



Setup your Bookkeeping for Maximum Success

Ceinwyn Rudnick-Veritas Accounting Solutions



Bookkeeping and Common Errors

- Understanding the difference between assets, liability and equity.
- Understanding the difference between cash vs. accrual accounting.
- Understanding assets and depreciation vs. expenses.
- How to choose the right software for your business.
- Common entry errors in bookkeeping software:
 - Overstating Income
 - Overstating Expenses



Assets=Liabilities + Equity

- ▶ This basic accounting equation is the foundation of all modern double accounting entries. When you make an entry into Quickbooks the program works behind the scenes to balance this equation.
- ▶ Assets= Cash, Accounts Receivable, Fixed Assets, Notes Receivable
 - ▶ Fixed Assets include- Equipment (such as an Excavator), Furniture (Such as desks), Buildings, Automobiles.
- ▶ Liabilities=Debts your company owes. This can be long or short term. Common liabilities include loans for equipment, mortgages, credit cards, payroll taxes payable to the government and sales tax payable to the state.
- ▶ Equity= The owner's investment and retained earnings in a company. Often the most difficult to grasp.
- ▶ Why is this important?

Example: Opening Balance Equity

[Back to Chart of Accounts](#)

Equity Register Opening Balance Equity

ENDING BALANCE **\$-9,337.50** Reconcile

Go to: 1 of 1 < First Previous 1-13 of 13 Next Last >

DATE	REF NO. TYPE	PAYEE ACCOUNT	MEMO	INCREASE	DECREASE	✓ ☐	BALANCE
Add journal entry							
09/14/2018	START Inventory Qty Adjust	Opening Balance Equity	Opening inventory for Rock Fountain	\$375.00			\$-9,337.50
09/14/2018	START Inventory Qty Adjust	Opening Balance Equity	Opening inventory for Sprinkler Pi...	\$25.00			\$-9,712.50
09/14/2018	START Inventory Qty Adjust	Opening Balance Equity	Opening inventory for Sprinkler H...	\$7.50			\$-9,737.50
09/14/2018	START Inventory Qty Adjust	Opening Balance Equity	Opening inventory for Pump	\$160.00			\$-9,745.00
09/11/2018	Journal	-Split-	Opening Balance		\$25,000.00		\$-9,905.00
09/11/2018			Opening Balance		\$4,000.00		\$15,095.00



Cash vs. Accrual Accounting

- ▶ What is cash accounting?
 - ▶ With cash accounting we recognize our income and expenses as we spend money-not as we incur the bills or send out invoices.
- ▶ What is accrual accounting?
 - ▶ With accrual accounting we recognize bills and income as they become due or payable.
- ▶ Why is this important?

Cash vs. Accrual in Effect

Sort Add notes



Craig's Design and Landscaping Services

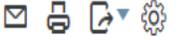
SALES TAX LIABILITY REPORT

July - September, 2018

	TAXABLE AMOUNT	TAX
▼ Arizona Dept. of Revenue		
AZ State tax (7.1%)	422.00	29.96
Tucson City (2%)	422.00	8.44
Total		38.40
▼ Board of Equalization		
California (8%)	4,711.75	376.94
Total		376.94

Accrual basis Wednesday, October 10, 2018 03:35 PM GMT-07:00

Sort Add notes



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July - September, 2018

	TAXABLE AMOUNT	TAX
▼ Arizona Dept. of Revenue		
AZ State tax (7.1%)	422.00	29.96
Tucson City (2%)	422.00	8.44
Total		38.40
▼ Board of Equalization		
California (8%)	2,974.00	237.92
Total		237.92

Cash basis Wednesday, October 10, 2018 03:38 PM GMT-07:00



Fixed Assets vs. Expenses

- ▶ An expense is a cost of doing business-payroll expenses or rock for an excavation company. Packaging for an ecommerce company or straws for an espresso stand. Indirect costs such as insurance, accounting fees and utilities are also expenses. An expense is used or consumed in the year or time period purchased.
- ▶ A fixed asset is long-term tangible piece of property a company owns that it uses to generate revenue. An example is a building or equipment.
 - ▶ A company records the value of the asset offset by the liability or cash expenditure. The purchase of the asset is NOT an expense that is deducted from your profit.
 - ▶ For example-if we bought a mini-excavator in the current year and it cost \$40,000 we would NOT deduct the entire \$40,000 from the books. Instead we would enter the mini-excavator as an asset and depreciate it.

Fixed Asset-Right and Wrong

Right Way!

Journal Entry #1

Journal date
10/10/2018

#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION
1	Mini-Excavator	40,000.00		
2	Checking		10,000.00	
3	Notes Payable-Mini Excavator		30,000.00	
4				
5				

Fixed Asset-Right and Wrong

Wrong Way!

Ellis Equipment Rental Bank/Credit account Mastercard Balance \$157.72

Payment date 10/10/2018 Payment method Enter Text

▼ Account details

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLAB
1	Equipment Rental	Mini Excavator Purchase	40,000.00	
2				

Add lines Clear all lines

► Item details

Memo

Attachments Maximum size: 20MB

Drag/Drop files here or click the icon

Show existing



How to Choose the Right Software for your Business:

- ▶ Figure out your business needs:
 - ▶ Do you have inventory?
 - ▶ Do you plan on having employees and running payroll?
 - ▶ Will you have fixed assets like vehicles and equipment? If so will there be many?
 - ▶ Do you like having access to your books any time, any place? Or do you prefer to have them only available on one computer?
 - ▶ How much technology do you want to utilize?

Software Comparisons

	Quickbooks Online	Quickbooks Desktop	Wave	Xero
Cost:	\$10-\$60/month	\$200-\$500	FREE	\$10-70/mo
Cloud:	Yes	No	Yes	Yes
Inventory:	At Higher Tiers	Yes	No	Yes
Payroll:	Yes-\$19+/mo	Yes-Flexible	Yes-\$35+/mo	Yes
Invoicing:	Yes-Email Also	Yes	Yes	Yes
3 rd Party:	Yes-Many Apps	No	Yes	Yes

Common Entry Errors-Overstating Income

Banking Bank Rules

Review items from your bank
Match each item to an existing record or add it as a new record.

Batch actions ▾ All **All (25)** Recognized (14)

<input type="checkbox"/>	DATE ▾	DESCRIPTION	PAYEE	CATEGORY OR MATCH	SPENT	RECEIVED	ACTION
<input checked="" type="checkbox"/>	11/09/2018	Books By Bessie	Books by Bessie	Uncategorized Income		\$55.00	Add
<input type="checkbox"/>	10/10/2018	A Rental		Uncategorized Income		\$200.00	Add
<input type="checkbox"/>	10/10/2018	A Rental		Uncategorized Expense	\$1,200.00		Add
<input type="checkbox"/>	09/17/2018	A Rental		Uncategorized Expense	\$800.00		Add
<input type="checkbox"/>	09/14/2018	Pam Seitz	Pam Seitz	2 records found	\$75.00		View
<input type="checkbox"/>	09/14/2018			1 record found Deposit 09/14/2018 \$868.15		\$868.15	Match
<input type="checkbox"/>	09/14/2018	Hicks Hardware	Hicks Hardware	1 record found Check 75 09/14/2018 \$228.75 Hicks Hardware	\$228.75		Match
<input type="checkbox"/>	09/13/2018	Pg E	PG&E	1 record found Bill Payment 6 09/13/2018 \$114.09 PG&E	\$114.09		Match

- Cloud based accounting can make data entry easier with bank feeds-but be careful!
- Business owners who enter payments received by clicking “ADD” and also manually receiving the payment will record payment twice. This will cause their income to be over-stated



Common Entry Errors-Resolution

- ▶ The same error can also happen with expenses-especially if an expense has been manually recorded but may be off by as little as a penny.
- ▶ Avoid this overstatement error by matching money received with an open invoice or payment rather than simply adding a sale.
- ▶ The single, most important thing you can do to eliminate this error? Reconcile your accounts.
- ▶ What is reconciling?
 - ▶ Reconciling your account is a simple check and balance that requires you to verify each transaction against your bank account. It may be tedious but it will help you locate errors, omissions, and double entries. It will strengthen the credibility of your statements and ensure you have accurate books.



Q&A Time