does it cost to run the clinic
- Office Expenses, Phones, Stationery





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Budgets, Cash Flows and Forecasts



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Budgets, Cash Flow & Forecasts

- Is this a **“Guesstimate”**?
- Integral component of a business
- Based on
 - Past history
 - And future knowledge
- Must include a “Cash Flow”
- Must be updated regularly





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End of Year Rollover



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End of Year

What Do I Need To Do?

- Do your normal monthly reports
- Stocktake
- Review Aged Debtors for problem accounts
- Reconcile all accounts – not just the bank a/c
- Hand over reports to external accountant
- Input journal entries for adjustments that accountant makes
- Ensure that GL reports balance with theirs
- End of Year rollover





End of Year Rollover

What Does It Do?

- Closes off financials
- Creates new O/B's in the balance sheet
- Does NOT remove any records
- Resets the "Year Begins" date
- Should make transaction searches faster





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GST



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GST Reporting and Reconciliation

Balance of GST report should equal activity in GST Control account

What causes GST to be incorrect?

- Entering data into previous period
- GL or Client accounts or Stock items incorrectly zero rated for GST
- Entry against the wrong GL account





GST

How do I reconcile discrepancies?

- Main > GL > Reports > GST Reconcile
- Investigate entries and fix or resolve





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Sales Groups and Stock Analysis Groups



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Sales Groups

- Sales Groups = GL Accounts
- One Stock Item = One Sales Group
- Any changes are not retrospective
- Suggest to keep these to a minimum to reduce clutter





Stock Analysis Groups

- Stock Analysis Groups = any grouping that you wish to use to analyse inventory reporting
- One Stock Item = Multiple Analysis Groups
- Any changes ARE retrospective





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Assets



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Assets

- Fixed Assets such as Plant or MV
- Another form of sub-ledger
- Can balance to the General Ledger
- Although not critical





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You have now passed Bean Counting 101

**Don't forget to pick up your MBA
as you leave the building**



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Final Questions ???



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