SETTING UP AND USING XERO FOR SMALL BUSINESS

Training Manual

Version 11

Setting up and using Xero for small business, Version 1.1
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INTRODUCTION TO TRAINING MANUAL

The purpose of this training manual is to provide the knowledge and skills to use Xero and to set up and operate Xero for small business.

Relationship to Competency Standards

This manual will introduce the learner/student to Xero, and will detail how to implement the integrated accounting system. Next the learner/student will process transactions, maintain the system and produce reports from the software. Finally the student will learn what ensures system integrity in Xero.

Quickstart Guide

What you will need

- access to the internet
- MS Excel, or other spreadsheet editing software
- exercise files
- an email address
- One of the following internet browsers
    - Google Chrome (PC and Mac)
    - Internet Explorer (IE) 11 (PC)
    - Mozilla Firefox (PC and Mac)
    - Safari 8 (Mac)

Important: Xero does not support any beta versions of internet browsers or alternative open source builds of them.

Make sure that cookies and JavaScript are enabled in your browser.

Let's Get Started

You will need to setup a Xero trial from this address: https://www.xero.com/au/teaching-accounting

The trial will expire after 30 days, if you take longer than this to complete the workbook you will need to start a new trial and start over. For ease of identification, your trainer may request that you name your Xero trial organisation using your student id number and/or name.

You will need to download the exercise files from: https://www.xero.com/au/teaching-accounting/exercise-files

The exercises contained in this workbook are designed to simulate the best practices in setting up and operating Xero. Throughout the course you will set up and operate a fictitious business, Julie's Flowers, from the trial organisation.

Once you have created your trial organisation, we recommend that you invite your trainer in as a user to make it easy to review and provide feedback on your work. We recommend that trainers be invited as a user with Read only access. Instructions on how to add users can be found here: https://help.xero.com/au/Settings_UsersAdd

What to do if you need help

A glossary is provided in the workbook to help you understand terminology that you may not be familiar with, please use the glossary as a reference point.

Students are advised to ask their trainer if assistance is required to work through these materials. Please do not contact Xero support, our support team will not be able to provide assistance in relation to the workbook material. As a trainer if you are experiencing issues with Xero or the workbook please contact us at training@xero.com
The Xero business help centre is an online resource that both trainers and students can access for practical solutions and information on how to use Xero.
You can access the help centre at: https://help.xero.com/au

Students should be advised that: you won't find direct solutions to the course activities in the help centre, just to be clear on this!

Prerequisites

There are no prerequisites, however basic knowledge of bookkeeping and accounting concepts are advantageous.

Exercise Navigation

This course is made up of 15 modules, including this introduction.

Each of the modules will introduce certain concepts around using systems and programs for planning, implementing, monitoring and reporting. In this context the systems used are Xero Accounting Software and MS Excel (or other spreadsheet software).

Each time you are required to do an exercise, you will see numbered steps. We recommend doing each exercise in order.

You will be using a combination of both a trial version (which you will create), and the sample Demo Company. Throughout the course you will set up and operate a fictitious business, Julie's Flowers, from your trial organisation.

Glossary

- **Business Edition**
  Business edition of Xero is available to any organisation who wishes to sign up directly from Xero's website and use the software. Business edition has a variety of pricing plans which determine what features are included.

- **Check your Progress**
  At the end of each module, there will be a 'Check your Progress' list. This checklist will ensure that all tasks outlined in the exercises have been achieved. The items on the checklist are directly related to the exercises and learning outcomes.

- **Cloud Based**
  Xero is 100% cloud based. This simply means Xero is accessed and used online through a browser or mobile app, connected to the internet.

- **Dashboard**
  Each organisation on Xero contains a Dashboard which summarises activity in the organisation's bank accounts, accounts payable, accounts receivable, expense claims and can be customised to include account summaries from the other general ledger accounts.

- **Demo Company**
  The Demo Company is a sample organisation, populated with fictional data which can be used for training and testing.

- **General Ledger**
  The general ledger accounts are the organisation's accounts in which all accounting transactions are posted to. When any type of transaction is created in the software, the general ledger account that the transaction was posted to is updated in real-time. Individual general ledger accounts are often referred to as simply 'accounts'.

  The general ledger accounts in an organisation are collectively referred to as the 'Chart of Accounts'.

- **Learning Outcomes**
  The learning outcomes will preface each module. They will outline the knowledge and skills that you will achieve as a result of successfully completing the module.

- **Navigation**
  During exercises, page elements or buttons to interact with will be in **bold**. E.g. Click on the **Next** button.

  Navigating from one screen to another will be shown by '>'. E.g to go from the Dashboard to the General Settings screen, you will see **Dashboard** > **Settings** > **General Settings**.

- **“Notes” in Blue**
  Trainer notes, additional concepts and theory presented in this manual.

- **My Xero**
  Each Xero user has access to a ‘My Xero’ page. This page contains a list of all the organisations that the user is a subscriber for and has access to. Subscriptions, billing, and other account settings specific to a user can be managed from here. Each user’s My Xero includes a link to the Demo Company.

- **Organisation**
  An organisation on Xero, is an entity’s account. Other software may refer to an organisation as a ‘file’. An organisation on Xero can be any type of entity (company, trust, partnership etc.), on any version of the software.

- **Partner Edition**
  Partner edition is for Accounting and Bookkeeping partners to manage their clients’ organisations. It contains additional features that enable advisers to manage their client’s organisations.

- **Screenshots**
  Screenshots of certain features are used throughout, to accompany the exercises and theory. The screenshots in this manual are generated from Mac OS and MS Excel. As such, they may differ from exactly what you see if you are on another system or version of MS Excel / Spreadsheet software.

- **Subscriber**
  The user who initially created the organisation effectively ‘owns’ it, and the data that it contains. This user is called the subscriber. Only the subscriber of a trial can upgrade the organisation to a paid subscription. The subscriber also ultimately controls who has access to the organisation, and which level of access each user should have.

- **Subscription**
  A paid version of Xero for an organisation, charged as a monthly subscription.
  A subscription covers one organisation, but can have unlimited users accessing and using the organisation.

- **The Single Ledger**
  The concept of the Single Ledger is unique to Xero. Many other platforms, including desktop software, require multiple instances of an entity’s accounts to be updated in multiple locations, by multiple users. This means that organisation data is often out of sync and each location and user has access to different data. As Xero is 100% cloud based, all transactions made by any user, at any time, from any location, are updated in real time to the same general ledger accounts.

- **Trial**
  You can start a trial on Xero, which allows for free and full access to the software for an organisation for 30 days. If you decide to subscribe to a paid version of this organisation after 30 days, all data that was entered into the trial is retained. If you don't upgrade to a paid subscription after 30 days, the trial will be locked for a period of time and eventually deleted.
  If you'd like to start additional trials, you are able to do so from your My Xero page.

- **User Account**
  Each individual who subscribes to, or has access to an organisation, has their own account associated with their email address and password. A user account can be created when a trial is signed up for, or when a new user is invited into an organisation.

1. Getting Started with Xero

Learning Outcomes

By the end of this module, you will be able to:

- sign up for a Xero account
- sign up for a trial organisation
- access the Demo Company
- navigate between the Demo Company and your trial
- access the help centre
- understand how data is imported and exported in bulk
- export a CSV file out of Xero
- import a CSV file into Xero

GETTING STARTED WITH XERO

Welcome to Xero

Xero is beautiful online accounting software designed for small to medium businesses. As a subscription based service, Xero is 100% cloud-based and all transactions happen in real-time, ensuring that you have the most up-to-date financial information at your fingertips. There is no additional cost or limit for the number of users that can be invited into a Xero file, this means that small business owners, accountants, bookkeepers and other advisers can work together on a single ledger. Xero's intuitive design promotes efficiency and collaboration for small businesses and their advisers.

Accessed from any internet ready device, Xero's key functions include:

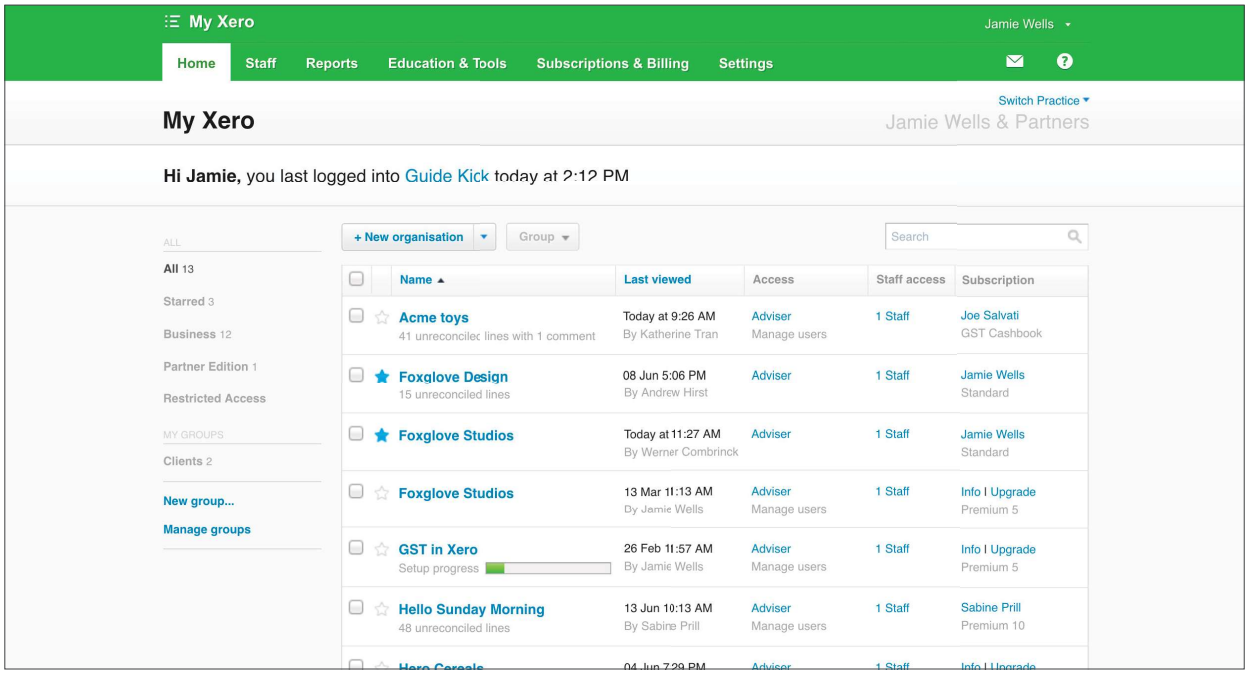
- invoicing
- bills
- banking
- inventory
- fixed assets
- reporting

Because the system is in the cloud, there is nothing to download or install; all updates, security and maintenance happen behind the scenes automatically.

Info: there are two editions of Xero. Partner edition, and business edition. Partner edition is for Accounting and Bookkeeping partners to manage their clients' organisations among other additional tools.

My Xero - Partner Edition

The key difference of partner edition is the My Xero page as shown below. It is visibly different (the header navigation bar is green instead of blue - see following screenshot) and there is an education and tools tab available. Business edition is used when an organisation has signed up directly from xero.com. For this course, you will be using the business edition.



Sign up for a Xero account and add a trial organisation

In this course you will sign up to Xero to use **both a trial version of Xero and the Demo Company to complete exercises.**

A trial allows you to create a new organisation in Xero and gives you free access to all features for 30 days. After this point, you will be required to purchase a subscription to continue with this organisation. After your initial trial, you are able to add further trials from scratch under the same login details.

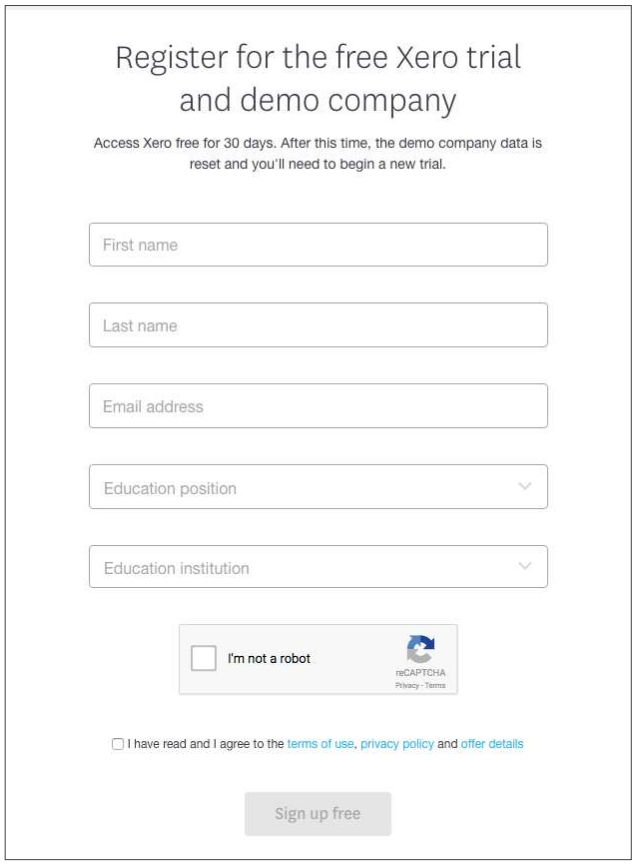
This exercise will step you through the initial Xero account sign up, along with the creation of the trial organisation.

> **Important:** you only have to sign up for a trial once, the first time you use Xero. If you already have a Xero account, you may start a new trial and begin this exercise from Step 7.

EXERCISE 1.1

The following exercise will create a Xero account for a first time user. If you have previously used Xero with the same login email address the process will differ and you will need to login first then select + New Organisation to set up your trial.

1. To sign up, go to https://www.xero.com/au/teaching-accounting/

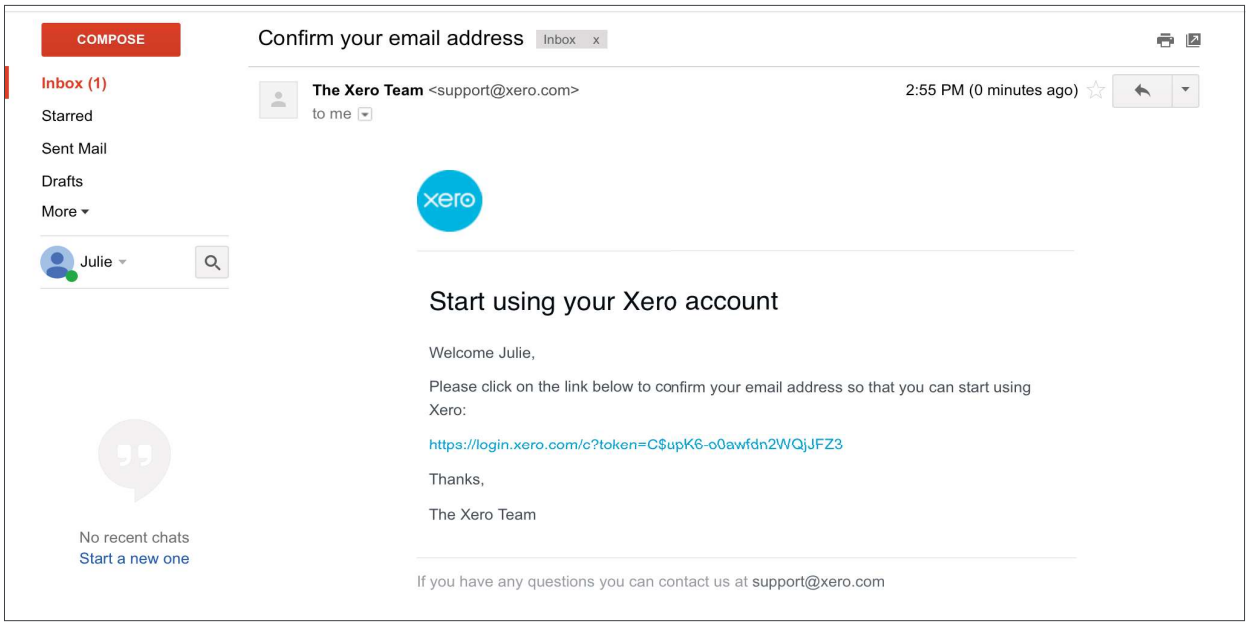


2. Enter your first name, last name, email address, education position and education institution.

3. Tick the box to confirm that you're not a robot and ensure that you have selected 'I have read and I agree to the Terms of Use and Privacy Policy'.

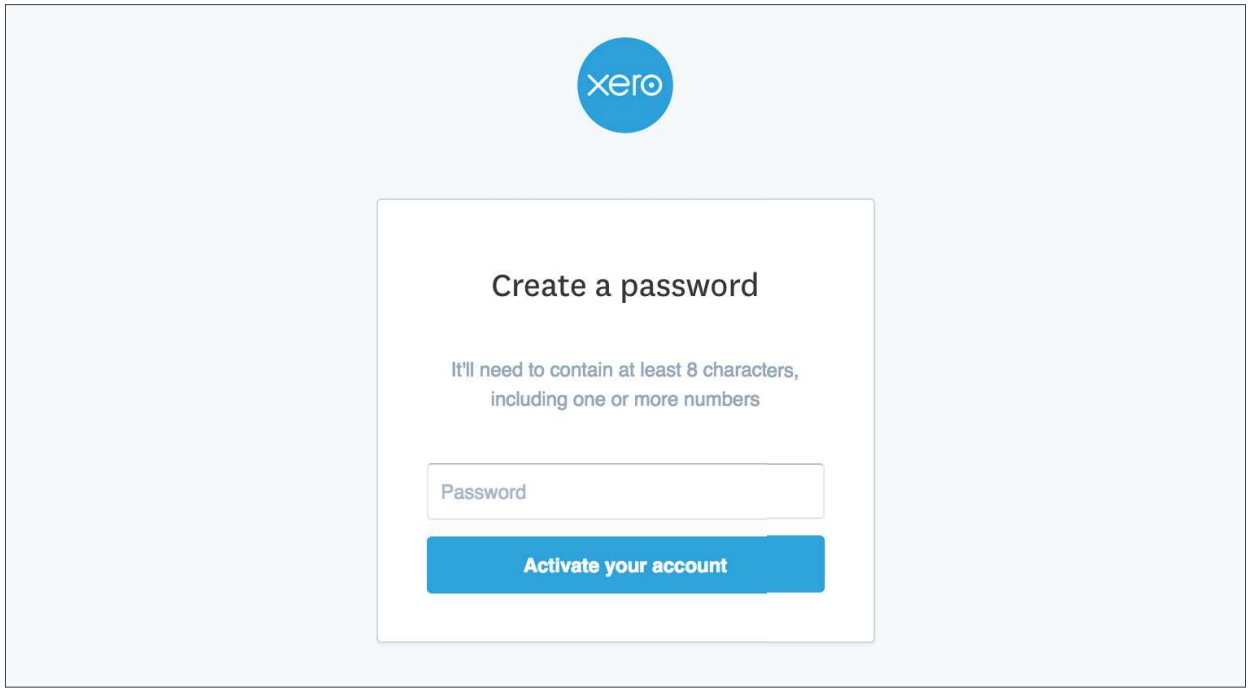
4. Click the Sign up free button.

5. An email containing a confirmation link will be sent to the email address you provided in the signup form. Click on the link to confirm your email.

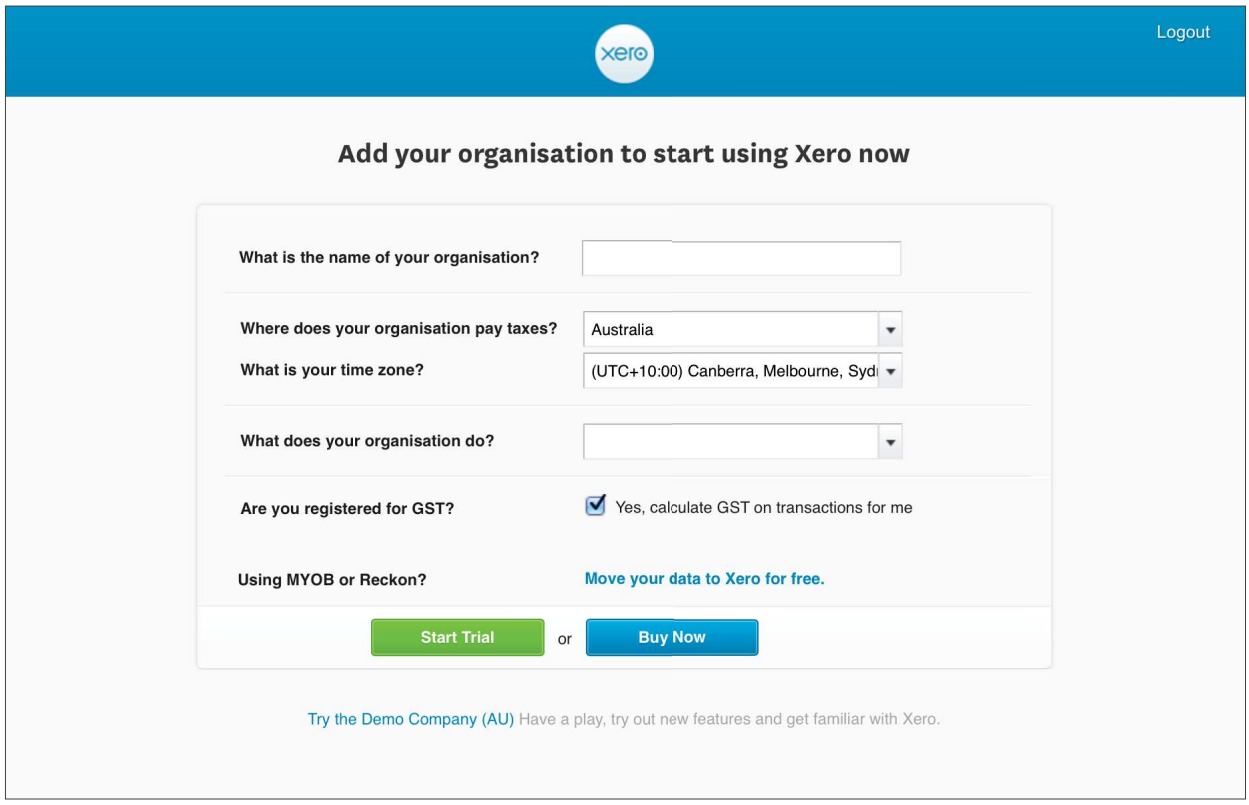


This will take you to a page, which will allow you to create a password for your account.

6. Create a password and **click** the **'activate your account'** button.



This will take you to a page, which will allow you to create your trial organisation.

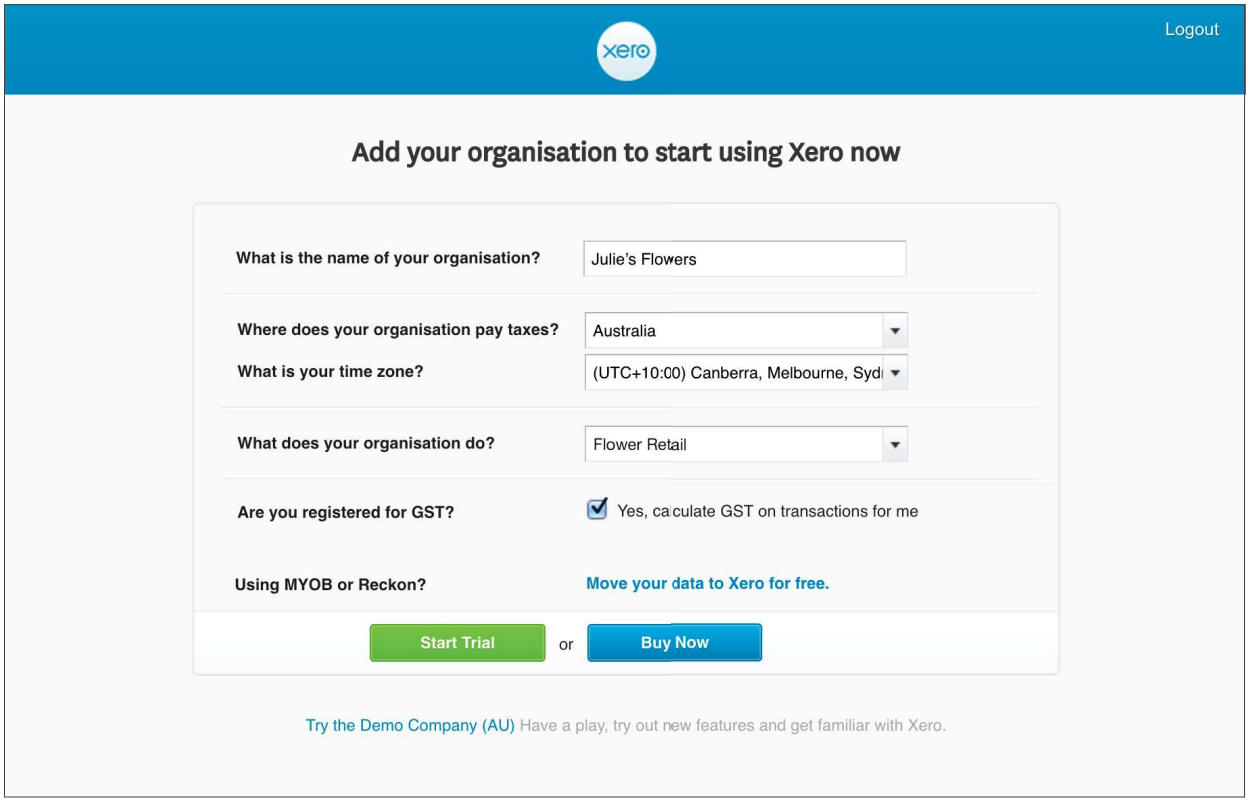


You will be adding a fictitious business to Xero, Julie's Flowers, which will be used for the exercises throughout this course.

7. From the following information, complete the table below and enter the following details into your Xero organisational setup:

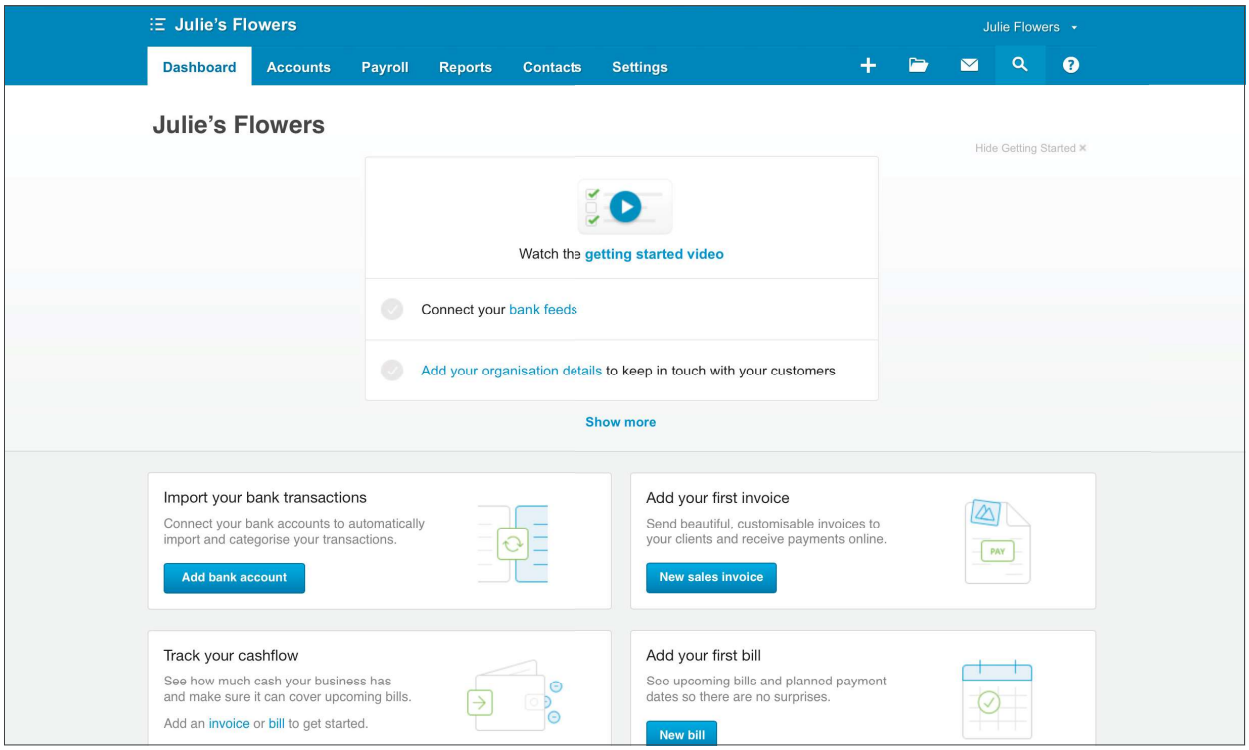
Julie's Flowers is a new floristry business that operates a retail store and organises events. They are based in Melbourne, Australia. During the business setup procedures they have registered for GST.

Field	Details
What is the name of your organisation?	
Where does your organisation pay taxes?	
What is your time zone?	
What does your organisation do?	
Are you registered for GST?	



8. Click the Start Trial Button

You have now created your Xero trial. You will land on the Xero Dashboard. If your dashboard looks slightly different to the one shown below, don't stress, we're just making further updates and improvements to the product to create a more beautiful experience for our customers.



My Xero

The My Xero page is an important feature of your Xero login.

My Xero allows you to:

- manage your Xero trial
- add another trial or paid subscription
- manage billing for your subscriptions
- Access organisations you are a user of
- Use the Demo Company

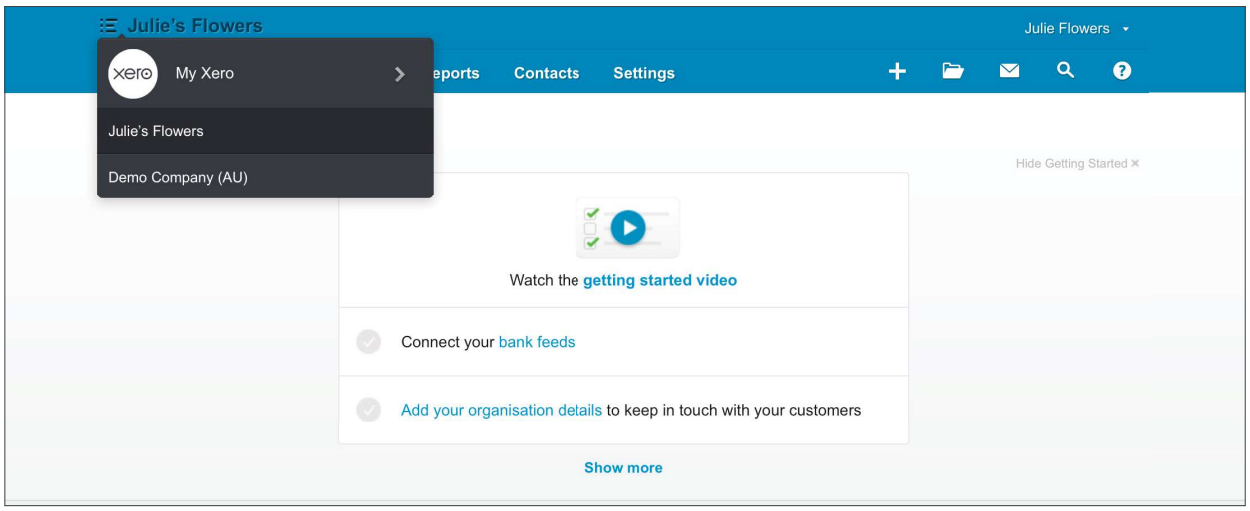
The Demo Company is a sample company which has been pre-populated with fictitious transactional data. It is always available for your use, free of charge. It is a great environment for testing functionality in Xero, as you can refresh the data if you make a mistake.

> **Important:** The sample data in the Demo Company will refresh automatically every 30 days, which is important to note if you have made edits to the data.

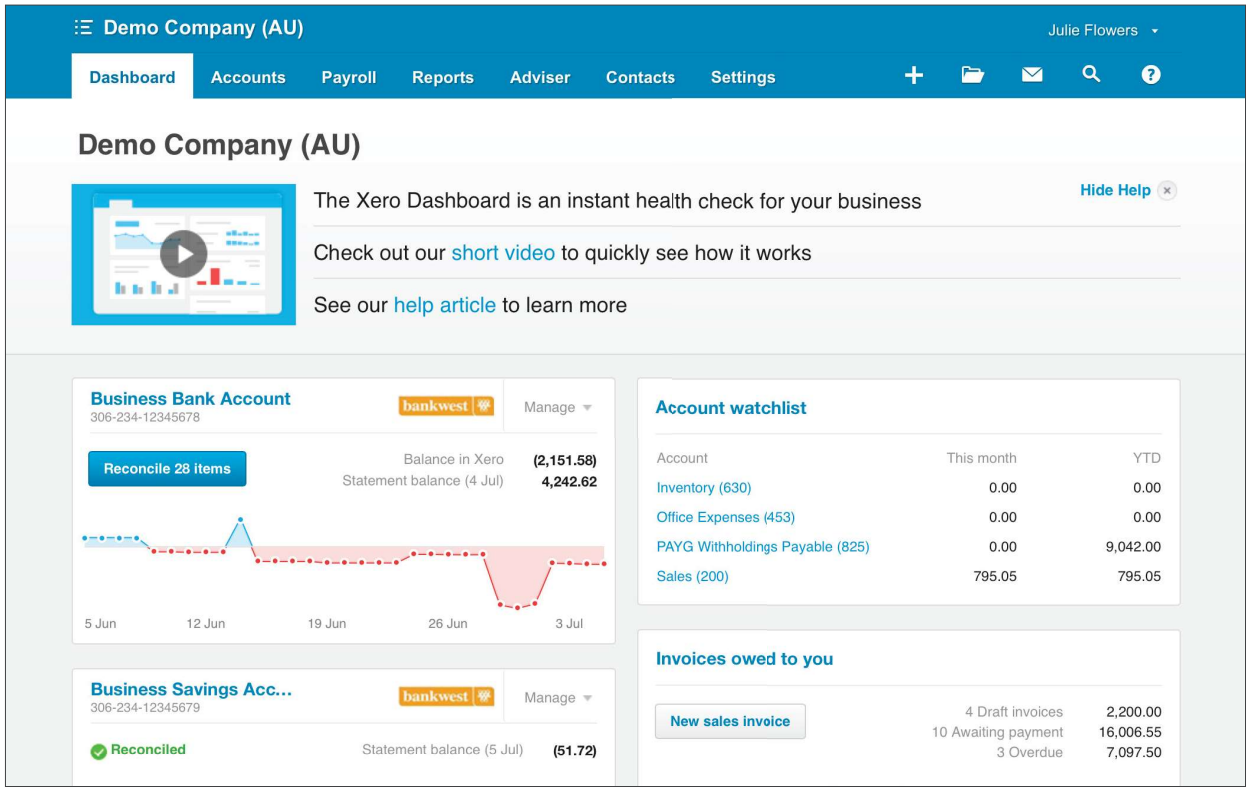
EXERCISE 1.2

In this exercise, you will access the My Xero page and the Demo Company.

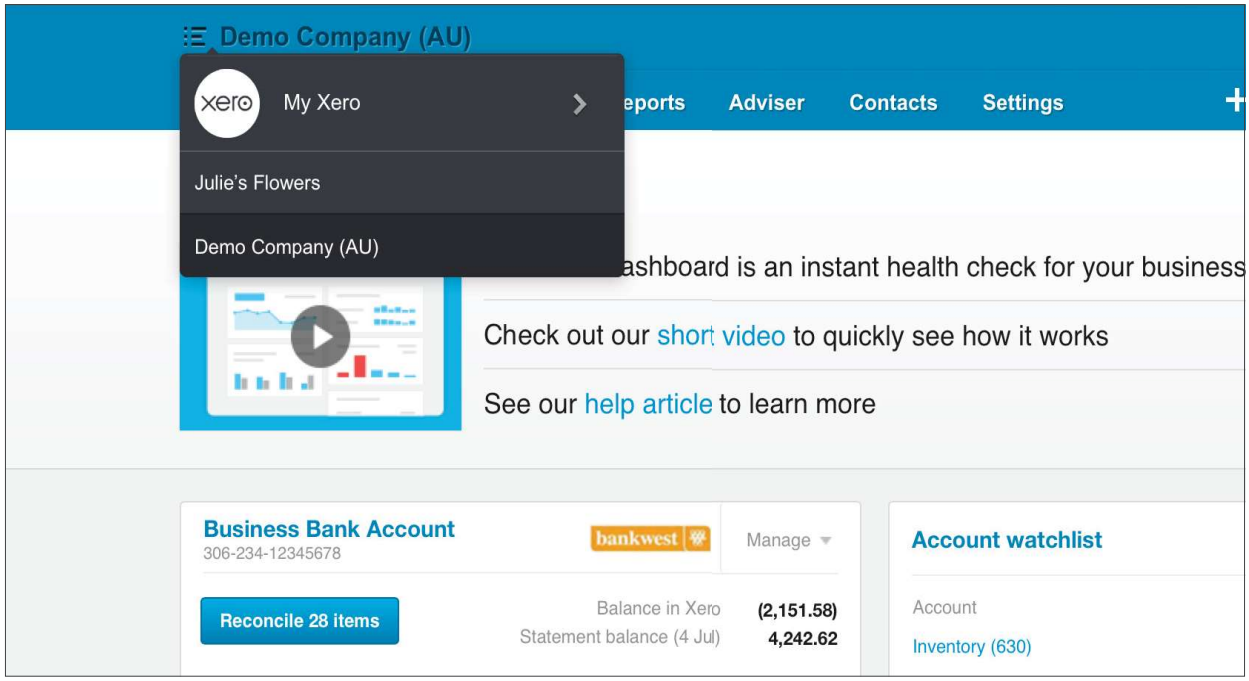
1. From the Xero Dashboard, click on the icon next to Julie's Flowers.



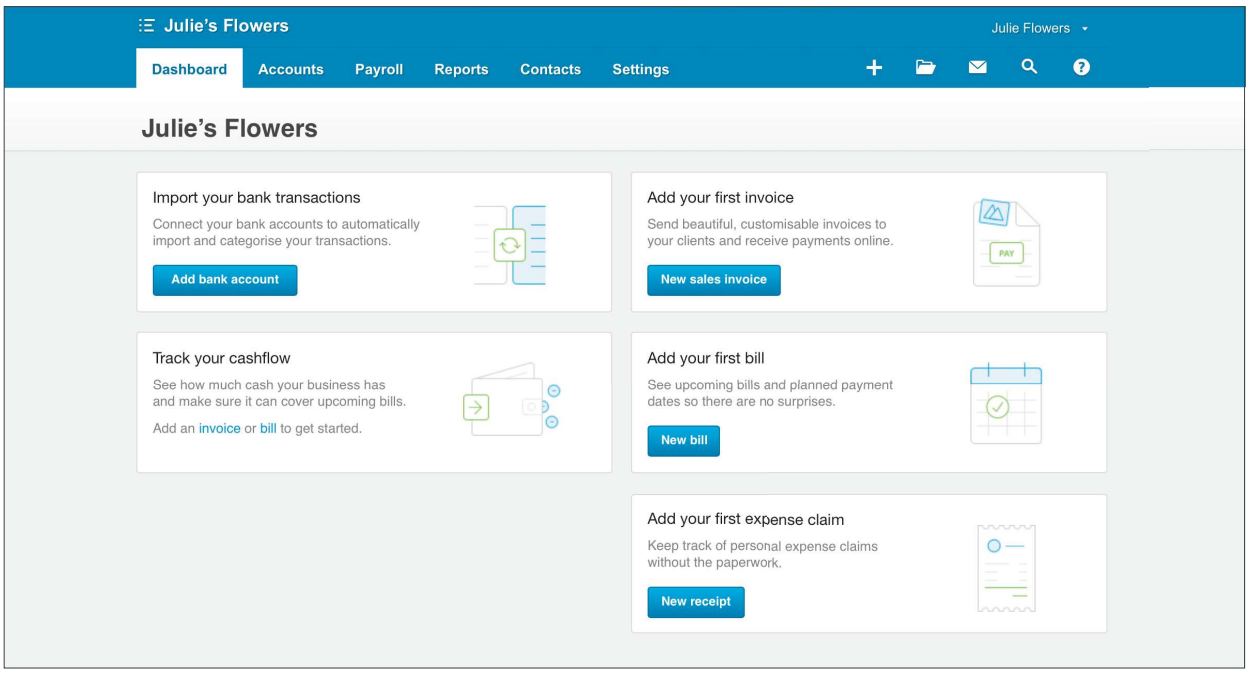
2. Click on the link **'Demo Company (AU)'** This will bring up the Dashboard of the Demo Company.



3. Navigate from the Demo Company back to your Julie's Flowers trial by clicking on the button and selecting Julie's Flowers.



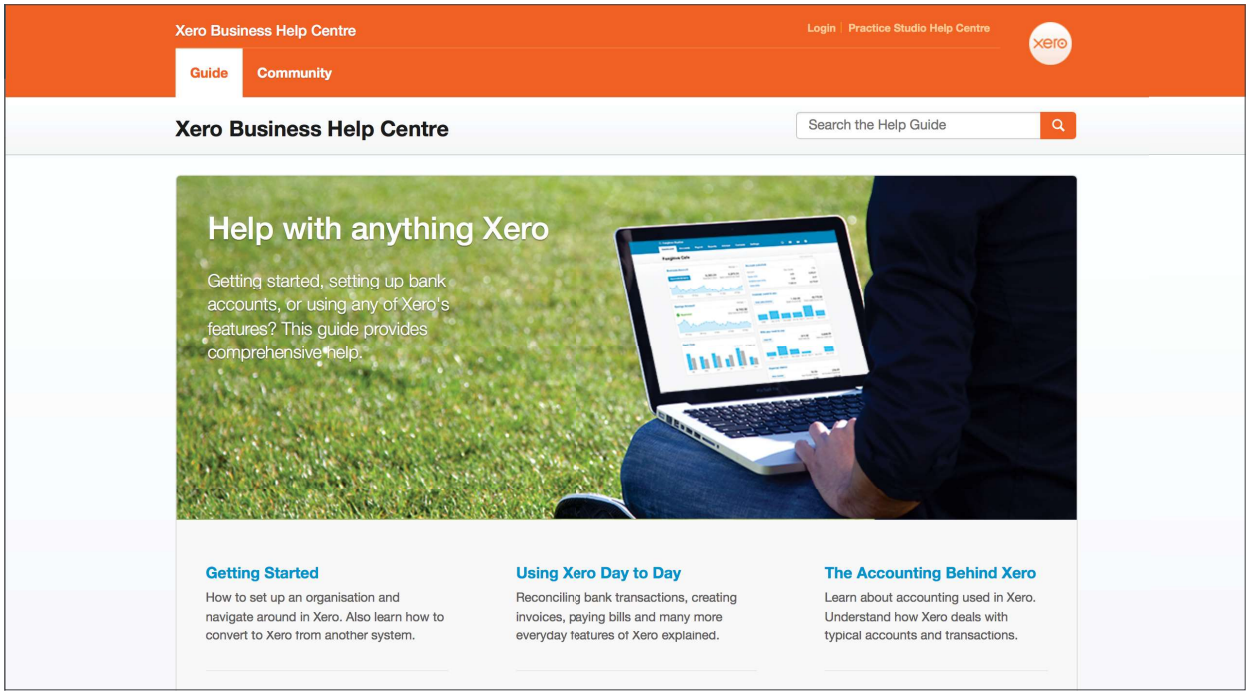
You will land back on the Dashboard of your Julie's Flowers trial organisation.



Help Centre and Support

All users of Xero have access to free, online help. We provide a help centre which contains up-to-date and comprehensive content relating to Xero features, processes and fundamentals.

To access the help centre, simply navigate to: https://help.xero.com/



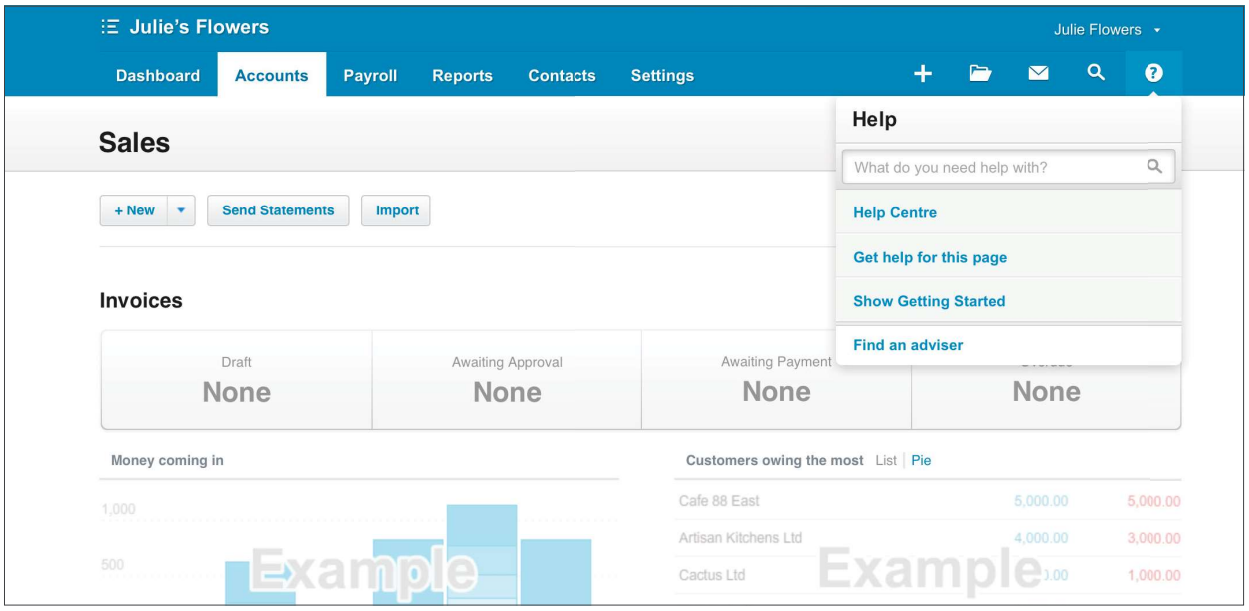
The best way to find what you need in the help centre is to use the search function. For example, if you would like to learn how to send an invoice, searching using the term 'invoice' will bring up articles in order of relevance.

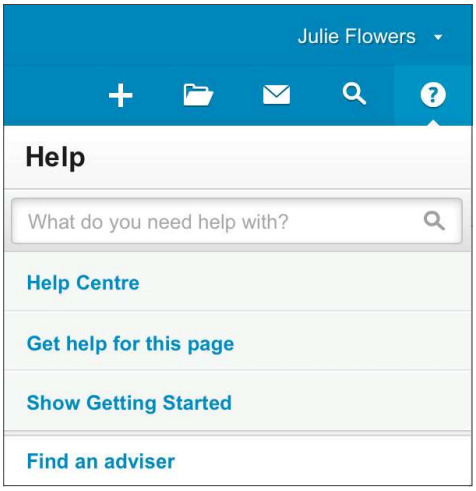
You can also access the help centre from within Xero. This means that you don't have to leave the page to search for help. The next exercise will show you how.

EXERCISE 1.3

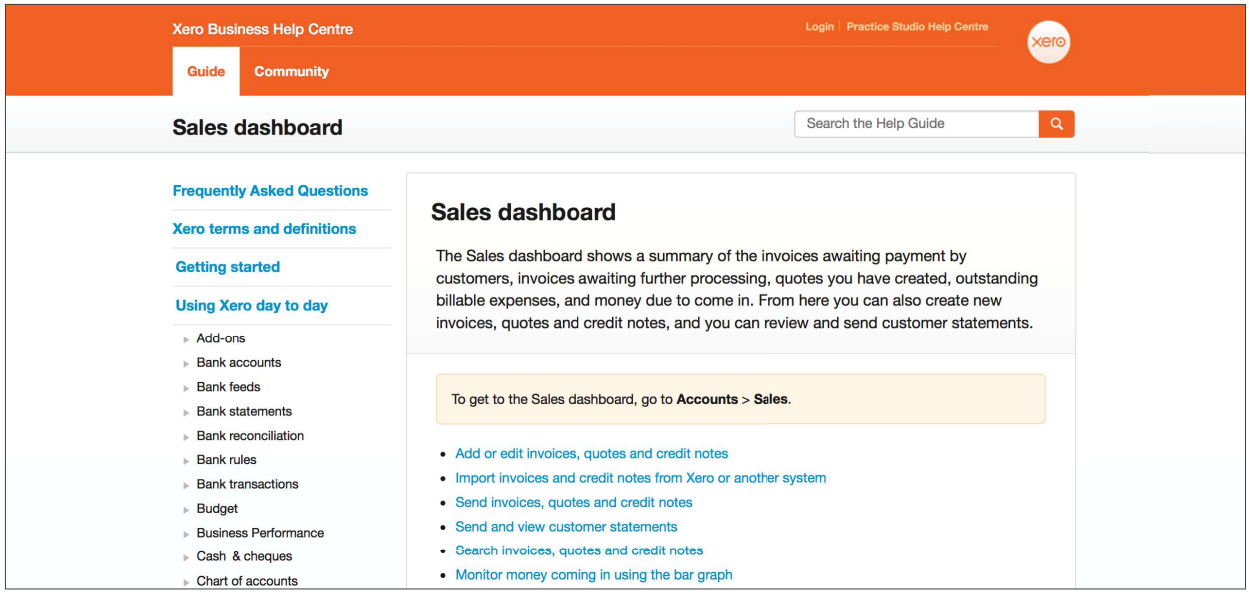
In this exercise, you will learn where to access help from within Xero.

1. Starting on the Dashboard of Julie's Flowers, click on **Accounts** > **Sales**
2. From the Sales screen, click on the question mark button
3. You will see a general link for the help centre here. You will also see an option for 'get help for this page', select this link.





You'll be taken directly to the article relevant for the page, in the Xero help centre:



Whichever page you are on within Xero, you will be able to use the 'Get help for this page' to learn about a particular function.

Importing and Exporting data

Along with entering information directly into Xero, there are certain functions of Xero which allow for bulk upload of transactions and other data via .CSV file, or other spreadsheet types.

This type of upload is particularly helpful if you have a large amount of data to enter or update at one time.

Not every function in Xero allows for this type of upload, but some key areas that do are:

Function	Formats
Invoices (AR)	.CSV, .TXT
Bills (AP)	.CSV, .TXT
Bank Statements	.CSV, .OFX, .QIF
Chart of Accounts	.CSV, .TXT
Contacts	.CSV, .TXT
Inventory Items	.CSV, .TXT
Fixed Assets	.CSV, .TXT

Along with bringing information into Xero via import, you are also able to export data from Xero into certain file types.

In addition to exporting data from certain fields in CSV format, in some cases you are able to export in Google Docs, .XLS and PDF format.

For a full list of fields, and which file types and templates to use for import and export, please refer to our help centre article: https://help.xero.com/au/ImportExport

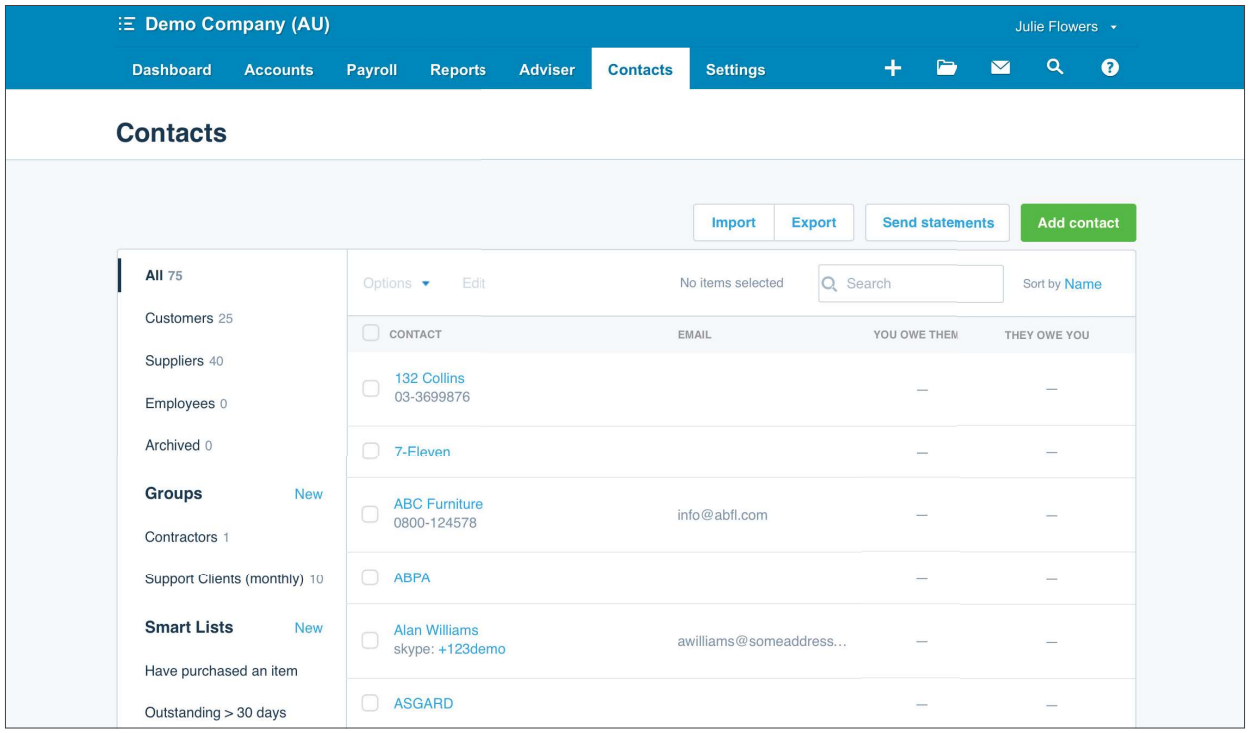
Notes

EXERCISE 1.4

The following exercise is designed to teach you how the CSV export and import process works, and will allow you to apply the principles learned in other exercises in later in this course.

You will use the Demo Company to export a contacts list, and you will then import the contacts into your Julie's Flowers trial.

1. Navigate to the Demo Company dashboard (if you recall, you can switch between your Xero organisations from the menu at the top left of your screen). Click on **Contacts** > **All Contacts.** You will see a list of sample contacts.



2. Click on the 'Export' button, which is above where the contacts are listed. This will export all of the sample contacts into a CSV file. The download should begin automatically and will be named: Contacts.csv

3. Once the download is complete, open Contacts.csv in MS Excel (or another spreadsheet application)

4. Save the CSV to a readily accessible folder of your choice (e.g. Documents, Desktop). Ensure that the name and file extension remains as .csv

5. From the Demo Company, navigate back to your Julie's Flowers trial organisation. Click on the **icon** > **Julie's Flowers.**

A	B	C	D	E	F	G	H
*ContactName	AccountNumber	EmailAddress	FirstName	LastName	POAttentionTo	POAddressLine1	POAddressLin
132 Collins							
7-Eleven							
ABC Furniture		info@abfl.com	Trish	Rawlings			
ABPA							
Alan Williams		awilliams@someaddress.co					
ASGARD							
ATO							
Bank							
Bank West		procteam@bwb.co				Procurement	GPO 1234
Bankrock Station							
Basket Case					Mary Munn	Shop 14 Ridgeway Mall	500 River Roa
Bayside Club		secretarybob@bsclub.co	Bob	Partridge	Club Secretary	P O Box 3354	South Mailing
Bayside Wholesale							
Berry Brew							
Blue Winn Polytechnic							
Boom FM		boom@radiooz.co				Radio OZ House	P O Box 5768
Brunswick Petals							
Business Savings Bank							
Capital Cab Co							
Carlton Technical Books							
Carruthers & Smale						P O Box 3331	GPO
Central Copiers							
Central Documentation Services							
City Ambassadors Association						P O Box 4321	Central Mailing
City Limousines		scott@citylimousines.com	Scott	Mercer		13 Waverly Park Rd	
Cube Land		info@cubeland.co				13 Matilda Ave	Southbank

Info: You will notice that the columns headings across the top match the entry fields in Xero. e.g. ***ContactName** and **EmailAddress.**

You might recognise these fields from the Contacts screen in the Demo Company. The column headings serve as a map for Xero to direct where the data should go when the CSV is imported.

Some columns contain an asterisk (*), in this case the ***ContactName** field, anytime you see a (*) next to a column, this is a required field. The required columns in the import file must have data populated in them in order for the import to process to work successfully.

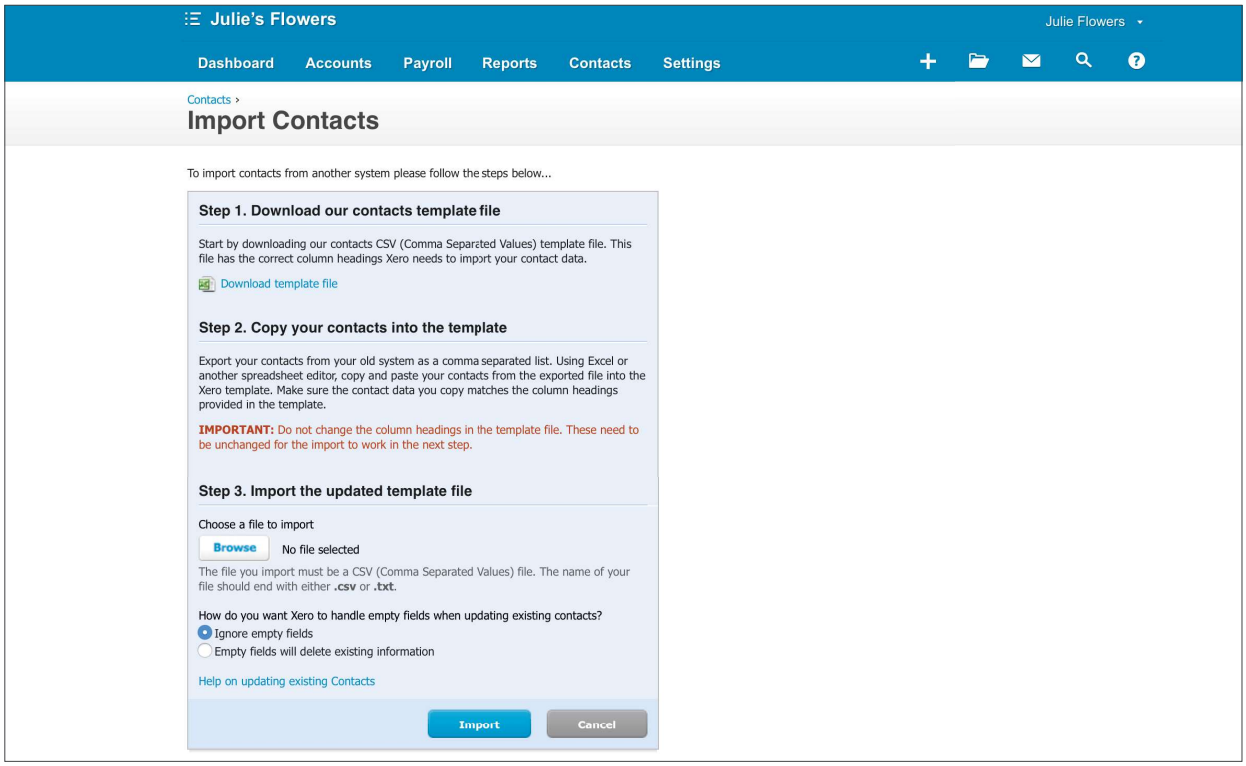
The rows represent all of the contact entries that have been exported from Xero.

Under the required field ***ContactName**, there is an entry for each and every contact.

As the other rows are not required fields, there are some fields containing information and some fields which have been left blank e.g. **EmailAddress.**

Important: It's very important not to change the the column headings. Renaming, deleting, or changing the order of the rows along the top will cause the import to fail.

6. Click into **Contacts** > **All Contacts**, which should be empty.

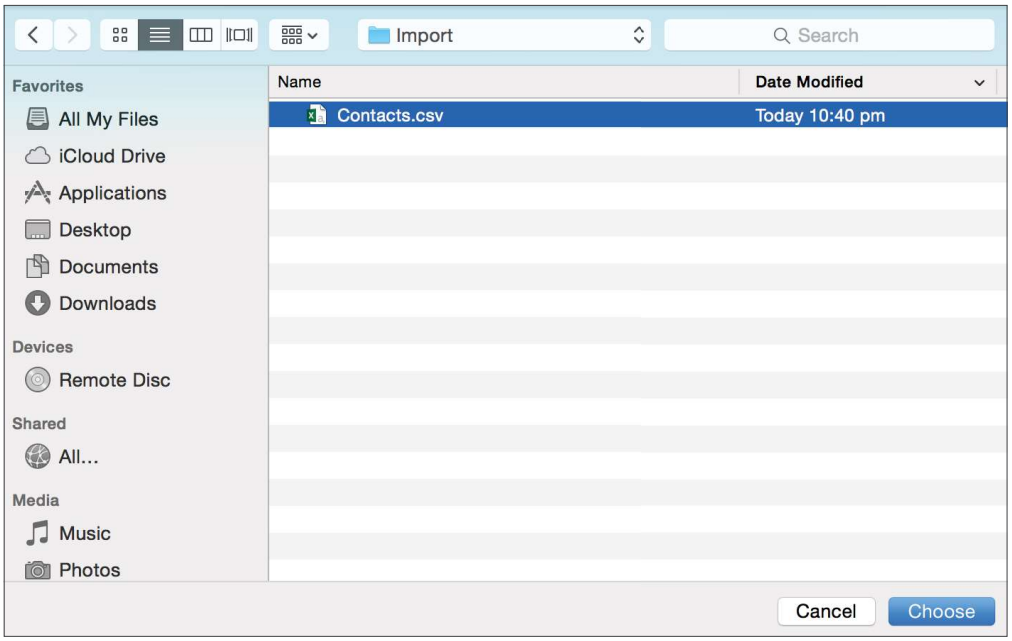


7. Click **Import**. Import

8. As we already have a contacts template ready to import, skip Step 2 on the import page and click on the **Browse** button. Browse

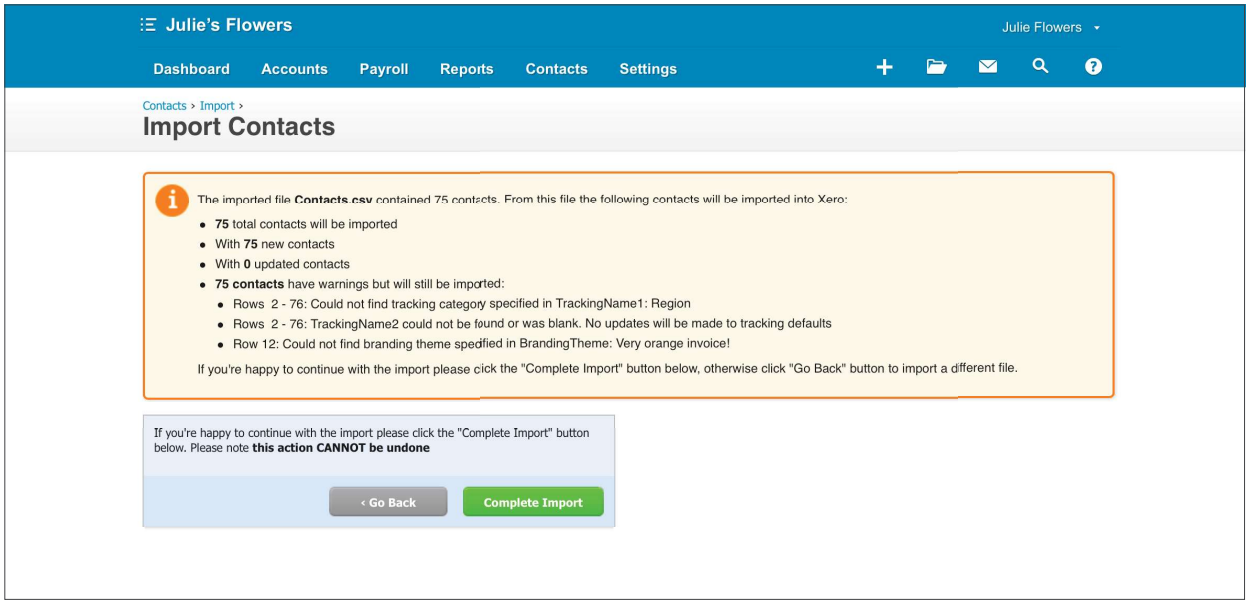
9. This will allow you to select the Contacts.csv file that you saved earlier. Select this file and click Open **or** Choose

10. Ensure that **Ignore Empty Fields** is selected.

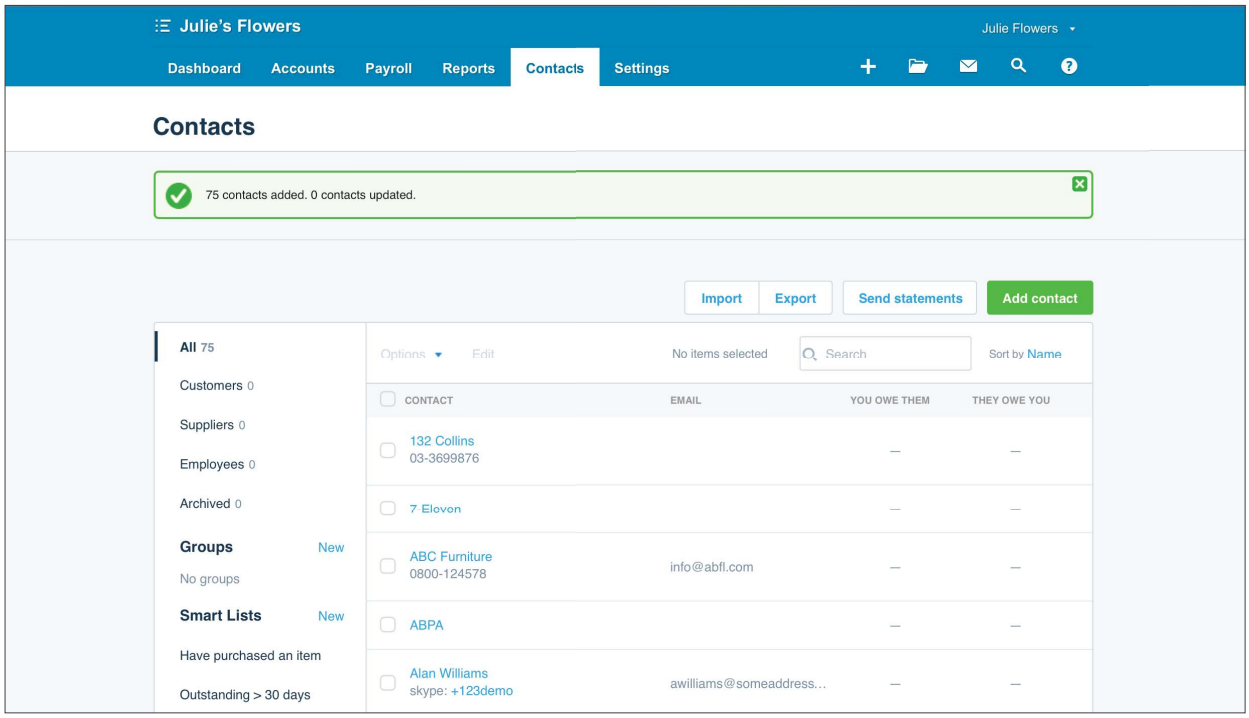


11. Click **Import.**

12. An orange dialogue box will appear on the next screen which outlines what changes are occurring. If there are errors, warnings or if the import is rejected then this page will contain relevant information on why.



13. Click on **Complete Import.**



Now that the import is complete, you will see that each row contained in the CSV file, has been converted into a contact entry.

Backups and Security

To ensure system integrity, Xero takes care of backing up organisation data and has strict security procedures in place. We list all of our security practices on our website.

Xero also provides additional security tools. These include:

- Two-step authentication (2SA): 2SA combines something you know (your email address and Xero password) and something you have (an app on your device creates a code) to create a second layer of protection for your account.This is available to all Xero users.
- Login history tab: each organisation on Xero contains a login history tab on the dashboard. This allows you to see the timestamp, location and IP address of each login to that account. This allows the user to spot unusual activity.

EXERCISE 1.5

Backup and Security Requirements - Case Study

Julie's Flowers has decided to change their accounting software. They would like to use Xero, but as part of their due diligence, they would like to investigate the security and backup policies of the software.

They would like to have a cloud based service that automatically takes on the task of backup, so that the risk of losing their own data is eliminated and so an offline backup is not required. Xero provides online backups only, which suits them fine.

Based on the case study and using Xero's security feature page here answer the following questions:

1. Julie's Flowers requires that the data is backed up. Does Xero provide backups of the software?

2. Which of the following security and backup features does Xero NOT have?

- ☐ Two-step Authentication
- ☐ Offline backup
- ☐ Encryption for data storage

Info: For more detailed information about our backup and security practices and policies, please see our Cloud Security page: https://www.xero.com/au/accounting-software/security/

Check your progress

Skills	Complete
Sign up for a Xero account	
Sign up for a trial organisation for Julie's Flowers	
Navigate to the My Xero page	
Access the Demo Company	
Navigate to the help.xero.com	
Export contact data out of the Demo Company	
Import contact data into the Julie's Flowers trial	
Answer the questions from the security and backup case study	

Notes

2. Setting up Xero Basics

Learning Outcomes

By the end of this module, you will be able to:

- access the general settings page
- enter organisation settings
- enter financial settings
- enter a conversion date
- change user access
- add users
- view user activity

SETTING UP XERO BASICS

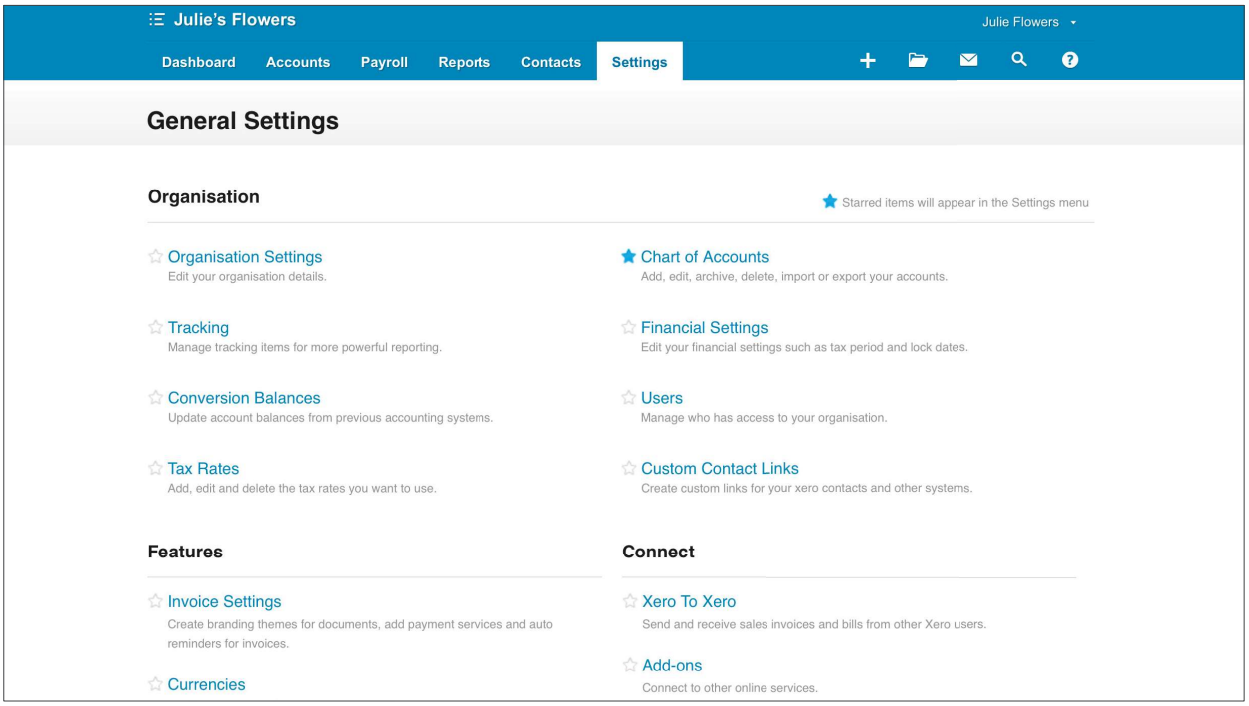
General Settings

In a Xero organisation, the General Settings page is where you can enter and update details about the organisation.

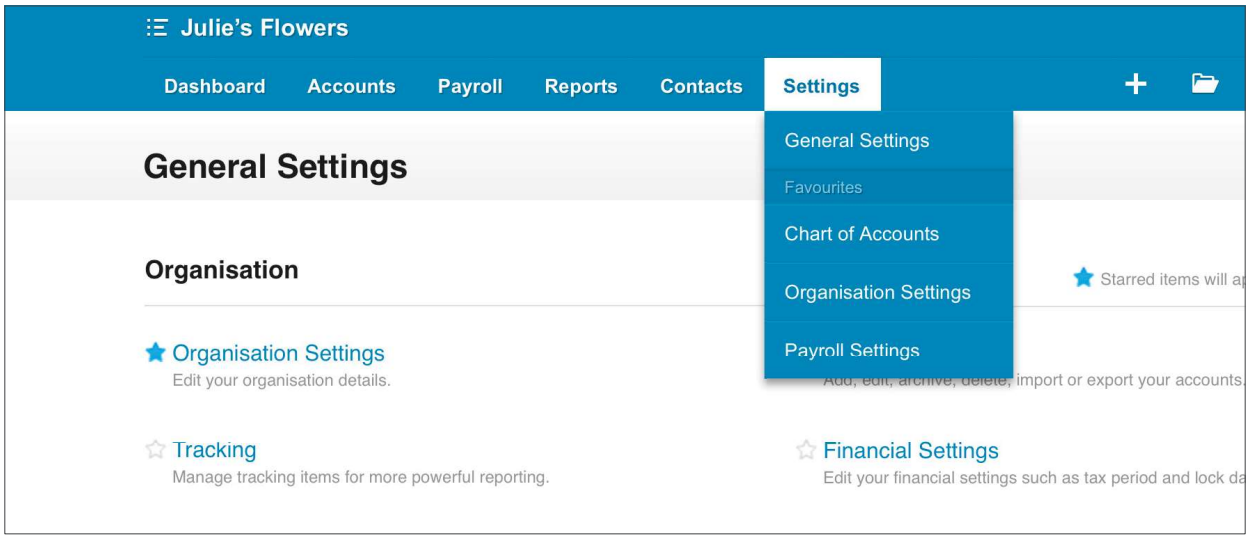
When you set up an organisation, there are certain details that should be added before the organisation is used. In this session, you will learn how to enter these basic settings.

If any details about the organisation change, it's easy to go back to the **Settings** page and update the details.

To access the General Settings page from the Dashboard, click **Settings** > **General Settings**



Important: anytime you see the star next to something on the Settings page (or elsewhere in Xero), you are able to click on this star to favourite it, or click again to remove the favourite. Favourites will allow the function to pop up in the drop down list, as shown below.



Organisation Settings

The first details that should be added when you create a new Xero organisation are the organisation settings. This page contains the most basic details about an organisation and contact details.

EXERCISE 2.1

In this exercise you will enter the organisation details for Julie's Flowers.

1. In the **Organisation** section click > **Organisation Settings**
2. Select 'off' for include some of your information on the online invoices you send.
3. The details that you entered in the setup phase are already in here. Enter the additional information into the fields in organisation settings.

Field	Information	Notes
ABN	84111122223	Only valid ABN's can be entered
Organisation description	Beautiful flowers for special occasions, weddings and events.	
Postal address	380 Bank Street, South Melbourne, VIC, 3205	If you are entering a real address you can use 'Quick find'
Physical address	380 Bank Street, South Melbourne, VIC, 3205	Click checkbox 'same as postal address'
Telephone	03 3831 12345	
Email	juliesflowers123@gmail.com	
Website	www.juliesflowers.com.au	
Twitter	@juliesflowers	Click +contact field and select 'Twitter'

4. Click Save 

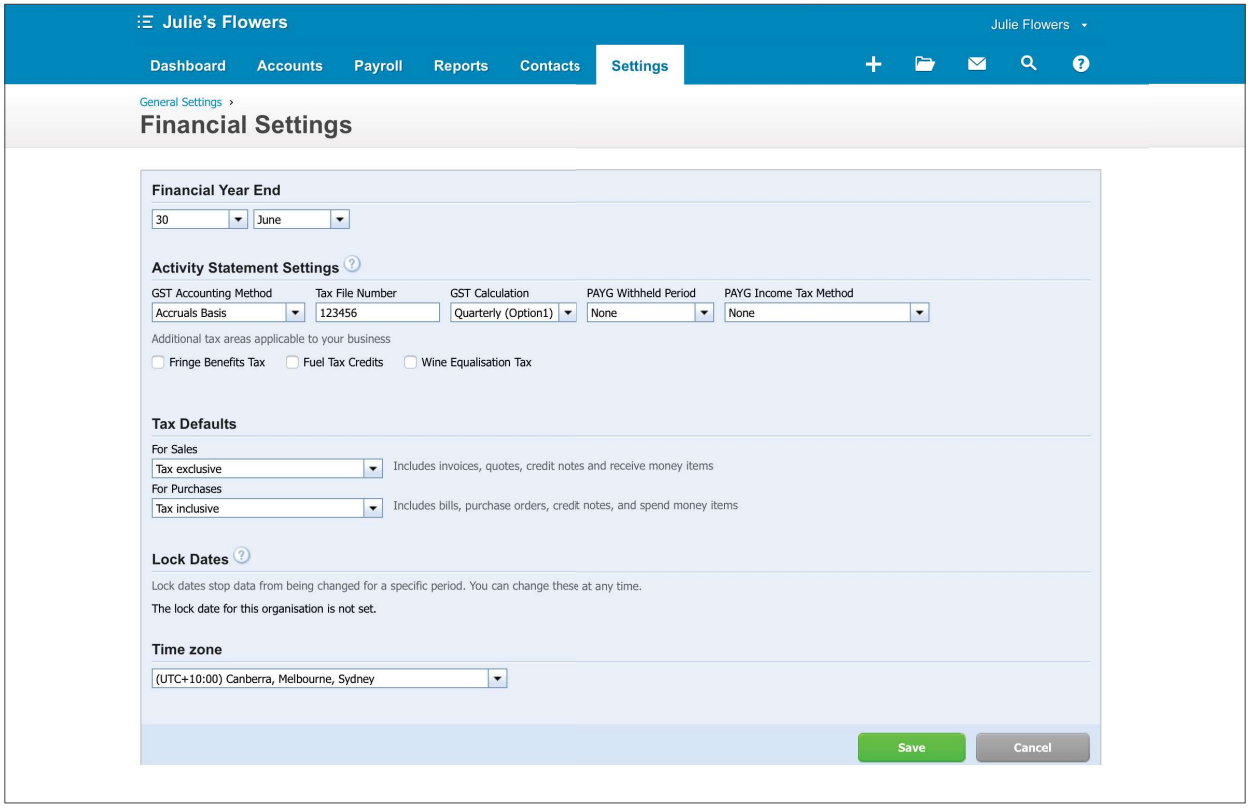
Financial Settings

Financial settings should be entered before any work is done in the organisation. The **Financial Settings** page contains financial and tax details for the organisation.

EXERCISE 2.2

In this exercise you will review and enter the financial details for Julie's Flowers.

1. Go to **Settings** > **General Settings**
2. In the **Organisation** section click > **Financial Settings**
3. Details that were entered and confirmed in the setup phase have been updated here. Enter '123456' into the **Tax File Number** field.
4. Take a look at the rest of the fields in this page for your reference, and click **Save**



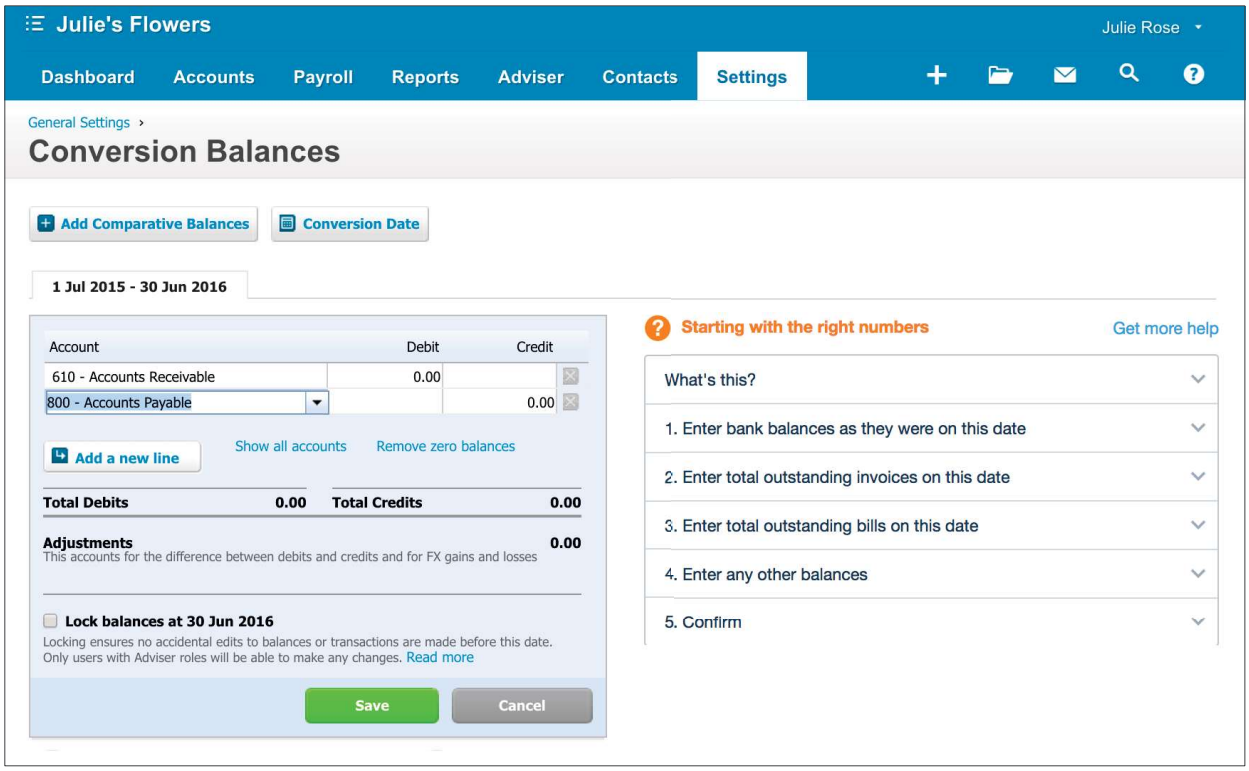
Conversion Date

The conversion date (or start date) is the date you choose to start entering your day-to-day transactions into Xero. This date is extremely important for entering conversion balances, which we will set up later in the course. The conversion date must be the start of a month, and it's recommended that you set it to the beginning of a reporting period (e.g. BAS or Financial Year). As long as you backdate all transactions, you can set the conversion date to a date in the past.

EXERCISE 2.3

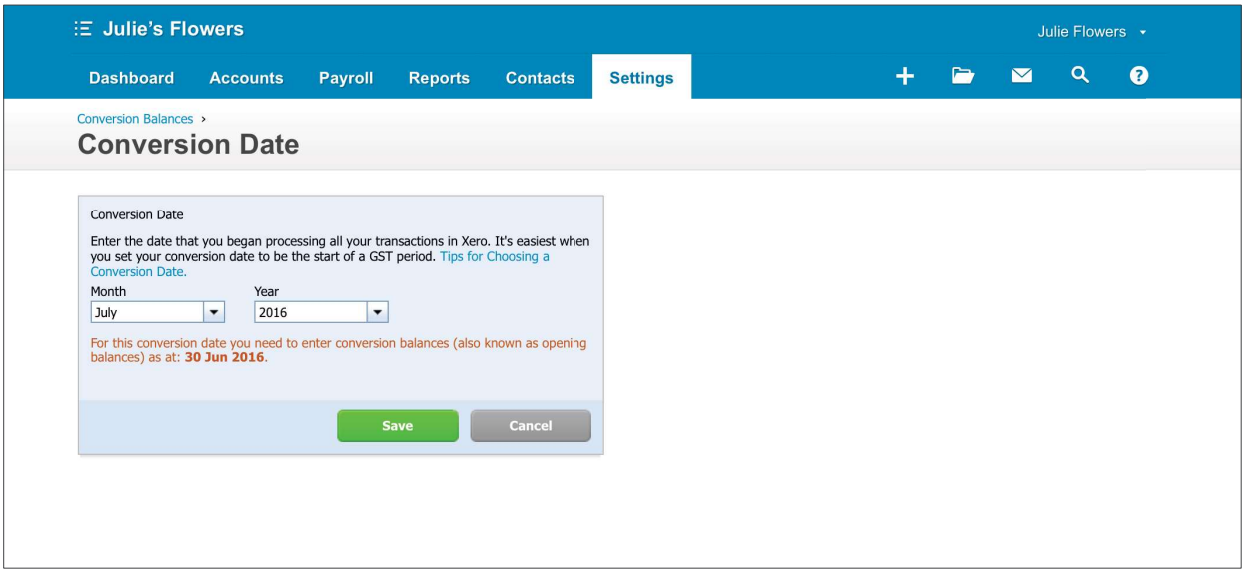
In this exercise, we'll enter a conversion date for Julie's Flowers.

1. Go to **Settings** > **General Settings**
2. In the Organisation section click > **Conversion Balances**



3. Click on **Coversion Date** 

4. Select the month as 'July' and year as '2016'.



5. Click **Save** 

Users

Xero allows each organisation to add unlimited users for free.

Each user of the organisation will have their own Xero account, and can be invited into multiple organisations. An individual Xero user can only see the Xero organisations that they have been invited into, or that they have created.

As the user who initially setup the Julie's Flowers organisation, you are the 'subscriber'. The subscriber has control over who is included as a user, and the different access levels of users in an organisation.

There are a number of different user roles available. Some users may only need to send an invoice, whereas others will need to see reports or bank accounts. Other users will need access to all features.

Here are the main user roles and details of their access:

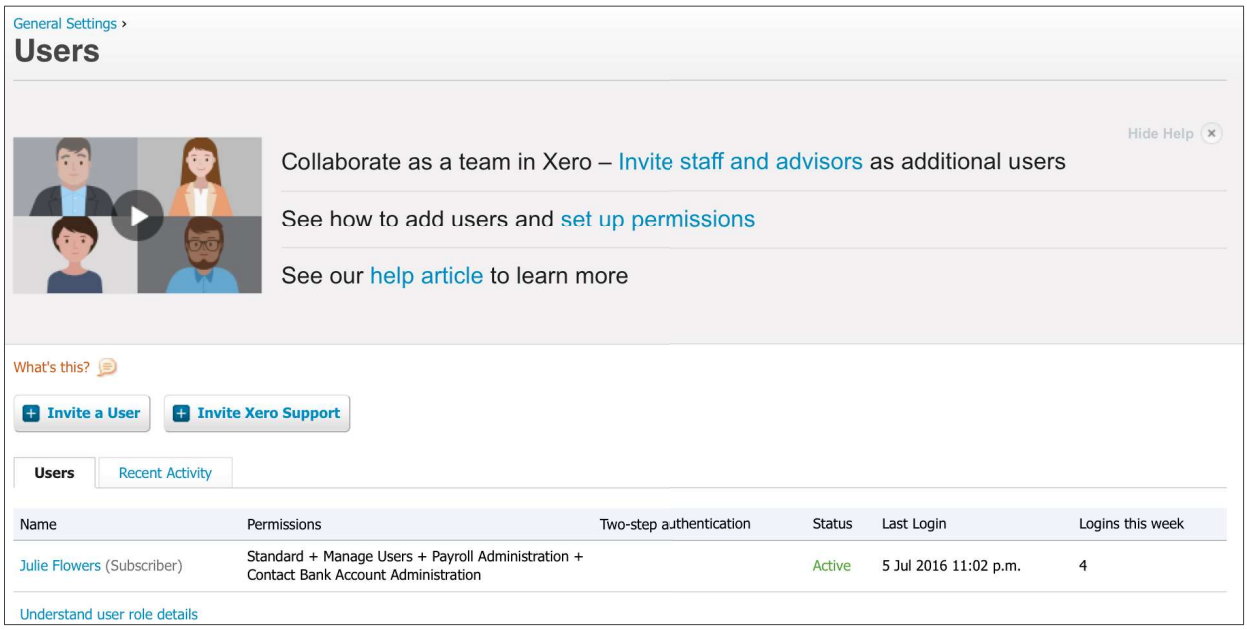
Role	Features
None	Used only for employees who need to update a timesheet or use the payroll feature (optional), no access to other organisation data.
Read Only	Can only view invoices and reports.
Invoice Only	Can only create invoice and purchase transactions (option to limit to one or the other). No access to other areas of organisation.
Standard	Access to most features, apart from the 'adviser' tab. Option to add cash coding access (bank reconciliation tool), and remove reporting access. Also option to add user management, payroll admin and contact bank account admin privileges.
Adviser	Access to all features, including the 'Adviser' tab - which contains additional features for advisers. Option to add user management, payroll admin and contact bank account admin privileges.

When you sign up for an organisation you are automatically assigned the Standard user role.

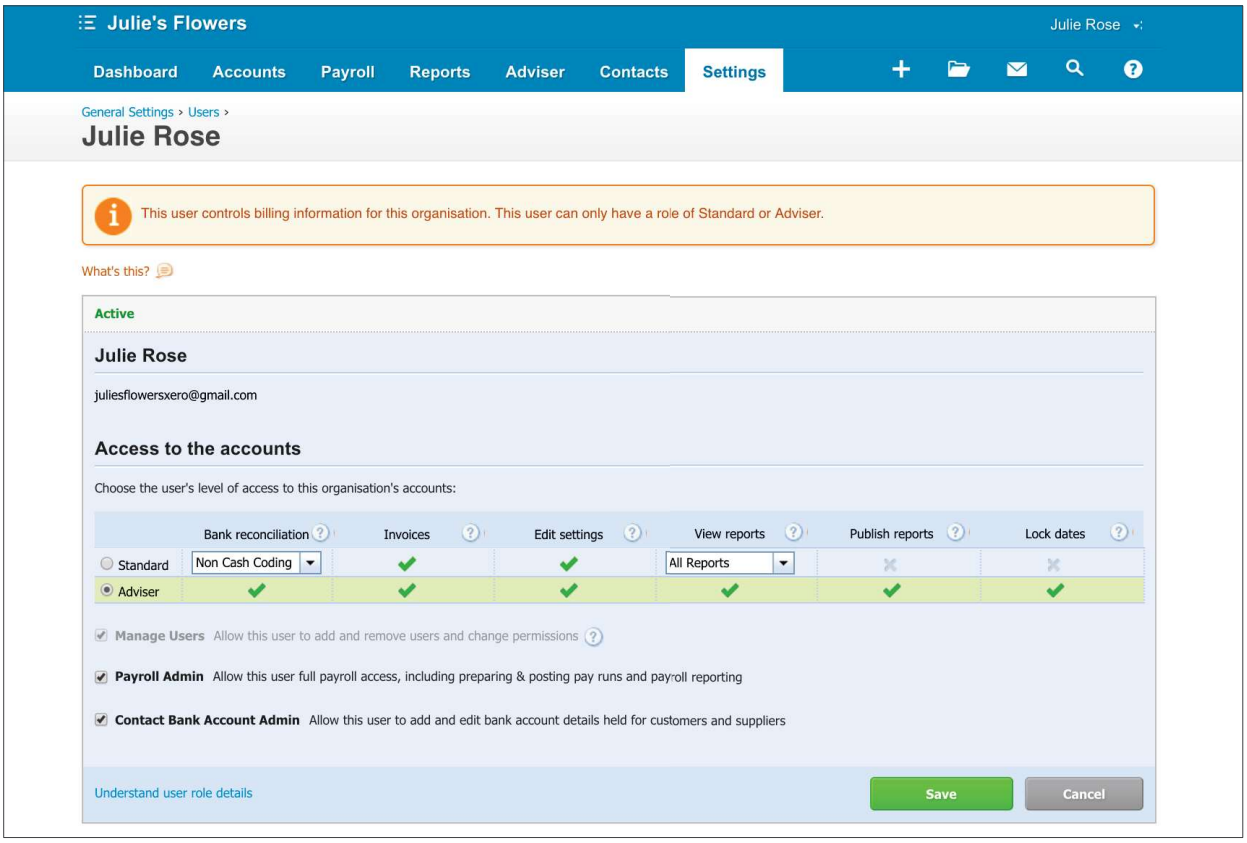
EXERCISE 2.4

In this exercise, you will learn how to change your role to advise, and also how to add a new user.

1. Go to **Settings** > **General Settings**
2. In the **Organisation** section select > **Users**

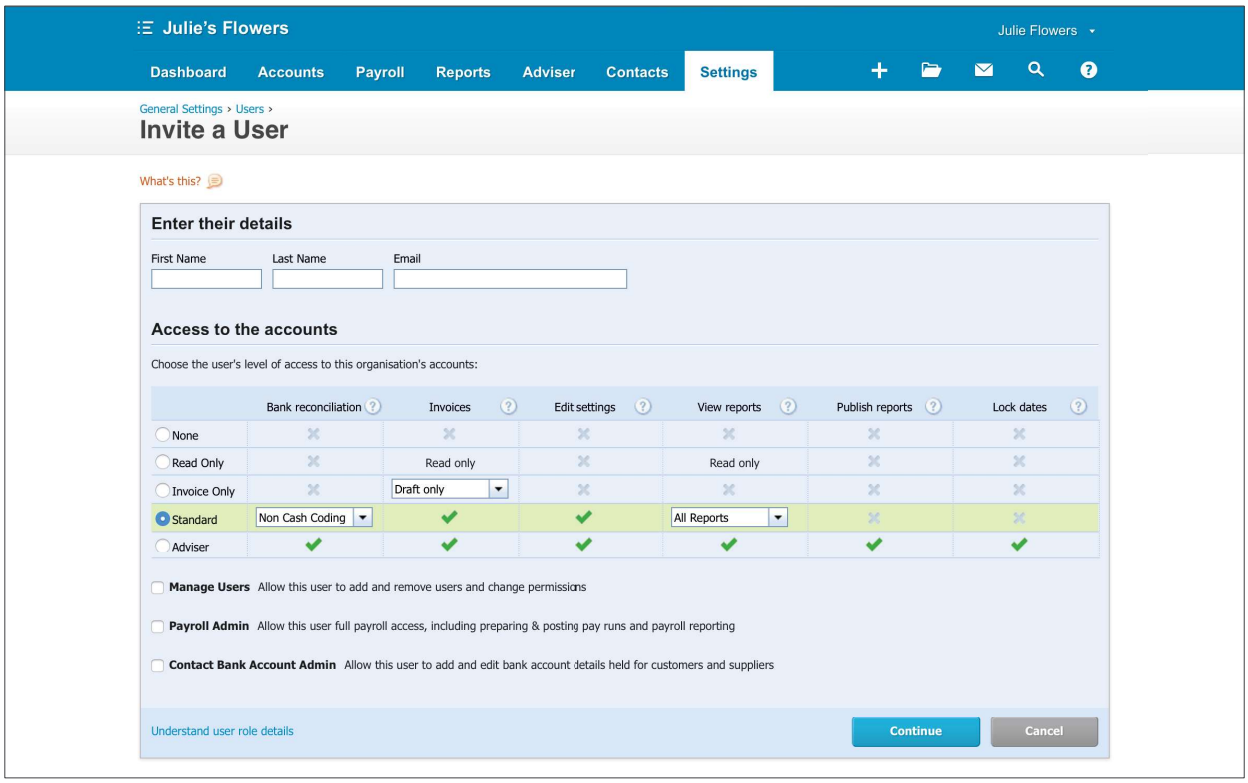


3. Click on your own user account



4. Select **adviser** and click 

5. Click on **Invite a User**

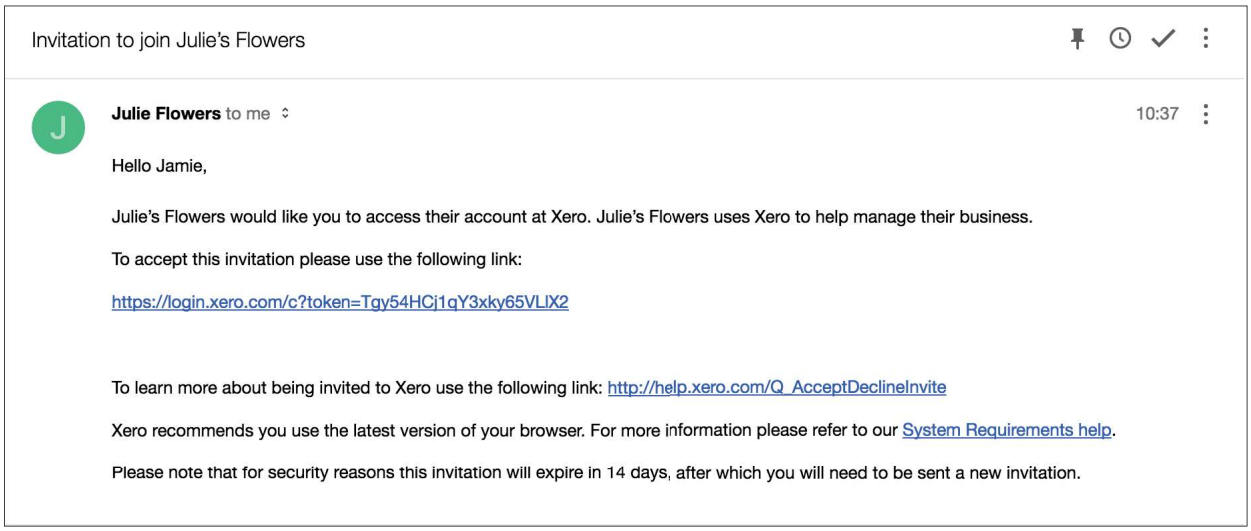


6. Enter a value in First Name, Last Name and an additional email address that you have access to (this has to be different to the email address that you signed up to Xero with).

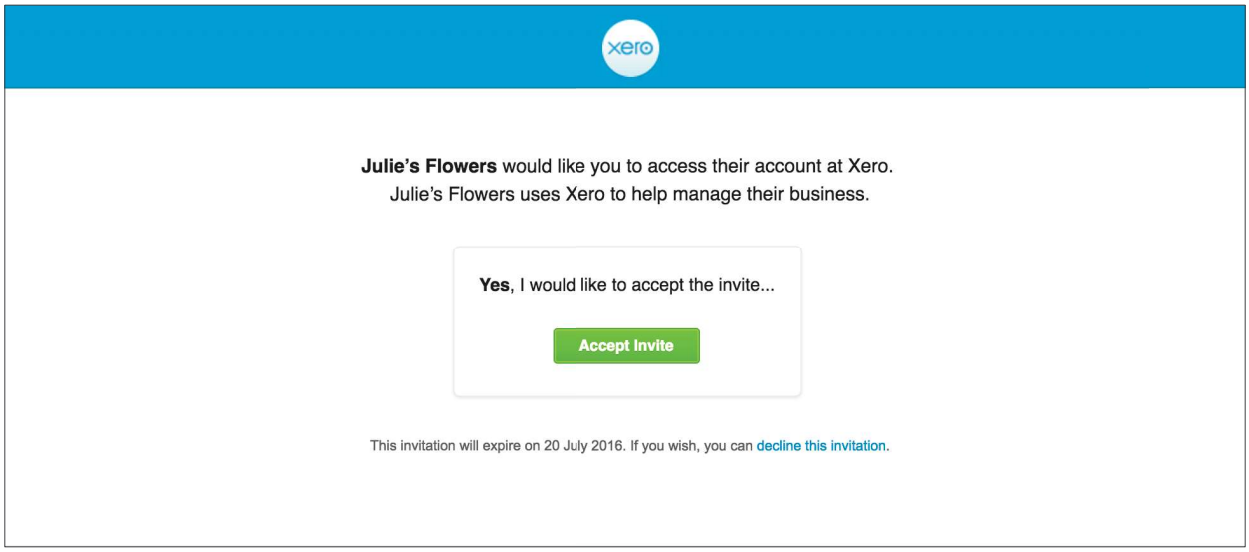
7. Ensure that you have selected the **Standard** user role, and click on **Continue**.

8. This will bring up an invitation screen, this is a message that you can customise before you send to the new user of the organisation. Feel free to customise this, and then click on **Send Invite**.

9. Go to the inbox of the email address that you listed in the email field. The user account invitation sent in step 7 should arrive after 1-2 minutes.



10. Click on the link in the message to accept the invitation.



11. This will allow you to create a new Xero account under this email address (or login if the email address is already associated with a Xero account). This isn't necessary to do, as you won't be using this account for further exercises, but is designed to give you an idea of the user invite process.

EXERCISE 2.5

Julie's Flowers has just employed a new staff member, Eve, to deliver flower orders to customers. Certain Julie's Flowers customers have an arrangement to be invoiced, on the spot, once they have received their delivery of flowers.

The easiest way for this to happen is for Eve to send an invoice from Xero to the customer while on the job. Julie has allowed her to have sufficient privileges to send approved invoices, rather than saving them as drafts for approval before sending. Eve has been given the email address: eve@juliesflowers.com.

1. Using the above information from the case study, add Eve as a user of the Julie's Flowers Xero organisation, using the appropriate user role level.

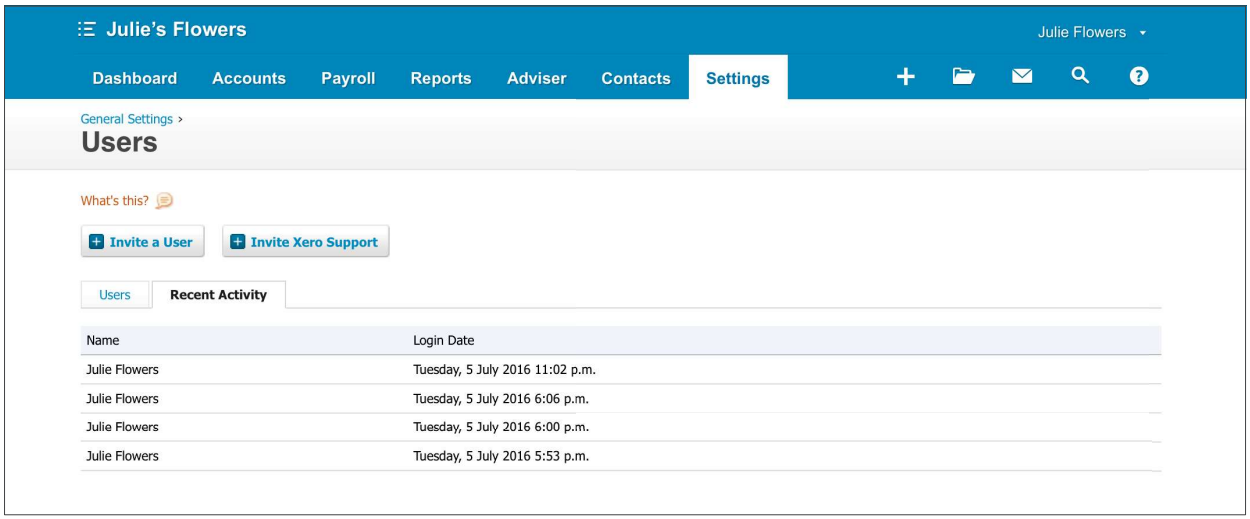
History and Notes

In an organisation, each time a user logs into Xero you will be able to see their name and a timestamp of their login.

This log is viewable to all Standard and adviser user roles. This will give you visibility into who is accessing the organisation and when.

EXERCISE 2.6

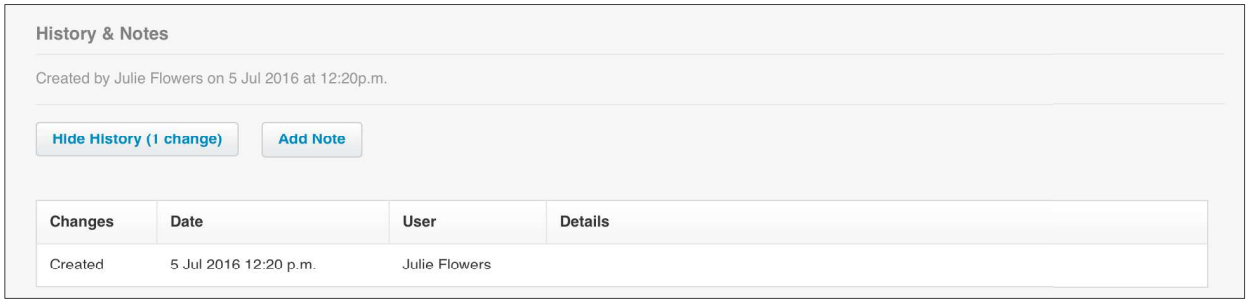
To access the the user history page in the Julie's Flowers organisation, click on the **Recent Activity** tab.



The following areas of Xero allow for activity by user to be listed in the history and notes section:

- invoices, bills and transactions
- fixed assets
- inventory items
- invoice reminders
- contacts

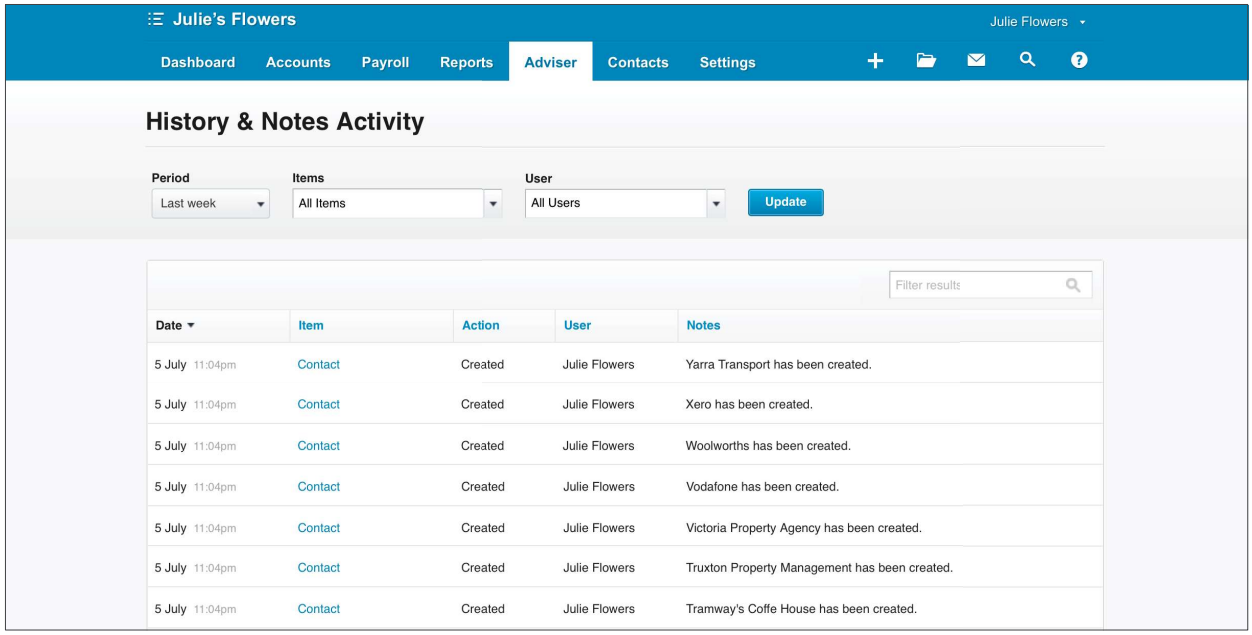
If you'd like to see what transactional activity has been completed by each user, you are able to see notes and history at the bottom of the page.



For users with the adviser role, there is a report that displays this activity in a consolidated list.

EXERCISE 2.7

To access this report, click on **Adviser** > **History and Notes Activity**



Check your progress

Skills	Complete
Access General Settings	
Enter Organisation Settings for Julie's Flowers	
Enter Financial Settings for Julie's Flowers	
Enter a Conversion Date for Julie's Flowers	
Change your user access from Standard to adviser	
Simulate adding a user to the Julie's Flowers organisation	
View user activity for Julie's Flowers	

Notes

3. Chart of Accounts

Learning Outcomes

By the end of this module, you will be able to:

- understand the purpose of the chart of accounts
- import a chart of accounts
- add an account
- edit an account
- delete / archive an account
- update a tax rate

CHART OF ACCOUNTS

Chart of Accounts Basics

The Chart Of Accounts is a listing of all the accounts used in the General Ledger of an accounting system.

It serves as the framework for the organisation, and is how we categorise transactions as they occur in the day-to-day running of a business. Each time a transaction occurs in the organisation, the balance of an account will either increase or decrease.

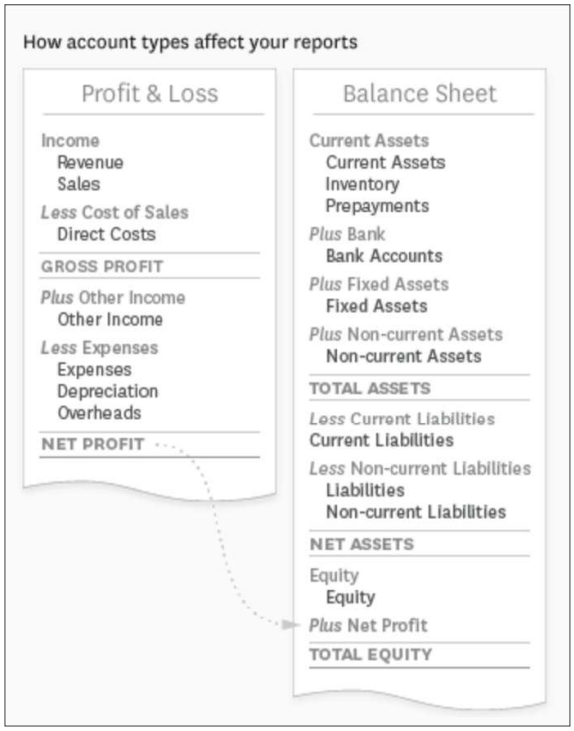
All accounts within the Chart of Accounts fall under 5 main classes: Assets, Liabilities, Equity, Expenses and Revenue.

Xero has broken down classes into specific account types which describe the purpose of the account. Under these 5 main classes, there are 17 account types. Unlike other Accounting software, Xero does not rely on a specific numbering system to determine how the accounts are displayed on the reports. As a result the Chart of Accounts has a lot more flexibility and sub-accounts to fit accounts within a certain number range are a thing of the past.

Account Class	**Account Type**
Asset	Bank
	Current Asset
	Fixed Asset
	Inventory
	Non-current Asset
	Prepayment
Liabilities	Current Liability
	Liability
	Non-current Liability
Expenses	Depreciation
	Direct Costs
	Expense
	Overhead

Account Class	Account Type
Equity	Equity
Revenue	Other Income
	Revenue
	Sales

Important: the account type directly influences the layout of reports. The graphic below shows how account types are organised within the Profit and Loss report, and the Balance Sheet report.

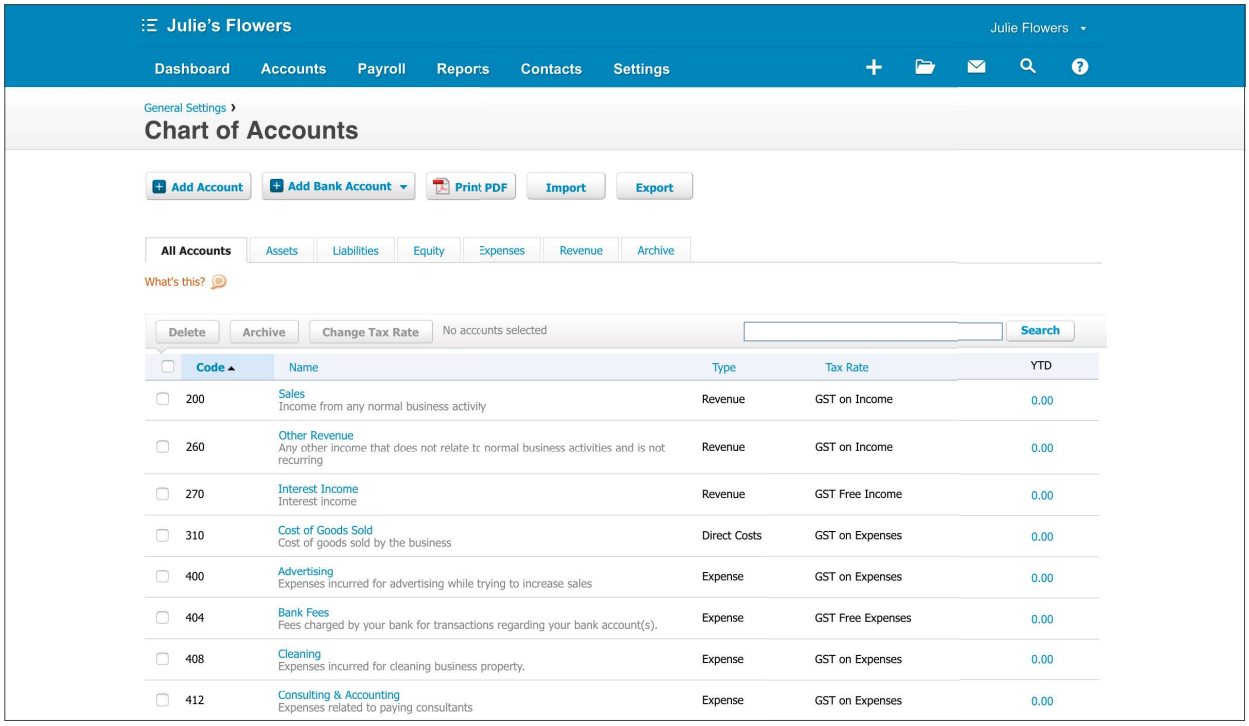


When you create a new organisation, you can select the default Chart of Accounts or import your own via CSV.

You can access and work with the chart of accounts by selecting: **Settings** > **Chart of Accounts.** You will see the tabs contain the main account types.

Clicking on these tabs will allow you to drill down into each of the account types, and view each account that sits in that category.

Certain accounts in Xero are locked system accounts which cannot be removed. This is due to the specific function that they serve in the organisation. Locked accounts are identified by a padlock icon on the chart of accounts screen. It's not recommended that you change anything other than the account code or name for these accounts.



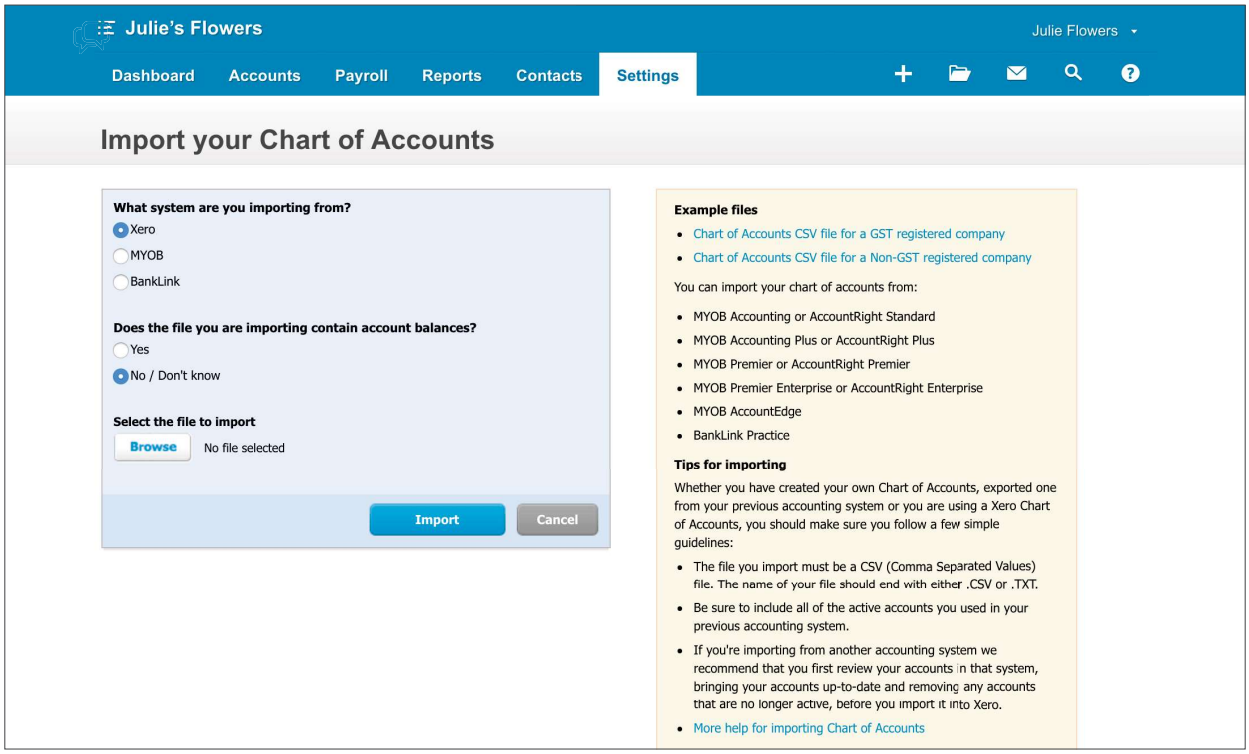
Import a Chart of Accounts

You can import a chart of accounts into Xero by using a CSV import template. This is an efficient method for creating, and also updating a chart of accounts.

If you need to make a lot of changes in bulk, the recommended approach is to edit the chart of accounts with spreadsheet editing software (e.g. MS Excel), using the Xero chart of accounts template and then importing the completed template into your organisation.

You can download a Xero chart of accounts template from your trial, or from the demo company.

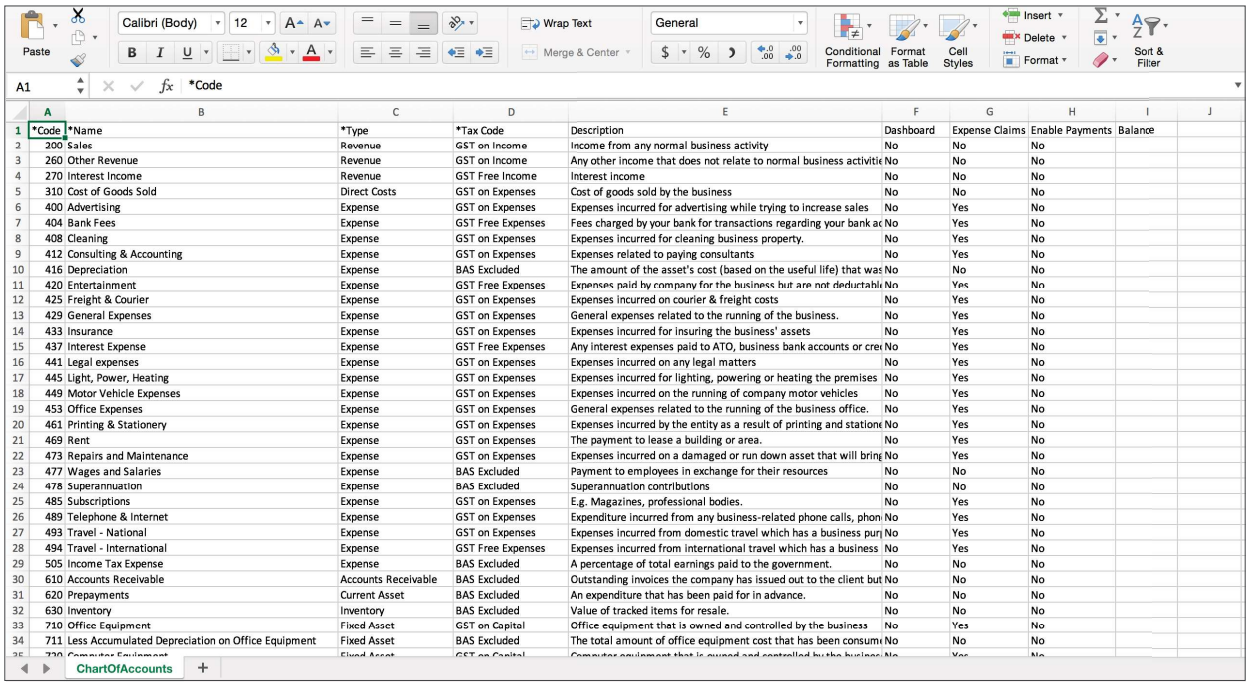
Go to **Settings** > **Chart of Accounts** > **Import** and along the right under 'Example Files' you will see two different templates to choose from. Clicking on either of these will generate a download of the Xero chart of accounts template.



EXERCISE 3.1

In this exercise, you will edit and import a chart of accounts into the Julie's Flowers organisation. You will have a sample chart of accounts template to download (ChartofAccounts.CSV).

1. Open the sample chart of accounts file ChartOfAccounts.CSV, in MS Excel, Google Sheets or similar.



*Code	*Name	*Type	*Tax Code	Description	Dashboard	Expense Claims	Enable Payments	Balance
200	Sales	Revenue	GST on Income	Income from any normal business activity	No	No	No	
260	Other Revenue	Revenue	GST on Income	Any other income that does not relate to normal business activitie	No	No	No	
270	Interest Income	Revenue	GST Free Income	Interest income	No	No	No	
310	Cost of Goods Sold	Direct Costs	GST on Expenses	Cost of goods sold by the business	No	No	No	
400	Advertising	Expense	GST on Expenses	Expenses incurred for advertising while trying to increase sales	No	Yes	No	
404	Bank Fees	Expense	GST Free Expenses	Fees charged by your bank for transactions regarding your bank ac	No	Yes	No	
408	Cleaning	Expense	GST on Expenses	Expenses incurred for cleaning business property.	No	Yes	No	
412	Consulting & Accounting	Expense	GST on Expenses	Expenses related to paying consultants	No	Yes	No	
416	Depreciation	Expense	BAS Excluded	The amount of the asset's cost (based on the useful life) that was	No	No	No	
420	Entertainment	Expense	GST Free Expenses	Expenses paid by company for the business but are not deductabl	No	Yes	No	
425	Freight & Courier	Expense	GST on Expenses	Expenses incurred on courier & freight costs	No	Yes	No	
429	General Expenses	Expense	GST on Expenses	General expenses related to the running of the business.	No	Yes	No	
433	Insurance	Expense	GST on Expenses	Expenses incurred for insuring the business' assets	No	Yes	No	
437	Interest Expense	Expense	GST Free Expenses	Any interest expenses paid to ATO, business bank accounts or cre	No	Yes	No	
441	Legal expenses	Expense	GST on Expenses	Expenses incurred on any legal matters	No	Yes	No	
445	Light, Power, Heating	Expense	GST on Expenses	Expenses incurred for lighting, powering or heating the premises	No	Yes	No	
449	Motor Vehicle Expenses	Expense	GST on Expenses	Expenses incurred on the running of company motor vehicles	No	Yes	No	
453	Office Expenses	Expense	GST on Expenses	General expenses related to the running of the business office.	No	Yes	No	
461	Printing & Stationery	Expense	GST on Expenses	Expenses incurred by the entity as a result of printing and statione	No	Yes	No	
469	Rent	Expense	GST on Expenses	The payment to lease a building or area.	No	Yes	No	
473	Repairs and Maintenance	Expense	GST on Expenses	Expenses incurred on a damaged or run down asset that will bring	No	Yes	No	
477	Wages and Salaries	Expense	BAS Excluded	Payment to employees in exchange for their resources	No	No	No	
478	Superannuation	Expense	BAS Excluded	Superannuation contributions	No	No	No	
485	Subscriptions	Expense	GST on Expenses	E.g. Magazines, professional bodies.	No	Yes	No	
489	Telephone & Internet	Expense	GST on Expenses	Expenditure incurred from any business-related phone calls, phon	No	Yes	No	
493	Travel - National	Expense	GST on Expenses	Expenses incurred from domestic travel which has a business pur	No	Yes	No	
494	Travel - International	Expense	GST Free Expenses	Expenses incurred from international travel which has a business	No	Yes	No	
505	Income Tax Expense	Expense	BAS Excluded	A percentage of total earnings paid to the government.	No	No	No	
610	Accounts Receivable	Accounts Receivable	BAS Excluded	Outstanding invoices the company has issued out to the client but	No	No	No	
620	Prepayments	Current Asset	BAS Excluded	An expenditure that has been paid for in advance.	No	No	No	
630	Inventory	Inventory	BAS Excluded	Value of tracked items for resale.	No	No	No	
710	Office Equipment	Fixed Asset	GST on Capital	Office equipment that is owned and controlled by the business	No	Yes	No	
711	Less Accumulated Depreciation on Office Equipment	Fixed Asset	BAS Excluded	The total amount of office equipment cost that has been consum	No	No	No	

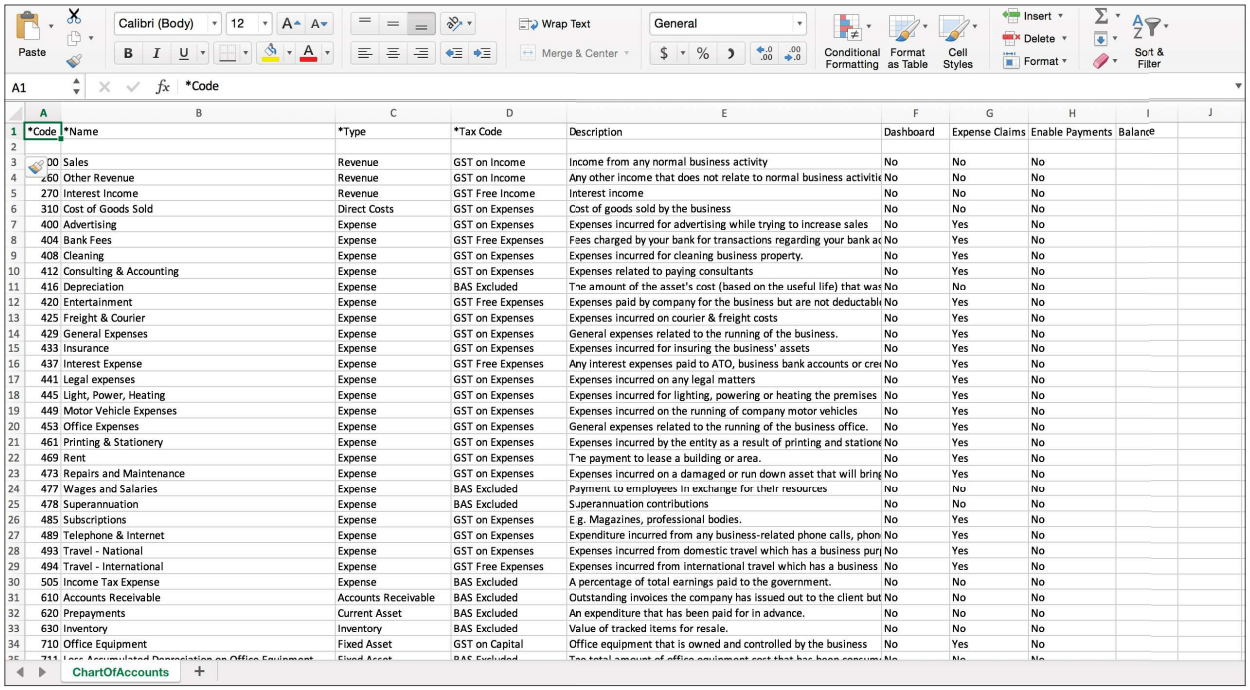
You will see the three required fields as signified by the (*) asterisk symbol. There are also a number of other columns in the chart of accounts that can be used to update the details of the account.

The rows of this spreadsheet represent the individual accounts that make up the chart of accounts.

Column	Notes
Code **(required)**	This is the unique identifier for the account. Must be unique, up to 10 characters. Letters, numbers and symbols accepted.
Name **(required)**	The account name. Use letters, numbers or symbols, Must be unique, up to 150 characters.
Type **(required)**	There are 17 account types, each type must be spelled correctly. The types (and the class that they belong to) are listed at the beginning of this module, and in the Xero help centre.
Tax Code **(required)**	Tax codes have to be exactly as they appear in the Xero organisation. Tax rates can be customised in your **Settings** > **Tax Rates.**
Description	Optional. Consider using a description to describe the function of the account, or to describe the types of transactions to be coded to the account
Dashboard	You can opt to have an account appear in the Dashboard watchlist, by entering either 'yes' or 'no' in this column.
Expense Claims	You can opt to allow employee expense claims to be allocated to this account or not, by entering 'yes' or 'no' in this column.
Enable Payments	You can opt to have the account appear in the drop-down list of accounts when you're entering a payment directly on an invoice, bill or expense claim. This is a 'yes' or 'no' option.
Balance	You can opt to update a starting balance (conversion balance) for the account. Positive values in this column will be imported as debits, and negative values as credits. Including a value in the Balance column will replace any previously saved Conversion Balance for the account. Be careful not to include any characters other than numbers, or a minus sign to denote a negative balance.

2. In ChartofAccounts.CSV, insert a new row under the first row (row 1).

   As mentioned previously, take care not to change the header row (row 1). Changing the names or order of the columns will cause import errors.



*Code	*Name	*Type	*Tax Code	Description	Dashboard	Expense Claims	Enable Payments	Balance
200	Sales	Revenue	GST on Income	Income from any normal business activity	No	No	No	
260	Other Revenue	Revenue	GST on Income	Any other income that does not relate to normal business activitie	No	No	No	
270	Interest Income	Revenue	GST Free Income	Interest income	No	No	No	
310	Cost of Goods Sold	Direct Costs	GST on Expenses	Cost of goods sold by the business	No	No	No	
400	Advertising	Expense	GST on Expenses	Expenses incurred for advertising while trying to increase sales	No	Yes	No	
404	Bank Fees	Expense	GST Free Expenses	Fees charged by your bank for transactions regarding your bank ac	No	Yes	No	
408	Cleaning	Expense	GST on Expenses	Expenses incurred for cleaning business property.	No	Yes	No	
412	Consulting & Accounting	Expense	GST on Expenses	Expenses related to paying consultants	No	Yes	No	
416	Depreciation	Expense	BAS Excluded	The amount of the asset's cost (based on the useful life) that was	No	No	No	
420	Entertainment	Expense	GST Free Expenses	Expenses paid by company for the business but are not deductabl	No	Yes	No	
425	Freight & Courier	Expense	GST on Expenses	Expenses incurred on courier & freight costs	No	Yes	No	
429	General Expenses	Expense	GST on Expenses	General expenses related to the running of the business.	No	Yes	No	
433	Insurance	Expense	GST on Expenses	Expenses incurred for insuring the business' assets	No	Yes	No	
437	Interest Expense	Expense	GST Free Expenses	Any interest expenses paid to ATO, business bank accounts or cre	No	Yes	No	
441	Legal expenses	Expense	GST on Expenses	Expenses incurred on any legal matters	No	Yes	No	
445	Light, Power, Heating	Expense	GST on Expenses	Expenses incurred for lighting, powering or heating the premises	No	Yes	No	
449	Motor Vehicle Expenses	Expense	GST on Expenses	Expenses incurred on the running of company motor vehicles	No	Yes	No	
453	Office Expenses	Expense	GST on Expenses	General expenses related to the running of the business office.	No	Yes	No	
461	Printing & Stationery	Expense	GST on Expenses	Expenses incurred by the entity as a result of printing and statione	No	Yes	No	
469	Rent	Expense	GST on Expenses	The payment to lease a building or area.	No	Yes	No	
473	Repairs and Maintenance	Expense	GST on Expenses	Expenses incurred on a damaged or run down asset that will bring	No	Yes	No	
477	Wages and Salaries	Expense	BAS Excluded	Payment to employees in exchange for their resources	No	No	No	
478	Superannuation	Expense	BAS Excluded	Superannuation contributions	No	No	No	
485	Subscriptions	Expense	GST on Expenses	E.g. Magazines, professional bodies.	No	Yes	No	
489	Telephone & Internet	Expense	GST on Expenses	Expenditure incurred from any business-related phone calls, phon	No	Yes	No	
493	Travel - National	Expense	GST on Expenses	Expenses incurred from domestic travel which has a business pur	No	Yes	No	
494	Travel - International	Expense	GST Free Expenses	Expenses incurred from international travel which has a business	No	Yes	No	
505	Income Tax Expense	Expense	BAS Excluded	A percentage of total earnings paid to the government.	No	No	No	
610	Accounts Receivable	Accounts Receivable	BAS Excluded	Outstanding invoices the company has issued out to the client but	No	No	No	
620	Prepayments	Current Asset	BAS Excluded	An expenditure that has been paid for in advance.	No	No	No	
630	Inventory	Inventory	BAS Excluded	Value of tracked items for resale.	No	No	No	
710	Office Equipment	Fixed Asset	GST on Capital	Office equipment that is owned and controlled by the business	No	Yes	No	

3. Add the following information into the new row. Save your changes to the spreadsheet, ensuring that you keep your file type to .CSV, before continuing to the next step.

Column	Information
Code	495
Name	Loss on Asset Disposal
Type	Expense
Tax Code	GST on Expenses
Dashboard	No
Expense Claims	No
Enable Payments	No

*Code	*Name	*Type	*Tax Code	Description
495	Loss on Asset Disposal	Expense	GST on Expenses	
200	Sales	Revenue	GST on Income	Income from any normal business activity
260	Other Revenue	Revenue	GST on Income	Any other income that does not relate to normal business activitie
270	Interest Income	Revenue	GST Free Income	Interest income
310	Cost of Goods Sold	Direct Costs	GST on Expenses	Cost of goods sold by the business
400	Advertising	Expense	GST on Expenses	Expenses incurred for advertising while trying to increase sales
404	Bank Fees	Expense	GST Free Expenses	Fees charged by your bank for transactions regarding your bank ac
408	Cleaning	Expense	GST on Expenses	Expenses incurred for cleaning business property.
412	Consulting & Accounting	Expense	GST on Expenses	Expenses related to paying consultants
416	Depreciation	Expense	BAS Excluded	The amount of the asset's cost (based on the useful life) that was
420	Entertainment	Expense	GST Free Expenses	Expenses paid by company for the business but are not deductabl
425	Freight & Courier	Expense	GST on Expenses	Expenses incurred on courier & freight costs
429	General Expenses	Expense	GST on Expenses	General expenses related to the running of the business.
433	Insurance	Expense	GST on Expenses	Expenses incurred for insuring the business' assets
437	Interest Expense	Expense	GST Free Expenses	Any interest expenses paid to ATO, business bank accounts or cre
441	Legal expenses	Expense	GST on Expenses	Expenses incurred on any legal matters
445	Light, Power, Heating	Expense	GST on Expenses	Expenses incurred for lighting, powering or heating the premises
449	Motor Vehicle Expenses	Expense	GST on Expenses	Expenses incurred on the running of company motor vehicles
453	Office Expenses	Expense	GST on Expenses	General expenses related to the running of the business office.
461	Printing & Stationery	Expense	GST on Expenses	Expenses incurred by the entity as a result of printing and statione

4. In the ChartofAccounts.CSV, enter the following values into the **Balance** column for these two accounts:

Account	Balance
260 - Other Revenue	-$2000.00
400 - Advertising	$1000.00

The value in the balance column will be entered as the conversion balance for that account.

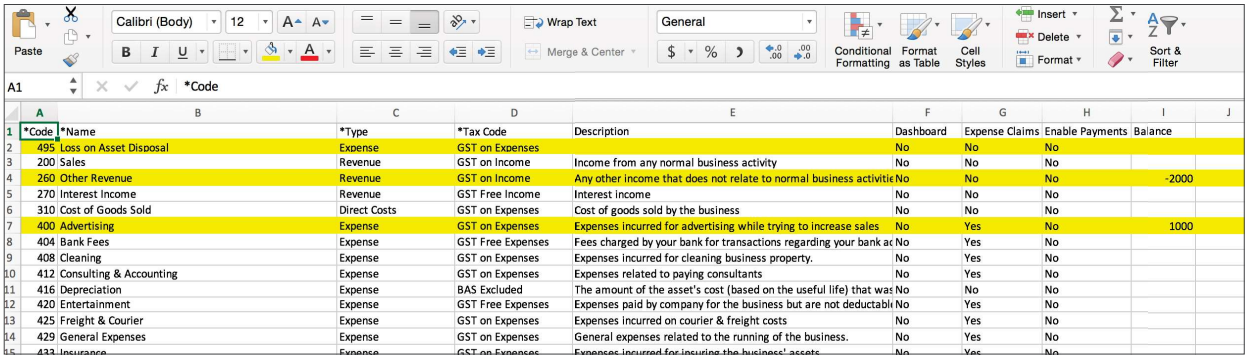
Info: If you've entered balances into the Chart of Accounts file, after the import is complete, there is a second step to complete to confirm your conversion balances.

To complete the second step after import, navigate to the conversion balances screen, where the imported balances should already be populated, and click 'save' to confirm. This is done from the conversion balances screen (General Settings > Conversion Balances). Conversion balances will be discussed in more detail later on in the course.

Now that you've made changes to the Chart of Accounts to meet the organisation's requirements, you're ready to import the chart.

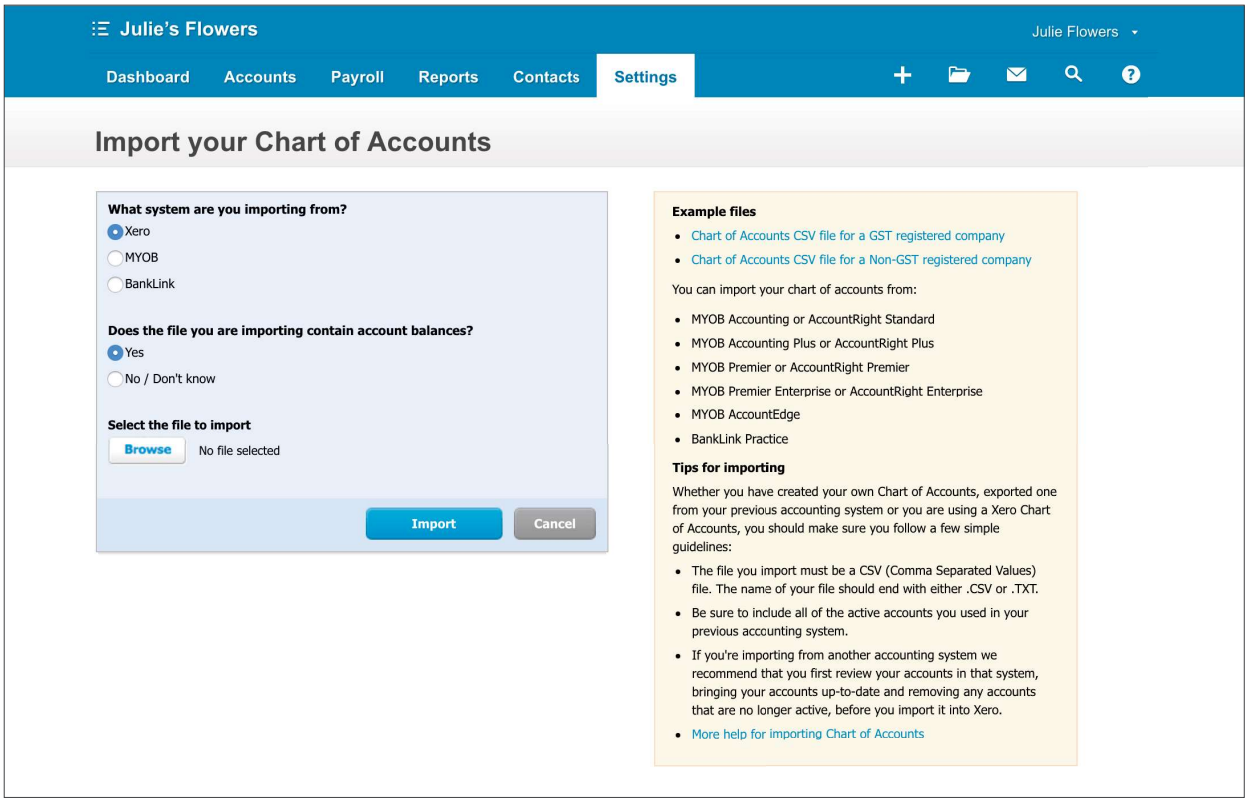
> **Important:** Xero imports positive balances as debits, and negative balances as credits. Xero ignores symbols and non-numeric data, other than negative signs and brackets (showing a negative balance). If you don't want to import balances, leave the **Balance** column blank.

5. Once you have entered the two balances, save the changes made to the CSV.



*Code	*Name	*Type	*Tax Code	Description	Dashboard	Expense Claims	Enable Payments	Balance
495	Loss on Asset Disposal	Expense	GST on Expenses		No	No	No	
200	Sales	Revenue	GST on Income	Income from any normal business activity	No	No	No	
260	Other Revenue	Revenue	GST on Income	Any other income that does not relate to normal business activitie	No	No	No	-2000
270	Interest Income	Revenue	GST Free Income	Interest income	No	No	No	
310	Cost of Goods Sold	Direct Costs	GST on Expenses	Cost of goods sold by the business	No	No	No	
400	Advertising	Expense	GST on Expenses	Expenses incurred for advertising while trying to increase sales	No	Yes	No	1000
404	Bank Fees	Expense	GST Free Expenses	Fees charged by your bank for transactions regarding your bank ac	No	Yes	No	
408	Cleaning	Expense	GST on Expenses	Expenses incurred for cleaning business property.	No	Yes	No	
412	Consulting & Accounting	Expense	GST on Expenses	Expenses related to paying consultants	No	Yes	No	
416	Depreciation	Expense	BAS Excluded	The amount of the asset's cost (based on the useful life) that was	No	No	No	
420	Entertainment	Expense	GST Free Expenses	Expenses paid by company for the business but are not deductabl	No	Yes	No	
425	Freight & Courier	Expense	GST on Expenses	Expenses incurred on courier & freight costs	No	Yes	No	
429	General Expenses	Expense	GST on Expenses	General expenses related to the running of the business.	No	Yes	No	

6. In Xero, in **Settings** > **Chart of Accounts**, Click on 'Import'

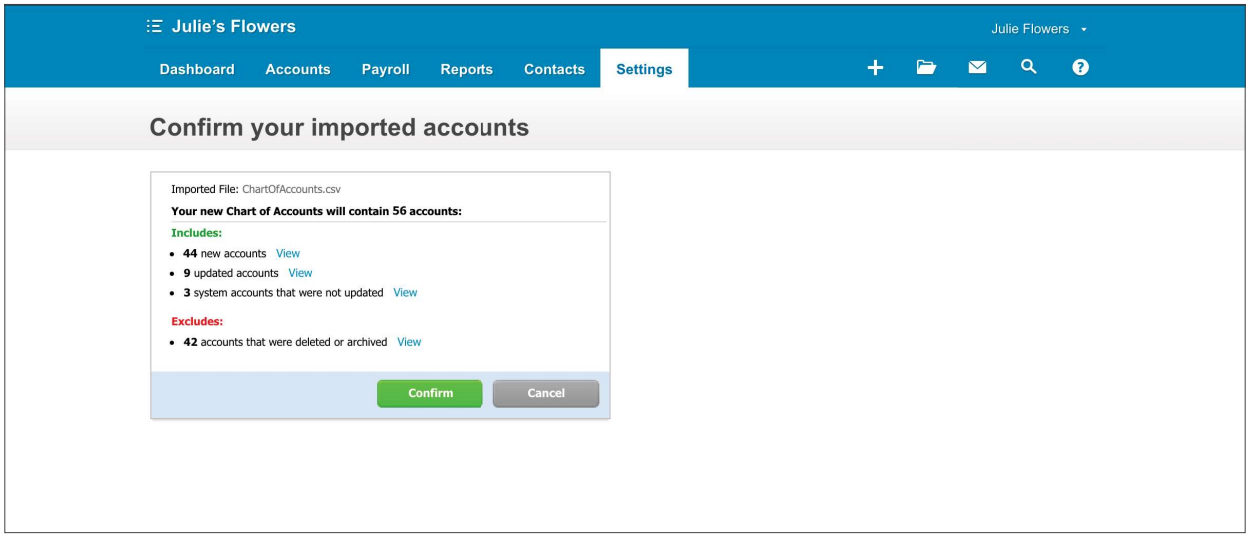


7. Under **What system are you importing from?** select **Xero** as you are using a Xero template file.

8. Under **Does the file you are importing contain account balances?**, select **yes** as you have included values in the balance column.

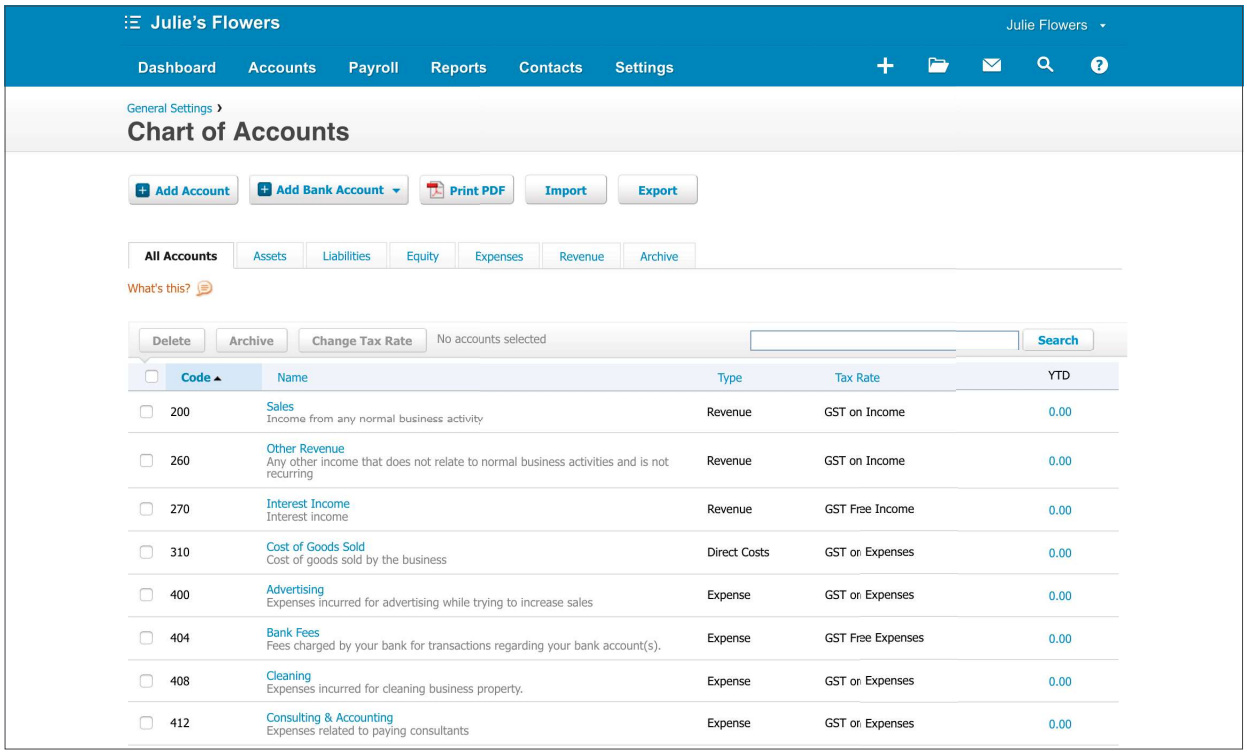
9. Click on 'Browse' and select the sheet that you saved, ChartofAccounts.CSV, and click on 'Import'.

10. This will show a dialogue page with a summary of updates have been made in the chart of accounts. If there are any errors, or if any accounts fail to be uploaded, you can find details of these errors here.



11. Click **Confirm** 

This will save the new Chart of Accounts for Julie's Flowers, and you will be returned to the Chart of Accounts Screen.



Conversion Balances

Any values entered in the **balances** column in a Chart of Accounts CSV import file, will set the conversion balances for those particular accounts.

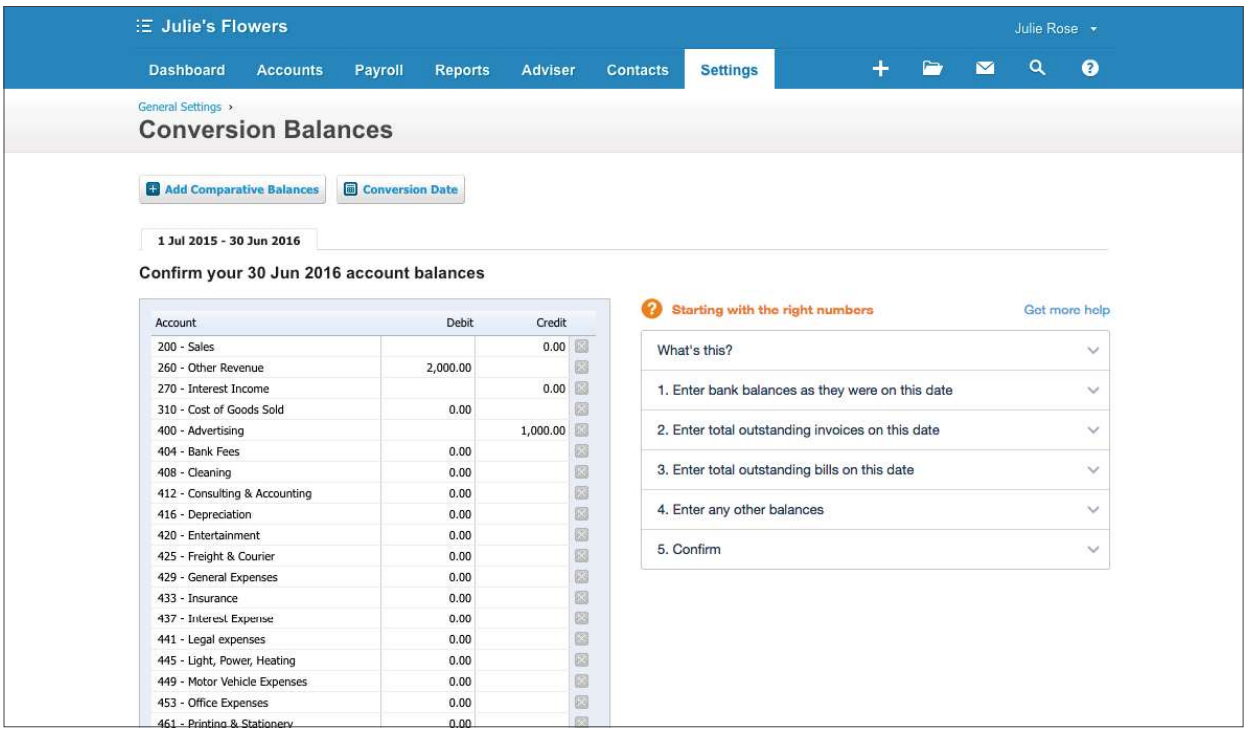
Conversion balances are the account balances at the exact time of your conversion date. They create the starting point from which all future account balances will be calculated.

When you start using Xero and begin creating transactions, account balances will increase, or decrease, with the conversion balance as the starting point.

While you can import conversion balances in the Chart of Accounts CSV, you can also update conversion balances manually under **Settings** › **General Settings** › **Conversion Balances.**

You will learn more about updating conversion balances as you progress in this course.

Info: If you are setting up a new business, the conversion balances will likely be nil. If you are changing from another accounting system to Xero, the conversion balances will come from the closing balances of the system you are moving away from.



Manually Updating the Chart of Accounts

You can add, edit or delete accounts within the Chart of Accounts, under **Settings > Chart of Accounts.**

A manual update can be efficient when small scale changes are necessary, such as changing an account description, or updating the account type.

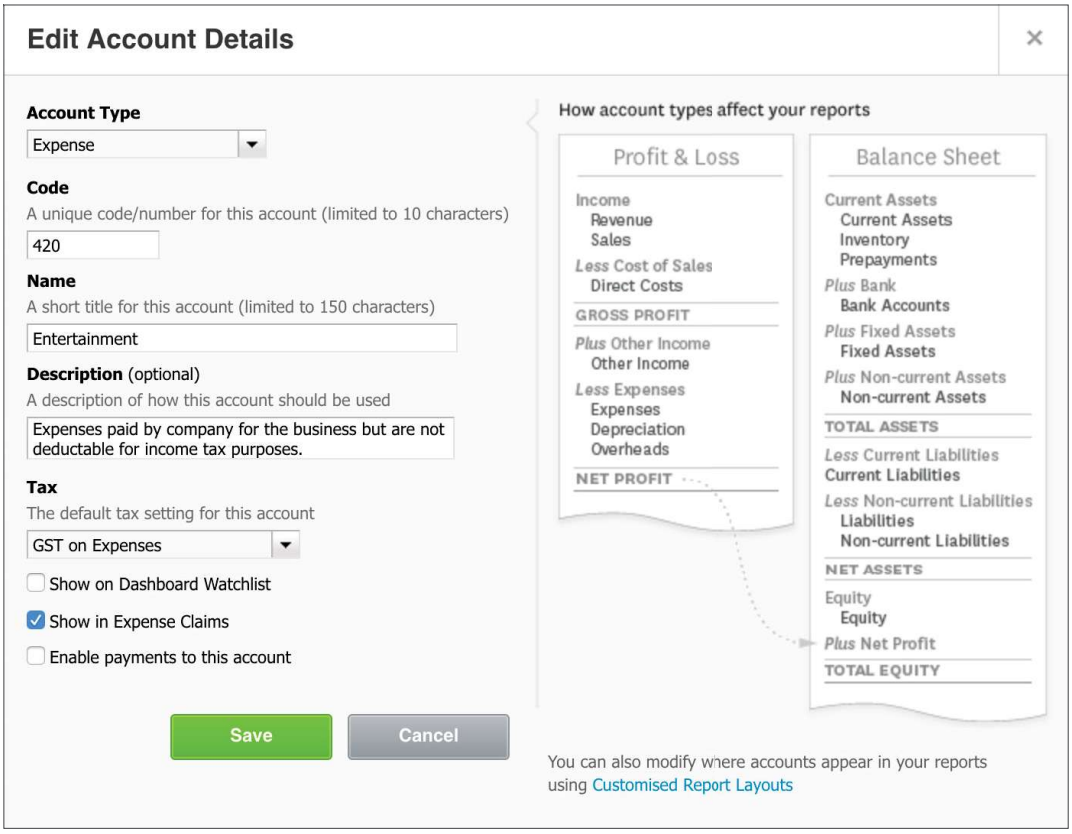
EXERCISE 3.2

In this exercise, you will edit and archive some accounts in the organisation's Chart of Accounts.

1. In your **Chart of Accounts**, under the **All Accounts** tab, scroll down to account **420 - Entertainment.**

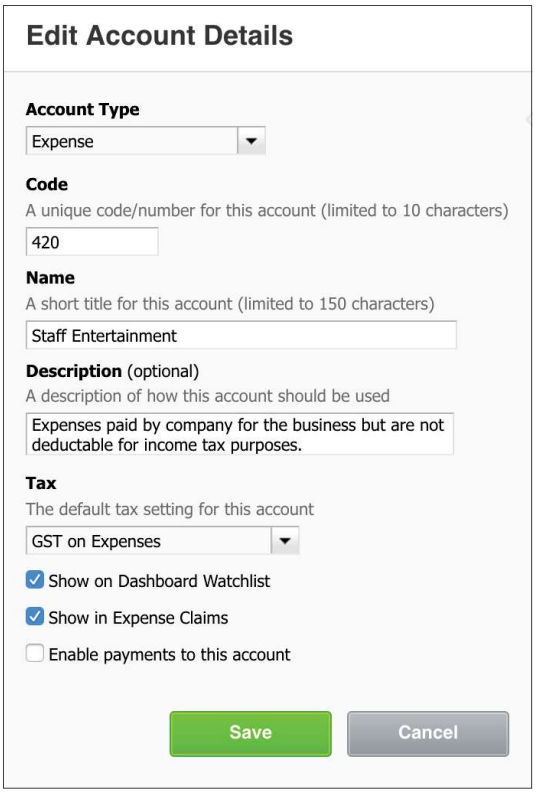
☐	420	Entertainment Expenses paid by company for the business but are not deductable for income tax purposes.	Expense	GST Free Expenses	0.00

2. Click on the blue **Entertainment** link, and this will allow you to edit details about the account.



3. Click on the **Name** field and edit the name of the account to **Staff Entertainment**. This will avoid confusion around what the account is used for.

4. Click the checkbox to **Show on Dashboard Watchlist**.

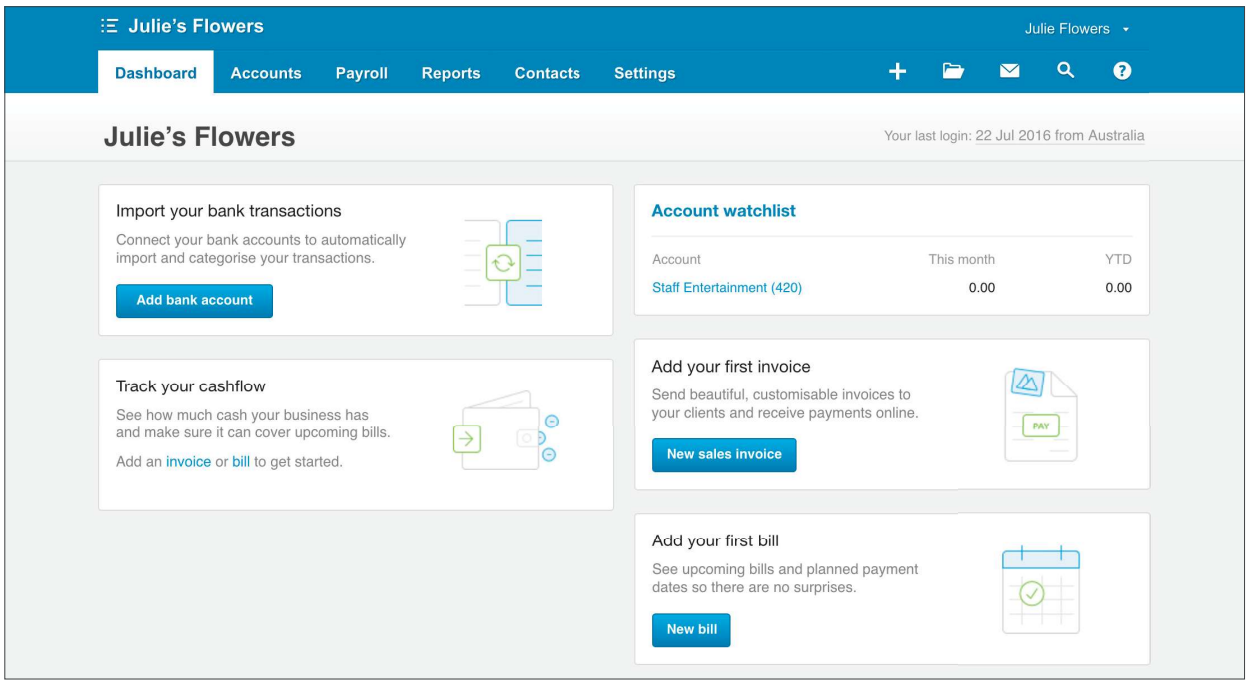


5. Click **Save** 

6. Click on the **Dashboard** tab

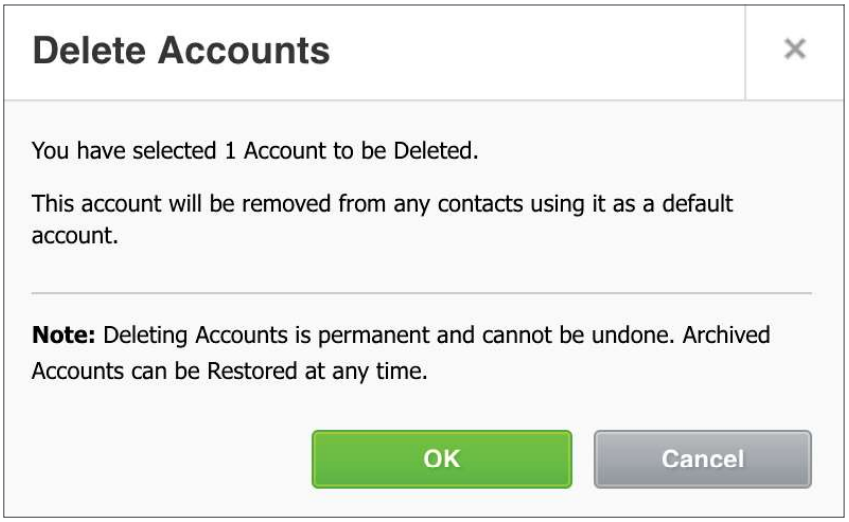
   You can see that the account **Staff Entertainment** has now appeared under **Account watchlist.**

> **Important:** the accounts watchlist is an area on the dashboard, which will display real-time values for any accounts you select to appear.
>
> You are able to pick and choose which accounts appear in the list, and you can add or remove accounts from the accounts watchlist at any time. The accounts watchlist is useful for keeping an eye on both month-to-date and year-to-date totals for selected accounts.



7. Head back to **Settings** > **Chart of Accounts** and scroll down to **account 494 - Travel International**. Click on the **tick box** next to the account to select it.

8. Scroll back up to the top of the page, and click the **Delete** button. Confirm the removal of the account by selecting **OK** in the dialogue pop up.



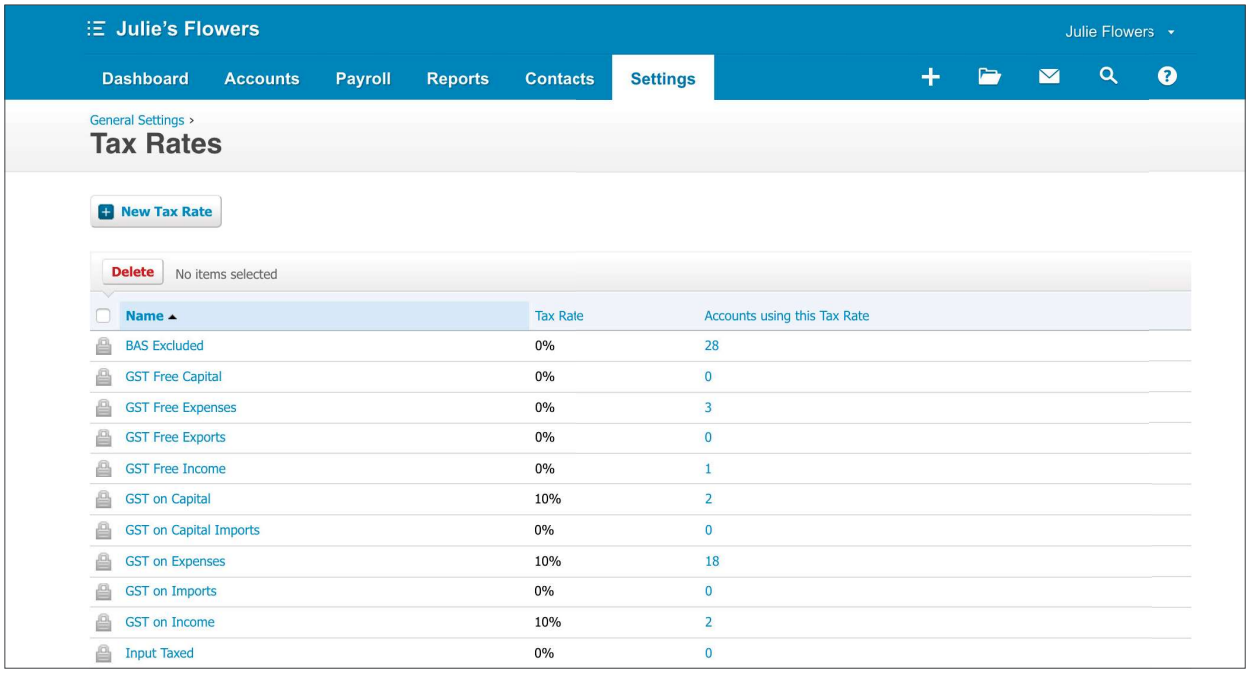
Important: As the account has yet to be used for any transactions, you are able to delete the account. If the account did have transactions recorded against it, you will only be able to archive the account.

Archived accounts can be restored at any time.

Tax Rates

If you would like to view, edit or add new tax rates for the organisation, click on **Settings** > **General Settings** > under the heading Organisation select **Tax Rates**.

The tax rates listed here are the rates that are available to be added to accounts in your **Chart of Accounts.**



Important: if you need to find out more information about which tax rates to use in your business, it's best to visit the ATO website: www.ato.gov.au