

Paul H. Burgess
Attorney at Law &
Certified Public Accountant
800 Park Centre, 525 South Main Street
Tulsa, OK 74103-4511

Tel (918) 599-7755
Fax (918) 599-7756
pburgess@barberbartz.com

Small Business Accounting 101

With the year-end fast approaching it is important for business owners to get a head start on “closing out” the annual books. Typically better accountings produce better tax results by allowing tax professionals more time to concentrate on tax savings ideas, and suggestions while facilitating tax planning for the new year. To that end, please see the following 10 accounting system tips.

1. A good accounting system will easily provide managerial reports to assist with business decisions.
2. The objective of an accounting system is to efficiently “capture” business revenues, expenditures, and owner compensation with effective internal controls.
3. Many small businesses have success using Quickbooks, including its online version (“QB”). It is fairly simple to write checks, set up charts of accounts, and balance the checkbook with QB. We can assist you in setting up a chart of accounts with our template that is tailored for each situation. There are also other good programs available, especially industry specific accounting software.
4. We generally recommend a third-party to process payroll. It is not complicated, but payroll processing requires numerous small steps making in-house preparation inefficient for many small businesses. We prefer the large payroll services because their size provides better internal controls and continuity of service. Payroll deposits are fertile ground for embezzlement and the national payroll firms have an excellent track record of making sure the deposits are timely with the IRS.
5. Nevertheless, lots of small businesses are successful with in-house payroll as long as they have proper internal controls including separation of duties, reconciliation procedures, and verifying IRS and state governments have received the deposits.

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6. A business should have a credit card account dedicated to business expenses; and owners should not charge personal expenses on a business credit card or vice versa. Thus, business owners should have separate business and personal credit cards.
7. Do not pay business expenses from a personal checking account. It will drive up your accounting costs, and possibly miss deductions. Instead, transfer funds from the personal account to the business account, thus the business pays the expense. There can be tax consequences for such transfers. Be aware of them.
8. Similarly, do not pay personal expenses from the business checking account. If audited and the IRS starts uncovering personal expenses, IRS will scrutinize the entire accounting more. Instead, transfer funds from the business account in even dollars to the personal account, and classify the transfer properly as a draw, dividend, salary (requires payroll taxes), loan or loan repayments.
9. Each month the checking accounts should be reconciled and the appropriate business reports generated. Usually the minimum reports are the income statement and the balance sheet. Typically, business owners also want to be aware of the accounts receivables and payables. Make it a goal to have all reports completed by the 15th of the following month. Many circumstances dictate more timely reports.
10. If a business does not desire or have the time or expertise to generate monthly accounting reports, it most certainly should have those completed by a third-party. To further discuss how me may help, Paul is available at 918.599.7755.

Paul Burgess is a dually-licensed Attorney-CPA with more than 30 years experience. His practice leverages the legal system and tax code for your win. An Attorney-CPA offers *two perspectives for the price of one*. This rigorous education and training provides you:

- **Holistic Strategy:** Seven years of demanding formal training in accounting and law provides a broader viewpoint to yield a better result.
- **Most Relevant Advice:** Extensive professional education required to maintain a legal and CPA license.
- **Best of Both Worlds:** Bridges the gap between your legal *and* financial requirements.
- **A Practical Solution:** Save time and money by hiring a single dually-licensed Attorney-CPA.

Call Paul at 918.599.7755 for your Tax Preparation and Planning, IRS and State Tax Disputes, Business Law, Accounting, & Estate Planning needs.