

# The Office

## Procedures and Technology

### Chapter 7

### Banking and Payroll

# Primary Business Goal

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- Are to make a profit!!
  - Tracking their financial information is the only way to know if this is a fact

# Keeps the Business IN BUSINESS



# Financial Controls

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- Managing capital requires special skills
- The financial goal for your business is to yield high rate of return for your money
- Financial control starts with a comprehensive record-keeping system

# Reports a Business Uses

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- 3 main financial-management cornerstones
  1. The Balance Sheet
  2. The Income Statement (Profit & Loss)
  3. The Cash-Flow Statement

# Balance Sheet

## Tracks Accumulated Net Wealth:

### Assets

Current Assets	
Checking	12,483.27
Accounts Receivable	1,380
Total Current Assets	13,863.27
Equipment	<u>12,462.83</u>
<b>Total Assets</b>	<b>26,326.10</b>

### Liabilities & Equity

Liabilities	
Current Liabilities	
Credit Cards	2,178.34
Sales Tax Payable	819.60
Total Current Liabilities	2,997.94
Bank Loans	10,817.24
Total Liabilities	13,815.18
Equity	<u>12,510.92</u>

**Total Liabilities & Equity** **26,326.10**



Snapshot of your  
business' financial  
position

# Profit & Loss Statement

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## Tracks Income and Expenses:

### Income

Labor	6,685.00
Job Materials	<u>1,862.27</u>

### Total Income

**\$8,547.27**

### Expenses

Supplies	247.54
Utilities	327.43
Rent	1,725.50
Payroll	<u>4,425.56</u>

### Total Expenses

**\$6,726.03**

### Net Profit

**\$1,821.24**

Measures  
economic  
performance

# Cash Flow Statement

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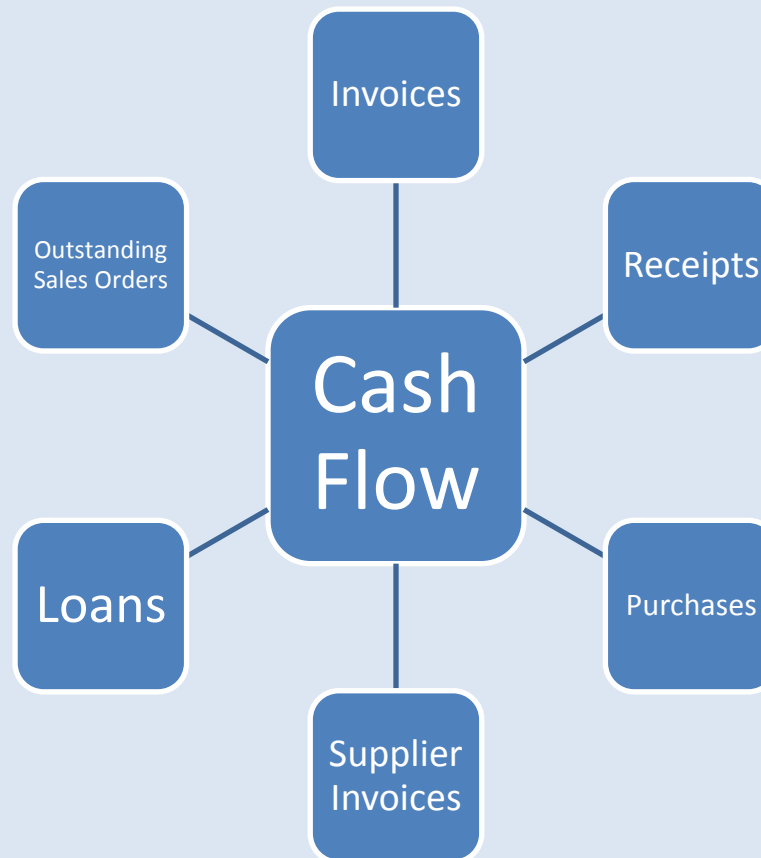
- This report relates actual flow of cash through your business
- Summarizes the operating, investing, and financial activities as they relate to the inflow and outflow of cash
- Cash flow charts a business' performance over a specific accounting period



# Understanding the Flow

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- Businesses must keep track of their Cash Flow



# Users of Financial Information

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## Internal

- Owners-to assess the benefits of their investment
- Managers-to records, plan, control, analyze and evaluate activities
- Employees-to look at the security of their employment

## External

- Government-ensures legal/tax obligations are met
- Competitors-measures performance against others
- Suppliers-to know the prospects of customers before supplying
- Customers-After-sales support & warranties
- Local community-relies on businesses for wealth creation
- Investors-check the value of their investments

# Handling Cash

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- To avoid losing money - cash receipts must be tracked
- Safeguarding cash
  - Preventive internal control
  - Detective internal control
  - Corrective internal control
- Handling a cash drawer
  - Daily/Weekly/Monthly Reconciling

# Depositing and Transferring Funds

- Making deposits
  - Endorsements
  - Deposit forms
  - Lockboxes

Flowers Galore  
813 Lakeland Drive  
Kansas City, MO 64151-2178

Date October 11 20--

The SECURITY Bank  
of  
Kansas City, Missouri

18-425  
1010

	CASH		
List	<u>4-16</u>	789	70
Checks	<u>14-19</u>	300	00
Singly	<u>36-118</u>	89	00
Total From Back		8,777	44
<b>Total</b>		9,956	14
Less Cash Received			
<b>Net Deposit</b>		9,956	14

Sign here if cash is received.

⑆101004251⑆ ⑆ 240758 4⑆

<p>Endorse Here</p> <p><i>Sean Burns</i></p>	<p>Endorse Here</p> <p><b>For Deposit Only</b> <b>The Appliance Store</b></p>	<p>Endorse Here</p> <p><i>Pay to the order of</i> <i>Baylor Florist</i> <i>Drew L. Westwood</i></p>
Blank Endorsement	Restrictive Endorsement	Special Endorsement

# Preparing Checks

- Checks prepared individually
- Computer generated checks
- Special checks

<b>The Lampshade Store</b> 426 Monroe Street Cedar Falls, IA 50613-3467	2267 <u>69-439</u> 515
_____ <u>October 25, 20</u> _____	
<b>Pay to the order of</b> <u>Just Shades</u> -----	\$ 4,469.68
<u>Four thousand, four hundred sixty-nine and 68/100</u> -----	<b>Dollars</b>
Memo <u>Invoice No. 5479</u>	
⑆05⑆504393⑆ 3 8953 4⑆ 0226	

# Transferring Funds Electronically

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- Electronic funds transfer
  - The use of a computer network to transfer funds from one party to another
- Deposits
  - Payroll
  - Government payments
- Payments
  - Single use
  - Regular withdrawals to pay bills

# Reconciling a Bank Account

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- Purposes of a bank reconciliation
  - Verify deposits and cleared checks
  - Identify outstanding checks and bank charges
  - Determine the cash balance
- Bank statement and company records
- Steps in preparing a reconciliation

## Adler Knitting Manufacturing Co.

### Reconciliation of Bank Statement

August 31, 20--

Check register balance 8/31/--	\$18,711.50	Bank statement balance 8/20/--	\$20,596.89
Deduct:		Add:	
Service Charge	25.00	Deposit in transit 8/30	2,851.10
NSF	<u>197.50</u>		
	222.50	Deduct:	
		Outstanding Checks	
		No. 188	198.70
		No. 200	110.10
		No. 203	347.29
		No. 204	82.50
		No. 205	<u>4,220.40</u>
			4,958.99
Adjusted check register balance 8/31/--	<u><u>\$18,489.00</u></u>	Adjusted bank balance 8/31/--	<u><u>\$18,489.00</u></u>

This reconciliation shows five outstanding checks.



# Technology Connection

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- Electronic check processing
  - A machine electronically scans checks
  - The file is transmitted to a check processing company
  - The data then travels through an electronic network for financial transactions
  - At the appropriate banks, accounts are increased or decreased

# Employee Payment Plans

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- Salary and wages
  - Gross pay
  - Deductions
  - Net pay
  - Overtime
- Commission and other plans

# Employee Benefits

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- Paid time off
  - Holidays and vacation days
  - Sick days
- Group insurance
  - Health, life, and disability insurance
  - COBRA
- Retirement plans
  - Defined benefit pension plans
  - 401(k) and 403(b) plans
- Other benefits

# Focus on Business

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- IRA
  - Stands for *individual retirement arrangement*
  - Offered by banks, investment firms, and other financial institutions
  - A personal savings plan that is not sponsored by an employer
    - Traditional IRAs
    - Roth IRAs

# Payroll

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- The amount of salary, wages, or other payments for work due to employees
- Payroll tasks
  - Calculating deductions and changes in salary, commissions, or overtime
  - Updating attendance and paid leave data
  - Processing payments
  - Creating tax reports

# Deductions from Earnings

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- Deductions required by law
  - Federal income taxes
  - Social Security and Medicare deductions
  - State or local income taxes
- Voluntary deductions
  - Health insurance and retirement plans
  - Charitable donations and other items

# Payroll Records

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- Employee [earnings records](#)
  - Earnings
  - Deductions and net pay
- Wage and Tax Statements (W-2 form)
- [Payroll register](#)

### EMPLOYEE EARNINGS RECORD

**Employee:** Jeffrey Hunter

**Employee No.:** 3415

**SS No.:** 321-22-4679

**Marital Status:** Married

**No. Allowances:** 1

**Year Ending:** December 31, 20--

**Position:** Data Entry Clerk

**Yearly Salary:** \$25,292.00

Pay Period	Ended	Regular Pay	Total Gross Pay	Federal Income Tax	Social Security Tax	Medicare Tax	State Tax	Total Tax	Health Ins.	Net Pay	Gross Acc. Earnings
1	31-Jan	\$2,166.00	\$2,166.00	\$324.90	\$90.97	\$31.41	\$43.32	\$490.60	\$150.00	\$1,525.40	\$2,166.00
2	28-Feb	2,166.00	2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40	\$4,332.00
3	31-Mar	2,166.00	2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40	\$6,498.00
4	30-Apr	2,166.00	2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40	\$8,664.00
5	31-May	2,166.00	2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40	\$10,830.00
6	30-Jun	2,166.00	2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40	\$12,996.00
7	31-Jul	2,166.00	2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40	\$15,162.00
8	31-Aug	2,166.00	2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40	\$17,328.00
9	30-Sep	2,166.00	2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40	\$19,494.00
10	31-Oct	2,166.00	2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40	\$21,660.00
11	30-Nov	2,166.00	2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40	\$23,826.00
12	31-Dec	2,166.00	2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40	\$25,992.00
		\$25,992.00	\$25,992.00	\$3,898.80	\$1,091.66	\$376.88	\$519.84	\$5,887.19	\$1,800.00	\$18,304.81	

This earnings record shows payroll data for one employee.



**MODERN SOFTWARE INC.**

**Payroll Register**

January 31, 20--

Employee No.	Employee Name	Regular Pay	Overtime Pay	Total Gross Pay	Federal Income Tax	Social	Medicare Tax	State Tax	Total Tax	Health	Net Pay
						Security Tax				Ins.	
4568	Acosta, B.	\$2,150.00		\$2,150.00	\$322.50	\$90.30	\$31.18	\$43.00	\$486.98	\$150.00	\$1,513.03
4321	Beres, W.	1,088.00		1,088.00	\$163.20	45.70	15.78	21.76	246.43	150.00	691.57
3257	Cantrell, T.	2,840.00		2,840.00	\$426.00	119.28	41.18	56.80	643.26	75.00	2,121.74
3921	Evans, T.	2,010.00		2,010.00	\$301.50	84.42	29.15	40.20	455.27	75.00	1,479.74
3415	Hunter, J.	2,166.00		2,166.00	\$324.90	90.97	31.41	43.32	490.60	150.00	1,525.40
3401	Park, J.	3,455.00		3,455.00	\$518.25	145.11	50.10	69.10	782.56	150.00	2,522.44
4563	Stevens, B.	1,920.00	90.00	2,010.00	\$301.50	84.42	29.15	40.20	455.27	75.00	1,479.74

This payroll register shows earnings data for several employees.