


Bookkeeping for Agribusiness


Maine Farmers Market
Convention
- Basic QuickBooks
1/27/12

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Welcome and Introductions

- Where are you located?
- What kind of operation do you have?
- How do you do your bookkeeping currently?
- What do you need to know before leaving here today?



Why do bookkeeping?


- Tax time - Need to determine tax liability, based on income received and allowable deductions.
- Required to report income, but not deductions. Any deductions claimed must be reasonable, actual, allowable and documented.



Why do bookkeeping?

- **Financial management - How's the business doing?**
 - Which customers and types of business are the most profitable?
 - Fixed and variable expenses
 - Average amount of time for customer to pay
 - Inventory turns
 - Cash on hand

When decisions need to be made, do you have the information you need?



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Terminology

What is Bookkeeping?

- Recording of the value of assets, liabilities, income, and expenses for your business.

In other words:


- Keeping track of what is bought, sold, owned, and owned; how much money comes in and goes out, and what profit is left over.



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Basic Accounting concept

- **Chart of accounts**
 - The chart of accounts is a complete list of your business' accounts and their balances.
- **When you keep books for a company, you want to track:**
 - Where your income comes from
 - Where you put it
 - What your expenses are for
 - And what you use to pay them
- **You track this flow of money through the chart of accounts** Think of a chart of accounts as a file cabinet, with a file for each type of accounting information you want to track.




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Financial Reports

- **The profit and loss statement (income statement)**
 - A summary of the revenue, costs and expenses of a company during the accounting period.
- **Statement of cash flows**
 - Shows receipts and payments during a specific accounting period


Business entity type determines which reports are required at tax-time.



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Financial Reports

- **The balance sheet**
 - A snapshot of your company on one date. It shows:
 - What you own (assets), including what's owed to you (accounts receivable).
 - What your business owes (liabilities and accounts payable)
 - The net worth of your business (equity)



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Which accounting method?


Cash versus accrual

- **Cash basis**

Income is recorded when money from sales is received and expenses when bills are paid.
- **Accrual basis**

Income is recorded at the time of the sale and expenses when you receive the bill.


Note: When you create reports in QuickBooks, you can switch between cash and accrual reports at any time, regardless of which bookkeeping method you have chosen for tax purposes.



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Bookkeeping Recommendations

- Maintain a separate bank account for business - not required for sole prop
- Know what records are needed to support your tax filings
 - IRS Pub 583, Pub 225
- Anticipate tax liabilities -
 - Self-employment tax on profit
 - Income tax on profit
 - Sales tax, payroll taxes
- Track start-up expenses separately




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What are the options?

- Manual system - Ledgers, Dome, etc.
- Spreadsheet - Excel or similar
- Automated system - QuickBooks, Quicken and others
 - Mac or PC?
 - Desktop vs. Online- QB Online or hosted


<http://www.goflagship.com/articles/ckgen1.htm>



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What to consider

- Number and type of transactions
 - Inventory?
 - Payroll?
 - POS?
- Number and location of users, both internal and external
- Budget
- Who's going to do the work?
- How often is information needed?
 - Cash flow
 - Sales tax reporting
 - Seasonal impact
 - Decision-making




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Getting started with an automated system

Review your business processes and decide if they are appropriate both for your current way of doing business and for future growth.

Learn how the software can be a tool for enhancing your operation and use the functions that will work for you.

→ Do research and think about how you want to be operating.




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Getting started with QB

Information that you will want to have:


- Basic Company Information -Entity
- Customers/Vendors - how much information to maintain in QB;
- Products (and services?) to appear on invoices/sales receipts
- Chart of accounts: Income and expense accounts (categories)
- Bank statement if you already have one



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Getting started with an automated system

- Be prepared to deal with disruption and frustration if you are making changes to business processes.
- Make changes for the right reasons...yours. And keep in mind the benefits that you expect to attain.




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A couple of other things

What are you doing to protect valuable business information?
Loss, damage, theft

Q: What's the problem with just using the bank to check your balance? Do I need to go through my credit card and bank statement line by line?


A: **Reconciling accounts** is the only way to make sure your records and the bank's agree.



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Resources

IRS Pub 225: Farmer's Tax Guide
<http://forums.quickbooksusers.com/>
<http://www.goflagship.com/articles/>
http://community.intuit.com/start_and_grow/forums
<http://freshmanfarmer.com/category/financials>
<http://www.extension.iastate.edu/Publications/FM1824.pdf>




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Follow-up

Contact information for counseling and training:

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