

Index

• A •

- Account Credited column, 64
- Account format, 205, 206–207
- accounting
 - cycles, 24–25
 - formula, 12
 - information, storing, 85
 - key equation, 203
- accounting periods, 22
- accounts
 - accrual, 194
 - adding, 59
 - asset, 195
 - balance sheet, 242–243
 - cash, 255
 - Cash in Checking, 35, 103
 - Cash in Savings, 36
 - closing, 3
 - customer, 243–244
 - deleting, 245–246
 - identifying, 259
 - income statement, 241–242
 - inventory, 255
 - loans payable, 256
 - monitoring, 255–257
 - office expenses, 257
 - owner's equity, 257
 - payroll expenses, 256
 - purchases, 256
 - receivable, 255
 - retained earnings, 257
 - sales, 256
 - vendor, 244–245
- Accounts Payable
 - Current Liability account, 37
 - entries, 99, 244, 252
 - monitoring, 256
 - overview, 7, 22
- Accounts Payable clerk, 99
- Accounts Payable debit, 67
- Accounts Receivable
 - bad debts, 193
 - entries, 36, 64, 103, 252
 - monitoring, 255
 - overview, 22
- Accounts Receivable Credit column, 64, 72
- accrual accounting method, 7–11, 17
- accrual accounts, 194
- Accrued Payroll Taxes account, 38
- accruing bills, 177
- Accumulated Depreciation, 159
- acid test (quick) ratio, 213–215
- address verification service fee, 174
- adjusting
 - the books, 189–195
 - debts, bad, 193
 - depreciation, 189–190
 - inventory, 192
 - prepaid expenses, 191
 - salaries/wages, unpaid, 194–195
- administrative expenses, 253
- advertising expenses, 43, 253
- Aging Summary reports, 121
- allowances
 - defining, 119
 - tracking, 119–120
- amortization calculator, 168
- analyzing income, 227–230
 - return on assets ratio, 229
 - return on equity ratio, 230
 - return on sales ratio, 228
- asset accounts, 195
- assets
 - current, 35–36
 - defining, 12–13, 20
 - depreciation, 189
 - cost basis, 153–154
 - double-declining balance, 157
 - expenses, 158
 - methods, 155–158
 - overview, 151–160
 - problem solutions, 159–160
 - schedules, 158
 - straight-line, 155
 - sum-of-years-digits, 156
 - units of production (UOP), 158
 - useful life of asset, 152–153
 - intangible, 12
 - long-term, 36–37
- ATM (automatic teller machine), 80
- authorization responsibilities, 87
- automatic teller machine (ATM), 80
- averaging, 95, 99

• **B** •

- Balance Sheet
 - entries, 93, 192, 203
 - overview, 14, 19, 33, 260
 - ratios, 211
- Balance Sheet accounts
 - carrying over, 242–243
 - current assets, 35–36
 - current liabilities, 37–38
 - equity, 39–40
 - long-term assets, 36–37
 - long-term liabilities, 38–39
 - types, 35–40
- Balance Sheet numbers, 211–216
 - acid test (quick) ratio, 213–215
 - current ratio, 212–213
 - debt to equity ratio, 215–216
- balancing
 - account formats, 206–207
 - accounts, 203–205
 - balance sheet numbers, 211–216
 - acid test (quick) ratio, 213–215
 - current ratio, 212–213
 - debt to equity ratio, 215–216
 - balance sheets, 203
 - the books, 185–200
 - financial position formats, 210–211
 - formats, 205–211
 - overview, 203–220
 - problem solutions, 217–220
 - report formats, 208–209
- bank accounts, 178–180
- bank balance, 179–180
- bank service charges, 43
- banking transactions
 - checks, 80
 - controlling, 79–82
 - deposits, 80–82
- Benefit ratio formula, 144
- Benefit wage formula, 144
- benefits, health insurance, 132
- bill collection, 121–122
- bill pay
 - overview, 99–100, 259
 - reminder systems, 85
 - through Accounts Payable, 252
- bills
 - accruing, 177
 - five key functions for paying, 99
- biweekly payroll, 129
- BizMiner, 227
- bonds, 88
- bookkeeping
 - assets, 12–13
 - basics, 2
 - accrual accounting method, 7–11
 - equity, 12–13
 - liabilities, 12–13
 - cash-basis accounting method, 7–11
 - daily finances, 14
 - double-entry, 251, 259
 - financial statements, 14–16
 - overview, 7–18
 - paper trails, 16
 - problem solutions, 17–18
 - reports, 3
 - testing for accuracy, 14
- bookkeeping systems
 - accounting cycle, 24–25
 - debits versus credits, 28–29
 - designing, 19–32
 - double-entries, 26–27, 259
 - overview, 19–23
 - problem solutions, 30–32
- books
 - adjusting, 189–195
 - bad debts, 193
 - depreciation, 189–190
 - inventory, 192
 - prepaid expenses, 191
 - salaries/wages, unpaid, 194–195
 - balance worksheet, 185–189
 - balancing, 185–200
 - Chart of Accounts, 195–196
 - problem solutions, 197–200
- budgeting, 252–253
- buildings, 36
- business
 - sales tax, 238
 - taxes, reporting, 235–238
 - types
 - corporations, 237–238
 - limited liability companies, 236
 - overview, 233–239
 - partnerships, 236
 - problem solutions, 239
 - sole proprietors, 235–236
- business cycle
 - customer accounts, 243–244
 - deleting accounts, 245–246
 - General Ledger, finalizing, 241–243
 - balance sheet accounts, 242–243
 - income statement accounts, 241–242
 - overview, 241–248
 - problem solutions, 248

- restarting, 246–247
 - vendor accounts, 244–245
 - business roadmap
 - balance sheet accounts, 35–40
 - current assets, 35–36
 - current liabilities, 37–38
 - equity, 39–40
 - long-term assets, 36–37
 - long-term liabilities, 38–39
 - Chart of accounts, 33–35, 44–45
 - income accounts, 40–44
 - expenses, 42–44
 - goods sold, 42
 - revenue, 41
 - overview, 33–46
 - problem solutions, 46
- C •
- C Corporation, 237
 - calculating payroll, 132–136
 - for commissioned employees, 134–135
 - for employees who earn tips, 135–136
 - for hourly employees, 133
 - for salaried employees, 133–134
 - calculators, online, 168
 - Capital account, 18, 40, 257
 - cash
 - incoming, 64
 - intake, 103–107
 - managing
 - balancing entries, 251
 - bill pay, 252
 - budgeting, 252–253
 - Chart of accounts, 251
 - checklist, 251–253
 - cost trends, 253
 - customer collections, 252
 - posting transactions, 252
 - pricing, 253
 - profits, 252
 - sales goals/actual sales, 253
 - monitoring, 64–68, 173–174
 - outgoing, 64, 67–68
 - receipts, 64–66
 - cash accounts, 31, 99, 255
 - cash balance, 173
 - Cash Debit column, 64
 - Cash Disbursements Journal
 - closing, 174
 - entries, 67, 255
 - overview, 49, 63–64
 - cash expense, 155
 - cash handlers, 87
 - Cash in Checking account, 35, 103
 - Cash in Savings account, 36
 - Cash on Hand account, 36
 - Cash Receipts Journal, 49, 63–64, 173–174, 255
 - cash registers
 - controlling, 83–84
 - transactions, 79
 - cash transactions, 64
 - cash-basis accounting method, 7–11, 17
 - cashiers, 83
 - cash-out form, 112
 - certificates of deposit, 168
 - certified public accountant (CPA), 19
 - chargeback/retrieval fees, 175
 - Chart of Accounts
 - entries, 35, 44–45, 203
 - overview, 33, 251
 - checking accounts, 79
 - checks
 - outstanding, 180
 - overview, 80
 - commissioned employees, calculating payroll for, 134–135
 - commissions, 134
 - Common Stock accounts, 39
 - compound interest, 162–163
 - computer data, storing, 85
 - computerized accounting systems, 242, 247
 - controls
 - banking transactions, 79–82
 - checks, 80
 - deposits, 80–82
 - bonds, 88
 - cash registers, 83–84
 - fraud protection, 87–88
 - petty cash, 82–83
 - problem solutions, 89
 - record keeping, 85–86
 - savings accounts, 82
 - theft protection, 87–88
 - corporations
 - tax preparation, 233, 235
 - types of, 237–238
 - cost basis, 153–154
 - Cost of Goods Sold, 34, 40, 46, 226–227, 256
 - cost trends, 253
 - CPA (certified public accountant), 19
 - credit card debt, 163–166
 - credit cards, 165
 - accounts, 30
 - fees, 174–175
 - Payable, 38

- credit cards (*continued*)
 - purchases, 103
 - statements, 176
- credit sales transactions, 176
- credits versus debits, 28–29
- current assets
 - defining, 33
 - overview, 35–36
- Current Assets accounts, 204
- current liabilities
 - defining, 33
 - overview, 37–38
- Current Liabilities accounts, 204
- current ratio, 211, 212–213
- customer accounts, reviewing, 243–244
- customer support fee, 175

• D •

- daily periodic interest rate, 163–164
- date column, 64
- debits versus credits, 28–29
- debt to equity ratio, 211, 215–216
- debts
 - bad, 122, 189, 193
 - bad debt percentage, 193
 - credit cards, 163–166
 - long-term, 163, 168
 - short-term, 163, 166–167
 - total debt, 215
- delivery charges, 154
- deposits, 79, 80–82
- depreciation
 - calculations, 189
 - cost basis, 153–154
 - defining, 22, 59
 - double-declining balance, 157
 - expenses, 151, 158, 190
 - methods, 155–158
 - overview, 151–160, 189–190
 - problem solutions, 159–160
 - schedules, 152, 158
 - straight-line, 155
 - sum-of-years-digits, 156
 - units of production (UOP), 158
 - useful life of asset, 152–153
- discount rate fee, 174
- discount sales, 114–117
- double-declining balance, 157
- double-entries, 26–27, 251
- Drawing account, 40
- dues, 43

• E •

- Earned Income Credit (EIC), 127
- EFTPS (Electronic Federal Tax Payment System), 142
- EIC (Earned Income Credit), 127
- EIN (Employer Identification Number), 127
- Electronic Federal Tax Payment System (EFTPS), 142
- embezzlement, 87
- employee journal, 147
- employees
 - commissioned, 134–135
 - hourly, 133
 - salaried, 133–134
 - taxes, 130–132
 - who earn tips, 135–136
- Employee's Withholding Allowance Certificate, 127
- Employer Identification Number (EIN), 127
- employer taxes
 - government reports, 141–148
 - Medicare taxes, 141–143
 - personnel records, 147
 - problem solutions, 148
 - social security taxes, 141–143
 - unemployment, 143–145
 - workman's compensation, 145–146
- "Employer's Annual Federal Unemployment Tax Return", 145
- "Employer's Federal Tax Return", 141
- entertainment, 43
- entries
 - key, 49–51
 - posting, 55–59
 - summary, 51–55
- equipment
 - fees, 175
 - Long-term Asset accounts, 37
 - rental, 43
- equity
 - accounts, 33, 195, 204
 - Chart of accounts, 39–40
 - defining, 20
 - overview, 12–13
 - owner's, 257
- expandable files, 85
- expenses
 - accounts, 34, 40, 227
 - accruing bills, 177
 - administrative, 227
 - advertising, 46

defining, 20, 42–44
sales, 227

• F •

Fair Labor Standards Act (FLSA), 129
Federal Reserve Bank, 136, 142
Federal Tax Payment System, 137
Federal Unemployment Tax Fund (FUTA), 143
Federation of Tax Administrators, 238
fidelity bonds, 88
FIFO (First In, First Out), 95
filing, 85
finances, daily, 14
financial fraud, 87
Financial position format, 205, 210–211
financial reporting, 87
financial statements, 14–16, 24
First In, First Out (FIFO), 95
fixtures, 37
FLSA (Fair Labor Standards Act), 129
Form 941, 141–142
formats
 account, 206–207
 financial position, 210–211
 overview, 205–211
 report, 208–209
formulas
 for accounting, 12
 Benefit ratio, 144
 Benefit wage, 144
 for double-entry accounting, 26
 Reserve ratio, 144
fraud protection, 87–88
freight charges, 42
furniture, 37
FUTA (Federal Unemployment Tax Fund), 143

• G •

General Credit column, 64
General Journal, 49, 60, 70
General Ledger
 entries
 key, 49–51
 posting, 55–59, 181
 errors, 59
 finalizing, 241–243
 overview, 16, 49–62
 problem solutions, 60–62
gift cards, 118, 119
goods, cost of, 20
goods sold, 42

government tax reports, 141–148
governmental filings, 147
Gross Profit, 223

• H •

health insurance benefits, 132
hourly employees, calculating payroll for, 133
How to Depreciate Property (IRS publication 946), 151

• I •

I-9 form, 127
icons, 3–4
income accounts
 expenses, 42–44
 goods sold, 42
 revenue, 41
income, analyzing, 227–230
 return on assets ratio, 229
 return on equity ratio, 230
 return on sales ratio, 228
Income Statements
 closing account, 241–242
 Cost of Goods Sold, 221
 defining, 19
 deleting, 245
 five key parts of, 221
 formatting, 223–224
 Gross Profit, 221
 interest expense, 163
 key parts, 221–222
 multi-step formats, 223
 Net Income or Loss, 221
 Operating Expenses, 221
 overview, 14, 260
 Purchases account, 93
 Sales or Revenue, 221
 single-step formats, 223
 types of, 34
incoming cash, 64
installation charges, 154
insurance, 36, 43
Insurance Expense, 191
intangible assets, 12
interest
 compound, 162–163
 on debt, 163
 credit cards, 163–166
 separating and paying, 168
 short-term, 166–167
income, 169

interest (*continued*)

- on loans, 22
- overview, 161–172
- problem solutions, 170–172
- types, 161–163
 - compound interest, 162–163
 - simple interest, 161–162
- Interest Income account, 168
- internal financial reports, 252, 253
- internal theft, 87
- inventory
 - adjusting, 189
 - assessing, 192
 - Balance Sheet item, 18
 - defining, 20, 22
 - determining value, 94–99
 - managing, 255
 - office supplies, 99
 - overview, 93–99
 - periodic, 93
 - perpetual, 93–94
 - tracking, 14, 259
 - value, 96
 - valuing methods, 95
- Inventory account, 30, 36
- investment vehicles, 168
- invoices, 121

• J •

- journal entries, 24
- journals
 - accruing bills, 177
 - cash, 64–68
 - outgoing, 67–68
 - receipts, 64–66
 - closing, 174–177
 - credit card fees, 174–175
 - credit card statements, 176
 - defining, 63
 - employee, 147
 - entries, 24, 30
 - keeping, 259
 - miscellaneous transactions, 71–73
 - overview, 63–77
 - problem solutions, 72–77
 - purchases, 70–71
 - sales, 69–70

• K •

- kickbacks, 87

• L •

- land, 36
- Last In, First Out (LIFO), 95
- leasehold improvements, 37
- ledgers, posting to, 181
- legal and accounting accounts, 43
- liabilities
 - current, 33, 37–38
 - defining, 12–13, 20
 - listing, 14
 - long-term
 - accounts, 204
 - defining, 33
 - overview, 38–39
- liability account, 18, 195
- LIFO (Last In, First Out), 95
- Limited Liability Companies (LLC), 233, 236
- lines of credit, 165
- LLC (Limited Liability Companies), 233, 236
- loans, 256
- Loans Payable account, 38
- long-term assets, 33, 36–37
- Long-Term Assets accounts, 204
- long-term debt, 163, 168
- long-term liabilities
 - accounts, 204
 - defining, 33
 - overview, 38–39

• M •

- managing cash
 - balancing entries, 251
 - bill pay, 252
 - budgeting, 252–253
 - Chart of accounts, 251
 - checklist, 251–253
 - cost trends, 253
 - customer collections, 252
 - posting transactions, 252
 - pricing, 253
 - profits, 252
 - sales goals/actual sales, 253
- marketable securities, 12
- medical coverage, 145, 146
- Medicare taxes, 130, 141–143, 235, 243
- minimum wage requirement, 135
- miscellaneous expenses, 43
- money market accounts, 168

monitoring
 accounts, 255–257
 accounts payable, 256
 accounts receivable, 255
 cash, 255
 inventory, 255
 loans payable, 256
 office expenses, 257
 owner's equity, 257
 payroll expenses, 256
 purchases, 256
 retained earnings, 257
 sales, 256
 business, 3
 cash, 173–174
 monthly closing process, 246–247
 monthly minimum fee, 175
 monthly payroll, 129
 Mortgages Payable, 18

• N •

National Council on Compensation Insurance
 (NCCI), 145, 146
 net pay, 132
 Net Sales
 defining, 119
 Sales Discounts, 225
 Sales of Goods or Services, 225
 Sales Returns, 225
 Notes Payable account, 39

• O •

office expenses, 43, 195, 257
 office supplies, 32, 99
 online calculators, 168
 Operating Expenses, 223
 operational responsibility, 87
 Other Income account, 41
 other sales costs, 42
 outgoing cash, 64
 outstanding checks, 180
 overtime pay, 133
 owner's equity, 257

• P •

paper trails, 16
 paperwork, 85
 partnership groups, 7

partnerships, 233, 236
 payoffs, 87
 payroll, 22
 calculating, 132–136
 for commissioned employees, 134–135
 for employees who earn tips, 135–136
 for hourly employees, 133
 for salaried employees, 133–134
 expenses, 194, 256
 net pay, 132
 overview, 127–139
 pay periods, 129
 problem solutions, 138–139
 required forms, 127–129
 taxes, 43
 depositing, 136–137
 employee, 130–132
 payroll decline ratio formula, 144
 payroll-taxes.com, 143
 periodic inventory, 93
 perpetual inventory, 93–94
 personnel records, 147
 petty cash, 79, 82–83
 post reference (PR) column, 64
 postage, 43
 posting, 24
 PR (post reference) column, 64
 prepaid expenses, 59, 189, 191
 Prepaid Insurance, 36
 pricing, 253
 profit goals, 252
 profit levels, 114
 profits
 administrative expenses, 227
 analyzing income, 227–230
 return on assets ratio, 229
 return on equity ratio, 230
 return on sales ratio, 228
 cost of goods sold, 226–227
 income statements
 formatting, 223–224
 key parts, 221–222
 managing, 252
 net sales, 225–226
 preparing numbers, 225–227
 problem solutions, 231–232
 proving, 221–232
 sales expenses, 227
 proving out
 bank accounts, 178–180
 checking cash, 173–174

proving out (*continued*)

- journals
 - accruing bills, 177
 - closing, 174–177
 - credit card fees, 174–175
 - credit card statements, 176
- overview, 173–184
- posting to ledgers, 181
- problem solutions, 182–184
- profits, 221–232
- purchase discounts, 42
- purchase returns, 42, 72
- purchases, 42, 256
- Purchases accounts, 93
- Purchases Expenses, 192
- Purchases Journal
 - entries, 70
 - overview, 49, 51
- purchasing
 - bill pay, 99–100
 - inventory, 93–99
 - determining value, 94–99
 - office supplies, 99
 - overview, 93–102
 - problem solutions, 101–102

• Q •

- quick assets, 213
- quick (acid test) ratio, 213–215

• R •

- ratios
 - acid test (quick), 213–215
 - current, 212–213
 - debt to equity, 215–216
 - return on assets, 229
 - return on equity, 230
 - return on sales, 228
- receipts, 64–66
- reconciling bank accounts, 178–180
- record keeping, 2, 85–86
- records, personnel, 147
- Rent account, 30
- rent expenses, 43
- Report format, 205, 208–209
- reporting taxes, 235–238
- reports
 - Aging Summary, 121
 - government tax, 141–148
 - internal financial, 252, 253
- Reserve ratio formula, 144

- retained earnings, 257
- Retained Earnings account, 12, 39
- Return on Assets (ROA) ratio, 229
- Return on Equity (ROE) ratio, 229, 230
- Return on Sales (ROS) ratio, 228
- returns, 118–120
- revenue, 14–15, 18, 20, 34, 41, 46
- Revenue accounts, 40, 227
- ROA (Return on Assets) ratio, 229
- ROE (Return on Equity) ratio, 229, 230
- ROS (Return on Sales) ratio, 228

• S •

- S Corporations, 237
- salared employees, calculating payroll for, 133–134
- salaries, 43
- Salaries debit, 67
- salaries, unpaid, 189
- salary plus commission, 134
- sales
 - accounts, 256
 - allowances, tracking, 119–120
 - bad accounts, 122–123
 - cash intake, 103–107
 - on credit, 108–111
 - discounts, 114–117
 - managing, 69–70
 - monitoring, 112–126
 - problem solutions, 124–126
 - registers, monitoring, 112–114
 - returns, 118–119
 - calculating, 118–120
 - tracking, 119–120
 - tracking, 260
- Sales account, 31
- Sales Credit column, 64
- Sales Discounts account, 41, 114
- sales incentives programs, 118–119
- Sales Journal, 49, 60, 63, 69, 103
- Sales of Goods account, 41
- sales returns, 118
- Sales Returns account, 41
- sales tax, 238
- Sales Tax Collected account, 37, 103
- Sales Taxes Collected liability account, 238
- salvage value, 155
- savings accounts, 79, 82, 168
- Schedule K-1, 236
- Schedule SE (Self-Employment Tax), 235
- Scopes Manual, 146
- Secure gateway fee, 174
- Self-Employment Tax (Schedule SE), 235

semimonthly payroll, 129
 Services account, 41
 shipping charges, 154
 short-term debt, 163, 166–167
 simple interest, 161–162
 skimming, 87
 Social Security Administration, 130
 Social Security cap, 130
 Social Security taxes, 130, 141–143, 235, 243
 software fees, 175
 sole proprietors, 7, 235–236
 Sole Proprietorships, 233
 specific identification, 95
 state taxes, 12, 143
 Stock account, 12
 store credit, 108
 straight-line depreciation, 155
 subscriptions, 43
 summarize journals, 181
 sum-of-years-digits (SYD) method, 156
 supplies, 43
 SYD (sum-of-years-digits) method, 156

• T •

tangible assets, 12
 taxes
 business
 business types, 233–234
 corporations, 237–238
 LLCs, 236
 overview, 233–239
 partnerships, 236
 problem solutions, 239
 reporting, 235–238
 sales tax, 238
 sole proprietors, 235–236
 employer
 government reports, 141–148
 Medicare taxes, 141–143
 personnel records, 147
 problem solutions, 148
 social security taxes, 141–143

 unemployment, 143–145
 workman's compensation, 145–146
 Medicare, 141–143
 overview, 12
 social security, 141–143
 unemployment, 143–145
 telephone expenses, 44
 theft protection, 87–88
 three-ring binders, 85
 tips, 135
 total debt, 215
 transaction fees, 175
 transactions, 17, 24, 80
 travel expenses, 43
 trial balance, 14, 24, 30, 188, 241

• U •

unemployment taxes, 143–145
 units of production (UOP) method, 158
 U.S. Small Business Administration's Small
 Business Planner, 233
 utilities, 44

• V •

vehicles
 expenses, 44
 Long-term Asset accounts, 37
 vendor accounts, 244–245
 voucher checks, 80

• W •

W-4 form, 127
 W-5 form, 127
 wages
 Benefit wage formula, 189
 expenses, 43
 minimum wage requirement, 189
 unpaid, 189
 weekly payroll, 129
 workman's compensation, 145–146
 worksheets, 24

