

Accounting 3 – Participant

Thank you for enrolling in Accounting 3 for Studio Designer and Studio Showroom. Please feel free to ask questions as they arise. If we start running short on time, we may hold off on some of them and have a 5-10 minute session available after the class to answer any questions.

We ask you to be considerate of others, so please do NOT use a speaker phone at any time during the class. Although it sounds fine to those using the speaker, the static is multiplied many times to all other participants. You can have as many people as you like call into the conference number to listen in. Also, please mute your phones whenever possible to cut down on background noise.

This is Accounting 3

We'll cover:

- Tips to make the bank reconciliation easier
- Options for entering your payroll
- Writing off bad debt and small balances

This class assumes that you are comfortable with your software, understand how to reconcile a bank account and have taken your accounting basic class.

Bank Reconciliation

- Tips for making the bank reconciliation easier
 - o Daily deposits – reconcile deposits to cash receipts reports.
 - **All receipts included on a deposit slip should be tied together by the receipt date. This is imperative for bank reconciliation purposes.** We suggest dating the deposit slip before entering receipts. This can be date you *think* it will go to the bank, or any other date as long as **every** receipt listed on the deposit slip gets this date).
 - Print a cash receipts report when each deposit slip is completed. Use the date of the deposit slip and verify that the total on the report matches the total on the deposit slip.
 - Entering credit card receipts (allows you to easily see and reconcile by credit card):
 - Use a separate credit card “code” to batch credit card deposits. For example, normally there will be one deposit that combines Master Card and Visa and a separate one for Amex. In this case, when entering a receipt for Visa or Martercard enter “VMC” in the Check # and Credit Card fields. When entering an AMEX receipt enter “AMEX” in the Check # and Credit Card fields.
 - o Whenever possible, try to use a date that doesn’t have check deposits as well.
 - o Enter cash transfers as Adjustments (within reconciliation) or journal entries (Anything that your bank separates from receipts and disbursements).
 - Any entries created using the Adjustments area in the bank reconciliation or as a journal entry will show up in the bank reconciliation in the Adjustments tab. This will allow you to locate them quickly and easily, and calculate them into a separate total.
 - o Always use the bank statement ending date rather than the last day of the month. This way you always know the reconciliation date.

STUDIO DESIGNER

- o Locating reconciliation errors. Dates are very important to the bank reconciliation and are the most common cause of bank reconciliation differences. To locate errors check the following:
 - View the reconciled 3240 01 report and look for any transactions dated after your reconciliation / Bank Statement Date. If you find any, change the dates to less than or equal to the reconciliation / Bank Statement Date. (Adjustments must be reversed and re-entered).

Reconciliation - Reconciled						
Account # 1010						
Date	Check #	Client	Project	Vendor	Journal #	Description
7/5/2002	1005	TAYLOR		STELLA	02	P.O. Payment Pewter Finish for Table Lamp
7/5/2002	1006	SMITH		GOLDEN	02	P.O. Payment Reupholster Banquette
7/5/2002	1007	NICHOLS		MAX	02	P.O. Payment Oak Dining Room Table
7/5/2002	1008	GOLDMAN		MAX	02	P.O. Payment Antique Round Side Table
7/5/2002	1009	DOUGLAS		EUROFAB	02	P.O. Payment Fabric for Venice Armchair
7/5/2002	1010	GOLDMAN		STELLA	02	P.O. Payment Finish for Marble Wall Sconces
7/5/2002	1011	GOLDMAN		MAX	02	P.O. Payment Custom Chaise Lounge
7/5/2002	1014	SMITH		EUROFAB	02	P.O. Payment Fabric for Custom Sofa
7/5/2002	1015	SMITH		GOLDEN	02	P.O. Payment Reupholster Antique Bench
7/8/2002	1001	DOUGLAS		MAX	02	P.O. Payment Venetian Pedestal Sink
8/5/2002	1007	NICHOLS		MAX	02	Void Check P.O. Payment Oak Dining Room
7/31/2002	073102				06	Analysis Fee
8/6/2002	int				06	Interest Income

- Verify that the **reconciled** deposits, checks and adjustments from Studio match the corresponding totals on your bank reconciliation.

Reconciled	
Beginning Balance:	\$0.00
Deposits:	\$68,859.46
Checks:	(\$4,555.00)
Purchases:	\$0.00
Sales:	\$0.00
Adjustments:	(\$4.79)
Bank Balance:	\$64,299.67

Balance 6/30/02:	\$48545.10
Deposits and Receipts:	\$68864.67
Checks:	\$4555.00
Analysis Fee:	\$10.00
Balance 7/31/2002:	\$112844.77

- Locate any differences in checks/disbursements by matching each check on the bank statement to each check on the reconciliation summary report as you will get one total for each check.
- Locate any differences in receipts by matching each deposit to the reconciliation reconciled report (not summary).

- If you have been out of balance Left (Outstanding) to Right (Reconciled) for more than the current month you must locate any transactions dated greater than your latest reconciliation date.
 - Within reconciliation filter for Reconciliation – Yes. This will show only reconciled transactions. Then click into the Date field of a transaction (not the filter area) and click the Z-A icon at the top of the screen. This will place the items with the greatest dates at the top of the list. If you find any items with dates greater than the reconciliation date, change the date to less than or equal to the reconciliation date and verify that the item really did clear the bank.
 - If you still have not located the difference, call your accountant or Studio Support.

STUDIO DESIGNER

ANY BANK USA
4117 Old Buff Road
Hickory, NC 28602
(800) 554-0536
Fax (828) 294-0375

Statement Closing Date: 7/31/2002
Account #: 5301-22905

Design Firm International
4089 Mama's Garden Road
Hickory, NC 28602

Balance 6/30/02: \$48545.10
Deposits and Receipts: \$68864.67
Checks: \$4555.00
Analysis Fee: \$10.00
Balance 7/31/2002: \$112844.77

Deposits and Receipts

	7/1/2002	\$2000.00
	7/2/2002	\$4395.14
	7/5/2002	\$43811.84
	7/7/2002	\$9433.12
	7/12/2002	\$2427.51
	7/13/2002	\$6791.85
Interest	7/31/2002	\$5.21
Total Deposits and Receipts:		\$68864.67

Checks

1000	\$200.00	1006	\$310.00
1001	\$400.00	1008	\$425.00
1002	\$500.00	1009	\$195.00
1003	\$250.00	1010	\$110.00
1004	\$675.00	1011	\$975.00
1005	\$160.00	1014	\$235.00
		1015	\$120.00

Total Checks: **\$4555.00**

Entering payroll information and writing payroll checks

- Enter payroll as journal entry. We have used an Excel spreadsheet which you can recreate to fit your chart of accounts and payroll register. You have greater security with one bulk amount entered as a journal entry and can reference details from your payroll reports. The journal entry provided assumes that you are using a payroll company that will impound all payroll taxes rather than the design firm paying them, but this can be changed depending on how the taxes are paid.

PAYROLL REGISTER EXAMPLE FROM PAYROLL COMPANY PAGE 1

PAYROLL REGISTER from 06/20/04 to 06/20/04						Page 1	
Freeman, Cathy A		FC		Date: 06/20/04	Check # 10000	Net \$963.58	
Type Pay	Rate	Hours	Pieces	Wages	Type Deduction	Amount	
Regular Pay			1.	1250.00	Federal Withholding	156.30	
					Social Security	77.50	
					Medicare	18.13	
					State Withholding	34.48	
					SDI	.01	
Total Wages				1250.00	Total Deductions	286.42	
Smith, Jackie L		SJ		Date: 06/20/04	Check # 10001	Net \$1,169.75	
Type Pay	Rate	Hours	Pieces	Wages	Type Deduction	Amount	
Regular Pay			2.	1500.00	Federal Withholding	215.50	
					Social Security	93.00	
					Medicare	21.75	
Total Wages				1500.00	Total Deductions	330.25	
TOTAL ALL EMPLOYEES							
Regular Pay				2750.00	Federal Withholding	371.80	
					Social Security	170.50	
					Medicare	39.88	
					State Withholding	34.48	
					SDI	.01	
Total				2750.00	Total	616.67	
TOTAL HOURS							
Total Regular Hours						.00	
Total Hours						.00	
Total Entries						2	

PAYROLL REGISTER EXAMPLE FROM PAYROLL COMPANY PAGE 2

EMPLOYER'S EXPENSES:

Social Security	3. 170.50+	170.50
Medicare	39.88=210.38	39.88
Federal Unemployment	5.	22.00
State Unemployment	6.	165.00
Employment Training Fund Tax	4.	.01
Worker's Comp. Expense		.00
TOTAL EMPLOYER'S EXPENSE		397.39

EMPLOYEE DEDUCTIONS:

Federal Withholding (Less EIC)	371.80
Social Security	170.50
Medicare	39.88
State Withholding	34.48
SDI	.01
TOTAL EMPLOYEE DEDUCTIONS	616.67

TOTAL NET PAYROLL	7.	2133.33
TOTAL PAYROLL COST		3147.39
TOTAL FEDERAL DEPOSIT		792.56
TOTAL STATE DEPOSIT		199.50
TOTAL TAX WITHDRAWAL	8.	1014.06

American Music & Game Service
 Payroll Distribution
 Date: 6/20/04

	Account	Dept	Description	Debit	Credit
1.	5580	01	Gross Wages-Employee	1500.00	
2.	5582	01	Officer Wages	1250.00	
3.	5520	01	Fica/Mcare	210.38	
4.	5526	01	Employment Training	0.01	0.00
5.	5522	01	Federal Unemployment	22.00	
6.	5524	01	State Unemployment	165.00	
7.	1010	01	Net Pay Direct Withdrawal		2133.33
8.	1010	01	Tax Withdrawal		1014.06
				3147.39	3147.39

Spreadsheet example



- The second option is to enter as individual checks with gross amounts down to net.
 - o Ck 10000
 - Amount:963.58
 - Account Dist:
 - 1250.00 Gross Wages (Expense)
 - 95.63 Employer Match Payroll Tax Expense FICA/MCARE (Expense)
 - -347.56 Federal Payroll Taxes Payable (Liability)
 - -34.49 State Payroll Taxes Payable (Liability)
 - o This option creates liabilities which will need to be reduced as the payroll taxes are paid.
 - o If the payroll company will deduct the payroll taxes, enter a check to reflect the amount of the deduction.

Using the cash account to your advantage

- o The cash account can be used in a variety of ways. It can be changed to any account in your Chart of Accounts. This allows you to pay off invoices without actually affecting cash and you can adjust the cash account to match your needs. We frequently change to cash account for the following types of things:
 - Write off bad debt
 - Adjust for small balances
 - Record receipts for client allowances
 - Cash transfers
 - Charitable contributions

- Writing off bad debt and small balances
 - o Enter the cash receipt as if you were actually receiving the payment, but change the cash account to Bad Debt Expense or Refunds and Allowances before posting.
 - Bad debt is generally defined as funds that are due to you, you have exhausted your resources to collect, and you want to remove the balance from your account.
 - Allowances are instances where you have agreed not to make the client pay. Maybe, in the interest of client relations, or as a gift, etc. Small balances that you do not intend to ask the client to pay fit into this category as well.

- Charitable contributions of goods
 - o Create an invoice just as you would if you were going to expect payment from a normal client.
 - o Record a cash receipt as you would normally, but change the cash account to Contributions or Donations, or whatever your preferred expense account is.

- Positive / Negative balances
 - o In many instances you will find that you have invoices with balances on multiple items that net to a 0 balance. To remove these items from your Accounts Receivable report, you must make each item a 0 balance.
 - **Studio cannot record a receipt (or check) for 0 dollars.** This means that you will need to record at least two receipts. One for the positive items and one for the negative items.
 - Change the cash account to something like Suspense that normally carries a 0.00 balance. This way you can check the balance of the Suspense account after recording your receipts and verify that the balance of the account is still 0.00 when you are finished. It also keeps you from having additional entries when reconciling your cash account.

- Checks
 - o The cash account can also be changed in checks for the same purposes.