

# Little Blue Distillery

## Extract from POLICIES and PROCEDURES Manual

### 1 Company Details

Little Blue Distillery is a small business that distils gin and whiskey and sells to customers through a cellar door. The business also has a flower farm and a long-term rental property.

### 2 GST and BAS reporting

The business has an ABN and is registered for GST. It reports GST monthly on an ACCRUALS BASIS and reports payroll monthly. A PAYG instalment is set as a \$1200 quarterly instalment. The business also claims a Fuel Tax Credits for diesel used in tractors and equipment on the flower farm. A Jon number is used to track the number of litres purchased. The business has voluntary agreements with Mary Brown and Alison Bramier to deduct 20% tax from payments. Tax codes used: CAP, GST, FRE, GNR, ITS, INP, N-T, VWH, ABN. A BAS Clearing A/c is not used by Little Blue Distillery.

### 3 Accounting System

The business keeps an accrual set of books, accounting for debtors and creditors. When data is entered, the source document must be checked for validity and the account code and initials of who entered the data is required on the source document.

### 4 General Ledger

A chart of accounts has been drawn up in consultation with the Accountant. Accounts are not to be added unless there is no other account which can be used. If accounts are added, care must be taken so that the new accounts are on the correct level so that financial reports are accurate.

### 5 Fixed Assets

The company Director will be responsible for the purchase of assets. A file is kept for each asset purchased. This file should include the Tax Invoice, warranties, loan arrangements and any other documentation regarding the purchase. When sold, sale documentation should be added to the file.

The business is not taking advantage of the Small Business Income Tax concessions depreciation rules.

### 6 Errors and Discrepancies

It is essential that the books of the business are accurate and correct. Any discrepancies should be reviewed by the Company Director. A file should be kept that documents all changes made in the Xero organisation. Where necessary, entries should not be deleted instead the entry in Xero should be reversed and re-entered if necessary. If an incorrect tax code has been used in a previous BAS, a journal entry is recorded to correct this error.

### 7 Monthly Reconciliations

#### A Payroll Reconciliation

Using the payroll checklist reconcile the wages, Super and tax for the month. Gross wages and Super in the Payroll Summary are reconciled with figures in the Profit and Loss. PAYG withholding and deductions in the Payroll Summary are reconciled with figures in the Balance Sheet.

#### B Bank Account Reconciliation

Bank reconciliations are performed in the Xero organisation at least once a month on the last day of the month to reconcile the accounting records against the bank statement. Transactions may appear on the bank statement that need to be entered into Xero.

#### Using the BAS checklist

#### C Accounts Receivable Reconciliation

A Receivables with tax report is printed and reviewed to check that the Receivables account in the chart of accounts balances with the amounts outstanding from customers.

**D Accounts Payable Reconciliation**

A Payables with tax report is printed and reviewed to check that the Payables account in the chart of accounts balances with the outstanding amounts payable to suppliers.

**E Check Accuracy of Data**

Run a copy of the General Ledger report and check the accuracy of the transactions and correct any errors

**F GST Reconciliation**

The business accounts for GST on an accrual basis. The following reports should be printed at the time of preparing the Business Activity Statement:

- GST Report Accrual Basis
- Balance Sheet
- Profit and Loss

The net GST on the GST report should equal the current GST liability on the Balance Sheet.

**8 BAS Lodgement**

The Business Activity Statement (BAS) is prepared according to statutory, legislative, and regulatory requirements and presented to the Company Director for verification and approval.

Once approved the BAS is lodged according to statutory, legislative, and regulatory requirements.

The amount payable must be paid by the due date printed on the statement.