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▶ FINANCIAL
MANAGEMENT



community resource kit



For full details and contents of the kit please read the introduction at www.community.net.nz/how-toguides/crk.

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introduction



what's financial management?

Financial management is managing money received or spent. Doing it well is essential to any group's survival. Financial management has three basic parts to it:

1. planning (on how to raise and spend money)
2. record keeping
3. reporting.

policies and procedures

In addition to the three aspects of financial management just mentioned, your group should also have some set policies and procedures that must be followed when it comes to looking after money. This will make it easier to keep track of the money that comes into the organisation and how it is spent.

Some areas to have policies and procedures for include:

Cash receipting:

- writing receipts for cash received – such as donations, membership fees etc
- banking cash as soon as possible after it is received
- banking all money received (i.e. don't use it to pay for costs).

Making payments:

- pay for all purchases and expenses (except for small, petty cash items), by cheque or direct credit
- have a system for approving payments
- have designated cheque signatories and two signatures on every cheque
- have a system for filing invoices
- have a petty cash system for small payments – with procedures to balance and reimburse it.

Refer to "Section 5 – Policies" for more detail about developing policies for your group.

TIP

what's in this section?

In this section we will cover the three aspects of financial management listed above. We will also give guidance and provide samples of financial documents for organisations using either a computer accounting package or a cash book accounting system (using either a manual or computer spreadsheet).

In addition to financial management, we cover tax matters and details on the requirements for filing annual returns and financial statements. Finally, we list some references for further information and a glossary of financial management terms.

uses of financial information

Financial information can be used by management, workers, Inland Revenue, the Charities Commission, funding agencies and the general public. It is used to assess:

- that the finances are being used well to meet the objectives of the organisation
- performance and that the work is cost-effective
- the organisation's financial position
- all legal requirements are being met
- the extent to which planning for the future is being undertaken.

acknowledgements

The three main sources of information for this section were: *Financial Training for Not-For-Profit Community Groups* developed for the Auckland City Council; training supplied to not-for-profit groups by the Community Accounts Mentoring Service (CAMS); and Inland Revenue material.

financial planning



financial plan

A financial plan shows what your total expenditure is likely to be and when money will be required. A financial plan may include a:

- **budget** – forecasting income and expenditure for the next 12+ months
- **cash flow forecast** – a monthly break down of the receipts and payments, including the opening and closing bank account balances.

BUDGET

The treasurer usually has the key role in preparing the budget but he or she will need to work closely with the other members of the organisation. A budget can be prepared in a spreadsheet. Once the budget has been approved it is added into your accounting system to ensure the organisation can use it to compare to actual income and expenses. If you use a cash book accounting system (either computer spreadsheet or manual cash book), it is still important to compare the actual financial performance with the budget – refer to the “Monthly reporting” section.

To prepare a budget:

- start with your actual income and expenditure from last year (or two if this is available) – new groups will have to start with their best guess of what to expect
- add what you know about the coming year
- adjust and modify until you have a realistic and reasonable budget
- get the budget approved by your management committee or governing body.

You may want to start with your planned expenses to calculate the total cost then you can focus on what income and funding is required to cover that total cost.

CASH FLOW FORECAST

It is important to do some cash flow forecasting throughout the year to ensure that you know when there may be highs and lows in your income so that you can plan your activities around these. This will help to avoid the situation of the bank bouncing your cheques.

A cash flow forecast helps ensure that you can meet monthly fixed costs (e.g. wages) when your income is not coming in regularly. By cash flow forecasting, you can also maximise interest earnings from investments by investing your money until it is required to pay for something.

To prepare a cash flow forecast:

- use the budget (prepared above) and break it down by month
- add in opening bank balance and calculate closing balance.

Information on preparing a cash flow budget is available electronically from Inland Revenue’s website (www.ird.govt.nz) along with other useful information.

TIP

TIP

financial record keeping

treasurer's roles and responsibilities

The treasurer is the person on the board or committee who takes overall responsibility for the financial management of an organisation on behalf of its governing body. The amount of work involved for the treasurer will depend on the size and type of organisation and on whether there is a financial administrator on staff who can carry out some of the tasks.

To help with his or her duties, the treasurer should have:

- a copy of the group's constitution (or rules)
- copies of previous annual financial accounts
- had a discussion with their predecessor to obtain any relevant information or advice
- had a discussion with the group's auditor (if there is one) on any issues that may need to be addressed in the operation of the group arising from the last audit and find out what's likely to be needed for the next audit (if the accounts are audited).



Checklist of treasurer's overall duties

A treasurer takes responsibility for the financial management of the organisation. The treasurer carries out the following overall duties:

- sets up and oversees bank accounts on behalf of the organisation (most organisations have a cheque account, a savings account, and term deposits)
- ensures money received is receipted and banked promptly
- invoices anyone who has purchased goods or services (rentals, use of equipment, membership fees etc) from the organisation
- signs cheques on behalf of the organisation (at least one other person should co-sign the cheques)
- make payments as required (see the next page for more details)
- maintains accurate records of income and expenditure
- files GST and tax returns
- keeps an accurate wages book and makes PAYE payments as required (where there are paid employees)
- prepares annual budgets for the forthcoming year
- manages a cash flow record and also the organisation's investments e.g. term deposits and property management (in association with the committee)
- maintains an appropriate accountability system for grants received
- prepares and presents monthly financial reports for management meetings
- prepares accounts for auditing and provides information for the auditor as required
- prepares and presents the Annual Financial Report to the Annual General Meeting/Hui-ā-Tau.

✓ Checklist for making payments

In addition to the overall duties (just mentioned), when making payments, the treasurer should make sure that:

- all payments are made by cheque (or direct debit) and on time – the exception is for small items paid out of petty cash
- there is a proper GST invoice before making payment – it's easier to get the supplier to issue a correct invoice if they haven't yet received the payment (see the sample of a proper GST invoice)
- all invoices are checked for accuracy before making payment – also check that the goods or services have been received (tick off items listed on the packing slip/invoice) and that they are satisfactory
- volunteers' out-of-pocket expenses are always paid promptly
- there are two cheque signatories when making payments – this should be expressly included in the organisation's constitution
- file invoices in cheque then date order.

In small community organisations, the treasurer should prepare a list of the cheques written out during the month and present them to the regular committee/board meeting to be approved. If possible, the treasurer should write out the cheques and get them approved at the meeting. This is not appropriate for larger organisations that have established systems for controlling cheque payments.

TIP

financial records

Many of the major problems for organisations arise from poor record keeping of financial transactions. The treasurer must be able to provide documentary evidence of every transaction made in order to prove the validity of his or her records and to satisfy the auditor (if an audit is required).

The treasurer (and/or financial administrator) is responsible for maintaining the following records (which are dealt with in more detail below):

- subs or membership register (in the case of clubs)
- receipt book for monies received
- a file for keeping your income invoices and paid accounts
- petty cash book
- an accounting system (preferably a computerised package e.g. MYOB) to account for all transactions.

TIP

Although having a computerised accounting system can make things a lot easier for you, some organisations may not be able to do this. You can use a cash book accounting system to keep track of your finances, either using a computer spreadsheet (e.g. Microsoft Excel) or a manual multi-column cash book (see later).

The treasurer (and/or financial administrator) is also responsible for maintaining the following (which are dealt with in various parts of this section or other parts of this kit as indicated):

- financial statements i.e. statement of financial performance (profit and loss) and statement of financial position (balance sheet) – see later section "Financial Reporting"
- budgets – see earlier section "Financial Planning"
- PAYE returns – see later section "Tax Matters"
- GST returns and calculations – see later section "Tax Matters"
- funding applications – see *Section 7 – Raising Funds*.

RECEIPT BOOK

When cash is received, a receipt must be issued to the payer which records:

- the date
- name of payer
- amount received
- what the money is for (e.g. sub, donation etc).

TIP

People making a donation to your group of \$5 or more can claim this as a tax deduction if:

- your group is registered with Inland Revenue as a donee organisation and
- they include a receipt for the donation with their tax return.

FILING INCOME INVOICES AND PAID ACCOUNTS

- file all income invoices in date order
- write the cheque number and date on all paid accounts and file in cheque number order
- consider keeping a separate file for all Inland Revenue returns and statements (GST and PAYE).

PETTY CASH BOOK

Petty cash is used to pay for small items for which it's not always convenient to pay by cheque (e.g. stamps, milk, pens, or bus travel).

When setting up a petty cash book (see later sample) you'll need:

- a petty cash tin or purse to keep the money in
- a petty cash book to record expenses.



Petty cash checklist

To start using your petty cash system:

- write out a cheque for cash, recording it on the cheque butt as "petty cash"
- keep petty cash in a separate secure place
- make sure you receive a receipt for each petty cash purchase
- record the purchase, with the type of expense, in a petty cash book (see sample)
- keep a running reconciled balance
- when your petty cash gets low, write out a new cheque for cash for the amount that you have spent, to bring the petty cash back up to the original amount.

Other things to remember are:

- The first petty cash cheque is not an "expense" – it cannot be claimed for income tax and GST – it is just to open the petty cash book. This would be coded to your petty cash asset in the statement of financial position.
- The reimbursements will be for the amount spent and therefore will be coded accordingly and any GST claimed.
- The petty cash book should be balanced at regular intervals. The balance in the petty cash will be the previous balance, plus any re-imbursements, minus the receipts as listed.
- Reimbursements from petty cash are subject to audit along with the organisation's other financial systems.
- Any cash received should be banked and not put into the petty cash.

Sample petty cash book

XYZ Community Group Inc
Petty Cash book

DATE	DETAILS	IN	OUT	BALANCE
01/01/06	Opening balance			\$50.00
07/02/06	Postshop – stamps		\$13.50	\$36.50
07/02/06	Stationery		\$8.80	\$27.70
14/02/06	Tea/milk		\$6.60	\$21.10
21/02/06	Postage		\$6.50	\$14.60
21/02/06	Milk, biscuits		\$6.40	\$8.20
28/02/06	Cheque 123	\$41.80		\$50.00

computerised accounting systems

As mentioned earlier, a computerised accounting system is the best option for most organisations.

✓ Checklist for a computerised accounting system

There are many computerised accounting packages on the market and choosing the right one is important. Features that need to be considered are:

- can the system calculate GST and allow you to allocate GST by individual transactions?
- can it track funding or project spending?
- can you produce a full set of financial accounts (profit and loss and balance sheet)?
- are you able to process journal entries (adjustments other than banking)?
- is the system user friendly (you can usually get a free trial package before you buy)?

CHART OF ACCOUNTS

Once you have chosen your accounting package and installed it, you need to consider setting up your chart of accounts (see following sample). This is a list of all types of income, expenditure, assets, liabilities and equity.

It is important to spend some time considering who will be requiring information from you and what sort of information they will require. This will help you decide what level of detail is required in your chart of accounts. For example, a manager may need to know how much is spent on cell phones versus landline phones. Therefore you would have two categories for telephone in your chart of accounts. Whereas another organisation might not need that level of information and therefore only has one category for telephone.

Sample chart of accounts

A COMMUNITY GROUP INC**1-0000 Assets**

1-1000	<i>Current Assets</i>	
1-1110		Cheque Account
1-1120		Savings Account
1-1130		Term Investment
1-1140		Petty Cash
1-1200		Accounts Receivable
1-2000	<i>Other Assets</i>	
1-2100		Prepayments
1-2200		Deposits Paid
1-3000	<i>Fixed Assets</i>	
1-3110		Office Equipment at Cost
1-3120		Office Equipment Accum Dep'n
1-3200		Computer Equipment at cost
1-3210		Computer Equipment Accum Dep'n

2-0000 Liabilities

2-1000	<i>Current Liabilities</i>	
2-1000		Accounts Payable
2-1100		Unspent Grants
2-1300		GST
		2-1310 GST Collected
		2-1320 GST Output Tax Adjustment
		2-1330 GST Paid

3-0000 Equity

3-1000	Opening Retained Earnings
3-9000	Current Year Earnings
3-9999	Historical Balancing

4-0000 Income

4-1000	<i>Grants</i>
	4-1100 Council Funding
	4-1200 Lotteries
4-2000	<i>Contracts</i>
	4-2100 Child Youth and Family
	4-2200 FACS
4-3000	<i>Fundraising Income</i>
	4-3100 Market Day Income
4-4000	<i>Subscriptions Received</i>
4-5000	<i>Interest Received</i>
4-6000	<i>Other Funding</i>

continued over page...

Sample chart of accounts continued...

5-0000 Expenses

5-1000	<i>ACC Levy</i>
5-1200	<i>Audit Fees</i>
5-1300	<i>Advertising</i>
5-1400	<i>Bank Charges</i>
5-1500	<i>Cleaning</i>
5-1600	<i>Depreciation</i>
5-1700	<i>Electricity</i>
5-1800	<i>Fundraising Expenses</i>
	<i>6-1820 Market Day Expenses</i>
5-1900	<i>Insurance</i>
5-2000	<i>Office Supplies</i>
5-2100	<i>Rent</i>
5-2200	<i>Subscriptions</i>
5-2300	<i>Telephone</i>
5-2400	<i>Travel</i>
5-2500	<i>Volunteer Expenses</i>
5-2600	<i>Wages & Salaries</i>

OPENING BALANCES

If this is your first financial year you will have no opening balances to begin with. However if you are changing to a new accounting package you will need to enter your opening balances from the statement of financial position (balance sheet) from the last financial year (i.e. last year's closing balances becomes this year's opening balances).

NAMES FILE

Most accounting systems will require you set up a name or card file for each person or organisation you have transactions with. Some systems allow you to add in contact details and notes etc, which you may want to consider if this information is not recorded elsewhere.

PROCESSING TRANSACTIONS

Most accounting systems work in the following two ways:

1. Processing your transactions direct from the bank statements as money in and money out.
2. Entering in invoices to be paid and then processing the payment against the outstanding invoice (and vice versa for income).

The first option is quicker as the transaction is only handled once. However the second option allows you to know how much money is outstanding and how much money is owed to you (creditors and debtors). You need to consider what is useful for your organisation compared to the extra administration time required.

GST PROCESSING

Most accounting systems will ask you to allocate GST on each transaction. Some account codes will have a default GST code set up. The code should still be checked before recording. It is also important to check the tax invoice at the time you are entering the information into the system to see if it is a proper GST invoice or not (see sample on the next page).

BANK RECONCILIATION

It is important to reconcile your bank accounts at least monthly (see sample below). Most systems will have a separate function to reconcile the bank. Once this is completed, you can print off a bank reconciliation report that is kept with the bank statements.

Sample monthly bank reconciliation

XYZ Community Group Inc
Bank Reconciliation for the Month Ended 28 February 2006

Opening cash book balance as at 1 Feb 2006		\$ 550.00
ADD total receipts for the month		\$ 4131.20
		\$ 4681.20
DEDUCT total payments for the month		\$ 402.20
CASH BOOK BALANCE AS AT 28 FEB 2006	(A)	\$ 4279.00
Balance as per bank statement as at 28 Feb 2006		\$ 320.80
DEDUCT unpresented cheques	\$	
No 123	\$ 41.80	
	\$	\$ 41.80
		\$ 279.00
ADD outstanding deposits	\$	\$ 4000.00
	\$	
ADJUSTED BANK BALANCE AS AT 28 FEB 2006	(B)	\$ 4279.00

To be reconciled **(A)** must equal **(B)**

Note: If the bank account and the cash book are in overdraft, the above instructions are changed as follows: **ADD** becomes **DEDUCT** and **DEDUCT** becomes **ADD**.

cash book accounting system

While a computer system makes financial recording and reporting easy, for small community groups a cash book accounting system is adequate.

A cash book is a spreadsheet, either in a multi-column book or on a computer (see sample on following page). It records all financial transactions, keeps you financially up-to-date, and allows you to keep control over your finances. The cash book keeps track of receipts and payments. It tells you:

- how much money has been paid into the bank
- where the money came from
- what cheques have been paid out, to whom and for what
- the total for the month or year for specific purposes e.g. rent
- the total for the month or year for all income and expenses
- your current bank balance.



Cash book checklist

To operate a cash book:

- use a cash book with as many columns as you think you will need – in a manual system, a 16-column book is best
- start each month on a new page (or spreadsheet)
- use the income and receipt columns that are most relevant to your organisation
- where possible, have separate columns for expenses that occur frequently
- make sure you write (or enter) the cheque number in the cash book – this makes it easier to reconcile with the bank statement
- if you are GST registered, set up separate columns for GST paid and received (manual cash books are more appropriate for smaller groups that are not GST registered)
- when you receive your bank statement, enter any automatic payments, bank fees or other items that appear on the bank statement
- add all the columns up at the end of the month and make sure the total of the "income" columns equals "receipts", and the total of the "expenditure" columns equals "payments".

Balancing the cash book will double-check your figures. The "expenditure" columns should add up to the "payments" column and the "income" columns should add up to the "receipts" column.

Sample cash book

This example is of a small community group (XYZ Community Group Inc) that is not registered for GST and has no paid staff. The group is using a manual cash book accounting system but the same methods can be applied to a computer spreadsheet.

XYZ Community Group Inc. Receipts and Payments for the month of February 2006

DATE	EXPENDITURE/ INCOME	CHEQUE/ RECEIPT NO.	RECEIPTS	BANKING	PAYMENTS	BALANCE	INCOME					EXPENDITURE							
							Donations	Grants	Other	Rent	Power	Volunteer costs	Office supplies	Telephone	Other				
2006	Balance brought forward					550.00													
7/02/06	H Waru – mileage	120			12.40	537.60									12.40				
7/02/06	Powerco	121			45.00	492.60				45.00									
7/02/06	Telecom	122			100.00	392.60													100.00
15/02/06	J Smith	r/555	100.00			492.60		100.00											
18/02/06		r/556	25.00	125.00		517.60		25.00											
20/02/06	Lottery grant	r/557	4,000.00	4,000.00		4,517.60		4,000.00											
28/02/06	Petty Cash Reimbursement	123			41.80	4,475.80							21.80						20.00
28/02/06	Interest	b/s	6.20	6.20		4,482.00			6.20										
15/02/06	Bank fees	b/s			3.00	4,479.00													\$3
25/02/06	Rent	a/p			200.00	4,279.00			200.00										
Total	Total for month		4,131.20	402.20	402.20		125.00	4,000.00	6.20	200.00	45.00	12.40	21.80	100.00	23.00				
Add last month ytd			4760.35	5390.75			1452	3000	308.35	2000	380	960	424	875	751.75				
Total year to date			8,891.55	5,792.95	5,792.95		1,577.00	7,000.00	314.55	2,200.00	425.00	972.40	445.80	975.00	774.75				

financial reporting

monthly reporting

FINANCIAL REPORTS

On a monthly basis, the treasurer should prepare the following two reports for their management committee or board (governing body):

- statement of financial performance (profit and loss) showing income and expenditure
- statement of financial position (balance sheet) showing assets, liabilities and equity.

These reports are for the month, however it is important to be reviewing the year-to-date position at the same time. A reputable computer accounting package will generate a range of reports automatically to give this information.

In preparing these reports you should ensure that all the balances in the statement of financial position are correct (e.g. all bank accounts reconcile, unspent grant balances are correct etc). Some balances will not be confirmed every month, but should be checked for reasonableness e.g. fixed assets might be reconciled yearly. Once they have been checked you can review the transactions in the statement of financial performance. Most accounting systems allow you to easily go back to view and check the coding of each transaction.

The statement of financial performance is best reviewed against the budget figures. Any significant difference between actual figures and the budget should be looked into. It is useful if you can add a commentary to the report to explain and bring to attention any differences that need to be addressed.

A sample monthly financial report, suitable for a small community organisation, is shown on the following page.

Sample monthly financial report

XYZ Community Group Inc.
Monthly Financial Report for the Month of February 2006

ANNUAL BUDGET		MONTH (FEB)	YEAR TO DATE
	<i>Receipts:</i>		
8000	Grants	4000.00	7000.00
1800	Donations	125.00	1577.00
200	Other	6.20	314.55
10,000	Total Receipts	4131.20	8891.55
	<i>Payments:</i>		
2400	Rent	200.00	2200.00
500	Power	45.00	425.00
1000	Phone	100.00	975.00
500	Office Supplies	21.80	445.80
2400	Volunteer Expenses	12.40	972.40
2000	Computer		
300	Postage/email	20.00	350.00
200	Audit		
500	Other/misc.	3.00	424.75
9,800	Total Payments	402.20	5792.95
200	Surplus/(deficit)	3729.00	3078.60
800	Add opening balance	550.00	800.40
1000	Cash book balance 28 Feb 2006	4279.00	4279.00
2000	ADD: Savings/Deposit a/c	2000	
	DEDUCT:		
	Unspent Grants: (Lottery Grant)	4000.00	
3000	Available Funds	2279.00	

OTHER REPORTS

What other monthly reports may be generated depends on the organisation and what level of detail is required by the management committee or board e.g. some may require a breakdown of grants received (see "Keeping track of grants" section) or details on a particular project etc. Most accounting systems should be able to accommodate different requests and therefore it is important to get reports set up so the least amount of manual reporting is required.

keeping track of grants

Strict accountability is demanded of organisations receiving grants. Once again, you can set up a computer accounting system to keep track of grants received and the expenditure against them (see following samples). It is better to use your accounting system to track grants as money is spent, rather than waiting until the report back is due.

Under a computerised accounting system:

- most systems have a project or job number that can be set up for each grant

- when the grant is received and processed, you add that job number to the transaction and, as the money is spent, you can add the same job number to the expense transactions
- at any time you should be able to print a report to show how much of the grant is spent, however, the person who is entering the data needs to know which grant the expenditure is coming from
- some organisations use a stamp or cover sheet for invoices that include the job number on them so it can be properly entered
- some organisations choose to code all grants to the liabilities as "unspent grants". Then each month they print off the job report to see how much was spent. They then transfer the amount spent out of "unspent grants in liabilities" and into their income. This helps give a more accurate statement of financial performance.

Remember to check each grant to see if it is exempt (e.g. in the case of a donation) or if it has GST.

TIP

Sample grants register

DEF Community Group Inc.

GRANTEE	PURPOSE	OPEN BALANCE	GRANTS REC'D	SPENT	BALANCE UNSPENT
Lottery (1)	Wage subsidy	4000		4000	
COGS (1)	Admin costs	2000		2000	
Council	Youth programme		4000	3500	500
MSD	Parent programme		5000	5000	
Community Trust	Computer equipment		4000	4000	
JR McKenzie	Newsletter/publicity		2000	1700	300
Lottery (2)	Wages		10000	6200	3800
COGS (2)	Admin		3000	2000	1000
Total		6000	28000	28400	5600

Sample schedule of expenditure against grants

DEF Community Group Inc.

GRANTEE	OPEN BALANCE	GRANTS REC'D	EXPENDITURE												BALANCE UNSPENT		
			July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June		Total	
Lottery (1)	4000		1000	800	800	800	600										4000
COGS (1)	2000		500	500	500	500											2000
Council		4000					1000	1500	1000								3500
MSD		5000			1000	1000	1000	1000	1000	1000	1000						5000
Community Trust		4000*								2000	2000						4000
JR McKenzie		2000*										800	900	1700			300
Lottery (2)		10000				200	1000	800	800	800	800	800	1000	1000	1000		6200
COGS (2)		3000				250	250	250	250	250	250	250	250	250	250		2000
Total	6000	28000	1500	1300	1300	2300	2050	2550	2250	4050	5050	1850	2150	28400	5600		

* non-government grants are GST exempt.

year end financial statements

THE YEAR END PROCESS

Once you have completed your normal monthly processing and reconciliations, you are ready to move on to the year end process. During this process you are ensuring that all income and expenses for your financial year have been accounted for (regardless of whether you have

paid or received money for them). You are also ensuring that both the statements of financial performance and position give a true and fair view of the financial year.

TIP

The checklist below will give you guidelines on what needs to be done as part of the year end process. This checklist can be used as both an internal record of what has been processed and can be useful to give to your auditor.



Year end checklist

NB: This checklist is intended as a guide only

Organisation's name _____

Year ended _____

QUESTION

COMMENTS

General

- Have all the bank accounts been reconciled?
- Have all investments balances been reconciled?
- Have all loans balances been reconciled?
- Have all debtors and creditors been accounted for (copies of invoices made for auditor)?
- Have all comparatives for income and expenditure been made and accounted for significant changes?
- Are tax returns required to be filed, if yes have they been filed?
- Has the petty cash been reconciled?
- Has the opening retained earning been checked against last year's closing retained earnings?
- Has the current year's surplus/deficit transferred correctly from the profit and loss statement to the equity in the balance sheet?
- Does the balance sheet balance?

QUESTION	COMMENTS
<p>Income</p> <ul style="list-style-type: none"> <input type="radio"/> Has all interest received been recorded? <input type="radio"/> Are you exempt from RWT, if no can you apply? <input type="radio"/> Have any unusual types of income been received (e.g. insurance)? <input type="radio"/> Have all grants been accounted for? <input type="radio"/> Have all unspent grants been calculated and accounted for? <input type="radio"/> Have all outstanding fees been accounted for? <input type="radio"/> Have all bad debts been accounted for? 	
<p>Expenditure</p> <ul style="list-style-type: none"> <input type="radio"/> Has the full year ACC Levy been recorded? <input type="radio"/> Has entertainment expenditure been recorded (does the 50% deductible rule apply i.e. do you pay tax)? <input type="radio"/> Have all legal and professional fees been checked for deductibility (e.g. non deductible if relates to capital exp)? <input type="radio"/> Have all repairs and maintenance been checked for any capital items (e.g. over \$200)? <input type="radio"/> Have all depreciation rates been checked? <input type="radio"/> Have all new assets been added correctly and the correct pro-rata amount of depreciation claimed (i.e. claimed from month purchased) – include a copy of any assets purchased for auditor? <input type="radio"/> Have any assets been sold or scrapped this year, if so have they been corrected accounted for in balance sheet and for depreciation (i.e. no depreciation in year of sale)? Is there any loss or profit on sale? <input type="radio"/> Are there any private adjustments needed in respect of assets/depreciation? <input type="radio"/> Has a full year's insurance been accounted for? <input type="radio"/> Have 12 payments for power, phone and rent been accounted for? 	
<p>GST</p> <ul style="list-style-type: none"> <input type="radio"/> Is the group registered for GST? <input type="radio"/> If not registered has the gross turnover exceeded the \$40,000 (compulsory level)? <input type="radio"/> If registered is it a voluntary registration? <input type="radio"/> Has the correct basis of GST been used (e.g. payments or invoice)? <input type="radio"/> Are all returns up-to-date and accounted for to Inland Revenue? <input type="radio"/> Has GST been paid on all fringe benefits other than GST exempt ones? <input type="radio"/> Has the GST on the non deductible portion of entertainment been adjusted for? <input type="radio"/> Has the correct amount of GST been accounted for in the balance sheet? 	

QUESTION	COMMENTS
<p>Wages and PAYE</p> <p>Have all allowances been checked as to whether or not PAYE was required to be deducted?</p> <p>Has the status of any independent contractor been checked to ensure that the person is not in fact an employee subject to PAYE?</p> <p>Do the wages reconcile with the total reported to Inland Revenue and wage book, and to the ACC calculation?</p> <p>Has the relevant withholding tax been deducted from those contractors that fall within the withholding tax regulations?</p> <p>If no withholding tax has been deducted from contractors, has a certificate of exemption been sighted?</p>	
<p>Other</p> <p>Have you reconciled all items on the balance sheet?</p> <p>Have you reviewed all income and expense coding?</p> <p>Have any notified bequests been recorded?</p> <p>Are all minutes up-to-date, signed and ready to give to the auditor?</p> <p>The auditor may ask for a copy of your constitution.</p> <p>Is your organisation liable for any fringe benefit tax (FBT)?</p>	
<p>Reports Required</p> <p>Statement of financial position (balance sheet).</p> <p>Statement of financial performance (profit and loss).</p> <p>Statement of movements in equity (maybe incorporated in balance sheet).</p> <p>Notes to the accounts.</p> <p>General ledger.</p> <p>Trial balance.</p>	
<p style="text-align: right;">Checked by:</p> <p style="text-align: right;">Signature:</p> <p style="text-align: right;">Date:</p>	<p>_____</p> <p>_____</p> <p>_____</p>

(From Community Accounts Mentoring Service (CAMS), Wellington).

ANNUAL FINANCIAL ACCOUNTS

Every organisation should produce financial accounts each year. Often these will be for the year from 1 July to 30 June (in line with the Government's financial year).

Key financial terms

Four key terms used in financial reports are:

- **assets** – what the business owns or monies due to it e.g. cash, equipment, accounts receivable, inventory
- **liabilities** – what the business owes e.g. bank overdraft, creditors, loans, staff leave not yet taken
- **expenses** – the costs incurred by running your business e.g. wages, rent, phones
- **revenue or income** – what you earn e.g. grants, membership subs.

The annual financial accounts you will need to produce are:

- **Statement of financial performance (profit and loss)** – which shows the revenue and expenses of the business over a certain period of time. If you subtract the expenses from the revenue you get the "net profit" or "net loss" at the bottom of the statement. Sometimes organisations carry a net loss over a period of time (e.g. when waiting for a large grant to come in) but you should ask the treasurer or financial officer if the organisation is running any risks associated with this.
- **Statement of financial position (balance sheet)** – which lists all the assets and liabilities at a certain point in time. The basic rule is that the total assets should equal the total liabilities. You should be sure that, if you wound up business tomorrow, you wouldn't be left with any outstanding debts you couldn't pay. In this way a balance sheet is a good financial "health check".

Depending on the size of the group, the annual accounts may also include additional notes and schedules that explain aspects of the accounts in more detail.

TIP

The annual accounts are often prepared by the treasurer (or financial administrator), possibly with the help or advice from an accountant or the auditor. It is important that the rest of the committee or board also understand what the accounts say. This may mean enrolling in a basic accounting course.

AUDITING

Auditing is the process of independently reviewing and checking that the year end financial statements present a true and fair view of the financial activities for the year under review.

The requirement for an auditor will be determined by the rules (or constitution or trust deed) of your organisation. Some funding bodies may also require your financial statements to be audited.

Different levels of audit

There are several levels of audit and "financial review" that might be appropriate for community groups (refer to NZ Institute of Chartered Accountants website – www.nzica.com):

1. Audit by a chartered accountant with a certificate of public practice. This is generally a full audit that can be quite expensive. Some funders require this level of audit, or it may be set out in your rules. In general, most smaller and medium community organisations will not need this degree of audit.
2. Audit by an accountant without a certificate of public practice e.g. a retired accountant or "accounting technician".
3. A "review engagement" by a qualified accountant. This is less than a full audit, but provides a degree of independent assurance to the accounts.
4. "Independent verification" by someone who is independent of the group and has a reasonable understanding of accounting, such as a bank manager. Some funders (such as Lottery grants or COGS) require this for smaller groups.

TIP

Where your rules/constitution don't specify the audit requirements, independent verification (audit level 4) is sufficient for smaller community groups (i.e. less than \$40,000 total annual turnover). For community groups over this level (i.e. needing to be GST registered and employing staff), it is preferable to get a "review engagement" (audit level 3) or audit by an accountant (audit level 2). A full audit by a chartered accountant (audit level 1) is only recommended for larger organisations (which is generally beyond the scope of this kit).

What your auditor will require

Your auditor will need the following (but note that this list is not exhaustive so check with your auditor):

- copy of your draft accounts – statement of financial performance, statement of financial position and notes to the accounts
- cash book in the case of a manual/or spreadsheet-based system
- all invoices and receipts, bank statements
- all cheque, deposit and receipt books
- trial balance
- general ledger for all accounts for the whole year
- all work papers used in the preparation of the accounts
- all reconciliations of assets and liabilities
- fixed asset schedule.

TIP

Ensuring your auditor has a completed set of financial statements with well recorded and filed data, will help minimise the audit cost.

annual returns and financial statements



registered with the Charities Commission

The Charities Act 2005 will require all registered charitable entities (organisations registered with the Charities Commission after 1 February 2007) to submit an annual return to the Charities Commission. That annual return will outline their charitable purpose and activities and provide basic financial data, such as an organisation's income, outgoings and net worth. This means:

- **Incorporated societies** that are registered with the Charities Commission will have to file an annual return with the Charities Commission instead of filing an annual return and financial statements with the Registrar of Incorporated Societies.
- **Incorporated charitable trusts and unincorporated groups** that are registered with the Charities Commission will have to file an annual return with the Charities Commission.
- **Companies and other groups (e.g. co-operatives)** that are registered with the Charities Commission will have to file an annual return with the Charities Commission as well as filing any other annual returns (e.g. with the Companies Office).
- Annual returns must be filed with the Charities Commission within six months of the end of the financial year.
- Accounts do not need to be audited for the Charities Commission. If your accounts are audited, you are asked to provide these. If your accounts are not audited, you are asked to provide your non-audited accounts.

TIP

These requirements come into force from February 2007, when the Charities Register will open. You will have to register with the Charities Commission by 1 July 2008 to keep your charitable tax exempt status – your current approval is not automatically transferred. Refer to the Charities Commission website (www.charities.govt.nz) for more details.

not registered with the Charities Commission

INCORPORATED SOCIETIES

Under the Incorporated Societies Act 1908, every incorporated society must file a certified copy of its annual financial statement with the Registrar of Incorporated Societies. The annual financial statement will include the income and expenditure of the society for the previous financial year and the assets and liabilities, mortgages and secured loans affecting the society's property as at the end of the financial year. The accounts do not need to be audited unless the rules of the society specify this.

Annual financial statements can be filed online at www.societies.govt.nz or a paper form can be downloaded and filed.

TIP

If you don't file an annual financial statement, you may be struck off the Incorporated Societies Register.

CHARITABLE TRUSTS

Trusts and societies registered under the Charitable Trusts Act 1957 that are NOT registered with the Charities Commission, do not have to file annual returns.

TIP

Refer to the Companies Office website (www.companies.govt.nz) and *Keeping it Legal* (Fact Sheet 3 and Fact Sheet 6) at www.keepingitlegal.net.nz for more information on filing annual returns and financial reporting requirements.

tax matters



Managing tax matters can be very complicated and is quite specific to each type of organisation. In this section we will give you some basic tips on managing your tax responsibilities, but we strongly advise you to talk to an accountant for more detailed information or refer to the information available from Inland Revenue's website (www.ird.govt.nz).



Checklist of tax responsibilities

Here are some of the basic tax responsibilities most groups will have:



You'll need to get an Inland Revenue (IRD) number if you don't already have one.



Unless you are exempt from income tax, you will need to:

- complete an income tax return (the actual type varies depending on your legal structure)
- pay income tax on your net income
- pay resident withholding tax on interest and dividends received
- complete fringe benefit tax returns and pay fringe benefit tax (if applicable)
- possibly pay provisional tax during the year.



Register for GST if your income is over \$40,000 (see GST section). If you are GST registered, you need to complete GST returns and pay GST to Inland Revenue.



If you're an employer, you will have to deduct PAYE, and may need to deduct student loan repayments and child support payments and pay all of these to Inland Revenue.

TIP

The New Zealand tax system relies on people meeting their tax responsibilities voluntarily but there are penalties if you don't comply. Contact Inland Revenue for more information.

getting an Inland Revenue (IRD) number

Complete an IR 596 form and send it to Inland Revenue, together with your certificate of incorporation or trust deed (for charitable trusts).

TIP

Contact Inland Revenue on free phone 0800 377 774 if you need further help. Once you've been issued with an IRD number, remember to use it in all your dealings with Inland Revenue.

income tax obligations

The following community organisations are liable for income tax on their taxable income:

- those operating without written rules or a constitution
- those operating under a set of rules or a constitution that does not meet the requirements for a specific exemption
- those non-profit bodies entitled to the \$1,000 deduction but whose income is more than \$1,000.

TIP

The correct tax return form to use depends on your type of organisation. Refer to Inland Revenue for the correct forms for your organisation. Note: most community groups that need to complete an income tax return will use an IR9 return (for clubs and societies).

EXEMPTIONS FROM INCOME TAX

There are a number of income tax exemptions that an organisation may be entitled to. To qualify, the organisation must meet the specific requirements of the particular exemption it is claiming.

The following organisations are allowed tax exemptions under income tax law:

- charities
- amateur game or sports promoters
- district improvement promoters
- friendly societies
- herd improvement promoters
- racing clubs
- scientific or industrial research promoters
- veterinary services promoters
- community trusts.

Unless a group gains an exemption from Inland Revenue, it may be liable for income tax on its earnings (i.e. the profit it makes). A deduction of up to \$1,000 per year from an organisation's net income is available for some non-profit groups, which reduces the amount of tax they need to pay.

For more information on the various tax exemptions available to different types of organisations and for a copy of *IR255 Charitable organisations: a tax guide for charities, donee organisations and other groups*, see Inland Revenue's website (www.ird.govt.nz) or call them on 0800 377774.

RESIDENT WITHHOLDING TAX (RWT)

Money held in the bank or a financial institution is taxed on the interest it earns before payment. An organisation that is exempt from income tax is generally eligible for a certificate of exemption from RWT.

You need to complete an *Application for exemption from resident withholding tax on interest and dividends* (IR451) form and send it to Inland Revenue in order to obtain a certificate of exemption.

TIP

You can take a copy of your exemption certificate to the bank to make sure that they don't deduct tax. If RWT has been incorrectly deducted, then you can apply for a refund on an IR 454 *Resident Withholding Tax (Refund Request)* form.

employment-related tax obligations

REGISTERING AS AN EMPLOYER

As soon as you start employing people you must register with Inland Revenue. If you know in advance that you will be having someone start work for you, you can register before they actually begin work.

TIP

To register as an employer, fill in the *Employer registration* (IR 334) form and send it to one of the addresses listed on that form. If you prefer, you can register online at www.ird.govt.nz.

DEDUCTIONS

As an employer, you must make deductions from payments you make to people who work for you and pay these deductions to Inland Revenue. The types of deductions you may need to make are:

- PAYE (pay as you earn)
- student loan and child support
- FBT (fringe benefit tax).

PAYE

PAYE (pay as you earn) is the basic tax you take out of your employees' wages whenever you pay them. PAYE includes ACC earners' levy.

Your employees must complete a *Tax code declaration* (IR 330) form as soon as they start work for you. This IR 330 explains how to work out the correct tax code. The amount of PAYE you deduct depends on this tax code. Inland Revenue will send you a copy of the tax tables so you can work out the amount of PAYE to deduct for each tax code.

If the net pay is to be the same every pay period, you can obtain an automatic payment authority from your organisation's bank and make a direct credit into the employee's account.

Monthly PAYE Reconciliation

Each month, Inland Revenue requires you to fill out an employer monthly schedule (IR 348), which they will automatically forward to you, together with the pay-in slip (IR 345), once you register as an employer. On the schedule, you need to enter monthly gross earnings, PAYE deductions and student loan and child support deductions for all your employees. This information, along with a cheque covering the monthly PAYE deductions, must reach Inland Revenue before the 20th of each month.

Alternatively, employers can file their employer monthly schedule (IR 348) electronically, which is a fast and efficient way of doing things. For more information on this method, see Inland Revenue's quick reference 2-page summary sheet *Ir-File – electronic filing for employers* (IR 317). This is available electronically from Inland Revenue's website (www.ird.govt.nz) or in hard copy by calling their INFOexpress line on free phone 0800 2570 773.

If your PAYE deductions are more than \$100,000 a year, you are considered to be a "large employer" and must pay your PAYE deductions twice a month. If this applies to you, talk to Inland Revenue for more information.

Remember there is a \$250 (plus interest) fee for late filing of PAYE returns. Even if you have a nil monthly schedule, you still need to file it on time (i.e. by the 20th of the month following wage payment).

TIP

STUDENT LOAN AND CHILD SUPPORT DEDUCTIONS

As well as deducting PAYE, you may need to make deductions for student loans and/or child support. Whether you need to depends on your employees' circumstances.

Some of your employees may need to make repayments to Inland Revenue for a student loan.

They will use a student loan tax code on their *Tax code declaration* (IR 330) form. The PAYE deduction tables also show the amount of student loan repayment to deduct as well as the amount of PAYE, based on your employees' tax code.

TIP

If you are required to make child support deductions for an employee, Inland Revenue Child Support will send you a child support deduction notice telling you how much to deduct.

FRINGE BENEFIT TAX (FBT)

Fringe benefit tax is payable on any fringe (i.e. non-cash) benefits provided by the employer to the employee e.g. motor vehicles, low-interest loans etc.

Charitable organisations that are exempt from paying income tax, may also be exempt from paying FBT on any benefits provided to employees while they are carrying out the organisation's charitable activities. For example, if an employee has the use of a car while carrying out charitable work for the organisation, any private benefit arising is not subject to FBT. However, if the organisation provides a car as part of a salary package or for use with its business activities, FBT must be charged on any private benefit.

TIP

You may also be eligible for other exemptions from paying FBT. Refer to the publication *IR255 Charitable organisations: a tax guide for charities, donee organisations and other groups* which can be obtained from Inland Revenue's website (www.ird.govt.nz).

goods and services tax (GST)

GST is a tax on consumption of most goods and services in New Zealand. GST is currently charged at 12.5% of the value of the goods or services provided. It is a separate tax from income tax (i.e. PAYE).

TAXABLE ACTIVITIES

A taxable activity is any activity carried on continuously or regularly by a business, trade, manufacturer, professional person, association or club. It includes any activity that supplies, or intends to supply, goods and services to someone else for a consideration (e.g. money, compensation, reward), but not necessarily for profit.

Taxable activities do **not** include:

- working for salary or wages
- being a company director
- making exempt supplies (e.g. renting out property as a private dwelling, interest you receive, the sale of donated goods and services by a non-profit body, financial services).

WHO MUST REGISTER?

If an organisation's annual income for taxable activities was over \$40,000 for the past 12 months or expects to be in the next 12 months, it **must** register for GST.

If your income is less than \$40,000, you can voluntarily register. There can be advantages in doing so for some voluntary organisations because you will be able to claim back the GST you have paid on goods and services the organisation has used. However, you should remember that if you decide to cancel your registration, you will have to pay GST on the assessed value of your assets at the time of cancellation.

REGISTERING FOR GST

You can register for GST by completing a *GST Registration (IR 360)* form (available online from Inland Revenue's website or in hard copy on request) and returning it to Inland Revenue.

Inland Revenue will then send you notification of your registration which will show you:

- registration number (which is usually the same as your IRD number)
- date of registration
- taxable period (one, two or six months), your accounting basis and the date your first GST return is due (see "Checklist of GST obligations").

If you prefer, GST registration can be done online through Inland Revenue's website (www.ird.govt.nz). Also make sure that your GST periods are in line with your balance date e.g. if you have a June balance date, ensure that one of your GST periods end in June.

GST OBLIGATIONS

It is very important that you are aware of what you need to do as a GST-registered organisation – there are hefty penalties if you don't comply with the regulations.

In general, all organisations registered for GST must:

- charge and collect GST on behalf of the Government
- file GST returns.



Checklist of GST obligations

Organisations registered for GST should note that:

- Goods and services supplied must have GST added to them and on a proper GST invoice.
- Assets sold must have GST added.
- To claim back the GST you have paid on goods and services, a proper GST invoice must be obtained for all amounts over \$50. However there are some payments that you do **not** generally pay GST on e.g. wages and PAYE; bank charges and interest; koha and donations (where the donor receives no service or otherwise gets no benefit); money received from the sale of donated goods etc.
- A proper GST invoice (which is a legal document) must meet certain requirements

continued over page...

Checklist of GST obligations continued...

- GST returns must be filed every one, two or six months (known as your taxable period). You can choose the taxable period that best suits your organisation. When making your selection look at how much time it takes to prepare and also the timing of when you receive GST income and when you pay GST payments.
- You must select which basis you will be using to account for GST. You have the choice of the:
 - invoice (or accruals) basis – where you account for GST at the earlier of giving or receiving an invoice or paying or receiving money
 - payments (or cash) basis – where you account for GST when you pay or receive money
 - hybrid basis – a combination of the invoice and payments methods.
- All GST records and documents must be kept for seven years.
- Every GST-registered organisation is open to being audited by Inland Revenue.

COMPLETING YOUR GST RETURN

During the final week of the taxable period (one, two or six monthly) you selected earlier, Inland Revenue will automatically send you a *GST Return* (GST 101) form for you to complete and send back to them by the due date stated on that form.

To find out details on how to calculate your GST (in order to complete your GST return) and how to pay GST or receive a GST refund, refer to the *Completing your GST return* section of Inland Revenue's booklet *GST Guide* (IR 375). Alternatively you can contact Inland Revenue's business tax information service on free phone 0800 377 774.

TIP

In the meantime, some useful basic tips on calculating GST are:

- to calculate the GST on a GST exclusive amount – multiply by 12.5%
- if you have the GST inclusive amount and want the GST amount – divide by 9
- if you have the GST amount and want the GST inclusive amount – multiply by 9
- If you have the GST inclusive amount and you want the GST exclusive amount – multiply by 8 then divide by 9.

TIP

Also remember that you must still send your GST return to Inland Revenue even if it's a nil one (i.e. there is no refund owing or tax to pay) otherwise Inland Revenue will produce a default assessment based on previous returns and charge you accordingly.

Accident Compensation Corporation (ACC)

ACC EMPLOYERS' LEVY

Employers are required to pay ACC to cover **work-related** accidents on behalf of their employees. The levy is based on the organisation's gross wages paid multiplied by the industry rate. If you are an employer and have not received an invoice from the ACC, you will need to contact ACC directly.

TIP

Ensure you check the gross wages used by the ACC in their calculations and remember there is GST charged on all ACC employers' levies.

ACC EARNERS' LEVY

In addition to ACC employers' levies, all **employees** must pay an ACC earners' levy to cover the cost of **non-work-related** injuries. Inland Revenue collects this on behalf of the Accident Compensation Corporation.

For employees, this levy has been built into the PAYE tables and is deducted along with their PAYE. This means that no extra calculations are needed for it in each pay period. PAYE is paid, which includes the levy.

TIP

For further information on ACC earners' levy you can contact the ACC on free phone 0800 222 776 or refer to their website (www.acc.co.nz). You can also contact Inland Revenue's Employer Enquiries on free phone 0800 377 772 or refer to their website (www.ird.govt.nz).

where to go for more information



publications

1. Inland Revenue has a number of useful guides on tax and financial matters. This information is available either electronically from Inland Revenue's website (www.ird.govt.nz) or in hard copy by phoning their INFOexpress line on 0800 257 773. Make sure you have your organisation's IRD number handy before you call.

There are too many Inland Revenue booklets to list here in full, but a few of the more useful ones on tax and financial matters include:

- *Charitable organisations: a tax guide for charities, donee organisations and other groups* (IR 255, December 2002)
 - *First-time employer's guide: information you'll need if you're thinking of taking on staff for the first time* (IR 333, June 2003)
 - *Employer's guide: information to help fulfill your responsibilities as an employer* (IR 335, April 2004)
 - *GST guide: working with GST* (IR 375, January 2005)
 - *GST – do you need to register?* (IR 365, June 2003)
 - *Ir-File – electronic filing for employers* (IR 317, March 2003)
 - *Smart business: A guide for businesses and non-profit organisations* (IR320, October 2005).
2. *Financial Training for Not-For-Profit Community Groups*, Auckland City Council.

websites

1. The NZ Institute of Chartered Accountants website (www.nzica.com) for information on auditing and other matters.
2. Companies Office website (www.companies.govt.nz) for information on company annual returns and financial reporting requirements.
3. ACC website (www.acc.co.nz) for further information on ACC levies.
4. Keeping it Legal E Ai Ki Te Ture website (www.keepingitlegal.net.nz) for legal information.
5. Charities Commission website (www.charities.govt.nz).

glossary of financial management terms



A

ACC levy

Accident Compensation Corporation levy – expense paid to government to cover costs of employees injuring themselves at work.

Accounting

“The language of business”. Recording the monetary and economic transactions of an entity.

Asset

An item owned by the organisation that has a life expectancy of more than one year. Or money owed to the organisation.

Asset Schedule

A statement of all assets. Showing asset cost, opening book values, depreciation rates, depreciation, accumulated depreciation and closing book value.

B

Balance Date

The date that your organisation’s financial year ends each year (e.g. 31 March or 30 June etc).

C

Credit

An entry signifying an increase in a liability, revenue or equity account or a decrease in an asset or expense account.

Creditors

People that you owe money to, e.g. for bills that haven’t been paid yet. The total amount that the organisation owes at the end of the financial year is usually included in the balance sheet as “sundry creditors” or “accounts payable”.

D

Debit

An entry signifying an increase in an asset or expense account or a decrease in a liability, revenue or equity account.

Debtors

People that owe you money. The total amount that is owed to the organisation at the end of the financial year is usually included in the balance sheet as “sundry debtors” or “accounts receivable”.

Depreciation

The expense relating to the decrease in value of an asset in one year.

Double Entry Accounting

Every type of transaction that an organisation is engaged in has a two-fold effect. If the amount of cash in the business is increased, then someone must have provided the money for it to be increased. If the business pays out some money then it must be giving it to someone. In other words every time something is given someone else must be receiving it.

E

Equity

Net assets of the organisation e.g. assets less liabilities or previous year equity plus surplus (deficit) of current year. What the organisation actually owns in the business.

Exempt Supplies

Goods and Services that are not subject to GST e.g. bank fees, donated goods and services sold by not-for-profit bodies.

Expense

Money spent to carry out the activities of the organisation.

G

GST

Goods and Services Tax.

I

Income

Money received while carrying out the activities of the organisation.

Invoice Basis

Account for GST at the earlier of giving or receiving an invoice OR paying or receiving money.

IRD and GST Registration Number

The unique IRD number for your organisation, this will be the same number for all taxes your organisation is liable for e.g. PAYE, GST, ACC etc.

L**Liability**

Money owed by the organisation.

N**Net Book Value (Assets)**

Total cost of assets less the accumulated depreciation e.g. cost less how much depreciation has been written off since the asset was purchased.

Not-for-profit Organisation

Institutions, societies and clubs whose primary purpose is the provision of services to members/community, and is not to make a profit. Any surpluses are accumulated within the organisation and used in the furtherance of the objectives of the organisation.

P**PAYE**

Pay as you earn. Tax deducted from employees wages and paid to Inland Revenue. The amount paid to employee plus the amount of PAYE paid to Inland Revenue equals the employee gross wage.

Payments Basis (Cash Basis)

Account for GST when you pay or receive money.

Petty Cash fund

A small amount of cash kept to pay for minor expenses (e.g. milk, stamps), records kept of purchases and balances. When the amount of cash gets low a petty cash cheque is written to reimburse the fund for what has been spent.

S**Schedule of Unspent Grants**

A statement showing all grants received in current year, the amount spent in that year and what is left unspent at the end of the organisation's financial year.

Statement of financial performance (profit and loss)

A statement showing all income and expenses for a period. The difference between income and expenses will be your surplus or deficit.

Statement of financial position (balance sheet)

A statement of assets, liabilities and equity at a specific date i.e. what is owned and what is owed.

Surplus (Deficit)

Net result for period (income less expenses).

Z**Zero Rated Supplies**

Taxable supplies that attract 0% GST e.g. exported goods or sale of a going concern.

(From Community Accounts and Mentoring (CAMS), Wellington).