ATARI® 800™

THE ATARI® ACCOUNTANT™

BUSINESS MANAGER'S COMPANION GUIDE

ATARI®

A Warner Communications Company

Model CX401
Use With
ATARI® 800™
PERSONAL COMPUTER SYSTEM

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A Warner Communications Company

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This Business Manager's Companion Guide for the ATARI ACCOUNTANT™ has been developed for ATARI, INC. by Arthur Young & Company, one of the world's largest public accounting firms.

PREFACE

Increased competition, inflation, government regulation, the shortage of trained personnel—even the challenges of growth and success—all demand the scarcest business resource: management time. The primary basis for many business decisions that managers must make is the financial data captured, summarized, and reported by the accounting process. The computer revolution has enabled businesses to automate many accounting activities. This has permitted "management by exception": the ability to focus time and effort only on those areas where performance deviates from expected results.

Until recently, the historically high costs of data processing assistance have placed smaller businesses at a severe competitive disadvantage. Fortunately, technological advances have made automated data processing both inexpensive and easier to use. These factors have contributed to the rapid growth of computer use in small businesses and professional organizations.

The ATARI® Personal Computer System provides particularly high-level capability at an affordable price for small businesses. The ATARI ACCOUNTANT™ modules reduce the time to perform extensive accounting functions from days to hours. You choose the modules that best meet your specific needs—the General Accounting System, Accounts Receivable System, or Inventory Control System—and start at once to obtain the financial information you need for making sound business decisions. Small business users often find it advantageous to start with the General Accounting System, adding other modules later, at very little extra cost. Indeed, the General Accounting System is all many businesses will need, because it includes everything from a balance sheet and profit and loss statements to subsidiary ledgers for accounts receivable, accounts payable, and payroll.

By using the ATARI ACCOUNTANT, your firm will gain the substantial benefits derived from the capabilities of your ATARI Personal Computer System. This guide has been provided to increase your effective use of the ATARI ACCOUNTANT, and in particular of the ATARI General Accounting System, in making decisions related to your business.

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INTRODUCTION

This guide is provided as an aid to owners and managers of businesses that will be using the **ATARI ACCOUNTANT™**. The premise of the guide is that its readers have had substantial practical business experience but little or no formal training in accounting or financial analysis. The guide is not intended to be a duplication of the ATARI ACCOUNTANT user's manuals, but a separate reference that discusses basic accounting and financial analysis functions.

The primary objective of this guide is to help the users of the ATARI ACCOUNTANT (and especially of the General Accounting System) to realize increased benefits from the managerial, as well as the bookkeeping, efficiencies inherent in the system.

The guide covers five principal topics:

1. **Financial Statements: "The End Results."** A brief look at the meaning of the income statement and the balance sheet.

2. **Basics of Accounting.** A definition of accounting and accounting terminology, and an overview of the accounting process and cycle.

3. **Organizing the Accounting Function.** A discussion of the accounting function as it relates to the accounting organization.

4. **Monitoring Your Company's Financial Health.** An introduction to planning, budgeting, cash flow forecasting, and key financial ratio analysis.

5. **Other Technical Issues in Accounting.** A list of several issues that require an expanded knowledge of accounting and, in some cases, professional assistance.

1

FINANCIAL STATEMENTS: THE END RESULTS

The principal end products of the accounting process are the income statement and the balance sheet. These formal financial statements present to management and interested outsiders (such as banks or investors) the profit or loss and financial position of a business entity, whether it is a sole proprietorship (ownership by one individual), a partnership (ownership by two or more individuals as partners), or a corporation (ownership by one or more individuals as stockholders incorporated under state law).

The data incorporated in these important statements is based largely on historical or past business transactions. The value of these statements, however, lies primarily in using them to make improved business decisions that will influence future results. Using old, incorrect, partial, or confusing information can be frustrating and often misleading.

To provide maximum decision-making value, therefore, this information must be timely, accurate, complete, and usable. Innovative computer systems such as the ATARI ACCOUNTANT have led to dramatic improvements in the timeliness and usability of accounting information. Major objectives of this guide are to help you supply complete information to the ATARI ACCOUNTANT and to help you understand the output of your new system.

INCOME STATEMENT

The income statement is considered the most important financial report because it is a measurement of the productivity of financial and human resources under the control of the business entity. The income statement summarizes the organization's revenues earned, expenses incurred, and net profit (or loss) for a given period of time, the "accounting period." The income statement is also commonly referred to as the "profit and loss statement (P&L)" or "statement of operations."

The income statement presented below is from the ATARI Sample Master Data Diskette, where it is called the profit and loss statement.

THE ACTION SALES CO
PROFIT AND LOSS STATEMENT
FEBRUARY 28, 1981

	CURRENT	%	YEAR-TO-DATE	%
INCOME				
SALES	58,552.90	100.0	191,541.19	100.0
COST OF SALES				
COST OF SALES	35,768.69	61.1	117,215.06	61.2
GROSS PROFIT	22,784.21	38.9	74,326.13	38.8
EXPENSES				
SALARIES AND WAGES	16,242.55	27.7	31,385.10	16.4
FRANCHISE FEES	.00	.0	2,400.00	1.3
LAUNDRY AND UNIFORMS	49.20	.1	86.10	.0
CASH OVER/SHORT	1.37	.0	92.29	.0
RENT	750.00	1.3	6,750.00	3.5
UTILITIES	495.08	.8	2,118.65	1.1
TELEPHONE	83.58	.1	252.37	.1
GARBAGE SERVICE	63.50	.1	190.50	.1
REPAIRS AND MAINTENANCE	82.70	.1	430.23	.2
PAYROLL TAXES	302.28	.5	1,517.07	.8
SUPPLIES	107.06	.2	968.20	.5
INTEREST EXPENSE	1,814.87	3.1	2,562.03	1.3
INSURANCE	27.75	.0	500.61	.3
TRAVEL	15.00	.0	30.45	.0
AUTO EXPENSE	13.29	.0	126.58	.1
LEGAL AND PROFESSIONAL	45.00	.1	125.00	.1
POSTAGE AND OFFICE SUPPLIES	6.22	.0	14.02	.0
LICENSES AND FEES	20.00	.0	40.00	.0
MACH. AND EQUIP. RENTALS	25.00	.0	40.84	.0
HOSPITALIZATION INSURANCE	.00	.0	428.52	.2
LOSSES ON BAD CHECKS	.00	.0	129.31	.1
SECURITY EXPENSE	54.00	.1	162.00	.1
DEPRECIATION	1,479.56	2.5	3,397.80	1.8
MISCELLANEOUS EXPENSE	125.30	.2	165.24	.1
TOTALS	21,803.31	37.2	53,912.91	28.1
PROFIT (LOSS)	980.90	1.7	20,413.22	10.7
OTHER INCOME				
OFFICE RENTAL	.00	.0	1,941.46	1.0
OTHER INCOME	.00	.0	174.08	.1
TOTALS	.00	.0	2,115.54	1.1
OTHER EXPENSES				
FEDERAL INCOME TAX	.00	.0	4,550.00	2.4
NET PROFIT (LOSS)	980.90	1.7	17,978.76	9.4

Net profit (loss) or net income is the last line of the statement. Commonly referred to as the "bottom line," *net income* represents the difference between revenues and expenses. As a standard practice, revenues are always presented at the top of the statement, and expenses are presented in the middle of the statement. *Revenues* represent the price or value of goods sold or services rendered to customers; *expenses* represent the costs associated or "matched" with those goods or services.

The accounting period and the matching concept are two important accounting concepts. The *accounting period* is the period of time defined by a firm to summarize its business activities in financial terms. The most common accounting period is one year. Nowadays, most businesses prepare monthly or quarterly statements for management purposes, because business and competitive factors make current information more important and computer systems make preparation of the information easier.

The *matching concept* simply means the matching of revenues earned during the accounting period with the expenses incurred to provide those revenues. Obviously, to present revenues with expenses that are not associated with producing the related goods and services is misleading to everyone who bases decisions on the income statement.

Although the income statement gives business results for only one business entity, it can be further segregated for that entity—by department, product, or other lines of responsibility. This important capability is provided in the ATARI General Accounting System to permit "responsibility reporting," so that the performance of individual line managers or parts of the organization can be measured more accurately.

BALANCE SHEET

The balance sheet is the second major financial report produced by the accounting process. It gives a "snapshot" of a firm's financial assets, liabilities, and owners' equity at a specific date. It is also referred to as a statement of position or condition. The example presented below is from the ATARI General Accounting System Sample Master Data Diskette.

The basis of the balance sheet is found in one of the fundamental concepts of accounting—the accounting equation, expressed as follows:

Assets = Liabilities + Owners' Equity

A review of the sample balance sheet shows that the total for assets of $133,877.24 does, in fact, equal liabilities of $87,563.22 plus owners' equity of $46,314.02 (capital stock $41,286.69 plus retained earnings $5,027.33).

Assets can be defined as economic or financial resources that have value now and in the future. *Liabilities* are debts or obligations of the business that will require future satisfaction either by transfer of assets (for example, cash payments to vendors) or by performance of services. As evident from the accounting equation, *owners' equity* can then be defined as the net difference of an organization's assets and liabilities. Mathematically, this relationship is shown below as a different form of the accounting equation:

Assets − Liabilities = Owners' Equity

In addition to the fundamental elements of the balance sheet, an important differentiation is made between current (short-term) and noncurrent (long-term) assets and liabilities. This differentiation is important because of the continual requirement that a company be able to meet its *current liabilities* primarily through use of its current assets.

THE ACTION SALES CO
BALANCE SHEET
FEBRUARY 28, 1981

ASSETS		
CURRENT ASSETS		
CASH ON HAND	631.21	
CASH ON DEPOSIT	23,612.41	
NATIONAL BANK	2,225.34	
ACCOUNTS RECEIVABLE	42,407.34	
EMPLOYEE ADVANCES	574.50	
INVENTORY	20,235.00	
PREPAID RENT	1,750.00	
PREPAID INSURANCE	3,995.40	
TOTAL CURRENT ASSETS		95,431.20
FIXED ASSETS		
MACHINERY AND EQUIPMENT	26,754.49	
ACCUMULATED DEPRECIATION	(5,275.03)	
TOTAL FIXED ASSETS		21,479.46
OTHER ASSETS		
DEPOSITS	6,966.58	
FRANCHISE FEES	10,000.00	
TOTAL OTHER ASSETS		16,966.58
TOTAL ASSETS		133,877.24
LIABILITIES		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	30,331.08	
SALES TAX PAYABLE	4,531.28	
FICA PAYABLE	968.17	
WITHHOLDING TAX PAYABLE	1,111.60	
INCOME TAX PAYABLE	612.84	
NOTES PAYABLE	5,000.00	
TOTAL CURRENT LIABILITIES		42,554.97
LONG TERM LIABILITIES		
NOTES PAYABLE	45,008.25	
TOTAL LIABILITIES		87,563.22
CAPITAL		
CAPITAL STOCK	41,286.69	
RETAINED EARNINGS	5,027.33	
TOTAL CAPITAL		46,314.02
TOTAL LIABILITIES & CAPITAL		133,877.24

As a general rule, *current assets* are those resources which are either cash or convertible to cash within one year. *Current liabilities* are the debts or obligations that will normally be satisfied by assets properly classified as current. Assets and liabilities that do not meet the criteria for being classified as current are classified as noncurrent or long term. The assets and liabilities classified as current are normally shown on the balance sheet with separate subtotals, as shown in the example above.

Following are definitions for selected balance sheet line items that will be discussed in the following sections.

Accounts Payable. The monies owed to vendors for goods or services provided.

Accounts Receivable. The monies owed by customers who have made purchases on credit.

Fixed Assets. Commonly called property, plant, and equipment. These are assets that have expected useful lives greater than one year and are used in the operations of the business.

Inventory. In a retail/wholesale business, inventories are goods held for sale in the ordinary course of activities. In a manufacturing firm, inventories are the finished goods held for sale, the goods currently in the process of manufacturing or assembly (work-in-process), and raw materials or component parts not yet placed in the production process.

Notes Payable. These are obligations of the business that are usually evidenced by a written promise to pay a specified amount with interest. The obligation can be for periods greater than one year; the amount due after one year would be shown as a long-term liability and the amount due within one year as a current liability.

Prepaid Expenses/Assets. These are items, such as rent and insurance, which are paid and recorded in the accounts prior to use or expiration. At the end of an accounting period, the unexpired or unused portion represents a prepaid expense asset. (That is, it continues to have future economic benefits.)

2

BASICS OF ACCOUNTING

Any business activity that represents an economic exchange of values expressed in monetary terms is a *financial transaction*. *Accounting* is the method used to record, classify, and summarize the results of financial transactions. *Bookkeeping* refers to the appropriate recording of transactions.

Accounting also includes the design of records, the verification of financial information (the audit function), income tax work, and the analysis and interpretation of financial data and reports as an input to making business decisions. The accounting process is a systematic method which, once understood, can be commonly applied to all types of business entities. Consequently, accounting has often been termed the "language of business."

This section of the guide provides an overview of the accounting process and explains how the ATARI ACCOUNTANT can assist you in automating large portions of that process.

DEBITS AND CREDITS

The term *account* is used to describe a form of record which reflects either (1) increases or decreases to specific assets, liabilities, or owners' equity which are presented in the balance sheet, or (2) revenues or expenses, which are presented in the income statement. A *debit* represents an increase in an asset or a decrease in liability or owners' equity. A *credit* is a decrease in an asset or an increase in liability or owners' equity.

Accounts can be shown graphically in the form of the letter **T**, which symbolizes the way that manual records have been structured. The terms debit and credit are used by accountants and bookkeepers merely to describe the left side (debit) and right side (credit) of the "T Account."

T Account

Debit	**Credit**

The standard method by which increases and decreases are recorded in any particular account is called "double-entry." Double-entry was a major development in accounting concepts. This method requires that for every debit there must be an equal credit, and vice versa. This concept is shown graphically in Figure 1.

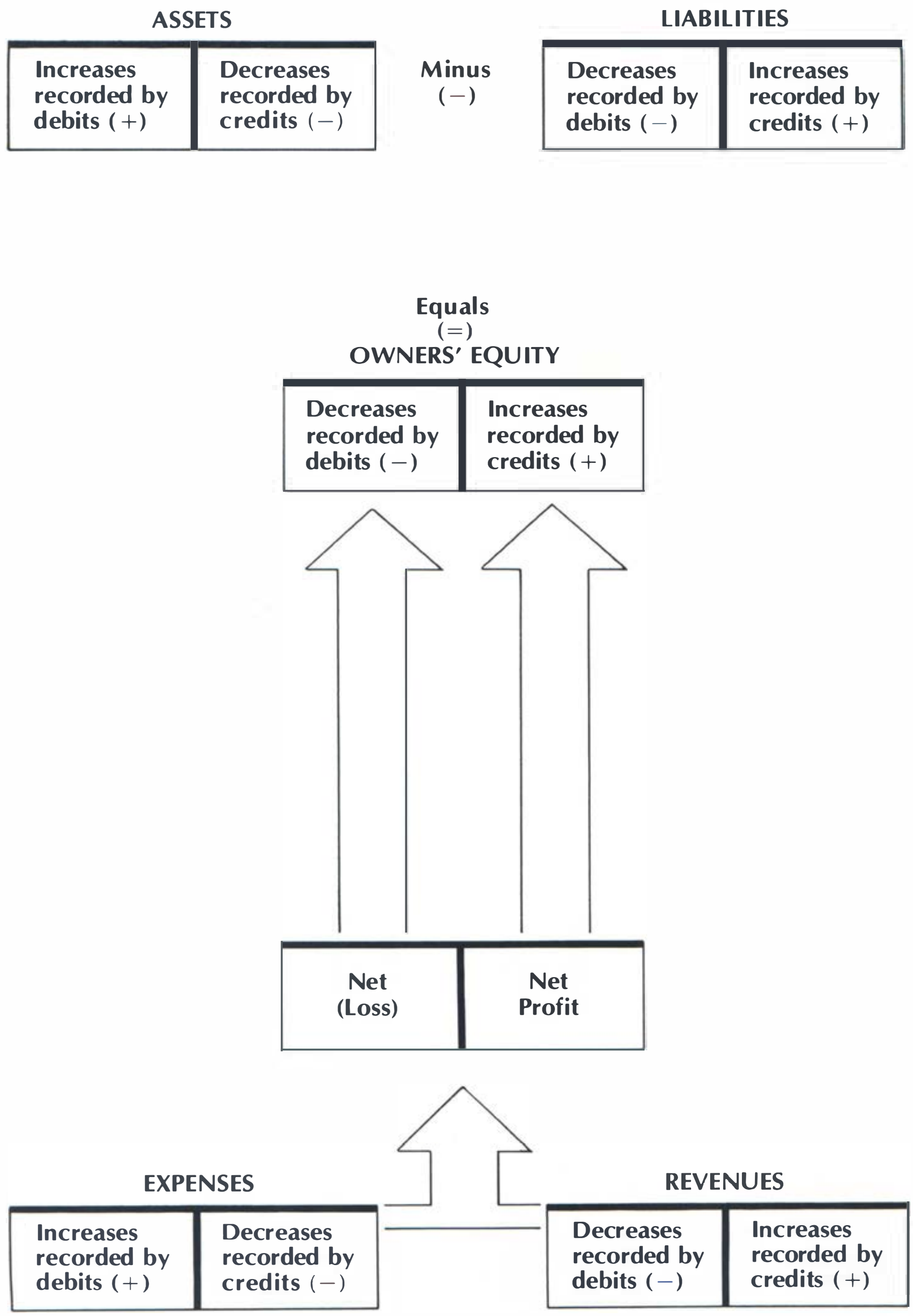

Figure 1 The Accounting Equation (debits and credits in T accounts)

Owners' equity was defined in Section 1 as the net difference between a business entity's assets and its liabilities. Any change in that difference can only be the result of an additional investment in the business by the owner(s) or the net profit (loss) of the firm's operations. Revenue and expense accounts, which determine profit or loss, are in fact elements of owners' equity. In terms of debits and credits, revenues represent increases (credits) and expenses represent decreases (debits) to owners' equity.

Thus, whenever a transaction occurs, the double-entry method maintains the equality of the accounting equation (Assets = Liabilities + Owners' Equity), although the sum of the components of the equation may change. This principle has been incorporated into the design of the ATARI ACCOUNTANT in such a way that all entries produce this equality.

CASH VERSUS ACCRUAL BASIS OF ACCOUNTING

A business must determine when a financial transaction has occurred (and should be recognized) for accounting purposes. Two basic methods, the cash and accrual bases of accounting, are most commonly used today. Under the *cash basis of accounting*, a transaction is recorded whenever cash is received or paid out (disbursed). The matching concept explained earlier is not achieved under the cash basis of accounting. For example, revenues can be earned (sales made on credit) or expenses can be incurred (merchandise purchased on credit) without the transfer of cash before the end of the accounting period. Under the cash basis of accounting, these events would be ''disregarded'' until the actual cash transfer takes place.

The *accrual basis of accounting* does not use the receipt or payment of cash to recognize an accounting event. It is important to know, however, that the accrual basis used by most corporate entities conforms with ''Generally Accepted Accounting Principles'' (often referred to as GAAP) because revenues and expenses can be more properly matched by adjusting entries. (Adjusting entries which are used to reflect unrecorded revenues and expenses are discussed more fully later in this section and in Section 5.) Such matching gives better information about the financial status of a firm. However, for federal or state income tax purposes, either the accrual basis or a form of the cash basis of accounting may be used, depending on the organization's principal business activities, ownership structure, and preference. To deal with this technical issue and its accounting ramifications, you should consult your professional accountant for assistance in determining the appropriate method for your firm.

THE ACCOUNTING CYCLE

The accounting process, as defined earlier, is a systematic method for recording, classifying, and summarizing results of financial transactions. The procedures used to accomplish those tasks are often referred to as steps in the accounting cycle. The steps are performed in sequence, and some may be repeated frequently in each accounting period.

Figure 2 illustrates the accounting cycle. The discussion that follows gives a step-by-step description of the accounting procedures and the forms used.The General Accounting System incorporates a processing cycle which corresponds with the accounting process, as shown later.

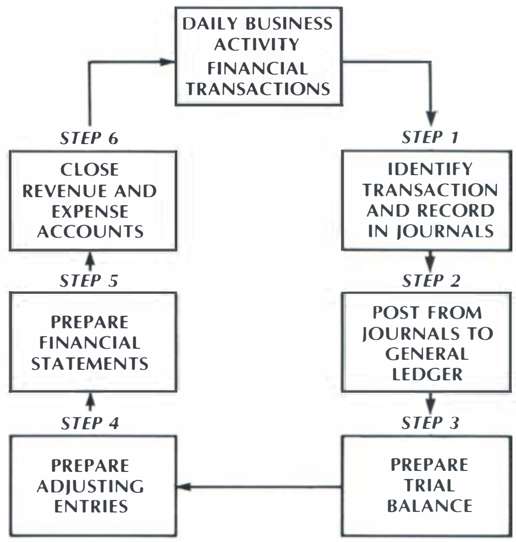

Figure 2 The Accounting Cycle

JOURNALS, OR BOOKS OF ORIGINAL ENTRY

When a business activity results in a financial transaction, that transaction must be recorded. *Journal* is the term given to the form on which financial transactions are recorded. Journals are commonly called the "books of original entry," and entries are recorded (or "journalized") in chronological order.

A very small business may use a single journal to record all its transactions. Most businesses, however, use special journals for transactions that are of the same nature, to permit easy summarization and analysis. For example, all payments made to vendors may be recorded in a cash disbursements journal. The ATARI General Accounting System accommodates the use of several specialized journals, as discussed next.

The special journals that are most commonly used can be associated with transactions that are frequently encountered by a business:

Transaction	Journal	ATARI General Accounting System Journal
Payment of Cash	Cash Disbursements	Cash Disbursements Journal
Sales	Sales	Invoice Register
Receipt of Cash	Cash Receipts	Cash Receipts Journal
Purchase on Credit	Voucher or Accounts Payable	Merchandise Purchased Journal
Other	General Journal	General Journal

In addition to these standard journals, the General Accounting System features a specialized cash sales journal especially adapted for use by firms that use cash registers. Each organization can determine which journals it requires on the basis of its normal transactions.

As mentioned earlier, *every* transaction must be recorded. Before making an entry in a journal, you must determine the account or accounts to be debited, the account or accounts to be credited, and the respective amounts to debit or credit. The total amounts entered for debits and credits for each transaction must be equal in order to maintain equality of the accounting equation under the double-entry system.

Following are examples of journals from the ATARI General Accounting System.

Cash Disbursements Journal. The cash disbursements journal contains all entries from cash paid. The total of the amounts paid (''Net Amt.'') represents the credit to cash. For each transaction, the''Net Amount'' column in the example represents the total credit to one account and the various debits identified under ''Acct. No.'' and ''Detail.'' This type of cash disbursements journal also serves as a continual list of checks written (often called a check register); the entries are based upon checks written.

THE ACTION SALES CO

AS OF 02/28/81 CASH DISBURSEMENTS PAGE 2

DATE	PAYEE	CHECK NO.	ACCT NO.	SUB ACCT	DETAIL	NET AMT.
02/01/81	NATIONAL SUPPLY	136	2010	2		178.38
02/01/81	CONTINENTAL SUPPLY C	137	2610		112.52	
			6641		28.57	
						141.09
02/02/81	NATIONAL BANK OF SUN	138	2610		1,074.69	
			1180		241.30-	
			6641		241.30	
						1,074.69
02/02/81	ALL STATES OUTLETS,	139	1520			35.00
02/05/81	VOID	141				
02/06/81	ACE PLUMBING	142	6601			45.00
02/06/81	PETTY CASH	143	6541		11.50	
			6601		10.20	
			6631		5.81	
			6681		13.29	
			6711		6.22	
			6721		20.00	
			6661		15.00	
			5011		11.50	
			6551		.50	
						94.02
	BATCH TOTAL					2,356.85

Sales Journal. The sales journal (Invoice Register) is commonly used to enter all sales made by the firm. The source of these entries is invoices prepared at the time of sale. The "Net Amt." column in the example represents the total debit to one account and the various credits identified under "Acct. No." and "Detail."

Cash sales are normally entered in a cash receipts journal. With the ATARI General Accounting System you can use either the sales journal or (if you use a cash register) the cash sales journal.

```
                             THE ACTION SALES CO
 AS OF
02/28/81                     INVOICE REGISTER                          PAGE   3

           CUSTOMER                               INVOICE  ACCT
  DATE     NO.  NAME                               NUMBER  NO.      DETAIL   NET AMT.
========   ====  ======================           ======== ====  ==========  ========

02/28/81     4  CHRISMAN, WAYNE                      629  4011       45.99
                                                          2030        2.76
                                                                                48.75

02/28/81        CASH                                 631  4011       39.20
                                                          2030        1.85
                                                                                41.05
                                                                           ----------
                BATCH TOTAL                                                      4.03-
                                                                           ----------
                TOTAL CREDIT INVOICES                                       19,874.11
                TOTAL CASH INVOICES                                             41.05
                                                                           ----------
                TOTAL                                                       19,915.16
                                                                           ==========
```

Cash Receipts Journal. The cash receipts journal is used to enter all receipts of cash. Like the journals discussed above, the cash receipts journal identifies the account to be debited, the account to be credited, and the related dollar amounts.

The sample below from the ATARI General Accounting System was designed to show cash collections from customers who have purchased goods or services on credit.

```
                             THE ACTION SALES CO
 AS OF
02/28/81                       CASH RECEIPTS                           PAGE   1

                                                   ACCT  SUB
  DATE     PAYOR                                   NO.   ACCT     DETAIL    NET AMT.
========   ==============================          ====  ====  ==========   ========

02/06/81   CHRISMAN, WAYNE                         1110  4                    201.48

02/06/81   DAHMS, BEN                              1110  8                     74.54

02/06/81   THE GAS CO                              6571                       168.68
                                                                           ----------
           BATCH TOTAL                                                        571.83
                                                                           ----------
           TOTAL                                                              986.90
                                                                           ==========
```

Voucher or Accounts Payable Journal. In the accounts payable journal (merchandise purchased), you record all goods purchased on credit. This journal is generally used when the entries are created using a separate accounts payable (A/P) system; this system allows the business to reflect a liability for those goods or services that were received but have not been paid for at the end of the accounting period. A merchandise purchased journal usually reflects the purchase of merchandise (goods purchased with the intent of resale). The accounts payable journal has been designed in the General Accounting System to incorporate many of the capabilities of a separate A/P system.

As liabilities for goods or services are incurred, they are entered in the journal, and the appropriate account to be debited is indicated. The total of the corresponding credits would represent the amount of the accounts payable liability. This liability is reduced later, when payments are made, with the liability account reflected as the debit in the cash disbursements journal.

THE ACTION SALES CO

AS OF 02/28/81 MERCHANDISE PURCHASED PAGE 1

DATE	VENDOR NO.	NAME	INVOICE NUMBER	ACCT NO.	DETAIL	NET AMT.
02/01/81	1	ACCESSORIES R US DUE: 03/28/81	614	5011		820.00
02/01/81	2	NATIONAL SUPPLY DUE: 03/28/81	615	5011		5,782.60
02/01/81	3	ACME CARTON CO DUE: 03/28/81	616	5011		2,042.45
02/01/81	4	SUPERIOR SUPPLY CO DUE: 03/28/81	617	5011 6631	7,791.23 101.25	 7,892.48
02/01/81	11	CITY STATIONERY SUPPLY DUE: 03/28/81	624	5011		167.30
		BATCH TOTAL				27,720.44
02/10/81	10	IMPERIAL PRODUCTS DUE: 03/10/81	36215	5011		2,389.50
		BATCH TOTAL				2,389.50
		TOTAL				30,109.94

General Journal. The general journal is used for all other transactions that do not fall into one of the categories discussed above. The general journal is also used to enter special transactions required for adjusting and closing the various accounts of the business. (Adjusting and closing entries such as tax provisions or depreciation are discussed later in this guide.)

The general journal usually provides a date, entry number, account and description, and amounts for debits and credits. A very small business may use this journal to record all its transactions if the volume of *transactions or the need for* easy summarization is small.

THE ACTION SALES CO

AS OF
02/28/81 GENERAL JOURNAL PAGE 1

DATE	JE#	DESCRIPTION	DEBIT	CREDIT
02/28/81	14	6561 RENT	750.00	
		1170 PREPAID RENT		750.00
		TOTALS	4,031.84	4,031.84

GENERAL LEDGER

As described above, the daily transactions of a business are entered in original books of entry called journals. Although one journal can be used to record all transactions, special journals that relate to common transactions are generally used. The journals are summarized and the information is transferred (by an activity called *posting*) to the general ledger.

The *general ledger* lists the balances for all the general accounts, including assets, liabilities, owners' equity, revenues, and expenses. In a manual system, the ledger can be a binder containing loose-leaf pages, each of which is used for a particular account. In a computerized system such as the ATARI ACCOUNTANT, the general ledger is a printed report giving the computerized information stored on your diskette. An example is shown below.

THE ACTION SALES CO

AS OF
02/28/81 GENERAL LEDGER PAGE 1

ACCT NO	ACCOUNT NAME	FOLIO	BALANCE FORWARD	CURRENT MONTH	BALANCE
1010	CASH ON HAND		685.96		
	MONTHLY C-S SUMMARY	CS		1,741.26-	
	MONTHLY C-S SUMMARY	CS		1,686.51	
					631.21
1020	CASH ON DEPOSIT		6,446.26		
	MONTHLY C-S SUMMARY	CS		38,767.28	
	CHECKS FOR MONTH	CD		22,629.08-	
	RECEIPTS FOR MONTH	CR		986.90	
	SALES SUMMARY	IR		41.05	
					23,612.41
1030	NATIONAL BANK		2,225.34		2,225.34
1110	ACCOUNTS RECEIVABLE		23,309.23		
	CHRISMAN, WAYNE	CR 02/06/81		201.48-	
	DAHMS, BEN	CR 02/06/81		74.54-	
	RICHMAN, GEORGE	CR 02/06/81		104.85-	
	MORRIS, MARVIN	CR 02/06/81		34.20-	
	WILLIAMS, NANCY	CR 02/06/81		186.63-	
	MATERA, FRANK	CR 02/06/81		17.40-	
	DAVIS, ED	CR 02/06/81		156.90-	
	SALES SUMMARY	IR		19,874.11	
					42,407.34

6571	UTILITIES		1,623.57		
	DEPT OF WATER AND PO	CD # 113		376.24	
	THE GAS CO	CD # 114		287.52	
	THE GAS CO	CR 02/06/81		168.68-	
					2,118.65
6581	TELEPHONE		168.79		
	BELL TELEPHONE CO	CD # 112		125.80	
	BELL TELEPHONE CO	CR 02/06/81		42.22-	
					252.37
6591	GARBAGE SERVICE		127.00		
	VALLEY DISPOSAL CO	CD # 115		63.50	
					190.50
6601	REPAIRS AND MAINTENANCE		347.53		
	REDI ROOTER	CD # 124		27.50	
	ACE PLUMBING	CD # 142		45.00	
	PETTY CASH	CD # 143		10.20	
					430.23
6771	SECURITY EXPENSE		108.00		
	NEIGHBORHOOD SECURIT	CD # 122		54.00	
					162.00
6781	DEPRECIATION		1,918.24		
	JE # 13	GJ		1,000.00	
	JE # 16	GJ		479.56	
					3,397.80
6791	MISCELLANEOUS EXPENSE		39.94		
	MONTHLY C-S SUMMARY	CS		125.30	
					165.24
8011	OFFICE RENTAL		1,941.46-		1,941.46-
8021	OTHER INCOME		174.08-		
	MONTHLY C-S SUMMARY	CS		.00	
					174.08-
8511	FEDERAL INCOME TAX		4,550.00		4,550.00
9999	INCOME TRANSFER		16,997.86		
	PERIOD NET PROFIT (DB) OR LOSS (CR)			980.90	
					17,978.76
	TOTALS		.00	.00	.00

The general ledger is updated when the transactions are posted from the various journals. The general ledger contains the same information as that in the journals, but the transactions are summarized by account. For each account, the combined sum of all debits and credits is calculated; the result is the balance of that account. This posting process can be done whenever convenient, as required by the capacity limitations of the diskette, and at the end of the accounting period.

A *subsidiary ledger* provides this information by listing the components of a particular account balance in the general ledger. The general ledger lists one balance for each account. For example, the accounts receivable account, indicating the amount of money owed to the firm, is shown as one total (balance) in the general ledger. For billing or collection purposes, it may be helpful to know the balance owed by each customer.

TRIAL BALANCE

The trial balance lists all accounts in the general ledger and shows their respective balances. It is prepared at the end of each accounting period and is used as the basis for preparing financial statements. As a check, the trial balance should again prove the equality of the debits and credits posted in the previous steps. An example from the ATARI General Accounting System is given below.

THE ACTION SALES CO
TRIAL BALANCE
FEBRUARY 28, 1981

PAGE 1

CURRENT ASSETS		
1010	CASH ON HAND	631.21
1020	CASH ON DEPOSIT	23,612.41
1030	NATIONAL BANK	2,225.34
1110	ACCOUNTS RECEIVABLE	42,407.34
1130	EMPLOYEE ADVANCES	574.50
1150	INVENTORY	20,235.00
1170	PREPAID RENT	1,750.00
1180	PREPAID INSURANCE	3,995.40
FIXED ASSETS		
1520	MACHINERY AND EQUIPMENT	26,754.49
1550	ACCUMULATED DEPRECIATION	5,275.03-
OTHER ASSETS		
1800	DEPOSITS	6,966.58
1810	FRANCHISE FEES	10,000.00
CAPITAL		
3010	CAPITAL STOCK	41,286.69-
3050	RETAINED EARNINGS	5,027.33-
INCOME		
4011	SALES	191,541.19-
COST OF SALES		
5011	COST OF SALES	117,215.06
6721	LICENSES AND FEES	40.00
6731	MACH. AND EQUIP. RENTALS	40.84
6741	HOSPITALIZATION INSURANCE	428.52
6751	LOSSES ON BAD CHECKS	129.31
6771	SECURITY EXPENSE	162.00
6781	DEPRECIATION	3,397.80
6791	MISCELLANEOUS EXPENSE	165.24
OTHER INCOME		
8011	OFFICE RENTAL	1,941.46-
8021	OTHER INCOME	174.08-
8031	INVENTORY OVERAGE	.00
OTHER EXPENSES		
8511	FEDERAL INCOME TAX	4,550.00
8531	INVENTORY SHRINK	.00
8541	SALES DISCOUNT	.00
9999	INCOME TRANSFER	17,978.76
TOTAL		.00

ADJUSTING ENTRIES

As the term implies, adjusting entries are a way to make changes to account balances. Adjusting entries are usually required to match revenues and expenses. For example, transactions initiated in one accounting period may also affect subsequent periods. An insurance policy, for instance, may be purchased for a period greater than one year, and the premium may be paid in full at the time of purchase.

Under the accrual basis of accounting, only a pro rata share of the policy is expensed, or designated as a current expense. The pro rata balance is classified as a prepaid asset because it continues to have economic value to the company in future periods.

Under the cash basis of accounting, the amount paid for the policy may have been charged (debited) to an expense account. If the initial transaction (the policy premium payment) was originally expensed using the cash disbursements journal, an adjusting entry must be made to reduce (credit) the expense to the pro rata amount and increase (debit) an asset account (prepaid insurance) for the unexpired portion of the policy.

Therefore, some adjusting entries are end-of-period adjustments to shift account balances from a cash to an accrual basis of accounting. It is important to ensure that the revenue and expense activity for the period be properly ''cut off''; all transactions near the end of the period must be analyzed to determine whether they belong in the period being reported or in the next period. (Other circumstances—depreciation, for instance—require adjusting entries; some of these are discussed in Section 5.) Adjusting entries are posted to the general journal and general ledger. A second trial balance should then be prepared to ensure that debits and credits are equal.

FINANCIAL STATEMENTS

The financial statements (income statement and balance sheet) are prepared from the trial balance after all adjusting entries have been input. The statements may be processed by the ATARI General Accounting System at any time after a final trial balance has been made. This capability enables managers to have current financial statements as needed.

CLOSING THE BOOKS

The income statement shows revenues earned and expenses incurred for a specified period of time. The income statement is not intended to present a cumulative history of all revenue and expense transactions that have occurred during the life of a business operation. Therefore, at the end of each accounting year all revenue and expense accounts are ''closed'' or set to zero balance.

To perform this operation, all revenue and expense accounts are transferred to one summary account. The resulting balance in the summary account represents net profit or loss, and all revenue and expense accounts show a zero balance. The balance in the summary account is then transferred to owners' equity. This balance transfer is appropriate because all revenue and expense accounts directly relate to owners' equity. The firm's accounts are then ready to be used in the next accounting period; the accounting cycle starts again.

To review briefly, the accounting cycle is a sequence of steps that is repeated for each accounting period. Transactions are recorded in original books of entry (journals), summarized, and posted to the general ledger. They are then recapped in a trial balance. Adjusting entries are then made and the transactions are reflected in the financial statements. Revenue and expense accounts (called temporary or nominal accounts) are then closed at the end of the year.

The ATARI General Accounting System, your computerized system, can significantly reduce the clerical tasks required to go through the steps in the accounting cycle. Figure 3 shows the functional relationship between the ATARI General Accounting System and the accounting cycle.

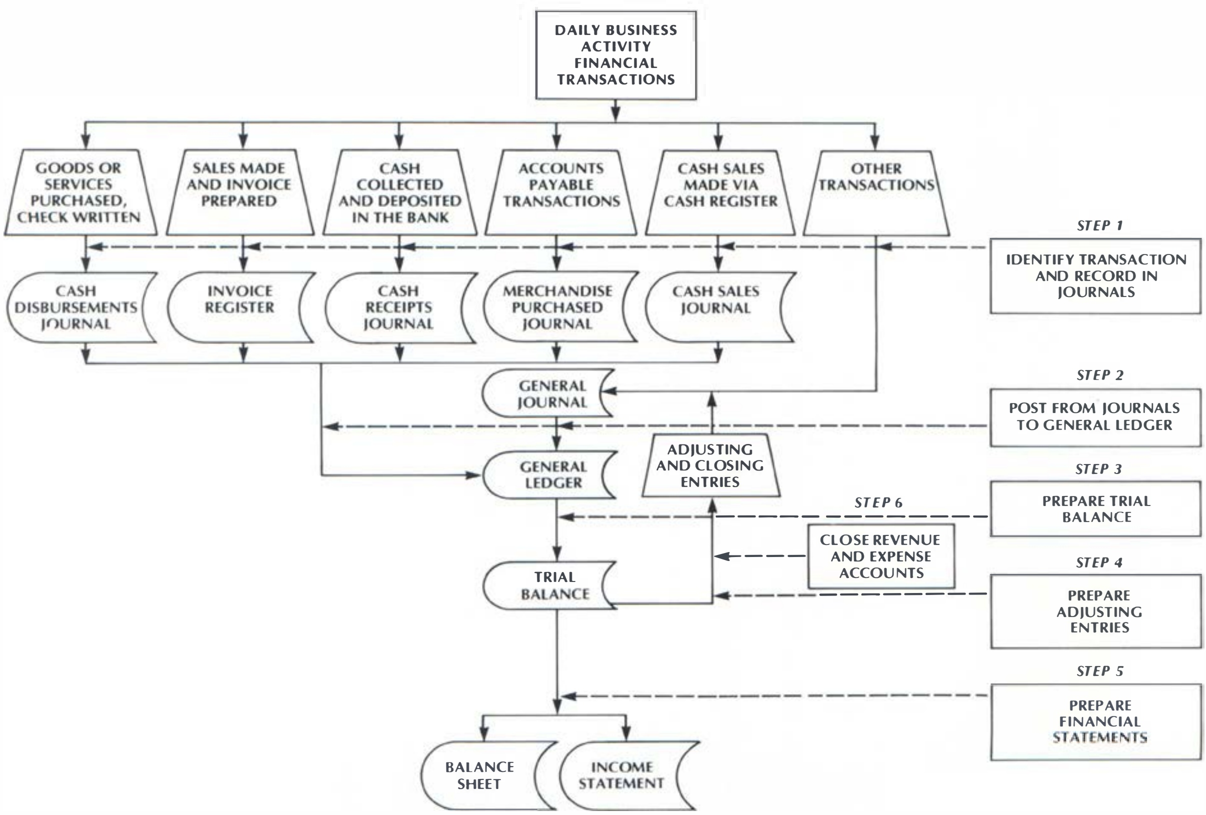

Figure 3 Use of the ATARI General Accounting System to Carry Out the Accounting Cycle

ORGANIZING YOUR ACCOUNTS

Significant in the accounting process are the definition of accounts to be used and the assignment of numbers for account identification purposes. Account numbers make it possible to code and post transactions to the appropriate accounts in the general ledger, to automate the distribution of accounts for entry purposes. They also permit common-group classification of accounts and summarization of account information to reduce the level of detail in summary reports such as financial statements. This coding of accounts is critical in computer systems such as the ATARI General Accounting System which automatically post and summarize accounting information on the basis of account numbers.

Determining the specific account numbers is principally a function of the type of business, its size, the nature of its operations, and management's need for various types of responsibility reporting.

The standard arrangement of accounts is as follows: assets, liabilities, owners' equity, revenues, and expenses. This order follows the form of the financial statements. The accounts also follow that same order in the general ledger and trial balance.

The ATARI General Accounting System has preassigned account number ranges for the major groups of accounts that any business might require.These ranges are listed below:

Type of Account	**Range of Account Numbers**
Current Assets	1000 - 1499
Fixed Assets	1500 - 1799
Other Assets	1800 - 1999
Current Liabilities	2000 - 2599
Long-Term Liabilities	2600 - 2999
Capital (Owners' Equity)	3000 - 3999
Income	4000 - 4999
Cost of Sales	5000 - 5999
Expenses	6000 - 7999
Other Income	8000 - 8499
Other Expenses	8500 - 8999

To assist you in using the ATARI General Accounting System, representative charts of accounts for several different industries are provided in Appendix A. The lists are not intended to be all-inclusive, and they contain accounts, such as accounts payable and accounts receivable, which have no role in cash basis accounting. These examples, however, can help you to develop a chart of accounts tailored to your specific requirements.

The emphasis of this discussion is not the accounting terminology defined and used, but rather the understanding and proper implementation of the concepts presented. In the design of the ATARI General Accounting System, these concepts have been adhered to throughout, but for consistency and simplicity, common business terminology has been used wherever possible. The rest of the implementation responsibility is up to you.

3

ORGANIZING THE ACCOUNTING FUNCTION

Successful use of a computer system, especially an accounting system, depends strongly on the organization of people working with it. The organization of an accounting department is principally a function of the company's size and the nature of its business activities. This section of the guide discusses the major functional areas of accounting and their relationship to an accounting organization. Here, also, we introduce the concept of internal controls.

This discussion is specifically directed at small businesses. We hope you will find this section useful as a guide in developing and monitoring current accounting activity, and for planning the future growth of your accounting organization.

Figure 4 shows the basic functional aspects of small business accounting. In a very small business, all the functions may be performed by one individual, the owner. As the company grows, some of these functions may be delegated to other individuals. Ultimately, each function may be performed by groups of individuals.

As this evolution occurs, the management (or reporting) structure also becomes more hierarchical— more of a pyramid. Regardless of how large the accounting organization may become, however, its structure and functions are based on the divisions shown in Figure 4 and discussed in this section.

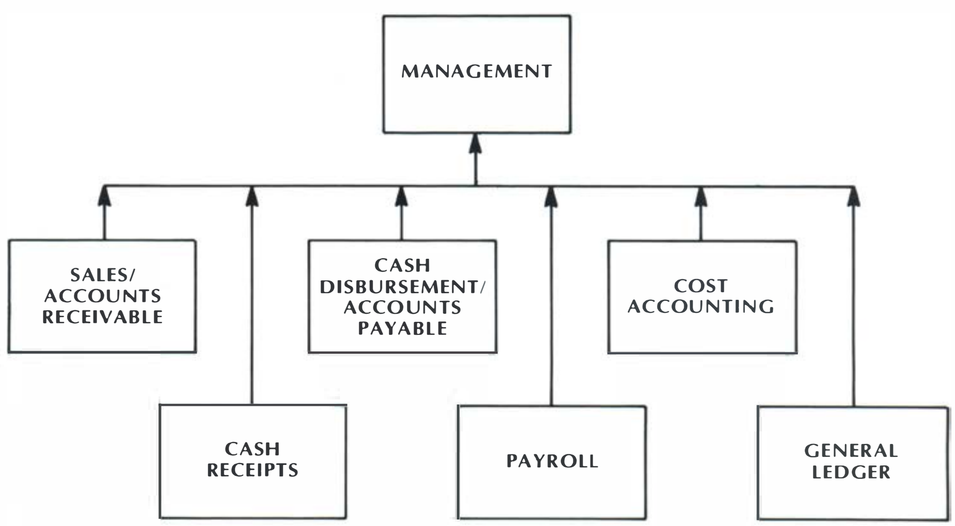

Figure 4 Small Business Accounting Functions

SALES/ ACCOUNTS RECEIVABLE

Your accounting department must carry out several activities in order to "recognize" (that is, to account for) the sale of goods or services on credit and to ensure and recognize the collection of cash for those goods or services provided. The list below summarizes these interrelated activities:

1. Recording the sale of goods or services in the appropriate journal and ledger

2. Recording the related state sales tax, if any, in the appropriate journal and ledger

3. Giving the customer an invoice or statement showing the amount owed

4. Maintaining a subsidiary ledger of all customers and amounts owed (an accounts receivable subsidiary ledger)

5. Monitoring customer accounts regularly, to aid in timely collection of amounts owed. Two common methods of monitoring are: (1) maintaining a report, by customer, showing amounts owed and length of time owed (a process called "aging the accounts"), and (2) maintaining a report which lists customers and amounts owed that are past due according to the terms set by the invoice or statement. Management regularly should review the monitoring reports, so that unacceptable credit risks can be put on "credit hold," that is, prohibited at the point of sale from making additional purchases on credit until payment is made or an agreement for repayment is reached.

You can see from this list that complete and accurate communication between the sales and accounting functions is necessary for the first activity to be initiated. The activity begins when the accounting organization receives documentation that a sales transaction has taken place. This documentation is usually a sales invoice, which gives the date, customer name, quantity and description of goods or services, sales amount, and other information regarding payment terms and shipping. The accounting department then records the sales transaction in a journal.

The ATARI General Accounting System records these sales and generates a report called an invoice register. With the invoice register, you can also record any sales tax associated with the transaction. When the data has been entered on the invoice register, your video screen displays the total dollar amount of the transactions entered (called a batch total). Before the data is entered, however, your accounting personnel should group or batch the invoices and calculate the total value. The batch total displayed on the screen should agree with the total dollar amount that was expected to be entered.

This procedure helps to ensure that no error, such as a missing invoice or transposed number, was made in transferring data from the original sales invoice to the data entry diskette of the ATARI General Accounting System.

You can also enter cash sales on the invoice register, but the ATARI General Accounting System gives you a special cash sales journal for use with a cash register. This procedure is discussed more fully later in this section.

After you have recorded the sales transaction, you may need to bill the customer. Even though many customers may pay from the original invoice they receive at the time of sale, it is common practice to send customers a statement at a later time (usually at the end of the month), covering all the customer's sales transactions for the month. When the billing process has been completed, the appropriate persons (owner, manager, bookkeeper, etc.) must be able to monitor customer accounts to collect the cash owed in a timely fashion.

Your ATARI General Accounting System, through the use of the invoice register and cash receipts journal, creates an accounts receivable ledger. The Accounts Receivable System of the ATARI ACCOUNTANT, which interfaces with the ATARI General Accounting System, has expanded capabilities that provide reports such as accounts receivable aging, past due notices, and others. At month-end, your ATARI General Accounting System posts the invoice register to the appropriate accounts in the general ledger.

CASH RECEIPTS

The principal cash receipts activities are:

1. Receipt of cash over the counter from cash sales or checks as payments for sales on credit

2. Timely deposit into the bank of cash received

3. Recording of cash received in the appropriate journal and ledger (including the accounts receivable subsidiary ledger, if used)

4. Matching the amount recorded in the company records with that shown by the bank (this is generally done by reconciling the general ledger cash balance to the balance shown on the bank statement)

Your ATARI General Accounting System provides a cash receipts journal and a cash sales journal. You use the cash receipts journal for collections on credit sales in conjunction with the invoice register. As appropriate, cash collected on credit sales is entered into the cash receipts journal, using the data entry diskette. The system gives a batch control total; this number should agree with a manually calculated batch total similar to that discussed for the invoice register.

Cash collected over the counter as cash sales is normally recorded on a cash register; this precaution tends to improve control over cash receipts at the point of sale. A useful feature of the ATARI General Accounting System is that it can produce a cash sales journal. This journal gives you a daily summary of cash register activity and can be customized to match the keys of the cash register. This feature is especially useful if your company has a large number of cash sales transactions.

CASH DISBURSEMENTS/ ACCOUNTS PAYABLE

This functional area involves the preparation of documents for payment and accounts payable accounting (if an accrual basis is being used), as well as actual payment to vendors. These interrelated functions require four activities:

1. Recording the purchase of goods or services in the appropriate journal or ledger
2. Preparing a check for payment
3. Recording the payment in the appropriate journal or ledger
4. Maintaining a subsidiary ledger of all amounts owed to vendors (an accounts payable ledger)

As for a sales transaction, your accounting group must have documentation of the purchase and receipt of goods, or of services performed. The document that is commonly used is the vendor's sales invoice. In essence, what a business uses as a sales document (the invoice) is also used by the customer as a cash disbursement or accounts payable invoice.

If your business uses the accrual basis of accounting it must show, at the end of each accounting period, its liability for unpaid goods or services. To recognize this liability, you enter transactions in a journal as a credit to accounts payable (the debit is to the appropriate asset or expense accounts).The basis of the entry is the accounts payable invoice with evidence (by a signature or separate document) of the receipt of goods or performance of services.

Cash disbursements or payments are usually made by issuing a check on a bank. You should always obtain evidence of payment whenever you make a cash payment. Payments made by check are confirmed by the return of the cancelled check. You should perform this matching (or "bank reconciliation") process every month. Of course, you can make payments in cash, but this is not the common or most practical method.

With your ATARI General Accounting System, you can enter all your cash disbursements in a cash disbursements journal. As with the other journals, the system displays batch control totals and also provides for direct posting to the general ledger. Payments made in the form of cash must be entered into the general journal.

For accounts payable processing, the ATARI General Accounting System permits the use of a merchandise purchased journal. You can enter all purchase transactions in the journal; the system can post all entries to the general ledger. If you use this journal together with the cash disbursements journal, the system can provide an accounts payable ledger. This ledger is similar to the accounts receivable ledger but represents amounts owed to vendors.

Your ATARI General Accounting System can handle such accounts payable processing, but a cash-basis business would not require this capability because accounts payable accounts are accrual-basis accounts only. A cash-basis accounting system would use only the cash disbursements journal.

PAYROLL

Payroll accounting is an important part of the total accounting process because it affects the legal and personal rights of all employees. While the focus of this discussion is on payroll accounting activities, the following list also includes some personnel-related activities:

1. Computing the gross pay earned by an employee

2. Computing the amount of net pay due the employee. This amount is the difference between gross pay and a variety of deductions, both voluntary and involuntary, as follows:
   - Federal income tax—depends on the amount of earnings and exemptions claimed by the employee
   - Social security contributions (FICA tax)—a function of the current legal rate applied to earnings up to a legal maximum (excludes sick pay)
   - State or city income tax—depends on local tax laws
   - Other—some examples are union dues, insurance, and savings bond purchases

3. Giving the employee the net pay due

4. Furnishing to the appropriate government agencies and other organizations their respective shares of the monies withheld from the employee's paycheck

5. Computing and paying the amounts required by law from the employer for FICA tax and federal unemployment insurance

6. Posting and maintaining detailed payroll records, by employee

7. Recording the payroll in the appropriate journal and ledger

8. Preparing quarterly federal tax returns showing, by employee, social security number, amount earned, FICA taxes, and federal income taxes. The period used in accounting for payroll taxes is the calendar year (ending December 31).

9. Providing a withholding statement (W2) to each employee at the end of the calendar year showing gross earnings and the related federal and local taxes withheld

Employees usually are paid on a salary basis or for hours worked. An hourly employee's pay is computed from a document (usually a time card) that indicates hours worked (time in and time out) per day during a payroll period. Salaried employees may or may not be required to keep a daily record.

A personnel file normally is maintained for each employee, containing such information as authorized hourly wage or salary, social security number, employee's withholding exemption certificate (W4) for income tax purposes, and authorizing forms for other deductions.

You use the cash disbursements journal of your ATARI General Accounting System to enter payroll transactions into the system. You can set a different sequence of check numbers to distinguish a payroll transaction from a regular purchase transaction, and consequently to use a separate bank payroll account. With this journal, then, the system gives you automated summarizing and posting to the general ledger. In addition, the system provides, for each employee, a quarterly, year-to-date, and calendar year-end report for informational purposes.

COST ACCOUNTING

Cost accounting is basically the process of obtaining, summarizing, and analyzing cost data. However, this function is commonly associated with the procedures for costing or measuring the value of the inventories of a business. In the following discussion, we address cost accounting from the latter perspective.

The cost accounting function must provide the means for:

- Attaching or assigning costs to inventories
- Recording the cost of inventories purchased, manufactured, assembled, or sold
- Managing and controlling the cost of inventories and promoting production efficiency

Inventories are commonly associated with a retail/wholesale business or a manufacturing organization. Retail/wholesale merchandise inventories are goods held for sale in the ordinary course of business. In a manufacturing firm, inventories are finished goods held for sale, goods currently in the process of manufacturing or assembly (called work in process), and raw materials not yet placed in the production process.

The valuation of inventories is an extremely important aspect of the accounting process because it directly affects both the balance sheet and the income statement. This can be shown in an equation depicting the derivation of costs of goods sold for a nonmanufacturing business:

Beginning Inventory + Purchases − Ending Inventory =
Cost of Goods Sold

The concept of this formula applies to manufacturing as well, but the increase in inventories (purchases in the example above) during the accounting period can be a very complex process in terms of the production cycle and the association of costs with that cycle. If an error occurs in the valuation of inventories, it not only affects the current period but also has an opposite effect in the succeeding period. This inverse effect occurs because current ending inventories represent the beginning inventories of the next period in the formula.

The ATARI ACCOUNTANT, with its General Accounting System and its related Inventory Control System, makes it possible to track a merchandise or finished goods inventory. In fact, the ATARI Inventory Control System is a "perpetual inventory" system which, with appropriate input regarding increases or decreases in quantities, provides current balances for each inventory item. The system can also give you the costs associated with those balances, under one of three cost methods. These three methods are based on different assumptions about the accounting, not the physical, flow of inventory.

FIRST-IN, FIRST-OUT (FIFO)

This method assumes goods are consumed or sold in the order purchased; that is, first purchased is first used or sold.

LAST-IN, FIRST-OUT (LIFO)

This method is the opposite of FIFO; last goods purchased are the first used or sold.

AVERAGE COST

In using this method, no flow assumption is made. The method is used for practical reasons; that is, specific tracking of quantities and associated unit costs is not required, because an average will be used.

There are numerous considerations—for instance, income tax effects—involved in choosing an appropriate method of inventory costing. There are also numerous technical accounting issues involved in valuing your inventories properly. It is suggested that you consult a professional accountant to help you determine which method is most appropriate for your business.

GENERAL LEDGER

As the title implies, the general ledger function is associated chiefly with input to (journal entries) and output from the general ledger. Listed below are some specific activities that can be performed:

1. Ensuring that all journal entries required have been prepared and posted to the general ledger
2. Developing balances for all accounts in the general ledger
3. Preparing a trial balance from the general ledger and seeing that total debits and credits are equal
4. Preparing all required adjusting entries
5. Preparing an adjusted trial balance
6. Preparing, or assisting in preparing, financial statements

Except for the review functions to ensure that all journal entries (including adjusting entries) have been properly prepared, your ATARI General Accounting System has automated most of the activities listed above. By eliminating a large part of the clerical effort required to summarize a week's, month's, or year's transactions, your system should give you and your managers, accountants, or bookkeepers additional time to accomplish such important tasks as financial condition analyses. (Some of these activities are discussed in Section 4.)

INTERNAL CONTROLS

The concept of internal controls can be defined as a plan or system that a business adopts to:

- Safeguard its resources
- Monitor and control the accuracy, completeness, and reliability of accounting data
- Monitor and promote adherence to management policies
- Assist in maximizing operating efficiencies

One requirement for an effective system of internal controls is an appropriate segregation of duties. Ideally, the concept requires that the physical access to or custody of your firm's assets be kept separate from the responsibility of recording and maintaining the accounting records (for instance, the purchasing function should be kept separate from the accounts payable and cash disbursements activities). Segregation of duties is a pervasive issue in all areas of accounting and should be carefully considered as your accounting organization expands.

Following is a partial list of possible accounting-related internal controls. Your management should review these areas to determine what actions to take, given the nature, size, and environment of your business.

- Physical security of sensitive documents such as blank checks, payroll records, and computer data storage media (for example, diskettes or tapes)
- Physical security of business assets such as petty cash on hand and inventories
- Creation of duplicate copies of irreplaceable documents such as legal documents and computer diskettes
- Maintenance of a current accounting manual and chart of accounts
- Use of dated and approved documents to support transactions recorded in the accounting records
- Control over and use of prenumbered forms or documents
- Granting of credit for new customers
- Use of batch controls for data entered into and output received from a computerized system
- Procedures to ensure that all transactions are recorded and reflected in the appropriate accounts and accounting period

This general list of ideas is not specifically related to any one business or type of business. Developing and achieving appropriate and effective internal controls for each area are basic responsibilities of management. The primary criterion is management's assessment of the cost associated with implementing internal controls versus the benefits (reduction of risks).

4

MONITORING YOUR COMPANY'S FINANCIAL HEALTH

A major objective of the accounting process is to produce financial statements. The value of these statements is greatly enhanced if they are used in making the decisions that will affect your firm's future. The area of finance or financial analysis deals with the use of financial data in decision-making. This section of the guide introduces some concepts of financial analysis directly related to improving your use of the financial statements provided by the ATARI General Accounting System.

PLANNING, BUDGETING, AND CONTROL

To be useful, financial data must be analyzed in context. The most important strategic context of a business is its long-range plan. This plan should be an analysis of at least two and probably not more than five years into the future, unless a change of ownership is an important consideration just beyond the five-year period. Many major events that influence a company are outside the control of its owners and management. However, it is essential that goals be established and quantified, but not just in monetary terms: for instance, increasing sales 10 percent per year, not just increasing sales; hiring two more salesmen, not just increasing sales effort.

In short, the long-range plan outlines where the business should be headed and states the agreed-upon approach to reach the related goals. As the plan is pursued, experience may be gained and/or the environment may change, requiring that the plan be reviewed and modified. This management review should occur at least every year, preferably in a setting where day-to-day problems, while not ignored, can be placed in perspective.

After you have developed your long-range plan, you need to establish a budget for the portion of the plan that directly relates to the first year. The budget expresses these short-term goals in units and dollars, estimated by the individual(s) responsible for achieving the goals. The general approach is to use experience and the cause-and-effect relationships between key factors, such as sales and expenses, as the primary bases for developing these numbers.

Another approach, ''zero-based'' budgeting, reexamines and questions the assumptions on which these relationships are based and, by formulating new assumptions, identifies alternative approaches and helps determine new relationships. For example, given a projected 10-percent sales increase, should advertising expense be increased 10 percent or is its effectiveness maximized at the current level? For the same projected sales increase, should selling and related expenses be increased 10 percent, or would it be more productive to change the role of the outside sales people to focus on new customers and to create an internal customer service function to take orders?

Regardless of the approach used, you should set a budget for revenues and all major expense categories. Identifying ways to become more efficient and effective should be a continuous effort. The time for developing budgets, however, often represents an opportunity to formally evaluate and analyze ideas that may have come up during the year, and to develop new ones, if appropriate. Zero-based budgeting formalizes both the exploration of new ways of performing the same function and the consideration of different levels of effort to achieve the same result.

This budgeting process usually identifies a few conflicting goals of various departments or functions. It also suggests trade-offs that must be made to reconcile conflicts. For example, your sales may be projected to increase 50 percent and yet manufacturing labor costs, without any change in productivity, may be estimated at last year's level. Trade-offs must be reflected in the budget, and the budget should be internally consistent, representing an aggressive yet realistic goal based on prior experience.

The budget should always be compared with the long-range plan for this period. If it is consistent with the plan, the budget should be formalized (fixed) for the year. At least one format of the budget should provide pro forma balance sheets and income statements based on the budgeting data for the same periods for which financial statements are prepared.

For companies in especially dynamic environments, it may be worthwhile to develop 12-month rolling forecasts or budgets which are updated every quarter, in addition to the fixed annual budgets.

The actions that are taken as defined in the plan and budget result in business transactions which are recorded by the accounting process. The accounting process, in turn, produces the financial statements. These reports of actual results can then be compared to the budget(s). This feedback permits management to "manage by exception," that is, to focus its time and effort on specific areas where results are not as expected. These areas can be separated by type and prioritized in terms of their financial impacts.

When analysis indicates that a major change must be made to an internal assumption, the intermediate plan and related budgets must be modified. A fundamental change in the environment, such as a competitor going out of business, may call for revision of the strategic goals or the plans to achieve them. The control process often permits the early identification of such necessary modifications or revisions while there is still time to pursue successful alternatives.

FINANCIAL RATIO ANALYSIS

In evaluating the financial condition and performance of a business, it is important to develop "yardsticks." Financial ratios which relate two pieces of financial data are often used as yardsticks. Two types of analysis can be done using financial ratios. First, a pro forma ratio based on budgets or a present ratio based on recent results can be compared to historical ratios for the enterprise. (For historical comparisons, especially for seasonal businesses, it is important that the same ratios be compared at the same time of the year.) Second, ratios of one business can be compared to those of similar businesses or to industry averages for the same point in time.

Ratio analysis can be an important tool to aid in decision-making. Deviation of your firm's ratios from industry standards should not, however, be a cause for either unjustified celebration or panic. Analysis of the deviation by your management, and use of experience and judgment to interpret the results, are critical components. Ratios between any two or more operating or accounting statistics, alone or in combination, could conceivably be calculated. But the benefit of doing so would probably not justify the cost and confusion.

Several ratios are valuable for specific industries. For example, sales per square foot is an important measure in retailing because it measures the productivity of a major factor to which most expenses are related. There are several financial ratios, however, which are recognized to be of value in many industries when they are calculated using consistent, standardized accounting data. These financial ratios can be divided into four types: liquidity, debt or leverage, profitability or operating, and coverage ratios. All of these ratios are computed from the income statement and balance sheet.

Some of the more meaningful ratios for accrual-basis small businesses are presented below. Examples for each have been calculated using data from the sample balance sheet and profit-and-loss statement shown earlier.

LIQUIDITY

Liquidity is the ability to convert assets into money in a specified period of time, with the certainty of realizing a specified price when conversion takes place. Liquidity ratios are consequently used to judge a firm's ability to meet short-term obligations.

Current Ratio. Probably the most used liquidity ratio, current ratio is calculated by dividing current assets by current liabilities.

$$\textbf{Current Ratio} = \frac{\textbf{Current Assets}}{\textbf{Current Liabilities}} = \frac{\$95{,}431.20}{\$42{,}554.97} = 2.2$$

The Quick Ratio. An even more stringent test of short-term solvency is the quick, or acid-test, ratio. The quick ratio excludes inventories from current assets because inventories may be hard to liquidate quickly, even at a substantial discount. The quick ratio is current assets less inventories less prepaid expense divided by current liabilities.

$$\textbf{Quick Ratio} = \frac{\textbf{Current Assets} - \textbf{Inventories} - \textbf{Prepaid Expenses}}{\textbf{Current Liabilites}}$$

$$= \frac{\$95{,}431.20 - \$20{,}235.00 - (\$1{,}750.00 + \$3{,}995.40)}{\$42{,}554.97}$$

$$= 1.6$$

A ratio of less than 1 for a business with substantial credit sales should be cause for concern; it is an indication that the business needs increased long-term debt or equity capital.

Days Receivables Outstanding. The most common measure of the liquidity of receivables is the average collection period ratio. This ratio is the receivables amount multiplied by the number of days in the year divided by annual credit sales:

$$\text{Average Collection Period Ratio} = \frac{\text{Receivables} \times 365}{\text{\% Credit Sales} \times \text{Annual Sales}} = \text{Number of Days}$$

$$= \frac{\$42{,}407.34 \times 365}{95\% \times \$191{,}541.19}$$

$$= 85 \text{ days}$$

This calculation assumes that 95 percent of sales are on credit.

This ratio must be analyzed relative to credit terms extended to customers. The ratio above indicates an average collection period of 85 days, which may be substantially in excess of granted credit terms. This would indicate a large number or percentage of receivables is past due. The past-due receivables may be increasingly uncollectible, resulting in bad-debt loss, and at the very least can cause cash flow problems and increased interest expense if money has to be borrowed to meet business demands. This situation should cause a review of an aging analysis of the receivables to identify the amounts outstanding by age. Actions to take should include a customer-by-customer analysis and follow-up, and perhaps a review of credit terms or standards.

Days Payables Outstanding. A number often of interest to creditors and suppliers is the aging of accounts payable. A ratio used to reflect this aging is the days payables outstanding; this is directly analogous to the days receivables outstanding. This ratio is accounts payable times 365 divided by the purchase of materials for operations for the year:

$$\text{Days Payables Outstanding} = \frac{\text{Accounts Payable} \times 365}{\text{Annual Purchases of Materials for Operations}} = \text{Number of Days}$$

$$= \frac{\$30{,}331.08 \times 365}{\$117{,}215.06}$$

$$= 94 \text{ days}$$

To simplify for this example, purchases are assumed to be equal to cost of sales for the year, which keeps inventory at the same level for the beginning and ending of the year.

This ratio must also be analyzed relative to credit terms granted by creditors. The ratio above indicates an average payment period of 94 days. The ratio may be substantially in excess of credit terms granted and may result in lost discounts and a tarnished credit reputation. If this ratio is significantly less than your average terms, payments are being made early and credit status is probably excellent. Any significant deviation from credit terms granted by creditors should be reviewed by management to assess any negative financial impact.

Lost discounts are especially onerous given the implicit annual interest rate represented by the terms. For example, losing the discount associated with terms of 2 percent 10, net 30 days, is an implicit annual interest rate of approximately 37 percent. Obviously, losing discounts is an expensive alternative to bank financing.

Inventory Turnover Ratio. The inventory turnover ratio indicates how effectively management controls the investment in inventory. Low inventory turnover relative to industry performance may result from overstocking and can cause higher than expected obsolescence and increased interest expense to finance the inventory. The inventory turnover ratio is calculated by dividing the annual or annualized cost of sales by average inventory.

$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold (annualized)}}{\text{Average Inventory for the Year}} = \text{No. of Turns}$$

$$= \frac{\$117{,}215.06}{\$20{,}235.00} = 5.8 \text{ Times}$$

It is assumed in the example that the inventory has remained approximately level during the year. Otherwise, a consistent method for averaging the inventory, such as beginning plus ending inventory divided by 2, should be used.

DEBT

Several debt or leverage ratios are used by lenders in assessing risk and making lending decisions. Debt-to-equity is the primary ratio used. The debt-to-equity ratio measures the capital contributed by creditors relative to that from owners, which is assumed to measure ''commitment'' and risk shared. Use of debt or leverage in business has increased substantially in recent years, and the ''textbook'' guidelines for the debt-to-equity ratio have risen. Actual ratios vary widely from company to company and from industry to industry.

$$\text{Debt to Owners' Equity} = \frac{\text{Total Liabilities}}{\text{Owners' Equity}}$$

$$= \frac{\$87{,}563.22}{\$46{,}314.02}$$

$$= 1.9$$

PROFITABILITY

Profitability or operating ratios are used to assess a business entity's efficiency of operation.

Gross Profit Margin. The gross profit margin measures sales less the cost of producing the goods sold as a percent of sales and, consequently, directly indicates how goods are priced in relation to the efficiency of providing them. The gross margin is defined as:

$$\textbf{Gross Profit Margin} = \frac{\textbf{Sales} - \textbf{Cost of Goods Sold}}{\textbf{Sales}} \times 100$$

$$= \frac{\$74{,}326.13}{\$191{,}541.19} \times 100$$

$$= 38.8\%$$

Note: For ease of analysis, the ATARI General Accounting System expresses all income statement items as a percentage of sales.

Net Profit Margin. The net profit margin calculates profit after tax as a percentage of sales. The net profit margin is defined as:

$$\textbf{Net Profit Margin} = \frac{\textbf{Net Profit after Tax}}{\textbf{Sales}} \times 100$$

$$= \frac{\$17{,}978.76}{\$191{,}541.19} \times 100$$

$$= 9.4\%$$

This calculation assumes a 50-percent tax rate.

Return on Owners' Equity. The return on owners' equity expresses profit before taxes relative to the capital invested by the owners.

$$\textbf{Return on Owners' Equity} = \frac{\textbf{Profit before Taxes}}{\textbf{Owners' Equity}} \times 100$$

$$= \frac{\$20{,}413.22 + \$2{,}115.54}{\$46{,}314.02} \times 100$$

$$= 48.6\%$$

This measure is commonly used by investors to compare business results with alternative investment opportunities.

Return on Assets. The return on assets expresses profit before taxes relative to the total assets of the business. This ratio measures the effectiveness of management's use of assets under its control.

$$\text{Return on Assets} = \frac{\text{Profit before Taxes}}{\text{Total Assets}} \times 100$$

$$= \frac{\$22{,}528.76}{\$133{,}877.24} \times 100$$

$$= 16.8\%$$

COVERAGE

Coverage ratios such as the ratio of earnings (profit) before interest and taxes (EBIT) to interest measure a firm's ability to service debt. The ratio of EBIT to interest is a major coverage ratio because a ratio substantially above 1 tends to indicate an organization's ability to meet interest payments or take on new debt.

$$\text{EBIT/Interest} = \frac{\text{Profit before Taxes + Interest Expense}}{\text{Interest Expense}}$$

$$= \frac{\$20{,}413.22 + \$2{,}115.54 + \$2{,}562.03}{\$2{,}562.03}$$

$$= 9.8 \text{ times}$$

Note: The net profit from the income statement includes interest expense which must be added in calculating earnings (profit) before interest.

The objective of this brief introduction to financial ratios is to suggest that the income statement and balance sheet contain data which can provide additional insight into the performance of the business. By calculating these ratios at least yearly and comparing them to previous results, trends might appear that warrant further detailed analysis. As discussed previously, all these ratios vary significantly between businesses and from industry to industry. Figure 5 presents the ratios of our example and the ratios for other businesses, all healthy, to demonstrate this point. Your trade association, accountant, or banker may be able to provide industry averages or suggest other ratios that are relevant for evaluating your firm's financial position.

	LIQUIDITY				DEBT
	Current Ratio	Quick Ratio	Average Collection Period (Days)	Inventory Turnover (Turns)	Debt to Equity
Action Sales Co.	2.2	1.6	85	5.8	1.9
Retail Grocery Firm	1.3	.4	1.2	15.6	2.0
Discrete Manufacturing	1.5	1.2	45	12.7	1.5
Retail Department Store	2.3	.8	30	3.3	1.2
Computer Company	1.8	1.0	71.5	2.8	1.6

	PROFITABILITY OR OPERATING RATIOS				COVERAGE
	Gross Profit Margin	Net Profit Margin	Return on Equity	Return on Assets	EBIT/ Interest
Action Sales Co.	38.8%	9.4%	48.6%	16.8%	9.8 Times
Retail Grocery Firm	22.8	1.1	29.2	10.0	4.0
Discrete Manufacturing	33.1	3.9	34.1	12.3	4.9
Retail Department Store	34.1	1.3	12.9	5.1	2.6
Computer Company	40.0	4.2	34.9	14.7	5.2

Figure 5 Some Typical Ratios

CASH FLOW FORECASTING AND BUDGETING

The management of cash is of critical importance, especially in the small business environment. Management is responsible for seeing that there is sufficient cash to meet the day-to-day obligations of the business and for investing excess or idle cash until it is required for operating activities. To avoid financial crises, it is important to forecast, manage, and control cash receipts and cash disbursements, and, if necessary, to cover periods of negative cash flow through borrowing or other means.

In periods of tight cash flow, management must spend valuable time daily or hourly to monitor the company's cash position. Sometimes these situations are unavoidable; however, planning may significantly decrease their frequency and length. At the very best, planning can avoid many of the surprises that otherwise may occur.

DEVELOPING THE CASH BUDGET

Developing a cash budget is an effective way to plan for adequate cash and identify idle cash available for internal uses or investment purposes. The cash budget is a projection or forecast of cash transactions for a specified period. These transactions represent cash receipts and disbursements from normal operating activities such as revenues and expenses, as well as from financial activities such as loans or taxes.

The length of time and frequency of preparation covered by the cash budget should reflect your business environment. Many businesses prepare cash budgets using the same time intervals and forecast periods as their annual budgets. Others find that severe fluctuations in their cash position over short intervals require them to prepare shorter term cash budgets more frequently, with individual periods as short as a week. Thus, each company's cash budget is based both on past experience and on future projections.

Figure 6 is a sample format for a cash budget. When developing these estimates (described in detail below) you should consider to what extent each item is fixed, a function of sales levels, or discretionary. This information is necessary to make adjustments if negative cash balances are forecasted which cannot be offset by loans or infusion of equity.

By going through the cash budgeting process, many small businesses have been able to avoid or minimize cash crises. Such crises not only divert valuable management time, but they also can cripple the financial flexibility of the company, as well as lower its reputation in the business community.

CASH FORECASTING

Forecasting of expected cash receipts and payments is crucial in developing a cash budget. Such forecasts indicate (1) the source, amount, and expected date of estimated receipts, and (2) the purpose, amount, and expected date of estimated disbursements.

SALES FORECASTING

The sales forecast is the basis for planning future operations, which in turn are basic to estimating cash requirements. In addition, sales are the major source of cash receipts. The annual budgeting process should forecast sales levels; this forecast should reflect seasonal effects.

CASH RECEIPTS FORECASTING

The primary source of cash for a business is the sale of its goods or services. However, sales made on credit cause a time lag between sales and the collection of cash. Analysis of the receivables aging can help determine the extent of this lag.

Other sources of cash receipts should also be identified. These sources include interest income, money from selling capital assets, additional investments by owners, or loans.

CASH DISBURSEMENTS FORECASTING

Cash disbursements are largely related to the firm's expenses. The "cost of goods sold" is usually a high percentage of total expenses, which are directly related to sales levels previously forecasted. Cash disbursements for merchandise or material, which comprise both cost of sales and inventory, precede sales by some time. The inventory turnover ratio (the ratio between inventory and sales) helps in estimating this factor, but you may need to prepare a separate detailed budget of merchandise purchased, if this is not included in the annual budget.

Prepared by: ______________________________
Date: ______________________________
Company: ______________________________

19XX

MONTH

	1	2	3	4	5	6	7	8	9	10	11	12
I. CASH RECEIPTS												
A. Cash Sales												
B. Collection of Trade Receivables												
C. Interest Income												
D. Receipts from Loans												
E. Receipts from Asset Sales												
F. Other Receipts												
G. Total Cash Receipts												
II. CASH DISBURSEMENTS												
A. Merchandise, Material and Supplies												
B. Salaries and Wages												
C. Payments for Taxes, FICA, etc.												
D. Payments for Asset Purchases												
E. Repayment of Loans Including Interest												
F. Other Disbursements												
G. Total Cash Disbursements												
III. CASH FLOW (total cash receipts minus total cash disbursements)												
IV. BEGINNING CASH BALANCE												
V. ENDING CASH BALANCE* Available (Needed) (IV + III)												

*Ending cash balance of a month becomes beginning balance of the next month.

Figure 6 Cash Forecast

Payments for salary and wage expense obviously must be made as they are incurred. The annual budget normally includes estimates for these expenses. Contractual expenses such as rent, leases, debt services, interest, and salaries are easier to estimate and should be included in the cash budget.

Other cash disbursements include payments for taxes, dividends, owner distributions, or purchase of marketable securities or certificates of deposit.

5

OTHER TECHNICAL ISSUES IN ACCOUNTING

This guide gives you an elementary overview of accounting and financial analysis, as related to the capabilities of your ATARI ACCOUNTANT. The supplementary information presented below is a partial listing and brief definition of additional "technical" areas that you and/or your accountant may need to discuss.

STATEMENT OF CHANGES IN FINANCIAL POSITION

This third major financial statement required under Generally Accepted Accounting Principles (GAAP) shows the flow of funds into the business (sources) and how the funds were consumed (uses). It is defined in terms of all financial resources. The concept includes working capital (current assets less current liabilities) and all other significant financial transactions. The statement is presented as changes between two accounting periods.

LEASES

Leases are agreements to use land, buildings, equipment, and other items in return for rental payments. If a lease agreement meets certain criteria under GAAP, it must be recognized as a capital lease (treated as a fixed asset) with a corresponding liability placed on the balance sheet.

ADJUSTING ENTRIES

Depreciation describes the allocation of the cost of a fixed asset over the period of time during which it provides service to the business. Several methods can be used to "depreciate" fixed assets—for instance, straight-line (pro rata) depreciation or accelerated (faster in the initial years) depreciation. The method you choose can affect your financial statements and your tax position; it should therefore be evaluated carefully. In fact, different depreciation methods can be chosen for tax and financial reporting purposes. The cumulative amount of depreciation expensed to date is reflected on the balance sheet as a credit balance (contra asset account), which is presented as an offset to the fixed asset totals on the balance sheet.

Prepaid expense is an item paid and recorded in the accounts prior to its use or expiration. At the end of an accounting period, an unexpired or an unused portion remains and continues to have future economic benefits. An adjustment is required to reflect that remaining portion as an asset. Typical prepaid expense items are insurance and rent, which may be prepaid for periods of one year or more.

Bad debts are accounts receivable that are, or may prove to be, uncollectible. If you are using the accrual basis of accounting, bad debts can be estimated. An account called "allowance for bad debts" is used as a credit balance (contra asset account) as an offset to accounts receivable on the balance sheet. The debit is to bad debts expense; it is reflected in the income statement.

Accruals represent unrecorded revenues or expenses at the end of an accounting period. Adjusting entries are used to reflect those amounts under the "matching" concept discussed in Section 1. For example, the end of the accounting period may not coincide with the day the payroll is paid. To the extent that salaries and wages have been earned but not paid, an expense and related liability should be reflected in the accounts. In this case, an account called "accrued salaries and wages" is credited (reflected on the balance sheet) and the corresponding amount is debited to expenses (reflected in the income statement). The liability is commonly referred to as an accrued liability.

Unrecorded revenue is accounted for similarly, by crediting an accrued revenue account (reflected in the income statement) and debiting as an asset the receivable (reflected in the balance sheet).

NOTES PAYABLE

Notes payable are obligations of the business recorded in a note agreement. They usually require the payment of interest. Interest is an expense which represents the cost of borrowing over the time of the debt. Interest may require an adjusting entry at period-end to reflect interest owed that has not yet been paid. Notes payable can be short-term or long-term, depending on the time allowed for repayment.

Notes are generally structured in one of two forms. In the first, the stated amount of the note (face value) is equal to the amount provided to the borrower. In this case, interest is computed on the face value of the note at the rate of interest specified in the note. Payments are reflected as reductions to accrued interest and notes payable.

When the face value of the note is greater than the amount of funds provided to the borrower the second form of a note is used. In this case, the future interest has been reflected as part of the value of the note. To reflect properly the liability of the business entity, a contra liability account (a debit account), called "discount on note payable or deferred interest," is used as an offset to the total face value of the note. (The face value of the note is normally reflected on the balance sheet in total.) As interest expense is incurred over time at the specified interest rate, the discount account is reduced and interest expense is debited. Payments which include interest are debited to the notes payable account and are credited to cash.

TAXES ON INCOME

Taxes on income are mandated by federal, state, or local law. Accounting for income taxes and preparing required income tax returns can be extremely complex, regardless of the size of the business. The tax liability (amount due the government) is a function of the firm's current and past income, ownership structure, and specific options taken regarding expected future events.

A corporation is an entity separate and distinct from its owners (stockholders) and incurs its own taxes. Sole proprietorships and partnerships are extensions of the owners, who must report their share of the entity's income on their tax returns and pay the tax liability.

Another aspect of income taxes is that the ''income before deducting income taxes'' reported in the income statement may differ from the income used to compute the income tax liability. This difference is due in part to the definitions and options in defining taxable income, such as different methods of depreciation. It is recommended that you consult a professional accountant for appropriate tax accounting and tax return assistance.

AFTERWORD

Now that you have studied this guide and the manual or manuals for your ATARI ACCOUNTANT modules, you should understand clearly what happens, and what results you can expect to obtain, when you use your system. If you need additional information on special problems unique to your operation, your own accountant can be of assistance. However, you should be able to carry out the bulk of your normal accounting functions swiftly and efficiently with the aid of your ATARI ACCOUNTANT.

APPENDIX A

CHARTS OF ACCOUNTS FOR SELECTED BUSINESSES

ATTORNEYS: BALANCE SHEET ACCOUNTS

ASSETS

Current Assets

1010	Cash - Regular Account
1020	Cash - Trust Account
1030	Cash on Hand
1050	Petty Cash
1210	Accounts Receivable
1410	Prepaid Expenses

Fixed Assets

1520	Office Equipment
1530	Accumulated Depreciation

LIABILITIES

Current Liabilities

2030	Clients' Funds in Trust
2040	Tax - FICA Payable
2050	Tax - Unemployment Payable
2060	Tax - Federal Withholding Payable
2070	Tax - State Withholding Payable
2200	Accounts Payable
2300	Accrued Expenses
2310	State Income Tax Payable
2320	Federal Income Tax Payable

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010	Capital
3011	Partner A
3012	Partner B
3030	Drawing
3031	Partner A
3032	Partner B

ATTORNEYS:
INCOME AND EXPENSE ACCOUNTS

INCOME

4010	Fees Collected
4020	Other Income

EXPENSE

6010	Associates' Salaries
6020	Associates' Fee Participations
6030	Clerical Salaries and Expense
7000	Rent
7010	Telephone
7020	Books and Publications
7040	Stationery and Supplies
7050	Absorbed Costs
7100	Other Expenses
7200	Partners' Salaries
8980	State Income Tax Expense
8990	Federal Income Tax Expense

CONSTRUCTION:
BALANCE SHEET ACCOUNTS

ASSETS

Current Assets

1000	Cash - Checking Account
1010	Cash - Trustee Account
1020	Petty Cash
1100	Investments - Bank Certificates of Deposit
1110	Stocks

Receivables

1210	Mortgages Receivable
1220	Contracts Receivable
1230	Notes Receivable
1250	Accrued Interest Receivable

Inventories

1310	Land - Improved Subdivisions or Lots
1320	Construction in Progress
1321	Salaries and Wages Direct
1322	Subcontract Labor and Materials
1323	Indirect Facilities
1324	Direct Materials
1325	Indirect Materials
1326	Roads and Curbs
1327	Landscaping
1328	Other Direct
1329	Other Indirect
1330	Material - Unused and Unassigned
1340	Unimproved Land (Raw Acreage or Nonsubdivided)

Prepaid Assets

1410	Prepaid Insurance
1420	Prepaid Taxes
1430	Prepaid Interest

Fixed Assets

1500	Land
1510	Trucks and Autos
1520	Accumulated Depreciation
1530	Construction Machinery
1540	Accumulated Depreciation
1550	Buildings
1560	Accumulated Depreciation
1570	Furniture - Model Dwellings
1580	Accumulated Depreciation

1590	Office Furniture and Equipment
1600	Accumulated Depreciation

Other Assets

1810	Utility Deposits
1820	Escrow Deposits
1860	Municipal Tax Liens and Deposits

LIABILITIES

Current Liabilities

2000	Accounts Payable
2100	Notes Payable (Bank Loans, etc.)
2200	Construction Mortgages Payable - Short-Term
2210	Loans Payable - Short-Term
2220	Commissions Payable (Houses Sold)
2230	Customers' Deposits
2240	Escrow Deposits

Payroll Deductions

2340	FICA Payable
2350	Federal Withholding Tax
2360	State Unemployment and Disability Tax Payable

Other Current Liabilities

2370	Accrued Salaries and Wages
2380	Accrued Real Estate Taxes
2390	Accrued Interest Payable
2400	State Income Tax Payable
2410	Federal Income Tax Payable

Long-Term Liabilities

2610	Construction Mortgages Payable - Long-Term
2620	Loans Payable - Long-Term
2690	Deferred Profit on Installment Sales

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010	Capital
3011	Partner A
3012	Partner B
3030	Drawing
3031	Partner A
3032	Partner B

CONSTRUCTION: INCOME AND EXPENSE ACCOUNTS

INCOME

4000	Sales - Residential
4010	Sales - Extras
4020	Sales - Land
4030	Income on Installment Sales
4040	Interest Income
4050	Rental Income
4060	Commissions Earned
4090	Discount on Purchases

EXPENSE

5000	Cost of Construction Sold
6110	Construction Machinery
6120	Shop Buildings
6130	Model Homes Furniture
6140	Automotive Equipment
6150	Office Furniture and Fixtures
6200	Union Dues Paid
6210	Union Welfare Expense
6220	Equipment Rentals
6230	Customers' Complaints
6240	Interest on Construction Loans and Mortgages
7000	Wages - Administrative and Planning
7010	Wages - Estimating and Clerical
7020	Commissions Paid
7100	Office Expense
7110	Postage
7120	Interest on Other Mortgages and Loans
7130	Stationery and Printing
7140	Advertising
7150	Office Rent
7160	Heat, Light, and Water
7170	Telephone
7180	Uniforms
7190	Machinery Fuel and Supplies
7200	Automotive - Gas, Oil, and Maintenance
7300	Repairs - Vehicles and Machinery
7310	Repairs - Other
7320	Real Estate Taxes
7330	Payroll Taxes
7340	State Franchise Taxes
7350	Insurance (Fire and Extended Coverage on Construction in Progress)

7360	Casualty and Liability Insurance
7370	Workers' Compensation Insurance
7380	Uncollectible Accounts
8980	State Income Tax Expense
8990	Federal Income Tax Expense

DENTISTS: BALANCE SHEET ACCOUNTS

ASSETS

1000	Cash Clearing
1010	Petty Cash
1100	Tax Savings Accounts
1200	Accounts Receivable
1210	Less Contra Account - Unearned Income
1500	Fixed Assets
1510	Allowances for Depreciation

LIABILITIES

2000	Accounts Payable
2010	Contracts Payable
2020	Notes Payable
2030	State Taxes Payable
2040	Federal Income Tax Payable

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010		Capital	
	3011		Partner A
	3012		Partner B
3030		Drawing	
	3031		Partner A
	3032		Partner B

DENTISTS:
INCOME AND EXPENSE ACCOUNTS

INCOME

4000	Professional Charges
4010	Other Income

EXPENSE

6000	Taxes - Payroll
6010	Taxes - Professional Property
6020	Rent on Professional Property
6030	Rent on Professional Property - Other
6040	Repairs
6050	Salaries and Wages (Net)
6060	Employee Benefits
6070	Insurance - Professional
6080	Insurance - Business
6100	Retirement Plan - Employee Share
6110	Interest Professional Indebtedness
6120	Automobile - Business
6130	Drugs and Supplies
6140	Laboratory Expense
6150	Laundry Expense
6160	Maintenance
6170	Meetings, Dues, Subscriptions
6180	Miscellaneous Professional Expense
6190	Office Expense
6200	Professional Promotion
6210	Telephone Expense
6220	Answering Service Expense
6230	Utilities Expense
6240	Professional Fees Paid
6250	Depreciation
8980	State Income Tax Expense
8990	Federal Income Tax Expense

DISCRETE MANUFACTURING COMPANY: BALANCE SHEET ACCOUNTS

ASSETS

Current Assets

1010	General Bank Accounts - Cash
1011	General Account Bank #1
1012	General Account Bank #2
1013	General Account Bank #3
1020	Payroll Bank Accounts - Cash
1030	Petty Cash
1100	Short-Term Investments
1110	Other Investments
1210	Accounts Receivable - Trade
1220	Accounts Receivable - Other
1221	Employee Receivables
1222	Travel Deposits
1223	Accrued Interest Receivable
1224	Accounts Receivable - Other
1270	Allowance for Doubtful Accounts
1280	Notes Receivable - Trade and Other
1310	Stockroom Inventory
1311	Perpetual
1312	Receiving
1320	Work-in-Process Inventory
1321	Subassembly
1322	Final Assembly
1323	Miscellaneous
1329	Construction in Progress
1360	Demonstration Inventory
1370	Consigned Inventory
1380	Obsolete Inventory
1390	Provisions for Inventory Valuation
1391	Provision for Obsolete Inventory
1392	Demonstration Inventory Allowance
1393	Provision for Inventory Shrinkage
1394	General Inventory Reserve
1395	Provision for Cost or Market Adjustment
1400	Prepaid Expenses
1401	Prepaid Insurance
1402	Property Taxes
1403	State Franchise Tax
1405	Deposits - Short-Term
1409	Miscellaneous Prepaid Expenses

Fixed Assets

1510	Tooling
1520	Depreciation on Tooling
1530	Test Equipment
1540	Depreciation on Test Equipment
1550	Leasehold Improvements
1560	Amortization, Leasehold Improvements
1570	Machinery and Equipment
1580	Depreciation on Machinery and Equipment
1590	Automotive Equipment
1600	Depreciation on Automotive Equipment
1610	Office Furniture and Equipment
1620	Depreciation on Office Furniture and Equipment

Other Assets

1910	Other Assets

CURRENT LIABILITIES

2100	Notes Payable
2110	Line of Credit
2120	Term Loan - Current Portion
2200	Accounts Payable
2201	Accounts Payable - Trade
2202	Accounts Payable - Other
2310	Accrued Liabilities - Payroll, Vacations, and Holidays
2311	Accrued Payroll
2312	Accrued Vacations
2313	Accrued Holiday Pay
2330	Accrued Liabilities - Royalties and Commissions
2331	Royalties Payable
2332	Commissions - Dealers
2333	Commissions - Salesmen
2350	Accrued Liabilities - State and Local Taxes
2351	Personal Property Tax
2352	Real Property Tax
2353	State Sales and Use Tax
2354	Miscellaneous Taxes
2360	Accrued Liabilities - Other
2361	Customer Deposits
2362	Medical Insurance
2363	Accrued Interest
2364	Other Insurance
2365	Workers' Compensation Insurance
2366	Audit Fees
2367	Legal Fees
2368	Other Professional Fees

2410	Estimated Liability for Federal and State Income Taxes
2411	Federal Income Tax Liability
2412	State Franchise Tax Liability
2510	Estimated Liability for Product Warranty
2600	Long-Term Liabilities
2602	Term Loan 1 - Long-Term Portion
2603	Term Loan 2 - Long-Term Portion

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010	Capital
3011	Partner A
3012	Partner B
3030	Drawing
3031	Partner A
3032	Partner B

DISCRETE MANUFACTURING COMPANY: INCOME AND EXPENSE ACCOUNTS

INCOME

4000	Sales
4010	System Sales - Customer
4020	Part Sales - Domestic
4030	System Sales - Export
4040	Repair/Installation Income

EXPENSE

5010	Cost of Sales
5020	Repair/Installation Expense
5100	Other Direct Charges
5110	Scrap and Rework Materials, Labor
5120	Tooling and Set-Up Cost
5130	Inventory Provision
5140	Shipping Department Expense
5150	Quality Control
5160	Freight and Insurance
5190	Miscellaneous - Other Cost of Sales
6000	Occupancy
6010	Overhead Expense
6020	Overhead Applied
6030	Marketing and Service Expense
6040	Service Overhead Applied
6050	Administrative Expense
6060	Research and Development Expense
6070	Research and Development Special Projects (Manufacturing Engineering)
6100	Payroll Taxes - Employer's Portion
6110	Workers' Compensation
6120	Group Insurance - Hospital, Medical, Surgical
6130	Employee Benefits
6140	Fringe Benefits Applied
6400	Commission Expense - Outside Agents

Other Income

8110	Gain or Loss on Disposal of Fixed Assets
8120	Discounts Earned
8130	Interest Income

Other Expenses

8510	Bad Debt Expense
8520	Miscellaneous Other Expense
8530	Interest Expense
8980	Provision for State Income Taxes
8990	Provision for Federal Income Taxes

DRUGSTORES:
BALANCE SHEET ACCOUNTS

ASSETS

Current Assets

1010	Cash in Bank
1020	Cash on Hand
1021	Petty Cash Fund
1022	Drawer Cash-Registers

Receivables

1220	Accounts Receivable
1230	Estimated Uncollectible Accounts
1240	Employees

Inventories

1310	Drugs (Prescription Department)
1320	Package Medicines
1330	Fountain Supplies
1340	Tobacco, Confectionery, and Periodicals
1350	Toiletries
1360	Liquors
1370	Sundries
1380	Operating Supplies
1390	Pharmaceutical Supplies

Other Current Assets

1410	Prepaid Insurance

Fixed Assets

1610	Land
1620	Buildings
1630	Accumulated Depreciation
1640	Fountain Fixtures and Equipment
1650	Accumulated Depreciation
1660	Store Fixtures and Equipment
1670	Accumulated Depreciation
1680	Office Furniture
1690	Accumulated Depreciation

If leased premises are occupied, substitute the following accounts:

1660	Leasehold Improvements
1670	Accumulated Amortization

Other Assets

1910	Deposits, Rent, Utilities, etc.

LIABILITIES

Current Liabilities

2010	Notes Payable - Banks
2020	Notes Payable - Other
2040	Contracts Payable - Short-Term
2050	Mortgage Payable - Short-Term
2060	Accounts Payable
2110	Sales Tax Payable
2210	Employee Payroll Deductions
2211	Social Security Taxes
2212	State Disability Insurance
2213	Income Tax Withheld (Federal)
2214	Income Tax Withheld (State)
2215	Income Tax Withheld (City)
2220	Employer Payroll Taxes Payable
2221	Social Security Taxes (Unemployment)
2223	State Social Security Taxes (Unemployment)
2250	Accrued Payroll
2260	Accrued General Taxes
2270	Accrued Interest Payable
2290	Other Accrued Liabilities
2300	Due to Officers and Directors
2310	Federal Income Tax Payable
2320	State Income Tax Payable

Long-Term Liabilities

2410	Contracts Payable - Long-Term
2420	Mortgages Payable - Long-Term

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010	Capital
3011	Partner A
3012	Partner B
3030	Drawing
3031	Partner A
3032	Partner B

DRUGSTORES:
INCOME AND EXPENSE ACCOUNTS

INCOME

Sales

4110	Prescriptions
4120	Packaged Medicines
4130	Fountain
4140	Tobacco, Confectionery, and Periodicals
4150	Toiletries
4160	Liquor
4170	Sundries
4210	Discounts Allowed

EXPENSE

Purchases

5010	Prescriptions
5020	Packaged Medicines
5030	Fountain
5040	Tobacco, Confectionery, and Periodicals
5050	Toiletries
5060	Liquor
5070	Sundries
5080	Freight Paid In
5090	Returns and Allowances

Salaries and Wages

6010	Managers
6020	Owner's Salary
6030	Partner's Salary
6040	Clerical and Office
6050	Sales
6060	Pharmacists

Supplies

6100	Stationery and Office Supplies
6110	Operating Supplies
6120	Fountain Supplies
6130	Pharmaceutical Supplies
6140	Postage

Utilities and Services

6210	Heat, Light, and Water
6220	Telephone and Telegraph
6230	Laundry
6240	Garbage
6250	Security

Taxes

6410	General
6430	Payroll - Social Security
6440	Payroll - Unemployment

Insurance

6510	General
6520	Retirement Plan
6530	Compensation
6540	Group Insurance

Depreciation

6620	Buildings
6630	Fountain Fixtures and Equipment
6640	Store Fixtures and Equipment
6650	Office Furniture and Fixtures
6660	Leasehold Improvements

Repair and Maintenance

6720	Buildings
6730	Fountain Fixtures and Equipment
6740	Store Fixtures and Equipment
6750	Office Furniture and Fixtures

Rent

6810	Building
6820	Equipment
6830	Other Leases

Other Operating Expenses

7110	Accounting and Legal
7120	Advertising
7130	Bank Charges
7140	Business Promotion
7150	Delivery Charges
7160	Dues and Subscriptions
7170	Inventory Expense
7180	Licenses and Tags
7190	Temporary Labor

OTHER INCOME

8010	Cash Discounts Taken
8020	Interest Earned
8030	Gain and Loss on Sale of Fixed Assets
8050	Charged-Off Accounts Collected
8080	Cash Over
8090	Miscellaneous Income

OTHER EXPENSE

8910	Cash Short
8920	Contributions
8930	Losses on Uncollectible Accounts
8940	Losses on Bad Checks
8980	Federal Income Tax Expense
8990	State Income Tax Expense

DRY CLEANERS:
BALANCE SHEET ACCOUNTS

ASSETS

Current Assets

1010	Cash on Hand
1011	Petty Cash
1012	Cash Undeposited
1020	Cash in Bank
1110	Stocks and Bonds - Investments
1210	Accounts Receivable - Customers
1220	Accounts Receivable - Employees
1230	Notes Receivable - Short-Term
1310	Inventories - Supplies
1410	Prepaid Expenses

Fixed Assets

1510	Furniture and Fixtures
1520	Accumulated Depreciation
1530	Plant Machinery
1540	Accumulated Depreciation
1550	Autos and Trucks
1560	Accumulated Depreciation
1570	Buildings
1580	Accumulated Depreciation
1590	Other Fixed Assets
1600	Accumulated Depreciation
1700	Land

Other Assets

1810	Deposits

LIABILITIES

Current Liabilities

2010	Accounts Payable
2020	Mortgage Payable - Short-Term
2030	Employees' Income Taxes
2040	State Employment Taxes
2050	Social Security Taxes
2060	State Sales Taxes
2070	Other Payables
2080	State Income Tax
2090	Federal Income Tax

Long-Term Liabilities

2610	Mortgage Payable - Long-Term

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010	Capital
3011	Partner A
3012	Partner B
3030	Drawing
3031	Partner A
3032	Partner B

DRY CLEANERS:
INCOME AND EXPENSE ACCOUNTS

INCOME

4110	Call and Delivery
4120	Commissions
4210	Other Income

EXPENSE

6110	Advertising
6120	Auto and Trucks
6130	Bad Debt
6140	Commissions
6150	Donations
6160	Dues and Subscriptions
6170	Depreciation Expenses
6180	Insurance - General
6190	Insurance - Compensation
6210	Inspections - Boiler
6220	Legal and Auditing
6230	License and Permits
6240	Social Security Taxes
6250	Employment Taxes
6260	Real and Personal Taxes
6270	Sales Taxes
6280	Other Taxes
7000	Clerical Salaries
7010	Plant Labor
7020	Deliveryman Salaries
7030	Other Salaries
7100	Telephone and Telegraph
7110	Travel
7310	Utilities
7320	Interest
7330	Office Supplies
7340	Rent
7350	Bank Charges
7360	Repairs and Maintenance
8980	State Income Tax Expense
8990	Federal Income Tax Expense

FARMING:
BALANCE SHEET ACCOUNTS

ASSETS

Current Assets

1010	Cash
1210	Accounts Receivable - Government Payments
1220	Accounts Receivable - Other
1310	Crops
1311	Corn
1312	Oats
1313	Soybeans
1314	Hay
1315	Forage
1316	Fruits
1317	Woodlot
1318	Other
1320	Livestock
1321	Beef Cattle
1322	Dairy Cattle
1323	Hogs
1324	Sows
1325	Boars
1326	Sheep
1327	Lambs
1328	Other Livestock
1330	Poultry
1331	Chickens
1332	Layers
1333	Chicks
1334	Pullets
1335	Hens
1336	Roosters
1337	Broilers
1338	Other Poultry
1340	Products
1341	Milk
1342	Cream
1343	Other Dairy Products
1344	Wool
1345	Other Livestock Products
1350	Fertilizers Inventory
1360	Seed Inventory

Fixed Assets

1500	Land
1510	Buildings and Improvements
1520	Depreciation, Buildings, and Improvements
1530	Machinery and Equipment
1540	Depreciation, Machinery, and Equipment

LIABILITIES

Current Liabilities

2000	Accounts Payable
2010	Trade Notes Payable
2020	Payroll Taxes Payable
2030	Accrued Taxes
2031	Real Estate
2032	Personal Property
2033	License Plates
2034	Federal Income Tax
2035	State Income Tax

Long-Term Liabilities

2600	Mortgages Payable

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010	Capital
3011	Partner A
3012	Partner B
3030	Drawing
3031	Partner A
3032	Partner B

FARMING:
INCOME AND EXPENSE ACCOUNTS

INCOME

Sales

4010	Sale for Cash
4011	Crops Cash
4012	Livestock Cash
4013	Poultry Cash
4014	Farm Product Cash
4015	Other Cash Sales
4020	Sale on Credit
4021	Crops Credit
4022	Livestock Credit
4023	Poultry Credit
4024	Farm Products Credit
4025	Other Credit Sales
4030	Cash Rents
4040	Breeding Fees Received

Other Income

8000	Patronage Refunds
8010	Gasoline Tax Refund
8020	Other Government Payments

EXPENSE

6000	Labor - Operator
6010	Labor - Landlord
6020	Labor - Operator's Family
6030	Labor - Landlord's Family
6040	Labor - Hired Full-Time
6050	Labor - Hired Part-Time
6060	Meals
6070	Social Security
6080	Other Labor Expense
6100	Repairs
6101	Fence
6102	Machinery
6103	Equipment
6104	Other
6110	Subscriptions and Dues
6200	Taxes - Real Estate
6210	Taxes - Personal Property
6220	Taxes - License Plates
8980	Taxes - Federal Income
8990	Taxes - State Income

INSURANCE COMPANY: BALANCE SHEET ACCOUNT

ASSETS

Current Assets

Cash and Bank

1010	Office Fund
1050	Bank
1070	Trust Account

Receivables

1220	Accounts Receivable
1230	Allowance for Bad Debts
1250	Notes Receivable

Other Current Assets

1410	Prepaid Insurance
1490	Other Deferred Charges

Fixed Assets

1510	Land
1520	Buildings
1530	Accumulated Depreciation - Buildings
1630	Furniture and Fixtures
1640	Accumulated Depreciation - Furniture and Fixtures
1650	Motor Vehicles
1660	Accumulated Depreciation - Motor Vehicles

If business occupies leased quarters, substitute the following:

1520	Leasehold Improvements
1530	Accumulated Amortization

Other Assets

1810	Deposits (Utility, etc.)

LIABILITIES

Current Liabilities

2010	Notes Payable
2110	Accounts Payable
2210	Employee Payroll Deductions
2211	Social Security Taxes
2213	State Disability Insurance

2214	Income Tax Withheld (Federal)
2215	Income Tax Withheld (State)
2216	Income Tax Withheld (City)
2220	Employer Payroll Taxes Payable
2221	Social Security Taxes
2222	Federal Employment Taxes
2223	State Employment Taxes
2230	State Income Tax Payable
2240	Federal Income Tax Payable

Long-Term Liabilities

2510	Contracts Payable - Long-Term
2650	Mortgages Payable - Long-Term

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010	Capital
3011	Partner A
3012	Partner B
3020	Drawing
3021	Partner A
3022	Partner B

INSURANCE COMPANY:
INCOME AND EXPENSE ACCOUNTS

INCOME

4010	Insurance Commissions Earned
4020	Real Estate Commissions Earned (if Applicable)
4030	Commissions to Brokers - Debit (Offset)

EXPENSE

6010	Salaries
6020	Commissions to Salesmen
6030	Supplies
6040	Postage
6050	Automobile Supplies
6060	Utilities
6070	Telephone and Telegraph
6080	General Taxes
6090	Payroll Taxes
6100	General Insurance
6110	Retirement Insurance
6120	Compensation Insurance
6130	Group Insurance
7000	Depreciation
7010	Repairs and Maintenance
7020	Advertising
7030	Losses on Uncollectible Accounts
7040	Dues and Subscriptions
7050	Professional Services
7060	Travel and Entertainment
7070	Rent
7080	Unclassified
7520	Interest Expense

OTHER INCOME

8020	Interest Earned
8030	Miscellaneous Gains

OTHER EXPENSE

8980	State Income Tax Expense
8990	Federal Income Tax Expense

LIQUOR STORES:
BALANCE SHEET ACCOUNTS

ASSETS

Current Assets

1010	Bank
1020	Check Cashing Fund
1030	Cash Register Fund
1210	Accounts Receivable
1310	Inventories
1410	Prepaid Insurance
1420	Prepaid License

Equipment

1510	Furniture and Fixtures
1520	Accumulated Depreciation
1530	Leasehold Improvement
1540	Accumulated Amortization

Other Assets

1800	License Franchise

LIABILITIES

Current Liabilities

2110	Accounts Payable
2120	Payroll Taxes
2130	Accrued Taxes
2210	Notes Payable
2310	State Income Tax Payable
2320	Federal Income Tax Payable

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3320	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010	Capital
3011	Partner A
3012	Partner B
3030	Drawing
3031	Partner A
3032	Partner B

LIQUOR STORES: INCOME AND EXPENSE ACCOUNTS

INCOME

4000	Sales
4100	Income from Post-Offs

EXPENSE

5000	Cost of Sales
6000	Depreciation
6010	Dues
6020	Utilities
6030	Insurance
6040	Interest
6050	Licenses
7210	Office Expense
7230	Professional Services
7250	Rent
7290	Salaries - Officers
7300	Salaries - Other
7450	Taxes - Miscellaneous
7500	Taxes - Payroll
7530	Supplies
7540	Telephone
8980	State Income Tax Expense
8990	Federal Income Tax Expense

PROCESS MANUFACTURING COMPANY:
BALANCE SHEET ACCOUNTS

ASSETS

Current Assets

1010	Cash on Hand
1020	Petty Cash
1030	Cash in Bank - General
1040	Cash in Bank - Payroll
1070	Accounts Receivable - Trade
1090	Accounts Receivable - Officers
1110	Inventory - Raw Material
1120	Inventory - In Process
1121	Labor and Payroll Taxes
1122	Materials
1123	Operating Supplies
1124	Repairs/Maintenance
1125	Depreciation
1126	Freight In
1127	Rent
1128	Utilities
1129	Other
1130	Inventory - Finished Goods
1140	Prepaid Expenses

Fixed Assets

1500	Land
1510	Buildings
1520	Depreciation, Buildings
1530	Equipment
1540	Depreciation, Equipment

Other Assets

1870	Deposits Refundable
1880	Organization Expense

LIABILITIES

Current Liabilities

2010	Accounts Payable
2020	Accrued Salaries
2030	State Disability Insurance
2040	FICA and Withholding Tax Payable
2050	Sales Tax Payable

Long-Term Liabilities

2630	Contracts Payable - Long-Term
2650	Mortgages Payable - Long-Term

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010		Capital	
	3011		Partner A
	3012		Partner B
3030		Drawing	
	3031		Partner A
	3032		Partner B

PROCESS MANUFACTURING COMPANY: INCOME AND EXPENSE ACCOUNTS

INCOME

Sales

4100	Sales - Nontaxable
4110	Discount on Sales - Nontaxable
4120	Sales Returns and Allowances - Nontaxable
4200	Sales - Taxable
4210	Discount on Sales - Taxable
4220	Sales Returns and Allowances - Taxable

EXPENSE

Cost of Sales

5100	Material Purchases
5200	Direct Labor
5300	Manufacturing Overhead
5400	Variance Account

Marketing

6110	Advertising
6120	Commissions
6140	Auto Expense
6150	Delivery Expense
6160	Dues and Subscriptions

General and Administrative

7700	Officers' Salaries
7710	Wages
7730	Payroll Taxes
7740	Directors' Fees
7750	Auto Expenses
7760	Depreciation
7790	Utilities
7800	Insurance
7810	Licenses and Taxes - Other
7820	Real Estate Tax - County
7830	Real Estate Tax - City
7840	Legal and Accounting
7850	Auditing Fees
7860	Repairs and Maintenance
7870	Rent
7880	Phone
7890	Office Supplies
7940	Organization Expense
8980	Federal Income Tax Expense
8990	State Income Tax Expense

RANCHERS:
BALANCE SHEET ACCOUNTS

ASSETS

Current Assets

Cash and Bank

1010	Cash on Hand
1050	Bank

Marketable Securities

1110	Stocks

Receivables

1220	Accounts Receivable
1230	Cooperative Pool or Storage Accounts
1260	Notes Receivable
1270	Employee Advances

Inventories

1310	Seed
1320	Fertilizer
1330	Chemicals
1350	Gasoline and Oil
1360	General Supplies
1370	Ranch Products
1380	Cost of Growing Crops
1390	Livestock
1400	Pool or Storage Items (optional, with #1230)

Other Current Assets

1410	Prepaid Insurance
1420	Prepaid Taxes
1490	Other Deferred Charges

Property and Equipment

1610	Land
1620	Buildings
1630	Accumulated Depreciation
1640	Irrigation Plant and Equipment
1650	Accumulated Depreciation
1660	Trees, Vines, and Stand of Perennial Crops
1670	Accumulated Depreciation
1680	Machinery and Equipment
1690	Accumulated Depreciation
1700	Trucks and Tractors
1710	Accumulated Depreciation

1720	Automobiles
1730	Accumulated Depreciation
1740	Small Tools
1750	Accumulated Depreciation
1760	Breeding Stock
1770	Accumulated Depreciation

Other Assets

1900	Stock in Cooperative Marketing Association, Water Company, etc.
1920	Patronage Dividends (Tax Paid)

LIABILITIES

Current Liabilities

2010	Notes Payable
2030	Crop Loans
2040	Contracts Payable
2050	Mortgage Payable - Short-Term
2060	Accounts Payable
2210	Employee Payroll Deductions
2211	Social Security Taxes (Old Age)
2212	State Disability Insurance
2213	Income Tax Withheld (Federal)
2214	Income Tax Withheld (State)
2215	Income Tax Withheld (City)
2220	Employer Payroll Taxes Payable
2221	Social Security Taxes (Old Age)
2222	Federal Social Security Taxes (Employment)
2223	State Social Security Taxes (Employment)
2230	State Income Tax Payable
2240	Federal Income Tax Payable

Long-Term Liabilities

2610	Contracts Payable - Long-Term
2620	Mortgages Payable - Long-Term

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010	Capital
3011	Partner A
3012	Partner B
3030	Drawing
3031	Partner A
3032	Partner B

RANCHERS:
INCOME AND EXPENSE ACCOUNTS

INCOME

Sales

4310	Alfalfa
4320	Barley
4330	Corn
4340	Fruit
4350	Wheat
4360	Livestock
4370	Capital Asset Items

EXPENSE

Cost of Sales

5110	Alfalfa - Seed
5120	Barley - Seed
5130	Corn - Seed
5140	Fruit - Seed
5150	Wheat - Seed
5210	Labor
5220	Fertilizer
5230	Chemicals
5240	Irrigation
5250	Machinery
5260	Truck and Tractor
5270	Work Stock
5280	Board Expense
5290	Unclassified
5300	Labor - Livestock
5310	Hay - Livestock
5320	Grain - Livestock
5330	Pasturage - Livestock
5340	Stud and Other Fees - Livestock
5350	Veterinary - Livestock

Operating Expenses

6010	Irrigation Expense
6020	Machinery Expense
6030	Truck and Tractor
6040	Work Stock
6050	Board Expense
6060	Maintenance of Fences and Roads

7010	Salaries and Wages
7020	Automobile Supplies
7030	Other Supplies
7040	Electricity
7050	Taxes
7060	General Insurance
7070	Retirement Plan Insurance
7080	Compensation Insurance
7090	Group Insurance
7100	Depreciation
7110	Repairs and Maintenance
7120	Donations
7130	Dues and Subscriptions
7140	Unclassified
8980	State Income Tax Expense
8990	Federal Income Tax Expense

RETAIL GROCERY STORE: BALANCE SHEET ACCOUNTS

ASSETS

Current Assets

1010	Bank - Checking
1020	Petty Cash or Change Fund
1040	Returned Checks
1210	Accounts Receivable
1310	Inventory
1410	Prepaid Expense

Fixed Assets

1510	Machinery
1520	Allowance for Depreciation - Machinery

LIABILITIES

Current Liabilities

2010	Accounts Payable
2110	Mortgage Payable - Short-Term
2210	Payroll Payable
2220	FICA Tax Payable
2230	Federal Withholding Tax
2240	State Withholding Tax
2250	State Unemployment Tax Payable
2260	Federal Unemployment Tax Payable
2270	State Income Tax Payable
2280	Federal Income Tax Payable

Long-Term Liabilities

2660	Mortgage Payable

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010		Capital	
	3011		Partner A
	3012		Partner B
3030		Drawing	
	3031		Partner A
	3032		Partner B

RETAIL GROCERY STORE: INCOME AND EXPENSE ACCOUNTS

INCOME

4000-4990	Income

EXPENSE

5000-5990	Purchases and Cost of Sales
6120	Payroll
6130	Store Supplies
6140	Advertising
6150	Equipment Rental
6160	Payroll Taxes
6170	Taxes and Licenses
6180	Interest on Indebtedness
6200	Accounting and Legal Fees
6250	Travel and Entertainment
6270	Donations
6290	Telephone
7400	Utilities
7410	Rent
7420	Insurance
7440	Miscellaneous General Expense
7450	Depreciation, Machinery
7500	Gas and Oil, Business Vehicles
7510	Repairs, Vehicles
8980	State Income Tax Expense
8990	Federal Income Tax Expense

WHOLESALE DURABLES:
BALANCE SHEET ACCOUNTS

ASSETS

Current Assets

1010	Petty Cash
1020	Cash on Deposit
1021	Cash - Bank #1
1022	Cash - Bank #2
1023	Cash - Bank #3
1024	Savings Deposit
1210	Accounts Receivable - Trade
1220	Accounts Receivable - Miscellaneous
1230	Installment Notes Receivables
1290	Allowance for Bad Debts
1310	Inventory
1311	Inventory - Product #1
1312	Inventory - Product #2
1410	Prepaid Expenses

Fixed Assets

1500	Land
1510	Buildings
1520	Accumulated Depreciation
1530	Building - Improvements
1540	Accumulated Depreciation
1550	Furniture and Fixtures
1560	Accumulated Depreciation
1570	Machinery and Equipment
1580	Accumulated Depreciation
1590	Automobiles
1600	Accumulated Depreciation

Other Assets

1810	Deposits

LIABILITIES

Current Liabilities

2110	Notes Payable - Short-Term
2210	Accounts Payable
2220	Sales Tax Payable
2230	Accrued Advertising
2240	Accrued Legal
2250	Accrued Pension
2260	Accrued Salesman Commission
2400	Federal Income Tax Payable
2410	State Income Tax Payable
2500	Accrued Service

Long-Term Liabilities

2610	Notes Payable - Long-Term

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010	Capital
3011	Partner A
3012	Partner B
3030	Drawing
3031	Partner A
3032	Partner B

WHOLESALE DURABLES:
INCOME AND EXPENSE ACCOUNTS

INCOME

Sales

4010	Sales
4011	Sales Product #1
4012	Sales Product #2
4110	Sales Allowance

Other Income

8010	Dividend Income
8020	Interest Income
8030	Other Income

EXPENSE

Cost of Sales

5010	Cost of Merchandise
5011	Product #1
5012	Product #2
5700	Freight
5800	Sales Commissions

General

6010	Advertising
6020	Advertising - Displays
6030	Volume Incentive Plan
6040	Flooring Expense
6050	Service Income
6060	Wages - Demos.
6070	Fringe Benefits
6080	Travel
6090	Supplies
6100	Repairs
6110	Reserve
6120	Miscellaneous
6200	Salaries
6210	Fringes
6220	Travel - Air
6230	Travel - Others
6240	Automobiles
6250	In-Store Demos.
6260	Meetings
6270	Depreciation

6280	Rent
6290	Utilities
6300	Telephone
6310	Supplies
6320	Professional Fees
6330	Equipment Rental
6340	Data Processing
6400	Insurance
6410	Property Tax/License
6420	Bad Debts
6430	Interest Expense
6440	Dues and Subscriptions
6450	Contributions
6460	Janitor Service
6470	Repairs
6480	Miscellaneous
7000	Profit Sharing
8980	Federal Income Tax
8990	State Income Tax

WHOLESALE NONDURABLES (PAINT WHOLESALER): BALANCE SHEET ACCOUNTS

ASSETS

Cash

1010	Petty Cash
1020	Cash - General
1030	MasterCard/VISA

Accounts and Notes Receivable

1210	Accounts Receivable - Trade
1220	Accounts Receivable - Other
1230	Accounts Receivable - Employee
1290	Allowance for Bad Debt

Inventories

1310	Manufactured Products - Paint
1320	Sundries
1330	Other Resale
1340	Supplies
1341	Maintenance Supplies Inventory
1342	Office Supplies Inventory
1343	Pallet Inventory

Prepaid Expenses

1410	Prepaid Equipment Rental
1420	Prepaid Taxes - Real Property
1430	Prepaid Taxes - Personal Property
1440	Prepaid Licenses - Vehicle
1450	Prepaid Insurance - General
1490	Other Prepaid Expenses

Fixed Assets

1520	Machinery and Equipment
1530	Accumulated Depreciation - Machinery and Equipment
1540	Furniture and Fixtures
1550	Accumulated Depreciation - Furniture and Fixtures
1560	Automotive Equipment
1570	Accumulated Depreciation - Automotive Equipment
1580	Leasehold Improvements
1590	Accumulated Depreciation - Leasehold Improvements
1600	Construction in Progress

Other Assets

1810	Deposits - Long-Term
1820	Long-Term Receivables

LIABILITIES

Notes and Accounts Payable

2010	Accounts Payable - Trade
2020	Accounts Payable - Other

Accrued Payroll Fringe Liabilities

2100	Accrued Payroll Liabilities
2101	Federal Withholding Tax
2102	FICA
2103	Group Insurance
2104	Workers' Compensation Insurance
2105	State Disability Insurance
2106	Employer Payroll Tax Liability
2107	State Withholding Tax
2108	Union Vacation Deductions
2109	Union Welfare Benefits

Accrued Liabilities

2200	Accrued Liabilities
2201	County Tax
2202	City Sales Tax
2203	State Sales and Excise Tax
2204	Interest
2207	Other Accrued Liabilities
2208	Accrued Property Taxes
2210	State Income Tax Payable
2220	Federal Income Tax Payable

CAPITAL (OWNERS' EQUITY)

Corporate Accounts

3010	Capital Stock
3020	Retained Earnings

Sole Proprietorship or Partnership Accounts

3010	Capital
3011	Partner A
3012	Partner B
3030	Drawing
3031	Partner A
3032	Partner B

WHOLESALE NONDURABLES (PAINT WHOLESALER): INCOME AND EXPENSE ACCOUNTS

INCOME

Sales

4100	Sales - Paint
4120	Sales - Sundries

Other Income and Deductions

8010	Gain on Sale of Assets
8020	Other Income
8030	Discounts Earned
8040	Discounts Allowed
8100	Interest

EXPENSE

Cost of Sales

5000	Paint
5010	Sundries
5100	Inventory Adjustments - Paint
5120	Inventory Adjustments - Sundries
6000	Salaries and Wages
6100	Insurance
6200	Royalty
6300	Sales Salaries Expense
6310	Administrative Salaries
6320	Clerical Salaries Expense
6330	Overtime Premium Expense
6340	Payroll Taxes Expense
6350	Workers' Compensation Expense
6360	Group Insurance Expense
6400	Commission and Bonus Expense
6410	Auto Expense
6420	Employee Expense - Other
6500	Rent - Facilities
6510	Rent - Equipment
6520	Leasehold Amortization
6530	Depreciation - Building
6540	Depreciation - Machinery and Equipment
6550	Depreciation - Furniture and Store Fixtures
6560	Depreciation - Autos and Trucks
6600	Taxes - Real Property
6610	Taxes - Personal Property

6620	Truck Lease and Expense
6630	Supplies and Services
6640	Utilities
6650	Maintenance and Repair
6670	Telephone
6700	Advertising and Sales Aids
6710	Bad Debt Expense
6720	Professional Fees
6730	Freight-Out Expense (Freight Charges to be Passed to a Customer Only)
6740	General Insurance
6750	Research and Development Expense
6760	Discount Lost
6800	Miscellaneous Expense
6910	Interest Expense

Other Expenses

8500	Other Nonoperating Expense
8980	Federal Income Tax Expense
8990	State Income Tax Expense

APPENDIX B
GLOSSARY

Account. A form of record that reflects either (1) increases or decreases to specific assets, liabilities, or owners' equity, which are presented in the balance sheet or (2) revenues or expenses, which are presented in the income statement.

Accounts Payable. The monies owed to vendors for goods or services provided.

Accounts Payable Ledger. A record representing amounts owed to specific vendors.

Accounts Receivable. The monies owed by customers who have made purchases on credit.

Accounts Receivable Ledger. A record representing amounts owed by specific customers.

Accruals. Adjustments that reflect unrecorded revenues and expenses at the end of an accounting period.

As-Of-Date. The date on which financial information is presented in a report.

Assets. Economic or financial resources that have value now and in the future.

Balance. The difference between the sum of debit entries and the sum of credit entries in an account, on a cumulative basis.

Balance Sheet. A report showing the cumulative balances of all assets, liabilities, and owners' equity at a specific date.

Cash Disbursements. Cash payments to vendors, employees, and other payees.

Cash Disbursements (Payees) Journal. A record of all cash disbursements.

Cash Flow Statement. A statement in which the cash receipts and cash disbursements of a business entity are presented for a period of time (present or future projection).

Cash Receipts. Cash received over the counter from cash sales or checks as payments for sales on credit.

Cash Receipts Journal. A record of all receipts of cash or checks.

Cash Sales Journal. A record of cash collected over the counter.

Company Configuration. The ownership structure, the type of business, and the resulting chart of accounts that integrates the journals and ledgers to the general ledger accounts.

Controlling Account. An account that is represented by various subaccounts. For example, Accounts Receivable is the controlling account for all the customer accounts that comprise the account total.

Credit. A decrease in an asset account or an increase in a liability or owners' equity account.

Current Asset. Those resources which are either cash or convertible to cash within one year.

Current Liability. Debts or obligations that will normally be satisfied by assets classified as current, or that are due for payment within one year.

Debit. An increase in an asset account or a decrease in a liability or owners' equity account.

Depreciation. The allocation of the cost of a fixed asset over the period of time during which it provides service to the business.

Double-Entry Accounting. The system for recording transactions under the equation Assets = Liabilities + Owners' Equity, whereby for every debit there must be an equal credit recorded in the accounts, and vice versa.

Financial Statements. Statements that reflect a summarization of financial transactions recorded in the accounting process. The basic statements are the balance sheet, the income statement, and the statement of changes in financial position.

Fiscal Year. The twelve-month period a business entity uses for financial and tax reporting purposes.

Fixed Assets. Assets that have expected useful lives greater than one year and are used in the operations of the business.

General Ledger. The record which contains all the accounts (assets, liabilities, owners' equity, revenues, and expenses) to which transactions are posted individually or in summary form.

Income Statement. The summary of revenues earned and expenses incurred for an accounting period, ending with net income for that period.

Inventory. In a retail/wholesale business, inventories are goods held for sale in the ordinary course of activities. In a manufacturing firm, inventories are the finished goods held for sale, the goods currently in the process of manufacturing or assembly (work-in-process), and raw materials not yet placed in the production process.

Invoice. A document showing the details of a sale or purchase transaction.

Invoice Register. A record of all sales transactions.

Journal. The document in which financial transactions are recorded. Journals are commonly called "books of original entry."

Liability. A debt or obligation of a business that will require future satisfaction either by transfer of assets (for example, cash payments to vendors) or by performance of services.

Long Term. Describes assets or liabilities that do not meet the criteria for being classified as current.

Merchandise Purchased Journal. A record of all merchandise purchased.

Net Income. Excess of revenues over expenses for an accounting period.

Notes Payable. Obligations of the business that are usually evidenced by a written promise to pay a specified amount with interest. The obligation can be for periods greater than one year; the amount due after one year would be shown as a long-term liability and the amount due within one year as a current liability.

Owners' Equity. The net difference between a business entity's assets and liabilities. It represents the cumulative result of investment or withdrawal in the business by the owner(s) and the net profit (loss) of the firm's operations.

Payroll Ledger. A summary, by employee, of all payroll activity.

Posting Functions. Functions that sort and record all entries from the various journals to the various ledger accounts.

Prepaid Expenses/Assets. These are items, such as rent and insurance, which are paid and recorded in the accounts prior to use or expiration. At the end of an accounting period, the unexpired or unused portion represents a prepaid expense/asset. (That is, it continues to have future economic benefits.)

Skeleton General Ledger. A subset of the General Ledger containing appropriate accounts for the Accounts Receivable System or all accounts in the Inventory Control System.

Statement of Changes in Financial Position. As per Accounting Principles Board (APB) Opinion No. 19, a statement that shows the flow of funds into the business (sources) and how the funds were consumed (uses). It is defined in terms of all financial resources, including working capital and all other significant financial transactions. The statement is presented as changes between two accounting periods.

Subsidiary Accounts. Accounts that contain detailed information of a related controlling account.

Subsidiary Accounts Ledger. A record of all subsidiary accounts contained within a particular controlling account.

Transaction. An economic exchange of value expressed in monetary terms.

Trial Balance. A listing of account balances, in the General Ledger, which can be used as a check for equality of debits and credits.

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