

SoEasyTM Training accounting.com module

Reference

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Managing your Bartercard Account

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Introduction

In this manual we are going to discover how to manage your Bartercard Account from an accounting point of view.

What is Bartercard?

Bartercard is best understood as a Credit Card account.

1. You will be provided an overdraft facility that you can spend with other Bartercard members
2. You pay standard monthly account management fees
3. When you purchase goods or services you are charged a percentage of the transaction by Bartercard
4. When you sell goods or services you are charged a percentage of the transaction by Bartercard
5. If you are GST registered you must account for the GST portion of each transaction
6. You receive a monthly Bartercard Statement
7. You are assigned an account manager

However, unlike a Credit Card or a Bank Account, Bartercard will help you:

1. Sell your good and services to other Bartercard members
2. Purchase goods and services from other Bartercard members
3. Increase your sales turnover
4. Preserve your cash

You can also sell your goods and services online at the Bartercard web site, advertise in the Bartercard member's directory, and advertise in Bartercard's magazines.

If you want to promote your business overseas, Bartercard can find you trading partners in New Zealand, Australia, Kuwait, Thailand, United Kingdom, Quatar, Cyprus, and United Emirates.

Bartercard has the ability to truly change your lifestyle overnight but it is vitally important to understand the Bartercard mechanism and establish policies and procedures for managing your Bartercard account.

Bartercard Transactions

Let's take a look at a Bartercard transaction from start to finish.

A Bartercard member has seen our advert on the Bartercard web site and wants to purchase a Small Business Accounting Program to manage her business.

1. We create an Invoice
2. We fill in a Bartercard voucher
3. Gain Authorisation for the transaction from Bartercard
4. Send the voucher with the Invoice to the purchaser via email, fax or post
5. The customer signs the voucher, keeps a copy and sends the signed original back to us
6. We process the voucher as if it were true cash currency and if we are GST registered, we record the GST portion of the transaction in our accounts
7. Send the goods or services to the customer
8. We send the voucher through to Bartercard
9. Bartercard process the transaction onto our Bartercard account and deduct a transaction fee
10. The transaction fee is made up of a portion of trade dollars and a portion of cash
11. At a given date each month, any cash fees are automatically deducted from our cash bank account in one lump sum
12. When completing our GST return, we include the sale in the total sales figure

When broken down like this it seems like a lot of steps but it is basically no different than a sale of goods on a credit card. There are better and faster ways to process the transaction, which we will look into in more detail after we review each of the 12 steps.

Step 1 – Create an Invoice

When selling goods or services you must provide the purchaser with an Invoice that you would normally supply to a cash customer.

Helpful Hint

It is a very good idea to identify on the Invoice that this was a Bartercard Transaction

Step 2 – Fill in a Bartercard Voucher

Step 3 – Gain Authorisation

It is important to gain authorization before releasing the goods or services. If you don't and the customer does not have available funds, your Bartercard account will not be credited with the funds.

For authorisation:

phone the Bartercard Authorisation Desk on 0800 650 055

or for online authorizations go to www.members.bartercard.com

Step 4 – Send the Voucher and Invoice to the Customer

The customer must sign the voucher for the sale to be official. Whilst providing them with the voucher, it is a good idea to also provide them with a suitably detailed invoice.

Hint

Make sure the customer returns a signed copy of the voucher to you so that you have a copy for your records.

Step 5 – Update your Accounting System

It is a good practice to immediately record the transaction in your accounting system.

SoEasyAccounting

If you are using SoEasyAccounting, recording a Bartercard transaction is easily done because we have set up SoEasy to work with Bartercard. (See section on SoEasyAccounting)

Other Accounting Software

It is advisable to seek accounting advice on how best to process the transaction.

You would require:

1. The ability to set up a separate Bank Account
2. Set up a specific sales account code to record Bartercard transactions
3. The ability to assign and invoice to the Bartercard account code

Manual Record Keeping

However you manage your accounts at the moment, you would need to set up the system to handle an additional bank account.

Step 6 – GST Recording

If you are registered for GST then you must record the transaction's GST portion for your monthly GST Return.

In SoEasy this is done for you automatically.

For any other system you would need to make sure that GST is being captured and will report onto your GST Return.

Step 7 – Send the Goods or Services

Now that you have processed the required paperwork and everything has been approved, it is safe to send the goods to the customer. Make sure you treat a Bartercard sale with the same efficiency and respect that you would a cash sale. Many sales in Bartercard are a result of word of mouth and so the best service you can provide will result in a good name and potentially more sales.

Step 8 – Voucher to Bartercard

Depending on workflow, Bartercard may take several days to process your voucher so it's important to get it into them as quickly as possible.

You could ask your customer to send the signed voucher directly to Bartercard (Step 4) therefore speeding up the process, however you may also see merit in receiving the signed voucher yourself and immediately re-sending it to Bartercard. The important part of this stage is to get the voucher to Bartercard or you will not be credited with the sale.

Step 9 – Bartercard Voucher Processing

When you sent the voucher to Bartercard it is best to think of the process as taking your daily banking to your bank teller. The transaction will be:

1. Recorded against your account
2. A barter fee will be charged against the transaction
3. A cash fee will be charged against the transaction

At this stage you do not need to worry about recording the transactions as the only part you have not recorded into your accounting system are the fees. These will be totalled for you on the statement and you can make suitable entries into your accounting system later.

It is however a good idea to realise two components of a sale or purchase:

There are two cash components to every sale or purchase:

- a) GST
- b) Bartercard Cash Fees

Step 10 – Transaction Fee

Let's look at a \$100 sale on Bartercard and see what cash is involved.

Action	Value	Trade Fee	Cash Value
Sale of goods on Barter	\$100		\$0
GST to pay to the IRD			\$11.11
Bartercard Fees		\$1	\$6.50
Total Fees		\$1	\$17.65
Percentage of \$100 trade		1%	17.65%

It's a good idea to keep a mental note of the costs of the trade. 17.65% of the sale is going to cost you cash dollars (this does not include the actual cost of the goods). A 1% trade fee is also going to be deducted from your Bartercard account.

However this Cost of Trade is offset by purchases.

Action	Value	Trade Fee	Cash Value
Sale of goods on Barter	\$100	\$0	\$0
GST to pay to the IRD		\$0	\$11.11
Bartercard Fees		\$1	\$6.50
Purchase of goods on Barter	\$100		
GST Refund from IRD			-\$11.11
Bartercard Fees		\$1	\$6.50
Total Fees		\$2	\$13.00
Percentage of \$200 trade		1%	6.5%

Taking into consideration that you purchase equivalent values of goods and services to sales, your actual cash cost of the trade is only 6.5%. This is amazing value. For just \$13.00 in cash fees, Bartercard have increased your sales and provided you with services that would normally have cost you cash.

It is important to recognise that Bartercard works extremely well as long as you use your Bartercard dollars to purchase GST claimable goods and services from other members.

If on the other hand you go for a private meal with your partner, although you will save the cost of the meal in immediate cash, the trade is not favorable because:

- a) The cost of the trade is 17.65% that you will pay in cash
- b) The meal was personal drawings and will be part of your end of year income which you will be taxed on
- c) This will reduce your company's Net Profit

So as a good rule of thumb, use Bartercard dollars as often as possible to purchase company related goods and services that you can claim through your books, and avoid personal spending that cannot be attributed to business expenses. This is just a matter of working smarter and recognizing your opportunities. For example, you decide to do some research into opportunities in Australia. This is

research and development and you decide that you and your partner should perform the research; you can have results based upon different points of view.

- Flights – Tax deductible
- Accommodation – Tax deductible
- Hire car – Tax deductible
- Meals – Tax deductible

Do make a report on your findings, hold meetings, and be genuine. There are opportunities for business everywhere. This is a concept only and before embarking on such a trip you should consult with your accountant to find out what you would be entitled to claim back as tax deductible and what you would not.

We talk about good and bad trading habits a bit later on but if you can keep in mind that to reduce costs, buy and sell tax deductible transactions.

Non-deductible purchases save you cash immediately but cost you 17.65% in cash fees and will be attributed to your drawings which you may also be required to pay tax on.

Step 11 – Deduct Cash from our Bank

On a given date, Bartercard are going to deduct cash fees from your bank account.

Hint

- Put the date in your diary
- Check what the cash fees are going to be by looking at your statement
- Make sure the funds are available

Just imagine a cash fee of \$14.00 being deducted but not having the available funds at that moment to cover the fees. Your bank may have a policy of charging an overdrawn fee, or worse, charging a fee and bouncing the payment!

To record the fees:

1. Add two accounts into your chart of accounts
 - a. Bartercard Cash Fees GST = Y Account code BCCF
 - b. Bartercard Trade Fees GST = Y Account code BCTF
2. Take your Bartercard statement
3. Use a highlighter pen and highlight the MONTHLY SUB TOTALS for both Trade Fees and Cash Fees
4. Make two entries in your cash book: under your Bartercard Bank Account
5. Bartercard Cash Fees \$****.** BCCF
6. Bartercard Trade Fees \$****.** BCTF

To record the payment:

The cash fees are going to be deducted from our main trading account.

In an accounting system like SoEasy this is simply a transfer of money from one bank account to our Bartercard Account.

7. On the day of the payment, pay the Cash fees from the Main Bank Account to the Bartercard Account

Step 12 – GST Return

To produce an accurate GST Return all bank accounts need to be reconciled including the Bartercard Account.

Your Bartercard Account should look similar to this:

Date	Particulars	In	Out	GST	Account
1/01/2010	Balance brought forward	\$5,600.00			
2/01/2010	John Trading	\$300.00		Y	B-TM-SLS
3/01/2010	The One Restaurant		\$65.00	N	A-DRAW
7/01/2010	Bills Gates	\$400.00			B-TM-SLS
20/1/2010	Bartercard Cash Fees		\$49.72	Y	B-BCCF
20/1/2010	Bartercard Trade Fees		\$7.65	Y	B-BCTF
21/1/2010	Payment of BC Fees	\$49.72		N	A-MB
	Closing Balance	\$6,227.35			

and must be reconciled against your Bartercard's statement.

If using SoEasy, when you produce your GST return each transaction that includes GST will be present on the GST audit trail and the appropriate boxes of the GST return will be complete.

If using another system, make sure that each Bartercard transaction has been included in the GST return for the appropriate period.

12 Steps Conclusion

In completing these 12 steps you have managed your Bartercard account. It seems like a lot of work but once you get used to the process it is relatively easy. At SoEasyAccounting we have made modifications to our system to help people manage Bartercard more efficiently. The following topics will show you how SoEasy can help you manage your Bartercard account more efficiently.

What is SoEasyAccounting?

SoEasy is a very easy to use accounting system made in New Zealand. It is ideal for people who want to easily manage and grow their business.

SoEasy is a modularized program, only purchase what you need and as your business grows add additional modules. SoEasy covers the basic business to a wide variety of industry specific solutions.

All versions of SoEasy come with the ability to manage your Bartercard transactions and accounting requirements.

Entry Level Versions	
Cash Book	Easy to use Cash book with the ability to import your transactions from your bank's web site, produce GST returns and file them on-line, manage budgets, produce a wide variety of reports, and export reports to a spreadsheet for further analysis.
Small Business	Includes the Cash Book module and also includes CRM Database, Products Register, stock control, quotes, job sheets, invoices, and basic marketing features.
Small Business Multi User	The Small Business version is a 3-user network pack that enables 3 people to work on the system at the same time (additional network licences are available).
Enterprise	The Small Business version with enhanced features such as repeat billing, advanced email management, advanced marketing, and advanced proactive management systems.
Enterprise Multi User	The Enterprise version with a 3-user network licence (additional network licences are available).

After the Entry Level Versions there are Industry Specific Versions such as:

Point of Sale	Use anywhere where customers come in to your shop.
Club Manager	Designed for clubs. Easy management of subscriptions and meetings.
Freight Manager	Small trucking operations.
My Mechanic	Automotive repair shop management system.

IT Technician	Computer sales and service.
Service Industry	Repair of goods such as whiteware and electrical goods.
Trades Professional	Any trade management system.
Graphic Art Department	System for managing a business that provides artwork, copyright or advertising services.

These are just a few of our products and for many industries all that is required is a consultation with an accredited SoEasy distributor and they can work out how best to use SoEasy for managing most environments.

Using SoEasy to Manage your Bartercard Account

SoEasy has been designed to specifically handle your Bartercard transactions and what we are about to show you is how to set up and manage Bartercard using SoEasy.

1. Setup Your Bartercard Number

Go to **Platform – Setup – Bartercard**

Select the **Setup** button and enter your BARTERCARD number.

This number will now be used on Invoices

2. Set up a Bartercard Division

A Division is simply a specific area of your business that you would like to keep track of.

By setting up a Bartercard Division you can report on Bartercard at anytime in many different ways.

For example, we could produce a Profit and Loss Statement for our Bartercard transactions.

By creating a division you also have the ability to set up a special Bartercard invoice that is automatically used each time you invoice a Bartercard customer.

Instructions:

1. Open the **Cash Book** to the **Main Menu**
2. Select **Accounts**
3. Select the **Divisions** tab
4. Select **Add a Division**
5. Enter **BARTERCARD** as the Division name and **BC** as the abbreviation
6. In the **Specific Invoice** section enter the code **BARTERC**

3. Set up Bartercard Accounts

You can now add further classification accounts that you can allocate transactions to such as Bartercard Cash Fees and Bartercard Trading Fees.

1. Whilst in the Divisions screen select the button **Accounts**
2. Scroll through any Divisions and select the **BARTERCARD** divisions
3. Add appropriate accounts such as the following:

Name	BARTERCARD CASH FEES
Abbreviation	CF (Will automatically become BC-CF)
Type	Expenses
GST	Yes
Classification	COSTS-FINANCIAL

Name	BARTERCARD TRADE FEES
Abbreviation	TF (Will automatically become BC-TF)
Type	Expenses
GST	Yes
Classification	COSTS-FINANCIAL

You do not need to add additional account codes but by doing so you can analyse your Bartercard transactions better. Suggested accounts would be:

Name	PURCHASES On BC
Abbreviation	PUR
Type	Expenses
GST	Yes
Classification	PURCHASES

Name	ACCOMODATION On BC
------	--------------------

Abbreviation	ACCOM
Type	Expenses
GST	Yes
Classification	COSTS-DIRECT

Name	DRAWINGS on BC
Abbreviation	DRAW
Type	Expenses
GST	Yes
Classification	DRAWINGS

Name	ENTERTAINMENT on BC
Abbreviation	ENT
Type	Expenses
GST	Yes
Classification	EXPENSES-OPERATING

The Sales account (BC-TM-SLS) is created for you when you added the Bartercard Division. Add additional accounts to suit. By doing so you are going to be able to see your Bartercard account in action where as if you just put purchases on Bartercard to the standard SoEasy purchases account code of A-PUR, the Bartercard transactions will merge into the cash handling accounts and you will not be able to generate the detailed reports we are aiming for.

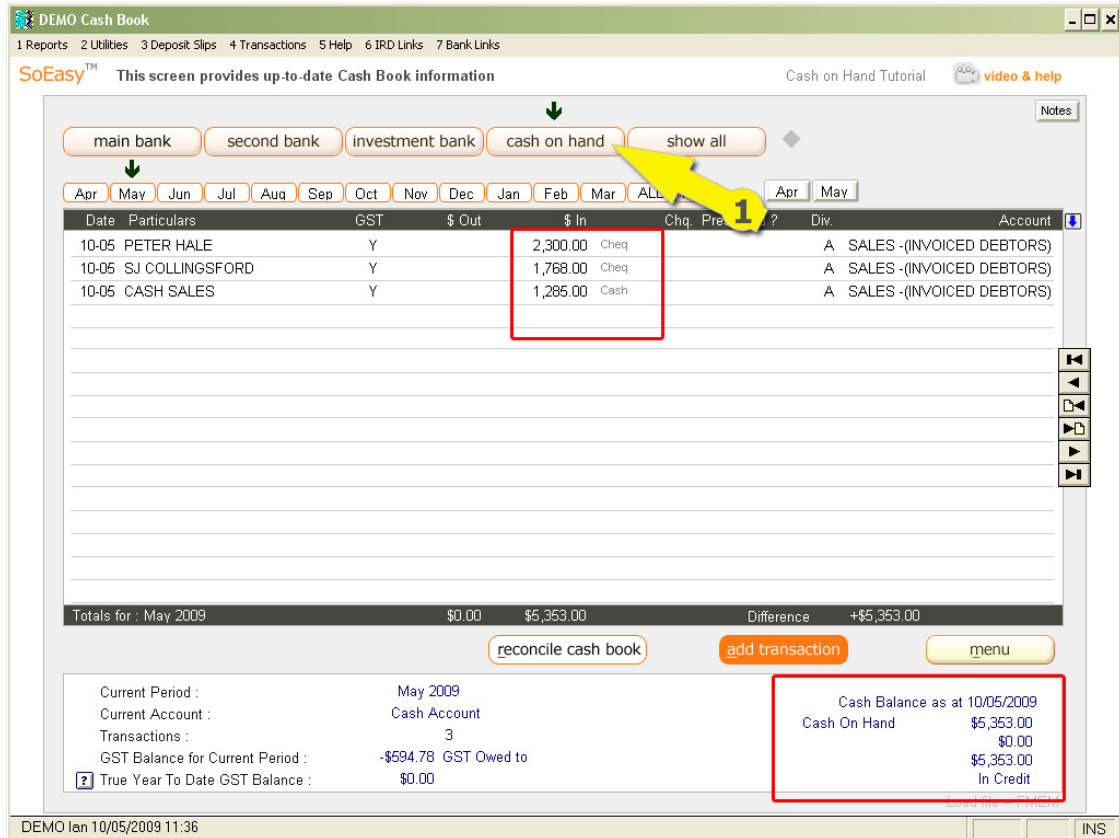
4. Set up a BARTERCARD Bank Account

All transactions have three parts to them:

- Where the money is going to or coming from (This is known as a Cash Handling Account)
- Which account the transaction belongs to (e.g. Purchases, Accommodation...)
- If GST was applicable to the transaction

SoEasy comes with 4 standard Cash Handling Accounts:

Main – Second – Investment – Cash on Hand (Arrow 1 below pointing to the Cash on Hand account)



You could choose one of these as your Bartercard Account (not the Main or the Cash on Hand), or you can add a specific bank account. We recommend you add a specific bank account to the Division of Bartercard.

Instructions

- As in step 2 above, add an account to the Bartercard division as follows:

Name	BARTERCARD
Abbreviation	BCARD
Type	Asset
GST	No
Classification	ASSETS – CURRENT
Bank Account	At the bottom of the account Details dialog there is a question Is this a bank account? Select the check box .

When you select **Save** you will be asked for the opening balance. This should be the **Trade Closing Balance** from your last Bartercard Statement for last year.

5. Opening Balance

You should have now created a new bank account and as with all bank accounts there is an opening balance. In step 4 above (setting up a Bartercard Bank Account), the last instruction asked you to enter the opening balance. This opening balance is for what is known as the Accrual General Ledger which is discussed in SoEasy's general instruction manual on managing the Accrual System.

The opening balance we need to load now is exactly the same as in Step 4 above but we now want to load it for the Cash General Ledger.

Instruction

1. Locate the **Trade Opening Balance** on the Bartercard Statement for the first month of this current financial period. (This should be the same as the Trade Closing Balance of the previous month's Bartercard Statement.)
2. Go into the **Cash Book – Set up – Open Balances** screen
3. Select **Select this button to load Balances**
4. Click on the **BARTERCARD** bank account
5. Enter the **Trade Opening Balance** figure and **Save**

6. Catching Up

If you need to catch up on loading your Bartercard transactions do so.

If you have already issued Invoices to customers, simply add transactions to the cash book in the normal manner for each Bartercard transaction. You can take the information directly off the Bartercard Statement.

Points to remember

- a) Load one month at a time
- b) Use the date of the transaction that is on the Bartercard Statement
- c) Reconcile each month before entering another month
- d) Use the **Reconcile Bank** screen
- e) If unfamiliar with the reconciliation process make sure to watch the video tutorials available through SoEasy's **Help** function.
- f) Sales should go to the account code **BC-TM-SLS**

7. Invoicing a Bartercard Transaction

SoEasy produces a special Bartercard Invoice which already has the Bartercard voucher built into it. It will also prompt you to enter the customer's Bartercard number and other required details. You will also be prompted for authorisation information.

Instructions

1. Add the customer to the SoEasy Database or if they are already in the system, locate them.
2. Create an invoice in the normal manner and when you select OK you will be asked which Division to credit the invoice to. Select BARTERCARD
3. You will be prompted for the user's Bartercard details. If you know it, complete the dialog. If not you can wait until later when you are going to print the Invoice.
4. Add the items to the invoice and when ready, select **Print/Close**.
5. Before printing you will be prompted to add or check the customer's Bartercard details.
6. You are also prompted to enter the Authorisation number. The dialog prompt makes it quick to apply for Authorisation by displaying the Authorisation phone number and quick link to the Bartercard Authorisation web page.
7. You can print or email the invoice (with the Bartercard voucher) directly to the customer.
8. They print it, sign and fax it back to you or straight to Bartercard.

8. Transaction Approved

1. If the transaction has been approved and signed you can receipt the money directly on the Invoice, or if you have closed the invoice, go to the **Receive a Payment** screen and receive the payment.

IMPORTANT

The money must be receipted as a **Direct Credit** or it will end up as a transaction in the Cash on Hand account. This is not a big problem as you can transfer the money to the BARTERCARD account.

If you select the money to be processed as a Direct Credit, you will be prompted To state which bank account the money is to go into; select the BARTERCARD bank.

2. Make sure to select that the money is going into the BARTERCARD account.

All Done

The transaction is complete and your accounting is perfect. Remember that you must reconcile your Bartercard account each time you receive a statement.

Bartercard transactions are exactly the same as cash transactions in that:

1. You need to keep a reconciled account of receipts and payments
2. GST is accountable on each transaction
3. The IRD still require all normal accounting practices for the management of a Bartercard account

However, many people fail to record the Bartercard transactions correctly and this can cause a great deal of concern.

This training module will take you through our recommended practices for recording Bartercard transactions. Please pass this document on to your accountant for their approval as an appropriate means of managing your Bartercard account.

Refunds

If you have to issue a refund for returned Goods or Services:

1. Create a **Credit Note** for the customer
2. Select the Division as **BARTERCARD**
3. Add details of the refund
4. Send the customer a copy
5. Close the Credit Note

When Bartercard deduct the amount from your statement,

1. Go into the customer's account in Platform (Debtors – Receive a Payment)
2. Select the option **Pay a Refund**
3. Choose the division of **BARTERCARD**
4. Type in the amount and select that the payment is from BARTERCARD and by Direct Debit
5. Allocate the payment to the Credit Note

Task complete

Good and Bad Trading Habits

It is very important to set up some trading rules for Bartercard. If used wisely it can help you build your business. If used unwisely it can cause you financial problems.

In our opinion, the following guidelines would be beneficial:

Good Use of Bartercard Dollars

Rule 1: If you have a capacity to take on more customers, Bartercard is very good.

Rule 2: If you have a capacity to take on more customers without it costing you any more money to do so, Bartercard is excellent.

Rule 3: Spending Bartercard dollars on tax deductible goods and services is very good

Rule 4: Converting Bartercard Dollars for services that will help you sell into the cash economy is excellent.

Bad use of Bartercard Dollars

Rule 5: Cash is King. If you are passing cash customers up for Bartercard Customers this is not advantageous.

Rule 6: Spending Bartercard dollars on NON TAX DEDUCTABLE good and services is bad. It will cost you cash

Hording Dollars

If you have a specific target in mind such as wanting to purchase a house on Bartercard then building up a reserve of Barter dollars is understandable and because of the objective, is good.

However, remember that the Bartercard Dollars are an asset of the business and if you have amassed a lot of dollars, you may end up paying tax on them in the form of cash at the end of the year. This is not good. This scenario requires delicate management and you should seek professional advice from your accountant or tax advisor.

The best direction for Barter dollars is to spend them on TAX DEDUCTABLE activities. Always get a GST Invoice.