Competex Ltd

Competex FreeAgent

User Instructions

Contents

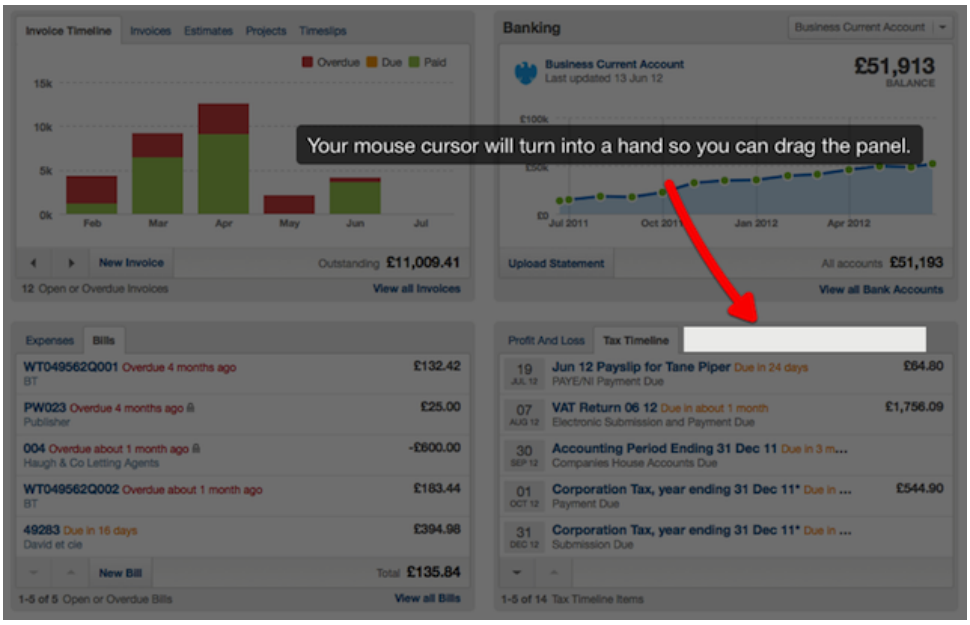
An introduction to the Overview screen

The Overview screen in Competex FreeAgent gives you a snapshot of your business, using a series of different financial overview panels.

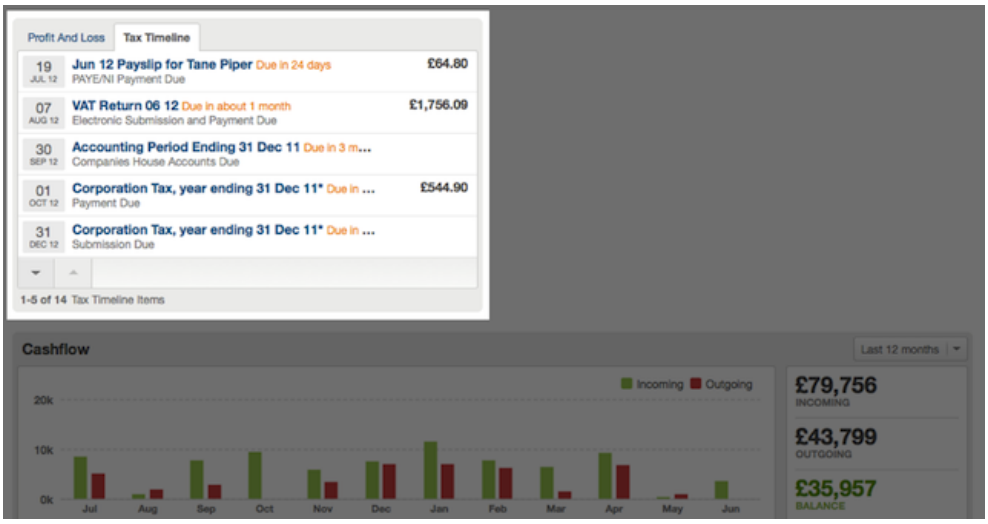
You can change the position of the Overview panels by dragging them around the screen.

Changing the Overview display

For example, if you want the Tax Timeline at the top so that you never forget to pay your tax bill again, just click on the grey bar at the top of that panel...



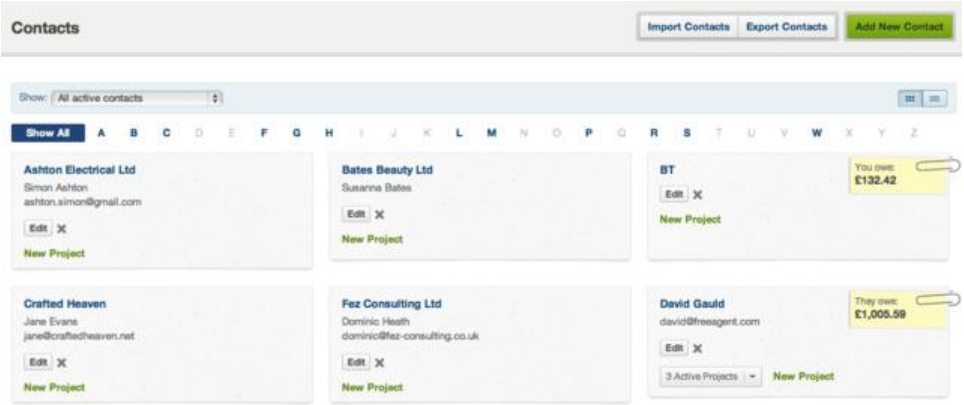
...and drag it up to the top.



NB: Look at the tabs on each panel to find all the other panels that may be of interest

An introduction to contacts

You can setup your contacts before you start if you wish to but you do not have to as you can do this as you are putting either your sales invoices or your bills into the system.



Clients and suppliers

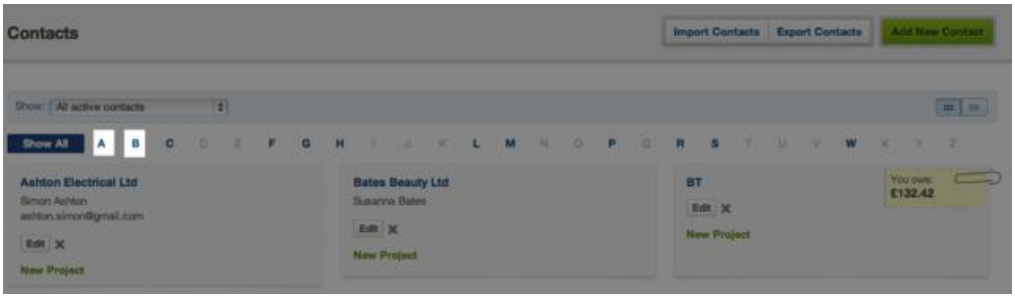
Here you can see all your business's contacts, both clients and suppliers. A contact becomes a client automatically when you've entered an invoice or estimate for that contact. Similarly, a contact automatically becomes a supplier when you enter a bill from that contact. You don't need to tick any boxes to say whether a contact is a client or a supplier.

Filtering the Contacts screen

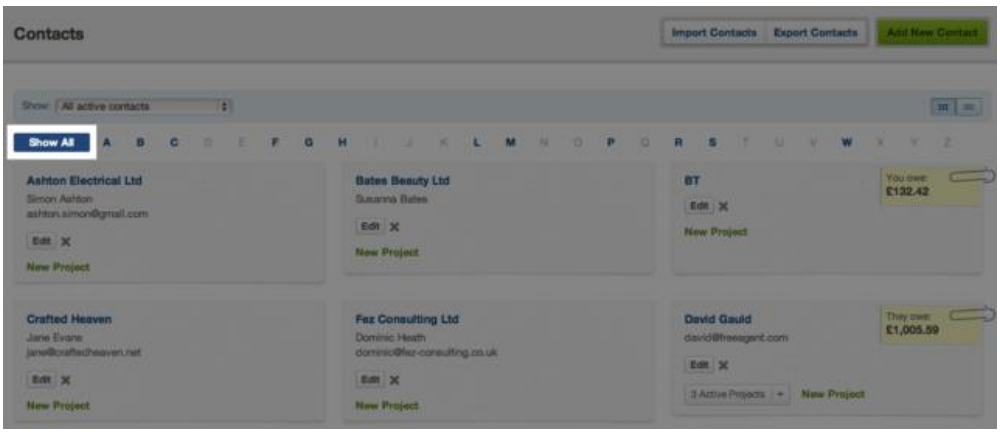
You can choose which contacts to view.

Filter by name

For example, you can choose to filter by the contact's name, by clicking the initial letter of the organisation, or if you haven't entered an organisation name, the individual's surname.

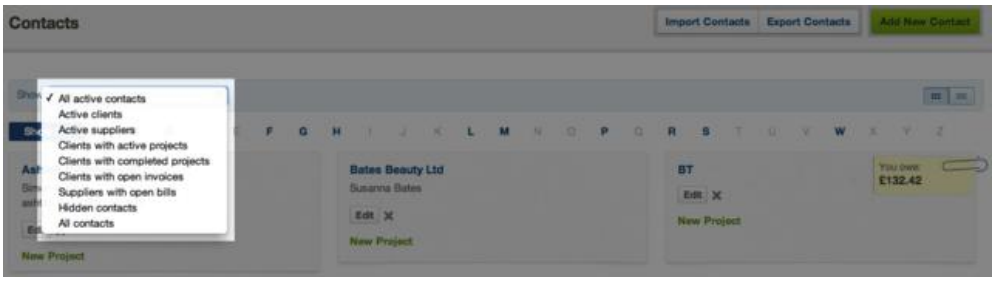


Then you can go back to looking at all your contacts by clicking the Show All button.



Filter by type

For example, if you only want to see clients with active projects, choose that option from the drop-down menu here.



This also lets you choose to view hidden or all contacts.

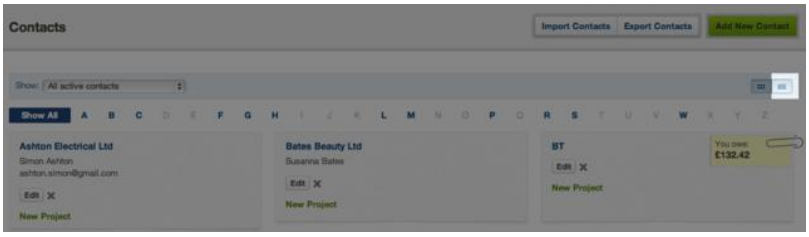
Hidden contacts

If you don't want a contact to appear in the list when you're creating a new invoice, or a new bill, or anywhere else in Competex FreeAgent, you can mark them as hidden on the Summary tab, which you'll see in a moment.

Basically, this lets you tidy up your lists of contacts if you're no longer working with a particular contact, for example a supplier who's gone out of business.

Viewing contacts

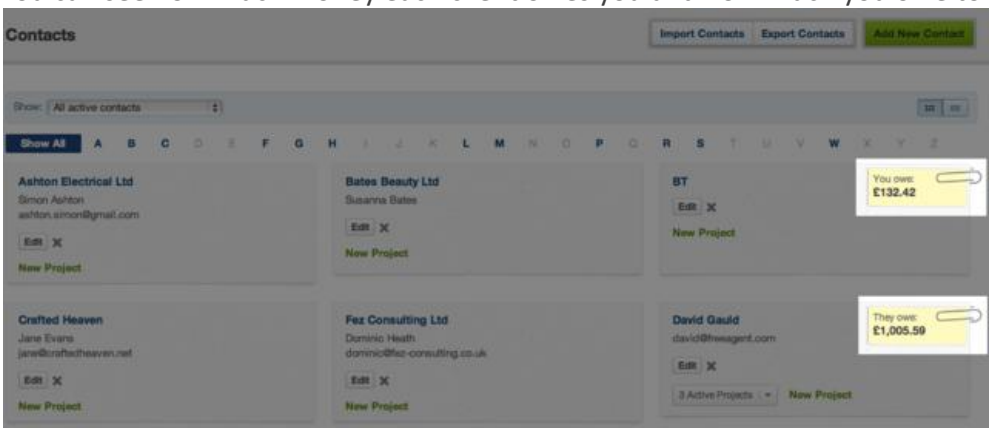
You can view your contacts either as a grid, like this, or in a list, by clicking on the List View option here.



This will bring up contacts beginning with that letter only. If you want to see all your contacts again, click the Show All button.

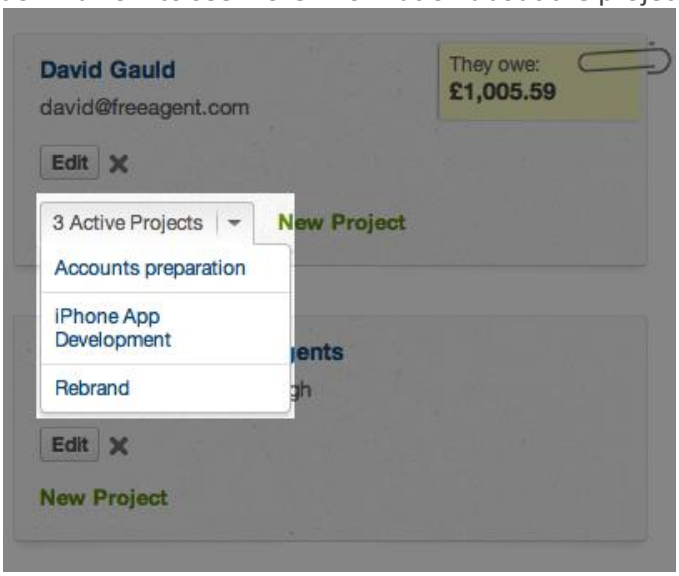
Money owed and owing

You can see how much money each client owes you and how much you owe to each supplier.



Projects for clients

You can also see whether any active projects are attached to particular clients. Click the drop-down arrow to see more information about the projects.



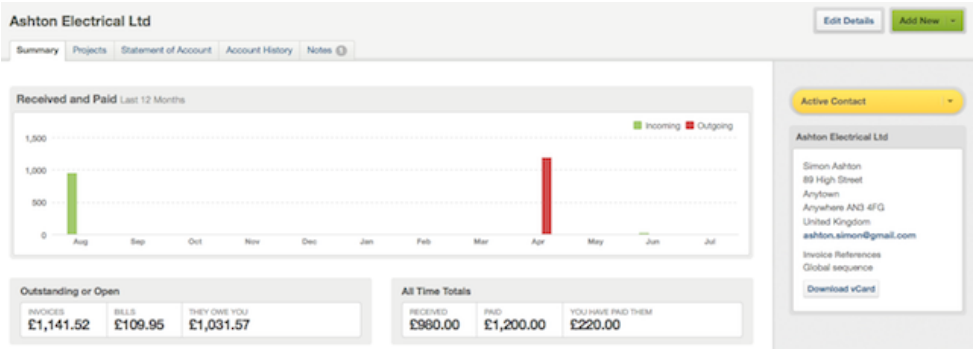
A closer look at contact details

To look at the details of any contact, just click on their name. This brings up the Contact Details screen for that contact, which is divided into tabs.

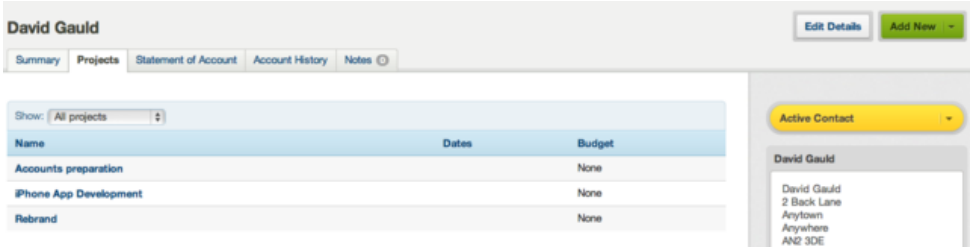
On the Summary tab, you can see the contact's name and address information, including what numbering scheme you're using. You might be using business-wide referencing in which case you'd see "Global sequence" here, or you can use contact-specific referencing. This is handy if you want to use a different prefix for each client's sales invoices.

This is also where you choose the contact's status and hide a contact or make it active.

And you can also see totals for how much you've invoiced the client in the past, and/or how much they've billed you for, and how much you've received from and/or paid to them.

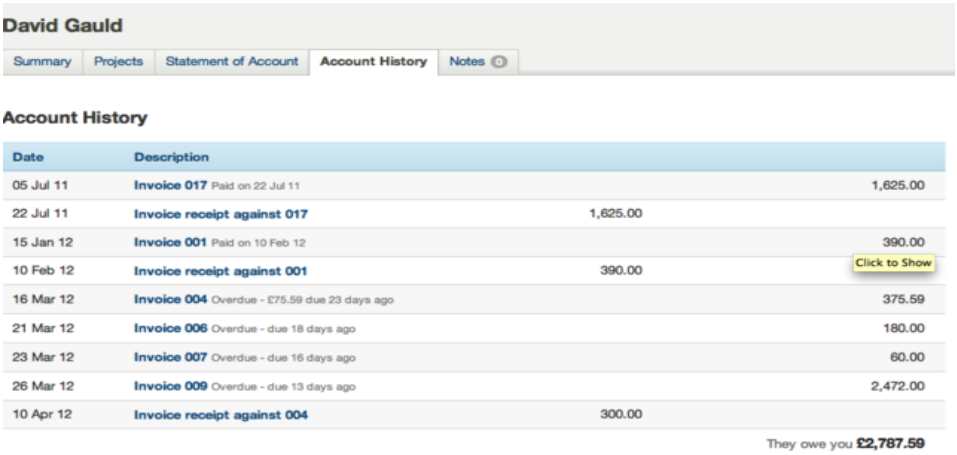


On the Projects tab, you can see details of any active and any finished projects for that contact.

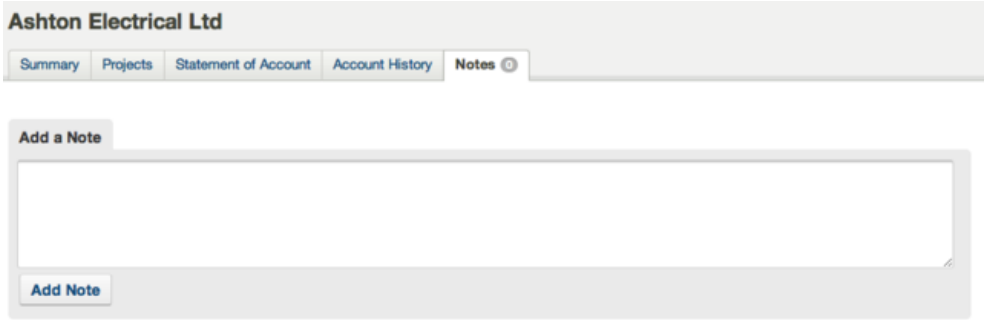


The Statement of Account tab lets you create a statement of account.

On the Account History tab, you'll see a history of your transactions with that contact.



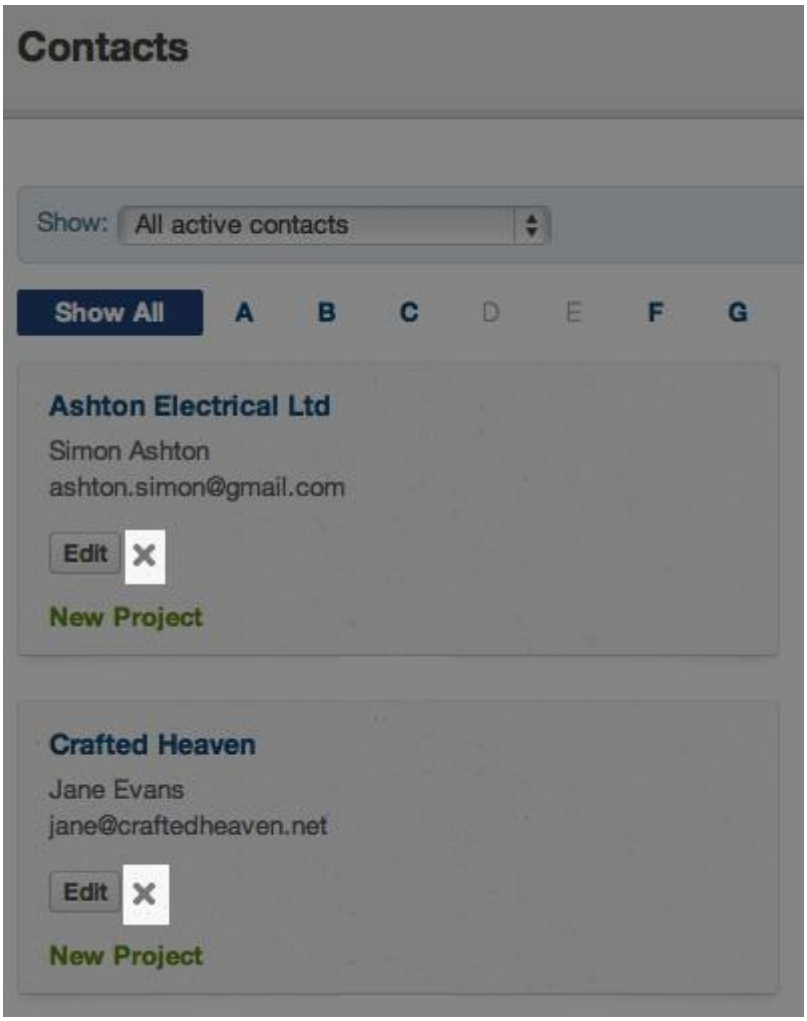
The Notes tab lets you add notes to your contacts, for example to let your colleagues know if a particular client is a slow payer.



Delete a contact:

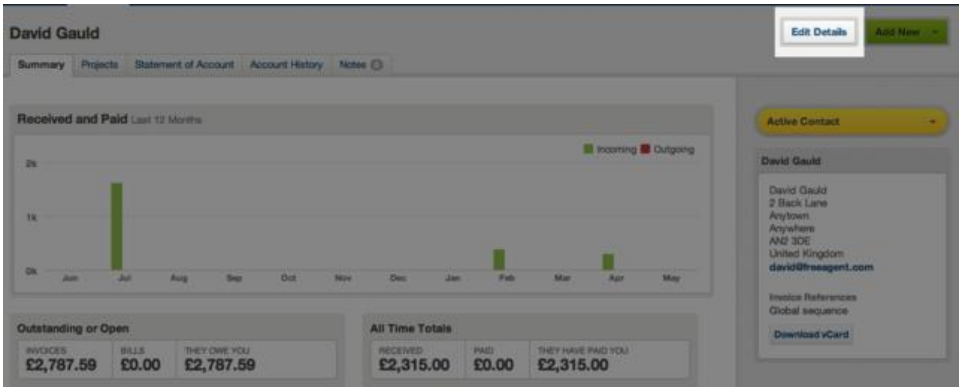
Contacts can only be deleted if you haven't made any entries, such as invoices or bills, for that contact. Once you've entered an invoice or a bill for a contact then that contact cannot be deleted from Competex FreeAgent. For a contact that doesn't yet have any entries against it, then there would be a Delete button at the top of the Contact Details screen.

From the Contacts grid, you can also delete a contact by clicking the cross next to the Edit button against that contact's name.



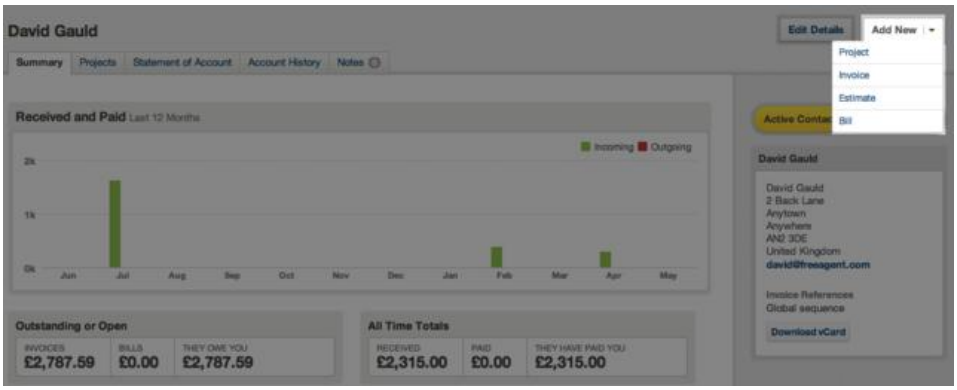
Changing a contact's details

If you want to change any details for a contact, from the overview screen click the Edit button for that contact, or, with the contact open, click the Edit Details button at the top of the contact details.



Quick link to invoice, project, estimate or bill

You do also have the option to create a new invoice, project, estimate or bill for this contact directly, by clicking this Add New button next to the Edit Details button. Choose the option you want from the drop-down menu.



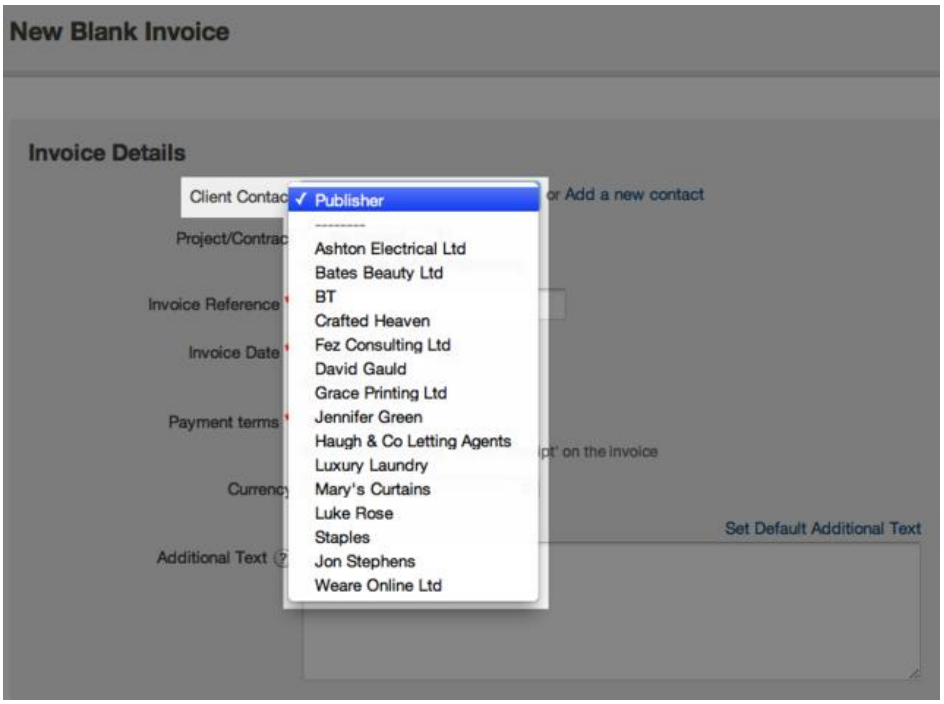
Creating your first invoice

Create a new invoice

Select 'Create your first invoice' on the Overview screen. You'll then see the 'New Blank Invoice Template' page.

Choose a client to invoice

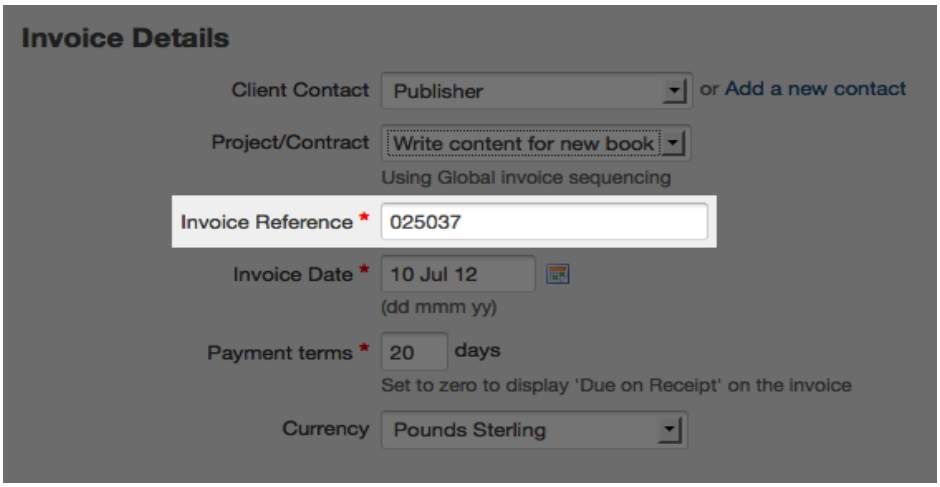
Select from your existing contacts or ‘add a new contact’ for your invoice.



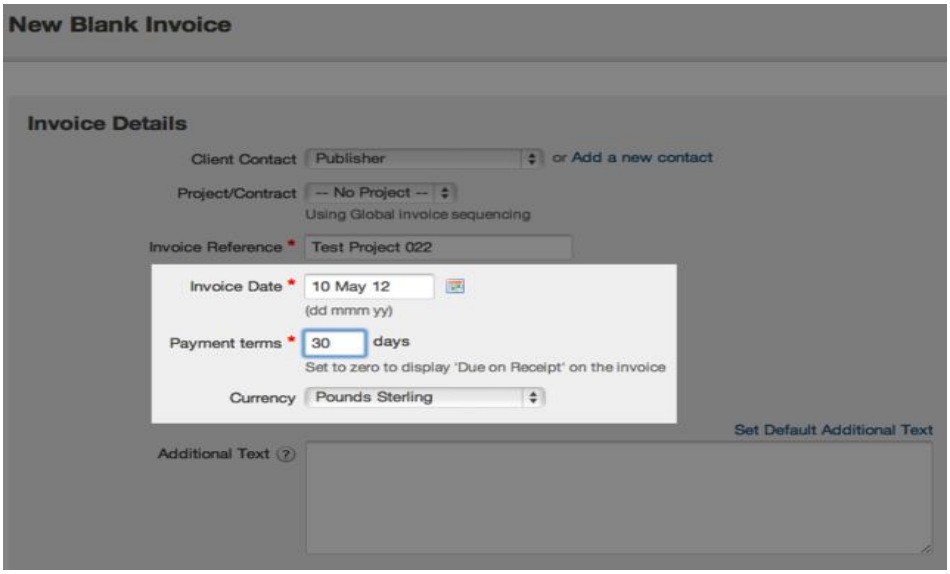
You can link the invoice to a project if you like, but that's optional.

Assign an invoice reference number

Competex FreeAgent automatically gives your invoice a default reference number but this can be overridden.

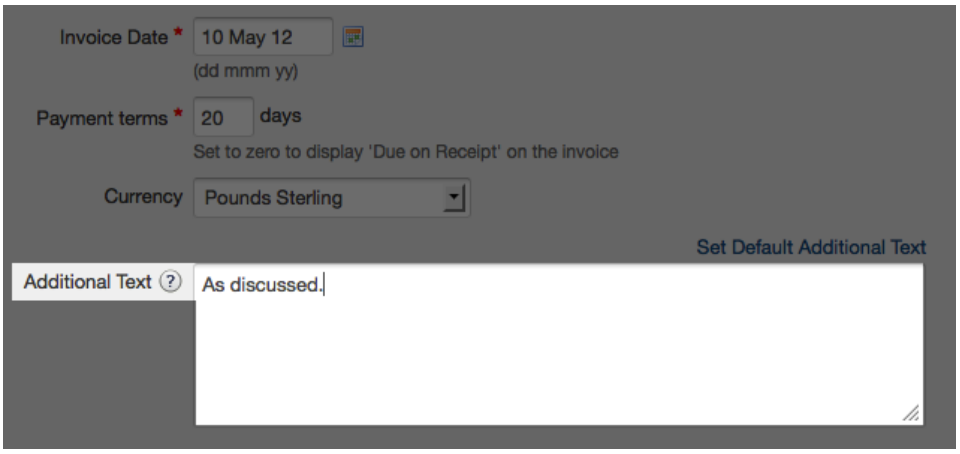


Enter the invoice date and set your payment terms



Additional information

This appears on your invoice so don't put anything here that you don't want your client to see!



Select 'More Options' to show additional settings

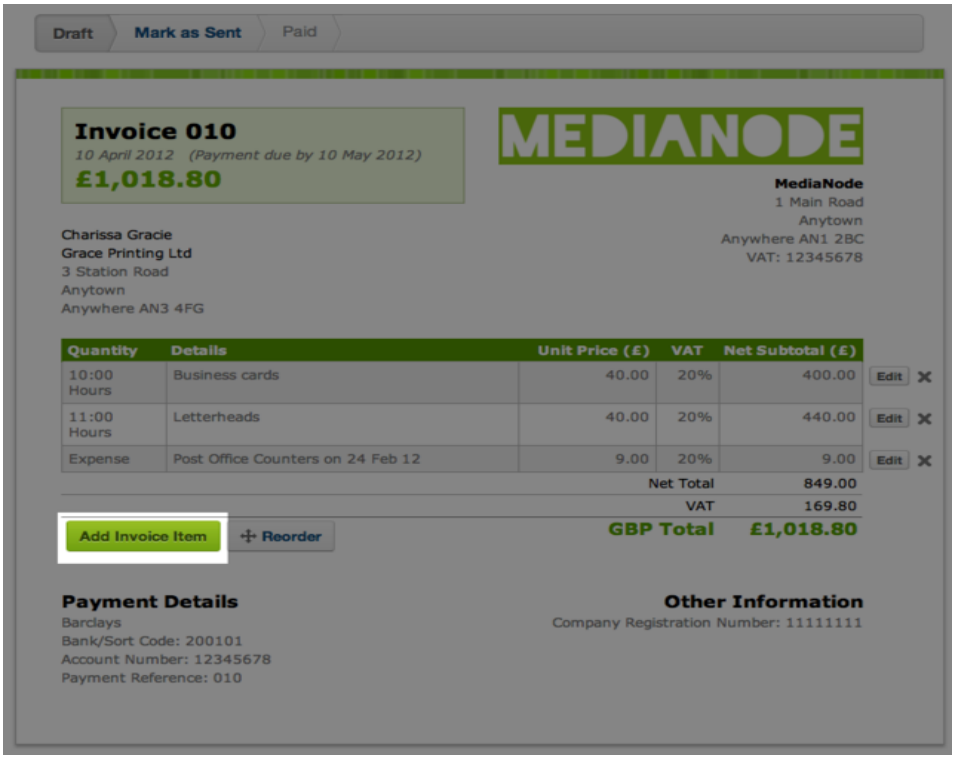
Here's you'll find other invoice settings such as automated invoice emails, reminders and discounts.

Finally select 'Create New Invoice'

This automatically saves, creates and shows you a preview of your new invoice.

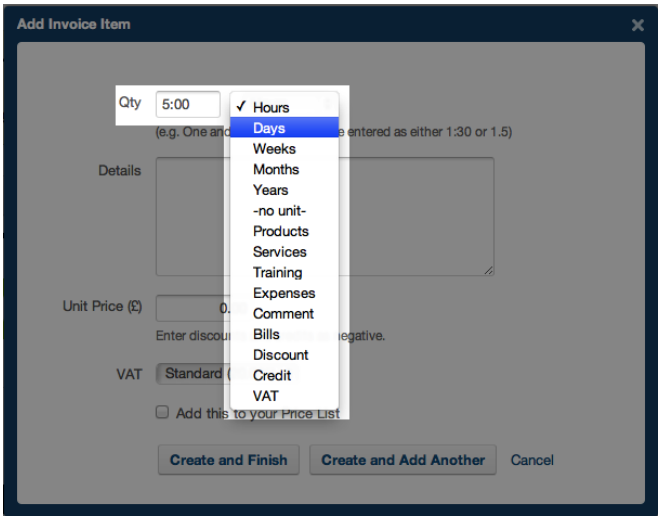
Add some items to your invoice

Select the "Add an Invoice Item" button. This will bring up the ‘New Invoice Item’ screen.

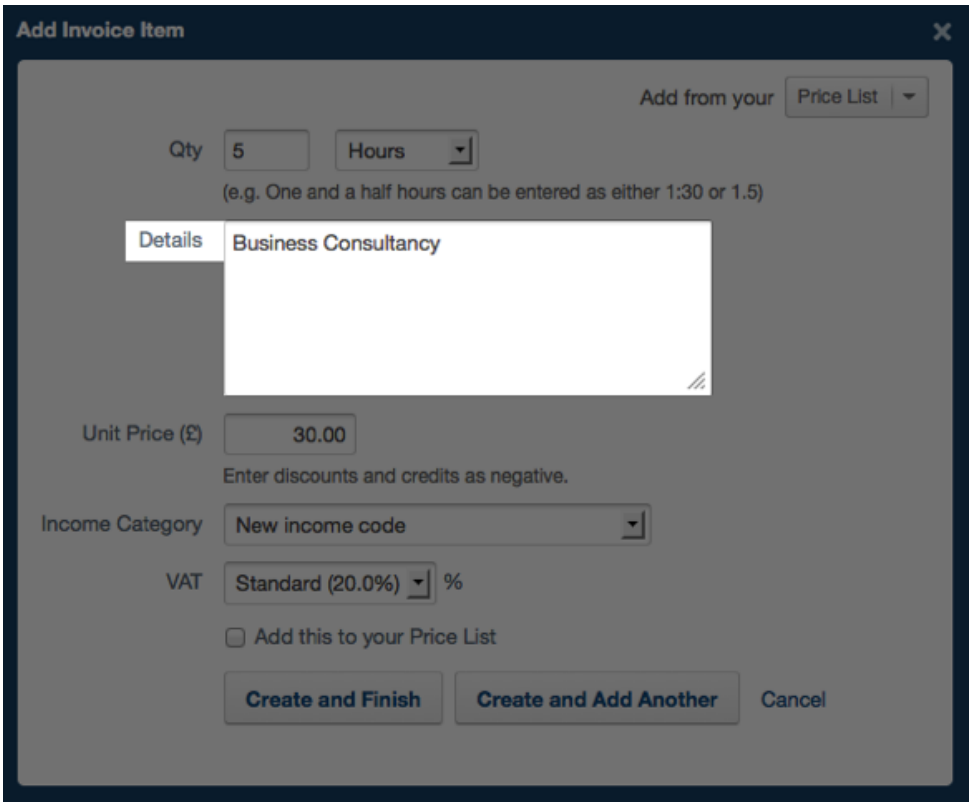


Set quantity and unit

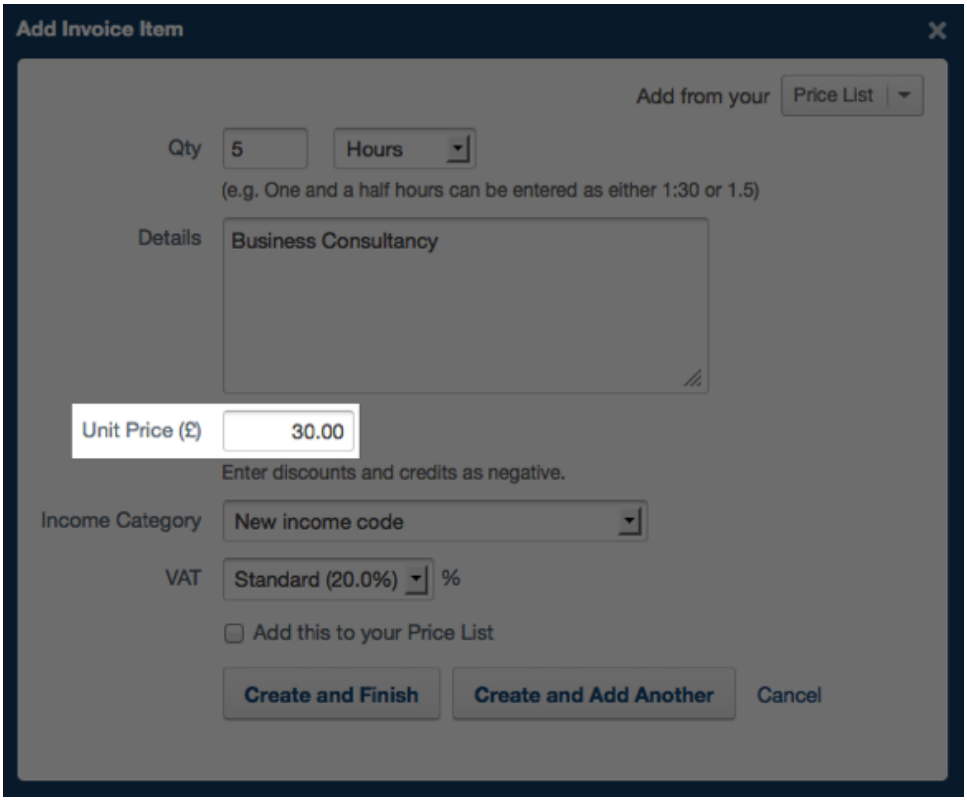
There is a "No Unit" option which will leave this column blank if required.



Add item details

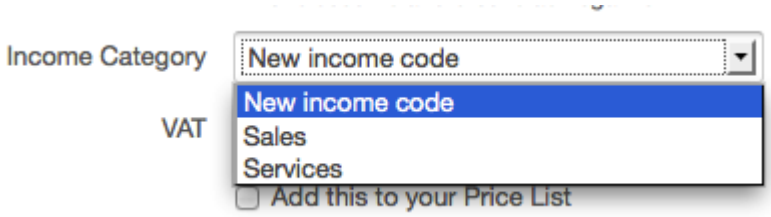


Enter the price per unit price



Choose an income category

Choose which category in your accounts you want this item to appear in.

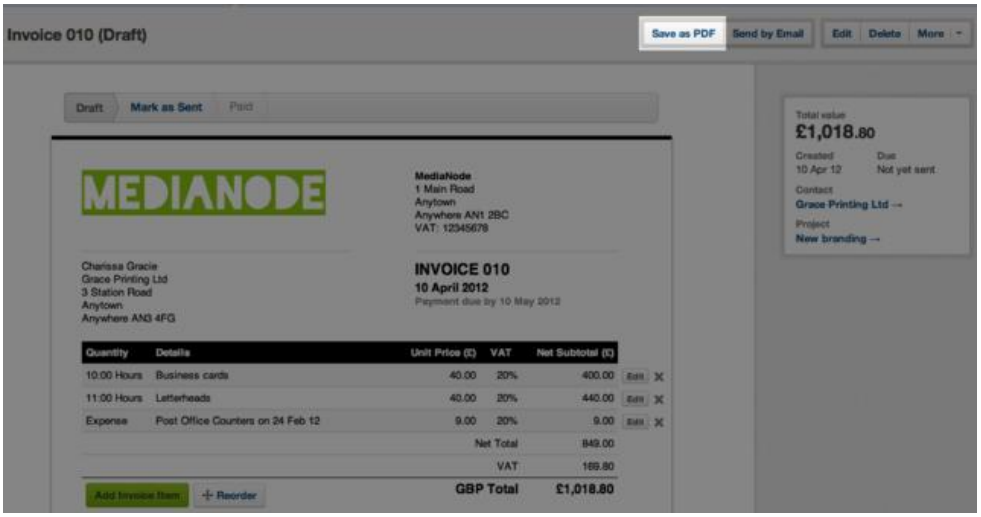


'Create and Finish' or 'Create and Add Another'

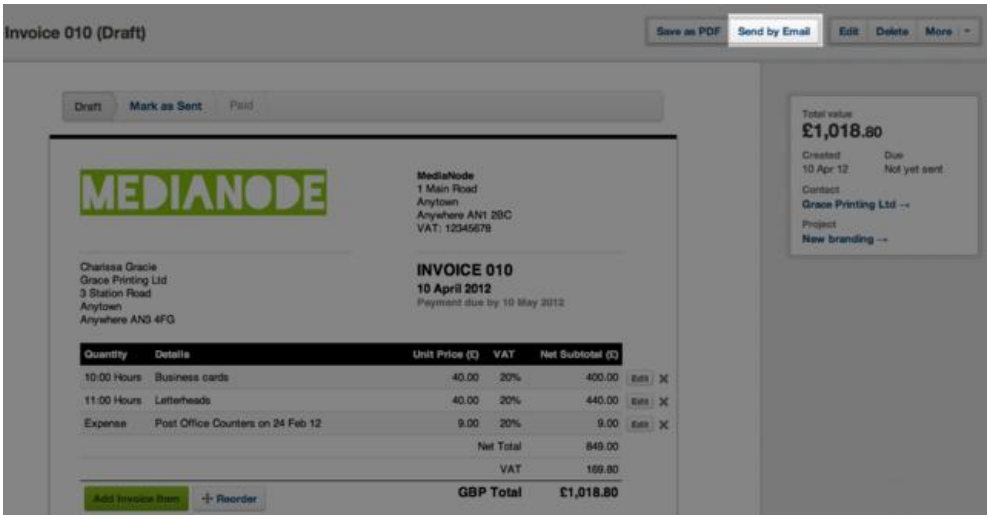
If this is the only item you need to add to your invoice, then select ‘Create and Finish’. If you're going to need to add more items, select 'Create and Add Another'.

Send the invoice

You’ve now created a new invoice and added some invoice items. You can choose to save the invoice as a .pdf for printing or for sending as an e-mail attachment.

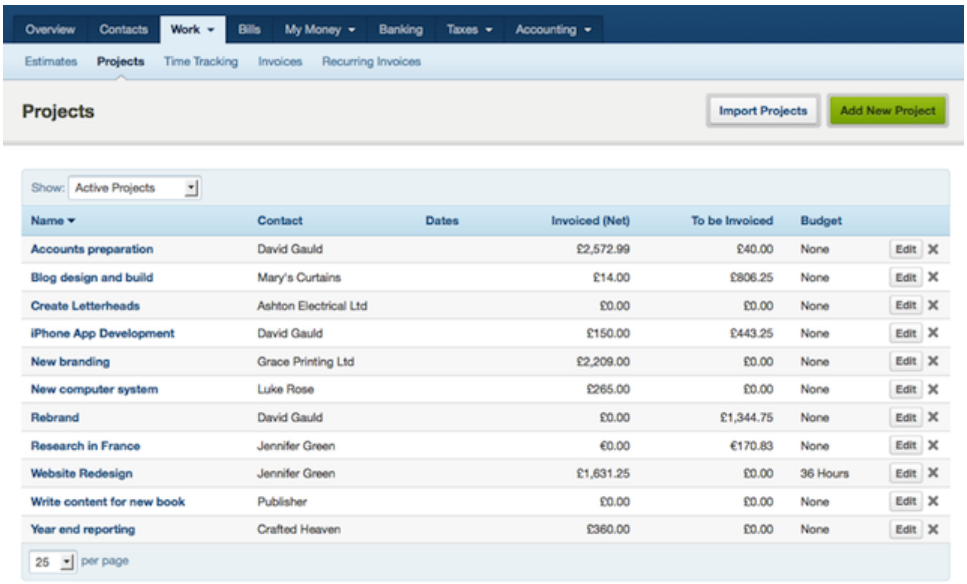


Alternatively, you can send it by e-mail directly from within Competex FreeAgent



Projects

Projects are large pieces of work that you undertake for one particular customer. So for example, if you're a publisher, then this would be the publishing of a new book by one author.



Track time

Perhaps you want to track the time you spend on a particular contract for a particular client, on a daily or weekly basis. To use the Time Tracking module in Competex FreeAgent, you have to set up a project to record time for. The project in Competex FreeAgent corresponds to your contract.

Time is tracked against different tasks within the project. So in the above example, the publisher might have tasks like designing the layout of the book, or proofreading the manuscript.

Tasks can be set as billable or unbillable. Unbillable tasks would be those that you can't pass on to your clients, for example admin.

You can also enter a set billing rate to use when you track the time you have spent on the project, which is then used to create invoices within the project. Until you do this, any unbillable hours will show with a cost of £zero.

You might also want to set a budget of hours that you're going to spend on this project.

Once you've tracked time against a project, you can then add that time to an invoice so that you never forget to charge your customers for your time.

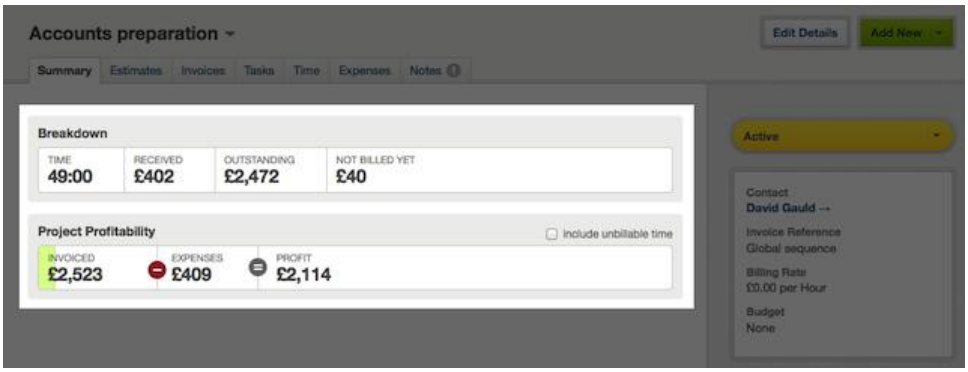
Track costs and profitability

When you're working on a project, you'll incur costs. This might be mileage travelled to visit the customer, or in-house tasks. The publisher's costs would include, for example, paper and binding for the books, and transporting the finished books to the bookshops.

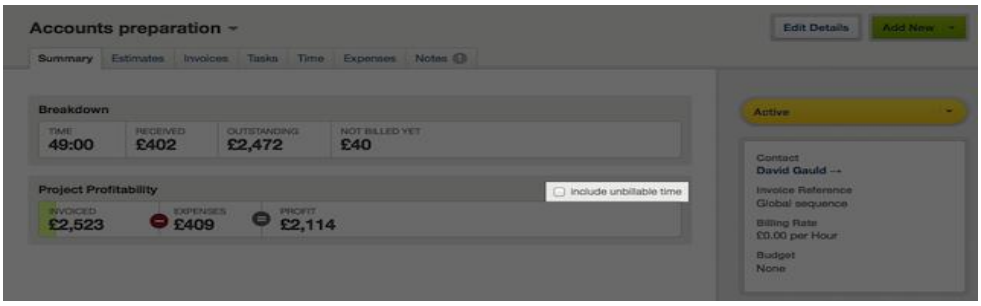
You can track these costs against projects in Competex FreeAgent, and, if you wish, charge some of them on to your customer, either at cost, or with a mark-up, or at a different specified price.

You'll be able to do that in Competex FreeAgent if you set up a project and, as you enter bills, expenses and payments, assign them to that project.

Then you can see, as you issue invoices to your customer, how much profit you've made on the project, allowing for re-billed costs and those that can't be re-billed, but must be "taken on the chin".

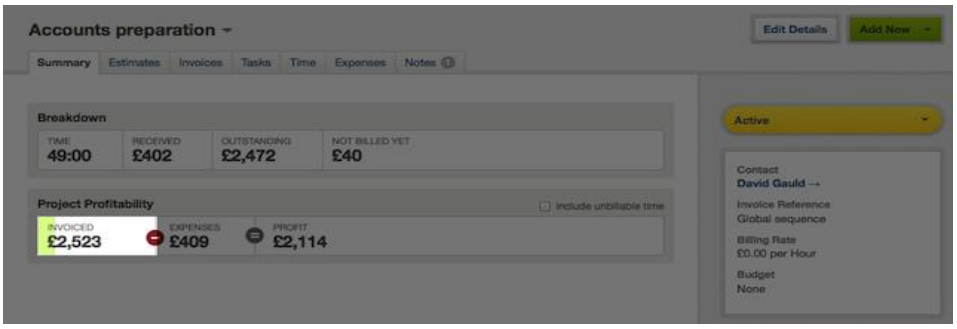


You can choose whether or not to include unbillable time on the project profitability breakdown.



Track payments from customers

As your customers pay you for invoices you've issued for a project, a green bar appears in the background to the "Invoiced" figure on the profitability table.

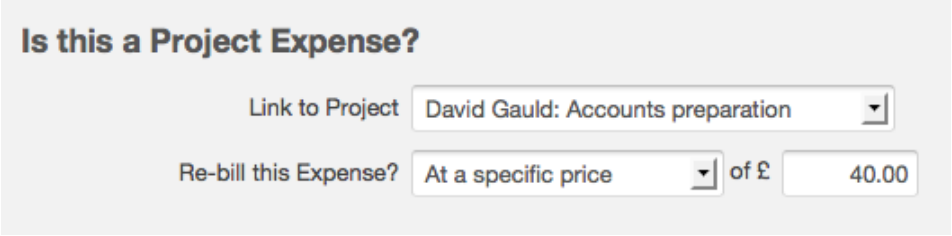


This bar extends as your customers pay you for more invoices. So the more green you see here, the less your customer still has to pay you for this project.

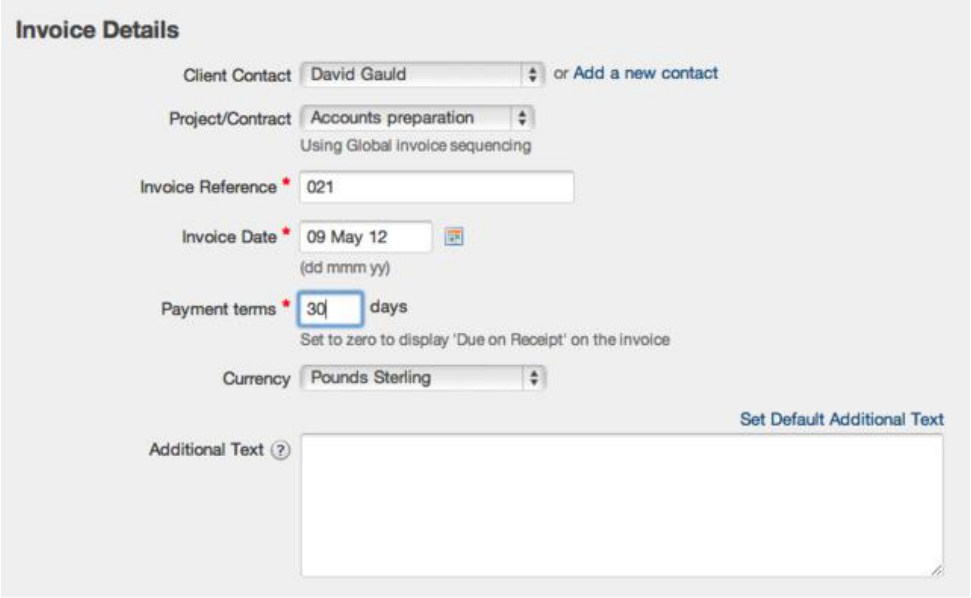
Adding unbilled expenses to Invoices

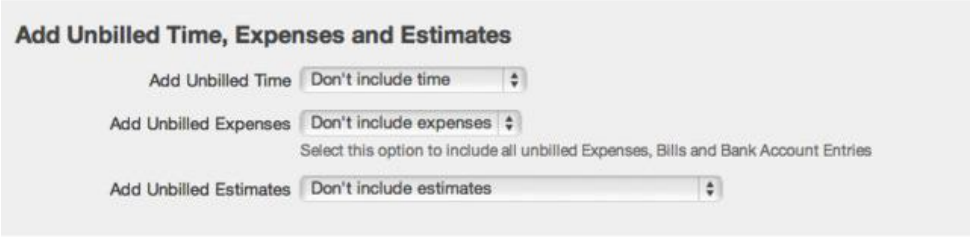
A guide to adding unbilled expenses to your Invoices in Competex FreeAgent

To add an Expense to an Invoice you will first need to associate that Expense with a Project. To do this simply select Rebill to Project when adding the Expense as shown below.



To then add your unbilled expenses to an invoice when you first add, or subsequently edit, the invoice you'll find fields on the form labelled 'Add Unbilled Time', 'Expenses and Estimates', and a drop-down labelled 'Add Unbilled Expenses'.



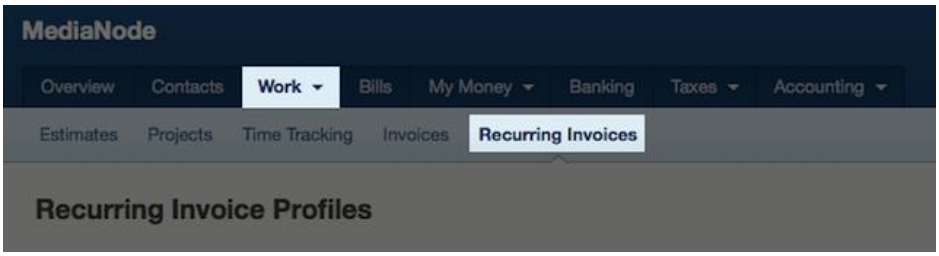


Just select **One line per expense** and save the invoice to have each expense added as an invoice item.

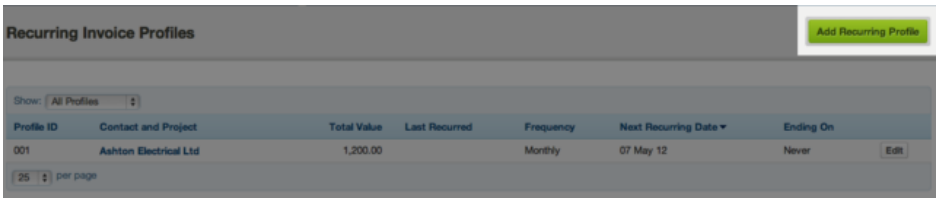
Recurring invoice profiles

You may well need to send regularly recurring invoices to a customer, for example if you're taking monthly payment by direct debit and need to invoice the customer for each different payment. Here's how to set up a profile in Competex FreeAgent for a series of recurring invoices.

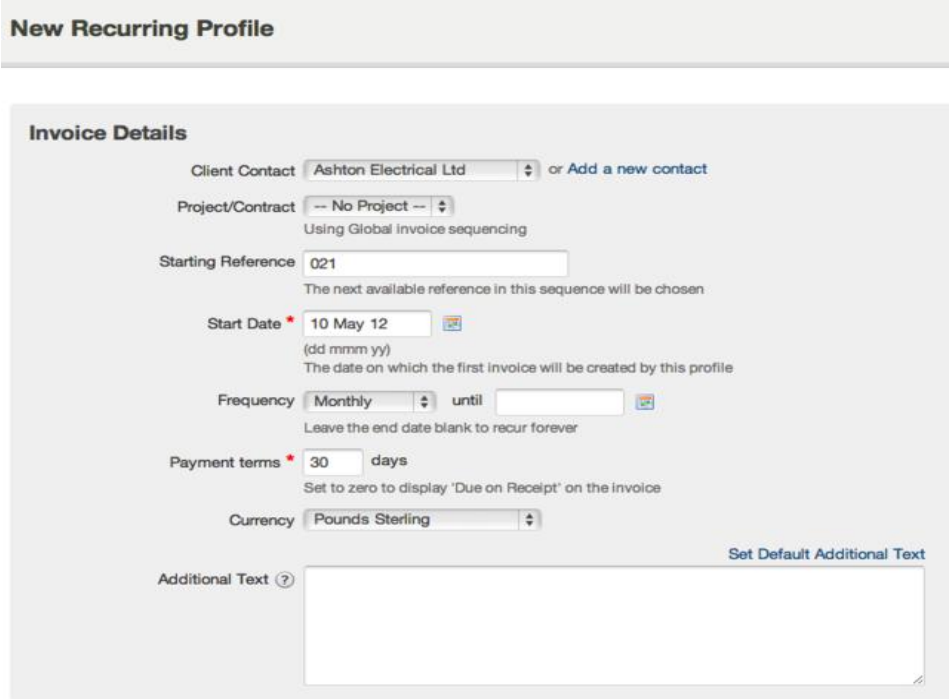
To start setting this up, click Work, and choose Recurring Invoices.



Click the Add Recurring Profile button.



You'll see that you've got a setup screen very like that for an ordinary invoice.

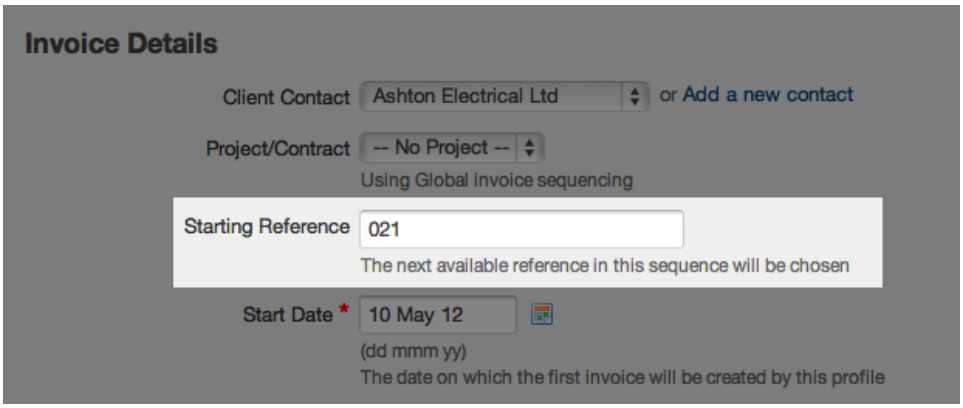


First, choose which client this series of recurring invoices is for, then choose your project if applicable.

Reference numbers

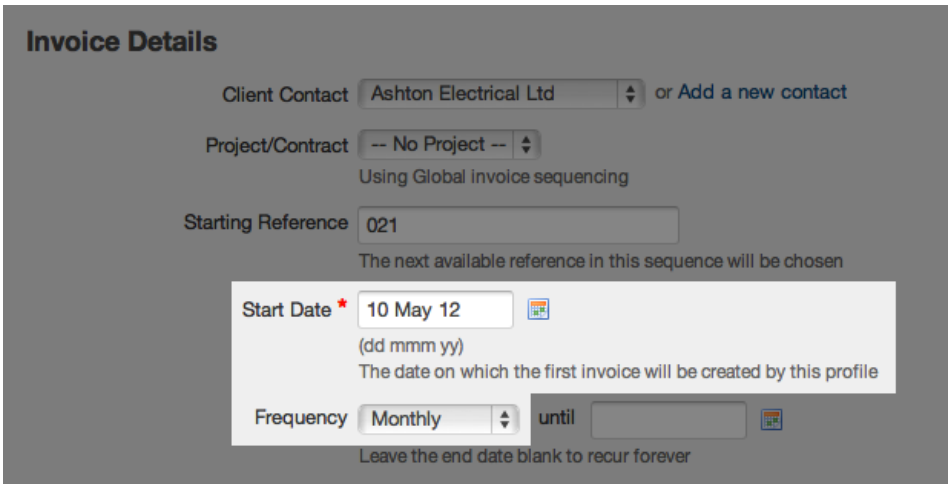
Competex FreeAgent then automatically gives the series a starting reference number. This is the reference number that will be given to the first invoice in the series. The subsequent invoices will be given reference numbers depending on what other invoices have been issued in the interim.

So for example, if the first invoice in the series is number 23, and you issue two more invoices before the second invoice in the series goes out, the second invoice in the series will be number 26. The default referencing system is global, which means that the same referencing system will be used for all your invoices. The other options are client-specific or project-specific, and you'd set those to each client or project in those areas.

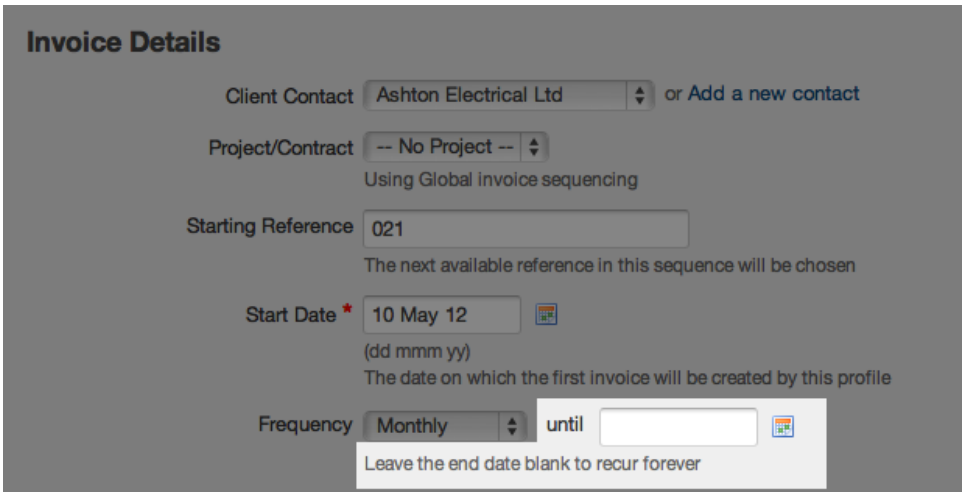


How often will a new invoice be issued?

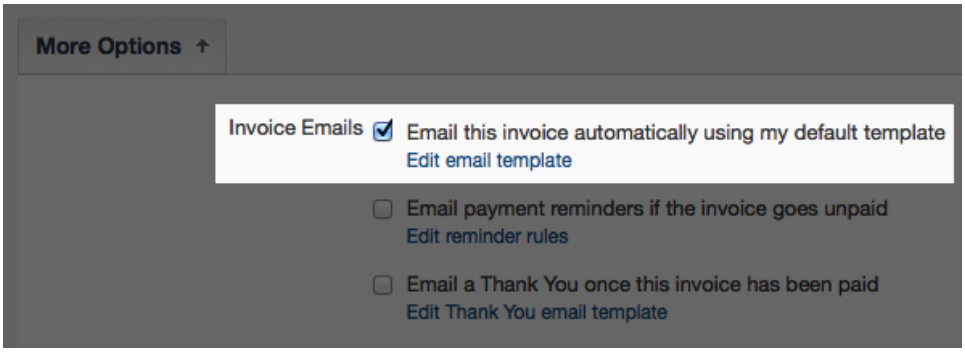
Enter the date of the first invoice in the series, and then set the intervals at which the invoices will go out in the series, by choosing from the Frequency drop-down menu.



If this series is going to stop after a given length of time, set its closing date in the box next to the Frequency drop-down menu.



Put in the rest of the information as you would for any other invoice. You can really speed up the sending of repeated invoices by choosing to use the automatic New Invoice e-mails in a recurring invoice profile. To do this click More Options, then tick the top box.

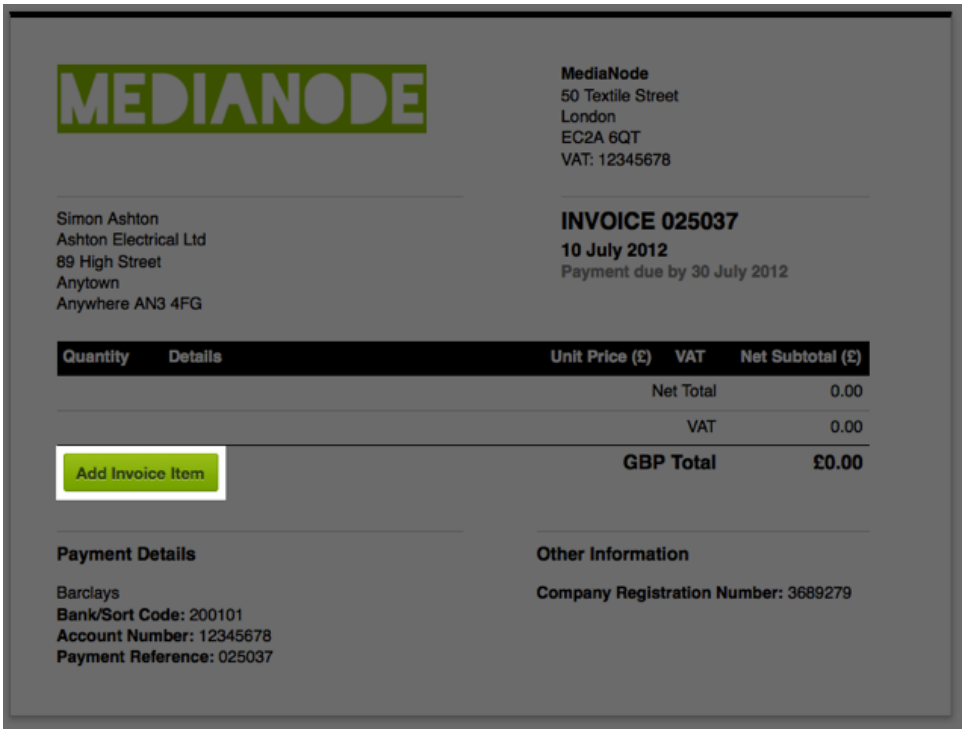


When you've finished creating the recurring profile, click Create Profile, or Cancel to close this screen without saving the profile.

If you click Create Profile, you'll see the outline profile ready for you to start working with, by adding invoice items to it.

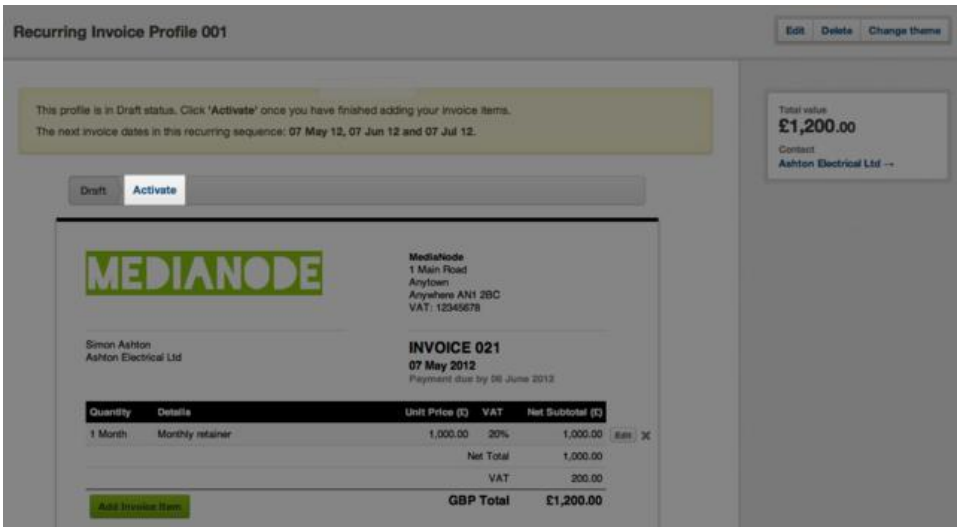
Adding items to the profile

Do this just as you would for any other invoice, by clicking Add an Invoice Item. You can also edit the profile - for example, change how often you send these invoices - by clicking Edit at the top of the screen.



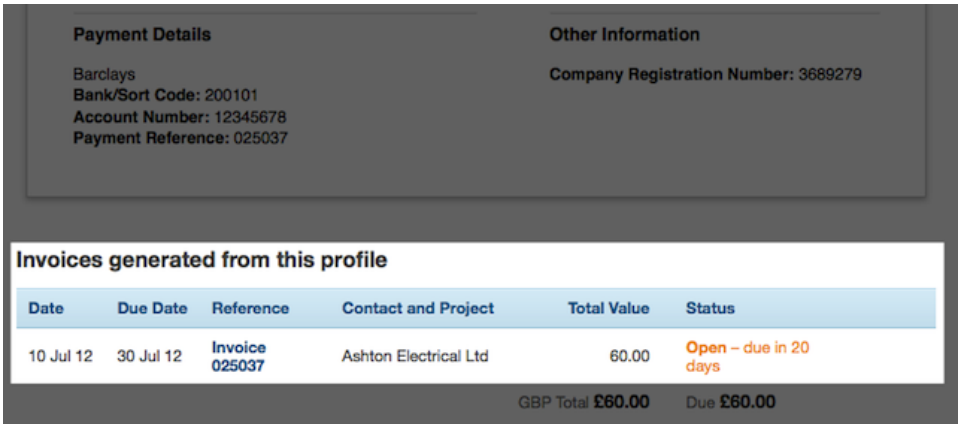
Activating the profile

When you've finished adding items and are sure the profile is set up correctly, click the Activate button. Competex FreeAgent will check that you're sure in a pop-up box, so click OK to this if you are sure.



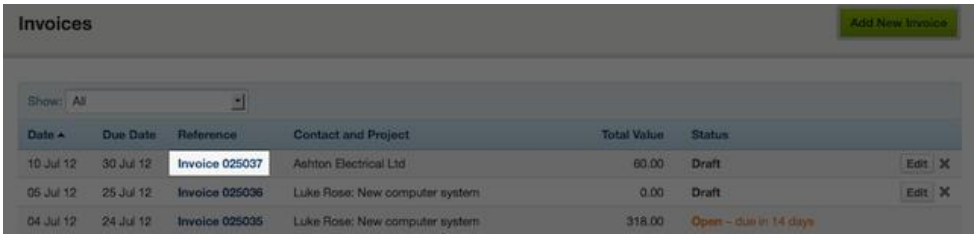
This will start the profile working.

On every date in the recurring sequence, the profile will generate a new invoice. You can see below the activated profile that the first invoice has already been generated.



Editing and sending the invoices

Click on this invoice to add more items to it. You'll only be able to do this if you haven't set the profile up to send invoices automatically.



Unless you've set up the New Invoice e-mails on this profile, the invoice then needs to be sent just like any other invoice, either manually by e-mail from Competex FreeAgent or from your programme by saving the e-mail as a .pdf. You can set the New Invoice e-mails at profile level, or, by clicking Edit when the invoice is open, you can set them just for this invoice.

Any changes that you make to this one invoice, such as editing its details or adding new items, will affect only this invoice, not the entire profile. If you want to add more items to the profile, you need to edit that specifically, starting from Invoices > Recurring. Bear in mind though, that these changes will only affect invoices created by the profile that have not already been sent or marked as sent.

Then on the next due date in the recurring sequence that you set for the profile, it will generate another invoice.

To create a recurring profile from an existing invoice:

Open the invoice in question, then click the More button, and choose Create recurring profile from this invoice.

You'll be taken to the New Recurring Profile screen, already filled in with the details from the invoice you chose.

A guide to claiming expenses: categories and explanations

Understand how you should categorise your business and personal expenses with a complete breakdown of expense categories and descriptions.

This article lists all of the expense categories in Competex FreeAgent and guidance about how they should be used.

Important: *the expense descriptions below contain recommendations on how expenses can be legitimately claimed for a UK business. These should only be viewed as rough guidelines and you should consult your accountant if you are unsure about how to claim expenses.*

Normally VATable Admin Expenses

Accommodation and Meals

Accommodation may include stays in hotels, bed and breakfast, guest houses and rented accommodation.

Subsistence expenses are those paid for lunches and evening meals. There are certain conditions that have to be met to make them allowable expenses.

Advertising and Promotion

The cost of promoting your business such as advertisements, websites, networking club memberships, and directory listings.

Business Entertaining

Entertainment is not an allowable expense that may be claimed against profit to reduce tax.

However, in some circumstances, Input VAT may be reclaimed.

To meet the criteria for business entertainment, the expense must have been provided free of charge and not to an employee of your business

Expenses that are considered to be business entertainment:

- Provision of food and drink
- Provision of accommodation
- Theatre and concert tickets
- Sporting events and facilities
- Entrance to clubs and nightclubs

Childcare Vouchers

Up to £55 per week can be paid by the company to a registered child care organisation either directly if your company contracts with the organisation direct or by purchasing childcare vouchers.

Computer Hardware

Computer equipment costing less than around £150 net of VAT should be accounted for in the profit and loss account, and no entry made on the balance sheet as an asset.

Computer Software

Software is an allowable expense and is claimed in the profit and loss account and not as an asset on the balance sheet.

Internet & Telephone

If the invoice is made to the business, the whole expense is deductible.

If the invoice is made to the director or business owner or employee, and they need access for business purposes then a proportion of the invoice and VAT may be claimed. This should be apportioned to actual use.

Where telephone and internet are invoiced as a joint package then the same rules above apply.

Legal and Professional Fees

Legal costs incurred for solely business purposes may be claimed. Where legal costs have been incurred from ‘breaching’ the law, the costs cannot be claimed as an expense.
Penalties and interest charged on late filing or payments are not allowable expenses.

Mobile Phone

If the invoice for the mobile phone is in the name of the business then it is a wholly deductible expense, even where there has been a ‘reasonable' amount of personal calls made.

Where the mobile phone is in the personal name of one of the business members and has been used for personal use, then only the actual cost of business calls and VAT on them may be allowed.

Motor Expenses

If claiming mileage then no other motor expenses are allowed except the expense of a hire car and the fuel for the hire car.

Office Costs

If the business rents an office then the costs, and associated costs incurred in making the rental, may be claimed.

If the business is a personal service company and the director works from their home that is rented, then this should be claimed as 'Use of Home as Office' only, not the amount of rent paid. Please refer to the 'use of home as office' section.

Office Equipment

Office equipment purchased at a cost greater than around £150 will be an asset on which capital allowances will be calculated on the corporation tax return, and depreciation will be provided for in the accounts.

Equipment that costs below approximately £150 should be treated as an expense.

Other Computer Costs

Repairs, maintenance, support contracts and upgrades can be treated as an expense.

Printing

Printing of letterheads, brochures, business cards and proposals can all be accounted for as expenses.

Staff Entertaining

The cost of a Christmas party of up to £150 per employee can be claimed. During the year, including the Christmas Party this is the maximum that can be claimed, so you could have two events each costing £75 each. If the cost is over £150 then none of it is allowable.

Staff Training

Training courses that are relevant to the business are allowable. For example;If a person who is in the business of IT consultancy has undertaken a course in plumbing, then the expense is not allowable.

If that person did become a plumber and started a new business or changed the current business' trading category to that of a plumber, then the cost of the pluming course would be allowable as a set up expense.

Stationery

Includes general office supplies such paper for printing, pens, envelopes etc

Sundries

Sundries is a category used to describe anything that won't fit easily into another category. It should be used sparingly as it's preferable to categorise expenses into one of the other recognised categories. If necessary please narrate fully so your accountant can classify it correctly.

Web Hosting

Web Hosting expenses are allowable if they are for the exclusive use of a business website

Normally Zero-VAT Admin Expenses

Bank/Finance Charges

Bank charges on company accounts are claimable.

Books and Journals

Trade magazines, periodicals and books relevant to the business are allowable.

Charitable Donations

A gift of money made by a business to a UK charity may be claimed as a cost through the profit and loss account therefore reducing the amount of tax payable. A GIFT AID declaration is not necessary if the payment is from a Company.

Tax relief can only be claimed for the accounting period in which it is made, and the donation deducted against profit cannot put the business into a loss making position for tax purposes.

Insurance

Insurances that are for business purposes may be claimed. There are many policies available which include:

- Employers Liability – a compulsory insurance for all employers
- Executive Income protection – insures against loss of salary and dividends for long periods of sickness.
- Jury service – covers jury service costs
- Key man – covers the cost of replacing a key member of the business if they die
- PAYE Audit – covers professional costs incurred for PAYE inspections from HMRC
- Permanent / Private Health – medical insurance. Class 1a NICS apply to the recipient as a benefit in kind to be included on the P11d
- Professional Indemnity – protects against any losses suffered by your client for negligent work
- Property – covers the cost of offices premises against fire or accident
- Public Liability – covers the cost of any claim for accidents on your property from a member of public
- Tax Investigation – covers the cost of professional services incurred during tax investigation from HMRC

Interest Payable

Interest Charges on Company Credit Cards and Bank Accounts is treated as an expense to the company.

Company Pension Contributions

Company paid pension contributions for the benefit of an employee or director are claimable but where the amount paid exceeds the salary of the beneficiaries careful attention is needed and advice should be sought.

Postage

Postage costs are allowable at the gross expense rate as VAT is not applicable.

Where the company has a franking machine, then the cost of postage should be split from the cost of leasing the machine in the profit and loss account.

Subscriptions

Fees paid to professional corporations relevant to the trade of the business organisation and included on HMRC recognised subscription list, are allowable.
and interest notices received are not allowable expenses.

Travel

Travel expenses are allowable against corporation tax purposes providing that they are incurred "wholly, exclusively and necessarily" for business purposes, and that they are not 'excessive' such as going first class on a train where it was not necessary.

Travel expenses may include:

- AMAP (approved Mileage Allowance Payment) 45p first 10,000 miles in one tax year reducing to 25p all other mileage in the tax year
- Public transport
- Motorcycle mileage 24p per mile (no ceiling limit)
- Bicycle mileage 20p per mile (no ceiling limit)
- Passenger payment 5p per mile
- Air fares

Use Of Home

You may claim up to £4 per week for use of home as office without documentary evidence for the director using their home for business purposes.

Cost of Sales

Commission Paid

Commission payable to a person or company who had assisted in the finding of a contract for a company.

Cost of Sales

Any purchases made in order for a sale to have happened, such as an item that is resold.

Subcontractor Costs

The costs of another parties contribution to the sale

Capital Assets

Purchase of Capital Asset

A capital expense is expenditure for tools and equipment that can still be claimed through a company but are treated differently in the accounting procedures if the value is over £150.

A capital expense is an item purchased for the business that has a 'useful life' longer than the time at the point of supply. The expense of a telephone call is ended at the end of the call, but the expense of a computer is actually spent over the useful lifetime of the computer.

Using an example of a computer as a capital expense, in the company accounts, the full cost of the computer is not deductible wholly against the profits in the year that it is purchased.

The value of the computer (purchase price net of VAT and delivery) is 'written' on to the balance sheet of the company and a percentage of 'depreciation' is calculated annually and deducted from the profits each year.

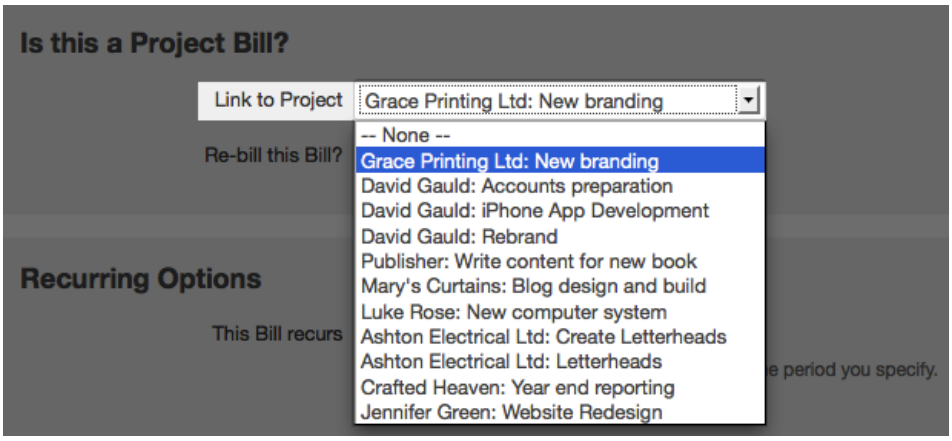
This depreciation charge reduces the value balance of the computer annually on the balance sheet until the balance is fully written off against profits in the profit and loss account. If the cost of the Asset to be written into the accounts is £150 or below, then it is put through the profit and loss account as an expense and there is no depreciation charge calculated on it.

Add costs to a project

Some examples of how to add costs, such as out-of-pocket expenses or mileage travelled, to a project so that you can re-bill them to your client, if you have agreed that the client will cover the cost.

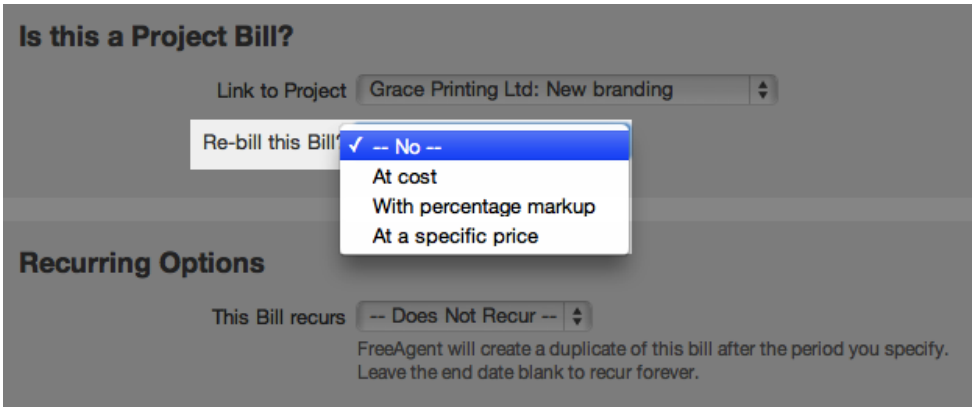
Bill

When you create a new bill, you have the option to link it to a project by choosing the project in question from the "Link to Project" drop-down menu here.



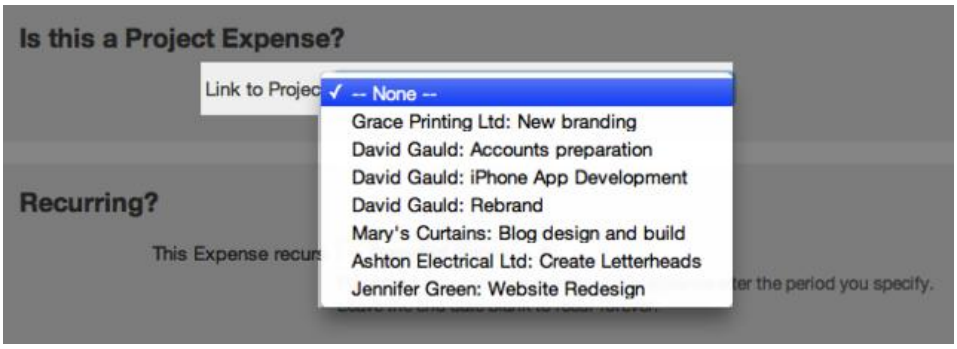
You can then choose whether the bill should be charged on to your client, and if so, how.

If you won't be charging your client for the cost of this bill, choose No. But if you are charging your client, choose whether that will be at cost, at a percentage markup, or at a set specific price. This last allows you to, for example, charge your client £40 for a £39.99 bill.

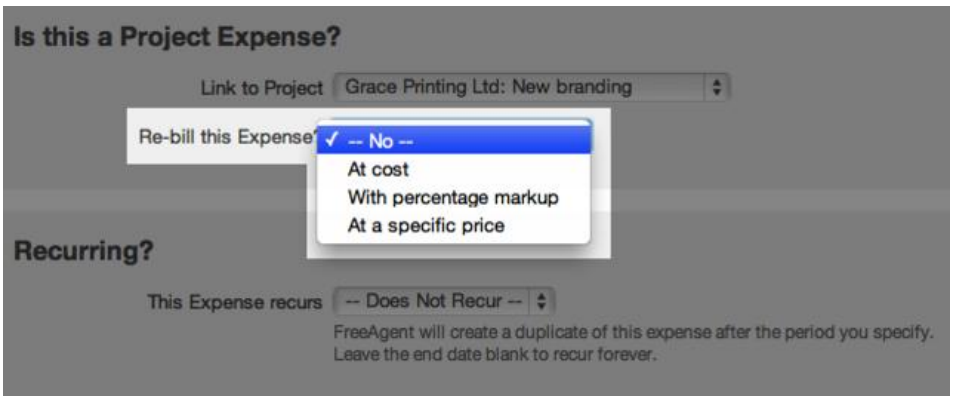


Expense

Similarly, you can choose to link an expense to a project...



...and whether to charge it on, and if so, how.

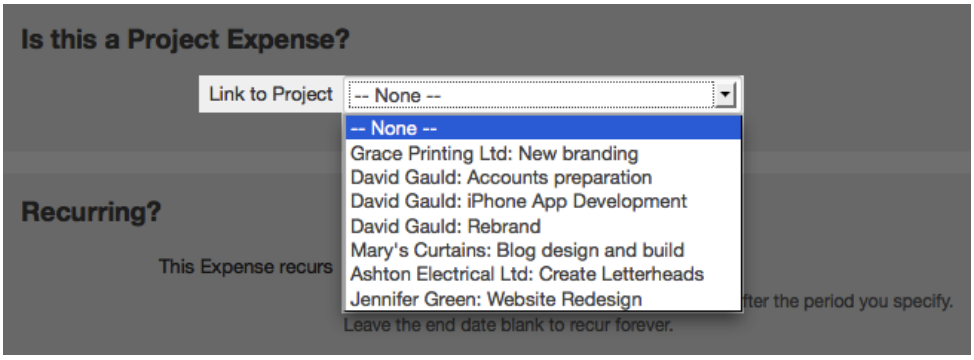


Mileage

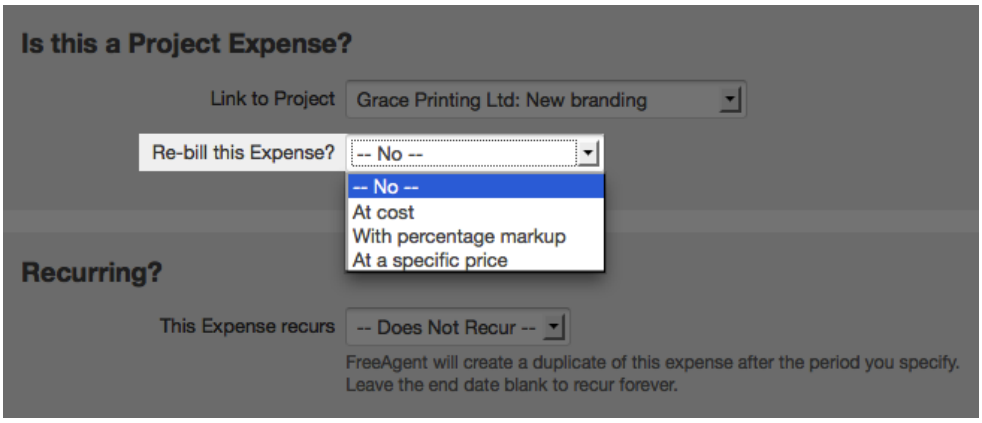
You can also choose to re-bill mileage to a project, and if so, how much you'll be charging your client per mile, since some clients pay more or less than the approved HMRC mileage rate...

Bank payment

You can similarly choose to link a bank payment to a project...



...and whether to charge it on, and if so, how.

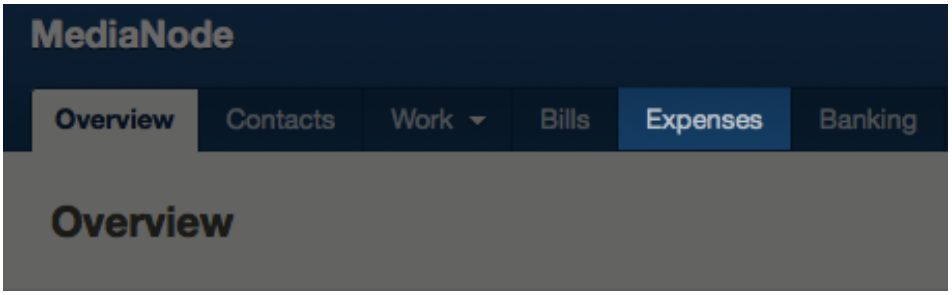


Note that when you re-bill a cost, Competex FreeAgent automatically charges the net amount plus VAT to your client.

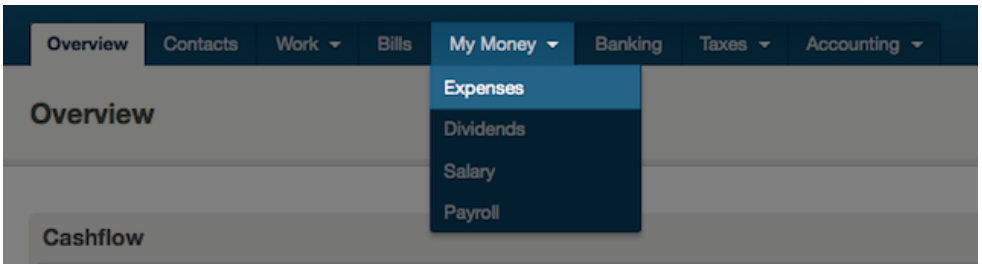
You can see what expenses and other costs you've re-billed to a project by viewing it in the Projects screen.

Expenses and mileage

If your business is a sole trade, and you have no staff, just click on Expenses.



If you have staff, or your business is a limited company, you'll find Expenses under a menu called My Money.



Why "My Money"?

Because it's important to remember, if you're employed by a limited company, that the money the company earns doesn't all belong to you personally. That applies even if you're the only director and only shareholder in the company.

The money the company receives in sales revenue belongs to the company, and there are only three ways you can take money out of the company.

One is for it to pay you a salary for the work you do as an employee or director. The second is for it to pay you a dividend on the shares that you own in the company. And the third way is for it to pay you back money that it owes to you.

There are no other legitimate ways for the company to pay you money. If you take out more than you're owed, there may be extra tax to pay.

Out-of-pocket expenses

One way in which the company might owe you money is if you spend money out of your own pocket on goods and services for the business. Perhaps you paid for a train ticket for business travel, on your own personal credit card. Or maybe you travelled on business in your own car.

The Expenses screen in Competex FreeAgent is where you would record these transactions.

Create a new expense

How to record your out-of-pocket expenses (your own money that you spend on business expenditure).

Depending on your Competex FreeAgent account type you'll either find Expenses in the main menu or in the My Money menu. You can also quickly start a new expense by choosing New Expense from the Quick Links menu on the Overview screen.

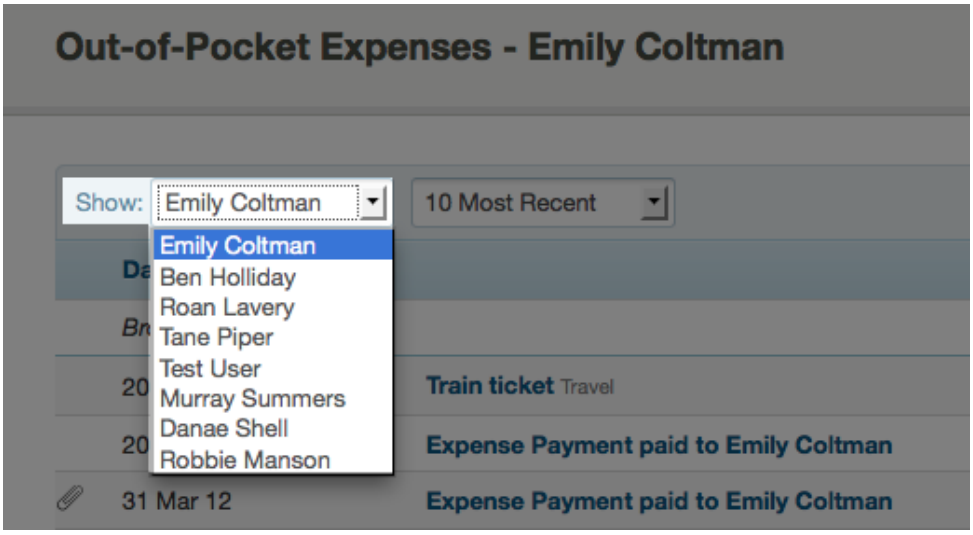
Choose a user

Once you are in the Expenses section, make sure you have the right user selected, the person who spent this money personally.

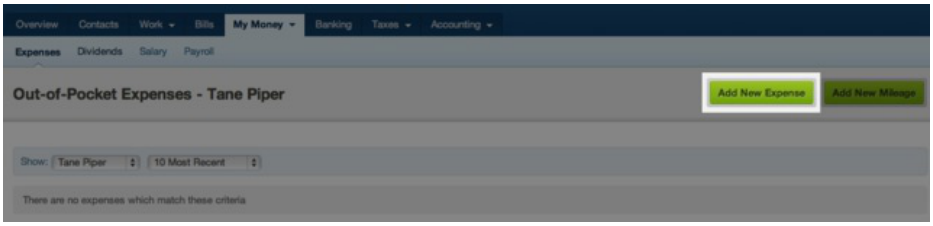
Very first expense: no user visible

The very first expense you create on your Competex FreeAgent account doesn't give you the option to choose the user. This expense has to be for yourself.

If you don't have any expenses to record, put in a dummy expense and then next time you record an expense you'll be able to see the users drop-down menu. You can always delete your dummy expense later.

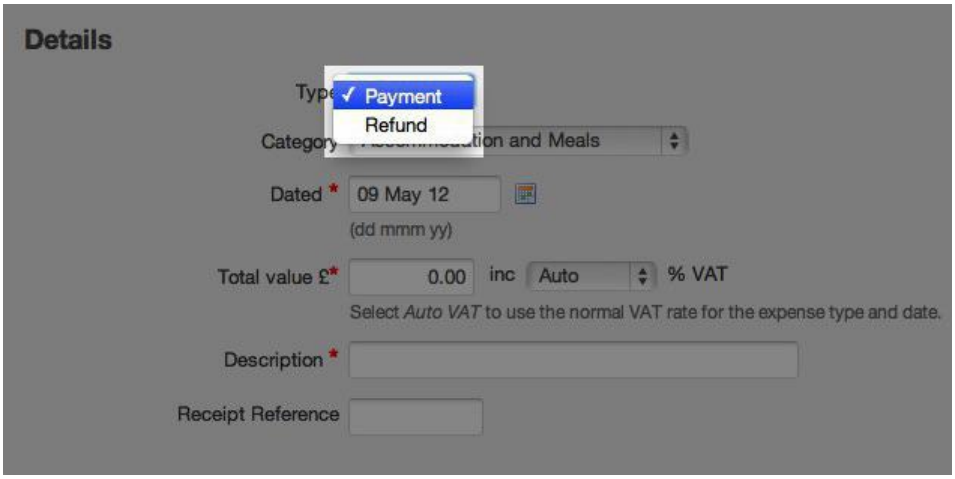


For all expenses you've paid for personally, except for mileage in your own car which is dealt with separately, select Add New Expense.



Payment or Refund

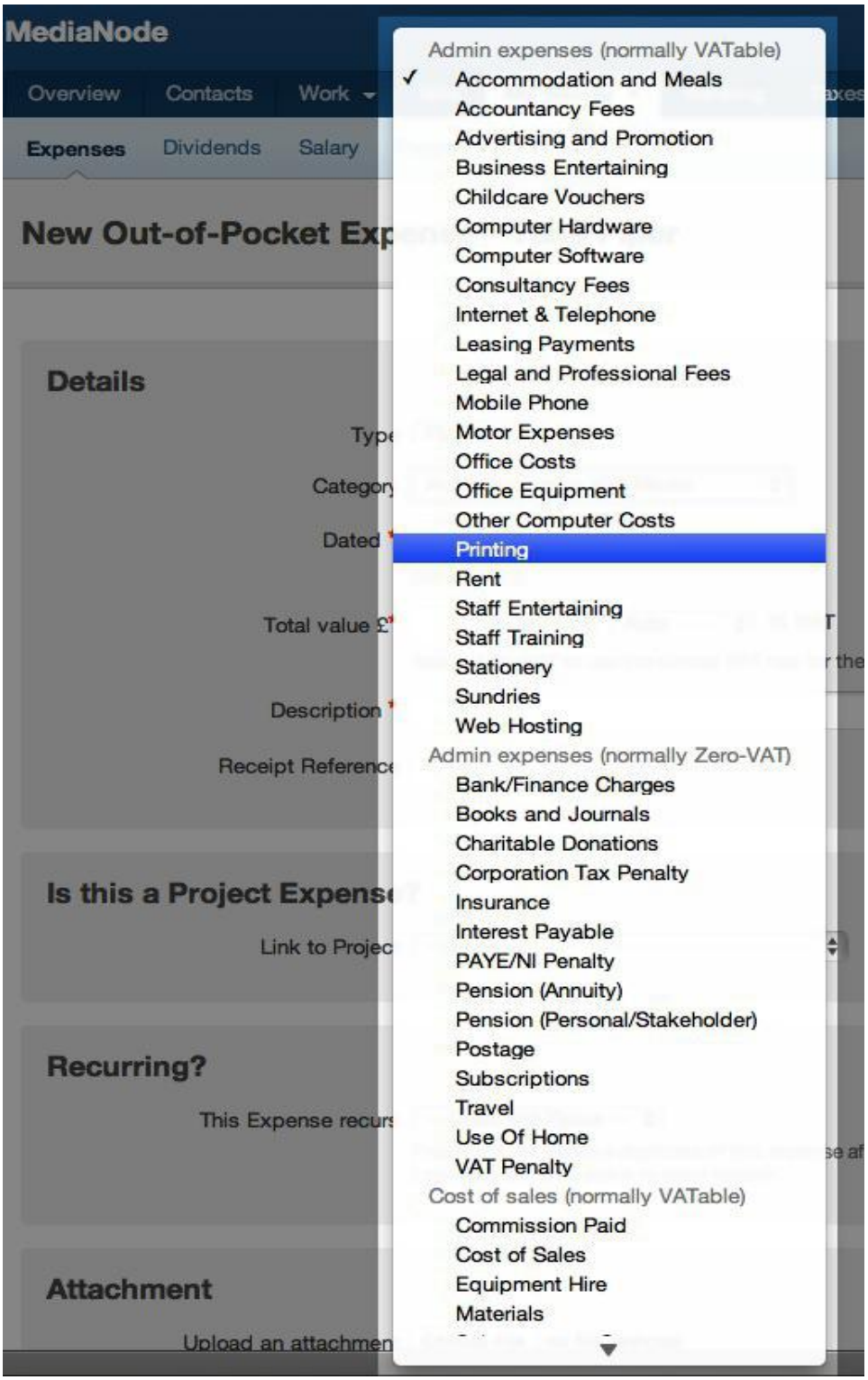
Choose whether this was a payment or a refund. It'll usually be a payment but sometimes you might need to record a refund, for example if the employee was personally paid back for something he or she has previously claimed on expenses, that was subsequently returned as damaged and a refund received.



Category

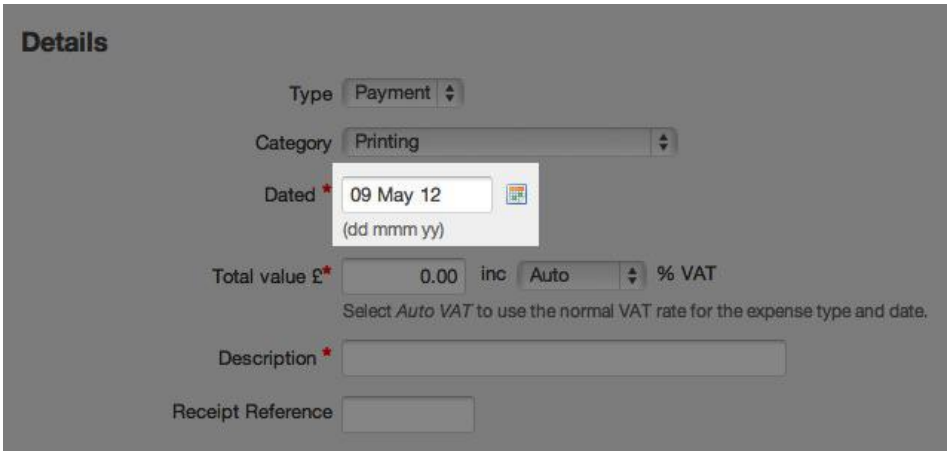
Choose a category for the expense.

If you're a UK based company registered for VAT, make sure it's in the right area for VAT. For example, if you bought some stamps at the post office, make sure that you categorise this as Postage so that no VAT is claimed on it.



Date

Enter the date of the expense.

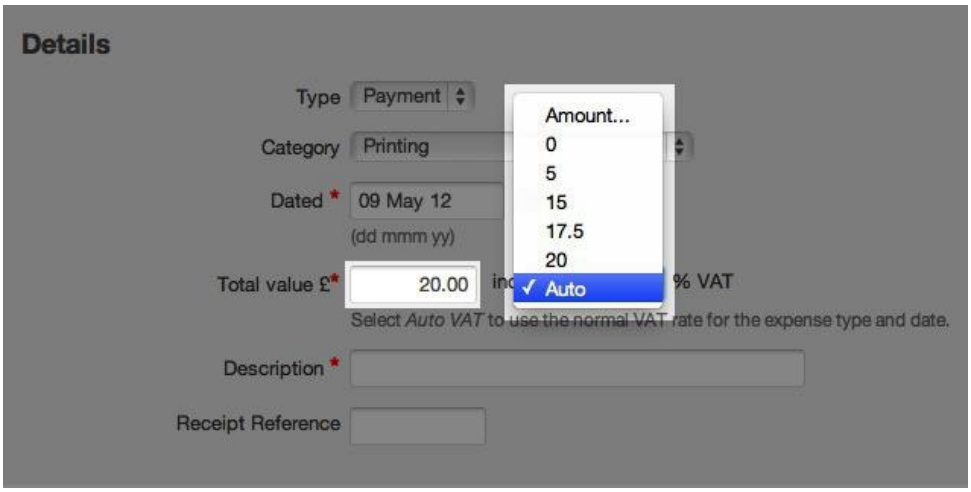


Currency

Choose the currency that you used to pay for the expense. If this is a currency other than your base currency please see the multi-currency expenses section.

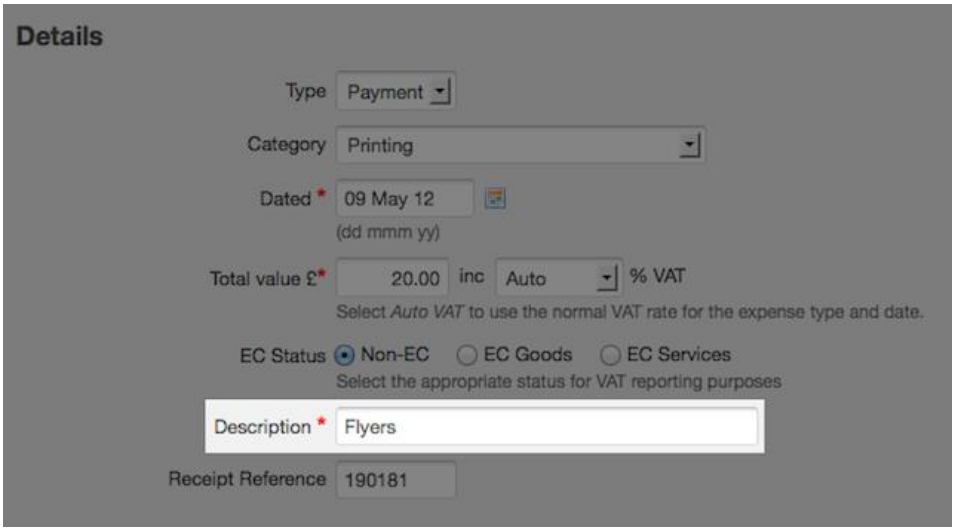
Amount

Enter the amount of the expense, as on the receipt. Put the figure in inclusive of any VAT. Remember, if you need to override the default Auto VAT setting, you can choose from a set percentage, or choose Amount from the menu if you need to manually enter VAT.



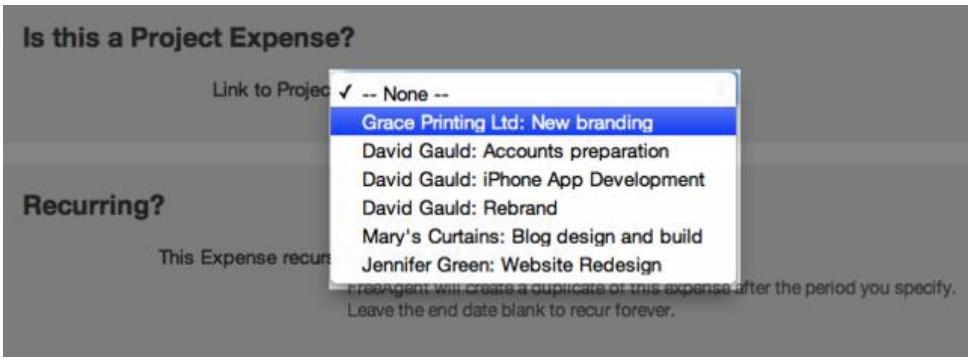
Description

Put a description of what this was for. You might also want to make a note of why you incurred it, particularly if it's a tax-sensitive expense such as business entertaining.

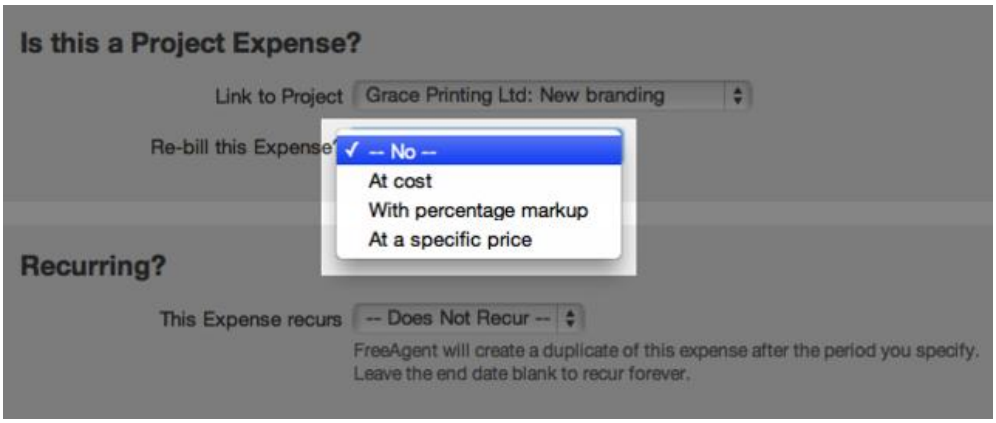


Link to project

You can link this expense to a project if you wish to.



...and optionally re-bill it to that project's customer, at cost or with a mark-up.



Recurring

If this expense is going to happen again in the future for the same amount as before, for example, a mobile phone voucher, use the Recur option to put it in again automatically.

Once you've finished entering the expense, click Create New Expense to save it, Create and Add Another to save this expense and start entering another one, or Cancel to close this screen without saving the expense.

If you have made a mistake entering expenses you can edit them up to and until you file your VAT

Recording new mileage

Recording mileage travelled in your own car in your Competex FreeAgent account.

Choose the expenses screen or you can quickly start recording a new journey by choosing New Mileage from the Quick Links menu on the Overview screen.

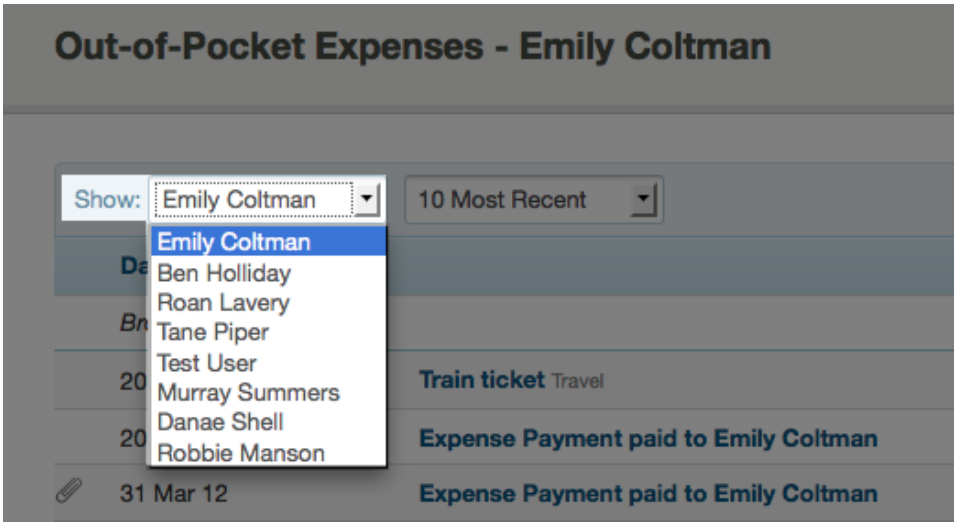
Choose the user - make sure you have the right user selected, the person who made this journey.

Very first journey: no user visible

The very first journey you create on your Competex FreeAgent account doesn't give you the option to choose the user. This journey has to be one that you took.

If you don't have any journeys to record, put in a dummy journey and then next time you record an expense you'll be able to see the users drop-down menu.

You can always delete your dummy journey later.



New Mileage

Click Add New Mileage.

This brings up the Create New Mileage screen.

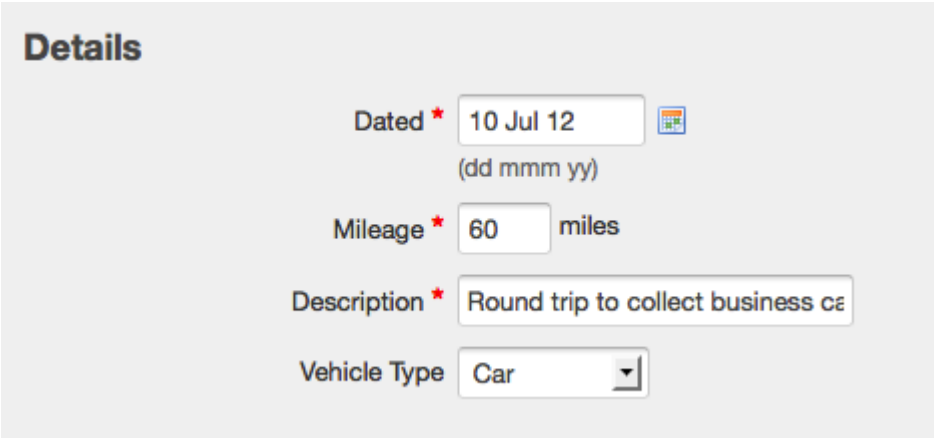
Date and distance

Enter the date you made the journey.

Put in how far you travelled, remembering that you may need to double the mileage for a return journey to record that you went out and back.

Reason for the journey

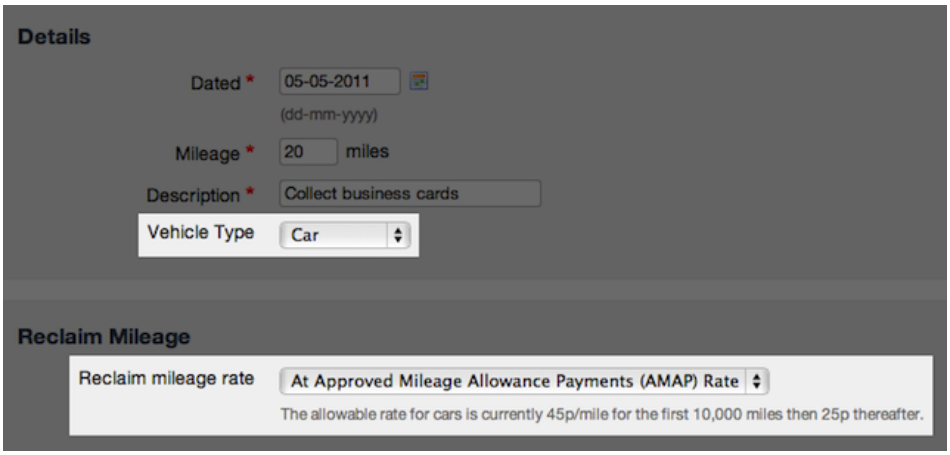
Put a description of why this journey was undertaken. Make sure it's clearly identifiable whether this journey is allowable or not for tax. For example, if it's ordinary home-to-work commuting then this is not allowable for tax, so make this clear in the description.



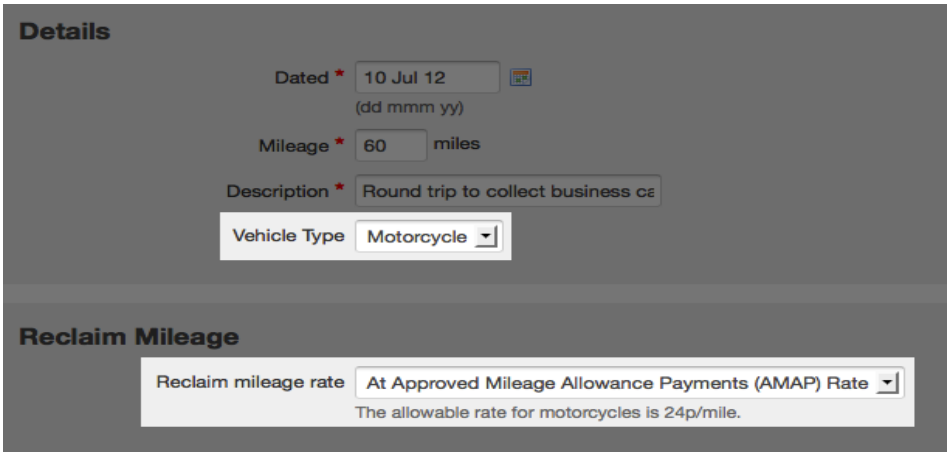
Type of vehicle

Enter what kind of vehicle you made this journey in; car, motorcycle or bicycle.

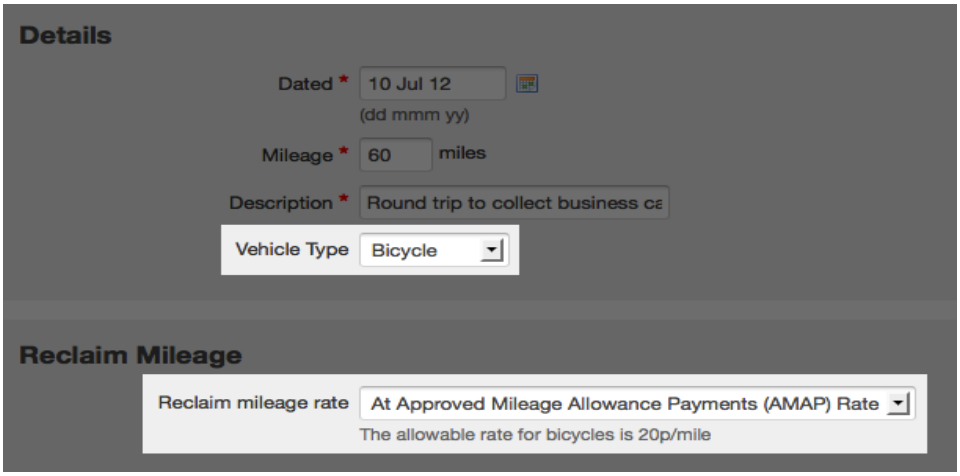
As you change the vehicle type, the HM Revenue approved mileage rate changes according to what kind of vehicle was used. This is why it's important to choose the vehicle type; car...



...motorcycle...



...or bicycle.

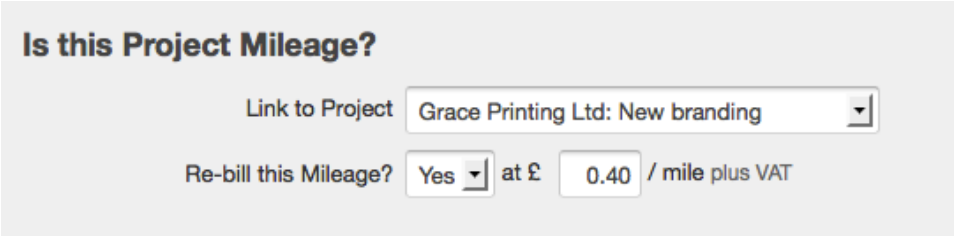


Reclaiming VAT on fuel

You need to be registered for VAT and have a VAT receipt for fuel enough to cover the mileage travelled on this journey if you want to reclaim VAT on the fuel. You can't reclaim VAT on the full cost of the mileage travelled, only on the fuel element. So if you do have a VAT receipt, choose that you want to claim for this mileage, and enter the fuel type of your vehicle and the capacity of its engine. Competex FreeAgent will work out the correct VAT reclaim for you.

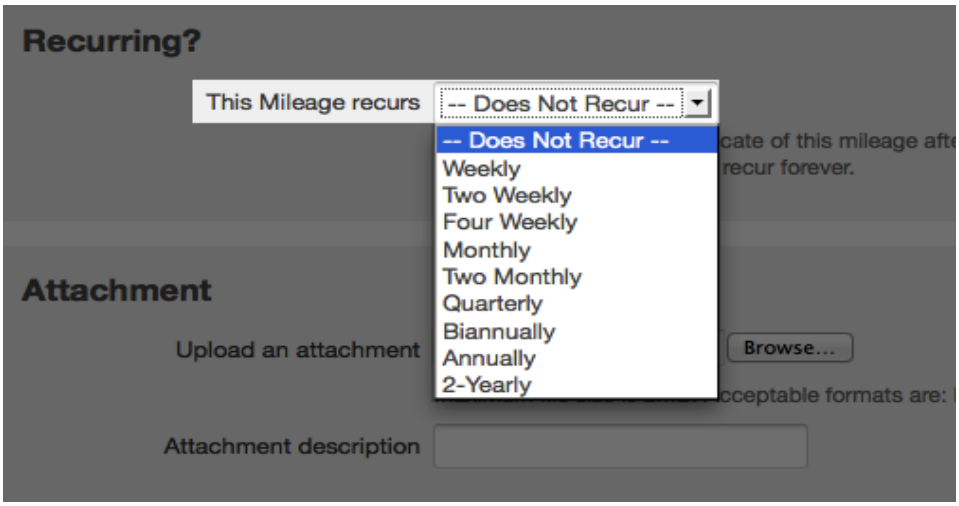
Re-billing

You can re-bill this mileage to a customer if it was incurred while working on a particular project. Choose which project you want to re-bill it to, and set the rate at which you're going to charge it to the customer. If you haven't yet set up the project, finish entering the mileage and save it, then set up the project. You can always edit the mileage later and re-bill it, so long as it hasn't been paid for from the company in the meantime.



Regular journeys; recurring

If you know you will be taking this journey again, use the options under Recurring to enter the second and future journeys into Competex FreeAgent now.

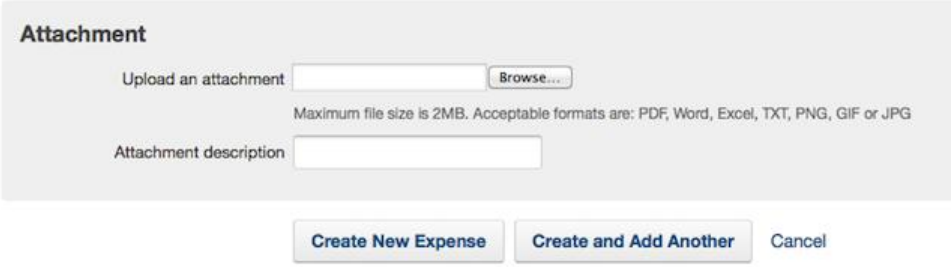


Attachment

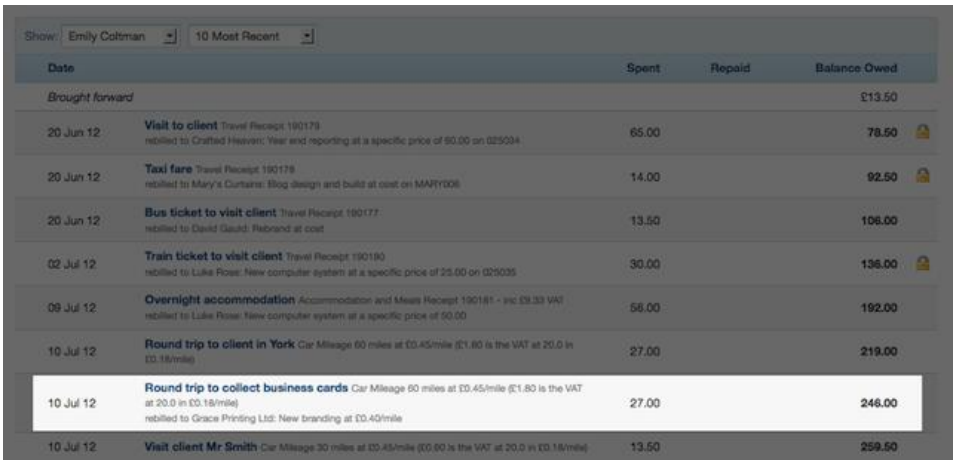
You may also want to upload an attachment, for example a scanned copy of a fuel receipt, particularly if you are claiming VAT on the fuel element.

You make take a photo of any receipts while you are out on business on your smart phone so you don’t loose or forget them, then upload to Competex FreeAgent and enter the expense.

Once you've finished entering the mileage, click Create New Expense to save this journey, Create and Add Another to save this journey and start entering another one, or Cancel to close this screen without saving the journey.



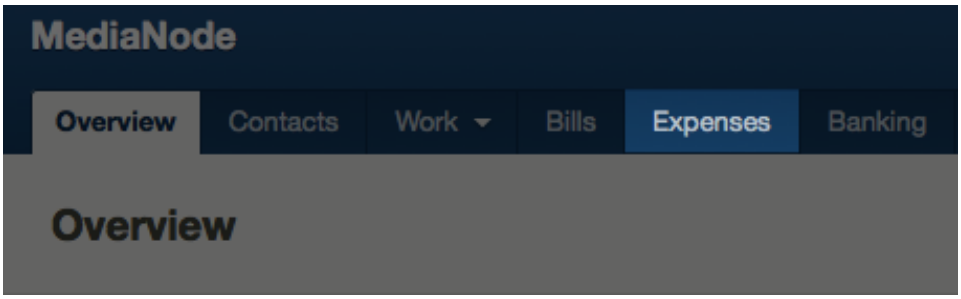
The mileage has been added to the list of costs incurred which you can expect the business to pay back for.



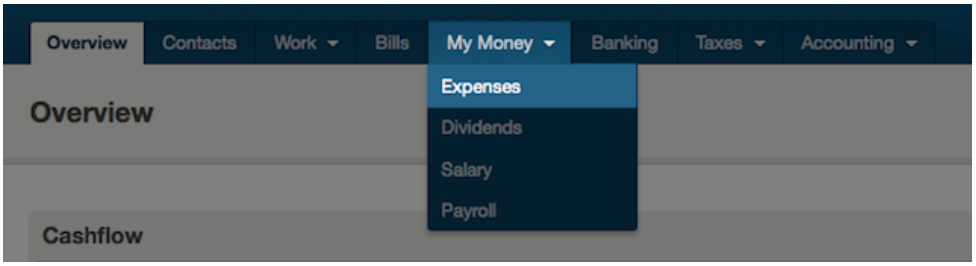
Edit an expense or mileage

Find the entry

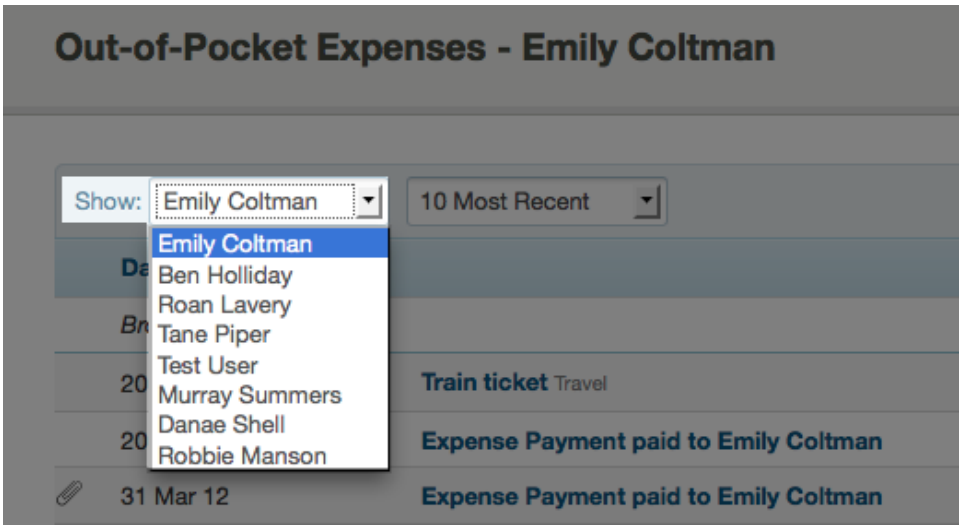
If your business is a sole trade with no staff, click on the Expenses menu.



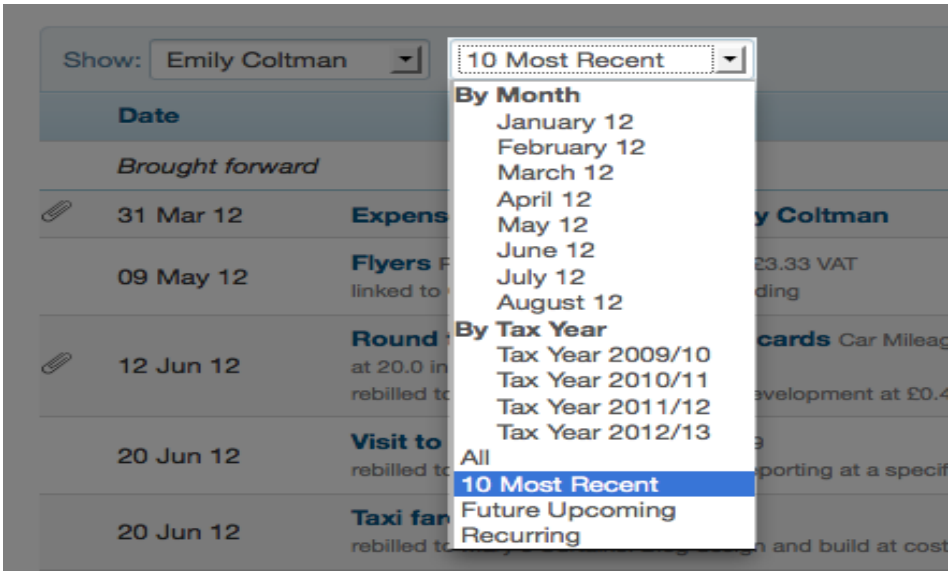
If your business has staff, or is a limited company, choose Expenses from the My Money menu.



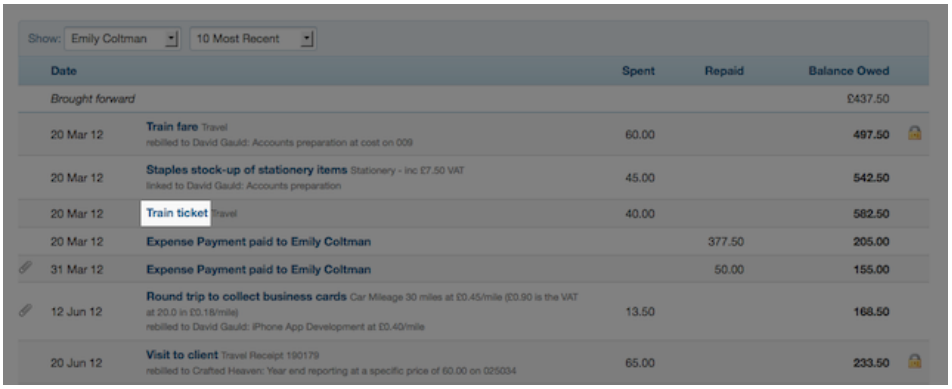
Make sure you have the right user selected, the person who incurred the expenses or made the journey that's been incorrectly entered into Competex FreeAgent.



Filter the view if this will help you find the incorrect expense.



Once you've found it, click on it to edit it.

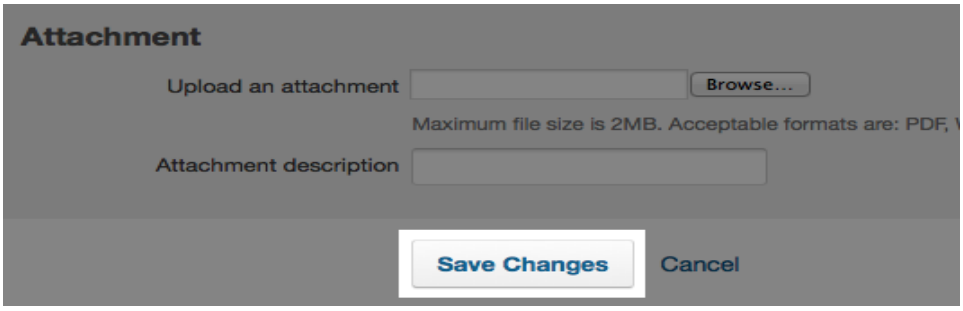


This will open that expense or mileage claim.

If this expense or mileage claim has already been rebilled to a project and invoiced for, or has already been paid back, the fields which you can edit will be limited, and you won't be able to delete it without removing it from the invoice, or removing the payment.

If neither of these factors apply, you can change or delete the expense freely.

Once you're happy with it, click Save Changes, or click Cancel to exit this screen without saving the changes.



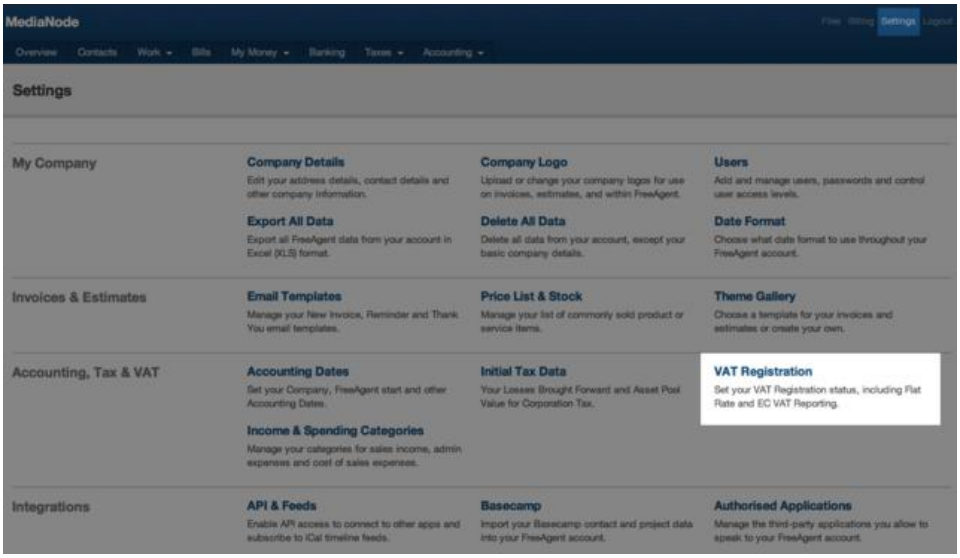
Expenses for costs from the EU

Here's how to tag an out-of-pocket expense as a purchase of goods or services outside the UK but within the EU.

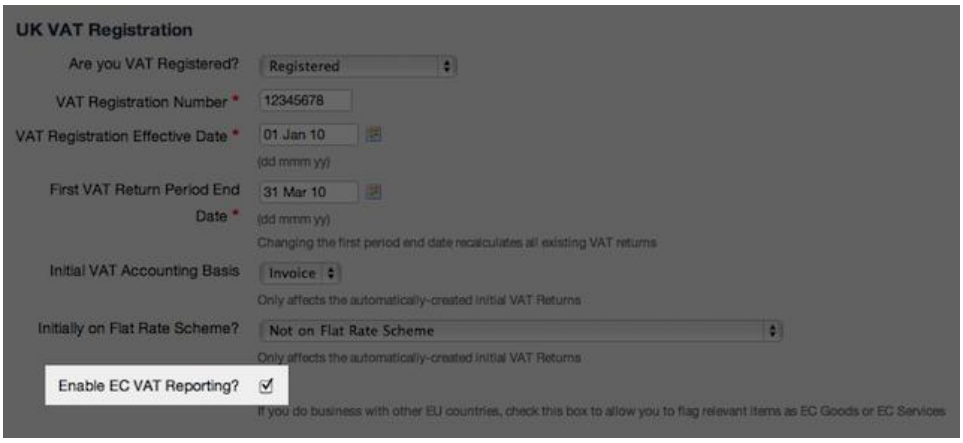
This applies to goods and services that were delivered to you in the UK, rather than expenses bought while travelling abroad

Enable EC VAT reporting

Before you can tag these expenses as EU, you need to enable the VAT reporting in Competex FreeAgent. To do this choose Settings, VAT Registration. You may need to ask your accountant to do this.

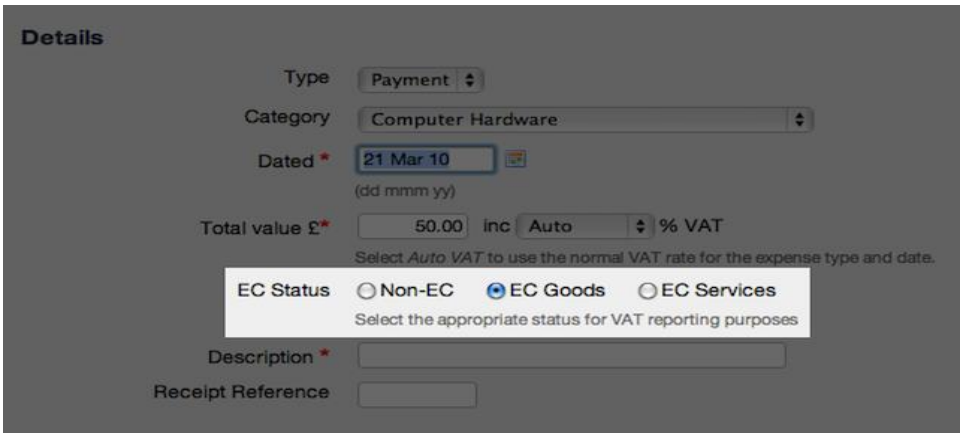


Make sure 'Enable EC VAT Reporting' is checked and save your changes.



Tag your expense

As you enter an expense, you'll now have the option to check whether it's not from the EC, or whether it relates to EC Goods, or EC Services.



EC Goods

If you tag an expense as EC Goods, use either **0%** or **Auto** as your VAT setting.

Competex FreeAgent will assume that there's acquisition tax on those goods and that box 2 needs to be filled in.

It'll work out the VAT that you would have paid on those goods if you'd bought them in the UK, depending on which category you've put the transaction into.

It'll then put that amount into box 2, and also into box 4 so that you don't pay any extra VAT on those goods.

Finally, it'll add the amount of the payment to boxes 7 and 9 of your VAT return.

Purchases of EC goods are reported the same way whether or not you're on the flat rate scheme.

EC Services

If you tag an expense as EC Services, you also need to set the VAT rate as **0%** so that Competex FreeAgent doesn't reclaim input VAT.

Nothing will appear in box 2 or box 9 of your VAT return, because those boxes are just for goods.

If you're using the flat rate scheme, Competex FreeAgent won't put the amount of this cost into box 7 of your VAT return, but if you're not on the flat rate scheme, the cost will appear in box 7 of your VAT return.

Unfortunately, Competex FreeAgent can't yet work out the reverse charge on these services.

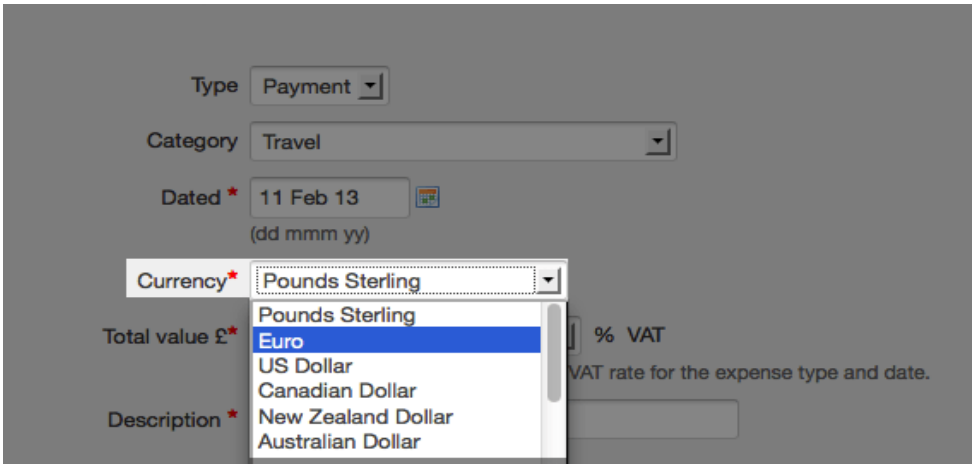
Multi-currency expenses

You might have travelled abroad and incurred some expenses while you were there, or you might have bought something in a different currency without travelling, for instance a purchase you made online.

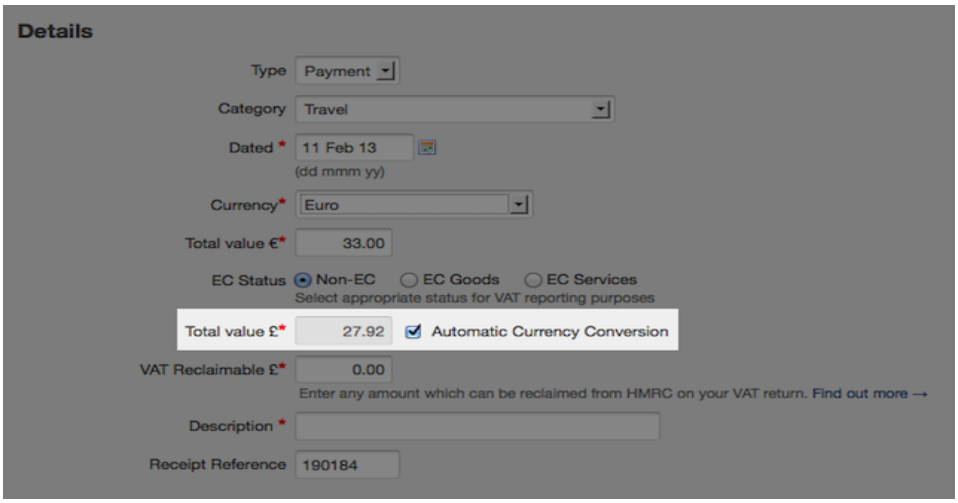
Start by creating an out-of-pocket expense as normal.

Enter the currency and amount

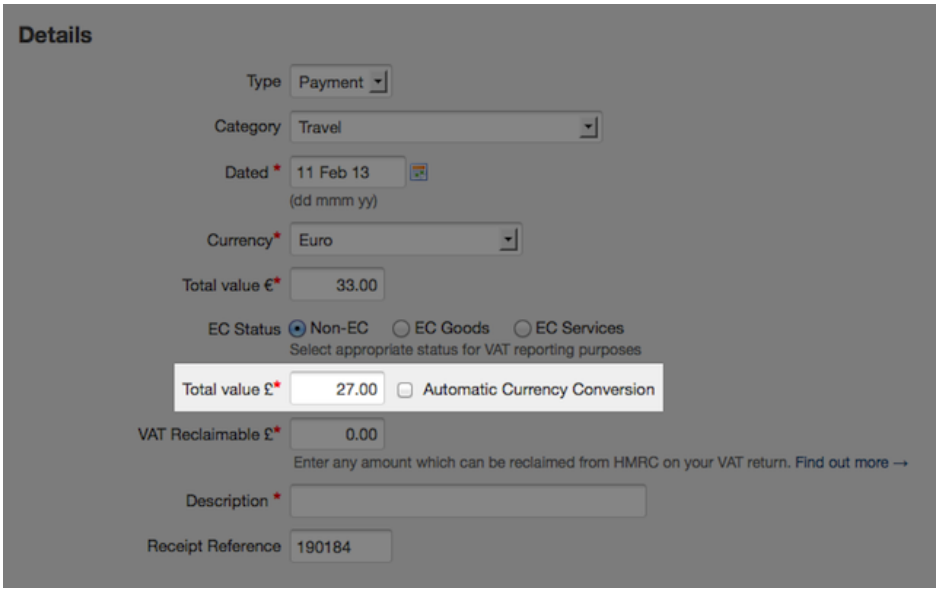
Choose the currency that you used to pay for the expense. If this is a currency other than your base currency (which is the currency you prepare your accounts in), you'll see two new options appear.



These are the total value in your base currency, and the option to choose whether you want to keep the value that Competex FreeAgent has automatically calculated for this, or put in a different value. For example, you may know from looking at your personal credit card statement that the value you spent in your base currency is slightly different from Competex FreeAgent's value.



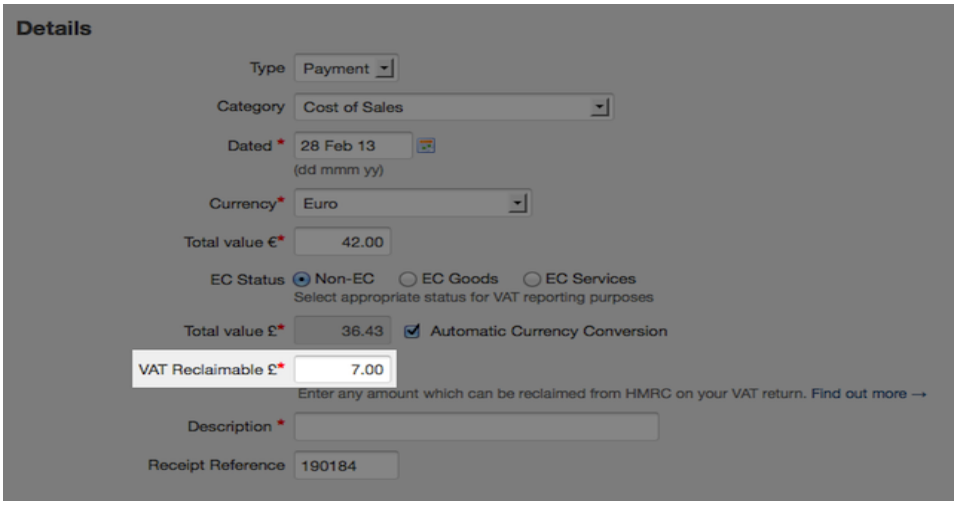
If you want to override the value that Competex FreeAgent has calculated, deselect Automatic Currency Conversion and add a new Total Value amount.



VAT

If you're registered for VAT then you need to be careful here.

If you have made an online purchase, then the rules for buying goods and services from the EU may apply. If you have bought goods in from outside the EU then you may also be able to claim UK VAT on this if you have an import VAT certificate, form C79. Please note, it's UK VAT that you are reclaiming here, which is why the amount will be in £ sterling. You should ignore any local sales tax your supplier may have charged you. Put the UK VAT into the 'VAT Reclaimable' box.



If you have travelled abroad and spent money there, on which you incurred local VAT, you can’t reclaim that VAT in the UK using your normal VAT return, so make sure you leave the amount in the 'VAT Reclaimable' box as £0.

If your journey was to a country in the EU then you may be able to use HMRC’s Refund scheme to reclaim the VAT.

Recurring expenses

Recurring expenses will always be converted using the exchange rate on the day they recur. For example, a $100.00 recurring expense will probably fluctuate slightly to reflect the current exchange rates.

When you're ready, continue as normal to finish creating your new expense.

Money Paid to User

The money that your business can repay to you will always be worked out in your base currency. When you've finished creating the expense, the balance the business owes to you will include the amount in your base currency.

Upload bank transactions

The quickest and easiest way to do this is to export your bank statement from online banking, upload it into Competex FreeAgent, and then explain all the transactions.

Export a statement from online banking

Firstly, you'll need to go into your online banking account and export a statement – Competex FreeAgent supports a range of bank statement formats. if you get stuck with exporting the data then you need to speak directly to your bank.

When you're exporting, make sure that you've included the correct dates for your statement. If you've already input any transactions into Competex FreeAgent make sure that you start from the day after the last transaction's date, if you haven't then you might want to go back as far as your Competex FreeAgent start date. Don't worry if you inadvertently upload the same transactions twice – Competex FreeAgent will spot any duplicates and ignore them.

Information required in Competex FreeAgent

You need to have your bank account and sort code entered into Competex FreeAgent for the account for which you're going to upload transactions. Your accountant will do this for you when you start as long as they have been given the information. You will need to enter details of any new business accounts you open later.

Import a statement into Competex FreeAgent

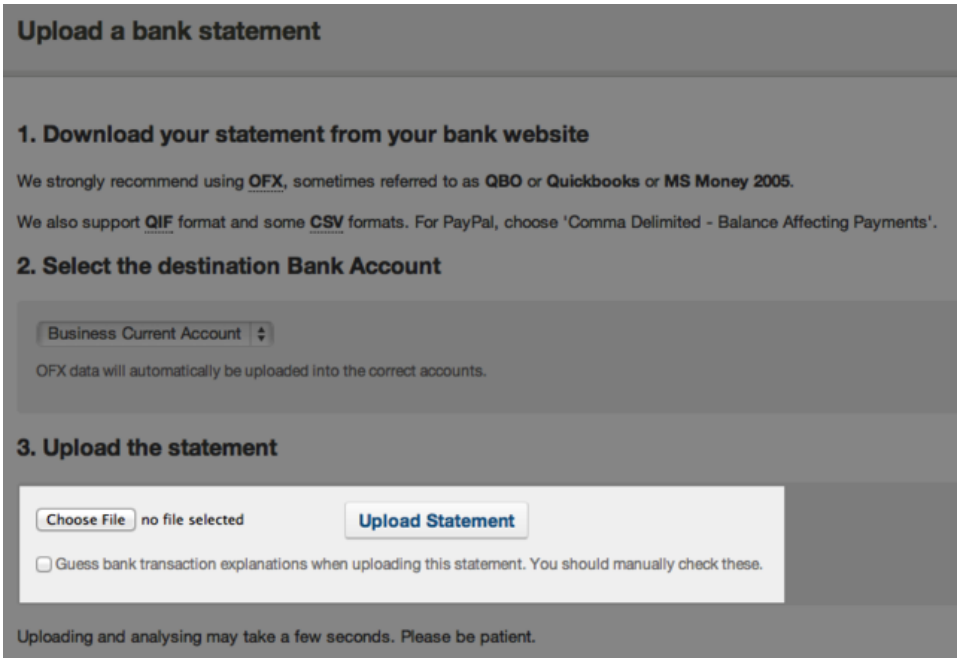
Select Banking, and then the bank account for which you're going to upload a statement - select 'Upload Statement'.

Alternatively, choose 'Upload a Statement' from the Quick Links menu on the Overview screen. If you use this option, Competex FreeAgent will ask you to choose which bank account to upload to.

Once you've exported your statement from your online banking system and saved it to your computer in the correct format, use the Browse here option to select the file you've just saved and 'Upload Statement'.

Guessing transactions

If you want Competex FreeAgent to guess which transactions belong in which category, by looking at transactions you've previously uploaded, then check the Guess box. This is the quickest and easiest way as the system gradually 'learns' how to categorise your transactions.

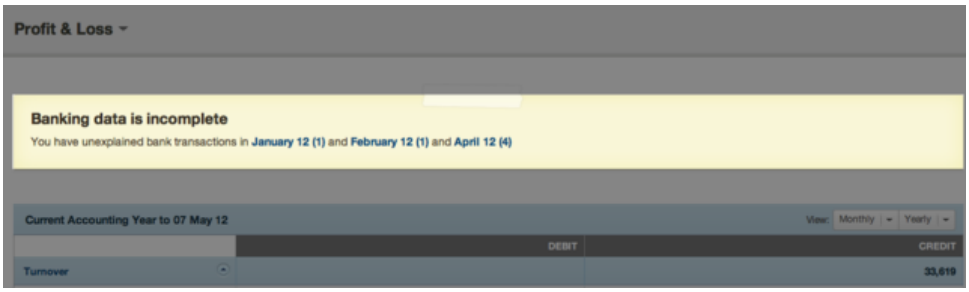


Unexplained transactions

Competex FreeAgent uploads the file and gives you a message to say how many unexplained transactions there are. See the section regarding how to explain bank transactions.

If this is a business bank account, you'll see the number of unexplained transactions on the list of bank accounts under the graph.

You'll also see warnings in various places throughout the software, such as here on the profit and loss account, if you have unexplained transactions on a business bank account.



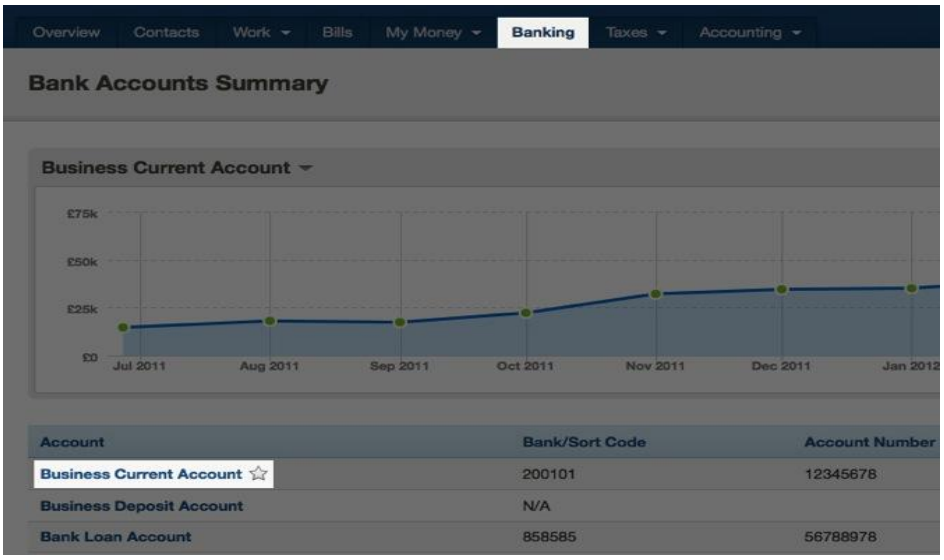
If the account is set as personal then Competex FreeAgent will not monitor unexplained transactions.

Once you've uploaded your transactions, the next step is to explain them.

If you upload the wrong statement in error you can undo the last upload.

Undo a bank statement upload

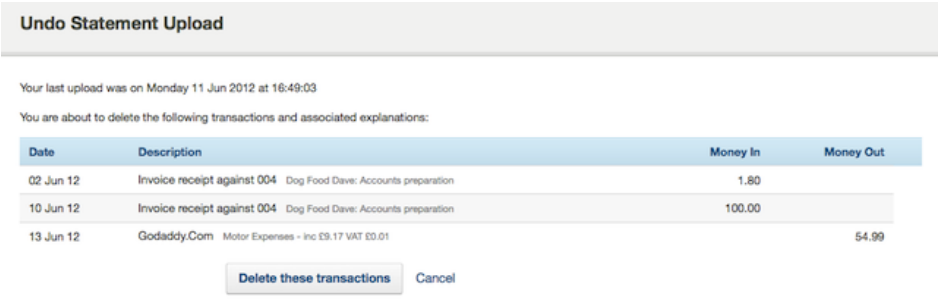
Go to 'Banking', and select the account you want to undo the upload for (they're under the graph).



Select the 'More' button and then choose 'Undo Last Upload'.

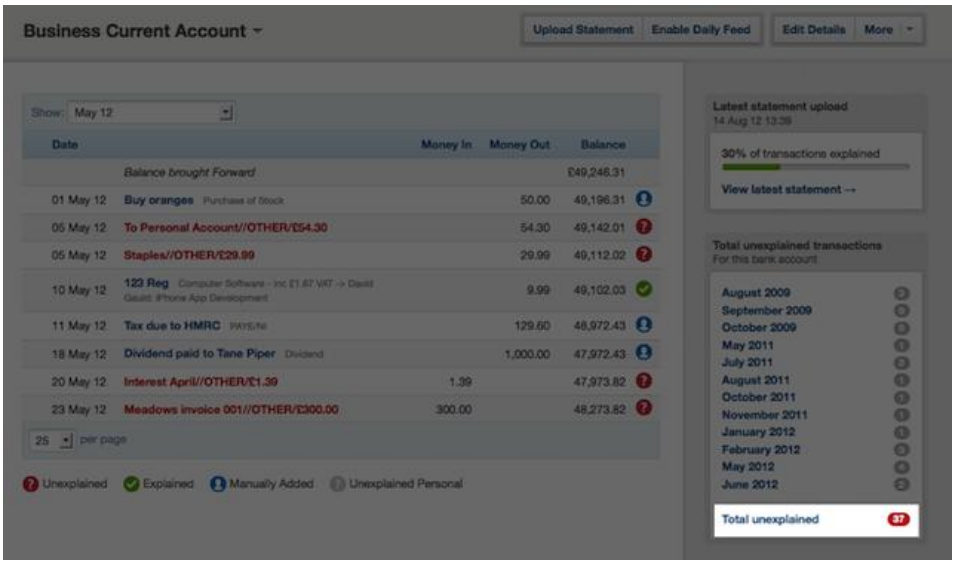
Competex FreeAgent will show you which transactions this will delete.

Decide whether you want to delete all these transactions. If you do, select the 'Delete these Transactions' button. If you don't, choose 'Cancel'.



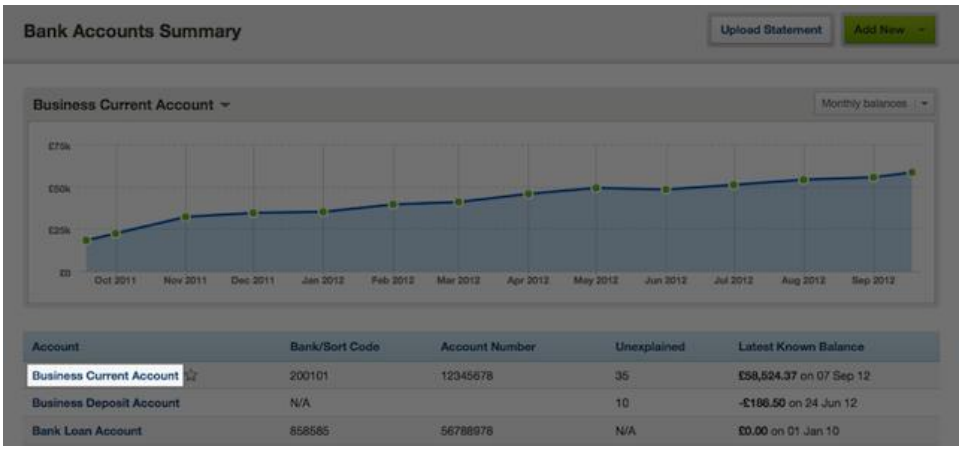
Explain bank transactions

If your bank account is set as a business account, so the box indicating that it's a personal account is not ticked, then you'll see all the unexplained transactions in red, and also, throughout the software, you'll see warnings that you have unexplained transactions. And when you are looking at that bank account in Banking, you'll be able to see how many transactions need explaining.

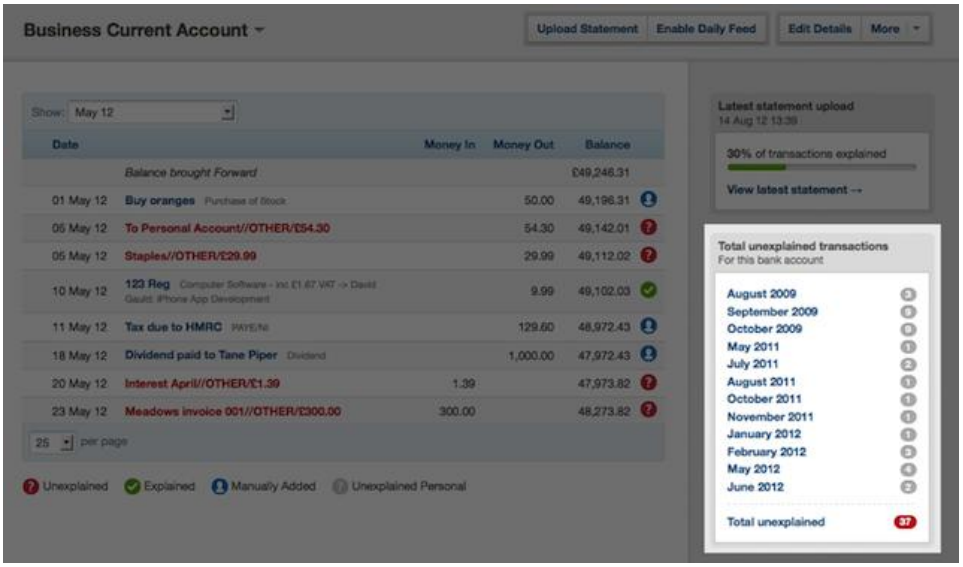


How to explain a transaction.

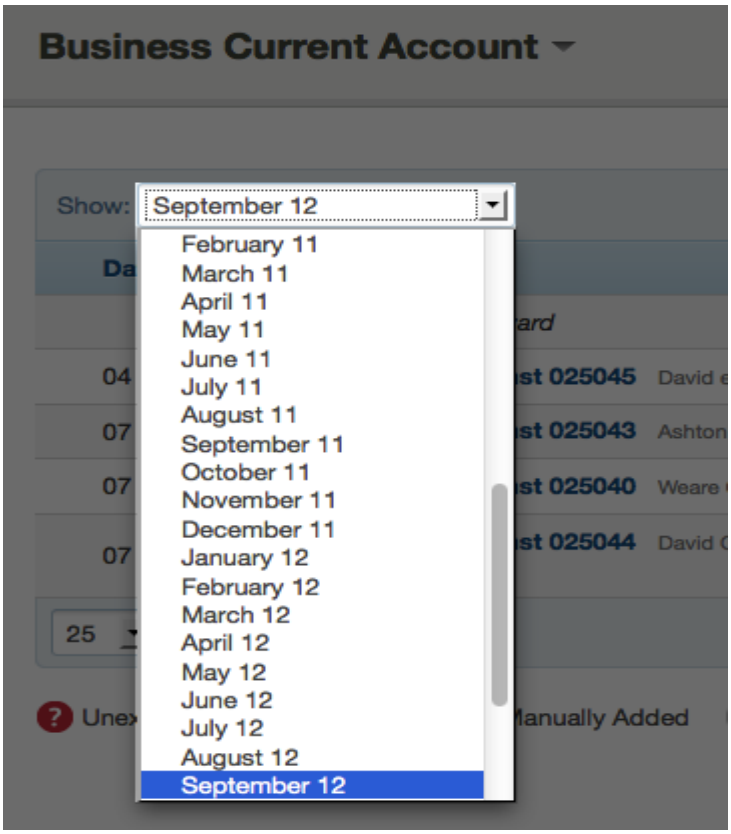
Go to that bank account by choosing Banking and clicking on the bank account's name on the list under the graph.



Competex FreeAgent tells you when the oldest unexplained transactions happened. It's a good idea to explain transactions in chronological order if you can.

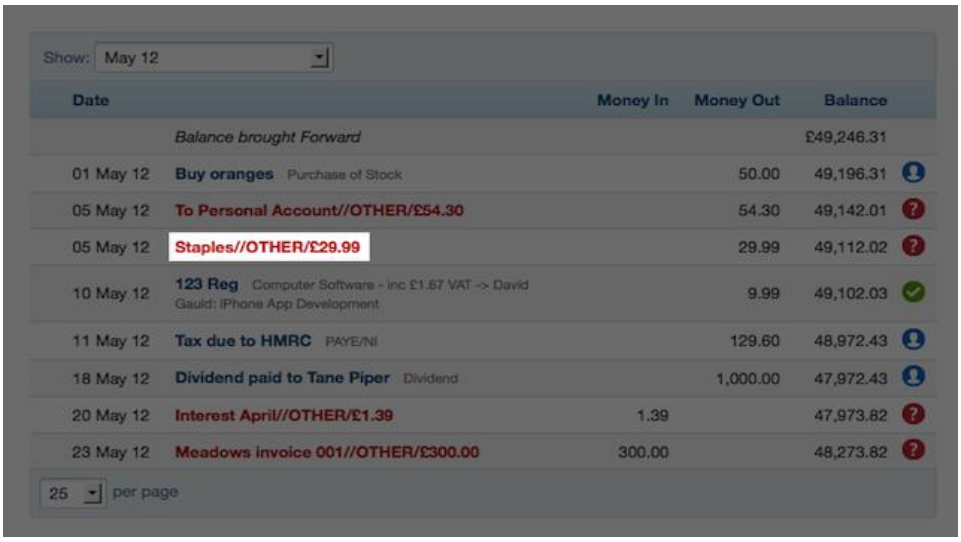


Go to the month with unexplained transactions.



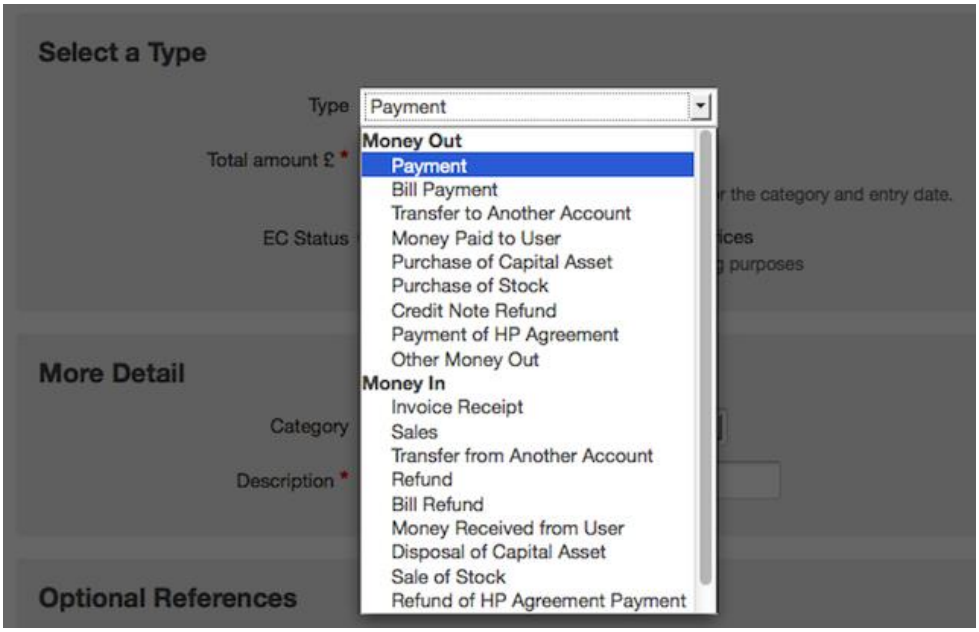
All the unexplained transactions are in red.

Click on a transaction to explain it.

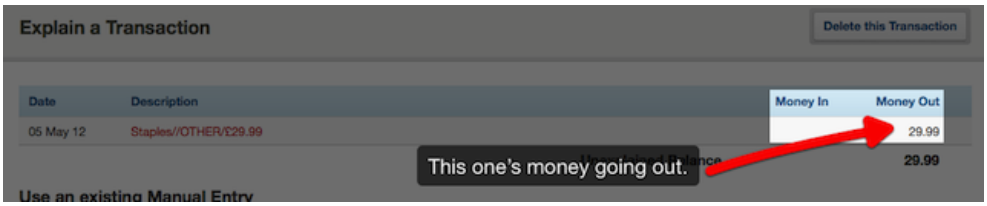


Transaction Type

The first field to choose is the Type. Choose from the types under Money In and Money Out.



If you've forgotten whether this transaction is money coming in or money going out, look at the top of the screen here, to see.

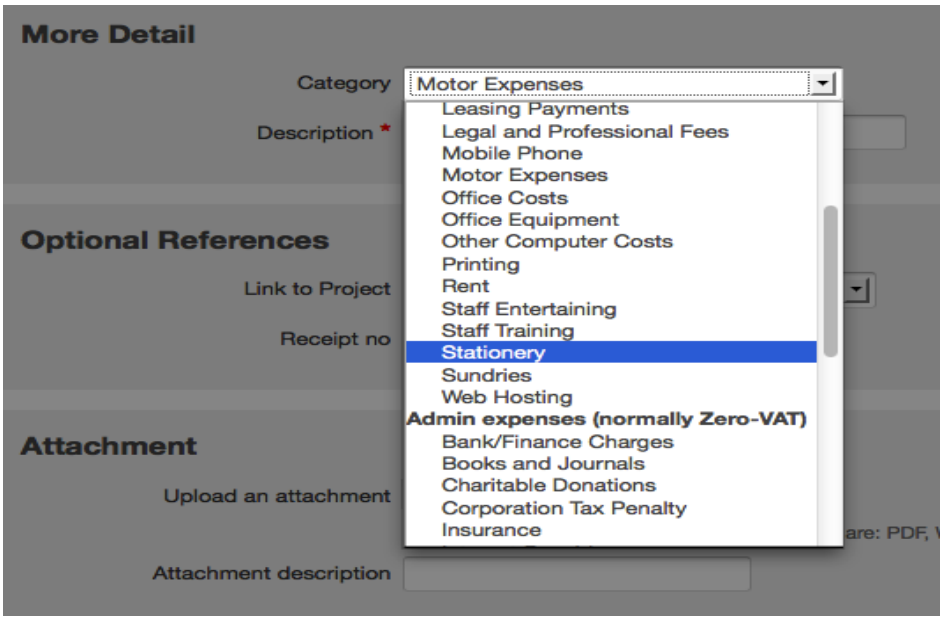


I'm going to put in a payment that's not for a bill that I've already entered into Competex FreeAgent, to buy some stationery at Staples. So for that I would use type Payment.

Competex FreeAgent will already have completed the date and the amount of the payment, from the upload. You may need to change the amount if you're splitting the transaction.

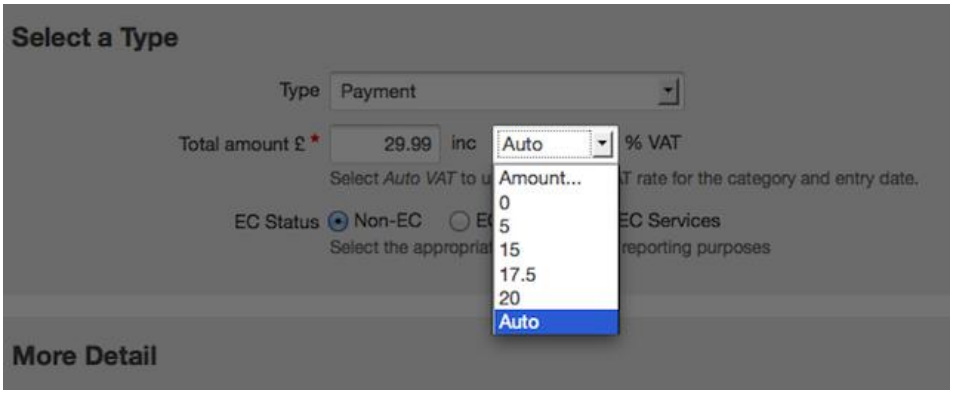
Category and VAT

Choose the category for the payment. Choose carefully and if you're registered for VAT, make sure that you choose a category in the right area, standard or zero VAT, if you want Competex FreeAgent to automatically calculate the VAT for you.



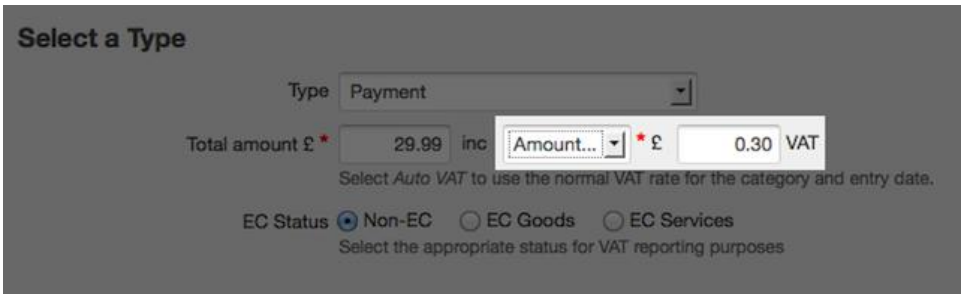
I'm going to choose Stationery, which is usually standard-rated for VAT.

If you need to put something in a category and manually alter the VAT, usually because you're not entitled to claim some input VAT on a particular transaction, look at the VAT drop-down menu.



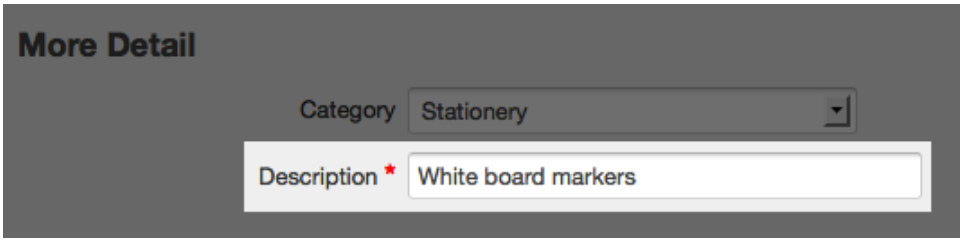
The default is that Competex FreeAgent automatically works out the VAT depending on what category you've chosen.

But you can set the VAT to any of the UK rates, or, if you need to enter the amount manually, choose Amount, and type the VAT into this new box here, which appears when you choose the Amount option from the VAT menu.

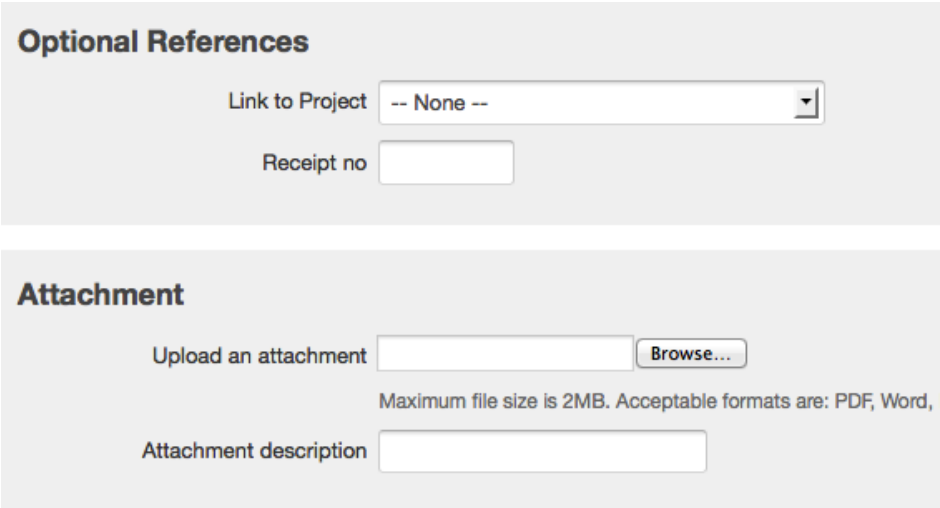


Description and image

Put in a description of what the payment was, like this. This is in case your accountant needs more notes, or your books are inspected by HMRC.

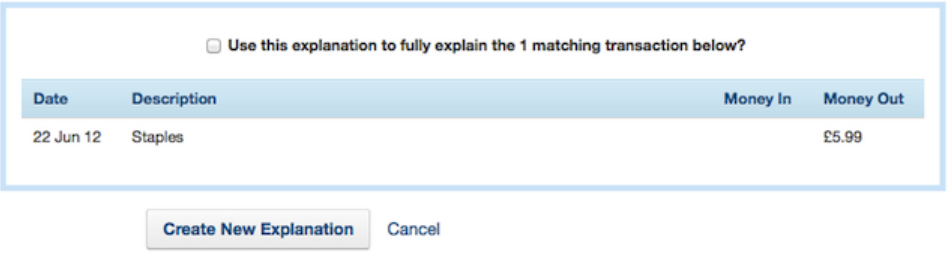


And if you want to, you can upload a scanned image of the receipt, and enter a receipt number, and, if it's a payment, re-bill the payment to a client as part of a project.



Other similar transactions

At the bottom of the screen, Competex FreeAgent has identified other unexplained, future transactions which have the same reference on the bank statement as this one. If you want to explain all these transactions the same way as you have this one, using the same type and category, you can tick this box here.



Click Create New Explanation.

You now need to work through all your transactions explaining them.

If you discover that you've explained a transaction incorrectly - simply click on it from the list under that account in Banking and edit it there.

Which bank statement formats are supported?

Competex FreeAgent uses electronic statement data to help you track money in and out of your business. It accepts electronic statements in one of three formats:

- **OFX** (Open Financial Exchange)
- **QIF** (Quicken Interchange Format), which is an older format
- **CSV** (Comma-Separated Variable), for some other banks that don't support OFX or QIF.

You might see OFX referred to as Quickbooks, Microsoft Money 2005 or Sage Line 50. QIF is sometimes called Quicken 98 or 2000, or Microsoft Money 2003.

The UK banks that support OFX or QIF formats are:

- Abbey (QIF, but not Abbey Business)
- Alliance and Leicester (OFX and QIF)
- American Express (OFX and QIF)
- Barclays (OFX)
- Cater Allen Private Bank (OFX)
- Clydesdale (QIF)
- Coutts & Co (OFX and QIF)
- First Direct (QIF)
- Halifax (OFX and QIF)
- HSBC (QIF)
- Lloyds (QIF)
- NatWest (OFX)
- Nationwide (OFX - full statement)
- Royal Bank of Scotland (OFX and QIF)
- Tesco (OFX and QIF)
- Yorkshire (QIF)

Banks only allowing CSV downloads that are supported are:

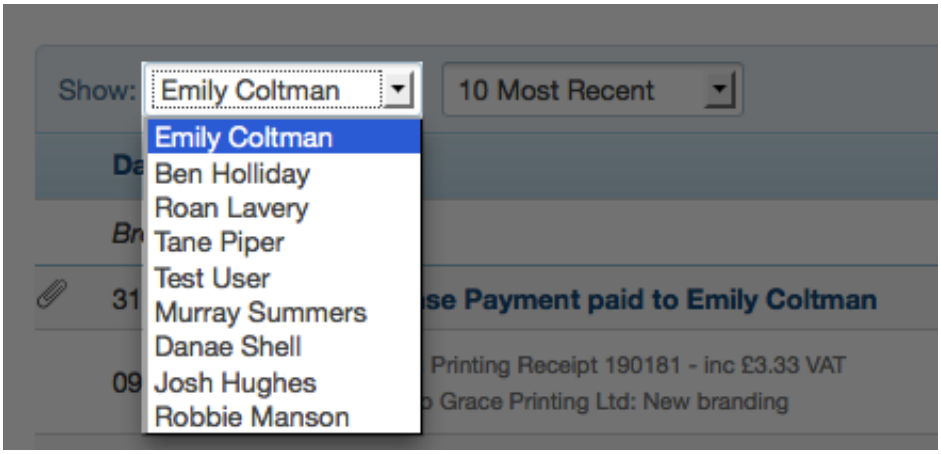
- Abbey Business
- Co-operative Bank (Business Banking only)
- HBOS
- Nordea
- Paypal Business

Record a repayment of expenses from the business to you

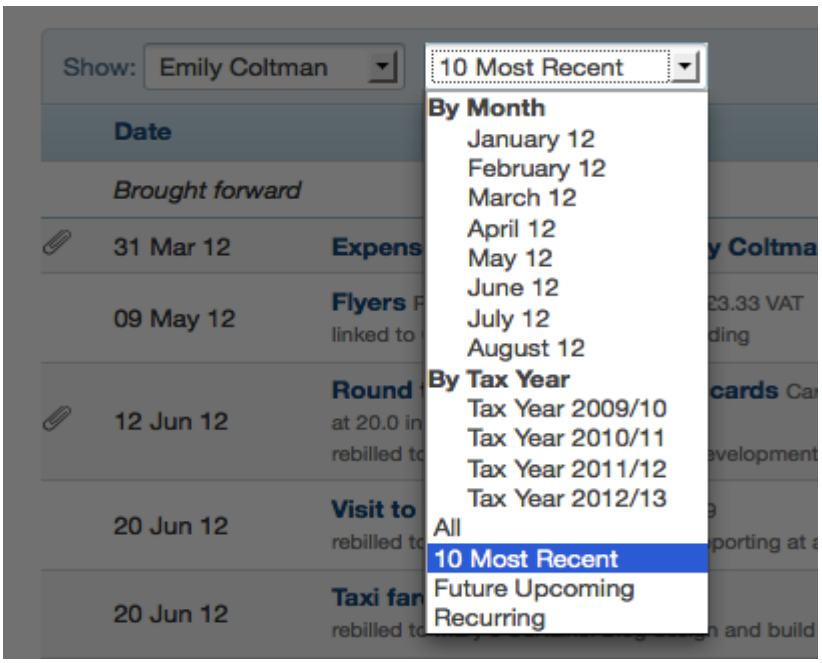
Here's how to record a payment from the business to a user, reimbursing expenses that the user has paid for personally, or mileage that he or she has travelled in his or her own car.

Identify the amount to pay

Once you've entered the expenses and mileage into Competex FreeAgent, you can check how much that user is owed by going to Expenses and choosing that user from the left-hand menu.



Make sure that you've got an up-to-date view selected, for example 10 Most Recent, and check the running balance. Remember that you won't see the running balance if you choose the "All" view.

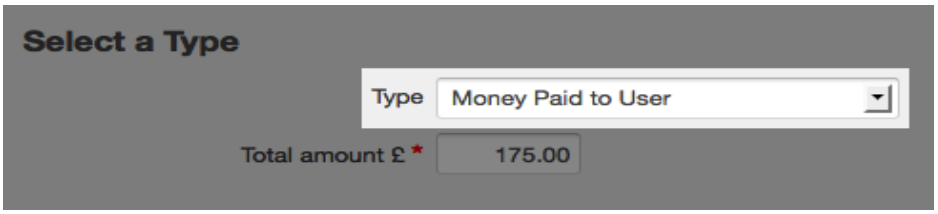


Once you have made the repayment you need to record that payment on Competex FreeAgent.

Enter a payment

Type

Upload your transactions, or enter them manually. But whichever method you choose, the payment type needs to be 'Money Paid to User'.

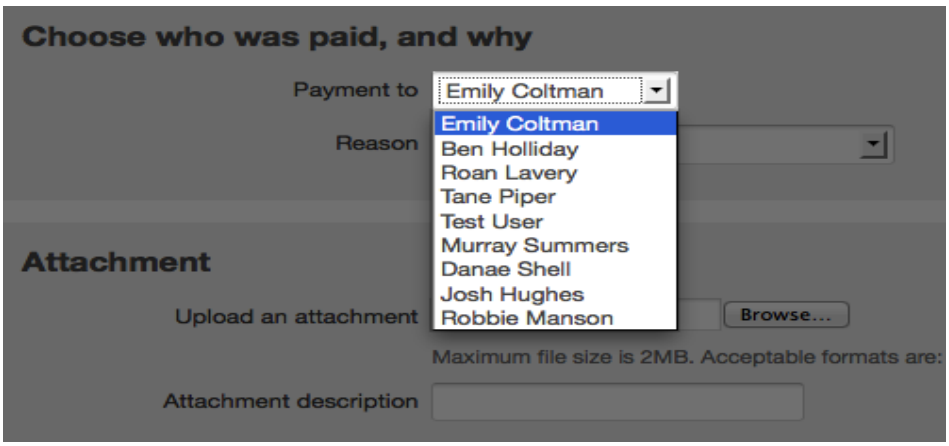


NB: Business bank account only

Make sure you're paying from a bank account that's ticked as a business account. You can't repay expenses from a personal bank account.

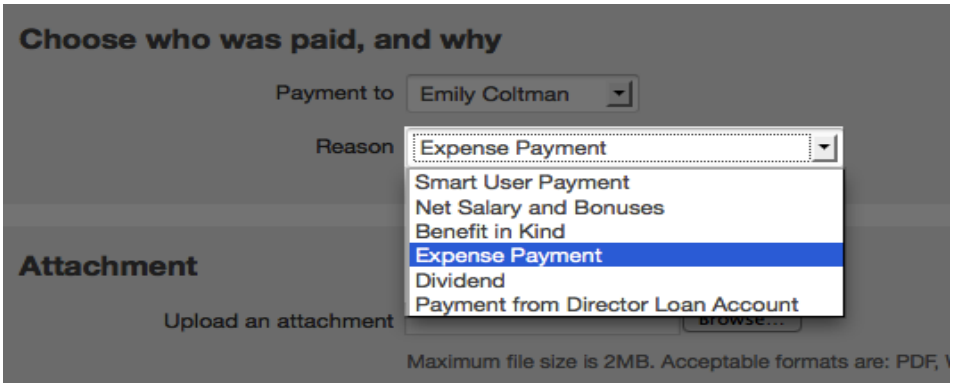
Payment to

Choose the correct user from the list (if applicable)



Reason

For the reason for the payment, choose 'Expense Payment'.



Once you've finished entering the payment, select 'Create and Finish' or 'Create and Add Another' if you've put this transaction in manually, or 'Create New Explanation' if you've uploaded it. Or select 'Cancel' if you want to start again.

Amount owed falls

Back under Expenses, you can see that the payment to you is showing on the screen and the running balance amount you are owed has gone down.

Split a bank transaction between two categories

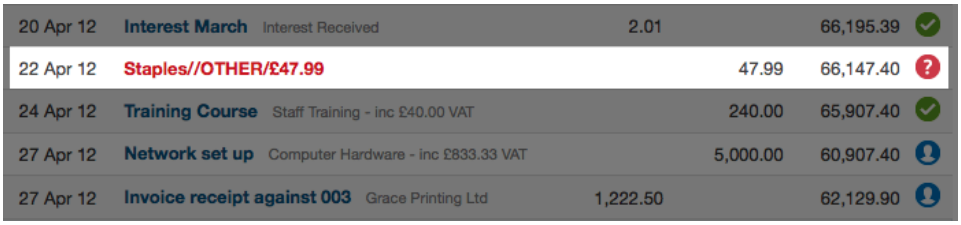
Here's how to break down a bank transaction that needs to go partly into one category and partly into another.

For example, you've bought some box files and a book of stamps all together in Staples.

The box files need to go in Stationery, and the stamps in Postage. It's particularly important to divide them up like this if you're registered for VAT, because stationery is standard-rated and postage is exempt.

How much for each category? Remember VAT

Before you begin explaining the transaction, you need to work out how much goes into each category. Let's say that of this payment of £47.99, £31 is for stationery and £16.99 for postage.



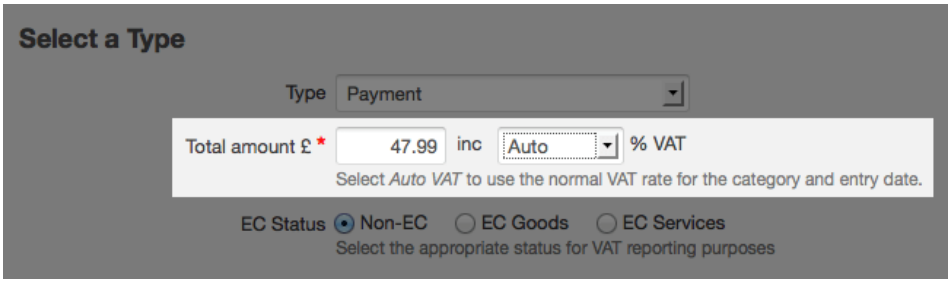
Remember to account for VAT when you work out the payment. If both the categories you'll be using have VAT on them, then you need to apportion the VAT between them. If only one category has VAT then all the VAT on the receipt would go into that category.

Start explaining the transaction just like you would normally do. Choose the type, in this case Payment.

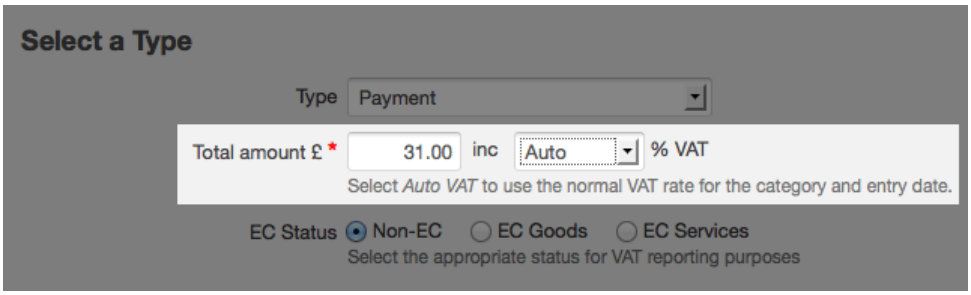
Change the amount

But when you get to the amount, overtype it with the amount you want to go into the first category. In this case I would overtype £47.99 with £31 because I'm going to put that into one category, stationery.

So change the amount from £47.99...



...to £31.

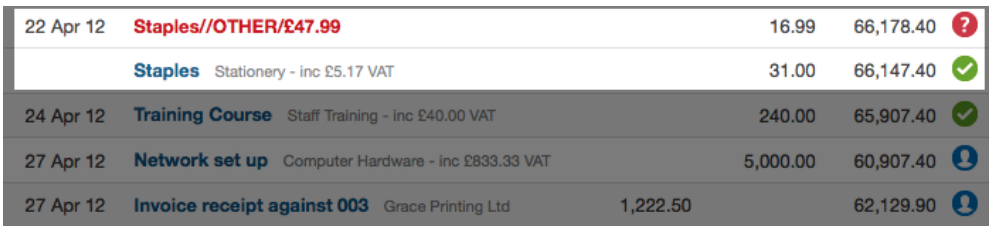


I'll choose stationery from the list and put in a description as before...

...then click Create New Explanation.

Competex FreeAgent adds new transaction to explain

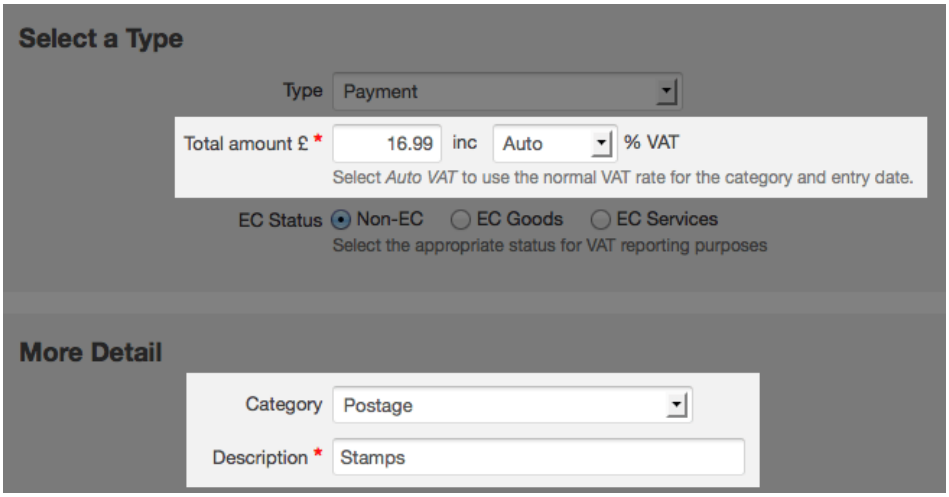
Back on the Banking screen for that account, you'll see that Competex FreeAgent has now put in a new unexplained Money Out transaction for £16.99.



That's because it has realised that the last payment was reduced and that more payment is needed to make the accounts agree with the bank statement.

So you now need to explain that transaction as postage.

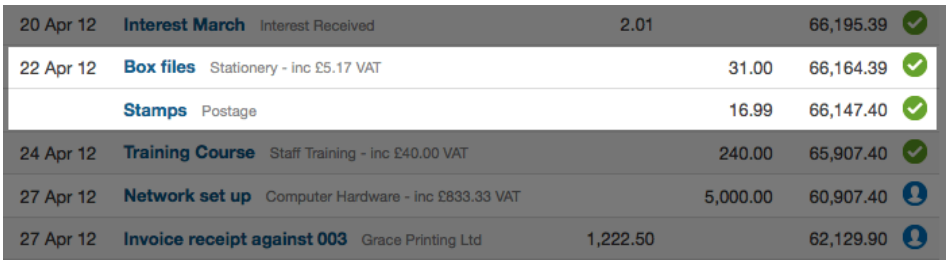
Once I've finished explaining this transaction, before I click the button to create the new explanation, this is how it will look.



But if I needed to divide the transaction into more than two categories, I'd simply change the amount of this payment too, and so on until the transaction was fully explained, split into its component categories.

I'll create this new transaction too.

This transaction now shows as fully explained over two lines.



20 Apr 12	Interest March	Interest Received	2.01		66,195.39
22 Apr 12	Box files	Stationery - inc £5.17 VAT		31.00	66,164.39
	Stamps	Postage		16.99	66,147.40
24 Apr 12	Training Course	Staff Training - inc £40.00 VAT		240.00	65,907.40
27 Apr 12	Network set up	Computer Hardware - inc £833.33 VAT		5,000.00	60,907.40
27 Apr 12	Invoice receipt against 003	Grace Printing Ltd	1,222.50		62,129.90

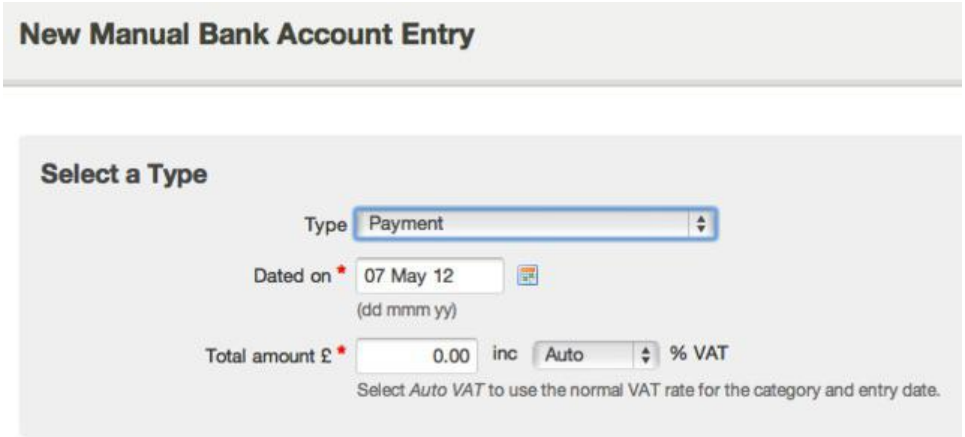
Types of payment and receipt for transactions

What some of the various types of payment and receipt in Competex FreeAgent mean, and when you might use them.

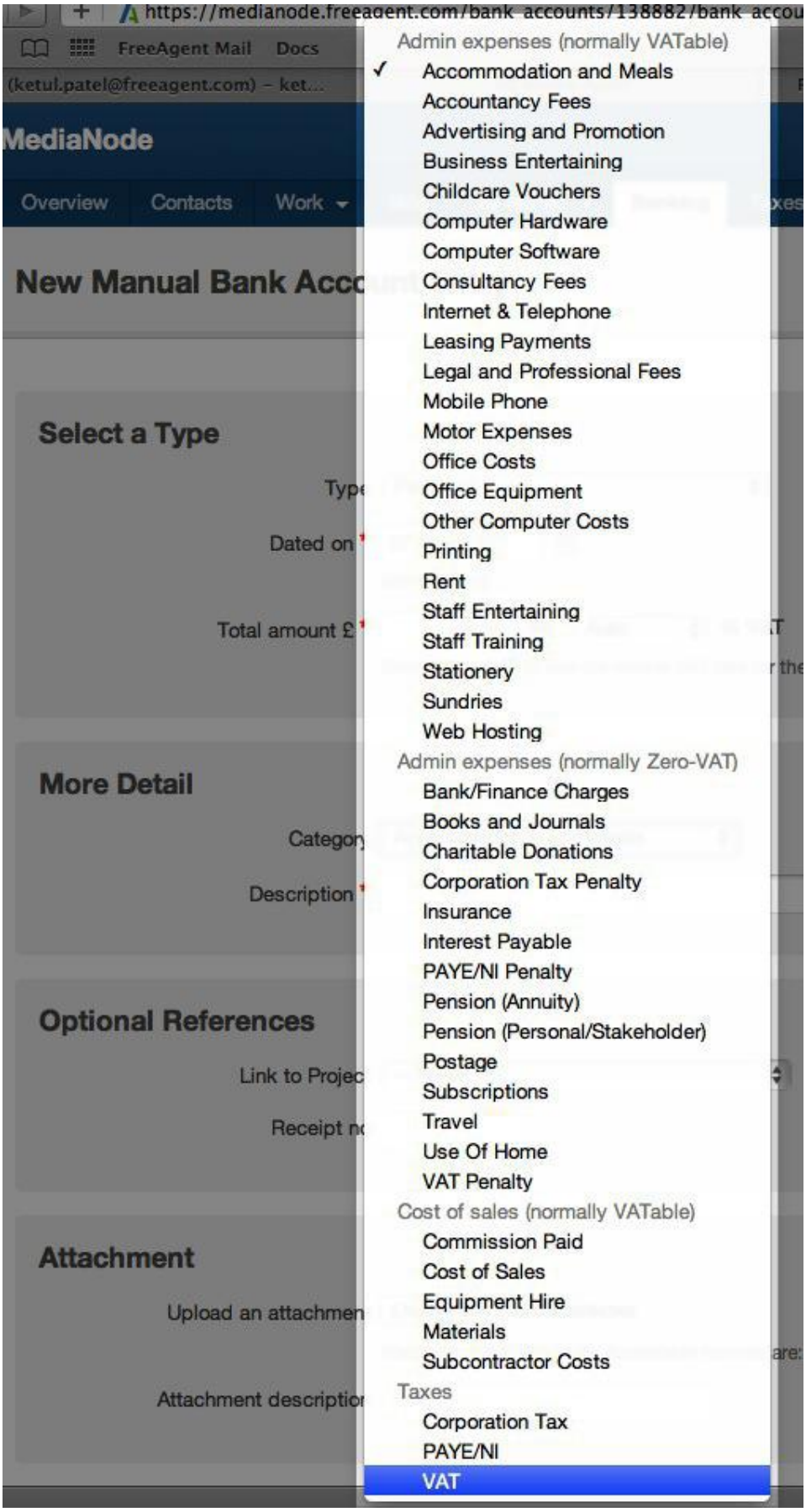
Payment

A Payment brings up a comprehensive list of categories, because it's for money spent that isn't paying off a bill you've entered into Competex FreeAgent, or money paid to the user. You'll find here not only admin expenses and cost of sales, but also payments of taxes such as VAT and PAYE.

Select type Payment...



...then choose your category from the list.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(ketul.patel@freeagent.com) – ket...
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Overview
Contacts
Work
New Manual Bank Acc
Select a Type
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Dated on
Total amount £
More Detail
Categor
Description
Optional References
Link to Projec
Receipt n
Attachment
Upload an attachmen
Attachment descriptio
Admin expenses (normally VATable)
Accommodation and Meals
Accountancy Fees
Advertising and Promotion
Business Entertaining
Childcare Vouchers
Computer Hardware
Computer Software
Consultancy Fees
Internet & Telephone
Leasing Payments
Legal and Professional Fees
Mobile Phone
Motor Expenses
Office Costs
Office Equipment
Other Computer Costs
Printing
Rent
Staff Entertaining
Staff Training
Stationery
Sundries
Web Hosting
Admin expenses (normally Zero-VAT)
Bank/Finance Charges
Books and Journals
Charitable Donations
Corporation Tax Penalty
Insurance
Interest Payable
PAYE/NI Penalty
Pension (Annuity)
Pension (Personal/Stakeholder)
Postage
Subscriptions
Travel
Use Of Home
VAT Penalty
Cost of sales (normally VATable)
Commission Paid
Cost of Sales
Equipment Hire
Materials
Subcontractor Costs
Taxes
Corporation Tax
PAYE/NI
VAT

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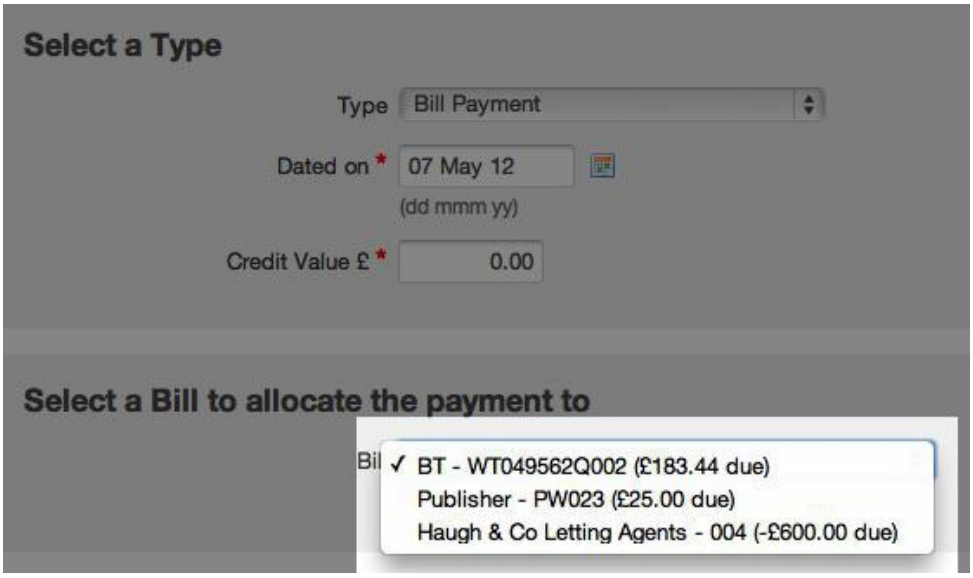
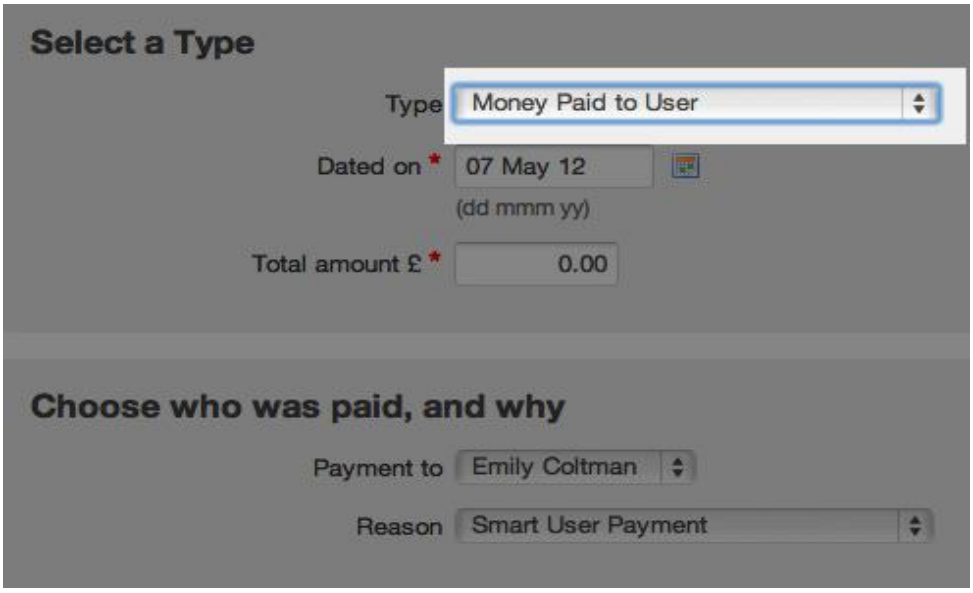
Bill Payment

A Bill Payment is what you'd use t pay off a bill that's already been entered into Competex FreeAgent. You'd then need to choose the bill in question from Competex FreeAgent's list of open, unpaid bills. You won't see the Bill Payment type if you have no open, unpaid bills entered into Competex FreeAgent.



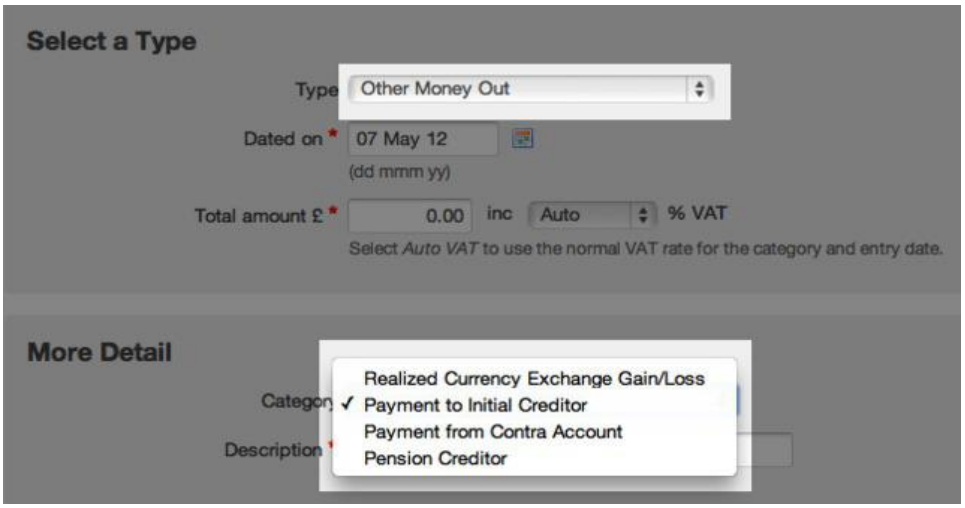
Money Paid to User

Money Paid to User is money paid to an employee, director, sole trader, partner or anyone else who's been set up as a user in Competex FreeAgent.



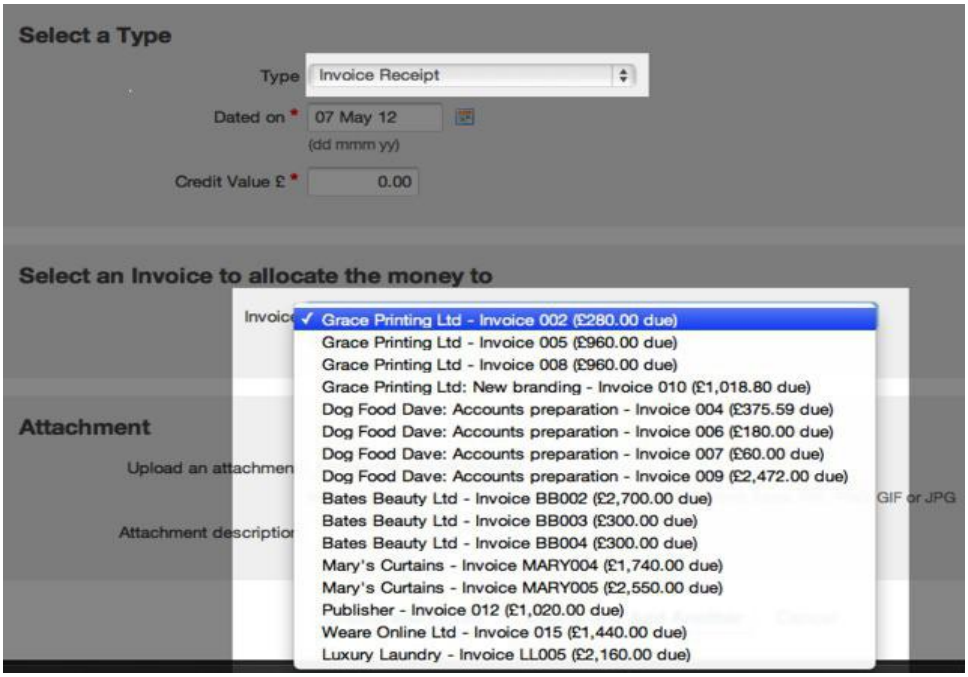
Other Money Out

Other Money Out is where you find, in particular, money paid to a supplier who you owed money to as at your Competex FreeAgent start date. This kind of money owed is also called Trade Creditors, so for this you'd use category Payment to Initial Creditor.



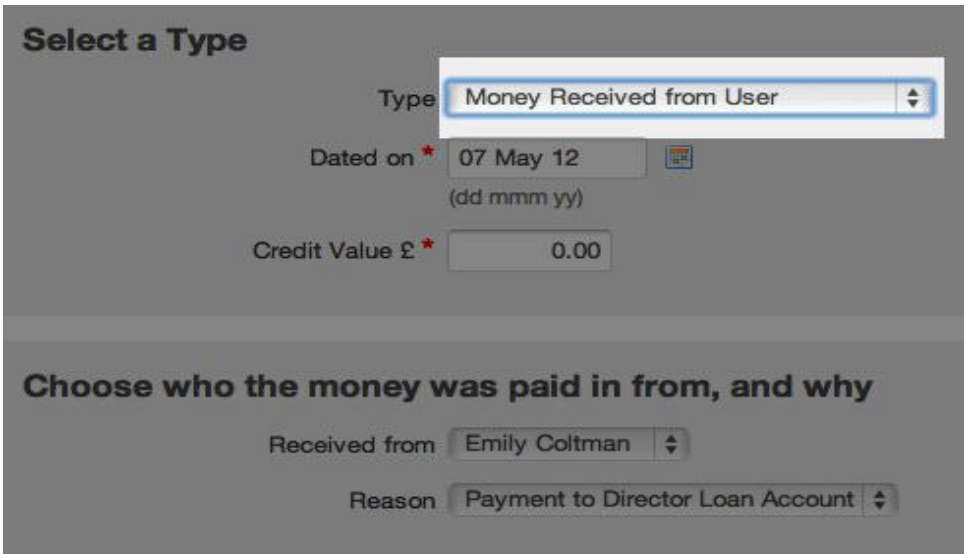
Invoice Receipt

An invoice receipt is money coming in against an invoice that you've entered into Competex FreeAgent and sent to one of your customers. You'd then need to choose the invoice in question from Competex FreeAgent's list of open, unpaid invoices.



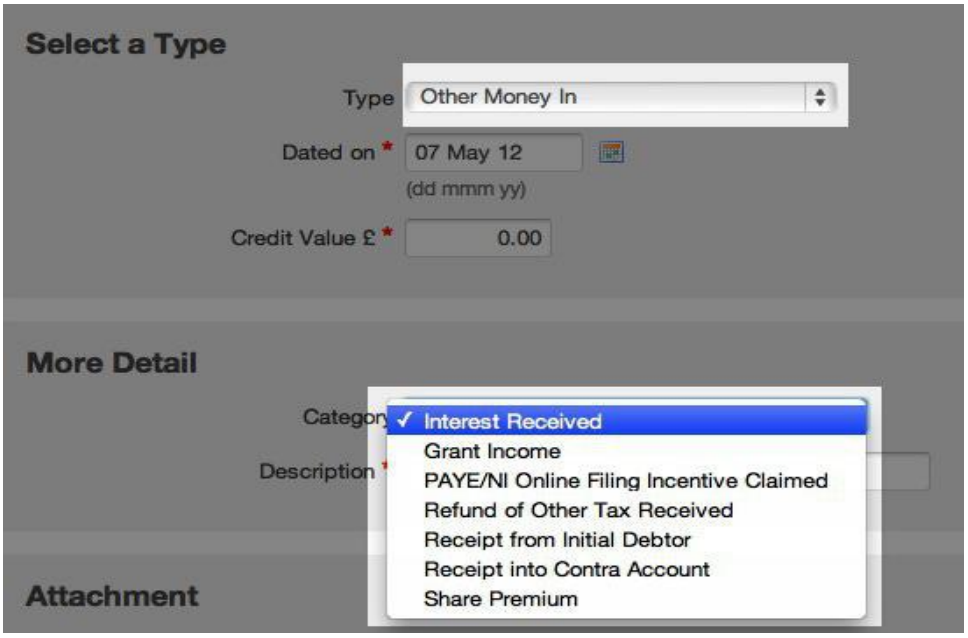
Money Received from User

Money Received from User is money that an employee, director, sole trader, partner or anyone else who's been set up as a user in Competex FreeAgent has paid in.



Other Money In

Other Money In is where you find the category for bank interest received.



Other Money In is also where you find money received from a customer who owed you money as at your Competex FreeAgent start date. This kind of money owed to you is also called Trade Debtors, so for this you'd use category Receipt from Initial Debtor.

Net off a bill and bill credit note

If you receive a bill credit note from one of your suppliers, so that you don't have to pay all or part of a bill you've already received from them, you'll want to show both the bill and the bill credit note as settled in Competex FreeAgent.

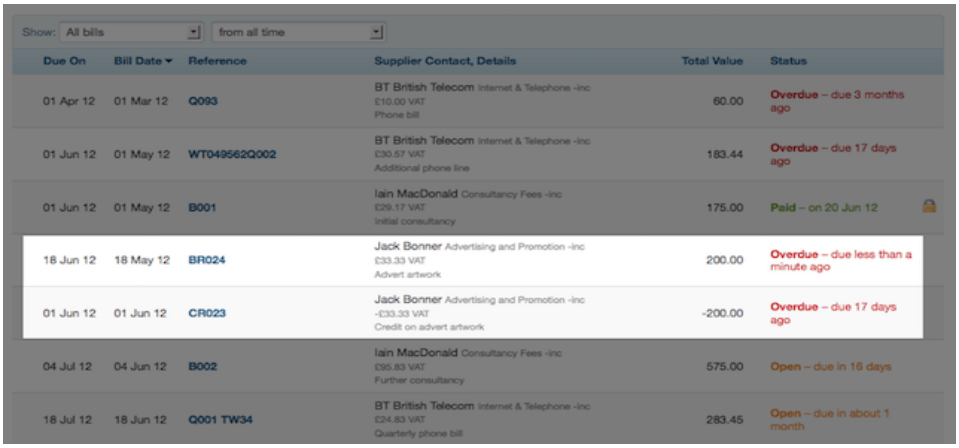
But there's no "netting off" mechanism as such.

Instead, you need to enter a dummy payment against the bill and a dummy receipt against the bill credit note.

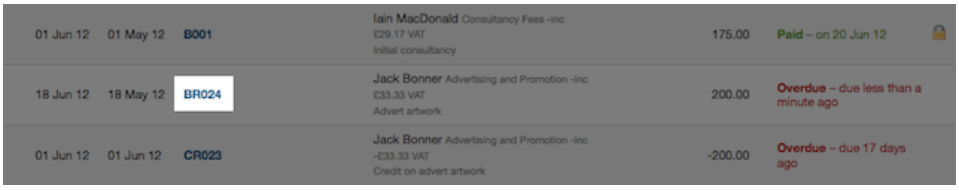
Here's how to do that.

1. Dummy payment for the bill

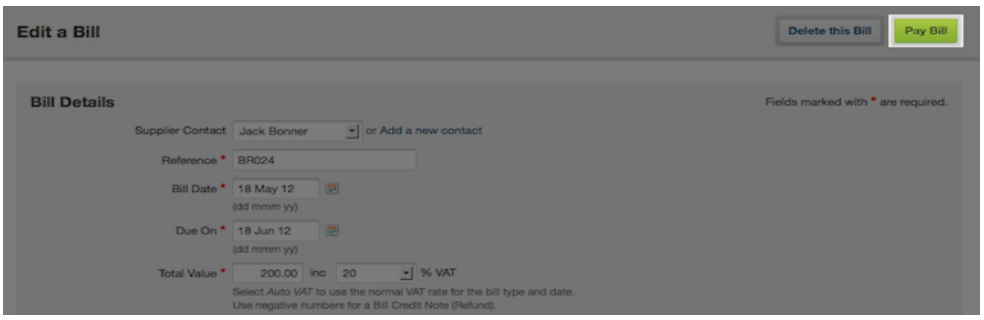
On the list of bills here, you can see a bill for £200 including VAT, and a bill credit note for the same amount. The bill credit note cancels out the bill.



Click on the bill to go to it...

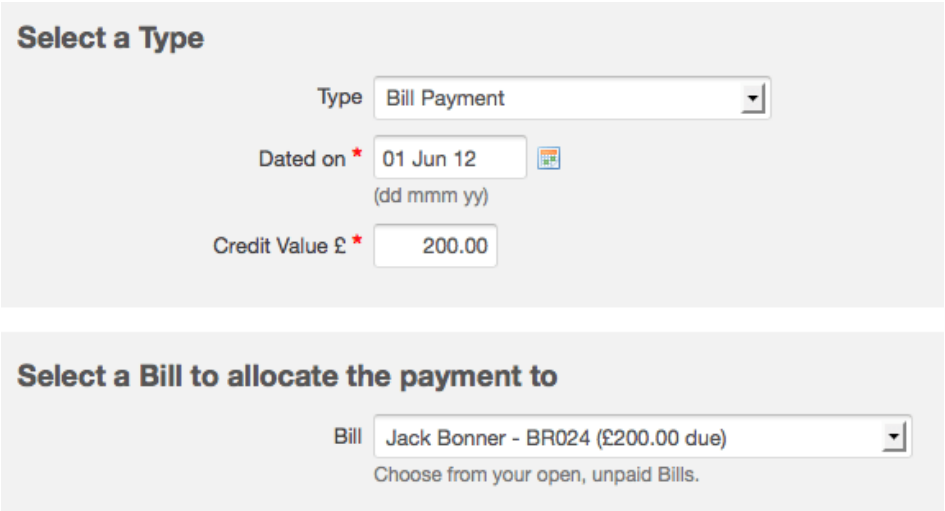


...and click the Pay Bill button.



Enter a manual bill payment, settling the bill in full, as at the bill credit note's date, because this is likely to be the date on which you want the net off to show.

Click Create and Add Another, to add another transaction.

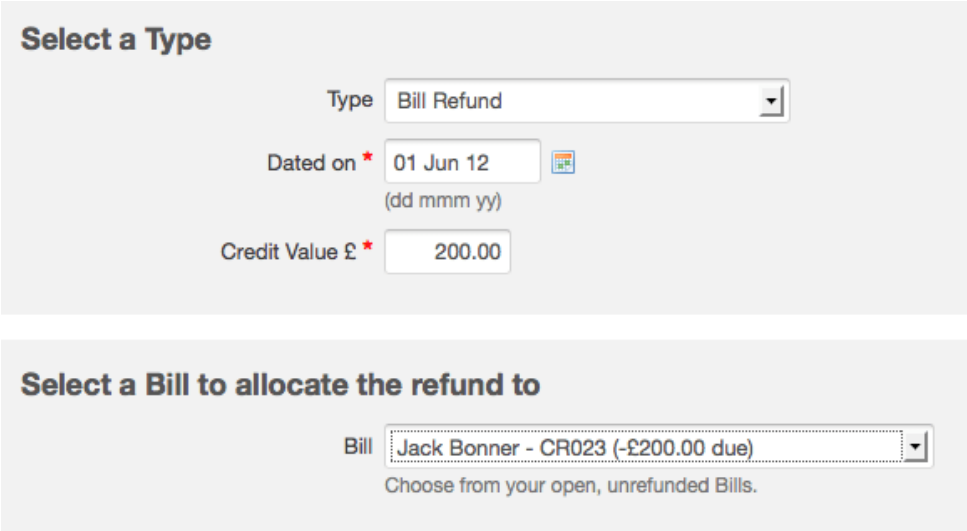


2. Dummy refund for the bill credit note

Enter a Bill Refund (which you'll find on the Type list under Money In) against the credit note, dated the same day as the manual bill payment.

Make sure you pick the correct bill credit note from the drop-down list.

Create this entry.



Opposite entries match up

Once you've done this, both the bill and the bill credit note will show as settled, the bill as paid and the bill credit note as refunded, on the Bills screen.

Due On	Bill Date	Reference	Supplier Contact, Details	Total Value	Status
01 Apr 12	01 Mar 12	Q093	BT British Telecom Internet & Telephone -inc £10.00 VAT Phone bill	60.00	Overdue – due 3 months ago
01 Jun 12	01 May 12	WT049562Q002	BT British Telecom Internet & Telephone -inc £30.57 VAT Additional phone line	183.44	Overdue – due 17 days ago
01 Jun 12	01 May 12	B001	Iain MacDonald Consultancy Fees -inc £29.17 VAT Initial consultancy	175.00	Paid – on 20 Jun 12
18 Jun 12	18 May 12	BR024	Jack Bonner Advertising and Promotion -inc £33.33 VAT Advert artwork	200.00	Paid – on 01 Jun 12
01 Jun 12	01 Jun 12	CR023	Jack Bonner Advertising and Promotion -inc -£33.33 VAT Credit on advert artwork	-200.00	Refunded – on 01 Jun 12
04 Jul 12	04 Jun 12	B002	Iain MacDonald Consultancy Fees -inc £95.83 VAT Further consultancy	575.00	Open – due in 16 days
18 Jul 12	18 Jun 12	Q001 TW34	BT British Telecom Internet & Telephone -inc £24.83 VAT Quarterly phone bill	283.45	Open – due in about 1 month

And if you then go to the Banking screen and click on your primary account, you'll see a receipt and a payment for the same amount, cancelling each other out.

Show: June 12

Date		Money In	Money Out	Balance
	Balance brought Forward			£8,605.79
01 Jun 12	Bill payment against BR024 (Jack Bonner) Advertising and Promotion		200.00	8,405.79
01 Jun 12	Bill refund against CR023 (Jack Bonner) Advertising and Promotion	200.00		8,605.79
02 Jun 12	Interest May//OTHER/£1.80	1.80		8,607.59
10 Jun 12	Invoice//OTHER/£100.00	100.00		8,707.59
12 Jun 12	Sales//OTHER/£1,200.00	1,200.00		9,907.59
13 Jun 12	godaddy.com//OTHER/£54.99		54.99	9,852.60
20 Jun 12	BT//OTHER/£183.44		183.44	9,669.16
20 Jun 12	Iain MacDonald//OTHER/£750.00		575.00	9,094.16
	Bill payment against B001 (Iain MacDonald) Consultancy Fees		175.00	8,919.16

Bill credit notes that don't clear the bill in full:

If the bill credit note only settles part of the bill, then follow the same steps, but when you enter the bill payment, only enter the amount that's covered by the bill credit note. This is so that the payment and refund in the bank account are the same. The bill will show as due but it will have a lock beside its name to show that a payment has been entered against it.

Due On	Bill Date	Reference	Supplier Contact, Details	Total Value	Status
01 Apr 12	01 Mar 12	Q093	BT British Telecom Internet & Telephone -inc £10.00 VAT Phone bill	60.00	Overdue – due 3 months ago
01 Jun 12	01 May 12	WT049562Q002	BT British Telecom Internet & Telephone -inc £30.57 VAT Additional phone line	183.44	Overdue – due 17 days ago
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18 Jun 12	18 May 12	BR024	Jack Bonner Advertising and Promotion -inc £33.33 VAT Advert artwork	200.00	Overdue – due less than a minute ago
01 Jun 12	01 Jun 12	CR023	Jack Bonner Advertising and Promotion -inc -£25.00 VAT Credit on advert artwork	-150.00	Refunded – on 01 Jun 12
04 Jul 12	04 Jun 12	B002	Iain MacDonald Consultancy Fees -inc £95.83 VAT Further consultancy	575.00	Open – due in 16 days
18 Jul 12	18 Jun 12	Q001 TW34	BT British Telecom Internet & Telephone -inc £24.83 VAT Quarterly phone bill	283.45	Open – due in about 1 month

Fixed or Capital Assets

These can be equipment, computers, or anything else that has quite a high cost and is going to be used in your business for more than a year.

It's important to put these items into the correct category in Competex FreeAgent because they're treated differently from day-to-day business running expenses and small consumable items for tax purposes.

The cost price at which an item becomes a capital asset rather than a consumable item hasn't been set by HM Revenue. It would depend on your business's size. For example, a £100 computer might be a capital asset in a very small business but would probably be a consumable item in a big blue chip company. However, items like batteries, cables and memory sticks would almost always be consumables.

Competex Ltd normally set £150 limit at which items become capital assets.

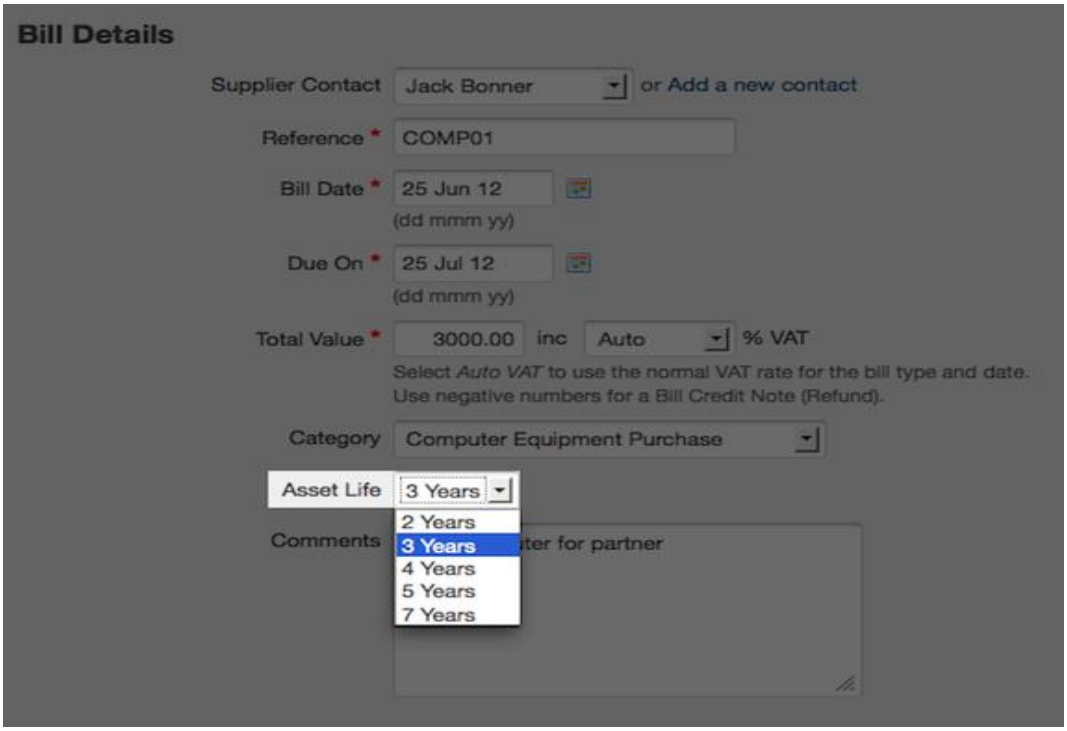
Useful life of a Fixed/Capital Asset

When your business buys a capital asset, it must spread the value of that asset over the time during which it's expected to be useful to the business. This is called its useful life.

Competex Ltd considers computer equipment to have a useful life of 2 years and office equipment of 4 years.

Enter a Fixed/Capital Asset into Competex FreeAgent

Whenever you categorise a bill, expense or payment as a capital asset purchase in Competex FreeAgent, you need to tell the system what the asset's useful life will be.



The spread of the value over the asset's useful life is called depreciation. Competex FreeAgent will work this out for you once you have put in the useful life. For example, for a computer that cost £900, with an asset life of 2 years, each year £450 will be deducted from its book value in the balance sheet and taken as a cost to the profit and loss account, because that's the amount of the value of the asset which will be used up that year. Competex FreeAgent posts all the depreciation entries for you.

File your VAT return online

How to file a VAT return to HM Revenue directly from your Competex FreeAgent account.

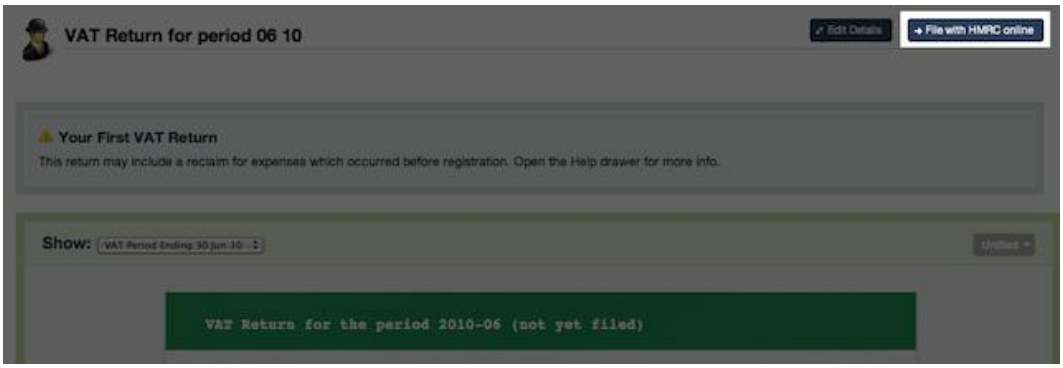
Before you file the return

You'll need to make sure you're registered with HM Revenue to file VAT returns online.

Do also spend some time checking and double-checking the figures on your Competex FreeAgent VAT return. Don't worry if you do discover a mistake after the return is filed, though.

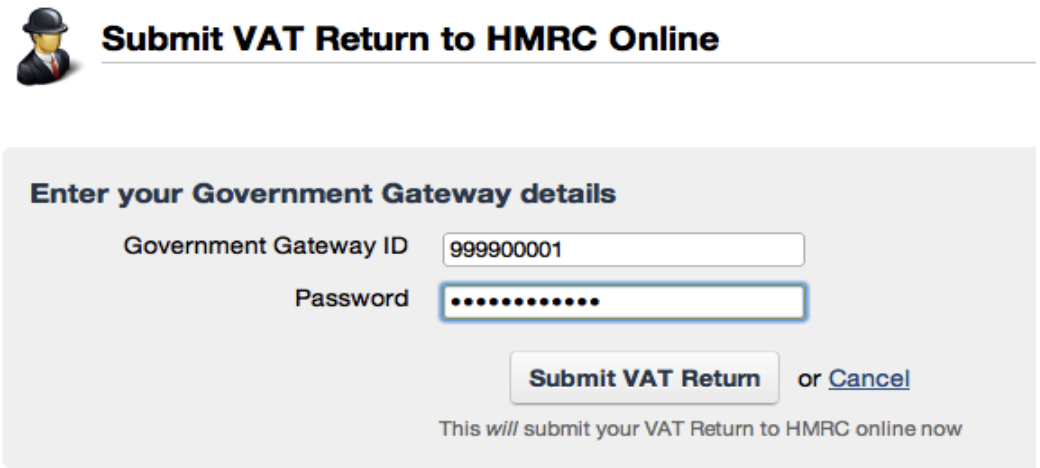
When you are confident the return is correct:

Click the File online with HMRC Online button.



Enter your Government Gateway ID and password. HM Revenue will have provided you with the ID shortly after you registered, and you'll have chosen the password as you registered with them to file your VAT returns online. The password will be between 8 and 12 characters long.

Then click the Submit VAT Return button.



Competex FreeAgent will submit your return to HM Revenue, and tell you whether it was accepted or rejected.

If you find you have filed a return with incorrect figures:

Once you've filed a return with HM Revenue, you can't change it.

Competex FreeAgent does have a way of letting you put corrections into your next VAT return.

Corrections in a VAT locked period

Only certain transactions can be edited in a VAT locked period, namely, bills and bill credit notes, bank payments, and expenses.

Invoices cannot be edited once a VAT return has been locked.

How edited transactions will be dealt with for VAT

If you edit a transaction in a locked period, Competex FreeAgent will preserve your existing locked VAT return intact, and make any necessary changes on your next unlocked VAT return.

That's how HM Revenue expect VAT errors to be corrected.

How to make the corrections

Edit your bills, bank payments and expenses as you would do to correct any other errors.

Competex FreeAgent will then make those changes on your next unlocked VAT return.

Dividends

It's important to remember, if you're employed by a company, that the money the company earns doesn't all belong to you personally. That applies even if you're the only director and only shareholder in the company.

The money the company receives in sales revenue belongs to the company, and there are only three ways you can take money out of the company.

One is for it to pay you a salary for the work you do as an employee or director. The second is for it to pay you a dividend on the shares that you own in the company. And the third way is for it to pay you back money that it owes to you.

There are no other legitimate ways for the company to pay you money.

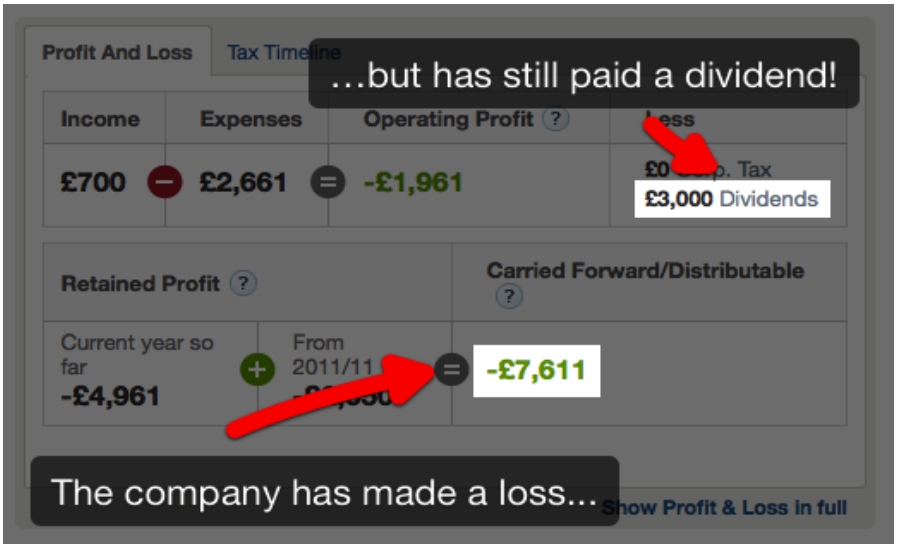
And it's illegal for your company to pay out more in dividends than it has available as profit for this year or profit held over from a previous year.

Also, dividends count as part of your income for personal tax - so if you pay yourself enough dividends that your year's income goes over the level of the higher rate tax band, you'll personally have more tax to pay.

It is not necessarily possible for the company to pay a dividend because it has cash in the bank.

Profit is not the same as cash in the bank. There are non-cash items which may affect your profit, such as depreciation of fixed assets. So before you pay a dividend, make sure that you check your profit and loss account in Competex FreeAgent to see that you have enough profit available after tax. This will be the "Carried Forward / Distributable" figure. You can also find this in the mini profit and loss account on the Overview screen.

In the illustration below, you can see this company has paid illegal dividends, because the dividends are higher than the operating profit figure.



Remember that dividends come after corporation tax on the profit and loss account, so when you pay dividends, you have to allow for corporation tax to come first!

You may talk to your accountant about how much the company can pay out as a dividend.

What must I do when I want the company to pay me a dividend?

Whenever a company plans to pay a dividend, it must check its profits to make sure it has enough to cover the dividend, then have a meeting of the directors and produce board minutes and vouchers. The minutes must be produced even if the company has only one director. But don't worry about them, because every time you record a dividend on Competex FreeAgent, it will generate the minutes and vouchers for you.

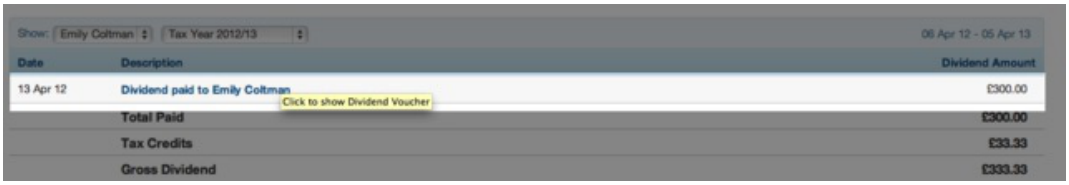
Dividend vouchers

Whenever you post a dividend, either as a payment from the bank account or as a journal, Competex FreeAgent will create a dividend voucher and board minutes. The company must, by law, have a meeting of the board of directors, check that there is sufficient profit in the company to allow for the dividend, and produce this paperwork, every time it declares a dividend, on a timely basis. This applies even if one person is the sole director and sole shareholder of a company. Competex Ltd have previously done this on your behalf and posted them to you.

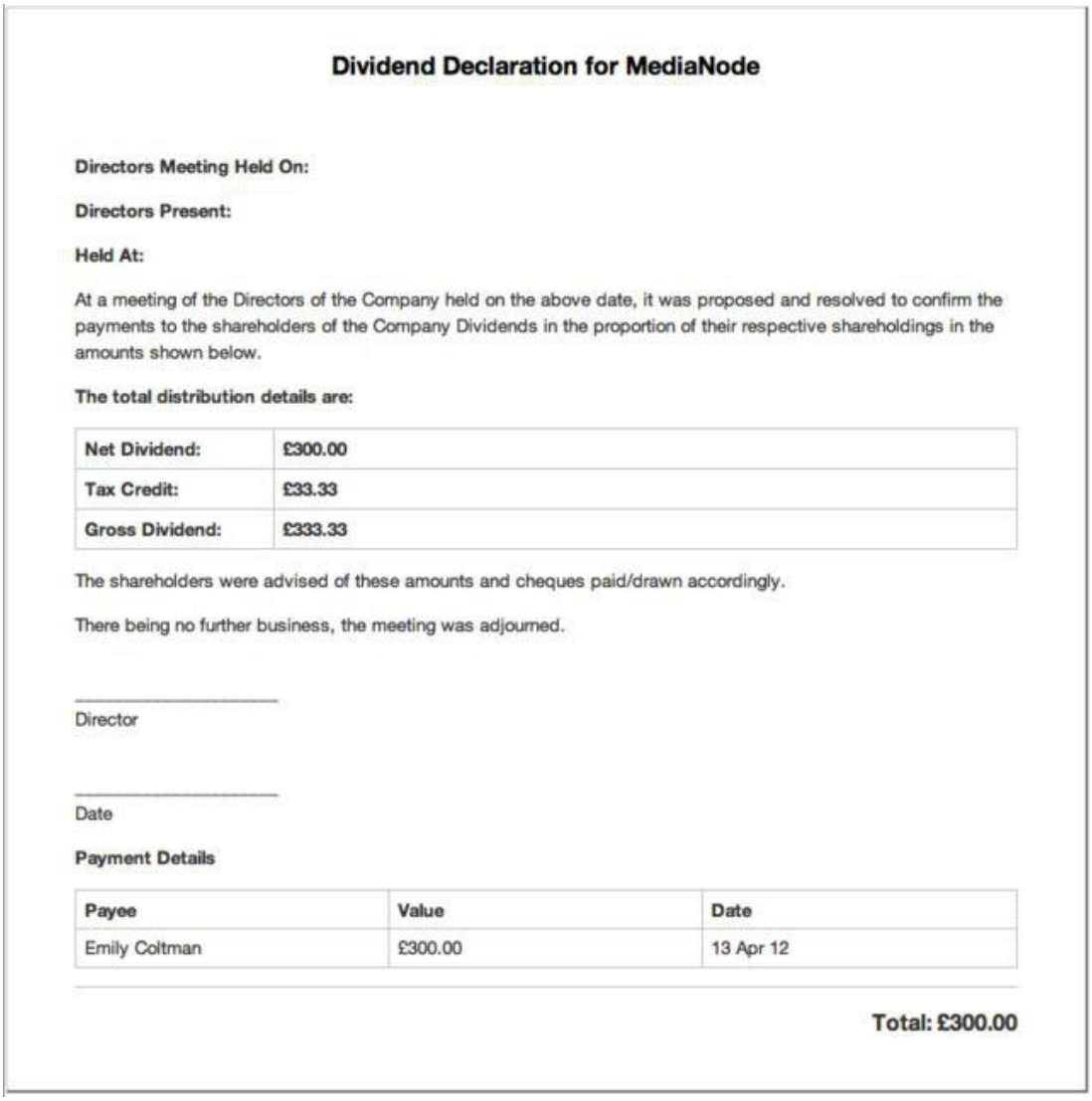
Once the voucher and board minutes have been created, you need to print them, fill in the gaps in the minutes which you'll see below, and have them signed by the chairman, and keep them safely.

To look at a dividend voucher in Competex FreeAgent, from the My Money menu, choose Dividends.

Click on any of the transactions you see there.



The board minutes and voucher appear.



Dividend Declaration for MediaNode

Directors Meeting Held On:

Directors Present:

Held At:

At a meeting of the Directors of the Company held on the above date, it was proposed and resolved to confirm the payments to the shareholders of the Company Dividends in the proportion of their respective shareholdings in the amounts shown below.

The total distribution details are:

Net Dividend:	**£300.00**
Tax Credit:	**£33.33**
Gross Dividend:	**£333.33**

The shareholders were advised of these amounts and cheques paid/drawn accordingly.

There being no further business, the meeting was adjourned.

_____
Director

_____
Date

Payment Details

Payee	Value	Date
Emily Coltman	£300.00	13 Apr 12

Total: £300.00

The minutes are at the top. There is, of course, information on these minutes that Competex FreeAgent could not know, such as the names of who was present at the board meeting when the dividend was declared. So you'll need to fill that in when you print the minutes out.

Dividend Declaration for MediaNode

Directors Meeting Held On:

Directors Present:

Held At:

The voucher is at the bottom. All dividends are declared net of a notional tax credit of 10%. The amount that's actually paid out is the net figure.

The total distribution details are:

Net Dividend:	**£300.00**
Tax Credit:	**£33.33**
Gross Dividend:	**£333.33**

The voucher is important because the gross dividend and the tax credit need to go on your personal tax return.

When you're ready to print and sign this paperwork, click Save as PDF.

Save the file to your computer. You can then print it using a PDF viewer such as Adobe Reader or Google Docs.