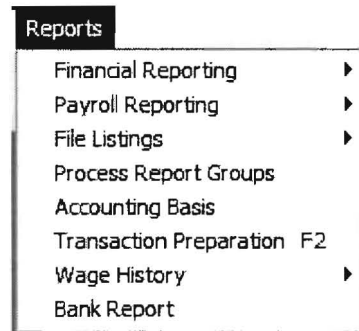# Chapter 7
The Reports Pull-Down Menu

The Reports pull-down menu allows the various reports of the system to be printed. When this option is taken, the following menu will display:

```
Reports
    Financial Reporting          ▶
    Payroll Reporting            ▶
    File Listings                ▶
    Process Report Groups
    Accounting Basis
    Transaction Preparation  F2
    Wage History                 ▶
    Bank Report
```

The *Report* sub-options and a brief description of their function follows:

Financial Reporting: This sub menu option allows the Financial Reports of the system to be selected and printed.

Payroll Reporting: This sub menu option allows the Payroll Reports of the system to be selected and printed.

File Listings: This sub menu option permits various other reports and listings to be selected and printed.

Process Report Groups: This sub menu option allows reports to be set up in groups for efficient printing.

Accounting Basis: This option allows the accounting basis to be selected.
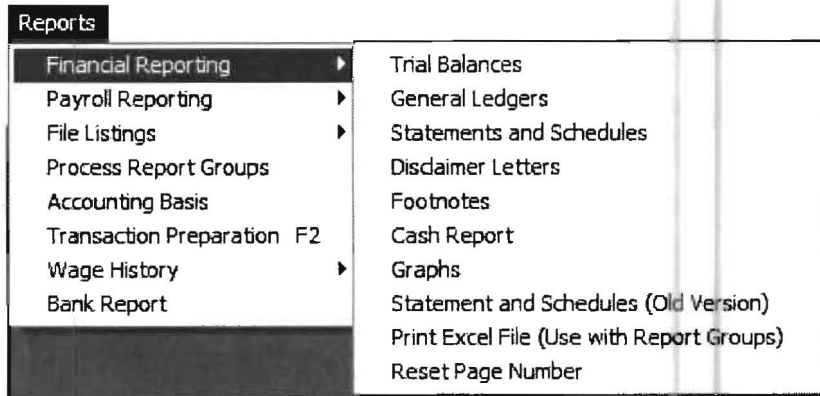
Transaction Preparation: This option makes the necessary calculations for any information that has been entered into the system so that it will be included in all reports (including payroll information).

**Wage History:** This option allows the wage history of any employee to be reviewed.

Bank Report: This option prints an important report of the Computer Checkbook System that allows you to examine a bank account in numerous ways.

Financial Reporting

When this sub-option is selected, the following menu will display:

Reports	
Financial Reporting ▶	Trial Balances
Payroll Reporting ▶	General Ledgers
File Listings ▶	Statements and Schedules
Process Report Groups	Disclaimer Letters
Accounting Basis	Footnotes
Transaction Preparation F2	Cash Report
Wage History ▶	Graphs
Bank Report	Statement and Schedules (Old Version)
	Print Excel File (Use with Report Groups)
	Reset Page Number

When any option on this sub menu is chosen, and a Transaction Preparation is needed (which will be the case if any initial balances or existing transactions have been changed, or if any new transactions have been entered, etc.), a Transaction Preparation Options Screen will appear, as shown below:
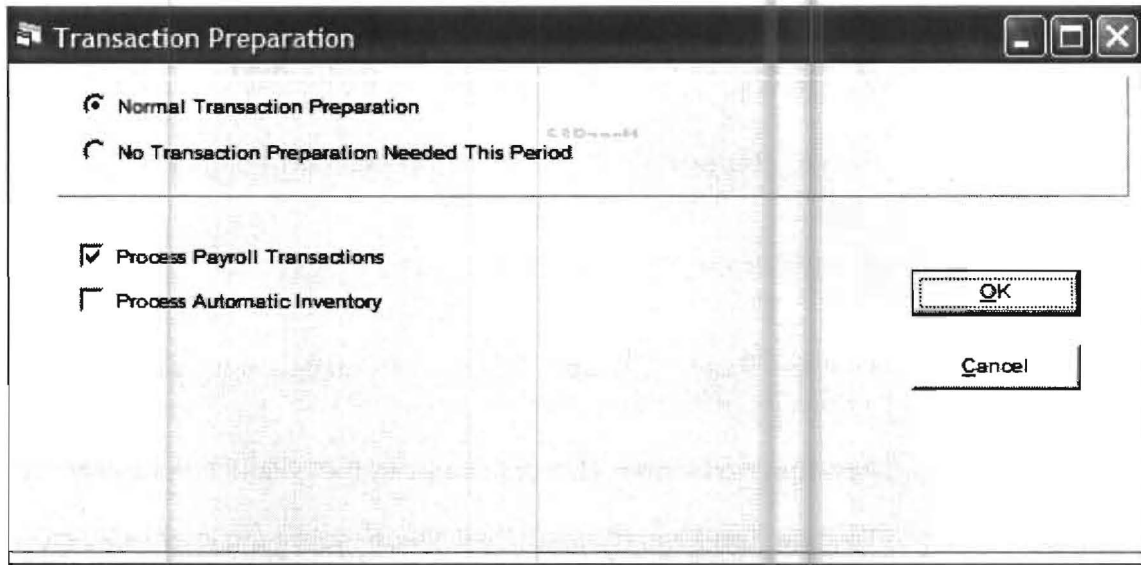
This screen gives you the option to activate or de-activate the processing of *payroll transactions* during the procedure. If you have set up the *Automatic Inventory* and *Corporate Tax Calculation* features in the system, you will also have options to activate or de-activate the processing of these types of transactions. You also have the option to skip the entire *transaction preparation*. This is especially useful if you need to go back to prior periods to correct errors, because de-activating each feature leaves in place the previously calculated GL transactions.

The sub-options on the Financial Reporting pull down menu are listed as follows:

Trial Balances: Print or view the various Trial Balances.

General Ledgers: Print or view the various General Ledgers.

Statements and Schedules: Print or view the various Balance Sheets, Income Statements, Cash Flow Statements, or other statements that have been setup, and also accesses all schedules produced by the system.

Disclaimer Letters: This option accesses and prints disclaimer letters.

Footnotes: This option allows you to print the footnote report.

Cash Report: This option allows access to the Cash Account(s) Report.

Graphs: This option allows access to any graphs that you have setup.

Statement and schedules (Old Version): This option accesses the earlier statement and scheduling option window for those who prefer it.

Print Excel File (use with Report Groups): This allows excel files to be printed with the Report Group Feature

Trial Balances

When this option is selected, and the *transaction preparation* choices have been made, the following screen will display:

The user may select a variety of trial balance reports, and choose to view or print them and also indicate how many copies to print.

A Working Trial Balance will print all entries that have *special adjusting journal codes.* What codes to include are entered under the **Setup** pull-down menu then **Reporting**, and the **Accounting Basis** option. The screen for entering *adjusting journal codes* is displayed as follows:

```
┌─────────────────────────────────────────────────────────────────────────┐
│  ▚ Accounting Basis Maintenance                            [_][□][✕]      │
│  ┌──────────────────── Accounting Basis Names ──────────────────────┐    │
│  │     Default Name:   [Default Accounting Basis              ]      │    │
│  │     Alternate Name: [Alternate Accounting Basis            ]      │    │
│  └──────────────────────────────────────────────────────────────────┘    │
│  ┌──────────────── Alternate Bases of Accounting ──────────────────┐     │
│  │  ☐ Use basis description as the last line of the statement title?│     │
│  │     Basis Description          Adjusting Journals                │     │
│  │  [Default Accounting Basis  ]  [AJ2  AJ3 ]                        │     │
│  │                                                   Excluded Journals     │
│  │  [Alternate Accounting Basis]  [TX1]  [  ] [ ][ ][ ][ ][ ][ ]    │     │
│  └──────────────────────────────────────────────────────────────────┘    │
│  ┌──────────────────────────────────────────────────────────────────┐    │
│  │    [ Ok ]     [ Cancel ]     [ Help ]     [ Close ]               │    │
│  └──────────────────────────────────────────────────────────────────┘    │
└─────────────────────────────────────────────────────────────────────────┘
```

Any entry made with an *adjusting journal code* will print on the *working trial balance.* In the example, AJ2 and AJ3 are *journal codes* that will be listed on the *default accounting basis working trial balance.* TX1 is the *only journal code* that will be listed on the *alternate accounting basis working trial balance.*

A Manual Working Trial Balance prints with room for the accountant to make adjusting entries. The adjusting entries are then keyed into the system using this report. If the *alternate account number* feature is selected, the trial balance will print using the *alternate account numbers* set up in the chart of accounts. *Alternate account numbers* are discussed further on page 5-49 of the Setup chapter.

General Ledgers

When the General Ledger option is selected, and the *transaction preparation* choices have been made, the following screen will display:

A general ledger may be printed for the current period or for the entire year-to-date period. There is also an option allowing all transactions in the system to be printed. (Note: This report could span years if the client has been processed for many years on the system.) If the Print All Accounts Option is de-selected (the "X" removed), the options on the lower right part of the screen will be activated. They allow a general ledger to be printed for an individual, group, or range of accounts. The generic text printer option allows the general ledger to be printed on a high speed dot matrix printer. The user should set up the "generic text printer" and select that printer regardless of which dot matrix printer will be used. This will allow a dot matrix printer to print at full speed. If the Use Alternate Account Numbers Option is selected, the general ledger will be produced based on *alternate account numbers* that have been entered into the chart of accounts. There are other check box options that allow consolidated totals for consolidated accounts to print, running totals for the accout balances to print and an option that will exclude transactions with assigned vendor ID's which is sometimes helpful in auditing 1099 transactions.

Statements and Schedules

When Statements and Schedules is selected, and the *transaction preparation* choices have been made, the following will display:

```
Print Statements                                                    [_][□][X]

  ◉ Balance Sheets                    Cost Center Groups:

  ○ Income Statements

  ○ Statement of Retained Earnings    Center Type:


  ○ Cash Flow Statements              Report:
                                      Year-To-Date                    [▼]
  ○ Cost of Sales Schedules

  ○ Break Even Statements             ☐ Use Alternate Account Numbers    Balance Problems ?

  ○ Flexible Reports
                                      ◉ View      ○ Edit      ○ Print
  ◉ Statements    ○ Schedules         ○ PDF File  ○ Print + PDF File   Number of Copies: [1]


  [ Ok ]    [ Help ]    [ Close ]
```

This option offers you a variety of financial reports. Select the desired report by enabling the appropriate *radio button*. Under the Report Type Drop List, Year-to-Date is displayed, which is the default for a balance sheet. To access other balance sheet options, click on the down arrow to the right of the Year-to-Date prompt. The following options will display:

```
Report:
Year-To-Date                    [▼]
Year-To-Date
Last Year Comparative
5 Year
```

The user would then highlight the desired report type and click OK to produce it. Note: Each report has its own set of available reports.

If the user has setup the *Custom Report Option*, a choice for *Custom* reports will display on the screen between the Statement of Retained Earnings and the Cash Flow Statement. The same concept applies for *Cost Centers*, if you have set up cost centers for a client then an additional field will appear under Center Type. This field is similar to the *Report Type Drop List*.

The Edit option allows balances and descriptions to be changed on a screen before printing. These changes are only for the printout that follows immediately and will not be permanently retained.

The Balance Problems button is really a special help screen to assist you if the system displayed an "out-of-balance" warning as you attempted to print reports.

Disclaimer Letter

This option will print the *disclaimer letters* that have been setup under the Setup pull-down menu then Reporting, and Disclaimer Letters. The user should refer to *Chapter 16 for questions about this option: Special Topics - Disclaimer Letters*, beginning on page 16.1.

Footnotes

This option allows the printing of the special *footnotes* setup using the **Reports** pull-down menu then **Financial Reporting**, and the **Footnotes** option.
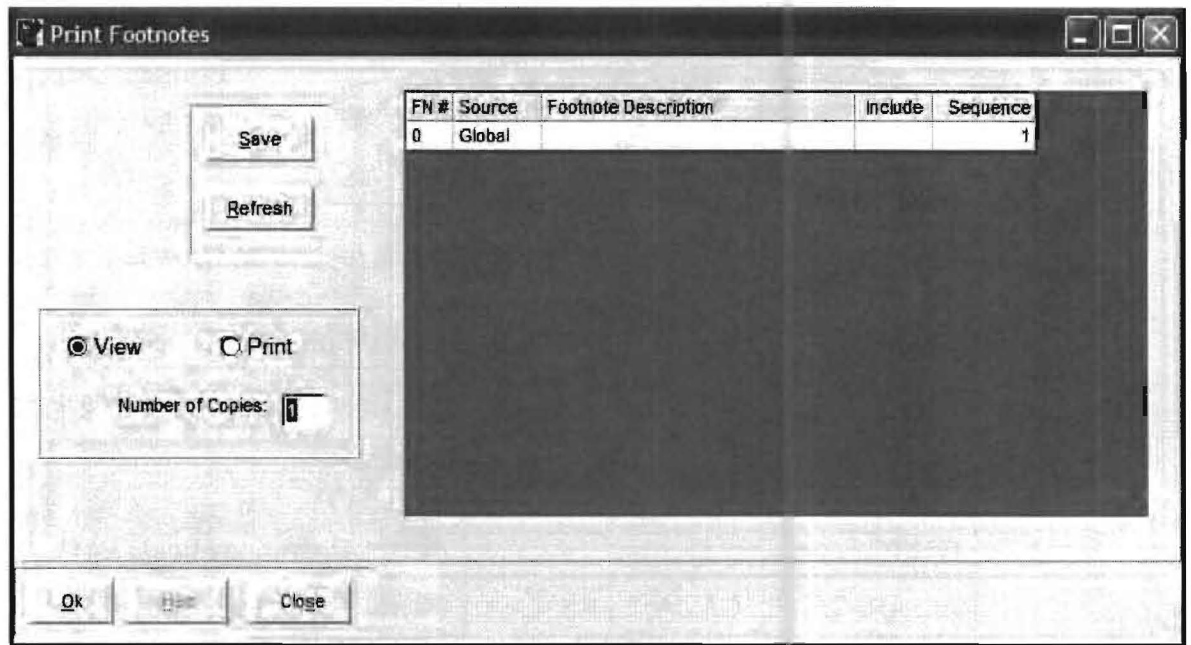
To select a *footnote* to print click in the Include column, which will place and "X" in the column. To remove the *footnote* from printing click in the Include column again to remove the "X". To control the sequence of the footnotes, change the Sequence number. All other *sequence numbers* will be changed to accommodate. To get a better view of what you have selected, click the Refresh button. This will adjust the display to show the *footnotes* you have selected at the top of the list, in sequence number order.

Cash Report

This option will print a Cash Report for each Cash Account setup using the Setup pull-down menu then Account, and the Cash Accounts option. Cash Accounts are discussed in detail in *Chapter 10: Bank Reconciliation*, beginning on page 10.1.

Graphs

This option allows you to print the graphs that you have setup in the system. Please refer to *Chapter 18, Other Special Reporting Features* for information on this option.

Payroll Reporting

Payroll reporting is accessed from the Reports menu as follows:

Reports		
Financial Reporting	▶	
Payroll Reporting	▶	Payroll Liability Lists
File Listings	▶	Payroll Summary
Process Report Groups		Payroll to Ledger Posting Summary (N)
Accounting Basis		Laser 941
Transaction Preparation F2		Unemployment Quarterlies And WH Reports ▶
Wage History	▶	941A
Bank Report		W2 and 1099
		Tips Report
		Check Register (Payroll Only)
		Payroll Journal Detail
		Federal Liability Report
		State Withholding Liability Summary
		FICA Wages List
		Wages By Qtr List
		EFTPS Worksheet

The chart below lists the most commonly used payroll reports and how to access them.

Report	Menu/ Sub - Menu Option
Payroll Transaction	File Listings / Payroll Transactions
Payroll Summary	Payroll Reporting / Payroll Summary
941	Payroll Reporting / Laser 941
AL, AR, CA, FL, GA, IA, IL, KS, LA, MA, MI, MO, MS, NC, NE, NJ, NM, NY, OH, PA, SC, TN, TX, UT, VA, WA	Payroll Reporting / Unemployment Quarterly Report
940	Payroll Reporting / W2 and 1099 / 940
940EZ	Payroll Reporting / W2 and 1099 / 940EZ
943	Payroll Reporting / W2 and 1099 / 943
W2's (Copies A,B,C,D,1,2,2 up & inst., Inst, 4 up)	Payroll Reporting / W2 and 1099
W3's	Payroll Reporting / W2 and 1099
1099's (B,D,I,M,S)	Payroll Reporting / W2 and 1099
1096's	Payroll Reporting / W2 and 1099
Magnetic Media (You must have purchased optional magnetic media program.)	Payroll Reporting / W2 and 1099

Table 4-11: This table lists reports used under options from the Report pull-down menu.

There are a number of internal payroll reports (not sent to government agencies) that are provided to assist you in determining how the numbers that appear on the above reports were calculated. They are accessed from the Payroll Reporting option and further accessed by the Payroll Liability Lists option. When this option is chosen the following sub-options display:
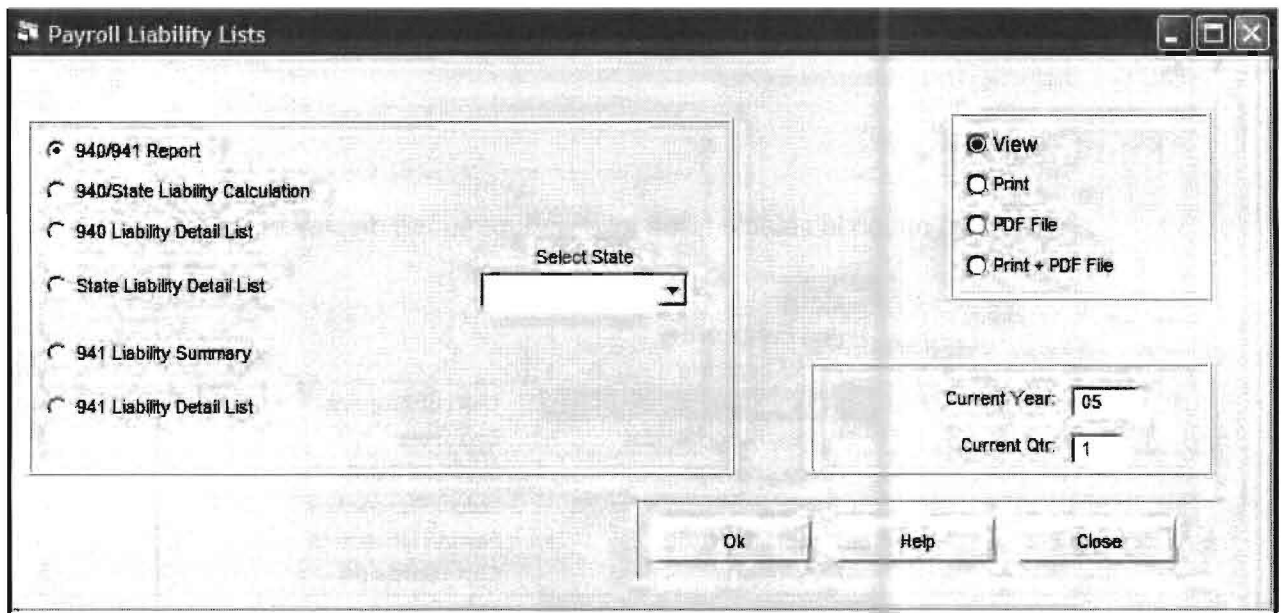
The options and their functions are described as follows:

940/941 Report: This report is a good document to place in the client's file. It tells you what the 941, 940 and state unemployment liabilities are in a consolidated report.

940/State Liability Calculation: This report shows you by quarter what the federal and state unemployment liabilities are. It shows the complete calculations and how the amounts were determined in these calculations.

940 Liability Detail List: This report is grouped by employee and shows payroll transactions, item by item, and what was subject to unemployment on each item.

State Liability Detail List: This report requires the selection of a state code from the *drop-down list* to the right of this field. It is grouped by employee and shows payroll transactions, item by item, and what was subject to unemployment on each item.

941 Liability Summary: This report is by date and allows the user to see how the 941 liability was determined. It shows a quarterly period, daily, with Medicare, FICA, and federal liabilities by date with totals.

941 Liability Detail List: This report shows the same total information as the 941 Liability summary report described above but adds the transaction detail as to what employees and pay checks contributed to that liability.
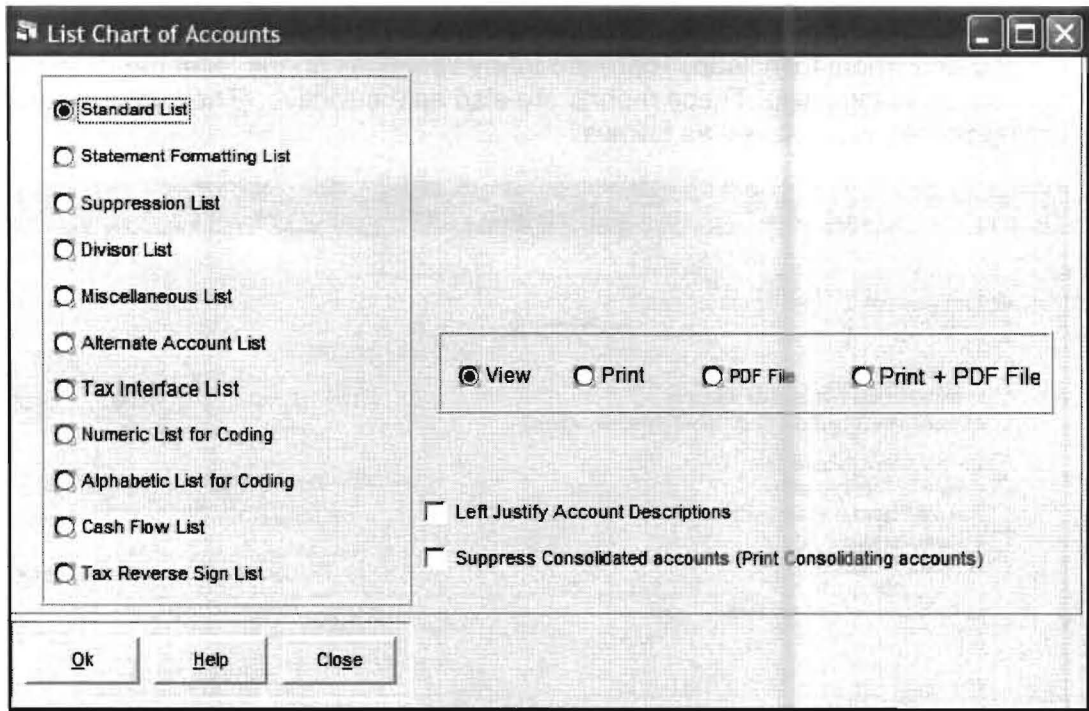
Payroll to Posting Summary

This is a very helpful report that provides the transaction by transaction detail as to how after-the-fact payroll transactions were allocated to accounts in the general ledger. **OTHER PAYROLL REPORTING OPTIONS** - The other payroll reporting options that are shown in this menu allow access to the special payroll reports listed.
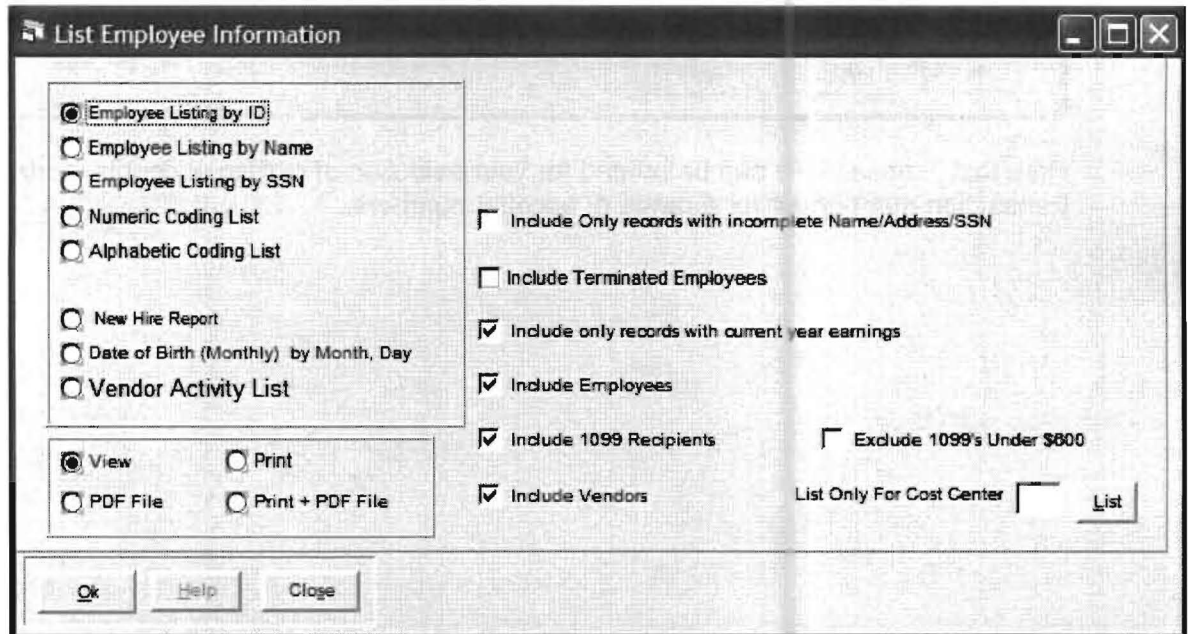
File Listings

When this option is selected, the following menu will display:

Reports	
Financial Reporting ▸	
Payroll Reporting ▸	
File Listings ▸	Chart of Accounts
Process Report Groups	Employees
Accounting Basis	Employee Detail
Transaction Preparation F2	Ledger Transactions
Wage History ▸	Payroll Transactions
Bank Report	Cost Centers (N)
	Initial Balances
	List Carry Forwards
	Vendor List
	List Automatic GL Transactions
	Print Client List
	Print Transaction Count
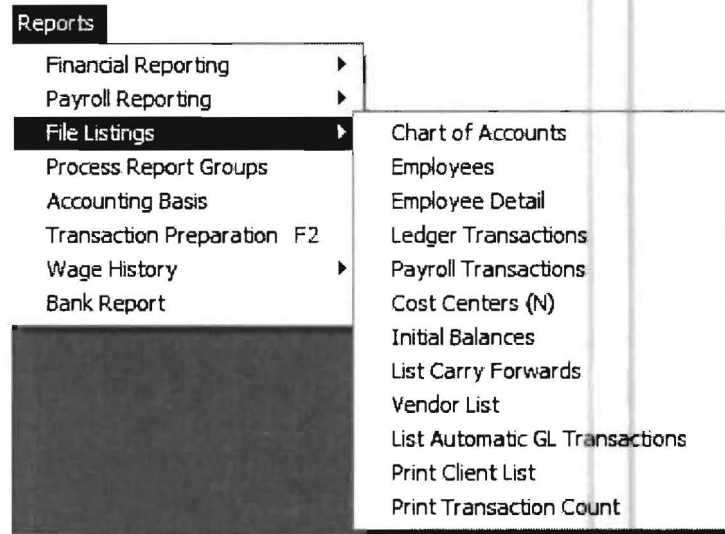
This option allows you to print the general listings of the system and there is usually a specialized listing for almost any conceivable purpose. Many of these listings are also available from the data entry screens, typically via a Print Button. Many of these options have various listing choices. (i.e.: When the Chart of Accounts option is selected, the following listing choices are available as shown on the following page)

List Chart of Accounts

- ● Standard List
- ○ Statement Formatting List
- ○ Suppression List
- ○ Divisor List
- ○ Miscellaneous List
- ○ Alternate Account List
- ○ Tax Interface List
- ○ Numeric List for Coding
- ○ Alphabetic List for Coding
- ○ Cash Flow List
- ○ Tax Reverse Sign List

● View   ○ Print   ○ PDF File   ○ Print + PDF File

☐ Left Justify Account Descriptions

☐ Suppress Consolidated accounts (Print Consolidating accounts)

Ok   Help   Close

These lists are very helpful for tracking information in the system. The name of the listing gives its general function. The Employees Listing Screen is displayed as follows:

List Employee Information

- ● Employee Listing by ID
- ○ Employee Listing by Name
- ○ Employee Listing by SSN
- ○ Numeric Coding List
- ○ Alphabetic Coding List

- ○ New Hire Report
- ○ Date of Birth (Monthly) by Month, Day
- ○ Vendor Activity List

☐ Include Only records with incomplete Name/Address/SSN

☐ Include Terminated Employees

☑ Include only records with current year earnings

☑ Include Employees

☑ Include 1099 Recipients   ☐ Exclude 1099's Under $600

☑ Include Vendors   List Only For Cost Center ☐   List

● View   ○ Print
○ PDF File   ○ Print + PDF File

Ok   Help   Close

Notice, that once again there are additional report options to chose from including, sorting method and whom to include. There are many variations on the ledger and payroll transaction listings also. These reports are also date selective. The Ledger Transaction Listing Screen is displayed as follows:

```
┌──────────────────────────────────────────────────────────────────────────────┐
│  Print General Ledger Transactions                              [_] [□] [X]    │
├──────────────────────────────────────────────────────────────────────────────┤
│  ┌────────────────────────────────────────┐                                   │
│  │ ◉ List General Ledger Transactions      │                                   │
│  │ ○ List General Ledger Transactions With Account D                          │
│  │ ○ Journal Report                        │                                   │
│  │ ○ Journal Report With Account Descs      │   ┌──────────────────────────┐  │
│  │ ○ Print Journal Totals (To Find Out-of Balance Journal)  │ ◉ View  ○ Print  ○ PDF File │
│  │ ○ Simple Check Register                  │   │ ○ Print + PDF File       │  │
│  │ ○ Complete Check Register                │   └──────────────────────────┘  │
│  │ ○ Journal Report w/PR Breakdown          │   ┌ Transaction Number Range ─┐ │
│  │ ○ Posting Summary                        │   │ Start: [ 0 ]    End: [ 0 ] │ │
│  │ ○ DB/CR/Net Change                       │   └────────────────────────────┘│
│  └────────────────────────────────────────┘    □ Cutoff Description (Better Page Fit) │
│  □ Use Alternate Account Numbers                 □ Suppress Transaction Number  │
│                                                 ┌ Date Range ─────────────────┐│
│                                                 │   □ Full Date Range          ││
│  ┌ Account selection ──────────────────────┐   │ Start: [01/01/05]  End: [01/31/05] ││
│  │ List Only For Account: [        ] List   │   └──────────────────────────────┘│
│  │ Beginning account of range: [      ] List │                                 │
│  │ Ending account of range:  [       ] List  │                                 │
│  └────────────────────────────────────────┘                                   │
│     ┌────┐    ┌──────┐    ┌──────┐                                             │
│     │ Ok │    │ Help │    │ Close│                                             │
│     └────┘    └──────┘    └──────┘                                             │
└──────────────────────────────────────────────────────────────────────────────┘
```

Note that Transactions can be printed for your selection of certain accounts, certain transaction numbers or for a range of account numbers.

The Payroll Transaction Listing Screen is displayed below:

The *Payroll Listing* features are flexible, allowing date ranges as well as the selection of individuals or groups of employees. A great feature of this listing is the ability to customize it by indicating on the Setup pull-down menu then Payroll, and Payroll Item, the information (particular items) you want to include on the report. If you have used this option, then the Custom List will only print the payroll items selected. (The Setup pull-down menu then Payroll, and Custom Payroll Item Selection option has even greater customized listing capabilities. Not only can you select just the items you want on the report but in what order to list them).

The other listings are pretty straightforward. The All Cost Center Listing prints all the *centers* that have been setup (Setup, Cost Center Dept.). You can also print any individual cost center or only transactions with no cost center. The Initial Balance Listing allows the user to print three different *initial balances* (*Initial Setup*, *Current Period*, and *Current Fiscal Year*) for either *accounting basis*. There is also an initial balance worksheet which is very helpful if you are entering initial balances for the first time. The List Carry Forwards Listing prints carry forward entries for *bank reconciliation*. The Vendor Listing prints the history by vendor or account. The List Automatic GL Transactions prints a listing of the automatic GL transactions that have been setup. (Setup, Automatic General Ledger Transaction). The Print Client List does just that. It prints a list of all clients in client number order and includes the *current period* the client is set to. The Print Transactions Count Provides a listing of the number of transactions in the current period which is used by some firms as an aid to client billing.

Process Report Groups

This sub-option allows the setup and printing of a group of reports at one time and the setup may be reused each period. A number of report groups can be setup to insure the right reports are produced when required and not produced when editing or corrections are taking place. This option is discussed in Chapter 3: The Practice Set - page 3-41.

Accounting Basis

When the Accounting Basis option is selected, the following screen will display:
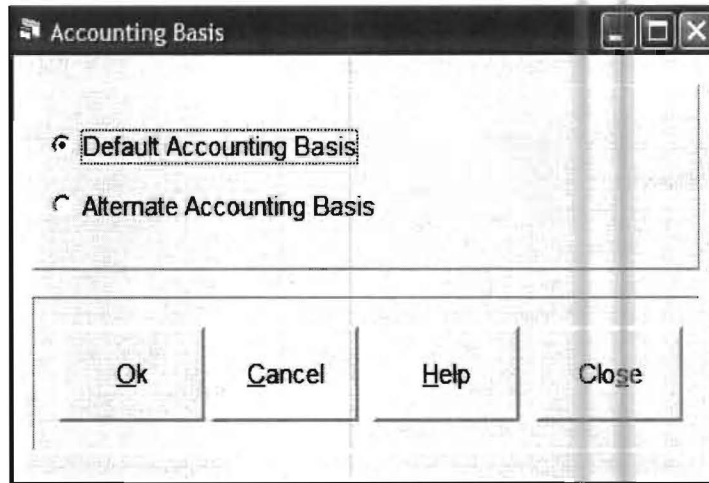
This option allows the user to select which *accounting basis* the selected reports should use. The *accounting basis* will remain the same until changed again with this option. The journals for the *accounting ba*sis are setup under the **Setup** pulldown menu then **Reporting, and Accounting Basis**. This is discussed in the Setup chapter, beginning on page 5-26.

Transaction Preparation

The Transaction Preparation does the necessary calculations to make sure that all transaction information that has been entered is included on any reports that are printed or viewed. This feature is automatically called when necessary and is only on the menu for use in very unusual situations.

Wage History

When the wage history option is selected, the following screen will display:
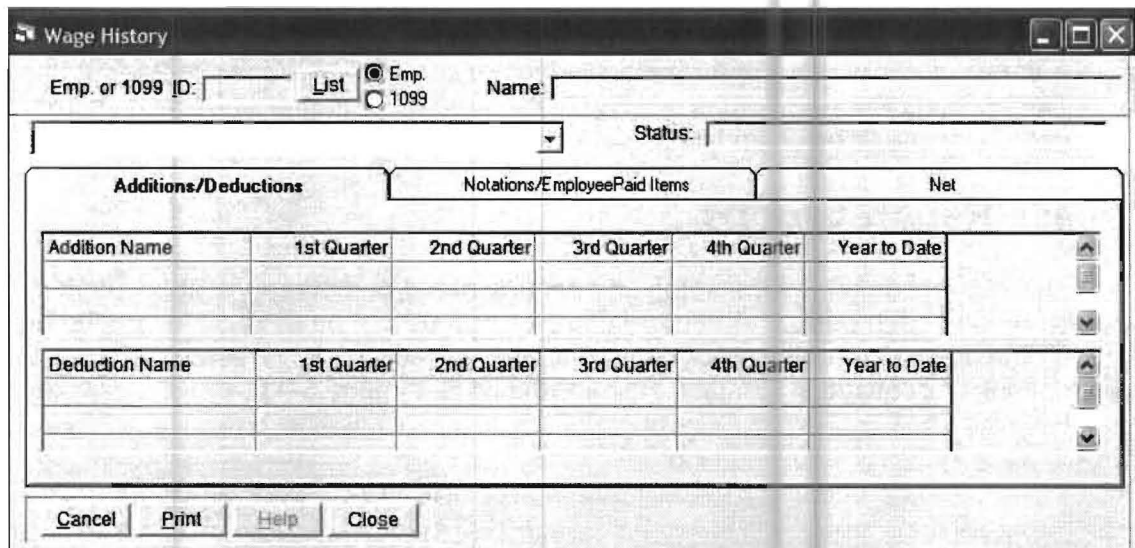
To use this option, select an employee by clicking on the List Button and highlighting the desired employee. The screen will then display the employee's wage history. There is no print feature for this display. A printing of similar information can be produced by the *Payroll Summary Report* which is accessed using Reports, Payroll Reporting, and Payroll Summary.

Bank Report

This option prints an important report of the Computer Checkbook System that allows you to examine a bank account in numerous ways

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Chapter 8

The Utility Pull-Down Menu

The Utility pull-down menu accesses a number of miscellaneous options that are used for a wide variety of functions. In general the utility options do such things as make the system flow smoother, accomplish housecleaning tasks, fix problems and even repair damaged data. When this pull-down menu is accessed, the following options display:

Utilities Window Help
Locate Setup Errors
Transaction Utilities ►
Compact Files
Rebuild File List
Version Control
Find Out-of-Balance Reporting Periods
Choose New Date for Initial Balances
Delete Tables from Active Client
Copy Client Selectively
Employee/Vendor Utility
Repair Data
Initial Balance Adjustments
System Information
System Utilities ►
Print Out-Of-Period Transactions
Alternate Rebuild File List - Mark Errors
Tax Form Count Utility
Refresh Demo Data
Alternate Version Control
Email Helper
Allow 5-Year Stmnts for Newer Clients

Locate Setup Errors

The purpose of this option is to provide a "computer supervisor" to help you with your work. This option activates a program that checks your entire system for oversights, omissions and incorrect choices. It shows diagnostic information about any setup errors on the screen or you can also print this information if desired. For example, it checks each transaction to insure that it has a valid account number, journal code, and that the dates are within the range of the system setup parameters. It checks the setup of the chart of accounts to insure that it follows basic rules and has no obvious errors that will prevent the automatic printing of correct financial reports. It performs these checks for each major file in the system. This option should be used whenever a new client is setup or whenever any difficulty with the system is encountered. This option has a special function of adding the unemployment state to all payroll transaction records if they are left blank (perhaps due to importing of the data from another system) provided the employee is coded to a valid state. There are other special correction functions that automatically correct obviously incorrect data when you select this option. Therefore, if your problem disappears after running it, you can assume that one of these special correction functions was responsible

Transaction Utilities

When the Transactions Utilities is selected, the following screen will appear:

Utilities	
Locate Setup Errors	
Transaction Utilities ▶	Remove Duplicate Transactions
Compact Files	Compress GL Transactions
Rebuild File List	Renumber Transactions
Version Control	FICA/Medicare Diagnostic
Find Out-of-Balance Reporting Periods	Misc GL Trans Utilities
Choose New Date for Initial Balances	Delete A Group Of Trans History
Delete Tables from Active Client	Add Missing Vendor ID's
Copy Client Selectively	
Employee/Vendor Utility	
Repair Data	
Initial Balance Adjustments	
System Information	
System Utilities ▶	
Print Out-Of-Period Transactions	
Alternate Rebuild File List - Mark Errors	
Tax Form Count Utility	
Refresh Demo Data	
Alternate Version Control	
Email Helper	
Allow 5-Year Stmnts for Newer Clients	

Remove Duplicate Transactions

This option provides the capability to print or delete duplicate transactions that may have been entered or inadvertently copied into the system. The user should first verify that such a condition exists by viewing or printing the duplicate transactions using the print sub-option. If the problem does exist, they may be deleted as a group by selecting the delete sub-option.

Compress GL Transactions

This sub-option allows the summarization of transaction information into a summary record for each account within each journal for each month (period). For example, if there were 20 disbursement transactions to account number 620 for a month in the CD journal and this option were run, then there would only be one remaining transaction to account 620 in the CD journal for this month and it would be for the total of the 20 transactions. This feature allows the transaction file to be greatly reduced in space without losing the capability of producing comparative statements. It does not summarize the transactions by debits and credits so if you are producing comparative cash flow reports you should not use this feature for the immediately preceding fiscal year.

Renumber Transactions

This option provides another housecleaning procedure. The System numbers each "ledger" and "payroll" transaction and increases the number by one with each new transaction. After a long period of time, especially if transactions are erased from previous periods or summarized for past years, then this option should be taken. Doing this will give the user a more workable transaction number. This option is activated by selecting the OK button. When this option is selected, the following screen will display:
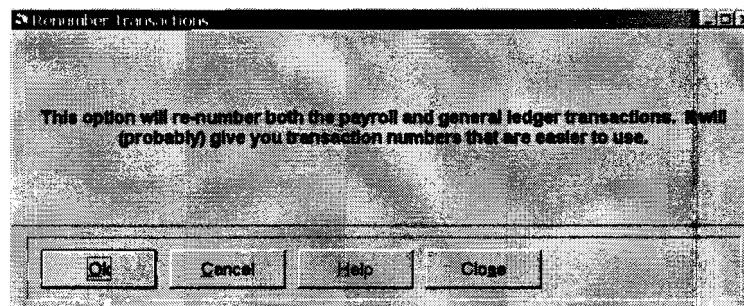
FICA/Medicare Diagnostic

This sub-option provides a report which will only show checks with a discrepancy between the withheld tax and the calculated liability. In other words if there are no discrepancies there will be no report! This report is very helpful if incorrect amounts of FICA or medicare have been withheld and they must be corrected.

Misc. GL Trans Utilities

This sub-option has three miscellaneous transaction utilities that are sometimes needed or nice to have. They are accessed by different TABS and are described below:

1. Modify GL Descriptions - This utility program allows the description of the general ledger transactions to be changed to all capital letters from a mix of upper and lower case or to upper and lower case (First letter of each word capitalized) if they are in all capital letters.

2. Fix Date Too Early - This utility program is primarily used on data that has been converted from other systems and has transaction dates that are of an earlier date than they should be. This occasionally happens when data is converted from a DOS system that closed and the date on the transaction did not matter; only the period that it was entered in did. This typically happens in January, when the transactions are entered with a date for the previous year. This program has the capability to move them in mass to the correct year.

3. Delete AR2 Journal - This utility program allows the automatically generated AR2 journal to be deleted for a current reporting period. This is occasionally needed if some AR1's have been entered in a previous month but not completed and the next month has been accessed to do something like payroll reports. It allows the user to delete the AR2's which were automatically generated for the second month so that when the user returns to the first month and completes the AR1 entries they will be able to automatically regenerate the correct AR2 entries for the second month when they again return to that period.

Delete a Group of Trans History

This sub-option records when the option to "delete a group of transactions" is used so that if transactions are missing, it will be clear that they were deleted.

Add Vendor ID's to Transactions

This sub-option adds vendor ID's to transactions whose description exactly matches the vendor name and the vendor is indicated to receive a 1099. This can be very helpful in correcting records for 1099 purposes.

Compact Files

This option compacts the space that a particular client is taking on the hard disk. It does this by eliminating previously used, but deleted information and reorganizes the good information as efficiently as possible. It should be noted that this is not a data compression routine such as those used by Pkzip or Winzip which would require your data to be "unzipped" before you could process it. Rather it is a housecleaning option that will keep the data organized and require less disk space. This option is activated via the OK button after it presents a warning that data should be backed up before attempting it. There is no requirement to ever select this option but it would be prudent to select it at each period end or year end.

Rebuild File List

This option rebuilds the list of clients that are active on a particular workstation based on the clients in that workstation's selected data directory. If clients have been copied to that directory and not created by the system, they will not appear in the selected data directory unless this option is chosen. This rebuilt file list is the same list that prints when the user chooses to activate, delete or relocate clients. If you believe you have a client on your workstation and the client is not visible on the activated client list, then this option should be selected. **This option will also update the name of any client from "NEW CLIENT XXX" to the actual client name.**

Version Control

This option adjusts the client data to the program version that is currently installed on the machine. The data and program version always appear in the status box. When the data version differs from the program version, a message will prompt the user to run version control to bring the data into "sync" with the program. If the data and the program are not in "sync," the program will look for different data in different places. Consequently, the results of a particular option may not be correct. When selected, the following screen will display:
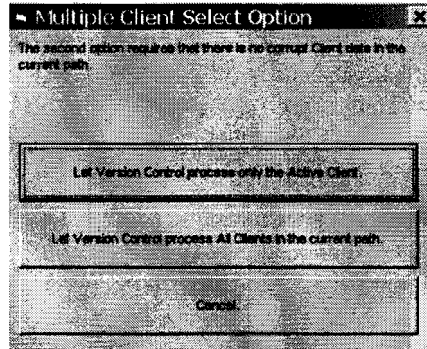
It is important to correctly answer the above question. The usual answer would be to choose "Let Version Control process only the Active Client." This will allow the program to update data for the currently active client, and then return to the Home screen. If you choose to let the program process "All Clients in the current path", it can be quite time consuming. Choosing this should only be selected when you will not otherwise be using your machine. The option will return you to the Home screen when it finishes its processing.

Find Out-of-Balance Reporting Periods

This option, (activated by selecting the OK button) presents the user with a summary debit-credit total of all periods. The first period will reflect the initial balances. This allows the user to quickly determine if any period needs to be examined and corrected.

Choose New Date for Initial Balances

This is another housecleaning option that allows the user to eliminate transactions that are no longer needed. For example, suppose a client has been running a number of years on this system and the firm very rarely reruns any financials that are older than one year. In this case, this option could be selected and all transactions prior to the selected date will be summarized and placed into new beginning balances with the selected new date for initial balances. This will save disk space and increase the period processing speed. A backup of the data prior to taking this option will allow the occasional financials that are required from a period of many years ago to be produced if necessary. When this option is selected, a new initial balance date will be requested. All transactions previous to that date will be summarized and no longer available in detail. **If you are running comparative statements do not run this option for any year that you need comparative data.** Payroll transactions will be summarized up until the end of the closest calendar year prior to a new initial balance date. After this option is run, it is a good idea to "renumber transactions," which is another utility option that is described below.

Delete Tables from Active Client

This option allows selective files of an active client to be deleted for various reasons such as incorrect entries, damaged files, or media malfunctions. This option will delete the existing files (tables) and create blank ones that can then be re-entered if necessary. This option will usually be taken only on the advice of support personnel to correct unusual problems.

Copy Client Data Selectively

This option provides a great degree of flexibility in setting up new clients and is very helpful in a myriad of other situations. This option allows the user to copy files from any client on the system to the currently active client. When this option is selected, the following screen will display:
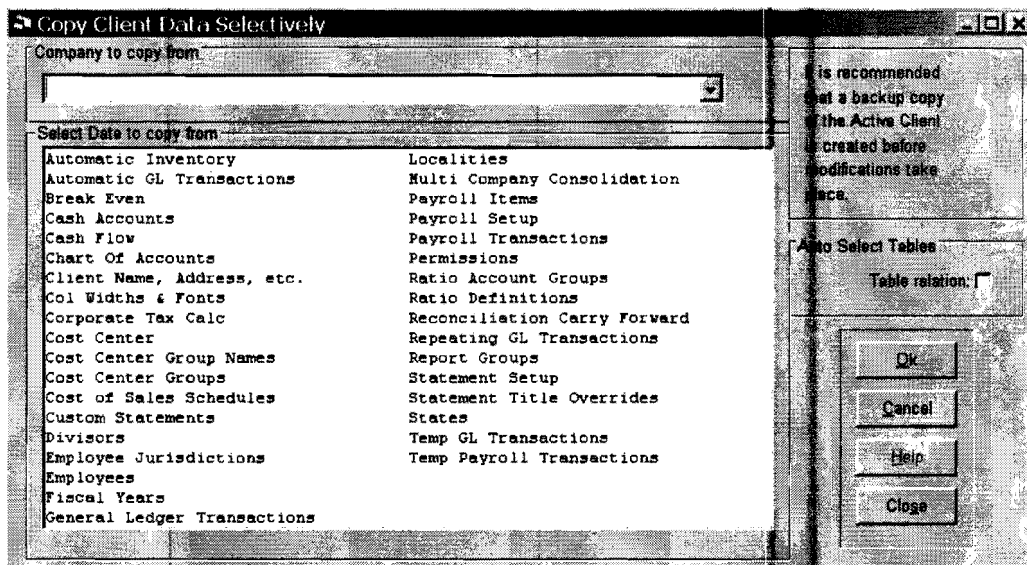
To use this option select the company that you wish to copy from once you are in the company you wish to copy to. You may highlight any file that you wish to copy and when the **OK** button is pressed the files will copy and replace the files in the active company.

Employee Utilities

This is an extremely powerful and flexible payroll utility option that allows the user to quickly and correctly accomplish what would otherwise be a set of tedious and time-consuming tasks. This option is designed to add, change or delete selected payroll data for one, a selected group or all employees at the direction of the user. When the Employee Utility option is selected, the following screen will display:
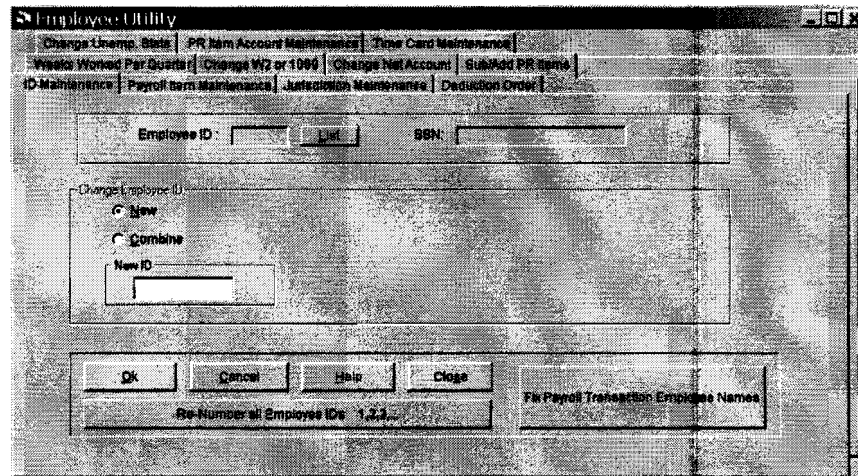
This screen reflects the ID maintenance tab and allows an employee ID to be changed to a new number. Changing this ID will change all transactions that are associated with this employee on a historical basis. There is also a capability to renumber all employees. If renumbering employees is chosen, the first employee will be numbered 1 and the second employee will be numbered 2, etc. The employee numbers in all historical transactions would also be renumbered by this option. Explanations for the five other tabs on this screen follow beginning with Deduction Order. When this tab is activated, the following screen will display:
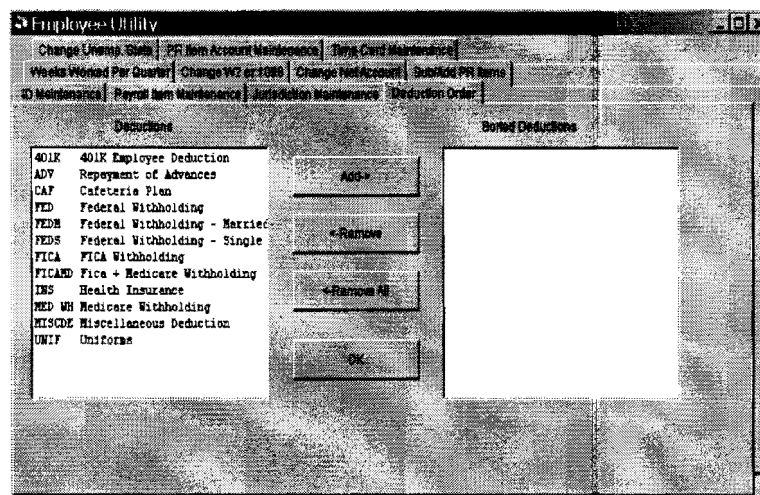
This option allows changing the order of the deductions as they appear on the payroll master and transaction entry screens. The left-hand window shows the current order and the right-hand window shows how they will be ordered after OK is selected. The Add, Remove and Remove All buttons allow the order to be varied. The user highlights an item and adds or removes it from one side to the other until it is as desired. Then the OK button is selected which will change all master and transaction records and their balances to the new order. The next tab is the Substitute Payroll Items which will display a screen similar to the one that follows:
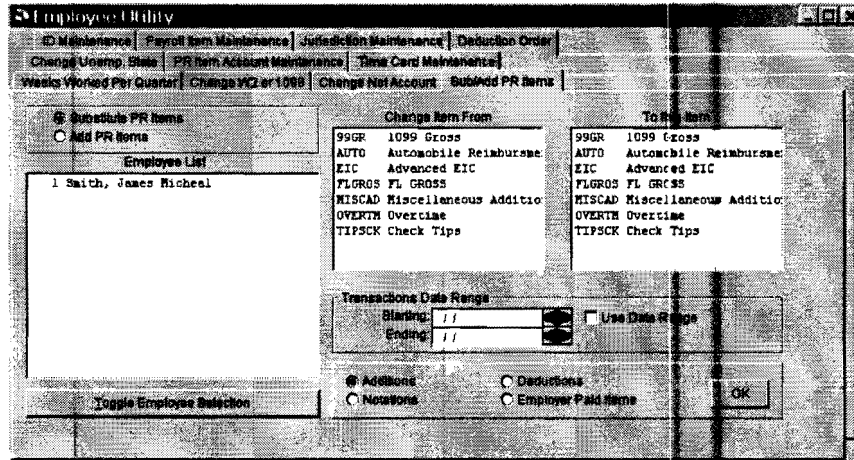
This screen allows only one payroll item to be substituted for another at a time. In the previous screen, Thomas Jones has been selected to have his 99GR payroll item changed to FLGROS. The amounts in his 99GR item will now be transferred to FLGROS and all his transactions will be changed in this way since no date range was selected. Payroll items have to be substituted one by one if there are multiple substitutions. Payroll items from additions, Deductions, Notations or Employer Paid Items will display depending on the radio button selected. The next tab is Payroll Item Maintenance. This screen allows different functions which are independent and activated by selecting the appropriate button.
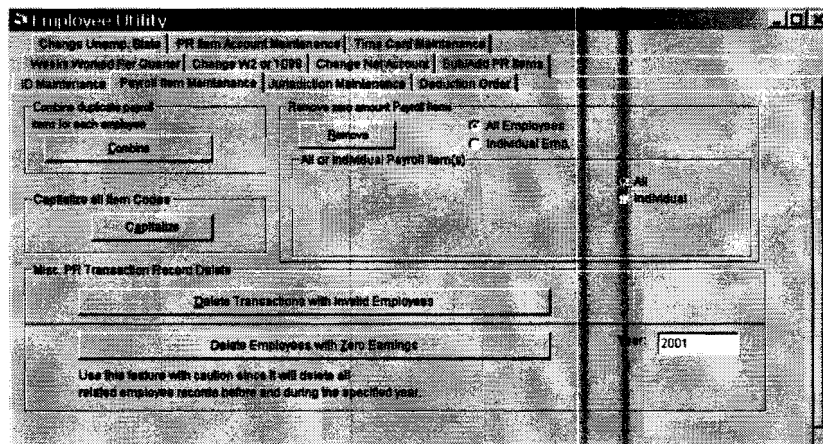
1) Combine Duplicate Payroll Items for Each Employee: This option combines any duplicate payroll items for an employee into one item and combines the amounts.

2) Remove Zero Amount Payroll Items (All or Individual): This option removes any payroll items from an individual if the amounts are zero.

3) Capitalize all Item Codes: This option places all item codes in capital letters which is a requirement for the system. **(Note:** Lowercase letters may be introduced by data conversions.)

4) Miscellaneous Payroll Record Delete:

> **a) Delete Transactions with Invalid Employees:** This sub-option will delete all transactions that do not have associated employees.
>
> **b) Delete Employees with zero earnings followed by a year prompt:** This option will delete employees with zero earnings in the year indicated.

The next tab is Change Unemployment States. When this option is taken, the following screen will display:
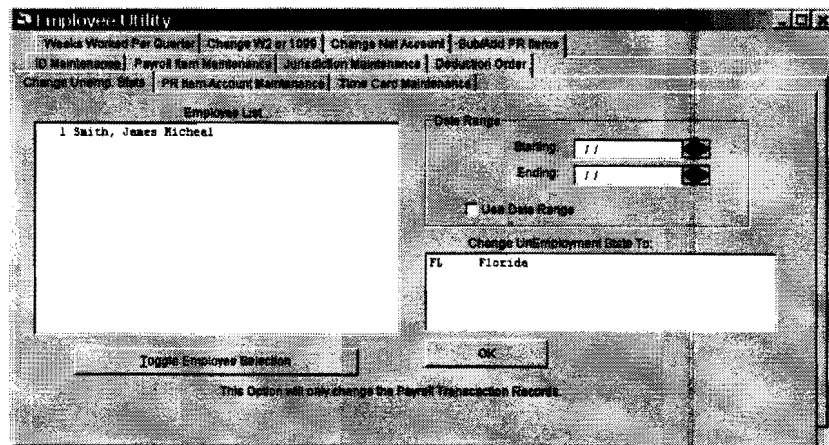
This screen will allow the Unemployment States to be changed for all selected employees for the Date Range specified. The final tab is Jurisdiction Maintenance. When this tab is selected, the following screen will display:
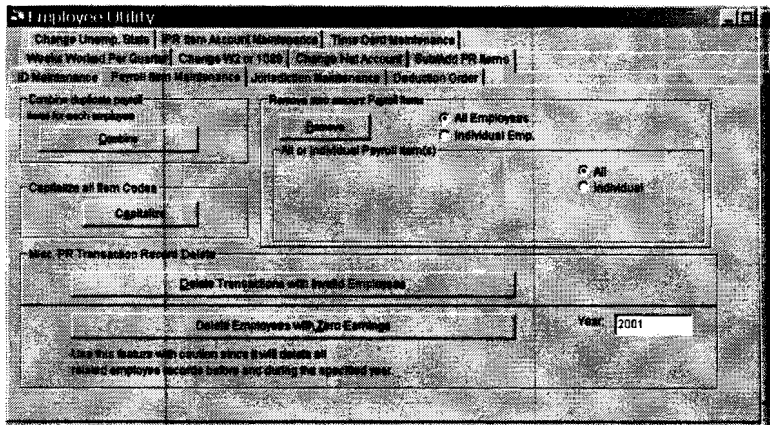
This screen allows a tedious task to be accomplished quickly. The user should select the Payroll item they want to add to a particular jurisdiction. For example, select Additions. The user should choose List in the lower left corner to display and move the actual payroll item code, (to add to a certain jurisdiction), into the Code box. GAGROS, for example. The user should then select the employees or select all employees. Finally, select the jurisdiction that should be added, for example Georgia. When all these selections are made, (in any order), then select OK to make the chosen payroll items appear in the chosen jurisdiction.

Repair Data

The purpose of this option is to repair client data that is damaged in some way on the disk. When this option is selected, the following screen will display:
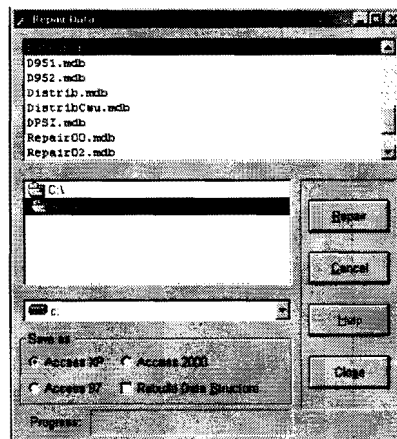
Figure 8 - 1 The "repair data" utility entry screen.

To repair data, highlight a client clicking on it. Clients are indicated by the letter D followed by the client number and then followed by a period and MDB. Thus, client 61 would be D061.MDB. You should also click on Repair Data Structure. You should leave the Access XP button marked regardless of whether or not you are using XP or you are using an earlier operating system like 2000 or 98. Once the client is highlighted, click on Repair and the system will attempt to repair the data. If it cannot be repaired with this option, contact technical support personnel.

Initial Balance Adjustments

This is an option that allows the correction of initial balance data that was entered in error for various reasons. This option should only be used at the direction of technical support personnel.

System Information

This option will activate the System Information status screen that is normally displayed in the lower right hand corner of the client write up system. To do this, you just select this option and the system information screen will appear. (If the system information status screen is already displayed when you select this option, then this option will have no effect as it will leave that screen displayed as it was.)

System Utilities

When this option is selected, the following sub-options will display:
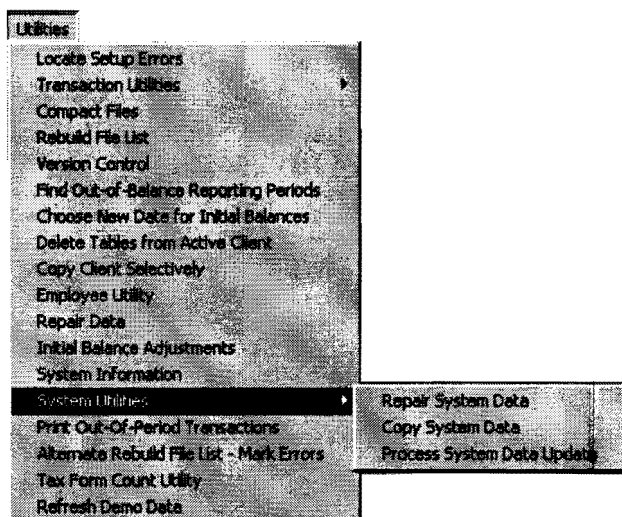
Repair System Data

The first sub-option is Repair System Data. This option can be very helpful in repairing the system data that might somehow get damaged. The system data consists of a file named system. mdb and it contains your user preference items such as how you want financial statements formatted, etc. When the option is selected, all you have to do to run the repair utility is click on the OK button.

Copy System Data

This sub-option allows the copying of the system data from the application directory to the default data directory vice versa. It also allows the copying of system information from the workstation to the file server.

Process System Data Update

When an update to the P.C. Software Client Write Up System is loaded, it will normally also update the system data as needed. In some circumstances, this will not occur. If this happens, this sub-option will cause the system data to be updated. To activate it, all you have to do is select the sub-option.

Print out of Period Transactions

This option will print out-of-period transactions. What is an "out-of-period transaction?" An "out-of-period transaction" is any transaction that has been entered since the current period has been selected that is not dated in the current period. In other words, if you enter a transaction for February of last year while you are in June of this year, the February of last year transaction would be considered an "out-of-period transaction." If transactions from other periods are transferred in using DOS or Windows Computer Checkbook or DOS payables or DOS payroll, they will not be considered "out-of-period transactions." The purpose of this utility is to allow you to see what "out-of-period transactions" you have entered.

Alternate Rebuild File List

This option is identical to the Rebuild File List option found in the top portion of the Utility menu with the exception that it will indicate that errors have occurred with certain clients so that they can be individually examined and corrected. It is only needed if there are problems with the normal Rebuild File List option.

Tax Form Count Utility

This option will count the numbers of W2 and 1099 individuals for all clients in the system as an aid to forms ordering.

Refresh Demo Data

This option will restore the sample clients that are provided with the system to their original state. This is helpful if practice transactions have been made to the demo data or the demo data was used for other practice exercises and now some one else wants to use it as it was originally.

Chapter 9
The Window Pull-Down Menu

The Window pull-down menu shows you a list of all open screens. If you activate this pull-down menu, you can select the window that you wish to access and that window will be brought to the foreground so you can work with it. (This works even if the window you wish to access is invisible because other windows have hidden it from view.) The list will usually show at least a single item entitled System Information, unless you have closed that window. The *System Information* referred to is the Status Box that automatically displays in the lower right portion of the *Windows Client Write Up System*. We recommend that you never close this window. It will always be in the background and not interfere with anything you are working on and it is valuable in informing you about the current system information

System Information			

STATUS
Transaction preparation was successful.

Report Date: 01/31/2005   Disk Space Free: 9,388.9 MB

Printer: \\Pcsaiserver\HP LaserJet 4050 Series PCL6

Versions
Data: 6.10   Program: 6.10.03   Resolution: 1024X768
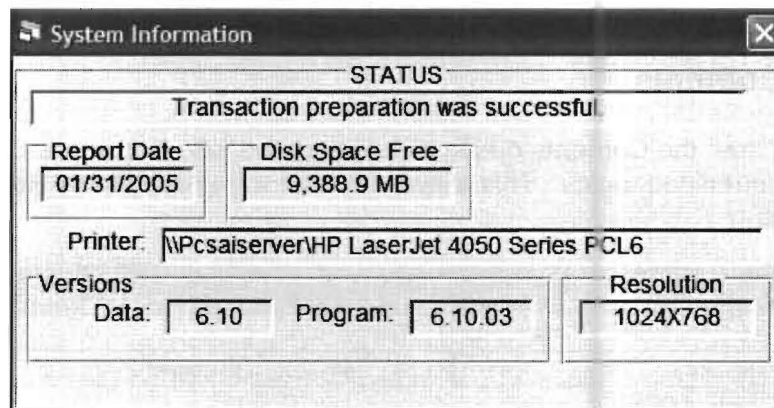
The Help Pull-Down Menu

When the Help pull-down menu is selected, the following menu will display:

Help

Contents
Practice Set Help
Help on Help
Tutorial
System Overview

Obtaining Technical Support
PC Software Information

About Client Write-Up
Whats New ?
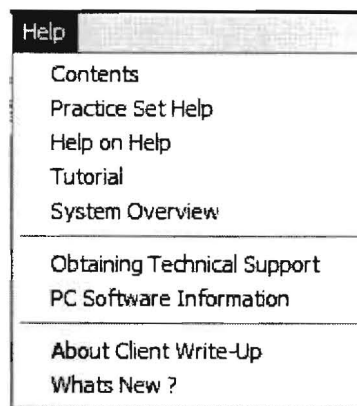
A brief overview of the menu options follows. They are more fully explained after the overview.

Contents: This option provides an overall Table of Contents of the system documentation. It also contains the Search system documentation option.

Practice Set Help: This option provides system guidance for the Practice Set.

Help on Help: This option instructs the user in the use of the Help system itself.

Tutorial: This option is designed to guide a potential user of the system through the Practice Set.

System Overview: This option provides a overview of the system's major features.

Obtaining Technical Support: This option provides guidance on technical support.

About Client Write Up: This option provides Information on the products that were used to develop the Client Write Up System.

Contents

When the Contents option is selected, the following screen will display with underlined topics. This allows the user to reference any Help option by clicking on it.

```
 Client Write-Up                                              [_][□][X]

 File   Edit   Bookmark   Options   Help

 Help Topics    Back      Print      <<      >>      Glossary

 Table of Contents
 ─────────────────────────────────────────────────────────────────

 Click any subject below to see related help:

 Table of Contents:
 Overview                                    File Menu
 Client Write-Up Tutorial                    Setup Menu
 Activating a Client                         Transaction Menu
                                             Other Programs Menu
 Creating a New Client                       Reports Menu
 Set up a New Client                         Utilities Menu
 Status Information Display                  Windows Menu
 Technical Suport                            Help Menu
 Tool Bar
 Password Screen

 Chart of Accounts Development               Data Conversion
 Minimum Function Chart
 Medium Function Chart                       Tax Wise Interface
 Full Function Chart
 Changing An Account Balance                 QuickBooks Interface


 How Do I...

 Set Up a New Client
 Process Clients with Payroll
 Process Clients without Payroll
 Develop a Chart of Accounts
```

When Search is selected by clicking on the HELP TOPICS TAB in the upper left corner of the Table of Contents screen shown above, the following screen will display:
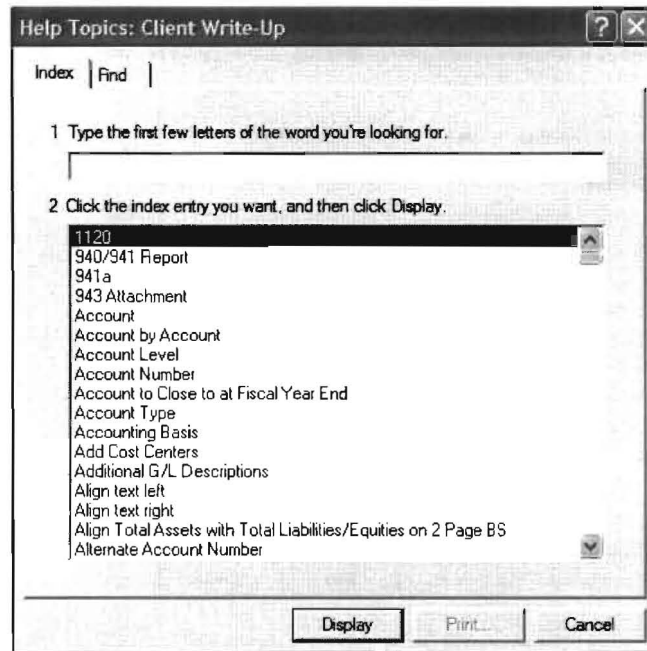
This screen allows the user to find and highlight an item from the listing of topics or enter a search word for appropriate help:

Practice Set Help

When Practice Set Help is selected, the following screen will display:
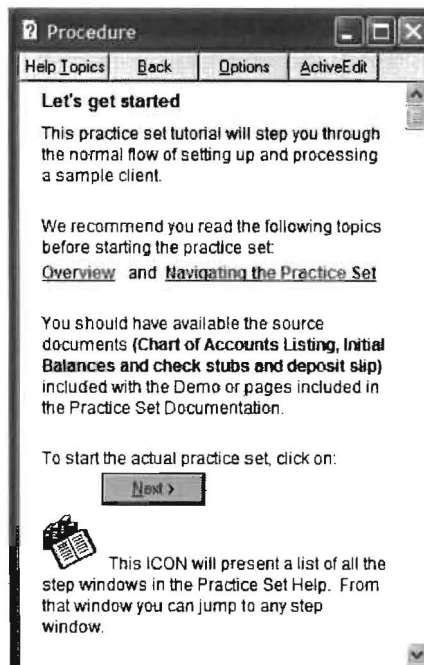
Help on Help

When the Help on Help option is selected, the following screen will appear:
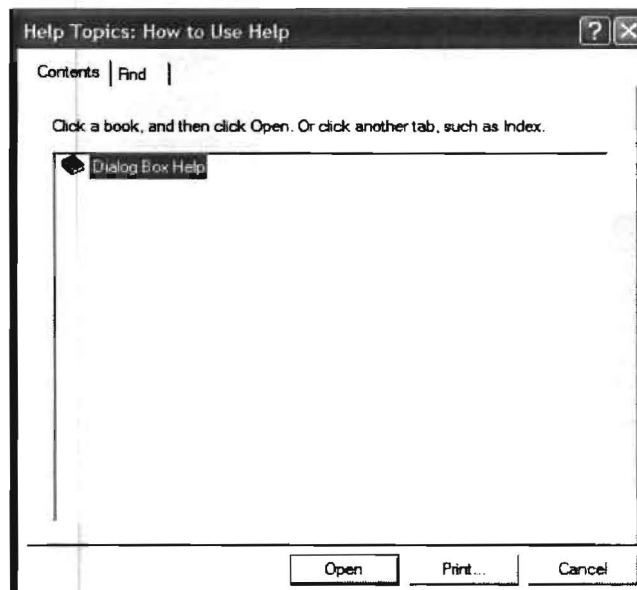
Simply click on the icons to obtain general instructions on using Help:

Tutorial

The Tutorial option contains both a System Overview and Practice Set Help options. It also contains a "quick" way to do the *Practice Set*.

System Overview

When the System Overview option is selected, the following screen will display. The user may find a topic and highlight it or key in a search or "lookup" word to locate a topic.
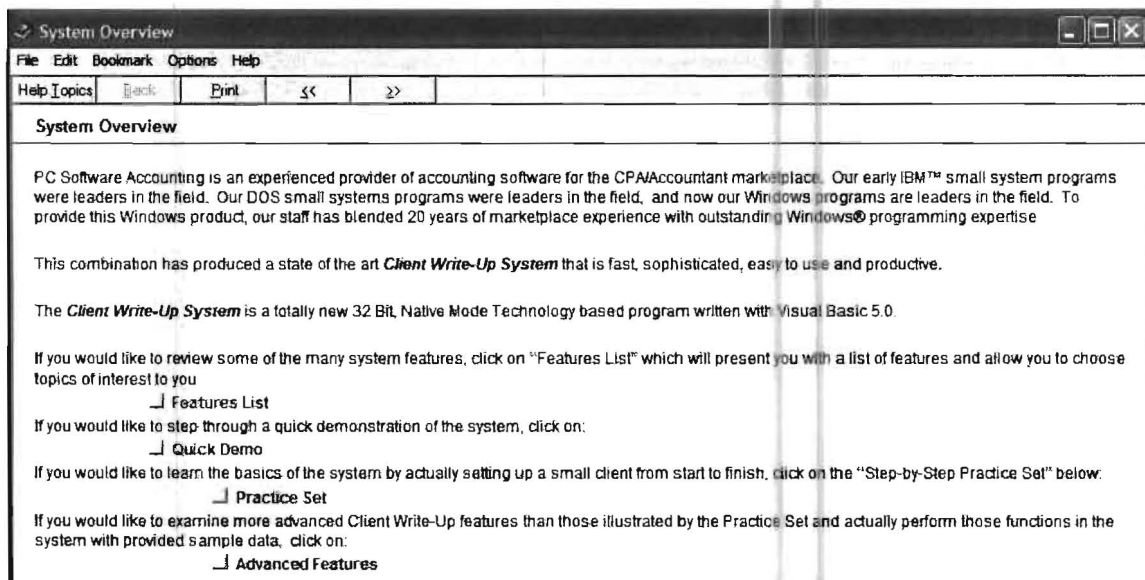
About Client Write-Up

When the About Client Write Up option is selected, the following brief message will display:

PC Software Accounting Client Write-Up Version 5.xx for Windows
Copyright 1997-2004 PC Software Accounting, Inc.

This product was developed using Microsoft Visual Basic version 6.0 and Microsoft Access XP.

OK
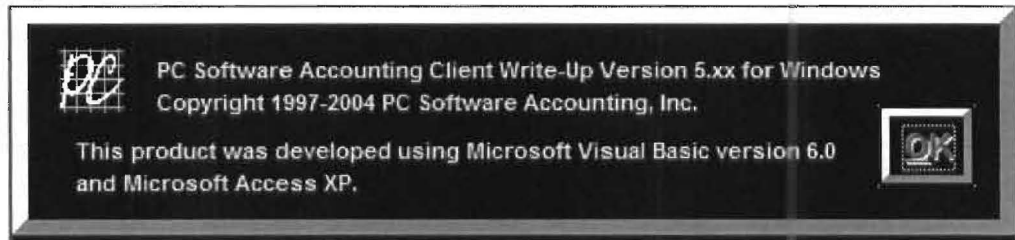
Clicking on OK will remove it from the screen.

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Chapter 10
Bank Reconciliation

Bank Reconciliation Introduction, Overview and General Recommended Approach

Bank reconciliations of today are more complicated than those of years past because of the great increase in the number of electronic transactions. Because of this certain approaches to bank reconciliation seem to save time and hassle. After having worked with many individuals and many bank reconciliations, we would like to recommend some general reconciliation procedures.

1. If you are doing the first reconciliation of a bank statement for a new client to the Client Write-Up System, be aware that you will have to gather and enter any outstanding checks or deposits in transit from previous accounting periods as carry forward items. Later when all transactions are entered on the system, checks or deposits that do not clear will automatically show up in future periods as un-cleared items.

2. The key to doing an efficient bank reconciliation is to enter detailed transactions in the Client Write Up System with clear reference numbers that can easily reconciled to corresponding detailed entries on the bank statement. Transactions should be entered in detail rather than summarized because summarized transactions can not be easily reconciled to individual line items on the bank statement.

3. Our recommendation is to enter all physical checks (non electronic) with their corresponding check number. Our recommendation is to also enter all physical deposits (non electronic) with reference numbers that will allow them to be matched up to specific deposits on the bank statement. Typically, you would start with reference number 1 for the first deposit of the month. If there were five checks from customers that made up the first deposit of the month, then these five checks would all have the reference number 1. This would insure that the total of this deposit would match the total of the same deposit on the bank statement. In the same manner, the second deposit of the month would have the reference number of 2. If there were ten customer checks that made up that second deposit of the month, then they would all have the reference number 2. Likewise for the remainder of the physical deposits.

4. Our recommendation is to enter all electronic disbursements such as transactions from debit cards as individual detailed transactions. We recommend that the first debit memo of the month be referenced with DM1 as its reference number. In the same manner, we recommend that the second debit memo would be referenced with DM2. Each additional debit memo would increase by 1 yielding DM1, DM2, DM3, DM4 etc. until all the individualized debit memos were entered. To help you do this, if you enter DM1 as a reference number in the Client Write Up System, the next transaction reference number will automatically default to DM2, etc. Once the individualized debit memos are entered, they can then be matched up with the corresponding individualized debit memo entries on the bank statement. Often the best way to make these debit memos into the Client Write Up System is to refer to the bank statement that shows them when entering them in the Client Write Up System. The reason for this is that most customers do not keep good records of these types of transactions and it is generally easier to figure them out while looking at the bank statement.

Summarizing these debit memo entries and trying to reconcile them with individualized entries on the bank statement makes the reconciliation more complicated and makes things very difficult to re-reconcile especially if you have to make changes to the reconciliation a few months later.

5. In the same manner, we recommend that the first credit memo of the month, such as a receipt of a credit card sale, be referenced with CM1 as its reference number. In the same manner, we recommend that the second credit memo be referenced with CM2 etc. Once again, we recommend individual entries rather than summarized entries because of the difficulty in reconciling summarized transactions against individual entries as they show on the bank statement. Note that the system will also automatically increment credit memo reference numbers if you use CM1 as a starting point. The next reference number would then automatically be CM2 etc.

6. Entries like bank service charges can be entered as service charges in the Client Write-Up System or they can be entered as debit memos.

7. Once all the individualized entries are entered in the Client Write Up System, then we recommend that you check your individualized entries with the corresponding entries on the bank statement and indicate all cleared items by marking them cleared in the bank reconciliation sub system.

8. While you are clearing items, you should note any items that do not clear for the same amounts, and any missing items from the Client Write Up System that appear on the bank statement. You should also note items that appear on the Client Write-Up System that have not cleared. These may be valid entries but they might also be incorrect entries or entries that should have been voided. Do not mark any of these kinds of items cleared. Instead go back into the Client Write-Up System and correct the items that cleared for a different amount and enter the items that were inadvertently left out in transaction entry but were obviously transactions since they were cleared. Double check that entries in the Client Write-Up System that were made and have not cleared are valid entries.

9. Now go back into the bank reconciliation system and clear the corrected items and the previously missing items from the Client Write-Up System that appeared on the bank statement.

10. Once you have cleared all the items from the bank statement, you should print the reconciliation worksheet and see if your total cleared debits and total cleared credits match the total cleared debits and credits from the bank statement. If they do not, you should see why and work at correcting entries or adding transactions to the Client Write Up System until the total cleared debits and credits on the bank reconciliation worksheet exactly match to the total cleared debits and credits on the bank statement. Many people find that it is easier to do this, if they first concentrate on the total cleared credits and get that number correct since that number is usually easier to reconcile. Once they have reconciled the total cleared credits, then they turn their attention to the total cleared debits. Most of the times when you get the total cleared debits and credits on the bank reconciliation worksheet to match the total cleared debits and credits on the bank statement, you will find that you are reconciled. Working towards these totals is often very helpful, especially in the later stages as the exact difference is often the amount of a particular transaction.

11. If the total cleared debits and credits on the bank reconciliation worksheet and the bank statement match, and you are still not reconciled, then the problem is almost always in the initial bank balance. This usually happens the first time you are reconciling a bank statement for a client on the Client Write-Up System and might indicate that the reconciled balance you thought was correct from previous reconciliations is not valid. If this is the case, you should closely investigate the numbers (i.e. double check all carry forwards, all outstanding checks etc., etc.) and if you are sure the initial balance is wrong, you can adjust it on the system as an initial balance. We have occasionally seen bank statements whose beginning balance for the month is not the same as the bank statement's ending balance from the previous month's statements. This was caused by transaction corrections, additions or deletions to the previous statement after the printing of the previous statement. This is worth checking. If this is the problem, then the corrections, additions or deletions to the previous period must be made to the Client Write-Up System and the Client Write Up System re-reconciled for the previous month until the ending balance matches with the corrected ending balance of the bank statement for the previous month.

12. Once the bank reconciliation worksheet and/or bank reconciliation report have been reconciled, you should print a permanent copy for your records. These permanent copies will be very helpful to you, if you have to go back at some later time and reconcile the same period for some reason.

13.   Once you are reconciled and have printed the desired bank reconciliation reports for your permanent record, it is recommended that you create the carry forward file at this time. **THIS PUTS YOU IN TOTAL CONTROL OF CREATING THE CARRY FORWARD FILE AND WILL AVOID ANY PROBLEMS WITH GOING BACK AND FORTH BETWEEN VARIOUS PERIODS AND RECREATING AN INCORRECT CARRY FORWARD FILE BY MISTAKE**. This is done by selecting the View or Print Worksheet option from the bank reconciliation system after you are completely reconciled and marking the box, "Update the Carry Forward File" and then clicking on the okay button. This will create the correct carry forward file. Now all you have to do is whenever the system asks you if you have completed the Bank Reconciliation for the previous period is to always answer **NO**. What this means is that the Carry Forward File that you approved and created when you were finished with the reconciliation will remain the Carry Forward File until you create a new one when you are reconciled for the next month. (By the way this option may be repeated if it needs to be for various reasons– as long as the Carry Forward File is correct on the report just before you create it, you are fine. It will always create to match the current report!)

Set Up of the Bank Reconciliation on this System

Bank reconciliation work sheets and reports for all cash accounts are available from the system via an integrated bank reconciliation feature. In order to use this feature for a client, it is necessary to setup the client for bank reconciliation and to process the bank statements as a part of the regular monthly processing. To illustrate the concept and operation of the bank reconciliation feature, The Sample Company, Inc. of the Practice Set as of January 31, 2006 will be setup for reconciliation, reconciled, and discussed in this section. (There is no need to do this, as reading this text should be fine, but if you want to follow along on your machine as you read these instructions and actually make the same entries that are discussed, you can do so by activating Client #950, The Sample Company, Inc., which is automatically shipped with the system.) Client 950 reflects the Sample Company, Inc that was generated in the chapter 3 practice set for January of 2006. It was not reconciled as part of the Practice Set. (Note if you or someone else has changed the data in Client 950 from its original state, you can restore it to its original practice set condition using the **Utilities** pull down menu and the refresh demo data sub option.)

Initial Setup

To setup The Sample Company, Inc. or any company for bank reconciliation it is first necessary to enter information on the **Cash Accounts** screen for any bank account that will be reconciled. To enter this information click on the **Setup** pull-down menu, **Account**, and then **Cash Accounts**. A **Cash Accounts** screen will display:

Enter each cash account that you want to reconcile with its respective disbursements and receipts journal codes. (It is critical to note that each cash account must have unique journal codes. In other words if one cash account has journal codes CD1 and CR1, no other cash account can have the same journal codes.) The following screen shows the correct entries for the Practice Set cash account of 110 with a cash disbursement journal code of CD and a cash receipt's journal code of CR. Note that it is also very important that the journal codes that you select for a specific cash account must be the same journal codes that you use in transaction entry for any disbursements or receipts that relate to that cash account. In the practice set CD was used for the journal code for cash disbursements and CR was used for the journal code for cash receipts and that is why they are shown on this screen. Note that the check box is checked to select this cash account as one to be reconciled.

If you fill out the screen as above, you will have answered all the necessary questions and the information for the first cash account will still be displayed. Accept the entire screen with the **OK** button. After this screen is entered and accepted for the first cash account, the same screen will again appear with no entered information. If there were other cash accounts, the next cash account would now be entered with its respective disbursements and receipts journals. Since there were no other cash accounts in the Practice Set, click on **Close** to return to the home screen. This is the procedure you will use to set up the system for whatever cash accounts you have designated for reconciliation. **If new cash accounts are added that you desire to reconcile, they will need to be added using this option at that time.** Our recommendation is not to use CD and CR as the journal codes for a company unless they only have a single cash account and you are pretty confident they will not add a second cash account. For all other companies, we recommend that you use CD1 for the disbursements for the first cash account and CR1 for deposits for the first cash account. The second account should be CD2 and CR2, the third account should be CD3 and CR3 etc.. Using these journal codes is logical and organized and will help you in the reconciliation process.

After setting up your cash accounts, it is also necessary to set up the bank reconciliation feature itself. To do this, select the **Transactions** pull down menu, then select **Bank Reconciliation**, then **Reconciliation Setup**. The screen shown on the following page will display:

Bank Reconciliation Setup

☒ Use Bank Reconciliation Feature

☐ Consolidate Direct Deposit PR Checks By Date

Reconcile Receipts Journals Using Entries To: ○ Cash Accounts

◉ Revenue Accounts

Ok

Close
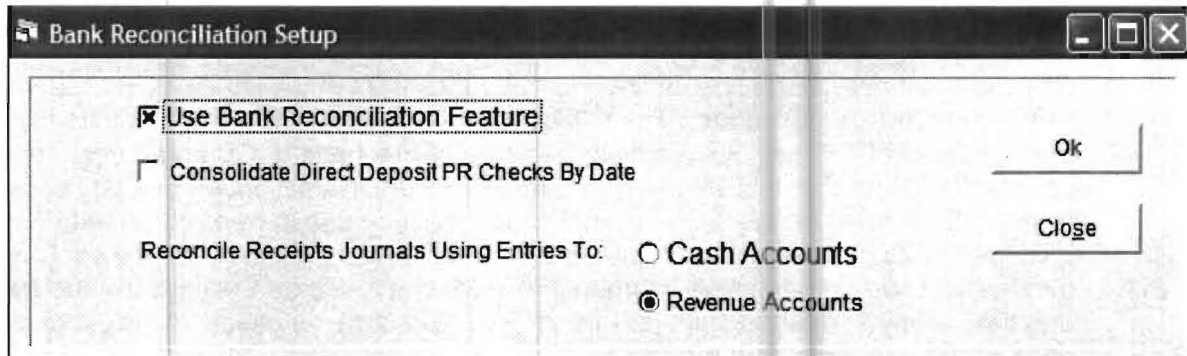
Make sure that there is an **"X"** in the check box following **"Use Bank Reconciliation Feature"**. This activates the bank reconciliation feature. Now you need determine how you typically make your journal entries for receipts transactions and mark either Cash Accounts or Revenue Accounts. Notice that the default is set to **Revenue Accounts,** and this is the correct setting for the Practice Set client. Revenue Accounts are preselected because, based on the entries made by most accounting firms, the revenue accounts will generally show the detailed receipt transactions on the reconciliation report, whereas a single entry to cash for all revenue will not. If, however, each deposit to the bank gets its own debit transaction to the cash account, then you should select "Cash Accounts." Click the **Ok** button to record these settings.

Revenue Accounts Example

If you had typical transactions as shown in the table below for the CR entries, you would choose to reconcile reports using "Revenue Accounts" These CR entries mean that there were deposits of 25, 37,100, and 505 dollars to revenue accounts 405,406,405, and 410 respectively. Note there was a common entry to cash account 105 for the total of 667 dollars.

Jnl Code	Reference	Account	Amount
CD	234	605	300.00
CD	235	634	271.43
CD	235	681	100.00
CD	CKS	105	671.43-
CR	3/1	405	25.00-
CR	3/1	406	37.00-
CR	3/2	405	100.00-
CR	3/3	410	505.00-
CR	DEP	105	667.00

Table 5-1: This table illustrates entries of receipts to Individual Revenue Accounts

Note that transactions with "DEP" or "CKS" in the reference field will be ignored in bank reconciliation. The table on the previous page shows an example of the proper use of CKS and DEP in disbursement and receipts transactions. Summary entries to the cash account, 105, are indicated with a DEP or a CKS in the reference field.

Notice that the summary entry for the credit to cash for the checks has a reference of "CKS." This means that the bank reconciliation will ignore this transaction. The summary entry for the debit to cash for the receipts journal (CR) has a reference of "DEP". This transaction will also be ignored, whereas the individual detailed transactions made to the revenue accounts will be shown. This is how the system works whenever you choose "Revenue Accounts" in the setup.

Cash Accounts Example

If you had typical transactions as shown in the table below, you would choose to reconcile reports using "Cash Accounts".

Jnl Code	Reference	Account	Amount
CD	234	605	300.00
CD	235	634	271.43
CD	235	681	100.00
CD	CKS	105	671.43-
CR	3/1	405	25.00-
CR	3/1	406	37.00-
CR	3/1	105	62.00
CR	3/2	405	100.00-
CR	3/2	105	100.00
CR	3/3	410	505.00-
CR	3/3	105	505.00

Table 5-2: This table shows the difference in the CR journal.

Notice the difference in the CR journal transactions compared to how they were entered in the revenue accounts example. There is an entry to the cash account 105 for the deposit of each day. (I.e. $62 on 3/1, $100 on 3/2 and $505 on 3/3) This is an example of the appropriate way to key the receipts when you have chosen the "Cash Accounts" option. In this case the bank reconciliation will look for CR transactions to the bank account when reconciling the CR journal. "DEP" should never be used in the reference on the receipts journal if you have chosen the "Cash Accounts" option.

Monthly Processing
First Task

Adding outstanding checks on newly setup clients

The first question that arises is, how do you get the outstanding check from last month into the system since this new client has never been processed on the system? (If the client had been processed on the computer last month, then the outstanding checks would automatically be carried forward to the current month.) To enter the outstanding checks, select the **Transactions** pull-down menu, then choose **Bank Reconciliation**. The following additional menu will display:

Transactions	
Ledger Transactions	
Journal Entries	
Alternate GL Transaction Entry	
Payroll Transactions	
Split Transactions by Center	
Bank Reconciliation ▶	Reconciliation Setup
Debit-Credit Check	Bank Reconciliation
Check an Account Balance	Edit Carry Forwards
Delete a Group of Transactions	Force Unique References
Copy Transactions from Floppy	List Carry Forwards
Repeat Entries ▶	Recon Adjustments
Modify a group of Transactions	Print Recon Adjustments
Trial Balance Entry	List Cleared Items
Transaction Utilities ▶	

You should select Edit Carry Forwards to enter the outstanding check from last month. The following screen will display:

Reconciliation Carry Forward Records

Journal: [▼]   Status: [   ]

Check Number: [▼]

Amount: [   ]

Description: [   ]

Date: [/ /]

[Ok] [Cancel] [Help] [Delete]

[Create New Carry Forward Records] [Close]

The outstanding checks must be entered on the screen shown below one by one. First select the journal code and then enter the check number, amount, description, and date. For this example, there is only one outstanding check from last month. It is check 3641 written to ABC Electric for $307.22 on 12/29/05.

Once this entry is made, select **OK** to accept it and then close to return to the home screen. **This is the method used to enter outstanding checks or deposits in transit on companies that you begin processing that are not brand-new companies.** Once you start normal processing, any checks that you enter into the system that are not cleared will automatically generate a carry forward entry in the next period.

Monthly Processing
Second Task

Clearing the Checks and Deposits

Now enter the reconciliation system using the **Icon** shown to the left and choose **CD** as the journal. The following screen will appear:

Notice that the previously outstanding check 3641 appears on the check display. The next step in the reconciliation is to enter the ending bank balance from the actual bank statement in the **End of Period Bank Balance** field. In this example this amount is $3209.88 which reflects the actual checkbook balance of $2413.36 plus the two uncleared checks from this month (3654-148.32 and 3655-$660.70) minus the service charge of $12.50 which was not entered in the Practice Set exercise.) Enter the amount of $3209.88 in the end of period bank balance field if you have not already done so.

The next step is to mark the checks cleared on the bank reconciliation that actually cleared at the bank. For the purpose of this exercise the following table shows the checks that have cleared in January.

Check Number	Check Description	Amount	Bank Statement
3641	ABC Electric	307.22	Cleared**
3644	Exxon Corp	52.00	Cleared
3645	James Smith	100.00	Cleared
3646	ABC Supplies	14.00	Cleared
3647	General Telephone	86.48	Cleared
3648	Fla Power & Light	63.00	Cleared
3649	Thomas Realty	300.00	Cleared
3650	James Smith	660.70	Cleared
3651	Pelican Restaurant	94.00	Cleared
3652	Fred's Office Furniture	392.00	Cleared
3653	James Smith	250.00	Cleared
3654	General Motors Credit	148.32	Uncleared
3655	James Smith	660.70	Uncleared

** Check 3641 reflects an outstanding check from December 29 of 2005 that cleared this month. It is not showing on the screen since it had not been entered into the system during the practice set, which started on January 1, 2006.

Table 5-3: This table shows which checks are cleared or uncleared.

For the purpose of this exercise, assume that the single deposit for the month has also cleared ($4000.00, dated 1/16/06).

There are a number of ways to mark checks cleared but the most common way is to use the toggle feature which is marked as a default. With the toggle feature active, you can position the cursor to the cleared column to the right of each check and click for each cleared check. This is somewhat tedious but allows you to check the cleared amount for each individual check and make sure it is the same as the transaction amount entered in the Client Write-Up system.

(You could also mark all checks cleared and unmark the checks that have not cleared in high volume situations. If you do this make sure you check the actual cleared amounts on the bank statement in some other way against the original transaction amounts that were entered in the Client Write-Up system.)

Now we will clear the checks. The screen shown on the bottom of page 10-9 should still be showing. If not click on the drop down arrow next the **Journal Field** and choose the **CD** journal. Make sure the End of the Period Bank Balance of $3209.88 is entered. Mark the checks that have cleared after you have done this click on the **OK** button. It is very important that you click on the **OK** button after you enter the **End of Period Bank Balance** and clear checks otherwise you entries will not be saved. Now click on the drop down arrow next to the **Journal** field again and choose **CD**. You screen should appear as below, including an updated difference of $3987.50.

The next step is to reconcile the deposits. Position the mouse pointer to the journal code box again and select the **CR** journal. The single deposit of $4000 will display. Mark this item cleared using the mouse pointer. Click on **OK** to accept this screen. Now click on the drop down arrow and choose the **CR** journal again. The screen shown on the following page will display showing an updated difference of $12.50.

Bank Reconciliation

Journal: CR Rec For. 110 Cash in Checking

End of Period Bank Balance: 3,209.88

Reconciliation Method
- ⦿ Toggle Clearing
- ○ Key Amount
- ○ Key Ck Num And Amount

Check No	Amount	Description	Cleared
1	4,000.00	Summary Deposits for the	X

- ○ Suppress Cleared Items
- ○ Show Only Cleared Items
- ⦿ Show All Items

Mark All "Cleared"

Mark All "Not Cleared"

Add Ledger Transanctions

View or Print Worksheet

View or Print Reconciliation Report

Ok Cancel Help Close AutoCents

GL Bal = 2413.36 Bank Bal = 2400.86 Difference: -12.5

In this case the only deposit of $4000 showed on the screen as expected. If a deposit to a revenue account does not display, it means that it has DEP in the reference code. Only the debit to cash should have DEP in the reference code not the credit to the revenue accounts. If your deposits do not show, go back to the ledger transactions and change the reference code to something other than DEP which is reserved for the summary entries to cash for the month.

Monthly Processing
Task Three

Entering New Transactions or Changing Incorrect Transactions

The next job is to enter new transactions or change transactions that were incorrectly entered in the Client Write-Up system. In this case all the transactions were correct and cleared for the same amounts as they were entered on the Client Write-Up system. If there had been transactions that cleared that were not entered in the Client Write-Up system or transactions that were cleared for different amounts then were in the Client Write-Up system, than the next step would be to go back to the Client Write-Up system and change and correct these transactions. Then you would return to the Bank Reconciliation subsystem and clear the previously un-entered transactions and the transactions that could not be cleared because their amounts were different. In this case the only missing transaction is a service charge for $12.50. This transaction could be entered in the Client Write-Up system under the CD journal and given a reference number of DM1 or some other appropriate reference number.

There is also a feature in the system that allows the special entry of service charges so that they will show specifically as service charges. (This feature is discussed on pages 10-16 and 10-17 of this chapter.) Also transactions like this can be entered directly from the bank reconciliation sub option as a convenience. In this case we will add the service charge in that way. Click on the **Add Ledger Transactions** button from the Bank Reconciliation screen and a screen similar to the one shown below will appear except no values will be in the fields. (If the add ledger transaction button is grayed out, just choose a journal code like CD and press **Enter**, this will activate the **Add Ledger Transaction** button.)

To make the entry above, and record it specifically as a "Service Charge," first replace the default CD or CR journal code with a non CD or CR journal code. In this example, we are using JE for the adjustments journal code. To replace the CD, place the mouse cursor in the beginning of the **Journal Code** field and while pressing the left click, drag the mouse to the right. This will highlight the CD. Release the mouse click. Now enter the JE and the CD will disappear. Enter the remainder of the screen and use the **OK** button to accept the information.

Now make the credit entry for the service charge which is shown below. Then click "OK" to accept it. Then click on the close button for General Ledger Transactions, you will still be on the bank reconciliation screen.

Now click on the drop down arrow next to the Journal Field and select the **CD** journal. You will notice that the difference is now zero and you are reconciled as shown below:

Many people prefer to just enter service charges as other Debit Memos in the disbursements journal for the bank account they apply too. In that case the service charge entries would be cleared just like a regular check or debit memo.

Run Reports

At this point, you are ready to run the reports, make sure you have an active journal selected (either CD or CR for the Practice exercise). Click on **"View or Print Worksheets"** and print it. Then click on **"View or Print Reconciliation Report"** and print it. You may check your reports with the printed ones found at the end of this chapter.

Creating the Carry Forward File

As discussed in the Bank Reconciliation Introduction, Overview and Recommended Approaches section that began this chapter, it is recommended that you create the Carry Forward File once you are reconciled for a period and have printed a copy of the bank reconciliation worksheet or bank reconciliation report for your permanent records. To do this, select a journal and display the reconciliation screen. The reconciled Practice Set screen that was just completed is shown on the following page:

Now click on the **View or Print Worksheet** and the following screen will appear:

Note that if the line, "Update Carry Forward File to Match Worksheet," does not appear on your screen for some reason, just get out of the Bank Reconciliation Option and get back into it and repeat the above procedure

Once you have the screen above and have made sure you have already printed permanent copies of the bank reconciliation worksheet and or the bank reconciliation report mark the box "Update Carry Forward File to Match Worksheet" and click on the OK button. This will create the exact Carry Forward File that is currently on your report. Now just remember to always answer any question about, "**Are you finished with the Bank Reconciliation for this period?**" that you are asked when switching reporting periods with the answer **NO**. Then the Carry Forward File that you last updated will remain the Carry Forward File in the system. This completes the hands-on part of this exercise on the Bank Reconciliation. The remainder of this chapter discusses various reconciliation topics in more detail.

Making Adjustments

Now that you have just made two correct entries to reflect a bank service charge, and printed your reports thus finishing this exercise, we want to tell you that there are other entries that will work for other adjustments. **By "correct" entries or other entries that will "work," is meant that these adjustments will be recognized and noted by the bank reconciliation program in the category that you designate them.** (I.E. as specific types of adjustments such as service charges, bank drafts, or interest earned).

There are some important rules about non-check and non-deposit transactions that must be followed in order for the bank reconciliation program to properly categorize them. First of all, in this system, any transaction to cash that is not a check or deposit falls under the general category of an adjustment. There are many kinds of adjustments such as service charges, bank drafts, interest earned, etc.

Both the **Reconciliation Work Sheet** and the **Reconciliation Report** can categorize these adjustments for what they are if you follow the general rules below:

1) All adjustments should be entered as **General Ledger** transactions posted to the cash account that they affect. Individual adjustments will only show up on the reconciliations of the cash accounts that they affect.

2) All adjustments should have a journal code that is not a disbursement or receipt journal code for any cash account. In the example above, a journal code of JE was used. (If the system will not accept the journal code that you enter, you may enter it using the **Setup** pull-down menu **System**, and **Journal Code,** which allows you to enter new journal codes into the system).

3) The reference field for adjustments may not be "CKS" or "DEP" which are reserved for summary entries.

There are four different categories of adjustments that the reconciliation program will distinguish on its reports. These four categories are Bank Drafts, Interest Income, Service Charges, and Other Adjustments. The reconciliation program can categorize these adjustments by either the description or reference field that you enter. If you want the bank reconciliation program to recognize one of these adjustments as that type of adjustment, then you must enter the adjustment with one of the accepted codes that are shown below for either the description or reference field. The listings below **show the description fields** that will identify transactions into each category. It is important to note that the description fields must match the samples exactly to be recognized by the program.

Recognized Description Fields

Bank Drafts

Draft
DRAFT
Bank Draft
BANK DRAFT

Interest Income

Interest
INTEREST
Interest Income
INTEREST INCOME

Service Charges

Service Charge
SERVICE CHARGE
Service Charges
SERVICE CHARGES

Bank Charges
BANK CHARGES
Bank Charge
BANK CHARGE

Note that there are no descriptions listed for the category **Other Adjustments**. This is a catch-all category. If a transaction is made to the cash account and is not a disbursement, or a receipt or does not fall into one of the three categories shown above, than for purposes of the bank reconciliation program it will be placed in the category of Other Adjustments. The listings that follow **show the reference fields** that will identify transactions into each category. Note that the reference fields must exactly match the samples to be recognizable to the computer program.

Recognized Reference Fields

Bank Drafts

Draft
DRAFT

Interest Income

Int
INT

Service Charges

S/CHG, S/Chg, SVCHG, Svchg, SVC

Remember that matching entries in **either** the description or reference field will result in adjustments being placed in the above-mentioned categories.

Now that you have entered the service charge with correct terminology in the description or reference number field, it will appear on the reconciliation reports. There is no need to mark an item that is coded this way as cleared. You may now print the reconciliation worksheet and reconciliation report. These reports are printed for the practice set and found at the end of this section.

In this exercise, you found that you had to enter an outstanding check using the **Edit Carry Forwards** option. If you had to do this with all outstanding checks or deposits in transit, it would be to time consuming. You do not have to do this once you have entered the initial carry forwards.

As long as you proceed forward in the expected manner, from period to period, the program will maintain the carry forward file for you. It will remove those carry forwards that have cleared, and add receipts and deposits that did not clear.

If Carry Forwards are Wrong

Occasionally problems may arise when you choose to return to previous periods and reconcile. This makes it much more difficult for the program to know what to do with the carry forward records, and there will be times when the carry forwards may not be accurate. Here is what you can do to correct the carry forwards if they are incorrect: If the problem involves just a few records, then it would be easy to make these changes using the Edit Carry Forwards main screen (described in detail on **page 10-8 and 10-9**, the same one you used to enter the outstanding check from 12/29/05). If there are many problems, it may be more efficient to use the screen that you can call up with the Create New Carry Forward Records button. This allows the system to regenerate carry forward entries for selected date ranges.

To use this option, you must not have any carry forward entries left from the first time initial setup and processing of the client. (In other words, if you processed a client for the first time in June of 2006, and you had several outstanding checks from May of 2006, you could not use the **Create Carry Forward Records** option until those checks from May of 2006 have cleared. Since they would most likely all clear in June, you could use the **Create New Carry Forward** Feature in July if that were necessary.)
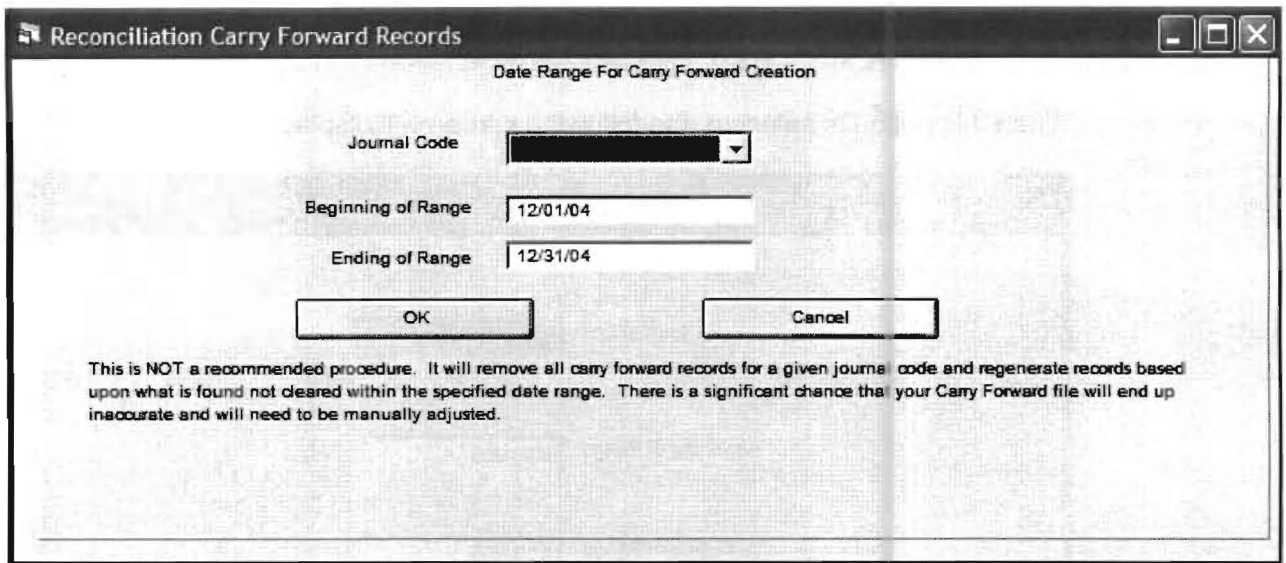
Using the Create Carry Forwards Option

To use the **Create Carry Forward Records** option to correct any incorrect carry forward records you should select the **Transactions** pull-down menu and then **Bank Reconciliation**. Choose the **Edit Carry Forwards** option and the following screen will display:

When you previously entered the outstanding check in the Practice Set exercise (check 3641), you entered the journal code, check number, amount and the description. You then pressed the OK button and were done. In this case, you will not enter anything on this screen just select the **Create New Carry Forward Records** button shown on the bottom of this screen. When you do this, the screen on the following page will display:

Reconciliation Carry Forward Records

Date Range For Carry Forward Creation

Journal Code	[▼]
Beginning of Range	12/01/04
Ending of Range	12/31/04

[OK]   [Cancel]

This is NOT a recommended procedure. It will remove all carry forward records for a given journal code and regenerate records based upon what is found not cleared within the specified date range. There is a significant chance that your Carry Forward file will end up inaccurate and will need to be manually adjusted.

Now you would select the **Journal Code** for the outstanding checks from the drop list and select the range of dates for which there are outstanding checks. (The default is the period before the current period.) Do not do this now if you are processing the Practice Set data, but if you ever have to do this you would then select **OK.** If this were done, the correct outstanding checks would automatically be placed into the reconciliation system for this period and any incorrect Carry Forward entries would be eliminated. If there were deposits in transit, you would have to select the journal code for the deposits and the date range again. If there were multiple cash accounts, you would repeat this process for each cash account.
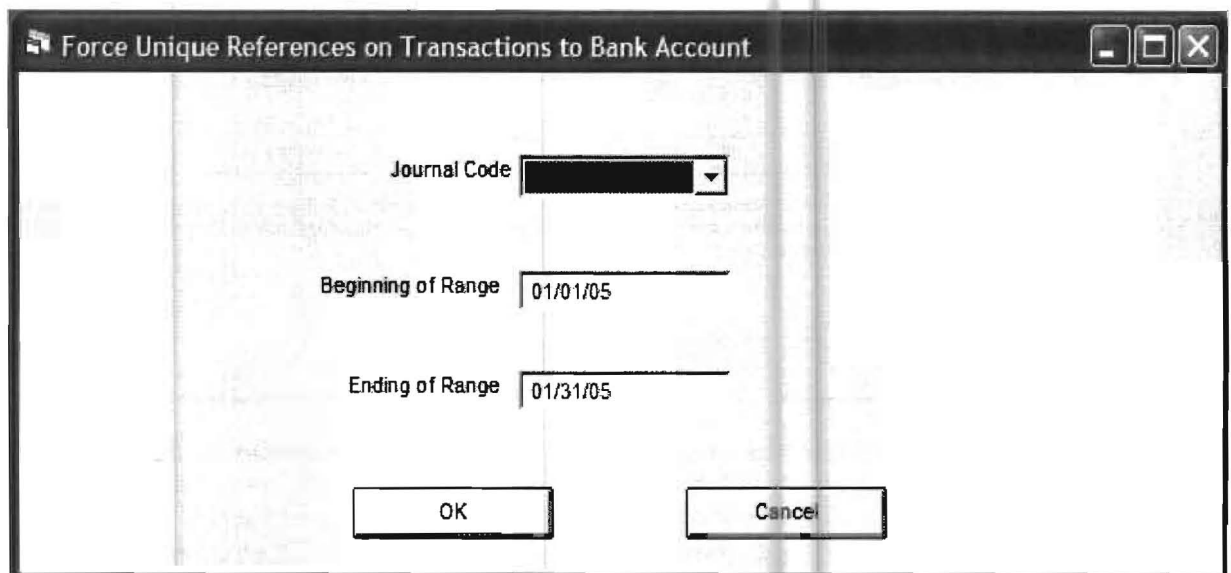
Other Bank Reconciliation Options

There are some other reconciliation options that might be useful to you. To access them select Transactions, Bank Reconciliation and they will display.

They are Force Unique References, List Carry Forwards, Reconciliation Adjustments, and Print Reconciliation. Adjustments

Force Unique References

When this option is selected, the following screen will display:

This option addresses a problem that may occur when you are reconciling the receipts journal by using debits to the cash account. In this case, it is common to have multiple debits to cash that have the same reference (or all debits to cash with the same reference). This will result in difficulties in marking these items cleared in the reconciliation. Running this option will force all such references to be unique. It will create references that start with the month of the transaction date, and add a sequence number after this. For example, the references for October would start out as such: 10/001, 10/002, 10/003, etc.

List Carry Forwards

This option is very straight forward, it allows you to view or print the Carry Forward Transactions.

Reconciliation Adjustments

This option is not a necessary option, but you might want to use it. The purpose of this option is to notify a client what corrections you made to reconcile their bank statement. All this option does is allows you to professionally notify the client what you did to reconcile their bank statement. For example suppose your client said that their bank balance was $5000.00, and you found that the client did not record a wire transfer into their account for $250.00 and did not record a service charge or $35.50. You would make these entries on this screen.

Bank Reconciliation Check Book Adjustment			
Cash Account: 110	List		
Cash in Checking			
Description			**Amount**
Balance in your records for January 31, 2005			5,000.00
Wire Transfer from ABC Company-not recorded			250.00
Bank Service Charge from January 31 2005			-35.50
	Total Amount:		5,214.50
Ok	Delete one record		Close
	Delete all records		

After you review your entries click **OK** to save them. Then go to Print Reconciliation Adjustments

Print Reconciliation Adjustments

When you take this option you will get a screen that asks for the cash account and the statement date. Enter them and chose to print the report. For the sample data entered, on the previous page, the report would appear as follows:

<div style="border: 1px solid black; padding: 10px;">

The Sample Company, Inc.

Bank Reconciliation Transmittal

Account: 110 Cash in Checking

Statement Date: 01/31/06

January 31, 2006   Client No: 100   Page 1

Checkbook Adjustment

Balance in your records for January 31, **2006**	5,000.00
Wire Transfer from ABC Company-not recorded	250.00
Bank Service Charge from January 31, **2006**	-35.50
The corrected ending balance is:	5,214.50
Adjust your checkbook balance by:	214.50

</div>

This report is only useful if the client is trying to keep their bank balance, and has supporting documentation. For example if they are using the P.C. Software Computer Checkbook, it is easy for you to prepare it, and it is nice for them to receive it.

Summarized Steps for Bank Reconciliation

1. If the company has never been set up for bank reconciliation, do so by using the **Setup** pull-down menu, **Accounts**, and **Cash Accounts**. Detailed instructions for this begin on **page 10-4** of this chapter. If there are any new cash accounts that have been added this period, add them using this same option.

2. If you are just beginning to process the client for the first time, see adding outstanding checks on newly setup clients beginning on **page 10-8** of this chapter. If you are continuing with a client that you have processed before, the system will automatically generate the carry forward entries. Occasionally you might have to regenerate the carry forward records as described on **page 10-18**.

3. Enter the **Bank Reconciliation** screen using the **Bank Reconciliation** icon or the **Transactions** pull-down menu and choose **Bank Reconciliation**. Choose the correct journal, enter the bank balance from the bank statement, and mark the items that have cleared. Make sure the disbursements and the deposits are marked clear. You will have to change journal codes to do this. Accept your entries with **OK**, otherwise, they will not take. If you want other adjustments (such as service charges) to show that way on the reports, follow the instructions on **pages 10-16 and 10-17** of this chapter.

4. Run the bank reconciliation worksheet and report to be certain that the company is reconciled. These reports are run from the **Reconciliation** screen. Repeat summarized steps 2-4, above until the company is reconciled and the reports are correct. If the reports are not coming out as they should, make sure that you have done the following:

    a. You have correct carry forward items as per step 2.

    b. You have entered the cash amount from the bank statement into the **Bank Reconciliation** screen. You have used the **OK** button once the items were marked as cleared as per step three.

    c. From the **Reports** pull-down menu, you should select **File Listings**, **Ledger Transactions**, and **Journal Reports**. Your journal reports must be in balance with the correct journal codes assigned to each transaction.

    d. Your adjustment transactions must be in accordance with the rules of **pages 10-16 and 10-17** of this chapter.

The Sample Company, Inc.
Bank Reconciliation Worksheet

January 31, 2006   Client No: 950   Page 1
110   Cash in Checking   Disb Jnl:CD   Recpt Jnl:CR

------ General Ledger ------   -------- Bank --------

1,234.56 Beginning GL Balance
4,000.00 Cash Receipts
2,821.20 Cash Disbursements
  -12.50 Service Charges
_____
2,400.86 Ending GL Balance
========

                                   3,209.88 Ending Bank Stmnt Balance

                                             Add Outstanding Receipts
                                   _____
                                       0.00 Total Outstanding Receipts

                                             Less Outstanding Checks

                                     148.32   3654 GL General Motors
                                     660.70   3655 PR Smith, James M.
                                   _____
                                     809.02 Total Outstanding Checks
                                   _____

                                   2,400.86 Adjusted Bank Balance
                                   ========

                                   2,319.40 Total Cleared Debits
                                   4,000.00 Total Cleared Credits

Bank Reconciliation Worksheet

The Sample Company, Inc.
Bank Reconciliation Report

January 31, 2006   Client No: 950   Page 1
110   Cash in Checking

Bank Statement

Bank Statement Ending Balance	3,209.88
Outstanding Receipts	0.00
Outstanding Checks	-809.02
Adjusted Bank Balance	2,400.86

General Ledger

Beginning GL Bank Balance		1,234.56
Cash Receipts		4,000.00
Payroll Disbursements	-1,321.40	
Other Disbursements	-1,499.80	
Total Cash Disbursements		-2,821.20
Service Charges		-12.50
Ending GL Balance		2,400.86

Bank Reconciliation Report Page 1

```
                        The Sample Company, Inc.
                        Bank Reconciliation Report
January 31, 2006                                    Client No: 950      Page  2
110          Cash in Checking

        Amount      Ref  From    Date     Description

                               Outstanding Receipts

          0.00                                Total Outstanding Receipts


                               Outstanding Checks

         148.32     3654   GL    01/28/06  General Motors
         660.70     3655   PR    01/30/06  Smith, James M.
         809.02                               Total Outstanding Checks


                               Service Charges

         -12.50     SVC    GL    01/31/06  Bank Charges



        2,319.40                   Total Cleared Debits

        4,000.00                   Total Cleared Credits
```

Bank Reconciliation Report Page 2

Chapter 11
Cost Centers

Introduction

The Client Write-Up System is designed to make the preparation of financial reports for cost centers simple in both concept and operation. Consolidated financial statements are available as are statements for each individual cost center. There is also a capability to allow a report for groupings of various cost centers.

This section contains an exercise which will demonstrate and explain the basic concepts and operation of cost center processing. Starting with the completed Practice Set data for The Sample Company, Inc. (as of January 31, 2006), we will further develop this data to produce cost center statements for the same period. (If you want to follow along, you can activate the completed Practice Set Client #100, if you have completed the Practice Set exercise. If you have not prepared client #100, you can activate Sample Client #950 which is the completed Practice Set. You could also just follow along by activating sample client #952 which reflects the Practice Set Client after completion of this exercise.) (Note if you or someone else has changed the data in Client 950 from its original state, you can restore it to its original practice set condition using the **Utilities** pull down menu and the refresh demo data sub option.)

For the sake of this exercise, let us assume that The Sample Company Inc., has shown promise and that a second location is scheduled to open in February 2006. The owner wants to be able to evaluate the profitability of each location very closely. The accountant realizes that cost center accounting is desirable.

By examining the chart of accounts for The Sample Company, Inc. (see page 3-12), the challenge of converting the company to cost center accounting becomes more clear. The existing account numbers in the chart of accounts have three digits and have no ties or links to locations or centers. In addition, all the initial balances and existing transactions reference the account numbers from the existing chart of accounts. In essence, no provisions were made for the possibility of a second location when the chart of accounts was initially set up. The accountant might well ask:

"What is the best approach to convert this company to cost center accounting?"

"Should the existing accounts be deleted and new accounts with cost centers keyed in?"

"Would it be easier to just set up the client again?"

"How should the existing initial balances and transactions be handled?"

Fortunately, all of these questions and concerns are quickly resolved without labor-intensive steps. With this system, the initial conversion to multiple cost centers is simple and understandable, as are subsequent operations like adding or deleting a cost center. In this section, you will learn how to guide the computer in the performance of all the tedious work, with a minimum of time and effort on your part.

Converting to Cost Center Accounting

The conversion from normal to cost center accounting consists of a three-step process. First, the system is switched to cost center accounting by setting a check box in Company Data. Next, each center is assigned a name and number. Finally, the chart of accounts is expanded to include accounts for each cost center. As part of this process, the original expense accounts are converted to consolidated accounts, which allow the system to produce statements for the entire company as well as for individual centers.

1) The first step in converting the Sample Company, Inc. to cost center accounting is to specify in the company data that the company will now be using the cost center feature. Click on the **Setup** pull-down menu and select the **Company** option to display the **Company File Maintenance** screen. Then click on the **Options** tab to display the screen shown:

Notice the check box labeled Using **Cost Center/Departments**. If this box is empty, the system is configured to use non-cost-center accounting. Click on this box and an "x" will appear as shown on the screen above. Click **OK** to save the information and return to the Home screen.

2) The next step is to assign a name and number to each cost center. The center name can be up to 31 characters in length. Center numbers can be any number from 10 to 98. For the purpose of this exercise, we will arbitrarily assign the numbers "10" and "20" to the two cost centers.

To enter this information, click on **Setup** and highlight the **Cost Center (Department)** option. Then click on **Cost Center** to display the **Cost Center Maintenance** screen, shown as follows:


```
Cost Center Maintenance                                    [_][□][X]

   Cost Center Number:  10    List          Status:  New

   Cost Center Name:  First Location


   ┌ Cents Suppression ┐┌ Payroll Overrides ┐

          ┌─ Cents Suppression Adjustment Account ─┐

            Balance Sheet Account: [        ]  List



   Ok      Cancel      Help      Print Centers      Delete      Close
```

This screen allows you to enter the cost center name and number for each center that you want to establish. Enter the first center name and number as shown above, and click on **OK** to save the information. Enter the information for the second location (center 20), using the same technique. Click **OK** to save the information for the second location and then click close to return to the home screen. (Note: The fields for Cents Suppression Adjustment Accounts are used in situations where whole dollar financial statements are desired. In such cases, the accounts entered here would provide a means to keep track of rounded amounts so that there would be no discrepancies in totaling the columns. In this exercise, simply leave these fields blank.)

3) The final step in the conversion to cost center accounting is to expand the chart of accounts for the new centers. The system has specially-designed options to allow you to do this quickly and easily; the same applies to the removal of the chart of accounts for certain centers when cost centers are deleted, i.e. when stores are sold etc.

The system identifies an account as belonging to a cost center if an established center number has been appended to the base account number. For example, in the chart of accounts on page 3-12, the base account number for rent expenses is account 620. To keep track of rent expenses for two locations, we need to establish two additional expense accounts for rent, one for each center. In this exercise, when the chart of accounts is expanded, the two new rent accounts will be 620.10 and 620.20. Also, the base account will be converted to a consolidated account to allow production of consolidated statements for the entire company. The consolidated account is not a real account. It just tells the system to total 620.10 and 620.20 for the purpose of producing a consolidated statement.

The only user action that is required is to tell the computer which base accounts need to have the center numbers appended; the computer does the tedious work of duplicating accounts for the new centers, appending the center numbers, and modifying the base accounts for proper consolidation.

To actually expand the chart of accounts, click **Setup** on the main menu bar. Highlight the **Cost Center (Department)** option, then highlight **Expand/Shrink Chart for Cost Center**. Click on **Add Cost Centers** to display the screen shown as follows:

There are three separate sections on this screen. Each section is discussed with specific reference to the conversion of The Sample Company to cost center accounting.

Account Range: These fields allow you to enter a range of accounts to be converted to cost center accounts. For example, suppose you want to evaluate the two individual locations separately via separate income statements, but only want a single balance sheet for the entire company. (This example reflects the most common case. A single balance sheet for the entity but separate income statements for location or profit centers.) To do this, expand **ONLY** the income and expense accounts for cost center accounting; enter 400 (the first sales account) as the beginning account and enter 650 (the last expense account) as the ending account. The model cost center should be left blank since you are not adding a new cost center with the same basic accounts as in those of an existing "model" center. Center 10 should be entered in the **Transfer Orphaned Balances** box. This means that the initial balances in the Practice Set for the income and expense accounts will be transferred to the center 10 cost center accounts and that the income and expense account transactions for the Practice Set will be converted to the new income and expense accounts for center 10. The final entries for this screen are the cost center numbers to be created. Enter 10 and 20 only as the two centers desired. The correctly entered screen to convert the Practice Set data will display

Accept these entries using the **OK** button. The system will process this and then return to the home screen. When you view or print the Chart of Accounts (REPORTS, FILE LISTINGS CHART OF ACCOUNTS) and select standard list, the new chart of accounts will display as follows:

Assets	100	1	1
Current Assets	105	2	1
Cash in Checking	110	5	1
Cash in Savings	120	5	1
Accounts Receivable	130	5	1
Prepaid Expense	140	5	1
Fixed Assets	150	2	1
Automobile	160	5	1
Computer	180	5	1
Furniture	190	5	1
Less: Accum. Depreciation	195	5	1
Liabilities	200	1	2
Accounts Payable	220	5	2
Federal W/H Payable	222	5	2
FICA Tax Payable	223	5	2
Notes Payable	230	5	2
Equity	300	1	3
Capital Stock	310	5	3
Retained Earnings	315	5	3
Profit and Loss	320	5	3
Income	400	1	4
Sales	440.10	5	4
Sales	440.20	5	4
Sales Returns	445.10	5	4
Sales Returns	445.20	5	4
Expenses	450	1	6
Sales Commission	460.10	5	6
Sales Commission	460.20	5	6
Salaries	465.10	5	6
Salaries	465.20	5	6
Travel	600.10	5	6
Travel	600.20	5	6
Insurance	605.10	5	6
Insurance	605.20	5	6
Taxes	610.10	5	6
Taxes	610.20	5	6
Depreciation	615.10	5	6
Depreciation	615.20	5	6
Office Rent	620.10	5	6
Office Rent	620.20	5	6
Postage/Shipping	625.10	5	6
Postage/Shipping	625.20	5	6
Office Supplies	630.10	5	6
Office Supplies	630.20	5	6
Professional Services	635.10	5	6
Professional Services	635.20	5	6
Telephone Expense	640.10	5	6
Telephone Expense	640.20	5	6
Utilites Expense	650.10	5	6
Utilites Expense	650.20	5	6

Total Postable Accounts: 19,149.20
Total All Accounts: 20,854.20

Notice that the original accounts are now consolidated accounts and that two new income and expense accounts have been added for each original income and expense account. (The consolidated accounts are not "postable" and only provide a mechanism to allow a consolidated statement to be produced.) The balances for the original accounts are now all transferred to the new accounts for cost center 10 and the existing transactions are also corrected to reflect the new account numbers. Income and expense accounts have been added for each original income and expense account. (The consolidated accounts are not "postable" and only provide a mechanism to allow a consolidated statement to be produced.) The balances for the original accounts are now all transferred to the new accounts for cost center 10 and the existing transactions are also corrected to reflect the new account numbers.

The Sample Company, Inc. is now a cost center client. Locations' one and two will each produce separate income statements when their respective transactions are entered to centers 10 and 20 respectively. In addition, the "consolidated" accounts which are not really accounts but are only entered for formatting will produce a consolidated financial statement for both locations. The accountant has provided the correct accounting solution and the client will be able to closely monitor the profitability of each location as he desires.

For the purposes of checking or understanding the methodology, the adjusted transaction listings are shown at the end of this chapter. These transaction listings are obtained by selecting **REPORTS**, **FILE LISTINGS**, **LEDGER TRANSACTIONS**, and choosing **ALL COST CENTERS & CONSOLIDATION**. This completes the Cost Center exercise, but there are a few other cost center topics that will be covered in the next few pages.

Pro-Rating Transactions:

Automatically pro-rating transactions by cost center can save a significant amount of time. The system has the capability to automatically pro-rate transactions. There is an option on the **TRANSACTIONS** pull-down menu that allows this. The name of this option is "**Split Transactions by Center**."

Split Transactions by Center

This option is used to automatically pro-rate center or split cost center transactions. First, you must be using cost centers and have them set up as explained on pages 11-2 to 11-4 of this chapter. Second, you must enter the transactions to pro-rate or split into the General Ledger Transaction Entry Screen. These transactions are entered for the total amount to be pro-rated with a center number of "99" (reserved for this purpose). The 99 center number must be in positions 5 and 6 of the account number, (i.e., 610.99 or 623099 would be valid entries whereas 61099 would not). This option will only work if center transactions to be split were entered with Center #99 on the *General Ledger Entry Screen*. When this option is taken a screen similar to the shown on the following page will display:

Split Transactions By Cost Center `[_][□][X]`

Percentage Total   `0.00`

Center	Name	Percent
10	The First Location	0.00
20	The Second Location	0.00

Ok	Cancel	Help	Close

The centers you have setup will be displayed. (i.e. Centers 10,20,30 and 40). Enter the pro-ration percentage desired. The following screen displays a 50% split for each center:

Split Transactions By Cost Center `[_][□][X]`

Percentage Total   `100.00`

Center	Name	Percent
10	The First Location	50
20	The Second Location	50

Ok	Cancel	Help	Close

You should enter the percentages as whole numbers (i.e., 50 for 50%.) Note: The system will prevent you from leaving the entry screen unless the percentages total 100%. As a convenience the total is shown on the top of the screen.

When the percentages total 100% and you accept the screen with the OK button, the transactions will be pro-rated and added to the transaction entry file. The original "whole amount" transactions to center 99 will be deleted.

Note: You might have more than one set of percentages needed for a company. The way you do this is enter the transactions that should be split by the first set of percentages using the *General Ledger Transaction Entry Screen* and then take this option and enter the first set of percentages. Then go back to the *General Ledger Transaction Entry Screen* and enter the next set of transactions that should be split using a different set of percentages. Return to this option and split the new transactions by the second set of percentages. This may be done as many times as needed until all the transactions are pro-rated.

Reporting on Groups Of Centers

The system automatically provides the capability to report on individual centers or the consolidated entity. There is another system capability that might be helpful in some cases. It is the capability to report on selected groups of centers. In other words, say there were five centers representing five stores. The system automatically produces reports for each individual store and the consolidation of the five stores, but suppose you needed a report for one of the owners who only owned a part of three of the stores. You can use this capability of the system to produce a report for only those three stores. To do this, select **SETUP/ COST CENTER (DEPARTMENT)** and then select **GROUP**. The following screen will appear:

Enter a group description that will be meaningful in distinguishing a report that will include a certain group of centers. For example, your might enter Mr. Smith's Stores for the report on the three stores that Mr. Smith owns or has part ownership in. Then you would enter the center designations for those three stores in the lower portion of the screen. Then click on OK to save this information. Now when you run income statements, you will also be able to run a report entitled, "Mr. Smith's Stores" which will only report on the three stores that you have designated.

How to Setup Balance Sheets By Cost Center

The most common situation is that there is only one balance sheet for an entity but different income statements to reflect the different cost centers. In that case center accounts should not be generated for any balance sheet accounts! However, sometimes there is a requirement for separate balance sheets for each center. If this is the case, then there must also be cost centers setup in the balance sheet. They would be setup in the same way as cost centers are setup in the income statement, that is, in the fifth and sixth digit of the account number. If this is done, it should also be done with the profit and loss account and the retained earnings account. In other words, if there were five cost centers and the normal profit and loss account was account 320, then the center profit accounts might be 320.10, 320.20, 320.30, 320.40 and 320.50. In the same manner, the retained earnings account would have to be split into five retained earnings accounts by cost center. When you enter the company information profit and retained earnings account, you would select **SETUP/ COMPANY/ OPTIONS** and enter only the first profit centers account in the profit and retained earnings fields as shown below:

If you are doing balance sheet center statements and you also wish to produce whole dollar statements (cent suppression), then you also have to provide a balance sheet account for the placement of any rounding error. This is done by selecting, **SETUP/ REPORTING/ STATEMENT/ GENERAL** and choosing the **SUPPRESSION** tab. The following screen will appear:

You should enter the balance sheet account that you wish to reflect any cent suppression adjustment in the upper left hand portion of this screen.

How to Setup Payroll Overrides by Cost Center

Suppose you have employees that frequently work in different cost centers and you want to record their expenses and even their company liabilities by cost center. You should set up their most frequent cost center in the their standard check using **SETUP/ PAYROLL/ EMPLOYEE VENDOR** and choose the **STANDARD CHECK** radio button once you have brought up the employee. When you want to change a payroll check to a different center for some paychecks, just put the center number in on that payroll transaction into the CENTER NUMBER field. This will change all the accounts to the new center for this paycheck.

Chapter 12
Statement Setup and Formatting

The Basics

This system is designed to automatically produce a wide array of financial statements as a product of setting up a straightforward chart of accounts. The system automatically does this by producing financial reports based on heading and posting accounts that the user sets up in the chart of accounts. The major benefit of this approach is speed, ease-of-use, and accuracy. An additional benefit of this methodology is that when new posting accounts are added at a later time, they are automatically included in the financial statements.

What are "heading and posting accounts? A heading account is only used to produce a heading and a total on the financial statements. A heading account is not a real account in that it will never have a balance and in that it may never have a transaction assigned to it. A posting account is a real account, which means that it actually has an initial balance and that transactions are assigned to it. The details on how to place heading and posting accounts into the chart of accounts are discussed in the following paragraphs.

Heading accounts cause the posting accounts that follow them numerically to be grouped with the particular heading associated with that heading account. Thus the asset heading account must be followed in numerical order by all the asset posting accounts. The system also uses these heading accounts to indicate how and when to total the posting accounts on the financial statements. As previously mentioned, a heading account is an account that is only used for a heading on the financial statements and it will never have any associated balances. A heading account must have a level of 1, 2, 3 or 4 in this system. As previously mentioned, a posting account is a real account which means that it actually has an initial balance and that transactions are written to it. A posting account must have a level 5 in this system. Most companies will only require level 1 and level 2 heading accounts. Level 1 heading accounts are main headings of the financial statements. The standard level 1 heading accounts are:

Account Level	Level
Assets	1
Liabilities	1
Equity	1
Income	1
Cost of Goods Sold	1
Expenses	1
Other Income	1

Account Level	Level
Other Expenses	1
Provision for Taxes	1

Table 12-1: Standard level 1 heading accounts.

The names given to these heading accounts in the chart of accounts will be the same names that are used on the financial statements. Thus for the equity section, one would usually have a heading account of say Owner's Equity or Stockholder's Equity instead of just Equity. If certain classes of headings are not used on the financial statements of a particular company, then that heading is left out. For example, in the Practice Set, the only Level 1 heading accounts that are used are:

Account	Level
Assets	1
Liabilities	1
Equity	1
Income	1
Expenses	1

Table 12-2: Practice Set Level 1 heading accounts.

If there are further breakdowns within a Level 1 heading, then Level 2 headings are used in addition to the Level 1 headings. For example, you may have Current Liabilities and Long Term Liabilities within Liabilities. In this case, you would have two additional heading accounts. They would be Current Liabilities with a Level 2 and Long Term Liabilities with a Level 2. The current liabilities Level 2 heading account would follow the Liabilities Level 1 heading account and be followed itself by all the current liabilities posting accounts. The long term liabilities Level 2 heading account would follow the current liabilities posting accounts and precede the long term liabilities posting accounts.

To summarize, the appropriate posting accounts must be grouped under the appropriate heading. For example, all assets must follow the Level 1 assets heading account and must not come after the Level 1 liability heading account. All posting accounts will print in the section that they are located (by account number) in the chart of accounts. For example, if Cash in Bank is number 110 and Accounts Receivable is number 115 then Accounts Receivable will follow Cash in Bank in the asset section of the balance sheet. The Practice Set chart of accounts illustrates this principle. A section of the Practice Set chart of accounts follows with heading accounts shown in bold print. Note that heading accounts and posting accounts are positioned by their account numbers.

Account	Name	Level	
100	**Assets**	**1**	
105	**Current Assets**	**2**	
110	Cash in Checking	5	
120	Cash in Saving	5	
130	Accounts Receivable	5	
140	Prepaid Expenses	5	
150	**Fixed Assets**	**2**	
160	Automobile	5	
170	Accum. Depreciation	5	
180	Computer	5	
190	Furniture	5	
200	**Liabilities**	**1**	

Table 12-3: Heading accounts are shown in bold print.

It is also possible to group the balances of related accounts into one balance. For example, if you wanted to total cash in checking and cash in saving as one line on the balance sheet and call it Cash, you can setup what is called a consolidated account. This type of account is a special purpose account that does not have a balance of its own. It will immediately precede the accounts that it will total and indicates the last account it will include. To illustrate, using the Practice Set accounts above, a consolidated cash account of 109 could be setup as follows: (Consolidated accounts are also level 5 accounts since a balance appears next to them on the financial statements. Consolidated accounts, however, do not have an initial balance nor may transactions be made to them).

Account No.	Name	Level	Consolidation To
109	Cash	5	120
110	Cash in Checking	5	
120	Cash in Saving	5	

Table 12-4: A consolidated cash account of 109 set up.

Notice that it must have a Consolidation To account which indicates the last account that will be included in its totaling

In this illustration, Cash would appear as a line on the balance sheet and would have a balance equal to the total of the balance of Cash in Checking and Cash in Saving. The individual accounts would not appear on the balance sheet but they would appear in the trial balance and general ledger as individual line numbers with their own balances. All transactions for Cash would be either to account number 110, Cash in Checking or account number 120, Cash in Saving. No transactions would ever be made to account number 109 since it is the "consolidated account. There is one more item that must be entered in the chart of accounts for proper formatting to occur. Each account must be assigned a type. The type of account is straightforward. Account types are based on the following rules:

Accounts that are:	Have this type:
Assets	1
Liabilities	2
Equities	3
Incomes	4
Cost of Goods Sold	5
Expenses	6
Other Incomes	7
Other Expenses	8
Provisions for Taxes	9

Table 12-5: This table shows accounts types.

Account numbers, names, levels, types and consolidating accounts, are all entered on the main Chart of Accounts entry screen shown below:

Note that type is entered by entering the first letter of the appropriate type such as A for assets, L for liabilities, etc. In most cases, level and type automatically duplicate the previous entry. In cases where they do not, they will be set to the most likely entry, (i.e., the first account of any type that is entered will be designated a Level 1 account). To summarize, the user may follow simple rules in the entry of the chart of accounts and this will automatically format a wide array of financial statements.

Multiple Line Description

If you wish to have multiple lines of description for an account in the chart of accounts when it prints on the financial statements (i.e a capital account), you may accomplish this in chart of accounts entry in the description field. As you are entering the description for a particular account, decide where you would like one line to end and another to begin. At that point, hold down the shift key and the 6 key on the regular keyboard. This will produce the ^ symbol in your description. This tells the system to start a new line when financials are being printed. (Note that if you return to this account in chart of accounts entry, you will no longer see the ^ symbol that you entered. It will have been replaced by a symbol that looks like two empty picture frames side by side. That is the machine code for beginning a new line. This machine code may be deleted if different spacing is desired and the ^ symbol may be used to mark the new spacing that you desire.

Important note for new users

The rest of this chapter covers an array of Setup and Report Formatting Topics most of which not usually used by most accounting firms. They are included in this chapter because occasionally they are, however the sections that almost all accounting firms will use are shown below. If you are a new user, you should read these sections before you attempt to change the "look" of your financial statements.

1) The Introduction to advanced Statement formatting which is the first paragraph on page 12-6.

2) STATEMENT OPTIONS are discussed from page 12-9 to page 12-12. The statement options provide you with ways to handle many common statement situations.

3) COLUMN WIDTH AND FONT AND THE RELATED TOPICS-FONT AND AUTOMATIC TOTALS are discussed from page 12-25 to page 12- 28. These options are heavily used to change the "look of your statements.

More Advanced Statement Formatting

The first five pages of this chapter explain that if you include your heading and posting accounts in your chart of accounts, the system will automatically generate financial statements without any further effort. As the Practice Set illustrates, this capability is easy-to-use, fast and accurate. However, sometimes you might wish to further format and enhance your financial statements. This advanced formatting is accomplished by answering questions or choosing alternative options to the financial statements that have been automatically produced. The following sections will discuss these advanced capabilities and provide instructions on how to implement them.

Individual Account Options

The first set of advanced capabilities are related to *individual accounts*. These options are not commonly used and you may wish to skip this discussion if you are setting up your clients for the first time and proceed to STATEMENT OPTIONS on page 12.9. If you desire to use individual Account Options they are accessed by tabs from the Account screen. Select Setup from the pull-down menu, Account, Chart of Accounts, and the tab for Report Format and the screen will display:

This screen provides format choices with a series of check boxes. If a check box is checked for an active account,

If you want an account that was not underlined automatically on the financial statements (by the standard formatting discussed in Basics in the previous section) to be underlined, then check the box labeled Force Underline and it will be underlined on all financial statements until you remove the check. If you want an account (or a subtotal generated by that account) to not be underlined that is currently underlined by the standard formatting, then you would check the box labeled, Suppress Underline. If checked, the Force New Page on Statement box will place this account on the next page for all financial statements (except Schedules) on which it appears. If the Force New Page on Schedules box is checked this account will be placed on the next page of financial schedules (not statements).

The 'Suppress Headings and Subtotals for Level 1-4 accounts only suppresses the printing of the heading or the subtotal that is associated with the heading or subtotal of the active account. You may also suppress the printing of the word total but allow the remainder of the subtotal by checking the box labeled, Suppress the word total for on the total line. (Levels 1-4 only).

The next check box labeled, Generate Statement Subtotals (Level 2 Only, Type 4 and above Only) is not as straightforward in function as the previous check boxes. First of all, this box refers only to Income Statements since it only takes effect on types 4 and above. (Income and Expense accounts) Second, this box only refers to Level 2 totals. Checking this box accomplishes the printing of an extra Level 2 total. This Level 2 total differs from a normal Level 2 total in that it is a running total. In other words, it will be a running total printed at Level 2 time that includes the running totals of income and expense to that point.

The next check box labeled, Print a blank line before will cause a blank line to print before the active account. The next three check boxes labeled Suppress printing for statements, consolidated statements and schedules allows you to selectively not print a particular account on a particular report.

The next check box labeled, Print Percentages Only is used to primarily produce a Collection Percentage type of statement that is typically used for medical practices.

The last two check boxes labeled, Reverse Bracketing, for statements and schedules will cause the amounts for a particular account to be reverse bracketed on the reports. There is also a capability to enter a description for a subtotal on the bottom of this screen. If the account that is active generates a subtotal (i.e a Level 1 thru 4 account), then the subtotal you enter here will override the subtotal name generated by the system.

The second set of formatting capabilities are also related to accounts. They are accessed by selecting the Miscellaneous tab from the account screen. (**Setup** pull-down menu, **Account**, **Chart of Accounts**, **Miscellaneous Tab**). When the Miscellaneous tab is selected, the following screen will display:

Chart of Accounts Maintenance

Account Number: [ ] List	Status: [ ]

Main | Report Format | Miscellaneous | Tax Interface

Alternate Account Number: [ ]

Alternate Account Desc: [ ]

Account to Close to at Fiscal Year End: [ ]

Flexible Report ID [ ] List

Divisor Name (Consolidated Stmnts) [ ] List

Divisor Name (Cost Center Stmnts) [ ] List

Divisor Name (Schedules) [ ] List

Divisor Name (For Amount Columns) [ ] List

Buttons: Ok, Cancel, Help, Delete, Print, Close, Change Acct #, Combine Acct, L/Case Descs, U/Case Descs, Next Acct.

The first two fields refer to an Alternate Account Number and an Alternate Account Description. Alternate account numbers are used to consolidate the balances of different accounts into the same line item. The alternate description is used instead of the normal description setup for the account. The functions of both of these fields are discussed in detail at the end of chapter 5, **Setup Menu** beginning on page 5-42.

The next field is the Account to Close to at Fiscal Year End. The most common use for this field it to allow a partners draw account to be closed to a capital account at year end. By entering an equity account number here, the system will close this account's balance to the requested equity account.

The next four fields refer to Divisors. *Divisors are used with a variety of options such as cost of sales schedules and automatic inventory* and are explained starting on page 5-21 in conjunction with their use in cost of sales schedules.

There are four special function buttons on this screen. The first button is Change Acct. #. This button allows the current account number to be changed to a different account number. All associated historical balances for the original account will also be changed to the new account. The second button allows you to combine accounts. For example you could combine accounts number 180 and 190 into account 180. This means that all balances and historical transactions for account number 190 would then be in account number 180. To do this first call up the account you want to keep (in this case 180) and then click on combine account. Enter the account that you went to combine with account number 180 into the COMBINE ACCOUNT NUMBER field, (In this case 190). Then click okay, account number 190 will no longer exist and its balances and transactions will now be changed to account number 180. The third button is L/Case Description. This button will change a Chart of Accounts that has been entered in all capital letters to one that is in upper and lowercase letters. The fourth button is U case description; this button will change a chart of accounts that is in upper and lower case letters to a chart of accounts of all upper case letters.

The Tax Interface Tab allows you to enter *Tax Interface Codes* provided by your tax program. The tax program may require a coordinating code between accounts in the Chart of Accounts and their program. This allows a specific interface between the tax program and the *Client Write Up System*. This coordinating technique used to be common in the past, but today most tax programs accept a generic tax interface written to an ASCII file. This option is discussed in the File pull-down section on page 4-9.

Statement Options

The next set of capabilities for formatting is related to the statements themselves. They will be discussed as they occur on the **Setup** pull-down menu. From the **Setup** pull-down menu select **Reporting** and the following menu will display:

Setup	
Date ▶	
Account ▶	
Company	
Payroll ▶	
Reporting ▶	Statement ▶
Cost Center (Department) ▶	Font
Automatic Inventory	Automatic Total Description
Corporate Tax Table	Disclaimer Letter
Automatic General Ledger Transaction	Cash Flow ▶
	Cost of Sales Schedule
System ▶	Report Group
	Footnote ▶
Printer	Divisor
	Setup Graphs
	Accounting Basis
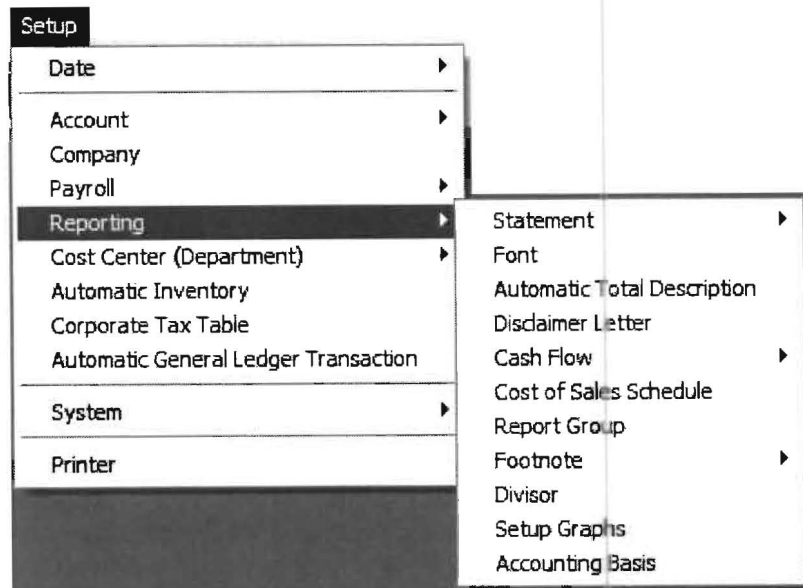
The options under the Reporting window include three that are very important in formatting financial statements. They are Statement, Font, and Automatic Total Description. These options provide additional flexibility in formatting statements. Each of these has sub-options focusing on particular requirements. If Statement is selected, the following sub-options will be shown:

Setup			
Date	▶		
Account	▶		
Company			
Payroll	▶		
Reporting	▶	Statement ▶	General
Cost Center (Department)	▶	Font	Custom Statement
Automatic Inventory		Automatic Total Description	Cash Flow
Corporate Tax Table		Disclaimer Letter	Column Width and Font
Automatic General Ledger Transaction		Cash Flow ▶	Statement Title ▶
		Cost of Sales Schedule	Retained Earnings ▶
System	▶	Report Group	Break Even Statement
Printer		Footnote ▶	Flexible Report Setup
		Divisor	Flexible Report Names
		Setup Graphs	List Flexible Report Specs
		Accounting Basis	

If General is selected, the following screen will display:

Statement Setup

Tabs: Layout And Options | Suppression | Miscellaneous | Stmt Date Overrides

Page Layout

Spacing After Statement Date (1-7): 1

☐ Use Page Numbering

Reset to Page Number: 0

Current Page Number: 0

☐ 1 Col Balance Sheet ☐ 3 Col Balance Sheet
☐ New Page Income Statement Schedules
☐ Center Statement Consolidations
☐ Print Account Number with Description on Statements
☐ Two-Page Balance Sheet
☐ Print Blank Line Before Statement Title
☐ Upper-Case inaccessible statement headings
☐ Underline Column Headings on Stat/Sched
☐ Consolidate Nested Accounts On Schedules
☐ Align Tot Assets With Tot Liab/Eq on 2-page BS
☐ Use Short Blank Lines On Statements
☐ Do Not Indent Totals On Statement/Schedules

OK | Cancel | Help | Close

There are four tabs on this screen. The Layout and Options tab screen is currently displayed. The left side of the screen allows additional spacing after the statement date. It also allows page numbering to be used when printing multiple financial statements using the Report Group option. This page numbering will number each page of financial statements so that the whole package will be numbered and can be presented as a package. The right side of the screen allows variations in financial statements. The only option that is not self explanatory is Upper Case Inaccessible statement headings. Upper Case Inaccessible statement headings really means column headings since the user can not directly access column headings. If this box is checked, the column headings on the financial statements will be capitalized. This option would be used if all the other headings on the financial statements are capitalized and the user also wants to capitalize the column headings.

If Consolidate Nested Accounts On Schedules is checked you can consolidate nested accounts on schedules. Here is an example of a Nested Consolidation:

Account	Description	Consolidated Through
600	Expenses	
605	Maintenance Expenses	627
607	Spare Parts	
608	Oil	
609	Other lubricants	
611	Carpentry Repairs	615
612	Lumber	
613	Lumber hardware	
615	Carpenter Labor	
617	Plumbing repairs	
627	Sand and Gravel	

Table 12-6: Example of a nested consolidation.

You can see that 605 consolidates through 627. In the production of the normal income statement schedules, the 611 account would be ignored, because it attempted to start a consolidation in the middle of another consolidation. This would result in Lumber, Lumber Hardware, and Carpenter Labor all having their own line on the schedules. However, if you wanted to produce a schedule that showed 612, 613, and 615 all consolidated into one line with a description of Carpentry Repairs, then you should check this box.

The second tab of the General Statement Setup screen is Suppression. When this tab is accessed, the following screen displays:

The left side of this screen provides (by means of a radio button) the capability to present statements with whole dollars (cents suppressed) or statements rounded to hundreds of dollars. The right side allows zero balance accounts and zero balance totals to be suppressed for printing. It also provides additional miscellaneous statement formatting options. If rounding is selected, a balance sheet account should be selected in which the system may place the rounded amount (excess or shortage) when the financials are printed. The suppress options on the right side of the screen allow the user the ability (via check boxes) to suppress totals of zero of consolidated and center statements, to suppress zero balance accounts, and to suppress percentage columns if desired. The right section of the screen also allows the user to print only dollar amounts for total Assets and Total Liabilities and Equity which is a statement option desired by some firms. The final flexibility provided on this screen is to have percentage column headings as either percent or pct.

The third tab of the General Statement Setup screen is entitled Miscellaneous. When this tab is selected, the following screen appears which is used to enter the Disclaimer Message for financial statements.

There is also a capability to override top margin settings on this screen and a very useful option that allows the space between the lines on a report to be varied. For example, if you had a report that only had a single line on the last page, you could change the line spacing to a smaller number than 85 and have the report fit nicely on one less page.

Custom Statements

The next item is Custom Statements which are setup by selecting the Setup pull-down menu and then choosing Reports and Statements. Custom Statements are not commonly used. If you are setting up your clients for the first time you might want to proceed to page 12-25 Column Width and Font which is commonly used and which allows you to change the look of your financial statements. Then read through the top of page 12-28. If you do need to use the Custom Statement option, the Custom Statement/Schedules Setup screen is shown as follows:

There are four tabs on the Custom Statements/Schedules Setup screen. They are Columns and Headings, Page Layout, Titles, and Accounts. To begin a new custom statement or to access an existing one, put your statement name in Custom Statement or access it using the drop list arrow. The status of this custom statement will show in the status box.

Custom Statements work the same way as regular statements as far as the headings, the accounts that appear on the financial statements and the totaling procedures. Where the Custom Statements differ is that they allow the user to change what columns appear on the statement (in other words, Custom statements allow the user to determine left to right flexibility but not top-to-bottom flexibility or flexibility in totaling). The top-to-bottom lines and the totaling will automatically be done as per the normal statement capabilities discussed in the Basics section. Once you have setup a custom statement, you will get a new line for custom statements when you choose reports from the pull-down menu and select the financial statements option.

Custom Statements are setup on a column by column basis. The Column Count is entered by the user to indicate how many amount columns will appear in the statement. When you enter a number into Column, you are setting up a new column or accessing a particular previously setup column. Column Count increases by one for each column that you select. It is important to note that the Column Count counts a column and its associated percentage column if there is one, as a single column. Once you have selected a number for Column, the focus will then shift to the Field Name. The field name you select will determine what information will print in this column. Fields are available for current and prior periods, YTD and prior YTD periods, budgeted amounts, variance, the two different accounting basis, etc etc. A full display of the available fields can be accessed with the drop down arrow.

Next enter in the Column Heading that you want and the Amount and Percent Header. (You only enter a percent header if you check the include percent box which you should check if this Column has a percentage that cost center will be in that column. The Date Type only gives the wording on top of the.) You may put a cost center number in Cost Center and only accounts from statement. (For example for the 1 month and 12 months then ended.)

Since this is your custom statement, there are no defaults Widths and Margins. Anything that you do not fill in will either not print, or be illegible (for example, a statement without percentages could be created; in this case, you wouldn't need to enter anything in the Percentage Column Width field; however, if you left Percentage Column Width blank, and did require percentage columns, the percentages will not print).

The second tab of the Custom Statement screen (Page Layout) is accessed by a tab on the left of screen called Page Layout. When this tab is selected the screen shown below will display:

Page orientation (portrait) indicates a normal page printed from top to bottom. Landscape orientation indicates a sideways printing of the information. Report type is either balance sheet or income statement. Statement or Schedule is either one or the other. The Font size must be selected for column headings, account headings and the individual balance lines. The widths and margins in twips allow you to adjust the margin, columns and description. The third tab, Title, allows you to enter the title for your custom report. When this tab is selected the following screen will display:
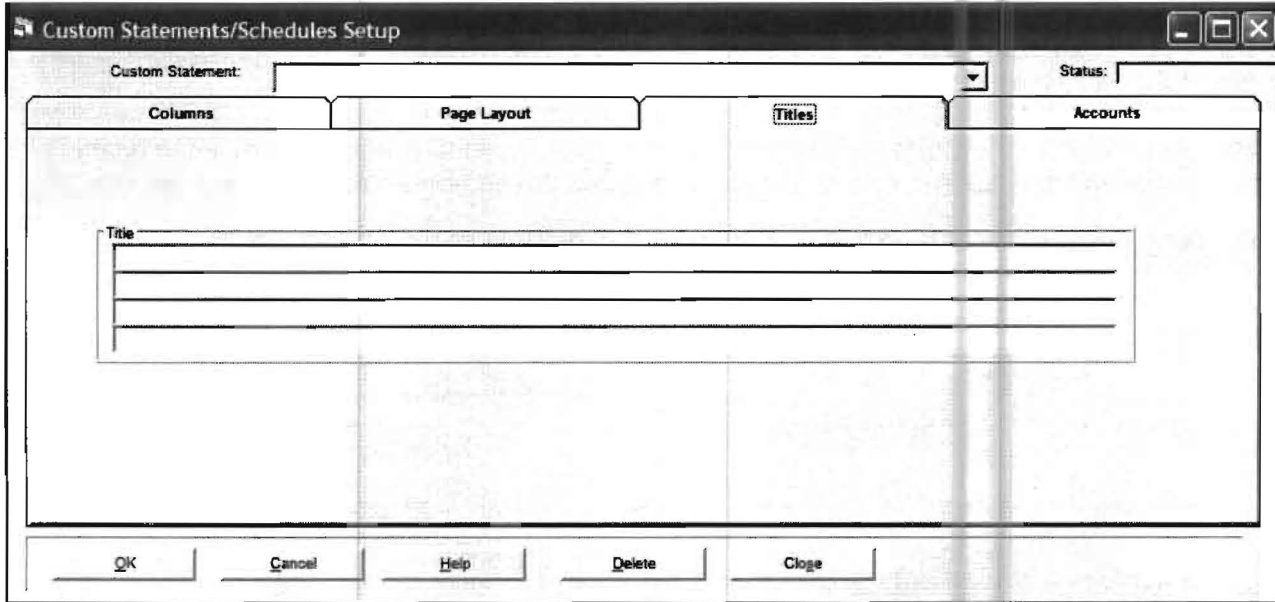
Enter the titles that you want to appear on your custom statements in the fields provided. The fourth tab allows accounts to be entered. This is only used for custom schedules. Click on the Accounts tab, and the following screen will display:
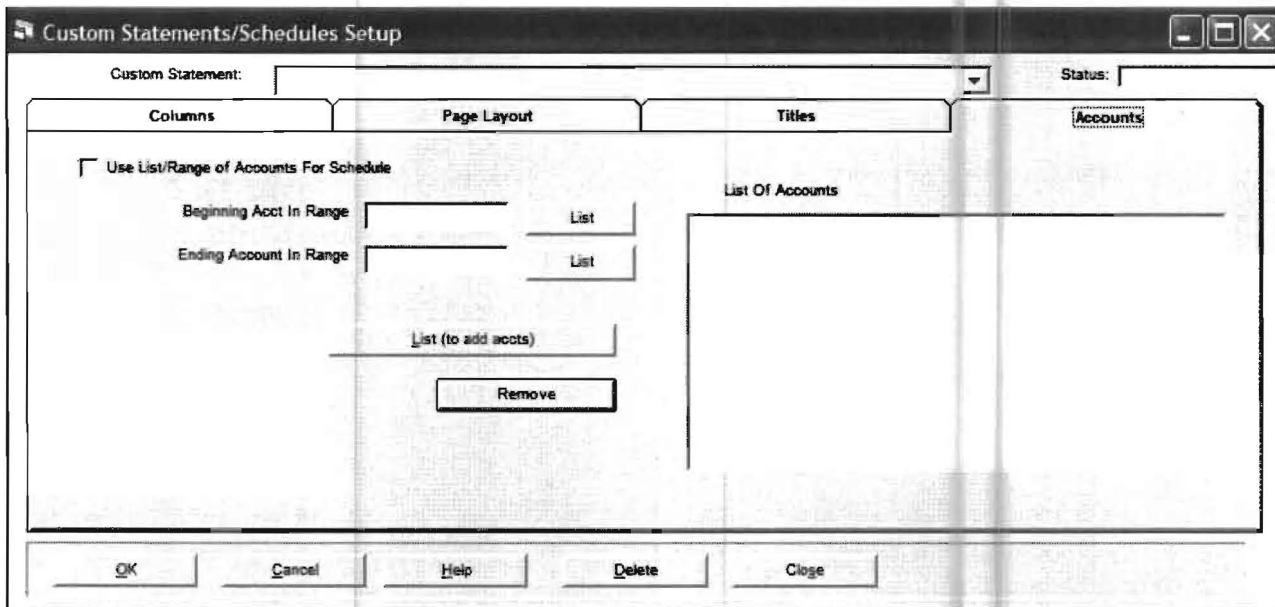
If you mark the check-box titled Use List/Range of Accounts for Schedule, the accounts indicated on this screen will constitute a Custom Schedule. Only these accounts will be printed, and they will be listed in the order indicated here.

Cash Flow Statement

When the option is selected for the Cash Flow Statement, (**Setup, Reporting, Statement, and Cash Flow**) the following screen will display:

This program is capable of producing an indirect method Cash Flow statement. The key to the Cash Flow statement is that it is totally pre-set and formatted.

The Accounts tab is used to create schedules consisting of non-contiguous accounts. The result will be a single schedule. All the user has to do is enter the appropriate accounts per cash flow line. When the Accounts tab is selected, the following screen will display:

Access the Cash Flow Line with the drop list and select accounts that apply to it. Once all the cash flow lines and the respective accounts have been selected, return to the Properties tab which displays as follows:

Using the right hand side of the Properties tab, access each line of the cash flow and verify whether only the debits, credits, or all activity for an account will be reflected in that line. Once the accounts have been entered with the accounts tab and the account activity verified with the properties tab, run the cash flow report from the Reports pull-down menu after selecting Statements and Schedules. The other options on the properties tab are pre-set. They are self explanatory and may be changed if desired. The other tab is the totals tab which is pre-set also and does not need any user intervention.

Statement of Cash Flows		
Cash Flow Account Description	**Ref No.**	**Activity Type**
Cash Flows From Operating Activities		
Net Income (Loss)	9000	
Adjustments To Reconcile Net Income To Net Cash Provided:		
Provision For Losses on Accounts Receivable	9002	A
Depreciation	9004	D
Amortization-Debits to Income	9006	D
Amortization-Credits to Income	9008	C
Loss (Gain) On Sale of Fixed Assets	9010	A
Loss (Gain) On Sale of Investments	9012	A
Abandonment Losses	9014	D
Dividends-Equity Investments	9016	C
Journalized Equity Investment Income	9018	C
Decrease (Increase) in Non-Current Rec	9020	A
Increase (Decrease) in Deferred Taxes	9022	A
Federal Income Tax Refund	9024	C
Federal Income Tax Paid	9026	D
Prior Year Pension Expense	9028	D
Decrease (Increase) in Operating Assets:		
Tradecard Account	9034	A
Accounts Receivable	9037	A
Notes Receivable-Trade	9041	A
Unbilled Accounts Receivable	9044	A
Inventory	9047	A
Prepaid Expenses	9051	A
Accrued Interest Receivable	9054	A
Lease Contracts Receivable	9057	A
Deferred Income Taxes	9060	A
Cash Value Life Insurance	9062	A
Other Operations-Related Assets	9063	A
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	9066	A
Notes Payable-Trade	9069	A
Unearned Interest	9072	A
Employee Taxes Withheld	9075	A
Accrued Payroll Taxes	9078	A
Bonus Payable	9081	A
Income Taxes Payable-Current	9084	A
Income Taxes Payable-Deferred	9087	A
Pension/Profit Sharing Plan Payable	9090	A
Other Accrued Expenses	9093	A
Taxes-Other	9096	A
Deferred Income	9099	A
Other Operations-Related Liabilities	9102	A

Statement of Cash Flows		
Cash Flow Account Description	**Ref No.**	**Activity Type**
Total Adjustments		
Net Cash Flow from Operating Activities		

Statement of Cash Flows		
Cash Flow Account Description	**Ref No.**	**Activity Type**
Cash Flows From Investing Activities		
Inflows:		
Collection of Advances	9105	C
Collection of Short-Term Notes Rec	9108	C
Collection of Notes Receivable	9111	C
Collection of Stockholder Advances	9114	C
Collection of Partner Advances	9117	C
Cost of Capital Asset Sold	9119	C
Accumulated Depreciation of Asset Sold	9121	D
Gain (Loss) on Investments Sold	9123	A
Proceeds from Sale of Investments		
Cost of Investments Sold	9125	C
Gain (Loss) on Investments Sold	9127	A
Proceeds from Sale of Investments		
	9129	C
Reduction in other non-operating assets		
Outflows:		
Cash used in Advances	9132	D
Increases in short-term notes Rec	9135	D
Increases in Notes Receivable	9138	D
Increases in Stockholder Advances	9141	D
Increases in Partner Advances	9144	D
Cost of Capital Assets Purchased	9146	D
Loan Proceeds for Assets Purchased	9148	C
Acquisition of Capital Assets for Cash		
Purchase of Investments	9153	D
Increases in other Non-operating Assets	9159	D
Net Cash from Investing Activities		

Table 12-9: Currently available field names for the Cash Flow Statement.

Statement of Cash Flows		
Cash Flow Account Description	**Ref No.**	**Activity Type**
Cash Flows from Financing Activities		
Inflows:		
Increases in Misc Payable	9162	C
Increases in Sales Tax Payable	9165	C
Increases in Stockholder Loans	9168	C
Increases in Partner Loans	9171	C
Increases in Short Term Notes Payable	9174	C
Increases in Current Portion L.T. Debt	9177	C
Increases in Notes Payable	9180	C
Common Stock Sold	9183	C
Treasury Stock Sold	9186	C
Additional Capital Invested	9189	C
Increases in other Non-operating	9192	C
Outflows:		
Decreases in Misc Payable	9195	D
Decreases in Sales Tax Payable	9198	D
Decreases in Stockholder Loans	9201	D
Decreases in Partner Loans	9204	D
Decreases in Short Term Notes Payable	9207	D
Decreases in Current Portion L.T. Debt	9210	D
Decreases in Notes Payable		
Credit Adjustments to Notes Payable	9213	D
Decreases in Notes Payable	9214	C
Dividends Paid		
Draws		
Decreases in other Non-operating	9216	D
Liabilities Net Cash from Financing Activities	9219	D
	9222	D
Net Increase (Decrease) in Cash & Equivalents		
Beginning Cash and Equivalents	9225	
Ending Cash & Cash Equivalents		
Schedule of Non-Cash Investing and Financing Activities		
Acquisition of Capital Assets		
Cost of Capital Asset		
Loan Proceeds	9230	D
Cash Paid Out	9233	C

Disclosure of Accounting Policy:
For purposes of the Statement of Cash Flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Table 12-10: Currently available field names for the Cash Flow Statement.

Statement Titles

The next capability discussed is the flexibility in statement titles. There are two screens available. They are both accessible by first accessing the Setup pull-down menu, Reporting and Statements. The Statement Title Setup screen follows:

This screen lets you set up a statement title that will vary with financial statements. Find the statement in the drop list. Set all the parameters as desired and then press **[Look Up]** to see if that condition already has a title. If it doesn't or you want to change it do so and press **[OK]**.

Most users are accustomed to screens that have a single key field at the top of the screen. When the single field is entered the data is displayed on the screen, or if the record does not exist, then the status box will indicate New. This screen is similar with one exception: the key is the entire top two-thirds of the screen. It is only after all the options are chosen, and Look Up pressed that the program will search to see if any such title exists. There may also be overlapping conditions for multiple records for the same statement. In this case, the most restrictive record that still applies to the condition of the client's finances will be chosen for the title of the statement.

For example: A current period/YTD statement is to be printed for a client that gets a Statement of Retained Earnings added to the end of the statement. There are two Title records. One Title specifies Both Credits and the other specifies Does Not Matter. If both beginning R/E and Ending R/E are credits, the title that specifies Both Credits will be chosen, even though Does Not Matter could logically qualify. If this screen is filled in, it is the number one priority for statement titles. The second screen is the Statement Title Override screen. It provides the number two priority for statement title overrides and appears as follows:

These are override titles for statements. These titles will not take effect if the Statement Title Setup is setup for a specific statement. These overrides will be for all balance sheet and income statements that have not been specifically setup using the Statement Title Setup.

Statement of Retained Earnings

The next capability is the Statement of Retained Earnings which is accessed by selecting the **Setup** pull- down menu, **Reports** and **Statement** option. The following screen will display:

If you have checked Using Multiple Partners Capital account, then normal retained earnings selected in company setup will not be used. To use this option select Setup pull- down menu, Account, and Partner's Capital Account. Enter these accounts to total 100%. They must be entered by fiscal year. This will print retained earnings on balance sheet by these splits but not actually put the balances into the accounts. The check boxes beginning with "Put Retained Earnings at End of Income Statement and ending with "subtotal after Retained Earnings Beginning Balance provide additional formatting capabilities for the Statement of Retained Earnings if checked.

The second Retained Earnings screen allows you to enter variable titles and lines for the Retained Earnings Statement depending on the varying situations. There are two tabs on this screen, the first of which displays below:

Titles entered here will be used depending on the retained earnings position indicated. The second tab of this screen provides a capability to change line descriptions for the Statement of Retained Earnings. When this tab is selected, options may be entered as desired on the following screen:

Column Widths and Fonts

In Windows, typeface availability, point size availability, and how fonts stack up horizontally is not entirely predictable. There are also significant differences in the size of account descriptions, and dollar values from client-to-client. For these reasons, it is necessary to give the user control over the formatting the statements and schedules. This is where the most critical part of these formatting choices will be made.

The typical problem in formatting a statement is that you want to make it as legible as possible (larger point sizes are easier to read) without running into problems with line wraps (because larger point sizes take up more horizontal space, and can exceed the amount of space allocated for their purpose). Here are some things you need to keep in mind while using this option:

1) There are 1440 twips in an inch. If you want to make a visible difference in anything, you need to change it by at least 25 twips.

2) The line on the statement will "stack up" from the left side of the page. If will start with the left margin, add the description, dollar sign, amount, percent (if applicable), and so on. The "right margin" is merely the consequence of how far things stack up. Therefore, if you add a significant number of twips to the Description Width without taking out a similar amount from somewhere else, the statement will no longer fit on the page, and it will be truncated on the right side.

3) The typical problem is that not everything fits on the line without causing line wraps. This can be dealt with in several ways:

   a) Choose a lower point size for the "Balance Lines". These are the problem lines, most often. A smaller point size makes everything stack up smaller horizontally.

   b) Add some twips to the field that is wrapping. Remember that you probably need to subtract a similar amount of twips from somewhere else or else your statement will no longer fit on the page.

   c) If the statement is being printed in portrait, consider printing it in landscape.

4) If a field is blank or zero, it has no effect.

5) There are several places where column widths and margin values are stored. It is important for you to know how each of them work. They are:

Program defaults: Each statement has pre-set defaults. If they are not over-ridden by this option, this will be how the statement prints.

System-Wide: There is a database named SYSTEM.MDB. It will be located on your C: drive in the directory where the program was installed (probably C:\PCSW). This database will contain these statement formatting instructions. They will apply to any client that is run on this computer.

This Client Only: These formatting instructions are stored in the client's database (and therefore travel with the client).

6) The order of significance of these three sources is:

Program defaults:	Only matters if not overridden
System Wide:	Overrides Program defaults
This Client Only:	Overrides Program defaults AND System Wide

If you are changing, for example, a System Wide setting for a statement, and the statement is not responding, it is possible that there is a This Client Only record that you are not aware of.

Fonts (different styles of letters) and font sizes (different sizes of the letters) are defaulted automatically by the system to the Arial font and standard size letters. If you do not want to alter the fonts or the font sizes, the financial statements will reflect these pre-set system defaults. If you want to alter the font selection or sizes, use the Font option in conjunction with the Column Width and Font option to obtain the desired format.

Font is selected from the **Setup** pull-down menu, **Reporting**, and **Font**. Column Width and Fonts is selected from the **Setup** pull-down menu, **Reporting**, **Statement**, and **Column Width and Margins**. When Font is selected the following screen will display: **(This screen is used to set the fonts of the headings)**

The lower left corner of this screen shows a sample of the currently selected typeface and font size that is selected. In this screen, the font is Arial and the font size is 12.00. The left side of the screen allows you to change font sizes and to indicate bold or italic by type of line on the financial statement. Three items on the left side of the screen are ignored in all but very simple financials. They are Column Heading, Account Heading and Balance Lines. These are calculated by the program for the optimum presentation. Once you have changed the font or any other font sizes, your reports will reflect the changes you have made.

In conjunction with the Font option, you will also have to select the Column Widths and Fonts option to obtain the desired result on your financials. **(This is because the column widths and fonts for the body of the financial reports (the line items) are set with this option.)** The Column Widths and Fonts option allows you to set the column widths and font. When this is selected, you will be prompted as to whether you want the selections made to apply to all clients on the system or just to the active client. When the prompt is answered, the following screen will display:
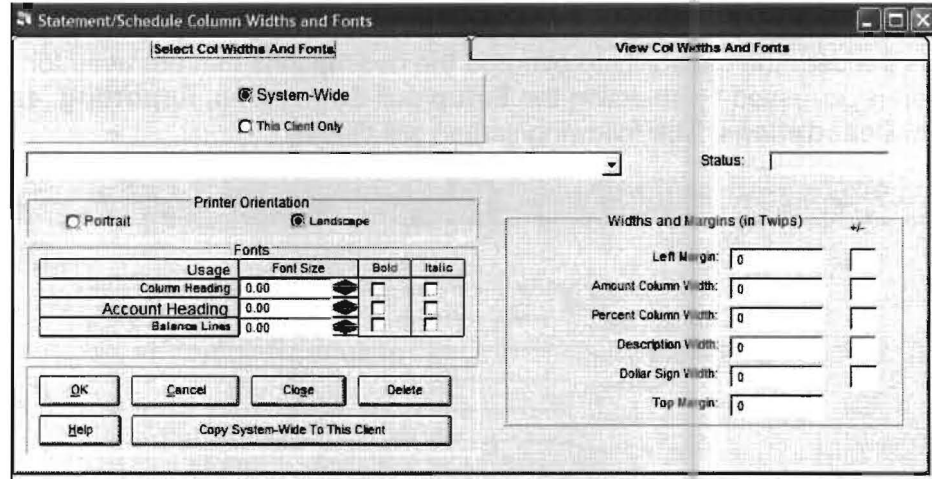
First, select the report you are working with from the drop list on the top left of the screen. Once the report name displays with a status of active, all values that are entered will apply to this report only.

The key to effectively using this option is understanding how the right side of this screen works. When entering the option, zero values will show for the Left margin and all the column widths. The zeroes indicate that the default values calculated by the system will be used, not that the values are actually zero. To adjust the values from the default values, do one of the following: Enter the values that you desire for the left margin and for each width in twips. Another method is to gage what you need and then increase or decrease the defaults to see what you get. (For example you could enter 250 into the amount and a - in the sign column and each amount column would then be narrowed by 250 twips.) You could then print the financial and see if it is what you want. Important facts to remember about this screen pertaining to Widths and Margins are summarized as follows:

If you have entered:	It means:
A number with no sign in the +/- column	the amount of twips will be the value used
A number with a + sign in the +/- column	the default value will be increased by the number of twips after +
A number with a -sign in the +/- column	the default value will be decreased by the number of twips after -
Zero (or you left the original value at zero)	the default setup by the system

Table 5-13: This table lists important facts about Widths and Margins.

Note: One common problem to be overcome is the case where the dollar sign does not fit in the available space. When this occurs, the dollar sign is printed one-half to one full line below the proper location on the page. The solution is to allocate more space to the dollar sign column. Enter a dollar-sign width of 25, and a + in the +/- column. This adds 25 twips to the dollar sign column, which is usually enough.

Automatic Total Descriptions

The final capability discussed in this section is Automatic Total Descriptions. This feature gives the user the capability to override the descriptions that are used for totaling. This option is accessed by selecting the **Setup** pull-down menu, **Reporting**, and **Automatic Total Descriptions**. The following screen will display:

Note that Liabilities and Equity is the automatic heading used for the Liabilities and Equity section. All other entries refer to automatic totals in the system. Any entries made in this screen will override the automatic totals that are produced by the standard system.

Break-Even Statement

This statement provides the business owner with precise information about what is needed to be minimally profitable. It is very similar it its setup to the Cash Flow Statement. When this option is selected, the following screen will display:

The Sequence field indicates where a particular line is placed in the statement. This is also the key field, which allows you to call up an existing record. The Change Sequence Number button allows you to re-sequence specific lines. The text that you enter in the Line Description field will on the statement for the specified line.

Click on the Totals tab, and the following screen will display:

There are twenty totals available to the user in this statement. They are numbered 1-20. Whenever you mark one of the 1-20 check boxes, this means that the amounts calculated for this sequence number will be added to the indicated total number(s). The Reverse Sign To Total property on the Properties tab works with the totals fields. It allows you to add a credit (negative sign) as if it were a debit (positive number).

This Line Prints Total Number is the field that allows you to use the totals that you have stored. It indicates that the indicated total number is the source of your dollar amounts.

The accounts screen is the place where the list of accounts is indicated whenever the source of the amounts of the current line is account balances.

The Variables tab is what gives this statement flexibility. It gives the user the capability to take amounts that might be accumulated from account balances (for example), and store them as a specified variable name. Later in the statement, that variable will be available for any of these other computations.

The columns in the statement are controlled by the format chosen on the Financial Statement/ Statements and Schedules screen. Currently, only the Current Period and YTD format is working. It is intended to have three other formats available in the near future. Because the columns are controlled by the statement program, they do not have to be specified here, and the same specifications can be used for all of the different formats.

Chapter 13
More About Payroll

Introduction

The task of calculating and keeping track of today's payrolls can be a real challenge especially in certain parts of the country and especially for accounting firms that must prepare or report on multiple payrolls. Not only must gross paychecks still be calculated but taxes, other deductions and other factors that affect the check must be considered. Different taxing entities must get their share according to their rules. Cafeteria Plans, 401K's, Tips and "Employer Paid Items" must be correctly calculated and preserved for reporting to the various taxing entities. Federal taxes now include multiple taxes, variable limits and varying rates. State taxes have similar complexity. Even local taxes must be calculated and saved for detailed reporting. Personal deductions are more complicated than ever before with all kinds of flexibility being demanded for everything from stock plans to garnishments. Laws are in effect that make pay subject to multiple state and multiple local jurisdictions based on rules that are not always logical. Laws are in effect that establish endless special case situations as far as types of pay and types of deductions. In addition to this, items that do not even affect the paychecks are expected to be tracked by a payroll system. All of the transactions that are generated by any of these situations must be posted to the correct general ledger accounts. Doing all this and much more and still keeping it simple for the user is the challenge of payroll today.

The PC Software Accounting Windows payroll system is designed to meet the challenge of today's payrolls. The following text examines the payroll system in much more detail than the Practice Set. The purpose of this text is to explain how the Payroll system is setup and how it works so that all can meet the challenge of today's payrolls without undue effort on the users part. The goal of the payroll section of this system is to facilitate accurate, complete and timely processing of after-the-fact payroll. This text will examine "after-the-fact" payroll considerations.

How Does the System Function?

The PC Software Accounting Windows "after-the-fact" payroll system works by organizing general payroll information and by providing a clear and logical method for the input of payroll checks and the saving of the information of those checks for reporting purposes. The big picture of how this is done can be best explained by examining the different payroll related menu setup options on the Windows payroll system. The review of these options shows where the various necessary information is stored and also shows by examining payroll items how the system works. When you select the Setup pull-down menu, and Payroll, the following menu will display:

Setup	
Date	▶
Account	▶
Company	
Payroll	▶
Reporting	▶
Cost Center (Department)	▶
Automatic Inventory	
Corporate Tax Table	
Automatic General Ledger Transaction	
System	▶
Printer	

Payroll submenu:
Payroll Setup
State
Payroll Item
Locality
Employee/Vendor
Change Employee PR Items
Employee Utilities
Custom Payroll Item Selection
Payroll Accrual Overrides
Tax Form Scaling Factors
Employee Extras
Record Taxes Paid

There are five different basic payroll-related setup options:

Payroll Setup
State
Payroll Item
Locality
Employee/Vendor

Understanding the basic function of each of these Payroll Setup options will give you a good idea how the PC Software payroll system actually works which will assist you in handling different situations that may arise in after-the-fact payroll processing. Here are the functions of each of the five payroll-related setup options. They will be further illustrated by a display of typical system data that would relate to them.

Payroll Setup

This option tells the computer that this client has an after-the-fact payroll and stores the general information about this client that the payroll system will need to do its job. Think of this option as the equivalent of manually starting a payroll file for a client that contains all the general information for this client and instructions on how this client's information should be handled. To access this option, select **SETUP/ PAYROLL** and select **PAYROLL SETUP**. A screen similar to the following will display. (This one has sample data entered on it.)

This screen is used to enter the company's federal ID. Also note that the options to summarize general ledger transactions resulting from W2 and 1099 entries into the after the payroll system are already marked. Checking these options will cause the system to make summary general ledger transactions for such things as the gross pay and the net amount of the checks. Also note that Auto FICA Fix and Correct YTD FICA on Payroll Transaction Entry are checked on the above screen. The Auto FICA Fix checkmark will cause the system to check the amount of FICA and Medicare withheld and if either figure is incorrect on an employee's check to correct it and adjust federal withholding accordingly. The Correct YTD FICA on Payroll Transaction Entry checkmark will cause the entire year of FICA to be checked and any necessary adjustment to be made on this check. (This is a nice feature, if you are taking over the processing of payroll from another source and they did not have FICA figured out correctly.)

Now click on the OPTIONS AND TAB STOPS tab. The following screen will appear:

We recommend that at least two of these options be checked. They are On PR Trans Entry use Net Calculation and Define New Employees based on the Default Employee. The Pr Trans Entry Net Calculation checkmark will automatically calculate the net of your after-the-fact paycheck after the entry of the remainder of the information and will probably save you time. The Define New Employees checkmark will automatically setup the same payroll items for all employees after the first one you setup. This will save you tremendous time as you will see later in this chapter. Other common options that you will probably use include the capability to have the cursor bypass the date, the cost center number and the unemployment state on payroll transaction entry. If you have all your employees in one state for this client and if you are not using cost centers on this client, you definitely want to check unemployment state and cost center number which will skip these boxes on payroll check entry since they will already be correct. If you have a large number of employees getting checks on the same day, it is probably worth your while to also check the box for the date.

If you wish the system to automatically accrue the company federal unemployment, FICA and Medicare amounts each pay period, you should enter account numbers in the appropriate fields. If you leave any of these fields blank, the system will not automatically make these accruals.

The other options on this screen are typically only used in special situations. Here is what they do.

Prevent Payroll Preparation: If this box is checked, general ledger transactions will not be automatically generated for payroll transactions.

On PR Trans Entry, Move Cursor back to Check Number at OK: If this box is checked, the cursor will not skip the check number but be placed in the check number box. This is appropriate if you are not entering checks in sequence and therefore using the automatic incrementing of the check number but instead you are just entering payroll checks and each check number is not in sequence and therefore you are ready to enter it each time.

Prepare PR Trans by Month: If this box is checked, general ledger transactions will be summarized by month even if the client is set up for quarterly or annual processing. This option should definitely be checked if you are switching back and forth between processing the same client monthly and quarterly as it will avoid erasing payroll summary entries that are needed and not replacing them with complete entries.

Use Date Range on PR Preparation - This checkbox would not normally be checked but in unusual by month even if the client is set up for quarterly or annual processing. This option should circumstances it can be used to allow general ledger payroll transactions to be generated for a specified date range. The payroll transactions will generate monthly journal entries.

Seasonal Employer - If checked, this checkbox tells the system that this client is a seasonal employer so that information can be placed on the 941 and some state reports as required.

Show Only Last Four Digits of SSN - This option allows the firm to only show the last four digits of the SSN on payroll reports and the payroll check stub.

State

This option tells the computer the state information for each state in which this client has payrolls. A state record must be setup for each state in which this client has payrolls. Think of this option as the equivalent of manually starting a state payroll file for a client and placing state information for this client into that file. To select this option, select **SETUP/ PAYROLL** and select **STATE**. When this option is selected, a screen similar to the following will display: (This one has sample data entered on it.)

You should enter the state abbreviation for the state you are using. (If you have multiple states for this client, you will have to enter each state on a separate screen just like you see this one done.) The sample above is setup for Georgia.

After you enter the state abbreviation, the state name will display and the check box for State Income Tax Withheld will be marked if the state has a state income tax. The cursor will be on the State Income Tax Withheld box. Press the enter key and the cursor will be in the income tax ID. After you enter the client's ID, the cursor will be in the Fed W/H reduces state income tax. Mark this appropriately for the state in question. When you press the enter key the cursor will be in the Default State for New Employees box. If you only have employees in a single state, check this box so that each new employee will be automatically be assigned to this state for state unemployment. When you press the enter key, the cursor will bypass the unemployment field in the center of the screen and proceed to the account number under the wages item id, which is automatically labeled GAGROS since Georgia was entered as a sample state. GA comes from the state abbreviation and GROS is an abbreviation for gross pay. Enter the most common salary account here for this state. (In this example account number 630 is entered.) The cursor will then be in the account number under the state withholding item id, if there is state income tax for that state like there is in Georgia. The state income tax will be automatically labeled GASTWH. GA comes from the state abbreviation and STWH is an abbreviation for State Withholding. Enter the account number for state withholding here. (In this example account number 225 is entered) In order to produce the state unemployment report, you must enter a state unemployment ID and state rate for the employer. Some states have a second rate. If this apples to your state enter that rate also. If you want to accrue state unemployment automatically into your general ledger, you must also enter a debit and a credit account in the appropriate fields. If you do this you must also enter the state rate if you do this. There are also fields that allow you to enter different rates for previous years so that if you recalculate in a previous year the calculation will be correct after having been on the system for a period of time and having accumulated payroll data. (Rates are usually placed in the previous year fields when you enter a new rate in the system.)

Payroll Item

What is a Payroll Item? A payroll item is any item that affects a payroll check. For example, a certain type of gross pay would be a payroll item. A deduction for federal income tax withholding would be a payroll item. A uniform deduction would be a payroll item. The payroll items that are setup with this option include any component of any paycheck for any employee of this client. This system allows each Payroll item to be considered separately as far as being subject to or exempt from any particular taxing entity. It also allows each Payroll Item to be considered separately for the placement on government forms and for chart of account postings. Basically, the flexibility of payroll items explains how the payroll system works. Payroll items capture the information in such a way that the information can be organized and presented to satisfy the requirements of paychecks, government forms and general ledger postings. Think of a payroll item as any component of a payroll check. If you were doing a simple manual check for an individual named James Smith in the state of Georgia, you would probably use five different components to calculate his check, keep track of the amounts for payroll reporting and post the information to general ledger.

You could see this if you looked at a sample check calculation for him such as that shown below.

Gross pay in the state of Georgia	500.00
Federal Income tax withheld	50.00
FICA and Medicare tax withheld	38.25
State tax	15.00
Net Pay	396.75

Suppose that different individuals in this company were paid different amounts but that there were no different basic components to their checks. In other words, suppose everyone in the company had gross pay, federal withholding, FICA and Medicare withholding, state withholding and a net pay and that was all. If this was your payroll situation, and you wanted to track these checks with this system, you would set up five different payroll items. They would correspond to the five different payroll components of the checks that were listed above. Here are typical payroll item codes for these components of a paycheck that might be used in this system:

GAGROS:	Gross pay in the state of Georgia
FED:	Federal Income Tax withheld
FICAMD:	FICA and Medicare Tax withheld
GASTWH:	Georgia State Tax withheld
NET:	Net Pay

For the system to work, it has to know how you want to handle each payroll item. The system allows each Payroll item to be considered separately as an addition to a paycheck or as a deduction. It also allows each payroll item to be subject to or exempt from any particular taxing entity. Each Payroll Item can be also considered separately for placement on government forms and for chart of accounts postings. This flexibility allows even unusual taxing situations to be handled quite easily.

The system also allows items that do not actually affect a paycheck, but must be saved for government forms, to be recorded as well. Tips or employer paid insurance are typical items of this sort.

In a typical company, not every employee has the same components on their payroll check as all the other employees do. Some might have insurance deductions and others might not. Some might have pension plans and others might not, etc., etc. It is important to note that this payroll item screen that we are discussing sets up the payroll items that apply to the entire company. Thus even if a payroll item only applied to one employee in a company of a hundred employees, it would have to be setup with this option. Therefore a typical situation for a company with a large number of employees might be that they have 10 to 15 Payroll items setup for the company using this option even though any particular employee might only have 5 to 8 payroll items.

The company setup of payroll items requires a general ledger default account for each payroll item. This default general ledger account may be changed to a different account on an employee by employee basis but in many cases it will not have to be changed for an individual employee.

An example of entering payroll items follows. The payroll items FED and FICAMD will be entered and discussed. The GAGROS AND GASTWH payroll items do not need to be setup with the payroll item option. They were automatically set up as payroll items when the state of Georgia was setup. The net amount of the check does not need to be set up.

To enter a payroll item, select **SETUP/ PAYROLL** and then **PAYROLL ITEM**. A screen similar to the one that follows will display:

Note that there are five tabs in the center of the screen. The first tab is Main, followed by Federal, State, Local, and Misc.

The first item that we will enter in this example is the payroll item FED which is the payroll item for federal withholding. First we enter the code FED in the payroll item code. Next we have to choose its group. The possible groups are:

Addition - adds to a paycheck
Deduction- subtracts from a paycheck
Notation - does not affect a paycheck but is needed for reporting purposes. It does not need to be posted to the general ledger
Employer Paid - does not affect a paycheck but is needed for reporting purposes and it does need to be posted to general ledger.

Fed is a deduction, so deduction should be placed in Group.

Next we have to choose its category. The following are the possible categories:

401K (employee paid)
401K (employer paid)
Advanced Earned Income Credit
Allocated Tips
Cafeteria Plan
Deferred Compensation
Reserved for future use
Dependent Care Benefits (W2 Box 10)
Federal Withholding
FICA Withholding (Employee share)
Advance EIC
Gross
Local Withholding
Medicare Withholding (Employee share)
Reserved for future use
Other Additions
Other Deductions
Other Notation Items
Meals
State Withholding
Tips (Check)
Tips (Cash)
State Unemployment/Disability (Except New Jersey)
State Unemployment/Disability (New Jersey)
Reserved for future use
Nonqualified Plans (W2 Box 1)
FICA/Medicare Withholding (Employee share)
Reserved for future use
Other Employer Paid Items
Dependent Care Benefits (W2 Box 10)
Nonqualified Plans (W2 Box 11)
Benefits Included in Box 1 (W2 Box 12)

The category for FED is federal withholding. We choose that category.

Next we choose the amount type. There are two possible amount types:

Amount - Almost all payroll items are amounts which means that they will be entered as amounts
Percentage - Percentage is used for some payroll items such as an item which will automatically calculate California disability. This will be further discussed in the section on local taxes.

The correct amount type for FED is amount since we will be entering an amount in the after-the-fact payroll system.

The next field asks for a posting account. This is the general ledger account that this item should be posted to. For the sake of this example, suppose that Federal W/H payable has a general ledger account of 222 for this client. Account 222 in the general ledger is named Federal Withheld. Therefore account 222 would be placed in the posting account field for FED.

This completes the setup of the FED items code. The tabs labeled, Federal, State and Local are only needed to designate items that are exempt from various Federal, State and Local taxes respectively. The use of these buttons is discussed under special cases later in this chapter. (See 401K) The Misc tab is only used for the calculation of unusual payroll items.

The completed payroll item screen for the payroll item follows:

The next payroll item is FICAMD. FICAMD is the payroll item code which is preset to handle FICA and Medicare and all their limits. The completed payroll item screen for FICAMD follows:

Notice that it too is a deduction. Its category is a specialized one, FICA and Medicare combined (employee share) It also has an amount type of amount and its posting account number for this example is 223 which is account in the general ledger for FICA/Medicare Withheld. This means that transactions reflecting this amount will be generated to account number 223 in the general ledger. FICA and Medicare are not exempt from any other taxes so nothing needs to be done with the Federal, State or Local radio buttons. If your enter your screen as above, this is all you have to enter for this payroll item and all FICA and Medicare taxes will be properly handled and placed in the correct positions on the correct forms. (Note that FICA and Medicare withholding could also be setup as separate items. If you can get a single combined FICAMD amount from the client it is faster and more productive to use FICAMD but if you can only get FICA and Medicare in separate amounts from the client you would have to setup separate FICA and Medicare W/H payroll items for that client.)

Now we will look at the two payroll items, GAGROS and GASTWH that were automatically set up when you set up the state of Georgia. The name of the payroll item, GAGROS indicates that it is a gross pay for the state of Georgia. The payroll item screen for GAGROS is as follows:

Note that GAGROS is an addition. Its category is "gross. It has an amount type of amount and its posting account in this example is 465 which is a Salaries account in the general ledger. It is also subject to all taxes and therefore nothing needs to be with the radio buttons, Federal, State or Local.

The next deduction is GASTWH or Georgia State Withholding. Here is the correct Main screen for Georgia State Withholding:

Note that like GAGROS this item is automatically setup when the state is setup and does not have to be entered as a payroll item. GASTWH (Georgia State Withholding) is a deduction. Its category is state withholding. It will be posted to general ledger account 225 in this example which is named Georgia State Withheld. There are no special exemptions for GASTWH for Federal, State, or Local taxes so the radio buttons for Federal, State and Local are not needed.

Note that the payroll items for GAGROS, FED, FICAMD, and GASTWH were all straightforward and only involved the Main screen of payroll item entry. This will be the case with most payroll items. When payroll items are not subject to taxes in a normal manner or are not calculated in a normal manner then, the other screens (Federal, State, Local or Misc) might need to be accessed. Examples of payroll items that need these screens will be shown in detail later on in this exercise. (See 401K)

Locality

This option informs the computer of locality information. A locality must be setup for each locality in which this client has payrolls. Think of this option as the equivalent of manually starting a locality payroll file for a client and placing the locality information for this client into that file. Some of the information that is stored in this file includes Local Tax ID and Locality Name.

If there is a local tax, select **SETUP/ PAYROLL** and further select **LOCALITY**. Since our example does not have a local tax, the screen shown below is set up for a city tax of Columbus, Ohio.

Note that the Locality abbreviation is Colum. You can choose any abbreviation up to six characters long. The locality name is the actual name of the locality. You should enter the appropriate tax id and posting account. In this sample case, the posting account of 226 would be named Columbus Withheld in the chart of accounts. You do not need an entry in the Default Tax Table since you are not computing the tax as you would be if you were actually writing the checks using the Computer Checkbook System. The Default Tax Table field is on this screen in case you are also using the Computer Checkbook System and actually computing the local tax.

You would also need to setup a payroll item for a local tax. A correctly filled out payroll item screen for a local tax from Columbus follows:

Notice that the local tax for Columbus is a deduction and it has a category of Local Withholding. It will be posted to general ledger account 226 in this example.

Employee/Vendor

This option completes the setup of the payroll system by providing a place for each employee or vendor to be entered and individualized for their paychecks or payments. The employee/vendor information is segmented into four screens which are:

Basic Information
Items   (Payroll Items)
Standard Check (Standard Check Information)
Employee Vendor Memo

The basic information screen contains the name, address, social security number, pay frequency and other similar information for this employee. Note that employees should have a state designated for unemployment and should be designated to receive a W2. A basic information screen for a sample employee, James Smith is shown below:

There are three other radio buttons that access three other screens of payroll information. The ITEMS radio button accesses the Items screen which contains all the payroll items that pertain to this employee. The STANDARD CHECK radio button accesses the Standard check screen which contains the employees account numbers and standard check information if the employee has a "standard check. A standard check is defined in this system as a check that is usually the same from pay period to pay period for an employee. If the employee does have a standard check, then the amounts can be entered here and they do not have to be re-entered with each check. Of course, if there are variations in any given pay period, the amounts may be changed for that particular check. The EMPLOYEE/VENDOR MEMO radio button accesses the employee/vendor memo screen which provides a place to keep miscellaneous employee notes or information for an employee.

The Items Screen

The key screen of the entire system is the Items screen. This screen attaches the appropriate payroll items that have been previously setup for the company to the individual employees.

The following pages trace through the entry of the payroll items for James Smith.

Remember that his sample paycheck was as follows:

Gross pay in the state of Georgia	500.00
Federal Income tax withheld	78.10
FICA and Medicare tax withheld	38.25
State tax	15.00
Net Pay	368.65

Here are the Payroll Item codes setup for these paycheck items along with the general ledger account numbers used for each payroll item for this employee:

Item Code	Description	Account
GAGROS	Gross pay in Georgia state	465
FED	Federal Income Tax withheld	222
FICAMD	FICA/Medicare Tax withheld	223
GASTWH	Georgia State Tax withheld	225
NET	Net Pay	110 (precoded)

Table 13-1: This table lists Payroll Item codes.

Remember that the four different groups of payroll items are as follows:

1) Additions which add to a payroll check.

2) Deductions which subtract from a payroll check.

3) Notations which do not affect a payroll check but which must be saved for reporting purposes although they do not affect the general ledger (i.e. cash tips).

4) Company paid items which do not affect a payroll check (i.e. company paid car) but do affect the general ledger.

The sample check above, like most paychecks, only has additions, deductions and a net. Follow the screens carefully to see how each payroll item is entered and why. The screen below is the Items screen and is accessed from the Employee main screen of James Michael Smith using the Items radio button (Note that this screen also has a button that allows this record to be used as a default. This is a very important button. It allows all the payroll items to be duplicated from the first employee you setup to all the rest of the employees and will save you a great deal of time.)

First we will enter the only addition. It is GAGROS (Georgia Gross). Notice that the screen above is in the "Federal" "Tax Jurisdiction" and that the screen above is set for an "Addition". All payroll items must go in the federal tax jurisdiction and in any other tax jurisdiction that their amounts would be needed for reporting purposes. Thus Georgia Gross needs to be entered in the Federal Tax Jurisdiction and in the Georgia Tax Jurisdiction. The first step is to enter GAGROS in Federal Tax Jurisdiction shown above. This is done by positioning the mouse pointer to the List button in the lower left hand side of the screen directly to the left of the Remove button. When this button is selected, the following screen will display:
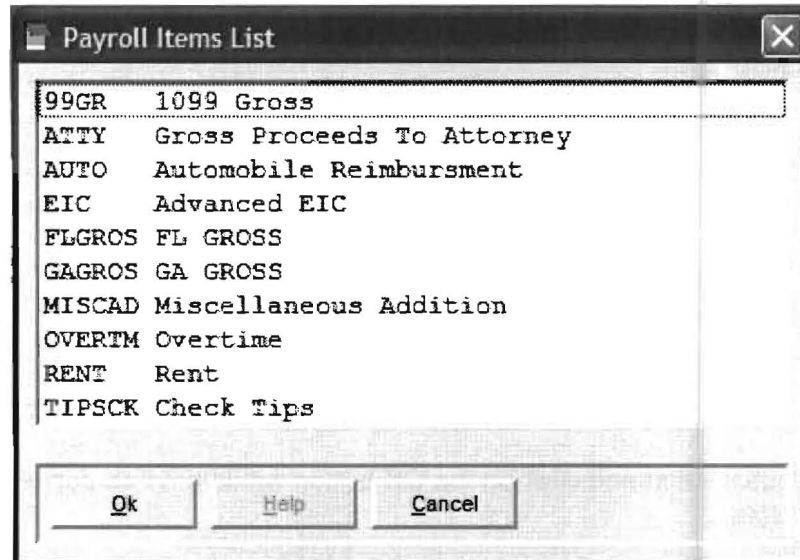
To select GAGROS, position the mouse pointer to GAGROS in the inserted Payroll Items List and click to highlight GAGROS. Now click the OK button inside the Payroll Items List and the following screen will display:
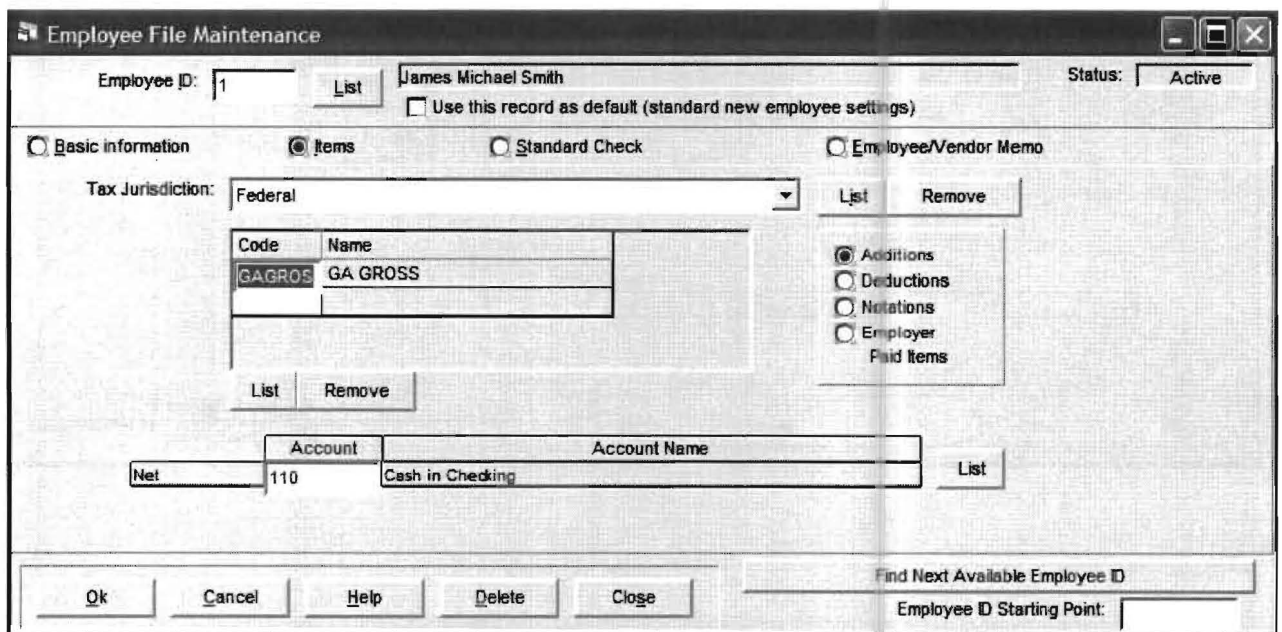
Now we need to add GAGROS to the Georgia State Jurisdiction. This is done by changing the tax jurisdiction to Georgia by clicking on the List button to the right of the jurisdiction field. The screen will now appear as follows:

Tax Jurisdiction List

```
FED     Federal
FL      Florida
GA      Georgia
```

Ok   Help   Cancel
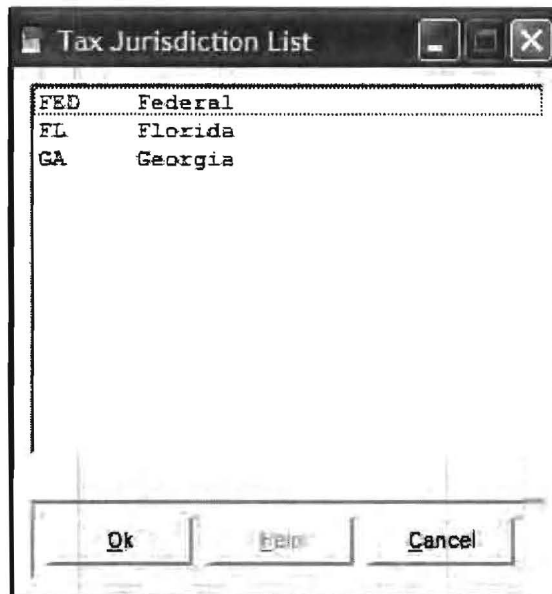
Select Georgia as the jurisdiction and click on the OK button within the Tax Jurisdiction List. The following screen will display:

Employee File Maintenance

Employee ID: 1   List   James Michael Smith   Status: Active
☐ Use this record as default (standard new employee settings)

○ Basic information   ◉ Items   ○ Standard Check   ○ Employee/Vendor Memo

Tax Jurisdiction: Georgia ▾   List   Remove

Code	Name

List   Remove

◉ Additions
○ Deductions
○ Notations
○ Employer Paid Items

	Account	Account Name	
Net	110	Cash in Checking	List

Ok   Cancel   Help   Delete   Close

Find Next Available Employee ID
Employee ID Starting Point:

To select GAGROS for an addition to the Georgia Tax Jurisdiction, click on the List button in the lower part of the screen next to the remove button. From the resulting Payroll Items list, select GAGROS and select the OK button within the Payroll Items List. GAGROS will now display under Code and Name. This completes the entry for GAGROS. The next payroll item that needs to be entered is FED. FED (Federal Withholding) is a deduction. It only applies to the Federal Jurisdiction and it is a deduction. Change the jurisdiction back to Federal using the drop down arrow shown to the right of the Tax Jurisdiction box with Georgia currently displayed in it. Then change the payroll item group from additions to deductions using the radio button located in the middle right hand side of the screen. The screen should now appear as follows:

Click on the List button to the left of the Remove button in the lower left hand side of the screen and the payroll items list for deductions will display:

Position the mouse pointer to FED (Federal Withholding) and click. Accept this entry by clicking the OK button within the Payroll Items List. The following screen will display:

Press the enter key to move the cursor to the next code. This completes the entry for FED (Federal Withholding). The next payroll item that needs to be entered is FICAMD. FICAMD (FICA AND MEDICARE- Employee share) is a deduction. It only applies to the Federal Jurisdiction and it is a deduction. Since we have just entered FED, the tax jurisdiction is already federal and the payroll item group is already a deduction. Again select the List button in the lower left side of the screen. This will access the payroll deduction items. Select FICAMD from this list using the mouse pointer and accept it using the OK button that is located within the Payroll Items list. The resulting screen should appear as follows:

Now press the enter key to position the mouse cursor to a new code. This completes the entry for FICAMD. The next item is GASTWH (Georgia State Withholding). This item needs to be added to both the federal and the state tax jurisdiction. It is a deduction. Since the tax jurisdiction is still federal, and the group is deduction, once again click on the List button in the lower left side of the screen just to the right of the Remove button. From the resulting payroll items list of deductions, click and highlight GASTWH. (Note, if the payroll items list does not appear when you click on the List button, it is because the cursor is not positioned to a new code. This List button is for the code not for the account number.) Then accept GASTWH using the OK button within the payroll items list and the screen on the following page will result:

Now you need to place GASTWH in the state jurisdiction. Change the tax jurisdiction to Georgia using the drop down arrow just to the right of the Tax Jurisdiction which currently has Federal displayed in it. Then access and accept GASTWH as a state deduction using the List button located just to the left of the Remove button as previously done to accept the other deductions. The resulting screen should be as follows:

Now let us review what we have done. We have entered the following payroll items as follows:

GAGROS: as an addition to the FEDERAL and the STATE jurisdictions.
FED: as a deduction to the FEDERAL jurisdiction.
FICAMD: as a deduction to the FEDERAL jurisdiction.
GASTWH: as a deduction to the FEDERAL and the STATE jurisdiction.

Now we need to finish our entry of this check by adding the Net payroll item. The Net payroll item is not an addition or a deduction; it is merely the account number where the paycheck is normally paid from. Because there is room on the all the items and accounts screens to show this item, it remains in view. Return to the screen that we just left to enter the Net payroll item (although we could enter it from any screen it displays on). Position the cursor in the Net field. Enter the account 110 in that field. We have now completed the entry of this check into the system. **Make sure you mark Use this record as default (standard new employee setup) if it is not already marked. This will repeat all the payroll items for federal and state for subsequent employees and save you lots of time.** Accept the entire employee record by clicking on the OK button on the lower left side of the screen. This example should illustrate the basic concept of a payroll item. (Note it might be easier for you to enter the federal jurisdiction additions and then the deductions and then enter the state jurisdiction additions and then deductions once you understand the operation of the system.)

Payroll Items: General Rules

Tax Jurisdictions: How Do I Determine Which Payroll Items Go In Which Tax Jurisdictions?

Answer: Follow the rules that follow:

Rule 1: Every payroll item goes in the federal jurisdiction.

Rule 2: Every payroll item that affects a state tax calculation needs to go into the state jurisdiction. For the client write system and after-the-fact payroll this just means the addition for gross pay, and the deduction for state withholding. (In the example GAGROS and GASTWH) need to go into the state jurisdiction. The items that should never be entered into the state jurisdiction include Federal Withholding, FICA and Medicare. Items that never affect the taxability of wages should not be entered into a state jurisdiction such as a uniform deduction or a repayment of an advance. No locality withholding item should be entered in the state jurisdiction.

Note: If you are using Computer Checkbook and actually calculating the state taxes, you would also have enter any other items that would be necessary to calculate the state taxable wages for either W2's or Unemployment or for any other purposes. This might include "cash tips", "check tips", "cafeteria plans", "401K's", "employer paid items", etc. However, you never have to enter items like these into a state jurisdiction for client write up and after-the-fact payroll.

Rule 3: Every payroll item that affects a local tax calculation needs to go into the local jurisdiction. For the client write up system and after-the-fact payroll this just means the addition for gross pay the local state withholding deduction.

Rule 4: Many standard payroll items are already entered in the system when you receive it. For example, state wages, state and federal withholding, FICA, Medicare, Cafeteria Plans, 401k's, are pre-set up payroll items. They are pre-set into the system as Payroll Items and their normal taxing settings are pre-set. You can also modify these items for your particular non-standard situation if that is required. You will always have to enter at least the posting account number that applies to your client on these pre-set payroll items..

Note: Here are some of the pre-set items for use with the after-the-fact payroll:

Pre-Set Additions

99GR:	1099 Gross
AUTO:	Automobile Reimbursement
EIC:	Advanced Earned Income Credit
OVERTIM:	Overtime
TIPSCK:	Check Tips
XXGROS:	where XX is the state abbreviation. Each time a state is setup with the STATE sub-menu option, a pre-set addition for that state is added to this file. (i.e. When Georgia was setup in the state file in the sample above, then GAGROS was automatically added to the Payroll Item file.)

Pre-Set Deductions

401 K:	401K Employee Deduction
ADV:	Repayment of Advance
CAF:	Cafeteria Plan
FED:	Federal Withholding
FICAMD:	FICA & Medicare Withholding
INS:	Health Insurance
UNIF:	Uniform
XXSTWH:	where XX is the state abbreviation. Each time a state is setup with the STATE sub-menu option, a pre-set deduction for that state is added to this file. (i.e. When Georgia was setup in the state file in the sample above, then GASTWH was automatically added to the Payroll Item file.)

Pre-Set Notations

ALLOC:	Allocated Tips
MEALS:	Meals
TIPS:	Cash Tips

Rule 5: There may be more than one state and locality. For each state and locality, the payroll items needed to calculate those wages should be entered for that state or locality.

Rule 6: There may be more than one gross and withholding for a particular state. This is necessary to facilitate different situations. For example, if there are multiple localities, the gross pays must be split up by localities. If there were three localities, there would be at least three gross pays. Label them so that they are meaningful to you. For example, in Ohio, you might have OHGRCO, OHGRTO, and OHGRDY for gross pays in Columbus, Toledo and Dayton respectively.

Rule 7: Don't forget to mark the "Use this record as Default" (standard new employee) on the first employee you set up and then you will not have to setup the items for the other employees. If you are setting up employees in different states, you should enter the first employee in the first state and then enter all the other employees in that state. Now enter an employee in the second state and change the codes and jurisdiction to the second state. Then mark the use this record as default again. Now when you enter other employees in the second state they will all have the right payroll items and you will not have to enter them. Follow the same procedure for other states or other localities

What if the Pre-Set Items are not enough?

The pre-set items could never be enough to satisfy every condition for every company in the country. The purpose of the pre-set items is to make using the system easier for you. There may be cases where these pre-set items need to be modified or where completely new payroll items need to be setup for your firm. You may do this by just keying in new payroll items codes and filling out the choices for group, category, etc., as needed.

Setting up payroll items that are exempt from some taxes.

The payroll items in the above example were not specifically exempt from any taxes, but if you do have payroll items that are exempt from various taxes, it is quite easy to record this into the system. This is important because if it is not done, then the payroll forms like the 941, the W2 and the state and federal unemployment forms will not be correct.

Most of the pre-set items such as 401K, etc, will already be set for the correct federal state handling. You should check these settings and also record the correct status for items such as these in your state and any applicable localities.

Here is how that is done:

Access the Payroll Item screen using **SETUP/ PAYROLL** and selecting **PAYROLL ITEM**. The following screen will appear:

As an example, enter 401K in the Payroll Item code. The following screen will appear:

Exempt from various federal taxes

Now that you have the main 401K screen displayed, click on the Federal Radio button: The following screen will appear:

You will note that there are four federal tax boxes shown under the heading of Subject to. They are federal, FICA, Medicare and unemployment. If a box is checked, it means that the payroll item is subject to that particular tax. Since the 401K is exempt from federal income tax, that box is not marked. This means that the system knows that the 401K is not subject to federal tax. If you had some other payroll item that was exempt from say federal, FICA, Medicare and federal unemployment, then for that payroll item, you would remove the checkmarks in front of each of those the four boxes.

Exempt from state income tax or state unemployment
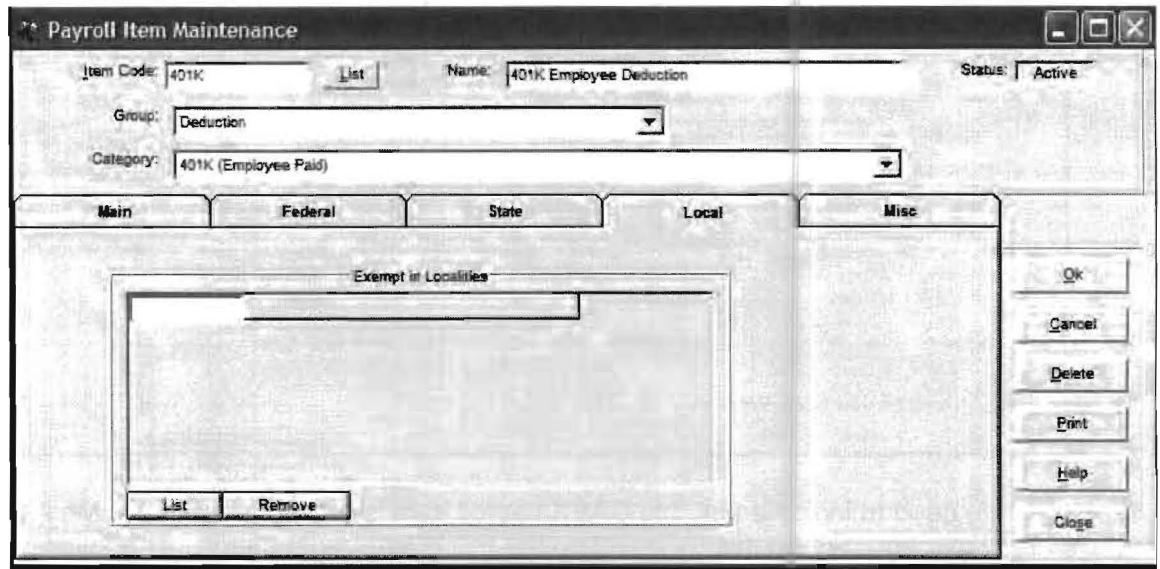
Now let us consider the state tax for a 401K. Different states have different rules about 401K's but a large number of states also exempt 401K's from state income tax. To record that your state (or states), are exempt from state income tax, select the STATE radio button. The following screen will appear:

Note that on the lower portion of the screen, there are two sides. The left side refers to state income tax. The right side refers to state unemployment tax. If the 401K was exempt from state income tax, you would place the state abbreviation, i.e. GA or MA, in the left hand side. If this 401K were exempt in multiple states from state income tax and your client had payrolls in multiple states, then you would have to enter the state abbreviations of all exempt states that apply to your clients. 401K's are not exempt from unemployment but if you had a payroll item that was, then you would enter the state abbreviation in the right hand side of this state screen and this would exempt a payroll item from any state unemployment that you entered the state abbreviation for.

Exempt from local taxes

To exempt a 401K or any other payroll item from a local tax if this is applicable for that locality, select the LOCAL radio button. The following screen will appear:

You would now enter the local tax codes in the fields under the heading Exempt in Localities on the lower left portion of the screen.

Suppose an employee's gross pay is exempt from FICA and Medicare deductions

Let's suppose that an employee is employed in Georgia and is exempt from FICA and Medicare and unemployment because they are the child of the proprietor and they are also under 18 years of age. If we assign them an addition to their pay of GAGROS like all the other Georgia employees, then we could not exempt them from FICA, Medicare and unemployment because then all the other employees with GAGROS would be exempt from FICA, Medicare and unemployment and they are not entitled to be. So we have to set up a different Gross pay for these exempt individuals than GAGROS. We can call it whatever we want but we need the first two digits to be GA. Let's call it GAEX for Georgia Exempt. We need to first set up this payroll item in the normal way as shown on the following page: (Note that the posting account would probably be the same one we used for GAGROS.)

Now we need to indicate that this GAEX payroll item is exempt from FICA, Medicare, and unemployment. We do this by selecting the FEDERAL radio button. The following screen will appear:

Now we would remove the checkmarks from FICA, Medicare and unemployment. The screen will now appear as follows:

Now the system would know that any employee with the gross pay code of GAEX would be exempt from FICA, Medicare and Federal Unemployment. Next we would have to access the State radio button and indicate that employees with the GAEX payroll item would also be exempt from state unemployment. We would now OK the payroll item screen and return to the menu.

The next job would be to setup the employee or employees who are exempt from FICA, Medicare and unemployment with GAEX in their employee record instead of GAGROS. Employee records are accessed with **SETUP/ PAYROLL** and **EMPLOYEE/VENDOR**. We would now have the employee maintenance screen displaying. We would choose an employee that is not subject to these taxes. Next we would choose the ITEMS screen:

Case 1) if we have not yet set them up on the computer at all, we just set them up with GAEX as their addition instead of GAGROS.

Case 2) if we have already set them up with GAGROS and have not processed any checks, we can just change the GAGROS to GAEX.

Case 3) if we have already set them up and processed checks for them, then the easiest way to correct the previous information is to use the payroll utility for payroll item maintenance. This utility will change the master record and also all existing paychecks very quickly. Any reference to GAGROS will be changed to GAEX. The use of this utility is explained in the Utilities pull down menu beginning on page 8-7.

Modified Payroll Items: Cafeteria plans

Suppose you want to set up a cafeteria plan (section 125). There is a cafeteria plan *payroll item* set up, pre-set not to be subject to federal withholding, FICA/Medicare, and federal unemployment. In most cases a cafeteria plan deduction is also exempt from state unemployment, withholding, and local withholding. The system has pre-set up cafeteria plans with the payroll item code of CAF. Access the payroll item screen and enter CAF as the payroll item code. With the cafeteria plan *payroll item* on the screen, do the following:

1) Enter the liability account for your client into the "posting account" field on the "Main" screen or payroll item entry.

2) Verify that the federal screen that appears when you select the FEDERAL radio button is appropriately marked by having no checkmarks in front of any of the federal boxes.

3) Indicate any state(s) where this deduction is exempt from state income tax and/or state unemployment using the STATE radio button.

4) Indicate the localities, if any, where this deduction is exempt from local withholding using the LOCAL radio button.

Some *payroll items*, like a cafeteria plan, a 401K, etc., will require careful attention upon initial setup because they are typically exempt from several taxes.

Additional Payroll Items

There will also be cases where you may have to enter additional *payroll items*. For example, if you have several cafeteria plans for a single client. In this case, enter the new Item Code and name and choose a "group" and "category". Remember that certain "categories" are typically found in certain "groups". For example, "cash tips" is typically a notation entry because there is no ledger entry and no cash changing hands between the employer and the employee. If you setup "cash tips" as a "deduction", you will be causing yourself problems. Whenever possible, use the pre-setup *payroll items* and avoid changing the "categories" or the "group" designations unless you are correcting a verified mistake.

Employer Paid Items

Occasionally you will require a *payroll item* that is an Employer Paid Item. These amounts never effect the dollar calculations of Gross to Net, but they do need to be reflected in the general ledger. Therefore both the Debit and Credit Accounts should be entered into the Payroll Item Screen. A second account field will appear only for employer paid items. The second account entry field will be labeled Debit Account and the expense account should be entered in this account. The liability account should be entered into the Credit Account.

The next screen that needs to be entered is the standard check screen. This screen is used to individualize the accounts for general ledger posting. It is also used to enter paycheck amounts that remain the same from paycheck to paycheck so that they do not have to be entered each pay period.

The Standard Check Screen

When the STANDARD CHECK tab is selected, the following screen will appear:

Note that just like the items screen; this screen is segmented by Additions, Deductions, Notations and Employer Paid Items. The screen defaults to the Additions segment. Note that the account number shows next to the payroll item on this screen. This account number will originally be taken from the account number that you set up as the posting account for that payroll item. You may change the account number to whatever valid account number you wish and this will stay this account number for this employee unless you change it again. This is how you handle posting such things as officer and staff salaries. Both use the payroll item GAGROS in this sample company but officer salaries would go to a different account (465) than staff salaries would (say 460). Deduction accounts may be changed in the same way.

The other use of this screen is to enter amounts that stay the same from paycheck to paycheck so that they do not have to be reentered each paycheck. If the employee has a whole check that stays the same, you may enter each amount for the whole check in the amount column. If they only have a deduction amount that stays the same, you may just enter that. You may do things like enter all figures except FICA and Medicare if you wish, since allowing the system to calculate FICA and Medicare will handle rounding better than entering a fixed amount would.

The Employee/Vendor Memo Screen

This screen allows the entry of miscellaneous information for an employee and saves it for reference purposes.

Payroll Accrual Overrides

Normally the federal payroll accruals for all the employees in the company are setup under **SETUP/ PAYROLL/ PAYROLL SETUP** and the **OPTIONS AND TAB STOPS** tab if you desire the system to make them automatically. This process is described beginning on page 13-4 of this chapter. Normally the state payroll accruals for a company are setup under **SETUP/ PAYROLL** and **STATE** if you desire the system to make them automatically. This is described beginning on page 13-5 of this chapter. Both of these options accrue the related expense and liability amounts to whatever accounts you have specified for all employees in the company. If you wish to accrue the expense and liability amounts to different accounts for different employees in the company, this may be accomplished with this option. This option is selected by choosing **Payroll** and then **Payroll Accrual Overrides**. When this option is selected, the following screen will display:

You may access an employee by clicking on the List button to the right of the employee number. Then you may enter accrual accounts for that employee's wages. This will override the normal setups for payroll accruals for this employee.

Setting Up the Initial Payroll Balances for an Employee

This system does not close and does not have a place for balance forward amounts. Consequently all numbers are generated from transactions. When a client and the employees of that client are initially set-up, the initial balances of the employees must be entered as payroll transactions. Unless the client is in the first quarter of the calendar year, two transactions must be entered for each client. The first transaction will be dated the last day of the previous quarter and should include the year-to-date payroll transactions through that quarter. The second transaction will be dated the day before the first actual paycheck transaction to be entered into the system and should include the payroll transactions for the current quarter to date. These entries should be made before any other balances are entered into the system. Then trial balance entry should be used to get a beginning balance for the period. There is a very nice feature that facilitates these entries. It is a capability to enter these summary transactions into the payroll transaction screen and prevent these summary transactions from producing an automatic general ledger transaction. In this way, your ledger balances which probably already include entries from these previous payroll transactions will not be affected. To use this feature, enter the summary transactions as you would normal payroll transactions and then **MAKE SURE TO** mark the box, "Do not post to general ledger." A sample entry showing James Smith's year-to-date earnings through 05/31/05 follows:

Payroll Transactions								
Transaction: 5	List	☒ Current	Check: 1	Employee ID: List 1			Status: New	
Name: Smith, James Michael		Date: 05/31/05 ⬍	Center: List	Unemp State: FL List				

Additions	Account	Amount		Notations		Account	Amount
GA GROSS	465	12,000.00					
					List Accounts	☒ Don't Generate GL Trans	

Deductions	Account	Amount		Employer paid items		Account	Amount
Federal Withholding	222	1,874.40					
Fica + Medicare Withholding	223	918.00				Account	Amount
GA State Withholding	226	360.00				110	8,847.60

OK	Cancel	Help	Delete	Close	List	GL Trans	Auto Cents

Memo [ ]

☐ Make Std Check

This concludes the discussion of how the payroll system works and how payroll is setup for after-the-fact payroll. The actual entry of payroll transactions is covered in the practice set and also in the transactions chapter. Other payroll options are discussed in the Setup chapter. Payroll reports are discussed in the Reports Chapter.

Chapter 14
Interfacing to QuickBooks™

Overview

An interface is provided to allow users to transfer information between Intuit's® Quicken, QuickBooks and QuickBooks Pro Systems and the P.C. Software Accounting, Inc. Windows Client Write Up System. This interface currently allows the transfer of both vendor and payroll check information from Quicken, QuickBooks and QuickBooks Pro into the Windows Client Write Up.

For the purpose of this document, we will use the term "QuickBooks" to refer generically to Quicken, QuickBooks, and QuickBooks Pro. All three of these programs provide the necessary interface file that is described below. The Windows Client Write Up system does not interface with QuickPay.

In order to accomplish this check information transfer, three basic tasks must be accomplished:

1.   A QuickBooks interface file must be generated in the QuickBooks System that includes the necessary information to be transferred for the date range desired.

2.   QuickBooks employees and paycheck information must be related (via links) to employee and paycheck information in the P.C. Software Client Write Up System so that QuickBooks payroll checks may be correctly allocated to the correct employees and ledger accounts.

3.   QuickBooks accounts that appear on vendor checks must be related (via links) to accounts in the chart of accounts in the P.C. Software Client Write Up System so that QuickBooks vendor checks may be correctly allocated to the correct ledger accounts in the Client Write Up System.

The QuickBooks interface file is prepared in the QuickBooks System using an interface capability that QuickBooks Pro provides. (NOTE: QuickBooks Pro will accept data from Quicken and QuickBooks, which is all that the clients of the accounting firm need to have.) The transfer of check information and the establishment of chart of accounts and employee relationships between the two systems is accomplished from a centralized Windows CWU/QuickBooks Interface Screen which is a part of the P.C. Software Accounting, Inc. Windows Client Write Up System.

Preparing the QuickBooks™ Interface File

The first step in interfacing Intuit's QuickBooks Pro and P.C. Software Accounting's Inc. Client Write Up System is the preparation of an interface file in the QuickBooks system. This interface file will include the QuickBooks information for the date range that will be transferred in a format that will be acceptable to P.C. Software's Client Write Up System. This QuickBooks interface file is produced in the following manner. Access QuickBooks Pro and the company data that you wish to transfer. Select the Report Pull down Menu and then the Custom Transaction Detail Report, as shown below:

Reports	
Report Finder	
Memorized Reports	▶
Process Multiple Reports	
Company & Financial	▶
Customers & Receivables	▶
Sales	▶
Jobs, Time & Mileage	▶
Vendors & Payables	▶
Employees & Payroll	▶
Banking	▶
Accountant & Taxes	▶
Budgets & Forecasts	▶
List	▶
Industry Specific	▶
Custom Summary Report	
Custom Transaction Detail Report	
QuickReport	Ctrl+Q
Transaction History	
Transaction Journal	
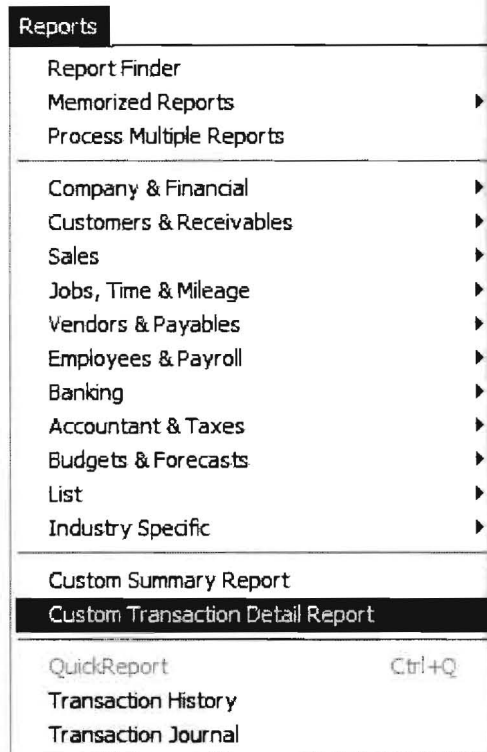
When this option is selected, a display of the Custom Transaction Detail Report from QuickBooks will appear on the screen. A screen similar to the following will display:

This screen defaults to a Report Basis of ACCRUAL. You need to determine if you want your report on an Accrual or Cash Basis, as this will affect the column choices you have available for your next step. Check marks will appear next to some of the fields as shown above. You should eliminate or add check marks as necessary until the only check marks that are left are those next to these ten field names:

TYPE	PAYROLL ITEM
DATE	ACCOUNT
NUM	CLASS
NAME	SPLIT
MEMO	AMOUNT (ACCRUAL) OR
	PAID AMOUNT (CASH)

You want these ten fields and only these ten fields to have check marks besides them.

After you have done this, select the date range that you wish to transfer on this screen and press the OK button. A report will show on the screen. Double check that this report has ten fields and appears similar to that shown below:

Type	**Date**	**Num**	**Name**	**Memo**	**Payroll Item**	**Account**	**Class**	**Split**	**Am**

1:06 PM
12/15/07
Accrual Basis

Engineering/Architecture Firm
Custom Transaction Detail Report
December 1 - 15, 2007

Dec 1 - 15, 07

Type	Date	Num	Name	Memo	Payroll Item	Account	Class	Split
Invoice	12/01/2007	1001...	Bowden Boutiques...			Accounts Receiva...	Jonatha...	-SPLIT-
Invoice	12/01/2007	1001...	Bowden Boutiques...	Meetings		Engineering Reven...	Jonatha...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Field visits		Engineering Reven...	Jonatha...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Coordination		Engineering Reven...	Jonatha...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Field Visits		Engineering Reven...	Jonatha...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Lay out		Engineering Reven...	Natalie C...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Meetings		Engineering Reven...	Natalie C...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Research		Engineering Reven...	Natalie C...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Coordination		Engineering Reven...	Natalie C...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Field Visits		Engineering Reven...	Natalie C...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Coordination		Engineering Reven...	Deb Wood	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Field Visits		Engineering Reven...	Deb Wood	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Overnight Mail		Reimbursed Exp. (...	Reimbur...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Overnight Mail		Reimbursed Exp. (...	Reimbur...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Blue Prints		Reimbursed Exp. (...	Reimbur...	Accounts Re...
Invoice	12/01/2007	1001...	Bowden Boutiques...	Markup on R...		Markup Income	Reimbur...	Accounts Re...
Check	12/03/2007	5295	Landmark Property	Dec Rent		Company Checking...		Rent
Check	12/03/2007	5295	Landmark Property	Office Rent		Rent		Company Che...
Paycheck	12/03/2007	3043	Jonathan Graham			Company Checking...	Jonatha...	-SPLIT-
Paycheck	12/03/2007	3043	Internal Company M...		Draftsperso...	Wages-Office & S...	Jonatha...	Company Che...
Paycheck	12/03/2007	3043	Bowden Boutiques...		Draftsperso...	Wages - Draftsper...	Jonatha..	Company Che...
Paycheck	12/03/2007	3043	Jonathan Graham		Vacation - S...	Sick/Holiday & Vac...	Jonatha...	Company Che...
Paycheck	12/03/2007	3043	Jonathan Graham		125 -Health ...	SEC125 Payable	Jonatha...	Company Che...

If the report does not include the ten fields that you wish, correct it by selecting modify report and add or remove the checkmarks until you get it right. When it is correct, select memorize and save it with a name of Transfer Transactions.

You have now competed the initial step which instructs the computer what QuickBooks information to save so that it may be interfaced to Client Write Up whenever it is needed for a new period or a new client. You must then complete the following steps for the first time creation of this interface data and also for each subsequent period for each client.

Creating the QuickBooks Interface File

Perform the following steps to create the QuickBooks interface file:

1. Access QuickBooks and the company you wish to interface.
2. Select Memorized Reports.
3. Select Transfer Transactions.
4. Select the desired date range.
5. Select Print (It does not matter what printer is being used).
6. Select the File Radio button (Changing it from Print).
7. Select Tab Delimited File.

Your screen should now be similar to the one shown below:

```
┌─────────────────────────────────────────────────────────────────────────┐
│ Print Reports          Ask a help question [Ask] ▼ How Do I?        [X]   │
│                                                                           │
│  ┌─Settings─┬─Margins──┐                                                  │
│                                                                  ┌───────┐│
│   Print to:                                                      │ Print ││
│   ○ Printer:  [Auto HP LaserJet III on PCSAISERVER on l ▼] [Options...]   │
│   ◉ File:     [Tab delimited file              ▼]                │Cancel ││
│                                                                  ├───────┤│
│   Note: To install additional printers or to change port        │ Help  ││
│         assignments, use the Windows Control Panel.              ├───────┤│
│                                                                  │Preview││
│   ┌─Orientation:──────────────┐  ┌─Page Range:─────────┐        └───────┘│
│   │ ⊙ Portrait                │  │ ◉ All               │                 │
│   │   Landscape               │  │ ○ Pages:            │                 │
│   │                           │  │    From: [1]  To: [9...]               │
│                                                                           │
│   ┌─Page Breaks:─────────────────────────┐                               │
│   │ ☐ Smart page breaks (widow/orphan control)  Number of copies: [1]    │
│                                                                           │
│   ☐ Fit report to [1] page(s) wide    ☐ Print in color (color printers only)│
└─────────────────────────────────────────────────────────────────────────┘
```

Select the Print button and the system will ask you for a file name along with a drive and folder.

It is essential that you respond with **OUTTAB.TXT** for the file name and a drive and folder that you can remember. You are establishing the name and location of the interface file that the P.C. Software Client Write Up Windows System will be looking for later on when the interface is made. (For the purpose of this example exercise, OUTTAB.TXT was placed on C drive in the **PCSW folder** at this time.)

This completes the instructions for the preparation of the QuickBooks Interface File. Remember that the creation of the **OUTTAB.TXT** file will be the first step taken each transfer period for each client.

Transferring Information to the PC Software Accounting Windows Client Write Up System Overview

Once you have prepared the interface file in the QuickBooks System according to the previous instructions, you are ready to accomplish the actual transfer of information in the P.C. Software Accounting Client Write Up System. This transfer is accomplished using a centralized Windows CWU/QuickBooks Interface Screen. This interface screen is accessed from the **File** Pulldown Menu and the **Interfacing** and **QuickBooks** options as shown below:

File	
Activate	
New	
Copy ▶	
Delete	
Change Client ID/Relocate Client	
Interfacing ▶	DOS Computer Checkbook ▶
Data Conversion ▶	**Import From Quickbooks Pro**
Select Printer	Consolidate Cash Entries From CCB
	Transactions to ASCII file
Change User	Get Ledger Transactions From Payables
Mail Labels	Amortization
Exit	Tax Wise Interface ▶
	Tax Interface ▶
	ASCII file to GL Transactions
	GL Transactions to EXCEL text
	MacDonald's Interface
	ASCII file to PR Transactions
	ASCII File to Chart of Accounts
	Fix Tab/Comma Delimited Ascii Files
	Chart of Accounts to Excel File

When this option is selected a file selection screen will display as shown below:

File Selection

Select Outtab File to Import

Source Location

c:\
QB Transfer

outtab.TXT

outtab.TXT

Store

c:

☐ Don't show this screen (outtab file already selected)   OK   Cancel
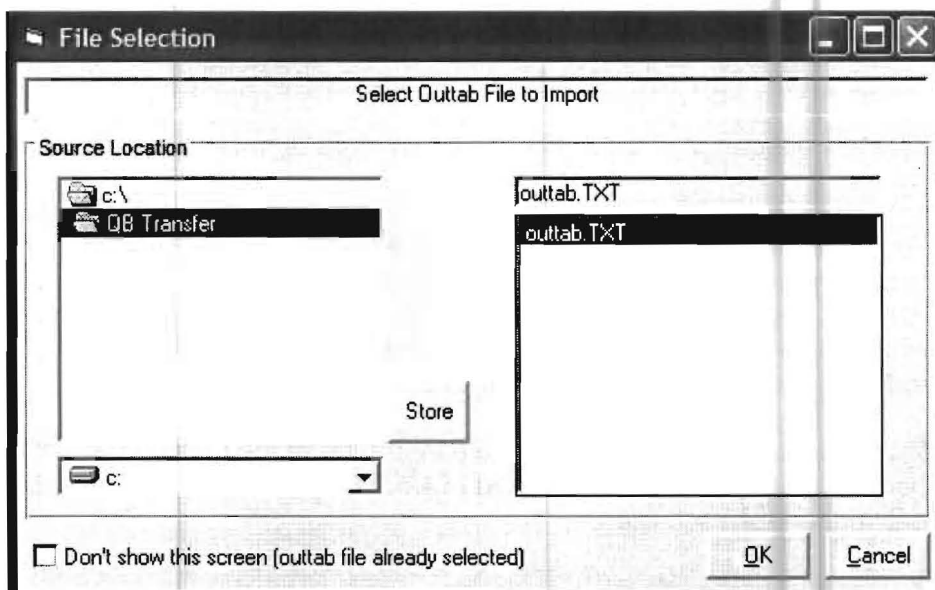
This screen allows you to select the location of the interface file that you have produced in Quickbooks. Once the file is selected and this screen is Okayed, a screen similar to the following will display:
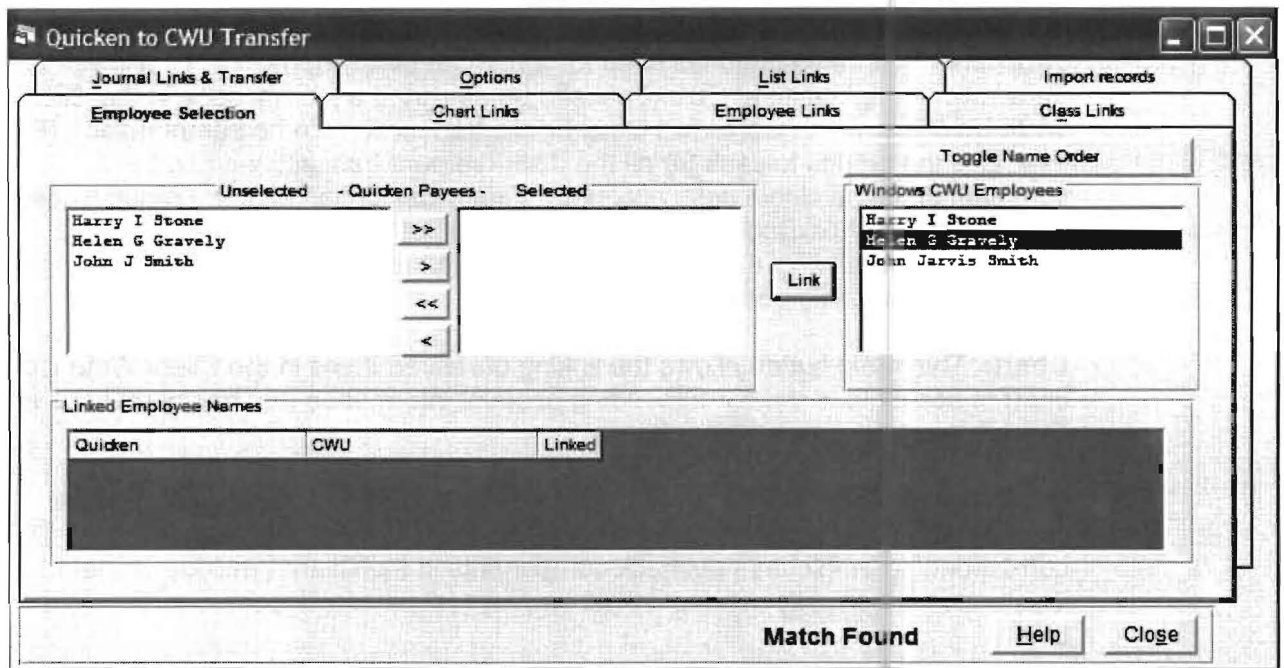
The "Quicken to CWU" Transfer screen shown above has six displayed radio button functions which allow the initial setup of the transfer process and the monthly adjustments to any new items that are added or changed. (Like new employees or new accounts in the chart of accounts.) There is also a large Match or No Match message that appears. This message merely indicates whether any of the employees in "Quicken" match any of those presently in the Client Write Up for Windows. The purpose of the Match or No Match message is to give the user a quick indication of whether or not the "Quicken" company being transferred either matches or does not match the Client Write Up Company that is being transferred to so that the wrong Quicken data will not be inadvertently transferred.

Radio Button Functions

The following section provides an overview of the function of the six radio buttons that are displayed on the following screen and are used to allow the initial setup of the transfer process and the monthly adjustments that are necessary. (Note that when the interface option is first selected, the Employees radio button is pre-selected.)

Employees: This radio button relates the employees in QuickBooks as determined by their names on the checks to the employees in the Client Write Up System as they exist in the employee file of the Client Write Up System. If the employees exist in QuickBooks but do not exist in the Client Write Up System they will be added to the Client Write Up System. In this example, there are three employees in the QuickBooks System (Stone, Gravely and Smith) and no employees set up in the Client Write Up System. This situation would be typical (including the No Match message) when a brand new "Quicken" client is being set up for transfer to the Client Write Up System and those employees were not also set up on the Client Write Up System. The employees' screen also provides a place to designate the location of the "Quicken" transfer information so that it will not have to be located each month by the operator. For example in this example, the interface file is found on the C drive in the **\PCSW** folder.

Options: This radio button is used to generate the most likely options for employee payroll information so that when new employees are added to the Client Write Up System based on their existence in Quicken, they will have the correct general payroll information.

Journals: This radio button is used for a number of functions. First it allows transactions originating in QuickBooks to be assigned a journal code in the Client Write Up System. It also allows QuickBooks transactions to be summarized. (For example, the credits to cash for all the disbursement transactions can be summarized into a single cash account.) Finally this option allows various types of transactions in QuickBooks to be bypassed and not transferred into the Client Write Up System. (For example, accrual type entries can be bypassed when preparing cash basis books.)

Chart: This radio button allows the linking of related items in the Client Write Up chart of accounts to the corresponding account information that has been used in QuickBooks in writing vendor checks.

Master Link: This radio button has the capability to link together the collective components of all the employee's paychecks in QuickBooks with all the corresponding employee paycheck components in the Client Write Up System. This button is normally used to link all employees' paycheck components at one time.

List Links: This radio button allows the printing of the links that have been made so that there is no confusion as to what Quicken entry will go where. Payroll links, Chart of Accounts links and Journal links may be printed using this radio button. The first time these radio buttons are used, the normal sequence of use is as listed above: Employees, Options, Journals, Master Link, Chart, List Links. For subsequent uses, Employees, Master Link, Chart And Journals would be used only if new employees or accounts have been added since the last period. In this case, these operations would be accomplished in the same order as in first time use.

If there are new employees in the new period, and they have no payroll items that are brand new to the company, the new employees should be linked by selecting the Master Link option and selecting the Add Links button. If there are brand new payroll items (such as a deduction that has never been used in the company before) being added to the company with the new employees, then the new items must first be linked and then the Add Links button taken.

Details of the Information Transfer

The first thing you should do is make sure you have located where the QuickBooks Information is found on the lower left side of the Employees screen. You should select the drive and the folder. This will typically be either on diskette drive A or in a transfer area that you set up on the hard disk specifically for this purpose. You should then store this location permanently using the Store button. Next you should select the options button and the following screen will display:
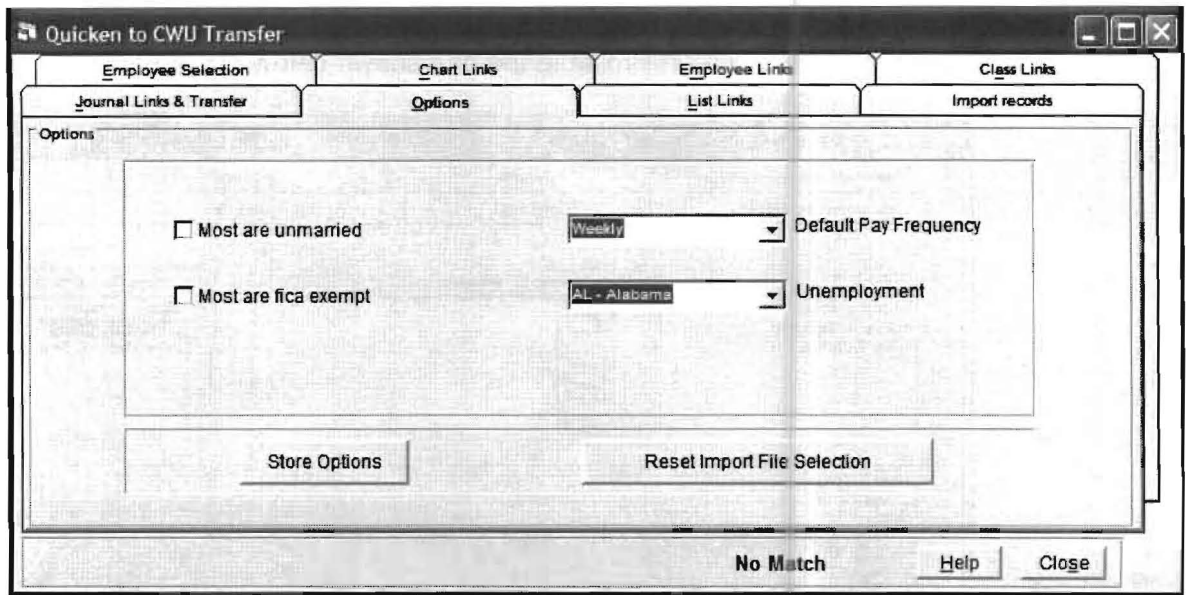
Selecting Options allows you to enter employee defaults to make the payroll entry process more productive. The employee defaults should be set to reflect your most common employee situation. Any employees that do not fit this situation should be noted at this time so that they may change when the general process is completed.

The next option that should be taken is the Employee Radio Button. When this option is taken a screen similar to the one shown below will appear:
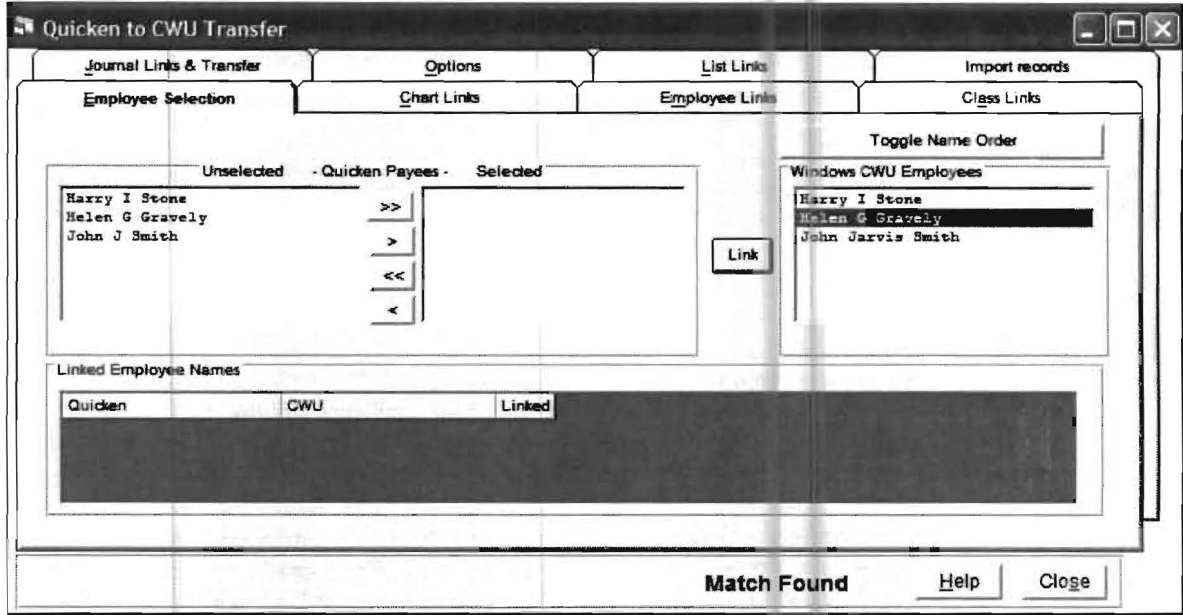
The purpose of this screen is to allow the user to verify the names taken from the Quicken transactions are actually valid employees. The names that are extracted from Quicken are shown under Unselected and the valid names must be moved to Selected. This is done by verifying all at once with the >> arrow or individual names one at a time with the > arrow. In this case all the names taken from Quicken are valid and should be moved to the **Selected** area. (Names or other entries that do not represent valid employees should be left in the unselected area. They will be ignored by the payroll part of the system.) Note that if you are setting up a new company and have not also keyed in the employees in the Client Write Up System, a "No Match" message will display. This is fine. If you are setting up a company that also has employees keyed in on the Client Write Up System, then you will also be linking the employees you have moved to the selected area to the employees that have been keyed into the Client Write Up System. This is done by highlighted the Quicken employee and then highlighting the corresponding Client Write Up System employee and selecting the Link button. This will display the linked employees in the linked screen down below. Because the Quicken system allows the name on the check to be different from week to week, you may have to link more than one Quicken employee to the same employee in the Client Write Up System. This is fine provided the employee already exists in the Client Write Up System. If it does not, then leave the second spelling of the same employee unselected until you have transferred employees one time, otherwise you will create an extra.)

Next the journal codes covering all types of transactions must be designated. This first step in doing this is to access the Journals screen. This screen will display as follows:
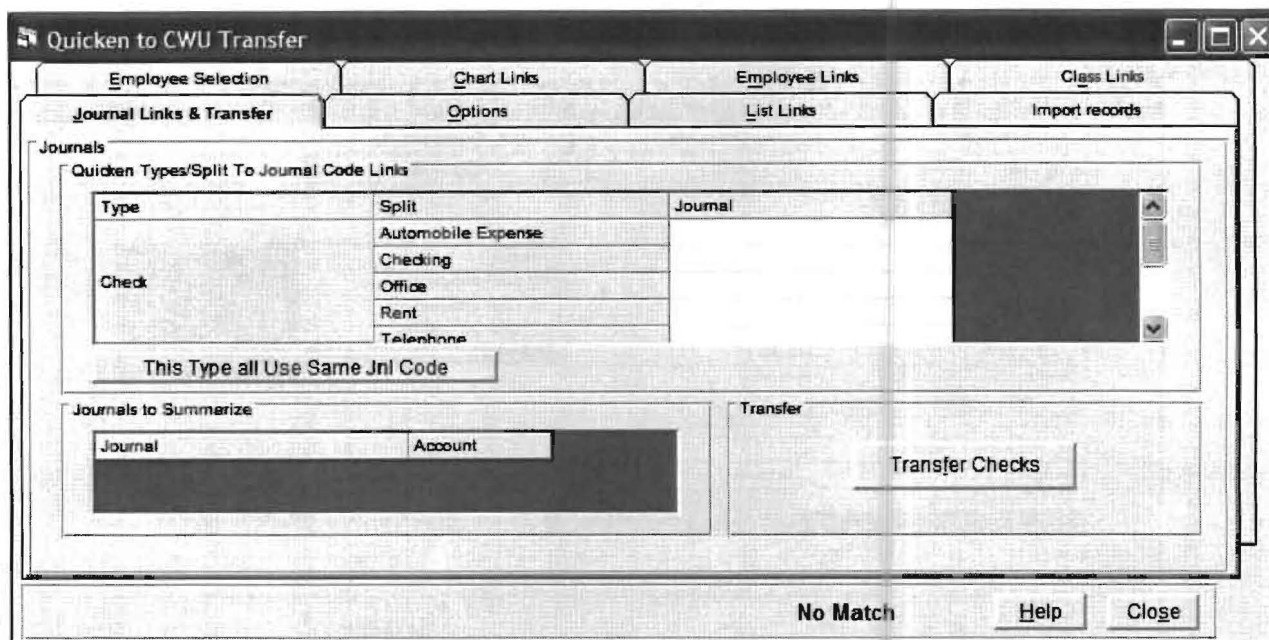
The upper portion of this screen entitled, "Quicken Types/Splits to Journal Code links" is used to assign journal codes for the Client Write Up System to different groupings of QuickBooks transactions. Each different combination of the fields "Type" and "Split" from the Quicken data will generate a different line item on this display. Each different combination should be assigned a journal code if you desire transactions of that "Type" and "Split" to be transferred. It should be noted that depending on how the fields "Type" and "Split" have been used in Quicken, there may be some duplication in journal codes. This presents no problem to the system although, the user will have to enter the journal codes for each line item. For example, on the screen above, the CD journal would be entered for each of the combinations of "Type = Checking" and "Split= Automobile, Office, Rent, Telephone etc."

If you do not assign a journal code for any particular combination of "Type" and "Split" then transactions of that particular "Type" and "Split" will not be transferred. This gives the user the option of bypassing certain types of transactions such as accruals if cash books are being prepared.

The combinations of the fields "Type" and "Split" that represent paychecks should have the journal code entered that would be appropriate for the non-paycheck entries such as the unemployment accruals and the company payroll liabilities. For example, if "Paycheck" is the "Type" field and "Checking" is in the "Split" field, this would indicate transactions that represented paychecks. Enter a journal code next to it by clicking on the journal field to the right of it. Enter a journal code that you would like to use for that type of entry such as "GJ."

The lower portion of this screen entitled, "Journals to Summarize" is used to allow the user to summarize the entries of Quicken. For example, the credits to cash for disbursements or the debits to cash for deposits may be summarized. To do this, the user enters the desired account number for the summarization next to the journal code that denotes the transactions to be summarized. For example, is the disbursements journal to be summarized was "CD", and the account number for the corresponding cash account entered on this screen next to journal was "110", then all the credit entries to account number 110 for this journal would be summarized into a single balance in a single transaction.

You also need to indicate the cash account to be used for the paychecks to correspond with the same journal code you indicated next to that line item in the top portion of the screen. A portion of a completed sample screen for a single bank account, #110 and a disbursements and cash receipts journal of CD and CR respectively is shown below:
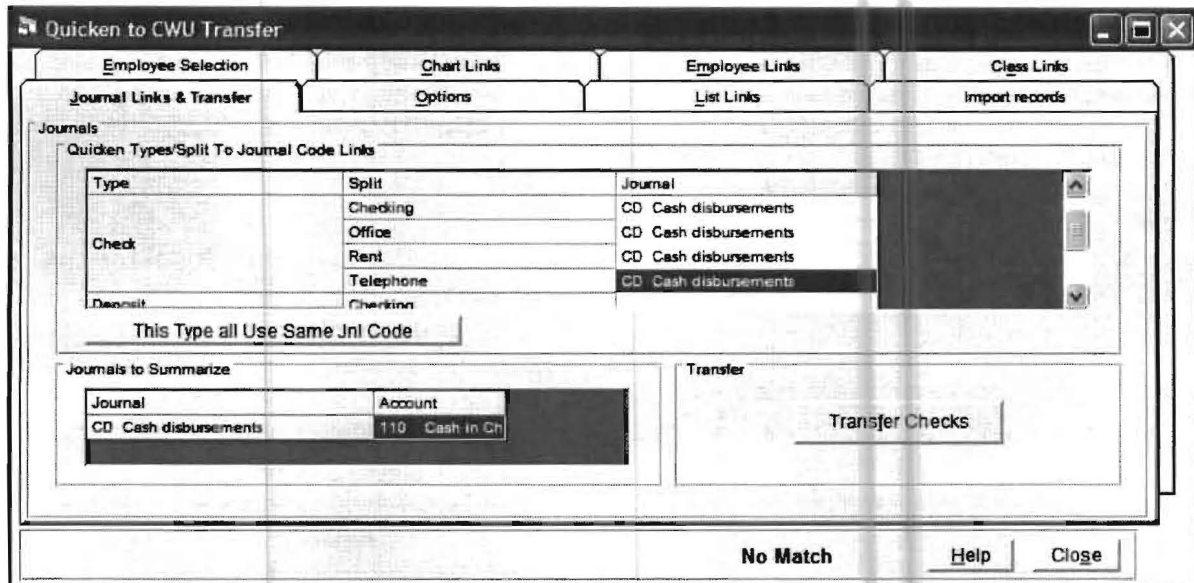
The next step is to link the payroll components of the employees. Payroll components are the items that make of a paycheck. This is done with the Employee Link Radio Button. The screen for this option is shown below.
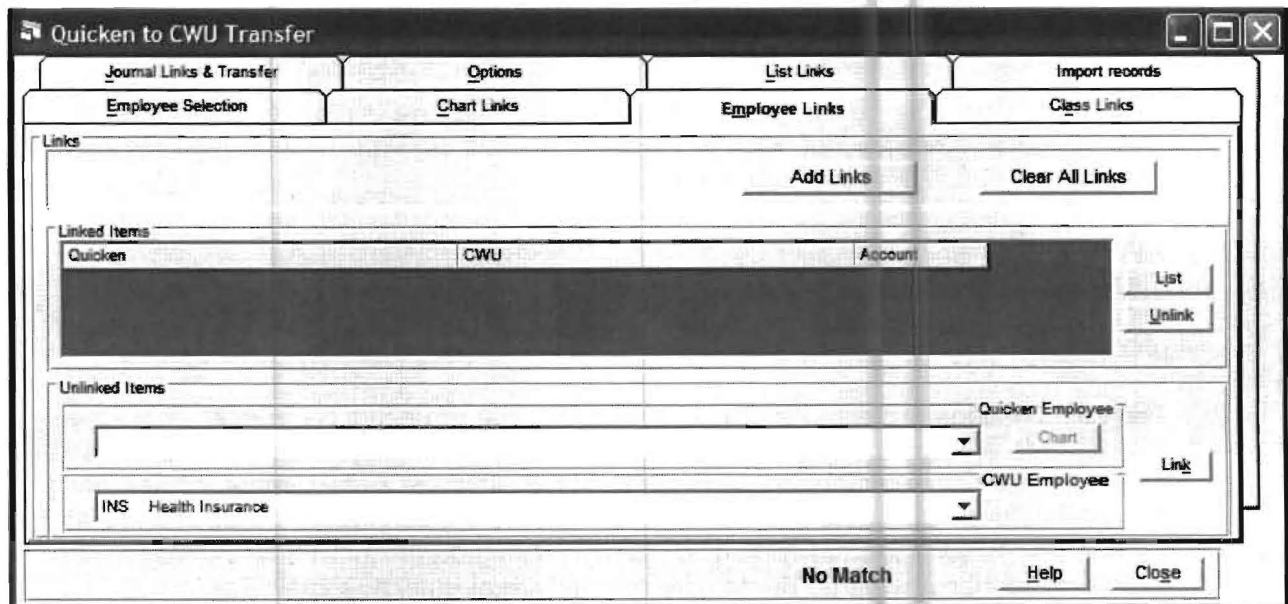
The Normal Linking Process

On the bottom portion of this screen the corresponding unlinked items are presented. The purpose of this screen is to relate paycheck components in the Quicken system to paycheck components in the Client Write Up System. In other words, if a payroll component is called "group insurance" in Quicken and "INS" in the Client Write Up system, you tell the system that they represent the same thing. When you have found two components that relate to each other, you relate them together on the computer by "linking" them. To link items, you first display the item in the Quicken portion of the screen. (It will not remain highlighted but will appear in the top box.) Next you display and then highlight the corresponding item on the CWU portion of the screen. Then you press the link button to the left of the item lists to link them. At this point the linked item on QuickBooks will disappear showing that item as linked. It will have moved from the unlinked items part of the screen to the linked items part of the screen. The linked item from the CWU screen will be duplicated into the linked portion of the screen but will also remain in the unlinked portion of the screen since more than one QuickBooks item may be linked to a single CWU item.

Linking if Corresponding Items Are Not Present

Suppose you look for a corresponding item on the other section of the screen but there is none. If the item is present on the CWU section but not on the QuickBooks section, it is not critical. This just means that there are additional paycheck components that are set up in CWU that are not currently being used on the Quicken side. However, if the component is present on the QuickBooks section and not on the CWU section, it must be accounted for. There are three possible cases.

Case One: Bypassing an Entry that is Associated with a Paycheck

The first case is an item that does not really relate to the employee's paycheck. For example, entries to Federal or State unemployment will typically accompany a paycheck. These can be ignored if you do not wish these accrual entries to be transferred to the Client Write Up System. This is often a good choice as the Client Write Up System can calculate these accruals an the Quicken entries will only be correct if the client has set up that portion of the Quicken System correctly.

Case Two: A Payroll Component Entry Exists in the QuickBooks Section that is handled in General Ledger in the Client Write Up System

The second case is also an item that does not really relate to the employee's paycheck but in this case the user desires to transfer that item to the Client Write Up system. We can use the same example, of unemployment entries to illustrate this situation. In the Client Write Up System, Unemployment compensation amounts are not carried on the employee paychecks because they do not affect the amounts of the actual paycheck. However in QuickBooks Unemployment compensation amounts are associated with the employee's paycheck records. If items are not linked as payroll items, then they will automatically be moved to the chart of accounts items for linking. Other items like Unemployment Compensation that do not affect the actual employee paycheck include the company components of all payroll entries such as Medicare and FICA withholding. If they are not linked as payroll entries, they will also be transferred to the Chart of Accounts.

Case Three - The QuickBooks Payroll Component is a New Item and Needs to be Added to the Client Write Up System

The third case in which an entry may exist on the QuickBooks section of the screen but not on the CWU side is that the item needs to be on the CWU section but has not yet been added because it is new item on QuickBooks (i.e. a new deduction has been added to QuickBooks this month) In this case, the item must be added to the Client Write Up Section of the screen. To add an item to the CWU section, you must select Setup from the pull down menu, position the mouse on payroll and click on Payroll Item when it is displayed. Either enter the item you wish if it does not exist or add an account number to the item if the item exists but does not have an associated ledger account. End this process and return to linking. Now that you have added the necessary items, you may highlight the corresponding item on each section of the screen and position the mouse pointer to the Link button between the displays and single click. This pair of items will now move to the linked items portion of the screen.

In any case, after all the items are linked, or intentionally bypassed, the screen will appear as below:
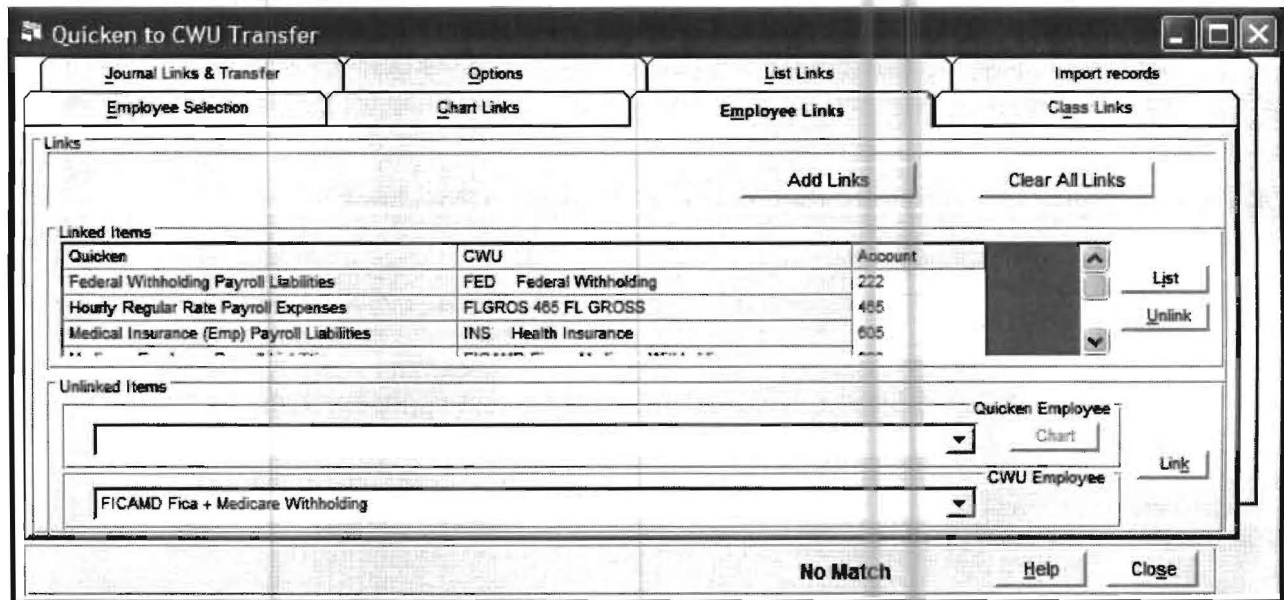
(Note that all the items you wish to bypass completely or process with the chart of accounts (such as unemployment entries and the company side of FICA and Medicare) will still be showing in the Quicken Employee portion of the screen. That is fine.

Now that you have finished with the last link, you should position the mouse pointer to the Add Links button and single click. You will be asked if you wish to transfer employees. Always say yes. This will establish links for each of the employees. Once the linking process is completed, it does not have to be repeated unless new employees are added or if there are modifications to the payroll items affecting their pay. (If there are new employees in the next period, and they have no payroll items that are brand new to the company, the new employees can be linked by merely selecting the master link option and selecting the Add Links button. If there are brand new payroll items to the company with the new employees, then the new payroll items and only the new payroll items must be linked and then the Add Links button selected. Only the new unlinked items will show as unlinked so it is not complicated.) The linking process is typically done one time for the

entire company rather than on an employee by employee basis.

The next function that needs to be accomplished is accomplished with the Chart radio button. When this button is selected the following screen will appear:
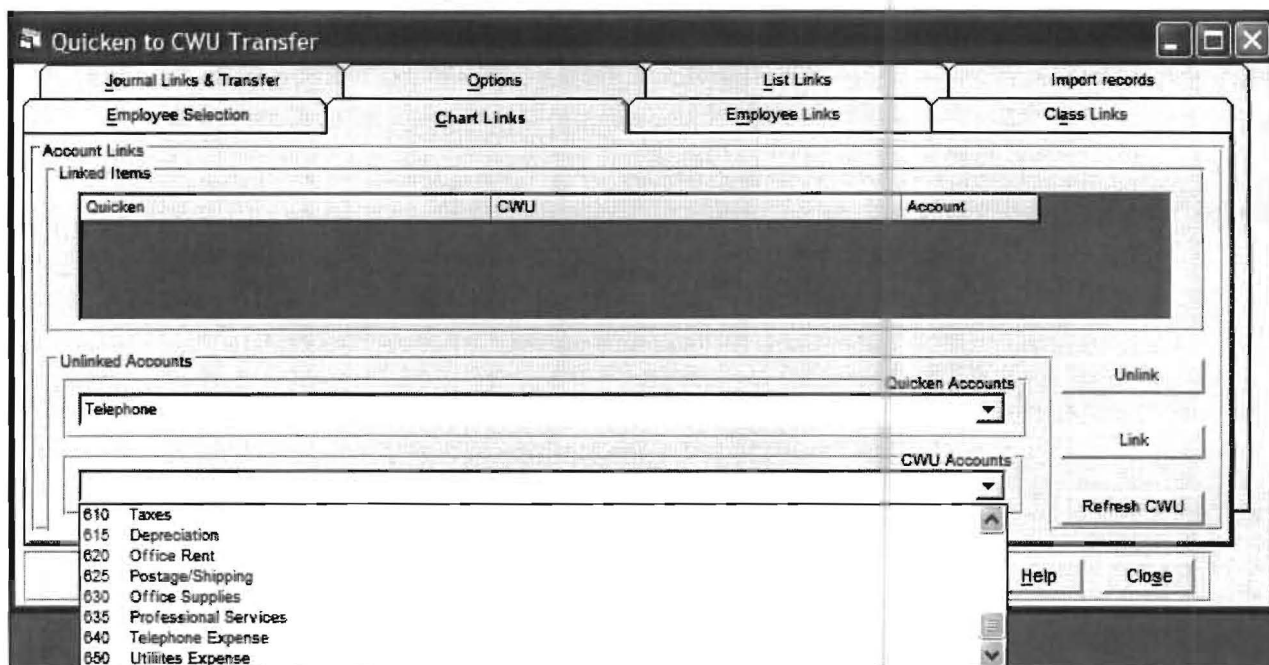
The purpose of this function is to relate Quicken Accounts to Client Write Up accounts in the chart of accounts. The linking process is straightforward. Highlight a Quicken Account on the Quicken Accounts section of the screen and then find the account in the chart of accounts that it should correspond to on the Client Write Up side and highlight it. With the corresponding accounts highlighted, select the Link key. This will move the selected accounts to the Linked Items area above the Unlinked Accounts selection area. When all the Quicken Accounts have been linked, you have completed this task. Actually, all the Quicken accounts do not have to be linked, however, any that are unlinked will not transfer. You should also note that accounts that refer to payroll, such as federal and social security liabilities, will be automatically handled by the payroll portion of the transfer, and do not have to be linked again.

Now you have related the employee and the chart of accounts information and designated the journals that you wish to transfer and the journal codes you wish to use, you are ready to check your links before you accomplish the actual Transfer of transactions. The List Link button allows you to print the linked information on the screen or the printer. If any of the links that are shown, are not correct, they should be corrected before you proceed.

Transferring the Transactions

Select the Journals button. Your previously selected journals and summary accounts will display. Select the Transfer Transactions screen and your transactions will transfer according to the links that you have specified.

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Chapter 15

Instructions for Using the Tax Wise Tax Interface-Preparing for the interfacing

The first task in interfacing the Client Write Up data with the Tax Return data is to prepare the bookkeeping information in the client write up system to be interfaced. This is done by relating the chart of accounts information to various lines on the tax return. Basically how it works, is that you identify which general ledger accounts in the chart of accounts you wish to interface with the various lines on a Tax Return. The following example will show you how to do this. You should be aware that you will not have to go through this process for each return unless your chart of accounts is totally different for each client. If you use a chart of accounts that is similar for each client, then you may copy this same setup information from a client that you have already setup to any other client. Here are the steps that you will use to relate chart of accounts lines in your chart of accounts to the various line items on the different types of tax returns. (Sample Data is Used)

1. In the P.C. Software Client Write Up System, Select the **File** pull down menu. Further select /**Interfacing** /**Tax Wise Interface** and then /**Tax Code Entry**. The following screen will appear: (The screen below is marked for an 1065 interface)

Figure 15-1: The Tax Code Entry Screen.

Using the radio buttons at the top left portion of the screen, choose the Type of Tax Return, and the Item Type. Then click on one of the tax line items, which are designated by form and line number, on the left hand side of the screen. This will highlight that item. Now highlight all the accounts (from the right portion of the screen) that you want to assign to that tax line by clicking on them. Then click OK. The highlights will disappear but the system will remember how you selected to link these accounts to the line items on a particular tax return. You can verify your selections by again clicking on a tax return line item. When you do this, the accounts that you have just selected to interface will again be highlighted automatically. Once you have completed the first line that you wish to interface, you should continue this same process until you have linked up all the lines and the respective accounts that you wish to link together. (There is no requirement to link up all the Tax Lines or to use all the

accounts - the way the system works is that whatever you hook up will be interfaced and anything else will be ignored.)

This interface will automatically support the subsidiary schedules that Tax Wise produces. If there are multiple accounts entered into a Tax Code that can produce a subsidiary schedule, then the interface will automatically produce a subsidiary schedule. Note that for clients that use cost centers, the account numbers that are identical except for the cost center number will be combined into a single line item for the purpose of these subsidiary schedules.

The following tax lines can produce subsidiary schedules:

1065		**1120C**		**1120S**	
6	Current Assets	6	Other Current Assets	6	Other Current Assets
8	Other Investments	9	Other Investments	9	Other Investments
13	Other Assets	14	Other Assets	14	Other Assets
17	Other Current Liabilities	18	Other Current Liabilities	18	Other Current Liabilities
20	Other Liabilities	21	Other Liabilities	21	Other Liabilities
		24	Retained Earnings Approp.	25	Adj to Shareholder
		26	Adj to Shareholder Equity		Equity

2. If you want to verify your input on paper, then you may select the **File** pull down menu and further select **/Interfacing /Tax Wise Interface/** and then **/List Interface Information**.   The screen shown below will appear:
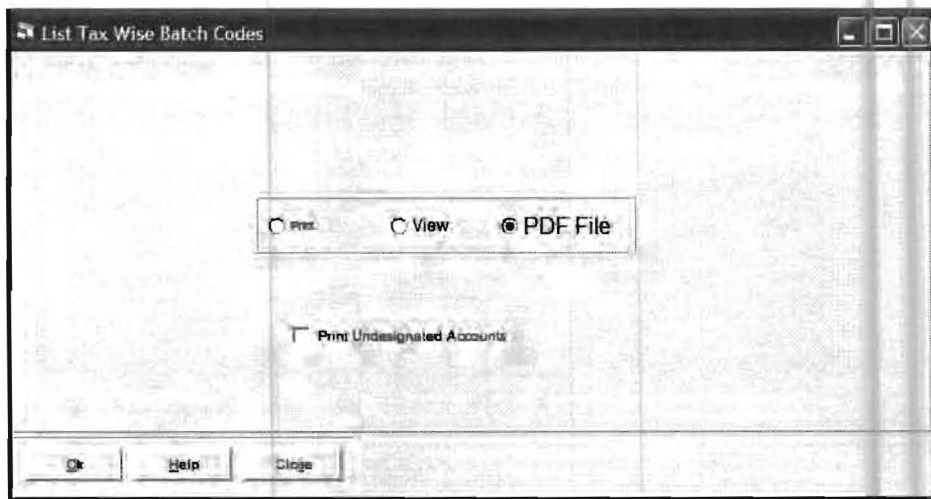
Figure 15-2: TaxWise Interface List TaxWise Batch Codes Screen.

The listing that will result from this option will be organized by Tax Return line number. Normally, only the accounts that have been assigned to a tax code will be printed. However, you may wish to verify that you have not forgotten to include some accounts in your assignments. There is a check-box that will allow you to print any accounts that have not been designated. The listing that results from this check box will be very helpful to you if you copy this interface information to another client and want to add any additional accounts that the new client has that the client you copied from did not have.

3. If you want to put in a description to go along with an Other Expense line you may do so by doing the following: Select the **Setup** pull down Menu. Further select / **Account** and then Chart **of Accounts**. The screen shown on the next page will appear:
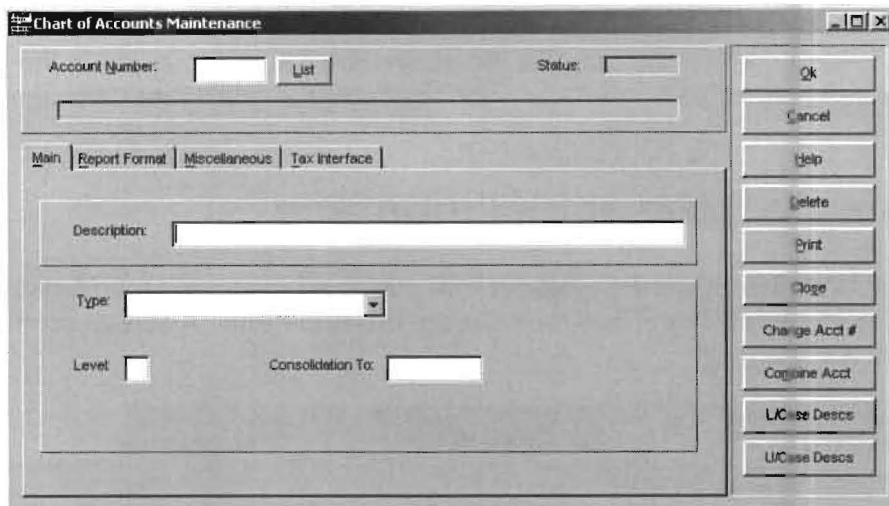
Figure 15-3: Chart of Accounts Maintenance Screen

Call up one of the accounts assigned to this specific "Other Expense" line. Now choose the Tax Interface tab. A screen similar to the one shown below will appear:
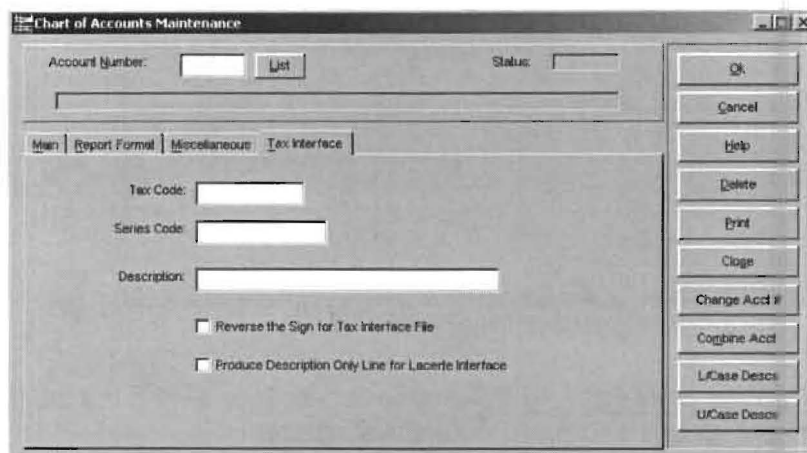
Figure 15-4: Chart of Accounts Maintenance screen "Tax Interface" Tab.

In the description field, enter the description that you want to appear on the tax return. If there are multiple accounts assigned to this tax return line Number (tax code), you only have to enter this description into any one of the accounts. Note that if you do not enter any specific tax description, the account description from the first designated account will be used.

While you are in this menu option, you should also decide whether you will need to check the "Reverse the Sign for the Tax Interface" box at bottom of the screen. The use of this box is explained below:

Reverse the Sign For Tax Interface File - Credit type accounts, such as Liabilities, Equity, and Revenues are stored in the Client Write-up as negative numbers. In order to provide the correctly signed numbers to the tax interface, all liability, equity, and income accounts have their signs automatically reversed before sending to the tax interface file. For example, if a Retained Earnings account is actually a "deficit", and therefore is a positive number, the sign will be changed to negative before sending it to the tax interface file. The reason for this check-box is that you might have some asset type accounts in the credit-type section (a bank account with a negative balance that has been moved to the liabilities section of the chart, for instance). This allows you to tell the program to do the opposite of what it would normally do

You have now completed the steps that you would need to be ready to interface to the TaxWise Tax Returns. You may complete the above steps at anytime during the year so that you will be ready to actually interface when you have the final numbers in the Client Write Up System.

How to accomplish the actual interface

Enter the Client Write Up System. Select the **File** pull down menu and then further select / **Interfacing/ Tax Wise Interface/** and then **Create Interface File**. A screen similar to the one shown below will appear:
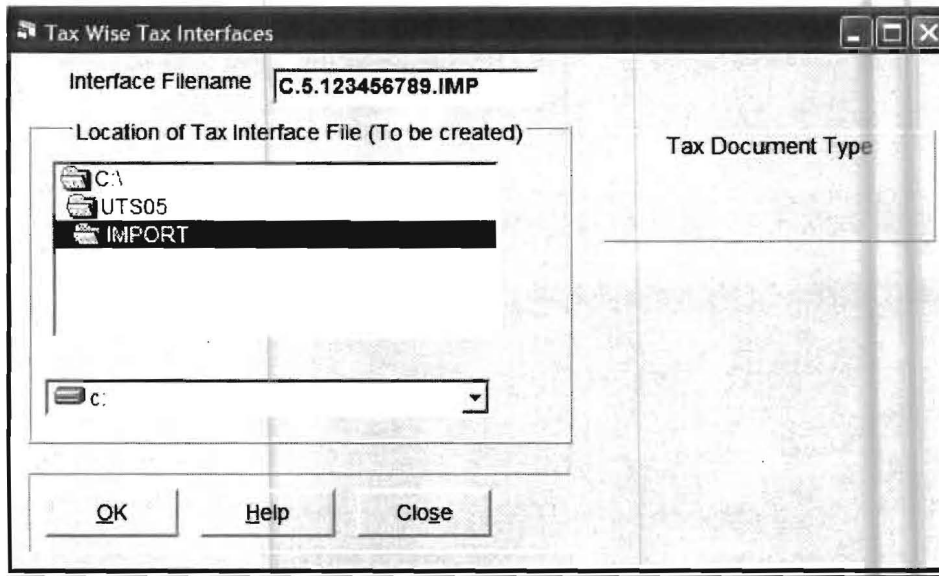
Figure 11-5: The Create an Interface File screen.

The filename should be present. The filename is critical to having the interface work. The filename must be in the format T.Y.EIN.IMP where:

T is the indicator for type of return and **Y** is the tax year of the return and **the** EIN is the company identification number. The letters IMP indicate that this file will be imported into the TaxWise Tax system. The possibilities for the T (indicator for the type of return) are:

> C = Corporation
> P = Partnership
> S = S Corp
> I = 1040

Example: Let us assume that the client federal ID is 45-6734981 and it's an S-Corp for tax year 2005. The correct filename would be:

> S.5.456734981.IMP

If the filename is not correct, see what is wrong and fix it. For example, if the type of return is wrong, i.e. a C instead of an S, then return to **File, Interfacing, TaxWise Interface, Tax Code Entry** and fix the type of return. If the year is wrong fix it by getting into the correct tax period date for your client. I.e. if it was 2005, you should be in the fiscal year end month for the 2005 tax year. If the EIN is missing or incorrect, go back to **Setup, Company, Options** and enter or correct it.

Choosing the location to put the interface file - The TaxWise program assumes that the interface file will be in the location x:\UTSnn (where x is the drive on which the tax program is installed, and nn is the last two digits of the tax year). The file will be named import. Here is how it should look if the program is installed on the C drive for 2005: (If you have your tax program installed on the network, instead of the C drive, you would have your network drive. (i.e. the G drive.))

C:\UTS05\Import (If this drive and folder are not correct- fix it, by using the browser in the center left of the screen to indicate the correct drive and folder where the tax return data is stored.)

Make sure that the yellow file folder (UTS05) is open.

1. Now that you have checked the filename and location, press the okay button. This will "create" the interface file.

2. Now enter the TaxWise Tax Program and complete the following steps:

a) Sign in to TaxWise and select the package (the type of return) that you are interfacing. (i.e. 1120C)

This will bring you to the main TaxWise Menu which is shown below:

Figure 11-6: Main TaxWise Tax Program Menu
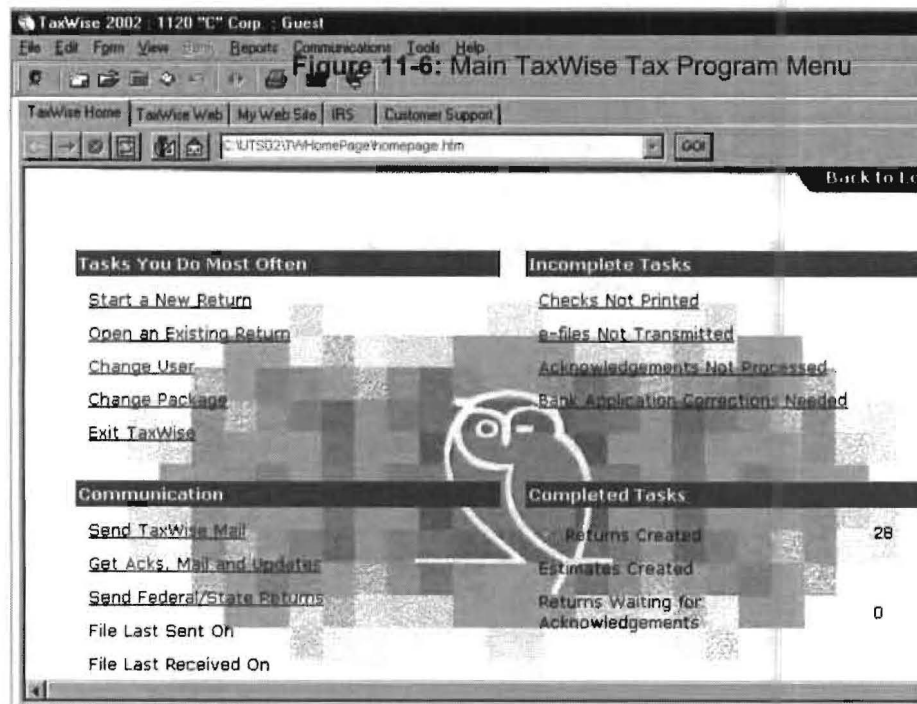
1. Select "Start a New Return" from the main menu or activate a return that you have already entered.

2. Once you have gotten into the correct return, click on the **File** pulldown menu in the upper left portion of the screen and then choose **Import Data.** This will bring the trial balance information into the return.

This will complete your interface.

Note: If you make adjustments to the financial statements in the Client Write Up system, you may re-transfer by following the same procedure.

Now that you have checked the filename and location, press the okay button. This will "create" the interface file.

If you wish to delete a "practice" interface tax return that you have transferred to in TaxWise, follow the steps below.

How to Delete a Return in TaxWise:

To delete a client in the Tax Wise program:
1. Go to "Tools/Utilities/Setup Options".
2. Go to "File/Tax Wise Explore".
3. Select the User Group where data files are located.
4. Select the types of files in "Restrict file test to".
5. Select Delete under "Action".
6. Select client id number to delete.
7. Click on "Delete" button.

How to Copy The Tax Line Information links to the Chart of Accounts to Other Clients:

To Copy your tax code/series code setups to other clients. Select the **File** pull down Menu and then further select / **Interfacing/ Tax Wise Interface** and then /**Copy Tax Interface Setup.** The screen shown below will appear:
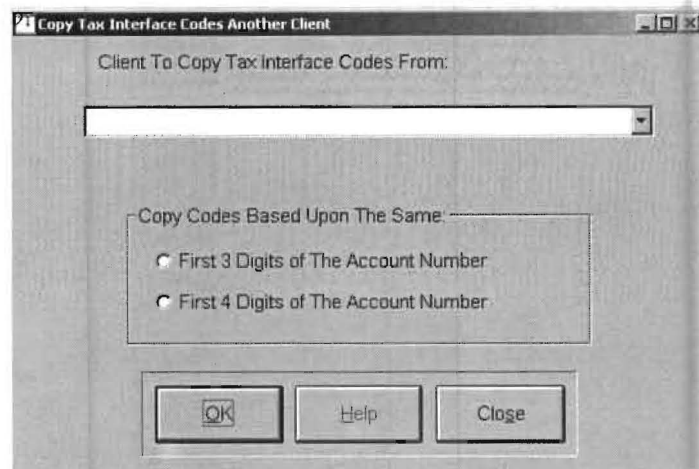
Figure 15-6: TaxWise Interface Copy Tax Interface Setup Screen

This option allows you to quickly copy existing tax codes from one client to another client that does not have their tax codes set up yet. There is a drop list of clients. Choose a client that:

1. Already has its Tax Wise interface set up and verified
2. Has an identical, or nearly identical chart of accounts

If no identical account is found, an account that is very similar may be used instead. To guide the program in picking out accounts that are similar, you should indicate whether the first 3 or the first 4 positions in the account numbers must be identical.

For example, in Client A, you might have a single cash account, and that account might be 105. Client A has already had its tax interface set up and verified. Now you would like to use this option to quickly set up the tax interface for client B. You activate Client B, and choose this menu option. You select Client A from the client list. Client B has 3 cash accounts. They are 105.1, 105.2 and 105.3. If you indicate that the "First 3 Digits of the Account Number" must be identical in order to copy the tax interface information, then all 3 of these cash accounts will get the same tax interface as the account 105 from Client A. This concludes the current instructions for the Tax Wise Interface option.

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Chapter 16
Special Topics
Disclaimer Letters

The Client Write Up System allows you to create and maintain dynamic client disclaimer letter templates. This feature is designed to retrieve relevant data from the client database and insert it into the client letters. This is a dynamic data embedding feature, meaning that changes in the client database (dates, current processing periods, client name and address changes, etc.) are updated automatically in the client letter.

In this section, we will enter the sample compilation letter shown on page 16-3, and use it to highlight the features of the client letter program. However, before entering the letter, we should first enter some client information for a sample client. For this exercise, we will enter the letterhead information for the Practice Set Client in the company information section of the client database. Click on **Setup**, and then click on **Company** to display the Company File maintenance window. On the Name and Address tab of this screen, the letterhead information should be entered into the second frame, titled Company Name and Address for Letterhead. The following screen reflects the correct information for this exercise:

Click on the Disclaimer Letter Options tab to display more items that can be used in the disclaimer letters:

The Engagement Fees, Salutation and Signature fields are all items that may help you to use more standardized letters, rather than customizing them for individual clients.

Click on OK to save the information. Once you have entered the company name and address in the letterhead area, it is available for inclusion in any letter templates for this client. If the information in this area is changed, the changes will be automatically reflected in the client letter. Note also that the period ending date, and other processing period dates are available for inclusion in the client letters without any special entry of that information into the main client data base. Before actually entering the sample disclaimer letter, briefly review the Disclaimer Letter entry screen and its functions. To display the window, shown on the following page, click on **Setup** and highlight the **Reporting** option to display Reporting Setup. Click on **Disclaimer Letter** to display the maintenance window as follows:

Button Functions

The first button on the disclaimer letter screen is the open file button. This is used to retrieve an existing letter that has been previously saved. The next button is the new letter button, which is used to enter a new letter. The third button is the save file button, which is used to save a disclaimer letter to disk.

The next three buttons are used to align the text of the letter. The leftmost button allows you to left-justify text, the center button to center text, and the rightmost button to right-justify text.

The next button allows you to select the font for the letter. The button allows you to select bold and the button selects italic typefaces for highlighted text. The next button allows you to choose color options for the letter. The last button allows you to print the letter.

A sample disclaimer letter and instructions for entering and saving it follows.

The Sample Accounting Firm
Certified Public Accountants
101 Main Street
Anytown, Florida 34234
941-123-4567

*CMP_RPT_DATE

*COMPUTER_DATE

*COMPANY_NAME|
*CLIENT_ADDR1
*CLIENT_ADDR2
*CLIENT_ADDR3

   We have compiled the accompanying balance sheet of *COMPANY_NAME as of *REPORT_DATE and the related statements of income and retained earnings and cash flows for the *TFRAME_CUR_YTD then ended, and the accompanying balance sheet and income statement supporting schedules, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

   A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

   Management has elected to omit substantially all the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The Sample Accounting Firm, CPA's

Entering the Sample Disclaimer Letter

Click on the Open File button and a cursor will appear in the upper left corner of the Disclaimer Letter screen. Since the first block of text needs to be centered, click on the Center Text button. The cursor will move to the center of the screen. Now type in, The Sample Accounting Firm, noticing that the text is centered as you type. Press Enter to go to the next line. Type in, "Certified Public Accountants". Enter the two address lines and the phone number in the same manner. Press the Enter after entering the phone number to go to the next line.

The next item is the date of the letter. It makes sense to let the computer change and automatically include it in every letter. The following steps lead you through this:

1) Position the cursor where you want the computer to insert the date.

2) Select the embedded data field titled Computer Date from the display list at the top of disclaimer letter screen. This display is shown below and should initially contain the words Company Name:

```
Company name                            [^]
```

3) Place the embedded data field into the text area of the letter by following these steps:

   a) The cursor should be centered on a blank line directly below the phone number. (If this is not the case, position the mouse cursor after the phone number, click, and press Enter.) This is where you want the date to appear.

   b) The next step is to have the system insert the computer date as an embedded data field. To do this, first select the proper data field name in the display window. Position the mouse pointer on the down arrow button at the right end of the embedded data display list and click to scroll down through the field names in the display (click on the up arrow button to scroll up through the list). When the display list shows the field name "Computer date, move the pointer from the down button and highlight the words "Computer date". You have just selected the embedded data field to be placed in the letter.

```
Computer date
```

   c) When you clicked in the display area to select "Computer date, you probably noticed that the cursor disappeared from the text area of the letter. The computer remembers where it was, and will place the date at that point when you execute this last step. Highlight "Computer Date" and click. *Hold down* the left mouse button.

(The cursor will change to a hand holding a document, which indicates that you have "picked up" the data in the display window.) Now move the pointer ("drag" the mouse) into the text area of the disclaimer letter. (The cursor will change again to indicate that you are about to "drop" data into the letter.) Drag it into the text area but not all the way to where the cursor was. Finally, release the left mouse button, and the word "*COMPUTER_DATE" will drop into the line where the cursor was (beneath the phone number). This is an embedded data field marker and will be replaced with retrieved data when the letter is printed.

You have just placed an embedded data field into the letter. Now, every time the computers date changes, the letter will automatically reflect that.

Next, enter the company name and address, which needs to be left-justified. First, press the Enter key to go to a new line. Next, click on the Left Justify Text button. The cursor will move to the left of the disclaimer letter screen. Press the enter key again to space down one more line. Type, "To the Board of Directors, and press enter. Since the company name and address are also embedded data fields, we may also place these items in the letter. The cursor should be on a blank line directly below the "T" in the "Board of Directors" line. This is where we will insert the marker for the Company Name embedded data field.

To select the company name embedded data field, use the up arrow button located at the right end of the embedded data display window, to scroll up through the field names. When the display list shows the field name "Company Name, move the pointer from the up button and click in the display window to highlight it. Now, click and *hold down* the left mouse button, and drag the cursor into the text area of the letter. Release the left mouse button, and the word "*COMPANY_NAME" will drop into the line where the cursor was (beneath the "Board of Directors" line). This is an embedded data field marker and will be replaced with retrieved data when the letter is printed. Press the enter to go to the next line. Repeat this process to place address lines 1, 2 and 3 into the letter as embedded data fields. Remember to position the cursor where you want to place the field marker before highlighting the desired embedded data field name in the display window. When you are finished, the screen should appear as shown below:

```
                              The Sample Accounting Firm
                              Certified Public Accountants
                                   101 Main Street
                                Anytown, Florida 34234
                                   941-123-4567
                                  *COMPUTER_DATE



To the Board of Directors
*COMPANY_NAME
*CLIENT_ADDR1
*CLIENT_ADDR2
*CLIENT_ADDR3
```

Type in the remainder of the letter into the Disclaimer Letter entry screen. Refer to Table 16-1 for a complete list of available embedded data field names and corresponding sample information. Three other bits of information that constantly change and should be entered as embedded data fields are: Company Name, Report Date, and Time Frame Current & YTD. Enter them into the letter in the same manner in which you entered the other embedded data fields. Remember to properly position the cursor in the letter before inserting the embedded data field markers.

Embedded Data Field Names	Sample Data
Company Name	The Sample Company, Inc.
Company Name in caps	THE SAMPLE COMPANY, INC.
Client Address Line 1	1410 First Street
Client Address Line 1 in caps	1410 FIRST STREET
Client Address Line 2	Suite 509
Client Address Line 2 in caps	SUITE 509
Client Address Line 3	Sarasota, Florida 34237
Client Address Line 3 in caps	SARASOTA, FLORIDA 34237
Fiscal Year-End Date	December 31, 1999
Fiscal Year-End Date in caps	DECEMBER 31, 1999
Report Date	April 30, 1999
Report Date in caps	APRIL 30, 1999
Computer date	May 5, 1999
Computer date in caps	MAY 5, 1999
Comparative report date	April 30, 1999 and April 30, 1998
Comparative report date in caps	APRIL 30, 1999 AND APRIL 30, 1998
Time Frame	Four Months
Time Frame in caps	FOUR MONTHS
Time Frame current and YTD	One Month and Four Months
T/Frame current and YTD in caps	ONE MONTH AND FOUR MONTHS
Engagement Fee (1) *	$175.00
Engagement Fee (2) *	$375.00
Engagement Fee (3) *	$500.00
Salutation *	Dear Mr. McCausland
Signature Line *	Joseph L. Partner

* The information marked with asterisks allows engagement letters to be printed. These items can be entered by selecting Setup -> Company -> Options/2 (tab).

Table 16-1: Embedded Data Field Names and Sample Data.

Notice that there is no sample data corresponding to Client Address Line 3. However, in the sample letter, we still inserted the marker for this embedded data field. If you only include the embedded data markers for the first two client address lines in the disclaimer letter, and at a later time added a third client address line in the client information, the additional information will not be reflected in the letter. Also, since letters can be used with more than one client, we need to accommodate those having three address lines in their client information.

Printing and Saving a Test Letter

After you have entered the letter, print a test copy by clicking on Print. Check for accuracy, paying attention to the placement of any information retrieved from the database via the embedded data feature. Once you are satisfied with the content, save it by clicking on Save File. A dialog box similar to that shown will display for you to specify a letter filename.
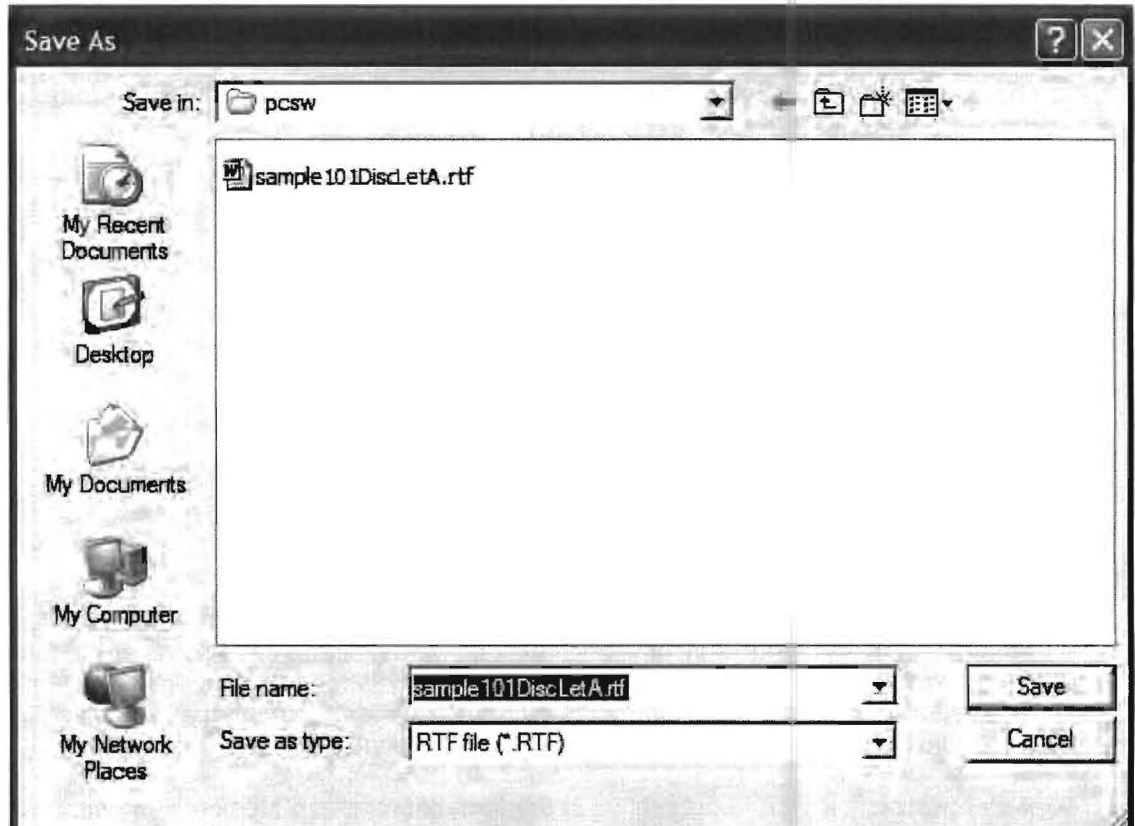
Click in the File Name area, and enter an appropriate name for your letter.

In this example, we have entered the filename, "Sample101DiscLetA, which includes elements from the company name, client ID, type, and version of the letter. Click on Save to save the file. (Note that in this system, letters are saved in Rich Text Format, having a suffix of RTF, which is automatically appended to whatever name you enter.)

A difference between the Windows Client Write Up System and the DOS version of the system is that in the DOS system, the letters were stored in various *directories*, whereas in the Windows system, letters are all stored in the same *folder* as the system programs (this is usually the **\PSCW folder**). Therefore, it is recommended that you adhere to the convention of saving these letters in the \PCSW folder, and, if you create letters which will be unique to a given client, save them using a name that incorporates the Client ID Number and any other abbreviated information recognizable to you. In this manner, you can save letters to be shared among all clients and letters unique to specific clients. This is the reason for naming the sample letter Sample Co 101 DiscLetA,. (If you have recently converted from DOS to Windows Client Write Up, refer to page 16-11 for instructions on converting DOS letters to work with the Windows system.) A printout of the sample letter is shown below. (This printout demonstrates some refinements that were made using techniques described in the next section.)

The Sample Accounting Firm
Certified Public Accountants
101 Main Street
Anytown, Florida 34234
941-123-4567
June 1, 2005

To the Board of Directors
The Sample Company, Inc.
1410 First Street
Sarasota, Florida 34237

We have compiled the accompanying balance sheet of The Sample Compnay as of May 31, 2005 and the related statements of income and retained earnings and cash flows for the One Month and Five Months then ended, and the accompanying balance sheet and income statement supporting schedules, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The Sample Accounting Firm, CPA's

Refining the Printout

You may format your letter to use any available Windows font, different colors of print, bold and italic typefaces, and limit full justification of text. In most cases, the simplest way to make these changes is to first highlight the text to be modified, and then use the appropriate function to apply the change to the text. If you want to change a text attribute of the entire letter, for instance, changing the font, then you would highlight all of the text and thereby apply the modification to the entire letter.

To highlight text, position the cursor with the mouse on the first character to be highlighted. Press and hold down the left mouse button, then drag the mouse to highlight the text. When *only* the desired text is highlighted, release the left mouse button.

Font Selection: For example, to apply a different font to the entire letter, first highlight all of the text by clicking and dragging with the mouse, as described above. Next, click on Font Selection and a standard Windows font selection dialog box similar to that shown above will appear. Use the vertical scroll bars at the right of each section to select the name of the font, the font style (usually this is set to Regular), and the point size. Click on OK when you have made your selections, and the font will be applied to the highlighted text. The screen for Font Selection is shown below:
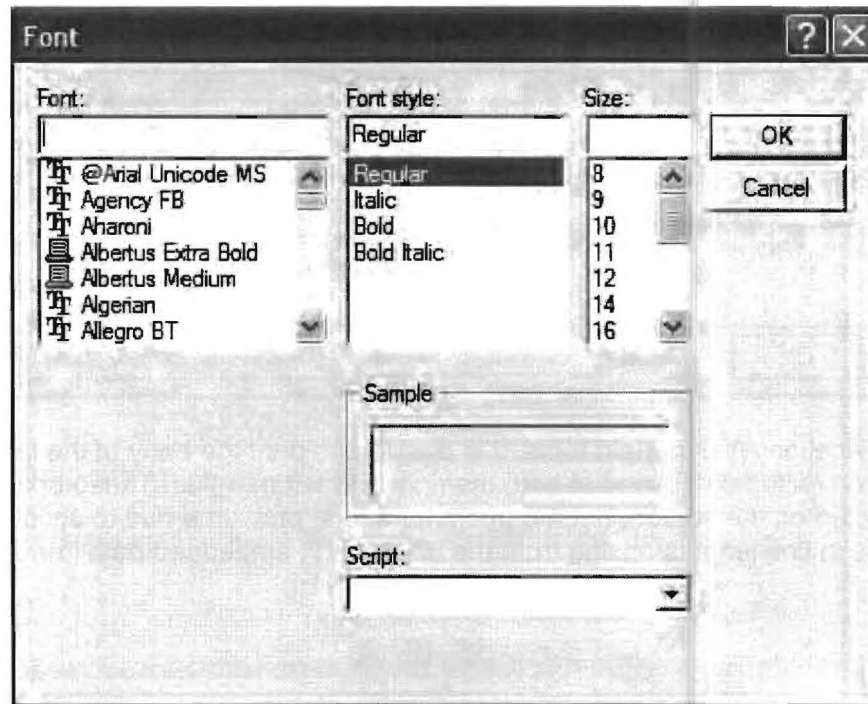
Bold and Italic Typefaces: To emphasize specific words or phrases highlight the text by clicking and dragging the mouse. Next, point to the Bold button to apply the bold typeface to the highlighted text, or to the Italic button to apply the italic typeface. If you want to emphasize an embedded data item in this way, simply apply the bold or italic typeface to the entire embedded data field marker in the letter. The information retrieved from the database will adopt whatever typeface is assigned to the marker.

This is exactly how the sample letter on page 16-3 (printed on page 16-8) was formatted. First, the entire letter was highlighted, and the Arial 12-point font was chosen. Next, the embedded data field marker ***REPORT_DATE** was highlighted, and the Bold button was pressed. Finally, the words We have not audited or reviewed were highlighted, and the Italic button was pressed.

Color Selection: If you would like to assign different colors to text, highlight the desired text and click Color Selection. A screen similar to the one shown above will be displayed. To choose a different color, simply click on any of the basic colors, or click and drag the cross-hairs in the large palette area to select a custom color. Click on OK when you have selected the desired color, and the highlighted text will appear in that color. This feature would be useful for highlighting (or red-lining) certain text for review by others. The Screen for Color Selection is show below:
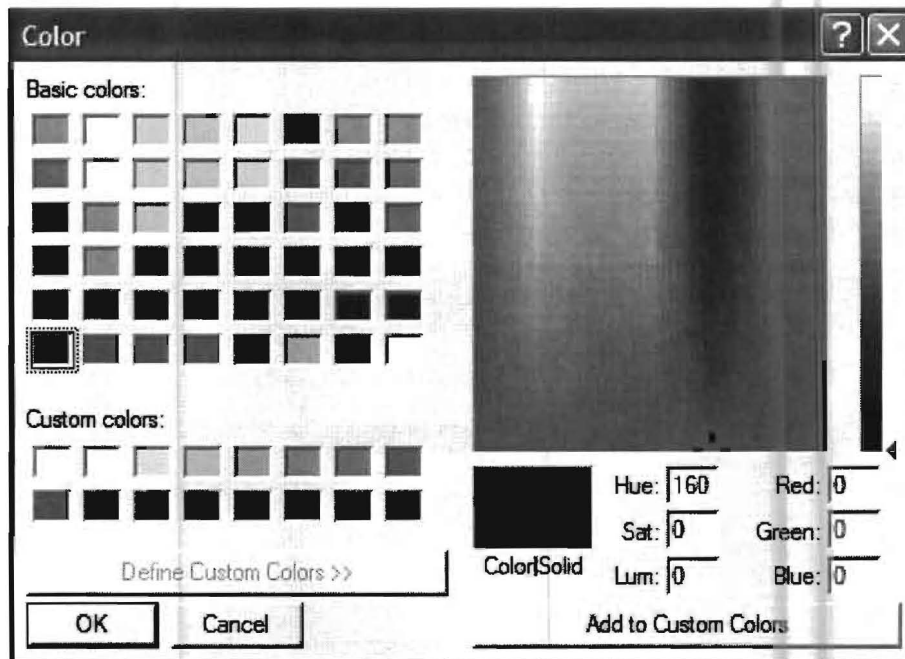
Full Justification: With certain fonts, it is possible to print the body of the letter using full justification (with text aligned at both the right and left margins).These text adjustments are not reflected on the screen, but are implemented at print time due to accommodating variations in line lengths arising from the insertion of embedded data items.
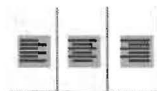
Activate this feature by clicking on the box labeled Right/Left Alignment print. A check will appear in the box that causes the system to display the screen shown above when you press the Print button. Point and click to choose the font and point size for the letter body. Make your selections, click on OK, and the letter will print.

This feature affects only the body of the letter. It may be necessary to manually set the font for other text in the letter, depending on the appearance desired and the results of your test printout.

Using Saved Letters

The embedded data fields will always retrieve the active client when the letter is printed. You only need to create one file for each type of letter since individual client data will always be placed in each printed letter. You can keep as many disclaimer letters as desired and also use any existing letter as a template by clicking on Open File and changing the letter as needed. You can save the letter under a new name.

Converting Letters from DOS to Windows

1) Know the names and locations of where your DOS letter files are stored. There are two types of DOS letters: shared and individual client letters. The DOS system allows nine of each type. All of the shared letters are found in the GLP directory on the same drive your Client Write Up data is located. They are named Letter1.txt, Letter2.txt, etc. All of the individual client letters are found on that same drive in the main CWU directory and the individual clients subdirectory labeled DXXX, where XXX is the client number. For example, the individual letters for client 100 could be seen in the directory in DOS by changing to the CWU\D100 subdirectory and keying in DIR. The individual client letters are also named Letter1.txt, Letter2.txt, etc.

2) Know the names and locations of where your Windows letter files are stored. All of the main programs and data in Windows are normally stored in the PCSW folder. If you have a network the programs will probably be in the PCSW folder on the workstation C drive. The data will probably be in the PCSW folder on a designated drive onthe server. Be aware that the suffix for letters will no longer be TXT but RTF. Because of this, the letters will need to be renamed. Shared letters can be renamed Letter1.RTF, Letter2.RTF, etc. The client letters will have to have client numbers embedded so they can be differentiated, since they are now located in a common area. They could be named Let100a.RTF, Let100b.RTF, etc. The letters would typically be stored with all other data on the server in the PCSW folder.

3) Access Word Pad by selecting Start, Programs, Accessories, Word Pad.

4) Call up the DOS letter that you want to convert. Access the appropriate drive and directory (or directories) and open it to display it on screen. For example, a shared letter might be in the GLP directory on the C drive. A letter for client 175 might be in the CWU and D175 directories on the C drive.

5) Using Word Pad, save this letter with the new name and location using File and Save As.

6) Exit Word Pad and enter the PC Software Windows System.

7) Call up the letter just saved using Setup, Reporting, Disclaimer Letters. Highlight and open the letter.

8) Remove any unnecessary information such as slashes and right margin commands and be certain that the coding matches what the new system requires.

9) Save the corrected letter in the new system with the Save command.

10) Print the new letter for test purposes.

Password Security

To activate PASSWORD SECURITY, click on **File** and **Activate** or on the FILE CABINET ICON shown to the left. The following screen will appear:
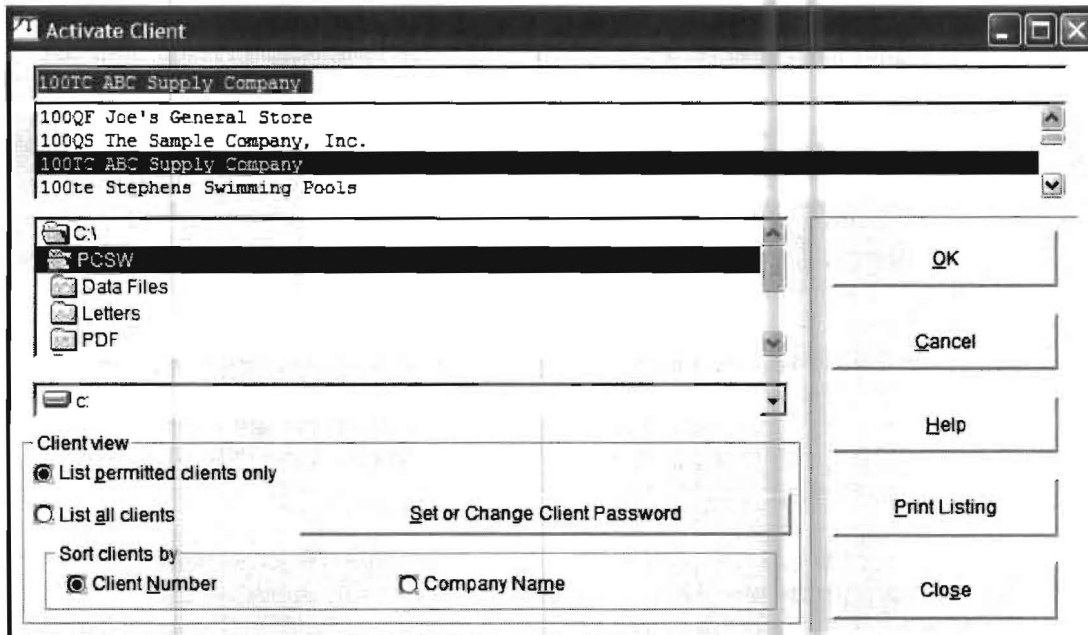
Now click on the Set or Change Client Password button. The following pop up window will appear:
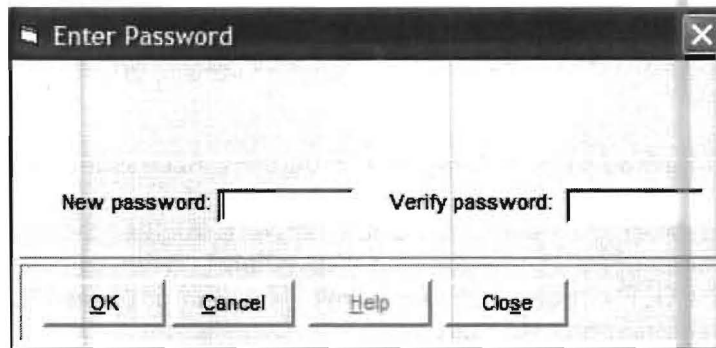
Enter a password of between 5 and 10 characters in the New Password field. Then press the TAB key and verify this password by entering the same password in the Verify Password field.

Once this is done, this client can only be activated by entering this password so it would be a good idea to make some provision to safeguard it.

If the password becomes compromised, you may change it. To do this, first activate the client and then access the activate screen again. Click on the Set or Change Client Password button and the following pop up window will appear:

This screen will allow you to change the password to a different password.

The Other Programs Menu

The Other Programs Menu provides a convenient place to interface with the P.C. Software Windows or DOS Computer Checkbook Systems. It also provides another access location to interface with Quickbooks. Finally it provides a menu item to access the current year's W2 and 1099 program if it is installed. When this option is taken, the following screen will appear.
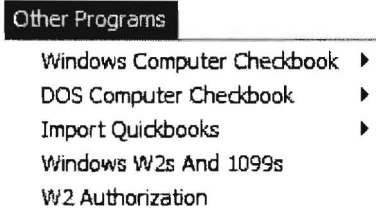
The Windows Computer Checkbook option further accesses the Windows Computer Checkbook sub-options shown on the following menu:
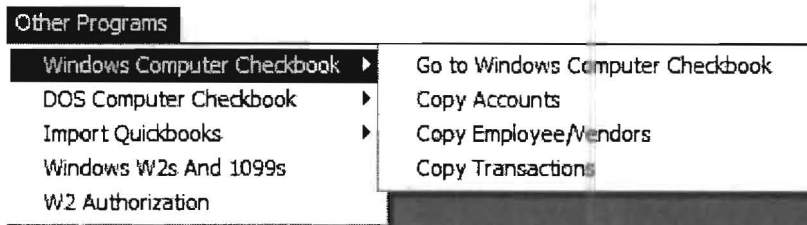
The Go to Windows Computer Checkbook allows you to exit the client write up system and access the Windows Computer Checkbook system. The other three options allow you to copy different types of data from a zipped floppy diskette that was produced by your client. You should use these three options to copy the current data from your client's disk. (**You should never unzip their floppy into your machine because it will overwrite your data with their data.**) The normal situation is that you will just use these three options to copy any new accounts that they have added to the chart of accounts, any new employees that they have added into after-the-fact payroll and the transactions for the current period that you are processing in client write up.

There are some special situations that sometimes apply. For example, suppose you are preparing the paychecks for the client at your office with Windows Computer Checkbook and they are writing their vendor checks and making their deposits at their office with Windows Computer Checkbook. If a special case like this applies, please refer to a full discussion of all possible special cases in the Interfacing chapter of the Windows Computer Checkbook manual.

In the normal case, which is that the client is processing all their work on Windows Computer Checkbook and you are processing their general ledger on your system, you can follow the instructions below:

Go to the **Other Programs** pull down menu and select the **Windows Computer Checkbook** option. When you do this you will have the four sub-options shown below:

Other Programs	
Windows Computer Checkbook ▶	Go to Windows Computer Checkbook
DOS Computer Checkbook ▶	Copy Accounts
Import Quickbooks ▶	Copy Employee/Vendors
Windows W2s And 1099s	Copy Transactions
W2 Authorization	
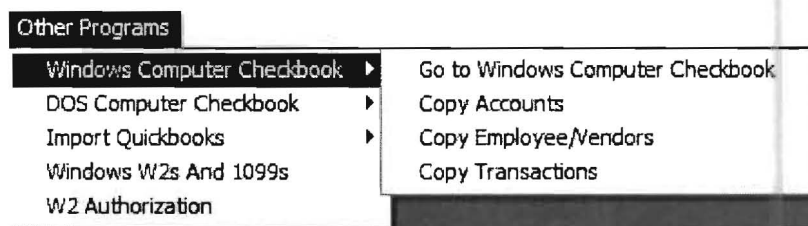
These are the only options that you should ever use to interface in this situation. If you wish to update your chart of accounts with any new accounts that have been added to the *Computer Checkbook System*, you may select the option that is entitled **Copy Accounts**. The default on this option, **Add to Existing Accounts** will only copy accounts that do not already exist in your chart. Do not change the option to **Replace Existing Accounts** unless you want to totally replace your chart of accounts with the chart of accounts on *Computer Checkbook* which is very unlikely.

In the same manner, the **Copy Employee/Vendors** option will update your employee file with any new employees or vendors that have been added to *Computer Checkbook*. Once again the default is set to only add employee/vendors that do not already exist in your employee file.

Do not change the option to **Replace Existing Employees/1099's** unless you want to totally replace your employee file with the employee file that exists in *Computer Checkbook* which is very unlikely.

The option entitled **Copy Transactions** is the option that you will use all the time. This option will transfer the transactions you need from *Computer Checkbook* to *Client Write Up*. When this option is selected, the screen shown below will display:
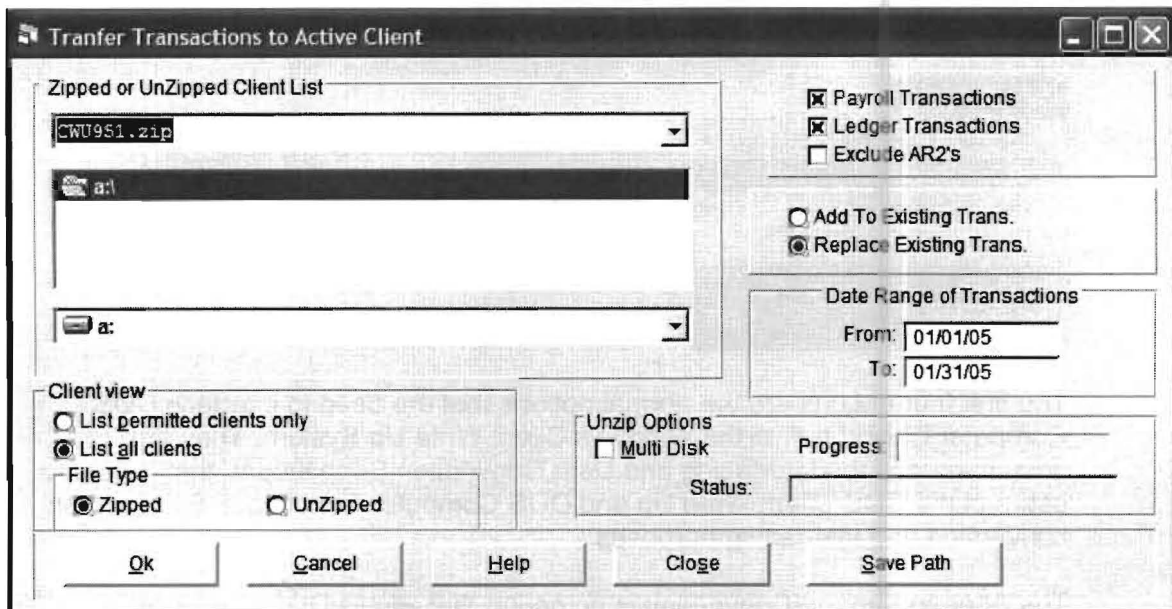
The most critical item to get right is the date range. The date range will default to the accounting period that your *Client Write-Up* is currently processing. You have to make sure that this is the period you want to copy Computer *Checkbook* transactions from. If the period is incorrect, change the dates to the period you want. You do not want to re-transfer transactions from any period that you have already transferred and corrected or you will have to correct them again. Be very careful that you are getting the transactions from the period you want.

In the upper right hand corner of the screen, both the **Payroll Transactions** and **Ledger Transactions** *check boxes* are enabled. This means the system will copy both types of transactions from the *Computer Checkbook*, which is normally what you would want. If the client does not process checks of one type or the other on their *Windows Computer Checkbook System*, you can leave these options enabled and it won't hurt anything. (For example this would occur if a payroll service processed their payroll checks.)

The next thing you will need to determine is if you wish to **Add to Existing Transactions** or **Replace Existing Transactions**. Only one of these options can be enabled at a time. The **Replace Existing Transactions** radio button is enabled by default. This option allows you to transfer more than once from the same period and not have duplicates. This is helpful sometimes, especially if the first transfer a client sent you did not include all the checks and they had to send you another copy of the same period.

The other option is **Add to Existing Transactions**. You do not want to use this option in a normal situation. The purpose of the **Add to Existing Transactions** option is to allow the transfer of data from multiple stores or locations that are in the same company but that each have their own copy of *Windows Computer Checkbook* and write their own checks. By using this option the data from all the stores can be accumulated without erasing another store's data.

Once you have the right dates and other options selected, click on the **OK** button and the transfer will take place.

DOS Computer Checkbook

When the DOS Computer Checkbook option is selected from the OTHER PROGRAMS MENU, the following screen will appear:

Other Programs		
Windows Computer Checkbook ▶		
DOS Computer Checkbook ▶	Import Checks	
Import Quickbooks ▶	Import or Export Employees	
Windows W2s And 1099s	Import or Export Chart	
	Import Vendors	
	Alternate Import/Conversion	
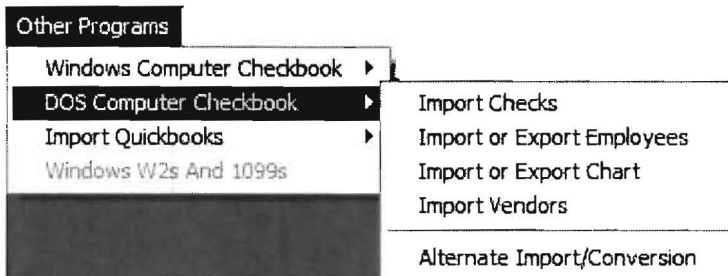
The first four options are the normal options that are used to interface DOS Computer Checkbook to the Windows Client Write Up System. They are documented in the Interfacing and Data Conversion Supplement, that is sent to users of the DOS Client Write Up and DOS Computer Checkbook Systems for conversion and interfacing purposes

The Alternate Import/Conversion is an option that allows DOS Computer Checkbook to be converted to Windows Computer Checkbook. Instructions for this option are provided to users converting from the DOS to the Windows Computer Checkbook systems. These instructions are entitled, Conversion Instructions for Converting DOS Computer Checkbook to Windows Computer Checkbook.

Import QuickBooks

When the Import QuickBooks option is selected from the OTHER PROGRAMS MENU, the following sub-options appear:

Other Programs		
Windows Computer Checkbook ▶		
DOS Computer Checkbook ▶		
Import Quickbooks ▶	Import Quickbooks	
Windows W2s And 1099s	Import Employees	
	Import Vendors	
	After Import Report	
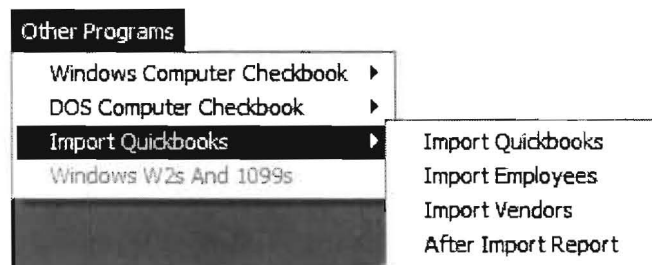
The import QuickBooks option allows the setup and importing of QuickBooks data. It is explained in chapter 14, QuickBooks Interface.

The After Import Report allows the printing of QuickBooks data after the data has been transferred to the Client Write Up System. It relates the QuickBooks transactions to the Client Write Up transactions that have been created. It notes QuickBooks transactions that did not transfer and gives the reason why.

Windows W2's and 1099's

This option provides access to the current year's W2 and 1099 menu which is used to process and print W2's and 1099's and other end of the year payroll reports such as 940. If this menu is grayed out it means that your W2 and 1099 menu needs to be activated. The activation instructions are provided when you purchase the W2 and 1099 update for a given tax year. Since the W2 and 1099 instructions change each year, they are sent out each year with the W2 and 1099 program which is normally shipped in late November or early December to those who have ordered it.

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Chapter 17
The Flexible Report

Purpose

The purpose of the flexible report option is to allow the user to design flexible financial reports. This option can produce those one-of-a-kind reports that can be very helpful to certain clients. As such, the flexible report writer should be considered a valuable tool to the accounting firm.

Important Considerations

However the flexible report writer should not be used before considering the pros and cons of producing such flexibility. One should consider that using the standard financial reports produced by the system is probably a better choice in most cases. The standard financial reports are much easier to setup, in fact, there is no setup. They are automatically produced from the chart of accounts entry. The headings, column formats and totals are all automatically produced with the standard financial reports. If accounts are added to the chart of accounts, they are automatically included in the standard financial reports. If account numbers are changed, they will be reflected in the new financial statements. Besides all this, the standard financial reports can be easily and significantly modified by answering simple questions to satisfy almost any financial reporting requirements.

Compare this to what is required for flexible reports. Headings, column formats and totals must all be figured out and specified. If accounts are added to the chart of accounts at a later time, they must be added to the flexible report specifications that have already been set up. If account numbers are changed or combined in the chart of accounts, the appropriate changes must be made in the flexible report specifications. If this is not done, the reports will be incorrect. Since the user is in total charge of adding or changing accounts and computing totals, the final output must be carefully checked not just at initial setup time but anytime there are changes in the client's accounts.

To summarize all this, the user has to weigh whether the effort required to use the flexible report writer is worth producing the one-of-a-kind report that is desired.

Step 1: Setting up the Headings and Columns

The first step in setting up a financial report is to determine what headings and columns will be needed. This determination includes deciding what types of amounts should be shown in each column. The headings and the columns for your flexible report will be set up with the Custom Statement option. This is all the Custom Statement option is used for in doing a flexible report. Once this information is determined, proceed by clicking on the **Setup** pull-down menu then **Reporting**, **Statement**, and the **Custom Statement** option. The following screen will display:

The first step is to name your Custom Statement. You should name it with the same name that you will later use to set up your flexible report writer specifications. There is no requirement to do this; it will just be easier to remember it that way.

The next step is to enter the number of columns in the Column Count. The number of columns would include the total number of columns without counting percentage columns. Thus a standard income statement presentation would have two columns, one column for the current period and one column for the year-to-date.

The next step would be to select the Date Type. Choose one of the possibilities that are shown.

The next step is to define the first column. Enter the number "1" in the Column Field, and press Enter. Choose one of the possible fields that you can display in Field Name to determine what type of balance you would like to present in this column. Enter a Column Header, an Amount Header and a Percentage Header if desired. If you wish to have associated percentages with this column, enable the Include Percent *check box*. If the numbers in this column will only be composed of numbers from a certain cost center, then place that cost center number in the Cost Center Field. Click the OK button located in the upper portion of the screen to accept this information. Continue entering column information for the second and any subsequent columns until you have defined as many columns as you selected in column count. Then click the OK button on the bottom of this screen to accept all the information and click the Close button to return to the Home Screen.

Step 2: Setup Your Flexible Report

Click on the **Setup** pull-down menu then **Reporting, Statement**, and **Flexible Report Setup**. The screen shown below will display:

This is the screen that is used to actually set up your flexible report. Each sequence number pertains to a different specification on your report and unless you choose not to print that specification, it will also correspond to a line on your report. It is very important to realize that all tabs apply to a particular sequence number and you may use one or more tabs to fully define that sequence. As far as processing the report, the lowest sequence number will be processed first in producing the report. The Tabs and fields on this screen are explained below:

Sequence - This controls the sequence of printing of the report. It is best to leave significant gaps between sequence numbers so that you can add in lines that you may have forgotten.

For example, using the following sequence numbers 1, 2, 3, 4, 5, will cause difficulties later on if you wish to add another specification to your report and you wish it to be located between specifications 3 and 4. Therefore it is suggested that you increment your sequence numbers by 10 thereby using sequence numbers 10, 20, 30, 40 and 50 as your first five sequence numbers.

Line Description - A description that is placed in this field will appear in the description column of the report.

Print Options Tab

This is the tab that displays with the sequence and line description. It's fields are described below:

Print - If not checked the line generated by this record will not print (That means that this specification will be used to do some other task such as allow an account to contribute to totals, or reset the Custom Statement Format to a different one, i.e going from two columns to four columns part way down the report., etc.).

Bracket Debits - This gives the user the capability to reverse the bracketing of balances that you choose to print. Normally, negative numbers are bracketed. If you check this, positive numbers will be bracketed instead.

Print Amts As Percent - This allows you to print the amount in the dollar column as a percent. The decimal place will be moved 2 places, and a percentage sign will be added.

Reverse Sign To Total - Normally debit-type accounts carry positive balances, and credit-type accounts carry negative balances. The balances are added to indicated totals exactly as is. Checking this box will reverse the sign of the number before adding it to the totals.

Center Heading - Tells the program to center this heading. For example, the "Assets" header at the beginning of the balance sheet is usually centered.

Do Not Advance Line - Normally, each flexible report record (if it prints) will generate a printed line. If this box is checked, the program will print the next record on the same line. This allows you to have multiple unrelated complex calculations print next to each other on the same line.

Single Underline Before / Double Underline After - Check the box to accomplish the task described.

Note: Any double-underlined amount will have a dollar-sign printed with it.

Line Is Heading - Indicates that only the description is important and nothing else will be automatically printed on this line.

Cents-Suppress Line To Adjust - Here is the line that will be adjusted to account for cents-rounding.

Suppress Dollar Sign - Checking this box will allow the dollar sign to be suppressed.

Do Not Indent - Checking this box allows a line that is not a heading to start at the left margin.

Advance Lines before printing - This field allows the user to enter a variable number of lines to skip before printing this particular line.

Accounts Tab

This tab is used to select accounts that will either print or be totaled. The screen appears as follows:

You may add accounts to the list by keying in the account number, and then clicking on the big arrow. You may also use the range of accounts fields to accumulate balances or print balances. You may use both individual accounts and the range on the same record.

Print one line for Each Account in Range - This is a powerful feature that allows you to specify a range of accounts and then check this box which will print a line for each account in that range.

Totals Tab

This tab is used to accumulate, print or zero totals. The screen displays as follows:
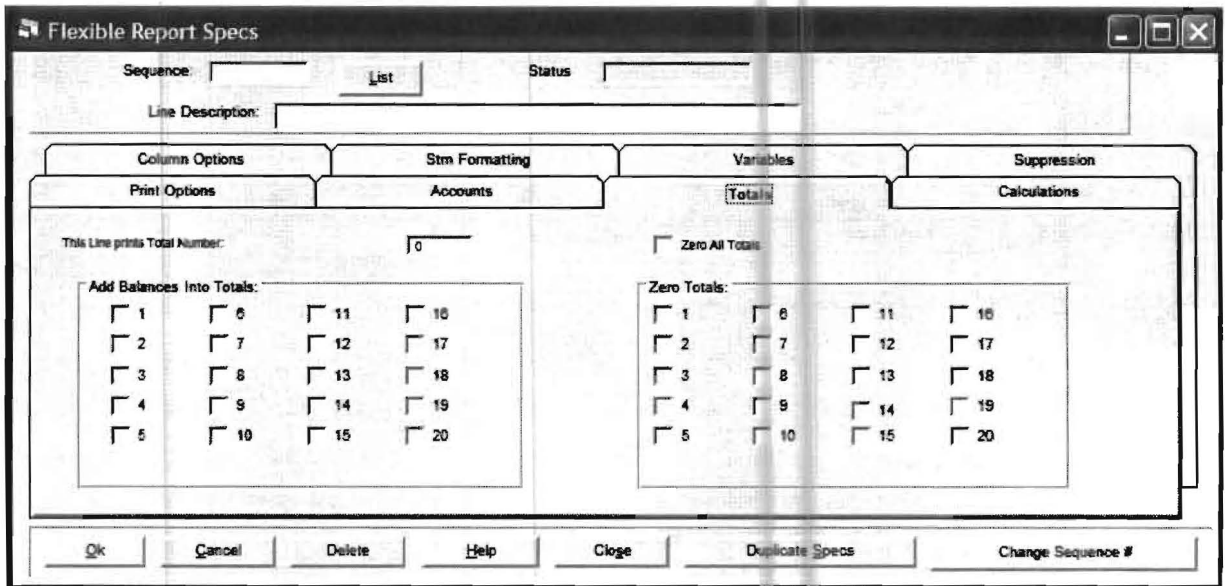
Check the boxes on the left to indicate that amounts printed will be added to the indicated totals. You may check as many boxes as you need to accumulate the totals that you need. Typically, you would check some of these boxes if the current record would print balances from selected accounts.

You can also zero any totals with this Tab.

There are many ways to total. Some people like to use a different total box for every total they are accumulating and then print the totals as needed. Others prefer to reuse some of the same totals and zero them when they are no longer needed. Either method works fine for most reports. For exceptionally long or complicated reports, you will probably have to reuse totals.

In the box above the total boxes, you may select a total number to print. This will cause the amount in the selected total to print on this line.

Each "total" keeps a separate running total for each column. Therefore a single "total" can be used to print the entire line of a multiple-column statement.

Calculations Tab

The screen that is used for this Tab is shown below:

Divisor For Statements - Establishes what accounts comprise the "100%" for the purposes of printing normal income statement percentages. Once this is set, it can be used for the rest of the statement unless it is reset in a later record.

Divide By - Starting with whatever balance is normally calculated for this record, divide by:

Number - A plugged number

Account Balance - The balance for the indicated account that would apply for a given column

Divisor - The balance for the indicated *Divisor* that would apply for a given column

Multiply By - Is similar to Divide By.

Changing Sequence Number - Since the *Sequence Number* controls the order of printing the report, this allows you to change the sequence of the report with minimal difficulty.

Column Options Tab

The screen for this Tab appears below:

If you enter an amount in any particular column, the amount you enter will override the amount normally calculated by the system to be used in that column.

You have the option of indicating that you only want to print one column. If you choose to print just the one column, you also have the option to choose to print just the amount, just the percent, or both.

Statement Formatting Tab

The screen that is used for this tab is displayed below:
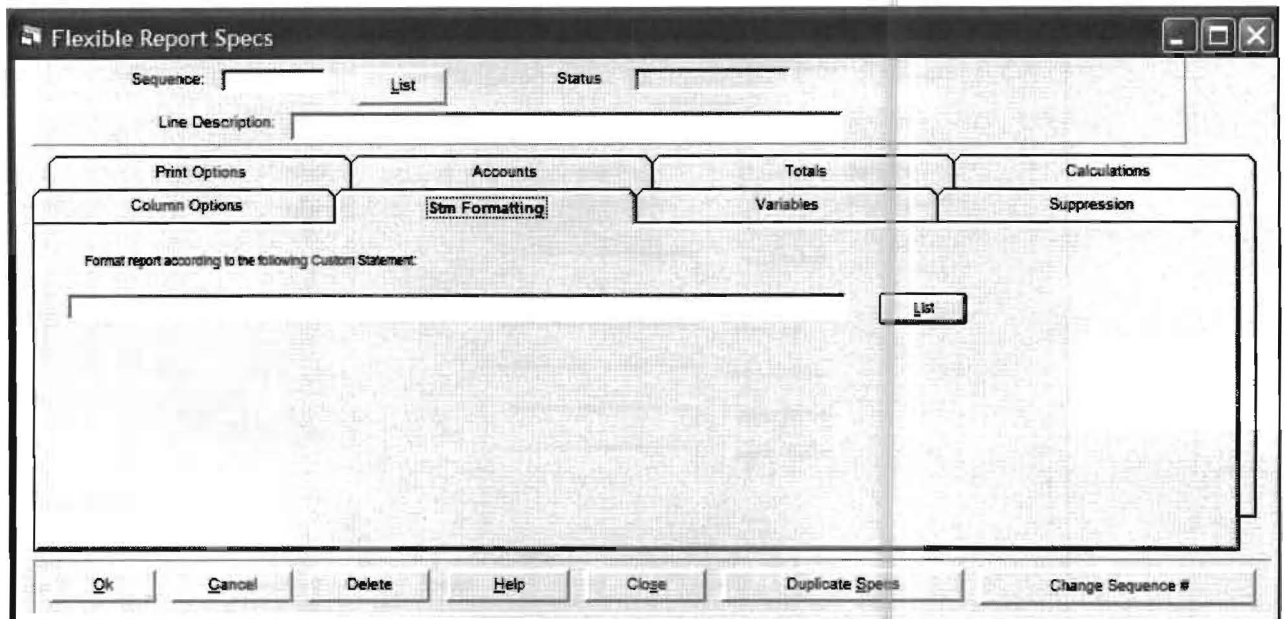
Each flexible report will be set up according to the specifications in a custom statement. This tab allows you to enter the custom statement that you will be using. In other words, this tab is how you specify the statement format for the headings and the columns that you set up in *Step 1*. You will need to set up at least one custom statement in every flexible report and the specifications for the columns and headings will govern the flexible report until the report is finished. Normally, this will be done in the first record of the flexible report and need not be repeated. However, if you wanted to use more than one set of custom statement specifications to designate different numbers of columns or something like that, you just have to enter the other custom statement reference with this tab when you want to change the look of your flexible report. The flexible report will follow the most recently specified custom statement until you enter a different one using this tab.

In other words, if you want your flexible report to just have one format, put the custom statement reference in the first sequence number of the report and you are done. If you wish your flexible report to change format in the middle of the report somewhere, just reference a different custom statement name at the point at which you want the format to change using this tab and at the sequence number that you want the change to occur.

Variables Tab

The screen for this Tab is shown below:

This Variables Tab is provided to let you save a particular value at a certain time and use that variable at a later time in your report for some mathematical operation. To save a variable at a particular time, you designate a name for the variable such as "value1". Doing this saves a value from every column for the sequence number you are currently working on. Later when you want to use a variable that you have saved, you indicate its name next to the particular mathematical operation on this specification.

Suppression Tab

This Tab allows you to suppress a given column on a given line. You can suppress the amount, the percent or the double underline. This feature is useful in producing such things as a statement of retained earnings at the bottom of the income statement where only some of the columns are used to produce that section of the statement.

The screen for this Tab appears below:

To enable the feature, place a check mark in the appropriate columns that you would like to be suppressed.

Step 3: Naming Your Flexible Report

You may have more than one Flexible Report by client. The way this is done is that you name the flexible report and tell the system what specifications to include in that flexible report. Make sure to update the flexible report name if you add more specifications to the report at some later time. To name your flexible report choose the **Setup** pull-down menu then **Reporting**, **Statement** and **Flexible Report Names**. The following screen will display:

Enter the Flexible Report Name that you wish to associate with a certain group of specifications. Enter the first sequence number in the group and the last sequence number in the group in the Starting and Ending Flexible Report Spec fields.

Step 4: Running the Flexible Report

After the Flexible Report is set up, it can be run from the Reports pull-down menu then Financial Reporting and Statements and Schedules. Enable the Flexible Reports *radio button* and click the OK button. You will be allowed to select the flexible report that you wish to print.

Chapter 18
Ratios and Graphs

Ratios may be computed and printed using the *Flexible Report Writer*. If you are not familiar with the *Flexible Report Writer*, that is not a problem as the *Flexible Report Writer* features that you need for the great majority of **Ratios** will be discussed as part of this section of the documentation. (Note: If you need to compute and print ratios that require other calculations than those discussed in this option, you should refer to the *chapter 17, "The Flexible Report Writer," beginning on page 17-10* paying particular attention to the **Variable** and **Calculation Tabs**.) As an example, the following ratios will be computed and printed based on the *Practice Set* Client in this section of the documentation:

1) Working Capital
2) Current Ratio
3) Stockholder's Equity to Liabilities
4) Net Sales to Assets
5) Percentage Earned on Stockholder's Equity

Step 1: Setup the Headings, Columns and Dates Using the Custom Statement

The first step in setting up a *Ratio Report* is to select the **Setup** pull-down menu then **Reporting**, **Statement** and **Custom Statement**. The **Custom Statement/Schedules Setup Screen** will appear as shown below. Fill it in as shown for column 1:

You could key in any name you wish for the Custom Statement name. However, you will probably be happier later on if you key in something meaningful. In this example, we used the name **Ratios**. Enter the column count of "**1**" and choose the **YTD only I/S** date from the date type selections. Enter "**1**" in the Column and select the **YTD-Basis 1** for the type of balance data. We called the amount header **RATIOS** for clarity purposes. The purpose of defining this screen is so that the *flexible report writer* will know what data you want to print in what fields on any particular report. In this case, the report is only a single column report with year-to-date balances from the standard accounting basis.

Note: If you had more than one year of data available with this client, you could make this a comparative report by selecting a different date type so that comparative dates would show. You would also select a column count of 2 and define column 2 to be last years YTD-Basis 1.

Note: Some of the ratios that have been selected should be run with a full year's data and would not be valid with only a partial year's data. However, for the purpose of this documentation example, this is ignored.

Now select the **Page Layout Tab** and a screen similar to the one shown below will display:
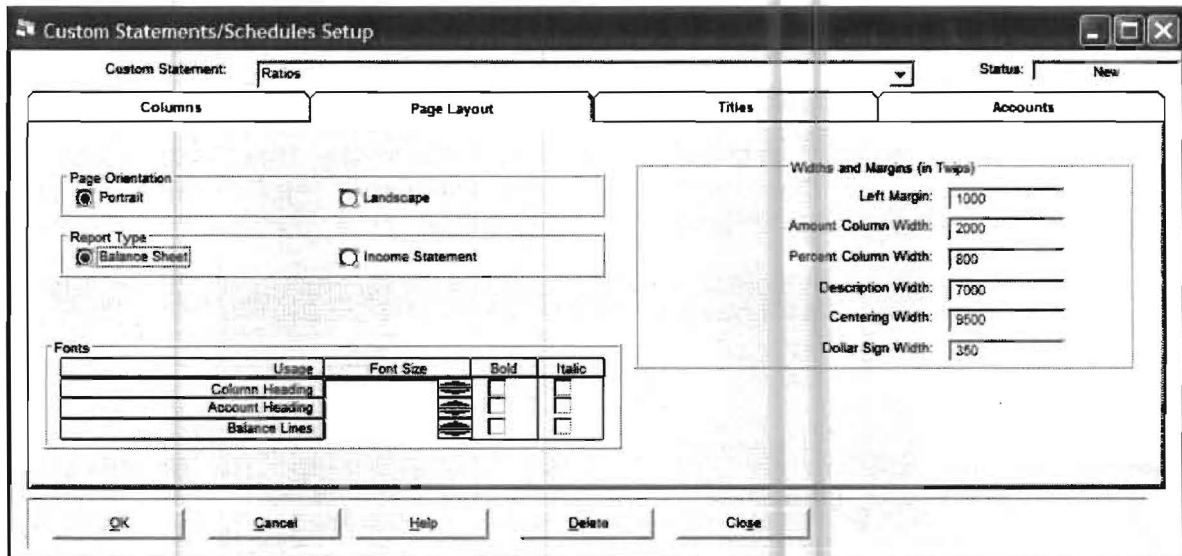
The font sizes and widths and margins were selected for a report with a single column of numbers. You should know that 1440 twips is an inch. The centering width is the width of the paper as far as you want to consider it for centering purposes. Once you print your report, you can return to this screen to vary its look and the placement of the report information on the page.

Step 2: Enter the Necessary Flexible Report Specifications to Compute and Print the Desired Ratios

Now click on the **Setup** pull-down menu then **Reporting, Statement** and **Flexible Report Setup**. The following screen will display:

This is the entry screen that will be used to enter the flexible report specifications that actually compute and print the financial ratios. You may use any sequence numbers for any flexible report and then use what you need by defining the first and last specification used for a particular report. We will assume that other flexible specifications for some different purpose such as producing graphs are already entered and we will therefore begin with specification number 500.

The first ratio that we wish to produce is **Working Capital** which is defined as *Current Assets* minus *Current Liabilities*. Since *Current Assets* are normally debit balances and *Current Liabilities* are normally credit balances, all we have to do to compute this ratio is accumulate the total of all the current asset and current liability accounts and print their total. The above screen shows that a line is normally printed unless you turn it off because the **Print** *check box* is automatically checked. Therefore to accomplish what we desire, all we have to do is enter the sequence number of **500** with the description of **Working Capital** and then select the **Accounts Tab** and select all the current assets and current liability accounts that have actual balances. This is done by either keying them in or selecting them from the chart of accounts list function and then using the large right arrow to move them into the Accounts Included display. After this is done, your screen should appear as shown on the next page:

Flexible Report Specs

Sequence: [ ]   [List]   Status: [ ]

Line Description: [ ]

| Column Options | Stm Formatting | Variables | Suppression |
| Print Options | Accounts | Totals | Calculations |

[ ]   [List]

▷

Accounts Included

110	Cash in Checking
120	Cash in Savings
130	Accounts Receivable
140	Prepaid Expense

[Remove]

Account Range

Beginning Account: [ ]   [List]   Ending Account: [ ]   [List]

☐ Print One Line For Each Account In Range

[Ok] [Cancel] [Delete] [Help] [Close] [Duplicate Specs] [Change Sequence #]

The accounts that have been selected include the current assets 110, 120, 120 and 140 and the current liabilities 220, 222 and 223. The system will accumulate the total of those balances by virtue of their being in the **Accounts Included** window and referred to on the same specification. Since we gave this specification the proper name of **Working Capital** and left the **Print** *check box* checked, this ratio is complete and will print.

The next ratio that we wish to print is the **Current Ratio**. This is defined as *Current Assets* divided by *Current Liabilities*. To calculate this ratio, we need to accumulate the balances for *Current Assets* and *Current Liabilities* and then divide *Current Assets* by *Current Liabilities*. This will give us the ratio we desire but we will also have a negative number since *Current Liabilities* have a normal credit balance. We need to reverse the sign of the printing so that it prints with no sign. To accomplish this task, we will first accumulate the balance of the current liability accounts and save them as a variable called **CURLIAB**. This will take the first specification. Then on the next specification, we will accumulate the balance of the current assets and divide them by the variable **CURLIAB**. Then we will print the answer after removing the minus sign.

To accumulate the **CURLIAB** we will use the next specification, number **510**. We will remove the checkmark in the **Print** *check box* on the **Print Tab** because we don't want this line to print. We will give this specification a line description of **Current Liabilities (Don't Print)** so we can better understand what we have done if we have to change something later. Then we will go to the **Accounts Tab** and enter the liability accounts in the Accounts Included Tab so their collective balance will be accumulated. Finally we will go to the **Variable Tab** and name this variable **CURLIAB**. This completes the first portion of computing and printing the **Current Ratio**. The **Variables Tab** for this calculation is shown on the next page since this process has not been illustrated before. The sequence number is 510.

The next sequence number will be used to accumulate the collective balance of the *Current Asset Accounts*, to divide that balance by the total of the *Current Liabilities* that were calculated and saved with sequence number **510**. Finally it will be used to print the divided balance which will be labeled the **Current Ratio** which it is, and to reverse the printing of the balance so it will print as a positive number. The next sequence number, **520**; will be used for these tasks. The line description will be **Current Ratio**. Note this description on the following screen. Also note that the **Print** box is checked and so is the **Bracket Debits** box which will reverse the sign from a minus to a plus.

The **Accounts Tab** will be used as before to indicate all the current asset accounts and the **Variables Tab** will be used to divide the accumulated balance of the current asset accounts by the total of the current liabilities which was saved in sequence **510** but not printed. The **Variables Tab** is shown below:

Note that the **CURLIAB** variable is being used as a divisor as it should be to calculate the **Current Ratio**. This completes the calculation and printing of this ratio.

The next ratio that will be calculated is the **Stockholder's Equity to Liabilities**. This ratio divides the total stockholder's equity by the total liabilities. Two values will have to be calculated using different sequence numbers and the total liabilities will have to be divided into the stockholder's equity to get the proper ratio. Since both equity and liabilities normally have credit balances, the sign will be correct. In the same way that **CURLIAB** was accumulated with specification **510** and not printed, **TOTLIAB** will be accumulated with specification **530**. The line description will be **Total Liabilities (Don't Print)**. The **Account Tab** will be used to enter all the liability accounts into the **Accounts Included** display and the **Variables Tab** will be used to name and save the accumulated total of these accounts as **TOTLIAB**.

Specification number **540** will be used to print the **Stockholder's Equity to Liabilities** ration so the line description for that specification will be **Stockholder's Equity to Liabilities**. The **Account Tab** of this specification will be used to accumulate Stockholder's Equity and the **Variable Tab** will be used to divide by the accumulated total of the liabilities saved as the variable **TOTLIAB**. This will be done in the same manner as the Current Assets were divided by the **CURLIAB** in sequence number **520**.

There is a new wrinkle in calculating the **Stockholder's Equity**. Notice that all the equity accounts and all the income and expense accounts are included in its calculation and accumulation. Instead of entering each account, the **Account Range** feature is used so that the calculation can be made by only entering the first equity account and the last expense account. This will have the effect of adding the existing equity to the current profit and loss to get the desired total of Stockholder's Equity. This screen is shown below:

Sequence number **540** shown above is not only used to accumulate the total **Stockholder's Equity** as shown but is also used for the printing of this ratio (The **Print Tab**) and it's division by **TOTLIAB** using the **Variable Tab**. Consequently the **Stockholder's Equity to Liabilities** ratio will be completely calculated and printed with this sequence number.

The next ratio that will be calculated and printed is the **Net Sales to Assets** ratio. To do this, sequence number **550** is used to accumulate all the assets. The accounts are accumulated using the range feature on the **Accounts Tab**. The accumulated accounts begin with 110 and go through 190. The accumulated total is called **TOTASSET** and is named using the **Variable Tab**. The line description is **Total Assets (Don't print)** and the Print option on the **Print Tab** is set to not print.

Sequence number **560** is used to finish the calculation and printing of the **Net Sales to Assets** ratio. The **Accounts Tab** is used to accumulate the Net Sales which includes the sales account 440 and the sales return account 445. The line description is **Net Sales to Assets** and the Print option on the **Print Tab** is set to print. The **Variables Tab** is used to divide the accumulated Net Sales which are accumulated in the **Accounts Tab** by the total of the assets which was accumulated and named in sequence number **550**. The **Variables Tab** for sequence **560** is shown on the next page:

The final ratio that will be computed and printed in this Ratios documentation is **Percentage Earned on Stockholder's Equity**. Sequence number **570** will be used to accumulate but not print Stockholder's Equity. The **Print** option on the **Print Tab** will not be checked. The description will be **Stockholder's Equity (Don't Print)**. The **Accounts Tab** will use the account range of 310 to 650 to accumulate the Stockholder's Equity. The **Variables Tab** will be used to name and save the accumulated Stockholder's Equity. It will be called **STKEQ**.

Sequence number **580** will be used to finish the calculation and print the **Percentage Earned on Stockholder's Equity**.

The amount of income earned will be calculated using the range feature on the **Account Tab**. It will include all the sales and income accounts and thus begin with account 440 and end with account 650. The **Account Tab** is shown below:

Notice that the line description is the **Percentage Earned on Stockholder's Equity**. The **Variables Tab** will be used to divide this amount by the accumulated Stockholder's Equity saved and named with sequence **570**. There is one other factor to consider in printing this ratio. It has to be printed as a percentage. This is indicated on the **Print Tab** as shown below:

Notice the check mark next to the **Print Amts as Percent** option. The Percentage Earned on Stockholder's Equity is now completely calculated and can be printed correctly.

Step 3: Naming the Ratio Report So it May Be Printed

The next step is to name the ratio report that has been set up so that it may be printed whenever it is desired. To do this select the **Setup** pull-down menu then **Reporting**, **Statement** and **Flexible Report Names**. A screen entitled "**Name Flexible Reports**" will appear. You may key in a meaningful name of more than one word and you must indicate the beginning and ending sequence number that will govern this report. The name **Ratio Report** is used in this example and the sequence numbers begin with 500 and go through 580. The screen shown below has this name and values.

Step 4: Print the Ratio Report

The final step is to print the ratio report that we have setup in this example. To do this, select the **Reports** pull-down menu then **Financial Reporting** and **Statements and Schedules**. Enable the **Flexible Reports** *radio button*. When this option is selected, you will have to click on the down arrow at the end of the **Report Field** and the specify the report you want. To print the **Ratio Report** in this example and find and select **Ratio Report**. Your screen will appear as shown below:

Enable the **Print** *radio button* and click the **OK** button. The report shown on the next page will print. This is a sample ratio report for the *Practice Set* data.

This completes the documentation of setting up, calculating and printing some sample ratios.

Graphs

The **P.C. Software Windows Client Write Up System** can produce pie and bar chart graphs for any client. The setup of these graphs is quite simple and because the numbers that will be graphed originate in the *Flexible Report*, these numbers can be the results of very complicated calculations if desired. However, the typical graph of either type is generally quite straightforward as the graphs typically used in accounting situations merely present easy-to-understand comparisons of account balances.

If you are planning to use graphs and you are already familiar with creating and producing flexible reports using the *Flexible Report Writer*, you will find this process quite simple. If you want to use graphs and have not used the *Flexible Report Writer*, it is still fairly easy, although you will have to learn and use a few simple features of the *Flexible Report Writer*. This documentation will assume that you have not used the *Flexible Report Writer* and will tell you what features of the *Flexible Report Writer* you will need to use and will instruct you in how to use them.

Step 1: Decide What You Want to Graph

The first step in setting up graphs is to decide what you want to compare in a graph. Usually it will be something like a comparison of sales or expenses and the appropriate sales or expense account balances shown in the financial statements will contain the balances you need. For the purpose of this documentation, we will compare sales expenses for the "Sample Company, Inc." that is explained and generated in the *Practice Set* exercise portion of the written and on line documentation. When you accomplish the *Practice Set* exercise in the documentation, client number 100 is used. We have taken the same source data that is used in the *Practice Set*, client #100, and accomplished the *Practice Set* and numbered the resulting client as client # 950. Client 950, or the completed *Practice Set* client, is automatically loaded with your system and you can activate it without accomplishing the *Practice Set* yourself. If you wish, you could activate client 950 and follow this documentation and actually produce the same graphs that will be shown.

In this example, we will present both a pie chart and a bar chart graph of four different account balances. The balances that we will graph and compare are the year-to-date balances of the following four accounts:

    445 - Sales Returns
    460 - Sales Commissions
    600 - Travel
    640 - Telephone

Step 2: Obtain the Balances You Will Need So That They Will Be Available to the Graphing Option

To obtain the balances you will need for the graphing option, you have to use a simple feature of the *Flexible Report Writer*. What you are basically doing is telling the system which account balances you need. To do this you will use a simple feature of the *Flexible Report Writer*. Activate Client 950 if you wish or just follow the documentation which will use client 950 to illustrate this documentation section.

Click on the **Setup** pull-down menu then **Reporting**, **Statement** and Flexible **Report Setup**. The following screen will appear:

Enter the number "**10**" in the **Sequence Number Field** and press **Enter**. Enter the description **Sales Returns** in the **Line Description Field**. Now click on the **Accounts Tab**. The screen shown below will display:

Now enter the account number **445** next to the **List** button directly below the **Accounts Tab**. You may either key it in or you may click on that **List** button and select it off the list. Next press the arrow below that **List** button to move it to the **Accounts Included** display. Your screen will appear as shown below:

Note that if you wanted to include a number of accounts in one item in a graph such as all the insurance expenses, you could include each one by selecting each one and moving it to the **Accounts Included** display. You could also use the **Account Range** feature to group related accounts that you wanted to present as one item in a graph by filling in the beginning and ending accounts of the range in the **Account Range Fields** on the bottom of this screen. In this case, all you want is account number 445, Sales Returns and you have it, so just click **OK**. The screen will now return change to sequence number 20 and the line description and Accounts Included will be blank. Enter Sales Commission in the line description and Account 460 in the **Accounts Included** display. Then click **OK** and you will be on sequence 30. Enter Travel and Account number 600 in the same manner. For sequence 40, enter Telephone and Account Number 640 in the same manner. You will now be on sequence 50. Click on the **List** button next to **Sequence Number Field** and the following small window should overlay your display as shown on the following page:
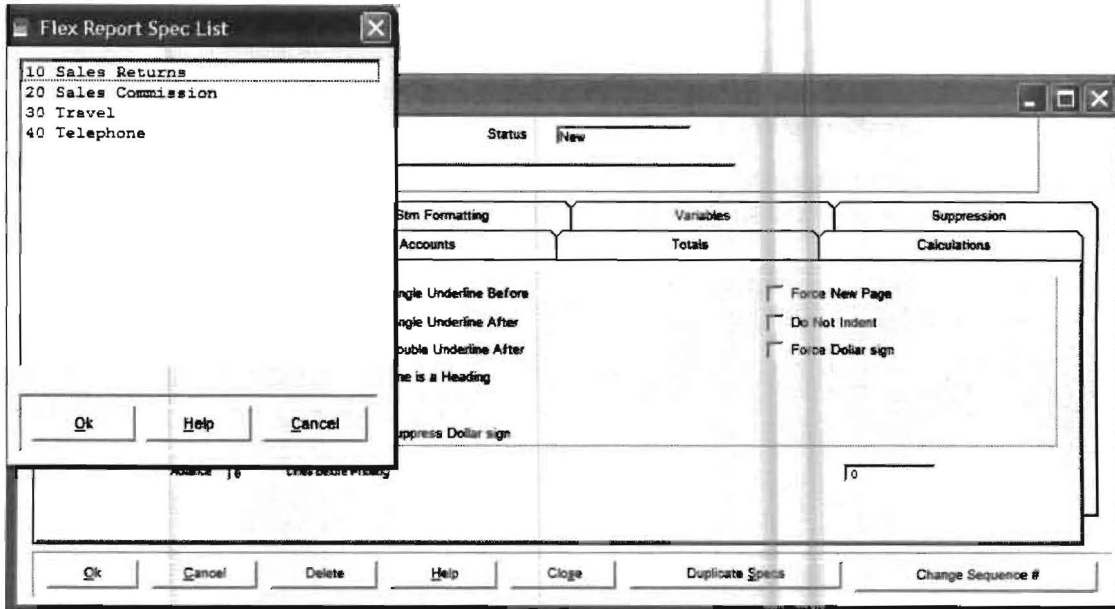
You should see that you have entered specifications 10, 20, 30 and 40 as shown. If you have, click the **OK** button within the **Flex Report Specs List Window** and then **Close** on the main screen. This will take you out of the flexible report setup option and return you to the **Home Screen** for the *Client Write Up System*. You are finished with the *Flexible Report Writer* for this example. (Note that if you have calculations to perform with numbers that you wish to graph, you should go to the instructions for the *Flexible Report Writer* to see what you have to do to have the number that you need available to graph.)

Step 3: Setup the Graph Itself

The next step is to actually enter the information you need for your first graph. Click on the **Setup** pull-down menu then **Reporting** and **Setup Graphs**. The screen shown below will display:
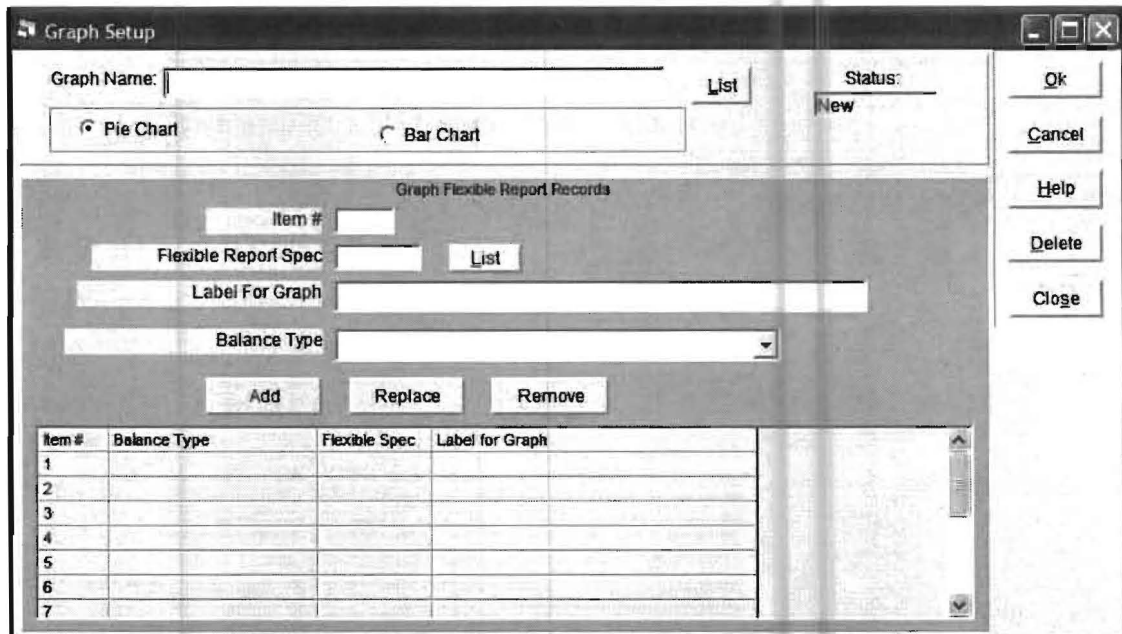
Enter the name of the graph that you want to print on the Report. In this case, we will call it the **Sales Expense Pie Chart**. Since the **Pie Chart** *radio button* is already enabled, press the **Enter** key and you will be in the **Item # Field**. Enter the item # 1 and fill in the other fields as shown below:

Click on the **Add** button and the information you entered will display below in line 1. Add items 2, 3 and 4 as shown below in the same manner.

This completes the setup of the **Graph**. Now click on the **OK** button to accept the whole setup. Then click on the **Close** button to return to the **Home Screen**.

Step 4: Print the Graph

To print the graph click on the **Reports** pull-down menu then **Financial Reporting** and **Graphs**. The following screen will appear:

Click on the down arrow at the end of the **Graph Name Field** and **Sales Report Pie Chart** will appear as the only option. Select it and choose to either view or print it. Graphs are designed to display and print in color so if you have a color printer, you will get a nicer looking graph.

To produce a bar chart, all you have to do is step three and four again since you will be using the same account information you decided on and setup in steps one and two. When you setup the graph this time, follow the exact same steps you followed for the pie chart, except name it **Sales Expense Bar Chart** and indicate that the graph should be a bar chart when you set it up. Both graphs are shown the following two pages.

This concludes the documentation of this feature.

The Sample Company, Inc.
The Sample Ratio Report
For the Four Months Ended April 30, 2005

		RATIOS
Working Capital	$	8,484.62
Current Ratio		4.94
StockHolders' Equity To Liabilities		0.62
Net Sales To Assets		0.14
Percentage Earned On Stockholders' Equity		27.42%

The Sample Company, Inc.
Sales Expense Pie Chart
April 30, 2005

320.04

850.00

434.46

950.00

■ Sales Returns   ■ Sales Commission ■ Travel   Telephone
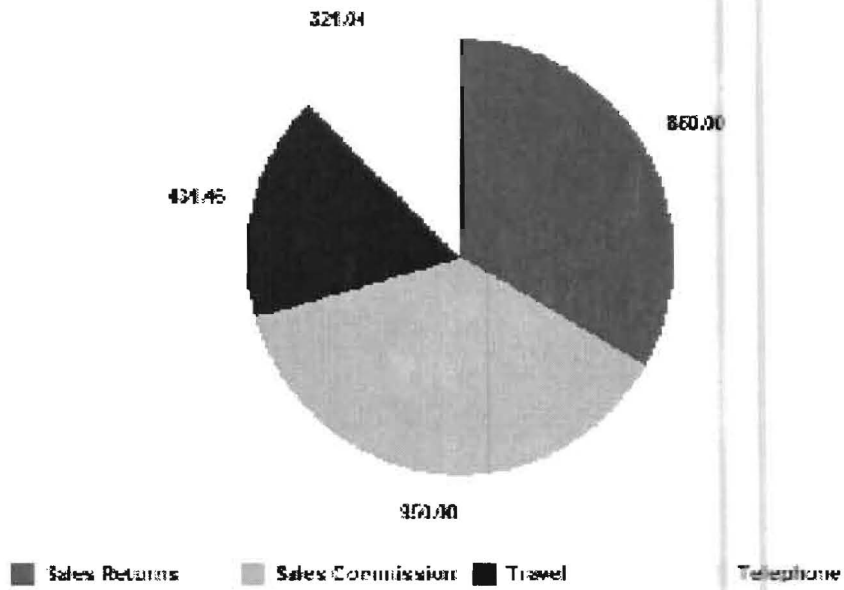
The Sample Company, Inc.
Sales Expense Bar Chart
April 30, 2005
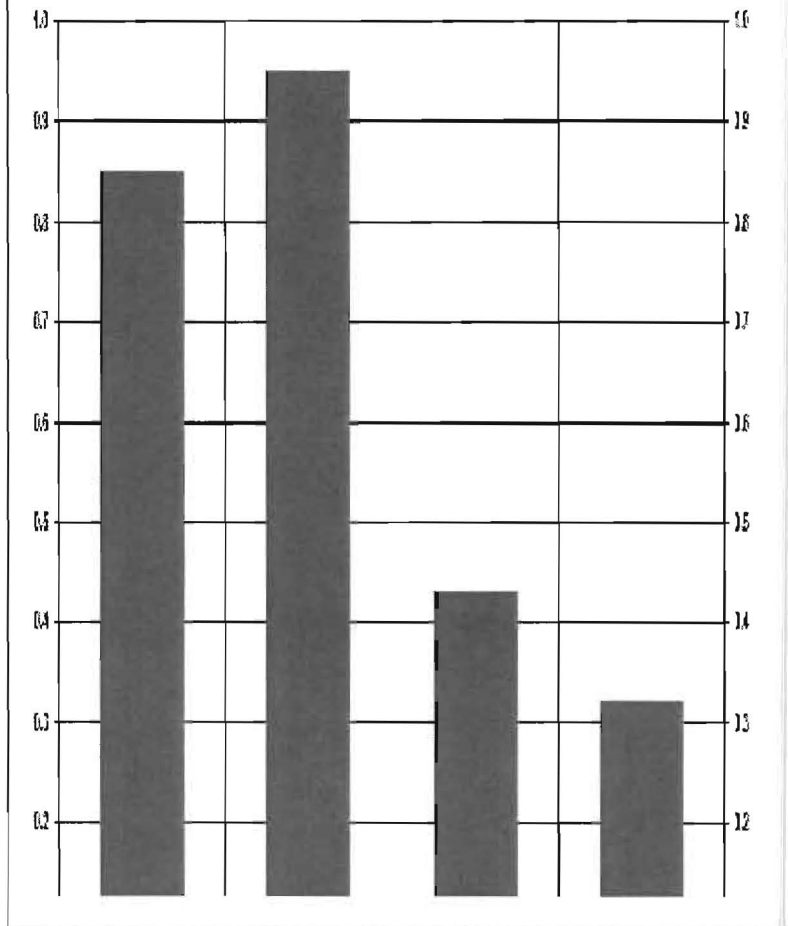
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Appendix

This appendix contains information about closing and client backup considerations, and a **DOS Vs. Windows** comparison that assists users in the transition from using the PC Software Client Write Up DOS system to using the PC Software Client Write Up Windows system. This section discusses the differences between DOS and Windows operations. It is targeted for users who are familiar with the DOS environment but are less familiar with the Windows environment.

Closing Considerations

There is not a closing on this system. All transactions remain open at all times. You may switch back and forth between periods and make corrections as required. When beginning a new year, make sure that you have the tax tables for the new year filled out. Tax tables are filled out using the **Setup** pull-down menu, **System**, and **Calendar Years**. This has to be done only once for each work station.

Client Backup Considerations

The periodic and careful backup of computer data is a very prudent action. Without adequate backup of your computer data, you are always at risk of losing untold hours of work and possibly even losing irreplaceable information. The business and financial costs of such a loss can be crushing to your firm and clients. You should take the time to organize, plan, and manage a backup routine for your office.

To plan and organize your backup routine, you must understand and follow time-tested backup principles. One fundamental principle is to "never backup over your existing backup". The reason for this is obvious. If you are having problems with your computer, the natural inclination is to make a backup. If you follow your inclination and make a backup of the "problem data" over your existing good backup, you have just destroyed your good backup. This happens so often that it is unbelievable. The standard method of avoiding this pitfall is to rotate backup mediums (tapes, disks, diskettes etc.) For example, if you were backing up to a removable hard disk, you might have a red, blue, and green backup disk. By alternating backup disks each time, you will never be in danger of losing your only or most recent backup.

Another fundamental principle of backup is to protect the backups once they are made. Heed the warnings for the particular backup medium you are using. In general, do not store a backup medium where it can be affected by heat, magnetic fields, or water. Do not leave backups in locations where they can be easily misplaced or stolen. Clearly label all backups as to content and the method of backup used. Complimentary to the concept of protecting your backups is the concept of off-site backup. You must realize that off-site backups are your only sure protection against fire, flood, theft or other disasters that can destroy good backups that are located in the office.

Give very careful thought to what backup medium you will use. With hard disks now commonly available in hundreds of millions or even billions of bytes, you certainly can't expect to backup solely to diskettes. System backups of today are usually accomplished by using tape drives, jazz drives, zip drives, optical drives, writeable CD's or some other high capacity medium. There are pros and cons to each type of medium, but for the most part all will work well if you do your part.

You must have a written backup plan and a written backup log if you want to be sure that your backups are organized. Your written backup plan should specify what should be backed up and when. Hard copy (actual printouts) backup should be part of any plan. Hard copy listings of essential data can be invaluable if they are needed. There should be listings (printouts) of all essential information. Your backup plan should also include a written schedule of planned backups with places for individuals to verify that the backups have been made. You must make sure that the individuals who are making the backups clearly understand what they are doing. Many times backups are periodically made but they are made incorrectly. When there is a problem and a backup is needed, it is discovered that the backup is no good.

A planned backup routine and a written backup log are the essential first steps in insuring good backup. The second step is to make the backups. The third step should be to manage your personnel to insure that the backup routine is being accomplished in a correct and timely manner. You should check the written backup logs to check compliance but you could also be more certain of good backup by periodically checking the actual backup process to insure that it is being correctly done. Another method to insure against improper backup is to do backup "fire drills". Suppose that the computer system has gone down. Ask to see the latest backup and then evaluate the quality of the backup you have. This backup "fire drill" will let you decide if you are satisfied with the current backup plan. The reason that you must manage your backup routine is to insure that the plan is being correctly implemented. You definitely do not want to find out the hard way that even though you're backup plan was excellent and your log book looks great that you still do not have an adequate backup.

Another common problem where tape is the only backup procedure is that the cycle of the backups does not match the client processing cycle. Here is an example:

The Sample Accounting Firm (SAF) likes its new tape drive, and therefore, has decided to dispense with diskette backups. They have five tapes. They cycle the tapes so that a different tape is used each day of the week. Client 305 was worked on July 10-11. All data input was verified correct, and all the statements/schedules checked out. On July 19, there was a disk error on the database for client 305. *However, because it was not being worked on, the problem was not noticed.* The cycle of backup tapes proceeded normally, and before the end of July *all* copies of this client were corrupted. The problem was not even noticed until August 10, when the work came in for the next month. The client had to be deleted and keyed in from scratch.

We suggest matching the tape backup cycles with the client processing cycles to overcome this problem. Keep five daily tapes, but add the following:

> 1 (or 2) monthly tapes (because some clients are processed monthly).
> 1 (or 2) quarterly tapes (because some clients are processed quarterly).
> 1 (or 2) yearly tapes (because some clients are processed yearly).

Viruses

Another topic that needs to be discussed is computer viruses. Viruses are computer programs or procedures written by people with the specific intent of destroying information. These programs are then concealed from the unsuspecting computer user. When the virus program is inadvertently run as a byproduct of some normal operation, it typically results in data loss and/or in damage to the main computer operating system. Viruses are an incredible plague for computer users.

Anyone with a certain level of computer experience and malicious intentions can write and distribute a computer virus. Your computer can be infected by a virus from diskettes, information downloaded from an online service, or from files sent from other sources via a modem. Backup alone will not protect you from computer viruses as the computer viruses will backup with your data. The best way to protect yourself from computer viruses is to use a commercial virus detection program and update service. We have purchased and constantly use the Norton Utilities™ product which we feel does the best job. Whenever you get diskettes or files from any source including E-mail, check them for viruses. If you want to be as safe as possible, you must have your virus checking program loaded online so that the virus checking program is constantly checking for viruses on your machine.

Unfortunately, even if you have an excellent virus checking program loaded online, no one is 100% safe from virus infection as new viruses are regularly being introduced into the marketplace. Norton Utilities states that they discover multiple new viruses each month. You must make sure that you get new updates to your virus protection program whenever they are available. You can also help your cause by not introducing suspect or useless information to your computer system. One way to limit infection is to restrict games or Internet browsing to a stand-alone machine.

There is another caution about viruses and backup to be aware of. If you suspect that you have lost data or system information because of a virus, don't reload your backup without checking the backup for viruses and removing them before you restore or copy in the backed up data. Otherwise, you can reload your infected backup and then have both the main system and the backup destroyed by the virus. Viruses present a significant challenge to computer users. Viruses provide a great reason to backup.

One of our hardest jobs is to explain to a customer that a machine failure, a program problem, an operational error, or a virus appears to have destroyed their data. This job is much harder when we find out that our customer had no backup or that their backup is no good. If it is hard for us to face this situation, we know it is much harder for our customer to face it. Please backup correctly!

Backup Options

Now that we have covered the general topics that relate to backup, we will specifically discuss backup for the Windows Client Write Up System. How should you backup your Client Write Up data? Client Write Up data is normally backed up in two major ways. The first way is as a part of the normal backups of the complete system. This is fine but it is probably not enough. A problem with relying on a complete system backup is that most complete system backups are not accomplished on a daily basis. Because the amount of client write up work that is accomplished in a day is often significant, relying on a complete system backup is risky. If it happens that data must be recovered from a backup that is a few days or weeks old, there can be a great amount of lost data and work.

This is why Client Write Up data is also typically backed up to diskettes. It has also been backed up to diskettes because they are a very reasonable medium for the amount of data that a single client requires. It has also been typically backed up to diskettes because a client can be quickly and conveniently backed up at the end of a period's work by the person doing the work.

With the Windows Client Write Up System, diskettes are still an excellent option for Client Write Up data backup. The simplest way to backup to diskette is to select the **disk copy icon (a diskette).** This icon will lead you through the copying of a single client's data to a single diskette as a zipped or compressed file. For ease-of-use, this option is hardwired to back up the **active client** to a **diskette.**

A more sophisticated backup option that allows you to back up any client (active or not) from any location to any other location, to zip it or not, use various media (such as CD's, DVDs, thumb Drives, Zip Drives, etc.), is the **Copy Client (Advanced)** option.

The location of these options is discussed in Chapter 4. (File Menu)

DOS vs. Windows

The major design differences between the Windows and DOS operating systems are primarily operational. Understanding both the design and operational differences between DOS and Windows will enhance your use of any Windows program. You should make an effort to learn Windows using the educational material provided by Microsoft or any quality educational material that is available. The following summary includes Windows terminology, data entry methods, and display used in the Client Write Up System. The terminology is followed by a discussion of the use of Windows features on the keyboard and on the computer screen.

Terminology and Definitions

A **"button"** contains a word within it that describes its function. The following buttons that are used in most Windows applications and also in PC Software Accounting applications are:

Cancel: This button returns the current screen to the status that existed when it was first accessed. If there was no data when the screen was opened, then there will be no data upon selecting cancel. If there was data on the original screen when it was opened, then that data would be returned to its original state at opening.

Close: Closes the current window. It does not save the information that is displayed. Entered or saved information is only saved via the OK button.

Delete: Removes or deletes the record on the computer that is related to the currently displayed screen.

Help: Displays the **overall help** instructions provided for the current screen. **Field by field instructions for Help** are accessed by being in the field or text box of interest and then selecting the **F1** key.

List: Pulls up a list box. Clicking once will present valid selections. Click to choose any selection. Note that an entry not on the list may also be entered from the keyboard.

OK: Accepts the entered data on the screen.

Spin: Allows the incrementing of information requested. It is most commonly used with date fields.

Other definitions include:

Cursor: Flashing bar or highlight indicating where the next character or letter will be entered.

Field or **Text Box**: Position on a screen where information such as a name or social security number is displayed and can be entered or changed.

Focus: Refers to the field or text box where the cursor is presently located. Focus on a button, may be shown by a segmented line around the button word or by a bold border around the entire button.

Label: General description of a field such as "Account Number".

Label Box: A bordered description that further describes a field but may not be changed on the screen from the keyboard. It only displays based on the contents from a field or text box. For example, an account number might be entered in a field and the existing description of that account number might display in a separate **"label box"**. A label box is also known as a display only field.

Panel: A bordered segment of a screen that deals with a certain related group of information composed of one or more field or text boxes. A panel can take up an entire screen.

Screen: What is presented on the computer monitor at any given time. This can include multiple screens, which can also be referred to as panels or windows.

Tab or **Set of Tabs**: Keys that allow the user to switch between panels of information on a screen.

Task: Another term for program.

Task Bar: The bar at the bottom of the Windows screen. The Start button allows access to any tasks loaded onto your computer. The task bar also displays active tasks. For example, if you had the PC Software Client Write Up System and Word Perfect both active, the task bar would show the Start button, and a notation for Client Write Up and Word Perfect. The current time is also displayed on the bar.

Other Data Entry Options:

Check Box: A small square box that is either enabled or disabled. This refers to a related condition that is described in words next to the check box.

Drop List: Presents all other options that are possible valid responses. Unlike a list box, one of these options **must** be chosen. There can be no entry of new options from the keyboard.

Combo List: Presents options and also allows you to enter an option that is not part of the displayed list.

To distinguish between a **Drop List and a Combo List**, enter the first letter of a selection. If the correct first letter is chosen, then the item will be accessed. If the same first letter appears in more than one choice, the system allows further entry to toggle to the next item with the same first letter. If there is no action with the entry of the letter into the computer, then optional entry is allowed. (Therefore you have a combo list not a drop list).

The Keyboard

The standard way to move forward on the screen in Windows is to select the **Tab** key. The normal way to move backward is with the **shift and the Tab key simultaneously selected**. These conventions are followed in PC Software. In addition to forward motion with the **Tab** key, the **Enter** key is programmed to duplicate the Tab key and to allow forward motion through the program.

Within a grid of information, the up and down arrows will allow movement between the fields. Shift right and shift left will allow field movement to the right or left. The right and left arrows will move the cursor right or left.

The **mouse** is a hand held device that allows cursor control and acceptance commands to be entered where and when the user chooses. The field in which the cursor is positioned at any given time is the field of **focus.** Efficient mouse use is essential to the operation of any Windows system. The mouse is an integral part of the design of Windows, whereas in DOS, the mouse was used at the discretion of the programmer. The mouse should be used whenever individual fields or options are selected. When the nature of the application is given to long streams of data entry on a field-by-field basis, the keyboard or the ten key pad combined with the enter key is still the most efficient method of input. This system is designed for mouse use yet allows classic data entry where such it is advantageous.

Mouse Alternatives

Using the mouse is a great aid to computer use. It can also waste time if it is not the best option for the task being worked on. This is illustrated by the example of accepting a screen. In Windows, a screen of information must be accepted by using the **OK** button. (Note: As a convenience to users of the DOS system, the F6 key has the same function as the OK button). There are three methods to accomplish this with the **OK** button. The same method works for all correctly programmed Windows buttons.

> 1) Position the mouse pointer to the **OK** button and click. This works well in editing word processing applications as it enables large blocks of data to be moved or deleted with ease.
>
> 2) Hold down the Alt key and key in the letter O. Using the Alt key and the letter O duplicates the function of clicking on **OK**. **This method is the best way to accept a screen involving the entry of data on a field by field basis** because it does not require the user to move their hands from the keyboard to the mouse. This method also works for pull-down menu items. The Alt key is used with underlined letter on a pull-down menu to access that menu. Once the options are revealed, entering the underlined letter will select the option.
>
> 3) Method three is when the program automatically transfers control from the last field on a screen to the **OK** button. When the user presses **Enter**, the screen will be accepted. This method allows full screen data entry of field by field information because it does not require the user to move their hands from the keyboard and it does not require the user to select the Alt key. It is useful for the entry of numeric data as well, since this allows numeric data to be entered from the ten key pad.

Knowing the different methods of data entry in the Windows applications and when to use them will make a noticeable difference in data entry productivity.

Multi-tasking / Multiple Screens

Another major difference between DOS and Windows applications is that the Windows application allows multiple tasks and multiple screens to be open at the same time. The computer can do more than one task at a time and multiple screens may be open in the same task. Being able to switch back and forth between tasks is facilitated by the screen symbols found in the upper right part of every Windows screen. These symbols allow the screen to be minimized or expanded in size.

Minimizing

The " - " symbol will **minimize** the screen. Using this feature will only **minimize** the amount of space it occupies on the computer monitor. A minimized task or screen is still accessible for entry or review. In order to multi-task position the mouse to the desired task and click. The selected task will then display over the current task.

Closing and Maximizing

The "**X**" symbol located in the upper right hand corner of the screen will **close** the task or the screen. Note that closing the screen with the "**X**" symbol does not save the entered or changed information if it has not already been saved by using the OK button. The small box with a shaded upper line will allow the screen to be maximized to its former size. The double box symbol will also return the screen to normal size.

Minimizing or Closing

Why **minimize rather than close**? One reason is that anything currently entered or changed would be left as it is and can be redisplayed. If interrupted, minimizing a screen saves having to reopen the screen later. This also allows multi-tasking.

Moving a Screen

A screen can be moved by clicking and holding the click on the top solid bar of the screen and then dragging the screen to a new position and releasing the click when the move is complete.

The Window Option

Another way of switching multiple screens is using the **"Window"** option on the top bar of the windows display. Clicking on this will display all open screens, show a check mark by the current open screen and allows selection of any of them. Selecting **Close** closes the screen and does not save entered or changed data.

Miscellaneous Data Entry Tasks

To insert information into a field or text box, click on where you want to insert the information and enter it. To highlight information, click and hold the click down while moving the mouse towards the right until the information is highlighted. If you are in the insert mode, anything you add will then replace the highlighted information. If you press the delete key after highlighting information, it will delete that information.

To select information, place the cursor over the button or **Icon** and then click the mouse. If the word in the button is underlined, then the information may also be selected by keying in the ALT key simultaneously with the first letter of that word.

UNDERSTANDING
"Double Entry Accounting"

The purpose of this text is to explain or review the basic concepts of double entry accounting for individuals who will be using the client write up or basic accounting programs and who are not currently familiar with these concepts. A person using an accounting system will benefit greatly from understanding "debits and credits" and this understanding will make working with these or any accounting systems much easier and more fulfilling on a day-to-day basis.

Financial Matters for Individuals

Every individual who is responsible for paying their own bills or their family's bills has their own way of calculating their current financial position. Some of these ways are very superficial such as, "Do I have any money in the bank or any credit left on my credit cards and what do I need to buy or what payment do I need to make?" Other methods of keeping track of one's financial situation are much more elaborate and could include such things as a detailed budget of all income and expenses. However, regardless of what system an individual might use or not use for themselves, if they want to borrow money for a car or a house or to pay for college, they have to fill out a balance sheet for the bank or other potential lender.

What is a balance sheet? A balance sheet is basically a record for a particular moment in time of what a person owns and what they owe. If they own more than they owe, they are said to have some equity which the balance sheet also shows. If they owe more than they own, they do not have any equity, and this situation would also be indicated on the balance sheet.

The reason a lender requires a balance sheet from a potential borrower is that they want to determine, as best as they can, if the potential borrower can pay them back. It is just that simple. They also want to cover their position in case some unusual circumstance like the loss of the borrower's job prevents the borrower from paying them back. To cover their position, the bank or lender usually wants collateral. Collateral is a fancy word for what they can have if you don't pay them back. On a car loan, the collateral is the car. On a mortgage, the collateral is the house. On other loans, they will want to see what unencumbered assets you have that might be used as collateral. To net it out, the more equity the potential borrower has, the more likely it is that the lender will loan them the money since they will feel comfortable that they will be paid back or covered if the loan can not be paid back. In any case, the point that this handout wants to make is that if someone wants to borrow money, they will need to be able to produce a balance sheet. When you realize that very few people can pay cash for their cars, much less for their houses, the preparation of a balance sheet becomes very important.

The lender will also want to verify that a potential borrower currently has a job and they will want to see last year's W2 and tax return as proof, and probably a current pay stub as well. This is because they don't want to loan someone money who has no income or has not filed their taxes. They also have guidelines about how big of a loan payment a borrower could comfortable pay back based on what their income is and on what financial obligations they currently have.

Financial Matters for Businesses

Most businesses are much more sophisticated in determining their current financial situation than most individuals are. A business really can't be comfortable with a superficial method of keeping track of their financial situation such as asking themselves, "Do I have money in the bank or do I have any credit left on my credit cards?" The reason they can't get away with this type of financial approach is because their financial situation is usually much more complicated than an individual's situation. There might also be investors and stockholders in the company who are very interested in constantly knowing how the company is doing. Besides all this, the management of a business is constantly called on to make decisions about the business and to direct its operations. If they have a good idea of what is going on in the company financially, then these decisions are much easier to make. Besides all that, companies often need loans too. And if a company needs a loan and they can't get it, they will not be just be disappointed like an individual would be because they could not get a new car or a new house. If a business can't get a loan, they might very well go out of business. If this happens, they will lose everything they have worked for and probably disrupt the lives of their customers and their employees besides.

The Necessity for Balance Sheets and Income Statements

By the way, when a business goes to a bank to get a loan, they have to produce a balance sheet and an income statement. The balance sheet shows what they own and what they owe and determines their equity just like an individual's balance sheet does. What is an income statement? An income statement is a record usually prepared for the current financial period and also for the current year-to-date, that shows all the revenue a company has earned and all the expenses the company has paid. Furthermore the income statement does a simple calculation to determine if the company is making a profit and if so how much. It does this by subtracting the expenses from the revenue. That result is the profit or loss of the company. To a bank or a lender, the income statement of a company is the equivalent of a W2 statement and a proof of employment for an individual. It tells the bank or other lender if the business is making money and if so how much money they are making. Once again this type of information is important to a lender, because they have guidelines of what loan payment a business could make based on how much money they are making and on what their current obligations are. They want to make sure that they are making a "good loan," which could be defined as a loan that will be paid back in a timely manner with interest.

Of course, the bank or lender will also want to see the tax return of a company that wants to borrow money. They want to be sure that the company is filing its tax returns and they also want to verify that the financial information on the tax returns matches up with the financial information on the balance sheet and income statement that the potential borrower submits.

By the way, if you look at an 1120C, or 1120S or 1065, you will see that a balance sheet and an income statement are built right into these returns, which is another compelling reason that a business must prepare balance sheets and income statements or have these statements prepared for them.

Introduction to Double Entry Accounting System

How do you prepare a balance sheet and an income statement? This brings us to double entry accounting? What is double entry accounting? Double entry accounting is the accounting method that is used world-wide to prepare financial statements and to track financial transactions. It is an absolutely ingenious method of preparing financial statements that organizes the preparation of these financial statements. It also standardizes the presentation of financial information for the entire world. Besides all that, the double entry accounting system has a built-in methodology that helps to insure that you are preparing financial information correctly.

Who figured out this method? Many say that it was devised by Arab traders thousands of years ago, and has been continuously used by them ever since. Others say it was developed by an Italian mathematician and monk name Luca Pacioli who explained this system in a mathematics book that he wrote and had published in 1494. (This man was evidently pretty smart as he was also Leonardo DaVinci's mentor.) Those who say that the Arabs developed this system thousands of years ago and used it ever since, claim that Pacioli learned this system from the Arabs. In any case, it really doesn't matter to us who invented the double entry accounting system. What does matter, is that the double entry accounting portion of Pacioli's book introduced the double entry accounting system to all of Europe. This system spread from Europe to the rest of the world. The portion of this book that dealt with double entry accounting was used as an accounting textbook all the way into the 19th century. To make a long story short, the double entry accounting system devised or made known by Luca Pacioli became the accounting standard for the whole world, as it still is today. Virtually every manual and computerized system of accounting is based on the double entry accounting system. This is why you have to understand the basics of this system if you want to be credible in selling accounting systems to accountants and this is why this handout was prepared.

How Does the Double Entry Accounting System Work?

How does the double entry accounting system work? It is very simple and very precise. There are two basic principles that form the basis of the double entry accounting system. The first principle is that every economic event has two sides to it. For example, if money is spent it had to come from some source. In the same manner, if money comes into a company, it had to come from somewhere. In layman's terms, the second principle of double entry accounting is that all economic events have to be recorded so as to offset each other in a balancing way. (The second principle will be restated in accounting terms, a little later on in this handout.) Here is the way the double entry accounting system works in layman's terms:

1. Establish accounts that you wish to keep track of- The chart of accounts:

First of all, in order to record economic events, you need to set up "accounts" for various items that you want to keep track of in your business. For example, you would set up an account for each bank account that you had. You would also set up an account for each type of expense that you might have, such as a telephone expense or a rent expense. You would also set up an account for anyone who owed you money and you would set up an account for anyone that you owed money to. etc., etc.

In order to record and keep track of the financial situation of a small business, only a relatively small number of accounts needs to be setup. In very large businesses, the accountants might have to set up hundreds or even thousands of accounts to be able to accurately record financial transactions and to keep accurate financial records. All the accounts that you set up for a business are collectively called the chart of accounts.

2. Divide the accounts that you have setup into five different types of accounts:

It turns out that every account that you set up to reflect an economic event can be classified into one of five different basic types of accounts. These types are assets, liabilities, equity, revenues (also called income) and expenses. Each account that you set up will have to be identified as belonging to one of these five types of accounts. Here is a description of each different type of account:

a) Assets - Assets are accounts that reflect things that you own like cash in a bank account, furniture, automobiles, machines used in a business, computers, etc. etc. It also includes things like money owed to you, which is called accounts receivable. There can be many different asset accounts.

b) Liabilities - Liabilities are accounts that reflect debts that you owe to others. Accounts Payable is a typical liability account and it reflects bills that are due in the short term say the phone bill or the electric bill or money due to a supplier of goods that you might resell. Notes Payable is another liability account that reflects notes or "loans" that are due over a longer period. A mortgage on a building that a business purchased would be a typical notes payable account- so would a loan with payments over five years that was used to purchase equipment for the company. There can be many different breakdowns of liability accounts. For example, it would be typical to have a separate notes payable account for each loan or note.

c) Equity - Equity accounts reflect the owner's equity or the "net worth" of the company. The money that is used to start a company is usually recorded in an account called Capital. This is a typical equity account. In a corporation the cumulative earnings at the end of the previous year that is left in the company and not distributed to stockholders or otherwise paid out is reflected in an account called retained earnings. There is also a calculation made that reflects this year's net income or net loss that is shown in the equity section. It is usually called something like current income or loss or net income or loss on most financial statements.

d) Revenues - These accounts reflect the money that the company is bringing in this year as a result of its sales or services. For example, the revenues for a software company might be broken down into different categories such as software sales and software update fees. Most larger software companies would have more accounts that would show software sales by type of software product and software update fees for type of product.

e) Expenses - Expense accounts reflect the money that has been spent on expenses so far this year. Each type of expense would typically be reflected in a different account. For example, there would be separate accounts for the telephone expense, the rent expense, the salary expense, etc., etc.

Why are these five different types of accounts designated? Well, in total they represent every type of account that is necessary to record and track a financial situation of a business no matter what type of business they are in.

To illustrate, a Balance Sheet is produced by taking the individual account balances of assets, liabilities and equity and printing them. The basic formula that will be true in a double entry accounting system is that Assets = Liabilities + Equity and this is the format that a balance sheet is presented in. Said in another way, the total of everything that you own is equal to what you owe plus your equity.

To further illustrate, an Income Statement is produced by taking the individual account balances in the revenue and expense types of accounts and printing them. The basic formula that governs this report is that Revenues minus the Expenses equals the net income or loss. Net income or loss is also shown on the balance sheet by the way since it also affects the equity of the company.

3. FIRST PRINCIPLE OF DOUBLE ENTRY ACCOUNTING - Now let us return to the principles of double entry accounting. The first principle is that every economic event has two sides to it. What this means is that every economic event is going to affect at least two accounts.

Every accounting transaction is going to affect at least two accounts. For example, if you wrote a check to pay a telephone bill for $100, that event would have to be shown in the telephone account and it would also have to be shown in the cash or bank account that you wrote the check from. Every accounting transaction is this way and you will see this more clearly as you go through some example transactions later on in this handout.

3. RULES OF DOUBLE ENTRY ACCOUNTING - Now we get to the ingenious part. In order to make this double entry accounting system balance or be self checking, some arbitrary rules were devised. This is where the terms debit and credit get introduced and this is where most people who have never studied accounting, get lost. But the concept is really pretty simple, and you can probably understand it very quickly if you just examine how it works and think about it a little bit. This part of the handout will help you to do this.

a) The terms debit and credit

First of all let's discuss the terms debit and credit so that those terms do not confuse you. Debit comes the from the Latin word debitum meaning what is owed to you or a debt. Credit comes from the Latin word credere, which if one was using the term in relation to a debt, would mean a credit or a payment against that debt. Although that is what the terms probably originally meant, today the term debit in accounting just means an entry on the left side or in the left column and credit just means an entry on the right side or in the right column. When you first hear someone say that, it does not seem to make any sense. But read on and you will see that it makes great sense. How did the terms debit and credit get to mean entries in the left hand column and entries in the right hand column and how will that help to keep financial records?

To better understand how debits got to mean entries on the left and credits got to mean entries on the right, visualize that you were a merchant in the middle ages for a few minutes. Suppose you had many customers. Suppose your business was to supply farm produce to a number of resellers of this produce in a big city. These were your customers. The more prosperous of your customers might be able to pay for the produce when they purchased it from you for resale using some currency that was used in that country. However, if financial matters and people were at all like they are today, then many of these resellers might not be able to pay you until they sold the produce to their customers at a profit. Suppose you found that it was good business to let them sell the product anyway and then come back and bring you the money that they owed you. If you did this, you would have to keep records to keep track of things. Let's suppose you had a book to do this. In this book, you might have a page for each reseller. On the left hand side of the page, you could write the amount of the debt that they incurred with you to purchase the produce, and you could note what type of produce was purchased and when. On the right hand side of the page, you could record the payments that they made.

Evidently books such as these are still in existence that date back to the 12th and 13th century and books such as these have probably existed for much longer than that.

b) Extending the debit and credit concept of a loan account to all accounting transactions

The double entry accounting system makes use of the two column concept that is so logical and sensible in the example above and was probably commonly used in those times. But the double entry system extends the use of the two column concept and generalizes it and makes it balancing and self-checking. It does this by decreeing that the entries made in the left side or debit side must equal the entries made on the right side or credit side. The debit side records one side of the economic transaction and the credit side records the other side of the economic transaction.

In other words, the same concept that was originally used to record loans and payments with a left hand column and a right hand column was extended to cover every account. Why would you want to do this? The beauty of the system is that if you do this, then the total of the debits has to equal the total of the credits at all times. This provides a check that both sides of the entry were made. It also provides a check that the same exact amount was used for both sides of an accounting transaction. This generalization for the purposes of establishing the double entry accounting system is what made debits mean entries in the left column and credits mean entries in the right column as they do in modern accounting.

c) How do debits and credits work?

Now let us examine how these debits and credits work. Earlier, this handout stated the second principle of double entry accounting in layman's terms. It stated that all economic events have to be recorded so as to offset each other in a balancing way. Here is the typical way accounting textbooks explain this same concept: "The total of the debits must equal the total of the credits. In other words, for every transaction, one or more accounts must be debited and one or more accounts must be credited, and the total dollar amount of the debits must equal the total dollar amounts of the credits." (Needles, 54) You can see from this formal accounting definition of the second principle of double entry accounting that you have to understand the concepts and the use of the terms debits and the credits if you want to deal with accountants.

The key to the working of the double entry accounting system is that since every accounting transaction is going to affect two accounts, then we must make these two entries somehow different from each other so that the system will be self-checking? This is done by making one of the entries a debit and one of the entries a credit, but some arbitrary rules had to be established in order to make this system work.

d) Which is the debit, which is the credit? - The basic rule - Debits increase asset accounts and credits decrease them.

The first rule is how do we determine which part of an accounting transaction is the debit and which part of the accounting transaction is the credit when a new accounting transaction is being put into the various accounts. The best way to see how this is done for a non-accountant is to start by relating everything to cash. In a cash account, which is an asset account, an entry in the left column or a debit means an increase in cash and an entry in the right column or a credit means a decrease in cash. (This is the same convention or rule that we discussed in the example of the merchant of the Middle Ages and this is the convention or rule that was probably in wide use when the double entry accounting system was either first devised or first explained and popularized in 1494. It is the same convention that is still used throughout the world today for

virtually every accounting system. The net of this is that you should just accept and memorize the fact that debits increase asset accounts and credits decrease asset accounts. Accept it just like you accept the fact that if you go to a football game, the fans for one team typically sit on the same side of the stadium that their team's bench is on and vice versa. It wouldn't have to be that way, but it is logical and sensible and that is the way it is.) The acceptance of the convention or rule that increases in assets are shown with debits and decreases in assets are shown as credits is a necessary starting point to see how the rest of the system was derived and works and still works today.

e) Some debit and credit examples - Expense accounts - Introducing T accounts

Now for learning purposes, let's determine how a common accounting transaction should be debited and credited.

1. I am paying a telephone bill for $100 with a check. What is going to happen to my cash account? My cash account is going to have less money when I do this. It is going to decrease. According the rules setup by the originator of the double entry accounting system, this means that my $100 entry to my cash account will be on the right side or will be a credit entry. (Remember that for cash, a debit increases cash and a credit decreases cash.). Now what does that mean for the expense account. Well since the debits have to equal the credits, that means that the $100 entry to the telephone account will be a debit of $100. It will have to be placed in the left column of that account.

If you read a beginning accounting book, they almost always explain and illustrate these types of examples with what they call T accounts. A T account is just a big letter T with the name of the account above the T and the left part of the T representing debit entries and the right part of the T representing credit entries.

In summary in paying my telephone bill, I would be

debiting the telephone account 100
and crediting the cash account 100

This would be shown on T accounts like this.

```
        CASH                      TELEPHONE
   DR  |  CR                    DR   |  CR
       |  100                   100  |
       |                             |
```

It is easy to see that paying any expense account from my cash or bank account would always work in the same way since my cash would always be decreasing and my entry to cash would therefore always be a credit entry.

Here are some other examples:

pay my rent

debit rent account   800
credit cash 800

pay my travel expenses

debit travel expense account 500
credit cash 500

Now let's look at the big picture. Cash is an asset account. The telephone expense, the rent expense and the travel expense are all expense accounts. All asset accounts like cash increase with debits and decrease with credits. Therefore it can be generalized that since all expense accounts would increase when they were paid with cash, then all expense accounts increase with debits and decrease with credits.

So we have covered two of the five types of accounts. Assets always increase with debits and decrease with credits. Likewise Expenses always increase with debits and decrease with credits.

f) More debits and credits - Liability Accounts

Now let's look at liabilities. If we borrowed money from a bank and deposited it into our bank account our bank account would increase. Because an increase in assets is a debit entry, then an increase in the loan account of the liability that we borrowed from would be a credit entry.

Suppose I borrowed $10,000 to start a business and deposited it in my bank account.

My bank account which is an asset would have to be debited for 10,000. The notes payable account for this loan would therefore have to be credited for 10,000 to follow the rules for double entry accounting.

Here is how this would show on T accounts:

```
           CASH                          NOTES PAYABLE
   DR      |    CR                 DR       |    CR
   10000   |                                |  10000
           |                                |
           |                                |
```

What can we learn from this? We already knew that all assets increase with debit entries and decrease with credit entries. We saw that if we borrowed money from an account that would be a liability account, that we would increase cash and therefore we would have to debit that cash account for the amount we borrowed of $10,000. Therefore, according to the rules of double entry accounting, the corresponding increase in our notes payable account would be a credit entry of $10,000. We can now generalize that all Liability accounts increase with credit entries and decrease with debit entries.

g) More debits and credits - Equity accounts

Now let's look at Equity accounts. (Remember that Equity accounts represent our ownership in our business rather than a lenders claims on our business which is reflected by liability accounts.) Suppose instead of borrowing $10,000 to start a business, we used $10,000 from our savings to start a business. We know that the $10,000 would increase our cash and therefore it would be a debit entry to our cash account. Therefore, if we used our savings to provide the money to start our business, it would have to be a credit entry to an equity account. The usual name given to an account that provides money or "capital" from the owners of a business is called a capital account.

Here is how the T accounts would look like for this accounting transaction.

```
        CASH                           CAPITAL
   DR    |    CR                    DR    |    CR
  10000  |                                |  10000
         |                                |
         |                                |
```

h) More debits and credits - Revenue Accounts

There is one more type of account that we have not yet covered. This type of account is called a Revenue account. This is the type of accounts that we use to record money that the business earns for selling products or producing services. Let's suppose that we sold a product or a service for $2000. When we received the money from the customer, we would deposit it in our bank account.

This would increase our cash and therefore it would be a debit to the cash account. Therefore the corresponding entry to the Revenue account would be a credit of $2000 to a sales account which is a typical name for the revenue account that records sales.

Here is how that accounting transaction would look like on T accounts:

```
        CASH                           SALES
   DR    |    CR                    DR    |    CR
  2000   |                                |  2000
         |                                |
         |                                |
```

We can generalize from this entry, that all increases in revenue accounts are shown by credits and all decreases in revenue accounts would be debits. We have now covered all five different types of accounts.

I) Summary of debits and credits rules

Let us now summarize how debits and credits affect the different types of accounts by using the T account structure:

```
      ASSETS                 LIABILITIES                  EQUITY
   DR    |    CR            DR    |    CR            DR       |    CR
INCREASES | DECREASES   DECREASES | INCREASES   DECREASES | INCREASES
```

```
            REVENUES                          EXPENSES
        DR    |    CR                     DR    |    CR
   DECREASES | INCREASES             INCREASES | DECREASES
             |                                 |
             |                                 |
```

5. SAMPLE DOUBLE ENTRY ACCOUNTING EXERCISE - Now let's illustrate the whole double entry accounting process with a short example.

a)Some sample accounting transactions

Here is what happened in the first month of a mythical new business that just started this month. All of the following expenses were paid for with checks from a checking account and the money from the owner and the sales commissions were put into the same checking account. (The only exception to this is that office supplies were purchased with an Office Depot credit card.)

(A.) The owner puts $5000 into the business to start up.
(B.) The owner pays the rent on a new office for $500.
(C.) The owner buys furniture for $1000.
(D.) The owner buys a computer for $2000
(E.) The owner pays the electric bill for $200
(F.) The owner pays the phone bill for $300
(G.) The owner receives sales commissions of $1500.
(H.) The owner buys office supplies for $300 on credit from Office Depot using an Office Depot Credit Card.

b) The setup of a chart of accounts

Here are the accounts that the business sets up to be able to track its financial transactions.

100   Bank of America
150   Furniture
160   Computer
220   Office Depot
310   Capital
410   Sales
610   Electric
620   Telephone
630   Rent
640   Office Supplies

The accounts 100, 150 and 160 are asset accounts since they represent items owned by the business. Account number 220 is a liability account since it represents monies owed. Account number 310 is an equity account since it represents ownership of the business by the owner. Account number 410 is a revenue account that will be used to record the earnings of the company. Accounts 610, 620, 630 and 640 are expense accounts since they will be used to record expenses.

Now let us figure out what all the accounting transactions would be in terms of debits and credits. (To simplify things, examples are given that only affect two accounts equally with an equal debit and an equal credit.)

c) The transactions put into debits and credits

(A.) The owner puts $5000 into the business to start up.
  This would be a debit to account 100 and a credit to account 310.

(B.) The owner pays the rent on a new office for $500.
  This would be a debit to account 630 and a credit to account 100.

(C.) The owner buys furniture for $1000.
   This would be a debit to account 150 and a credit to account 100.

(D.) The owner buys a computer for $2000.
   This would be a debit to account 160 and a credit to account 100.

(E.) The owner pays the electric bill for $200.
   This would be a debit to account 610 and a credit to account 100.

(F.) The owner pays the phone bill for $300
   This would be a debit to account 620 and a credit to account 100.

(G.) The owner receives sales commissions of $1500.
   This would be a credit to account 410 and a debit to account 100.

(H.) The owner buys office supplies for $300 on credit from Office Depot using an Office Depot
   This would be a debit to account 640 and a credit to account 220.

d) T account summary

Now let's put all these accounts and transactions into T accounts. Although not usually done on T accounts, I am going to indicate the origin of each transaction on the T accounts by the letter of the transaction to help you to follow them.

```
      100 Bank of America             150-Furniture              160- Computer
    DR    |     CR              DR    |    CR              DR    |    CR
  5000 (A.) |                 1000 (C.) |                2000 (D.) |
        |  500 (B.)                 |                         |
        | 1000(C.)                  |                         |
        | 2000(D.)                  |                         |
        |  200(E.)
        |  300(F.)
  1500 (G) |


      220- Office Depot            310- Capital               410-Sales
    DR    |     CR              DR    |    CR              DR    |    CR
        |  300 (H.)                 |  5000(A.)                 | 1500(G.)
        |                           |                           |
        |                           |                           |


      610-Electric                 620-Telephone              630- Rent
    DR    |     CR              DR    |    CR              DR    |    CR
  200 (E.) |                  300(F.)  |                 500 (B.) |

      640-Office Supplies
    DR    |     CR
  300 (H.) |
        |
        |
```

6. PREPARING A TRIAL BALANCE - The next step in a double entry accounting system is to prepare a trial balance. This involves computing the balance of each account and printing a trial balance.

The trial balance is a check to make sure that the debits equal the credits. If they do, it means that both sides of the accounting transactions were recorded and that both sides of the transaction were recorded for equal amounts of offsetting debits and credits. This insures a great deal of accuracy in the entries. There can still be errors in a trial balance that is in "balance" but the main ones would be a transaction left out completely or a transaction recorded to the wrong account. (For example an electric company expense could be posted to the phone company.)

On a manual system, the accountant would then sum the debits and the credits in each column and then add those results to get an overall debit or credit balance for the account. This is the number that would appear on the trial balance. On a computer system, the computer would do this job. Here is a trial balance prepared from the sample transactions given and placed into T accounts in the last few pages.:

<div align="center">Trial Balance - New Business</div>

		Debit	Credit
110	Bank of America	2500	
150	Furniture	1000	
160	Computer	2000	
220	Office Depot		300
310	Capital		5000
410	Sales		1500
610	Electric	200	
620	Telephone	300	
630	Rent	500	
640	Office Supplies	300	
Total		6800	6800

This trial balance is in balance and thus the accountant can proceed to the next step as is shown by the total of the debit column of 6800 being equal to the total of the credit column which is also 6800. The next step in preparing financial statements is usually to reconcile the balance in the cash account on the trial balance with the balance of that same account from a reconciled bank statement that originated from the bank. This will insure that accounting transactions affecting cash entries that appear on the bank statement will also appear on the trial balance and vice versa. In many company situations, there are other "control" accounts like the cash account that have balances that can be checked to an outside source, for example, all credit card accounts should be reconciled against the credit card statements to insure that all credit card purchases and payments have been properly recorded. The accountant might also make any number of accounting transactions that do not affect cash such as entries to record depreciation. These entries must be remembered and made. Also a check is made to catch obvious mis-coding errors such as recording an expense in the wrong expense account. Once the accountant is satisfied that the trial balance is correct and complete, then he or she can proceed with preparing the financial statements.

7. From the trial balance, financial statements such as a balance sheet and income statement can be quickly prepared.

Normally an income statement is prepared first because the net income of that statement is needed to prepare the balance sheet. The income statement just uses the balances of the revenue and expense accounts. A simple calculation is made to subtract the total expenses from the total revenue. This becomes the current profit or loss. The income statement for the sample, New Company is shown below:

<div align="center">

The New Company
Income Statement
For September 1st to September 8, 2004

</div>

Revenue

Sales	1500
Total Revenue	1500

Expenses

Electric	200
Telephone	300
Rent	500
Office Supplies	300
Total Expenses	1300
Current Profit	200

The balance sheet only uses the Asset, Liability and Equity accounts, plus adds the current income or loss computed from the income statement to the Equity section because that amount adds to or subtracts from the net worth of the company.   The Balance Sheet follows:

The New Company
Balance Sheet
September 8, 2004

Assets

Cash	2500		
Furniture	1000		
Computer	2000		

Total Assets   5500

Liabilities

Office Depot   300

Total Liabilities   300

Owner's Equity

Capital   5000
Current Profit   200

Total Owner's Equity   5200

Total Liabilities and Owner's Equity   5500

This handout has covered the basics of the double entry accounting system that is used throughout the world on all financial transactions. As a person using an accounting system, you will benefit greatly from understanding these basic concepts and this understanding should make your job much easier and more fulfilling on a day-to-day basis. If you really want to master these concepts, you should review this handout and you should also get a few introductory accounting books and read and study the sections in them on double-entry accounting. (A good general rule is to read all of the early chapters of the book since all basic accounting books are really forced to begin with an explanation of the basics of accounting and the double-entry accounting system.) All these books typically have some sort of sample transactions or exercises to illustrate the basic accounting concepts and to help the reader to understand them. You can get basic accounting books in book stores like Barnes and Noble or in junior college or college bookstores and you can also get them very inexpensively in used book stores or on the internet using one of the book search programs like www.bookfinder.com. Another good way to learn the fundamentals of accounting is to take a course in basic accounting in either a vocational or business school or at a junior college or four year college. The accounting book quoted on page 10 is entitled Principles of Financial Accounting. It is a college textbook in accounting and was written by Belverd Needles, Marian Powers, Sherry Mills and Henry Anderson. It was published in 1999 by Houghton Mifflin Company with offices in Boston and New York City.

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