

General Ledger

Chapter 7


GENERAL LEDGER

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Introduction

Clients & Profits X is based on an industry-standard, one-write, double-entry general ledger accounting system. So in addition to tracking production, Clients & Profits X can be used to track the shop's finances. Every A/P, A/R, checkbook, and client payment entry creates G/L journal entries automatically using a custom Chart of Accounts. Your G/L accounts are updated automatically as records are posted. This means you can print financial statements, like a trial balance, an income statement, and a balance sheet, any time. They're always up-to-the-minute accurate. In this chapter, you'll see how to:

- set up your chart of accounts
- sort accounts by subclass and profit center
- set up budgets for income and expenses
- print audit trails and journals from the General Ledger
- add journal entries into the general journal
- import payroll entries
- set up profit centers
- set up departments
- allocate overhead expenses to clients
- reconcile accounts and make adjusting entries
- close the year

For help using any part of Clients & Profits X, click the  button from any window to open the on-line user guide. This web-based user guide features step-by-step instructions, explanations, tips, demonstrations, and links to FAQs, tech notes, and tutorials from www.cnp-x.com/support. The web site is continually updated, so it's more timely and helpful than a printed user guide.

General Ledger

Clients & Profits X is built around a one-write, double-entry general ledger. This comprehensive, accrual accounting system automatically tracks your income, costs, and expenses using a custom, user-defined Chart of Accounts. Your G/L accounts track activity totals for multiple accounting periods (24 in Clients & Profits Pro X and C&P SQL X, 15 in Clients & Profits Classic X). The system provides agency-tailored financial statements, including income statements, balance sheets, trial balances, detailed general ledgers, journals, and audit trails.

The General Ledger is used for **financial accounting**. This is different than job accounting, which deals with costs, billings, and expenses from the job's point-of-view. The General Ledger consolidates all of the work you do—both job costs and overhead expenses—to provide a true look at the shop's net income.

■ Clients & Profits X has everything you need to produce financial statements, so it replaces any existing accounting systems you may be using. You do not need additional software programs to manage your books.

Unlike other systems you may have used, not everything affects your **General Ledger**. In fact, only those transactions that involve actual money (such as purchases, checks, and client payments) update the G/L; job costs (such as time, out-of-pocket expenses, and purchase orders) do not affect your financial statements. This is important to understand, since it determines how you'll manage your books with Clients & Profits.

Financial reports provide comprehensive auditing and analysis information. Financial accounting takes into consideration every **expense** and **income** dollar in the shop, not just **job profitability**. Overhead expenses, salaries and miscellaneous income are included on the Income Statement along with job-related transactions. Assets, accumulated depreciation, liabilities, and equity are reported on the Balance Sheet. Audit trails, journals, and ledgers help track the transactions included in the financial statement calculations. General Ledger account budgets are easily added and printed to analyze the account activity more closely.

Cash vs. accrual explained: Cash basis and accrual basis accounting are the two most widely recognized methods of tracking a company's income and expenses. The primary difference between the two methods has to do with when the recognition of income and expenses occur. Under the **cash method**, income is recognized when a payment is received and expenses when a check is written. This method does not let you match revenues generated with the costs associated to them, an important financial accounting concept. Under the **accrual method** (the one used by Clients & Profits X), income is recognized when the invoice is sent to the client (posted) and expenses are recognized when the payable is recorded on the company's books. It's a better way of recognizing income and expenses for financial purposes as it relates the income and expenses more closely to the actual events causing them and gives you the ability to properly match the income generated with the expenses incurred to produce them.

Automatic vs. manual journal entries

Journal entries are added to the General Ledger automatically when payables, receivables, checks, and client payments are posted.

Invoices that you enter into Accounts Payable, billings that you enter into Accounts Receivable, checks that you write in the Checkbook, deposits that you enter into Client Payments, and employee expense reports that you enter into Expenses are distinct records. Each record creates a separate journal entry into the General Ledger. So when you see a G/L report, you are actually looking at the journal entries—not the source records, such as the invoice.

Any manual entries you make directly into the General Ledger appear on G/L reports; they won't appear on payable, receivable, or cash reports. This gives you the flexibility of managing your cost accounting apart from your financial accounting.

Profit centers and departments

Profit centers are set up to track a division's finances and each profit center has its own chart of accounts. The profit center's financial statements include only general ledger numbers that are assigned to that profit center. The profit center's transactions post to the G/L like any other accounts. The only difference is that the option can be chosen to print financial statements for only those accounts. There's no limit to the number of profit centers which can be set up.

Departments are used to track costs incurred by a group of staff members (e.g., the Art Department). Separate expense accounts are set up for each department and are distinguished by a two digit code that follows the account number. Each account is listed separately on financial statements unless the roll-up option is used.

General Ledger Features

Feature	How it works, how it's used
One-write, double-entry G/L	Clients & Profits is a single accounting system, so there are no complicated modules to integrate, maintain, or close.
Automatic journal entries	When someone adds a vendor invoice, check, client invoice, payment, or employee expense report, Clients & Profits posts debit and credit journal entries into the General Ledger automatically. Standard ("default") debit and credit account numbers are entered automatically, too, but can be changed. This gives users the flexibility they need to accurately account for all kinds of billings, costs, and expenses. In addition, general journal entries can be added directly into the General Ledger.
Posting with proof lists	The entries users make don't update the G/L until they are posted. Each user can double-check their own work before posting using proof lists. Proof lists show the debits and credits for each transaction they added.
Integrated job costing, billing	Any vendor invoice, client invoice, check or employee expense report can be coded with one or more job numbers and tasks. This tells Clients & Profits to update the job ticket as well as the General Ledger. Because the accounting system is integrated with job tracking, there's no double-entry.
Overhead accounting	In addition to job costs, all kinds of overhead expenses are tracked by Clients & Profits. Overhead invoices and checks can debit many expense accounts (and can even be split between job cost and overhead G/L accounts).
Real-time financials	The General Ledger is updated every time an invoice, check, or payment is posted, so financial reports are also up-to-the-minute accurate. No month-end closing is required to print financial statements or aging reports.
Multiple accounting periods	Clients & Profits Pro can have 24 months open simultaneously; Clients & Profits Classic can have 15 months. Fiscal years are customizable, so they can start at any time during the year. Accounting, job costing, and financial analysis reports can be printed for any period.
Chart of accounts	The chart of accounts supports hundreds of separate G/L accounts. A separate set of accounts can be created for profit centers or departments for better accountability. Each account can have up to a 9-digit account number, as well as customizable class, subclass, cash flow, and ratio category settings.
Auditing tools	Built-in auditing and reporting tools make it easy to analyze, query, and troubleshoot your accounting. Detailed audit trails and journals can show journal entries for any time period and for a range of accounts. The innovative Auditor lets you verify your General Ledger quickly and easily.
Profit centers, departments	Clients & Profits can handle dozens of different profit centers. Profit centers are integrated with jobs, tasks, staff members, and clients for better accountability. Financial statements can be printed for one profit center or for all profit centers. Departmental G/L accounts can be set up and used within a profit center for better cost tracking and analysis.
Budgeting	Monthly budget amounts can be entered for every G/L account, reducing the need for separate budget spreadsheets. Budget amounts can be reviewed on-screen or printed for any accounting period or quarter.

Job costing and the G/L

Direct disbursement checks (e.g., postage, prepaid printing, etc.) and vendors invoices are costed to one or more job tickets. When a check or invoice is entered, it'll be given a job number and a job task, which is updated when the entry is posted. Job tasks are updated with the entry's net cost and gross (i.e., billable) amounts during posting.

When the client is billed, the job's gross amounts are copied automatically from the job ticket to the invoice. When the A/R invoice is posted, the invoice's billing amounts update the job's billed totals instantly. So the job has an up-to-the-minute accounting for all costs and billings.

Costs and billings actually copy the G/L account numbers from the task when the invoices are added. Because a task usually uses the same G/L accounts, (e.g. printing is costed to printing expense and billed to a specific income account), those account numbers are entered on the task table and copied to the job ticket when the task is added. This makes the accounting quicker and more consistent and reduces errors in the General Ledger.

WIP accounting

Because billing clients is faster with Clients & Profits, it's much easier to create invoices. Where billing may have been generated at month-end, jobs can now be billed immediately upon completion. Because billing is so much more timely, Clients & Profits has a unique way of handling unbilled work in progress.

Unlike old systems, job costs are not accrued into a "WIP" (i.e., work in process) liability account. Instead, when job costs are posted they debit your *job costs* (i.e., cost of sales) G/L accounts immediately. This means your Income Statement always shows the month's actual job costs, whether they've been billed or not. When clients are billed, the Income Statement will show the billings as *income*; the difference between your income and job costs is your **gross margin** (i.e., gross profit).

There are always some costs that aren't billed by month-end, but they're typically a fraction of the month's total costs. After the month's billing is finally posted, a special G/L Accrual report (see Snapshots > Work in Progress > Misc) can be printed detailing the shop's unbilled job costs—your WIP—for each job cost debit G/L account. From this report, a set of simple auto-reversing G/L journal entries can be added to credit the job cost G/L account and debit the WIP account.

Once these entries are posted, your financial statements will properly reflect the month's billings, costs, and unbilled WIP.

Overhead accounting

General and administrative expenses that are not directly related to clients are specially handled by Clients & Profits.

In fact, every overhead expense (e.g., rent utilities, office supplies, legal fees, etc.) needs to be entered into Clients & Profits. Overhead expenses can be added from vendor invoices in Accounts Payable and from checks written for non-job expenses, like office supplies. These expenses will appear on financial statements and G/L reports.

Every expense, whether added in A/P or the checkbook, can be distributed to one or more debit "overhead expense" G/L accounts. These expenses appear on the Income Statement in the "expenses" section.

A standard (i.e., default) overhead expense G/L account can be set in Preferences (see Setup > Preferences > G/L Accounts). In addition, each overhead vendor can be assigned its own special overhead G/L account. This account is copied automatically to overhead expense A/P entries and checks, saving time and making expense accounting more accurate.

Overhead amounts can be easily allocated to each client based on month-to-date costs, hours, billings, or income using the Overhead Allocation Worksheet (see page 38). The overhead allocation then appears on the Client P&L report (see page 7-24).

Payroll

While Clients & Profits does not calculate payroll or print pay checks, the shop's payroll expenses must be entered into the General Ledger to appear on financial statements.

There are two ways to handle payroll: using a separate payroll program to calculate and print payroll checks, or use an outside payroll service (e.g., Paychex, ADP, etc.).

In both cases, G/L entries need to be added after each payroll. If you're using an outside payroll service, the paycheck summary report should provide a list of debits for salary expense as well as the various deductions for taxes, contributions, and benefits.

■ For privacy reasons, don't identify the employee on the payroll entries. The details you enter on payroll JEs will appear on G/L reports.

If payroll is produced in-house on a payroll program like *CheckMark*, journal entries can be imported into Clients & Profits .

Accounting periods and fiscal years

A fiscal year is a twelve-month period from which your accounting year starts and ends. In Clients & Profits, the fiscal year includes 24 periods which generally correspond to the months in the year (i.e., period 12 for December), but they're user-defined.

The costs, billings, and expenses you enter are posted into a user-defined accounting period. The current period, which is user-defined, is copied automatically onto all entries during that month. Accounting periods don't automatically change at the beginning on each new month. Instead, the current period is updated manually once most of the previous month's work has been entered.

Financial statements are printed for one or more accounting periods, showing the total costs, billings, and expenses posted so far into that period. All of the year's accounting periods are potentially open, and reports can be printed for any period throughout the year.

One of the first things you'll do when starting Clients & Profits is to define your fiscal years and accounting periods in Preferences (see Setup > Preferences > Accounting Periods). Your fiscal year can begin on the first day of any month.

■ Be sure to consult your CPA before setting your accounting preferences. Once you've begun entering work into the fiscal year, it is very difficult to change your accounting periods.

Default settings and accounting preferences

Defaults are user-defined settings that customize how Clients & Profits works. Default settings let you tailor your accounting periods, G/L accounts, account classifications, and other options to make data entry more efficient and accurate. They are part of the system's Preferences, and are very flexible.

Just as the cost and billing G/L accounts are set up on the Task Table, the most essential accounts (e.g., checking, A/R, A/P, Income, etc.) are entered as preferences. Once entered, they are copied to new entries automatically. For example, when a vendor invoice is entered, the A/P account number is copied to the cGL field. Likewise, the A/R account number is copied to the client invoice dGL field.

■ For more information, see *Settings*, section 9.

Sales tax

Clients & Profits calculates, charges, and tracks sales tax by client. The sales tax system involves clients, job tasks, and Accounts Receivable.

First, a standard tax rate for two different sales taxes for your area can be entered into Preferences (see Setup > Preferences > Sales Tax). This rate is copied automatically to new clients. Each client can have its own separate sales tax rates, or none at all. Sales tax is calculated in A/R by multiplying an invoice's taxable billing amounts by the client's sales tax rate (or rates). Sales tax also appears on printed estimates.

Sales tax is calculated on taxable job tasks. Each task in the Task Table can be marked as taxable or nontaxable. When the task is added to a job ticket, its taxable status is copied automatically. However, sales tax on a job ticket is fully customizable: a particular job can be fully taxable, partially taxable (i.e., by task), or completely nontaxable.

Sales tax only affects the General Ledger when the client's invoice in A/R is posted (which credits the sales tax liability account) and when a sales tax check is written to the State (which then reconciles the sales tax liability). The shop's current sales tax liability appears on the Balance Sheet. In addition, a detailed sales tax analysis report can be printed from A/R to show sales tax charges by client and tax area (i.e., county).

■ For information on GST, please call the Clients & Profits Helpdesk at (800) 521-2166,

Year-end closing

Clients & Profits keeps the current year's accounting on-line and available until the fiscal year is closed. Closing the fiscal year moves the G/L totals from the "current year" column to the "last year" column, then erases the year's journal entries.

There's no real urgency to close the year, since Clients & Profits can handle two full fiscal years. The first fiscal year can be closed any time during the following twelve months. New work for the second fiscal year can be added into periods 13, 14, 15, etc. just like any other period. When the fiscal year is eventually closed, periods 13, 14, and 15 become periods 1, 2, and 3 of the new fiscal year. The year-end closing procedure automates everything, and can be run unattended (see page 6-46).

■ Year-end closing only affects the General Ledger. All of the year's job tickets, agings, time sheets, POs, and other activity remain intact and unchanged.

■ Once the fiscal year has closed, no financial statements or G/L reports can be printed it. These reports will only show data for the new fiscal year. That's why it's important to print all year-end and year-to-date financial reports, as well as make a permanent, archive copy of your C&P database, BEFORE closing the year. (If you ever need to see some G/L records from a previous fiscal year, they'll be on the backup archive copy).

The General Ledger window

The General Ledger window is the “operations center” of your accounting system. It’s where you see G/L transactions (i.e., vendor invoices, client payments, checks, adjusting entries, etc.), add manual general journal entries, and use the built-in G/L tools to audit your books.

The G/L window lets you see the many A/P, A/R, checkbook, and client payment journal entries in your General Ledger. In fact, it’s the only window where you can see the transactions from your General Ledger.

Journal entries are listed on General Journal reports and update financial statements when posted. Manually added JEs appear on audit trails, journals, and the Detailed G/L report together with automatic journal entries (i.e., those posted from Accounts Payable, Accounts Receivable, the Checkbook, Client Payments, and Employee Expense Reports). Both kinds of entries affect your financials equally; manual entries, however, don’t affect job totals, client balances, or vendor balances.

Journal entries are grouped together by **reference number** so you can see the complete transaction in its full debit-and-credit detail. The window displays a transaction’s journal entries

The window’s toolbar buttons let you browse through journal entries, as well as add new ones. The window’s File and Edit menus contain commands for adding, editing, deleting journal entries, as well as printing G/L reports.

■ *Printing one G/L transaction:* You can easily print contents of the G/L window, giving you a hard-copy report of the currently-displayed entry, by choosing File > Print Window.

Reference Numbers	
Prefix:	Posted from
AR#	Accounts Receivable
AP#	Accounts Payable
CK#	Checkbook
PMT#	Client Payments
JE#	General Ledger
WIP#	Media Accruals
EXP#	Employee Expense Reports

Reference numbers

Each journal entry has a unique reference number. This number identifies the source of the journal entry, and can be used to find any particular transaction.

Most journal entries are numbered automatically. This reference number is based on the transaction’s source. Entries posted from Accounts Receivable have the prefix AR#. Similarly, Accounts Payable is AP#, Checkbook is CK#, and Client Payments is PMT#. You can tell where and how a journal entry was added by its reference number.

Entries posted directly in the general ledger may have a user-defined reference number. Normally the default JE number is used. But any kind of number, including any combination of letters and numbers, can be used. A starting JE number can be set in Preferences.

Entry dates, posting dates, and accounting periods

Journal entries are dated automatically. Dates are used for reference on audit trails and journals, but don’t affect the general ledger or financial statements. G/L reports can be printed showing journal entries by date added (the invoice, payment, or check date) or date posted.

Financials are updated exclusively using the journal entry’s accounting period. So the dates on journal entries don’t affect the general ledger or financial statements.

The dates on automatic journal entries (i.e., those posted in A/P, A/R, the Checkbook, and Client Payments) are copied from the vendor invoices, client invoices, checks, and client payments themselves. The date added and date posted won’t always be the same; for instance, you may post an entry several days after it has been added.

A period is chosen for each transaction. The current period, set up in Preferences, is entered by default but can be changed. The transaction posts into the selected accounting period.

Cloning Journal Entries

Cloning makes an exact duplicate of an existing transaction's debit and credit journal entries. You can clone any general journal entry, even from previous accounting periods.

To clone a journal entry:

- 1 Use the find link to locate the general journal transaction you wish to clone.
- 2 Click on the clone button in the General Ledger window.

The Add Journal Entries window opens, displaying the newly-cloned transaction. The new entry has today's date, the current period, and the next automatic reference number (copied from your accounting preferences). But the description and debit and credit journal entries are identical to the original transaction.

- 3 Make any necessary changes to the cloned debits and credits, then click Save.

Once saved, the cloned entry can be proofed and posted like any other entry.

Proofing Journal Entries

Proofing is very important, since it allows users to fix errors before the entries become permanent. The General Ledger proof list shows all unposted journal entries which were added directly into the General Ledger. Journal entries are grouped by transaction, according to the reference number. Each entry lists its account number, debit or credit amount, and description.

There are several useful proofing options:

■ *Proof/post only JEs added by:*
Since newly-added journal entries are automatically tagged with the user's initials, it's easy for users to print their own proof lists. Only the entries that they added will be shown on the proof list. You can print proof lists for them by clicking the "proof/post only JEs added by" option then entering their initials. This is especially useful if many people add G/L entries. A user's access privileges can even be restricted so they can only post their own entries.

■ *Proof/post only JEs for period:*
At month-end there may be times when you're adding G/L entries for both the current period and the next period (or maybe even a previous period, as long as it's not locked). Rather than see all unposted entries, you can print a proof list showing only those entries in the current period by using this option. Any period can be entered, so a proof list can be printed only showing unposted entries for the previous period, the current period, and the next period.

■ *Include recurring entries:* If you've scheduled recurring entries far into the future, the only way to print a report of recurring entries is to include them on a proof list.

Posting Journal Entries

Posting updates the account totals in your General Ledger. When a general journal transaction is added, its journal entries (there could be many) are not posted. Unposted entries can be easily and quickly changed, letting you edit an entry's reference number, description, and other details.

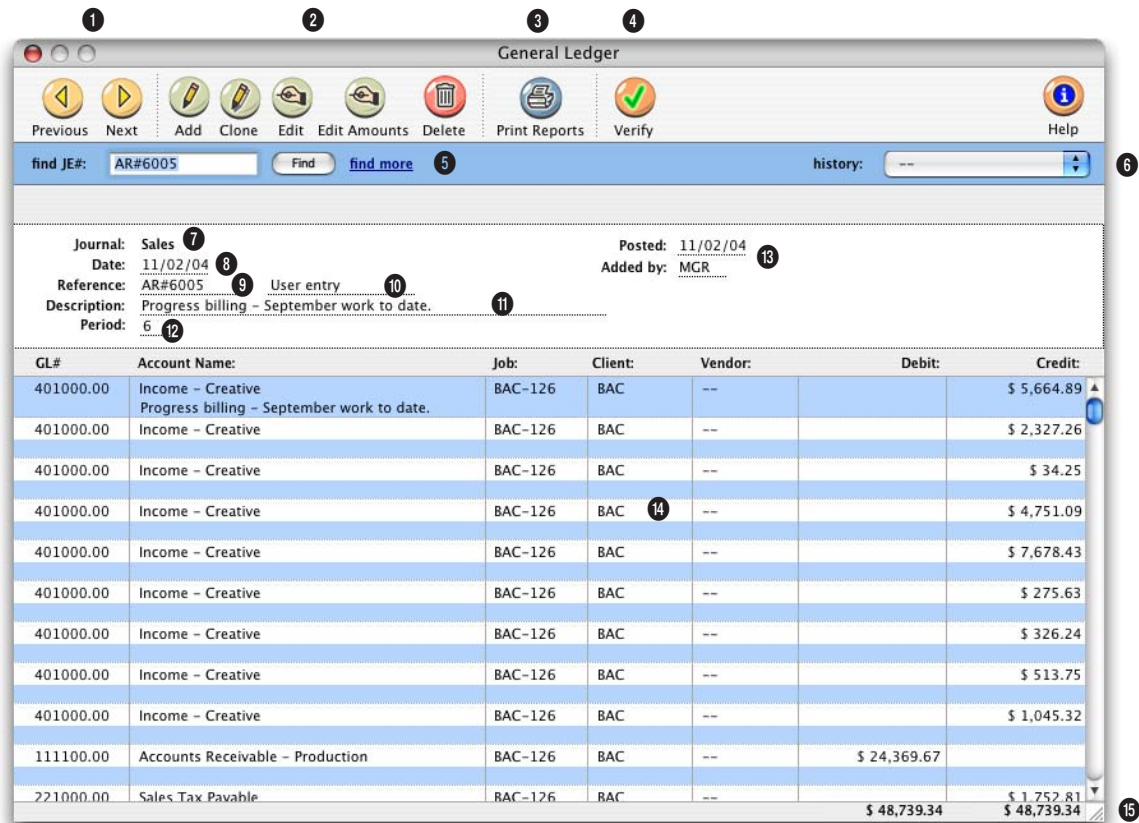
Unposted journal entries don't appear on audit trails, journals, or financial statements. This offers users a chance to proof their work before posting. Posting makes the entries permanent. It is a methodical process that updates your account balances. The process is the same whether you're posting entries from one transaction or many transactions.

Journal entries must be posted. They can be posted individually by transaction, as needed. Or, they can be posted in batches. Journal entries should be proofed for accuracy before posting. Proofing lets you check your entries for errors, then make changes. Proofing lets you avoid making time-consuming adjusting or reversing entries.

■ Only manually-added journal entries can be posted from the General Ledger. Most journal entries are created automatically when payables, receivables, checks, client payments, and employee expense reports are posted.

■ Posting journal entries does not affect clients, vendors, jobs, or tasks. Only your G/L account balances are updated.

The General Ledger window (con't)



The General Ledger window displays journal entries from A/P, A/R, the Checkbook, and Client Payments as well as manual entries you've made directly into the G/L.

1 The arrow toolbar buttons can be used to scroll through the **previous** and **next** journal entries.

2 Use these toolbar buttons to add, clone, edit, edit amounts, and delete journal entries. Click on the **add** button to add a new journal entry. Existing general journal entries can be easily cloned into new journal entries by using the **clone** button. To edit the journal entry, click on the **edit** button. The entry's account number, reference number, description, client number, job

number, and vendor number can be changed. If the journal entry is posted, only the description can be changed. An entry's date can't be changed, whether or not the entry has been posted. To change the distribution of a journal entry's amount, click on the **edit amounts** button. You can edit the amounts by simply typing in the new amounts over the old ones, but the total debits must equal the total credits or else your changes won't be saved. To delete a journal entry, click on the **delete** button. Only unposted entries can be deleted.

(Once a journal entry is posted, it can't be deleted—however, adjusting entries can be made to reverse it or it can be unposted.) Journal entries are deleted by transaction, not by individual entry, to prevent unbalanced entries.

3 Click on the **print reports** button to print journal reports and audit trails.

4 The **verify** button checks the accuracy of the currently-displayed G/L transactions. Clients & Profits

When editing one journal entry's reference number, be sure to change it on the other entries in a transaction. Since entries are shown by reference number, entries with different numbers won't appear together.

analyzes the transaction's journal entries for one-sided entries, missing entries, entries without a valid G/L account, Suspense account entries, and other typical data errors—then automatically makes the appropriate fixes.

5 Enter in the reference number here to **find** a journal entry. Use the **find more** link to find journal entries by reference number, account number, date, date posted, amount or sequence.

6 Use the **history** pop-up menu to jump to a previously viewed journal entry.

7 The **journal** entry's source indicates where the transaction was posted from—either General, Purchases, Sales, Cash Disbursements, or Cash Receipts.

8 The entry **date** is the invoice date on payables and receivables, the check date on checks or client payments.

9 The **reference** number identifies each transaction. Reference

numbers that begin with either AP#, AR#, CK#, or PMT# were posted automatically; all other reference numbers were added by users directly into the General Ledger.

10 Every entry is identified by its kind: user entry (which is most common), auto-reversing, recurring, or adjusting entry.

11 Every transaction can contain a full **description** for better accountability.

12 The accounting **period** is used during posting to update the fiscal period's account balances and reports.

13 The date **posted** shows when the transaction was posted. Each journal entry shows the initials of the person who added it. Entries within the same transaction can have different added by initials if two different people worked on the entry.

14 The window shows each debit and credit journal entry for a

transaction. Entries are sorted by the order in which they were posted.

15 The total debits and credits appear at the bottom of the window to easily spot out-of-balance entries.

Profit Centers

Profit centers let you track the financial performance of different parts of your business without maintaining a separate set of books. Each profit center has its own chart of accounts. Every account can belong to a profit center, but it is not required. Profits centers are part of the Chart of Accounts.

Profit centers are used primarily for printing financial statements. Income statements, trial balances, balance sheets, and other financials can be printed for one profit center or all profit centers. Printing financials for one profit center shows only the accounts that have the selected profit center number. Printing financial statements for all profit centers will show all accounts, whether they have a profit center number or not. You can also print budgets, detailed general ledgers, and analysis reports by profit center.

■ Profit centers aren't required, and have no other affect on the General Ledger.

Profit centers can also be added to clients, jobs, tasks on the Task Table, and staff members. Whether a client, job, task, or staff member has a profit center doesn't affect the General Ledger; the G/L is only updated from debit and credit accounts. Instead, having profit centers on clients, jobs, tasks, and staff members gives you more flexible and insightful production and job accounting reports.

The profit center isn't needed when adding invoices and other entries. Since the G/L account knows its profit center, all you need to enter is the right account number. This also lets you move accounts between profit centers as needed without making time-consuming adjusting journal entries.

Assigning a Profit Center

A profit center can be assigned to G/L accounts, tasks, job tickets, and staff members.

■ *Adding a profit center to a G/L account:* The profit center is independent of the account number. The account number doesn't have to be changed to move an account into a different profit center. Any account with a profit center selected belongs to the entire company.

■ *Adding a profit center to a task in the Task Table:* Any task can be assigned a profit center. When a job is opened, it can be given a profit center; once saved, only tasks that belong to the job's profit center can be added to that job.

■ *Adding a profit center to a job ticket:* When a new job is opened, the profit center is copied from the client automatically. If the client doesn't have a profit center, then the job's profit center is blank. Once a job is saved, its profit center can be edited in the Specs window. If a job has a profit center, only tasks that also belong to the same profit center can be added to the job.

■ *Adding a profit center to a staff member:* Although a staff member can have a profit center, he or she can still work on any job. Also, a staffer's profit center number has no affect on their access privileges. It's strictly an option field that's useful for sorting staffers on custom reports.

Customizing the Word "Profit Center"

The word "profit center" is customizable as part of your Preferences. It can be changed to "department", "office", or any term you use to identify different parts of your business. To rename the words "profit center," choose Preferences from the Setup menu, then choose Names from the pop-up menu. Enter the new term for "profit center" over the old then click Save. Once saved, the new name will appear everywhere the words "profit center" are used.

Number	Name	Description
1	DES	Design Studio
3	IA	Interactive
5	MED	Media
2	NYC	New York City
4	PROD	Production

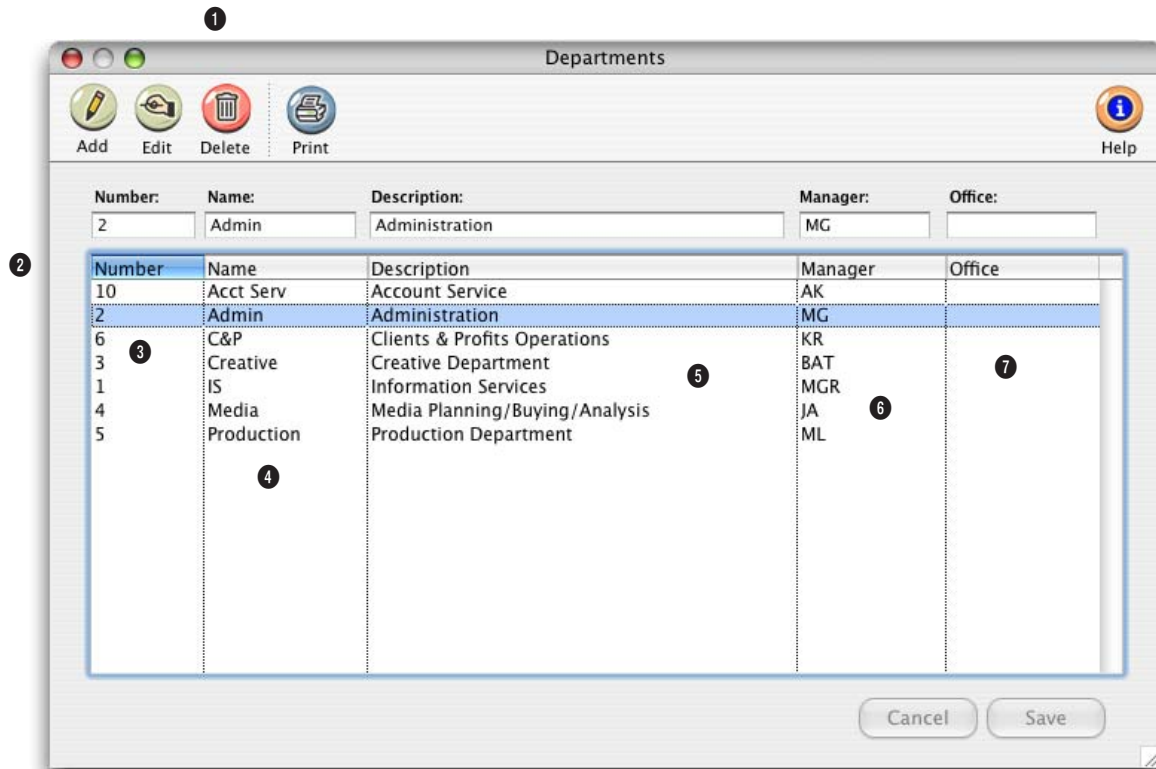
To set up a profit center, you will add a unique set of G/L accounts. The account numbers can include the profit center number to distinguish them from the other accounts.

1 Use these toolbar buttons to add, edit, delete, and print profit centers. Click on the **add** button to add a new profit center. You can add as many profit centers as you need. Profit centers can be edited at any time by clicking on the **edit** button. To delete a profit center, click on the **delete** button. If the profit center has been used on a G/L account, then it can't be deleted. To print a hard-copy of the profit center list, click on the **print** button.

2 Each profit center is identified by a user-defined code which has a maximum of 10 letters or numbers.

3 The **description** is the name of profit center. The description will appear on printed reports and financials.

Departments



The same department table is used for G/L accounts as well as for users/staff members (e.g., Admin, Acct Serv, Creative, Pub Rel, On-line, Pre-Press, etc.)

1 Departments can be easily added, edited, or deleted at any time using these toolbar buttons. To print a hard-copy list of departments, click on the **print** button.

2 Clicking on a column heading sorts the department list. To edit a department, double-click on a department name.

3 Each department has a unique **number** from 1 to 99. When a G/L account is added for a department, its number is appended to

the account number (e.g., 101000.10).

4 The department **name** is a short description, or nickname, of the department.

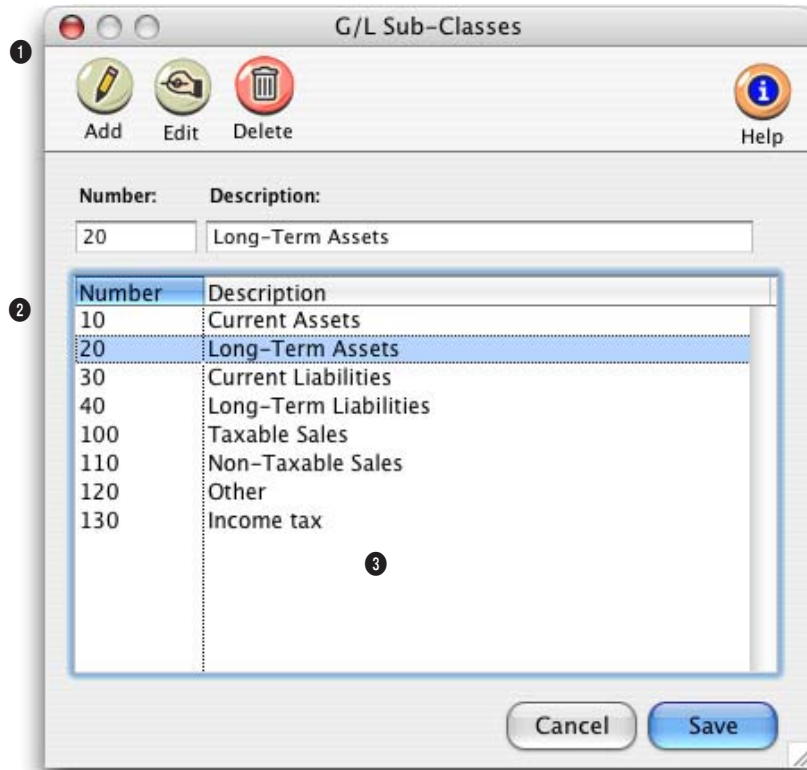
5 Each department can have an optional **description** that explains its purpose or function.

6 The initials of the department manager are used by C&P Mail. Each day, Clients & Profits' TimeCop feature checks the previous day's time cards and time sheets, comparing each staff

member's planned hours with their actual hours. If a staff member hasn't entered enough hours, the C&P TimeCop automatically e-mails a gentle reminder (or not-so-gentle, since it can be customized by the system manager). A copy of the message is sent to the staff member's department manager. If the department doesn't have a manager's initials here, no copy of the message can be e-mailed.

7 The optional **office** field indicates in which office the department exists.

Subclasses



Subclasses make your financial statements easier to read by sorting and subtotaling G/L accounts together that have the same kind of function.

1 Subclasses can be added, edited, or deleted at any time. To add a subclass, click on the **add** button. To change the number or name of a subclass, click on the **edit** button. To delete a subclass, click the **delete** button.

2 Subclasses are identified by a number. The number can be up to three digits long.

3 The **description** is the name of the subclass. It appears on the financials. Some common names of subclasses include: current

assets, fixed assets, current liabilities, and long-term liabilities. Many shops also subclassify income and job cost accounts; Product Sales and Service Sales, for example.

Chart of Accounts

The Chart of Accounts contains your G/L accounts. These accounts are the basis of your accounting system, keeping monthly totals of income, costs, expenses, assets, and liabilities. The balances that appear on income statements, balance sheets, trial balances, and other financials are based on the account totals in the chart of accounts.

The Clients & Profits X chart of accounts is completely customizable. You can have as few or as many accounts as you need (there's no real limit to the quantity of accounts). Each account has an account number, classification, subclass, and categories for cash flow and ratio reports. Separate accounts can be set up for different profit centers and departments. Every account keeps real-time running balances for up to 24 accounting periods in Clients & Profits Pro X and C&P SQL X, 15 accounting periods in Clients & Profits Classic X, and 12 accounting periods in Job Tracker X.

Budget amounts can be quickly set up for any or all accounts and periods using last year's totals. Account totals can roll up into other accounts. The accounts are set up with the rollup information in the Chart of Accounts. Choose the *rollup* option when printing financials to rollup, or hide, the account totals in the designated account. Accounts can also be made confidential. Confidential accounts work like regular accounts, but can't be used by non-managers. They don't appear on the printed account list or the lookup list.

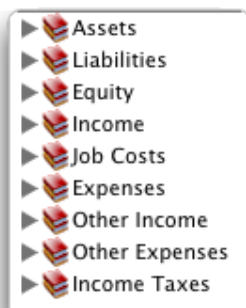
You can add, edit, and delete accounts from your Chart of Accounts anytime (except for accounts with activity). Accounts with activity can be edited (except the number) and reclassified, but not deleted.

Account numbers

There are no rigid rules about numbering G/L accounts, although the number has a limited length (11-digits, including a 2-digit department number). You choose your own account numbers, so you can use any numbering system that conforms to accounting standards. Also, the same account number can't be used twice. Account numbers are numeric, so they can't contain letters or characters (i.e., dashes, etc.). An account number can't be changed if the account has activity (i.e., journal entries) or a balance. Account numbers can't contain leading zeros (e.g., 001000).

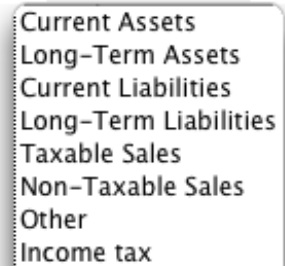
Account classes, sub-classes, and profit centers

Accounts are categorized three ways: a major **class** (e.g., asset, liability, sales, etc.), a **subclass** (e.g., current assets, fixed assets, etc.), and a profit center. The class organizes accounts as assets, liabilities, equities, sales, costs, expenses, other income, income



taxes, or other expenses. Asset, liability, and equity accounts appear on the Balance Sheet. Income (billings), costs, expenses, other income, income taxes, and other expenses appear on the Income Statement. All accounts appear on the Trial Balance and the Detailed General Ledger. The classes themselves are preset, but their names can be changed in Preferences.

Accounts are subtotaled within each class using a subclass. Subclasses are optional and user-defined, so you can create as many as needed. An account's subclass can be edited anytime. Each account can belong to one profit center and one department. Profit centers are user-defined, so you can create as many as needed. Financial statements can be printed for one profit center at a time, or all profit centers.



Default accounts

Clients & Profits X has the ability to preprogram standard, or default, accounts into your database. These default accounts are entered automatically when payables, checks, receivables, and client payments are added. Default accounts can be overridden by simply entering an account number when a transaction is added. Default account numbers can be entered for these accounts: *Cash/Checking; Accounts Receivable; Accounts Payable; Client Retainers; Billing/Income; Employee Advances; Media Accruals; Media Costs; Overhead Expenses; Retained Earnings; Advance Billings; A/R Discount Given; A/P Discount Taken*. Default G/L accounts are optional, but can help make your accounting more consistent and reduce errors. The default account numbers are entered in the G/L accounts Preferences window.

Active/inactive accounts

Accounts marked inactive do not appear on the lookup list and cannot be entered on transactions. To mark an account as *inactive*, highlight the account in Chart of Accounts, click the Edit button, then uncheck the account's *active* checkbox.

Rollup account only

Accounts which need to be hidden on financial statements can roll up into a designated account (marked as "Rollup account only") when a statement is printed. Roll-up only accounts can not have entries added to them and

don't carry a balance. To set up a rollup account, highlight the account in the Chart of Accounts, click the Edit button, then select the *rollup account only* option.

Confidential accounts

Accounts can be made confidential for privacy. Confidential accounts function like other G/L accounts, but can't be used by non-managers. Commonly-used accounts, such as a checking account, shouldn't be confidential since many users need them. Typically confidential accounts would track such accounts as employee bonuses, executive loans, and stock options.

Cash Flow and Ratio categories

A Statement of Cash Flows report, as well as a set of ratio analysis reports, can be printed any time from Financials. The cash flow and ratio categories are optional

fields which enable you to print these powerful accounting reports. The cash flow category assigns the account to a category used in calculating the Statement of Cash Flow Report. The ratio category assigns the account to a subclass which is used in ratio analysis in the Financials menu.



■ To assign cash flow or ratio categories, highlight the account in the Chart of Accounts then click the Edit button. Then choose a category from the pop-up menu:

Year-to-date net income, retained earnings

The Year-to-Date Net Income and Retained Earnings accounts

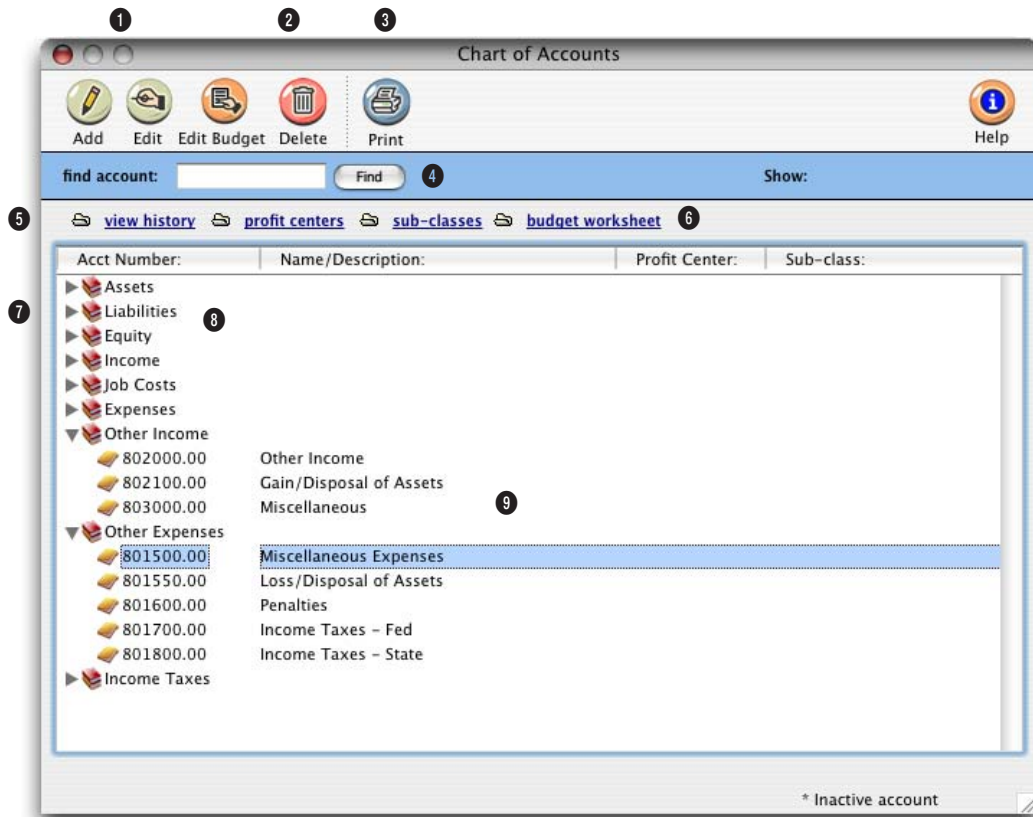
are necessary to your financial statements. The year-to-date net income account (which is always 999999) is calculated each time a financial statement is printed. The account's balance is always the income less costs and expenses. While the account number can't be changed, you can name the account whatever you want. You can't post entries directly to the YTD income account; instead, entries should be posted to income, costs, expenses, or Retained Earnings.

The Retained Earnings account tracks net income (or loss) from the previous accounting years. It's an equity account of your choosing. The account is only used at year-end closing and for adjustments. Unlike the year-to-date net income account, you can post journal entries to the Retained Earnings account when you need to adjust last year's ending balances.

The suspense account

The suspense account (999998) is updated when the program isn't able to find the account entered on the transaction. It's an important account because it acts as a safety net when the wrong account, or no account, is entered. When entries are found in the suspense account, they are reversed out of suspense and into the correct account.

The Chart of Accounts window



Once accounts are set up in the Chart of Accounts, their properties can be edited. This flexibility allows you to customize the appearance of your financial statements.

1 Use these tool bar buttons to scroll through the **previous** and **next** G/L accounts.

2 G/L accounts can be added, edited, budgeted, or deleted from the Chart of Accounts window. To add a new G/L account, click on the **add** button. To edit a G/L account's information, click on the edit button. An account's budget can be added, edited, viewed, or deleted by clicking on the **edit budget** button. The Monthly Budget window shows you the monthly totals for this year and

last year, as well as the budget for the selected G/L account. To delete an account, click on the **delete** button. If an account has a balance or journal entries posted against it, it can't be deleted. Instead, you can make the account inactive.

3 To print a hard-copy of the account list, click on the **print** button. The list shows each account's number, name, class, subclass, and profit center.

4 Enter an account number here

to **find** a G/L account.

5 Clicking the **view history** link let's you quickly view and print all G/L entries for a selected account. All periods with activity appear and the debits and credits are subtotaled. Then the period is reported. The account's balance is calculated at the end of the report. Each transaction's date, reference number, and description are also given.

6 Profit centers, subclasses, and budget worksheets can be added,

Monthly budget amounts for a selected account can be reviewed on-line by clicking on the edit budgets button. This window also compares budgets with actual totals for the current fiscal year.

edited, viewed, and deleted from the Chart of Accounts window. Clicking on the **profit centers** link opens the Profit Centers window, where you can add, edit, and delete PCs. Profit centers are used to track the financial performance of different parts of your business without maintaining a separate set of books. Click the **subclasses** link to add, edit, delete, and print account subclasses. Subclasses are used to arrange and subtotal accounts on financial statements. Examples of standard subclasses are Current Assets and Long-Term Liabilities. An account can belong to any (but only one) subclass. Click on the **budget worksheet** link to enter or edit the budget for the year. All the G/L accounts and periods are displayed.

7 Double-click on the **account class** to view its accounts. G/L accounts are listed numerically by account number with their name/description, profit center, and subclass.

8 Double-clicking on an account lets you change the G/L account information, such as its name. G/L accounts are added, edited, or deleted in the Chart of Accounts window only.

9 The name of the G/L account appears here for easy reference.

The Add New Account window

Add Account

1 Number: 103500.00 Active 2

Account Name: Cash - Wells Fargo 3

Class: Assets 4

Sub-class: Current Assets 5

Profit Center: 6

Department: 7

Roll up into: 100000.00 8

Description: 9

Options: 10 Roll-up only account
11 Confidential
 A/R control account
 A/P control account
 Checking account

Next CK#: 10152 12

Cash flow category: Cash 13

Ratio category: Cash

Help Cancel Save

New accounts can be added to the Chart of Accounts any time during the fiscal year. Once an account is added, it's available to anyone in the agency to see and use it.

1 The **account number** can contain up to 6 digits plus a 2-digit dept. number. They're customizable, but can't be changed once the account has a balance.

2 **Active** accounts appear everywhere. Making an account "inactive" prevents it from being used for new work. Inactive accounts will appear in the Chart of Accounts window and the lookup list with an "*" next to it.

3 The account **name** is a short

description of the account's purpose.

4 Each account belongs to a **class** (e.g., assets, liabilities, etc.). The class is used to organize accounts and determines what accounts are on the Balance Sheet and Income Statement.

5 An optional **subclass** can be used for making subtotals on financial statements.

6 An account can belong to a **profit center** by entering its number here.

7 An account can belong to a **department** by entering its number here. The dept. number is appended to the account number, so it can't be changed if the account has a balance.

8 Several like accounts can be combined together by entering a **roll-up** account here. When financials are printed with the roll-up option, only the roll-up accounts will appear. It's an easy way to print consolidated reports.

9 The **description** explains where,

For checking accounts only, the next check number appears in the Edit Account window in Chart of Accounts. You can have as many checking accounts as necessary and each account tracks its own check numbers.

when, and how an account should be used. It's a great way to document your accounting procedures.

10 Roll-up only accounts are used for display purposes on financial statements, and are only used for printing. They can't be used otherwise. **Confidential** accounts are only available to managers, and can't be seen or used by regular users. They are typically used for hiding private or controversial accounts (like profit sharing for officers, etc.) from lookup lists and accounting reports.

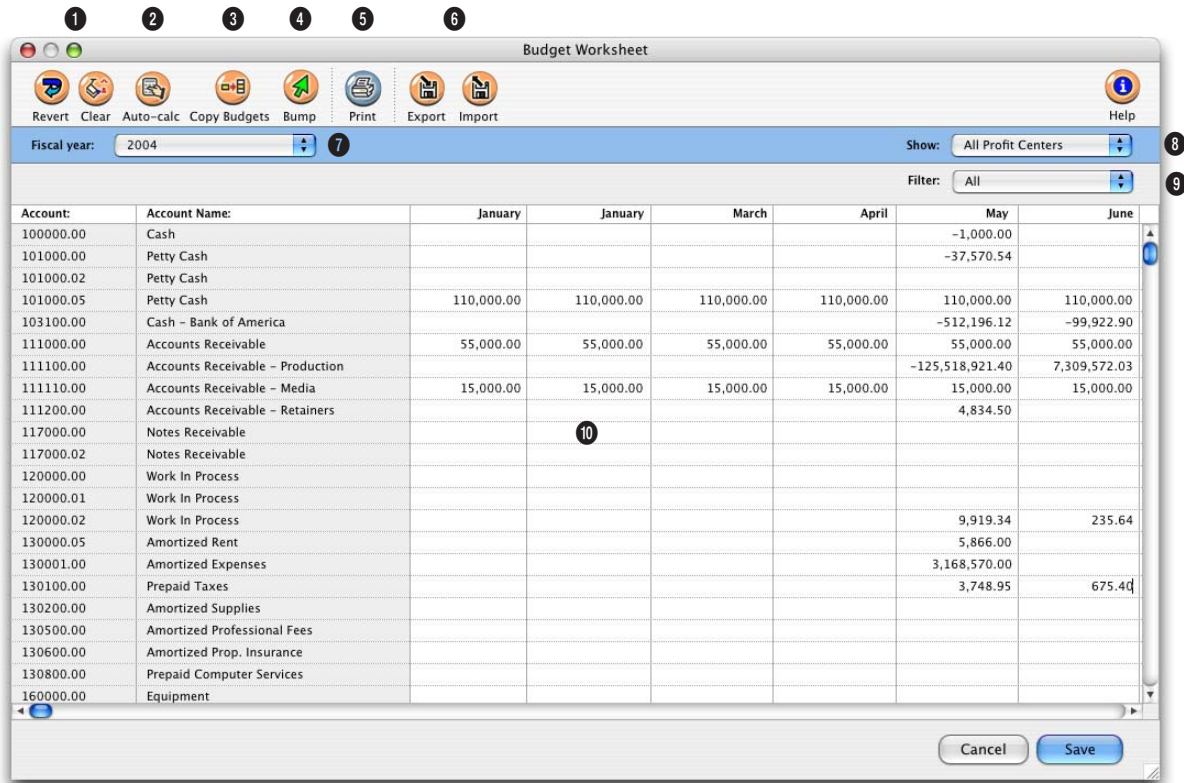
11 Any vendor payable or client receivable account should be marked as a **control account**. They are used by the Auditor to verify that aging reports equal the balance sheet.

12 Only accounts marked as a **checking account** can be used for check writing. Each account has its own check numbering series.

The starting (or current) number is user-defined to match your check forms.

13 The **cash flow category** is used to sort an account properly on the Cash Flow report. The **ratio category** is used by the financials to calculate business ratios.

The Budget Worksheet window



The Budget Worksheet is an excellent tool to use in the new year because you can calculate the budget automatically based on last year's totals.

1 The **revert** button erases any unsaved changes, then displays the last-saved budget worksheet. Click the **clear** button to delete budget—or all periods—for the currently selected G/L account.

2 The **auto-calculate** function automatically calculates the account's annual budget based on last year's actual totals. If the previous year's account totals are accurate, this is good shortcut.

3 Clicking the **copy** button copies the currently selected account's

budget amount to all other periods.

4 Click the **bump** button to increase an account's budget by any percentage.

5 Click the **print** button to print the budget worksheet.

6 Clicking the **export** button creates a spreadsheet-compatible text file of your G/L accounts and their budget amounts. This text file can be opened by Microsoft Excel. The budget amounts can be

edited in the spreadsheet, then saved back into a text file (this is important—don't save it as a regular spreadsheet file). Once saved, those budget amounts can be imported into Clients & Profits. Clicking the **import** button brings the budget amounts from the text file back into Clients & Profits. Importing *replaces* any budget amounts currently in the Budget Worksheet with the ones you've edited in the spreadsheet program.

7 Budgets can only be edited for

Each G/L account can have monthly budgets for each of the 24 accounting periods of both fiscal years. These budgets can be compared with actuals anytime during a month by printing the Budget vs. Actual financial report in Snapshots.

one fiscal year at a time. This heading shows which fiscal year is selected.

8 Choosing a **profit center** from the **show** pop-up menu shows only those accounts that belong to the profit center. It lets you easily work on budgets for one profit center at a time. Once you've entered the profit center's budgets, you must click Save; otherwise, the budget amounts won't be saved.

9 The **filter** pop-up menu shows only accounts for a selected class (e.g., Income accounts only), which can simplify budgeting when there's a large number of accounts.

10 Budget amounts are entered for each G/L account and each accounting period. A budget amount for every account or every accounting period is not required.

The Add Journal Entries window

The screenshot shows the 'Add Journal Entries' window with the following details:

- Date:** 07/28/04
- Ref No.:** JE#1013
- Period:** 18 - June 2004
- Desc:** Insurance Expense
- Auto-reversing:**
- Recurring:**

GL#	Account Name:	Job:	Debit:	Credit:
130600.00	Amortized Prop. Insurance			\$ 275.00
620000.00			\$ 275.00	
BATCH TOTAL:			\$ 275.00	\$ 275.00

Manual journal entries can be added any time during the month for all kinds of miscellaneous entries such as: payroll, insurance expenses, bank fees, interest income, etc.

1 The entry **date** shows when a journal entry was added. New journal entries are automatically given today's date, which can be changed. The date doesn't affect the G/L, since the accounting in Clients & Profits is based on periods.

2 **Reference numbers** are used to identify journal entries, like an invoice number. Journal entries are numbered automatically from your accounting preferences, but are flexible. You can change the reference number by entering any

combination of letters or numbers. Even the prefix "JE#" can be changed.

3 Any unlocked period can be chosen from the **period** pop-up menu.

4 The **auto-reversing** option automatically creates reversing debit and credit entries into the next accounting period (i.e., the debit entry is reversed as a credit entry, and vice versa). Auto-reversing entries keep you from forgetting to back out entries such

as month-end accruals.

5 By checking the **recurring** option, the same transaction will be repeated in up to 23 periods. This option saves you from having to rekey the same depreciation, amortization, etc. entries each month. Recurring entries can't be scheduled into locked accounting periods. Recurring entries aren't posted until the month for which they are scheduled is the current period. They can be seen on the proof list by checking the "include recurring entries" option.

Every journal entry can contain a client number, job number, and vendor number. This information is used for printing audit trails and journals, but has no affect on client balances, job totals, or vendor balances.

6 The optional **description** will appear on audit trails, journals, and detailed G/L reports to explain anything about the transaction. It can be changed on a specific JE later by double-clicking on an entry in the G/L window.

7 Enter each journal entry's G/L account number here. If you're not sure about a G/L number, leave the field blank then press Tab. The Chart of Accounts lookup list opens, displaying your G/L accounts. Double-clicking on an account enters it onto the journal entry.

8 The G/L account's name is shown for quick reference.

9 Every journal entry can be given a job number. Journal entries don't affect the job ticket directly; instead, you'd only enter a job number here if this amount should affect the Client P&L reports. You

should only enter a job number here if you're allocating overhead expenses directly to a job or a client. When you enter a job number, its client number is copied automatically to this journal entry.

10 Each journal entry needs a debit or credit amount.

11 The total of the debits and credits must equal or the transaction won't be saved.

Printing G/L Reports

G/L reports show journal entries from the General Ledger. They do not show time entries, out-of-pocket job expenses, or purchase orders (since these entries don't directly affect the G/L). Instead, they show the entry-by-entry detail for the account totals shown on financial statements.

Since journal entries include both a date added and a date posted, G/L reports can be printed showing entries either added or posted for any time period (e.g., today, last week, the entire month or year, etc.).

A journal entry can have an optional job number, client number, and vendor number, which can be used to select entries for the Audit Trail reports. Job, client, and vendor numbers are automatically included on JEs posted from A/P, A/R, checkbook, client payments, and employee expense reports. They can be entered manually on general journal entries. Audit trails can be printed showing only those entries added for a particular job, client, or vendor number.

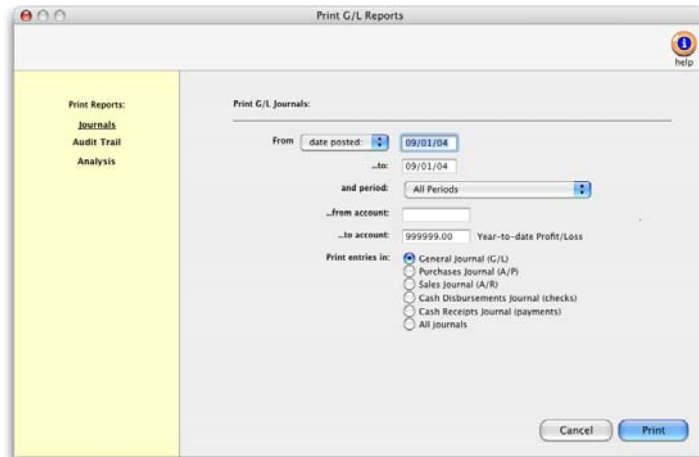
Clients & Profits prints three kinds of G/L reports: **journals**, **audit trails**, and **analysis** reports. While audit trails and journals both show G/L entries, they have distinctly different purposes. Which one you'll print depends on just what you need to see.

Audit trails are used to see the detailed entries that comprise your G/L account balances. They show JEs totaled by G/L account, while journals show entries grouped by reference number. This makes audit trails best for reviewing an account's activity (especially to see how an account balance really adds up).

Journals are most useful for reviewing the debits and credits for each transaction. They show what you've entered into the G/L, transaction-by-transaction. Journal entries are sorted by reference number for easier auditing. Each journal entry shows its account number, date, description, period, and debit or credit amount. Journals can be printed for all kinds of transactions, or for only general ledger, payables, receivables, checks, and client payments.

Analysis reports list specific types of journal entries: clearing, recurring, auto-reversing, adjusting and auto-WIP entries.

■ Audit trails, journals, and analysis reports can be printed to the window, instead of the printer, for a quick review of your work. The *print to* option automatically prints all reports to the screen. To print a report to the printer, simply choose Printer from the pop-up menu. To export the report to a spreadsheet, choose Export from the pop-up menu; you'll be prompted to name the report, which will be saved to your hard disk as a file. To copy the report to the clipboard choose Clipboard from the pop-up menu, then you can paste the report into a spreadsheet program like Excel.



Print for any period. G/L reports can be printed for any one of the 24 accounting periods, as well as for a range of selected periods (e.g., periods 1-6) using the *and period* menu.

To print a journal

- 1 From the General Ledger window, choose File > Print G/L Reports.
- 2 Click on the "Journals" label.
- 3 Enter your report selections, including a range of dates, periods, and account numbers.
- 4 Choose a journal report by clicking on a report name.

5 Click Print.

To print an audit trail

- 1 From the General Ledger window, choose File > Print G/L Reports.
- 2 Click on the Audit Trail report option.
- 3 Enter your report selections, including a range of dates, periods, and account numbers. Audit trails can be printed for a specific job, client, or vendor by entering and *...and for* value (i.e., a job number, client number, or vendor number). If entered, only journal entries for that job, client, or vendor will be printed, then click Print.

To print an analysis report

- 1 From the General Ledger window, choose File > Print G/L Reports.
- 2 Click on the "Analysis" label.
- 3 Enter your report selections, including a range of dates, periods, and account numbers.
- 4 Choose an analysis report by clicking on a report name, then click Print.

General Ledger Reports

Report Name	Description
Auto-Reversing Entries	JEs marked as auto-reversing entries post a reversing entry into the next period. Print the report by date range, period or range of periods and by account or range of accounts.
Media WIP accrual entries	WIP accrual entries are automatically created by the media buying system for tracking media work in progress. The accounts debited and credited, dates, and invoice numbers are reported for media accrual AP invoices and pre-billed insertion orders. They are posted by client media billings (i.e., broadcast and print media) from Accounts Receivable and the media accrual invoices from Accounts Payable. Together they properly account for media pre-billings by estimating the cost of the media. When the vendor's final media invoice arrives, the actual media cost is reconciled with the accrual.
Recurring Entries	JEs marked as recurring entries are reported by date range, period range and account range.
Adjusting Entries	JEs entered as Adjusting JEs to balance a transaction are listed on this report. Print the report by date, period or account.
Clearing Entries	This report lists the JEs posted from Transfer Account Balances in G/L Tools. The accounts transferred from (cleared) and the accounts transferred to are listed. Print the report by date, period, and account.
General Journal	Only manual journal entries (JEs) are reported in the General Journal. The report can be printed by period and date range. The debits, credits, G/L accounts, and date are listed.
Purchases Journal	Accounts payable invoices (APs) are found in this journal. The debit for the cost or expense account, and the credit to the AP account, are reported along with their amounts. Print the journal for one day or a range of dates. Or print for one period, or for all periods.
Sales Journal	Accounts receivable invoices (ARs) are reported by date range or period in this journal. Both the credit to the income account and the debit to accounts receivable are listed with the amounts.
Cash Disbursements Journal	All types of checks—vendor payments, direct disbursements, overhead checks—are listed here. See the credit and debit accounts and the amounts, listed in check number order.
Cash Receipts Journal	Client payments and bank deposits (PMTs) are reported in this journal. Use this report to audit which bank accounts were debited, whether the entries balance, and what the total receipts were for the period or date range entered.
Audit Trail	Audit an account's entries, or print a range of accounts totaled account-by-account. The audit trail can be printed for a range of dates and periods. Print for a specific job, client, or vendor to see how it affects the account.

General Ledger Tools

Clients & Profits X provides a comprehensive set of tools to help manage your General Ledger. These timesaving utilities are easy to use, and prevent a lot of time-consuming manual work to audit, verify, and adjust your accounting.

Anyone with access to the General Ledger can potentially use the G/L tools. Each tool has its own separate access privilege (see User Access & Passwords) for flexibility. This gives different users access to some G/L tools and not others. The G/L tools include:

The Auditor

The Auditor is a collection of utilities to verify selected parts of your Clients & Profits X database. It lets you double-check your G/L account balances, A/R totals, A/P totals, and other files to ensure their accuracy. Each utility can be run independently, or all of the utilities can be run together.

Transfer Account Balances

A G/L account number can't be changed once it has a balance. So what happens when you decide to reorganize your chart of accounts? One option is to wait until the year is closed, when all of the income, cost, and expense accounts are zeroed out. But what about asset, liability, and equity accounts that always keep their balances? That's when you'd use the Transfer Account Balances tool. It lets you move an account's balance to another account. It happens automatically, which simplifies the process and keeps it more accurate.

G/L Reconciliation

The task of auditing prepaid and accrual accounts is simplified with the G/L Reconciliation. It lists an account's entries from the General Ledger. The entries are then marked as *cleared*. Once saved, the cleared items will be removed from the reconciliation window. A G/L reconciliation report can be printed to prove your Balance Sheet account balances.

Add Adjusting JE

This tool lets you make up journal entries that weren't posted with the original transaction, typically due to a system crash or some kind of network problem during posting. Normally, journal entries can't be saved

unless the transaction's debits equals its credits. It should only be used to fix a one-sided entry. Otherwise, the entries you make with the Add Adjusting JE tool will make your financials out of balance.

Import Payroll

If you produce your own payroll checks using the CheckMark Payroll software, payroll data can be imported into Clients & Profits X. CheckMark has the ability to export payroll information into a standard text file. Clients & Profits X then imports this text file into the General Ledger as an unposted payroll journal entries.

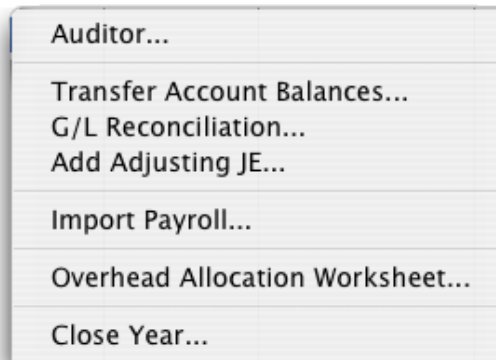
■ For more information on CheckMark Payroll, contact CheckMark at www.checkmark.com or (800) 444-9922.

Overhead Allocation Worksheet

This tool calculates each client's share of the agency's overhead expenses for any selected month. The overhead allocation worksheet adds up the hours worked by each staff member, then allocates a proportion of the overhead expenses to each client based upon the specific method. The worksheet lets you enter the month's payroll totals for each employee, which then becomes part of the client's overhead allocation. The client overhead totals are then used on the Client P&L Analysis report (see Financials).

Close Year

Clients & Profits X can handle two open fiscal years, for a total of 24 accounting periods. So while there's no real urgency to close the first year, at some point it's necessary. Year-end closing is very easy and mostly automatic—Clients & Profits X handles everything. Once you've entered the year's remaining entries, you'll run the Close Year procedure. It presents a checklist of steps it goes through to close out the fiscal year. Once you've started the close year process, it runs unattended until it finishes. Afterwards, you can print a log of steps completed by the Close Year tool.



Auditing tools and more.
Each users can have different access privileges to the G/L tools. Each tool has its own user access privilege, giving managers very specific control over who can run them.

Using the General Ledger Tools

Tool name	When to use it
The Auditor	At month-end, or at any time as needed. The Auditor features several utilities for auditing different job and accounting data files. It lets you run one utility, all utilities, or any number of utilities at one time. When you suspect a specific problem, the Auditor helps you troubleshoot the cause and, in most cases, will solve it.
Transfer Account Balances	As needed when one account needs to be merged with another.
G/L Reconciliation	At month-end, or whenever adjusting entries need to be made to prepaid expense (such as insurance), amortization, and depreciation accounts.
Add Adjusting JE	As needed to fix a one-sided (or otherwise unbalanced) G/L transaction. The Add Adjusting Entry tool lets you add back in missing items caused by system crashes or freezes during posting.
Import Payroll	Each time a payroll is made.
Overhead Allocation Worksheet	At month-end. The overhead allocation worksheet calculates overhead expenses for each client based on the hours worked during a month. It uses payroll totals for each employee that worked during the month, so it shouldn't be run until the month's payroll is paid. You can run the overhead allocation worksheet without payroll numbers, but the report will only show direct job costs -- but no labor cost.
Close Year	At year-end, as soon as all of the year's work has been posted. Since Clients & Profits supports 24 accounting periods (two fiscal years), the year doesn't have to be closed until well into the next year (after your year-end adjustments from your accountant are posted).

Importing Payroll

Because of its frequent revisions, Clients & Profits X doesn't handle payroll accounting directly. Instead, it works with a payroll program called *CheckMark Payroll* by CheckMark Software.

CheckMark is a stand-alone system that tracks employees, deductions, and other payroll issues apart from Clients & Profits X. Information about your payroll, however, can be extracted from CheckMark Payroll on a monthly basis then imported into Clients & Profits.

Importing payroll eliminates entering payroll records twice, so it saves time. Your payroll costs are imported, verified, then saved as unposted journal entries. You can then proof these payroll entries just like other journal entries, make changes, then post them. Posting updates your payroll and cash balances on your financial statements.

Since Clients & Profits X and CheckMark Payroll are not actually linked, you'll need to make sure your G/L accounts are the same in both programs. Payroll entries exported from CheckMark get a G/L account number, which is verified when the data is imported. If the account number is wrong for any reason, the journal entry will be saved into Suspense—and should be changed before it is posted.

■ For more information on CheckMark Payroll call (800) 444-9922 or see their web site: www.checkmark.com.

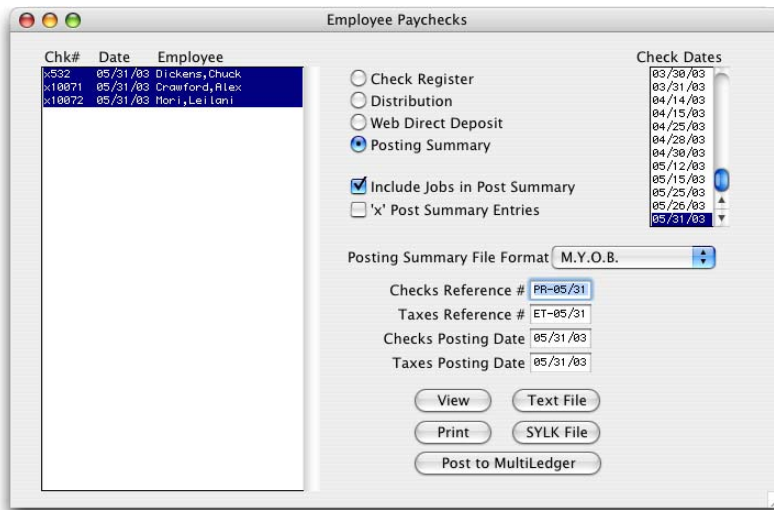
To export your payroll data from CheckMark Payroll

- 1 From the CheckMark Payroll program, Choose Reports > Check Information.
- 2 Select the correct month.
- 3 Highlight the payroll checks to be included in this journal entry.
- 4 Select **Posting Summary**.

Exporting payroll. The Posting Summary report contains accounting data from a month's payroll checks. Be sure to change the text file format to M.Y.O.B to properly export your payroll data.

- 5 Choose M.Y.O.B. from the *text file format* pop-up menu.
- 6 Click on the Text button to export the payroll summary data.
- 7 Name the text file something like *11/04 Payroll* then click OK.

This text file, containing your payroll entries, will be saved to your hard drive. Now it is ready to import to Clients & Profits.



- 8 Quit CheckMark Payroll.

To import your payroll data into Clients & Profits

- 1 Choose Accounting > General Ledger
- 2 Choose Edit > G/L Tools > Import Payroll.

The Import Payroll window opens, prompting you to enter an accounting period.

- 3 Enter an accounting period.

The accounting period is used by the payroll entries to update your financial statements. Your current accounting period is entered automatically, but can be changed. Any unlocked period can be used.

- 4 Click Import.

You'll be prompted to find the payroll text file. Any kind of text file will appear in the Import dialog box, so be careful to select the right text file.

You'll then be prompted to open your payroll text file.

- 5 Select your payroll text file, then click OK.

Your payroll entries import one after another (you'll see the record count as they're imported).

■ If the text file isn't tab-delimited, you'll get an error message. Payroll text files must be tab-delimited.

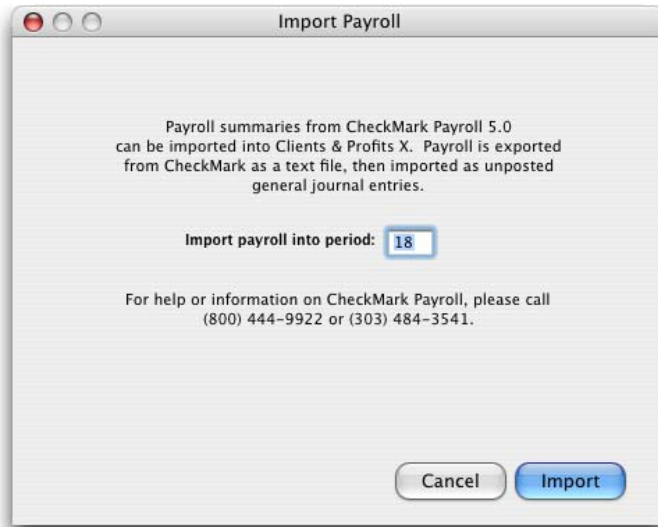
Once imported, the G/L account number of the entries is verified. If an

Need more info about payroll? Get a list of frequently-asked questions from www.cfp-x.com/support/FAQs

account on the payroll entry doesn't exist, the entry will be posted to the Suspense account (#999998). You'll see these entries on the proof list; they should be fixed before they are posted.

■ Be very careful not to import that same payroll text file more than once. If so, your payroll entries may be posted twice. For security, trash (or otherwise file away) your payroll text files once they've been successfully posted.

■ Any payroll entry that has the G/L account of #999998 had an invalid account, and should be fixed. Don't post these entries until they're correct.



Importing payroll. Accounting data from payroll checks is exported from CheckMark as a text file. This file, which contains the date, account number, and payroll amount (but not the staff name or salaries), is imported as unposted journal entries. Once the data is imported, you can proof it, make changes, then post the entries.

Transfer Account Balances

Transfer Account Balances moves a G/L account's balances, from a selected period, to another account. This tool is helpful if you decide to reorganize your chart of accounts by renumbering some accounts or need to combine two accounts. A journal entry is automatically created for each accounting period in the date range selected. The journal entries reverse the balances from the original account and distributes them to the new account. A log of the unposted journal entries is automatically printed. The unposted entries should be proofed and then can be posted through the General Ledger.



The Transfer Account Balances doesn't move the actual activity from the original account to the new account. Instead, just the balances are transferred via the journal entries.

1 Enter in the G/L account number that you are transferring balances from.

2 Enter in the G/L account number that you are transferring the balances to.

3 Choose a range of accounting periods from the period pop-up menus.

4 When you click on the ok button, a log of the unposted journal entries will be printed. This proof list needs to be

carefully reviewed and compared to the YTD Trial Balance before posting the entries. Once posted, the original account's balances will be zero and the new account will reflect the balances.

Add Adjusting JE

Add Adjusting JE

G/L#: 111000.00 **1** Accounts Receivable

Period: 7 (leave blank for beginning **2**)

Date: 07/12/04 **3**

Reference: AR#19278 **4**

Description: Correct for system crash during posting **5**

Job: **6**

Client: BAC **7**

Vendor:

Debit: \$ 2,500.00

Credit:

8

Cancel Save

The Add Adjusting JE window lets you make one-sided, unbalanced journal entries into your G/L. Journal entries otherwise can't be added without being in balance.

1 Enter in the adjusting journal entry's G/L account number. Usually, this is the account that is causing the out of balance

2 Enter in the accounting period that the adjusting entry will be posted to. Usually, it should be the same accounting period as the original transaction.

3 Enter in the date of the adjusting journal entry. It can be the date of the original transaction or today's date.

4 Enter in the reference number. It must be the same number that was entered onto the original entry. If not, the adjusting entry won't appear together with the original journal entry.

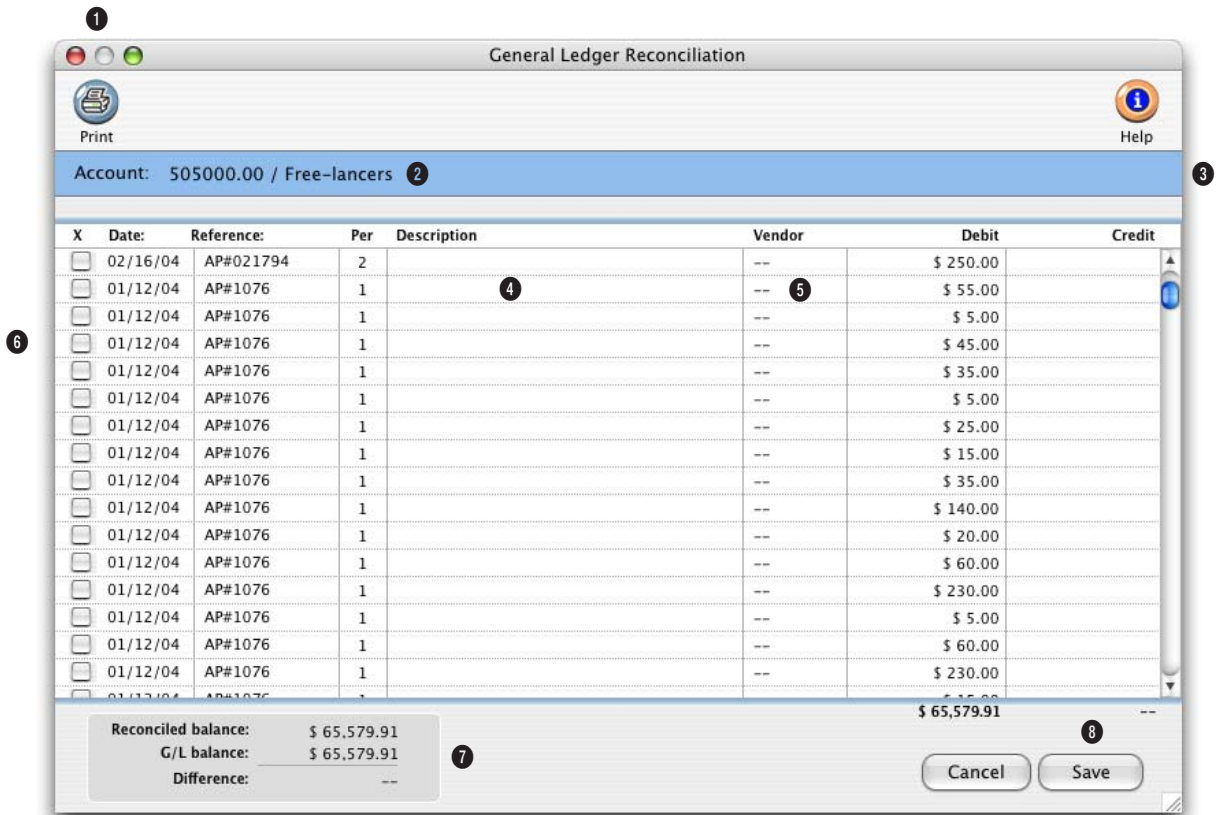
5 Enter in an optional description to explain why the adjusting journal entry is being added.

6 Enter in the job number, client number, and/or vendor number for the adjusting journal entry. These fields are optional.

7 Enter in the adjusting journal entry's debit or credit amount. This should be the amount for which the original transaction is out of balance, otherwise you'll still be out of balance.

8 Clicking on the **save** button will add the adjusting entry to the original journal entry as an unposted entry.

G/L Reconciliation



The G/L Reconciliation allows you to audit your balance sheet accounts. Also, it is precise - so your reconciled balance must equal the G/L balance or it can't be saved.

1 Click the Print button to print the list of outstanding items.

2 This is the account you're currently reconciling. Each account is reconciled separately.

3 The list shows all year to date entries through this accounting period.

4 A description of the entry is displayed from the journal entry for reference.

5 Depending on the G/L account

reconciled, the Vendor or Client codes appear here for reference.

6 Uncleared entries are listed for the G/L account. Entries are sorted by vendor or client. You can sort the entries differently by clicking on the date, reference, period, or description column headings. The checkbox is marked if an item has cleared.

7 The reconciled balance is the total of the uncleared items. The G/L balance is the account balance from your balance sheet.

It is the balance as of the accounting period selected.

8 The total debits and credits are totaled for the uncleared items.

Out of Balance Checker

It's possible for your general ledger to become out-of-balance because of system crashes during posting. This happens when one side of a transaction (either a debit or credit) is posted, but the system crashes before the other side is finished. The problem can happen at any time, and it is difficult to prevent (since it is always system related). For performance reasons, Clients & Profits doesn't automatically warn you when you're out of balance. But it's easy to see if your G/L is out of balance: simply look at the bottom line of the Balance Sheet (it'll show the out of balance amount), or at Total Assets, Liabilities, and Equity section on the Trial Balance (which should always be zero).

The key to solving an out-of-balance G/L problem is to find the missing (or duplicated) journal entries. Since all JEs for a particular transaction have the same reference number, it's easy to track down the bad entries. To make troubleshooting your G/L easy, Clients & Profits provides a special Out of Balance Checker utility.

How the Out of Balance Checker works

The Out of Balance Checker utility works by analyzing your G/L journal entries transaction-by-transaction. It adds up the total of each transaction's debits and credits (i.e., JEs with the same reference number), then highlights the ones that don't balance. The Out of Balance report only shows the transactions that need fixing.

- The Out of Balance Checker only finds unbalanced entries that need to be corrected. It does not change your general ledger in any way. You'll need to make your own judgments about how to correct an unbalanced entry (that is, making the appropriate debit or credit adjusting entry).
- The total debits and credits for each reference on the Out of Balance

Details of the out of balance entries are listed, including the reference number, date, accounting period and amount. This information can be used to research why the entry is out of balance and how it should be corrected.

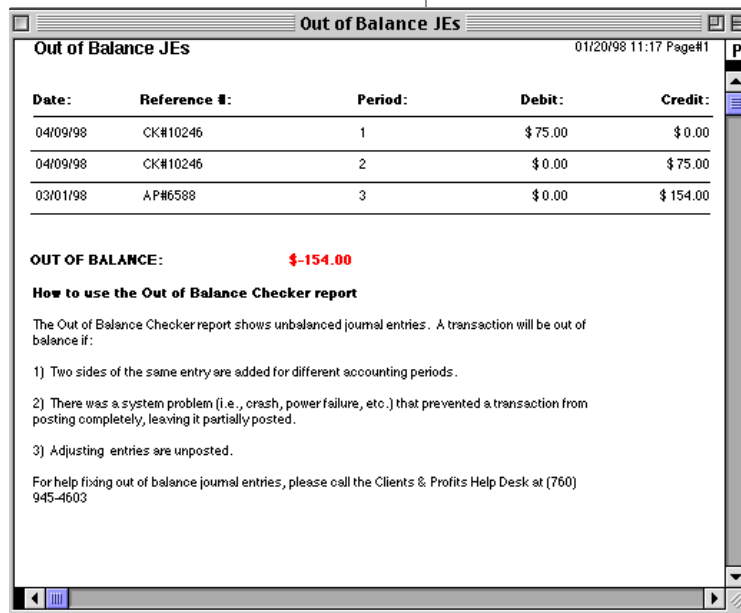
checker report correspond to the total debits and credits in the G/L window for that transaction.


The total amount of the entries on the report should equal the out-of-balance amount on the Balance Sheet or Trial Balance.

Verifying journal entries

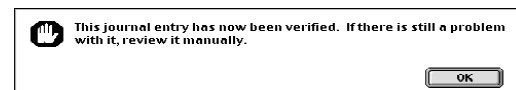
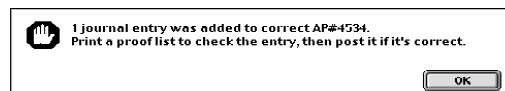
A quick and easy way to fix an entry listed on the Out of Balance Checker report is to use the Verify JE button. It will verify the accuracy of the currently displayed journal entry, and will automatically fix any common problems that are causing the out of balance by adding adjusting je's for you to proof and post. If the source of the journal entry has a problem, the Verify JE button cannot fix the problem. Instead it will tell you to correct the source. The Verify JE button can be used on journal entries created from Accounts Payable, Accounts Receivable, Client Payments, Expenses, and the Checkbook. Manually entered journal entries can't be fixed by the Verify JE button.

To use the Verify JE button



- 1 Find the journal entry that needs to be verified.
- 2 Click on the  (i.e., Verify JE) button.

If a problem was found, then adjusting journal entries will be automatically created for you. If no problem was found, then the message will tell you the journal entry has been verified.



The Auditor

The Auditor performs automatic self-checks on your Accounts Payable, Accounts Receivable, and General Ledger totals. It's used for troubleshooting data entry and posting problems. Because it automatically double-checks account totals against the records that make them up (e.g., G/L account balances and their journal entries), it saves users from having to print and analyze hundreds of pages of reports to find accounting problems.

How the Auditor works

The Auditor works by double-checking the records in your A/P, A/R, and G/L data files. The complete auditing process includes checking for out-of-balance G/L entries, making sure that the A/P and A/R agings equal the Balance Sheet totals, and ensuring that billable time entries contain a client number. Each auditing step has a different function, which is described below.

- Everyone can keep working in Clients & Profits while the Auditor is working, and it can be canceled any time without damaging the database.
- The Auditor can be run any time during the month, and as frequently as needed.

Also, don't mistake the Auditor for a traditional accountant-based financial audit. The Auditor can only check the account totals themselves, ensuring that they add up correctly. It can't make value judgement about how users have entered data (for example, it can point out that the wrong expense account was used). It doesn't replace a professional accounting audit. Instead, it is only a useful tool for finding the source of accounting problems.

Auditing steps

All of the Auditor's steps can be performed at the same time, or individual steps can be chosen to run independently. If time allows, all of the steps can be run together; however, if you suspect a specific problem that the Auditor can confirm and time is tight, you can choose to run only one step at a time.

Out of Balance Checker This step points out one-sided or otherwise unbalance journal entries from the General Ledger. If your Trial Balance shows an out-of-balance total, the Out of Balance Checker will show you precisely where the problem occurs. For more information on using the Out of Balance Checker see page 7-35.

Account Totals Checker This utility compares totals on your financial statements to the journal entries in your general ledger.

AP Quick Check This report compares the total of your vendor aging to the total of a/p control accounts designated under Setup>Chart of Accounts. This is a quick way to make sure your agings stay in balance.

Vendor Totals Checker This utility compares the vendor totals listed under setup > vendors to the total unpaid invoices on your vendor aging.

A/P Exception Report This utility looks for incorrect uses of a/p control accounts. Example, you should not credit accounts payable when writing a check. The a/p exception report would flag this transaction.

A/R Quick Check This report compares the total of your client aging to the total of a/r control accounts designated under Setup>Chart of Accounts. This is a quick way to make sure your agings stay in balance.

Client Totals Checker This utility compares the client totals listed under view > clients to the total unpaid invoices on your client aging.

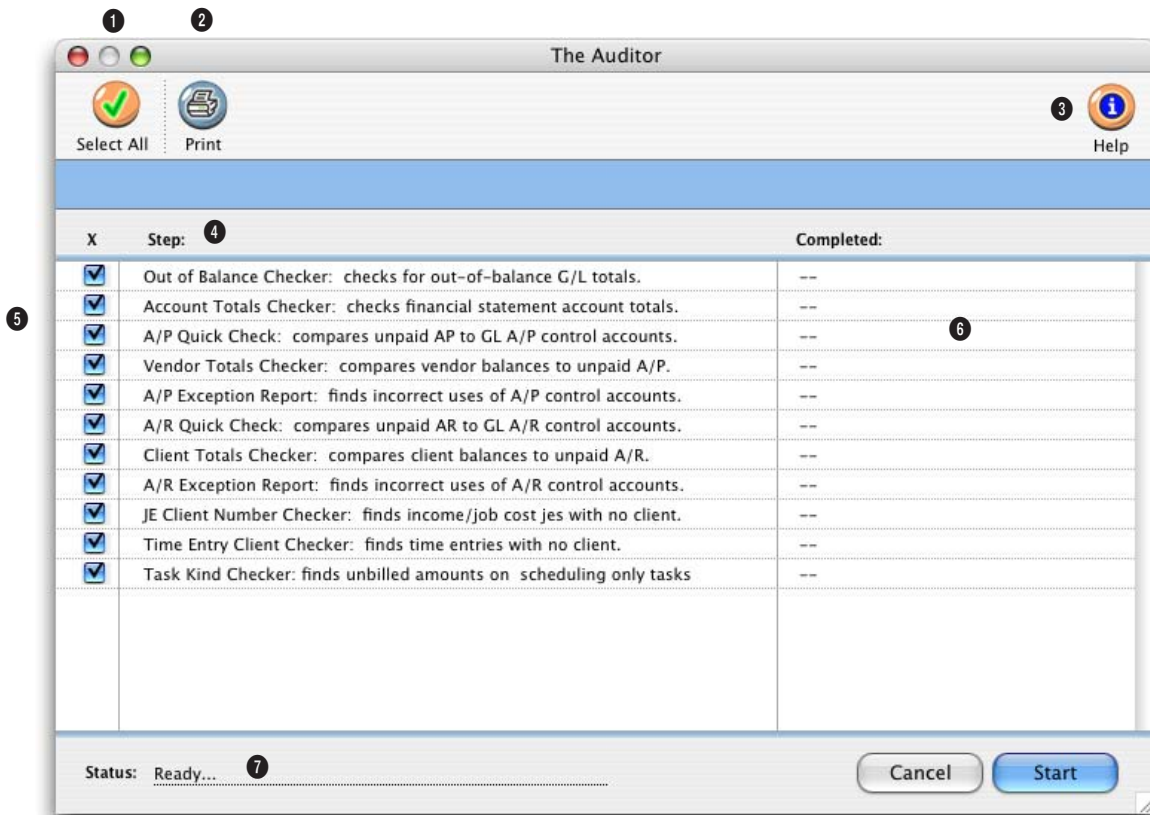
A/R Exception Report This utility looks for incorrect uses of a/r control accounts. Example, you should not debit accounts receivable when entering a client payment. The a/r exception report would flag this transaction.

JE Client Number Checker The JE Client Number checker will list any je to an income or job cost account that does not have a client code. This could affect the overhead allocation and Client P & L report.

Time Entry Client Checker The time entry client number checker will list any time entries in the current year that do not have a client code. This could affect the overhead allocation and Client P & L report.

Task Kind Checker The task kind checker looks for tasks on open jobs that have unbilled amounts, but the estimating/billing checkbox is not selected for that task.

The Auditor window



The Auditor can only check the account totals themselves, ensuring that they add up correctly. It can't make value judgements about how users have entered data.

1 Click the All button to select all of the Auditor's steps.

2 A log showing the steps completed by the Auditor can be printed by clicking the Print button.

3 An auditor log can be printed to the printer, screen, clipboard, or exported to a spreadsheet using the **Print to** pop-up menu.

4 The **steps** needed to audit the books are listed here, in the order in which they're performed.

5 You can selectively choose which steps to perform by clicking on a **step's checkbox**. Only those steps that are checked will be performed.

6 The **completed** column indicates when each auditing step has finished. You can use the completed times to track how much time was needed to perform each audit.

7 The **status** message keeps you constantly informed about the process of the auditor.

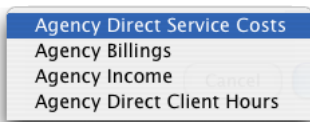
Overhead Allocation Worksheet

The Overhead Allocation Worksheet helps calculate the true cost of servicing your clients. It works by first adding up the total hours worked by staff members on each client account, using entries from time sheets and time cards. Then the agency's total overhead is calculated from the income statement. The agency's total overhead is then divided up by client using one of four formulas: agency direct service costs, agency billings, agency income, or agency direct client hours. Based on the formula you've chosen, Clients & Profits allocates each client's share of the overhead expenses.

At the top of the Overhead Allocation Worksheet report you'll see the month-to-date total overhead expenses, direct service costs (i.e., staff salaries), net overhead expenses (i.e., total overhead less staff salaries), and total client hours. The report then shows two sections: one for client

hours and one for overhead allocation. The "client hours" section lists clients and their month-to-date total hours, in order by hours used. The "overhead allocation" section lists clients and their share of the agency's overhead expenses.

Overhead expenses are allocated based on four different formulas. There are no restrictions on how you use these formulas (for example, you can run four separate reports for same month using each of the four different formulas). The overhead allocation formulas include:



Agency Direct Service Costs This popular formula allocates overhead expenses based on the percentage of staff salary dollars used by each client. It looks at the actual cost (using the real payroll amounts, which you enter into the worksheet) of the hours worked on each client by each staff member. It's the most commonly used method for allocating overhead.

Agency Billings This formula allocates overhead based on each client's total billings. For example, if a client represents 50% of the month's total billings, then half the agency's expenses are allocated to the client.

Agency Income This formula allocates overhead based on each client's gross profit. Unlike the Agency Billings formula, this formula allocates expenses based on the client's billings less its job costs. With this formula, clients that are more profitable get a higher proportion of the agency's expenses.



Agency Direct Client Hours

This formula allocates overhead based strictly on the amount of billable hours worked by staff members on each client. Unlike the other formulas, non-billable administrative time is not a factor. Only time added specifically for a client is used. With this formula, clients with the most direct

staff hours will get the most allocated overhead.

■ The amounts in the Overhead Allocation Worksheet report will appear on the Client P&L report. For security reasons, the staff salary and client overhead allocation amounts aren't saved. Also, they only appear on the overhead allocation worksheet report. The allocation amounts are recalculated each time the worksheet is run.

The Overhead Allocation Worksheet window

Initials:	Name:	Department:	Direct Service Costs: MTD:
JA	Juliet Anderson	Media	\$ 2,304.00
KM	Kerry Mooney	Admin	\$ 1,476.00
LV	Louise Valentine	Acct Serv	\$ 1,539.00
MCR	Mary Meyers	Production	\$ 2,059.00
MG	Megan Goode	Admin	\$ 2,400.00
ML	Mary Lowe	Production	\$ 1,204.00
MO	Michael Ober	Creative	\$ 2,640.00
NW	Neena Washington	Creative	\$ 1,600.00
RMM	Randy M. Michelson	Production	\$ 2,176.00
SAG	Sam Gillis	Creative	\$ 2,379.00
SO	Steve Overman	Creative	\$ 2,211.00
SS	Stephanie Sammis	Production	\$ 1,659.00
SSA	Suzanne Alano	Creative	\$ 1,411.00
TAB	Tammy Burns	Production	\$ 2,356.00
TOG	Teri Olsen-Geary	Production	2419.00
			\$ 56,056.00

For security reasons, the staff salary and client overhead allocation amounts aren't saved and only appear on the overhead allocation worksheet report.

1 The payroll amounts can be cleared from the Overhead Allocation Worksheet by clicking the **clear** button.

2 The Overhead Allocation Worksheet can be printed by clicking on the **print** button.

3 Choose to print the Overhead Allocation Worksheet report to the screen or to the printer from the **print to** pop-up menu. The report is automatically printed when the worksheet is saved.

4 The Overhead Allocation Worksheet can be run for one accounting period at a time.

5 The formula used to calculate each client's portion of the overhead costs is selected from the **Use allocation formula** pop-up menu.

6 A list of each staff member that has time entered for the period selected, will be listed with a **MTD** column to manually list their payroll amounts. The total of the MTD payroll column will be

deducted from the total overhead costs for the month to give the net overhead expenses. The net overhead expenses will be allocated to each client based on the formula selected.

Close Year

Closing the year in Clients & Profits X is extremely important and should be done sometime after the end of your fiscal year. Since Clients & Profits supports two simultaneous fiscal years (for a total of 24 accounting periods), there's no real sense of urgency about year-end closing. The year can be closed well into the next fiscal year. Throughout that time you can enter data into both the current year and last year, then print financial statements for any accounting period.

Once in the new fiscal year, you should run the Close Year tool as soon as you've made any remaining adjusting entries. Closing is performed by a special tool that prepares your database for the next year's accounting work. Closing the year does not affect job tickets, time sheets, accounts payable invoices, purchase orders, client invoices, payments, or checks in the checkbook. Instead, closing only resets the General Ledger.

■ *You can't enter data into a year that is closed:* Once an accounting year is closed, its journal entries are permanently purged in preparation for the new year. So you can't enter any last-minute entries into last year once it is closed. Any forgotten entries will have to be entered into the new accounting year.

Closing the year takes all day (or all night), so don't start the process until you have free computer time. Remember, no one can use Clients & Profits X while you're closing the year. (If they do, they'll lose their work.) You'll see an "ok" message when the year has been successfully closed. Once the year has been closed, you and your users can start entering work into the new year. Before you close the year you should be able to answer "yes" to the following questions:

■ *Have you posted everything?* All transactions should be posted before the close year process is performed. Transactions posted to periods 13-24 will be automatically moved to their corresponding periods 1-12 and will become part of the next year's financial data.

■ *Have you printed any desired or required year-end reports?* Once the year is closed, the year's income statements, audit trails, and other financials can't be printed because the information is no longer part of the database. Also, consider printing client, vendor, and resource summaries before closing the year, as well as the most recent financial statements. These reports will be cleared and reset for the new year as the year is closed.

■ *Have you backed up your database?* Closing is irreversible. Once the year is closed, it cannot be "unclosed" for any reason. Because of this it is important to make a permanent backup of your database, to allow you to reference the previous year's general ledger if you ever need to.

The Retained Earnings account

The Retained Earnings account keeps track of your net income/loss from year to year. To close the year, you must have a Retained Earnings account.

You'll be prompted to enter the Retained Earnings account, which must be an equity account, when closing the year. Clients & Profits calculates the agency's net income by subtracting job costs and overhead expenses from total income. The amount of your profit is then posted to retained earnings, an equity (or "net worth") account. This is the same as manual entries which close income, costs, and expenses into retained earnings—it's just automated. Clients & Profits will prompt you if the account does not exist.

■ Retained Earnings is a separate Equity account, and is not the same as the Year-to-Date Profit account #999999.

To close the year

1 Reconcile your bank accounts from the Checkbook.

2 Reconcile other balance sheet accounts using the G/L Reconciliation.

3 Print any last-minute financial statements, including A/R and A/P agings for your hard-copy files.

4 Make a permanent backup of the current year's database on a Zip, Jaz, Syquest, or other kind of drive or tape.

You may need to refer to a previous year's journal entries some time in the future, so having a permanent (and easily accessible) backup is handy.

5 Choose Accounting > General Ledger, then choose Edit > G/L Tools > Close Year.

6 Enter your Retained Earnings account, then click OK.

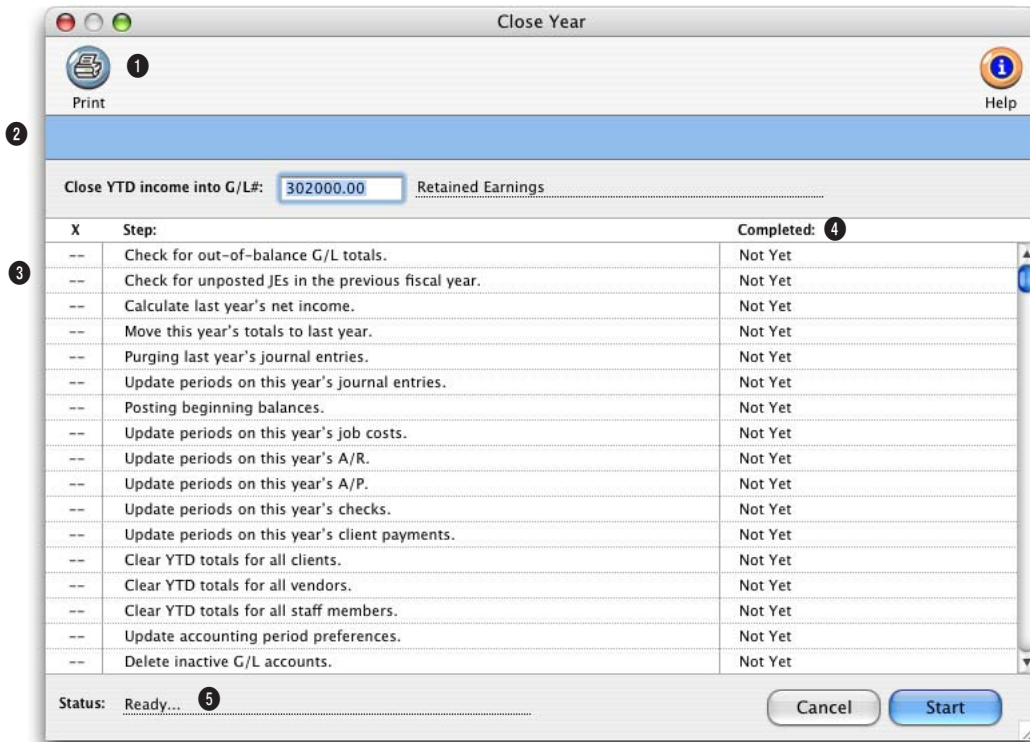
The completed steps are checked off in a list so you can check the progress. The close year process takes several hours. It can be run unattended overnight or over a weekend. For best performance, run the close year utility from the file server itself, not a user's workstation (so you can avoid working across the network).

7 Confirm that the year was closed successfully by printing a YTD Trial Balance.

The Balance Sheet *should not* have a net income account listed under "equity." The Income Statement *should not* have any balances. And the Year-to-Date Trial Balance *should only* have amounts for the beginning balances of the balance sheet accounts.

Need more info about closing the year? Get a list of frequently-asked questions from the Clients & Profits X web site: www.cnp-x.com/support

The Close Year window



Closing is irreversible. Make sure all last minute entries have been entered before you close. Otherwise, any forgotten entries will be added to the new accounting year.

1 A log showing the steps completed during the year-end closing can be printed by clicking the Print button.

2 The Close Year tool takes the shop's **YTD income** (i.e., income less job costs and expenses) and moves it to your retained earnings (or owner's equity) account. The retained earnings equity account keeps a year-to-year running total of the shop's profit.

3 The **steps** needed to close the books are listed here, in the order

in which they're performed.

4 The **completed** column indicates when each step of the year-end closing process has finished. You can use the completed times to track how much time was needed to close the year.

5 The **status** message keeps you constantly informed about the process of the year-end closing.