

LOGGING BUSINESS RECORD-KEEPING -
THE ACCOUNTANT'S PERSPECTIVE

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INTRODUCTION

Question: Why do we keep records?

Answers: 1) Statutory Requirements

- Inland Revenue Department requirements
 - Income Tax
 - Goods and Services Tax
 - ACC levy assessment
- Department of Statistics Census Forms
- Companies Office

2) Management Requirements

- Evaluation of business performance
- Budget preparation
- Financial Planning
- Supporting information for Bankers, Financiers and Insurers

All requirements that fall within 1) above are compulsory compared with those that fall within 2) above which are not.

This, however does not mean that the Management requirements are any less important. Financial planning and budget preparation are vital ingredients when looking at successful recipes for business. This is especially so in an industry which is

feeling the economic pressures as hard as the logging industry is.

The common and important factor in satisfying either Statutory or Management requirements is GOOD RECORD KEEPING.

Types of Records

The following is a very brief overview of some of the more important records which must be kept from a financial point of view:

a) Invoices and Statements

These are the basic raw data from which your business can be financially traced. They should be filed with a notation of when paid and a cheque number reference. They can be filed either alphabetically or bunched/collated separately to coincide with each GST return.

b) Bank Statements

These are used for the preparation of financial statements, GST returns, and a constant reference source for the checking of payment dates etc.

c) Cheque Butts

Require very careful notation on each butt so that the bank statements can be used without always referring back to raw data.

d) Vehicle Log Books

e) Wage Records

These must be kept accurate and up to date. It is essential that an IR12 is completed by all employees when they commence employment.

f) GST returns

Copies of each return plus supporting work sheets should be kept.

Note that all records must be kept for at least ten years.

PRACTICAL CONSIDERATION

Regardless of who performs the book-keeping function, certain principles apply:

Records should be:

Obtained, i.e.

- Always have a tax invoice to support a statement.
- Always keep the statement - only send in the remittance advice.
- If paying cash or paying for something other than an account then obtain dockets which clearly evidence the purchase.
- Do not leave invoices or dockets lying around in the truck or car. Clip them to the sun visor before transferring them to a file in the office.
- Hand written notes are often very helpful when buying second hand goods for which there is no formal documentation.
- All records should be checked and annotated while recollection is fresh.

Kept and Stored

- Remember filing systems are a cheap and tax deductible investment. A

filing cabinet can always be used and has the added advantage of being fire-proof.

Retrievable

- This implies indexing, i.e. every statement should have a cheque and date reference. They should be filed alphabetically and month by month, then year by year.

RECORDS FOR MANAGEMENT ACCOUNTING PURPOSES

As stated in the introduction to this paper, I feel that financial planning and budget preparation are absolutely essential for any business and therefore records must be kept which help with the construction of these plans and budgets.

In certain cases the records required may go beyond just financial documents to include details of outputs, quantities of consumable items used (such as wire ropes, tyres etc), number of men employed, hours worked in the month etc - in other words, information that is other than purely financial. When information such as this is available it can be converted into much more meaningful financial information. For example, an item "cost of tyres = \$2,000" may not mean much by itself. The tyres may have replaced a set which lasted 1000 hours (\$2.00 an hour), or 2000 hours (\$1.00 an hour). Only with some measure of tyre life do we have a figure which can be usefully used in budgeting and contract rate calculations.

Similarly, total logging costs for 1986 may have been \$220,000 but in 1987 only \$200,000. This does not necessarily mean that the performance improved in 1987 - output in 1986 may have been 230 000 tonnes (i.e. cost = \$9.56 per tonne) and in 1987 output may only have been 200 000 tonnes (i.e. cost = \$10.00 per tonne).

Whenever non-financial records are kept, it is essential that the

vitalness of financial information is not lost and that the real benefits are not obtained until we see the conversion into dollars and cents.

As the records described by Quentin Tombleson are a good example of keeping both physical and financial information together in such a way that it can be processed usefully, I will not expand on this section any further.

RECORDS AND THE ACCOUNTANT

The days of dropping a box of invoices, bank statements and cheque butts on the Accountant's desk with the instruction "Here, you sort this mess out" have definitely long gone. It is necessary now for every logging contractor to have as good a financial insight to his business as his Accountant.

This cannot be done without maintaining a good recording keeping system.

When collating the records for presentation to the Accountant, you should check that:

- 1) All the bank statements for the period concerned are there.
- 2 That all cheque butts have adequate descriptions on them.
- 3) That all documentation pertaining to hire purchases, loans and any other financial contracts are present.
- 4) That all GST returns and working papers for the period are available.

Ensuring that all this has been done before the interview with the Accountant will make the preparation of financial statements a lot quicker and there will be less queries. This will have the added benefit of ensuring that your accountancy fees will be kept to a minimum.

It must be remembered that your Accountant wishes to be of as much assistance as possible, however, he is working from your raw data therefore the more complete this data is, the more helpful your Accountant will hopefully be.

