



IOWA WESTERN
BUSINESS & COMMUNITY
EDUCATION

Bookkeeping Basics

SMALL BUSINESS DEVELOPMENT CENTER (SBDC)



The Tools

The Transaction

A transaction is when something happens in the business that involves MONEY

- Buy
- Sell
- Pay
- Collect
- Lease

The Tools

The Transaction

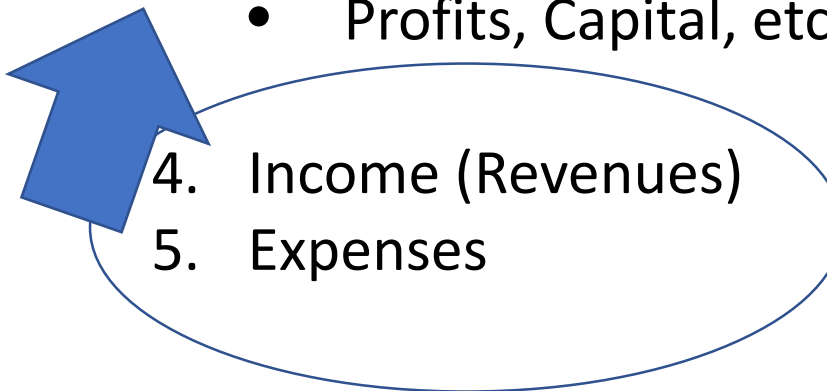
Two (or more) sides to a transaction

1. Where \$\$ is coming from or going to
2. What it is for

The Tools

Keeping Track of Transactions

Five Categories

1. Assets – What the Company Owns
 - Cash, Equipment, Inventory, Land
 2. Liabilities
 - Debts, Loans, Payables,
 3. Owners Equity
 - Profits, Capital, etc
 4. Income (Revenues)
 5. Expenses
- 

The Tools

Accounts

- Categorize all transactions
 - Assets, Liabilities, Equity, Income, Expenses
- Chart of Accounts – List of all individual accounts grouped by category type
- No two businesses COA is the Same
- Build by understanding what you want to keep track of

Any City Restaurant

Chart of Accounts

January 1, 20xx

ASSETS

Checking - Any City Bank
Cash Bank
Payroll Asset
Equipment - Kitchen

EQUITY

Opening Bal Equity
Retained Earnings

INCOME

Sales
Sales:Beverage Sales
Sales:Food Sales
Sales:Liquor Sales
Sales:Sales - Other

EXPENSES

Accounting & Legal
Advertising
Bank Charges
Cleaning
Contracted Services
Credit Card Fees
Decorations
Dining Room / Bar Supplies
Equipment Lease
Insurance
Kitchen Supplies/Equip
Licenses and Fees
Linen
Maintenance

LIABILITIES

Accounts Payable
Loan from Owner
Payroll Liabilities

COST OF GOODS SOLD

COGS - Beverage
COGS - Food
COGS - Liquor
COGS - Other

Office Supplies
Outside Services
Pest Control
Postage
Promotions
Repair - Building
Repair - Equipment
Returned check
Signage
Telephone
Uncategorized Expenses
Uniforms
Utilities

Profit & Loss

Income

- Money company EARNNS
 - Selling
 - Interest
 - Renting/Leasing
 - Investments (land, Stock, etc)
- All money coming in is NOT Revenue
 - Loan payments
 - Deposits
 - Gift cards

Profit and Loss

Types of Income

- Group Types of Income
- Break down by how you (or others) want to keep track
- Services (ie)
 - Repairs
 - New Builds
- Products (ie)
 - Parts
 - Concessions

Profit and Loss

Income

Receipts vs. Invoices vs. Statements

- **Are You Billing (Invoice)**
 - Balance due, terms, due date, item numbers, invoice number
- **Do You Require Payment at Sale (Receipt)**
 - Verifies payment, details transaction.
- **Do You Need Pre Payments or need to send History (Statement)**
 - Details past and future activity, payments, amounts due, etc

Profit and Loss

Expenses

- Money Spent to Earn Income

Profit and Loss

Types of Expenses

1. Cost of Goods/Sales (COGS) or Direct Costs

- Direct cost of making or acquiring product or service
- Keeping track helps determine profitability, price, etc.

2. Overhead/Operating Expenses

- The cost of doing business
- Rent, payroll, promotion/marketing, supplies, employee/salary expenses, etc.
- OWNERS DRAW/SALARY SHOULD BE AN OPERATING COST!!

Profit and Loss

Profits



BAY STREET GRILL

PROFIT & LOSS STATEMENT

For The Year Ended December 31

SALES

Food	\$ 1,302,156	81.4%
Beverage	298,407	18.6%
TOTAL SALES	1,600,563	100.0%

COST OF SALES

Food	417,992	32.1%
Beverage	83,113	27.9%
TOTAL COST OF SALES	501,105	31.3%

GROSS PROFIT

1,099,458 68.7%

CONTROLLABLE EXPENSES

Salaries & Wages	420,875	26.3%
Employee Benefits	72,184	4.5%
Direct Operating Expenses	70,941	4.4%
Music & Entertainment	14,375	0.9%
Marketing	35,057	2.2%
Utilities	41,256	2.6%
General & Administrative Expenses	57,943	3.6%
Repairs & Maintenance	8,833	0.6%
TOTAL CONTROLLABLE EXPENSES	721,466	45.1%

CONTROLLABLE PROFIT

377,992 23.6%

OCCUPANCY COSTS

Rent	149,589	9.3%
Property Taxes	48,259	3.0%
Other Taxes	8,439	0.5%
Property Insurance	27,859	1.7%
TOTAL OCCUPANCY COSTS	234,146	14.6%

INCOME BEFORE INT. & DEP.

143,846 9.0%

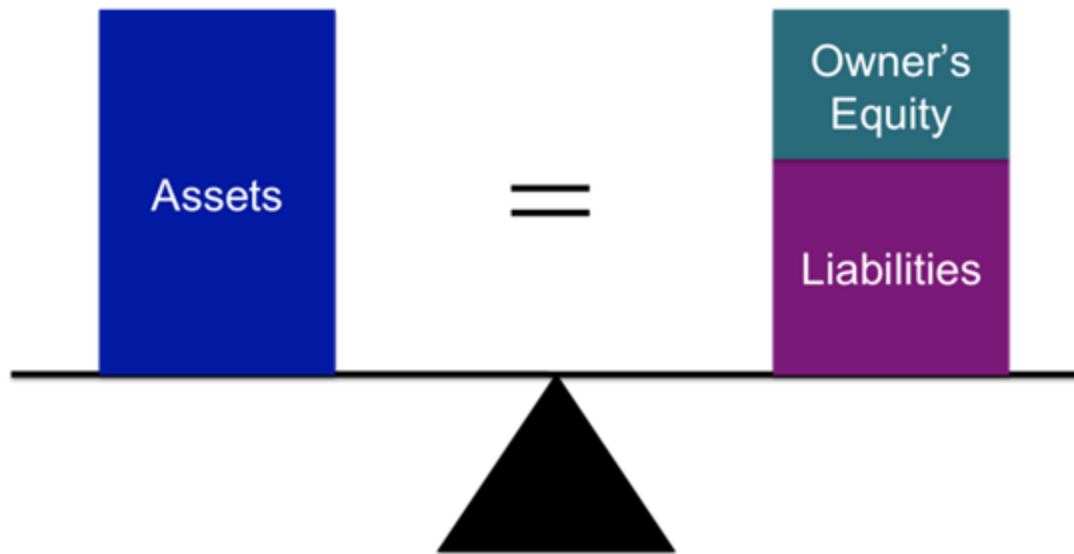
Interest	43,431	2.7%
Depreciation	29,762	1.9%

INCOME BEFORE INCOME TAXES

\$ 70,654 4.4%

The Balance Sheet

Assets



The Balance Sheet

Assets

- What the business/owner OWNS
- NOT recorded as an Expense.
- Recorded as an Asset in combination with a Liability OR an Equity Decrease
- Physical assets usually of value \$500. or more or will hold value over 1 year.
- Not related to the day to day running of a business (Expense)

The Balance Sheet

Asset Organization

- Current Assets
 - Cash, Inventory, Accounts Receivable
 - Can easily be liquified
- Fixed Assets
 - Land, buildings, equipment, intangibles
 - Book Value (purchase price + improvements – depreciation)
 - Market Value – What someone would pay now (ebay)

The Balance Sheet

Liabilities

- Amount Business OWES to others

The Balance Sheet

Liabilities Organization

- Current Liabilities
 - Lines of Credit, Short Term Loans, Credit Cards, Accounts Payable
 - Things that can be paid back in usually a year or less
- Long Term Liabilities
 - Equipment loans, mortgages, secured loans
 - Usually has set terms and monthly interest and principal payments over 5 years or more

The Balance Sheet

Equity

- What the owner can keep after everyone is paid

The Balance Sheet

Equity Organization

- Capital invested in Company
- Retained Earnings – Profit from annual Profit and Loss statement
- Draw – Minus Owners draws

[Company Name]

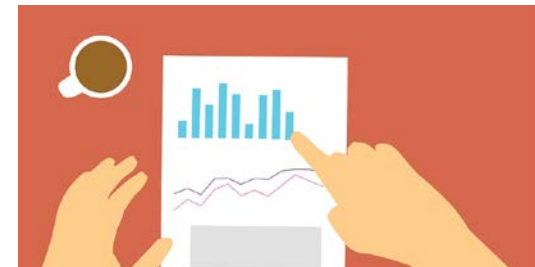
Balance Sheet

Date: 9/29/2008

Assets	2008	2007
Current Assets		
Cash	11,874	
Accounts receivable		
Inventory		
Prepaid expenses		
Short-term investments		
<i>Total current assets</i>	\$ 11,874	\$ -
Fixed (Long-Term) Assets		
Long-term investments	1,208	
Property, plant, and equipment (Less accumulated depreciation)	15,340 (2,200)	
Intangible assets		
<i>Total fixed assets</i>	\$ 14,348	\$ -
Other Assets		
Deferred income tax		
Other		
<i>Total Other Assets</i>	\$ -	\$ -
Total Assets	\$ 26,222	\$ -
Liabilities and Owner's Equity		
Current Liabilities		
Accounts payable	8,060	
Short-term loans		
Income taxes payable	3,145	
Accrued salaries and wages		
Unearned revenue		
Current portion of long-term debt		
<i>Total current liabilities</i>	\$ 11,205	\$ -
Long-Term Liabilities		
Long-term debt	3,450	
Deferred income tax		
Other		
<i>Total long-term liabilities</i>	\$ 3,450	\$ -
Owner's Equity		
Owner's investment	7,178	
Retained earnings	4,389	
Other		
<i>Total owner's equity</i>	\$ 11,567	\$ -
Total Liabilities and Owner's Equity	\$ 26,222	\$ -

Bookkeeping Tips

1. **Keep Things Separate:** Even if you are not having much money coming in, don't get in the habit of mixing finances.
2. **Do your Bookkeeping online with Software:** Use software to safely keep your books online.
3. **Schedule Time to Check Finances:** Take time to consistently check the books and see where things are. We suggest weekly.
4. **Plan for Major Expenses:** Be honest about up coming expenses, what might you need to up grade in 1 to 5 years
5. **Set Aside Money and Prepare for Taxes:** Don't wait until the last minute to figure out your taxes. You don't want to miss any of those tax right offs



Bookkeeping Tips

- 6. Keep an Eye on Invoices:** Late and unpaid invoices can hurt your cash flow, make sure you have system in place to collect accounts receivable.
- 7. Spend your Time Where You're Most Needed:** Make sure you evaluate where your skills are most needed. Hire a professional if you need too.. But make sure you still are aware of your books.
- 8. Learn the Lingo:** Understanding the basics can help, especially when working with accounting software or an accountant



Helpful Tools

- **BizXpenseTracker:** Developed with small-business owners and consultants in mind, this app is quite comprehensive. In addition to tracking expenses and mileage, it also allows you to record time worked. You can customize categories and sub-categories, and it generates expense reports. The templates in the app provide the information required by your accountant. (for use with Iphone and can be found in app store)
- **Smart Receipts:** Available for your Android device, this open source app scans receipts via phone and generates expense reports that you can email to yourself as a PDF or CSV file. PDF reports are tabulated, making them easy to read and appropriate for sharing. There are both free and paid versions (Available for Adroid and found in Goggle Play)
- **Concur Mobile:** Designed for small businesses whose employees travel frequently, this free app, available for both iPhone and Android users, allows for fast creation of detailed expense reports. You can track travel expenses and approve travel spending for employees, as well as book hotels and flights. The app can also link up with credit cards and import charges automatically. https://www.concur.com/en-us/mobile?icid=en_us_home_mobile
- **Expensify:** This free app enables you to keep track of business expenses, mileage and billable time. It offers receipt capture and can be synced with your credit cards so that expenses can be pulled in automatically. You can also use this app to scan receipts and create an expense report. It also allows for multiple expense reports that can be converted to PDF files. Mileage expenses can also be recorded. <https://use.expensify.com/pricing/>
- **Mileage IQ:** is by far the most expensive option in this little roundup, but it's also one of the most polished and easy-to-use apps. They do have a free version the lets you track 40 trips per month. <https://www.mileiq.com/> .
- **Shoboxed:** This expense-tracking app lets you capture receipts and file them for reimbursement or as a deductible. Or, if you're pressed for time, you can mail or ship an envelope full of receipts to the company and they'll input the receipts for you, then send you an itemized list of your expenses in a digital file. The app works with both iPhone and Android phones and is free with a membership option. <https://www.shoboxed.com/pricing/>

Bookkeeping Software

What to Consider:

- Ease-of-Use
- Integration
- Security
- Cost



Bookkeeping Software



FreshBooks helps users address recurring invoices and subscription easily. It supports online payment collection via credit cards, PayPal and Google Checkout. This piece of software integrates seamlessly with known business applications, allowing for streamlined processes.

<https://www.freshbooks.com>



Zoho is a smart accounting solution designed to manage small businesses' cash flow and finances. It is known for its ease-of-use, helping users make intelligent business decisions. Being a part of the Zoho product stable, the product does not only offer hassle-free accounting but excellent support, uptime and security as well.

<https://www.zoho.com/us/books/>



Wave is ideal for small businesses who employ less than 10 workers. It also works for entrepreneurs, freelancers, consultants and other self-employed professionals. The app is easy to set up and even easier to operate owing to its simple dashboard, which has everything you need for your financial management processes.

<https://www.waveapps.com>

Bookkeeping Software



Beautiful accounting software

Xero is an accounting software that is largely known for having revolutionized accounting. Developed to provide the best user experience possible, the solution is easy to use, making tough accounting tasks like double bookkeeping simple even for first time users.

<https://www.xero.com>



QuickBooks Online is an accounting solution specifically targeted at small businesses and freelancers as it simplifies the most complex accounting processes. It has become a popular tool among accountants, bookkeepers, small business owners and finance officers.

<https://quickbooks.intuit.com>

Small Business Development Center

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