

An icon of a hand holding a calculator, positioned over the letter 'o' in the word "Bookkeeping".

Bookkeeping basics for your **business**

We demystify common bookkeeping terms and explain how Xero can help you prepare your accounts. You'll be able to prepare your books for financial year end and discuss them with your advisor with confidence.

Chart of accounts

The chart of accounts (COA) is a list of all accounts you can use to record your transactions. It helps you categorise your transactions correctly and group similar accounts together to generate reports about your organisation.

All transactions in Xero need to be assigned to an account in order for you to be compliant with your local tax authority and produce meaningful, accurate reports like GST returns.

In Xero, organisations have a default chart of accounts that may have been set up or customised to suit your business by your accountant or bookkeeper.

Components of an account in Xero

- Each account has an account type which Xero uses to determine where the account appears in your financial reports.
- Account types in Xero are arranged in five categories: Assets, Liabilities, Income, Expenses and Equity
- Each account has an account code of up to 10 characters. You can use any code for an account as long as it's unique. The code is used to group similar or frequently used accounts together in your chart of accounts.
- Every account in Xero must have a name of up to 150 characters. You can choose whether or not to enter a description for the account.
- Each account has a default tax rate. The tax rate determines how Xero treats the transactions for GST purposes.



Viewing your chart of accounts

To view the chart of accounts, in the **Accounting** menu, select **Advanced**, then click **Chart of accounts**. From here you can:

- click an account name to view or edit its details
- click an account YTD balance to view a list of transactions that are coded to that account
- add, archive or delete accounts to best suit your organisation's needs

Note: Some accounts are locked by Xero because they are either a system account or they are being used for a specific purpose, for example, the account is used in a repeating invoice or a bank rule that has been set up.

<input type="checkbox"/>	Code	Name	Type	Tax Rate	YTD
<input type="checkbox"/>	090	Business Bank Account	Bank	BAS Excluded	(17,849.87)
<input type="checkbox"/>	091	Business Savings Account	Bank	BAS Excluded	6,878.28
<input type="checkbox"/>	200	Sales Income from any normal business activity	Revenue	GST on Income	53,378.32
<input type="checkbox"/>	260	Other Revenue Any other income that does not relate to normal business activities and is not recurring	Other Income	GST on Income	0.00

Bank reconciliation

Bank reconciliation is the way you confirm that all the transactions in your bank accounts are recorded in your business accounting records.

- Xero works with many banks to transfer data into Xero using bank feeds. Bank(s) send statement data directly to your Xero organisation through a secure online connection. If bank feeds aren't available from your bank, you can manually import bank statement lines into Xero.
- In Xero, transactions are created for things like invoices, bills, expense claims and other spending.

Tip: When details are in your online banking, we refer to them as bank transactions; when they're imported into Xero, we call them bank statement lines.



Ways to reconcile a bank statement line with a transaction

For each individual bank statement line on the **Reconcile** tab, you can either:

- **match** it to an existing transaction in Xero, such as an invoice or bill, using Find & Match
- **accept** a transaction match suggested by Xero based on a previously reconciled transaction or by a bank rule you've set up, by clicking **OK**
- **create** a new transaction, such as a spend or receive money transaction, and code the amount to an account code; or create a **transfer** money transaction to record moving funds to another business bank account
- leave a comment for your accountant or bookkeeper if you're not sure how a bank statement line should be reconciled, by adding a note for them in the **Discuss** tab

The screenshot displays the Xero 'Reconcile' interface for a 'Business Bank Account'. At the top, there's a navigation bar with 'Demo Company (AU)' and various menu items. Below the navigation, the account name and ID are shown. A prominent message box encourages matching transactions from the bank with books in Xero, with a 'Watch' link and a guide to bank reconciliation. The interface shows the bank statement balance as (4,377.17) and the balance in Xero as (17,849.87), with a note that they differ. Below this, there are tabs for 'Reconcile (28)', 'Cash coding', 'Bank statements', and 'Account transactions'. The 'Reconcile' tab is active, showing a table of bank statement lines and their corresponding matches in Xero. The first match is for a spend of 6,187.50 on 4 May 2023 to 'Ridgeway University' (ORC01025), which is matched to a received transaction of 6,187.50 on 30 Apr 2023. The second match is for a spend of 1,181.25 on 4 May 2023 for 'Truxton Property Management Rent', matched to a received transaction of 1,181.25 on 05 May 2023. Each match has an 'OK' button and a 'Find & Match' link.

Bank Statement Line	Spent	Received	Matched Transaction	Spent	Received
4 May 2023 Ridgeway University ORC01025	6,187.50		30 Apr 2023 Ridgeway University Ref: ORC01025	6,187.50	
4 May 2023 Truxton Property Management Rent	1,181.25		05 May 2023 Payment: Truxton Property Management	1,181.25	

Financial reports

Profit and Loss

Choose **Accounting** from the menu and select **Reports**. Under financial statements, select **Profit and Loss**.

This report shows how the business has performed during a certain period. It is also known as a trading report. It takes all of your income, cost of goods sold, and expenses and summarises them to give you either a profit or a loss figure for the period.

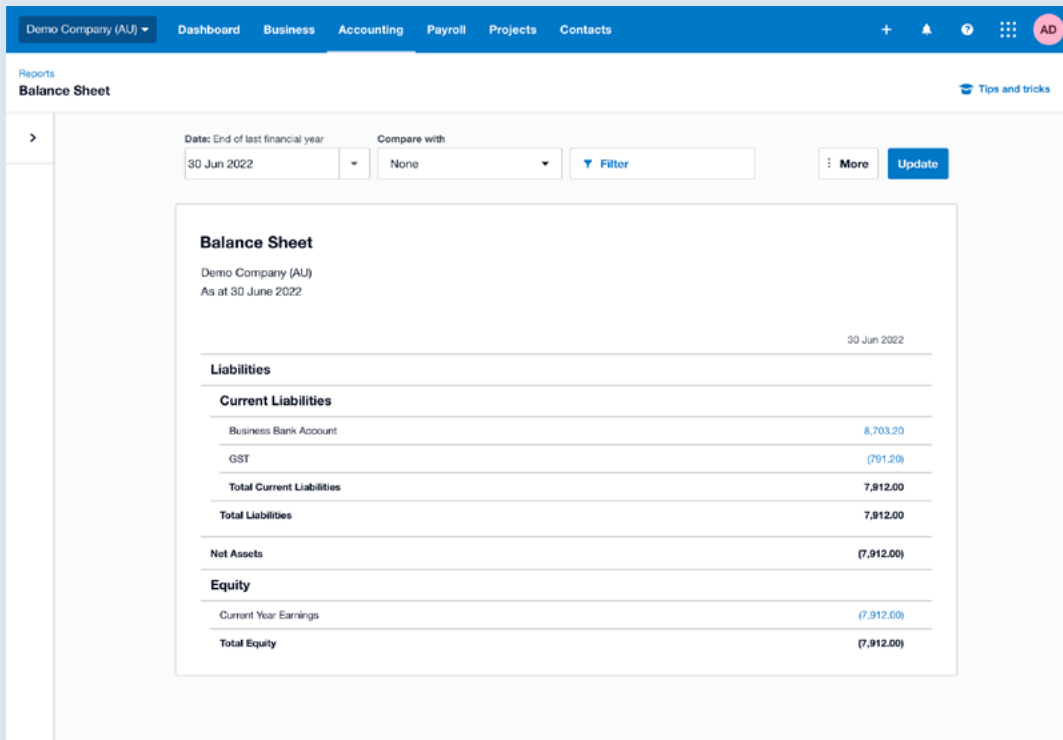
If you're new to accounting reports, this is a great one to start with and review regularly to get an idea of how your business is doing.

	May 2023
Trading Income	
Sales	9,022.32
Total Trading Income	9,022.32
Cost of Sales	
Purchases	763.64
Total Cost of Sales	763.64
Gross Profit	8,258.68
Other Income	
Interest Income	97.05
Total Other Income	97.05
Operating Expenses	
Bank Fees	300.00
Cleaning	155.00
Consulting & Accounting	49.00
Freight & Courier	(9.09)
General Expenses	118.16
Legal expenses	4,090.91
Motor Vehicle Expenses	508.95
Office Expenses	45.27
Subscriptions	120.00
Travel - National	220.00
Wages and Salaries	6,700.00
Total Operating Expenses	12,298.22

Balance sheet

Choose **Accounting** from the menu and select **Reports**. Under Financial statements, select **Balance Sheet**.

This report takes into account all assets and liabilities and provides the business's net financial position at a given point in time. It's also known as a Statement of Financial Position.

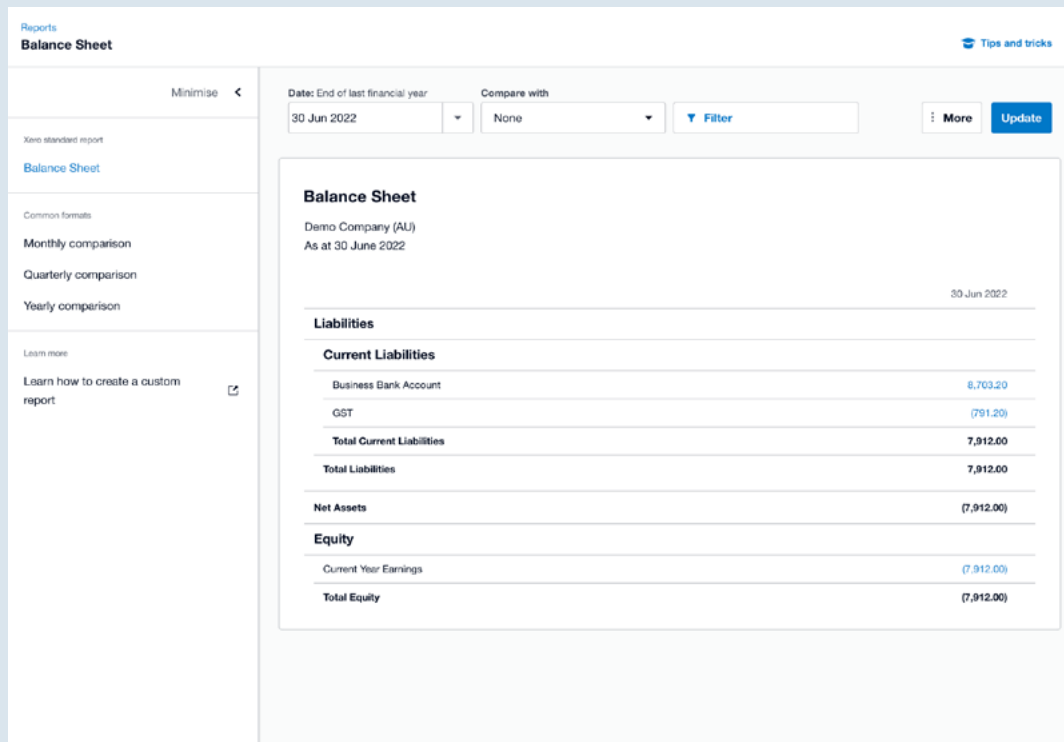


The screenshot shows a software interface with a navigation bar at the top containing 'Demo Company (AU)', 'Dashboard', 'Business', 'Accounting', 'Payroll', 'Projects', and 'Contacts'. Below the navigation bar, the 'Reports' section is active, displaying the 'Balance Sheet' report. The report is for 'Demo Company (AU)' as at '30 June 2022'. The report is structured as follows:

Balance Sheet	
Demo Company (AU)	
As at 30 June 2022	
	30 Jun 2022
Liabilities	
Current Liabilities	
Business Bank Account	8,703.20
GST	(791.20)
Total Current Liabilities	7,912.00
Total Liabilities	7,912.00
Net Assets	(7,912.00)
Equity	
Current Year Earnings	(7,912.00)
Total Equity	(7,912.00)

Customising the content

- Update the report settings along the top of the report to make any changes, such as updating the date range or comparing with previous periods, then click **Update**.
- Use **Common formats** (on the side panel) for comparative insights between periods.
- For further customisation to the report, click the **Edit layout** button.



The screenshot displays the Xero Balance Sheet report interface. At the top, there are settings for the report date (30 Jun 2022) and comparison options (None). A blue arrow points from the 'Edit layout' button in the list above to the 'More' button in the report header. The main content area shows a table of financial data for Demo Company (AU) as at 30 June 2022.

Balance Sheet		30 Jun 2022
Liabilities		
Current Liabilities		
Business Bank Account		8,703.20
GST		(791.20)
Total Current Liabilities		7,912.00
Total Liabilities		7,912.00
Net Assets		(7,912.00)
Equity		
Current Year Earnings		(7,912.00)
Total Equity		(7,912.00)

Aged Receivables

Choose **Accounting** from the menu and select **Reports**. Under Payables and receivables, select **Aged Receivables Summary**

Use the Aged Receivables Summary report to view the amount each customer owes you, and how long the amount has been outstanding. You can run the **Aged Receivables Detail** report for a more detailed view.

Reports
Aged Receivables Summary Tips and tricks

Date: End of this month: 31 May 2023
Ageing Periods: 4 periods of 1 Month
Ageing By: Due Date
Columns: 3 columns selected

Grouping/Summarising: None Filter More Update

Aged Receivables Summary

Demo Company (AU)
As at 31 May 2023
Ageing by due date

Contact	Current	< 1 Month	1 Month	2 Months	3 Months	Older	Total
Basket Case	-	914.55	-	-	-	-	914.55
Bayside Club	-	3,434.00	-	-	-	-	3,434.00
Boom FM	-	1,650.00	-	-	-	-	1,650.00
City Limousines	-	-	(60.50)	660.00	250.00	-	849.50
Cube Land	-	495.00	-	-	-	-	495.00
DIISR - Small Business Services	4,200.00	2,695.00	1,155.00	-	-	-	8,050.00
Marine Systems	-	395.00	-	-	-	-	395.00
Pinnacle Management	-	3,080.00	-	-	-	-	3,080.00
Ridgeway University	-	6,187.50	-	-	-	-	6,187.50
Total	4,200.00	18,852.05	1,094.50	660.00	250.00	-	25,056.55
Percentage of total	16.76%	75.24%	4.37%	2.63%	1.00%	-	100.00%

Aged Payables

Choose **Accounting** from the menu and select **Reports**. Under Payables and receivables, select **Aged Payable Summary**.

Use the Aged Payables Summary report to view the amounts you owe based on the age of the transactions. The total amount listed includes all outstanding bills, credit notes, expense claims and overpayments. You can run the **Aged Payables Detail** report for a more detailed view.

Reports
Aged Payables Summary Tips and tricks

Date: End of this month: 31 May 2023
Ageing Periods: 4 periods of 1 Month
Ageing By: Due Date
Columns: 3 columns selected

Grouping/Summarising: Group by Document Type Filter More Update

Aged Payables Summary

Demo Company (AU)
As at 31 May 2023
Ageing by due date

Contact	< 1 Month	1 Month	2 Months	3 Months	Older	Total
Aged Payables						
Buylite Club	130.00	-	-	-	-	130.00
Buylite Phosphate	840.00	-	-	-	-	840.00
Capital Gen Co	240.00	-	-	-	-	240.00
Central Cranes	-	100.00	-	-	-	100.00
Heritage Trust	130.00	-	-	-	-	130.00
MCD Cleaning Services	170.00	-	-	-	-	170.00
Net Connect	54.13	-	-	-	-	54.13
PC Computers	2,108.96	-	-	-	-	2,108.96
PowerDirect	108.60	-	-	-	-	108.60
SMART Agency	2,800.00	2,260.00	-	-	-	4,060.00
Total Aged Payables	6,344.02	2,160.00	-	-	-	8,507.78
Total	6,344.02	2,160.00	-	-	-	8,507.78
Percentage of total	74.57%	25.43%	-	-	-	100.00%

Adding columns to report

Update the report settings along the top of the report to make any changes such as adding additional columns.

For example, if you want to add customer contact details to your report, select **Columns** and choose Contact, Email, Mobile and Primary Person. Click **Update** to apply the changes to the report.



Reports
Aged Receivables Summary Tips and tricks

Date: End of this month
31 May 2023

Ageing Periods
4 periods of 1 Month

Ageing By
Due Date

Columns
3 columns selected

Grouping/Summarising
None Filter

Aged Receivables Summary
Demo Company (AU)
As at 31 May 2023
Ageing by due date

Contact	Current	< 1 Month	1 Month	2 Months	3 Months	Total
Basket Case	-	914.55	-	-	-	914.55
Bayside Club	-	3,434.00	-	-	-	3,434.00
Boom FM	-	1,650.00	-	-	-	1,650.00
City Limousines	-	-	(60.50)	660.00	250.00	849.50
Cube Land	-	495.00	-	-	-	495.00
DIISR - Small Business Services	4,200.00	2,695.00	1,155.00	-	-	8,050.00
Marine Systems	-	396.00	-	-	-	396.00
Pinnacle Management	-	3,080.00	-	-	-	3,080.00
Ridgeway University	-	6,187.50	-	-	-	6,187.50
Total	4,200.00	18,852.05	1,094.50	660.00	250.00	25,056.55
Percentage of total	16.76%	75.24%	4.37%	2.63%	1.00%	100.00%

- Ageing Periods
- Available Credit
- Contact
- Contact Account Number
- Contact Group
- Credit Limit
- Email
- Mobile
- Outstanding GST
- Phone
- Primary Person
- Region
- Total

Income tax

Income tax is the amount of tax payable or refundable on the income received, after taking into account deductions. Different entities, such as sole traders or companies, are taxed at different rates. Most businesses get an accountant or bookkeeper to prepare their income tax return, to ensure it's prepared correctly. Get in touch with a Xero-certified accountant or bookkeeper if you need help preparing an income tax return.

Pay as you go

The system that allows an employee to divide their tax liability into equal payments throughout the year, making it easier to meet their tax obligation. The employer makes those contributions on their behalf by withholding the tax from their pay and passing it on to the ATO.

For more accounting terms see the [EOFY jargon buster](#).



