

## **BerkShares Basics**

BerkShares are cash and can be handled in essentially the same manner. We suggest devoting a separate slot in the cash drawer to hold BerkShares. One big difference between BerkShares and dollars is that there is no coinage for change. For amounts under a dollar you can give change in US coins. If you owe more than a dollar in change it's best to have enough small BerkShares bills on hand to give change in BerkShares for a BerkShares transaction. You may also offer BerkShares in change for US Dollar transactions.

Have a supply of BerkShares directories on hand to give to customers. The more places people know they can spend them the better the circulation will be.

There are many places you can spend BerkShares, and many ways to use BerkShares received for business expenses. **Remember, you don't give a 5% discount for a BerkShares transaction unless or until you return the BerkShares to the bank, so look for a way to spend them!** You can spend them on legal and accounting fees, advertising and consulting, employee bonuses, compensation of the business owner, food for staff/events, web design and development, and change for sales.

We welcome feedback and are available to advise on use of—and accounting for—BerkShares. Contact Alice Maggio at [info@berkshares.org](mailto:info@berkshares.org) or at 413 528 1737 with any questions or comments.

### ACCOUNTING ADVICE:

#### 1. Setting up your accounting system for BerkShares:

- Set up a separate current asset "BerkShares cash account" (like a petty cash account) in your QuickBooks or other accounting program
- Set up an expense line titled "BerkShares discount." (like accounting for credit card fees)
- BerkShares are cash, so it is also important to establish a secure place for BerkShares-on-hand.
- Prepare a "Paid in BerkShares" envelope for receipts, much as you have for petty cash

#### 2. Receiving Payment in BerkShares

- Remember that BerkShares are cash and customers will want a receipt on payment.
- Record the payment as a deposit to the "BerkShares cash account" at the full amount received in BerkShares.
- We recommend calculating and collecting sales tax at the full dollar amount of sale. Sales tax can be collected in BerkShares or in federal dollars.
- Credit the appropriate inventory line for the full amount of the sale as you would when recording payments with checks.
- The total number of "BerkShares-on-hand" in a secure place should always equal the total amount in the "BerkShares cash account."

### 3. Paying invoices with BerkShares

- BerkShares are cash. Payments should be made in person. Remember to have a copy of the invoice so that you can have the vendor verify payment and date. This signed receipt will go in your "Paid in BerkShares" envelope for backup purposes.
- Credit the "BerkShares cash account" for the full amount of the payment.
- Debit the appropriate expense line with the same amount as you would with purchases made with checks. This practice ensures all normal inventory controls are in place.

### 4. Depositing BerkShares

- If you find that you have more BerkShares than can be spent with vendors, given in change to customers, or paid to employees as a percent of salaries, then BerkShares may be taken to one of the BerkShare Exchange Banks and deposited at ninety-five cents on the BerkShare. (List of participating bank branches available online at <http://www.berkshares.org/banks.htm>).
- Prepare a separate deposit slip for your BerkShares deposit.
- The bank will then deposit federal dollars in your account at ninety-five cents per BerkShare or give you the funds in cash.
- For your accounting purposes, if the amount of BerkShares is 100, credit the "BerkShares cash account" with 100; debit your business checking account for \$95, and debit the "BerkShares discount" expense line for \$5.
- The "BerkShares discount" is shown as a business expense (much like a credit card fee or stock broker's fee) and the total taken from profit at the end of the year in determining your federal and state income taxes.
- The intent of the program is that more business transactions will take place as a result of BerkShares promotion of local businesses, which can help make up for the discount if you're unable to re-spend all you receive.

### 5. Exchanging Federal Dollars for BerkShares:

- If you are using more BerkShares than you're taking in, the process is the reverse of depositing them.
- Write a check to BerkShares for a multiple of \$9.5, say \$475 federal dollars.
- Take the check to one of the Exchange Banks. (list available online at <http://www.berkshares.org/banks.htm>)
- You will receive 500 BerkShares. Credit your checking account for \$475 to record the check.
- Credit the "BerkShares discount" expense line with \$25 (this is new value to your business).
- Debit your "BerkShares cash account" with \$500.
- Place the 500 BerkShares in the secure place you have already established, waiting to pay bills!
- The total number of "BerkShares-on-hand" should always equal the total amount in the "BerkShares cash account."

6. Recommendations:

- Issue a specific amount in BerkShares each day so change can be given in BerkShares.
- Encourage change from federal dollars transactions in BerkShares (many customers do not have time to go to the banks and like to trade in BerkShares even without the 5% discount).
- Keep enough BerkShares on hand in a secure location to pay bills.
- Reference the published list of businesses accepting BerkShares to be creative about where to recirculate them, and check <http://www.BerkShares.org> for the most up-to-date listing.
- Ask if a business will accept full or partial payment in BerkShares, even if not listed in the BerkShares directory. Encourage other businesses to sign up, and explain that you're more likely to do business with them if they accept BerkShares, too.
- Do not hesitate to place restrictions on acceptance if you need to.
- Support branding of BerkShares by adding "BerkShares Accepted" in your advertising. Add a BerkShares link to your website. Ask customers if they have or know about BerkShares.
- If you're unable to recirculate them and the five percent discount is higher than your business margin can accommodate, limit payment in BerkShares to 50% of sales price thus creating a 2.5% discount instead of 5%.