

# **64b - Business: Taxes and Bookkeeping**

***“Before we can get control of our finances, we must get control of our attitudes about money, feelings that were shaped by our earliest experiences with it. Opening ourselves to abundance—not only of the pocketbook but also of the heart—is what’s necessary for true balance and freedom.”***

**Suze Orman, author of  
*The 9 Steps to Financial Freedom***



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# Business Records Archive

## Document

General correspondence

Bank Statements

Cash receipts

Cancelled checks

Year-end financial statements

Employee contracts

Vendor contracts

Licenses and permits

Insurance claims

Tax returns

## Retention

5 years

7 years

7 years

7 years for most

(but keep cancelled checks of  
major purchases indefinitely)

Indefinitely

Indefinitely

Indefinitely

Indefinitely

Indefinitely

Indefinitely



Fig. 14.1



# Record Keeping Tips



- ❖ Keep all business-related receipts.
- ❖ Pay bills when they're due—unless you receive a discount for early payment.
- ❖ Have a separate business checking account.
- ❖ Keep financial records according to guidelines.
- ❖ Keep lists of inventory, equipment and furniture.

# Record Keeping Tips (cont'd)

- ❖ Maintain thorough and professional client files.
- ❖ Make cash flow projections.
- ❖ Keep automobile mileage logs.
- ❖ Maintain daily records: appointment book, cash expenses, activity tracking sheets.
- ❖ Balance your checkbook regularly.



Fig. 14.1

# Accounting Definitions 1



**Assets:** The total resources (current, fixed or other) of the sole practitioner or business—tangible and intangible. Assets may include cash in the bank, inventory, equipment, goodwill, accounts receivable and equipment.

**Liabilities:** Current and long-term debts of the practitioner or business. Liabilities may include accounts payable, long-term debts, (e.g., a car loan), payroll taxes and credit card balances.

**Capital:** It's the net worth of a business—the difference between the assets and the liabilities.

**Accounts Receivable:** The amounts owed to you by another person or business.

**Accounts Payable:** The amounts you owe another person or business.

# Gift Certificate Register

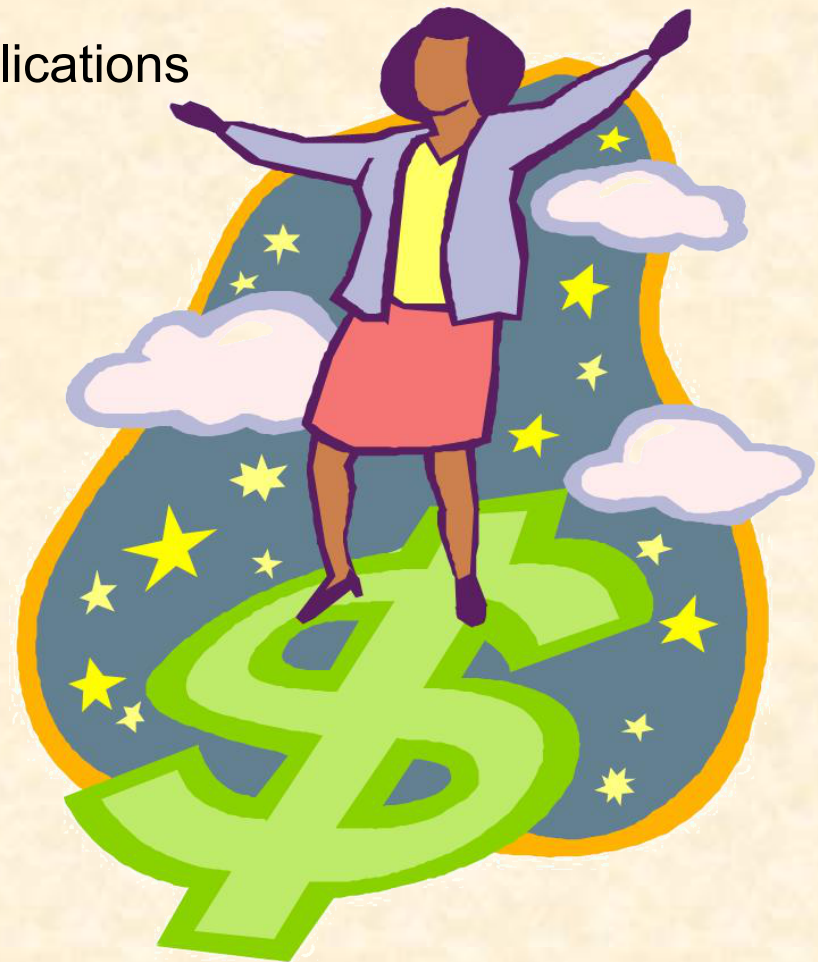
Date Sold	Amount Paid	Purchased By	Phone #	Issued To	Phone #	Services	Products	\$ Amt.	Date Redeemed
10/12	\$45	S. Smith	555-1111	P. Jones	555-2222	5 Yoga Classes			
10/14	\$60	T. Silver	555.1234	???		1-hr. massage			
10/15	\$75	I. Gold	555-5555	J. Dowd	555-3333			\$75	





# Common Fully Deductible Business Expenses

- Bank Service Charges
- Business Books and Trade Publications
- Business Insurance
- Credit Card Fees
- Dues
- Education
- Furnishings, Decorations & Equipment
- Interest on Business Debt
- Insurance
- Inventory Cost of Goods
- Linen Service



# Common Fully Deductible Business Expenses (cont'd)

- Maintenance and Repairs
- Marketing
- Office Supplies
- Online Fees
- Postage
- Printing and Copying
- Professional Fees
- Rent
- Sales and Excise Tax
- Samples
- Telephone & Utilities



Fig. 14.5

# Common Estimated Initial Business Expenses

Numbers below represent one example of expenses. Yours may be much less or more, depending on your business plans

Opening Business Checking Account	\$100
Telephone Installation/Activation	\$200
Equipment	\$1,500
First & Last Month's Rent & Security Deposit	\$1,000
Business Cards	\$100
Stationery & Envelopes	\$200
Brochure	\$250
Logo	\$250
Opening Promotion Package	\$1,000
Fliers, Announcements, Ads in local papers, Magazines, Radio	
Decorations	\$250
Office Supplies	\$500
Furniture, Music System, CDs, Clothes	\$1,000



# Common Estimated Annual Business Expenses

Property Insurance	\$175
Business License	\$100
Liability Insurance	\$250
Professional Society Membership	\$300
Legal & Accounting Fees	\$400
Disability insurance (through prof. association)	\$500-1000



Fig. 14.6



# Common Estimated Monthly Business Expenses

Rent	\$400
Utilities	\$50
Telephone	\$75
Bank fees	\$10
Supplies	\$75
Networking Club Dues	\$40
Education (seminars, books, journals)	\$50
Medical Insurance	\$?
Auto (payments, gas, repairs)	\$?
Promotion	\$200
Postage	\$25
Entertainment	\$50
Repair & Maintenance (also cleaning service)	\$70
Travel Expenses	\$30
Yellow Pages	\$30
Inventory	\$150
Business Loan Payments	\$?
Staff Salaries	\$?
Personal Draw/Salary	\$?



Fig. 14.6

# Weekly Income Ledger Sheet

Month April Week 1 Year 2020 Page 1

Date	Client Name	Amt Paid	Ck #	Services	Products	Type	Location	Company	Notes
4/2	Perry Winkle	20	911	20	0	O	Outcall Office	ABC Corp.	
4/2	Astria Ames	20	123	200	0	O	Outcall Office	ABC Corp.	
4/3	Bill Peters	50	Prepay	50	10	N	Office	Humane Society	Prepaid Services
4/3	Somer Days	90	Prepay	35	55	N	Outcall Home	Model	Gift Certificate
4/3	Penny Cash	65	810	45	20	O	Office	Attorney	Referred by Moore
4/4	Clyde Dales	0	Cash	0	0	O	Outcall Home	Carpenter	
4/4	Grover Funk	45	Barter	55	20	N	Outcall Office	Artist	Barter for Bookcase
4/5	Gail Windser	47	212	7	40	O	Office	Data Tech	Series of 5
4/5	Sandy Lott	90	Promo	35	55	N	Office	Stars R Us	Knows People
4/5	Harry Beardsley	0	Prepay	15	10	O	Outcall Office	M&M	Gift Certificate
<b>Total Income:</b> \$1272 <b>Service Income:</b> \$1032 <b>Product Income:</b> \$240 <b>#Sessions:</b> 26 <b>New Clients:</b> 9 <b>Ongoing:</b> 17									

# Alternate Income Sheet

Date	Description	Amt Paid	Tips	1099 Income	Total Income	Balance	Notes	Est Taxes
4/2/2015	Perry Winkle - cash	55.00	10.00	0.00		0.00	60 min	
4/2/2015	Astria Ames - check	300.00	5.00	0.00		250.00	1 of 6	
4/3/2015	Hausmann Chiropractic	0.00	0.00	165.00		0.00	April massages	
4/3/2015	Somer Days - cash	80.00	15.00	0.00		0.00	90 min	
<b>Monthly Totals:</b>		<b>435.00</b>	<b>30.00</b>	<b>165.00</b>	<b>630.00</b>	<b>250.00</b>		<b>189.00</b>
5/3/2015	Penny Cash - check	300.00	0.00	0.00		200.00	2 of 6	
<b>Monthly Totals:</b>		<b>300.00</b>	<b>0.00</b>	<b>0.00</b>	<b>300.00</b>	<b>200.00</b>		<b>90.00</b>
<b>Yearly Totals:</b>		<b>735.00</b>	<b>30.00</b>	<b>165.00</b>	<b>930.00</b>	<b>450.00</b>		<b>279.00</b>

# Monthly Disbursement Ledger Sheet

Month April Year 2020 Page 1

Date	Description	Amt Paid	CK#	Rent Util	Maint Phone	Supp Postage	Promo Fees	Travel Auto	Furn Equip	License Dues	Edu Ins	Book Inv	Bank Ent	Misc Draw
4/2	ABA	250	140							D250				
4/2	J Cleaning	27	141											
4/2	Paul Auto	17.30	142					A17.30						
4/2	Sun Bld	350	143	R350										
4/3	Gas To Go	9	Cash					A9						
4/4	RJ Office	6.21	144			S6.21								
4/4	Pace Print	29.50	145				P29.50							
4/4	Last Café	12.70	Cash										E12.70	
4/10	Dos Chiles	18.40	146										E18.40	
4/12	Phone Co.	65.90	147		T65.90									
4/12	Success I	20	148							D20				
4/17	Career Seminar	50	149								E50			
4/17	Draw	800	150											D800
4/25	AAA Util	50	151	U50										
	TOTAL	*****		*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
* Please note that not all expenses are 100% deductible. Please consult current tax laws.														



# Alternate Expense Sheet

[illegible]

# Monthly Personal Budget Worksheet

	<i>Estimated Monthly Cost</i>	<i>x 12</i>
<b>INCOME</b>		
Income (Draw) From Business	\$	\$
Income From Other Sources	\$	\$
<b>TOTAL INCOME</b>	\$ _____	\$ _____
<b>EXPENSES</b>		
Rent/Mortgage	\$	\$
Home Insurance	\$	\$
Health Insurance	\$	\$
Utilities	\$	\$
Telephone	\$	\$
Auto: (payments, gas, repairs)	\$	\$
Food	\$	\$
Household Supplies	\$	\$
Clothing	\$	\$
Laundry/Dry Cleaning	\$	\$
Education	\$	\$
Entertainment	\$	\$
Travel	\$	\$
Contributions	\$	\$
Health	\$	\$
Home Repair and Maintenance	\$	\$
Self-Development	\$	\$
Outstanding Loans and	\$	\$
Credit Card Payments	\$	\$
Miscellaneous Expenses	\$	\$
<b>TOTAL EXPENSES</b>	\$ _____	\$ _____
<b>BALANCE (+/-)</b>	\$ _____	\$ _____

# Sample Cash Flow Forecast

	May	June	July	Totals
<b>I. Monthly Income From:</b>				
Massage	3,000	3,400	3,200	9,600
Sales	300	200	300	800
Loans	0	0	0	0
Other	0	0	0	0
<b>Total Income</b>	<b>3,300</b>	<b>3,600</b>	<b>3,500</b>	<b>10,400</b>
<b>II. Expenses:</b>				
Rent	400	400	400	1,200
Utilities	50	55	50	155
Telephone	75	75	75	225
Bank Fees	10	10	10	30
Professional Fees	35	50	25	110
Insurance	0	650	0	650
Dues	75	0	325	400
Marketing	100	150	250	500
Massage supplies	50	30	30	110
Office Supplies	150 (stationary, etc.)		50	200
Auto (0,50 mi.)	20	20	20	60
Staff salaries	0	0	0	0
Equipment	150	0	100	250
Decorations	25	0	0	25
Furniture & Fixtures	50	0	0	50
Inventory	50	500	0	550
Continuing Education	25	200	0	225
Laundry	15	15	15	45
Entertainment	40	30	60	130
Other expenses	100	25	25	150
<b>Total Expenses</b>	<b>1330</b>	<b>2200</b>	<b>1435</b>	<b>4,965</b>
• Profit (income – expenses) 1970	1400	2065	5,435	
• Est. Tax (30% of Net Profit) 591	420	620	1,640	
• Net income (profit - tax)	1379	980	1445	<b>3,795</b>

# Business Mileage Sheet

Date	Beginning Mileage	Ending Mileage	Total Mileage	Destination	Purpose
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____



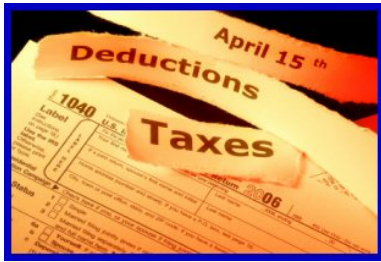
# U.S. Tax Reporting

## *Employees*

Employees receive a Form W-2, Wage and Tax Statement from their employers.

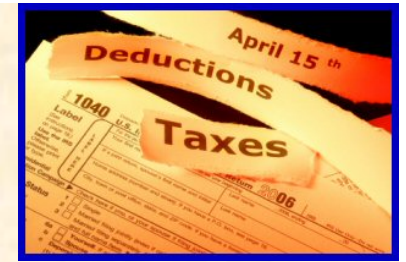
- Form 1040: U.S. Individual Income Tax Return





# U.S. Tax Reporting

## *Sole Proprietors*



A sole proprietorship is not an independent entity from its owner, so the business does not file a separate tax return. Income or loss is reported on the owner's personal tax return. If you're a sole proprietor you must file:

- Schedule SE: Self-Employment Tax
- Schedule C: Profit or Loss From Business (Sole Proprietorship)
- Form 1040: U.S. Individual Income Tax Return
- Form 1040 ES: Estimated Tax For Individuals (quarterly—if you will owe taxes)