MYOB AND SMALL WINERIES - THE BAS

We will be using a method to do the BAS which might be different to what you are used to. We will not be using the BAS module, and we will be using a self correcting method.

ACCRUALS OR CASH

Many small wineries will be on the "Cash Basis for GST". Computing@home believes, in most cases, that this is not the best method. It is usually better to be on the "Accrued Method" because MYOB, if you are using invoicing on the purchases and sales sections, reports its figures in the Chart of Accounts as Accrued. There is also a cash flow benefit if creditors are higher than debtors – which in most wineries will be the case. There may be a huge cash flow benefit if you supply to a wholesaler, as you will be able to claim back the WET on that stock, sometimes before it is paid for. If you are a Cash basis try to convince your accountant or owner to move to the accruals base system for GST.

BAS PERIOD

It is something of an accounting truism that you should never pay today, what you could pay tomorrow. Therefore accountants normally advise the clients to do the BAS as less as possible. Most small wineries will be on 3 monthly periods for BAS's or some sort of yearly return. Computing@home believes you should consider going on a monthly or quarterly basis, unless there are serious cash flow issues. This evens out cash flow, makes sure the accounts are kept up to date, makes sure errors are fixed monthly, allows you to become familiar with the methods outlined here and allows monthly P and Ls. Check with your accountant.

PAST ERRORS

You need to make sure all previous BAS entries have been correctly made, and if necessary reconciled to the ATO's Running Balance Account (RBA). If you feel you have become "Out Of Balance" with the RBA, you need to correct this. This can be quite a complex task, but will really need to be done.

BAS CHECKLIST

Most of this will be familiar to you.

- 1. Enter all Customer Invoices.
- 2. Enter all Customer Payments.
- 3. Enter all Purchases and Expenses.
- 4. Enter all payments and disbursements.
- 5. Reconcile all operating accounts including impress and cash accounts.
- 6. Reconcile accounts such as PAYG.
- 7. Run the various reports for "Own Use" and make any journals.
- 8. Run the report for Distributor and make any journals.
- 9. Run a balance sheet for the end day of the period.

ACCOUNTS METHOD

The Accounts Method for GST allows you to add up the GST owed and owing (which is what the balance sheet does), and "estimate" the total sales, purchases etc. The other method, called the "Calculation Method", requires us to add up all GST Sales and Purchases and then calculate 1/11 of that, which is GST.

The Accounts Method using the Balance Sheet allows that "Corrections" are sometimes made to the accounts in past periods. Ideally once the BAS has been done the accounts should be locked prior to that period, but its far easier and safer to correct something "live on the screen" than make a correcting reversal and maybe re-entry in the current period. You should be aware that only small amounts should ever be corrected in this manner, and never after the accounts have gone to the accountant.

Example: We entered a Purchase to Telstra for \$755 in January. We do the January BAS, but later, when we go to pay Telstra we find we actually owe them \$735. What we should do is, in February raise a credit for \$20. However that means are P and L shows we spent \$750 on telephone calls in January. If you corrected it to \$730, then the GST reports you run for BAS in Feb would miss it. In this method you are allowed to correct it, as we will be using the GST from the Balance sheet as the reportable owing, rather than from the BAS reports.

Current GST legislation allows GST adjustments to be made up to \$5000 (turnover under 20,000,000), as long as it is corrected within eighteen months. Only genuine mistakes can be corrected; you cannot use this method to delay bringing to account GST.

DOING THE BAS

Doing the BAS with so many tax codes can be a bit of a nightmare. Under the accounts method it is OK to not exactly report the sales and purchases from reports as long as the GST and WET is correct.

If we run the GST Summary Accrual report (below) or Cash report if you are on the Cash system you will get a report like the one below. By using the formulae below you can easily fill in the BAS.

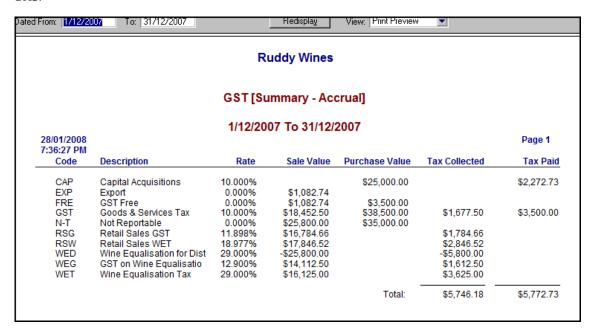


FIGURE 1GST BAS REPORT

G1 Total Sales is the trickiest. It would be:

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EXP (\$1,083) + FRE (\$1,083) + GST (\$18,452) + RSG (\$16,785) + Tax collected on RSW (\$2,847) + WEG (\$14,112) + Tax collected on WET (\$3,625) = Total (\$57,987)
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But we have an easier way. Remember we are using the "From Accounts" method, and in that method we just take the Balance sheet amount and calculate back to the Sales. So:

We need to add the GST Free sales (EXP and FRE above). So:

Notice these figures (underlined) are not the same. This is because the sale below was added after we had already done the November BAS. In this method we automatically pick this up for the BAS – both for the GST as well as for the total sales; so, not only is this method easier, it allows certain adjustments made to the accounts, and then reports them correctly on the BAS automatically.

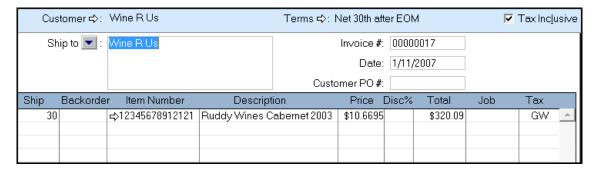


FIGURE 2 - STRAY SALE ADDED AFTER PREVIOUS BAS COMPLETED

To fill in the rest of the BAS form:

G2 is obviously just EXP, which is \$1,083

G3 is just FRE, which is also \$1,083

G10 is simply CAP (Capital purchases) and is \$25,000

G11 is FRE + GST and is \$42,000

The amounts on the back of the BAS are taken from the Balance Sheet. They should be close or the same as the figures on this BAS report, unless you have made adjustments. If you use the CASH method of doing the BAS then you cannot use the balance sheet, as the figures on the balance sheet are accrued.

	BAS Liabilities	
	GST Collected	\$5,103.76
	GST Paid	-\$5,792.73
	WET Distributor	-\$5,800.00
	Sales Tax Payable	\$6,536.94
	Total BAS Liabilities	\$47.97
1	Total Lightities	

FIGURE 3 SECTION OF BALANCE SHEET

- GST Paid is on the report \$5,772.73 and on the Balance sheet \$5,792.73 which is \$20 more. We use the one on the balance sheet and put on the BAS \$5793
- GST Collected is on the report GST (\$1,677.50) + RSG (\$1784.66) + WEG (\$1,615.50) = \$5,077.66. On the Balance Sheet it is \$5,103.76. As always, we use the balance sheet figure.
- WET owed to the ATO on the report is RSW (\$2847) + WET (\$3625) = \$6472. On the balance sheet it is \$6537. We use the Balance sheet figure.
- WET Owed by the ATO to us is (assuming we are under the threshold of \$500,000 for the year) is The WET owed + the WED which is \$5800 on both the Balance sheet and the Report. \$6537+5800 = \$12337

Under ATO regulations, the WET rebate is income. So assuming no income from other sources for this exercise, the income figure can be found in your P and L + WET payable. In this case it is 52240 + 6537 which is 58777. If you are reporting PAYG installments on income then this will have to go at T1. Note that the 5800 is NOT added to the income, as it already has been through a journal entry earlier.

leave boxes blank if not applicable (do not use N/A, NIL) show whole dollars only (do not show cents) do not use symbols such as +, -, /, \$ Goods and services tax (GST)	Contact phone number 0 8 9 7 5 7 9 0 0 7 Contact person who completed the form
omplete Option 1 OR 2 OR 3 (indicate one choice with an X)	Option 3: Pay GST instalment amount quarterly G21 \$
Option 1: Calculate GST and report quarterly	White this amount at 1A in the Summary section over the page (leave 1B blank) OR if varying this amount, complete G22, G23, G24
Total sales G1 S 5 7 9 8 7 00 Does the amount shown at G1 include GST?	Varied amount for the year load guarter guarter
Export sales G2 \$ 1 0 8 3 DQ Other GST-free sales G3 \$ 1 0 8 3 DQ	Write the G23 amount at 1A in the Summary section over the page and then complete the other sections (leave 1B blank) Reason code for variation G24
Capital purchases G10 \$ 2 5 0 0 0 0 00 No.	PAYG tax withheld
Report GST on sales at 1A and GST on purchases at 16 in the Summary section over the page and then complete the other sections	Total salary, wages and the payments W1 \$ 11000.00
Option 2: Calculate GST quarterly and report annually	Amount withheld from payments shown at W1 W2 \$ 3 2 0 0 000
Does the amount shown at G1 include S17 Yes No	Other amounts withheld (excluding any amount shown at W2 or W4) W4 \$
Report GN on sales at 1A and GST on purchases at 1B in the Summary section over the page and then complete the other sections	Total amounts withheld W5 \$ 3 2 0 0 DQ Write the W5 amount at 4 in the Summary section over the page and then complete the other sections

FIGURE 4 SAMPLE BAS

i	If you are using GST Option 3 leave 1E	3, 1C, 1D, 1E, 1F plank
Only complete Option 1 OR 2 (indicate one choice with X)	Amounts you owe the Tax Office	
Option 1: Pay a PAYG instalment amount quarterly	GST on sales or GST instalment 1A \$	5 1 0 4 0
	Wine equalisation tax 1C \$	6 5 3 7 0
17 \$	Luxury car tax 1E \$	
Write the T7 amount at 5A in the Summary section OR if varying this amount, complete T8, T9, T4	PAYG tax withheld 4 S	3 2 0 0
Estimated tax for the year T8 \$	PAYG income tax 5A S	1 1 7 6 0
Varied amount for the T9 S D D D	instalment	
Write the T9 amount at 5A in the Summary section	Defended company and the	
Reason code for variation T4	nstain(ent)	
)R	1A +1C +1 +4+5A 8A S	160170
x Option 2: Calculate PAYG instalment using income times rate	Amounts the Tax Office owes you	
	GST on purchases 1B \$	57930
PAYG instalment income T1 \$ 5 8 7 7 7 00	Wine qualisation tax 1D S	123376
T2 2.00 %	fundable 15 3	
OR New varied rate T3 %	Luxury Cartax fefundable 1F \$	
	Credit from ≯AYG Income tax instalment variation 5B \$	ه اللالالله
T1 x T2 (or x T3) T11 S 1 1 7 6 00	Oredit from FBT 6B \$	
Write the T11 amount at 5A in the Summary section	18 + 1D +1F + 58 + 68 8B \$	181300
Reason code for variation T4	10 + 10 + 17 + 30 + 60 00 9	
Fringe benefits tax (FBT) instalment	Payment or refund?	14
	Is 8A more than 8B? (indicate with X)	
F1 S	Yes, then write the result of 8A minus 88 at 9. payable to the Tax Office.	This amount is
Write the F1 amount at 6A in the Symmary section OR if varying this amount, complete F2, F3, F4	And the state of the second of the section of the second	This amount is
Estimated FBT (p)	No, refundable to you (or offset against any or	ther tax debt you have).
Thayear	Your payment or refund a	mount
Varies amount for the quader (F3)	9 \$ 2 1	1 3 00
Write he F3 amount at 6A in the Summary section	 Do not use symbols such a 	as +, -, /, \$
Reason code for paration P4		HRS MINS
Declaration I declare that the information given on this form is true and correct, and that I am authorised to make this declaration. The tax invoice requirements have been met.	Please return this completed form to	1 3 0
		Please estimate the time taken to complete this form. Include the time
Signature Rod Bermett Date 15 / 1 / 200 ctivity statement instructions are available from www.ato.gov.au or can be ordered by phoning	788 - 17 17 17 17 17 17 17 17 17 17 17 17 17	taken to collect any information.
many second in second are available from www.ada.gov.ada cr. dan be didered by prioring	ng to be out the lax online is authorised by the lax laws to	words and and middle to

FIGURE 5 SAMPLE BAS REAR

MAKING THE BAS ENTRY

Our last job is to enter the BAS. I prefer to enter as at the last day of the BAS period (in this case 31/12/07), though this will effect cash flow reports as you are reporting a cash disbursement or receipt before it happens. However you have the advantage of being able to easily check the BAS reconciles to the various accounts. So what date you date the BAS transaction is up to you.

In any case first enter it at the BAS date (EOM), check to see if all the liability accounts have become less than \$1, and then (if you must) change the date. That is how you reconcile the BAS to your accounts.

As this is an amount owing to us, then we use Receive Money

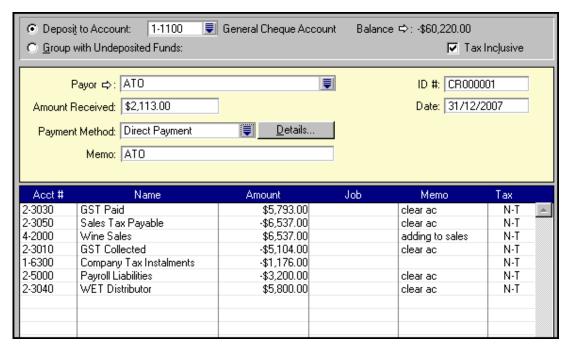


FIGURE 6 BAS ENTRY

The entry shown above is a little tricky because we have to clear the WET Distributor account. This amount does not show directly in the BAS (it is part of WET Refundable).

If you had a liability you would use spend money with the amounts the ATO owed you entered as negative numbers.

BAS Liabilities	
GST Collected	-\$0.24
GST Paid	\$0.27
WET Distributor	\$0.00
Sales Tax Payable	-\$0.06
Total BAS Liabilities	-\$0.03

FIGURE 7- BALANCE SHEET AFTER BAS

MYOB and Small Wineries - BAS

Above is a screen shot showing the BAS part of the Balance sheet after the BAS entry is made. The amounts will only show less than \$1 if you make the entry on the last day of the BAS period. It is not necessary to clear these to \$0, as suggested by MYOB because these "errors" carry forward and never build above \$1.

Let's summarise the advantages of using this method for BAS

- It is self correcting.
- It is more accurate.
- It is far easier.
- It is self reconciling. (I refer to it as an eyeball reconciliation you eyeball the less than \$1 amounts)

CASH BASIS

If you report GST and WET on the BAS on a cash basis then you will need to take the figures off the GST Cash report. I have outlined it above.