

# CAMS CLUB RESOURCE GUIDE

## CHAPTER 4: FINANCIAL MANAGEMENT



Australian Government  
Australian Sports Commission

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CONFEDERATION OF AUSTRALIAN MOTOR SPORT

MEMBER OF



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# 1. Introduction

## Readers

These notes are intended for the information of Committee<sup>1</sup> Members perhaps more than for a Treasurer who, hopefully, will be on top of the job he / she takes on. He / she should bring a wealth of relevant knowledge about the role of the Treasurer.

## Financial Resources

The application of financial resources has a significant bearing on the success of clubs. Clubs need to be able to account for their financial resources, as well as look at ways to effectively use these resources.

## Responsibility

The Treasurer has a key role to play in the effective management of the financial resources. However, it is the Committee which has the ultimate accountability for how the funds are used and the financial viability of the Club.

The administration of the funds is normally delegated to the Treasurer.

Each Member of the Committee shares a responsibility to ensure that the Club is financially viable, even though individual Committee Members might prefer not to have to worry about money. They should all be informed about the financial situation and reminded at every opportunity that they have a responsibility to help look after the financial wellbeing of the Club.

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<sup>1</sup> Committee is also referred as Main or Management Committee.

### 3.1 Budgets – Continued

#### **Treasurer Experience**

If it is possible to find a Treasurer with experience in the field of finance he / she will have no difficulty in financial planning, including keeping and presenting the Club accounts.

If the appointed Treasurer is keen but not particularly experienced in the financial field, then the advice of the Club's auditors need to be sought on briefing and providing support to the Treasurer.

The role of the Treasurer is outlined in the Club Management Handbook Chapter 2 – Car Club Committees.

#### **The Treasurer's 10 Commandments:**

1. Issue receipts for all money received.
2. Promptly bank all money received.
3. Seek out the safest and most productive place to bank the organisation's cash.
4. Do not pay out any money without the authority of the Committee.
5. Do not issue petty cash without receiving a voucher.
6. Clearly distinguish between capital, revenue and expenditure.
7. Record receipts and payments clearly and accurately.
8. Make sure the balance shown on the bank statements can be reconciled to the balance in the cashbook.
9. Report the past, present and future financial progress and position of the organisation to all committee meetings and the annual general meeting.
10. Faithfully discharge your responsibilities to the Committee of the organisation, its members, its sponsors and others with whom it does business.

## 3.1 Budgets – Continued

|   |  |
|---|--|
| <b>Club's Financial Year</b>                | The financial year (usually January to December, or July to June) will be defined in the Club's constitution.  |
| <b>Accounts for Committee Meetings</b>      | The Treasurer should produce a statement of income and expenditure, with the current balance, at each committee meeting. This will enable the Committee to evaluate the state of the finances and take appropriate action before it is too late.   |
| <b>Tabling of Reports</b>                   | It is important that the President (in particular) ensures that regular financial reports are tabled at the committee and club meetings and does not accept continued reasons for non-tabling.   |
| <b>Timing of Submitting Annual Accounts</b> | <p>At the end of the financial year the Treasurer must submit, within a time specified by the Committee, the Club's annual income and expenditure accounts (and other financial details).</p> <p>When these accounts are approved by the Committee, the Treasurer will prepare the full accounts and balance sheet for presentation to the Annual General Meeting (AGM), after having them checked by an auditor appointed by the Committee.</p> |

## 3.1 Budgets – Continued

### **President's Responsibility**

It is the President's responsibility to ensure that the annual accounts are processed in a timely fashion. Too often there is a mad scramble to get them ready for the AGM, without proper consideration.

### **Control Over Club Expenditure**

The Committee must ensure that adequate control is maintained over the Club's expenditure.

This means that any planned expenditure (other than minor items such as postage, and stationery) must be approved by the Committee, and competitive tenders being obtained when desirable.

### **Recording Expenditure in Minutes**

All decisions about expenditure should be recorded in meeting minutes.

Another method of control is for there to be three people authorised to sign cheques, or authorise payment once approved – these Office Bearers should be the:

- President
- Treasurer
- Secretary (or another committee member)

There must be a requirement that any two of the three signatures must sign each cheque.

## 2. Sources of Income

### Income Sources

Most clubs obtain income from two main sources:

- subscriptions from members
- fees from events conducted by the Club

### Expenditure Categories

Against this income is the Club's expenditure which also falls into two categories:

- The cost of running the Club's general activities ('overheads') which include items such as:
  - printing and stationery
  - postage
  - club magazine cost
  - auditors' fee
  - rent for premises or for hiring a venue
- The cost of staging competitive events and socials

### Finance of Expenses

Ideally, the Club's overheads should be financed by the membership subscriptions.

Events should be self-financing. Ideally, each event should produce a profit which can be used for such items as:

- buying and maintaining equipment; and
- the purchase of specialist equipment, e.g. radios and fire extinguishers. These items can, in turn, be hired to other clubs to supplement income.

## 2. Sources of Income – Continued

### Allocation of Event Profits

If the subscriptions do not cover the overheads then some of the profits from events can make up the shortfall. Profits from events could also be put aside in a special fund to cover contingencies that crop up from time to time and are not in any budget.

### Event Accounting

Whilst a Treasurer may be on top of accounting for the club, he / she may not understand the details of accounting for events, which can be quite involved.

Clubs would be wise to run at least two separate accounts:

- A general account run by the Club Treasurer for the Club's general activities.
- An events account run by the event committee. This will provide the Treasurer with detailed accounts which the Committee requires and should then be incorporated into the overall club accounts.

Maintaining separate events accounts has the advantage of enabling the Committee to see the financial results of each event which might otherwise be lost in the Club's general account.

### Treasurer's Tasks

Most of the Treasurer's tasks involve day-to-day management of the Club's financial resources – called 'accounting'.

In this role, the Treasurer puts into place the procedures necessary to collect and record details of all the Club's financial transactions. The outcome from these procedures is regular financial reports which are presented to the Committee.

A Treasurer who is on top of his / her job can also be an early alert resource for the Committee, by raising any concerns before a situation gets out of control.



## 2. Sources of Income – Continued

### Setting the Subscription Fee

Each year the Club needs to determine what profit it wishes to aim for. This will depend on the state of the existing finances and the Club's plans for future development and spending. The budget for the coming financial year should be prepared in time for the AGM, so the President and Treasurer can announce the financial plan for the coming year, having delivered the actual financial accounts for the past year.

A budget needs to be prepared by the Treasurer, assisted by committee members who may be responsible for expenditure, for example; social secretary, newsletter and club magazine editors. Once the budget has been prepared, the Committee will be able to decide on the subscription fee for the coming year.

At this stage the events, or fund raising activities, most probably have not been determined. When they are, their budgets need to take into account any shortfall in the general account, to ensure that that the Club at least breaks even in the coming year.

Setting the subscription is not easy. Nobody likes increases but annual inflation often makes an increase necessary. There may also be new budgeted items for which to cater.

If the new subscription is higher than the 'going rate', members may be lost to other clubs. On the other hand, consideration needs to be given to what the Club is offering for its subscription. If it is providing all the things which its members want, then a higher fee may be justified. Generally people do not object to paying a higher price if they are getting value for money.

However, it must be recognised that the level of interest among many peripheral members may well be marginal and that even small increases may turn them away. Under such circumstances the income from increased fees and charges may be more than outweighed by a decrease in membership.

## 3. Financial Planning

### 3.1 Budgets

**What is Budgeting?** “Budgeting is about telling your money where to go, rather than wondering where it went!”

**What is a Budget?** A budget is an expression in monetary terms of the means by which an organisation plans to achieve its objectives.

Often budgets are thought of as a way to limit expenditure but they really are tools of trade for planning the efficient and effective application of financial resources on a day-to-day basis towards the longer-term goals of the Club.

The budget is a statement of the likely sources of income, and the anticipated expenses for operations and capital development.

**Types of Budgets** The most common types of budgets used by clubs are:

- operating budgets
- capital budgets

**Operating Budget** An operating budget is usually projected for one year at a time. It may be divided into a number of cost-centre budgets, for example:

- administration
- marketing (promotion / publicity)
- social functions
- competition activities

Each one needs to have its own income and expenditure sections.

## 3.1 Budgets – Continued

### **Capital Budget**

A capital budget involves less frequent but generally more substantial items.

It is often projected over a three to five year period, with an annual review. This means it becomes a rolling plan for the Club's growth.

## 3.2 Preparing Budgets

### Budget

### Preparation Steps

The level of sophistication in the budgeting process is determined largely by the size of the Club and its objectives. Obviously, a smaller club will not have a budget as detailed as a large club.

Major steps to be taken in preparing a budget include the following:

- The Committee should decide whether the Club is going to:
  - use a conservative approach to budgeting
  - run a breakeven budget, meaning the operating income will equal the operating expenses
  - budget for a surplus or deficit

If one of the latter two options outlined above is selected, the Committee must determine what amount of variation from the break-even point it is expecting, or is prepared to tolerate.

- The Treasurer, and those assisting, needs to then identify and list all possible sources of income and likely areas of expenditure. Items must be allocated to the operating and capital budget respectively.

As a general principle, prudent budgeting ensures that total operating expenses are covered by total operating income for the year. It is essential to have other committees' members assist with the budget preparation. If they are to work within the confines of the budget, they are more likely to be careful with expenditure if they understand the reason for decisions and were involved in setting the figures.

- Make assessments of budgeted items as accurately as possible. A principle is to underestimate the income items and overestimate the expenditure items. Having end-of-year financial statements and budgets from previous years is helpful in the budgeting process, if the Club has an incremental approach to budgeting and assumes it is not implementing major changes.

Cash flow budgets are very important to indicate the Club's cash position on a month-by-month basis.

## 3.2 Preparing Budgets – Continued

### **Budget Preparation Steps (continued)**

- If there are changes to the budget an effort must be made to get quotes, or detailed estimates. This will enable the budget to be as accurate as possible.
- Adjustment for inflation and likely increases in expenses should be made. Figures can be rounded (to say 5%) as these are only estimates.
- A budget should not be set with a deficit in the hope that some unexpected income will appear. It may take several attempts to draw up a budget that is acceptable to the Committee.
- If the budget, after careful compilation, shows a deficit that is unacceptable, then some steps have to be taken to bring it to breakeven or surplus. This generally means a curtailment of expenditure plans, but as this may restrict growth plans, every opportunity should be taken to find further ways to raise income.

### 3.3 Cash Flow Budgeting

#### Monthly Cash Position

After projecting the operating and capital budgets, the Treasurer and committee should project on a month-by-month basis the Club's cash position. This will help to plan for the months where the Club is likely to have a shortage or surplus of cash on hand.

#### Sufficient Cash Reserves

If a club is to continue to operate it must have enough cash to pay the invoices when they become due.

Many clubs are vulnerable to cash flow problems because they operate on small cash reserves and fail to see the implications of cash flow problems until it is too late.

#### Factors in Cash Flow Budgets

The timing and size of cash receipts and payments are the two most important factors in cash flow budgeting.

The Treasurer, and committee, need to try to project on a month-by-month basis the Club's cash position to plan for months where the club is likely to have a shortage or a surplus of cash on hand.

Months where income is projected to be low and expenditure is expected to be high are the times which will create cash management problems.

The Committee needs to advise the Treasurer in advance of any significant expenditure that is being planned, even if it is within the budget. This will help to avoid overspending or cash flow problems which could have been prevented if the Treasurer knew in advance.

## 4. Auditing

**Audited Accounts** The term ‘audited accounts’ means that the financial records of the Club have been independently checked by someone with recognised accounting qualifications; for example, a Chartered Accountant. It confirms that the accounts deliver a true and correct record of the financial operations and position of the Club at the time that the accounts were finalised.

**Audit Requirements** Auditing can be costly and clubs often find a ‘friendly’ accountant who is willing to check the Club’s books on a volunteer basis.

To ensure that an audit is truly independent, the auditor should be someone that is not a member of the Club. Usually 6-8 weeks’ notice is required to audit the books, and the auditor will require at least the following items:

- The books of account, consisting of the:
  - cash book written up and balanced for the year
  - journals
  - ledger if these accounts are maintained (or electronic equivalent)
- Bank statements for the whole year.
- Copies of deposit slips and cheque butts (or electronic equivalent).
- Receipt books containing the duplicates of the receipts issued as well as cancelled original receipts. The auditor will also need to sight books of unused receipts.
- Vouchers for payments made (in numeric sequence of cheques drawn against them).
- Access to ‘paid’ cheques from the Club’s bankers – unless receipts have been obtained for all payments made to the bank.

## 4. Auditing – Continued

### **Audit Requirements** (continued)

- A copy of the minutes' book, to enable the auditor to review approvals for major items of income and expenditure.
- A copy of the last audited statements of account.
- The financial statements for the year under review, with all supporting papers.
- Any other record or evidence the auditor may request to confirm the accuracy of the transactions recorded and the existence of assets and liabilities shown in the books of account and financial reports.



## 5. Filing Annual Accounts

### **Filing of Annual Accounts**

The Treasurer needs to be familiar with the Club's rules and constitution and its obligations regarding 'filing' the annual accounts.

### **Incorporated Clubs**

If a club is incorporated, it is required to lodge the annual accounts to the relevant authority (usually the Department of Consumer Affairs / Fair Trading / Commerce) in the state / territory where it is incorporated.

The accounts are to be accompanied by a certificate stating that they:

- have been approved by the Club's members at the AGM on a particular date
- must be signed by an officer of the Club (usually the Treasurer)

### **Lodgments of Annual Statement**

The Public Officer of the Club must lodge the annual statement, together with the prescribed fee, within one month of the AGM, using the approved form. Penalties are applied for late or non-submission of the form.

### **Unincorporated Clubs**

The records of an unincorporated club do not necessarily have to be audited, although the Club's members can pass a resolution requesting an audit.

## 6. Some Tips for the Committee on Finances

### Dealing with Club Finances

The Committee should keep the following tips in mind when dealing with club finances:

- A club that is slapdash in handling and accounting for its money is likely to be sloppy in other aspects of its work.
- Money may not be 'the root of all evil' but when dealing with the members' money there can be higher levels of interest and emotion. They will always expect their money to be handled with extreme care and sensitivity. Not only must the funds be looked after with scrupulous honesty, but everybody with access to the Club's money must be seen to do so.
- Clubs must be seen to be honest or no-one will have confidence to contribute funds to them, for example by entering events.
- It is wrong to steal, and it is also wrong to treat money so casually that people feel less-stricken about stealing it and less afraid of being discovered. **Clubs must establish a system which prevents fraud, rather than a system to discover fraud or compensate for it.**
- Those handling money for a club must not overestimate their ability to remember details of financial transactions – they must be written down!
- Accounting, apart from being accurate, must be consistent, so that meaningful comparisons can be made from month to month, and from year to year.
- Always give receipts for money received and get receipts for money paid out.
- Keep incoming and outgoing money separate – trying to do otherwise can lead to confusion.
- As outlined above, budgeting is one of the most important financial functions, whether large or small. Clubs must not try to manage without a budget or they will be heading for financial difficulties.

## 7. Club Accounting

### 7.1 Accounting Stationery

#### Accounting Stationery

The Treasurer will need the following accounting stationery:

- account forms for members' subscriptions
- bank deposit book
- cash book, or a general ledger
- cheque book
- file for accounts payable (to file invoices)
- file for receipts (invoices when paid and other relevant documents)
- file for orders placed with suppliers (if relevant)
- file to store bank statements
- receipt book (numbered) with carbon copy page
- payment authorisation ('cheque requisition') vouchers
- petty cash payment books and petty cash vouchers

## 7.2 Accounting Systems

### Accounting Operations

The Treasurer is responsible for setting up systems to collect and record the details of financial transactions, most of which will be receipts and payments.

It is essential that the Treasurer has an understanding of the operations of the following accounting processes:

- bank accounts
- cash book
- receipting funds
- making payments
- bank reconciliations
- petty cash
- managing creditors (those to whom the Club owes money)
- managing debtors (those who owe the Club money)

### Accounting Method

There are two methods of accounting:

- cash-based
- accrual

The difference between the two methods of accounting is the moment at which revenues and expenses are recorded.

## 7.2 Accounting Systems – Continued

### Cash-Based Accounting Method

In a cash-based accounting method:

- Revenues are recorded when cash is actually received.
- Expenses are recorded when they are actually paid. The date of the actual invoice is irrelevant.

This system may not provide the Committee with a complete financial picture because the system does not routinely track accruals. Accruals are prepayments such as insurance, unpaid accounts, or revenue due (or anticipated) but not yet received, such as membership fees.

A cash-based accounting system is simple to learn and requires less work to keep it up to date and can be quite suitable for smaller clubs.

The accounting examples given later in this chapter are for a cash-based system, whereby records are kept based solely on income and expenditure for a given period (usually a month).

**This method shows where the Club is in regards to its finances but gives no idea of where the Club is going.**

### Accrual-Based Accounting Method

In accrual-based accounting method:

- Income is reported in the period it is earned, regardless of when it is received.
- Expenses are deducted in the period they are incurred, whether they are paid or not.

In other words, using accrual-based accounting, both revenues and expenses are recorded when they occur.

Accrual-based accounting is the method of accounting most businesses and professionals are required to use by law.

This method has the advantage by providing a clearer overview of how the Club is heading in the 'bigger picture', but can be a bit weak on sounding alarms (e.g. if revenues are not actually happening).

## 7.3 Bank Account

### Bank Branch Location

The Treasurer, for his / her convenience, should select the bank branch where the Club is to conduct its business. This will make it easier to do the banking as soon as possible after receipt of monies.

If an incoming Treasurer finds an existing bank branch difficult to attend, the account should be changed to a convenient location.

### Benefits of Cheque Account

A cheque account provides a convenient record of payments through the cheque books. Therefore, it is essential that cheque books are completed when cheques are drawn and the cheque number written on the creditor's invoice when payment is made.

### Number of Signatories

It is usually a requirement of the Club's constitution to have two committee members, usually the Treasurer and one other, with authority to sign cheques jointly. Some clubs have three signatories, with individual cheques requiring any two authorised signatures.

### When to Sign Cheques

Cheques should not be signed:

- before all details have been completed on the cheque, for example; date, amount, and payee
- without an accompanying invoice
- before checking that goods have been received or services completed

It is good practice to pay all invoices and accounts from the cheque account, as all expenditure is recorded on the account statement. The statement can be received at periods to suit the average number of transactions.

## 7.4 Cash Book

**Use of Cash Book** The cash book, also known as the 'cash receipts and cash payment journal', is used to record all of the Club's receipts and payments.

**What is 'Cash'?** 'Cash' means:

- cheques
- bank notes
- credit card slips
- money orders
- amounts credited electronically

**Transaction Records** Cash source documents such as receipts and cheque butts provide details about individual transactions. Unless these are recorded and summarised it is impossible to get a clear picture of the financial position of the Club.

Therefore, the Treasurer should regularly record the details in the cash book.

**Cash Book System** In a smaller clubs, the cash book is usually a manual system on a ruled ledger book which can be bought from most newsagents and office supply companies.

It is a relatively simple process to set up the equivalent of a cash book using a spreadsheet program.

Larger clubs use specialised computer software to manage their finances.

## 77.4 Cash Book – Continued

### Determine Cash Balance

To determine the cash balance, the receipts are totalled, added to the opening balance and the payments deducted. However, other items will affect the cash balance including:

- bank interest
- bank charges
- government taxes
- unpresented cheques
- dishonoured cheques ('bounced')
- direct credits to bank account for payment to the Club
- direct debits from bank account for payment by the Club

### Reconcile Bank Statement and Cash Book

At the end of the month, or whenever a bank statement is received, the figures in the cash book should be checked against those on the statement.

The cash book closing balance of each month is the opening balance for the next month.

At this time it is also good practice to produce a report showing what money is owed by the Club (creditors) and what is owed to the Club (debtors).



## 7.5 Receipts

### Recording Receipts

A receipt should be issued for all monies received, with the duplicate retained in the receipt book. If a receipt is cancelled it should be marked 'cancelled' and both copies left in the receipt book.

Details of receipts are recorded in cash book columns, with the columns labelled with the account names; for example:

- membership fees
- entry fees
- fund raising
- bank interest
- social activities' income

Below is an example of receipt entries in a cash book:

|        |                |            |         | Accounts |        |              |          |         |         |
|--------|----------------|------------|---------|----------|--------|--------------|----------|---------|---------|
| Date   | Details        | Receipt No | Amount  | M/Ship   | Entry  | Fund Raising | Interest | Social  | Banked  |
| Jan 15 |                |            |         |          |        |              |          |         |         |
| 1      | F. Smith       | 00123      | 50.00   | 50.00    |        |              |          |         |         |
| 1      | J. Reed        | 00124      | 50.00   | 50.00    |        |              |          |         |         |
| 2      | Xmas Raffle    | 00125      | 1214.78 |          |        | 1214.78      |          |         |         |
| 2      | Xmas Social    | 00126      | 1395.21 |          |        |              |          | 1395.21 |         |
|        |                |            |         |          |        |              |          |         | 2659.99 |
| 4      | J. Rowley      | 00127      | 50.00   | 50.00    |        |              |          |         |         |
| 5      | K. Newby       | 00128      | 50.00   | 50.00    |        |              |          |         |         |
| 5      | Rally entries  | 00129      | 985.00  |          | 985.00 |              |          |         |         |
|        |                |            |         |          |        |              |          |         | 1085.00 |
|        | Reconciliation |            | 3794.99 | 200.00   | 985.00 | 1214.78      |          | 1395.21 |         |

## 77.5 Receipts – Continued

**Entering Receipts** Receipts are entered in receipt number order for each of the reconciliation items in the:

- amount column, which totals all the amounts in the 'account columns' to the right, except for the 'banked' column
- account column

All receipt columns should be totalled at the end of the month and the reconciliation should show the:

- Total of the 'account columns'. It should be equal to the total of the 'amount column'.
- 'Amount column'. It total should equal the total of the 'banked' column, provided all monies listed have been banked.

The cash book will also have a column 'Banked' which records moneys deposited to the Club's account by the Treasurer.

Monthly totals can be accumulated to give a record of receipts for the year to date – overall and for each account. These can be compared to budgeted figures to reveal if income items are on budget, ahead or behind.

## 7.6 Payments

### Writing Cheques

When writing cheques it is important to:

- Only make out a cheque for payment of an account that has been approved for payment.
- Write the payee's name in full.
- Cross out 'or bearer' if the cheque is to be paid only to the payee and cross the cheque with the words 'not negotiable' if it should be banked into the payee's bank account. It is normal practice to cross each cheque with 'not negotiable' to ensure that payments go into the account they are intended to go and also assists with preventing fraud.
- Write in the correct date.
- Write the total amount in both words and figures and write clearly.
- Put the Club's name and address and the invoice or account number on the back of the cheque.
- Fill in the cheque butt.
- Sign the cheque. Make sure there are two authorised signatures.

Although the details are on the cheque butt a receipt should be requested for all payments.

### Cheque Authorisation System

Some clubs use a payment authorisation system. The system requires that a cheque requisition form is completed. The form records all the details of payment, including the signatures of the Committee Members (or others) who are authorised to approve payments on behalf of the Club. These signatories may not necessarily be the same as those authorised to sign the cheques.

The cheque authorisation form, together with the payment documentation (usually an invoice) is filed together for future reference and to facilitate auditing.

## 77.6 Payments – Continued

**Payment Records** As with receipts, payments are recorded in cheque number order in the cash book columns, which are labelled with the account names, for example:

- telephone
- postage
- stationery
- rent
- bank fees

At the end of the month, the cash payment columns should balance. The amount column total should tally with the total of all other columns added together.

Below is an example of recording payments:

|        |                |           |         | Cash Payment Columns |        |       |        |           |         |
|--------|----------------|-----------|---------|----------------------|--------|-------|--------|-----------|---------|
| Date   | Payee          | Chq No    | Amount  | Tel                  | Post   | Stat  | Rent   | Bank Fees | Equip   |
| Jan 15 |                |           |         |                      |        |       |        |           |         |
| 1      | Telstra        | 12345     | 214.56  | 214.56               |        |       |        |           |         |
| 1      | Boyes PO       | 12346     | 268.70  |                      | 212.12 | 56.58 |        |           |         |
| 2      | Anderson & Co  | 12347     | 550.00  |                      |        |       | 550.00 |           |         |
| 2      | Jims Hardware  | 12348     | 6891.00 |                      |        |       |        |           | 6891.00 |
| 4      | Bunnings       | 12349     | 345.86  |                      |        |       |        |           | 345.86  |
| 5      | Bank statement | statement | 45.89   |                      |        |       |        | 45.89     |         |
|        | TOTALS         |           | 8316.01 | 214.56               | 212.12 | 56.58 | 550.00 | 45.89     | 7236.86 |

**Payment Records (continued)** Monthly totals can be accumulated to give a record of expenses for the year to date (overall and for each account) and can be compared against budgets to reveal if expenditure items are on budget, ahead or behind.

## 7.7 Bank Reconciliation

### Frequency of Bank Reconciliation

At periods stipulated by the Committee, usually monthly, the Treasurer should carry out a bank reconciliation for presentation to the next committee meeting.

The bank statement will show all movements of funds into and out of an account.

Each deposit and payment listed on the statement should be checked against the cash book to ensure they are the same. Some items (listed under 'Cash Book' above) will differ from the cash book balance and need to be taken into account.

Below is an example of a reconciliation statement:

| Bank Reconciliation Statement  |                 |
|--|-----------------|
| As at .... / ..... / .....   | \$              |
| <b>Opening Cash Book Balance</b>   | <b>15000.00</b> |
| Add receipts   | 3794.99         |
| Less payments  | 8316.01         |
| <b>Closing Cash Book Balance</b>   | <b>10478.98</b> |
| Add direct credits not yet written into cash book (payments made direct into bank account) | 0.00            |
| Less direct debits into cash book (not put through bank – could be petty cash items paid)  | 1256.00         |
| <b>Adjusted cash book balance</b>  | <b>10734.98</b> |
| <b>Bank statement balance at end of period</b>   |                 |
| Add receipts not yet banked  | 345.67          |
| Less cheques not yet presented   | 359.65          |
| <b>True cash book balance</b>  | <b>10721.00</b> |

## 7.8 Petty Cash

### **Petty Cash System**

A petty cash system is a convenient way to reduce paperwork by having to draw a cheque for every item of small expenditure.

Petty cash can be issued in exchange for a receipt as a means of reimbursing members or volunteers who have used their own money for the Club.

A maximum limit must be set on the value of each petty cash payment, for example; \$50.

### **Initiating a Petty Cash System**

To initiate a petty cash system, a 'cash' cheque is drawn at the Club's bank for an amount authorised by the Committee, for example; \$200. This drawing is then entered in the cash book as a payment and becomes the 'float' for the petty cash box

### **Using Petty Cash**

When presented with a valid claim supported by a receipt a petty cash voucher is completed and signed by the claimant, and the Treasurer hands over the amount and endorses the voucher and retains it.

At any given time the cash on hand plus the total of the petty cash vouchers should total the petty cash fund, for example; \$200.

When the petty cash fund runs low another 'cash' cheque is drawn to the total of the receipts paid, keeping the float at, for example \$200.

### **When to Use Petty Cash**

The petty cash system is just for that – petty cash. The amounts paid by this system should be kept at a low level, for example; no more than \$50.

For any amounts over the set limit a cheque requisition must be raised and the account paid by cheque.

## 7.9 Goods & Services Tax (GST)

### Goods & Services Tax

The goods and services tax (GST) is a broad based tax of 10% applied to supplies of most goods and services consumed in Australia.

Sport and recreation organisations, including those in the non-profit sector, must be registered if their turnover is in excess of a designated amount. These designated amounts differ, depending on whether the organisation is the commercial sector) or the non-profit sector. Registered organisations have an Australian Business Number (ABN). For more information on whether your club needs to register for GST, please visit:

<https://www.ato.gov.au/Business/GST/Registering-for-GST/>

GST is payable on most goods and services sold or supplied in the course of business and these supplies are called taxable supplies.

If a club is registered for GST, it can claim a credit from the Australian Tax Office (ATO) for any GST included in the price paid for items purchased for the Club. This is called an input tax credit.

The difference between the GST payable on the Club's supplies and the GST included in the purchase price of items is the amount owed to the ATO.

Displayed prices (e.g. membership fees) MUST include the GST, where applicable (e.g. a fee of \$110 includes a GST of \$10).

Donations, grants, sponsorships (monetary and contra), fundraising, contracts (including leases, rental and hire purchase), motor vehicles and second hand goods are treated in different ways with respect to GST.

Clubs should consult a GST qualified adviser about how best to deal with GST.

## 7.10 Conclusion

### Explanation

This chapter is a short explanation of a simple accounting system for a club.

A more detailed system is needed to be adopted to take into account additional items such as:

- payrolls
- depreciation
- funding
- investments

Professional advice needs to be obtained to develop the system to suit the Club's finances and legal obligations.





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