



insight

for wholesalers

An industry-specific guide
for your MYOB software

MYOB[®]

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An efficient and robust accounting system is more important for wholesalers than for almost any other type of business. Invoicing, stock control and timely reporting are central to business success, as margins are often small and changes in customer demand occur frequently. Even the smallest wholesaler usually encounters relatively complex situations, such as salesperson commissions, inventory in multiple locations or a mixture of taxable and non-taxable goods.

Fortunately, MYOB software offers a range of practical and versatile products for most small to medium-sized wholesalers, streamlining stock control, financial reporting and tax management so that complex tasks become as simple as possible. In this guide, you'll find lots of ideas and tips on the best way to set up MYOB software, all written with wholesaling specifically in mind. If you are a manufacturer as well as a wholesaler, you'll find additional information in *MYOB Software for Manufacturers*. If you import or export goods overseas, then refer also to *MYOB Software for Exporters and Importers*.

Throughout this guide, you'll also come across case studies where you can read about real-life examples of Australian wholesalers. Browse through these case studies to get the big picture of how MYOB software can work for you, and to discover new tips and ideas.

Choosing your MYOB software

For small wholesalers with simple inventory requirements and no employees, MYOB Accounting is probably your best bet (MYOB BusinessBasics and MYOB FirstEdge are not recommended as they don't have stock tracking features). However, if you have employees, MYOB Accounting Plus is the way to go as it includes full payroll management.

If you need to have more than one person working in your accounting system at a time (perhaps one person invoicing and another doing the books), then MYOB Premier (for Windows) or MYOB AccountEdge (for Macs) provide the most suitable solution, as both these products provide multi-user capability (both these products include payroll management as standard).

In addition, MYOB Premier and MYOB AccountEdge both include advanced inventory features such as multiple selling prices.

Whichever product you choose, if you want to upgrade to another product that's further up the family tree, you can do so at any time. You don't need to buy the new software from scratch; you simply pay an upgrade price.

To find out more about these MYOB products, visit www.myob.com.au.

Understanding the essentials

The following five steps are a brief guide to getting started, highlighting important information specific to wholesalers.

Creating your accounts list

When you create the company file for your business, the Easy Setup Assistant asks you to Build Your Accounts List, giving you the option of starting with a standard list. The best choice is to select Other as your Industry Classification, and Wholesale Business as your type of business. This template provides a sample list of accounts and makes a good starting point. Don't worry if this accounts list is not perfect - you can add, change or delete as many accounts as you like.

Reviewing your accounts list

Before entering your opening balances, you need to adapt your accounts list so that it suits the unique needs of your business.

Your accounts list is a list of categories to which you allocate all transactions. There are eight major account categories.

Account Category	What it means
Assets	Things you own, or that people owe you. Includes bank accounts, outstanding customer accounts and new equipment. Asset account numbers start with 1 .
Liabilities	What you owe to other people. Includes loans, taxes payable, and outstanding supplier accounts. Liability account numbers start with 2 .
Equity	This is the profit or loss your business has made since its inception. Examples of equity accounts include retained profits, partners' drawings, or capital contributions. Equity account numbers start with 3 .
Income	Money in! Everything you invoice to your customers. Income account numbers start with 4 .
Cost of sales	Cost of sales are the goods you buy for resale plus any direct costs, such as freight or commissions. Cost of sales account numbers start with 5 .
Expenses	Overheads. The day-to-day running costs of your business. Includes wages, electricity, repairs, telephone, and so on. Expense account numbers start with 6 .
Other Income	Extraordinary income that is not part of normal operations. Could include compensation income, capital gains or interest income. Other Income account numbers start with 8 .
Other Expenses	Extraordinary expenses that are not part of normal operations. Could include lawsuit expenses, capital losses, or fire damage costs. Other Expenses account numbers start with 9 .

Understanding the essentials

Checking your preferences

You can customise all MYOB software so that it works for your business the way you want it to. You can do everything from changing the appearance of your windows, to automatically requesting a backup prompt each time you quit the program. It all happens via the Preferences window.

To review your preferences, go to the **Setup** menu, choose **Preferences** and then explore the **System, Windows, Reports & Forms, Banking, Sales, Purchases** and **Security** tabs. Remember—your choice of preferences does not commit you to this for ever and ever, for you can change your preferences at any time.

Setting up opening balances

To enter opening account balances, go to the **Setup** menu, choose **Balances**, and then choose **Account Opening Balances**.

To enter opening balances for outstanding customer accounts, go to the **Setup** menu, choose **Balances**, and then choose **Customer Opening Balances**.

To enter opening balances for outstanding supplier accounts, go to the Setup menu, choose Balances, and then choose Supplier Opening Balances.

To get up and running, you only need to enter opening balances for a few accounts. Your opening account figures won't balance, but this out of balance amount simply goes to the Historical Balancing account. You or your accountant can fix this later.

Getting ready to go

Before you start entering transactions, work out how you intend to back up your company file. If your file is going to contain very few transactions, you may be able to fit your backup onto floppy disk. Otherwise, you'll need to have a CD burner or a zip drive.

You might have been lucky so far, but *nobody* can guarantee continued immunity to power surges, theft, fire or hard disk failure. If you don't organise a system now, you'll probably forget about it until it's too late—and then you'll be sorry.

Analysing your profitability

One of the fantastic things about MYOB software is that every transaction can be coded in several different ways. For example, in the **Spend Money** transaction below, the **Card** shows the name of the supplier; the **Allocation Account** shows the type of expense, the **Job** column shows the cost centre and the **Category** shows the location.

You can use accounts, jobs and categories to analyse business profitability

When you first set up your system, it's worth taking some time to figure out how you might take advantage of the job and category features. By analysing how much money you're making (or losing!) on everything you do, you can fine-tune your business to maximise your chances of success.



Analysing profitability by accounts

The first (and possibly the easiest) way to analyse where you make your money is to set up your Accounts List so that it reflects the many activities of your business. For example, if you sell three kinds of products your income accounts might include **Income Product A**, **Income Product B**, and **Income Product C**. Alternatively, if you deal with different types of customers, your income accounts might include **Income Customer Type A**, **Income Customer Type B** and **Income Customer Type C**. (Note that it is always good to try and divide your income into several different accounts, rather than lumping it all together as one.)

Analysing profitability by jobs or cost centres

The second way to analyse where you make your money is to divide your business into different cost centres and create a job for each one. You can then generate a Profit & Loss report for each cost centre, as well as a Profit & Loss report for your business as a whole.

Here are some real-life examples of how wholesalers use job numbers to help them manage their business:

- An established wholesaler started up a side-line of a mail order catalogue. In order to monitor the success of the mail order, he set up the mail order part of his business as a **Job**. By coding all mail order income and expenses with this job number, he can see how much the mail order makes (or loses) every month, independently of the rest of his business.
- An exporter was trying to establish new outlets in Singapore, Hong Kong and Malaysia. By creating a job number for each country, he is now able to track the income and expenses from each source.

Analysing your profitability

- A wholesaler was eligible for an AusTrade export grant that refunded 50% of all marketing expenses that related to exports. By creating a job number for AusTrade, and coding all eligible marketing expenses, he could print a job report that detailed all expenses at the drop of a hat, ready for his annual grant submission to AusTrade.

Jobs can be used creatively to analyse all types of information



Job Profit & Loss Statement	
18/01/2010 through 30/04/2010	
Account Name: [Job to State]	
Account Expenses Summary:	
Expenses:	
Freight	\$1,111.00
Fuel	\$1,111.00
Stationery	\$1,111.00
Travel	\$1,111.00
Telephone	\$1,111.00
Total Expenses	\$5,555.00
Net Profit	\$1,111.00

Analysing profitability by category or location

If you operate from more than one location, you can use categories to analyse the profitability of each branch. For example, you might have one warehouse in Sydney and another in Melbourne. If you code every transaction with a category that indicates which branch it came from, you can assess the profitability of each branch independently of the other.

To use categories, you need to turn on category tracking. Go to the **Setup** menu, choose **Preferences**, and then click the **System** tab. Mark the **Turn on Category Tracking** checkbox. If you want to be forced to enter a category for every transaction, select the **Categories are Required** option, rather than the **Categories are Not Required** option.

By the way, if you're unsure of whether to use jobs or categories to analyse profitability, bear in mind that you can split a single transaction across several jobs, but you can't select more than one category for a single transaction.

Communicating with customers

The most elementary part of communicating with your customers has to be your sales invoices. Not only do your invoices need to be clear and easy to understand, but they need to look good too, creating a positive impression every time. Fortunately, MYOB software makes creating and printing invoices as simple as pie.

Creating sales

To create your first customer invoice, go to the **Sales** command centre and click **Enter Sales**. Next, click **Layout** to choose the most appropriate invoice format. There are three main invoice layouts: **Service**, **Item** and **Professional**.

The best invoice format for wholesalers is usually an **Item** invoice, a typical one of which is shown below.

Don't worry if this invoice layout includes unnecessary columns, such as the **Backorder** column or the **Job** column, as you can customise your printed invoice so that these don't print.



A standard item sale

Including additional information on your sales

Wholesalers often confront complex situations that are unique to their business and for this reason, require special formats or information on their sales. You'll find that MYOB software has a standard invoice format that is surprisingly flexible; all you need is a little forethought and creativity. The following examples give you an idea of how versatile this format can be.

- You may need to print your *customer's* item code, as well your own item code, on every sale. MYOB Accounting, MYOB Accounting Plus, MYOB Premier and MYOB AccountEdge offer the facility for additional item descriptions in the **Item Details** tab. Simply enter the customer's item code here and then customise your invoice layout so that this prints on every sale.
- You may need to print additional item information, such as colour, size or model type. Again, all recent versions of MYOB software offer the ability to create Custom Fields and Custom Lists for each item and you can customise your invoice layout so that this information prints on every sale.
- You may use salespeople to make your sales. Simply complete the **Salesperson** field at the time you create the sale to print their name on the customer invoice. (Even better, later you will be able to generate commission reports from your Sales reports menu.)

Communicating with customers

- You may offer different prices to different customers, depending on their location or how much they buy from you. MYOB Premier and MYOB AccountEdge offer the facility for up to six different levels of pricing for a single item, with five quantity breaks for each level.
- You might want to show customer discounts on your invoice, displaying the retail price, followed by the discount, followed by their wholesale price. To do this, simply enter the **Volume Discount** for each customer in the **Selling Details** tab of their card.

Changing the layout of your printed sale

With all MYOB software, you can customise your invoices or receipts so that they look exactly as you want them to look. You can change the fonts, add your own logo, draw boxes, add comments and much more. All you have to do is go to the **Sales** command centre, click **Print Invoices** and then click **Customise** (refer to MYOB help for more details on customisation commands).

Below is one possible way in which an invoice could be customised.

You can customise your invoice to look exactly as you want it to look

Quantity	Unit Code	Description	Unit Price (ex GST)	Discount %	Total (ex GST)
1	100	Crab Apple - 1 Standard	\$11.00		\$11.00
1	100	Crab Apple - 1 Standard	\$11.00		\$11.00
1	100	Crab Apple - 1 Standard	\$11.00		\$11.00
1	100	Crab Apple - 1 Standard	\$11.00		\$11.00
1	100	Crab Apple - 1 Standard	\$11.00		\$11.00
1	100	Crab Apple - 1 Standard	\$11.00		\$11.00

Selling To:	Address:	\$110.00
Address:	Phone:	\$0.00
Telephone:	Fax:	\$0.00
Mobile:	Grand Total:	\$110.00
	Net Total:	\$110.00
	Balance Due:	\$110.00

Providing different payment options for your customers

By subscribing to a special service called MYOB M-Powered® invoices, you can now offer your customers the choice of paying invoices by BPAY®, Postbillpay (at all Australia Post outlets) or by credit card over the phone.

The main advantage of this service is that by providing more ways for your customers to pay you, you'll be paid quicker, not to mention the fact that receiving electronic payments is less time-consuming than receiving cheques. Also, by offering these facilities you will make your business look that much 'bigger' and more professional.

For more information about MYOB M-Powered invoices, and to read the Product Disclosure Statement, see www.myob.com.au/m-powered/.

Communicating with customers

Sending goods to branches and statements to head office

Many wholesalers encounter the situation where they make a sale to Head Office, but need to deliver goods to many individual branches. At the end of each month, Head Office expects to receive a consolidated statement showing all sales made, along with branch details for every sale.

MYOB software makes it easy to deal with this situation:

1. First, create a **Customer** card for Head Office, e.g. Harvey Norman Head Office.
2. Next, create a separate **Customer** card for each branch, e.g. Harvey Norman Gosford.
3. Go to the **Sales** command centre and click **Enter Sales** to create your first invoice. As the **Customer**, select your **Head Office card**.
4. In the **Ship To** field, click the **Search** icon and select another card.
5. You'll see a list of all customer cards; select the branch customer card that you need and click **Use Card**.
6. Complete the invoice as you would normally, but in the **Journal Memo** field type the branch name to which you are delivering.

That's all there is to it. Head Office is invoiced for every delivery made, but delivery dockets, packing slips and shipping labels all show the appropriate branch address. Furthermore, by writing the branch name in the **Journal Memo** field on every sale, the branch details print on your monthly customer statements to Head Office.

Entering sales orders

When customers place orders with you, the best approach is to enter these orders straightaway, so that you can see at a glance the value of all outstanding customer orders as well as the total quantity on order for any individual item.

Recording sales orders is easy. Simply go to the **Sales** command centre and click **Enter Sales** as if you were about to record a normal customer sale, and in the top left corner select **Order** from the drop-down list.

You'll find that orders affect neither your financial figures nor your receivables reports. When you're ready to invoice the goods, you can convert orders to sales simply by opening up the initial order (you'll find it under the **Order** tab in the **Sales Register** or the **To Do List**), changing any amounts or quantities if necessary, and clicking the **Invoice** button.

Processing sales orders and finalising sales

Many wholesalers find it works best to finalise sales (by changing the status from **Order** to **Invoice**) on the morning after the sales leave the warehouse. Here's one way of working that you might find practical:

Communicating with customers

1. When a customer places an order, go to the **Enter Sales** window and enter the order details, selecting **Order** as the status.
2. If you need to see what items are currently outstanding on order, go to the **Analysis** menu in the Command Centre, click **Inventory**, and look in the **On Order** column.
3. When the goods are ready to go out to the customer (which could be several days or weeks after the initial placing of the order), the order is called up, quantities and amounts reviewed, and the date changed to the current date. This order (which has been customised to print as a Tax Invoice) is then printed, along with a delivery docket, and sent to the warehouse for packing.
4. The warehouse refers to the order when packing the goods. If any goods are out of stock or can't be sent that day for some reason, the packer marks changes on the Tax Invoice and the delivery docket. The delivery dockets go out with the goods, the invoices return to the office.
5. The next morning in the office, you review the invoices. Invoices without any changes are ready to send to the customers as they stand. Invoices with changes are called up in the system, quantities or items changed as required, and then re-printed.
6. **Finally, go to the To Do List**, click the **Orders** tab, and mark off all the orders that have just been finalised. Click **Record as Actual** to finalise these orders, changing them into sales.

Look up all outstanding customer orders in your To Do List



Recording backorders

If you can't fulfil every item on a customer's order, you may choose to send some goods now and place the remainder on backorder. To do this, go to the **Enter Sales** window as normal. Enter the quantities you intend to send now in the **Ship** column and the quantities you plan to place on backorder in the **Backorder** column. Once you click **Record**, a new sales order for the backordered items will automatically be created.

You can set up your preferences so that original invoice numbers are retained on backorders, making the fulfilment of orders easier to track. By adding an additional digit to the invoice number when it comes up on the backorder (e.g. changing the **Invoice #** from **9130** to **9130-1**), you provide every sale with a unique number, yet group all the invoices relating to a single sale together. To select this preference, go to the **Setup** menu, choose **Preferences**, click the **Sales** tab and then mark the **Retain Original Invoice Number on Backorders** preference.

Communicating with customers

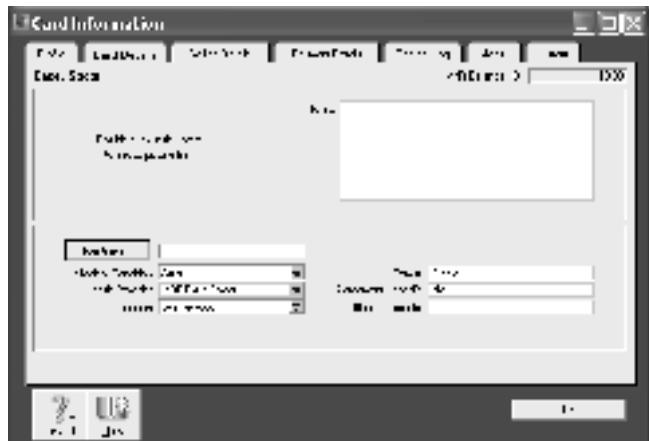
If you want to inform the customer in writing that items have been placed on backorder and will be delivered as soon as possible, you can generate a letter automatically by going to their card, clicking the **Letter** button and selecting the template called **BACKORDR.DOT**. Click **Use Template** and Microsoft® Word will create a standard backorder letter for you.

Planning delivery runs

Many wholesalers want to print invoices in a certain order based on the location of their customers. Obviously, the easiest way to do this is to enter invoices in the order in which they're going to be delivered, for example, entering South Australia invoices first, Victorian invoices next, and so on. However, this doesn't work so well if you want to be able to enter orders as and when they are received, and not necessarily in the order in which they will be delivered.

A neat solution is to use the **Card ID** in each customer's card, giving every customer a sequential number indicating where they are in the delivery run. When raising a sale to the customer, simply zoom in on their card, note the Card ID and insert this number in front of the invoice number. This way, your invoices will print in the desired sequence.

Incidentally, if a customer has special delivery instructions (e.g. deliver goods to the back driveway behind the shed), enter these instructions in the **Notes** section of their card and customise your delivery dockets to include the **Notes** field.



Managing supplier relationships

Most wholesalers end up with substantial amounts owing to suppliers. To keep track of how much is outstanding, the best approach is to record all supplier invoices in the **Purchases** command centre when you receive them. Later, when you pay these invoices, go to the **Supplier Payments** window. By working in this way, you have a few advantages:

- At the click of a button, you can see exactly how much you owe to suppliers.
- It's easy to see whether accounts are overdue (and by how much) before things get out of hand.
- If you report for the GST on an accrual basis (as opposed to a cash basis), then you can claim the GST on bills you've received, but haven't yet paid.
- You'll be prompted when early payment discounts fall due.
- You can plan your cashflow better.

Incidentally, a simpler way of working is to record expenses as they are paid, using the **Spend Money** window in the **Banking** command centre. You can read about this way of working in the document *MYOB Software for Service Businesses*.

Recording a supplier invoice

Wholesalers tend to use one of two layouts when recording purchases: either an **Item** layout or a **Service** layout. Item layouts work best when placing an order for goods you buy and then sell; service layouts work best for things such as electricity bills, office stationery or accounting fees.

Here's how to record a purchase:

1. From the **Purchases** command centre, click **Enter Purchases**.
2. **Click the Layout** button and select either **Item** or **Service as your layout**.
3. Fill in the supplier name and if required, enter the purchase order number.
4. **Check the Date** and enter the supplier's invoice number in the **Supplier Inv#** field.
5. For item invoices, enter the **Quantity**, **Item Number** and check the **Price**. Enter each line one at a time, making sure the final total tallies.
6. For service invoices, choose your allocation account in the **Acct#** field. Don't worry about detailed descriptions, as they're usually not necessary. A general description such as 'Advertising in this June's Gazette' does just fine.
7. Don't forget to complete the **Job** column if you're tracking cost centres.
8. Make sure the GST total matches with your supplier invoice, and then click Record.

Recording supplier invoices

The screenshot shows the 'Purchases - New Service' window in MYOB. It includes fields for Supplier (1001 The), Date (1/1/2010), Purchase #, Sales, and Supplier Inv#. A table with columns Quantity, Unit Price, Amount, and GST is present. Below the table are fields for Account, Quantity, Unit Price, Amount, GST, and Total Amount. At the bottom, there are buttons for Record and Cancel.

Managing supplier relationships

Placing supplier orders

It's easy to enter purchase orders, and to print, fax or email them direct to your suppliers. This way you can see at a glance what items are on order and when they are due to arrive.

To create a supplier order, go to the **Purchases** command centre, click **Enter Purchases** and select the supplier. In the top left corner, make sure that the purchase status is **Order** (not **Bill**). Complete the order as normal and click **Print**, or click **Send To** and select **Fax** or **E-mail**.

You'll find that orders affect neither your financial figures nor your payable reports. When you receive the goods, you can convert orders to purchases simply by opening up the initial order (you'll find it under the **Order** tab in the **Purchases Register** or the **To Do List**), changing any amounts or quantities if necessary, and clicking the **Purchase** button.

Paying suppliers electronically

MYOB M-Powered® payments enable you to make electronic payments to your suppliers directly from your MYOB software. Once you subscribe to this service, you can use your MYOB software to record payments in your company file and then transmit these payments electronically using a secure link. The M-Powered Services Centre, accessible from any command centre, monitors the progress of all payments and, at your request, emails or faxes remittance advices direct to your suppliers.

If you pay more than five suppliers per week, M-Powered payments are well worth the fees. If you were to put a value on your own time (or on your bookkeeper's time) and calculate how long it takes you to pay a supplier (including writing a cheque, printing a remittance advice, writing their address on an envelope, entering the payment into your MYOB company file, and so on) as well as the costs (the envelope, the stamp, the petrol to the post office, etc.), then chances are that paying a supplier is much more expensive than you think.

M-Powered payments offer other benefits too, although these are somewhat less tangible. You can schedule payments to be made at future dates, ensuring that suppliers are paid on time, even when you're away from the business. Payments are more secure, as you pay directly from your account into your supplier's account (whereas cheques are more prone to fraud or getting lost in the mail). Finally, the M-Powered Services Centre keeps track of all online payments, including when payments are sent, when they're processed, if they fail due to insufficient funds, and so on.

To subscribe to M-Powered payments, all you have to do is click the M-Powered Services Centre icon that appears on the bottom-right of every command centre. (Note that M-Powered payments are only available for MYOB Accounting v14, MYOB Accounting Plus v14 and MYOB Premier v8 or later.

For more about M-Powered payments, including how to subscribe, the current pricing structure and to read the Product Disclosure Statement, visit www.myob.com.au/m-powered/.

Managing supplier relationships

Analysing how much you owe

To see how much you owe to your suppliers, go to the **Analysis** menu in the Command Centre and click **Payables**. You'll see a summarised Analyse Payables report, aged as at the current date.

Click the zoom arrows to go straight to a detailed breakdown of any supplier's totals, or click **Print** to print the report.

Recording other types of expenses

MYOB realises that most businesses don't just pay for expenses by cheque and electronic transfer, but by cash and credit cards as well. Luckily, it's easy to record these kinds of transactions.

Dealing with credit cards

The easiest way to deal with credit cards is to think of them as if they were a bank account. Create a new liability account in the **Accounts List** and make it a **Credit Card** account.

For expenses where you don't receive a supplier account (such as fuel, interest, memberships or internet access), do the following:

1. Go to the **Banking** command centre and click **Spend Money**.
2. Select your credit card account as your bank account in the top left.
3. Record each transaction on the credit card in the same way as you would record cheques, the only difference being that you ignore the Cheque No field completely. (You end up with one transaction per line on your credit card.)

Entering credit card transactions (note the account in the top-left corner)



For payments on your credit card where you have already recorded the supplier account, do the following:

1. Go to the **Purchases** command centre and click **Pay Bills**.
2. Select your credit card account as your bank account in the top left.
3. Record the payment in the same way as you would any other supplier payment, ignoring the cheque number.

Recording other types of expenses

Organising petty cash (if you have a petty cash tin)

The method described here works best if you have an office with a petty cash tin, and more than one person takes money out of the tin. However, if you don't have a petty cash tin but end up paying lots of little cash expenses directly from your own pocket, see the method listed in *Organising petty cash (if you have a wallet full of receipts) below*.

1. Start off with a float, say \$200. Write a cash cheque for this float, and allocate this cheque to an asset account called 'Petty Cash'. If you don't have an account by this name already, create one now, selecting **Bank** as the **Account Type**.
2. Whenever staff take money out of the tin, get them to give you a receipt in exchange. Store these receipts in the tin.
3. Now, add up the receipts and work out which expense categories they belong to. Then go to the **Spend Money** window but this time change the bank account at the top to read Petty Cash. Complete the payment, allocating it across several **Allocation Accounts** and several **Amounts**. Click **Record** when you're done.

Recording petty cash transactions when you use a petty cash tin

4. When funds in the tin get low, write out a cash cheque to top the tin back up to its original float value. For example, if you have a \$200 float but there's only \$4.50 left in the tin, write out a cash cheque for \$195.50. Allocate this cheque to Petty Cash.



Organising petty cash (if you have a wallet full of receipts)

If you don't have a petty cash tin, but end up paying lots of cash expenses directly from your own pocket, you'll find the following method works best.

1. Pile these receipts into their various categories and then, with a calculator, add up the value of each pile of receipts. You might end up with \$40 worth of receipts for stationery, \$50 for postage, \$15 for travel and so on.
2. Next, go to the **Spend Money window** and as your bank account, select **Petty Cash** in the top left corner.
3. As the Amount, enter the total value of all these receipts added together.
4. Split the transaction across the appropriate expense accounts, writing individual memos on each line, if desired.

Case Study – Bunyips Gourmet Deliveries

Business Name:

Bunyips Gourmet Deliveries

Overview:

Bunyips delivers gourmet cookies and deli goods to cafes and restaurants in the Brisbane area.

Bunyips was a small business with many teething problems, largely due to the high volume of transactions, all with relatively small profit margins. By switching to MYOB AccountEdge, they were able to streamline customer order processing and concentrate on making their business more profitable.

Most of Bunyips' customers order once a week, some order twice a week. As customers phone their orders through, the sales staff enter these as **Orders**. On the morning of delivery, they print a **Sales Detail** report and delivery dockets so that the warehouse can prepare deliveries. The delivery dockets include any special delivery instructions (this information is found in the **Notes** field of each customer card).

Every customer has a **Card ID** number indicating where they are in the delivery run, and this Card ID number is written in front of the invoice number so that invoices print in the correct order. Each driver receives their own Sales Detail report based on area (there are four distinct delivery areas and each one is set up as a custom field in the customer cards). This report provides the driver with an overview of their run, and makes sure nothing gets missed.

At the end of each day, the sales staff finalise all completed orders, changing them to sales. Strict credit limits are set for each customer, so that if a customer fails to pay promptly for current outstanding sales, no more orders are accepted.

Setting up inventory

If you're setting up MYOB software for the first time, probably the single most important thing you need to know is this: you don't need to retype everything! Chances are you already have an inventory listing in another program, such as a database, spreadsheet or even as a word processing document. It's almost always possible to get this information into a format where you can automatically import it into your **Items List**.

If you're not familiar with file formats and shifting information around between programs, you may find it most efficient to get the help of an MYOB Certified Consultant. MYOB Certified Consultants are independent trainers specialising in all aspects of MYOB software. See www.myob.com.au/support/ccmembers/ for more details.

Creating a new item

To create a new item, go to the **Inventory** command centre, click **Items List**, click **New** and then follow the simple steps below.

1. Enter an **Item Number** followed by a **Name**. (The item number doesn't have to be a number; you may find it makes more sense to use letters instead.)
2. Tick the relevant boxes to indicate whether you buy, sell or inventory this item. (Usually, wholesalers tick all three boxes.)
3. Complete the income, cost of sales and asset accounts fields.
4. Go to the **Buying Details** tab (see below for more details).
5. Go to the **Selling Details** tab (see below for more details).
6. Click **OK** to record this new item and return to your **Items List**.

Creating a new item
(don't forget to
complete the buying
and selling detail tabs
also)



Setting up inventory

Setting up item buying details

When you create a new item, click the **Buying Details** tab to set up information about suppliers and restocking quantities.

Here's what you need to know:

- The only essential field to complete is the **Tax Code When Bought field**.
- Don't worry that you can't enter a figure in the **Last Purchase Price** field when you first create a new item. As soon as you record your first purchase for this item, this price will be updated.
- The **Buying Unit of Measure** is a descriptive term, such as Each, Pair, Case, and so on.
- The **Number of Items per Buying Unit** is the number of items that will add to your on-hand inventory for each unit sold. Always express your buying unit as a multiple of the smallest unit that the item can be sold in.
- The minimum stock level acceptable is your **Minimum Level for Restocking Alert**.
- Your **Primary Supplier for Reorders** should be the main supplier for that item. It doesn't matter if you sometimes buy from someone else; you can always edit the purchase order that comes up automatically.
- If it's useful for your reference or for purchase orders, enter your supplier's code for this item in the **Supplier Item Number** field.
- As the **Default Reorder Quantity**, enter the smallest multiple you would ever order for that item. (For example, if you buy water filters in batches of 50, and your minimum stock level is 25, when your stock level falls to 23, a purchase order will be generated for 50 filters, not for two filters.) Once restocking details are in place, MYOB software automatically generates purchase orders for stock items that fall below minimum stock levels.

Setting up item selling details

- To record selling prices and unit details, double-click the item from your **Items List** and click the **Selling Details** tab.
- Select the appropriate code in the **Tax Code When Sold field**.
- The **Base Selling Price** should be the base price that you sell this item for, including **GST** if the **Tax Inclusive** checkbox is marked.
- The **Selling Unit of Measure** should be a descriptive term, such as Each, Pair, Case, and so on.
- The **Number of Items per Selling Unit** is the number of items that will be subtracted from inventory for each unit sold. For example, if you sell shoes in pairs, the **Number of Items per Selling Unit** would be 1, and the **Selling Unit of Measure** would be 'Pair'.

Setting up inventory

Creating product groups and categories

MYOB Premier and MYOB AccountEdge both offer the ability to further group each item using custom lists, found under the **Item Details** tab. You can categorise items in any way you like — anything from colour to size, from model to grade.

In order to take advantage of custom lists, follow these two steps:

1 Go to the **Lists** menu, choose **Custom List & Field Names**, and then click the **Item** tab. Specify what labels you require for your custom lists, e.g. colour, size or type.

2 Return to the **Items List** and enter the specific custom information for each item, under the **Item Details** tab. The screenshot below shows how this might appear.

Adding custom information to inventory items opens up whole new worlds of possibilities

To print custom information on your invoices, take a couple more steps. Go to the Sales command centre, click **Print Invoices**, select **Item** as your

Form Layout and click **Customise**. Go to the Data Fields icon (first on the left on your forms toolbar) and select the custom fields that you want to print (**Item Custom List 1**, **Item Custom List 2**, and so on). Click **OK** to insert these fields on to your invoice, and then drag and drop them into position.

By the way, if a particular report doesn't show the custom list information you require, click the **Report Fields** tab (formerly the **Design** button) on the report customisation. You'll almost certainly find this custom information listed as an optional report column.



Managing your inventory

If you are like most wholesalers, then the value of your inventory represents your largest single asset. Successful control of inventory costs and quantities defines the difference between business success and failure.

Analysing stock levels

To see what stock you have on hand, simply go to the **Analysis** menu in the Command Centre and select **Inventory**. You'll see a report similar to the one shown below. The **On Hand** column shows the quantity you currently have in stock, the **Committed** column shows the quantity outstanding on current customer sales orders, the **On Order** column shows the quantity you currently have on order with suppliers and the **Available** column shows what you would have left should all orders (both customers and suppliers) be fulfilled.

See how much stock you have on hand, what's on order and what's available

Item	Description	On Hand	Committed	On Order	Available
<>	Lowert	0	0	0	0
<>	Wholesale	0	0	0	0
<>	100	1,000	0	1,200	2,200
<>	110	0	0	0	0
<>	120	80	0	110	40
<>	122	0	0	0	0
<>	200	0	0	0	0
<>	220	0	0	0	0
<>	300	0	0	0	0
<>	320	0	0	0	0
<>	350	0	0	0	0
<>	355	0	0	0	0
<>	358	0	0	0	0
<>	359	0	0	0	0
<>	360	0	0	0	0
<>	361	0	0	0	0
<>	362	0	0	0	0
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<>	425	0	0	0	0
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<>	427	0	0	0	0
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<>	430	0	0	0	0
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<>	434	0	0	0	0
<>	435	0	0	0	0
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<>	437	0	0	0	0
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<>	475	0	0	0	0
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<>	492	0	0	0	0
<>	493	0	0	0	0
<>	494	0	0	0	0
<>	495	0	0	0	0
<>	496	0	0	0	0
<>	497	0	0	0	0
<>	498	0	0	0	0
<>	499	0	0	0	0
<>	500	0	0	0	0

Setting automatic re-order levels

If you have set up all the restocking information in the **Buying Details** tab of each item, all stock needing to be re-ordered appears on the **To Do List** under **Stock Alert**. To view or change details on these purchase orders, click the arrow to the left of the order.

While the inventory reports in MYOB software are flexible and detailed, the link to Microsoft® Excel opens many more doors in terms of what you can develop in the way of custom reports. If you have special reporting needs, investigate using Excel and Visual Basic together with MYOB software to produce the information that you require. A further improvement in this area is the release of MYOB BusinessAnalyst, MYOB ReportWriter, MYOB ODBC Direct, as well as the MYOB Developers Kit, all of which provide the potential to create and view custom reports and exchange information with other software applications. Several of MYOB's Certified Consultants have skills in these areas. Go to www.myob.com.au/support/ccmembers/ for more information.

Dealing with special inventory situations

Tracking stock in more than one location

If you have stock in a number of locations and want to track what stock you have where, you can set up some very clever systems using MYOB software that gives you full stock reporting in each location. You might want to adapt the finer detail to your particular circumstances, but here's one possible framework to get you started:

1. Go to the **Lists** menu, choose **Custom List & Field Names**, and then click **Items**. As the **Name of Custom List #1**, type 'Location'.
2. Go to the **Setup** menu, choose **Preferences**, and then click the **System** tab. Mark the **Turn on Category Tracking** checkbox.
3. Go to the **Lists** menu and choose **Categories**. Create a new category for each location where you want to track stock.
4. Go to the **Items List** and adapt all **Item Numbers** so that the last two letters indicate the location (you can see how this might work in the screenshot below). Leave the Item Name the same, regardless of the location.
5. Still in your **Items List**, go to the **Item Details** tab and select the appropriate location for each item in the custom lists.
6. Go to the Inventory command centre, click **Count Inventory** and enter stock counts for all items in each location.

Adapting Item Numbers so that they reflect the location

With this setup complete, you can now proceed to run stock for a number of locations. Here are a couple of examples of how it works:

- When invoicing, pick the correct stock code according to the location (for example, if you're selling goods from the Brisbane location, you select the item with the Brisbane code as part of its **Item Number**).
- If you transfer stock from one location to another, go to the Inventory command centre, click **Transfer Inventory** and record a negative quantity for the Item Number that relates to the departure location, and a positive quantity for the Item Number that belongs to the receiving location.
- By always completing the **Category** field at the bottom of each transaction to indicate what location this transaction took place in, you can generate Profit & Loss reports and Balance Sheets for each location.
- To print stock reports that are itemised according to location, simply click **Customise** when generating the Item List Summary report and select the relevant location. You can see how this might look in the following report.



Item Number	Item Name	Location
100000	100000	100000
100001	100001	100001
100002	100002	100002
100003	100003	100003
100004	100004	100004
100005	100005	100005
100006	100006	100006
100007	100007	100007
100008	100008	100008
100009	100009	100009
100010	100010	100010
100011	100011	100011
100012	100012	100012
100013	100013	100013
100014	100014	100014
100015	100015	100015
100016	100016	100016
100017	100017	100017
100018	100018	100018
100019	100019	100019
100020	100020	100020

Dealing with special inventory situations

You can print reports that group stock by location

Item Name	Location	Units On Hand	Total Value	Average Cost
Chair	Warehouse	20	\$1,200.00	\$60.0000
Table	Warehouse	10	\$2,000.00	\$200.0000
Table Legs	Warehouse	5	\$1,000.00	\$200.0000
Grand Total			\$4,200.00	

Creating assemblies and auto-builds

The Auto-Build feature is fantastic if you want to create an item that is made up of other items. For example, you may sell a dining table suite that always consists of a single table plus six chairs, or you might 'manufacture' a drum kit that consists of a snare drum, a hi-hat, a bass drum and a stand.

Imagine you were going to create a first-aid kit that consisted of two bandages, a packet of band-aids and some scissors. Here's what you would do:

1. Start by setting up a new item for each individual component, so that you have an item for bandages, an item for band-aids, and so on. Make sure you mark the **I Inventory This Item** checkbox for each component.
2. Create a new item called 'First-aid Kit', making sure you mark the **I Inventory This Item** checkbox.
3. Click the **Auto-Build** tab.
4. Click **Edit List** and type the **Item Number** and **Quantity** for all the items that make up the kit of this finished item. Click **OK** and you're done.

Inventory adjustments and transfers

However perfect your bookkeeping and administration, from time to time you'll have to adjust quantities on hand or inventory unit costs. The following procedures explain just what to do.

Adjusting for missing or damaged stock

Go to the Inventory command centre and click **Count Inventory**. Locate the item for which the quantity is wrong and type the correct quantity in the **Counted** column. The **Difference** column will reflect the quantity you want to adjust.

Click **Adjust Inventory** and you'll be asked for a **Default Adjustment Account**. In most situations, the best way to allow for small stock variations is to create a cost of sales account called 'Stock Adjustments', but if you're not sure about this, ask your accountant for their opinion.

Click **Continue** to get to the Inventory Adjustment window. All you have to do next is check the **Date** and write a **Memo**, always recording a clear, concise description if you can. Enter job or category information, if required, and click **Record**.

Adjusting the unit costs of inventory items

This scenario is the trickiest of all, and only arises if you know that the average cost of an item is wrong, but that the quantity is correct. Here's what to do:

- 1 Go to the Inventory command centre and click **Adjust Inventory**.
- 2 Enter the **Date** along with a concise explanation in the **Memo**.
- 3 Work out the total adjustment you need to make. For example, if you want to raise the unit cost from \$6 to \$10 and you have 20 items in stock, you need to make a positive adjustment for \$80 (\$4 difference x 20). Enter \$80 in the **Amount** column, and 0 in the **Quantity** column.
- 4 Enter job or category information, if required, and click **Record**.

Adjusting the unit cost without affecting the quantity

For all adjustments, you need to select something in the **Account** column. 'Cost of goods sold', 'write-down of obsolescent stock' or 'stock

adjustment account' are all likely candidates. Just be careful never to use your inventory account here, as this will throw your inventory out of balance.



Inventory adjustments and transfers

Creating credit notes when inventory returns to zero

Sometimes, when you try to put a credit note through for inventory items, you will get a message saying that 'The purchase of this item would value your inventory at less than \$0.00'.

This message appears because if you want to put a credit note through that will reduce stock levels of that particular item down to zero, the credit note must equal the value that you already have on hand for that stock item. However, prices are always changing, so it is highly probable that the unit cost that comes up in your credit note doesn't equal your existing average unit cost.

Here's one way to fix the problem (a more detailed procedure is available in MYOB Support Note 903 which is available at <http://support.myob.com.au>):

- 1 Go to the Inventory command centre, click **Set Item Prices** and then click **Avg Cost**. Note the **Average Cost** for the item you are crediting, down to the last decimal point (if the price is \$22.50234, then note this down exactly).
- 2 Return to your credit note, and use this **Average Cost** as the **Price**.
- 3 Note the **Total Amount** of this credit note and calculate the difference between this and the total on the credit note you have received. Then click **Record**.
- 4 You will need to put through an adjustment for the difference. To do this, create a new purchase, click **Layout** and select **Miscellaneous**.
- 5 Use a cost of sales account as the **Allocation Account**, and write the credit note number in the **Memo** field. Remember to put a minus figure in the **Amount** column if you are doing a further credit adjustment.

Incorporating freight into the cost of goods

Many wholesalers incur significant shipping costs and want to incorporate these costs into the cost of goods sold. For example, if an item costs \$10 per unit plus \$2.50 freight per unit, then you probably want your unit cost to show as \$12.50 per unit. The following procedures explain how to incorporate freight into the cost of goods.

In order to use these procedures, you first need to create a new item in your **Items List**. Call the item **LC** with the description '**Landing Charges**' and mark the **I Buy This Item** checkbox. As the Expense Account, select a cost of sales account called Freight Clearing (you will probably have to create a new account by this name).

If you are importing goods from overseas and this freight scenario is further complicated by foreign currency implications, you can read further in *MYOB Software for Importers and Exporters*.

Calculating your freight percentage

When you order goods, create a new purchase, making sure you choose **Order** as the status in the top left hand corner. Enter all buy prices *not* including freight and if you wish, fax or email this direct to your supplier.

When the goods arrive, work out the *proportion of freight* as a percentage of the total cost of the purchase.

- 1 Establish the total freight costs, not including GST.
- 2 Confirm the total value of the purchase, not including freight or GST.
- 3 Calculate the percentage of freight as a proportion of the total purchase. For example, if the purchase comes to \$25,000 and freight comes to \$2,500, then the percentage is 10%. This figure is called your *freight percentage*.

Recording the receipt of goods when incorporating freight

- 1 Go to the **Orders** tab in your **To Do List** and zoom in on the outstanding order. On every line of the order, enter your *freight percentage* as a negative amount in the **Discount** column as shown in the screenshot below. Entering a negative discount in this manner increases the item cost by the appropriate percentage and show its true cost.
- 2 By now, you should have the true cost of each item including freight, but the **Total Amount** of the purchase order will be too high, because it includes the freight that you don't owe to that supplier. To fix this, add a credit line for "minus one" of item LC (that is, Landing Charges). As the **Price** for this item, enter the total value of your shipping costs.
- 3 Check that the **Total Amount** of this purchase is now equivalent to the amount owed to your supplier. If the amount is out by a few cents, adjust the price of your LC item. Click the **Bill** button to change this transaction from an order to an account payable.



Incorporating freight into unit cost of goods

Incorporating freight into the cost of goods

Recording the invoices for freight when you have incorporated freight into your cost of goods sold

Go to **Purchases** and record the invoice for freight as you would any other invoice, except instead of allocating this invoice to your regular freight expense account, allocate it to your Freight Clearing account.

On your Profit & Loss, your Freight Clearing account should behave like a holding account. You credit this account when you receive goods into stock (because the Landing Charges item links to Freight Clearing), and debit this account when you record the purchases from shipping agents. At the end of financial year, your freight clearing account will probably have very little in it. This is alright; you don't want to show freight from overseas separately on your Profit & Loss. The aim has been to include these costs as part of your cost of goods sold figure.

Case Study – Echidna Gifts

Business Name:

Echidna Gifts

Overview:

Echidna distributes giftware throughout Australia, specialising in hand-crafted and Australian-made goods.

Echidna has had their ups and downs in their long period of trading and, like many small businesses, has learnt their lessons the hard way. However, their real turning point was when GST was introduced and they purchased MYOB Accounting. Finally, they were able to analyse their business properly and see where changes could be made.

Echidna's real focus has been to use MYOB Accounting as a sales tool. They group customers according to sales agents and analyse customer trading patterns, alerting agents when customers have not placed a re-order in the time expected. Echidna also analyse the purchasing patterns of each customer, and if a customer isn't buying one of the stronger products in their range, they usually try to persuade them to do so by offering one-off specials and introductory offers.

MYOB Accounting's item reports (analysing gross profit and units sold for every item sold) enabled Echidna to make some tough decisions. Some of the items the owner was most fond of (including her sister's hand-made patchwork quilts) simply didn't sell in sufficient quantities to justify their inclusion in the range. They've now simplified what goods they sell and rationalised the prices on items where the profit was next to nothing.

Keeping an eye on costs is essential and you want to make updating prices as easy and as efficient a process as possible. Here's how:

Calculating average and last cost

If you go to the **Set Item Prices** function in the Inventory command centre, you'll notice that you can choose to view items either by **Average Cost** or by **Last Cost**.

Average Cost is calculated by dividing the current inventory value by the number of units in inventory. It's as simple as that! In accordance with Australian accounting standards, MYOB software uses **Average Cost** to calculate the total value of your inventory.

Last Cost is the equivalent of your supplier's list price, and does not include supplier discounts, freight or early payment discounts.

Remember! Be careful when relying on **Average Cost** or **Last Cost** information when setting prices. **Average Cost** includes supplier discounts, but **Last Cost** does not. Neither cost includes freight or early payment discounts. The average cost is exclusive of GST.

Setting up multiple selling prices

Only MYOB Premier and MYOB AccountEdge allow for multiple selling prices per item. Click the **Selling Details** tab of any item and you'll notice that you can have up to six pricing levels for each item. By default, these levels are labelled A through F, but you can label your pricing levels in whatever way makes the most sense for your business. For example, you might have Retail, Wholesale, Trade 1, Trade 2, Staff and Special as your price levels. That way, you can keep separate selling prices for different types of customers.

It's a good idea to change the price level labels so that they are more meaningful for your business. Go to the **Lists** menu, choose **Custom Lists & Field Names**, and then click the **Price Level** tab.

Setting up price levels and quantity breaks in MYOB Premier

If you offer discounts for certain quantities, you can set up quantity breaks using the **Quantity Over** field.

For example, if you want to create pricing levels for sales of this item in quantities of 25 or more, enter 25 in this field. If you intend to offer further discounts for sales of this item in quantities of 50 or more, enter 50 in the next field.

The last stage of setting up multiple selling prices is to specify what price level each customer belongs to. Go to the **Card File** command centre, click **Cards** and edit your customers one by one. Click the **Terms** button and select the appropriate **Price Level**.



Updating prices

If your selling prices are based on a certain markup percentage or dollar margin use the **Set Item Prices** function in the **Inventory** command centre. If you only wish to change a few prices, mark each item you wish to update by clicking against them, and then click the **Shortcuts** button. To set new prices for the entire list, just click **Shortcuts**.

Work through this dialogue box from the *bottom up*, starting with the **Basis for Calculation**. Choose whether you wish to refer to **Average Cost** or to **Last Cost**, and whether you want to calculate profit based on **Margin**, **Markup** or **Gross Profit**. State whether you want to round prices **Up** or **Down**, or to the nearest specified unit.

The differences between **Percent Margin**, **Percent Markup** and **Gross Profit** can be confusing. Use **Percent Margin** if you think of profit as a percentage of the final selling price. Use **Percent Markup** if you think of profit as a percentage of the buying price. Use **Gross Profit** if you think of profit as a fixed dollar amount per item.

An alternative way to update your Item selling prices is to export your Item List to Microsoft Excel, make your changes, and then import the updated list.

Analysing profit on each stock line

To see how much profit you're making on each individual stock line, do the following:

- 1 Go to the **Analysis** menu in the Command Centre and choose **Sales**.
- 2 Click **Filters** and select **All Items**.
- 3 Select your desired date range, and click **OK**.
- 4 Click the **Profit** button to analyse the profit contributed from each stock line, or click **Margin** to see this as a percentage. Click the **Avg Cost** button to see total sales of each line, along with the number of units sold.
- 5 Click the graph buttons (**Sales** and **Profit**) to see this information in pictorial format, similar to the screenshot below.

You can analyse sales in many different ways



Sales teams and commissions

Many wholesalers need to calculate sales commissions on a weekly or monthly basis. MYOB software can help to streamline and even automate this process.

Setting up salespeople

The first thing to do is to create a new card for every salesperson. Go to the Card File command centre, click **Cards List** and create a new card for every salesperson, selecting **Employee** as the **Card Type**. If these sales people are not employees, select **Labour Hire** as the employment basis in the **Payroll Details** tab of each card.

If some of your sales are made directly by head office, telephone or mail order, you can create cards to track these sale categories too. Just create new cards called 'Head Office', 'Head Office Phone Sales', 'Head Office Mail Order Sales', and so on.

If you pay a single salesperson different commission rates depending on the type of customer they sell to, or where the customer is located, then it makes sense to create a separate card for each rate that salesperson receives. For example, you might have three cards for Alan Jones: Alan Jones 5%, Alan Jones 7.5% and Alan Jones 10%. Furthermore, note these different rates in the **Custom List #1** of their card (under the **Card Details** tab). Including this information helps you to extract commission reports later on.

Now all you have to do is remember to complete the **Salesperson** field every time you create a sale. Even better, create a default salesperson in the **Selling Details** tab of every customer card so that this information pops up automatically every time you go to create a sale.

Tracking salesperson performance

The easiest way to find out who sold how much is to choose **Sales** from the **Analysis** menu in the Command Centre. Click **Filters**, select the **All Salespeople** option and then select the year and the period that you want to analyse.

Clicking **Sales** displays a bar graph comparing the total sales in dollars for each selected month. Clicking **Ledger** displays the total sales in dollar terms for each salesperson over the selected period, as well as each salesperson's sales expressed as a percentage of the total sales.

Further sales team reports can be found by going to the **Reports menu**, choosing **Index to Reports**, and clicking the **Sales** tab. You'll find another seven salesperson reports listed here, many of which can be sorted by salesperson, custom lists or identifiers.

Generating commission reports

Commissions and how they are calculated vary enormously from business to business. However, chances are you can get a salesperson report that provides information in a format close to the one you're looking for. Here are some tips:

- In the Index to Report's **Sales** tab, find the report that is closest to the one you're looking for. Don't hesitate to click the **Design** button and experiment with the different types of information you can display.

Sales teams and commissions

- As suggested earlier, set up commission rates in the **Custom Lists** of each salesperson's card (under the **Card Details** tab). Remember to display this custom field when generating reports.
- When the report looks close, click the **Send To** button and send the report to Excel. From here, you should be able to make minor adjustments to create the report you're looking for.
- If you want to automate the process of customising this report in Excel, you should be able to create additional worksheets that link to the worksheet that MYOB software creates automatically every time.
- Alternatively, if you find yourself doing significant hours of calculations by hand, or in additional spreadsheets, consider contacting an MYOB Certified Consultant and asking them to design you a custom report for you. You can get a listing of Certified Consultants from www.myob.com.au/support/ccmembers/.

Understanding GST

MYOB software makes accounting for GST about as easy as something so complex could be. So long as you record all your transactions and allocate the right tax code to each one, there's not a great deal that can go wrong. The main thing to remember is to allocate the right tax code when recording transactions. This done, everything else should fall into place.

Recording GST

Whenever you record a transaction, you can choose whether to enter the amount as tax-inclusive or tax-exclusive by marking or clearing the **Tax Inclusive** checkbox in the top right of every window.

Usually, you'll find it easiest to mark the **Tax Inclusive** checkbox and enter all amounts including tax. You'll find that the GST calculates automatically and you don't have to go looking up every receipt to double-check the tax total.

Deciding what GST codes you need

Most wholesalers find that they only need six tax codes: CAP; FRE; GST; ITS; N-T and QUE.

To review your codes, go to the **Lists** menu and choose **Tax Codes**. Comparing your list with the list shown below, delete any codes you don't need (they'll only serve to cause confusion) and add any codes that are missing.

For all tax codes, the **Linked Account for Tax Collected** should be GST Collected from Sales and the **Linked Account for Tax Paid** should be GST Paid on Purchases. Once you're finished, your tax code list should look similar to the one below:

Your tax code list should look something like this

Code	Description	Type	Rate
CAP	Goods & Services Tax	Goods & Services Tax	10%
FRE	GST Free	Goods & Services Tax	0%
GST	Goods & Services Tax	Goods & Services Tax	10%
ITS	Input Taxed Sale	Goods & Services Tax	0%
N-T	Not Reportable	Goods & Services Tax	0%
QUE	Queens (don't know yet)	Goods & Services Tax	10%

Understanding GST

What do the different codes mean? Here's an explanation:

CAP (GST on capital acquisitions)

If you buy new tools, equipment or vehicles that cost more than \$1,000 before GST (assuming you're part of the Simplified Tax System) or if you buy any new tools, equipment or vehicles at all (if you're not part of the Simplified Tax System), you need to report these purchases separately on your Business Activity Statement. To do this, you need a separate tax code called CAP. If you're not sure whether or not you're part of the Simplified Tax System, ask your accountant.

FRE (GST-free goods and services)

Even if you don't sell any GST-free goods or services, you're bound to end up purchasing GST-free supplies such as bank charges, donations or government charges. If you employ any subcontractors who have an ABN but aren't registered for GST, use FRE as the tax code for their payments.

GST (Goods and Services Tax)

GST is the tax code that you'll use for most sales and purchases.

ITS (input taxed sale)

Use this code for interest and dividend income and rental income from residential property investments.

N-T (not reportable)

N-T stands for not reportable and is the code you use for everything that falls outside the GST net, such as wages; superannuation; loan repayments; bank transfers and personal spending.

QUE (query)

Use the query code whenever you're not sure what code to use. That way, when you get to the end of the quarter, you can print a report for all transactions coded QUE and ask your accountant or MYOB Certified Consultant to give you a hand choosing the correct codings.

Deciding what codes to use when

One of the tricky things when first recording income and expenses is to figure out what tax code to use when. Here are tips to help you out, written especially with wholesalers in mind:

Income

- All taxable items should have GST as the tax code.
- All non-taxable items (food, medical supplies, educational materials, etc) should have FRE as the tax code.
- All exports should have EXP as the code.
- All interest income should have ITS as the tax code.

Understanding GST

- If you receive money from a personal source and it isn't really income (for example, a family loan, a gift, a tax refund or a transfer between bank accounts), select N-T as the tax code.

Expenses

- All purchases of taxable items should have GST as the tax code.
- All purchases of non-taxable items (including imported goods from overseas) should have FRE as the tax code.
- Most expenses should have GST as the tax code, including things such as advertising, electricity, postage and telephone.
- If you're registered for the Simplified Tax System, if you buy new tools or equipment that cost over \$1,000, select CAP as the tax code (CAP stands for 'GST on capital acquisitions').
- If you're *not* registered for the Simplified Tax System, you may need to select CAP as the tax code for all new tools or equipment, regardless of cost.
- Donations should have FRE as the tax code, as should almost all bank charges and interest expense. However, watch out, as merchant fees should have GST as the tax code.
- Hire purchase and lease payments depend on what you're paying off, when you bought it and how your accountant intends to treat it. Ask your accountant.
- Insurance is tricky, because almost every insurance policy is a mixture of taxable and tax-free (stamp duty doesn't have GST on it). Enter QUE as the tax code for insurance expense, then double-check the exact amount of GST on every insurance payment when you record it.
- Milk, tea, coffee and some first aid supplies should have FRE as the tax code.
- Residential rents should have ITS as the tax code, commercial rent should have GST as the tax code.
- Domestic travel should have GST as the tax code, overseas travel should have FRE as the tax code.
- Government charges are almost all GST-free, and include licence renewals, motor vehicle registration, council rates, water rates, land tax and stamp duty

Private expenses

- 100% private-use expenses should have N-T as the **tax code**, as should wages and superannuation.

Budgeting for tax

One of the harder aspects of running your own small business is keeping track of how much tax you owe, and making sure that you have sufficient funds available when tax bills fall due. Fortunately, you can use the financial reports in MYOB software to help you budget for tax, avoiding any nasty surprises.

The best way to avoid getting in a pickle with GST and employee tax is to open a savings account that links to your business bank account, so that you can transfer money between accounts easily.

Created in partnership with Macquarie Bank, MYOB M-Powered® MoneyController can help you better manage your cashflow, by assisting to provide for your business's tax obligations and investing any surplus cash you may have. With this service you can:

- Analyse your current tax and payroll obligations.
- Securely transfer funds from your everyday business account to a high-interest MoneyController Provision Account straight from your MYOB software.
- Make ATO payments from your Provision Account with Macquarie Bank.
- Analyse your business's investment capacity.
- Transfer surplus cash into a high-interest MoneyController Investment Account with Macquarie Bank.

To find out more about M-Powered MoneyController, or to download the Product Disclosure Statement, visit www.myob.com.au/m-powered/.