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ABSTRACT

This instructor guide for a unit on recordkeeping in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 1 of learning--understanding the creation and operation of a business. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The student module includes the following: specific objectives, questions supporting the objectives, complete content in the form of answers to the questions, case studies, individual activities, group activities, discussion questions, assessment questions, and list of eleven references. Model assessment responses are provided in the instructor materials. These three objectives are addressed: discuss the reasons for keeping business records; identify the elements of effective recordkeeping; and describe different types of records needed by small business. (YLB)

INSTRUCTOR GUIDE

Unit 17

Record Keeping

Level 1

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

UNIT 17
LEVEL 1

Your Potential as an Entrepreneur Nature of Small Business Business Opportunities Global Markets The Business Plan

Help for the Entrepreneur Types of Ownership Marketing Analysis Location Pricing Strategy Financing the Business

Legal Issues Business Management Human Resources Promotion Selling

Financial Analysis Customer Credit Risk Management Operations

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 301-17

Objectives:

- Discuss the reasons for keeping business records.
- Identify the elements of effective record keeping.
- Describe different types of records needed by small business.

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TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

1. DISCUSS THE REASONS FOR KEEPING BUSINESS RECORDS

Why keep records?

Ask the class why they will need to keep business records. List their responses on the board.

2. IDENTIFY THE ELEMENTS OF EFFECTIVE RECORD KEEPING

What are the requirements of a good record-keeping system?

Ask the class what they would expect from their record-keeping system. Review the six qualities and basic elements described.

How can you obtain help developing and maintaining record systems?

Obtain a copy of the SBA "Record Keeping in Small Business" to show the class.

Share with the class a copy of a personal computer record-keeping print out.

3. DESCRIBE DIFFERENT TYPES OF RECORDS NEEDED BY SMALL BUSINESS

What is meant by single-entry and double entry bookkeeping systems?

Obtain samples of single-entry and double-entry bookkeeping systems from a bookkeeping service center and/or small business, and discuss them with the class. Demonstrate recording a single transaction using the two different bookkeeping systems.

Which records are common to most businesses?

Invite a local small business owner to show the class their business records. Your guest speaker may also help with the discussion on single entry and double entry bookkeeping systems.

Why keep a business checkbook?

Ask the guest speaker to show the class their business checkbook.

What information is recorded in the business checkbook?

Ask the guest speaker to show the class what information is recorded in the business checkbook.

How do you reconcile the bank statement balance?

Give the class several exercises such as the one in Assessment question #4. Work through the exercises with them.

Why keep a daily sales and cash summary?

Ask the class why this activity should be done daily rather than weekly or monthly.

Objectives

Teaching Suggestions

What is the daily sales and cash summary?

Change the amounts of the cash received, charge sales and income received and ask the class to calculate the Cash Summary.

Why do you keep accounts receivable records?

Have the guest speaker show the class their accounts receivable records and discuss the need for them.

Why do you keep payroll records?

Ask the guest speaker to discuss problems that could arise if no payroll records were kept.

What record keeping is used for the payroll?

Have the guest speaker show the class their payroll records. Be sensitive to the speakers' need for confidentiality concerning certain areas of the business.

MODEL ASSESSMENT RESPONSES

1. A business needs to keep business records for many reasons. They include keeping in touch with business operations, spotting business trends, controlling prices, obtaining financing, and filing taxes.
2. The six qualities of a sound record-keeping system are (1) not difficult to use, (2) easy to understand, (3) reliable, (4) accurate, (5) consistent, and (6) designed to provide information on a timely basis. All record-keeping systems should include source documents, procedures, and a set of reports.
3. In the single-entry bookkeeping system a transaction is recorded only once. In the double-entry bookkeeping system a transaction is record in two different ledgers.
4. $\$11,000 + \$3,000 = \$14,000$
 $\$14,000 - \$9,500 = \$4,500$ in outstanding checks
5. An accounts receivable record should include the name, address, and phone number of the customer. In addition, for each transaction the following information should be recorded: date, details, charge or payment and current account balance.
6. Every employee payroll record should include the employee's total wages, hours worked (if applicable), overtime earnings, taxes, unemployment insurance, and other appropriate deductions.
7. Record-keeping advice is available from trade groups and business associations, the Small Business Association, and a variety of books and computer software programs.

PACE

THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.

Level 2 — Planning for a business in your future.

Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
Center on Education and Training for Employment, 1900 Kenny Road, Columbus, Ohio 43210-1090
(614) 292-4353, (800) 848-4815.

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**UNIT 17
LEVEL 1**

**Record
Keeping**

Your Potential
as an
Entrepreneur

Nature of
Small Business

Business
Opportunities

Global Markets

The
Business Plan

Help for
the
Entrepreneur

Types of
Ownership

Marketing
Analysis

Location

Pricing
Strategy

Financing
the Business

Legal
Issues

Business
Management

Human
Resources

Promotion

Selling

Financial
Analysis

Customer
Credit

Risk
Management

Operations

PACE
THIRD EDITION

**Program for Acquiring
Competence in
Entrepreneurship**



**CENTER ON EDUCATION
AND TRAINING FOR EMPLOYMENT**
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

6 Research & Development Series No. 301-17

RECORD KEEPING

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.
2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.
3. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

Accounts receivable
Assets
Bank statement
Capital
Credit
Debit
Debt reconciliation
Liabilities
Payroll records
Source documents

RECORD KEEPING

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- discuss the reasons for keeping business records,
- identify the elements of effective record keeping,
- describe different types of records needed by small business, and
- identify sources of record-keeping assistance.

WHAT IS THIS UNIT ABOUT?

A business cannot operate successfully without proper record keeping. One of the main reasons for business failures is the lack of adequate records, and especially the lack of adequate financial records. Keeping business records is a form of score keeping. Small business owners can know the current score of their business with accurate and up-to-date records.

This unit will explore the basic reasons for keeping business records and the requirements of a good record-keeping system. The concept of single- versus double-entry book-keeping will be introduced. In addition, information will be presented regarding common record-keeping needs and resources.

WHY KEEP RECORDS?

As you start your business, you might wonder, "Why go to all the trouble and fuss of keeping business records?" Actually, good records are needed for several reasons:

- Your records are the way you keep in touch with the day-to-day, week-to-week, and month-to-month operations of the business.
- Your records will help you spot business trends, such as high and low points in sales, operating costs, inventory levels, and credit totals.

- Your records will help you keep control of costs and develop realistic, competitive, profit producing prices. In addition, they will help you plug profit drains, such as theft, inadequate cost control, and other factors.
- Your records will be needed if you wish to obtain financing. In fact, most creditors and some suppliers will be interested in seeing your records prior to extending credit to you.
- Your records are required for tax and legal purposes.
- Your records provide information for business investors or potential investors such as partners or stockholders. They may also be requested if you should wish to sell your business.
- Your records also help you control your investment in inventory, accounts receivable, buildings, and equipment.
- Your records will become a valuable marketing resource, useful for understanding your customers' buying patterns and trends as you implement your business strategy.

In addition, problems may arise when business owners do not understand accounting and fail to keep proper records. The owners do not know if the business is operating at a profit or loss until they compute the "bottom line" at tax time or at the end of the year when an accountant is hired to analyze the

operation. The business owner needs to know where the business is going on a day-to-day basis. Yearly financial reports are important and useful, but timely knowledge of operating conditions is even more important if the entrepreneur wishes to turn a small business into a bigger business.

WHAT ARE THE REQUIREMENTS OF A GOOD RECORD-KEEPING SYSTEM?

A good record-keeping system has six major features. It must be (1) simple to use, (2) easy to understand, (3) reliable, (4) accurate, (5) consistent, and (6) designed to provide information on a timely basis. In addition, all record-keeping systems utilize the following:

- Source documents capturing each crucial business transaction
- Procedures that specify how the information on the source documents is to be retained, summarized and used
- A set of reports and formats that facilitate management decision making and regulatory compliance

Your primary responsibility as a small business owner is to design these procedures and reports, train your employees in their use, and assure that each system is kept up-to-date and accurate.

HOW CAN YOU OBTAIN HELP DEVELOPING AND MAINTAINING RECORD SYSTEMS?

Modern accounting records are not difficult to maintain. Some standardized systems can be purchased in stationery and office supply stores. Trade groups and other business associations have standard records they recommend for their members. Several copyrighted bookkeeping systems are available. These systems cover the basic records and provide complete instructions for their use. In addition, the Small Business Administration's (SBA) publication number FM10, "Record Keeping in Small Business," lists and describes a variety of general purpose and industry specific bookkeeping systems. Write for a copy of the SBA order form covering this and other management aid publications from: SBA, P.O. Box 15434, Fort Worth, Texas 76119.

The growth of computers for personal and small business use, plus the drop in computer prices, have made the computerization of accounting systems a realistic alternative. Library and bookstore shelves contain books regarding these personal and business computers, plus the new and emerging technology that is designed to simplify business operations. An excellent starting point in your evaluation of small computer options is SBA's booklet Number MP 14, "How to Get Started with a Small Business Computer" (see above for ordering information).

Many small businesses, especially small retail businesses, do not need elaborate records. Several small businesses use the cash register to obtain information for

financial records. Information can be taken from the cash register audit tape and copied onto the daily balance form. A special form listing daily cash payments should be maintained. Some cash registers provide for these amounts to be shown on the daily audit slip. In the absence of adequate records by cash register tape, other records should be made of all types of sales, receipts, and payments. Electronic cash registers now have the capability to be linked directly to your computer to capture the basic sales and inventory transactions at the point of sale. The real advantages of computerized record keeping systems are obtained when the following exists:

- The original source documents can be automatically recorded
- The standard required and management reports can be generated. The exception reports needed for management decision making are all collected, organized, and generated with the aid of the computer.

This can result in time and cost savings as well as an increased opportunity to take advantage of ways to increase revenue.

As a small business owner, you may be concerned about the time and costs associated with designing and using a record-keeping system. However, you will need to remember that adequate records will help you control costs and manage effectively.

As you work through the PACE units, you will have an opportunity to determine the types of records that you will need in your business. You will also have an opportunity to design some—if not all—of your forms for record keeping. Remember that the

records themselves are useless without systems that specify how to utilize them on a daily, weekly, and monthly basis.

WHAT IS MEANT BY SINGLE-ENTRY AND DOUBLE-ENTRY BOOKKEEPING SYSTEMS?

There are two basic kinds of bookkeeping systems available for accounting purposes. They are single-entry and double-entry systems. Each of these systems will be examined. Some basic terminology you should understand includes the following:

Assets. Anything a business owns that has a money value is an asset of the business.

Liabilities. Anything the business owes is liability.

Capital. The difference between what the business owns and what it owes.

The Accounting Equation. Assets = liabilities + capital.

Transaction Example. You pay a supplier's bill for \$100. Your cash asset will be reduced by \$100 while a liability, accounts payable will also be reduced by \$100. Each business transaction has two effects.

Single-entry. When a simplified single-entry bookkeeping system is used, transactions are recorded only once. Therefore, only a single set of figures are available. This system is simplified. It is inexpensive and easy to operate, but if a mistake is made, it is extremely difficult to find. Other

points to consider about the single-entry form of bookkeeping are these:

- Many simplified, single-entry systems are available at stationery or office supply stores for a very low cost.
- These systems can be maintained by individuals with little or no formal education, training, and/or experience in accounting.
- Less time is required with this system because each entry is entered only once.
- As mentioned previously, errors are more difficult to find. In addition, losses of money and merchandise are more difficult to trace due to the lack of internal controls.
- Subsidiary systems may be required to keep track of the various parts of the business.

Initially, a single-entry system may be adequate for the small business. It usually concentrates on the flow of income and expenses and is adequate for tax purposes.

Double-entry. Double-entry systems are more complicated. They involve recording each item in two different places, such as in ledgers, journals, or on cards, and in two different ways: by means of a debit and a credit. For example, when a customer pays a bill for \$200, that customer's charge account on the books of the business is credited (reduced) by \$200, and the cash account on the business records is debited (increased) by \$200. This single payment of \$200 shows up in two places on the business

books. Other transactions are also recorded in terms of debit and credit. In this manner, two sets of figures are developed. The total of one set should equal the total of the other. If the totals do not balance, a mistake has been made. Other points regarding this system are as follows:

- The system is more complicated and may require a skilled individual to set it up and maintain it.
- Errors and losses can be spotted quickly because the entire business is controlled by the system and the debits and credits of each account must balance out.
- A large amount of management information is provided since daily or monthly comparisons can be made for any account item in the business.
- The larger number of entries makes room for more errors, but the system is designed so that errors can be detected and traced back to the source.

As a result of this safety factor for detecting errors, the double-entry system is more commonly used than the single-entry system. It may be used in a variety of business situations.

WHICH RECORDS ARE COMMON TO MOST BUSINESSES?

Every business has unique record-keeping needs, but there are some accounting records

that are common to most businesses. You may already be familiar with some of these. Most business people keep the following records up to date:

- The business checkbook
- Daily sales and cash summary
- Accounts receivable journal
- The bank reconciliation statement
- Basic payroll records
- Petty cash fund
- Equipment list
- Insurance record
- Personnel records
- Inventory records

WHY KEEP A BUSINESS CHECKBOOK?

Many small business owners have been tempted to utilize their personal checkbooks to keep their business records. This practice makes it very difficult to keep your business and personal finances separate. The lack of separation creates serious tax and record keeping problems as your business grows.

WHAT INFORMATION IS RECORDED IN THE BUSINESS CHECKBOOK?

The business checkbook is not very different from a personal checkbook. The business checkbook has two parts that must be filled out each time a check is written. The first part is the check itself, which looks just like your personal checks. Figure 1 is an example of a business check.

- The check number, usually preprinted by the bank (976)
- The date the check was written (November 21, 1982)
- To the entity for which the check was written (Sunset Supply Company)
- The purpose of the payment, 50 prayer plants, 100 Boston Ferns, 80 Chinese Ferns)

CHECK STUB	Jones Plant Shop	No. 976
	4427 Cross Street	
	Citytown, Ohio 00000	
		Date _____ 19 ____
	Pay to the order of _____	\$ _____
	_____ dollars	
	Signature _____	
	Citytown Bank	
	5201 Stockdale Highway	
	Citytown, Ohio 43220	
		4076.9432.776.06.06675..5

Figure 1. Sample Business Check

The second part, the business check stub, is more detailed than those of individual personal checking accounts. The steps involved in preparing a check stub include filling in the spaces underlined in Figure 2. Check stubs contain space for information that you will need for the business records. You may need to complete some calculations to fill in the required data. The following information should be filled out; in this example, data are used from the check in Figure 1:

- The balance brought forward from the last check (Bal. Bro't. For'd.—\$2,590.00)
- Any deposits that may have been made since the last deposit (add \$300)
- The net total (add to get \$2,890.00)

<u>Check No. 976</u>	\$ 476.00
Date:	<u>November 21, 1994</u>
To:	<u>Sunset Supply Company</u>
For:	<u>50 Prayer Plants</u> <u>100 Boston Ferns</u> <u>80 Chinese Ferns</u>
Bal. Bro't For'd	\$2,590.00
Amt. deposited	+ 300.00
Total	\$2,890.00
Amt. this check	\$ 476.00
Bal. Car'd For'd	\$2,424.00

Figure 2. Sample Check Stub

- The amount of this check (subtract \$476.00)
- The net balance to be carried forward to the next check stub (Bal. Car'd For'd—\$2,424.00)

HOW DO YOU RECONCILE THE BANK STATEMENT?

Each month the bank sends you a record of the deposits and checks written on your firm's bank account. Ideally, the balance shown on the bank statement should always

correspond to the balance shown on your check stub. Unfortunately, this almost never happens. Checks may still be outstanding, having not been cashed by the person or firm to whom they were issued. Deposits may not have been recorded by the bank before the bank statement was prepared.

Therefore, you need to reconcile the bank statement with your records. Reconciling is just a way to insure agreement between your record-keeping data and the bank's information. It will enable you to detect errors, record bank charges, and locate any "lost" checks. Figure 3 lists steps you might use to reconcile the bank statement. Figure 4 is a reconciled bank statement.

Information	Steps
1. Bank statement balance	1. Enter balance amount shown on bank statement.
2. Deposits not credit	2. List any bank deposits not recorded on the statement
3. Total deposits	3. Total these deposits.
4. Total	4. Add the total deposits to the bank statement.
5. Outstanding checks	5. List any checks not recorded as cash.
6. Total checks	6. Total the amount of outstanding checks.
7. Adjusted balance	7. Subtract the total of the outstanding checks from the total in No. 4.
8. Checkbook balance	8. Enter balance shown on last check stub.
9. Bank service charge	9. Subtract the bank service charge to get the total in No. 10. Line No. 10 should match line No. 7.
10. Final checkbook balance	

Figure 3. Steps used to reconcile bank statement

Bank statement balance		\$2,760.00
Deposits not credited	\$ 780.00 640.00 <u>940.00</u>	
Total deposits	\$2,360.00	<u>2,360.00</u>
Total		\$5,120.00
Outstanding checks	\$ 50.00 1,002.00 <u>35.00</u>	
Total checks	\$1,087.00	<u>1,087.00</u>
Adjusted balance		\$4,033.00
Checkbook balance		\$4,035.00
Bank service charge		<u>2.00</u>
Final checkbook balance		\$4,033.00

Figure 4. Sample reconciled bank statement

WHY KEEP A DAILY SALES AND CASH SUMMARY?

The daily sales and cash summary provides you, the business owner, with two important types of information. First, it provides information about whether the cash you have at the end of the day matches the amount that your sales receipts indicate you should have in cash. Consider the following daily sales and cash summary information.

At the end of the day you count your cash and it totals \$520. This is your daily cash summary. You check and find that credit sales for the day were \$60. Adding this \$60 to your cash sales results in a daily sales summary of \$580. When you total the sales receipts and the accounts receivable income, you get \$570. There is a problem because there is a \$10 difference.

You should then ask a series of questions: Was some transaction not recorded? Was an arithmetic error made? Was incorrect change given to a customer? Was an error

made in recording the selling price? It's better to complete a daily summary and find and possibly correct the error that day than have to find it at the end of the month.

Second, the daily sales and cash summary provides data that can be used in completing other records that tell you how well your business is doing.

WHAT IS THE DAILY SALES AND CASH SUMMARY?

Although forms for a daily sales and cash summary vary, all forms should include the following basic information:

- Date
- Cash received and charge sales made
- Income received on accounts receivable (money owed to the business)
- Total cash received

More detailed daily sales and cash summaries might break these entries down to provide additional information to meet specific record-keeping needs. Figure 5 shows the daily sales and cash summary form for July 7, 1992, for a firm whose cash sales for the day totaled \$624, charge sales totaled \$150, and the amount received from credit customers' accounts was \$70.

WHY DO YOU KEEP ACCOUNTS RECEIVABLE RECORDS?

Many small businesses extend credit to their customers. A set of records for these sales needs to be kept. This set of records is known as the accounts receivable journal. Perhaps your firm will extend its own credit to its customers instead of working with one of the national or bank credit card companies. If it does, you will need to keep records of what your credit customers owe and have paid. This is really your only account of how much they owe your business. Figure 6 is an example of a customer accounts receivable record.

Date:	July 7, 19__	
Cash sales		\$624.00
Charge sales		150.00
Accounts receivable		<u>70.00</u>
Total sales and cash received		\$844.00

Figure 5. Sample daily sales and cash summary

Customer Address		Ann Flower 23 Florence Road, Venice, FL	Phone 455-6387	
Date	Details	Charge	Payment	Balance
March 7, 19____	Sales slip No. 237	\$457.00		\$457.00
May 6, 19____	Check No. 972		\$250.00	\$207.00
June 1, 19____	Check No. 1007		\$207.00	\$0.00

Figure 6. Sample accounts receivable journal entry

Your ability to manage how fast and how completely your customers pay what they owe will prove crucial to the success of your business.

WHY KEEP PAYROLL RECORDS?

As a business owner with employees, you serve as an agent of the government when you collect payroll tax deductions from your employees. The amounts so deducted, along with your contributed portions, must be accurately reported (and paid) in a timely fashion.

There are city, state, and federal withholding taxes, social security deductions and contributions (from your business), and workers

compensation and unemployment contributions.

These records also form a fundamental management control over one of the largest costs to your business, the cost of labor.

WHAT RECORD KEEPING SYSTEM IS USED FOR THE PAYROLL?

As the employer, you will want to record the following information for each part-time or full-time worker:

- Total wages earned
- Hours worked (if applicable)

- Overtime earnings
- Deductions taken from wages
- State unemployment insurance
- State disability insurance (if applicable)
- Federal income taxes
- Social Security taxes (FICA)
- State and/or local income taxes, if applicable
- Other deductions including health and accident insurance, life insurance and credit union deposits

As an employer, you will have to determine and record the wages and deductions of each employee. You should record this information carefully and accurately. Not only will you want to record this information in the checkbook, but you will also want to record the information in a form that you can use for computing and preparing business and tax reports.

In order to keep payroll records, businesses often have separate employee payroll checkbooks. Most employee paychecks include a tear-off check with payroll information. This section probably contains the following:

- Gross pay
- Net pay
- Social Security deduction (FICA)
- State disability insurance (if applicable)
- Federal tax deduction
- State and/or local tax deduction, if applicable
- Insurance deductions, if applicable
- Other deductions

At the end of each quarter, you will need to report federal income taxes, social security taxes (FICA), and state and/or local income taxes, if applicable, that have been withheld from each employee. The Internal Revenue Service (IRS) will provide you with a booklet explaining how deductions are to be calculated. It contains charts that you can use to determine how much to deduct, as well as instructions on how to submit monies withheld.

ACTIVITIES

The following activities are designed to help you to apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

Obtain and complete the forms necessary to open a checking account for your business and estimate the monthly banking charge to operate the account.

B.

Go to a local office supply firm and see what commercial forms are available for record keeping. Would these forms be adequate for your business? Why or why not?

C.

Find a review of a popular small business/personal finance record-keeping software package (e.g., Quicken, Microsoft Money). Compare the features of these packages to the requirements of record-keeping systems discussed in this unit.

D.

Arrange to interview a small business person regarding how their record-keeping needs and activities have changed since he or she first started the business.

E.

Collect all the sales receipts from the purchases you make during one week. Describe the different types of information recorded on each type of receipt. Can you identify the reason each item is recorded?

GROUP ACTIVITIES

A.

Conduct a debate with your classmates regarding the pros and cons of single-entry versus double-entry bookkeeping.

B.

Work in teams of four to six. Study the following statement:

"Reconciling a bank statement takes up a great deal of time. Really, it's doubtful if such time spent by the small owner is worthwhile. Banks won't often make mistakes!"

Discuss this statement with your group. Do you agree or disagree? Why?

CASE STUDY

Sally Satchis is planning to open a restaurant. She has decided that she will have a single-entry bookkeeping system and she plans to keep the records. She will have three hourly employees on her payroll.

1. Identify the basic records that she will need and assist Sally in setting up these basic items.
2. Prepare (hypothetical) daily sales and cash summaries for each day during the first week of the restaurant's operations.
3. Using small slips of paper, prepare all the business checks and check stubs that you think would be necessary to operate (and document) her business during its first month of operations. Be sure to include an employee check stub for one of the restaurant's employees weekly salary.

DISCUSSION QUESTIONS

1. Does your daily sales and cash summary for the first week of operation show any patterns that Sally will find interesting?
2. How much time do you believe Sally will have to spend (daily, weekly, monthly) on keeping the records you recommended for her particular business?
3. Identify the costs to her business if she does not invest the time to keep adequate records.

ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Describe why a small business firm needs to keep records.
2. Identify six qualities of a sound record-keeping system as well as the basic elements that each record-keeping system must have.
3. Explain the difference between a single-entry record-keeping system and a double-entry system.
4. Use the process outlined in Figure 3 to find the total value of the outstanding checks for the monthly statement that is partially described below:

Bank statement balance	\$11,000.00
Deposits not credited	\$ 3,000.00
Adjusted balance	\$ 9,500.00
Check book balance	\$ 9,500.00
Bank Service Charge	\$ 10.00
Final checkbook balance	\$ 9,500.00

5. Specify the information that should be included on an accounts receivable record.
6. Identify and describe the basic information that employee payroll records should include.
7. Identify sources where you could obtain assistance in selecting and setting up a record keeping system.

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PACE

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	Resource Guide
	Instructor's Guide

Units on the above entrepreneurship topics are available at the following levels:

- * Level 1 helps you understand the creation and operation of a business
- * Level 2 prepares you to plan for a business in your future
- * Level 3 guides you in starting and managing your own business