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## Bookkeeping

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### Advantages of regular bookkeeping

#### Definition

Bookkeeping = to write down all the money that comes in and goes out

#### Why?

- to know how much money you received, how much you have spent and how you have spent it
- to be able to calculate profit and loss
- to make better decisions on what to buy and sell
- to keep records of credit transactions so that people cannot cheat you
- by keeping records of money in and out of a group project, it can be prevented that money is misused and fraud and mistrust can be avoided.

#### Income = “money in”

How does money come in to a business?

- by producing and selling goods
- by buying and selling goods
- by giving a service
- by receiving gifts or a loan

#### Expenditure = “money out”

How does money go out of a business?

- by buying materials or ingredients
- by paying for services
- (like transport, market toll, electricity)
- by paying of wages
- by replacement and repair of equipment, utensils and buildings

#### Rules for selling on credit:

- 1) Only sell on credit to regular customers of whom you are sure will pay you back in time
- 2) Demand payment of part of the amount.
- 3) Always keep sufficient cash money to buy new stock
- 4) Keep records of the people to whom you sell on credit

### **Rules for buying on credit:**

- 5) Before buying on credit, calculate the amount of profit you expect to make. The profit should be enough to repay your debt and keep some money aside as savings.
- 6) Repay your debt in time.
- 7) Keep records of the people from whom you have bought on credit.

### **Factors determining a price:**

- The costs of each product (expenditure)
- The profit you would like to make
- The price other people sell the same product for
- The maximum price people are prepared to pay
- The price fixed by government

### **Reduce costs by:**

#### **Good planning for buying of raw materials:**

- Buying at the lowest possible price
- Buying in bulk
- Buying the right quantity of perishable products
- Reducing transport costs

#### **Good planning for production:**

- Producing the quantity that people will buy
- Inspecting the quality of goods and packing it neatly
- Preventing waste of materials
- Producing in bulk (if the goods can be stored)