

12TH ANNUAL

SedonaOffice[®] USERS CONFERENCE

MARCO ISLAND, FLORIDA
JANUARY 27 - 29, 2014



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NETWORK



ACHIEVE

General Ledger Auditing

Presented By:

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Overview

Technically speaking, this presentation is not about auditing so much as it is about month-end accounting. Auditing entails a great deal more than this short presentation could cover. However, when done properly, you are performing a mini-audit each month as you close out your books and prepare financial statements.

This presentation will describe the steps for doing your month-end accounting, including descriptions of the various “audit” procedures you will perform before closing the books and completing your financial statements.

The general steps are:

- Organize your month-end accounting binder
- Review and reconcile balance sheet accounts
- Make category adjustments as needed
- Review income statements and make adjustments as needed
- Prepare financial reports for presentation to management

Month-End Accounting Binder

Getting organized is a good first step for any project. For month-end accounting, setting up a binder that will hold your work papers is a good way to get started. A 1.5” three-ring binder usually works great for this purpose.

Your month-end accounting work papers should include the following items/sections:

- Month-End Accounting Checklist
- Trial Balance
- Journal Entries
- Reconciliations
- Financial Statements

Month-End Accounting Checklist

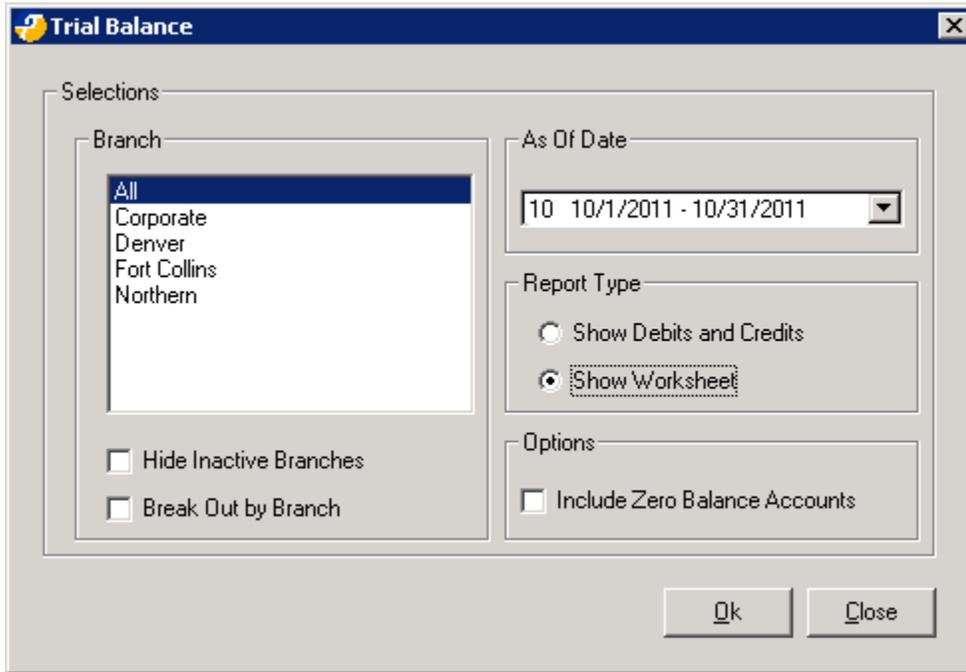
Here's a sample checklist of month-end accounting tasks.

Month-End Accounting Tasks				
No.	Task	Date Due	Date Done	By
1	Book payroll payments	When Paid		
2	Close service / inspection tickets	EOM		
3	Change prior period to Re-Open and select current period	4th		
4	Close jobs (including re-opened jobs)	5th		
5	Review job reports	7th		
6	Complete job accrual worksheet	9th		
7	Book job accrual	9th		
8	Reconcile cash accounts to bank statements	9th		
9	Reconcile vendor accounts to statements	9th		
10	Prepare payroll spreadsheets	10th		
11	Book payroll entries, including accrual	10th		
12	Reconcile AR accounts	12th		
13	Reconcile inventory	12th		
14	Reclass PPV	12th		
15	Reconcile job WIP & deferred revenue	12th		
16	Reconcile service WIP	12th		
17	Reconcile AP	12th		
18	Reconcile PO receipts	12th		
19	Reconcile sales tax payable	12th		
20	Recognize & reconcile deferred recurring revenue	12th		
21	Reclass deferred labor	12th		
22	Update depreciation schedule	5th		
23	Book depreciation & amortization	12th		
24	Accrue interest & other expenses	13th		
25	Reconcile other balance sheet accounts	13th		
26	Review inc stmt by cat & make reclasses as necessary	14th		
27	Review income stmt & make adjustments as necessary	14th		
28	Prepare financial statements	15th		

Trial Balance

The next item to include in your month-end accounting binder will be a trial balance of your balance sheet accounts.

In SedonaOffice, print the Working Trial Balance:



January 10, 2012
 3:23 PM

Working Trial Balance
 as of 9/30/2011

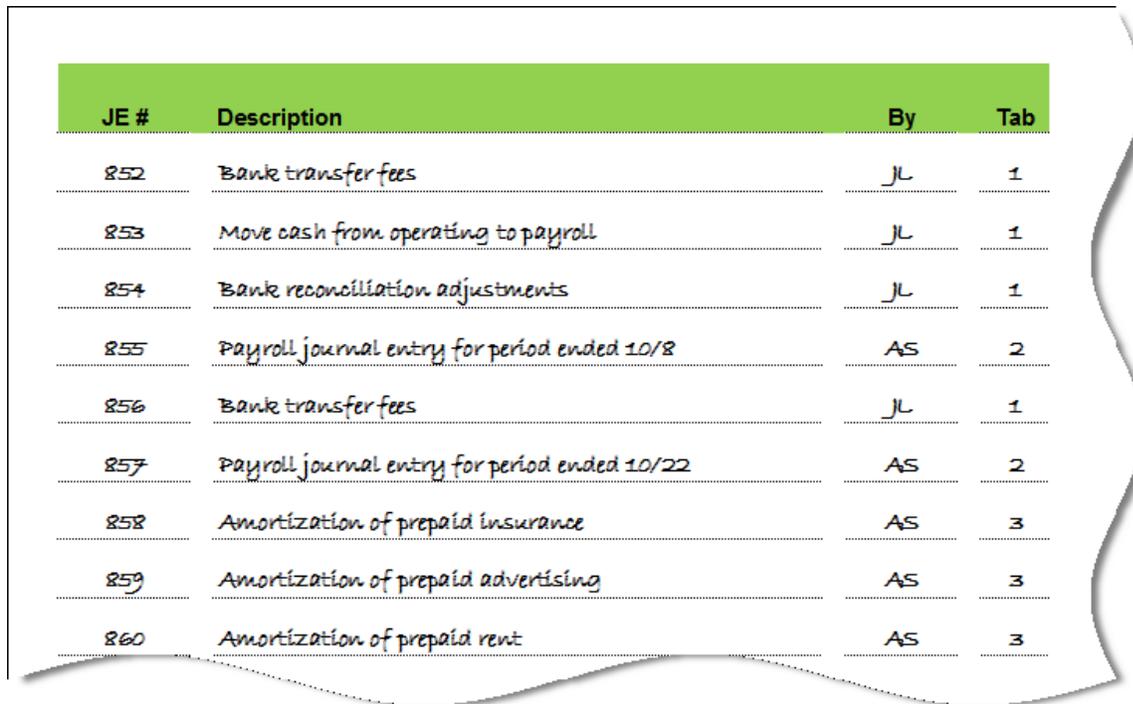
Page # 1

Account	Description	Beginning Balance as of 09/01/2011	Debit	Credit	Ending Balance as of 09/30/2011	Adjust Debit	Adjust Credit	Adjust Balance
100200	Cash-Operating	(40,727.72)	248,518.80	197,964.88	9,826.20			
100300	Cash-Payroll	47,901.42	38,000.00	77,151.67	8,749.75			
100400	Cash-Savings	177.39	1,000.00	0.00	1,177.39			
100450	Petty Cash	1,652.90	32.45	0.00	1,685.35			
100990	Undeposited Funds	0.00	243,155.95	243,155.95	0.00			
110110	Accounts Receivable	505,101.26	86,089.43	230,430.72	360,759.97			
110210	Allowance for Bad Debt	(26,810.97)	0.00	508.91	(27,319.88)			
120000	Inventory	68,202.98	111,471.55	25,412.02	154,262.51			
122100	WIP - Job Parts	124,946.22	(16,000.00)	69,919.93	39,026.29			
122120	WIP - Job Labor	92,220.60	(18,500.00)	48,086.03	25,634.57			
122130	WIP - Job Material	16,766.14	(8,000.00)		8,766.14			
		3,928.87						

Journal Entries

The third section of your binder is where you will file all of the journal entries made during the month, including those made prior to starting your month-end accounting process.

The first page(s) of the section will be a hand-written list of all the journal entries. You will fill-in each journal entry as they are completed.



JE #	Description	By	Tab
852	Bank transfer fees	JL	1
853	Move cash from operating to payroll	JL	1
854	Bank reconciliation adjustments	JL	1
855	Payroll journal entry for period ended 10/8	AS	2
856	Bank transfer fees	JL	1
857	Payroll journal entry for period ended 10/22	AS	2
858	Amortization of prepaid insurance	AS	3
859	Amortization of prepaid advertising	AS	3
860	Amortization of prepaid rent	AS	3

If you are a true, organized bean-counter at heart, you will file the journal entries in a set of numbered tabs that will make it ever so easy for auditors to locate any entry they wish to scrutinize.

Account Reconciliations

Supporting documentation for all of your account reconciliations will be filed in the fourth section of your accounting work papers binder. This starts with the bank reconciliations and proceeds in balance sheet order.

Account Reconciliations	
Tab	Description
1	Bank Accounts
2	Accounts Receivable
3	Inventory and WIP
4	Prepays and Other Current Assets
5	Fixed Assets
6	Other Assets
7	Short-Term Notes
8	Accounts Payable
9	Payroll Liabilities
10	Accrued Expenses
11	Deferred Revenue
12	Commissions Payable
13	Other Current Liabilities
14	Long-Term Debt
15	Due to Related Parties and Equity

You might find it helpful to create a spreadsheet of the accounts you reconcile every month to compare GL balance to subledgers. Here's an example:

EOM Account Reconciliation Summary						
Company: XXXXXX						
Month: xx/xx/2014						
Account	Description	GL	Subledger	P&L Effect	% of Subledger	Comments
ASSETS						
100990	Undeposited funds	385.00	-	(385.00)	100.00%	
110110	Accounts Receivable*	293,867.35	293,867.35	-	0.00%	
110350	A/R Clearing	1,748.00	648.00	(1,100.00)	-169.75%	Need to reclassify payment to Morrison
120000	Inventory*	119,250.15	117,558.15	(1,692.00)	-1.44%	
120900	PPV	-	-	-	0.00%	
122100	WIP - Job Parts*	50,725.25	50,725.25	-	0.00%	
122120	WIP - Job Labor*	38,558.00	38,558.00	-	0.00%	
122140	WIP - Job Other*	11,955.00	13,325.00	1,370.00	10.28%	AP bills not coded to WIP expense type
122210	WIP - Svc Parts*	1,245.70	1,245.70	-	0.00%	
122220	WIP - Svc Labor*	6,524.50	6,524.50	-	0.00%	
122240	WIP - Svc Other*	558.61	558.61	-	0.00%	
130111	Prepaid insurance	21,458.45	21,458.45	-	0.00%	
132111	Employee advances	2,258.00	2,258.00	-	0.00%	
140100	Prepay to AP	676.50	767.50	91.00	11.86%	
LIABILITIES						
210100	Accounts Payable*	156,420.31	156,420.31	-	0.00%	
210310	Open Receipts*	13,558.66	11,588.51	1,970.15	17.00%	Unreconciled balance from 2012
220000	Accrued Payroll	44,125.00	44,125.00	-	0.00%	
220100	Net Wages Payable	-	-	-	0.00%	
230120	Accrued interest	2,322.00	2,322.00	-	0.00%	
240110	Prepay to AR	1,676.00	1,676.00	-	0.00%	
240120	Customer Refunds	-	-	-	0.00%	
240210	Unapplied Credit*	12,455.18	12,455.18	-	0.00%	
240220	Unapplied Cash*	34,558.72	34,558.70	0.02	0.00%	
244110	Advance Job Deposits*	2,500.00	2,500.00	-	0.00%	
244120	Deferred Job Revenues*	81,855.45	81,855.45	-	0.00%	
244500	Deferred Revenues*	210,841.42	210,841.42	-	0.00%	
248100	Deferred commissions	16,553.00	17,458.50	(905.50)	-5.19%	
250110	Sales Tax Payable*	6,588.00	6,588.00	-	0.00%	
	Net P&L effect			(651.33)		
* Supported by SedonaOffice subledger report						

You may or may not book every adjustment. Either way, the spreadsheet provides a nice summary of the differences between GL and subledger reports along with any comments you may have.

Financial Statements

The financial statements are the end product of all your month-end accounting work. Might as well print them and put a copy in the binder.

Financial Statements	
Tab	Description
A	Balance Sheet
B	Cash Flow Statement
C	Consolidated Income Statement
D	Contribution Margin Statements
E	Branch Statements
F	Department Statements

Question to the obsessive organizer: Do you go with pre-numbered or pre-lettered tabs for this section?



Balance Sheet Account Reconciliations

A major aspect of auditing involves verifying the accuracy of your balance sheet accounts. The reason is that if your beginning and ending balance sheet accounts are accurate, then net income for the period **must** be accurate. So, reconcile the balance sheet numbers and, magically, your net income is correct.

Note that the term used above is “net income”, not “income statement”. The fact about whether or not your revenues and expenses are booked correctly in your GL accounts, branches and categories is a wholly different matter. The accuracy of your income statement relies heavily on how you’ve set up SedonaOffice and the quality of your internal processes. We’ll look more closely at the income statement in a later section of this presentation.

Below we will illustrate how to reconcile some of the key balance sheet accounts.

Bank Accounts

Use the bank reconciliation tool in SedonaOffice to reconcile each of your bank accounts. This task should be at the top of your list in your month-end accounting process.

Date	Type	Check No.	Amount
<input checked="" type="checkbox"/> 5/13/2011	BILLPYMT	0	F
<input checked="" type="checkbox"/> 1/31/2011	BILLPYMT	0	v
<input checked="" type="checkbox"/> 2/15/2011	BILLPYMT	0	v
<input checked="" type="checkbox"/> 1/11/2011	BILLPYMT	0	*
<input checked="" type="checkbox"/> 3/30/2011	BILLPYMT	0	A
<input checked="" type="checkbox"/> 12/30/2010	BILLPYMT	25644	L
<input checked="" type="checkbox"/> 12/30/2010	BILLPYMT	26205	T
<input checked="" type="checkbox"/> 12/30/2010	BILLPYMT	26759	F
<input checked="" type="checkbox"/> 12/30/2010	BILLPYMT	26925	S
<input checked="" type="checkbox"/> 12/30/2010	BILLPYMT	26987	S

Accounts Receivable

Transactions with customers are recorded in SedonaOffice in four GL control accounts.

- Accounts Receivable Account – Customer invoices (including sales taxes) are posted to this GL account.
- Unapplied Credit Account – Customer credit memos are posted to this GL account. Credit memos do not lower the Accounts Receivable GL Account until they are applied to an invoice.
- Unapplied Cash Account – Amounts received from customers that are not applied immediately to an invoice are posted to this account. Unapplied cash does not lower the Accounts Receivable GL Account until they are applied to an invoice.
- Advanced Deposit Account – Amounts received from customers specifically for an Advance Deposit on a Job are posted to this account. Advance Deposits do not lower the Accounts Receivable GL Account until they are applied to an invoice.

AR Retro Aging Report

The AR Retroactive Aging Report shows the open items related to each of the four accounts as of the end of an accounting month. The GL account balances should match the respective totals shown on the report.

Customer		Future	Current	1-30 days	31-60 days	61-90 days	91-120 days	over 120	Total	Unapplied Credits	Unapplied Cash	Advance Deposit	Net Due
10428		1,146.04	0.00	0.00	0.00	0.00	0.00	1,126.34	1,126.34	0.00	0.00	0.00	1,126.34
10908		97.36	0.00	0.00	0.00	97.36	0.00	0.00	97.36	0.00	0.00	0.00	97.36
10909		97.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10910		32.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10911		33.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10912		140.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		<u>253,135.80</u>	<u>85,957.41</u>	<u>79,747.67</u>	<u>68,805.92</u>	<u>52,039.58</u>	<u>31,177.74</u>	<u>43,031.65</u>	<u>360,759.97</u>	<u>13.50</u>	<u>19,193.54</u>	<u>1,500.00</u>	<u>340,052.93</u>

The Accounts Receivable account is an asset:

January 10, 2012
 10:32 PM

Working Trial Balance
 as of 9/30/2011

<u>Account</u>	<u>Description</u>	<u>Beginning Balance as of 09/01/2011</u>	<u>Debit</u>	<u>Credit</u>	<u>Ending Balance as of 09/30/2011</u>	<u>Adjust Debit</u>
100200	Cash-Operating	(40,727.72)	248,518.80	197,964.88	9,826.20	
100300	Cash-Payroll	47,901.42	38,000.00	77,151.67	8,749.75	
100400	Cash-Savings	177.39	1,000.00	0.00	1,177.39	
100450	Petty Cash	1,652.90	32.45	0.00	1,685.35	
100990	Undeposited Funds	0.00	244,655.95	243,155.95	1,500.00	
110110	Accounts Receivable	505,101.26	86,089.43	230,430.72	360,759.97	
110210	Allowance for Bad Debt	(26,810.97)	0.00	508.91	(27,319.88)	
120000	Inventory	68,202.98	111,471.55	25,412.02	154,262.51	
122100	WIP - Job Parts	124,946.22	(16,000.00)	69,919.93	39,026.29	
122200	WIP - Job Labor	92,220.60		48,086.03	25,634.57	
					4,467.88	

Unapplied Cash, Unapplied Credits and Advance Job Deposits are liabilities:

January 10, 2012
 9:44 PM

Working Trial Balance
 as of 9/30/2011

<u>Account</u>	<u>Description</u>	<u>Beginning Balance as of 09/01/2011</u>	<u>Debit</u>	<u>Credit</u>	<u>Ending Balance as of 09/30/2011</u>	<u>Adjust Debit</u>
240110	Unapplied Cash	(2,117.87)	(437.28)	16,638.39	(19,193.54)	
240120	Unapplied Credit	(13.50)	369.86	369.86	(13.50)	
241100	Advance Job Deposits	0.00	0.00	1,500.00	(1,500.00)	

AR Audit Summary Report

The AR Audit Summary Report provides a full accounting of the AR account for a specific month:

January 10, 2012 3:28 PM		Audit Summary September 2011		Page# 1
<i>Accounts Receivable Audit Summary</i>				
Beginning AR Balance	505,101.26	General Ledger AR Beginning Balance		
+ New Invoices	86,089.43	Total Invoices Created		
- Payments Applied to AR	226,517.56	Total Payments applied to Accounts Receivable		
- Unapplied Cash to AR	87.12	Total Unapplied Cash applied to Accounts Receivable		
- Advanced Deposit to AR	0.00	Total Advanced Deposits applied to Accounts Receivable		
- Unapplied Credits to AR	369.86	Total Unapplied Credits applied to Accounts Receivable		
- Pre-payments to AR	0.00	Total Pre-Payments applied to Accounts Receivable		
- Credit Off AR	3,456.18	Total Auto Credits applied to Accounts Receivable		
= Ending Balance	<u>360,759.97</u>	Ending AR Balance per Reconciliation		
Book Balance (GL)	<u>360,759.97</u>	General Ledger AR Ending Balance		
Variance	<u>0.00</u>	Variance between Reconciliation and GL Balance		

- New Invoices – This includes all new Invoices created in the accounting period.
- Payments Applied – This includes all payments applied to Invoices in the accounting period.
- Unapplied Cash – This includes all Unapplied Cash transactions applied to Invoices in the accounting period.
- Advanced Deposits – This includes all the Advanced Deposits transactions applied to Invoices in the accounting period.
- Unapplied Credits – This includes all the Unapplied Credits transactions applied to Invoices in the accounting period.
- Pre-Payments – This includes all the Pre-Paid invoices from previous accounting periods applied to Invoices in the accounting period.
- Credit Off AR – This includes all the Credit Off Invoice transactions applied to Invoices in the accounting period.

The Ending Balance on the AR Audit Summary Report is the Beginning Balance plus/minus the monthly activity described above. This balance should match the Ending Balance on the Trial Balance shown on the previous page.

If a variance exists between the two reports then most likely it was caused by a manual Journal Entry being applied to one of the four AR control accounts. You can try to find the entry by sorting the Account Register by transaction Type.

Account Register

Account Code: 110110 *Accounts Receivable* Branch: []

From Date: 9/1/2011 Reg Type: []

Thru Date: 9/30/2011 []

Reg No.	Date	Type	Reference	Name	Branch	Amount
	9/1/2011			** Beginning Balance **		
17154	9/29/2011	CINV	302506		Denver	-3,456.18
15238	9/2/2011	CREDIT	32		Denver	-53.96
15240	9/2/2011	CREDIT	33		Denver	-54.90
15242	9/2/2011	CREDIT	34		Denver	-54.90
15244	9/2/2011	CREDIT	35		Denver	-54.90
15246	9/2/2011	CREDIT	36		Denver	-54.90
16721	9/23/2011	CREDIT	37		Denver	-96.30
15092	9/1/2011	INV	303040		Denver	383.84
15124	9/1/2011	INV	303041		Denver	600.65
15152	9/1/2011	INV	303042		Denver	95.27
15184	9/1/2011	INV	303043		Denver	94.00

NOTE: If you are unable to determine the cause for the variance you should contact the SedonaOffice support department.

Inventory

Use the Stock Summary report to verify and reconcile the Inventory GL balance.

Stock Summary **Corporation Sandbox**

As of: 12/31/2011
 All Warehouses
 All Product Lines

Branch	Warehouse	Product Line	Value
Denver			226,379.16
			226,379.16

Work in Progress

Job WIP and Unearned Billings

If you have set up SedonaOffice to use WIP with jobs, the Job Cost Summary report will show the WIP balances for Parts, Labor, Overhead, Commissions and Other at the end of an accounting month. The GL balances for each of the WIP accounts should match the respective report balance.

Job Cost Summary											Security Inc	
All Active Branches Addon - Access, Addon-AV, Addon-Burg, Addon-CCTV, Addon-Fire, Contract Chg, Inst-Access, Inst-AV, Inst-Burg, Inst-CCTV, Inst-Fire, Prewire, Reconnect, Takeover All Salespersons All Active Install Companies All Installers All Open Jobs as of 12/31/2011												
Job	Site/Customer	Sold	Billed	Parts	Hours	Labor	Overhead	Other	Commission	Cost	Net	%
Report Totals			Billed	Parts	Hours	Labor	Overhead	Other	Commission	Cost	Net	%
Budget/Estimate			6,895.00	2,229.00	36.00	1,550.00	0.00	0.00	800.00	4,579.00	2,116.00	31.6%
Actual as of 12/31/11			2,930.00	0.00	50.00	0.00	0.00	17.10	0.00	17.10	2,912.90	99.4%
WIP				1,620.99		2,500.00	0.00	540.00	800.00	5,460.99	(2,530.99)	-86.4%
Total				1,620.99		2,500.00	0.00	557.10	800.00	5,478.09	(2,548.09)	-87.0%
Current			4,905.00	0.00	50.00	0.00	0.00	17.10	0.00	17.10	4,887.90	99.7%

The same report will show the balance of Deferred Job Revenues at the end of an accounting month. The GL balance for this account should match the report balance.

Job Cost Summary											Security Inc	
All Active Branches Addon - Access, Addon-AV, Addon-Burg, Addon-CCTV, Addon-Fire, Contract Chg, Inst-Access, Inst-AV, Inst-Burg, Inst-CCTV, Inst-Fire, Prewire, Reconnect, Takeover All Salespersons All Active Install Companies All Installers All Open Jobs as of 12/31/2011												
Job	Site/Customer	Sold	Billed	Parts	Hours	Labor	Overhead	Other	Commission	Cost	Net	%
Report Totals			Billed	Parts	Hours	Labor	Overhead	Other	Commission	Cost	Net	%
Budget/Estimate			6,895.00	2,229.00	36.00	1,550.00	0.00	0.00	800.00	4,579.00	2,116.00	31.6%
Actual as of 12/31/11			2,930.00	0.00	50.00	0.00	0.00	17.10	0.00	17.10	2,912.90	99.4%
WIP				1,620.99		2,500.00	0.00	540.00	800.00	5,460.99	(2,530.99)	-86.4%
Total				1,620.99		2,500.00	0.00	557.10	800.00	5,478.09	(2,548.09)	-87.0%
Current			4,905.00	0.00	50.00	0.00	0.00	17.10	0.00	17.10	4,887.90	99.7%

Service

If you have set up SedonaOffice to use WIP with service tickets, the Open Service Ticket Cost Report will show WIP balances for Materials and Labor. The GL balances for each of the WIP accounts should match the respective report balance.

Open Service Ticket Cost Report				Corporation Sandbox							
All Open Tickets as of 9/30/2011											
		Totals			Materials		Labor		Other		
		Est Income	VMP	PCT Hours	Est Income	VMP	Est Income	VMP	Est Income	VMP	
Grand Total:	Tickets: 317	48,235.91	20,392.77	57.72%	591.25	13,416.31	2,429.83	33,166.20	17,962.94	1,653.40	0.00

Selected Tickets and Inspections - ALL

Accounts Payable

The AP Retroactive Aging Report shows open AP items at the end of an accounting month. The GL balance of Account Payable should match the total Net Due amount on this report.

AP Retroactive Aging (Summary)						Corporation Final		
All Active Branches								
As of 9/30/2011								
Vendor	Current	1-30 days	31-60 days	60-90 days	over 90 days	Total	Credits	Net Due
	556.80	0.00	0.00	0.00	0.00	556.80	0.00	556.80
	940.38	0.00	0.00	0.00	0.00	940.38	0.00	940.38
	0.00	13,407.63	0.00	0.00	0.00	13,407.63	0.00	13,407.63
	0.00	13.86	0.00	0.00	0.00	13.86	0.00	13.86
	511.59	0.00	0.00	0.00	0.00	511.59	0.00	511.59
	998.88	0.00	0.00	0.00	0.00	998.88	0.00	998.88
	1,904.75	14,693.44	0.00	0.00	0.00	16,598.20	0.00	16,598.20
	700.90	0.00	0.00	0.00	0.00	700.90	0.00	700.90
	60,092.86	40,641.93	1,005.00	840.00	116,021.71	218,601.50	2,176.48	216,425.02

If the GL balance does not match the report, the variance is probably due to one or more manual journal entries that have been posted to the General Ledger's AP account. You can use the Account Register to search for transactions types that should not be in the AP account.

NOTE: If you are unable to determine the cause for the variance you should contact the SedonaOffice support department.

The formula underlying Accounts Payable is:

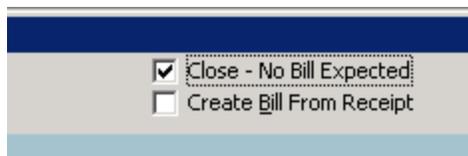
- Beginning Balance
- Add: New Bills
- Less: Credits
- Less: Payments made to AP
- Less: Discounts Taken
- Add: Previous Period Voids
- Equals: Ending Balance

Open Receipts

The Open Receipts Report shows open receipts of purchase order items as of the end of an accounting month. The GL balance of Open Receipts should match the Total amount on this report.

Open Receipts by Vendor						Corporation Sandbox		
As of 5/31/2011								
Receipt #	Date	Order #	Ordered	ReceivedBy	Warehouse	Received	Expense	Total
ADI								
	05/10/2011	20255	05/06/2011	Julie	Main	319.99		319.99
	05/11/2011			Julie	Main	(74.99)		(74.99)
						<u>245.00</u>	<u>0.00</u>	<u>245.00</u>
Alarmax Distributors, Inc.								
	02/23/2011	20125	02/16/2011	Julie	Main	284.85		284.85
						<u>284.85</u>	<u>0.00</u>	<u>284.85</u>
Bosch								
	02/16/2011	20122	02/16/2011	Julie	Main			0.00
	02/28/2011	20073	01/28/2011	Julie	Main			0.00
	05/31/2011	2540443 [R.O.]	05/25/2011	Julie	Main			0.00
						<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
						<u>529.85</u>	<u>0.00</u>	<u>529.85</u>

It's not uncommon for this report to show old items that are no longer valid. This occurs if AP bills are entered without matching to an Open Receipt. These old items can be purged from the report by opening the item and choosing the checkbox labeled Close - No Bill Expected.



Sales Taxes Payable

The Tax Agency Summary Report shows your tax liability at the end of an accounting month. Assuming that you pay sales taxes monthly, the GL balance of Sales Taxes Payable should match the total Tax/Credit Amount on this report.

January 2, 2012 5:15 PM		Tax Agency Summary						
		All Branches						
		Sales between 11/1/2011 - 11/30/2011						
		All Payment dates						
<u>Tax Agency</u>	<u>Tax Table</u>	<u>Tax Rate</u>	<u>Item Type</u>	<u>Taxable Sale</u>	<u>Tax/Credit Amount</u>	<u>Exempt Sales</u>	<u>Total Sale</u>	<u>Check</u>
			RI	1,526.69	106.86	7,091.29	8,617.98	
			RL	77,289.34	5,410.24	9,235.88	86,525.22	
			RM	16,430.94	1,149.99	18,435.38	34,866.32	
			RW	2,099.79	146.98	139.77	2,239.56	
			TX	0.00	0.00	-3.15	-3.15	
				136,124.09	9,528.53	55,543.09	191,667.18	
				137,422.50	9,632.40	55,543.09	192,965.59	

Deferred Commissions Payable

The Deferred Commissions Payable GL account is credited as commissions are entered into jobs. Here is an example entry:

Date	GL Account	Account Name	Debit	Credit
7/15/12	122130	WIP - Job Commissions	300.00	
7/15/12	242300	Deferred Commissions Payable		300.00

The account is debited as payments are made to your sales reps.

Date	GL Account	Account Name	Debit	Credit
7/15/12	242300	Deferred Commissions Payable	150.00	
7/15/12	100300	Cash - Payroll		150.00

The detail supporting the GL balance at any point in time (i.e. amounts due to sales reps) must be tracked outside of SedonaOffice.

Deferred Revenue

The Deferred Revenue Summary Audit report shows beginning balance, activity and ending balance of deferred revenue for an accounting month. The GL balance of Deferred Revenue should match the Ending Balance amount on this report.

Deferred Revenue Summary Audit		Corporation Sandbox			
All Active Branches September 2011					
Branch	Account	Beginning Balance	New Deferred Revenue Posted	Deferred Revenue	Ending Balance
Denver	420330	5,268.32	0.00	4,631.06	637.26
	420340	18,244.53	0.00	7,010.07	11,234.46
	430110	50,074.33	13,244.33	50,140.95	13,177.71
	480110	107,604.75	0.00	106,354.17	1,250.58
		181,191.93	13,244.33	168,136.25	26,300.01
		181,191.93	13,244.33	168,136.25	26,300.01

Additions to Deferred Revenue can be found in the Deferred Income Creation report:

Deferred Income Creation			Corporation Sandbox
All Active Branches September 2011			
Date	Ref #	Customer	New Deferred Income
430110			
9/2/2011	303046 C	10264 -	(50.43)
9/2/2011	303047 C	10264 -	(51.31)
9/2/2011	303048 C	10264 -	(51.31)
9/2/2011	303049 C	10264 -	(51.31)
9/2/2011	303050 C	10264 -	(51.31)
9/30/2011	303022	10828 -	13,500.00
			13,244.33
			13,244.33

Reductions to Deferred Revenue can be found in the Deferred Income Recognition report:

Deferred Income Recognition			Corporation Sandbox		
All Branches September 2011 (posted)					
Date	Ref #	Customer	Description	Account	Amount
9/2/2011	303049	10264 -	Security Services	430110	(51.31)
9/2/2011	303050	10264 -	Security Services	430110	(51.31)
					168,136.25

Prepaid AP

The Prepaid AP account is an asset account that represents Vendors payments dated prior to when the AP bills are dated.

In the example below, an AP bill had been entered on 10/1/11. The payment of \$1,212.90 was made in September. On 9/30/11, the GL account showed a balance of \$1,212.90. The payment was automatically applied to the bill on 10/1/11 and the balance in the account became \$0.00.

Reg No.	Date	Type	Reference	Name	Branch	Amount	Balance
	9/30/2011			** Beginning Balance **			1,212.90
16700	10/1/2011	BILLPYMT	oct 11	Banner Life	Denver	-1,212.90	0.00

Prepaid AR

The Prepaid AR account is a liability account that represents Customer payments received prior to when the AR invoices are dated.

In the example below, a customer invoice had been created on 10/1/11. The customer payment of \$524.40 was received in September. On 9/30/11, the GL account showed a balance of \$524.40. The payment was automatically applied to the invoice on 10/1/11 and the balance in the account became \$0.00.

Reg No.	Date	Type	Reference	Name	Branch	Amount	Balance
	9/30/2011			** Beginning Balance **			524.40
17153	10/1/2011	UNAP	39	Hop	Denver	-524.40	0.00

Zero-Balance Accounts

There are a number of balance sheet GL accounts used in SedonaOffice that should have a \$0 balance at the end of each month. These include:

- Undeposited Funds
- Purchase Price Variance (a journal entry is required to clear this account)
- Credit Cards
- Deferred Labor (a journal entry is required to clear this account)

Other Assets and Liabilities

This presentation has focused on some of the key balance sheet GL accounts that should be reconciled to supporting detail each month. There are many other accounts that may need your attention on a monthly, quarterly or annual basis, such as:

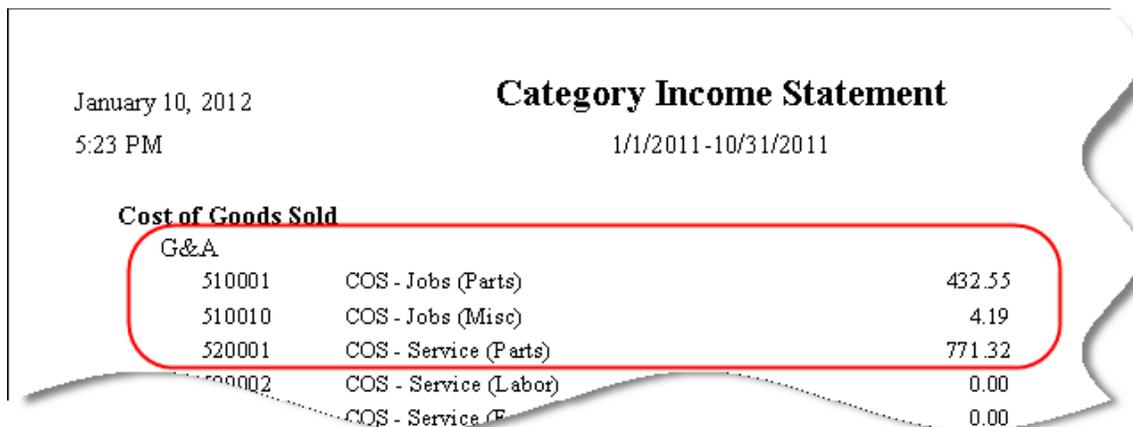
- Prepaid Expenses
- Fixed Assets and Accumulated Depreciation
- Other Assets
- Payroll Liabilities
- Accrued Expenses
- Notes Payable
- Other Liabilities
- Equity Accounts

Income Statement Review

After all the key balance sheet accounts have been reconciled as part of your month-end accounting process, it's time to move to the income statement.

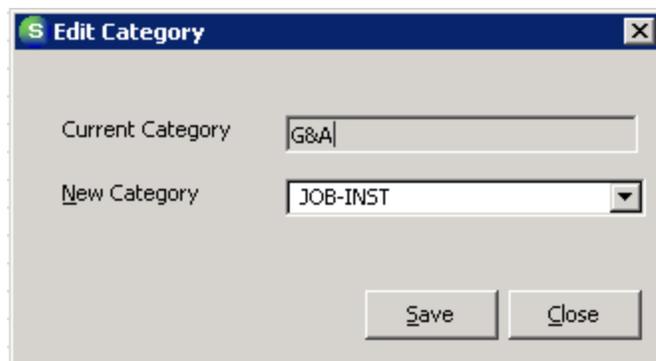
Category Income Statement

Print and review the Category Income Statement. Use this report to identify entries that have been made to the wrong GL or Category. These entries usually stick out like a sore thumb. In this example, it's clear that Cost of Sales entries for jobs and service should not have been booked to the G&A category.



January 10, 2012		Category Income Statement	
5:23 PM		1/1/2011-10/31/2011	
Cost of Goods Sold			
G&A			
510001	COS - Jobs (Parts)		432.55
510010	COS - Jobs (Misc)		4.19
520001	COS - Service (Parts)		771.32
520002	COS - Service (Labor)		0.00
	COS - Service (P)		0.00

Category corrections can sometimes be made by locating an entry in the Account Register and using Edit Category:



Edit Category

Current Category:

New Category:

If many entries need to be changed, it may be faster to create a journal entry to move amounts from one category to another.

Department Expenses

A month to month Department Expenses report helps to identify transactions that have been booked to the wrong account. In this example, the report has been printed for the Installation Department.

ABC Alarm
Installation Department Expenses
September 2011

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
610630 Communications - Mobile Phones	155	123	207	154	458
610750 Computer - Parts & Supplies	0	0	0	0	0
610920 Credit Card & ACH Fees	0	0	42	0	0
620120 Discounts Given	0	0	0	0	0
620150 Dues & Subscriptions	0	0	0	0	0
620320 Education & Training	0	480	0	0	2,775
620414 Employee - Insurance (Health)	2,970	1,928	1,983	2,337	3,064
620430 Employee - Payroll Taxes	3,022	2,741	2,241	3,394	3,208
620452 Employee - Wages	35,401	32,365	26,282	38,322	36,225
620453 Employee - Workers Comp	591		591	591	591
620454 Employee - Unemp. Ins.					
620455 Repairs & Maint				0	0

Note: The Department Expenses report shown here was created in MS Excel.

Budget Comparisons

Actual vs. Budget financial statements provide another opportunity to find entries that have been coded incorrectly.

ABC Alarm Company
Consolidated Statement of Operations
March 2011

	MTD				YTD				Prior YTD	
	Actual	%	Budget	%	Actual	%	Budget	%	Actual	%
Revenues:										
Installations:										
Commercial Installations	150,000	17.1%	138,000	15.5%	500,000	18.3%	475,000	17.4%	351,634	14.2%
Residential Installations	40,000	4.6%	42,000	4.7%	130,000	4.8%	145,000	5.3%	141,396	5.7%
Other	25	0.0%	0	0.0%			0	0.0%	625	0.0%
Total	190,025	4.1%	180,000	4.1%	630,000	4.1%	620,000	4.1%	493,655	3.9%

Note: The Actual vs. Budget financial statement shown here was created in MS Excel.

Final Word

While accounting requires some specific knowledge and a little experience, you don't need to be an auditor to do month-end accounting and create accurate and timely financial statements in SedonaOffice. SedonaOffice helps you by providing many useful reports and tools to ease the process.

Take it step by step:

- Organize your month-end accounting binder
- Review and reconcile balance sheet accounts
- Make category adjustments as needed
- Review income statements and make adjustments as needed
- Complete the financial statements and management report binder

All you need is a 3-ring binder, a few pre-numbered store brand tabs and a little resolve.

Good luck!