

A PayPal account is the same as every other bank account: you can hold a balance, make payments etc but it cannot be overdrawn.

It is very common for people to carry out business using a PayPal account, but not include it in the accounts at the year end – this can cause problems as we end up with missing bank balances in the accounts.

Business PayPal

Option 1: Bank Feed

The most ideal option is that you set up the account with a bank feed on FreeAgent/Xero and ensure you reconcile the transactions regularly.

Typically, this is done where there are a smaller number of transactions over the year (<1000 transactions).

Option 2: Balance at the year end

You can give us the balance at the year end and tell us what it relates to e.g. sales, fees etc and we will make the adjustments for them.

We need to know if any of the transactions are drawings, as these will need to be recorded in the accounts.

Typically, we will only use this approach where there is a very small balance and very few transactions. If there is a larger balance, there is a greater risk of missing significant amounts such as drawings, loan payments/money received increases.

Option 3: Reports from PayPal

Where there are a large number of transactions in the year, you may prefer not to use Option 1 and Option 2 may not be accurate enough for the accounts.

Typically this is the case where the number of transactions is significant (> 1000).

In this event, we will require full details of all the PayPal transactions for the year in order to adjust correctly in the accounts. In order for us to do this in a cost effective manner, you would need to invite us as a read-only user for your PayPal account.

Once we have access, we will then download any PayPal reports and categorise any transactions – e.g. Sales, Cost of Sales, Admin Expenses.

Adjustments

The adjustments we would post would be as follows:

Sales

If the business is VAT registered, we would separate out the PayPal fees (non VATable) from Sales (VATable) as PayPal charges a fee for every sale made.

If the business is not VAT registered, we may record Sales and Fees together.

Expenses

We would categorise those expenses we can and then send you a list of any transactions we need further information on.

We would normally charge a fee where we carry out this work.

Personal PayPal

If you have a personal PayPal account you will need to send us a document containing any transactions relating to business.

You will need to make sure of the following:

- ALL business related transactions are included in the document sent over
- The transactions are dated at the time they happen, so we are sure we have all the transactions. (There should not be a timing delay, and if there is, this needs to be represented in the accounts.)

Also, we need to know if any of the transactions relate to drawings. (If this is the case, we do not include them in the accounts.)

