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A Simple Start to Managing Your Business Finances

A Guide to the Essentials

INSTRUCTOR

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STUDENT HANDOUTS

- Student Handouts

- <http://webservicesfp.lscsoft.com/downloads/aicdownloads/Handouts.pdf>

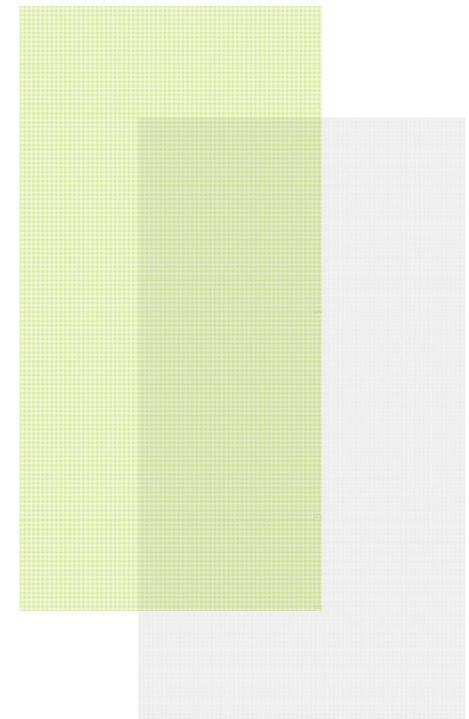
- Sample File

- http://webservicesfp.lscsoft.com/downloads/aicdownloads/Training_sample_file.zip



Financial Management Essentials

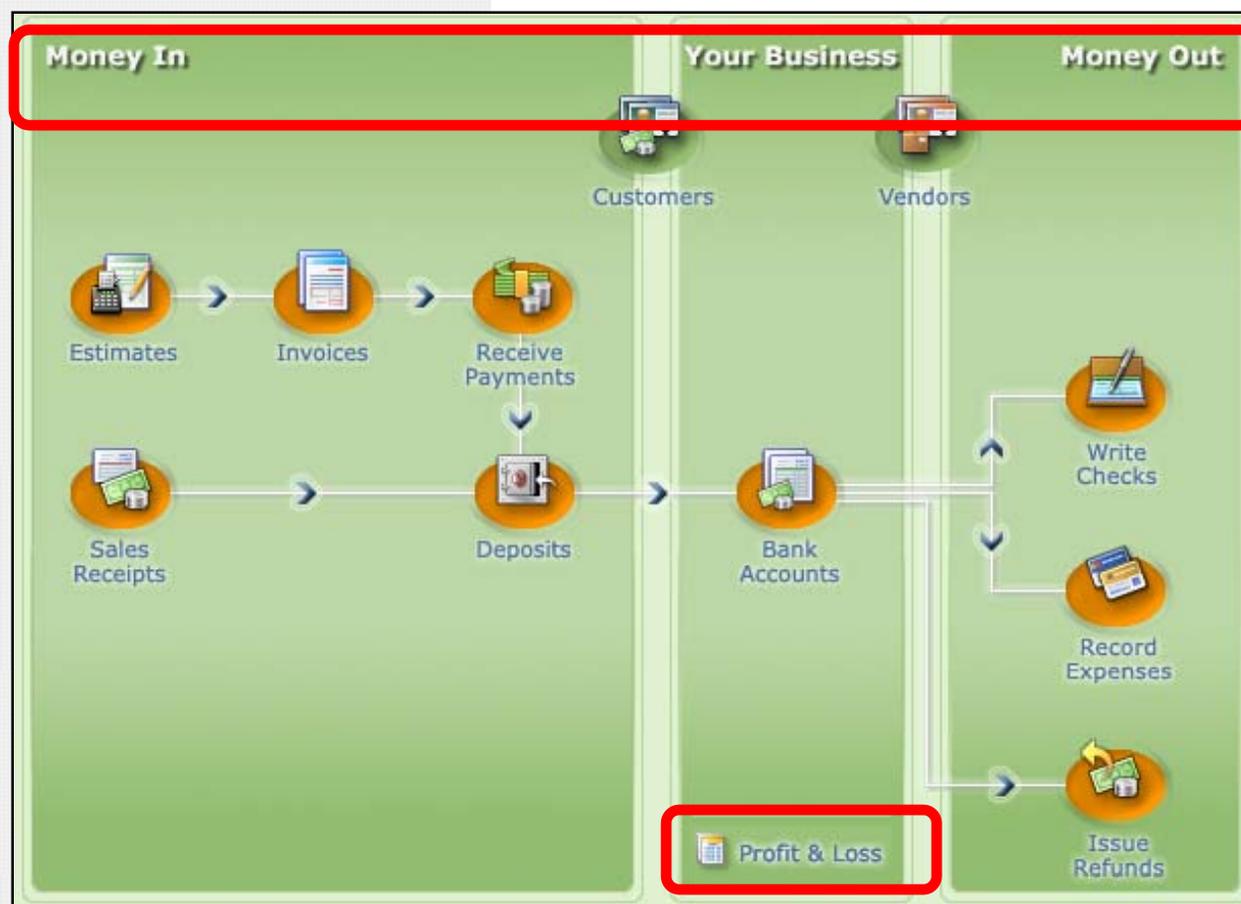
1. Introduction to Financial Management
2. Why Accounts are Important
3. Using Reports
4. Managing Essential Tasks:
Practice Session
5. Tips and Resources
6. Appendix: Additional
Concepts & Terms



1. What is Financial Management?

Process of:

- **Running your business**
- **Recording money coming in and out**
- **Using reports to:**
 - Understand how your business is doing
 - Make decisions



Six Ways Financial Management Helps Your Business Succeed

1. Cash Flow.

Track the money going in and out of your business.

6. Funding.

To be considered for a loan or investment, you'll need complete financial statements.

2. Manage Customers and Sales.

Know and understand your customers through consolidated records.



3. Production.

Obtain goods and services. Apply for and establish credit with your vendors.

4. Compliance.

Report your company's incomes, expenses, and payroll accurately to the IRS.

5. Insight and Decision Making.

Make informed decisions – and price your product or service for profitability – with financial reports



Information is Power

What do you want to know about your business?

- How much money am I bringing in?> Sales
- How much am I spending?> Expenses
- Is my business making any money?> Sales – Expenses
- What's the value of what my business owns?> Assets
- How much does my business owe to others?> Liabilities
- What is my business worth?> Equity

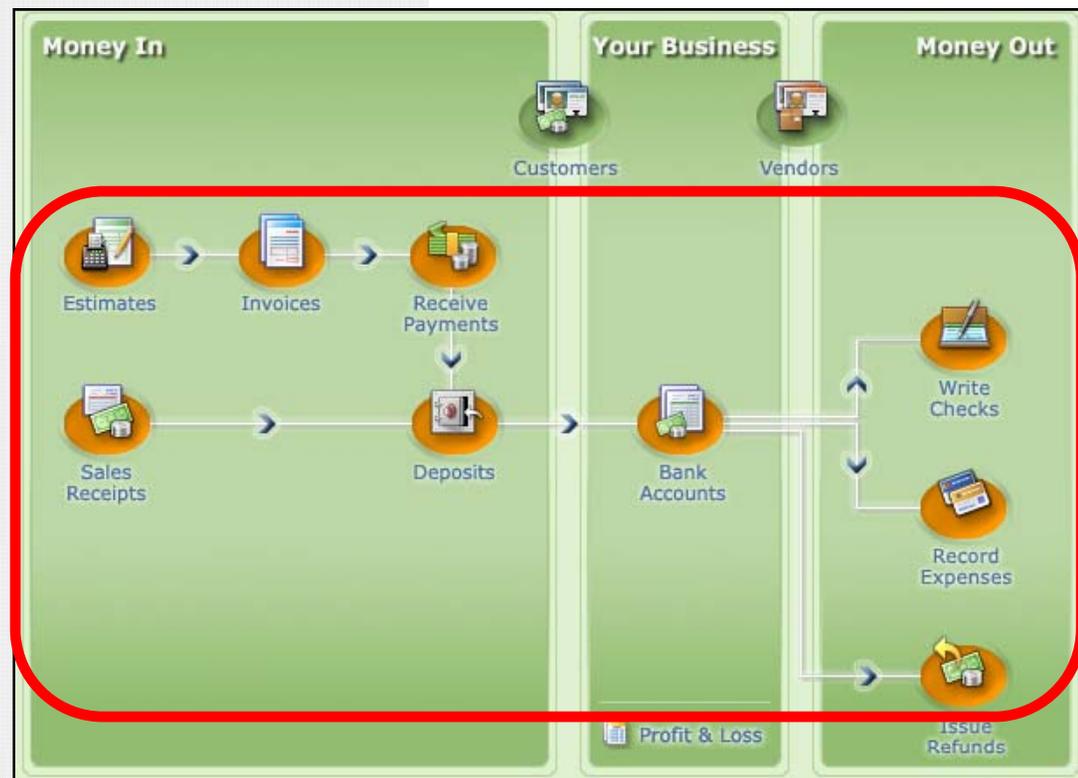


2. Financial Accounts

Why They Matter to Your Business

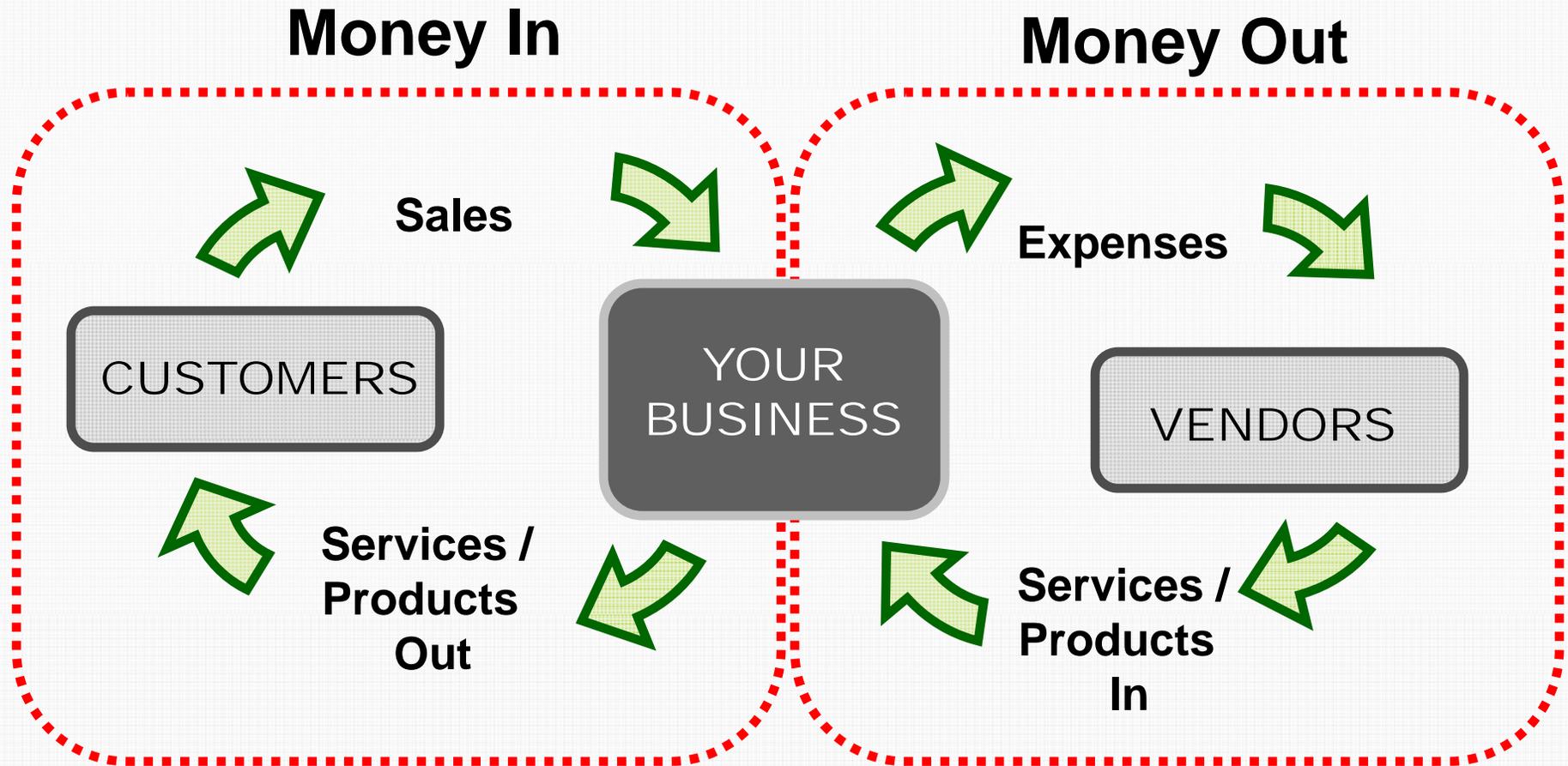
Accurate record keeping lets you understand and use all your information

- Money in from payments received
- Data on customers and vendors
- Record of your bank accounts
- Money out for checks written, refunds and other expenses



Cash Flow:

Money In and Money Out



Major Account Types

- **Assets**

- Current (cash, inventory, accounts receivable, etc.)
- Fixed (property, vehicles, machinery, etc.)

Everything your business possesses

- **Liabilities**

- Current (within one year)
- Long Term

Everything your business has borrowed

- **Equity**

- Contributed capital: owner's investment
- Retained earnings (profits)

Everything your business owns

Assets = Liabilities + Equity



Categorize Your Transactions With a Chart of Accounts

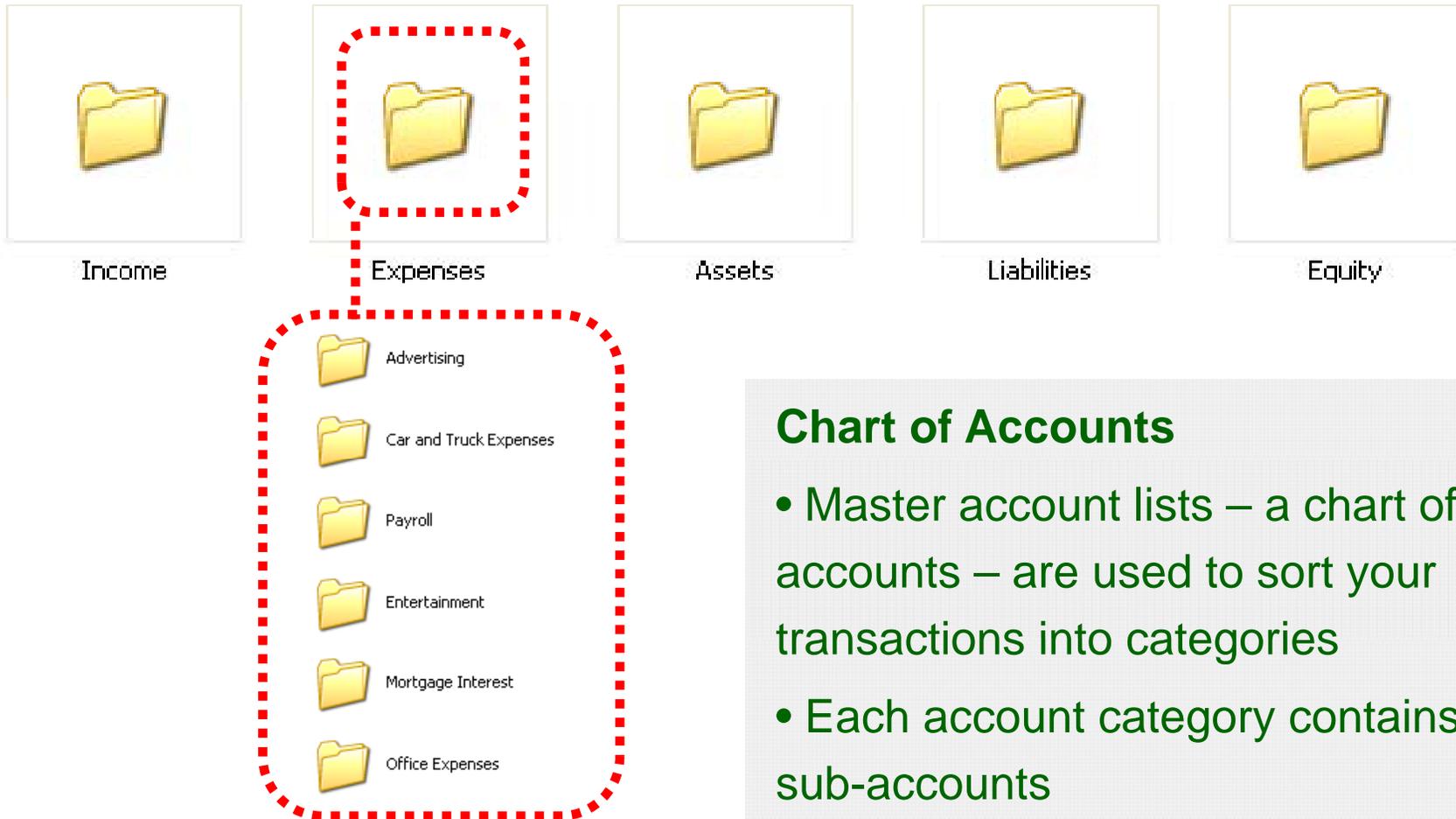


Chart of Accounts

- Master account lists – a chart of accounts – are used to sort your transactions into categories
- Each account category contains sub-accounts



Chart of Accounts:

Your Master List of Accounts and Sub-Accounts

NAME	TYPE	NAME	TYPE
INCOME		ASSET	
Sales	Income	Checking	Bank
Other income	Other income	Accounts Receivable	Accounts Receivable
EXPENSE		Undeposited funds	Other Current Asset
Advertising	Expense	Equipment	Asset
Car and Truck Expenses	Expense	LIABILITY	
Contract labor / payroll	Expense	Loans	Liability
Cost of goods sold	Expense	Sales Tax Payable	Other Current Liability
Entertainment / meals	Expense	EQUITY	
Office expenses	Expense	Contributed Capital	Equity
Repairs and maintenance	Expense	(Owner's invested funds)	
Supplies	Expense	Retained Earnings	Equity
Taxes and licenses	Expense	(Business' profits)	
Utilities	Expense		
Other expenses	Other expenses		



Accounts: What We've Learned

- Consolidate your record keeping
- Use a standard set of accounts or categories to “file away” transactions—there is a common language
- Keep it simple: Significant accounts only

Use Industry Specific Accounts

Master account lists – a chart of accounts – are readily available for most types of business. Choose one specific to your industry, and make minor changes if needed.



3. Reports

Understanding Your Business and Decision-Making

Reports help you understand how your business is doing

- Use reports as a planning tool
 - Gain insight into your sales
 - Income statement (P&L) shows your profitability
 - Balance sheet shows assets, liabilities and equity
- Regularly monitor your profitability – and your cash flow



Make the Most of Your Reports

What do you want to know about your sales?

- What is selling?
- Who is buying?
- Who owes me money?

Mark's Atomic Graphic Designs Total sales by customer

December 1 - 15, 2007

	◇ Dec 1 - 15, 07 ◇
Cendana, Benit	120.00
Dowden, John	3,700.00
Durbin Consulting	1,620.00
Lee Sporting Goods	665.00
Raj, Shoba	5,742.50
Tenna Computers	180.00
Vu, Don	605.00
TOTAL	<u>12,632.50</u>

Gain insight into the health of your business with reports:

- Sales by item
- Sales by customer
- Unpaid invoices by customer

Mark's Atomic Graphic Designs Invoices that haven't been paid

As of December 15, 2007

◇ Date ◇	◇ Num ◇	◇ P. O. # ◇	◇
12/14/2007	130		Durbin
11/30/2007	111		Cendan
11/30/2007	116		Bolinski
12/15/2007	131		Cendan
12/15/2007	1005		Lochrie
12/07/2007	123		Vu, Don
12/10/2007	125		Raj, Sh

Mark's Atomic Graphic Designs Total sales by item

December 1 - 15, 2007

Dec 1 - 15, 07

◇	◇ Qty ◇	◇ Amount ◇	◇ % of Sales ◇	◇ Avg Price ◇
Other Charges				
Graphics Design	59.5	2,677.50	21.2%	45.00
MultiMedia	125.5	1,255.00	9.9%	10.00
Web Design	87	8,700.00	68.9%	100.00
Total Other Charges		<u>12,632.50</u>	<u>100.0%</u>	
TOTAL		<u>12,632.50</u>	<u>100.0%</u>	



Income Statement

Mark's Atomic Graphic Designs	
Profit & Loss Standard	
December 1 - 15, 2007	
◇ <u>Dec 1 - 15, 07</u> ◇	
Ordinary Income/Expense	
Income	
Sales	12,632.50
Total Income	12,632.50
Expense	
Contract labor	910.00
Insurance (other than health)	383.39
Repairs and maintenance	1,775.00
Supplies	473.25
Taxes and licenses	699.12
Utilities	23.27
Total Expense	<u>4,264.03</u>
Net Ordinary Income	<u>8,368.47</u>
Net Income	<u><u>8,368.47</u></u>

- Summarizes the revenue and expenses of a company over a period of time
- Also called a Profit & Loss or P&L



Balance Sheet

- Shows the assets, liabilities, and equity at a given moment in time
- **Assets = Liabilities + Equity**

Equity also referred to as Owners Equity or Retained Equity.

Mark's Atomic Graphic Designs	
Balance Sheet Summary	
As of December 15, 2007	
◇ Dec 15, 07 ◇	
ASSETS	
Current Assets	
Checking/Savings	▶ 31,990.56 ◀
Accounts Receivable	20,384.70
Other Current Assets	<u>5,794.50</u>
Total Current Assets	<u>58,169.76</u>
TOTAL ASSETS	<u>58,169.76</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	1,300.22
Other Current Liabilities	<u>44.58</u>
Total Current Liabilities	<u>1,344.80</u>
Total Liabilities	1,344.80
Equity	<u>56,824.96</u>
TOTAL LIABILITIES & EQUITY	<u>58,169.76</u>



4. Manage Essential Tasks

Practice Session: Mark's Atomic Graphic Designs

Money in

- A. Record a sale
- B. Invoice a customer
- C. Receive a payment
- D. Make a deposit

Money Out

- E. Write a check / record an expense
- F. Use a credit card / record an expense

Remember, the better you understand your cash flow situation, the better you'll be prepared to make the right business decisions.



A. Record a Sale

Practice Session – Money In

Money In: Record a Sale



Customer buys business cards.

Pays on spot with cash.

You issue sales receipt.



A. Record a Sale

Practice Session – Money In

Track Your Business

Enter Sales Receipts

Print E-mail

Customer: Andres, Cristina

Sales Receipt

Sold To:
Cristina Andres
4242 Cypress Hill Rd
Bayshore CA 94326

Date: 12/15/2007 Sale No.:

Check No. Payment Method: Cash

Item	Description	Qty	Rate	Amount	Tax
Business Cards_	Price for 500 cards, design and printing	1	200.00	200.00	Tax

Tax: Local Sales ... (7.75%) 15.50

Total: 215.50

Print later E-mail later Memo:

Issue sales receipt

Record:

1. Customer
2. Item
3. Quantity
4. Payment type
5. Date



A. Record a Sale

Practice Session – Money In

See Where Your Business Stands

Mark's Atomic Graphic Designs Profit & Loss Standard December 1 - 15, 2007		Mark's Atomic Graphic Designs Balance Sheet Summary As of December 15, 2007	
◇ Dec 1 - 15, 07 ◇		◇ Dec 15, 07 ◇	
Ordinary Income/Expense		ASSETS	
Income		Current Assets	
Sales	12,832.50	Checking/Savings	31,990.56
Total Income	12,832.50	Accounts Receivable	20,384.70
Expense		Other Current Assets	6,010.00
Contract labor	910.00	Total Current Assets	58,385.26
Insurance (other than health)	383.39	TOTAL ASSETS	
Repairs and maintenance	1,775.00	58,385.26	
Supplies	473.25	LIABILITIES & EQUITY	
Taxes and licenses	699.12	Liabilities	
Utilities	23.27	Current Liabilities	
Total Expense	4,264.03	Credit Cards	1,339.00
Net Ordinary Income	8,568.47	Other Current Liabilities	60.08
Net Income	8,568.47	Total Current Liabilities	1,360.30
		Total Liabilities	1,360.30
		Equity	57,024.96
		TOTAL LIABILITIES & EQUITY	58,385.26

Profit & Loss

6. Sales increase by \$200.00

Balance Sheet

7. Assets increase by \$215.50

8. Liabilities (sales tax payable) increase by \$15.50

9. Equity increases by \$200.00



B. Invoice a Customer

Practice Session – Money In

Money In: Invoice Customer



Customer buys graphic design services.

You complete the design.

You invoice customer.



B. Invoice a Customer

Practice Session – Money In

Track Your Business

1

5

4

2

3

Item	Description	Qty	Rate	Amount	Tax
Graphics Design	Per hour spent on the design	2	45.00	90.00	Non
Tax: Local Sales ... (7.75%)				0.00	
Total				90.00	

Create invoice

Record:

1. Customer
2. Service
3. Quantity/hours
4. Payment terms
5. Date



B. Invoice a Customer

Practice Session – Money In

See Where Your Business Stands

Mark's Atomic Graphic Designs	
Profit & Loss Standard	
December 1 - 15, 2007	
◇ Dec 1 - 15, 07 ◇	
Ordinary Income/Expense	
Income	
Sales	12,922.50
Total Income	12,922.50
Expense	
Contract labor	910.00
Insurance (other than health)	383.39
Repairs and maintenance	1,775.00
Supplies	473.25
Taxes and licenses	699.12
Utilities	23.27
Total Expense	4,264.03
Net Ordinary Income	8,658.47
Net Income	8,658.47

Mark's Atomic Graphic Designs	
Balance Sheet Summary	
As of December 15, 2007	
◇ Dec 15, 07 ◇	
ASSETS	
Current Assets	
Checking/savings	31,990.56
Accounts Receivable	20,474.70
Other Current Assets	6,010.00
Total Current Assets	58,475.26
TOTAL ASSETS	58,475.26
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	1,300.22
Other Current Liabilities	60.08
Total Current Liabilities	1,360.30
Total Liabilities	1,360.30
Equity	57,114.96

Profit & Loss

7. Sales increase by \$90.

Balance Sheet

8. Accounts receivable increase by \$90.

9. Equity increases by \$90



C. Receive a Payment

Practice Session – Money In

Money In: Receive Payment



Customer pays by check for business card design services invoice.

Record receipt of payment.



C. Receive a Payment

Practice Session – Money In

Track Your Business

Receive Payments

Receive a payment online

Customer Payment

Received From: Senna Computers

Pmt. Method: Check

Date: 12/15/2007

Customer Balance: 90.00

Amount: 90.00

Ref./Check No.

Memo

Unpaid invoices for this customer:

✓	Date	Number	Orig. Amt.	Amt. Due	Credits	Payment
✓	12/15/2007	102	90.00	90.00	0.00	90.00
Totals			90.00	90.00	0.00	90.00

Receive
payment

Record:

1. Customer
2. Payment
type
3. Enter
amount



C. Receive a Payment

Practice Session - Money In

See Where Your Business Stands

Mark's Atomic Graphic Designs Profit & Loss Standard December 1 - 15, 2007		Mark's Atomic Graphic Designs Balance Sheet Summary As of December 15, 2007	
◇ Dec 1 - 15, 07 ◇		◇ Dec 15, 07 ◇	
Ordinary Income/Expense		ASSETS	
Income		Current Assets	
Sales	12,922.50	Checking/savings	31,930.36
Total Income	12,922.50	Accounts Receivable	20,384.70
Expense		Other Current Assets	6,100.00
Contract labor	910.00	Total Current Assets	58,475.26
Insurance (other than health)	383.39	TOTAL ASSETS	58,475.26
Repairs and maintenance		LIABILITY	
Supplies		Liabilities	
Taxes and licenses		Accounts Payable	1,300.22
Utilities		Current Liabilities	60.08
Total Expense		Total Current Liabilities	1,360.30
Net Ordinary Income	8,658.47	Total Liabilities	1,360.30
Net Income	8,658.47	Equity	57,114.96
		TOTAL LIABILITIES & EQUITY	58,475.26

Profit & Loss

4. Unchanged.

Balance Sheet

5. Accounts receivable decrease by \$90.

6. Undeposited funds increase by \$90.

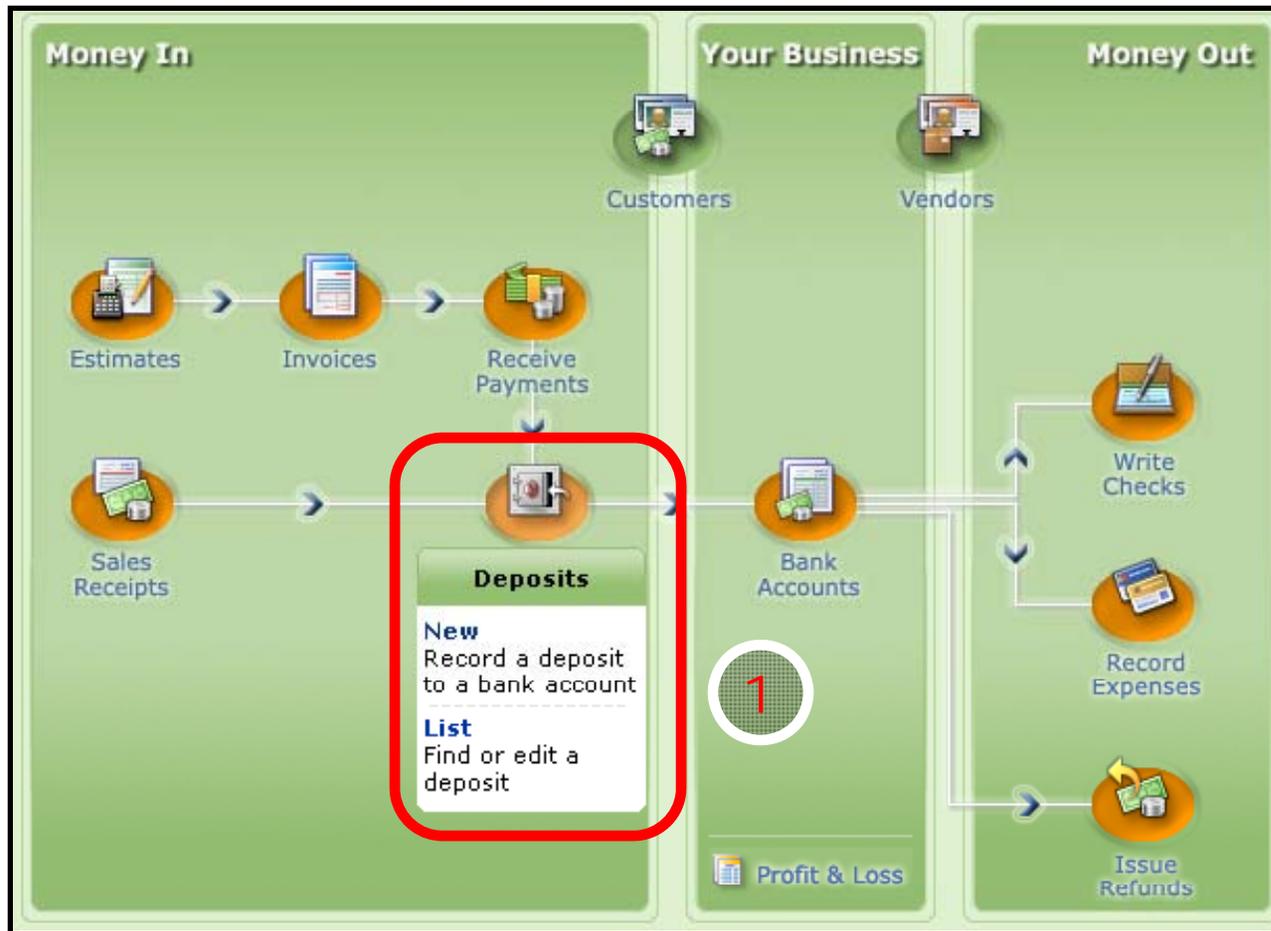
7. Equity unchanged.



D. Make a Deposit

Practice Session – Money In

Money In: Make a Deposit



Go to bank to deposit check for design services and cash for business cards.

Make deposit.



D. Make a Deposit

Practice Session – Money In

Track Your Business

Payments to Deposit

Select View – View payment method type: **Cash and Check** [What are payment method views?](#)

Select Payments to Deposit

✓	Date	Time	Type	No.	Payment Method	Name	Amount
✓	12/05/2007		PMT	9185	Check	Tingey, Erika	435.00
✓	12/07/2007		PMT	2965	Check	Raj, Shoba	67.50
✓	12/12/2007		PMT	2109	Check	Ruff, Bryan	200.00
✓	12/12/2007		PMT	8449	Check	Hopkins Chiropractic	500.00
✓	12/15/2007		PMT		Barter	Senna Computers	180.00
✓	12/15/2007		RCPT	5	Cash	Andres, Cristina	215.50
✓	12/15/2007		PMT		Check	Senna Computers	90.00

7 of 7 payments selected for deposit Payments Subtotal 1,688.00

Select All Select None

OK Cancel Help

Make deposit

Select:

1. Cash and Check
2. All funds to deposit



D. Make a Deposit

Practice Session – Money In

See Where Your Business Stands

Mark's Atomic Graphic Designs Profit & Loss Standard December 1 - 15, 2007		Mark's Atomic Graphic Designs Balance Sheet Summary As of December 15, 2007	
◇ Dec 1 - 15, 07 ◇		◇ Dec 15, 07 ◇	
Ordinary Income/Expense		ASSETS	
Income		Current Assets	
Sales	12,922.50	Checking/Savings	33,678.56
Total Income	12,922.50	Accounts Receivable	4,384.19
Expense		Other Current Assets	4,412.00
Contract labor	910.00	Total Current Assets	58,475.26
Insurance (other than health)	383.39	TOTAL ASSETS	58,475.26
Repairs and maintenance	1,770.00	LIABILITIES & EQUITY	
Supplies	400.00	LIABILITIES	
Taxes and licenses	600.00	Utilities	1,300.22
Utilities	420.00	Other Current Liabilities	60.08
Total Expense	4,253.39	Total Current Liabilities	1,360.30
Net Ordinary Income	8,658.47	Total Liabilities	1,360.30
Net Income	8,658.47	Equity	57,114.96
		TOTAL LIABILITIES & EQUITY	58,475.26

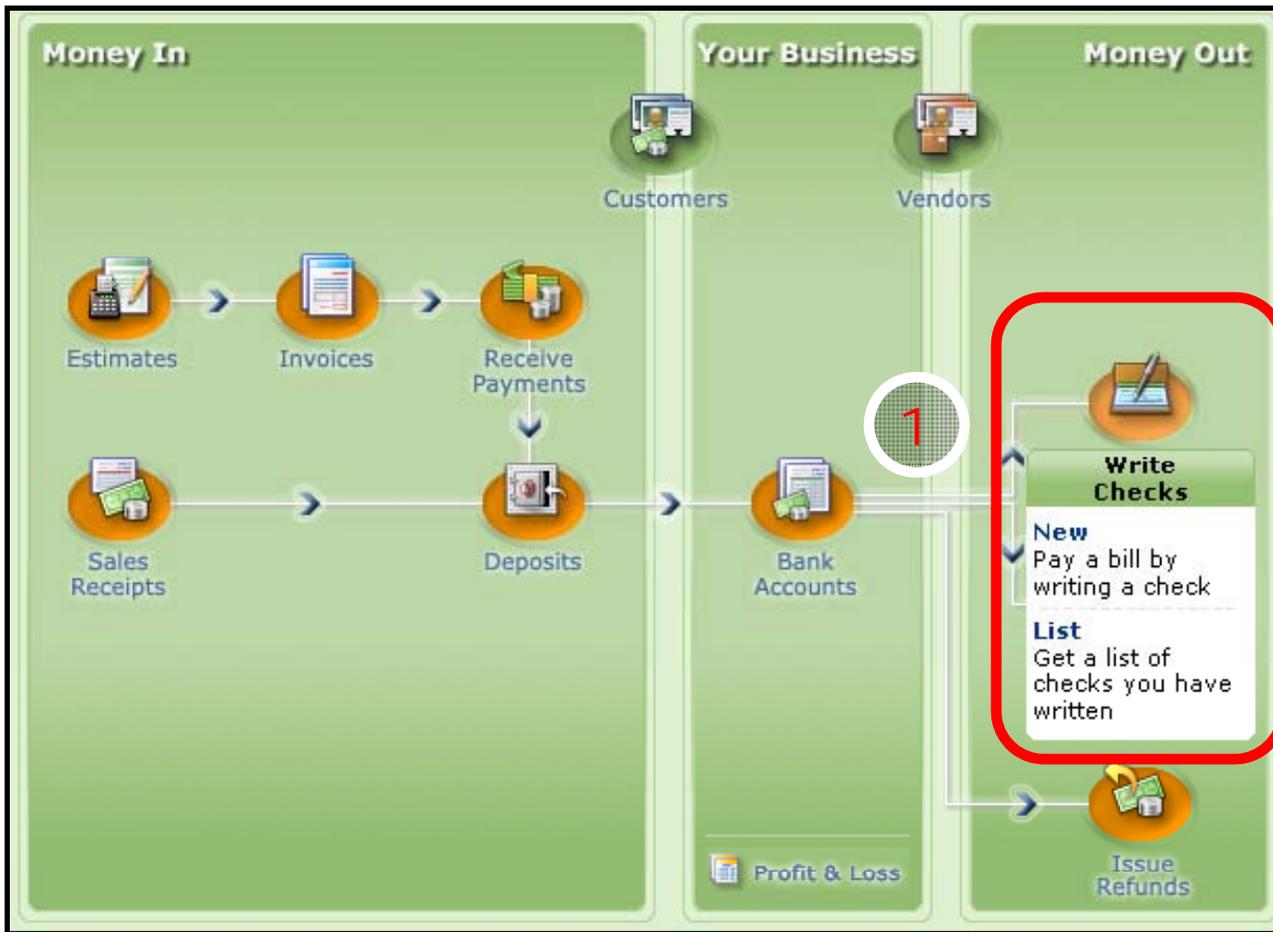
- Profit & Loss
- 3. Unchanged.
- Balance Sheet
- 4. Checking / Savings increases.
 - 5. Other current assets decrease.
 - 6. Equity unchanged.



E. Write a Check / Record an Expense

Practice Session – Money Out

Money Out: Write a Check



Pay your telephone bill by check.

Write check / record expense.



E. Write a Check / Record an Expense

Practice Session – Money Out

Track Your Business

Write Checks - Checking

Bank Account: Checking Ending Balance: 15,788.93

Pay to the Order of: Cal Telephone

Forty-five and 00/100

Address: Cal Telephone, P.O. Box 1100, Middlefield CA 94482

Memo: 415-555-9875

No. 249 Date: 12/15/2007 \$ 45.00

Print later

Expense Category	Amount	Memo
Utilities	45.00	Telephone service
Employee benefit programs	Expense	
Entertainment meals	Expense	
Fuel	Expense	
Insurance (other than health)	Expense	
Interest (other than mortgage)	Expense	
Legal and professional fees	Expense	
Mortgage interest	Expense	
Office expenses	Expense	
Postage and Delivery	Expense	
Rent of other business property	Expense	
Rent of vehicles or equipment	Expense	
Repairs and maintenance	Expense	
Supplies	Expense	
Taxes and licenses	Expense	
Travel	Expense	
Travel Meals	Expense	
Utilities	Expense	
Other Expenses	Other Expense	
Estimates	Non-Posting	

Update Amount Save & Close Clear

Write check

Select:

1. Payee
2. Amount
3. Transaction type
(Expense – “Utilities”)



E. Write a Check / Record an Expense

Practice Session – Money Out

See Where Your Business Stands

Mark's Atomic Graphic Designs Profit & Loss Standard December 1 - 15, 2007	
◇ Dec 1 - 15, 07 ◇	
Ordinary Income/Expense	
Income	
Sales	▶ 12,922.50 ◀
Total Income	12,922.50
Expense	
Contract labor	910.00
Insurance (other than health)	383.39
Repairs and maintenance	1,775.00
Supplies	473.25
Taxes and licenses	653.12
Utilities	<u>68.27</u>
Total Expense	<u>4,309.03</u>
Net Ordinary Income	<u>8,613.47</u>
Net Income	<u><u>8,613.47</u></u>

Mark's Atomic Graphic Designs Balance Sheet Summary As of December 15, 2007	
◇ Dec 15, 07 ◇	
ASSETS	
Current Assets	
Checking/Savings	▶ 33,633.56 ◀
Accounts Receivable	20,384.70
Other Current Assets	4,412.00
Total Current Assets	<u>58,430.26</u>
TOTAL ASSETS	<u><u>58,430.26</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	1,300.22
Other Current Liabilities	60.08
Total Current Liabilities	<u>1,360.30</u>
Total Liabilities	1,360.30
Equity	<u>57,069.96</u>
TOTAL LIABILITIES & EQUITY	<u><u>58,430.26</u></u>

Profit & Loss

4. Expense (Utilities) increases by \$45.

Balance Sheet

5. Checking / Savings decreases by \$45.

6. Equity decreases by \$45



F. Use Credit Card / Record an Expense

Practice Session – Money Out

Money Out: Use a Credit Card



Buy office supplies with credit card.

Use credit card / record expense.



F. Use Credit Card / Record an Expense

Practice Session – Money Out

Track Your Business

Credit Card Register: Credit Card

Print...

Date	Ref	Payee	Expense Category	Charge	✓	Payment	Balance
08/11/2007		Bayshore CalOil Service	Fuel	26.50			1,180.24
08/18/2007		Bayshore CalOil Service	Employee benefit programs		Expense		1,204.94
08/25/2007		Bayshore CalOil Service	Entertainment meals		Expense		1,231.54
09/01/2007		Bayshore CalOil Service	Fuel		Expense		1,253.54
09/08/2007		Bayshore CalOil Service	Insurance (other than health)		Expense		1,280.04
10/09/2007		Bayshore CalOil Service	Interest (other than mortgage)		Expense		1,305.04
10/19/2007		Bayshore CalOil Service	Legal and professional fees		Expense		1,341.22
10/28/2007		Bayshore CalOil Service	Mortgage interest		Expense		1,363.22
10/31/2007		Bayshore CalOil Service	Office expenses		Expense		1,275.22
11/10/2007		Bayshore CalOil Service	Postage and Delivery		Expense		1,400.22
11/12/2007		Bayshore CalOil Service	Rent of other business property		Expense		1,427.72
11/25/2007		Bayshore CalOil Service	Rent of vehicles or equipment		Expense		1,452.47
11/28/2007	7865	Araya Garden Supplies	Repairs and maintenance		Expense		1,427.47
11/29/2007	1112	Araya Garden Supplies	Supplies		Expense		1,250.22
12/02/2007		Bayshore CalOil Service	Taxes and licenses		Expense		1,278.72
12/13/2007		Bayshore CalOil Service	Travel		Other Income		1,300.22
12/15/2007	Ref	Burge Hardware and Supplies	Other Expenses	95.00	Non-Posting		

Split Transaction

1-Line

Sort by: Date, Type, Number/Ref

Ending balance: 1,300.22

Record Restore

Update credit card register

Select:

1. Payee
2. Transaction type (Expense -- Supplies)
3. Amount



F. Use Credit Card / Record an Expense

Practice Session – Money Out

See Where Your Business Stands

Mark's Atomic Graphic Designs Profit & Loss Standard December 1 - 15, 2007	
◇ Dec 1 - 15, 07 ◇	
Ordinary Income/Expense	
Income	
Sales	12,922.50
Total Income	12,922.50
Expense	
Contract labor	910.00
Insurance (other than health)	303.39
Repairs and maintenance	1,775.00
Supplies	568.25
Travel and business	688.12
Utilities	68.27
Total Expense	4,404.03
Net Ordinary Income	8,518.47
Net Income	8,518.47

Mark's Atomic Graphic Designs Balance Sheet Summary As of December 15, 2007	
◇ Dec 15, 07 ◇	
ASSETS	
Current Assets	
Checking/Savings	33,633.56
Accounts Receivable	20,384.70
Other Current Assets	4,412.00
Total Current Assets	58,430.26
TOTAL ASSETS	58,430.26
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	1,395.22
Other Current Liabilities	60.08
Total Current Liabilities	1,455.30
Total Liabilities	1,455.30
Equity	56,974.96
TOTAL LIABILITIES & EQUITY	58,430.26

Profit & Loss

4. Expense (Supplies) increases by \$95.

Balance Sheet

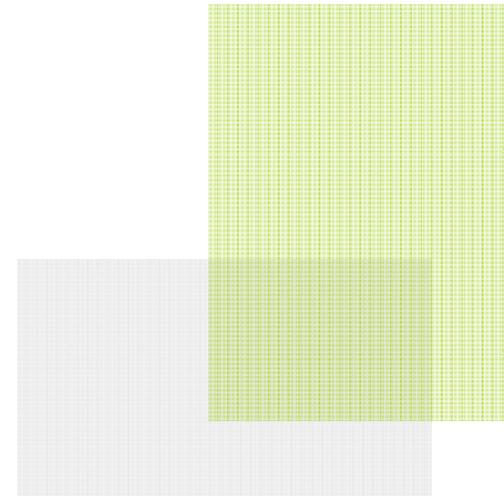
5. Credit cards increases by \$95.

6. Equity decreases by \$95.



6. Tips and Advice

- 1. Getting Started**
- 2. Helpful Resources**
- 3. Online Resources**
- 4. Congratulations!**



Getting Started

Establish Good Accounting Habits

- Record transactions regularly
- Accuracy and consistency are essential
- Fix mistakes as they happen
- Manage and reconcile bank account regularly

1. Build your toolkit

- Consider software packages such as QuickBooks Simple Start (Trial Edition is available)

2. Structure your accounts

- Start with a minimum # of accounts and add as needed

3. Establish an accounting routine – and stick to it

- Reconcile accounts monthly
- Update financial statements quarterly



Helpful Resources

Advance Your Knowledge

- **Professional Help**

- Accountants
 - Look for knowledge of your industry
- QuickBooks ProAdvisors
 - Expert set-up can save you time
 - Free 1-hour consultation
- Small Business Development Center (SBDC) counselors

- **Training Tools**

- Take classes (either online or at local colleges)
- QuickBooks Learning Solutions (look under “Training” at www.QuickBooks.com)

Expert help can make the process of setting-up and maintaining your books much easier. Be sure to look for a professional with knowledge of your industry – and of course, don't be afraid to ask for references.



Online Resources

Small Business Development Centers
www.sba.gov/sbdc/sbdcnear.html

Internal Revenue Service
www.irs.gov/businesses/small/

U.S. Chamber of Commerce
www.uschamber.com

QuickBooks Financial Software
www.quickbooks.com

Find a Certified QuickBooks ProAdvisor
www.usequickbooks.com/locateadvisor

SBA Small Business Development Centers

Small Business Development Centers

SBDC Mission and Overview

13 CFR 130

Your Nearest SBDC

Association of SBDCs

SBDC National Clearinghouse

Business Development

Starting your Business

Financing your Business

Expanding your Business

Home for this Area Previous Location

Click on the map to view by state.

Alabama SBDC
M. William Campbell Jr, State Director
2800 Milan Court Ste. #124
Birmingham, AL 35211-6908
Phone: 205-943-6750



Congratulations!

You now know:

- Why financial management is critical to effectively run a business
- How to set-up and manage your accounts
- The usefulness of financial reports

Time to put your knowledge to work! Good luck!



Provided by



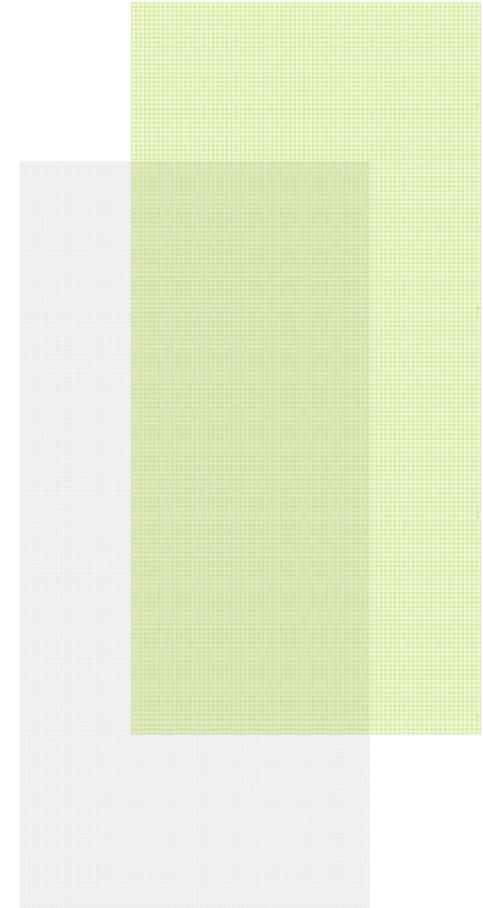
QuickBooks®

Appendix: Additional Terms and Concepts

**A Simple Start to Managing Your
Business Finances**

Financial Management Terms and Concepts

1. Business types
2. Cash or accrual
3. Debits and credits
4. Journal
5. Ledger



Determine Your Business Type

There are more than 23.7 million small businesses in the United States. 572,900 new firms are founded each year.

Source: SBA, Office of Advocacy.
Based on 2003 data.

1. Sole Proprietorship
 - One owner
2. Partnership or Limited Liability Corporation
 - Two or more owners
3. S Corporation
 - Small business with one or more shareholders
4. C Corporation
 - Large business with one or more shareholders
5. Non-profit Organization



Choosing an Accounting Type

Cash or Accrual?

A. Cash accounting

- The practice of recording sales and expenses only when cash is actually received or paid out

B. Accrual accounting

- The practice of reporting income when earned and expenses when incurred
- Businesses with inventory (e.g. retailers) must use this method

Most businesses opt for accrual method of accounting

- At any given time, gives a more realistic picture of the health of the business

Choose whichever accounting method works best for you – the important thing is to be consistent once you've selected an accounting type



Debits and Credits

Double Entry Accounting

- Accountants use “debits and credits” to describe how transactions are recorded in the general ledger
- Each transaction increases one account and decreases another
- System balances itself

You don't need to be too concerned with the mechanics of double entry accounting, debits and credits, as software programs handle automatically. But as a business owner, you might run into these terms.



Mark's Atomic Graphic Design: Journal

Journal entries capture all cash in and all cash out activity.

9:51 PM
12/15/07

Mark's Atomic Graphic Designs
Journal
December 1 - 15, 2007

Trans #	Type	Date	Num	Name	Memo	Account	Debit	Credit
11	Payment	12/07/2007		Bowden, Brenda Bowden, Brenda		Undeposited Funds Accounts Receiva...	208.85 208.85	208.85 208.85
12	Deposit	12/07/2007		Bowden, Brenda	Deposit Deposit	Checking Undeposited Funds	208.85 208.85	208.85 208.85
23	Payment	12/12/2007	2109	Ruff, Bryan Ruff, Bryan		Undeposited Funds Accounts Receiva...	200.00 200.00	200.00 200.00
27	Payment	12/04/2007		Cendana, Benit Cendana, Benit		Undeposited Funds Accounts Receiva...	1,000.00 1,000.00	1,000.00 1,000.00



Mark's Atomic Graphic Design: General Ledger

General ledger (GL) shows all activity by account type.

9:50 PM		Mark's Atomic Graphic Designs							
12/15/07		General Ledger							
Accrual Basis		As of December 15, 2007							
Type	Date	Num	Name	Memo	Split	Amount	Balance		
Advertising							275.00		
Total Advertising							275.00		
Car and Truck Expenses							50.00		
Total Car and Truck Expenses							50.00		
Commissions and fees							300.00		
Total Commissions and fees							300.00		
Contract labor							75.00		
Check	12/15/2007	1	Computer Services...	1jk90-so	Checking	110.00	185.00		
Check	12/15/2007		Smith, Derek C	contract labor	Checking	800.00	985.00		
Total Contract labor						910.00	985.00		



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- **Charles Eason**, Director, Solano College Small Business Development Center, Fairfield, CA

Do you have feedback, success stories or suggestions for improving this course? Email us at sbdcsupport@intuit.com.



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