THE BOOKKEEPING CYCLE

An important area of understanding for any new bookkeeper is the bookkeeping cycle, which describes the standard order of bookkeeping processes. The simplest bookkeeping cycle involves recording transactions, allocating transactions to the correct general ledger accounts, and summarising the financial data into reports.

Recording

Classifying

Summarising

The bookkeeping process repeatedly cycles through recording, classifying and summarising, according to the tasks and deadlines required by the business. Some cycles are daily, others weekly, and there will generally be monthly, quarterly and annual cycles.

Different clients will require different cycles and procedures. An essential adjunct to the bookkeeping cycle is your workflow process and client task management. When starting out, this may be achieved with simple spreadsheets; however, once you have a few clients, it will be more efficient to use practice management tools and technology to make workflow management efficient and well-organised. You will need to easily keep track of all the tasks associated with different client cycles and deadlines.

Beyond the bookkeeping cycle is BAS services and advisory work. These are areas that you can move into once you have enough experience and confidence with the bookkeeping cycle to start offering more valuable services to your clients.

**Recording**

Transactional data is entered into accounting software through manual entry, data capture from optical character recognition apps, data imports, and bank feeds.

This data includes bank transactions, receipts, bills, invoices, sales and purchases.

Historically, bookkeeping involved a great deal of manual data entry. These days with bank feeds and data imports, there is far less time required for data entry.

This allows the bookkeeper more time for analysis of the accounts.

Payroll is another aspect of recording information, which may involve data imported from dedicated payroll solutions or manual payroll entry according to the employer's pay cycle. Most payroll functions involve BAS services.

**Classifying**

Once the information is received or entered from the source documents or data imports, the transactions must be allocated to the correct general ledger account; this builds the foundations for accurate financial reporting.

Although accounting software is becoming more automated, automatic allocations must be reviewed to ensure the allocations are accurate.

Accounting software solutions have functions to allow for easy searching and analysis of general ledger accounts and fast recoding of incorrect accounts.

**Summarising**

Summarising the information for accurate financial reporting requires reconciliation of all cash and bank accounts, payment platform accounts, loans, and liabilities such as superannuation or PAYGW. Control accounts for GST, accounts receivable and payable should also be reconciled prior to producing reports.

This stage of bookkeeping may also involve journal entries for accounting movements.

In this final bookkeeping step, we bring the accounts to trial balance. By summarising the transactional and accounting data into financial reports, we can provide business owners, governing bodies, and shareholders with the required information to make better strategic and investment-based decisions.

**Bookkeeping Processes**

The process of bookkeeping for a business encompasses all areas of a business’s operations. As a bookkeeper, you will need to become familiar with all areas.

* Accounting software and business systems technology.
* Task management, including reporting and compliance deadlines.
* Sales, invoicing, receiving payments and accounts receivable management.
* Purchases, orders, bills, paying suppliers and accounts payable management.
* Payroll processing and reporting.
* Bank transaction allocations and reconciliations.
* Reconciliation of control accounts and other relevant balance sheet accounts.
* General journal entries.
* Reporting according to business owner, ATO and other compliance requirements.

BEYOND THE BOOKKEEPING CYCLE

Most accounting technicians plan to progress beyond basic bookkeeping, although not all will become BAS agents. As an accounting technician becomes more familiar with a client's business, they become a trusted and valuable member of the owner's advisory team. The accounting technician is often involved in daily transactions and business operations and is able to provide practical advice and insight to the business owner.

Once an accounting technician has become comfortable with the bookkeeping cycle and is familiar with the accounting software, most will continue to learn about technology solutions and apps that will benefit their business clients. Understanding the business operations means that the accounting technician is in the perfect position to advise the owner about digital business, cyber security, streamlining systems, and generally improving the business's financial performance.

BAS Agent

Once qualified, bookkeepers must gain at least 1,000 hours of relevant experience under a registered agent’s supervision before applying for registration as a BAS agent.

Once registered, a BAS agent can then provide BAS services such as superannuation, PAYGW, activity statements, taxable payments reporting and other BAS services.

Advisory Services

Many BAS agents will naturally want to evolve their work into offering advisory services. This could involve services such as cyber security advice, transitioning to digital business, setting up online shops, integrating accounting software with specialised add-on solutions and cash flow forecasting.

THE REPORTING CYCLE

Financial reporting is key to a bookkeeper’s role.

Without accurate transactional data, financial reports cannot be produced or relied upon. Recording and classifying the data requires verification of the general ledger account values in the accounting software. It’s not enough to rely on the data in the software without knowing how to validate the data or understand the big picture of what the financial reports are telling you.

When you are new to bookkeeping, understanding the financial reports may be difficult. Over time, and with good training and mentoring, you will come to understand the story the financial reports are telling you so that you can advise business owners and help them better understand their business performance.

You need to produce accurate reports, pick up errors or questionable values on financial reports, and know how to fix any issues. Most small business owners do not know how to read financial reports or pick up mistakes or inconsistencies, which means they rely on you to help them appreciate their financial position. Not only do you need to know how to produce and read financial reports, but you also need to be able to explain the information to the business owner in language they can understand.

The job of an accounting technician is vital to your clients' success, as providing accurate and timely information allows a business owner to make the right decisions at the right time to benefit their business.