

# Bookkeeping for Psychologist



In its simplest form bookkeeping involves accounting for your income and your expenses. It's best to keep it simple. Simply because this approach will save you time and money.

## **Income**

A simple fact about psychologists in private practice is that your basic commodity is time. It hardly matters what you do as a psychologist in private practice, because you cannot escape that fact that for the most part you make your living by selling time.

The best time management tool is your diary. Since most of what you do to earn your living takes time then all these income producing activities can be recorded in your diary. It is then a simple step for your diary to do all the bookkeeping in relation to your time-based income producing activities.

In some cases, some psychologists do make sales that are based on quantity rather than time. One example could be travel costs per kilometre. Other examples could be book or CD sales; these are quantity rather than time based sales (see *Off Dairy Sales*).

Since bookkeeping itself takes time then you need a quick and easy way to do the bookkeeping. If you don't spend your time on bookkeeping then you spend your hard earned income on bookkeeping expenses. There are three major bookkeeping tasks that you can easily do yourself if you're proactive and organised.

*PsycPrac* provides you with the tools to...

1. Prepare your invoices each month. If you maintain your Diary, then *PsycPrac* will produce your invoices each month with the click of a button.
2. Produce your BAS (Business Activity Statement) each quarter. The *PsycPrac* Income Cashbook report provides you with all the figures clearly coded for your BAS.
3. Produce you income reports to hand over to your accountant to do your income tax return. *PsycPrac* will summaries all your income categories.

See also *Fee Codes* and *Receipting and Invoicing*.

## **Expenses**

You need to enter your expenses into the computer for two reasons...

1. To complete your BAS every three months, that is every quarter. The *PsycPrac* Expenses Cashbook report provides you with all the figures clearly coded for your BAS.
2. To provide your accountant with a summary of your expenses for income tax reporting at the end of each financial year. *PsycPrac* Expenses Categories report breaks down all your expenses into categories for your accountant.

You only need to enter your expenses into *PsycPrac* every three months. This would be the times you set aside to complete your BAS. For bookkeeping purposes, you enter expenses into the Expenses Journal for the month in which the expense occurred.

When entering the expenses into the journal, you enter the basic details. Each Journal page is for each month. You enter the day for the month, a description of the expense; select a pre-defined Expenses Code, and finally the amount. The amount you enter is the full amount and of course the full amount includes any GST/VAT as it applies. Let *PsycPrac* calculate the GST/VAT for you.

## Expense Codes

Expense Codes are pre-defined, which you define according to your needs. *PsycPrac* comes with a list of Expense Codes that you can use or you can change them to suit your own purposes.

There are only three items that you need to consider when creating an Expense Code...

1. Description, such as Office, Motor Vehicle, Stationary, Computer Consumables, Post, etc.
2. Is it a Capital expense or not? Most expenses are consumables that are written off totally in the financial year. A capital expense is the purchase of an asset such as a computer, or a car, and the expense is depreciated over a period of time. If you purchase a computer on a lease, then there is no capital outlay; in this case the lease payment each month is the expense. Just hand your Expenses Category report over to your accountant each year and leave the depreciation schedule to the accountant's expert hands.
3. The GST/VAT percentage amount that applies to the item. In Australia there is a GST and it is set at 10%; so just enter 10.0. In other jurisdictions there is a VAT and sometime the percentage is 12.5%; so just enter 12.5. Also, in some cases a GST/VAT will not apply to an expense, for example Professional Fees, Sales Tax, certain Bank Fees, etc; so just enter zero.

If you alter an expense code after you have already applied it, you will need to go back to all those entries where the original code was used and you will need to enter the new code.

## Accounting Periods

Accounting periods are Month, Quarter, and Annual.

Each accounting period addresses the following bookkeeping and accounting issues.

- Ψ Month: Invoices, Aging Debtors, Off Diary Sales Status, Receipting Invoices.
- Ψ Quarterly: GST/VAT reporting for Income and Expenses. All information is on the Income and Expenses Cashbook reports.
- Ψ Annual: Income tax reporting. All information is on the Income and Expenses Categories reports.

For producing quarterly reports say for Income Cashbook or Expenses Cashbook, go to the window for the report in question and select the month range for the report. For example, the first quarter is July to September, the second quarter is October to December, the third quarter is January to March, and the fourth quarter is April to June. For tax purposes, annual reporting is from July to June in the following year.

## Cashbook Report

The Income Cashbook reports all your income for each month. This includes all cash receipts as well as invoice totals.

A cashbook system is the most basic and simplest form of bookkeeping. All income for the month, regardless of when you actually receive the money, is income in the month in which it is earned. Typically with invoices you expect to be paid in the month after the invoicing period. For example, you do the sessions in May, you invoice for May in June and you expect to receive the money before the end of June. In this example the invoicing period is May and the invoiced amount is counted as income for May.

For your quarterly GST Business Activity Statement (BAS) simple go to the Print Income Cashbook window and select the month range for the quarter. In this report you will see the totals by month and at the end of the report you will see the totals for the quarter. The total values are broken down for GST/VAT reporting. For Australian BAS reporting just follow the codes at the bottom of the report and take the totals to the appropriate section of the BAS.

## Double Entry Accounting

If you wish to take the simple cashbook system one step further into double-entry accounting, the Accounts Receivable report gives you the total for your invoices for the invoicing period. In the double-entry system you would then debit your Accounts Receivable asset account and credit your Income revenue account with the month total of the Accounts Receivable report. Then when you receive payment, you would debit your Bank asset account and credit the Accounts Receivable asset account. Additionally, you would need to debit the Income revenue account with the total GST/VAT amount for the month and credit your GST liability account. When you pay the GST/VAT you would probably credit your Bank asset account and debit your GST/VAT liability account. Double entry accounting is complex and best left to accountants. In the mean time you can just get on with the simple cashbook system and provide your accountant with the summary figures at the end of each financial year.

## Expenses Report

In the simple cashbook system all expense are allocated to the month in which they occur. When entering your expenses in the Expenses Journal window, make sure that the Expense amount that you enter is the full amount of the expense, which includes any GST/VAT. In other words if the full amount is \$110.00 including GST, then enter \$110.00.

For your quarterly GST BAS simply go to the Print Expenses Cashbook window and select the month range for the quarter. In the report you will see the totals for each month and at the end of the report you will see the totals for the quarter. These totals are broken down and coded so that you can transcribe them directly onto your BAS.