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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>

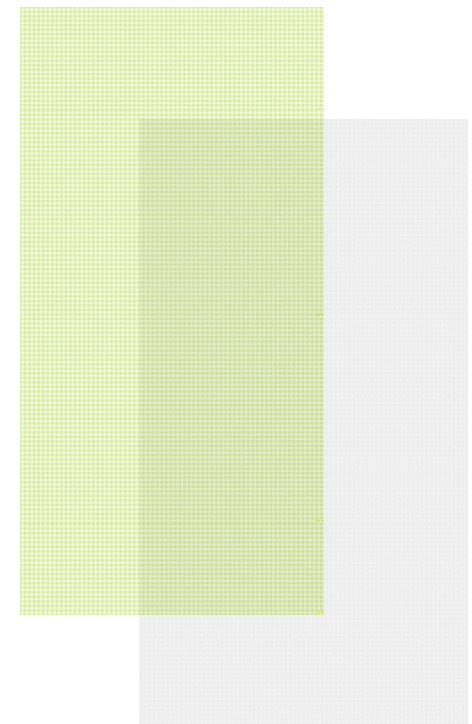
- Sample File

- 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

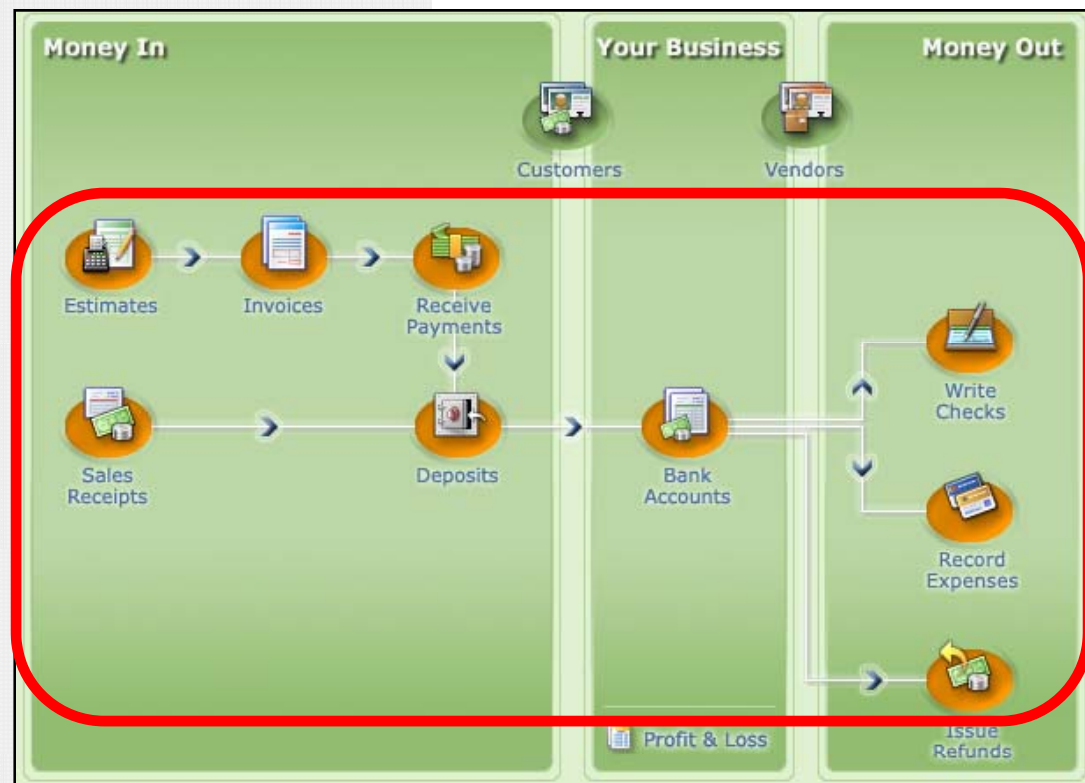


2. Financial Accounts

Why They Matter to Your Business

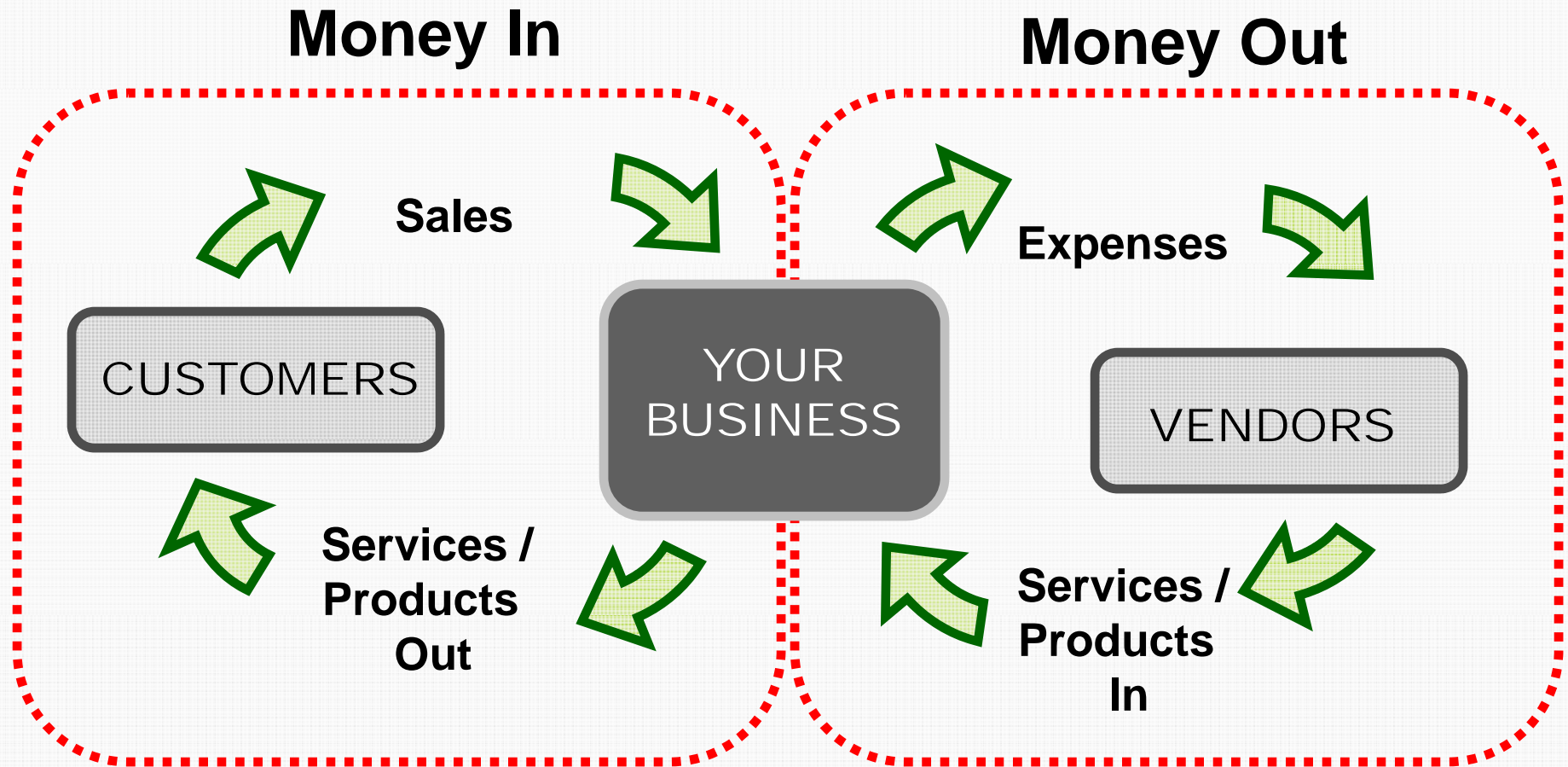
Accurate record keeping lets you understand and use all your information

- 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

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$



Categorize Your Transactions With a Chart of Accounts

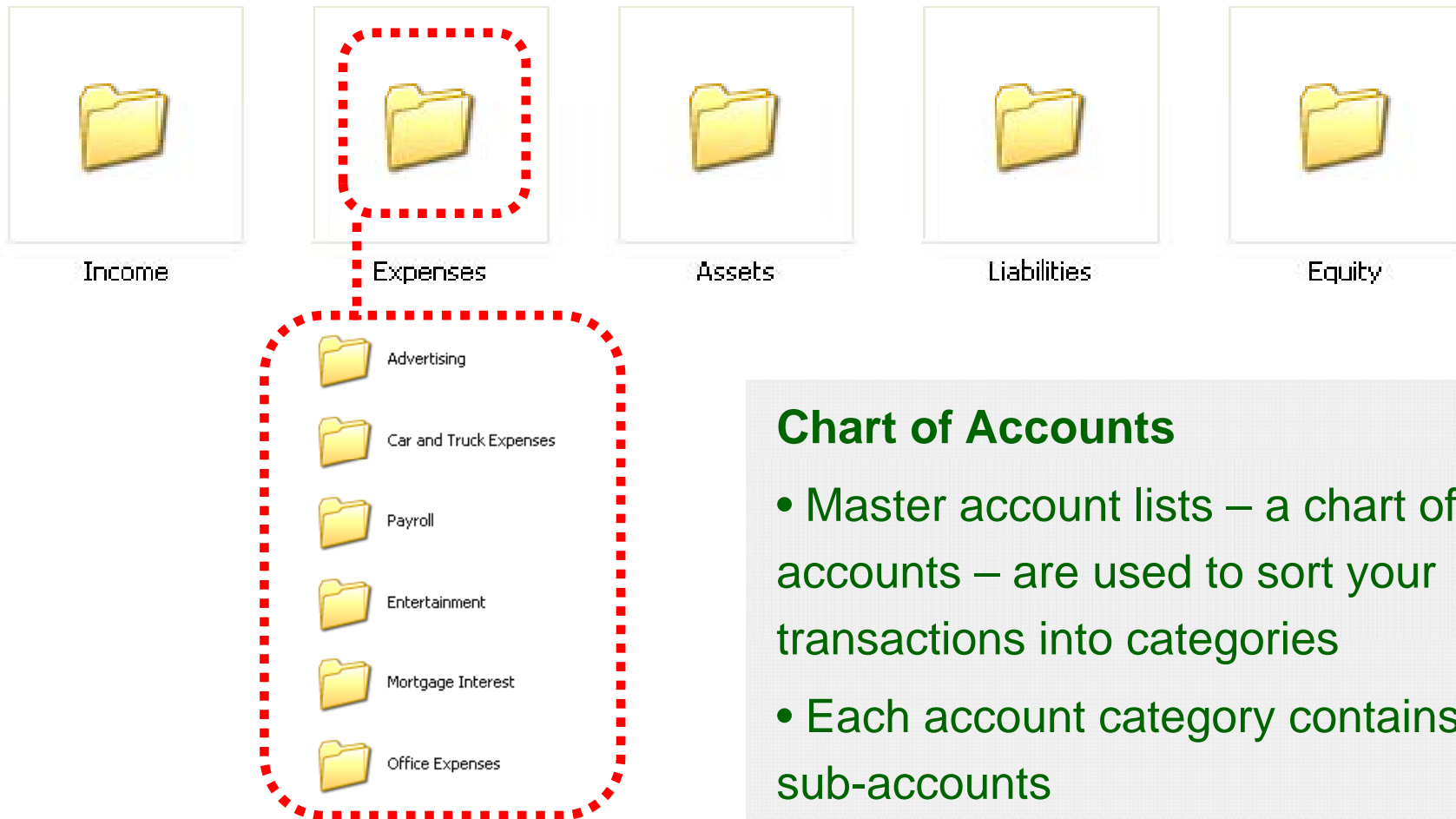


Chart of Accounts

- 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.

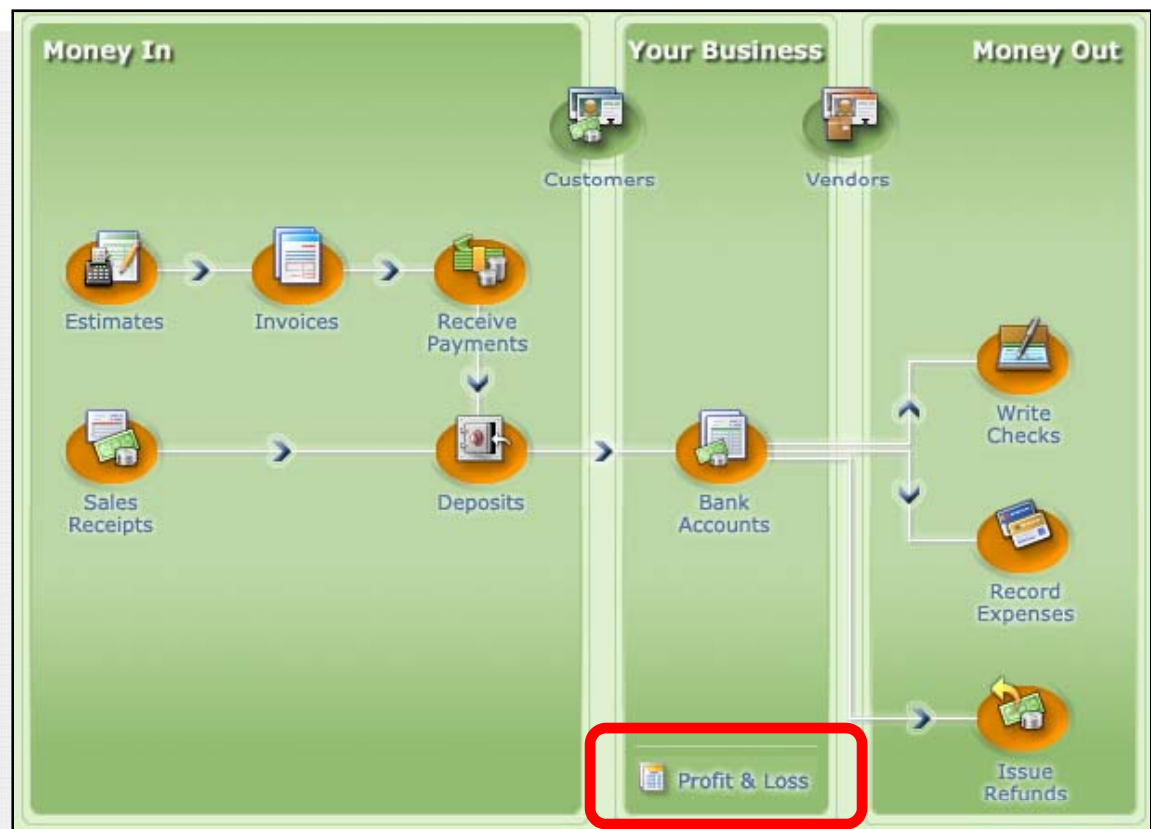


3. Reports

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 | 12,632.50 |

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. # ◇ | ◇ Customer ◇ |
|------------|---------|-------------|-------------------|
| 12/14/2007 | 130 | | Durbin Consulting |
| 11/30/2007 | 111 | | Cendana, Benit |
| 11/30/2007 | 116 | | Bolinski, John |
| 12/15/2007 | 131 | | Cendana, Benit |
| 12/15/2007 | 1005 | | Lochrie, John |
| 12/07/2007 | 123 | | Vu, Don |
| 12/10/2007 | 125 | | Raj, Shoba |

Mark's Atomic Graphic Designs Total sales by item December 1 - 15, 2007

| | ◇ 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 | | 12,632.50 | 100.0% | |
| TOTAL | | 12,632.50 | 100.0% | |



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

2

3

4

5

| 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

Amount: 90.00

Ref./Check No.

Customer Balance: 90.00

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 | | EQUITY | |
| 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 |

Undeposited funds appear in "Other Current Assets"

- 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 | Accounts Payable | 1,300.22 |
| Utilities | 428.47 | Other Current Liabilities | 60.08 |
| Total Expense | 4,251.86 | 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

Print

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 | 655.12 |
| Utilities | 68.27 |
| Total Expense | 4,309.03 |
| Net Ordinary Income | 8,613.47 |
| Net Income | 8,613.47 |

| 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 | 1,300.22 |
| Other Current Liabilities | 60.08 |
| Total Current Liabilities | 1,360.30 |
| Total Liabilities | 1,360.30 |
| Equity | 57,069.96 |
| TOTAL LIABILITIES & EQUITY | 58,430.26 |

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 | | Expense | | 1,300.22 |
| 12/15/2007 | Ref | Burge Hardware and Supplies | Travel Meals | 95.00 | | Payment | |

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 mileage | 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

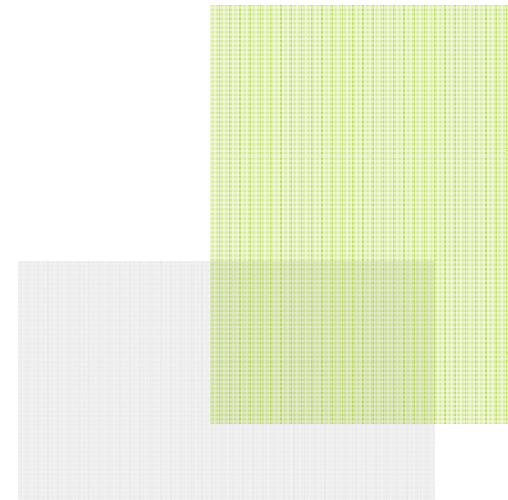
5. Credit cards increases by \$95.

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

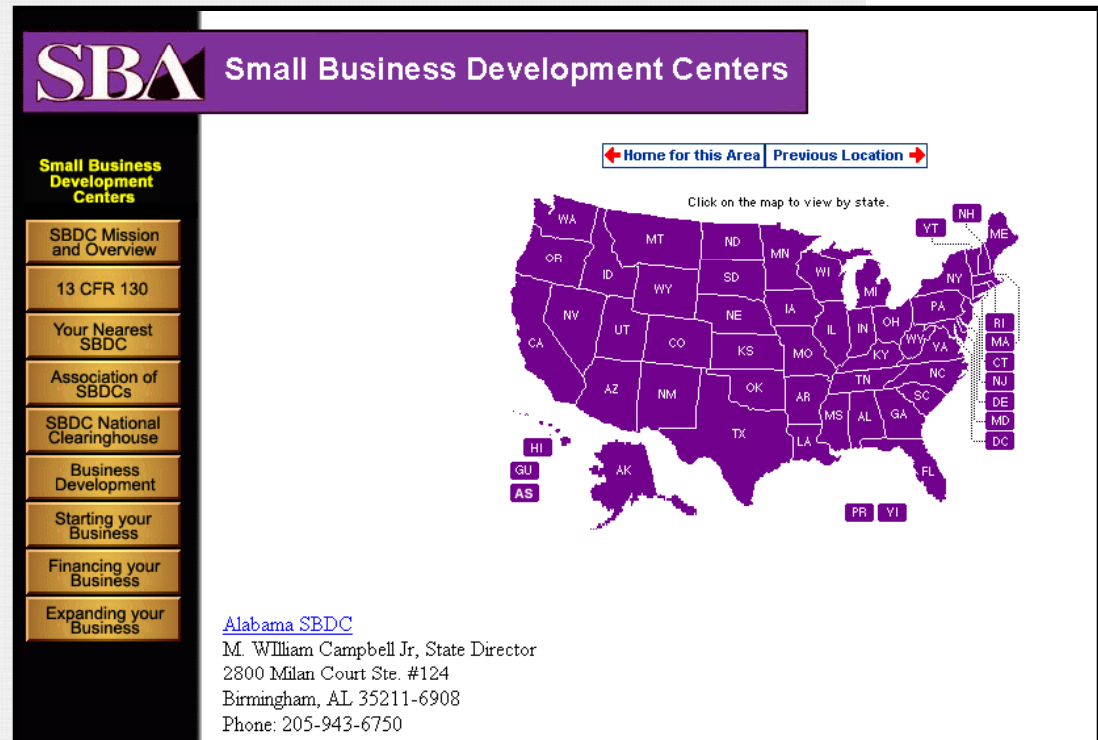
Small Business Development Centers
www.sba.gov/sbdc/sbdcnear.html

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



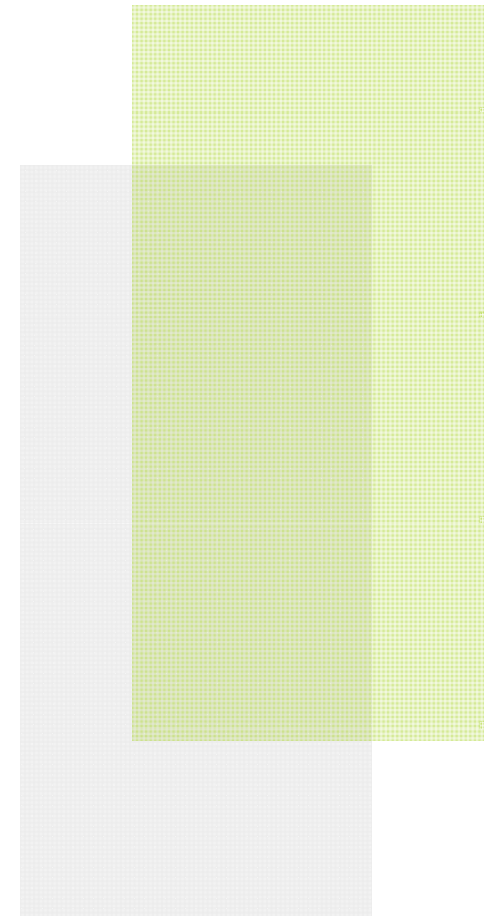
QuickBooks®

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 |
| 12 | Deposit | 12/07/2007 | | Bowden, Brenda | Deposit Deposit | Checking Undeposited Funds | 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 |
| 27 | Payment | 12/04/2007 | | Cendana, Benit Cendana, Benit | | Undeposited Funds Accounts Receiva... | 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 | | |



Acknowledgements

Intuit would like to thank the following advisors for their help developing this presentation:

- **Peter Pappas**, Regional Director, Connecticut Small Business Development Center, Groton, CT
- **Neal Nelson**, Counselor, Maricopa Community College Small Business Development Center, Phoenix, AZ
- **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.



INSTRUCTOR

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