



Michigan Home Business

UPDATE

6

Extension Bulletin E-1808 Using Experts Volume I Number 6

Using Experts...

People running small businesses generally are not experts in producing their products or services plus business management, bookkeeping, tax laws and all the other specialties that big firms hire experts to look after.

So, you need to get to know some experts, and you need to find simple, efficient ways to manage your business.

Your experts will include your banker, lawyer, insurance agent and accountant.

RECORDKEEPING

If you feel very unsure about finances, consider taking a bookkeeping class at your community college or through adult education.

The truth about bookkeeping is that many business people see it as a necessary evil and devote as little time to it as possible. That's fine — as long as you end up with the basic information you need to know whether your business is thriving or about to go down the drain. If you don't know whether you're making money, your record keeping system isn't doing its job.

At minimum, your record system should:

- Give you sufficient information to complete the necessary income tax forms.
- Give you information on the profitability and condition of your business.
- Give you a means of checking for accuracy.

For most small businesses operating on a cash basis, standard forms for keeping records are available from an office supply store or a company that specializes in business forms.

In the beginning, your bookkeeping records can be very simple. Most entrepreneurs use a common single-entry system where income and outgo are recorded on the same sheet of paper. This is much like balancing a checkbook.

One such system combines your checks and disbursements journal and deposit records into one operation. Let's look at how such a system operates.



GET ORGANIZED

Setting aside a certain time for working with papers, and bunching tasks — writing several checks at once, sending out orders, logging in supplies, writing several letters, filing a month's worth of job tickets at a time — make for more efficient use of your time.

(Thanks to McBee One-Write Bookkeeping Systems for allowing us to use their system as an example.)

Figure 1

Checks are attached to a folder that contains several ledger headings:

- Data
- To the order of
- Description
- Check number
- Check amount

The check has a carbonized stripe on the back, so that, as you write, the check is automatically recorded in the journal.

Figure 2

Additional columns are available for:

- Bank balance
- Deposits
- Descriptions of deposits

1	2 BANK BALANCE		3 DEPOSITS		4 DESCRIPTION OF DEPOSITS
	DATE	AMOUNT	DATE	AMOUNT	
1		365 78	9/16	255 75	ANYTOWN FAIR
2					
3					

Figure 3

"Costs of Goods Sold" is another set of columns that are necessary for filing taxes if you handle merchandise.

COST OF GOODS SOLD/OPERATIONS					
1 PURCHASES LESS PERSONAL ITEMS	2 COST OF LABOR (NOT YOUR OWN)	3 MATERIALS & SUPPLIES	4 OTHER COSTS INVENTORY	5 SUB CONTRACTORS	6 1099 NEC

4 PLACE ON TOP PEG BUSINESS NAME MONTH 19

6	DATE	TO THE ORDER OF	DESCRIPTION	CHECK NUMBER	✓	CHECK AMOUNT
1						
2						
3						
4						
5						
6						

71C401

McBEE SYSTEMS
ROUTE 50 EAST
ATHENS, OHIO 45701

DATE	INVOICE	AMOUNT
9/15	6503	35.00

54506

54-367
215

PAY THIRTY-FIVE AND NO/100 DOLLARS

DATE	TO THE ORDER OF	DESCRIPTION	CHECK NO.	CHECK AMOUNT
9/15/84	ANYTOWN PRINT SHOP	BROCHURES	125	\$ 35.00

2116 MAIN STREET
ANYTOWN, ME. 48000

McBEE SYSTEMS

UNITED NATIONAL BANK
ANYTOWN, USA

NOT NEGOTIABLE

⑆02⑆503679⑆ 654⑆32⑆ 123 4⑆

20

21

NETWORKING

Networking is a current term being used to mean helping people find others who share similar concerns and needs. Small home business people often find that one of the disadvantages of running a business by themselves is

a certain feeling of isolation. Finding a group can change all that. We have always had networking groups like the Chamber of Commerce or service organizations. Most of these, however, were mostly for larger

businesses and many times all male. Today the theme is small business, and though some are oriented specifically to women, most are open to any small business person. List of organizations, p.4.



Figure 4

The following columns represent the deductions allowable on the Schedule C form of the federal income tax forms for self proprietors. If you keep track of expenses in these categories, you will have complete records at the end of the year for filing your taxes.

DEDUCTIONS							
	10 ADVERTISING	11 BANK SERVICE CHARGES	12 CAR & TRUCK EXPENSES	13 COMMISSIONS	14 DUES AND PUBLICATIONS	15 EMPLOYEE BENEFIT PROGRAM	16 INSURANCE
1	35-						
2							
3							

DEDUCTIONS								
	17 INTEREST ON BUSINESS INDEBTEDNESS	18 NOTES PAYABLE	19 LAUNDRY & CLEANING	20 LEGAL AND PROF SERVICE	21 OFFICE EXPENSE	22 PENSION & PROFIT SHARE	23 RENT ON BUS PROP	24 REPAIRS

DEDUCTIONS								
	25 SUPPLIES NOT IN INVENTORY	26 TAXES NOT WINDFALL	27 TRAVEL & ENTERTAIN	28 UTIL & TEL	29 SELLING GEN & ADMIN WAGES	30 SALES RETURNS & ALLOWANCES	31 OWNERS DRAWING	32
1								
2								
3								

Figure 5

Totals appear at the bottom of each sheet. This allows you to add together sheets if you write more checks for a time period. There's also a "total to date" column.

TOTALS THIS PAGE	→							
TOTALS PREVIOUS PAGE	→							
TOTALS TO DATE	→							

Though these systems do an excellent job in your disbursements, you certainly would also want to keep a more detailed record of your sales (deposits). If you sell both wholesale and retail, you may wish to break the system down by merchandise categories. Or you may wish to describe each sale

more fully. You will design your system with the detail that gives you the information you need to analyze your sales for projections into the future.

A windowed envelope is also available, which saves time in addressing envelopes at check-writing time. Systems are also available that combine payroll and disbursements into one journal.

Companies that offer the one-step recordkeeping systems include:

- McBee
- NEBS (New England Business Systems)
- Peg Master
- Safeguard
- Shaw Walker

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ORGANIZATIONS

1. Michigan State Entrepreneurs Association

4026 S. Westnedge
Kalamazoo, MI 49008
(616) 345-9108

Bi-monthly newsletter, membership directory, availability of business correspondence courses that have a certificate of completion from Small Business Administration (SBA), SBA publications, workshops and seminars.
Speaker bureau

2. Small Business Association of Michigan

P.O. Box 1105
490 West South St.
Kalamazoo, MI 49005
800-362-5461

Services: Group medical insurance, monthly journal, state lobby organization, small business political action committee, small business resource center

3. National Association for The Cottage Industry

P.O. Box 14850
Chicago, IL 60614
(312) 472-8116

Founded by Coralee Kern, a home business owner, this association was designed to provide support and information to members of the cottage industry. Membership includes meetings, the 'Cottage Connection' newsletter, and educational workshops and conferences held by local chapters. The group also lobbies for legislation that affects home businesses and offers Blue Cross/Blue Shield of Greater New York coverage. They are planning a Center for the Study of Cottage Industry.

4. National Alliance of Home-Based Business Women

P.O. Box 306
Midland Park, NJ 07432
(201) 423-1026

This is a national, non-profit organization with chapters

around the country. Members lobby for legislation on issues pertaining to home businesses, such as zoning and labor policy. Meetings, seminars and the "Alliance" newsletter are included with membership.

Local Chapters:

Southeast Michigan Chapter
Arden Carpenter
1073 Morrish Road North
Flint, MI 48504
(313) 659-2752

West Michigan Chapter
Catherine Bloom
1832 Lonsdale NE
Grand Rapids, MI 49503
(616) 451-3326

5. National Association of Women Business Owners (NAWBO)

c/o Botsford Inn
Suite 24
28000 Grand River
Farmington, MI 48024
(313) 471-9181

NAWBO national newsletter, monthly meetings in Detroit area, statewide conferences and directory of Michigan and national members.

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