SIMPLIFIED MANAGEMENT AND ACCOUNTING OF THE SMALL ARTISANAL ENTERPRISE

Running of a good accounting is the only means to know the state of one's enterprise and to prevent in time financial difficulties.

As head of an enterprise, you must separate your own financial resources, that is your own money from that of the enterprise.

Note that the money you receive after accomplishing a task or a sale does not necessarily constitute a final gain and is therefore not yet your own.

The running of a good accounting is accomplished through the following steps:

1. THE CASH BOX

When you receive money on behalf of your company, separate it immediately from your own money and put it in a drawer or into a closed small cash box under lock and key; This is what we refer to as a cash box.

Do not therefore mix this money up with your personal funds.

You must put all the money which you have received, borrowed or have been given for the company into the cash box.

Also deduct from it, all the amounts that you pay, give or loan out.

To run a good accounting, the first step will involve, separating personal businesses from those of the company.

a- Keep what you have in your pocket for your personal matters and use a cash box for your company.
b- The key to the cash box will remain at a safe place or must be given to a person worthy of trust.
c- The cash box will be kept safely at your place or in your company's office.
d- If it contains a lot of money, you must open an account in a bank or in a financial establishment to safely deposit part of the funds.
e- The cash box must be sealed in a wall or at a place to protect it from theft.
f- You must check your accounts every morning when the office/workshop opens and every evening at closing time.

What you have in your cash box must be equal to the balance in your account book.

2. THE ACCOUNT BOOK

Accounting consists in noting in writing, all money entries and exits into and from the cash box.

These are cash movements which always correspond with movements in kind, the purchase or sale of goods, products, equipment and others (at times in different ways).

Write clearly and legibly all amounts paid into the cash box in the receipts column and all amounts withdrawn from the cash box in the column for "expenses" in a special accounts'

note book or into a school exercise book of 50 to 100 pages with hard cover and with numbered pages.
This is called a note book or an account book or simply a journal.

It must fully record all the daily operations that are associated with the cash box.

To be sure that the account book and the cash box are correct and correspond to each other, the differences between receipts and expenses must be calculated.

The amount that is inside the cash box must be equal to this difference.

Start to keep an account book and to check your cash book right from the beginning of your company.

Keep all written proofs, receipts, bills and others and number them in the order in which you receive them.

Present your account book on the basis of the example here below while ensuring to respect the following actions:

1. Write down carefully in the respective columns the figures, the units, the figures in tenths, hundredths and others in order to avoid errors of addition.
2. Write down only the figures which must be counted in the receipts and expenses columns.
   The remainder of goods, unit prices and others must be recorded in "description“ column.
3. When you get to the bottom of the page, add up separately the receipts and the expenses. Send after, to the top of the following page, the totals of receipts and of expenses as well as the difference or "the balance" in the cash box.
4. Number the pages of the account book and never tear them up.
5. Keep a written proof for every account, number it and record its number in the column of the account book’s written proof.
6. Every account comprises five parts: the date of the operation, a description, the number of the written proof, an amount in the column for receipts or expenses and the balance.
7. Closure of accounts: Accounts are generally closed at the end of every month. The totals of the receipts and expenses of the whole month are then added up. The differences between receipts and expenses are also calculated; the result is the balance.

N.B.

This balance must never give a negative result in the account book (because you cannot spend more that what you have in the cash box).

Check to see if the money in the cash box is equal to this difference (balance).

The balance must be recorded at the top of the page of the following month in the receipts and balance columns.

<u>Example</u>: How to keep the account book and finalize accounts at the end of the month

The date on which the operation has been done

The number of the written proof

Full description of operations undertaken. Example: purchase of 10m of cloth at 1,500 F the meter.

Total amounts of the receipt

Total cost of expendi-ture

The difference between the receipts and expenditure

ACCOUNT BOOK FOR MARCH 2013					
Date	N°	Description of operations	Receipts FCFA	expenses FCFA	Balance FCFA
01/03	001	In the cash box (new balance)	50,000		50 000
03/03	002	…………		15,000	35 000
03/03	003	Purchase of 10 meters of cloth at		2,000	33000
03/03	004	1,500F the meter		10,000	23000
05/03	005	Purchase of 2 boxes of needles at			
		1,000F per box...	12,000		35,000
07/03	006	Purchase of a pressing iron …………..			
		Advance from customer Kossi to	9,000		44,000
10/03	007	order 5 trousers and 2 shirts) …		10,000	34,000
15/03	008	Payment to lady customer Assiba for	60,000		94,000
20/03	009	the sending and delivery of 3 dresses ….		5,000	89,000
		Cash payment, rent for February	131,000	42,000	
		Money borrowed from EZO		89,000	
		Microfinance ………	131,000	131,000	
		Savings into savings account at EZO Micro-finance			
		In cash box on 31/03/13 ……………...			

ACCOUNT BOOK FOR APRIL 2013					
Date	N°	Description of operations	Receipts FCFA	Expenses FCFA	Balance FCFA
01/04		(New balance) in the cash box …	89,000		89,000
04/04	010	Loan to mother …………..		15,000	74,000
05/04	011	Payment to customer Kossi for			
		delivery of 5 trousers and 2 shirts	13,000		
10/04	012	Repairs of sewing machine…..		7,000	
15/04	013	Cash payment, SBEE bill for January			
		2013 ………..		3,500	
		Others.			

The account book is your main accounting document.

If it is well kept, it will help you:

a- To easily establish a balance sheet and a budget for your company at the date you wish.

b- It also helps you to calculate the cost price of your products.

The difference between the cost price and the selling price represents your profit (or your loss).

N. B.

The account book must not have any erasure. If you make a mistake, correct it with a new writing.

Example:

The wrong amount

03/04	0001	Purchase of ten meters of poplin at 1,500 the meter (error) ………………..		13,000	
03/04	0002	Purchase of ten meters of poplin at 1,500 the meter ………………..	13,000		
03/04	0003	Purchase of ten meters of poplin at 1,500 the meter ………………………		15,000	

The account book is a a big format note book which must therefore be kept very well. It must always be in your possession.

3- THE DRAFT

Since the account book cannot be sent everywhere, you need to have a draft note book. So, when you go into the bush, to town or to the market, take this simple draft note book, which is pretty small for your pocket and which you must always keep on you. You will write in it all the operations (cash or credit payment) during your transactions in order not to forget anything.

Example:

Dates	N° of written proof	Description of operations	Receipts	Expenses	Balance
04/04	03	Purchase of 2 boxes of 500 buttons at 250 the box …………………….		500	
04/04	04	Savings into savings account at EZO Microfinance ...		10,000	
05/04	05	Sale of a ready made shirt ………….	6,000		
05/04	06	Advance from customer Louise to order two ‘’Bohoumba’’	5,000		

Always take care to number first, every written proof in the draft and on the part itself then record the number in the different books. All the operations are first recorded in the draft. They are later distributed and transcribed into the account book or into the other note books.

Recopy every evening or every week the draft into the account book. Then cross out the draft, the parts you have recopied. **Be careful not to record the same operation twice**. Keep your draft note books well because, they will replace the written proofs which are impossible to obtain (for instance, during purchases in the market).
Contrarily to the account book, the draft can be corrected and erased.

4- THE CREDIT BOOK

It often happens that, instead of being paid cash, the contractor is compelled to offer credits to his customers.
When you initiate a business with a trustworthy person, you can give or accept "purchase order", that is a pledge to redeem an amount later. The date of the term must be specified on the "purchase order".

Example:

‘I will pay 2,000 FCFA to Fifamè sowing works before 06/03/2013. The purchase order must be signed and dated by your customers.’’

In order not to forget anything or make errors, write down all these credit operations into a note book.
Keep all the "purchase orders" that you have accepted up to the effective payment of your customer. If the customer pays you with a cheque, the operation must reflect in the credit note book up to the real time the amount has been cashed. Remember that you have to cancel the amounts written in the credit note book when they have finally been settled.
The cash account book only records the operations for which you receive cash payment.

Example**:**

The balance of the account in the draft of 05/04/2013 will not be subject to an entry or exit from the cash box because it will be paid with a “purchase order". This is a credit operation for which you have not been fully paid in cash.

If you have a bank account and customer Kossi, pays you for the order mail with a bank cheque, this operation can be recorded into the draft and into the credit note book but not into the cash account book because it is a "purchase order" account.

You only have to record it into the cash account book for the day on which the bank will position the sum paid by Kossi into your account or when you will have cashed it at the counter of the bank.
After cashing Kossi’s amount at the bank’s counter, you delete his debt from your credit note book and record it into the cash account book.

MARCH 2013 CREDIT NOTE BOOK					
Dates	N° of written proof	Description of operations	Debts	Credits	Payment date
05/03	01	Purchase order for the order of 5 trousers and 2 shirts by customer Kossi at 13,000F		13,000	05/04
15/03	02	Credit payment to EZO Microfinance	7,000		15/04

5- THE MANAGEMENT OF STOCKS

You need to assess the stocks of goods that you use daily in your work.
For instance, needles, buttons, pincers, coat hangers and others.

Follow the following steps in order to undertake good stocks management:

- Count the number of goods that you have; this is the initial stock;
- Identify the unit cost by referring to the purchasing prices of the said goods. If you have purchased a unit of a specific good, its unit price is therefore the price at which you have bought it. If on the other hand, you have bought a given quantity of it (for instance, 5 boxes of buttons at 15,000F), you will have to divide the total cost by the number of items purchased (15,000F/5 = 3,000F per box of buttons).
- If you undertake a new purchase of goods, write down the amount in the «stock entry» column. Add the amount purchased to that which is the «initial stock» column (the amount you have before the new purchase).
  The sum of both constitutes, the final stock if, meanwhile you have not used any of it. If you have rather used some to do a given work, use the «stock exit» column.

You must have a numbered note book in which you will avoid as much as possible erasures and overloading. For this to be possible, take good care to transcribe your operations in the first instance, into a draft note book.

You can divide a single note book into different parts in order to follow up the stock of each type of product that you have.

MANAGEMENT OF BUTTON STOCKS								
Dates	N° of written proof	Type of buttons	Initial stock	Stock entry	Stock exit	Final stock	Unit cost	Total cost
05/03	01	Gilded for women	10	30	04	36	50	1,800
15/03	02	Gilded for men	30	0	6	24	100	2,400
23/03		Simple for men's shirts	0	50	10	40	25	1,000
		Others						
		TOTAL						

MANAGEMENT OF THE STOCK OF SEWING THREAD								
Dates	N° of written proof	Type of thread	Initial stock	Stock entry	Stock exit	Final stock	Unit cost	Total cost
05/03	01	Blue	05	0	01	04	500	2,000
15/03	02	White	0	20	0	20	500	10,000
23/03	03	Pink	0	20	5	15	600	9,000
30/03	04	Green	16	0	2	14	600	8,400
		Others						
		TOTAL						

You will also prepare the same table for each type of goods that enter into your work daily.
It is therefore easy for you to know all the time, the future amount of goods you have in order to predict possible supplies in future.

It also allows you to know the value of your stock.

Knowledge of the value of one’s stock, helps the banker or the credit manager and especially you yourself to better assess your company.

To undertake the management of stocks, you can also include all the items on a single list. The result of this method is that, it does not give you the correct value of each good; it rather gives you an overview of all your stocks.

MANAGEMENT OF THE STOCK OF SEWING THREAD								
Dates	N° of written proof	Items	Initial stock	Stock entry	Stock exit	Final stock	Unit cost	Total cost
05/03	01	Gilded buttons for women	10	30	04	36	50	1,800
05/03	01	Blue sewing thread	05	0	01	04	500	2,000
15/03	02	White sewing thread	0	20	0	20	500	10,000
15/03	02	Gilded buttons for men	30	0	6	24	100	2,400
23/03		Simple buttons for men’s shirts	0	50	10	40	25	1,000
23/03	03	Pink sewing thread	0	20	5	15	600	9,000
30/03	04	Green sewing thread	16	0	2	14	600	8,400
		Others						
							TOTAL	

6- <u>INVENTORY AND DEPRECIATION</u>

At least once in a year you must count not only your money but also all the "materials" you have. That means taking "stock" of the company, of tools, fabrics, pins, sewing machines and others...

Write beside every article, its estimated amount and value on the day of the inventory; this value is always lower than the purchasing price. Add up all these values to get the value of your inventory.

Regarding the materials and equipment that are sustainable, this assessment is difficult to perform because it depends on the ware and tare of these products. The value of the inventory must be between the purchasing price and the price that you could obtain if you should immediately sell the products. We then speak of '"depreciation". Depreciation allows us to calculate the stock-taking value of the hardware (and of the premises if you are an owner).

Example of stock-taking table

INVENTORY ON 31/12/2013					
	Amount	Unit price	Purchase value	Value of inventory	Totals
Products:					
Blue sewing thread	7	500	3,500	3,500	
Gilded buttons for men	25	100	2,500	2,500	
Gilded buttons for women	35	50	1,750	1,750	
Green sewing thread	5	600	3,000	3,000	10,750
…………					
Equipment:					
Pressing iron …………….	3	4,000	12,000	8,000	
Sewing machine …………	4	125 000	500,000	300,000	
Tables ………………………..	2	25,000	50,000	24,000	
Rulers ………………………..	2	2,500	5,000	2,000	
Cisors ………………………	5	1,200	6,000	4,000	338,000
				TOTAL	348,750

7 - DEPRECIATION

An equipment that you have purchased loses its value as time goes by, whether it has been used or not. We say that it is depreciating. Its value reduces with time. Depreciation allows us to calculate the value which a bought equipment loses and in this way accumulate funds over several years to be able to buy a replacement.

Example: You have bought a sewing machine at 200,000 FCFA and it is estimated that it will last for at least five years. As a result, the annual depreciation will be:

200,000 FCFA / 5 (years) = 40,000 FCFA per year.

After a year, the stock-taking value of the sewing machine will be:

200,000 FCFA – 40,000 FCFA = 160,000 FCFA.

Therefore, each year, one must predict to reserve an amount of 40,000 FCFA to help purchase a new sewing machine at the end of 5 years.

TABLE OF DEPRECIATION OF THE SEWING MACHINE

Year	Purchasing price	Annual depreciation	What remains to be depreciated	Stock-taking value	Reserve to be constituted
0	200,000	-	-	-	-
1		40,000	160,000	160,000	40,000
2		40,000	120,000	120,000	80,000
3		40,000	80,000	80,000	120,000
4		40,000	40,000	40,000	160,000
5		40,000	0	0	200,000

In the fifth year, you should have put aside enough money to replace the worn out machine.

8 – THE BALANCE SHEET

You must be in the position to establish your financial balance sheet at least once a year, during the inventory or preferably, once every month. You will then have a complete vision of your company's situation. The higher your asset is to your liability, the better the health of your company will be.

List down in your assets all that you have as properties and all that others owe you.

List down in your liabilities all that you owe others.

The difference between the assets and the liabilities is your profits. These profits make up your reserve and help you to ensure and develop your company.

EXAMPLE of the calculation of each heading of the balance sheet at the end of the month or of the year.

BALANCE SHEET AT 31/12/2013

ASSETS	FCFA	LIABILITIES	FCFA
Balance of the cash account ………	125,000	Amount of credit not yet refunded to EZO Microfinance…	90,000
Savings account balance at EZO Microfinance (or from my bank account) …………………………..	50,000	Debt total in the credit note book (the other persons to whom you still owe money)….	40,000
Stock-taking value of equipment................................	550,000	Total of depreciation in reserve to renew worn out equipment…………………	200,000
Value of the inventory of products' stocks …………………………	95,000		
Debt total from the credit note book (those who still owe you money) ………………..	35,000		
	855,000		330,000
		Reserve or profit	525,000
	855,000		855,000

VERY IMPORTANT:

It is very important to separate your personal incomes from those of your company. Failure to do so will create the risk of not being able to well manage your finances which will therefore create difficulties for the company.

Therefore, fix up right now, a salary, if that has not been the case up to date.

Your first balance sheet reveals to you, the profit you have made from the beginning of your company. You can calculate your annual or monthly profit by comparing the former balance sheet to the current. If the reserve has increased, you have then made a profit. If the reserve has declined, then you have incurred a loss: your debts have increased and you have to reduce your reserve to pay them up.

If you do not have any more reserve, you are then bankrupt.

You must therefore put aside sufficient reserves to cover possible losses and also maintain your company's correct posture.

These notions of accounting do not intend making out of you an accountant. They allow you to better manage your daily businesses and to be really able to ensure its growth through work.