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Aleisha is a manager at Williams Giles Chartered Accountants specialising in Xero. Aleisha not only deals with accounts and bookkeeping, but also runs workshops, training and Spotlight Events with Xero Partners in order to spread the word about cloud accounting.

Get ready, set, go!

the importance of a good set-up

So you've seen the demo, watched the videos, been won over by the impressive design and are ready to take the leap and move your business across to Xero...but what next? Where do you begin? Aleisha explains why it is so important to get your Xero setup and conversion right, along with some hints and tips along the way...

Why is the Xero set up so important?

One of the best pieces of advice we give to our clients is that you will get out of Xero what you invest into it. Be it a new company starting from the beginning, or conversion of an existing company from different accounting software, the first big step, and perhaps the most important, is the setup of Xero itself.

It is from this point that your records will be built, and like building a house, your foundations are key.

With a good setup and understanding of the software, you will reap all the rewards of automation and self-reconciliation that Xero has to offer. We would therefore always advise investing the time at the beginning and enlisting the help of a Xero certified advisor.

Get Ready!

Company Details - The first step of any Xero set up is the input of the

company information, so ensure that you have all information to hand, including the Company No. and VAT details (where relevant) before you begin. Entering this information now will save you having to go back at a later date and fill in any gaps.

User details - A great feature of Xero is the ability to have an unlimited number of users, and customise the permissions and access that each user has depending on their job role within your company. Users can be added and customised once the initial setup is complete, however Xero will also give you the option at this point to invite another user, such as your Xero Advisor, to allow you to get some help with the following, more technical steps.

Chart of Accounts - Xero does have a default chart of accounts, and this may provide ample information for a new start-up company. However, if you want to report in some detail, or are converting from other accounting software, now is a great time to think about exactly what information you would like Xero to show, and customise your chart

of accounts accordingly, giving you a great platform from the very beginning.

- Are there additional nominal codes that you would like to have within your chart of accounts?
- Would you like to be able to split your sales income into categories?
- Would you like to breakdown your direct expenses into details to be able to see exactly where your main costs lie?
- Will you be moving across from different accounting software and want to keep your current chart of accounts and codes the same?

If any of these are the case, it is at the setup stage that you can import a customised chart of accounts, specifically tailoring this to your company, and taking your preferences into account. Xero does at this stage provide a template for you to use should you wish to import your own chart, or edit the Xero default chart.

These points really need some thought and discussion with your accountant as they are the

foundations of your accounting system.

Get Set!

Invoice templates - Businesses are driven by sales, so getting the sales invoice template setup is always a priority.

As with the Chart of Accounts, Xero does have a default template that will pull in your company details and logo, however you can also import or create a more customised design using the template download. This is really useful if you would like the invoice designed a set way, to be more customised, or if you are trying to recreate to match an existing invoice template. This can be a bit fiddly, however within Xero Help is a summary of all place holders that can be used.

If using the customise option, I would always recommend posting a dummy sales invoice and using this to check how your template is looking, re-running, and using trial and error if necessary until you are happy with how your invoice looks.

Converting from other software? - Tips and tricks

Where the company is already established, entering the conversion balances correctly goes hand-in-hand with the setup itself, and is key to ensure a smooth transition of record keeping and reliability of the company ledgers. A few points to consider when entering your conversion balances from previous software:

1. Lock down old software's posting dates

Ensuring all reconciliations work and records are complete - this then makes sure that the opening balances in Xero will be correct and final.

2. Export a full TB for balances (not just balance sheet codes)

This will ensure that your Xero has full comparative figures for both income and expenditure, as well as your profit and loss codes

3. Bank balance

The bank balance in the conversion TB should be the bank statement balance as at the conversion date, with any outstanding lodgements and payments etc. posted to a suspense code to be netted off as they actually clear the bank (as these will have already been included in the previous accounts). This will not only ensure that no transactions are replicated in the changeover but also that going forward your bank reconciliation will work.

4. Export the contact list for both customers and suppliers

Using the import templates within Xero can save time and enable you to import a lot of data in one hit. These can be done together as one import - see template within Xero.

5. Run and import detailed Debtors and Creditors reports

Make sure the current VAT scheme is taken into account (if on cash scheme, these will need to have the VAT included so that it can be pulled onto the Xero VAT returns as payments are received). These should tie up exactly to the conversion balances on aged receivables and payables. As with the bank, ensuring this initial setup is done correctly will save a big reconciliation headache down the line!

6. VAT

To ensure a smooth conversion with no differences or errors pulled into the VAT reconciliation report, the VAT balance can be dealt with in much the same way as the bank account. The outstanding VAT return figure should be posted as the conversion balance and any adjustments not yet accounted for, posted to a VAT suspense account, allowing these to be correctly cleared and dealt with through a clearing account without your conversion balances

changing and causing errors within the VAT reconciliation in Xero.

The VAT reconciliation report is an extremely useful report which, when set up correctly will fully reconcile your VAT, showing the breakdown of VAT on payables/receivables, VAT owed to HMRC and VAT un-submitted. This report will only be accurate however, if the conversion VAT balances are entered correctly and so it is important to ensure these are dealt with properly on set up.

Any differences not yet included or accounted for on a VAT return should then be corrected on the first day of the financial year in Xero to ensure they are dealt with on the next VAT return.

7. Finally

It is important that lock dates are used, not only on your old system to ensure nothing is changed but also in Xero, to ensure that your conversion balances aren't accidentally amended.

Bank feed set up

Once all of your historic data is correct in Xero, you will be ready and able to get your bank transactions for the current year uploaded to Xero, in order to start bookkeeping from the solid foundations of your setup. It is always best practice to get your direct bank feed installed, which can be backdated to your conversion date.

Go!

With the setup and conversion balances firmly under your belt, you are ready to start inputting data and explore all Xero has to offer with regard to its processing and reporting capabilities, in the knowledge that your records and ledgers are accurate and complete.

