

Chapter 1

Accounting for Your Finances

In This Chapter

- ▶ Knowing why you need to account for your money
 - ▶ Understanding how best to manage your accounts
 - ▶ Applying the principles of home accounting
 - ▶ Finding help, links, and resources on the web
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You've got hold of a book called *Home Accountz For Dummies* and, we assume, you've also bought or are looking to buy Home Accountz and have an interest in keeping track of your finances.

We don't make any assumptions about which computer you have because it doesn't really matter whether it's a PC or Mac. We've used an iMac to prepare the majority of this book, but if you're using a Windows computer, the interface and the screens for Home Accountz look very similar because it's written using a universal programming language called Java.

In this chapter, we guide you through some of very basic accounting techniques, look at why you should use Home Accountz to keep track of your finances, discuss some of the options for managing your money, and explore the principles of home accounting. We conclude with a look at some of the resources available on the Internet to help you with the Home Accountz software and to help you understand home accounting.

Why Account for Your Money?

There are more than a few reasons to account for your money:

- ✓ **Paying for expensive items:** Think back to when you first started working. It was probably tempting to go out and buy everything you'd ever wanted. However, it's more rewarding to save up your money for the

more expensive items you actually want, rather than spend it on two or three smaller items you *think* you want. If you want to buy an iPhone, for example, why not consider *budgeting* — splitting the cost of the phone over five months and putting aside that amount per month for five months? At the end of the five months, you have enough money to buy it without disrupting your cash flow.

- ✔ **Cars and consumables:** It's sensible to look around before buying a car. But cars are expensive: You not only have the financial commitment that comes with buying the car, you also need to pay any taxes due, insure it, and then buy fuel for it. You can't have a car without paying for all the other on-the-road expenses. To give yourself a chance to see the true cost of buying and running a car, you need to account for all this money somewhere.
- ✔ **House purchase or rental:** Whether you're looking to buy or rent, or indeed already own or rent a home, you must keep track of many upfront and ongoing bills, and make sure that you have the money in your account when it comes time to pay. If you're buying a house, you need a deposit, money for professional fees, and a sum of money upfront to help you get settled in your new home. Amassing a pot of money for the deposit on a house purchase is a serious commitment because it's probably a huge amount of money (not something you can pull from your monthly salary). You might also need a substantial percentage of your salary for a rental. You need to keep track of the payments to have a roof over your head, but how do you get this money together and keep an eye on it so that you don't spend it on something else?
- ✔ **Starting a family:** There comes a point in many of our lives when our thoughts turn to starting a family. This is a long-term commitment that must be sustained, regardless of your financial situation at the time you made the decision. For the first years of their lives, babies have needs that can't be ignored — food, drink, clothing, toys, a place to sleep, medicines — and these are in addition to any commitments that come with things such as renting a home. Tracking your finances means that you can allow for these costs and still ensure you have enough to live on.
- ✔ **Sending teenagers to college/university:** Higher education is expensive. You must pay yearly tuition fees, and earning a typical degree represents a substantial investment; then, on top of that, you have to consider costs for rent, food, drink, and the traditional entertainment side of university. If you're going to assist your child with his or her university costs, you need to ensure that you can do so without disrupting your cash flow. Many families plan ahead and start college funds when children are still babies, putting away a regular manageable amount that builds up over the years. Keeping track of this fund is vital.

✔ **Weddings:** If your son or daughter is getting married and you want to contribute to the costs, you may find you need many thousands of pounds. Can you allocate a certain amount each month towards this expense? The simplest way by far to make this decision is by viewing all your finances together and deciding how long before the wedding you need to commit to saving. That way, you easily can see how much you can afford and hence not over-commit yourself.



Life is a journey, and your financial circumstances change while you progress along that path, as the preceding list suggests; it just makes sense to keep track of your finances. You never know what's just around the corner.

Managing Your Accounts

You can bring together your personal finances in a number of ways. You can use manual systems — essentially accounting books in which you put your income in one column and your expenditure in the next, which might look something like this table.

<i>Income</i>	<i>Amount</i>	<i>Expenditure</i>	<i>Amount</i>
Salary	£350	Food shopping	£59
		DVD rental	£10
		Petrol	£40
		Gas	£40
		Electricity	£40
		TV, Broadband, Phone	£35
Total	£350	Total	£224

The amount carried over from the week's shopping in this table is £126 (£350 – £224), of which you could allow an amount for savings.

Obviously, this is only a simple example and assumes you're paid weekly, and nothing has been allowed for income from investments or other out-goings such as bank fees, car repairs, and so on.



There are significant flaws in this system of financial record-keeping. For example, you need to manually update the figures every day; although you have to do this with an electronic system, too, the benefit of the electronic system is that it makes these updates somewhat easier. Another flaw in a manual system is the difficulty of editing. After any edit, you then need to manually recalculate all totals.

Understanding the Principles of Home Accountz

The key principles of home accounting are very simple: You use it to ensure that you have

- ✓ Enough money to pay the household bills
- ✓ Enough money to eat
- ✓ Enough money to travel
- ✓ A little money for entertainment

Most of us don't live to work, we work to live — and as such, work and the money it brings are important for a healthy lifestyle. Whatever job you do, you need to balance work and play. Home Accountz uses a system of accounts to keep track of your money. These *accounts* are merely containers for money. In Home Accountz, everything has its own account — each of the people or companies to whom you pay money need an account, as well as people or companies from whom you receive money. For example, when you pay your mechanic for fixing your car, you might create an account called Car Maintenance and allocate the payment to that account. When you pay for your groceries, you can create an account called Food.

In fact, all transactions that involve money need to be allocated to or taken from the appropriate account.

Chapter 7 takes you through the process of creating and adding accounts and organizing those accounts into logical groups. You can use these accounts to manage your money and design reports whose views can help you compare your budgets with your actual balances and set a forecast for the future (which we talk about in Chapter 18). That way, you can ensure that you have enough for each upcoming bill.

Finding Accounting Help Online

Home Accountz has a built-in Help feature (which you can access by choosing Help⇨Help). This Help feature reflects the online Help available by choosing Help⇨Online Help. The online Help is constantly updated and may better reflect the current feature set of the application.



The built-in Help is useful, but online Help is both flexible and dynamic. The information contained online encompasses Frequently Asked Questions (FAQs), user forums, and video guides. This online Help tends to be more up to date and to address real issues that users have with the software.

Accountz.com Limited

At www.accountz.com, you can find the homepage for the developers and publishers of Home Accountz 2012. This site is worth a visit if you have an interest in any aspect of accounting. The company offers a number of solutions for businesses looking for accounting software, in addition to the Home Accountz product.

Also, look for user forums that contain the answers to the most common questions, an accounting glossary so that you can look up technical terms, and online technical guides for Accountz software.

Accounting for Everyone

Quentin Pain, the designer of Home Accountz and the chairman of Accountz.com Limited (and one of the authors of this book!), has produced a free 12-week course explaining accounting in depth. If you have an interest in understanding bookkeeping and generally want to make more of your home finances, you'll find much of interest here. You can sign up for this course at www.accountingforeveryone.com.

Home Accountz User Forums

In the Home Accountz User Forums, located at www.accountz.com/home/homeforum, you can immerse yourself in a community where other users can help you, and where the designers and programmers of the Home Accountz software don't just lurk — they get involved.



Unlike some products, Home Accountz has been developed entirely within the U.K. The support available for the product therefore has a certain bias towards the U.K. market, meaning that the people providing the support understand the types of situation you may find yourself in if you're based in the U.K. They also have an understanding of the way in which the U.K. economy works, particularly when it comes to managing money.



The user forums are truly global, and if you can't find the answers you need from the official support offerings, ask the global community — someone can probably help.

YouTube

Located at www.youtube.com/user/accountz99, this YouTube account features a number of training videos for the Accountz software packages. Although the information in the videos may relate to an earlier version of Home Accountz than the one you're using, because of the underlying structure of the software, it's easy to work your way through the videos and to gain a better understanding of the package.