

Getting Started

First Some Basic Accounting Principles1

Double Entry System.....	1
Nominal Ledger	1
Profit & Loss Accounts.....	1
Balance Sheet Accounts.....	2
Control Accounts.....	2
Suspense Account.....	2
Subsidiary Ledgers.....	2

How Does this Hang Together?.....3

Customers.....	3
Suppliers.....	3
Banking.....	5
General.....	6

Setting Up A Company7

Step One – General.....	7
Step Two - Nominal Ledger Chart of Accounts.....	8
Step Three – Bank Accounts	8
Step Four – Customers & Suppliers.....	8
Step Five – Check Options	9
Step Six –Take On Nominal Ledger Balances	9
Step Seven – Start Processing.....	9

First Some Basic Accounting Principles

Double Entry System

This is a basic rule for any accounting system. It means that for every credit entry you make, a corresponding debit entry must also be made. If you think of credits as negative values and debits as positive values then this would mean that if you added up all your entries the total would be zero. So for every debit value there must always be a corresponding credit value. This is referred to as "being in balance". A debit value is often represented as 10.00dr and a credit value as 10.00cr.

Nominal Ledger

This is your main ledger. It is the foundation of your company's accounts. It holds all your Income and Expense (Profit & Loss) accounts and your Balance Sheet accounts. The accounts in this ledger are often referred to as a chart of accounts. In Omni each account is allocated an account number. If you are creating your own chart of accounts you need to carefully plan this chart of accounts. It is better if the account numbers are grouped together into Profit & Loss Accounts and Balance Sheets Accounts ranges. Omni comes with a selection of pre-configured charts of accounts that we recommend that you use.

Profit & Loss Accounts

These accounts are all related to income (sales) and expenses. Printing a total of all the transactions posted to these accounts in a month will tell you if you have made a Net Profit or Loss for the month and printing them for the year will tell you your Profit/Loss for the year. Use the reports Income Statement and Profit & Loss to print these figures. In your Profit & Loss or Income Statement accounts your income values are always credits and your expense are always debits.

Balance Sheet Accounts

These accounts are all related to your company's assets and liabilities. Printing all these accounts results in a Balance Sheet report, which is something that usually is of interest to your bank manager. Balance Sheet accounts are divided into Current Assets, Fixed Assets, Current Liabilities, Long Term Liabilities and Capital. When you print a Balance Sheet, the total of your Profit & Loss accounts is included. Basically the Balance Sheet balances the total of your Assets less your Liabilities against your Capital plus Retained Income and Profit/Loss for the current year. In this way we say the Balance Sheet balances. In your Balance Sheet your Assets are debit amounts and your Liabilities & Capital are credit amounts.

Control Accounts

Some Balance Sheet accounts are defined as Omni Control Accounts. This means that they should not have entries posted to them directly as they reflect values in a subsidiary ledger. Good examples of Control Accounts are the Debtors and Creditors Control Accounts. These accounts should never be accessed directly but always through the subsidiary ledger.

Suspense Account

This is a Nominal Ledger account that is neither a Balance Sheet account nor a Profit & Loss Account. It is used mostly as a type of 'clearing account' when a contra entry needs to be posted and will be cleared by a later entry. The Suspense account should never have a permanent balance. If it does, then it will probably mean that your Balance Sheet will not balance. Suspense Accounts are mostly used when doing take-on balances. It is *not* a good idea to get into the habit of posting to this account because you don't know where else to put something.

Subsidiary Ledgers

Customers & Suppliers Ledgers

These ledgers contain a breakdown, by account, of the total values that are held in your Debtors (Customers) and Creditors (Suppliers) Balance Sheet Control Accounts. The value of the money owed to you by your Customers should always balance to the value sitting in your Debtors Control Account in your Nominal Ledger. The same thing applies to your Suppliers and your Creditors Control Account.

Bank Accounts (Cash Books)

Designating a Nominal Ledger Account as a Bank Account creates an Omni Bank Account. This Bank Account then has extra functionality available through the Omni Banking functions to facilitate Bank Reconciliations, setting up Recurring Entries such as debit orders etc.

How Does this Hang Together?

Customers

Invoicing your Customer

When you produce a sales invoice the following entries are created in the Nominal Ledger:

The exclusive amount is credited to your Income (sales) Account.

The vat amount is credited to the Vat Control Account (Balance Sheet).

The inclusive amount is debited to the Debtors Control Account (Balance Sheet)

Account	Dr	Cr
Sales		100.00
Vat Control		14.00
Debtors Control	114.00	

You can see that all these entries balance to zero.

The Customer's Account in the Customers Ledger is updated with a debit of the inclusive value of the invoice. This keeps this subsidiary ledger in sync with the Debtors Control Account.

Your Customer Pays You

When you process a receipt from your customer in the Bank Account (Cash Book) the following entries are created in the Nominal Ledger:

- The deposited amount is debited to your Bank Account.
- The deposited amount is credited to your Debtors Control Account.

Account	Dr	Cr
Bank	114.00	
Debtors Control		114.00

Once again, the entries balance.

The Customer's Account in the Customers Ledger is updated with a credit of the value of the receipt.

End Result

- The Income (sales) Account reflects the value of the sale excluding Vat.
- The Bank Account reflects the value of the deposit.
- The Vat Control account reflects the Vat value you owe the Government.

Account	Dr	Cr
Bank	114.00	
Debtors Control		0.00
Sales		100.00
Vat Control		14.00

Suppliers

Purchasing from a Supplier

When you receive the invoice from a Supplier and enter it against the Supplier's Account in the Supplier's Ledger the following entries are created in the Nominal Ledger:

- The exclusive amount is debited to your Purchase (expense) Account.

- The vat amount is debited to the Vat Control Account (Balance Sheet).
- The inclusive amount is credited to the Creditors Control Account.

Account	Dr	Cr
Purchases	50.00	
Vat Control	7.00	
Creditors Control		57.00

You can see that all these entries balance to zero.

The Supplier's Account in the Suppliers Ledger is updated with a credit of the inclusive value of the invoice. This keeps this subsidiary ledger in sync with the Creditors Control Account.

You Pay your Supplier

When you process a payment to a supplier in the Bank Account (Cash Book) the following entries are created in the Nominal Ledger:

- The payment amount is credited to your Bank Account.
- The payment amount is debited to your Creditors Control Account.

Account	Dr	Cr
Bank		57.00
Creditors Control	57.00	

Once again, the entries balance.

The Supplier's account in the Suppliers Ledger is updated with a debit of the value of the payment.

End Result

- The Purchase (expense) Account reflects the value of the purchase excluding Vat.
- The Bank Account reflects the value of the payment.
- The Vat Control account reflects the Vat value you can claim from the Government.

Account	Dr	Cr
Bank		57.00
Creditors Control	0.00	
Vat Control	7.00	
Purchases	50.00	

Banking

You Pay your Telephone Bill

Some expenses, such as your Telephone Service provider, are not normally set up as Suppliers. This is usually handled by paying directly from the Bank against a Nominal Ledger Expense (Profit & Loss) account. When you process a payment to an Expense account from the Bank Account (Cash Book) the following entries are created in the Nominal Ledger:

- The VAT exclusive amount is debited to your Nominal Ledger Expense (Telephone) account.
- The VAT inclusive amount is credited to your Bank Account.
- The VAT amount is debited to your VAT Control Account.

Account	Dr	Cr
Telephone	25.00	
Vat Control	3.50	
Bank		28.50

Once again, the entries balance.

End Result

- The Expense Account reflects the value of the purchase excluding Vat.
- The Bank Account reflects the value of the payment.
- The Vat Control account reflects the Vat value you can claim from the Government.

General

From all the transactions above, if we printed our income and expense accounts and total them it would look like this:-

Account	Dr	Cr
Sales		100.00
Purchases	50.00	
Telephone	25.00	
Profit		25.00

If we then print a Balance Sheet it will look like this:

Account	Dr	Cr
Bank	28.50	
Vat Control		3.50
Profit		25.00
Total	28.50	28.50

Printing a Trial balance would look like this:-

Account	Dr	Cr
Bank	28.50	
Vat Control		3.50
Sales		100.00
Purchases	50.00	
Telephone	25.00	
Total	103.50	103.50

Now that we have covered some basics we will discuss how to set up companies.

Setting Up A Company

Step One – General

Chart of Accounts

The main decision that you need to make is whether you are going to set up your own Nominal Ledger chart of accounts or use one of the pre-configured Omni charts. If you have no accounting background, and you are not working from a chart of accounts from your accountant, we *strongly* advise that you use a pre-configured chart of accounts. If you have an existing chart of accounts you need to make sure the account numbers are compatible with Omni which has an six-digit alphanumeric account number.

Once this has been decided, there are a couple more questions to be answered before you set up your new company.

VAT Questions.

- Are you registered to pay VAT and if so what is your VAT registration number.
- If you are VAT Registered do you work on the Invoice method or the Cash Accounting method?

Financial Periods/Year

- What is the start date and end date of your Financial Year?
- How many periods are in your Financial Year? The normal number is twelve but you may want to start off with a short financial year, which may mean editing the Period set up.
- What period or month do you want to start processing in?

You can now go into Omni Control Centre and create your new company. For detailed instructions on how to do this, see the Omni Online Help.

Once you have created the company, log into it through Omni Accounts.

Step Two - Nominal Ledger Chart of Accounts

If you opted to set up your own chart of Nominal Ledger Accounts this must now be your first task. It is a good idea to print a Balance Sheet and Income Statement once you have finished. There will be no values but you will see if the accounts are all in the correct places. You must then set up your Nominal Ledger options so that the system knows which are the various control accounts. If you have used one of Omni's default charts of accounts when you created your company, these options will already be set up. However it is a good idea to familiarize yourself with them.

Step Three – Bank Accounts

You will need to mark certain Nominal Ledger accounts as Bank Accounts in order to process Payments and Receipts. If you chose a pre-configured chart of accounts there will be a bank account already created called 'Current Account'. To create a Bank Account the Nominal Ledger account must have its Account Type set to Balance Sheet and its Balance Sheet Type set to Bank Account. This will then automatically display the account as a Bank Account and you can then use the Omni Banking functions where you can do the following:

- Receipt money from your Customers
- Pay money to your Suppliers
- Pay expenses such as Telephone or Electricity

These Bank Accounts also provide you with a function where you can match what you have entered into Omni with the statement the bank sends you or one you have printed from Internet banking. This is called the Bank Reconciliation. If your bank account has a balance then you can use the Banking Take On Opening Balance function to enter the amount. Remember a credit bank balance in Omni means you have an overdraft and a debit balance means you have money in the bank. The Take On transactions will post contra entries into your default suspense account.

Step Four – Customers & Suppliers

1. Customer & Supplier Account Numbers

Once the Nominal Ledger has been correctly set up, you can start creating Customer and Supplier Accounts. We will talk specifically about Customers, as Suppliers is basically a mirror image.

Omni uses account numbers to identify Customer and Supplier Accounts. Before you start creating any accounts you should decide on a numbering system so that you don't end up with a muddle. It is suggested that you use an alphanumeric account number. Omni provides for an eight-digit account number. The first two or three letters should be alphabetic and the next digits numeric. The length of the account number will depend on how many accounts you will need. Remember to provide for growth. For example Mr. Thomas Smith would have an account number of SM01 and Mr. Edward Smith an account number of SM02. This makes your accounts easy to find and means your numbering is structured. Try to keep the account numbers all the same length. This means that you should have account numbers like AC01 and AC10 (all four characters in length) and not AC1 and AC10.

2. Customer Options

Next you need to go into your Customer Options and make sure that all the defaults are correctly set up. If you need to capture take on balances and would like to do this at the same time as you create the accounts, then make sure the 'Take On' option on the 'Customer Defaults' tab is ticked.

3. Create Accounts

Now you can start creating your Customer Accounts. If this is a new company you will not normally need to post any take on balances. If you need to capture take on balances you can do so while you create the accounts if you have set the option as described above.

4. Take On Balances

If you post take on balances to the accounts, the system will post the following entries in the Nominal Ledger for each take on balance:

- A debit (or credit) is posted to the Debtor's Control Account.
- A corresponding credit (or debit) is posted to the default Suspense Account.

5. Reports

Once you have created all your accounts you should then print a Customer Ageing Summary report and check that the balances are all correct. The same procedure applies to Suppliers.

Step Five – Check Options

1. Check Customer Invoicing Options

Go back into your Customer Options and set up your Document numbers for Invoicing. You should make sure that the numbers that the system will use when you start processing, such the next Invoice number, are correct. Once again remember the same will apply to Suppliers.

2. Current Month Setting

You should also check your Current Month setting under the File |Monthly Functions menu to make sure you are in the correct month for doing any processing. Make sure that your Omni System Date that you can see on your Toolbar is green. This means you have the correct date selected. You can process entries outside of the current month, but the system will warn you if you do so to help you avoid making any errors.

Step Six –Take On Nominal Ledger Balances

1. Nominal Ledger Take On Balances

If you are taking on an existing company you will have a Trial Balance (a list of your Nominal Ledger Accounts with all their balances) that you need to capture. If it is a new company you may have some Balance Sheet values that you need to enter such as loan accounts etc.

These Nominal Ledger take on balances are done by means of a Journal Batch. You must enter all the various balances as individual lines against each relevant Nominal Ledger account into the Journal Batch. The batch can be saved and re-edited numerous times before it is actually posted.

Please be aware that you *cannot* post balances into Control Accounts such as your Debtors and Creditors Control Accounts. These balances are captured by doing take on balances for each Customer or Supplier as described above. The contra balances for these will have been posted to your default Suspense account. Therefore in your Journal Batch post the balance to the default Suspense account and this will have the effect of clearing it out. The same principle applies to Bank Accounts.

For example you took on total balances for all your Customers of 4624.00dr. This means your Debtors Control account balance will be 4624.00dr and your default Suspense account will be 4624.00cr.

Account	Dr	Cr
Debtors Control	4624.00	
Suspense Account		4624.00

Your Trial Balance has a value of 4624.00dr to be posted against Debtors Control. You must post this debit to the default Suspense account as your Debtors Control already has the correct balance. This will result in the balance of the Suspense account being zeroed.

2. Nominal Ledger Reports

Once all the balances have been captured in the Journal batch and the batch balances (the total debits equal the total credits), make sure the process date on the Journal batch is correct then Post the batch. This will update the actual balances of the Nominal Ledger accounts with the amounts you have entered.

You should now print and check the following reports:

- Trial Balance Summary
- Balance Sheet
- Income Statement

Step Seven – Start Processing

Make sure you have set your Current Month and System Date correctly and Start processing!

Remember Omni has an online Help function, so on any screen, if you press your F1 key, a context related Help screen will display.