insight
for Tradespeople

An industry-specific guide
for your MYOB software

MYOB®

Contents

insight
for Tradespeople

Tradespeople have many issues specific to their industry, such as tracking expenses on jobs, generating quotes, dealing with mounds of receipts, and lots more. In this guide, you'll find practical solutions to these issues, along with lots of ideas and tips on the best way to set up MYOB software.

The term tradesperson includes everything from bricklayers to plumbers, from carpenters to technicians. If you're involved with building, you might also want to check out the guide *MYOB Software for Building & Construction* or, if a significant part of your business involves buying and selling goods for resale, you might want to check out *MYOB Software for Retailers.*

Throughout this guide, you'll also find case studies where you can read about Australian tradespeople and how they use MYOB software for their businesses. Browse through these case studies to get the big picture of how MYOB software can work for you, and to discover ways to make your business more profitable and efficient.

insight
for Tradespeople

MYOB BusinessBasics (for Windows) and MYOB FirstEdge (for Macs) are the ideal starting points for most tradespeople. You can record sales, send out customer invoices, keep track of your expenses, monitor which jobs are profitable (and which aren't!), as well as calculate your GST and print your Business Activity Statement.

However, as your business grows, you may find it beneficial to upgrade to MYOB Accounting, MYOB Accounting Plus, MYOB Premier (for Windows) or MYOB AccountEdge (for Macs).

MYOB Accounting has all the features of BusinessBasics and FirstEdge but in addition provides:

• Advanced job costing, allowing you to split jobs into phases and monitor each phase of a job plus the whole job itself.

• Advanced job budgeting, allowing you to budget separately for each job, as well as budget for your business as a whole. Budget reports can be automatically adjusted to reflect the percentage complete so far.

• Ability to track expenses due for reimbursement and automatically claim for these expenses on your customer invoices.

MYOB Accounting Plus has all the features of MYOB Accounting but in addition provides fully integrated payroll, so you can keep track of PAYG withholding tax, superannuation, payment summaries, and so on.

MYOB Premier (for Windows) and MYOB AccountEdge (for Macs) have all the features of MYOB Accounting Plus but in addition provide multi-user capability as well as advanced inventory control.

Whichever product you choose, if you want to upgrade to another product that's 'further up the family tree', you can do so at any time. You don't need to buy the new software from scratch, you simply pay an upgrade price.

For more information about these MYOB products, visit **www.myob.com.au/products/** .

The following five steps are a brief guide to getting started, highlighting important information specific to tradespeople.

Creating your accounts list

When you create the company file for your business, the New Company File Assistant asks you to Build Your Accounts List, giving you the option of starting with a standard list. Although these templates are a good starting point, don't worry if you can't find an accounts list that is perfect – later on, you can add, change or delete as many accounts as you like.

Reviewing your accounts list

Before entering your opening balances, you need to adapt your accounts list so that it suits the unique needs of your business.

Your accounts list is a list of categories to which you allocate all transactions. There are eight major account categories (or, for MYOB BusinessBasics and FirstEdge, there are six categories).

Account Category	What it means
Assets	Things you own, or that people owe you. Put your new equipment or tool purchases here. Asset account numbers start with 1.
Liabilities	What you owe to other people. Includes loans, taxes payable and outstanding supplier accounts. Liability account numbers start with 2.
Equity	This is your "interest" in the business, the profit or loss that your business has made. Examples of equity accounts are retained profits, partners' drawings, or capital contributions. Equity account numbers start with 3.
Income	Money in! Everything you invoice to your customers. Income account numbers start with 4.
Cost of sales	Cost of sales is the direct costs of your jobs, e.g. materials, freight, or employee labour. Cost of sales account numbers start with 5.
Expenses	Overheads. The day-to-day running costs of your business. Includes advertising, bank charges, or motor vehicle costs. Expense account numbers start with 6.
Other Income	Extraordinary income that is not really part of your everyday business. Could include compensation income, lottery wins or capital gains. Other Income account numbers start with 8. This account category is not available in MYOB BusinessBasics or MYOB FirstEdge.
Other Expenses	Extraordinary expenses that are not really part of your everyday business. Could include lawsuit expenses, capital losses, or fire damage costs. Other Expenses account numbers start with 9. This account category is not available in MYOB BusinessBasics or MYOB FirstEdge.

Checking your preferences

You can customise all MYOB software so that it works for your business the way you want it to. You can do everything from changing the appearance of your windows, to automatically requesting a backup prompt each time you quit the program. It all happens via the **Preferences** window.

To review your preferences, go to the **Setup** menu, choose **Preferences** and then explore the various tabs. Remember–your choice of preferences does not commit you to this for ever and ever, for you can change your preferences at any time.

One preference setting is recommended, especially for new users. Make your company file *changeable*. If you make mistakes, you can correct them, without needing to make complicated reversing journals. To do this, go to the **Security** tab in the **Preferences** window. Clear the **Transactions CAN'T be Changed; They Must be Reversed** checkbox.

Setting up opening balances

Next you need to enter opening balances.

To enter opening account balances, go to the **Setup** menu, choose **Balances**, then **Account Opening Balances**. To enter opening balances for outstanding customer accounts, go to the **Setup** menu, choose **Balances**, then **Customer Opening Balances**.

To enter opening balances for outstanding supplier accounts, go to the **Setup** menu, choose **Balances**, then **Supplier Opening Balances**. (This feature is not available if you are using MYOB BusinessBasics or MYOB FirstEdge.)

To get up and running, you only need to enter opening balances for a few accounts. Bare essentials will probably include your bank account, GST owing and total customer accounts outstanding (trade debtors). Your opening account figures won't balance, but this out of balance amount simply goes to the Historical Balancing account. You or your accountant can fix this later.

Getting ready to go

Before you start entering transactions, work out how you intend to back up your company file. If your file is going to contain very few transactions, you may be able to fit your backup onto floppy disk. Otherwise, you'll need to have a CD burner or a zip drive.

You might have been lucky so far, but *nobody* can guarantee continued immunity to power surges, theft, fire or hard disk failure. If you don't organise a backup system now, you'll probably forget about it until it's too late–and then you'll be sorry.

Creating invoices and quotes

Most tradespeople generate many quotes during the course of their working week. With MYOB software, it's easy to generate professional-looking quotes, keep track of all outstanding quotes and once quotes are accepted, turn them into sales with a click of a button.

Setting up your first invoice

Whenever you create a sale, you can choose between three main invoice layouts: Service, Item and Professional (MYOB Accounting, MYOB Premier and MYOB AccountEdge have a Time Billing format also).

- Item invoices are best if you itemise labour and materials on each invoice, or charge out labour at an hourly rate.

- Service invoices are best if you want to include lots of description on your invoices.

- Professional invoices are best if you want to show what dates you worked on a job, itemising your hours on each line.

Item invoices

Here's how to create an item invoice:

1. Click **Enter Sales** in the Sales command centre (or, for MYOB BusinessBasics and MYOB FirstEdge, click **New Sale** from your **Sales Register**).

2. Click **Layout** and select **Item**.

3. To bill a customer for your time, enter the number of hours worked in the **Quantity** column and select **Labour** as your **Item Number**. (You might need to go to your **Lists** menu and create a new item for labour.) The **Price** should be your hourly rate.

4. To bill a customer for materials, enter the appropriate quantities, item number and price. (Again, you may need to go to your **Lists** menu and create a new item for these materials.) If you like, you can override the **Description** for materials to give more detailed information.

Below is an example of an Item invoice that combines both material and labour charges. Note that you can also enter comments if desired.

You can list both materials and labour on an item invoice

insight
for Tradespeople
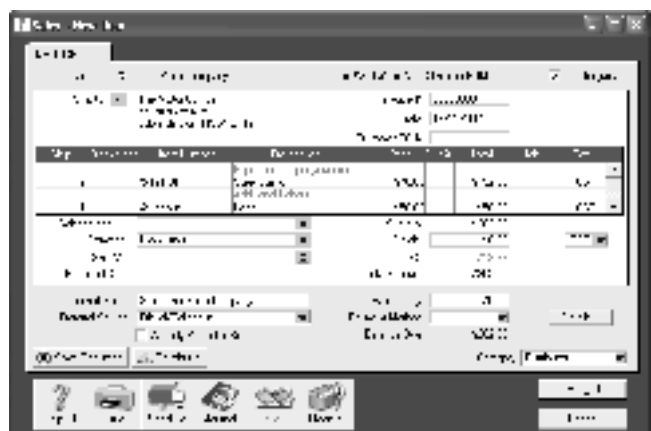
Service/Professional invoices

Here's how to create service or professional invoices:

1. Click **Enter Sales** in the Sales command centre (or, for MYOB BusinessBasics and MYOB FirstEdge, click **New Sale** from your **Sales Register**).

2. Click **Layout** and select **Service** or **Professional**.

3. Enter the date (Professional invoices only) and a description.

4. As the **Account Name** or **Account #** (whether you select accounts by name or by number depends on what version of MYOB software you're using, as well as your preference settings), choose an appropriate income account. Income accounts always start with the number **4**.

Service invoices leave lots of room for descriptions

Adapting the layout of your invoice

With all MYOB software, you can customise your invoices so that they look exactly as you want them to look. You can change the fonts, add your own logo, draw boxes, add comments and much more. All you have to do is go to the Sales command centre, click **Print Invoices** and then click **Customise** (refer to MYOB help for more details on customisation commands).

Right is one possible way in which an invoice could be customised (this example is based on an Item invoice).

You can customise the layout of your invoices extensively

Creating customer quotes and orders

Sales have three different statuses: **Quote**, **Order** and **Invoice**. You can select the status in the top-left corner whenever you create a sale.

- Quotes are an ideal way to provide estimates to customers without creating a transaction. A quote has no impact on your stock levels and can be changed to an invoice at any time.

- An order (not available in MYOB BusinessBasics or FirstEdge) is a sale that you expect to occur sometime in the future. Orders aren't actual transactions that affect your financial and inventory numbers; they merely store sales information until you're ready to use them.

Finding a list of quotes and orders

Go to your **Sales Register**, click the **Quotes** or **Orders** tab and you'll see a list of all your outstanding quotes and orders.

Changing quotes or orders into invoices

To change a quote or an order into an invoice, simply go to your **Sales Register** and click the **Quotes** or **Orders** tab. Highlight the quote or order and then click **Change to Invoice**. MYOB software displays the quote or order, ready for you to update as necessary and record as a final invoice.

Even once a quote is changed to an invoice, you can still find the original quote in the **Sales Register**. If you want quotes to be removed after they're changed to an invoice, choose **Preferences** from the **Setup** menu to display the **Preferences** window, then click the **Sales** tab and click **Delete Quotes upon Changing to and Recording as an Order or Invoice**.

Case Study – Tom's Mowing

Business Name: Tom's Mowing.

Overview: **Tom's Mowing is an owner-operated lawn mowing business. Tom uses MYOB BusinessBasics.**

Tom uses a simple setup, one that works well for him and would be suitable for many small cash-based businesses. Because Tom is always on the move and doesn't like the idea of a laptop or palmtop computer, he still issues customer invoices and receipts from a hand-written invoice book. Lots of customers pay him cash at the time he does the job and if they do so, he simply pockets the cash and writes 'PAID' on the invoice docket.

At the end of each week, Tom sits down and records these sales in his MYOB company file. He also records customer payments, allocating all payments into his Undeposited Funds account. He tips out any receipts from his wallet and enters these too, selecting his Undeposited Funds account once again. When it comes time to go to the bank, Tom goes to the **Prepare Bank Deposit** window and clicks off all customer payments received and all cash payments made. If there's a shortfall (due to him spending the cash received from customers on personal items), he records this spending as personal drawings, again allocating the transaction to Undeposited Funds.

Once a month, Tom sits down and records all the rest of his expenses, referring to his cheque stubs and credit card statements. At this time, Tom also reconciles his cheque and credit card accounts, recording bank fees and periodical payments in the **Spend Money** window. By reconciling his bank account, Tom can be sure that all his entries are correct. He also prints an Analyse Receivables report to see who owes him money and if need be, sends out a couple of customer statements.

Once a quarter, Tom prints out his Business Activity Statement, direct from MYOB software. He also prints out a Profit and Loss report at this time so that he can see how business is going. Tom finds that he only needs to spend one or two hours a week doing his books (maybe with a couple of extra hours at Business Activity Statement time) and he's happy to have found a way of working that is so efficient.

Managing customer accounts

One of the more challenging parts of running your own business is keeping track of who owes you money. Tradespeople often end up with lots of small accounts outstanding, meaning that getting paid on time can be a very time-consuming and costly process. MYOB software offers lots of ways to make getting paid easier, including professional-looking customer invoices and statements, the option for customers to pay you by BPAY® and Postbillpay and handy reports showing you who owes you what.

Recording customer payments

Here's how to record customer payments:

1. From the Sales command centre, click **Receive Payments**. (Or, if you're using MYOB BusinessBasics or FirstEdge, go to your **Bank Register** and select **Receive Payment**.)

2. Decide whether you want to deposit this payment straight into your bank account, or whether you want to use the Undeposited Funds feature. (See MYOB help for more about undeposited funds and how they work.)

3. Fill in the **Customer** name and the **Amount Received**.

4. Select the **Payment Method**. (To add a payment method that's not there already, go to the **Lists** menu, choose **Sales & Purchases Information**, then click **Payment Methods**.) If you want to print out bank deposit slips, remember to click the **Details** button when recording cheques, and then enter the account name and number in the space provided.

5. Leave the **Memo** as is, unless there's anything particularly unusual about this payment that you want to note down. Similarly, tab past the **ID #** field, as this is just an audit number that MYOB software creates for each transaction.

6. Tab through the columns to automatically apply the payment against outstanding invoices, starting from the oldest invoice first, and moving toward the most recent. If you want to apply a payment to a different invoice, simply click in the **Amount Applied** column next to the invoice concerned, and type in the payment amount.

7. Once you have done this, click **Record**.

Collecting money faster with BPAY and POSTbillpay

By subscribing to MYOB M-Powered® invoices, you can offer your customers the choice of paying invoices by BPAY®, Postbillpay (at all Australia Post outlets) or by credit card over the phone.

The main advantage of this service is that by providing more ways for your customers to pay you, you'll be paid quicker. Tradespeople often end up with lots of customers owing small amounts of money, and it's good to be able to offer a counter-suggestion to the reply "I'll mail a cheque tomorrow".

BPAY is a registered trademark of BPAY Pty Ltd.

insight
for Tradespeople

For more about MYOB M-Powered invoices, see **www.myob.com.au/m-powered/** .

Collect money faster by offering BPAY and POSTbillpay facilities

Importing customer payments

Every business day (or every week, if you prefer), you'll receive an email notification of all the payments made by your customers using the Customer Payment Service. The email also contains an electronic payment file that you can import into your MYOB company file to automatically record these customer payments and update your records.

Seeing how much you're owed

From the Sales command centre, click **Receivables** from your **Analysis** menu, or, for MYOB BusinessBasics and MYOB FirstEdge, simply click **Analyse Receivables**. You'll see a summarised Analyse Receivables report, aged as at the current date, showing the names of all customers who owe you money and how overdue they are. You can click the zoom arrows next to any customer's name to go straight to a detailed breakdown of their outstanding invoices.

The trick to keeping all your accounts in shape and producing your own Business Activity Statements is to record *all* your expenses in your company file, including cash payments, credit card debits, cheques, direct debits and bank fees.

Recording expenses

The simplest way to record expenses, suitable for most tradespeople, is to go to the Banking command centre and click **Spend Money** (or, for MYOB BusinessBasics and MYOB FirstEdge, go to your **Bank Register** and select **Spend Money** as the transaction type).

An alternative way to record expenses is to enter all supplier invoices in the Purchases command centre when you receive them. (This feature is not available if you are using MYOB BusinessBasics or MYOB FirstEdge.) Later, when you pay these invoices, you go to **Pay Bills**. This method works well if you have a substantial amount of accounts to be paid each month and you want to keep tabs on how much you owe, but by its very nature is a more complicated way of working.

Dealing with credit cards

The easiest way to deal with credit cards is to think of them as if they were a bank account. Create a new liability account in your **Accounts List,** remembering to select **Credit Card** as the **Account Type** (or, for MYOB BusinessBasics and MYOB FirstEdge, make this account a **Detail Credit Card Account (Postable)**. This done, you record credit card debits in the same way as you record other types of payments. Here's what to do:

1. Go to **Spend Money** in the Banking command centre (or, for MYOB BusinessBasics and MYOB FirstEdge, go to your **Bank Register** and select **Spend Money** as the transaction type).

2. Select your credit card account as your bank account in the top left.

3. Record each separate transaction on the credit card in the same way as you would record cheques, the only difference being that you ignore the **Cheque No** field completely.

Don't forget to account for GST when recording credit card transactions. If you know an item definitely attracts GST (such as fuel payments or telephone expense), simply click the **Tax Inclusive** box and the GST component calculates automatically.

Paying suppliers electronically

MYOB M-Powered® payments enable you to make electronic payments to your suppliers directly from your MYOB software. Once you subscribe to this service, you can use your MYOB software to record payments in your company file and then transmit these payments electronically using a secure link. The M-Powered Services Centre, accessible from any command centre, monitors the progress of all payments and, at your request, emails or faxes remittance advices direct to your suppliers.

If you pay more than five suppliers per week, M-Powered payments are well worth the fees. If you were to put a value on your own time (or on your bookkeeper's time) and calculate how long it takes you to pay a supplier (including writing a cheque, printing a

remittance advice, writing their address on an envelope, entering the payment into your MYOB company file, and so on) as well as the costs (the envelope, the stamp, the petrol to the post office, etc.), then chances are that paying a supplier is much more expensive than you think.

M-Powered payments offer other benefits too, although these are somewhat less tangible. You can schedule payments to be made at future dates, ensuring that suppliers are paid on time, even when you're away from the business. Payments are more secure, as you pay directly from your account into your supplier's account (whereas cheques are more prone to fraud or getting lost in the mail). Finally, an M-Powered Services Centre keeps track of all online payments, including when payments are sent, when they're processed, if they fail due to insufficient funds, and so on.

To subscribe to M-Powered payments, all you have to do is click the **M-Powered Services Centre** icon that appears on the bottom-right of every command centre. (Note that M-Powered services are only available for MYOB Accounting v14, MYOB Accounting Plus v14 and MYOB Premier v8 or later).

For more about M-Powered payments, including how to subscribe and current pricing structures, see **www.myob.com.au/m-powered**/ .

Keeping tabs on petty cash

Most tradespeople end up paying lots of little cash expenses directly from their own pocket, ending up with a pile of petty cash receipts at the end of each month. They're legitimate tax deductions, but how do you enter them?

1. Pile these receipts into their various categories and then, with a calculator, add up the value of each pile of receipts. You might end up with $40 worth of receipts for stationery, $50 for postage, $15 for travel and so on.

2. Next, go to **Spend Money** and as your bank account, select Petty Cash in the top left corner.

3. As the **Amount**, enter the total value of all these receipts added together.

4. Split the transaction across the appropriate expense accounts, writing individual memos on each line, if desired.

It's easy to record petty cash
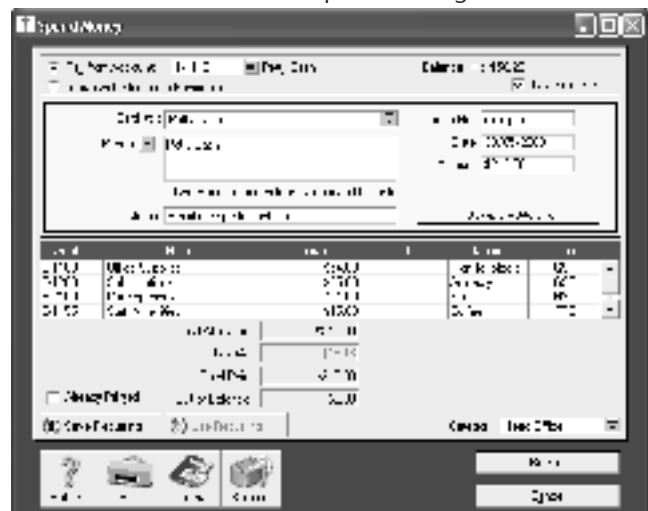
Buying new gear

A common question asked by tradespeople is where to allocate the purchase of new tools. The answer is complicated, because it depends on whether you belong to the Simplified Tax System. If you're not sure whether you do, ask your accountant.

If you belong to the Simplified Tax System (as most tradespeople will do)

If the new tool costs $1,000 or less (before GST), then allocate your purchase to an expense account called Tools – Repairs & Replacements. Include a detailed description in the **Memo** field, as your accountant may ask you about this transaction later.

If the new tool costs more then $1,000 (before GST), then allocate your purchase to an asset account called Tools. Include a detailed description in the **Memo** field, as your accountant will need this information when creating your depreciation schedule. If this tool is a replacement for an old tool that you have sold or scrapped, note this in the **Memo** also.

If you *don't* belong to the Simplified Tax System

Allocate all new tools (even if they cost only a few dollars) to an asset account called Tools. Include a detailed description in the **Memo** field, as your accountant will need this information when creating your depreciation schedule. If this tool is a replacement for an old tool that you have sold or scrapped, note this in the **Memo** also.

Remember that there are lots of rules and exceptions, so speak to your accountant if you need assistance.

## Recording cash that you spend before it's banked

Tradespeople often ask this question, as they receive many cash payments. Fortunately, there's a really easy way to deal with this situation.

Whenever you go to **Receive Payments** or **Receive Money,** you'll notice that you have the option to deposit customer payments direct into your bank account or group them with undeposited funds.

The idea of an undeposited funds account is that you record all customer payments as going into this account (whether they're cash, cheque or credit card payments). Then, if you spend cash before banking it, you record the expense as coming out of the undeposited funds account.

Later, when you deposit cash or cheques into your bank account, you create a bank deposit that transfers the money out of undeposited funds and into your cheque account. You mark off the deposits, the cash that came in and the cash that went out. The difference is the amount that you intend to bank. You can see how it works in the screenshot below.

Undeposited funds accounts are handy if you tend to spend customer payments before they're banked
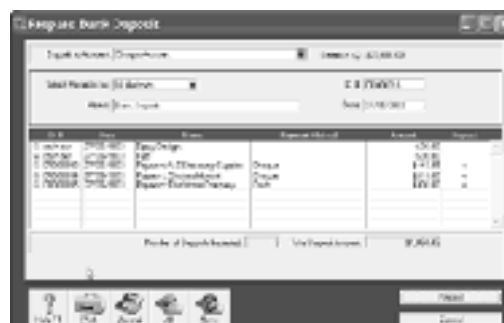
One of the mistakes many tradespeople make is to set up all their stock items as inventory. In practice, there are very few trades for which this is practical to do. For example, if an electrician starts accounting for every metre of cable purchased along with every metre of cable used on each job, it won't be long until they're spending more time doing bookwork than being out on the job.

In practice, you should only set up items as inventory items if you regularly buy and keep in stock certain items for resale, such as spare parts or specialist accessories.

However, the fact that you probably won't want to inventory any items doesn't mean you won't use your **Items List**. Here are two examples of when you'll set up stock in your items list, even when you're not tracking inventory counts:

- It works well to set up items that you sell regularly so that you can call them up (complete with description and selling price) when generating invoices. Simply create a new item and click **I Sell This Item**. Complete the **Selling Price** found under the **Selling Details** tab and you're away.

- Alternatively, if you want to fax purchase orders to suppliers, set up items so that they pop up with both a **Description** and the **Last Cost** when creating a purchase. In this case, simply create a new item and click **I Buy This Item**.

Creating a new item

1. To create a new item, go to your **Lists** menu, click **Items List** and then **New**.

2. Enter an **Item Number** followed by a **Name**. (The item number doesn't have to be a number; you may find it makes more sense to use letters instead.)

3. Select whether you buy, sell or inventory this item.

4. Complete the income, cost of sales and expense accounts, whenever prompted.

5. In BusinessBasics and FirstEdge, complete the **Unit Price** and **Tax Code When Sold**.

6. In all other versions of MYOB software, click **OK** and, depending on whether you're buying or selling this item, complete your **Selling Price**, **Tax Code When Sold**, or **Tax Code When Bought**.

7. Click **OK** to record this new item and return to your **Items List**.

Creating new items for services

If you're intending to use item invoices, it makes sense to set up a different item for each hourly rate that you charge. All you have to do is create a new item, describe it as 'Labour' (or whatever), and enter your hourly rate as the **Unit Price** or **Base Selling Price**.

Business name:	**On the Move**
Overview:	**On the Move are a mobile mechanic business run by Jerry and Lisa, a husband and wife team with no employees. On the Move use MYOB Accounting.**

On the Move are based in a country town and the goodwill of their business is very dependent on relationships with customers and building up repeat business. They use MYOB software to track all customer contact details and use custom lists (found under the **Selling Details** of each customer card) to categorise customers by the types of vehicle they own.

Whenever Lisa records quotations or invoices, she asks customers how they heard about their business and notes the customer's response in the **Referral Source** field. Every six months or so, she prints sales reports showing the total value of sales generated from each source, so that they can plan their advertising budget with this in mind.

If Jerry does a service call, he makes a note of when the next service will be due. He notes the due date in the customer's log in the **Recontact Date** field. Every week, Lisa goes to the **To Do List** and contacts all customers who have a vehicle due for a service. They also use the customer log to make notes about what was done to each vehicle.

Jerry and Lisa try to project as professional an image as possible and so they subscribe to MYOB M-Powered invoices, thereby offering their customers the option of paying by BPAY, Postbillpay or over the phone by credit card. An added bonus is that Lisa has found that since shifting to M-Powered invoices, she no longer has to spend so much time chasing up overdue accounts.

Seeing where you make your money

One of the great things about MYOB software is that you can see not only how much money you're making overall, but you can also analyse each job in detail. For some tradespeople, tracking each individual job can be unnecessarily fiddly, but if your business is such that you get lots of large contracts, then tracking how much money you're making out of each contract is invaluable.

Setting up jobs

The idea of jobs is that every transaction can be coded in several different ways. For example, in the **Spend Money** transaction below, the **Card** shows the name of the supplier; the **Allocation Account** shows the type of expense and the **Job** column shows the project code.

Job numbers provide an ideal way to track the profitability of every job

If you record all transactions in this way, you'll be able to call up Profit & Loss reports for every project you undertake. By analysing how much money you're making (or losing!) on everything you do, you can fine-tune your business to maximise your chances of success.

MYOB Accounting, MYOB Accounting Plus, MYOB Premier and MYOB AccountEdge all offer the ability to track transactions by category, as well as jobs. Categories work well for analysing the different cost centres within a business, as well as individual projects. If you think this might apply to you, you can read about categories in the *MYOB Software for Building & Construction*.

Analysing jobs within jobs

If you want, you can choose to group jobs into header and detail jobs. (Note that header jobs aren't available in MYOB BusinessBasics or FirstEdge.) For example, in the screenshot below, you can see that 'Council Jobs' is a **Header Job**, and individual council premises are **Detail Jobs**.

Groups of jobs are useful in lots of situations. Imagine a building project divided into distinct stages, a large maintenance contract divided into separate sites, or a contract to set up a network of computers at several different schools. In such instances, you can create a header job for the whole project or contract, and then create detail jobs to track the different stages or sites within this project or contract.

insight for Tradespeople

Seeing where you make your money

To create a header in your jobs list, simply select **Header Job** when creating a new job. For detailed jobs that will appear under a header, select the header in the **Sub-Job of** field when creating a new job. That's all there is to it.

Creating budgets for jobs

To create budgets for jobs, go to your **Jobs List**, highlight the relevant job and click **Budget**. (Note that job budgets aren't available in MYOB BusinessBasics or FirstEdge.) You will see a list of all income, cost of goods sold, and expense accounts. Simply enter your budget estimates here.

Keeping track of expenses for reimbursement

A 'reimbursement' is when your customer pays you back for your out-of-pocket expenses such as the cost of materials, freight charges, special tools or travel expenses. Set up properly, MYOB software can track these out-of-pocket expenses and then, when it comes time to bill the customer, add these expenses automatically to their account. (Note that this feature isn't available in MYOB BusinessBasics or FirstEdge.)

One reason to have MYOB software track expenses due for reimbursement is to jog your memory so you actually claim them back. MYOB software calls its 'reminder list' for these expenses the **To Be Reimbursed** list. You can find this list by going to your **Jobs List**, double-clicking the job you wish to view, then clicking the **Reimburse** button. Here you'll see a list of all expenses you have claimed so far (shown under the **Reimbursed/ Removed** tab), as well as a list of all expenses you are due to claim (shown under the **To Be Reimbursed** tab).

To bill your customer for these expenses, go to **Enter Sales** in the Sales command centre and enter the customer's name. If there are expenses due to be reimbursed from that particular customer, the **Reimburse** button will be coloured, not grey. Click it to see the list of expenses due to be reimbursed.

Most tradespeople work away from the office, working for clients on-site. In this situation, it's easy to concentrate on doing what you do well, postponing boring paperwork for as long as possible. Trouble is, invoices are late, cashflow is delayed, mistakes get made and billable time forgotten.

The easiest solution is MYOB PocketAccounts, a Palm OS® software application that extends the information gathering reach of your desktop-based MYOB accounting software beyond the office and out onto the road. With MYOB PocketAccounts, you can access and record sales information via a hand-held device, thereby creating sales, processing payments and issuing invoices.

MYOB PocketAccounts synchronises all of the sales or time billing information with the MYOB accounting software in your office. There's no need to re-key any data.

MYOB PocketAccounts is the ideal way to track time and materials when working in the field

You can use PocketAccounts to 'clock in' and 'clock off' time spent on each job, keeping an accurate record of all on-site activities, including non-billable time. If you like, you can even log total kilometres travelled, materials used, out-of-pocket expenses or phone calls made. Later, when you return to the office, the information in your handheld is synchronised with the PocketAccounts desktop software via a HotSync® operation, which inturn updates your MYOB accounting software.

Please note that MYOB PocketAccounts can only synchronise with MYOB Accounting, MYOB Accounting Plus and MYOB Premier.

HotSync and Palm OS are registered trademarks of Palm, Inc.

MYOB software makes accounting for GST about as easy as something so complex could be. So long as you record all your transactions and allocate the right tax code to each one, there's not a great deal that can go wrong. The main thing to remember is to allocate the right tax code when recording transactions. This done, everything else should fall into place.

Recording GST on income and expenses

Whenever you record a transaction, you can choose whether to enter the amount as tax-inclusive or tax-exclusive by toggling the **Tax Inclusive** checkbox in the top right of every window. (When recording payments or receipts in MYOB BusinessBasics and FirstEdge, you may have to click the **Split** button in order to view this option.)

Usually, you'll find it easiest to click the **Tax Inclusive** checkbox and enter all amounts including tax. You'll find that the GST calculates automatically and you don't have to go looking up every receipt to double-check the tax total.

Deciding what GST codes you need

Most tradespeople find that they only need six tax codes: CAP; FRE; GST; ITS; N-T and QUE. To review your codes, go to the **Lists** menu and select **Tax Codes**. Comparing your list with the list shown below, delete any codes you don't need (they'll only serve to cause confusion) and add any codes that are missing. For all tax codes, the **Linked Account for Tax Collected** should be **GST Collected from Sales** and the **Linked Account for Tax Paid** should be **GST Paid on Purchases**. Once you're finished, your tax code list should look similar to the one below:

Your Tax Code List should look something like this

What do the different codes mean? Here's an explanation:

CAP (GST on capital acquisitions)

If you buy new tools, equipment or vehicles that cost more than $1,000 before GST (assuming you're part of the Simplified Tax System) or if you buy new tools, equipment or vehicles (if you're not part of the Simplified Tax System), you need to report these purchases separately on your Business Activity Statement. To do this, you may need a separate tax code called CAP. If you're not sure whether or not you're part of the Simplified Tax System, ask your accountant.

FRE (GST-free goods and services)

Even if you don't sell any GST-free goods or services, you're bound to end up purchasing GST-free supplies such as bank charges, donations or government charges.

GST (Goods and Services Tax)

GST is the tax code that you'll use for most sales and purchases.

ITS (input taxed sale)

The only time most tradespeople use the ITS code is for interest income. However, if you have any residential real estate investments, use ITS as the code for recording rental income.

N-T (not reportable)

N-T stands for not reportable and is the code you use for everything that falls outside the GST net, such as wages; superannuation; loan repayments; bank transfers and personal spending.

QUE (query)

Use the query code whenever you're not sure what code to use. That way, when you get to the end of the quarter, you can print a report for all transactions coded QUE and ask your accountant or MYOB Certified Consultant to give you a hand choosing the correct codings.

Deciding what codes to use when

One of the tricky things when first recording income and expenses is to figure about what tax code to use when. Here are tips to help you out, written especially with tradespeople in mind:

Income

- If you're registered for GST, then all your regular income should have GST as the tax code.

- If you earn interest income, select ITS as the tax code.

Expenses

- Most expenses should have GST as the tax code, including things such as advertising, electricity, postage and telephone.

- If you buy new tools that cost over $1,000, and you're part of the Simplified Tax System, select CAP as the tax code (CAP stands for 'GST on capital acquisitions').

- Donations should have FRE as the tax code, as should almost all bank charges and interest expense. However, watch out, as merchant fees should have GST as the tax code.

- Residential rents should have ITS as the tax code, commercial rent should have GST as the tax code.

- Hire purchase and lease payments depend on what you're paying off, when you bought it and how your accountant intends to treat it. Ask your accountant.

- Subcontractors should have GST as the tax code. However, if you employ any subbies who aren't registered for GST, but have an ABN, record these expenses as FRE.

- Insurance is tricky, because almost every insurance policy is a mixture of taxable and tax-free (stamp duty doesn't have GST on it). Enter QUE as the tax code for insurance expense, then double-check the exact amount of GST on every insurance payment when you record it.

- Milk, tea, coffee and some first aid supplies should have FRE as the tax code.

- Domestic travel should have GST as the tax code, overseas travel should have FRE as the tax code.

- Government charges are almost all GST-free, and include licence renewals, motor vehicle registration, council rates, water rates, land tax and stamp duty

insight
for Tradespeople

Private expenses

- 100% private-use expenses should have N-T as the tax code, as should wages and superannuation.

- If you receive money from a personal source and it isn't really income (for example, a family loan, a gift, a tax refund or a transfer between bank accounts), select N-T as the tax code.

Recording transactions if you're not registered for GST

If you have an ABN, but you aren't registered for GST (as is sometimes the case for many tradespeople who turn over less than $50,000 a year), simply enter N-T (standing for no tax) as the tax code for every transaction.

Your clients may also find it helpful if you customise your invoice to make it clear that you're not charging GST. Here's what to do:

1. Go to the **Sales** command centre, click **Print Invoices**, pick your **Invoice Type** at the top and select your customised invoice format from the **Selected Form for Invoices** drop box. Click **Customise**.

2. Highlight the field called 'Invoice Type' and press Delete. This removes the words 'Tax Invoice' from the standard invoice template.

3. Now click the text tool from toolbar and then click on the invoice somewhere near the **Comment** field. A box called **Text Field** should appear.

4. Double-click this box and enter the words 'Our business has an ABN but is not registered for GST. Therefore, all prices are GST-free' as your **Text**. Modify the **Font** and **Size** to suit the rest of the invoice. Click **OK**.

5. If necessary, expand the size of the text field so that all the text fits in. (Change the size of a field by resting your mouse on the bottom right corner of the field and dragging this corner outwards.)

6. Click **Save Form As** and enter 'Invoice' as the form **Description**. Then click **OK** to return to the **Print Invoices** window.

Organising employees and subcontractors

If your business has three employees or more during the course of the year, then make sure you're using MYOB Accounting Plus, MYOB Premier or MYOB AccountEdge. These software versions all offer integrated payroll so that you can track wages, calculate PAYG tax, produce superannuation reports, print pay advices and generate payment summaries at end of year. Compared to doing payroll by hand, you'll save hours and hours of time.

Understanding payroll for the building industry

Your MYOB User Guide covers almost all of what you'll need to know in order to process pays. However, here are a couple of quirks specific to the building industry:

- Many employees have tool or travel allowances. To set these up, go to **Payroll Categories** in the Payroll command centre, click **New** and create a new category. Select **Hourly** as the **Type** and enter the amount of the weekly allowance as the **Rate**.

- Employees who come and go are part and parcel of the building industry. Be tough and put them up on the top tax scale (No Tax Free Threshold) until they complete an Employee Declaration and supply you with their Tax File Number.

- If an employee wants to be a subcontractor, check with your accountant. In the meantime, insist they provide you with an invoice complete with ABN. If they don't provide an ABN, you have to withhold 48.5% tax from their payment.

Recording subcontractor payments

You record most subcontractor payments in the same way as you would any other supplier payment – either as a Spend Money transaction or in Enter Purchases. However, if you employ subcontractors on a regular basis and they are primarily providing you with labour (as opposed to labour and materials), then you may be liable to pay superannuation for them also (check with your accountant as to whether this is the case).

If you are obliged to pay superannuation on behalf of a subcontractor, you can record their payments in the Payroll command centre. This way, superannuation calculates automatically and comes up on your regular superannuation reports, along with any employees. However, to avoid printing a payment summary for this subcontractor, go to the **Payroll Details** of their card and click the **Personal Details** tab. Select **Labour Hire** as the **Employment Basis**, rather than **Individual**.
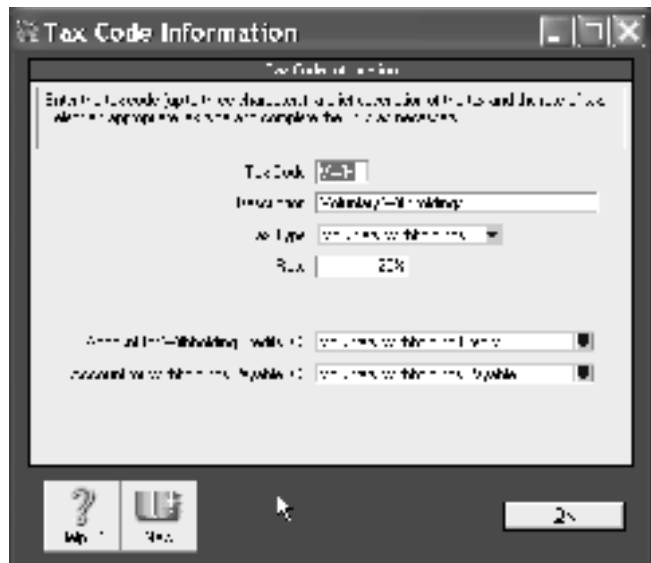
Tracking voluntary withholding tax

Some subcontractors, even though they're not employees, may ask you to withhold tax from their payments. This tax is called voluntary withholding tax, and you may need to set up a new code in your Tax Codes list. Here's what to do:

Go to your **Lists** menu, choose **Tax Codes** and then click **New**. Complete the **Tax Code Information** so that it appears like the following screenshot:

Setting up a tax code to track voluntary withholdings for subcontractors

Note that the **Rate** in this example is 20%, but it may vary depending on the subcontractor. The linked accounts are **Voluntary Withholding Credits** (which should be an asset account) and **Voluntary Withholdings Payable** (which should be a liability account).

Business profile: Andy's Aircon is an air-conditioning business in suburban Melbourne with four employees and an owner-manager. Their turnover is approximately $650,000 per year.

Software: Andy's Aircon use MYOB Accounting Plus, MYOB PocketAccounts and subscribe to MYOB M-Powered invoices.

In years gone by, the hardest thing for Andy's Aircon was to keep track of employees' time and expenses. Timesheets were often lost and employees would regularly forget to write down materials used on the job. Last year, Andy's Aircon made a big shift by providing each employee with their own palm-top computer, loaded with MYOB PocketAccounts. Now, after every job, employees sit in the van and record all time and materials directly into their palm-tops. At the end of each week, the bookkeeper downloads this information out of MYOB PocketAccounts and straight into MYOB Accounting Plus, ready for billing customers. The whole process is significantly more efficient than before, with less time and materials being forgotten.

Andy's Aircon usually do large installations and each one is given its own job number. All income, purchases and expenses are coded with the relevant job number and at the end of each month, the manager prints Job Profit & Loss reports for all completed installations. This way, he checks the profit for each job and picks up quickly if there have been any mistakes, either with the initial quoting process or in the final bill.

Over the last twelve months, online payments and receipts have been the other major improvement in the way Andy's Aircon runs their business. Most suppliers are now paid by electronic transfer, so the bookkeeper records payments first in MYOB Accounting Plus, later sending the payment file straight to the bank. MYOB M-Powered invoices encourage customers to pay more promptly, and over two-thirds of customers now pay by electronic transfer.

One of the harder aspects of running your own small business is keeping track of how much tax you owe, and making sure that you have sufficient funds available when tax bills fall due. Fortunately, you can use the financial reports in MYOB software to help you budget for tax, avoiding any nasty surprises.

The best way to avoid getting in a pickle with GST and employee tax is to open a savings account that links to your business bank account, so that you can transfer money between accounts easily.

Created in partnership with Macquarie Bank, MYOB M-Powered® MoneyController can help you better manage your cashflow, by assisting to provide for your business's tax obligations and investing any surplus cash you may have. With this service you can:

- Analyse your current tax and payroll obligations.
- Securely transfer funds from your everyday business account to a high-interest MoneyController Provision Account straight from your MYOB software.
- Make ATO payments from your Provision Account with Macquarie Bank.
- Analyse your business's investment capacity.
- Transfer surplus cash into a high-interest MoneyController Investment Account with Macquarie Bank.

To find out more about M-Powered MoneyController, or to download the Product Disclosure Statement, visit **www.myob.com.au/m-powered/** .

Estimating personal tax

Personal tax is the other tax bill that often catches people by surprise, especially if they're in their first year of running a business and PAYG Instalment Tax isn't showing up on their Business Activity Statement. Obviously your accountant is the best person to help you calculate how much tax you owe, but you can use MYOB reports throughout the year to make a rough estimate. Here's what to do:

1. Keep your accounts right up-to-date. Make sure you record all business income and expenses and that you allocate personal drawings to an equity account called drawings (if you're a sole trade or partnership) or to a Directors' Loan account (if you're a company).

2. Whenever you want to estimate how much tax you might have to pay for the year, print a Profit & Loss report and look at the net profit.

3. Divide this profit by however many weeks of the year have passed so far. For example, if you're printing a Profit & Loss for the period July to September, then divide the net profit by 13.

4. Pretend that this profit figure is a week's wages and calculate how much the PAYG tax would be if you were to pay an employee this amount for a week. If you have MYOB Accounting Plus, MYOB Premier or MYOB AccountEdge, you can calculate this tax by entering a dummy paycheque, otherwise, simply look up the printed tax tables found at any newsagent.

5. Multiply your estimate of a week's tax by 52 and you'll arrive at a rough estimate of how much tax you'll have to pay for the whole year.