



**CARING**  
*for* People Services®

## **Quick Pro 2016 or Higher**

All accounting and bookkeeping activities will be handled through QuickBooks software. Because QuickBooks plays such an instrumental role in the operation of your business, it is imperative that you fully understand and implement the software. Your office manager should have previous experience with QuickBooks.

## **Record Keeping**

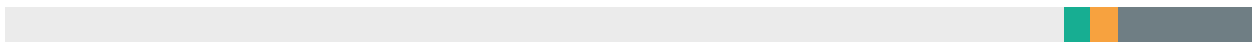
Caring for People Services' core services is giving our clients top notch service. Good record keeping is, if nothing else, responsible business. We implore you to keep good records in operating your Caring for People Services franchise. The following information is general in nature, intended to assist you in understanding the nature, importance, and process of good record keeping.

## **Introduction to Record Keeping**

An appropriate record-keeping system can determine the survival or failure of your new franchise. For those franchisees already in business, good record-keeping systems can increase the chances of staying in business and the opportunity to earn larger profits. Complete records will keep you in touch with your business's operations and obligations and help you see problems before they occur.

## **The Need for Good Records**

Accounting records furnish substantial information about your volume of business, such as how present and prior volumes compare, the amount of cash versus credit sales and the level and status of accounts receivable. In addition, good accounting records help to accomplish the following tasks:



## **Control Expenses**

Accounting records detail the amounts owed to suppliers and other creditors so that you can plan the availability of cash to meet your obligations. Such records also provide information regarding expenditures and allow you to establish controls over them. At all times, you must be aware of your individual expense requirements and how they relate to the overall picture.

## **Fulfill Payroll Requirements**

Payroll is one of the largest expenses in your franchised business. Adequate payroll records should meet the requirements of the:

- Internal Revenue Service
- State department of revenue
- Local department of revenue
- Workers' compensation laws
- Wage and hour laws
- Social security requirements
- Unemployment insurance requirements

For each of these categories you are required to provide annual reports and summaries. In addition, you must provide employees with the W-2 forms needed to file federal and other income tax returns.

## **Determine Profit Margin**

Good accounting records will indicate the franchisee's level of profit, and provide specific information on the profitability of certain departments or lines of goods within your business. Such analysis is important to avoid continuing product lines beyond their profitability. In most cases, you can avoid losses if you maintain current records and analyze the information from your records on an ongoing basis.

## **Improve Cash Flow**

Good accounting records provide detailed reports of cash availability, both on hand and in the bank, and of cash shortages or the diversion

of cash. Since cash is your most liquid asset, you must carefully account for it.

### **Use Supplier Discounts**

A cash budget will provide the franchise owner with a projection of the availability of cash that may be used to pay invoices as they become due. Discounts from suppliers for prompt payment can amount to substantial savings. A 2 percent discount is common if you pay the bill in full within 10 days; if not, full payment is due within 30 days. In business, this is commonly referred to as "2/10, n/30" where n = the net sum due. It means you pay 2 percent less if you pay within 10 days or you pay full price within 30 days. Take into account that this discount is cumulative. If you make timely payments for each month of the year you will gain a 24 percent benefit (2 percent for 12 months).

### **Measure Performance**

Finally, good business records help you measure your business's performance by comparing your actual results with the figures in your budget and those of other similar businesses.

### **Requirements of a Good System**

The following criteria are essential to a good record-keeping system:

- Simplicity
- Accuracy
- Timeliness
- Consistency
- Understandability
- Reliability and completeness

## **Payroll and Taxes**

Current Internal Revenue Service (IRS) regulations require that you withhold federal income tax and social security (FICA) from each employee. You must remit the amount for taxes to the IRS on a quarterly, monthly, or more frequent basis. A detailed reporting system for payroll will help you make timely tax payments.

Gather specific information about each employee on individual employee record cards. All employees should fill out federal Form W-4, which indicates their filing status and the number of exemptions they claim. Use this information to compute the federal withholding and social security (FICA) deductions for each payroll check.

Prepare Employees Quarterly Federal Tax Return (Form 941) by totaling each employee's withholding for federal taxes and social security. File Form 941 with the IRS. Each payroll period, total the accumulated withholdings of both federal taxes and social security for all employees. If this total exceeds \$500 for any month, you must deposit this amount by the 15th day of the following month in a depository bank (an authorized financial institution or a federal reserve bank). Generally, when the total exceeds \$3,000, you must deposit this amount within three business days. Any overpayment in taxes is paid back to you quarterly.

At year's end, you are required to prepare not only the information normally required for that quarter, but also summaries of each employee's total earnings and withholdings for the year (Form W-2). Provide this form to each employee and the IRS.

### **A Word of Caution**

It is very easy to fall behind in making tax payments. If you find yourself short of cash, do not be tempted to delay payment of taxes. The IRS will not bill your business for taxes due nor will it notify you of late payments. Delayed payments can easily add up to a large sum; the debt may impede the growth of your business and may even force you to close your business, to say nothing of the federal penalties incurred for late payments.

With a good record-keeping system you can simplify the process of filing taxes to the point where the information needed to complete the forms is automatically generated. Setting up such a system is a rather technical task and you may need to seek guidance.

## **Insurance**

Most franchisees have several types of insurance. For each policy, you should have the following information:

- Clear statement of the type of coverage
- Names of individuals covered
- Effective dates and expiration date
- Annual premium

Review your insurance policies on a regular basis. In addition, annually consult an insurance specialist, who will review the total insurance package to determine what coverage is appropriate and ensure that premiums remain in line with prior quotations.

## **Business Equipment**

Keep an accurate list of permanent business equipment used on both a regular and stand-by basis. The list should describe the equipment and provide serial numbers, date of purchase and original cost. Keep the list available for insurance and other purposes. You will also need this information to prepare accurate depreciation schedules.

## **Accounting Services**

You have several choices in who should maintain your accounting system. You can:

- Maintain the books yourself
- Hire a bookkeeper on a full-time or part-time basis

- Hire the accountant who set up your books
- Set up a hybrid system in which you maintain the day-to-day reports while an accountant does the period-end record preparation, summaries and reconciliations, and the returns for sales tax, excise tax and payroll taxes

In making the choice, you must decide whether you have the ability and time to set up and maintain good records or if you should engage an outside accounting service. It is usually suggested that you hire an accountant to do the final year-end preparations and to advise you. No matter what you choose, you should remain familiar with your books and participate in the record-keeping process. This will maximize the services provided by the accountant and allow you to keep track of your business.

## Selecting an Accounting Service

If you decide to hire an outside service, find an accounting firm that will work closely with your business and provide you with the information necessary to develop a successful operation. Interview several accounting professionals and compare their level of accounting knowledge, computer literacy, knowledge of and experience with small business accounting, and any specialized knowledge required in your business.

There are many types of professional you may consider, such as a certified public accountant, an enrolled agent, or an accredited accountant.

- **Certified Public Accountant (CPA):** A person who has passed the American Institute of CPAs national examination, which tests an individual's ability in accounting, auditing, law, and related areas.
- **Enrolled Agent (EA):** An individual who has passed a two-day exam prepared by the IRS covering many areas of federal taxation. This person is generally considered a tax specialist.
- **Accredited Accountant:** An individual who has passed a rigorous examination prepared by the Accreditation Council of

Accountancy and Taxation, a national accounting accreditation board affiliated with the National Society of Public Accountants and the College for Financial Planning in Denver, Colorado. Accredited accountants specialize in small business accounting.

Other accountants in public practice perform various levels of accounting and write-up services. When selecting an accountant, the cost of the accountant's fees must be weighed against the benefits received. Frequently, the accountant's professional advice can increase profits to more than cover the expense. Monthly services by an accounting firm will provide you with complete and timely information and also will allow the accountant to develop knowledge of your business and be in a more comfortable position to render professional advice as the business grows.

### **Advice and Assistance**

In addition to bookkeeping, an accountant can advise you on financial management. He or she can assist with cash flow requirements and budget forecasts, business borrowing, choosing a legal structure for your business, and preparation and advice on tax matters.

### **Cash Flow Requirements**

An accountant can help you work out the amount of cash needed to operate the business during a certain period for example, a three-month, six-month or one-year projection. The accountant considers how much cash you will need to carry your accounts receivable, to increase inventory, to cover current invoices, to acquire needed equipment and to retire outstanding debts. Additionally, the accountant can determine how much cash will come from collection of accounts receivable and how much will have to be borrowed or provided from other sources. In determining cash requirements, the accountant may notice and call attention to danger spots, such as accounts that are in arrears or areas of excess expenditure.

### **Business Borrowing**

An accountant can assist you in compiling the information necessary to secure a loan: the assets the business will offer for collateral, the present debt obligations, a summary of how the money will be used, and repayment schedules. Such data show the lender the financial condition of the business and your ability to repay the loan.

Remember, lenders have two very definite requirements: (1) that the business has adequate collateral to secure the loan and (2) that the business will be able to repay the loan. An accountant can advise on whether you need a short or long-term loan. In addition, your accountant may introduce you to a banker who knows and respects his or her financial judgment.

## Accounting: What you Should Know

### **Daily**

- The balance of cash on hand
- The bank balance
- Daily summaries of sales and cash receipts
- Any errors or problems that have occurred in collections
- A record of monies paid out, both by cash and by check

### **Weekly**

- Accounts receivable (particularly those accounts that appear to be slow paying)
- Accounts payable (be aware of the discount period mentioned above)
- Payroll (be aware of the accumulation of hours and the development of the payroll liability)
- Taxes (be aware of any tax items that are due and reports that might be required by government agencies)

### **Monthly**

- If you engage an outside accounting service, provide records of receipts, disbursements, bank accounts, and journals to the accounting firm. This will allow the firm to maintain good records and present them to you for review, consideration, and support in decision making.



- Make sure that income statements are available on a monthly basis, and certainly within 15 days of the close of the month. Review a balance sheet that indicates the balance of business assets and the total current liability.
- Reconcile your bank account each month so that any variations are recognized and necessary adjustments made.
- Balance the petty cash account on a monthly basis. If you allow this account to extend for a longer period, it may create substantial problems.
- Review federal tax requirements and make deposits
- Review and age accounts receivable so that slow and bad accounts are recognized and handled.

### **Collections and Accounts Receivable Management**

Monitor Accounts Receivable on a weekly basis. Use QuickBooks software to print out a list of all outstanding accounts. Review each case individually.

### **QuickBooks Pro**

QuickBooks Pro must be used for all accounting and bookkeeping procedures. Managers should be familiar with the software. If additional training is necessary, refer to manufacturer or local classes for training on the subject.