

Accounting for Corporate & Government Contracts

ORANGE COUNTY
Small Business Development Center

**Growing Orange County's Economy...
One Small Business at a Time**

ORANGE COUNTY

Small Business Development Center

BUSINESS CONSULTING

Business Development, On-line and Traditional Marketing, Finance, QuickBooks, Contacting

FINANCING FACILITATION

Loans & Lines of Credit

ACCESS TO CONTRACTS / MATCHMAKING

Corporations (Supplier Diversity)
Government (Federal, State, Local)

SEMINARS & WORKSHOPS

Check out our training schedule!

Services Available in:
English, Spanish and Vietnamese

John E. Guth, MBA

Certified QuickBooks® ProAdvisor



B.S., United States Air Force Academy

MBA, Pepperdine University

Orange County business owner since 2004

15+ years of experience as business consultant and accountant

Expertise in: small business financial consulting, cash flow projections and analysis, internal controls, financing facilitation, accounting system research and implementation, budget preparation, strategic business planning

Accounting

- Why is accounting important?
- It's the **language of business**
- The foundation of a business
- Owners cannot give it away
- Consider: Exit strategy or audit??

Financial Reports to Review Monthly

- Balance Sheet
- Income Statement (Profit & Loss)
- Statement of Cash Flows
- Budget vs Actual (are you “on plan”?)

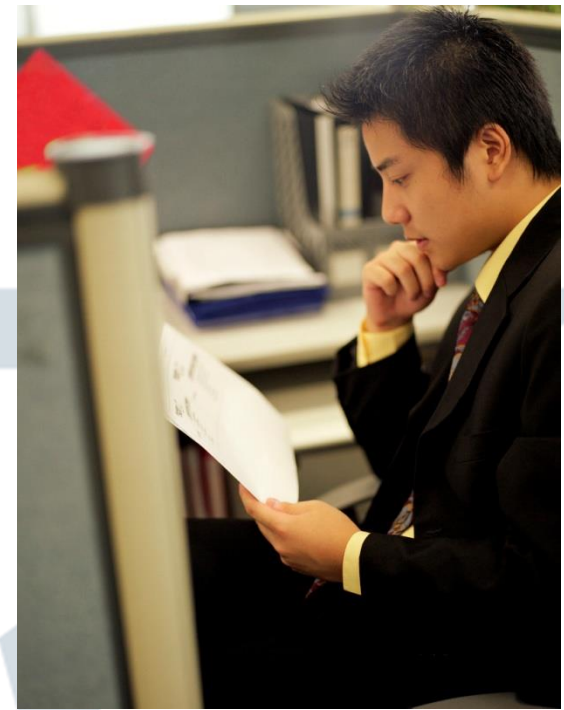
Accounting Reports

These are accurate only if.....

Set-up is proper (system requirements are followed — e.g., QuickBooks)

And.....

Entries are made properly
(accounting practices followed)



QuickBooks Set-up

The two “drivers” of QuickBooks:

1. Chart of Accounts
2. Items list

QuickBooks Set-up

- A complete list of your business's accounts and their balances
- The chart of accounts allows you to track:
 - The sources of income
 - What your expenses are
- The chart of accounts & vendors are not the same!
 - Vendors--entities that we pay
 - Chart of accounts-- mirrors IRS reporting



QuickBooks Set-up

The Items List

- Items are:
 - Things or services we sell to our customers
 - Things we buy from vendors to resell
 - Special things that perform calculations: subtotals, discounts, and sales tax
- Items perform “behind-the-scenes” accounting
- Two-sided items
- Items are used on: invoices or purchase forms

Common Quickbooks System Errors

- Not reconciling bank accounts and credit cards
- Use of Receive Payments >> Un-deposited Funds account
- Entering bills then writing checks
- Not closing out books at end of year—(Two sets of books?)
- Not accurately reflecting job costing (Compliance with government/contractor requirements)

Accounting Reports

The Income Statement

- Always for a period of time
- Income – Revenue from Sales and Service
- Cost of Goods or Services Sold – Integral costs
- Gross Margin – Revenue less COGS, aka “Gross Profit”
- General & Administrative Expenses
- Net Operating Income – Represents Operating Income of Business
- Net Income



Accounting Reports

The balance sheet

- A snapshot of your company on one date. It shows:
 - What you have (assets)
 - What people owe you (accounts receivable)
 - What your business owes (liabilities and accounts payable)
 - The net worth of your business (equity)

Balance Sheet

How is it best used?

Balance Sheet

How is it best used?

- Compare against other companies in industry
- Compare against other periods

Accounting Reports

What's more important:

The balance sheet or income statement?

Baseball: box score vs. standings...

Statement of Cash Flows

What is “Cash Flow”? What is “Profit”?

Are cash flow and “profit” (or “net income”) the same thing?

Statement of Cash Flows

- “Profit” is an accounting concept...Measured between two OTHER accounting concepts: Revenue and expenses
- “Profit” and cash flow do correlate over long term.....
-But I need to know my cash position NOW.....
- The accounting world’s dirty little secret.....

Managing Cash Flow

Other Considerations

- Managing cash flow with government/other contracts
- Know how and when you're to be paid! Invoicing, job costing, etc.....
- Financing Options

Next steps...



Orange County Small Business Development Center

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For further assistance, to [schedule a private consultation](#) or to register for additional seminars, please call:
(714) 564-5200



Visit us on the web at: www.ocsbdc.org



Thank You

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