

THE BUSINESS ACCOUNTING CHECKLIST



Bookkeeping & Financial Services.

We are a cloud-based business advisory and bookkeeping firm that works with you to create efficient processes that save you time and money, while ensuring you can trust your numbers to make smarter business decisions.



THINGS TO DO AND WHEN TO DO THEM

Managing your business finances does not have to be so time consuming. The key, of course, is to create:

- A realistic plan with a budget
- Record your transactions correctly
- Review your results regularly
- ALWAYS keep good records.

Your comfort level with the three basic financial reports that evaluate your fiscal health is also essential:

- Balance Sheet
- Income Statement
- Cash Flow Statement.

Do you ask yourself when is it time to do what? The following checklist lays out a recommended timeline to take care of the normal accounting functions that will keep you well informed to the state of your business and streamline your tax preparation. Read through for in-depth coverage of your required tasks to ensure you know what tasks are required as a business owner..



DAILY ACCOUNTING TASKS

1. REFRESH YOUR FINANCIAL DATA

This gives you an up-to-date look at your accounts every more. Most accounts when connected with an accounting software will automatically update daily or even more often – depending on your connection. Syncing your bank, savings, loans, lines of credit, and credits cards can save your hours of data entry.

2. DEPOSIT ALL CASH/CHECKS - RECEIVED IN OFFICE

Ensure all checks and cash are on a daily deposit schedule, to keep your cash flow thriving. Ideally this task would be completed daily – depending on how often your business receives payments by mail and in person. Try mobile deposits if you are a busy business owner. Record into your accounting software daily or as received to ensure deposits match with your accounting software.

3. RECORD AND CATEGORIZE EXPENSES

Here you will ensure to categorize to the proper account to ensure you receive all tax deductions possible for your business. We need to ensure only business transactions are processed. We know the government frowns on having personal transactions in a business account. You can match entered transactions to bank downloads if previously entered in your accounting software. Technology is amazing.

4. CHECK CASH POSITION

Since cash is KING, it is the most important overall health of your business. So, start your day by checking how much cash you have on hand. When you know how much you expect to receive and how much you expect to pay during the upcoming day/week/month it makes projecting your day/week/month much easier and more productive . Turn your business into a profit center by being proactive. You, the business owner needs to know where your business always stands financially.



WEEKLY ACCOUNTING TASKS

1. RECORDING TRANSACTIONS

The benefits and control of recording your transactions far outweigh the cost when you automate your transactions and record daily/weekly/monthly into your accounting software. Technology has advanced to where it will reduce data entry, save you time, and is safe and secure. Well kept records mean tax savings too.

2. DOCUMENT AND FILE RECEIPTS

- It is a good idea to get organized and start a vendors file, sorted alphabetically, (Staples under “S”, Walmart under “W,”etc.) for easy digital access.
- Create a payroll digital file sorted by payroll date/month
- Create a bank, credit card, loan statements digital files sorted by month.
- What I call a shoebox habit is a common habit among most business owners is to toss all paper receipts into a box and try to decipher them at tax time, but unless you have a small volume of transactions, it is better to have separate files either by month or for assorted receipts kept organized as they come in. Many accounting software systems let you scan and attach paper receipts and avoid physical files altogether. You can attach the scanned receipt and go paperless. Keep copies of all invoices sent, all cash receipts (cash, check, loan, line of credit, and credit card deposits) and all cash payments (cash, check, loan, line of credit, and credit card statements, etc.).

3. REVIEW UNPAID BILLS FROM VENDORS

Keep a record of each of your vendors that includes billing dates, amounts due and payment due date. If vendors offer discounts for early payment, you may want to take advantage of that if you have the cash available. This can save your business \$1,000's a year or more. Business should have an “unpaid vendors” folder to ensure all vendors are paid on time.

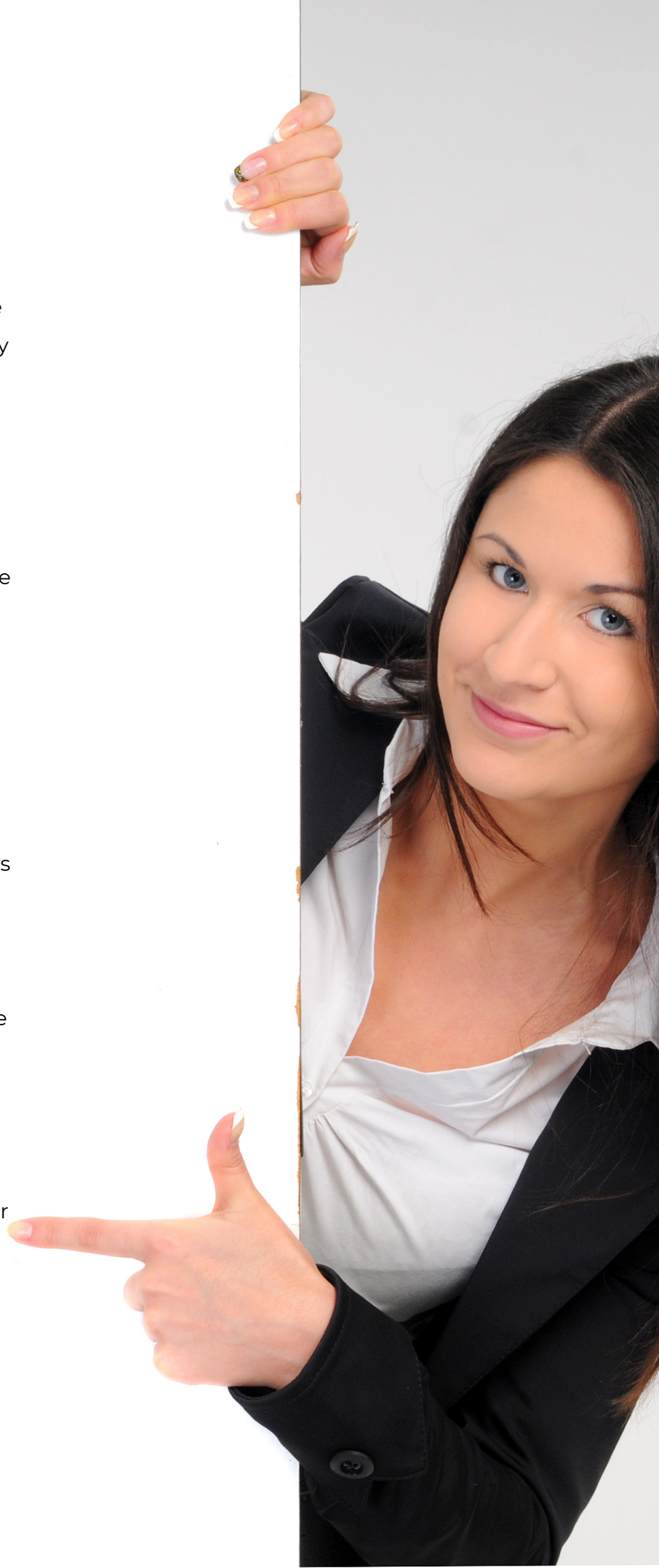


3. PAYING VENDORS AND SIGN CHECKS-VIEW UNPAID BILLS FROM VENDORS

Whether you make payments with online bill pay, drop a check in the mail, or pay by credit card, you need keep copies of all bills received. Ensuring you have funds marked to pay your suppliers on time will maintain a rewarding relationship with the vendor. Always designate one person to view checks and sign before leaving the office. (Scan a copy for your records and attach into your accounting software for paperless office)

5. PREPARE AND SEND INVOICES

To make sure you get paid on time, always use an invoice template the contains the right details such as payment terms, itemized charges, contact information, and your payment address. Always ensure to include your payment terms on your invoices. Most invoices are due within 30 days, noted as "Net 30" at the bottom of your invoice. Without a due date, you will have more trouble forecasting revenue for the month. Do you extend to 60 and 90 days? You may want to offer a 2% Discount if paid early. You will be surprised how quickly those customers can pay that invoice early.



6. REVIEW PROJECTED CASH FLOW

Managing your cash flow means you can make more informed business assessments about how to spend your company money in more creative ways. This will measure how well a company manages its cash position. It is critical, especially in the first year of your business to manage your cash flow. Forecasting how much cash you will need in the coming days/weeks/months will help you reserve enough money to pay bills, including your employees and suppliers. Plus, you will feel much better knowing what is expected of the days ahead. I know I sure do.

All you need is a simple statement showing your current cash position, expected cash receipts during the next day/week/month and expected cash payments during the next day/week/month. The direct method uses gross cash receipts and gross cash payments to prepare cash flow statements. This includes money paid to suppliers, receipts from customers, interest and dividends received, cash paid out or received, interest paid, and income taxes paid.



MONTHLY ACCOUNTING TASKS

1. BALANCE YOUR BUSINESS

- Checking – Operating, Payroll, Escrow, etc.
- Savings
- Certificate of Deposit
- Money Market
- Merchant Account
- Credit Cards
- Business Loans
- Line of Credit
- Vehicle Loans



Just as you reconcile your personal checking account, you need to know that your business transaction entries are accurate each month and that you are working with the correct cash position. Reconciling your cash makes it easier to discover and correct any errors or omissions—either by you or by the bank—in time to correct them. Reconciling your liabilities will ensure you are addressing all expenses for the period.

2. REVIEW PAST-DUE (“AGED”) RECEIVABLES

The beginning of the month is a good time to send out overdue reminder statements to customers, clients, and anyone else who owes you money. Be sure to include an “aging” column to separate “open invoices” with the number of days a bill is past due. This gives you a quick view of outstanding customer payments. 30, 60, 90 days At the end of your fiscal year, you will be looking at this account again to determine what receivables you will need to send to collections or write off for a deduction.



3. ANALYZE INVENTORY STATUS

By checking the inventory regularly (and comparing to prior months' numbers), it is easier to adjust, so you are neither short nor overloaded. With inventory you need to set aside time to reorder products that sell quickly and identify others that are moving slowly and may have to be marked down or, ultimately, written off.

4. PROCESS OR REVIEW PAYROLL AND APPROVE TAX PAYMENTS

Review the payroll summary before payments are disbursed to avoid having to make corrections during the next payroll period. A payroll service provider can do all this to save you time and ensure accuracy at a reasonable cost. Most payroll service providers guarantee payroll taxes are paid on time. You have an established schedule to pay your employees (usually weekly/bi-weekly/semi-monthly/monthly), you need to meet payroll tax requirements based on federal, state, and local laws at different times, so be sure to withhold, report and deposit the applicable income tax, social security, Medicare and disability taxes to the appropriate agencies on the required dates, if not using a payroll provider.

5. REVIEW ACTUAL PROFIT AND LOSS VS. BUDGET AND VS. PRIOR YEARS

Comparison measures your information against your budget every month (or quarter). Comparing your actual numbers to your planned numbers - highlights where you may be spending too much or not enough, so that you can make changes.

Your profit and loss statement (also known as an income statement), both for the current month and year to date, tells you how much you earned and how much you spent.

If you have not prepared a budget, compare your current year-to-date P&L with the same prior-period year-to-date P&L to identify variances and plan a budget for future year.



6. REVIEW MONTH-END BALANCE SHEET VS. PRIOR PERIOD

The key is to look for what is significantly up and/or down and understand why on the balance sheet.

By comparing your balance sheet at one date—June 30, 2020, for example—to a balance sheet from an earlier date (December 31, 2019), you get a picture of how you are managing assets and liabilities. For example, if your accounts receivable is up, is it due to increased recent sales or because of slower payments from customers?



QUARTERLY ACCOUNTING TASKS

1. PREPARE/REVIEW REVISED ANNUAL P&L ESTIMATE

It is time to evaluate how much money you are truly making, whether your net assets are going up or down, the difference between revenues and expenses, what caused those changes, how you are spending profits, as well as identifying trouble spots, and making adjustments to improve sales and margins.

2. REVIEW QUARTERLY PAYROLL REPORTS AND MAKE PAYMENTS

You have been reviewing your weekly/bi-weekly/semi-monthly/monthly payroll reports. However, the IRS and most states require monthly or quarterly payroll reports and any remaining quarterly payments. Again, it is best if your payroll service provider completes these reports and files them. Your job is to review to make sure they appear reasonable. If you run in house payroll, accounting software will alert when payroll and taxes are due.

3. REVIEW SALES TAX AND MAKE MONTHLY/QUARTERLY PAYMENTS

If your company operates in a state that requires sales tax, make sure you comply to avoid serious penalties. The U.S. Small Business Administration (SBA) can help you determine your state tax obligations. Be sure you are using the correct sales tax rate for the county or counties you are doing business. Ecommerce businesses need to review their state laws on the sales and use tax laws.

4. COMPUTE ESTIMATED INCOME TAX AND MAKE PAYMENT

The IRS and states that have income taxes require you to pay estimated income taxes. Review your year-to-date P&L to see if you owe any estimated taxes for that quarter. Your tax accountant can assist if necessary.



ANNUAL ACCOUNTING TASKS

1. REVIEW PAST-DUE RECEIVABLES

Now it is time to check significant past due receivables and decide whether you think customers will eventually pay, whether to send past due bills to a collection agency or whether to write them off for a deduction.

2. REVIEW YOUR INVENTORY

Are you overstating your inventory balance and paying additional taxes that you do not owe? Review your current inventory to determine the value of items not sold. Writing-off of inventory translates to a deduction on your year-end taxes. You need to review your inventory often to ensure you are taking advantage of items not sold.



3. FILL OUT IRS FORMS W-2 AND 1099-MISC

A 1099 form is not required for any contractors who earned less than \$600. Consider saving time and avoiding errors with an e-filing service. File Form 1099-MISC for each person to whom you have paid during the year by March 31:

- At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest.
- At least \$600 in:
 - Rents.
 - Prizes and awards.
 - Other income payments.
 - Medical and health care payments.
 - Crop insurance proceeds.
 - Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish.
 - Generally, the cash paid from a notional principal contract to an individual, partnership, or estate.
 - Payments to an attorney.
 - Any fishing boat proceeds.

In addition, use Form 1099-MISC to report that you made direct sales of at least \$5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment. The IRS has a February 1 deadline that requires you to report the annual earnings of your full-time employees (W-2s). This deadline includes mailing copies of the tax forms to the people who worked for you.

4. REVIEW AND APPROVE FULL-YEAR FINANCIAL REPORTS AND TAX RETURNS

If the IRS audits your company and finds any underpayment of taxes, it will come to you, not your accountant, for any additional taxes, penalty, and interest. At tax time, carefully review your company's full-year financial reports before giving them to your accountant. Before you sign your return, be sure to review it for accuracy based on your full-year financial reports. Be sure to ask questions. Accounting software like QuickBooks, Xero, and FreshBooks can help you generate financial reports and manage taxes.