





Know Your Numbers

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Importance of Bookkeeping

- Bookkeeping is the language of business
 - A standard set of rules measuring a firm's financial health
 - Required for all activities and organizations which utilize money
- Assessing a company's financial status is critical for making decisions
 - What products/services are top performers
 - What expenses are necessary/unnecessary
 - What expenses could be negotiated for a lower cost
 - Set structured financial goals based on what has happened historically
 - Set a realistic budget based on actual income/spending

Accounting vs Bookkeeping

Accounting:

Refers to the comprehensive recording of financial transactions, as well as analyzing and reporting these transactions to the tax entities.

Bookkeeping:

Refers to the day-to-day actions that are necessary to record the financial transactions for a company.

- Invoicing
- Accounts Receivables
- Accounts Payables
- Account Reconciliations
- Monthly Financial Reporting
- Budgeting

Cash vs Accrual Accounting

Cash Basis Accounting

- Recording income and expenses as you receive or pay the cash.

Accrual Basis Accounting

- Recording the income and expenses when accrued. Based on transaction date instead of date paid.

What is a Chart of Accounts?

- Types of Accounts you'll see in your Chart of Accounts
 - Assets
 - Liabilities
 - Equity
 - Income
 - Cost of Goods Sold
 - Expenses/Overhead Costs
- Account Examples
 - Income Categories
 - Bank/CC Accounts
 - Loans
 - Owners Equity
 - Expense Categories

Assets

Assets include both Current and Long-Term Assets

- Current Assets:
 - Cash, Checking Accounts, Accounts Receivables, Inventory
- Long-Term Assets:
 - Notes Receivables, Tools, Equipment, Land, Buildings

Liabilities

Liabilities include both Short-Term and Long-Term Liabilities

- Short-Term Liabilities: (Amounts that are due in within one year)
 - Accounts Payable, Payroll Tax Liabilities, Portion of Long-Term Debt for that year
- Long-Term Liabilities:
 - Notes/Bonds Payables, Loans

Equity

- Equity accounts represent what has been put in by the owner as well as net earnings
- Owner's Equity is made up of both Owner's Contributions and Owner's Draw
- Retained earnings includes what the company has earned over the years

Income and Cost of Goods Sold

Income:

- List each of the ways you earn income
 - Administrative Services
 - Bookkeeping Services
 - Payroll Services
 - IT Services

Cost of Goods Sold:

- Purchases that are directly connected to providing your service/product
 - Product Purchases
 - Freight In/Out Costs
 - Shipping to Clients
 - Subcontractor Labor
 - Referral Fees
 - Purchase Discounts

Expenses and Overhead Costs

Expenses:

- Variable purchases
 - Advertising
 - Charitable Contributions
 - Dues & Subscriptions
 - Maintenance & Repairs
 - Meals & Entertainment
 - Office Expenses
 - Travel Expenses

Overhead Costs:

- Fixed costs that happen every month regardless of your income
 - Insurance
 - Mortgage/Rent
 - Phone
 - Utilities

Financial Reports

- The two most commonly used reports to assess a businesses financial status are the Profit & Loss Statement (P&L) and the Balance Sheet
- Profit & Loss Statement
 - Summarizes the revenues, costs and expenses incurred during a specific period of time. Provides information regarding a company's ability (or not) to generate profit. Often reviewed monthly, quarterly, and annually.
- Balance Sheet
 - Reflects a specific point in time and displays the value of assets, liabilities, and equity of a business. The accounts listed in a balance sheet are considered "permanent" accounts

Financial Reports – Profit & Loss

PROFIT AND LOSS BY MONTH

January - May, 2018

	JAN 2018	FEB 2018	MAR 2018	APR 2018	MAY 2018	TOTAL
Income						
Design income				975.00	1,275.00	\$2,250.00
Discounts given					-89.50	\$ -89.50
Landscaping Services		190.00	90.00	400.00	797.50	\$1,477.50
Job Materials						\$0.00
Fountains and Garden Lighting			323.00	422.00	1,501.50	\$2,246.50
Plants and Soil		131.25			2,220.72	\$2,351.97
Sprinklers and Drip Systems			108.00		30.00	\$138.00
Total Job Materials		131.25	431.00	422.00	3,752.22	\$4,736.47
Labor						\$0.00
Installation					250.00	\$250.00
Maintenance and Repair				50.00		\$50.00
Total Labor				50.00	250.00	\$300.00
Total Landscaping Services		321.25	521.00	872.00	4,799.72	\$6,513.97
Pest Control Services		70.00		70.00	-30.00	\$110.00
Sales of Product Income					912.75	\$912.75
Services					503.55	\$503.55
Total Income	\$0.00	\$391.25	\$521.00	\$1,917.00	\$7,371.52	\$10,200.77

Financial Reports – Profit & Loss cont.



Cost of Goods Sold						
Cost of Goods Sold					405.00	\$405.00
Total Cost of Goods Sold	\$0.00	\$0.00	\$0.00	\$0.00	\$405.00	\$405.00
GROSS PROFIT	\$0.00	\$391.25	\$521.00	\$1,917.00	\$6,966.52	\$9,795.77
Expenses						
Advertising					74.86	\$74.86
Automobile					59.97	\$59.97
Fuel				116.56	232.85	\$349.41
Total Automobile				116.56	292.82	\$409.38
Equipment Rental					112.00	\$112.00
Insurance					241.23	\$241.23
Job Expenses				108.09	46.98	\$155.07
Job Materials						\$0.00
Decks and Patios					234.04	\$234.04
Plants and Soil			158.08	89.09	105.95	\$353.12
Sprinklers and Drip Systems					215.66	\$215.66
Total Job Materials			158.08	89.09	555.65	\$802.82
Total Job Expenses			158.08	197.18	602.63	\$957.89
Legal & Professional Fees					75.00	\$75.00
Accounting			250.00		390.00	\$640.00
Bookkeeper				55.00		\$55.00
Lawyer	300.00				100.00	\$400.00
Total Legal & Professional Fees	300.00		250.00	55.00	565.00	\$1,170.00
Maintenance and Repair					185.00	\$185.00

Financial Reports – Profit & Loss cont.




	JAN 2018	FEB 2018	MAR 2018	APR 2018	MAY 2018	TOTAL
Equipment Repairs					755.00	\$755.00
Total Maintenance and Repair					940.00	\$940.00
Meals and Entertainment					28.49	\$28.49
Office Expenses					18.08	\$18.08
Rent or Lease					900.00	\$900.00
Utilities						\$0.00
Gas and Electric				86.44	114.09	\$200.53
Telephone				56.50	74.36	\$130.86
Total Utilities				142.94	188.45	\$331.39
Total Expenses	\$300.00	\$0.00	\$408.08	\$511.68	\$3,963.56	\$5,183.32
NET OPERATING INCOME	\$ -300.00	\$391.25	\$112.92	\$1,405.32	\$3,002.96	\$4,612.45
Other Expenses						
Miscellaneous				250.00	2,666.00	\$2,916.00
Total Other Expenses	\$0.00	\$0.00	\$0.00	\$250.00	\$2,666.00	\$2,916.00
NET OTHER INCOME	\$0.00	\$0.00	\$0.00	\$ -250.00	\$ -2,666.00	\$ -2,916.00
NET INCOME	\$ -300.00	\$391.25	\$112.92	\$1,155.32	\$336.96	\$1,696.45

10 Steps for Bookkeeping Success

- 1) Make bookkeeping a priority and schedule it into your week/month (Non-Negotiable)
- 2) Use an accounting system from the very beginning (Quickbooks Online Recommended)
- 3) Stay organized with a system that easily works for you
- 4) Simplify your chart of accounts as much as possible
- 5) **ALWAYS** keep business and personal expenses separate
- 6) Reconcile bank and credit card statements monthly
- 7) Establish your cash flow by entering invoices/bills and paying according to the due date
 - Negotiate with your vendors to establish favorable payment terms
- 8) Digitize your records
 - Save your bank/credit card statements electronically with all corresponding transactions (Ex. May Bank Statement, saved with all receipts/deposits that are listed on that statement in one folder)
- 9) Subcontractors – Obtain Form W9 as soon as the relationship is established. Form W9 must be in hand before any payments are made.
- 10) When you get to a point that you can no longer manage your books efficiently, **ASK FOR HELP!**

Asking for help is a sign of strength. Accepting help is a sign of growth.



Always remember...

**BOOKKEEPING IS
A RESOURCE,
NOT A BURDEN**

