

March 2012 Newsletter



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Accounting Spreadsheets—we might be able to simplify your financial systems.

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There are two ways employers can handle this: the default option is that they find out their employee's marginal tax rate from the relevant table and then deduct the tax at that rate from the Employer Contribution. It's all reasonably well explained at the IRD web site here: <http://www.ird.govt.nz/changes/employers/>. This tax is called Employer Superannuation Contribution Tax, or ESCT for short.

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Changes to financial reporting for non-profits

Government is likely to throw some pretty massive changes to financial reporting at the non-profit sector as of 2013, and it's a double-whammy. If they are being made law as proposed, **all non-profits will have to produce standardised General Purpose Financial Statements (GPFS)** regardless of their size. They promised templates for smaller groups, so fingers crossed it will stay simple, but we're not very hopeful that most non-profits will be able to manage this without professional accounting support.

A full set of GPFS comprises five statements: the Income Statement (aka Profit/Loss, Income/Expenditure, Financial Performance) as well as the Statements of: Financial Position (aka Balance Sheet), Movements in Equity, Cash Flows and Accounting Policies. Most groups seem to be able to make a decent stab at an Income Statement, but in our experience they're struggling with all the others.

The second big change is that **all non-profits with more than \$40,000 in expenses will have to adopt accrual accounting**. That threshold is 50 times higher than for businesses, which only have to produce accrual-based reports (mainly for GST purposes) at a turnover of \$2m.

Accrual-based accounting means that income or expenditure is recorded when it is incurred, not when someone gets paid (which is cash-based accounting). For example, your phone bill accrues as you make calls, but you only pay it a few weeks later—therefore this is a liability until paid under accrual accounting. Likewise, if you write an invoice to another organisation for services you have delivered this would have to be treated as income the moment you mail out that invoice, not when it's actually paid. Needless to say that, while accrual accounting is 'accurate', cash-based accounting is by far the more practical.

We'll have more on this as it develops.

Accounting Spreadsheets

Simon is working on making our lean, mean accounting spreadsheets even better—or at least a little more foolproof. A number of organisations are using them now to good effect, as they have the added bonus that they can do your grant accountability in the same hit as your cashbook.

At the moment it works best in Excel 2010, which most non-profits should be able to obtain at very minimal cost through the Microsoft Donation Programme, via Techsoup (www.techsoup.net.nz). We'll be trying to develop versions for Open Source software (Open Office) as well.

Date	Details	Account	Amount Inc GST	Banked? (Y/N)	Bank Balance	Grant 1	Amount 1	Grant 2	Amount 2	Grant 3	Amount 3
2	01/04/11 Opening Balance										
3	23/06/11 Membership	531 Membership Fees	\$ 60.00	y	\$ 60.00	Membership Funds	\$ 60.00				
4	23/06/11 Bank Fee	428 Bank Fees	\$ 4.00	y	\$ 56.00	Membership Funds	\$ 4.00				
5	30/06/11 Chq Clearance Fees	428 Bank Fees	\$ 6.70	y	\$ 52.30	Membership Funds	\$ 6.70				
6	14/07/11 Membership	531 Membership Fees	\$ 30.00	y	\$ 85.30	Membership Funds	\$ 30.00				
7	18/07/11 Membership	531 Membership Fees	\$ 30.00	y	\$ 115.30	Membership Funds	\$ 30.00				
8	22/07/11 Bank Fee	428 Bank Fees	\$ 6.00	y	\$ 109.30	Membership Funds	\$ 6.00				
9	02/08/11 Membership	531 Membership Fees	\$ 30.00	y	\$ 139.30	Membership Funds	\$ 30.00				
10	19/08/11 Bank Fee	428 Bank Fees	\$ 6.00	y	\$ 133.30	Membership Funds	\$ 6.00				
11	22/08/11 Bank Fee Refunded	428 Bank Fees	\$ 16.70	y	\$ 152.00	Membership Funds	\$ 16.70				
12	06/09/11 Membership	531 Membership Fees	\$ 30.00	y	\$ 180.00	Membership Funds	\$ 30.00				
13	22/09/11 Membership	531 Membership Fees	\$ 30.00	y	\$ 210.00	Membership Funds	\$ 30.00				
14	30/09/11 Membership	531 Membership Fees	\$ 30.00	y	\$ 240.00	Membership Funds	\$ 30.00				
15	15/09/11 Domain Name/Web Hosting	427 Web Site	\$ 71.17		\$ 240.00	Membership Funds	\$ 71.17				
16	15/09/11 Stationery	427 Stationery/Postage etc	\$ 18.93		\$ 240.00	Membership Funds	\$ 18.93				
17		PIVA			\$ 240.00						
18		PIVA			\$ 240.00						
19		PIVA			\$ 240.00						
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50		PIVA			\$ 240.00						

There will be a number of versions available, depending on how many bank accounts you run, whether or not you are GST registered and what your financial year is. We can support any problems you may have with them.

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