

Radio Days – 2012-06-09

Tip of the Week – Working on Copies of Images

A client had taken a number of photos of an important family event and then, as usual, had wanted to share these photos with all the other members of the family. Some of these family members were overseas so missed the event but still wanted to see all the photos.

Then the usual suspects came into play. Because there were a number of photos which had to be emailed they bounced because they were too big to be sent in one email. My client had not known, or had forgotten, the size limit of 10 MB for a single email. Not only did the emails take a long time to send (he sent a separate one to each member of the family) but they then took a long time to bounce back.

Over the phone I suggested that he reduced the size of each photo and told him how to do it easily. Something went wrong in translation because he used Irfanview to do repeated resizes of his favourite photos and this resulted in an extremely bad case of the jaggies. This is what happens when you repeatedly resize a jpeg photo: the unholy combination of jpeg's reduction in detail and incremental resizing make a jpeg photo unusable after even a few resizes. If you intend to resize a jpeg photo then you must do it in one go.

After too many of his photos had been destroyed this way he asked me to come and help. There was only one solution: because he had not deleted the photos from his camera I copied the photos to his computer to restore them to their original glory. From there it was easy to download and install Picasa to manipulate the photos. Then, instead of emailing lots of large photos which would be bounced (ie returned unopened), I showed him how to upload all his photos to a Picasa album: both free and easy!

Now all he had to do was send the link to the album to his family and friends overseas and all were delighted with the result! Another satisfied client!

Accurate Data

This week I had two separate clients who had similar problems. The first client could not complete his bank reconciliation because at least one transaction was missing and the other had entered a number of transactions into the wrong account.

Bank Reconciliation

The Tax Office expects that every business will reconcile all its transactions with the bank's records to check for errors. This is also a check to see if all transactions are being entered. The GST was expected, at least according to some people, to get rid of all cash transactions. This has not happened, but at the very least all transactions which go through your bank account need to be checked against the bank's records.

There are two reasons for this:

- Check to see if the bank has made a mistake. There are many bank errors, but this is just a small number of errors when you consider the number of transactions which a bank makes each day.
- Check to see if you have made a mistake. This does sometimes happen, and doing a bank reconciliation can be the best way to ensure that your records are at least compatible with your bank's records.

In this case the bank reconciliation was not able to be completed because there was a difference between the bank's figures and the business' figures. The reconciliation was out by a small amount, and there were a number of transactions with the amount of the difference. They were using MYOB which, because it has no *Search* function, made finding the relevant transaction much more difficult than it needed to be.

Eventually we found the transaction which was causing the bank reconciliation to be out. It should have been entered as a transfer between bank accounts (again, MYOB makes this more difficult than necessary, unlike QuickBooks) but had been entered as an expense transaction. Changing the destination account to the correct bank account meant that the reconciliation balanced.

Another error bites the dust!

Entering Transactions Correctly

Another client had made errors both when entering loans from a director to the company and when entering the repayment of those loans. My client had not understood the accounting behind a loan transaction so had entered these transactions wrongly:

- Moneys received as a loan had been entered as income. This sort of money is not an income item but a Balance Sheet item. The balance sheet shows, among other things, the equity which people like directors have in the company. This means that the loan should have been shown as coming from an Equity account like *Director's Capital*. This ensures that it is not treated as income and is not taxed as income.
- When the director's loan was repaid it had been treated as an expense. Again, this transaction should have been a made to a Balance Sheet account and the money should have come from an Equity account called something like *Director's Drawings*. This would have ensured that it was not treated as an expense by the company nor as income by the director. When the loans had been repaid the *Director's Capital* and *Director's Drawings* accounts would have had the same amount (one positive and the other negative) so that they would have balanced. This shows that all the moneys lent to the company had been repaid and that the company and the director were all square.

Depending on how you had created the two accounts (*Income* and *Expense*) that you used to hold the transactions there may have been a GST implication. If you had created a new account for each transaction type there would have been no GST recorded. If, however, you had used an account which had been set up to record GST then you would have had to pay GST on the transaction. This is not what you would have wanted so please make sure that you know what you are doing before entering this sort of transaction (or any other transaction, for that matter!).

Unfortunately this sort of mistake is only too common amongst my clients who do not know enough about accounting to be able to correct their own mistakes or, better still, not make the mistake in the first place.

Is your bookkeeper making this sort of mistake?

Further Information

Irfanview www.irfanview.com
Picasa www.google.com/picasa