

Mamut Business Software

Introduction

Mamut Cash VAT



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CASH VAT IN MAMUT BUSINESS SOFTWARE

One of the many great features in Mamut Business Software is the option to account for VAT using the Cash basis, otherwise known as Cash VAT.

Cash VAT in Mamut Business Software is designed for newly established companies that have simple accounting requirements. Certain companies, which have been approved by HMRC (in the United Kingdom) and Revenue (in Ireland), are allowed to use this method of VAT reporting to reduce the impact of VAT on the company's cash flow.

If your company has approval to use this method of reporting, we recommend that you thoroughly read through this guide before entering data into Mamut Business Software or activating the Cash VAT functionality within the system.

Limitations of the Cash VAT system within Mamut Business Software

Please note: the following limitations exist when using the Cash VAT option within Mamut Business Software:

- Opening Balances
- Making Corrections
- Creating New Accounting Years
- Matching and linking invoices to payments and part payments
- Detailed review of VAT return
- Closure of the Accounting Year (Year End)
- Setup of New Accounting Year
- VAT reporting periods that do not follow the accounting year

Opening Balances

Opening balance journals for outstanding invoices are required to be entered in a specific way to ensure that the VAT on outstanding invoices is correct. To ensure this process works correctly, opening amounts need to be entered as separate journals, one for each invoice that is outstanding. The journal for each outstanding amount will need to have a line for the revenue or expense, the VAT element and the amount owing. Please read the section in this guide called “**Entering your Opening Balances: Cash VAT Method**” for a detailed explanation on how balances are required to be entered to ensure the system reports your VAT accurately.

Making Corrections

Another limitation with Mamut Business Software and the Cash VAT method is regarding making corrections, for example reversing journals. Mamut will only report these types of corrections correctly if the entire series of entries is reversed, then re-input in to the system correctly. For example if a mistake has been made on the payment of an invoice, it would not be sufficient to simply reverse that payment journal and put it on the system again correctly. To ensure this is correctly reflected on the VAT report, both the payment and the original invoice would need to be, reversed and put in to the system again.

Creating New Accounting Years

When you create a new accounting year, following the year in which you have previously selected to use Cash VAT, the selection to use Cash VAT will not be carried over to the New Year. This is significant because if entries are made in the New Year before the Cash VAT setting is activated the period will be locked for changes to the Cash VAT setting and VAT will be reported on the normal reporting basis. To handle this correctly you are required to create a new year, and then run through the process for activating Cash VAT in the New Year *before* you close the current year you are working with. Mamut is currently looking at ways to improve this; however in the meantime, you will need to ensure that you check the VAT settings are correct before making any new entries in the new years that you create.

Matching and linking invoice to payments and part payments

Due to the limitations with how Mamut treats the Matching and linking of invoices to payments, Mamut recommends that you do not link part-payments to invoices when using the Cash VAT method on Mamut. For the correct amounts to show on the VAT reports we recommend that you only match one payment to one invoice.

Detailed review of VAT return

If you wish to use Cash VAT with Mamut Business Software, we recommend that you undertake a detailed review of your VAT reports before sending them to the government. Be sure to print out both the VAT return and the VAT return detailed to ensure you approve each item and each amount on the VAT return. Please also consult your accountant to ensure your method of using Cash VAT within Mamut Business Software will be acceptable by HMRC.

Closure of the Accounting Year (Year End)

When you close your accounting year in Mamut Business Software, you are required to make entries to clear certain accounts, that is the VAT on Sales and VAT and on purchases accounts, as these accounts are unlikely to have a zero balance at the end of the year. Currently a manual entry is needed to temporarily clear these accounts; however this manual entry will cause errors in your VAT return unless special care is taken to remove the VAT report code that is linked to this entry. For details on how to avoid VAT report errors related to this please read the section called **“How do I display and edit VAT report codes?”**

Setup of New Accounting Year

Limitations exist on the opening balance as explained above, when creating a new accounting year Cash VAT must be activated and special care must be taken to ensure the Opening balances that are entered, are entered correctly, even if they are balances automatically carried across by Mamut Business Software. Before new entries are made in the New Year, a full VAT report and VAT detailed report should be printed to determine if VAT for the year before is showing again in the New Year. VAT should normally only be reported once to the government.

VAT reporting periods that do not follow the accounting year

For Accounting Years that do not follow VAT reporting periods consider a detailed testing of how this structure will work with Mamut Business Software as in general the system does not support this setup of accounting year and VAT reporting cycles in different periods. For example, in Mamut a VAT period might need to be closed to allow a year to be closed even though the VAT period should not be closed.

For more detailed information about these limitations, please contact support.

How do I set up Mamut for use with the VAT cash accounting scheme?

Once you have been approval to use Cash VAT and you have read through the “**Limitations of the Cash VAT system within Mamut Business Software**” section, you can begin testing the Mamut Cash VAT system to see if it would be suitable for your requirements.

Mamut will only allow a change between Cash VAT and Standard VAT at the beginning of a VAT period which has no postings. If postings have already been made, the VAT scheme can only be changed in the next VAT period which does not contain any postings. We recommend that you check with your accountant about changing to this setting and also to check with HMRC.

How to change from Standard VAT to Cash VAT:

1. Select **View - Settings - Accounting**.
2. Select the **Module Settings** tab and click on **Cash VAT**.
3. Tick the VAT period from when Cash VAT accounting will apply.
4. Click **OK** once the desired periods have been selected and close the accounting settings window.



Your system has now been setup to use the Cash VAT method.



Note! In each of the following years that you use the software on the Cash VAT basis you will need to run through this process to ensure Cash VAT continues to be activated as desired.

Entering your Opening Balances: Cash VAT Method

Preparation

If you have chosen to use the Cash VAT functionality within Mamut Business Software, extra consideration needs to be given to the way in which your opening balance journals are input. It is essential that every individual entry on the Debtor and Creditor control accounts is keyed as an individual journal. The reason for this is that when the item is paid/partially paid, the system acquires the amount of VAT to be paid (or recovered for purchases) from the original opening balance journal.

To begin you will need three reports – a trial balance, a debtors list (Customer Ledger printout) and a creditors list (Supplier Ledger printout) for the period end that you wish to change over to Mamut in. Using these documents, it will be possible to calculate your Opening Balance journals.

Example Trial Balance

Original Trial Balance

Trial balance

Query criteria: ACCOUNTING: accounting year =2000 (01 01 2000-01 12 2000) and source = financials

N/C	Account	Debit	Credit
1004	Bought in Stock	3,628.00	
1100	Debtors Control Account	16,558.04	
1200	Bank Current Account		6,161.54
2100	Creditors Control Account		5,346.25
2202	VAT Liability		1,318.80
3100	Reserves		7,358.25
	Total	20,184.04	20,184.14

Example Debtors List

Original Trial Balance

Customer ledger

Query criteria: ACCOUNTING: type of journal line = customer ledger and source = open items and source = financials

Invoice no.	Date	Due date	Entry No.	Description	Amount
30000 Customer A					
2	21 09 2005	01 10 2005	SG	30000 Customer A, 2	6,789.76
Total:					6,789.76
30001 Customer B					
3	21 09 2005	01 10 2005	SG	30001 Customer B, 3	2,772.41
5	11 11 2005	21 11 2005	SG	30001 Customer D, 5	5,255.04
Total:					6,228.25
30002 Customer C					
4	29 09 2005	09 10 2005	SK	30002 Customer C, 4	3,458.03
Total:					3,458.03
Total:					16,558.04

Example Creditors List

Original Trial Balance

Supplier ledger

Query criteria: ACCOUNTING: type of journal line = supplier ledger and source = open items and source = financials

Invoice no.	Date	Due date	Entry No.	Description	Amount
1002	Supplier Z, Company Reg. No.				
i03	17 08 2005	27 08 2005	P13	Invoice#03, 10002 Supplier Z	-5,348.25
Total:					-5,348.25
Total:					-5,348.25

Stage 1 - Opening Balance Journal

The first Opening Balance journal can contain all of the items except the customer and supplier ledger items. Using the Trial Balance example above, your first opening balance should look like this:

L	N/C	Double entry/Details	Debtor/Creditor ad/invoice no.	VAT	VAT report code	Debit	Credit	
1	1004	Bought in Stock		0. None	(none)	3,628.00		
2	1200	Bank Current Account		0. None	(none)		6,161.54	
3	2202	VAT Liability		0. None	(none)		1,318.00	
4	3100	Reserves		0. None	(none)		7,358.25	
5	9998	Suspense Account		0. None	(none)	11,209.79		
4000 Sales						0.00	14,837.79	
1200 Bank Current Account						6,161.54	1230 Petty Cash	
						0.00		
L	Entry No.	Period	Date	N/C	Details	VAT	Debit	Credit
1	OB1	1	01 01 2006	1004	Bought in Stock	None	3,628.00	
2		1		1200	Bank Current Account	None		6,161.54
3		1		2202	VAT Liability	None		1,318.00
4		1		3100	Reserves	None		7,358.25
5		1		9998	Suspense Account	None	11,209.79	
1	OB2	1	01 01 2006	1100	Invoice 2, 30000 Customer A	None	6,769.76	
2		1		4000	Sales	Sales Standard		5,761.50
						0.00	53,296.12	53,296.12

In the above screen shot, the journal reflects all entries from the Trial Balance, except for the customer and supplier ledger entries. An entry to the Suspense Account (9998) is made to balance this journal.

Stage 2 – The Customer Ledger Entries

When the Customer ledger entries are keyed, each journal should consist of one debit to the **Debtors Control Account (1100)** and a credit to each of the **Sales (4000)** and **VAT on Sales (2200)** accounts:

L	N/C	Double entry/Details	Debtor/Creditor advice no.	VAT	VAT report code	Debit	Credit
1	1100	Invoice 2, 30000 Customer	30000	2	0. None	6,769.76	
2	4000	Sales		2	1. Sales Standard		5,761.50
3	2200	VAT on Sales		2	0. None		1,008.26
1100 Debtors Control Account						16,556.04	
1200 Bank Current Account						-6,161.54	
1230 Petty Cash						0.00	
						0.00	6,769.76
							6,769.76

L	Entry No.	Period	Date	N/C	Details	VAT	Debit	Credit
1	0B2	1	01 01 2006	1100	Invoice 2, 30000 Customer A	None	6,769.76	
2	1	1	01 01 2006	4000	Sales	Sales Standard		5,761.50
3	1	1	01 01 2006	2200	VAT on Sales	None		1,008.26
1	0B3	1	01 01 2006	1100	Invoice 3, 30001 Customer B	None	2,772.41	
2	1	1	01 01 2006	4000	Sales	Sales Standard		2,259.50
3	1	1	01 01 2006	2200	VAT on Sales	None		412.91
1	0B4	1	01 01 2006	1100	Invoice 5, 30001 Customer B	None	3,555.84	
						0.00	53,296.12	53,296.12

Do not worry that there were no values for the **Sales (4000)** and **VAT on Sales (2200)** accounts on your trial balance – these will be cleared down later, at stage 4.

Stage 3 – The Supplier Ledger Entries

When the Supplier ledger entries are keyed, each journal should consist of one credit to the **Creditors Control Account (2100)** and one debit to each of the **Materials Purchased (5000)** and **VAT on Purchases (2201)** accounts:

L	N/C	Double entry/Details	Debtor/Creditor advice no.	VAT	VAT report code	Debit	Credit
1	2100	Invoice #03, 10002 Supplier	10002	#03	0. None		5,346.25
2	5000	Materials Purchased		#03	4. Purchase Standard	4,550.00	
3	2201	VAT on Purchases		#03	0. None	796.25	
1100 Debtors Control Account						16,556.04	
1200 Bank Current Account						-6,161.54	
1230 Petty Cash						0.00	
						0.00	5,346.25
							5,346.25

L	Entry No.	Period	Date	N/C	Details	VAT	Debit	Credit
1	0B6	1	01 01 2006	2100	Invoice #03, 10002 Supplier Z	None		5,346.25
2	1	1	01 01 2006	5000	Materials Purchased	Purchase Standard	4,550.00	
3	1	1	01 01 2006	2201	VAT on Purchases	None	796.25	
1	0B7	1	01 01 2006	4000	Sales	None		14,090.25
2	1	1	01 01 2006	2200	VAT on Sales	None		2,485.79
3	1	1	01 01 2006	5000	Materials Purchased	None		4,550.00
4	1	1	01 01 2006	2201	VAT on Purchases	None		796.25
						0.00	53,296.12	53,296.12

Do not worry that there were no values for the **Materials Purchased (5000)** and **VAT on Purchases (2201)** accounts on your trial balance – these will be cleared down in our next stage.

Stage 4 – Clearing Down Suspense Figures

We have now temporary values on 5 accounts, which need to be cleared down. This is done with one final Opening Balance journal. The nominal codes used in this example (and probably in your office also) have been:

Sales (4000)

VAT on Sales (2200)

Materials Purchased (5000)

VAT on Purchases (2201)

Suspense Account (9998)

These nominal codes are now cleared down with one final journal, as shown below:

L	N/C	Double entry/Details	Debtor/Creditor ad/invoice no.	VAT	VAT report code	Debit	Credit				
1	4000	Sales		0. None	(none)	14,090.25					
2	2200	VAT on Sales		0. None	(none)	2,465.79					
3	5000	Materials Purchased		0. None	(none)		4,550.00				
4	2201	VAT on Purchases		0. None	(none)		796.25				
5	9998	Suspense Account		0. None	(none)		11,209.79				
						B	0.00	Dr	16,556.04	Cr	16,556.04

L	Entry No.	Period	Date	N/C	Details	VAT	Debit	Credit				
1	OB7	1	01 01 2006	4000	Sales	None	14,090.25					
2		1		2200	VAT on Sales	None	2,465.79					
3		1		5000	Materials Purchased	None		4,550.00				
4		1		2201	VAT on Purchases	None		796.25				
5		1		9998	Suspense Account	None		11,209.79				
							B	0.00	Dr	53,296.12	Cr	53,296.12

Note! It is critical that the VAT column is changed to **0. None** and that the VAT report code column is changed to **(none)** for all of the lines in this journal. Failure to do so will cause these balancing entries to be written to your first VAT Return.

Results

Important! Before updating the ledgers with the journals you have inputted, it is strongly advised that you create a backup of your system. Once the journals have been processed into the Accounts ledgers, you should be left in a position where the Mamut system now reflects your old system. You can verify this by comparing the original Trial Balance to the Nominal Ledger Trial Balance screen within Mamut Business Software. This screen, with our example data entered, is shown below:

N/A/C	Details	Debit	Credit
1004	Bought in Stock	3,628.00	
1100	Debtors Control Account		16,556.04
1200	Bank Current Account		6,161.54
2100	Creditors Control Account		5,346.25
2200	VAT on Sales		
2201	VAT on Purchases		
2202	VAT Liability		1,318.00
3100	Reserves		7,358.25
4000	Sales		
5000	Materials Purchased		
9998	Suspense Account		
		Dr 20,184.04	Cr 20,184.04

You can now check that the figures on this screen match your trial balance. If they do, you have successfully keyed your opening balances! We also strongly recommend that you check your VAT return is empty as it should not contain any entries from the input of opening balances.

HOW DO I DISPLAY AND EDIT VAT REPORT CODES?

When amounts are posted to the **VAT on Sales** or **VAT on Purchases** accounts, the amounts posted will show on the VAT report, even when the VAT code **None** is used.

For example, if a booking is made to the **VAT on sales account**, with VAT code **None**, the amount posted to the account will show on the VAT return for the period in box **1. VAT due in this period on sales and other outputs**.

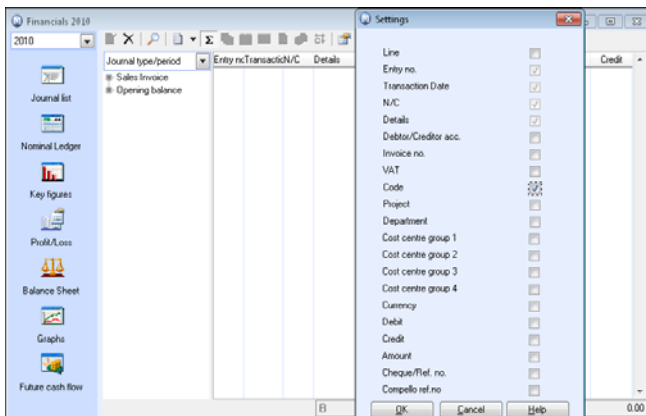
This reporting of VAT can in some cases be unwanted and have a negative impact on entries. For example, when entering Opening Balances, it is quite possible that VAT has already been reported in your last system, therefore reporting it again would be incorrect.

Another example of when this type of reporting might be unwanted is if you need to make manual entries to clear these accounts but you do not want to reverse the amounts on the actual VAT report. Simply selecting VAT code **None** will not stop these actions from being reported on the VAT report. You will need to adjust the **VAT report code** manually.

To ensure entries posted to these accounts are handled correctly, we recommend that you make the VAT report code field visible within the Financials module.

How to activate the VAT report code in financials:

1. Go to **View – Accounting – Financials**.
2. Click the **Settings** icon.
3. Tick the check box for **Code**.



4. Click **OK**.

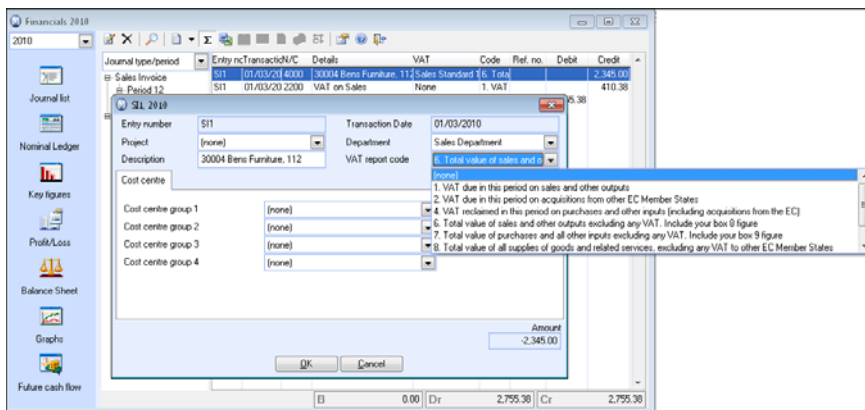
 You have now activated the VAT report code in financials.

The **VAT report Code** will now be visible.

If you have posted to these accounts and can see that amounts have been added to the VAT return which should not have been, you can edit these entries in the Financials.

How to edit the VAT report code used:

1. Click on the entry you wish to adjust.
2. Click the **Edit** icon.
3. Use the **VAT report code** drop-down list to set the VAT report code you want e.g. by highlighting the code you wish to apply.



4. Once you have highlighted the VAT report code, click **OK**.

 *The VAT report code has now been adjusted.*

HOW DO I EMPTY MY VAT ACCOUNTS FOR YEAR END?

Mamut has a limitation where at the end of the year, the only VAT N/C that can contain entries when you carry out Year End is account **2202 VAT Liability Account**. That is because Mamut has been designed for the standard method of VAT reporting rather than the Cash VAT method of reporting. This means that all other VAT N/C's such as Sales VAT and Purchase VAT must be cleared in the previous year. The residual values on these N/C's can then be re-entered into the new accounting year.

To temporarily clear these accounts you will need to make the following manual journal entry.

Example removal of VAT in order to close the year

Here is an example based on having found a debit balance of £/€ 300 in account 2200 when printing out the Trial Balance report.

Accounting year: 2010

Period: 12

Date: 31.12.2010

Journal Type: Miscellaneous

Account	Name	Debit	Credit
2200	VAT on Sales		300.00
2202	VAT Liability	300.00	

This journal entry has now cancelled out the total account 2200 so that it is only the VAT Liability that will show a total at Year End.

Be sure to remove the VAT report code from any account using the method shown in the section "**How do I display and edit VAT report codes?**"

It is vital that you remove the VAT report code on this entry and on the entry in the new year to ensure these entries do not affect your VAT return.

Please contact support regarding this point should you require more information.