



# BASIC BOOKKEEPING FOR BUSINESSES

Trisha L. White, CPA



# WELCOME!



Thank you for taking the time to join us today!

Smith Schafer & Associates is an award-winning accounting and business consulting firm offering proactive services, deep expertise, innovative solutions and personal relationships.

We are local to Minnesota with offices in:

- Rochester
- Minneapolis
- Red Wing

# TRISHA L. WHITE, CPA



## *PRINCIPAL*

### • **EXPERTISE**

- Business tax planning & consulting
- Accounting services
- Bookkeeping & payroll
- QuickBooks ProAdvisor

### • **HOW TRISHA GOT HERE**

- Bachelor of Science in Accounting from University of Wisconsin, River Falls
- Joined the Rochester tax and small business team in 2004 when Smith Schafer merged with Coffman, Nehring and Christopherson

### • **MEMBER**

- AICPA
- MNCPA
- American Business Women's Association
- Rochester Area Chamber of Commerce
- Rochester Exchange Club
- Rochester Public Library Foundation Board

## TODAY'S AGENDA

1. Why Bookkeeping is Important
2. Choosing the Right Software
3. The Basics of Hiring Employees
4. Budgeting
5. Accounting Methods
6. Sales and use tax
7. Basic Financial Statements
8. Q & A

# WHY BOOKKEEPING IS IMPORTANT

- Identify where you spend money
- Identify cost-saving opportunities
- Secure financing
- Helps you budget
- Tax preparation
- Easier IRS audit
- Organization
- Provide clear reporting to investors

# CHOOSING THE RIGHT SOFTWARE

Things to ask yourself:

- How many users will need access?
- Is the software specifically designed for small and medium sized businesses?
- Will it accept online payments?
- Can you create customizable invoices and sales receipts?
- Will it track inventory?
- Are there specific features needed for your industry?
- Can an industry specific program easily integrate?
- **BUDGET!!!**

# CHOOSING THE RIGHT SOFTWARE

Budget must be top in mind:

- Complex or specialized software = expensive
- Some small business software can be downloaded for free or purchased off the shelf
- Consider cloud-based packages:
  - reduce the need to purchase servers and other hardware
  - may reduce license costs in some situations
  - accessed anywhere with an internet connection

# CHOOSING THE RIGHT SOFTWARE

- Most common small business software packages
  - QuickBooks Desktop
  - QuickBooks Online
  - Sage 50 (formally know as Peachtree)
  - Quicken Home and Business
  - Red Wing Software
  - FreshBooks
  - PCMars (for farmers only through RiverLand Program)



# BASICS OF HIRING EMPLOYEES

Hiring employees is a BIG deal!

- Payroll is where the BIG penalties can be charged!
- Determine if employee or independent contractor
- Workers compensation insurance, REQUIRED
- Calculate and pay employee and employer taxes
- File payroll tax returns and annual W-2s
- Minnesota Wage Theft Law (effective July 1, 2019)

# BASICS OF HIRING EMPLOYEES

Employers are required to review and document whether an employee is authorized to work in the U.S.

- Employee must complete Form I-9
- Employer must view certain documents such as a passport, drivers license, or other appropriate documents
- Keep form and copies of documents on file for at least three years after the date of hire

Employees must complete a Form W-4

- Indicates withholding request of employee
- Employee must sign as this verifies social security number
- Suggested to have a new W-4 completed when employee requests changes to withholding or best practice is annually

# BASICS OF HIRING EMPLOYEES

Payroll taxes must be reported on a quarterly and annual basis

- Federal income tax – collected from employee pay and remitted to the IRS
- State income tax – collected from employee pay and remitted to the state
- Social Security/Medicare – paid by employee and by the employer
- Unemployment – state and federal taxes are paid by the employer
- **Know your tax deposit requirements, pay on time....every time**
- W-2 is prepared at the end of the year and issued to employees by January 31
  - Taxable fringe benefits???

# BASICS OF HIRING EMPLOYEES

Consider how you will administer payroll

- In-house
  - Manually (not recommended)
  - Calculate in bookkeeping software
- External service (ADP, Paychex, or accounting firm)
  - Import to your bookkeeping software

## EMPLOYEE

- Works regular hours at the location directed by the employer.
- Work is performed in the manner directed by the employer.
- Paid on a regular schedule by recurring payroll check.
- May earn benefits such as insurance or vacation.

## CONTRACTOR

- Works independently on a job or project basis.
- Often has some autonomy as to how to get the work done.
- Paid by submitting an invoice for work completed.
- Does not earn any benefits.
- Generally has a risk of loss.

# MINNESOTA WAGE THEFT LAW

- New law passed in May of 2019, effective July 1<sup>st</sup>
  - Adds significant employer record keeping requirements
  - New requirements on the employee pay stub
  - New signed wage statement for each employee
    - Requirements for new hires and existing employees
  - Fines and enforcement against employers committing wage theft

# BUDGETING AND WHY IT'S IMPORTANT

- Control costs
- Set priorities
- Identify types of sales and related costs
- Develop a business plan
- May be required for financing
- Compare your actual results with your expected results
- Identify areas to improve and find strengths
- Find areas where you are spending too much

## ACCOUNTING METHODS (CASH VS ACCRUAL)

The Cash method:

- Easiest to use
- Income is recorded when cash is received
- Expenses are recorded when cash is paid

The Accrual system:

- More complex but results in a better matching of income generated to the related expenses
- Income is recorded when you bill your customer
- Expenses are recorded when you receive a bill from your supplier or vendor



# SALES AND USE TAX

- Sales tax
  - Tax charged to customers on retail sales and taxable services
- Use Tax
  - Taxable goods and services used in Minnesota when no sales tax was paid at the time of purchase
- Sales and Use tax filings are due monthly, quarterly or annually depending on liability
- Sales and Use tax audits are on the rise
- Business owners can be personally liable for unpaid/uncollected amounts

# BASIC FINANCIAL STATEMENTS

- Balance Sheet
  - On a specific date
  - Includes:
    - Cash, receivables, equipment, payables and liabilities
- Income Statement
  - Also referred to as profit and loss statement
  - Covers a period of time (ie month, quarter, year)
  - Includes:
    - Sales, cost of sales, expenses
- Cash Flow Statement
  - Shows where was your cash used or generated
  - Least understood statement but most valuable

Q & A



# Connect Us

**SMITH SCHAFER'S EVENT COMMUNITY GROUP**

Join our Facebook Group, Connect Us, where you can network after our events with peers, ask questions, get access to exclusive content, early registration to future events and much more!

[www.facebook.com/groups/ConnectUs](https://www.facebook.com/groups/ConnectUs)

## OUR UPCOMING LOCAL EVENTS

Our goal for Smith Schafer events is to bring together our communities to connect and share knowledge on industry topics and trends. We want to provide value and education to our clients and peers.

August 20 – [Revenue Recognition and Leases](#) - Seminar

October 1 – [Nonprofit Revenue Recognition and Leases](#) – LIVE Webinar

December 3 – [Business Tax Trends and Tips](#) - Seminar

*Visit our website for more details!*

[www.smithschafer.com](http://www.smithschafer.com)

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