

**SMALL BUSINESS AND  
CO-OPERATIVE DEVELOPMENT BRANCH**

# Bookkeeping

Manitoba  
Industry, Trade  
and Mines



Industry, Trade and Mines  
Small Business and Co-operative Development Branch

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# Bookkeeping

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# Table of Contents

<b>Introduction</b> .....	1
<b>Bookkeeping</b> .....	1
What Is Bookkeeping? .....	1
Why Is Bookkeeping Necessary? .....	1
<b>Financial Statements</b> .....	2
The Results Of Bookkeeping .....	2
Balance Sheet .....	2
Income Statement .....	2
<b>Accountants</b> .....	3
What Are Accountants? .....	3
How Much Do Accountants Cost? .....	3
How Often Should Financial Statements Be Prepared? .....	4
<b>Records</b> .....	4
What Records Should Be Kept? .....	4
The Daily Cash Sheet .....	4
Accounts Receivable Ledger .....	6
Aging of Accounts Receivables .....	7
Accounts Payable Ledger .....	8
The Synoptic Ledger .....	9
Petty Cash .....	12
NSF Cheques .....	13
The Bank Reconciliation .....	13
<b>Payroll</b> .....	14
Tables on Diskette (TOD) .....	14
New Employers .....	15
Employer Contribution .....	16
New Remitters and Employer Number .....	16
Labour Standards .....	18
How To Pay Yourself .....	20
<b>General Information</b> .....	20
The Workers Compensation Board .....	20
The Manitoba Advisory Office .....	21
Employment Insurance (EI), Canada Pension Plan (CPP), Income Tax .....	21
General Tips .....	21
Canada/Manitoba Business Service Centre .....	22

# Introduction

This booklet is for people who plan on operating a business and doing their own bookkeeping. If you have started your business or anticipate doing so in the near future, we suggest you read our system and see how the enclosed ideas on keeping records can be applied to your business in Manitoba.

We recognize that each business is different. This system that we outline in the following pages is simple, and can be applied to many different types of business. If you do not feel confident about following our system, you should seek help from a professional accounting or bookkeeping service.

Our system will explain how to track various transactions as they occur. In most businesses, cash flows in every day, primarily through sales and this cash is then either used directly to pay expenses or is deposited in a bank and cheques are issued. Our system will keep track of these transactions and provide an accurate record of accounts payable, accounts receivable, bank balance, sales and petty cash.

All that is required is your commitment to be thorough, accurate and devote sufficient time each day to keep your bookkeeping records current.

# Bookkeeping

## What Is Bookkeeping?

Bookkeeping is the recording of the transactions of a business. Many new business owners are unaware of the type of bookkeeping records that should be kept.

Using the methods of this system, your records will be clear enough for an accountant to quickly produce accurate financial statements.

## Why Is Bookkeeping Necessary?

Owners of a business will want to know how much money has been made or lost (profits and losses) during a certain period. An overview of the financial position of the business is required in order that its assets, liabilities and owner's equity can be examined.

One reason to maintain proper records is that the *Income Tax Act, Sec. 150(1)*, states that both an income statement and a balance sheet must be filed with Canada Customs and Revenue Agency each taxation year.

Bookkeeping is a fact of life if you're going to run your own business. The business person who uses it as a management tool will be better able to make business decisions.

# Financial Statements

## The Results Of Bookkeeping

Financial statements consist of two documents - a Balance Sheet which shows the financial position of the business at the time of the report, and an Operating Statement which shows how it arrived at this position.

Accountants, bankers and management are placing increasing emphasis on the Statement of Change which shows how changes in working capital occurred over a specified time period. A Statement of Change in financial position is not a requirement of the *Tax Act* but management is increasingly using it as a tool to better profits and cash flow. You should discuss this with your accountant and weigh the benefits against the cost of having such a statement prepared.

## Balance Sheet

A Balance Sheet is a snapshot of your business at a particular moment. It is based on the accounting equation: ***Assets = Liabilities + Owner's Equity***. A very simple example of a Balance Sheet may be:

**Any Manitoba Business  
Balance Sheet  
December 31, 2000**

<b>Assets</b>		<b>Liabilities</b>	
Cash	\$ 1,200	Bank note payable	\$ 6,000
Inventory	13,500	Accounts payable	5,500
Automobile	3,100		
	_____	<b>Equity</b>	
		Owner's Equity	<u>6,300</u>
	<u>\$17,800</u>		<u>\$17,800</u>

## Income Statement

To complete the financial statement picture, it is necessary to prepare an Operating Statement. This is usually called a Statement of Profit or Loss, Income and Expense Statement or Income Statement. These statements tell you how the business did over a specified time period.

**Any Manitoba Business  
Income Statement  
For the year ended December 31, 2000**

Sales		\$66,000
Cost of Sales		<u>25,200</u>
Gross Profit		40,800
Expenses		
Rent	\$ 9,600	
Advertising	2,100	
Interest	900	
Wages	21,500	
Travel	400	
		<u>34,500</u>
NET PROFIT		<u>\$ 6,300</u>

## Accountants

### What Are Accountants?

Few business people feel comfortable in preparing financial statements either for internal use or tax reporting purposes. Most businesses hire professional accountants to prepare the statements and income tax returns due to the complex nature of today's business.

In Manitoba, Chartered Accounts (CA), Certified General Accounts (CGA), and Certified Management Accountants (CMA) are members of their Associations. These Associations govern conduct, set uniform exams and keep members informed of developments within the Industry.

Unless you are well qualified, we suggest that you leave the preparing of financial statements to the experts.

### How Much Do Accountants Cost?

Most accountants prefer that you try and do as much of the preliminary work as you can allowing them to prepare financial statements and provide financial business and tax advice. If your accountant does your day-to-day bookkeeping he/she will bill you on the amount of time spent on your account and the rate is the same whether the accountant is doing the financial statement or the daily entries.

A meeting with your accountant will outline to you the types of records that he/she wants you to keep, how they should be maintained, and the services you want from your accountant.

Existing rates for accountants in Manitoba currently ranges from \$35.00 to over \$200.00 per hour depending on who you talk to and the level of expertise required. It's important that you discuss fully with your accountant what his/her rates are and as well receive a figure for the anticipated charge in preparing your financial statements.

If you are to make the best use of accountants, discuss and focus on special concerns, rather than generalities. Let your accountant know that you are concerned with tax planning, financial, or perhaps cash flow. Friends or business acquaintances often refer their own accountant if they feel they are receiving proper service. If you are not satisfied, shop around and check the yellow pages for listings of Professional Accountants.

### **How Often Should Financial Statements Be Prepared?**

As often as management feels they are required. The minimum would be once a year as the *Income Tax Act* states, however, most businesses prefer statements more often. Monthly, quarterly, and semi-annual (twice per year) statements are common for many businesses, keeping in mind the benefits obtained by management, from reading the statements, must be balanced against the cost of having them prepared.

Most businesses should have statements prepared semi annually. This is because any trends that are being developed (whether good or bad), will show up in financial statements. By leaving it longer than semi annually, the business could suffer and it might be too late to make any necessary corrections.

Financial statements have a limited time value. In the business world things happen fast and in just a few weeks or even days, a financial situation can be greatly altered. For this reason, lenders will consider only "current" statements that they feel correctly reflects the financial state of the business.

Keep your records up-to-date and get the information to your accountant as quickly as possible. If you are starting a business, talk to your accountant early so you know what sort of financial records are to be kept and when financial statements are to be prepared.

## **Records**

There are four types of journals or records that you may use.

1. Daily Cash Sheet
2. Accounts Receivable Ledger
3. Accounts Payable Ledger
4. Synoptic Ledger

Most Retail, Wholesale and Service businesses make sales and receive cash each day. If your business makes sales on a daily basis some control must be placed on the cash received. 'Cash' means currency, cheques, money orders, and credit card slips.

### **What Records Should Be Kept?**

#### **1. The Daily Cash Sheet**

It is important to keep proper control of cash and protect your money. Sloppy cash record keeping could lead to overpaid income tax and employee dishonesty. Sales should be recorded on the daily cash sheet (Exhibit A).

**EXHIBIT A  
ANY MANITOBA BUSINESS  
DAILY CASH SHEET**

**Day: Monday**

**Date: March 13**

**Year: 2000**

A.	Opening Balance	\$100.00
	Cash Collections	
	Gross Sales .....	+425.00
	Accounts Receivable Collected .....	+240.00
	Other Income Collected .....	+10.00
	P.S.T. Collected .....	+38.50
	G.S.T. Collected .....	+38.50
	Less: Sales Returns .....	-15.00
	Sales on Accounts Receivable ...	-110.00
B.	Total Cash Received Today	<u>627.00</u>
C.	Total Cash Available (A&B)	<u>727.00</u>
	Cash Disbursements	
	Bank Deposit .....	494.25
	Freight .....	5.00
	Purchases .....	120.00
	G.S.T. Paid .....	8.75
	Accounts Payable .....	0
	Miscellaneous .....	<u>0</u>
D.	Total Cash Paid Out .....	628.00
E.	Opening Cash Float for Tomorrow .....	<u>100.00</u>
F.	Total Cash Accounted for (D&E) .....	<u>728.00</u>
	Cash Short or Over (C-F) .....	(1.00)



All of the cash flowing into the business each day is accounted for. If there are any consistent Cash Overs or Cash Shortages, then you the owner/manager must find the reason.

Exhibit A shows total cash available of \$727.00. This total was reached by adding the opening float to cash sales and other cash collected. The cash was then put in the bank (\$494.25) or used for various expenses and purchases. A \$100.00 float was kept on hand for the start of tomorrow's business resulting in a \$1.00 cash overage. This is considered to be an overage because \$727.00 came in and \$728.00 cash went out, yet the \$100.00 float has not changed. If we had taken in \$727.00 and could only account for \$725.00, we would write it up as \$2.00 short.

Always keep a Daily Cash Sheet so you know where your cash is each day. Bank deposits will depend on the amount of cash that is generated by the business. Only keep on hand the amount of cash you are prepared to lose. All banks have a 24 hour deposit service and it takes only a few minutes to fill out a deposit slip.

Daily Cash Sheet forms can be found at your local stationery store, local printer or made on your computer. You will be using one sheet for each day and it does not take long to go through a stack of one hundred.

## 2. Accounts Receivable Ledger

If your business makes credit sales on account, you should have an accounts receivable ledger. Each customer who has credit charges is assigned a page. A sample from the accounts receivable ledger is as follows:

NAME		LEDGER				Exhibit B
ADDRESS	<i>Customer, John</i>					
PHONE	<i>1604 Any Street, Winnipeg, MB. R3J000</i>					
REFERENCES	<i>555-5555</i>					
DATE	REFERENCE	CHARGES	✓	CREDITS	✓	BALANCE
<b>BALANCE FORWARD</b>						
<i>Mar. 13/00</i>	<i>Invoice 7145</i>	<i>110.00</i>				<i>110.00</i>
<i>Mar. 17/00</i>	<i>Credit Note #14</i>			<i>12.00</i>		<i>98.00</i>
<i>Mar. 24/00</i>	<i>Invoice 7216</i>	<i>342.00</i>				<i>440.00</i>
<i>Apr. 14/00</i>	<i>Cheque # 924</i>			<i>200.00</i>		<i>240.00</i>

Each customer's name, address and telephone number are clearly stated at the top of each page. What follows is a history of the credit business you have with this customer. In this example Mr. John Customer charged \$110.00 for items including G.S.T. and P.S.T. on March 13th, returned \$12.00 of the items to our shop on March 17<sup>th</sup>, charged an additional \$342.00 for items on March 24<sup>th</sup> and finally mailed us a cheque for \$200.00 on April 14<sup>th</sup> leaving a balance of \$240.00

You are able to see what his balance is, what volumes of business he has charged as well as what sort of repayment time period is involved with this particular customer.

By adding up the balance on each card, you will be able to quickly find out how much is owed to you by those customers you gave credit to.

For ease of control, keep your ledger cards in alphabetical order in a binder or tray.

### **Aging of Accounts Receivables**

Each month the Accounts Receivable should be "aged". This means all the accounts are listed and the total balance owed by each customer is divided up into what amounts are current, over 30 days, over 60 days and over 90 days.

This form quickly shows you which of your Accounts Receivable are overdue and will require extra collection efforts. If you are using a General Assignment of Book Debts as security for a line of credit from a chartered bank, it is almost certain that each month the bank will request an aged list of accounts receivable.

An example of such a list would be as follows:

<b>Aged List of Accounts Receivable as at April 30, 2000</b>				
<b>Customer</b>	<b>Current</b>	<b>Over 30</b>	<b>Over 60</b>	<b>Over 90</b>
Abigail Apple	16.50	64.18		
Bruce Biscuit		3,532.82		
John Customer	240.00			
Fly by Night Airlines				416.00
Semi Slow Payers Ltd.		64.50	82.10	
Rubber Cheque Co.	<u>10.40</u>	<u>          </u>	<u>          </u>	<u>61.10</u>
<b>TOTAL</b>	<b>266.90</b>	<b>3,661.50</b>	<b>82.10</b>	<b>477.10</b>

This analysis shows two accounts in the over 90 day column which may result in being written off to bad debts. Additional credit should not be given to delinquent accounts unless you know for sure you will be paid and have it in writing.

Both you and your bank will want to know which accounts are delinquent and what percentage of the total receivables the delinquent accounts represent.

### 3. Accounts Payable Ledger

Each supplier of any goods or service that your business purchases from and agrees to pay at a later date would have a page in an Accounts Payable Ledger.

The accounts of this ledger will be filed alphabetically and an example of this is shown below:

NAME		LEDGER				Exhibit C
ADDRESS	ABC Company					
PHONE	2120 Main St., Brandon, MB					
REFERENCES	274-0000					
	BOB Brown, President / Lu Lewis, Salesperson					
DATE	REFERENCE	CHARGES	✓	CREDITS	✓	BALANCE
BALANCE FORWARD						
Mar 15/00	Invoice 6901	910. <sup>00</sup>				910. <sup>00</sup>
Mar 24/00	Invoice 7214	312. <sup>00</sup>				1,222. <sup>00</sup>
Apr 12/00	Cheque #214			416. <sup>00</sup>		806. <sup>00</sup>

It's easy to see that in this example on March 15<sup>th</sup> we purchased items costing \$910.00, including G.S.T. and on March 24<sup>th</sup> we purchased another \$312.00. On April 12<sup>th</sup> we sent a cheque in the amount of \$416.00 leaving a balance of \$806.00.

We can see how much we owe each individual company and we can see when we last sent a cheque to a supplier. Therefore, by maintaining this type of system any disputes regarding payment of invoices, cheques mailed, etc. can be solved quicker.

To find the total owing to all the creditors, add the various balances. This will give an accurate up-to-date total if these ledger cards are posted (entered) on a daily basis.

Both Accounts Payable and Accounts Receivable ledgers must have three columns on each page - charges, payments and balance.

The pages in the ledgers can be loose leaf paper, cards or design your own. The important thing is that it is kept up.

#### **4. The Synoptic Ledger**

Bookkeeping records can be combined. Most small businesses have one record keeping book, a "Synoptic", which comes from the Greek language meaning "see everything at once". It is also called a Combined Journal or Combined Ledger.

The number of columns will vary depending on the scope of the business and how often various types of transactions occur.

The following example uses 14 columns and this type of book is available at stationery stores. Pages can be easily added and the synoptic will last for a long time.

Exhibit D

Exhibit D

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
DATE	Description	Cash Deposit	Bank Payments	Accounts Receivable	Accounts Payable	Equity	GST Rec P/B	Sales	Purchases	Payroll and Benefits	Utilities	Freight	Misc	Description
1 FEB 29	BAL FORWARD	2218.64		4487.60	3471.19	3235.05								
2 APR 13	CASH SHEETS													
3 "	SALES ON ACCOUNT	315.00		110.00				425.00						
4 "	COLLECT SALES	240.00		(240.00)										
5 "	OTHER INCOME	10.00											(10.00)	OTHER INCOME
6 "	RETURNS		15.00					(15.00)						
7 "	PAYMENTS		125.00						120.00			5.00		
8 "	GST	38.50	8.75				(29.75)							
9 "	PST	38.50			38.50									
10 "	ABC COMPANY				910.00		59.58		850.47					
11 "	S. LANDLORD		600.00				39.26						560.74	RENT
12 "	L. JONES		297.80							297.80				
13 "	M. SMITH		69.98							69.98				
14 "	REIMBURSE PETTYCASH		183.22				11.99				62.00	6.18	103.05	SUPPLIES
15 "	SMITH & CO.		712.00		(712.00)									
16 "	EQUIPMENT LTD		400.00				26.17						373.83	EQUIPMENT
17 "	NSF BOUNCING		21.65	21.65										NSF
18 "	I SEE YA LATER		38.50										38.50	NSF
19 "	RECEIVER GENERAL		800.84							800.84				
20														

Line 1 Since we are assuming this is an existing business and not one starting up o this day, there are balances to be carried forward:

Cash on hand to start the day's business was	\$ 100.00
Balance at the bank was	2,118.64
Total accounts receivable were	4,487.60
Total accounts payable were	3,471.19

NOTE: The columns for Accounts Payable and Accounts Receivable act as a control for each of the ledgers containing the various accounts. If you added up all the individual accounts in the receivable ledger it should total \$4,487.60 and the payables should total \$3,471.19.

Line 2-9 All cash received numbers from the Daily Cash Sheet are entered into the Synoptic Ledger each day. The numbers were taken from the example Exhibit A on page 5.

Line 10 Goods were received from ABC Company totalling \$910.00 (including G.S.T.). Accounts Payable increased to \$910.00 as did the individual page for ABC Company in the accounts payable ledger. A further entry of \$850.47 is made under the purchases column to show it was a purchase and G.S.T. receivable for \$59.53.

Line 11 Cheque #48 was given to Stanley Landlord to cover the August rent, plus G.S.T. A description at the right of the ledger page outlines what the expense was about.

Line 12-13 Cheques given to employees for week's wages. Employees and payroll are discussed in detail further on in this booklet.

Line 14 Cheque drawn on the bank to reimburse the petty cash fund, and record the expenses paid from petty cash.

Line 15 Cheque #47 in the amount of \$712.00 was sent to Smith and Company to pay for something which had been charged previously. A corresponding entry for the \$712.00 payment would also be made on the Smith and Company ledger card in the Accounts Payable Ledger.

Line 16 Equipment in the amount of \$400.00, plus G.S.T., was purchased and paid for from Equipment Sales Ltd.

Line 17&18 Refers to Non Sufficient Funds or NSF cheques.

Line 19 Cheque #49 remitted the employees payroll deductions to the Receiver General. Payroll will be covered in detail further on in this booklet.

This ends the entries for March 13<sup>th</sup>. The same procedure would be repeated the next business day.

1. Post from the Daily Cash Sheet.
2. Post invoice charged to supplier.
3. Write up all cheques issued.

## **Your Books Have To Balance**

The Daily Cash Sheet controls the movement of cash, both in and out. The Synoptic Journal accounts for **all** transactions, including cheques issued, items charged on accounts, and cash.

If the records are updated on a regular basis, the owner has a current picture of the profitability of the business. The fact of the matter is that as you become more familiar with the record-keeping of your business you will become a better informed manager.

The books will balance if you write down every transaction as described above. Tips to ensure your books will balance are:

1. Transfer all the items from the Daily Cash Sheet
2. Post in Synoptic Ledger, the cash over or short
3. Post changes in Accounts Payable and Accounts Receivable
4. Post all cheques written

Making little explanations or descriptions where room permits may help the accountant in preparing the Financial Statements.

Add the columns at month end and cross balance and reconcile the Accounts Receivable and Accounts Payable balances to the sub-ledgers and reconcile the Bank Statement.

## **Bookkeep Daily**

Balance each line - know where the money went or where it came from so that it never becomes a big job to find an error.

Stay on top if it or, instead of it being a useful management tool, it will become an uncontrollable, inaccurate mess. If you don't have the time or the ability to do the bookkeeping, then hire a bookkeeper. Professional bookkeeping services are available in the yellow pages of your phone book or discuss the problem with your accountant to find an affordable solution.

## **Petty Cash**

Some businesses deal mostly in cheques or credit cards not cash.

Cash is required for things like postage stamps, coffee supplies, or parking. For this purpose a Petty Cash fund is set up. Let's say that \$200.00 is made payable for Petty Cash. All these little expenses can be paid out of this fund. The cash is placed in a cash box along with receipts from purchases and locked away and left in the care of a trusted individual or employee for safe keeping. When the cash supply is running low, replenish it to the amount of receipts on hand. Always get a receipt for your purchases. If you don't have a receipt, make a list of what the money was used for and place it in the cash box with other receipts.

The cash and the receipts in the cash box should always total to the amount of the petty cash float. Each time the cash is replenished, the receipts are removed, grouped and placed in an envelope, perhaps with the category, date and totals written on the outside of the envelope.

In the Synoptic ledger, the balancing entry for the cheque being written will be to miscellaneous expense.

## NSF Cheques

Now and then you will take a cheque from someone which is returned by the bank as being NSF (non sufficient funds). The bank will charge your account for the NSF cheque and your bookkeeping entries must show this amount.

If the customer who wrote the NSF cheque has a credit account with you, the entries on the Synoptic Ledger would resemble those found in Line 17 in Exhibit D for Mr. C. Bouncing in the amount of \$21.65. Since Mr. Bouncing is a regular charge account customer, you could pull his card from the account receivable ledger and increase his balance to \$21.65. Make a note in red ink beside the entry so that if he attempts to purchase again on credit, you will know right away (from looking at his card) that his cheques are not good.

The entry is slightly different if the NSF cheque writer is not one of our regular charge accounts. Examine Line 18 of the Synoptic Ledger in Exhibit D. Our bank has informed us that a cheque for \$38.50 written by Mr. I. Seeyalater has been returned as NSF. Take the \$38.40 out of the bank balance and show it as a miscellaneous expense. Should Mr. I. Seeyalater make his cheque good at some future time either by bringing in cash or informing us that this can now be certified and redeposited, this extra cash will appear on that Daily Cash Sheet. A special notation would be made to indicate where this extra cash came from and the synoptic column for miscellaneous expense would show a negative amount of \$38.50 indicating the expense has been recovered.

## The Bank Reconciliation

The bank balance as shown on the synoptic can be verified each month when you receive your bank statement and cashed cheques from the bank.

### Bank Reconciliation

Last Balance as per bank		XXXXX
Add: Deposits made since	XXX	
	XXX	
	XXX	_____
Sub total		XXXXX
Less: Outstanding cheques	XXX	
	XX	
	<u>  X</u>	_____
Reconciled Balance		

NOTE: Record in the synoptic, those items on the bank statement that are generated by the bank, ie. interest and service charges.



# Payroll

All but very small business will employ persons other than the owners. You pay them but also hold back and remit part of their salaries directly to the government to cover Income Tax, Canada Pension Plan and Employment Insurance. By law every employer is required by law to remit these amounts to Canada Customs and Revenue Agency along with the employer contributions no later than the 15<sup>th</sup> day of the month following the month in which the employee received his remuneration. The simplest method of keeping track of your employees is to purchase a book in which the hours they work plus the applicable deductions can be recorded.

## Tables on Diskette (TOD)

TOD is a computer program that calculates payroll deductions for all pay periods, provinces, and territories. The program gives you easy access to information you need, without the paper burden.

### Which Tables are on TOD?

TOD replaces 26 payroll deductions tables, including:

- Canada Pension Plan contributions
- Employment Insurance premiums; and
- Tax deductions for salary and wages.

### Can you work with other deductions on TOD?

Yes. TOD lets you include deductions such as union dues, registered pension plan contributions, and alimony payments. TOD also calculates the tax on pension income, commission pay, bonuses, and retroactive pay increases.

With TOD, you can print your calculations with the employee's name for your records.

### Why use TOD?

The tables on diskette can:

- Save you time and money
- Make your calculations more accurate
- Are easy to install and use
- Cut government costs
- Benefit the environment

### How can you get TOD free?

Business Windows:

For a list of Canada Customs and Revenue Agency offices, access the document entitled Business Windows. This can be obtained from the Canada/Manitoba Business Service Centre or call our fax-on-demand system at the end of this publication or visit the Canada Customs and Revenue Agency website: [www.ccra-adrc.gc.ca](http://www.ccra-adrc.gc.ca)

### What equipment do you need for TOD?

- an IBM-compatible PC (286 or higher)
- a 3.5" disk drive
- at least 1.1MB of RAM and 5MB of space on your hard drive (less for Windows version)
- windows 3.1 or DOS 3.0 or higher

## New Employers

Most employees are paid on a hourly basis and it is common practice for them to receive their pay weekly, biweekly or semi-monthly. Your local stationery store should carry the proper type of book for recording the hours worked. If you are an employer for the first time, you should contact Canada Customs and Revenue Agency for information at 1-800-959-5525.

Request tables or computer disk which will determine the amount of contribution to deduct for each employee's salary, wage or other remuneration.

## How it Works

Periodically, the tables are updated to reflect changes in taxation rates and once you are registered the updated booklets will be mailed directly to you.

Imagine that you have three employees, one of whom works only part-time. You have decided to pay the staff each week and have purchased a payroll book for weekly pay periods. An example of a typical week might look as shown in Exhibit E.

Exhibit E																	
Time, Week Ending <u>March</u> <u>20</u> <u>00</u>																	
No.	Names	S	M	T	W	T	F	S	Total Time	Rate	Total Amount	Income Tax	EI	CPP	Total Deductions	Net Pay	Remarks Received Payment
	Jones, L.		7	7	7	7	8		36	12.00	432.00	76.45	10.37	14.22	101.04	330.96	
	Peters, Robert		8	8	8	8	8		40	5.75	230.00	21.15	5.52	6.35	33.02	196.98	
	Smith, Mary				4	4	4		12	6.00	72.00	0	1.73	.19	1.91	70.09	

The hours for each of the three employees are totalled and their gross pay is determined by multiplying the hours by the rate of pay. In the case of employee L. Jones, the gross pay for the week is \$ (36 hrs. x \$12.00) = \$432.00.

Turning to the Payroll Deduction Tables for 2000, it can quickly be determined that for a weekly wage of \$432.00, the following deductions are made:

Thus the cheque given to L. Jones for \$330.90 will represent the net amount of the gross (\$432.00) minus the deductions (\$101.04).

A payroll record showing what deductions were made on the employee's behalf must be enclosed with the employee's cheque. A copy is shown in Exhibit F.

## **Employer Contribution**

### **New Remitters and Employer Number**

If you are a new employer or have not remitted deductions on behalf of your employees before, do not delay the remittance until you obtain an employer number. You should send a certified cheque or money order payable to the *Receiver General for Canada* to your District Taxation Office, with a letter (on your business letterhead) explaining that this is a new remittance, give the employer's exact name and address under which the account is to be kept, and specify the amounts applicable to Income Tax, Canada Pension Plan contributions and employment Insurance premiums.

The remittance must be made by the 15<sup>th</sup> day of the month following the month in which the remuneration was paid to the employees.

When your remittance is acknowledged, a form PD20 "Employer Registration" will be sent to you to complete and return.

**Exhibit F - Payroll Record**

No.		Period: March 13, 2000	
<b>NAME</b>	<b>L. Jones</b>		
Wages .....		\$432.00	
Overtime .....		\$	
Holiday Pay .....		\$	
<b>TOTAL WAGES</b>			<b>\$432.00</b>
<b>DEDUCTIONS</b>			
<b>INCOME TAX EXEMPT</b>			
1. Company Pension .....		\$	
2. Canada Pension Plan .....		\$ 14.22	
3. Employment Insurance .....		\$ 10.37	
4. Income Tax .....		\$ 76.45	
5. Hospitalization Insurance .....		\$	
6. Savings Bonds .....		\$	
7. Group Insurance .....		\$	
8.		\$	
9.		\$	
<b>TOTAL</b>			<b>\$101.04</b>
<b>NET WAGES</b>			<b>\$330.96</b>
<b>Cheque Number</b>	<b>51</b>		

## **Remittance**

How Much Do You Remit Each Month To The Receiver General For Your Employees?

Before the 15<sup>th</sup> of the month following the month in which the deduction was made, it is your responsibility to remit certain amounts to the Receiver General:

1. All of the Income Tax, Employment Insurance and Canada Pension Plan contributions deducted from your employees PLUS
2. The employer must match the Canada Pension Plan contributions of his employees PLUS
3. The employer must pay 1.4 times the employees' Employment Insurance contributions. For example, if the total of all employees' contributions for a month was \$90.72, the employers' contributions will be (1.4 x \$90.72) which is \$127.01.

Every person carrying on a business in Canada is required by law to keep records and books on account for Income Tax, Canada Pension Plan and Employment Insurance purposes. These records must include enough information to determine the correct contributions and premiums to deduct from your employees. The payroll record book will suffice.

It must be done; therefore, do it right and save yourself time and trouble.

## **Labour Standards**

An outline of provincial laws affecting employers is given in a pamphlet entitled "A Guide to Manitoba labour Laws and Related Information", is available from:

**Manitoba Labour.**  
**Room 604 - 401 York Avenue**  
**Winnipeg, Manitoba R3C 0P8**  
**Telephone: (204) 945-3352**  
**E-Mail (for all offices) [esb@labour.gov.mb.ca](mailto:esb@labour.gov.mb.ca)**  
**[www.gov.mb.ca/labour/standards](http://www.gov.mb.ca/labour/standards)**

1. **Payroll Records**  
Payroll records must be maintained at the place of business in Manitoba. Records must include all necessary information and should be retained for 5 years.
2. **Standard Hours of Work**  
The standard hours of work for an employee is eight hours per day and forty hours per week. Exceptions to these hours can be made through collective agreements and by order from the Manitoba Labour Board.
3. **Overtime**  
Where employees work for more than the standard hours, they are entitled to be paid overtime rates for each hour or part of an hour they are required to work. The standard overtime rate in Manitoba is one and one half times the regular rate of pay and generally overtime is paid for all hours worked after eight hours in a day and forty hours in a week.
4. **Paid General Holidays**  
There are seven paid general holidays. These are: New Year's Day, Good Friday, Victoria Day, Canada Day, labour Day, Thanksgiving Day and Christmas Day.

## 5. Vacations With Pay

If employees have worked for an employer and have put in ninety-five percent of the regular working time, they have the right to a vacation of two weeks with regular pay. (Regular working time does not include vacation time or, up to a maximum of thirty working days, time off due to illness or absence authorized by the employer.)

If employees haven't worked ninety-five percent of the regular working hours they don't have the right to time off for a vacation. However, they still have a right to vacation pay - that is four percent of regular earnings for that year, excluding overtime.

Employees who are let go or who quit before completing one year of service, must receive four percent of total regular earnings, as vacation pay.

If employees have worked for the same employer for at least fifty percent of the regular working hours in each of four years in the preceding ten years, they may have a right to three weeks vacation pay. This right depends on whether the employee has worked the ninety-five percent of regular working time in the fifth year and so on each year following.

If these requirements are not met, the employee does not have the right to three weeks off, but still has the right to vacation pay equal to six percent of total regular earnings, provided the fifth year is completed and all other requirements are met.

## 6. Maternity and Parental Leave

The parental leave provisions of The Employment Standards Code allow parents in Manitoba more flexibility when taking time off to care for their newborn and newly adopted children.

Provincial laws spell out the requirements to qualify for time off and the amount of time off employees are entitled to take when their child is born or adopted.

Federal laws spell out what benefits are payable to employees under the Employment Insurance program.

### **How do I qualify to take time off for Maternity/Parental Leave?**

You qualify for up to 17 weeks off for maternity leave if:

- You are going to give birth to a child; and
- You have worked for the same employer for at least 12 consecutive months; and
- You apply in writing to your employer at least four weeks before you intend to start your maternity leave.

You qualify for up to 17 weeks parental leave if:

- You become a mother or father as a result of the birth or adoption of a child; and
- You have worked for the same employer for at least 12 consecutive months; and
- You apply in writing to your employer at least four weeks before you intend to start your parental leave.

For more information on maternity and parental leave contact your nearest Human Resource Development Centre:

**24-hour enquiry line**

**1-800-821-4307 (outside Winnipeg)**

**945-3352 (in Winnipeg)**

**[www.gov.mb.ca/labour/standards/](http://www.gov.mb.ca/labour/standards/)**

## **How To Pay Yourself**

There is not much point in operating a business if you can't enjoy the profit. The owner of the business is usually the last one paid, yet the hope of an excellent income is one of the major reasons why you start your own business.

If your business operates as a proprietorship or a partnership, you as the owner will still like to get paid. Any funds that you take out of the business are called a "drawing". Income Tax and Canada Pension Plan contributions are based upon profit before drawings. During the first year of operation no payments are remitted for either until a fiscal year end has been declared and an Income Statement prepared and on filing your Income Tax Return.

If your business is incorporated, you too are an employee. Therefore, determine what your salary will be and then make the deductions for Canada Pension Plan, Employment Insurance and Income Tax, just as you do for all other employees.

As a shareholder in an incorporated business, it may be to your advantage to take part of this income in the form of dividends as opposed to salary. Before filing your annual income tax return you should discuss this with your accountant and have him/her determine what mix of salary and dividends will result in the greatest tax savings.

A good business manager would never place an unrealistic management salary burden on a fledgling business, however we all have obligations and your salary or drawings must be included in the projected cash flows of the business.

After your first year in business, Canada Customs and Revenue Agency will expect quarterly payments toward income tax and Canada Pension Plan. Since there is no precedence to base payments for the first year, it is allowed to remain payment-free until the first income statement is prepared and the personal Income Tax Return is filed.

## **General Information**

### **The Workers Compensation Board**

Employers in the majority of industries in Manitoba are required to register with the Works Compensation Board. Some of the operations or industries which do not fall within the compulsory provisions of the *Workers Compensation Act* are farming, landscaping, financial institutions, real estate, and other undertakings in which office work as a business, as opposed to office work connected with an industry under the Act, is carried on. Office workers employed by various professionals and by non-profit religious, charitable, social or fraternal organizations are not usually protected by the Act.

If you are planning to commence business operations you should contact the Workers Compensation Board, or visit the Board's offices, to determine your status, You will be required to register with the Workers Compensation Board prior to employing workers, even on a casual basis, in an industry which falls under the compulsory provisions of the Act.

If your industry does not come within the compulsory provisions of the Act but you wish to have your employees covered for Workers Compensation, you may make a special application to the Board

subject to the Board's approval.

If employees are hurt because of an accident at work, they can claim for at least part of their wages while they are off work, and their medical and drug expenses.

**The Workers Compensation Board**

**333 Broadway**

**Winnipeg, MB R3C 4W3**

**Ph: (204) 954-4321 in Winnipeg or toll free 1-800-362-3340 within Canada**

**website: [www.wcb.mb.ca](http://www.wcb.mb.ca)**

**The Manitoba Advisory Office**

The Manitoba Advisory assists persons with assessment claims and appeals, in cases where benefits have been denied under the *Workers Compensation Act*.

**Manitoba Labour**

**The Workers Advisory Office**

**Room 406-401 York Avenue**

**Winnipeg, MB R3C 0P8**

**Telephone: (204) 945-5787 or toll free 1-800-282-8069**

**Fax: (204) 948-2020**

**website: [abairos@labour.gov.mb.ca](mailto:abairos@labour.gov.mb.ca)**

**Employment Insurance (EI), Canada Pension Plan (CPP), Income Tax**

EI, CPP and Income Tax deduction guidelines are determined by the Federal Government. For information regarding these areas contact:

**Canada Customs and Revenue Agency**

**Winnipeg Tax Services Office**

**325 Broadway**

**Winnipeg, MB R3C 4T4**

**Telephone: 1-800-959-5525**

**French: 1-800-959-7775**

**General Tips**

Your accountant's time is your money. The more organized you are when you take your books to the accountant, the less time he/she will spend sorting things out and, the less it will cost you.

- Don't throw away your cancelled cheques. Cancelled cheques are your proof of payment and your only receipt that an account has been paid. Keep the cheques together with the bank statement which accompanied them. Do not sort the cheques numerically, or alphabetically. Leave them in the order you received them from the bank.
- File your copy of your sales invoice either numerically or by customer, whichever is more convenient. From time to time these will be used to look up invoice totals, stock numbers or quantities ordered.



- Keep a file of all invoices and bills that are paid. This is usually done in order of the cheque number that paid the bill or filed according to supplier. By doing this you will always be able to show which invoice was paid with which cheque.
- Do your Bank Reconciliation each month and Bookkeep daily.
- Count the inventory on hand throughout the year, and at year end. Inventory should be valued at cost, according to the supplier's invoices used to purchase the items. The inventory on hand should be reduced to its fair market value for those items spoiled, obsolete or damaged. The value of inventory has a direct effect on the amount of income to be reported in your financial statements and for income tax purposes.
- The Accounts Receivable on hand at year end should be reviewed to determine those that are uncollectible. Uncollectible accounts are considered bad debts, and should be expensed as such on the income statement, to reduce net income, and reduce accounts receivable on the balance sheet.
- All businesses that sell taxable goods and services have to register for Goods and Services Tax (G.S.T.), unless gross annual sales are less than \$30,000. All taxable transactions have a G.S.T. component, which should be recorded separately in the Synoptic, similar to Exhibit D. The business quarter, should be remitted to the Receiver General in the month following the quarter's end. There are two rates for taxable goods. The G.S.T. rate for most taxable goods is 7%. For basic groceries and exports the rate of 0%. The non-taxable (or exempt) goods and services include interest charges, insurance premiums, previously owned homes and most medical and dental services. If you are not registered, you do not charge or collect G.S.T., nor do you collect the G.S.T. input tax credit for goods purchased.
- Discuss your financial statements with your accountant. Make sure that you understand what the various numbers represent. Accountants sometimes are accused of not providing enough counselling to clients so, bring a list or ask questions.
- Be sure to open a separate bank account for the business and use it only for business. Remember you are running a business and if you are to keep track of its financial affairs, you must keep your personal affairs separate. Banks usually will not allow you to open a business account unless it's in the business name and the business is registered.
- Keep track of your transactions by keeping and recording cancelled cheques and keep any receipts for items purchased by direct payment, cash or credit.
- Make detailed deposit slips and keep a copy for yourself. These act as a record of revenue or involvement by the owner.

For information and advice concerning all aspects of starting and running a business or contact:

**Manitoba Industry, Trade and Mines**  
**c/o Canada/Manitoba Business Service Centre**  
**P.O. Box 250-240 Graham Avenue**  
**Winnipeg, MB R3C 4B3**  
**Ph: (204) 984-2272 or toll free 1-800-665-2019**  
**Fax: (204) 983-3852**  
**InfoFax: (204) 984-5527 or 1-800-665-9386**  
**[www.cbcs.org/manitoba](http://www.cbcs.org/manitoba)**