Managing Transactions

> Stationery / Software
> Transaction accounts
> Recording transactions
> Petty cash
> Payroll
> Depreciation
> GST

**Accounting stationery &/or software**

In order to get started with the financial operations aspect of their role the Treasurer will need the following accounting stationery:

- Cheque book(s) (particularly if the club constitution does not allow for electronic payments)
- Bank deposit book(s)
- A cash book or a general ledger (for computer programs)
- Payment authorisation (for electronic or cheque requisition) vouchers
- A numbered receipt book with carbon copy page
- Account forms for members’ subscriptions
- A petty cash payment book and petty cash vouchers
- A file for accounts payable
- A file to store receipts from accounts paid
- A file of orders placed with suppliers
- A file to store bank statements unless they are scanned and electronically stored
- A secure computer/laptop if software is being used
- An efficient and secure back-up facility for the software and files.

All of the stationery listed should be held by the club or the previous Treasurer and should be routinely handed over when the new Treasurer takes up their position. The Treasurer will be responsible for setting up systems to collect and record the details of financial transactions, most of which will be receipts and payments. An understanding of the operations of bank accounts, the cash book, receiving funds, making payments, bank reconciliation, petty cash and managing creditors (external parties who are owed money) and debtors (people who owe the sport or recreation club money) is essential.

**Transaction (e.g. credit union & bank) accounts**

Most clubs still utilise the cheque book payment system. Financial institutions are phasing this out and it will require a constitutional change by the clubs to accept electronic payments.

Many financial institutions now allow for electronic payments, eliminating (to a point) the need for cheques. This facility allows for a “secure token” to validate a payment amongst the “signatories” for payment. Further research should be conducted with your preferred financial institution to investigate availability and costs.

Where a cheque account is still utilised it does provide a convenient record of payment through the cheque butt. It is therefore essential that cheque butts be completed when cheques are drawn and the cheque number is written on the creditor’s invoice when payment is made. Cheques in some circumstances provide a convenient method of payment, because they mean that members need not carry cash. This means that in most circumstances members need not carry cash.

If the electronic facility is in place a payment authorisation form should be completed prior to initiating the payment with the financial institution.

It is usually a requirement of the constitution to have at least two management committee members with authority to jointly sign cheques or authorise the electronic payments. Some clubs find it useful to have three or four members available for payment authorisation.

It is never a good idea to sign cheques or make any payment:

- Before all other details have been completed (e.g. date, amount, payee)
- Without an accompanying invoice from the supplier
- Before checking that goods have been received or services completed.
It is good practice to pay all invoices and accounts from the financial institution account, as all expenditure will be recorded on the account statement. Depending upon the average number of transactions, financial institution statements can be requested quarterly, monthly or more frequently. In today’s modern banking world it may be more cost effective to have the statements available electronically.

Transactional banking products

If your club engages in trading activities, then you should consider what the club is offering to its customers, what it requires of its suppliers and how it wants to manage its cash flow. The relationship with your financial institution is as important as all other business relationships and will assist in achieving good financial management if handled well.

With so many options available, it is wise to ask the bank account manager to help you choose those products that will help you manage your cash flow and reduce the time you will need to spend in managing your banking.

This is a list of the most common transaction banking products currently available.

- Electronic desktop/internet banking
- Credits to accounts – electronically, manually or by direct credit
- Debits to accounts – electronically, by manual cheque, GDES, EFT, via real-time gross settlement or overseas transactions
- Bpay via credit card
- Bpay via debit card
- Overdraft and other limit facilities
- Cheque production facility

Merchant facilities

These should be considered for clubs that have trading operations. Merchant facilities provide customers with various options to pay by either a credit or debit card. They enable payments made on these cards to be processed either manually or electronically. Merchant facilities provide a real benefit to your club’s business cash flow because your customers do not need to have cash in the bank to pay for your goods or services.

These are some of the benefits of merchant facilities:

- You are guaranteed payment within 48 hours of the purchase (no more 30-, 60- and 90-day payment terms).
- Your improved cash flow will improve your club performance.
- You will be able to keep less cash on your premises.
- Your administration costs will be reduced. You will no longer have to wait for a purchase order, issue paper invoices or chase debtors for payment.
- You will no longer need to establish accounts for one-off or infrequent transactions.
- You will use less paper.

Here are some questions you should consider before discussing merchant facilities with the account manager:

- Does your club have a retail store where customers pay for goods with their credit cards? If so, you may require an EFTPOS terminal to swipe their cards.
- Does the club take most of its orders via mail, the phone, fax or the internet? Is an EFTPOS terminal required or is there an alternative method of taking payments?
- Could you have an EFTPOS terminal to swipe the cards of walk-in clients but key-enter the details of remote orders?
- What is the ratio of credit card transactions to cash or other payment methods?

As always it is important to research all available options. This may involve non-traditional financial institutions like PayPal.
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Transactional fees

Unfortunately, most financial institutions do not provide free transactional services. In fact, the fees related to these services can substantially affect the profitability of the club. With so many financial institutions providing these services, you should consider the fee structures of a number of providers before selecting the provider you feel is best for you.

Most clubs do not know how much they are paying in bank fees. This can be attributed to the fact that they do not spend time reviewing their transactional banking arrangements and of course financial institutions do not always make it easy to clearly establish the total amount of fees being charged.

The Australian Securities & Investments Commission (ASIC) released a guide for financial institutions entitled Good transaction fee disclosure for bank, building society and credit union deposit and payments products (transaction accounts). (See www.asic.gov.au) This guide provides information on what type of disclosure institutions should provide to assist clubs in making informed decisions about their transactional banking requirements and the relevant fees. It provides the following guidelines, which in most cases have been implemented by the financial institutions:

- Fee summary information should, where relevant, be provided on transaction account statements to enable customers to make informed choices about how they conduct their transactions.
- The information should enable customers to clearly understand the fees, by distribution channels and number of transactions, which apply to their accounts during the charging period and other relevant information.
- Fees should be shown separately, not bundled, and the basis on which charges are calculated should be explained.

The guide notes that the disclosure statement provided by the financial institution will vary depending on the agreed fee structure of the transactional banking arrangements. Some accounts have a number of free transactions, with the free transactions either calculated at the end of the period, based on which were the most expensive, or charged when the number of transactions exceeds the free limit. Other accounts charge for all transactions, but provide a fee rebate, the amount of which depends on the customer’s overall relationship with the institution.

Therefore, it is likely that your club will currently have, or will receive from its transactional bank, a schedule of fees that relate to its banking arrangements. This will assist you when you are planning your cash flow and also if you are thinking about switching from one financial institution to another.
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Cashbook

The cashbook, also known as the cash receipts and cash payments journal, is used to record all of a Club’s receipts and payments. Cash means bank notes, credit card slips, cheques and money orders. Source documents such as receipts and cheque butts provide details about individual transactions, but unless the individual transactions are recorded and summarised it is impossible to get a clear picture of the financial position of a club. The Treasurer should regularly record the details of receipts and payments in the cashbook.

To determine the cash balance, total the receipts and deduct payments (see ‘Receipts’ and ‘Payments’ below). Other items that will affect the cash balance are bank interest and charges, government taxes, unpresented cheques, dishonoured (bounced) cheques, and direct credits or debits from other accounts. At the end of each month, the figures recorded in the cashbook can be checked against the bank statement (see ‘Bank reconciliation’ below). The cashbook closing balance for each month becomes the opening balance for the next month. It is also a good practice to summarise what the club owes to external or third parties (creditors) and what money is owed to the club itself (debtors). (A balance sheet statement may be used for this purpose).

In small clubs the cashbook is usually a manual system based on a ruled ledger book available from most newsagents and office supply companies. Some clubs record receipts in the front of the cashbook and payments in the back. It is a relatively simply process to set up a cashbook using a spreadsheet program. Larger clubs use specialised computer software, with varying levels of sophistication, to manage their receipts and payments. They still have source documents (evidence that a financial transaction has occurred such as a receipt copy) and regularly check their transactions against the bank statement.

Receipts

Details of receipts are recorded in cashbook columns. Columns are labelled with the account names (e.g. membership, coaching fees, raffles, bank interest). The columns are often the same as those identified in the income side of a club’s budget or statement of income.

Receipts are usually entered in three places, depending on the amount of detail required and the type of cashbook system used. Receipts are entered in the amount column, usually in receipt number order, under its account column, and in the banked column when it is banked. At the end of each month the cash receipts columns should balance with one another (i.e. the amount column totalled should tally with the total of all other columns, excluding banked, added together). Often the banked figure will be an accumulation of all money received since a deposit was last made. Listing individual amounts by date banked facilitates the bank reconciliation process.

All receipt columns should be totalled at the end of each month. Monthly totals can be accumulated to give a record of receipts for the year to date, overall and for each account (e.g. total for membership). Accumulated totals can be compared to budgeted figures to reveal whether income items are on budget, ahead or behind. When balanced, the monthly closing balances can be carried forward as the opening balances for the next month.
Receipt entries in a manual or spreadsheet-based cash book might look like this:

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Receipt number</th>
<th>Amount</th>
<th>Court hire</th>
<th>Membership</th>
<th>Banked</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>C Smith</td>
<td>00345</td>
<td>50.00</td>
<td></td>
<td>50.00</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Rebels-training</td>
<td>00346</td>
<td>75.00</td>
<td>75.00</td>
<td></td>
<td>125.00</td>
</tr>
</tbody>
</table>

**Financial management tip:** It is good practice to bank all receipts promptly and intact. Promptness reduces the risk of cash and cheques being misplaced and ensures that the proceeds of cheques received by the club are cleared and ready to use. Banking receipts intact (i.e. without deductions being made) reduces the risk of funds being misused as well as facilitating the bank reconciliation process.

**Payments**

As with receipts, payments are recorded in cash book columns. Columns are labelled with the account names (e.g. telephone, rent paid, maintenance, bank fees). The columns are often the same as those identified in the expenditure side of a club’s budget or statement of expenditure.

When a cheque is issued, the details should be entered in the appropriate columns, usually in cheque number order. The amount column provides a running total of expenditure for the club. At the end of each month the cash payments columns should balance with one another (i.e. amount column totalled should tally with the total of all other columns added together).

All payment columns should be totalled at the end of each month. Monthly totals can be accumulated to give a record of expenses for the year to date, overall and for each account (e.g. total for rent paid). As with receipts, accumulated totals can be compared to budgeted figures to reveal whether expenditure items are on budget, ahead or behind. When balanced, the monthly closing balances can be carried forward as the opening balances for the next month.

Payment entries in a manual or spreadsheet-based cash book might look like this:

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Cheque number</th>
<th>Amount</th>
<th>Printing</th>
<th>Telephone</th>
<th>Rent paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>ABC Real Estate</td>
<td>00123</td>
<td>700.00</td>
<td></td>
<td></td>
<td>700.00</td>
</tr>
<tr>
<td>4</td>
<td>Telstra</td>
<td>00124</td>
<td>207.50</td>
<td></td>
<td>207.50</td>
<td></td>
</tr>
</tbody>
</table>
Financial management tip: It is good practice to pay all accounts and invoices according to their terms, usually between 7 and 30 days of receiving an invoice or claim from a supplier. Prompt payment will generally ensure the goodwill of suppliers. Prompt payment of the out-of-pocket expenses of volunteers also generates goodwill within the club. It is usually the Treasurer’s responsibility to prepare cheques for approval and signing by a second authorised signatory. The Treasurer usually has the power to make payments between management committee meetings but it is good practice to have any such payments ratified at the next meeting. All payments that have been budgeted for can normally be paid subject to ratification by the management committee. The management committee minutes should record authorisation for major items of expenditure.
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A reconciliation statement looks something like this:

<table>
<thead>
<tr>
<th>Bank Reconciliation Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at ......./......./20.......</td>
</tr>
<tr>
<td>Opening cashbook balance</td>
</tr>
<tr>
<td>add receipts for period</td>
</tr>
<tr>
<td>less payments for the period</td>
</tr>
<tr>
<td>Closing Cash Book Balance</td>
</tr>
<tr>
<td>Bank statement balance at end of period</td>
</tr>
<tr>
<td>add receipts not yet banked</td>
</tr>
<tr>
<td>less cheques not yet presented</td>
</tr>
<tr>
<td>True cash book balance</td>
</tr>
</tbody>
</table>

List of cheques not yet presented:

<table>
<thead>
<tr>
<th>Date</th>
<th>Written</th>
<th>Cheque No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Jan</td>
<td>000123</td>
<td>Brand T-Shirts</td>
<td>240</td>
<td></td>
</tr>
<tr>
<td>14 Jan</td>
<td>000124</td>
<td>Logo Designs Ltd</td>
<td>160</td>
<td></td>
</tr>
</tbody>
</table>

Petty cash

A petty cash system is a convenient and cost-effective way to reduce paperwork and minimise account fees and taxes that would have to be paid if a cheque was drawn for every item of expenditure. Petty cash can be issued in exchange for a receipt as a means of reimbursing members or volunteers who have used their own money to purchase small items (e.g. less than $50.00) on behalf of the club.

To initiate a petty cash system, a ‘cash’ cheque is drawn on the club’s bank account for a small amount (e.g. $100.00) and entered in the cashbook. When presented with a valid claim supported by a receipt the Treasurer completes a petty cash voucher, has the claimant sign the voucher, reimburses the claimant, records and retains the receipt. Petty cash expenditure should be recorded in a petty cash book, not the cashbook. As a means of control, at any given time the amount of cash plus retained receipts should tally with the total in the petty cash fund. When the petty cash funds run low a ‘cash’ cheque is drawn to the total of the receipts paid. It is advisable to include the petty cash float in the club’s theft insurance policy.
Payroll

Sport and recreation clubs are increasingly hiring paid staff to assist with many of their day-to-day functions, such as coaching, officiating and administration. It is good practice to keep a payroll and pay employees by cheque or direct deposit to their bank account. A payroll summary is an important set of records that should be passed on to the auditor when the annual accounts are being audited. The payroll summary should be kept with the vouchers for the cheques written to pay salaries or wages. The example following shows a payroll where employees are paid by cheque:

<table>
<thead>
<tr>
<th>Payroll (fortnight) number</th>
<th>Pay period ending (date)</th>
<th>Date paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Gross ($)</td>
<td>Tax ($)</td>
</tr>
<tr>
<td>W Russell</td>
<td>400.00</td>
<td>128.00</td>
</tr>
<tr>
<td>P Muir</td>
<td>220.00</td>
<td>66.00</td>
</tr>
<tr>
<td>2 Rebels-training</td>
<td>00346</td>
<td>75.00</td>
</tr>
</tbody>
</table>

It is imperative to meet your obligations with the hiring of employees to ensure the correct income tax is deducted and distributed to the ATO monthly. In addition a superannuation guarantee charge may be payable along with the appropriate compulsory workcover insurance.

Website reference:

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Depreciation — accounting for capital assets

Many sport and recreation clubs have capital assets (e.g. clubhouse facilities, motor vehicles) that are used in their day-to-day operations. The worth or service potential of capital assets diminishes over their useful life, due to wear and tear, technological obsolescence and physical deterioration. Accounting for the depreciation of capital assets gives a more accurate picture of the expenses incurred in operating programs or services. However, cash-based accounting systems do not always make allowances for depreciation. Depreciation refers to writing off the cost of a capital asset over the period of its useful life. Without going into the detail of the accounting methods used, depreciation allocates the cost of an asset over time in an attempt to match this cost to the period in which the asset is being ‘used up’. There are several important points to note about depreciation:

- The charging of depreciation is a book entry and does not involve cash.
- The process of depreciation does not set aside cash to replace an asset at the end of its useful life.
- The depreciated value of an asset is not necessarily the same as its market value.

If a club has capital assets it should maintain a capital assets register. An asset register helps keep track of:

- The supplier of the asset
- The estimated life of the asset
- The method of depreciation and the rate that is applied
- The original cost, annual depreciation and accumulated depreciation
- Insurance details
- Major repairs and maintenance
- The method and proceeds of disposal or sale of the asset.

Accounting for the GST

The goods and services tax (GST) is a broad-based tax of 10% applied to most goods and services consumed in Australia.

(web site: https://www.ato.gov.au/Business/GST/)

Sport and recreation clubs, including those in the non-profit sector, must be registered for the GST if their annual turnover is $75,000 or more (commercial sector) or $150,000 or more (non-profit sector). Registered clubs will have an Australian Business Number (ABN). GST is payable by sport and recreation clubs on most goods and services sold or supplied in the course of their business. These supplies are called taxable supplies. There are other types of supplies where the GST does not have to be included in the price. These are called input-taxed supplies and GST-free supplies.

GST is also included in the goods and services that a club acquires for its business. If a club is registered for GST it can claim a credit from the Australian Tax Office (ATO) for any GST included in the price paid for things purchased for the club. This is called an input tax credit. The difference between the GST payable on a club’s supplies and the GST included in the purchase price of its acquisitions is the amount owed to the ATO.

Displayed prices (e.g. membership fees) must include the GST, where applicable. For example, an annual membership fee for a swimming club of $110 includes a GST of $10 (one-eleventh of the displayed price). Donations, grants, sponsorships (monetary and contra), gambling, fundraising, contracts (including leases, rental and hire purchase), insurance, food (production, preparation or supply), motor vehicles and secondhand goods are treated in different ways with respect to GST. Sport and recreation clubs should consult a qualified accountant, financial manager or legal adviser about how best to deal with the GST.