[M /S -14] Balance Sheet -[Optional]

Populating the Balance Sheet is not Required to fully use the software: -Go to Row [38] for instructions.

http://fastbooks.solutions/website-tutorial-ss-14

Populating the Balance Sheet automatically creates Trial Balance [M/S -15]:

[Acct-#]	[Account Description]	Current Month 2017 Dec	Prior Year Ending: 12/31/2015	Prior Year Ending: 12/31/2014	Prior Year Ending: 12/31/2013	Prior Year Ending:	Prior Year Ending:	Prior Year Ending:	Prior Year Ending:
100	Cash	478,000	450,000	405,000	364,500				
101	Accounts Receivable	372,000	325,000	285,000	256,500				
102	Total Net Fixed Assets	1,000,000	870,000	750,500	715,450				
103									
104									
105									
106									
	Total Assets	$1,850,000	$1,645,000	$1,440,500	$1,336,450	$0	$0	$0	$0
107	Accounts Payable	50,000	45,000	40,500	36,450				
108	Debt -(Short & Long Term)								
109									
110									
111									
112									
113									
	Total Liabilities	$50,000	$45,000	$40,500	$36,450	$0	$0	$0	$0
114	Common Stock								
115	Paid in Capital	1,800,000	1,600,000	1,400,000	1,300,000				
116									
117									
118	Retained Earning -Prior Periods								
119	Retained Earning -Current Period	(0)							
	Total Equity	$1,800,000	$1,600,000	$1,400,000	$1,300,000	$0	$0	$0	$0
	Total Liabilities Equity	$1,850,000	$1,645,000	$1,440,500	$1,336,450	$0	$0	$0	$0
	Difference:	$0	$0	$0	$0	$0	$0	$0	$0

All you need to know about the Balance Sheet:

Populating the Balance Sheet [M/S -14] is not required to fully utilize all the functionality features in the software. If the balance sheet software segment is populated; the accounts will be included in the accounts reflected in the Trial Balance in [M/S-15]. All account balances in the trial balance statement of accounts must total to zero. If the Trial Balance does not total to zero, there is a mistake that must be adjusted in the balance sheet. If [MS -14] is not populated; the trial balance will then reflect only the revenue and expense accounts. Cell [D59] will reflect the current period Y-T-D Ordinary Business Income (Loss) Income Statement position.

There are no federal tax requirements for maintaining a Balance Sheet. It is a good general business practice to create a Balance Sheet at the end of each fiscal year. Believe it or not, it's very easy to create a balance sheet that would result in the same exact Trial Balance positions if generating monthly financial statements in QuickBooks. Unlike the income statement, which is a "period statement," the balance sheet is a "perpetual statement." There are only two financial statements that consume all the accounts within the accounts included in the trial balance. You may have seen references to a third statement called the cash flow statement which only represents a calculation formatted to display the utilization of cash utilizing every account included in the trial balance.

How to [Back] into a Balance Sheet:

Theoretically; all large publicly held corporations back into their corporate balance sheets! Backing into a balance sheet merely means we're using the source or methodology as the ending period balance dollar value for each balance sheet account. Before a C.P.A. firm could "offer an opinion" for a publicly held corporate client each account balance within the balance sheet "must" have a source or methodology to "prove" that each account balance within the balance sheet is substantiated. The important point is that if the dollar balance on the balance sheet does not agree with this source document or methodology that substantiates the financial statement balance sheet positions, it must be adjusted to agree with the source document.

Instructions for [Backing] into a Balance Sheet:

Simply use the dollar value generated from the source or methodology documentation to assign the values for each balance sheet account and enter the amounts in column D for each applicable balance sheet account. After each fiscal closed business year; enter the account balances from column D to columns [F to L]. The design is structured to provide a historical documentation for each year-end balance sheet position for future financial analytical purposes.

Asset:
Cash -Use the month-end cash balance on the first page of your monthly bank statement.

Accounts Receivables: If your business management software handles the tactical workload of your business (accounts receivable, billing, customer database, appointments, dunning letters, etc.), you don't have to change a thing. If this tactical workload is currently maintained in QuickBooks or similar financial software, you can keep using that software for this tactical work. Under the [cash method of accounting], accounts receivable transactions are not recognized. Since revenue is recognized after payment is received, bad debt does not exist. In other words, an uncollectible receivable from a customer is not an expense because it was never recognized as revenue. From a "big picture" perspective, within the scope of a service based business bad debt does create an income statement transactions under the cash method of accounting. If your business has accounts receivables use the period ending balance generated by the software as the source document for the Account Receivables balance sheet position.

Fixed Assets: The same applies to your fixed asset register. This basic functionality feature in any financial software calculates your depreciation expense and maintains a record of your fixed assets. Standalone fixed asset software can also be easily found on the internet for free. The free software will provide both the monthly depreciation expense and the gross and net fixed asset period ending balances and be used for the source document to support the balance sheet net fixed asset position.

Liabilities:
Accounts Payables: Handle the accounts payable tasks of your business using the online bill paying feature offered by your bank. This free software will handle your business accounts payable requirements in a lot less time than using QuickBooks for accounts payable. (For instance, you can set up a recurring payment to vendors with fixed payments.) This online payment functionality and database (that is most likely already available to you) is all you need to manage your business's accounts payable. Before the last day of each month, enter all open invoices into your online account. Each payment is entered with a selected payment date. Use the invoices not paid as your accounts payable period ending balance on your balance sheet. (Print a copy to support this balance sheet position.)

Debt Payables -If you have a debt use the monthly statements to support the balance sheet positions.

All the balance sheet account positions described above and the examples of methodologies demonstrating how a dollar value can be assigned to each respective balance sheet position are logical and straight forward. Paid-in-capital requires a little more explaining.

The easiest way to explain how to assign a dollar value to paid in capital is through the business scenario example structured in the balance sheet of the **[practice model]**. The purpose of our business scenario in the practice model example was to help convey various important software functionality features. In our example, the owner started his business ten years ago and had used FastBooks Solutions Software for 24 months. The current year balance sheet paid in current capital year assigned dollar value is $1,800,000. Below is the scenario history example which could be utilized to support and prove the dollar value assigned to the paid-in capital account.

In this example, Dr. O did not purchase an existing business. Instead, he funded his new business using a personal investment of $1,000,000. Once he deposited his personal check into his business bank account, his first theoretical balance sheet entry would have been a debit to cash and a credit to paid-in-capital. He then purchased the necessarily fixed assets to start his business, spending a total of $500,000. His second balance sheet entry would have shown a debt to fixed assets and a credit to cash.

The remaining $500,000 cash position in the bank account was used for his starting working capital position. (Working capital is defined as current assets minus current liabilities.)

When Dr. O started his business, his first obligation as a business owner was to pay his staff and bills and then maintain a sensible working capital position. The cash balance above the predetermined working capital position went to him as W2 compensation. In the first five years in business, he occasionally deposited other personal checks into his business account to maintain the predetermined working capital position.

The journal entry for these deposits of personal funds would have also been a debit to cash and a credit to paid-in capital. (These transactions do not have any effect on the S Corp, or W2 tax filings and not recognized under tax law.) The important point is that this "loan to yourself" can be paid back at any time from your business bank account without flowing through your personal W2 statement. These transactions are equivalent to taking cash out of one pocket then putting it in another pocket. Under the cash method of accounting, cash deposits and withdrawals within the balance sheet paid in capital account fall outside the scope of the tax law of reporting W2 compensation. There are very few examples under tax law where a business owner can draw personal cash from the business account without being reported as W2 compensation. There are very few examples under tax law where a business owner can draw personal cash from the business account without being reported as W2 compensation.

Ten years after starting his business, the $1,800,000 position in the paid-in capital balance sheet account represents the current remaining balance of the working capital account position after maintaining the businesses working capital requirements for the past ten years. Also, it represents the funding of accounts receivables that have yet to be collected. It also represents the un-depreciated investment value of his fixed assets.

In theory, the accounts payable balance sheet position should be deducted from the $1,800,000 in the paid-in-capital account to calculate his current "true" personal current investment in his business. If you purchased a business, there would most likely be other account positions in your current balance sheet that represents transactions related to the purchase of the business. They would most likely be titled "goodwill" or "intangible assets." Add these balance sheet account balances as assets and any associated debt as liabilities. You would most likely have an "amortization schedule" or other documents to support each balance sheet position.

By following these simple steps, you can save time and money and reduce the tactical workload required to generate monthly and annual financial statements that are generated using QuickBooks or prepared by an accountant.