



**Developing An Operational Structure**  
Accounting Systems to Support Operations & Cash Flow

*A Workshop Exclusively for Small Business Owners and Their Team*  
Bottom Line – We Love Small Business™

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**Accounting & Systems to Support Cashflow**  
Tracking, Reporting, Measuring Cash Coming In and Going Out



**Recommendations for your Accounting System and Back Office Support, and Team/Services**

**Fundamentally Sound Service** – Accurate and Timely Financial Information

**Basic Business Guidance** - Monitoring Sales, Profitability and Expenses

**Tax Planning Preparation, Compliance, Filing and Reporting**

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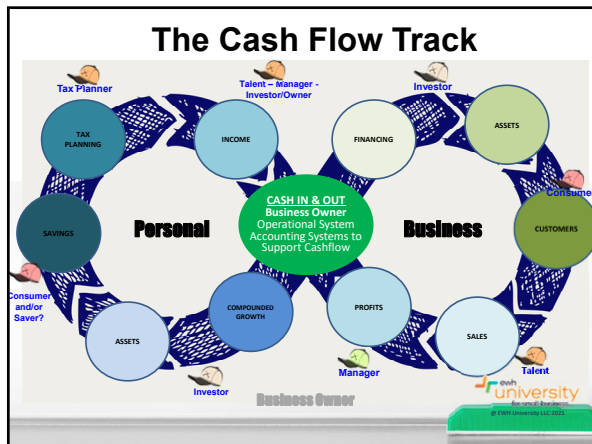
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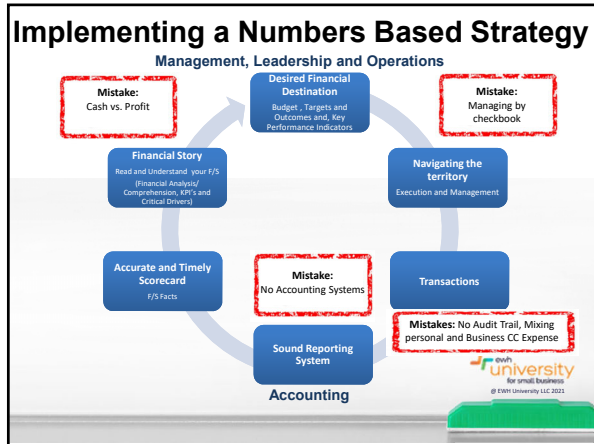
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### The 5 Critical Accounting Mistakes

- Mistake # 1:** Mismanaging the company checkbook
- Mistake # 2:** Not having an accounting system in place
- Mistake # 3:** Not understanding your profit and cash position
- Mistake # 4:** Unintentional credit usage: Mixing business purchases with personal purchases
- Mistake # 5:** Lack of an Audit Trail for receipts and invoices

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### Balance Sheet

As of...

Cash	
A/R & Inv	"Stuff"
Equip	
A/P / CC	Owe
LOC	
N/P	
Investment	Own
Distributions	
Profits	

### Profit & Loss

Month of...

Sales	
- Cost of Sales	
- Operating	
- Other Rev/Exp	
Profits	

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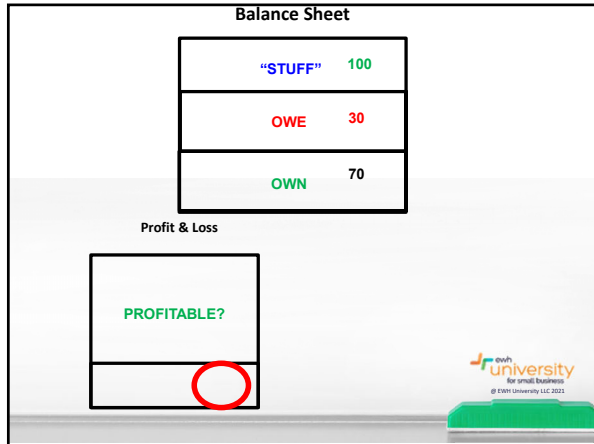
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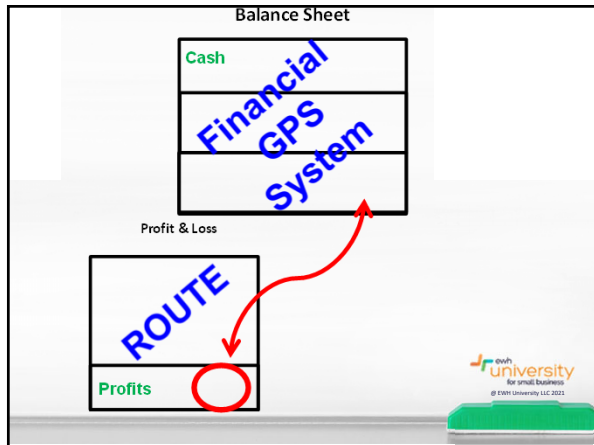
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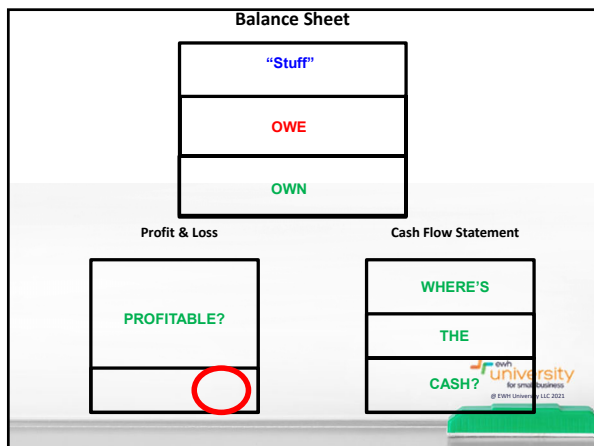
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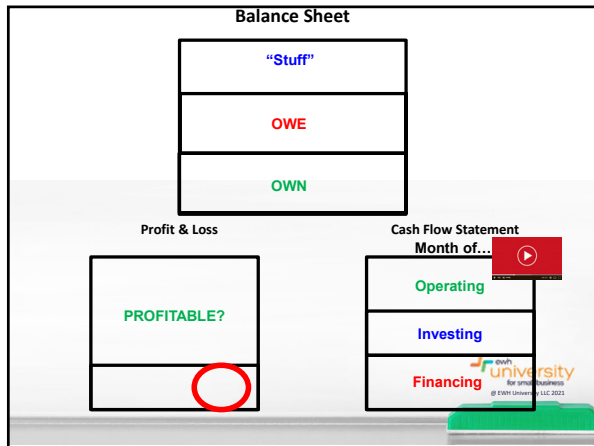
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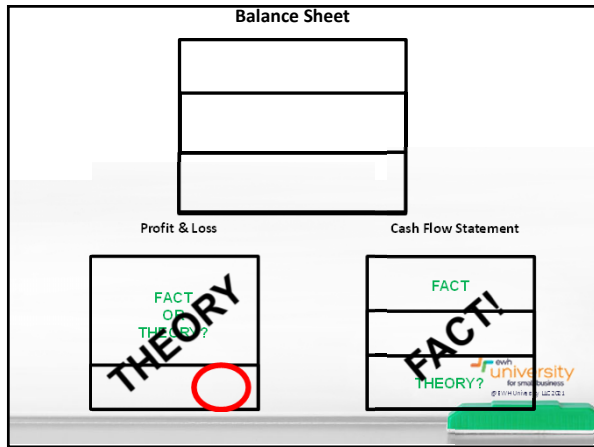
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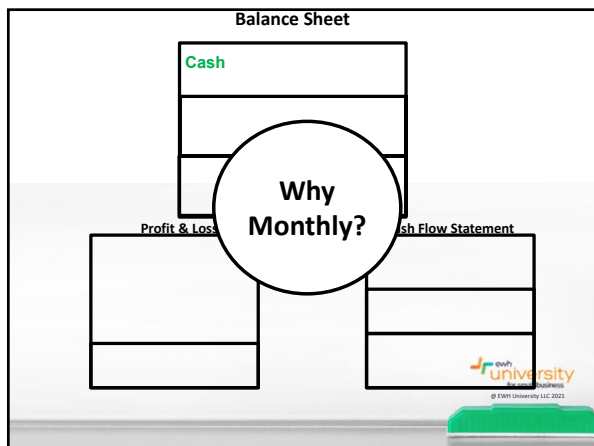
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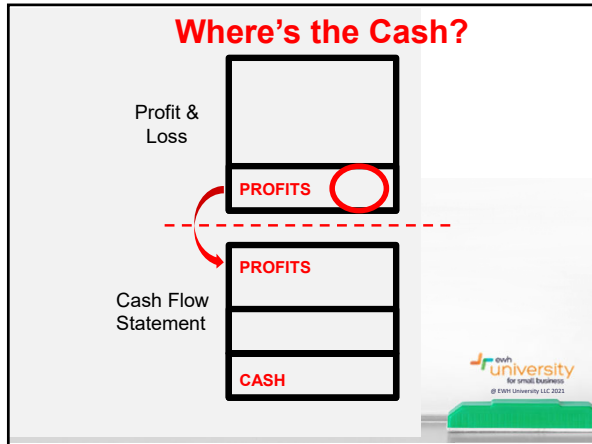
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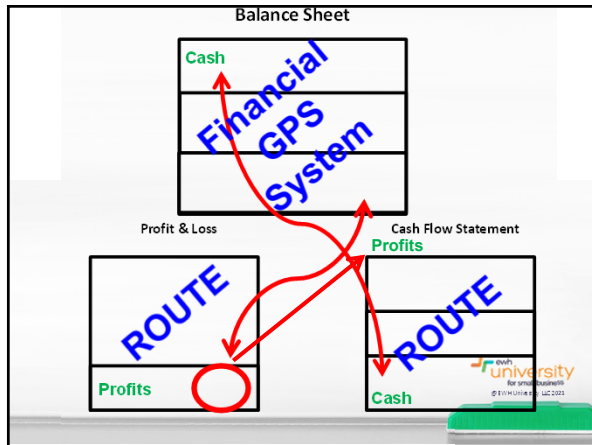
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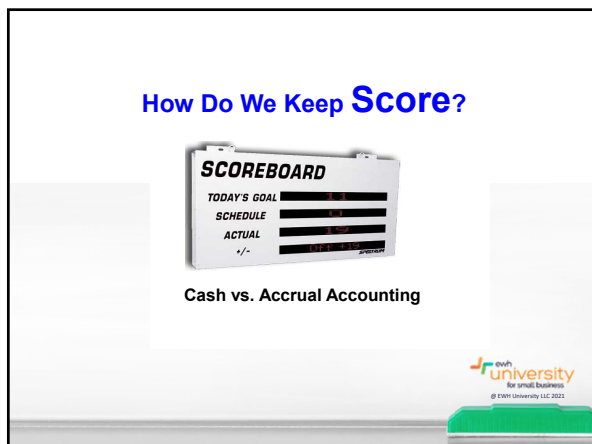
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## How Do We Keep Score?

### Cash Accounting

Transactions are only recorded in your accounting system ... when cash is paid out or received.

**Benefits:**  
More representative of cash position

**Weaknesses:**  
Doesn't tell you the whole story

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## How Do We Keep Score?

### Accrual Accounting

A transaction gets recorded once a transaction occurs in your business...regardless of whether cash was paid out or received.

**Benefits:**  
Shows you the whole story!

**Weaknesses:**  
Is a more detailed and complex method of accounting.

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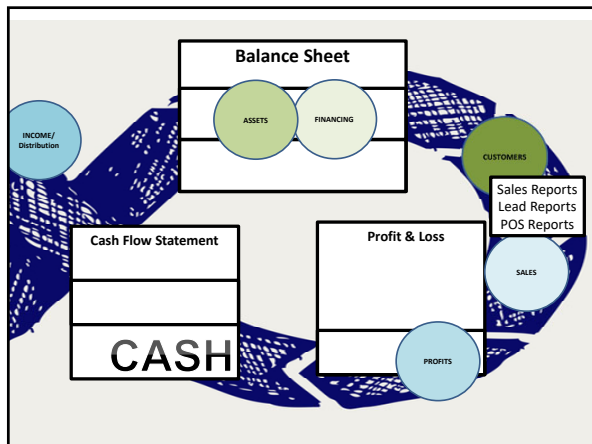
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## Accounting & Systems to Support Cash Flow

Tracking, Reporting, Measuring Cash Coming In and Going Out



**A Reporting System – Efficiency and Accuracy**

- Reporting Checklist – bank statements, credit cards, loan statement, etc.
- Bank Reconciliation: Account for everything going in and out, and what's outstanding (*checks and balances*).
- Managerial Accounting compared to Financial Accounting
- Internal Bookkeeper: day-to-day tasks, A/P, manage checkbook, A/R billing
- Team Approach: Organize into scorecard, prepare Financial Statement, watch for tax implications and provide guidance
- Year End Tax Organizer – capture all deductions – audit trail
- Record-keeping
- Compliance for payroll, sales tax




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## Accounting and Bookkeeping Essentials

**Three ways to work with an Accountant:**

1. Year End Only
2. Monthly
3. Controllership




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## Roles to Support Cash Flow

Who/What do you need?

<p><b><u>AP Specialist</u></b>          Handles AP &amp; incoming bills          Prepares invoices          Oversees A/R          Manages checkbook</p>	<p><b><u>Bookkeeper</u></b>          Bank Reconciliation (separation of duties)          Sales Tax          Processes payroll          Pays Payroll Taxes          Qtrly Payroll Reports          UC          EOY: W-2s &amp; 1099s          Reconciles Balance Sheet          Prepares F/S</p>	<p><b><u>Accountant</u></b>          Oversees FS preparation          Makes sure FS is correct          Provides advice and consultation          Tax preparation and planning          Consults on tax issues (audits and notices)</p> <p style="text-align: center;"><b><u>Tax Accountant</u></b></p>
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### 3 Levels of Financial Statement Preparation

<p><b>Compilation</b></p> <ul style="list-style-type: none"> <li>• Separation of duties</li> <li>• Outside parties</li> <li>• Banks and Lenders</li> </ul>	<p><b>Review</b></p> <ul style="list-style-type: none"> <li>• Review and inquires of F/S</li> <li>• Inquires regarding accounting practices and internal controls</li> <li>• Basic Level of Assurance</li> <li>• Certain Lending Situations</li> </ul>	<p><b>Outside Audit</b></p> <ul style="list-style-type: none"> <li>• Non-Profit (compliance reasons)</li> <li>• Public Held Companies</li> <li>• Specific/Large Lending Situations</li> <li>• Physical Inspection, substantive testing of procedures (internal controls)</li> <li>• CPA Expresses opinion on whether the F/S are presented fairly and in accordance to Accounting Principles</li> </ul>
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**Tax Audit**



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### Building Your Team To Manage Your Money

Who Does What?

**Accountant** – Track, manage, and save money (Defense)  
**Banker** – Manage daily cash flow needs  
**Financial Planner** – Diversify assets, grow wealth  
**Attorney** – Protect your wealth  
**Insurance Agent** – Risk management

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### Going Forward Into Your Business

**Secret # 9: Grow S.M.A.R.T.E.R. by Setting Written Goals**

**Write down 1-3 goals and a timeline of when you will put them into action.**



- ✓ Reporting Checklist – Materials need monthly
- ✓ Report by 5<sup>th</sup> of month
- ✓ Receive FS within 10 business days once ALL material is received
- ✓ Schedule a time to review F/S every month
- ✓ System – Written Procedures
  - ✓ Can't run a company just by...
  - ✓ Nothing Real Until...
  - ✓ CAM

Watch our Understanding Cash Flow video to learn more about how to review your F/S



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