Radio Days – 2014-03-22

Tip of the Week – Don't Leave Home Without It

During the week I had an example of one of the most distressing calls that I ever get. This is a call from a client who has lost all his or her data and finds themselves in one of these predicaments:

- They have not done a backup since the beginning of time
- Their backup has been lost
- Their backup is unreadable
- They have not done a backup despite all the warnings

The call that I had this week was an example of the first of these scenarios. I had, or at least I thought that I had, impressed on my client the need to have more than one backup and that a current backup should be taken away from the computer when it was not being used.

He stated that he had come home to find that his computer had been stolen (along with other items from his house) and that the latest backup was on one of his USB sticks which he had left in the computer. This meant that his only available backup was in his wife's handbag where it had been sitting, without an update, for some three months.

I had suggested that he give one of his two USB sticks to his wife so that she could keep it is her handbag. Another possibility is that he keeps his USB stick on his key ring along with his house and car keys. The reason behind this advice is to prevent what had happened: the loss of both computer and backup.

Far too many people store their computer and backup together. I remember how, in my last job as an employee, we would always get at least one call on every Monday morning stating that the backup door of the business had been forced, the computer stolen and the backup floppy discs taken at the same time. As the French say: *the more things change the more they stay the same.*

His only chance of recovering his current backup was to catch the thief and recover his stolen USB stick. Perhaps he might even recover his stolen computer at the same time!

Where To From Here?

There is a well-worn phrase: *locking the stable after the horse has bolted.* This is a prime example of what not to do. My client was telling everybody who would listen that a good current backup is important, especially if you are running a business. As an aside, I often watch RBT (a TV program about police on random breath testing duties) and have often seen people who have been caught advising everybody, apart from themselves, not to drink (or do drugs) then drive. Perhaps, like my client, they should take their own advice!

My advice is that you make a backup at the end of every day when you have made changes to important data. If you are using a program like QuickBooks then this means taking a backup at the end of every working day. If you use my preferred backup program, SyncBack, doing this backup will usually take only a few minutes each day. The first backup, especially if you have lots of data which has not been backed-up before, will often take some time. One client, who created large drawings, found that the first backup took about eight hours, but this is very unusual.

A normal first backup will not take more than about twenty minutes.

Later backups usually take no more than five or ten minutes. If you cannot spend this short time on your business to prevent it from being destroyed from within then perhaps you should seriously re-think your priorities.

Setting Up Shop

I was delighted to receive a call from a client asking me to ensure that his copy of QuickBooks was installed correctly and that his company's data file was created so that it would work well.

These instructions are enough to gladden my heart!

It is relatively easy to create a company data file: all you have to do is follow the prompts. The next step is to create the Templates, which help you enter and print invoices and purchases, together with the Tax Codes, Chart of Accounts and Items so that all transactions appear on your reports and BAS correctly. This does take some skill so is best left to somebody who does it sufficiently often and with sufficient skill so that your company will work well from the start.

Unfortunately, far too many people believe the advertising which states that all bookkeeping programs like QuickBooks are easy to use. Like everything else in this world, creating a QuickBooks data file is easy when you know how. It can be time-consuming, and it can be tedious, but it is easy when you know how.

Unfortunately far too many people who create QuickBooks data files do not know how to do it, and this leads to massive problems down the track. I have seen QuickBooks data files which have been so badly setup that it is quicker and easier to start again than to try and repair the damage.

Unfortunately I have not yet been able to persuade the business' owner to start again. All they can see is the amount of work involved. I have also not been able to persuade them to start a new data file at the beginning of a quarter or of a financial year with none of the problems which are obvious to me in their existing data file.

Why Setup Correctly?

As any builder will tell you, it is better to build a house on good foundations. This gives the building its best chance of withstanding the slings and arrows of outrageous fortune that batter every building during its life. In certain parts of the world it is important to build houses to withstand earthquakes, in other parts buildings must withstand cyclones. Cyclone Tracy, which hit Darwin at Christmas, 1974, was the reason that building standards for that region of Australia were upgraded to reduce cyclone damage.

Unfortunately there are no standards that I know of which require business owners to ensure that their QuickBooks data meet any sort of standard. This means that many business owners have QuickBooks data files whose transactions are not able to be corrected easily.

This is why the correct setup of your QuickBooks data file is so important.

What Needs Doing?

There are a number of steps to follow when setting-up a new QuickBooks data file. In no particular order they are:

- Ensure that the file's preferences are correct
- Set the Tax Items and Tax Codes correctly for the business type
- Create the Chart of Accounts to get the business started
- Create Opening Balances for those Accounts which need them
- Create at least a basic Item List to get the business started
- Ensure that the Tax Code is correct for each Item and Account
- Create the Templates needed for this business, both for screen and print

Once this has been done the business has enough information to start using QuickBooks. If you are setting-up your own copy of QuickBooks then you have completed the basics needed to get started. If you have setup QuickBooks for your client then your client has enough to start using QuickBooks.

Once the QuickBooks data file has been setup correctly it is just a (supposedly) simple matter to start using the program correctly. This, of course, has some more pitfalls which may need to be addressed, but this is outside the terms of this article.

Using QuickBooks or, indeed, any program correctly is more than just reading the manual. I well remember, as a boy, hearing my accountant father telling me that knowing the Acts which govern accounting and taxation is not enough: you still need to know the case law about your subject.

The same applies to using QuickBooks.

Further Information

SyncBack   www.2brightsparks.com

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