



Accounting and Finance 201

Engage 2019
EBMS User Conference

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Finance 101 Review

- Accrual accounting methods
- General Ledger transactions
- Account types
 - Account classifications
- Posting Transactions
- Account year history
- Account reconciliation
- Deposits
- Audit trails
- Financial reporting



Finance 201

- What is the purpose of bookkeeping?
- How do I manage a business?
- Business management methods
- Creating profit centers
- Using multiple management methods within a company
- Financial budgeting
- Financial reporting
- Measuring success
- Applying key management principles to your company



Purpose of bookkeeping?

- To appease the tax man
- To generate reports for the accountant or banker
- To manage the business

Most bookkeeping systems are organized by the accountant or CFO to answer tax or general finance questions. Your bookkeeping system should also be used as the guide to make business decisions. Does your system do both?



Business Management

What?



Business Management

- Organizing invoices
- Managing inventory
- Plan, organize, and manage
- Determine profit centers, jobs, projects
- Create goals and measure success

"Business Management is the disciplines devoted to **organizing**, **analyzing**, and **planning** various types of business operations" www.collegechoice.net



Business Management

- Organize quotes, orders, and sales invoicing
- Manage purchasing, stocking, and selling inventory

Plan, organize, and motivate labor

- Determine profit centers and projects
- Create goals and measure success

"Business Management is the disciplines devoted to **organizing**, **analyzing**, and **planning** various types of business operations" www.collegechoice.net



Business Management

Why?



Business Management

How?

Using the Eagle Business Software



Profit center management

- Divide revenue by profit center
- Report correlating cost of sales
- List direct costs such as labor for each profit center
- Allocate overhead costs by profit center based on a ratio



Multiple companies vs multiple profit centers?

- Multiple data sets
- Separate customers, vendors, catalogs, and financial statements
- Separate tax entities

EBMS allows a user to create multiple companies on the same server with common ownership.



Profit center management

- Divide revenue by profit center
- Report correlating cost of sales
- List direct costs such as labor for each profit center
- Allocate overhead costs by profit center based on a ratio

EBMS allows a user to create multiple profit centers within the same company or data set.



Management methods

- Sales
- Service
- Production
- Job costing

How do you manage your company?



Sales management method

- The business is lead by the sales team
- Success is measured by volume or margin



Business Examples:

- Retail stores
- Distributor
- Supply Center
- Sales driven manufacturing company

Focus:

- Increase sales or volume
- Increase margin
- Efficient sales process
- Build a unique selling proposition



Service management method

- The business is guided by managing labor
- Success is measured by labor quality and efficiency



Business Examples:

- Repair center
- Service team on the road
- Value added services
- Made to order manufacturing company

Focus:

- Managing labor
- Labor efficiency
- Tracking parts and supplies
- Pricing and billing



Production management method

- The business is lead by the production team
- Success is measured by both volume and efficiency



Business Examples:

- Lean manufacturing
- Schedule driven manufacturing
- Builders of similar or smaller projects
- Growers or other producers

Focus:

- Quality and volume of product
- Efficient manufacturing process
- Evaluate costs such as raw materials, labor, and overhead



Job costing management method

- The business is measured by the project managers
- Success is measured comparing the job budget with the actual costs



Business Examples:

- Large or lengthy manufacturing jobs
- Batch driven manufacturing
- Contractors or builders
- Service contracts

Focus:

- Budgeting and quoting projects
- Keeping costs within the budget
- Managing multiple billings including change orders



Overhead: indirect costs

- Costs are managed by the management team
- Costs are allocated to profit centers based on a ratio

Allocation examples:

- 60% of electricity is allocated to the store profit center since the store takes 60% of the total facility
- 75% of the labor overhead is the shop since 75% of the total labor is in the shop
- 30% of the clerical costs are allocated to the service department since 30% of the sales comes from service.



Examples:

- Utility and other facility costs
- Labor overhead costs
- General overhead costs



Management methods

- Sales
- Service
- Production
- Job costing

Which methods work best for your business?

Multiple methods?

How do you handle overhead?





Multiple profit centers in EBMS?

- Multiple profit centers
- Multiple divisions
- Multiple locations

General ledger accounts:

- 3 digit suffix may identify profit centers when departments equal profit centers
- Profit center may contain a group of departments
- 000 suffix is normally used for overhead

Options

Settings 1099 General Ledger Categories

Default Adjustment G/L Account: 99999-000

Statements

☐ Accrual Statements

☒ Cash Statements (Converted from Accrual)

Company Expenses Profiles

☒ Single Profile

☐ Based on Departments

Company Sales Profiles

☒ Single Profile

☐ Based on Departments

Profit Centers

☒ Use Profit Centers

☒ Automatically Create Profit Centers From Departments

☐ YTD department balances brought forward from previous years

☒ Prompt before posting

OK Cancel



Multiple profit centers

- Example: sales, service, and/or manufacturing
- Require different management methods
- Have different management staff

Options

Settings 1099 General Ledger Categories

Default Adjustment G/L Account: 99999-000

Statements

☐ Accrual Statements
☒ Cash Statements (Converted from Accrual)

Company Expenses Profiles

☒ Single Profile
☐ Based on Departments

Company Sales Profiles

☒ Single Profile
☐ Based on Departments

Profit Centers

☒ Use Profit Centers
☐ Automatically Create Profit Centers From Departments
☐ YTD department balances brought forward from previous years
☒ Prompt before posting

OK Cancel

Profit Centers

Profit Center: 010

Fiscal Year: 2017

☒ Inactive

Description: Hardware & Accessories

Unallocated G/L Percent:

70110-000 December

Debit: YTD Balance:

Credit: 70.00%

Difference:

G/L Account	Yearly Percent	January	February	March	April	May	June	July	August	September	October	November	December
51000-010	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
52000-010	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
59200-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
59500-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
60000-010	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
65000-010	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
66100-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
66100-010	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
68000-010	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
69200-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
69210-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
69500-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
70100-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
70110-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
70300-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
70400-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
70600-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
70610-000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00

OK Cancel New... Delete Wizards



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Multiple Divisions

- Similar to profit centers but more distinctly separate
- May have different names or logos
- Have different management staff
- Distinctly separate functions

The screenshot shows the 'Options' dialog box with the 'General Ledger Categories' tab selected. The 'Default Adjustment G/L Account' is set to '99999-000'. Under 'Statements', 'Cash Statements (Converted from Accrual)' is selected. Under 'Company Expenses Profiles', 'Based on Departments' is selected. Under 'Company Sales Profiles', 'Based on Departments' is selected. The 'Company Divisions' section is expanded, showing 'Profit Centers' with 'Use Profit Centers' checked, 'Automatically Create Profit Centers From Departments' unchecked, 'YTD department balances brought forward from previous years' unchecked, and 'Prompt before posting' checked. 'OK' and 'Cancel' buttons are at the bottom right.

Options

Settings 1099 General Ledger Categories

Default Adjustment G/L Account: 99999-000

Statements

☐ Accrual Statements

☒ Cash Statements (Converted from Accrual)

Company Expenses Profiles

☐ Single Profile

☒ Based on Departments

☐ Based on Warehouses

Company Sales Profiles

☐ Single Profile

☒ Based on Departments

☐ Based on Warehouses

Company Divisions

Profit Centers

☒ Use Profit Centers

☐ Automatically Create Profit Centers From Departments

☐ YTD department balances brought forward from previous years

☒ Prompt before posting

OK Cancel





Multiple divisions

- Separate receivables, payables, and/or inventory

EBMS contains comprehensive financial tools to report revenue, direct costs, and indirect costs.

Sales Invoice Entry - John Miller

File Edit Materials Process View Tasks Documents Customer Documents

Customer ID: MILJOH Invoice: 1461 Ship To: MILJOH Date: 07/10/2017 Mon

Bill To: John Miller
234 Mill St
Gordonville PA 17559 USA

Payment: Cash Check Credit / Debit Card Gift Card Charge

No payments recorded.

Sales Person: ADMINISTRATOR P.O./Job: Ship Date: 07/10/2017 Mon Ship Via: Price Level: Retail Job ID: Department: 010

	Ordered	Shipped	Shipped (HxM)	Product	Measure	Unit Weight	Weight	Description	Price
	10.00	10.00	10.00	GARHOS25				25' Garden Hose	12.00

Tax Table: Multiple S.O.: \$9.69 Invoice: \$9.69

Finance Discount: 5.00 % \$6.00

Est. S&H: Weight: 0.00

Costs: \$70.00 S.O. Subtotal: \$120.00 Subtotal: \$120.00 Shipped / Invoice Total

Total Margin: \$50.00 S.O. Total: \$123.69 Paid: \$0.00

Percent Margin: 41.7% S.O. Balance: \$123.69

Shipped Products: 10.000000

Ready Entry Date: 07/10/2017 Mon Sales Order





Multiple locations

- Multiple addresses
- Common accounts
- Profit center = location
- inventory management such as purchasing, stocking, and projecting is separate

EBMS contains comprehensive financial and inventory tools to manage multiple locations under a single company or EIN.

The screenshot shows the 'Options' dialog box with the 'General Ledger Categories' tab selected. The 'Default Adjustment G/L Account' is set to '99999-000'. Under 'Statements', 'Cash Statements (Converted from Accrual)' is selected. Under 'Company Expenses Profiles', 'Based on Warehouses' is selected. Under 'Company Sales Profiles', 'Based on Warehouses' is selected. Under 'Company Divisions', 'Profit Centers' is expanded, showing 'Use Profit Centers' checked, 'Automatically Create Profit Centers From Departments' unchecked, 'YTD department balances brought forward from previous years' unchecked, and 'Prompt before posting' checked. 'OK' and 'Cancel' buttons are at the bottom right.

Options

Settings 1099 General Ledger Categories

Default Adjustment G/L Account: 99999-000

Statements

☐ Accrual Statements

☒ Cash Statements (Converted from Accrual)

Company Expenses Profiles

☐ Single Profile

☐ Based on Departments

☒ Based on Warehouses

Company Sales Profiles

☐ Single Profile

☐ Based on Departments

☒ Based on Warehouses

Company Divisions

Profit Centers

☒ Use Profit Centers

☐ Automatically Create Profit Centers From Departments

☐ YTD department balances brought forward from previous years

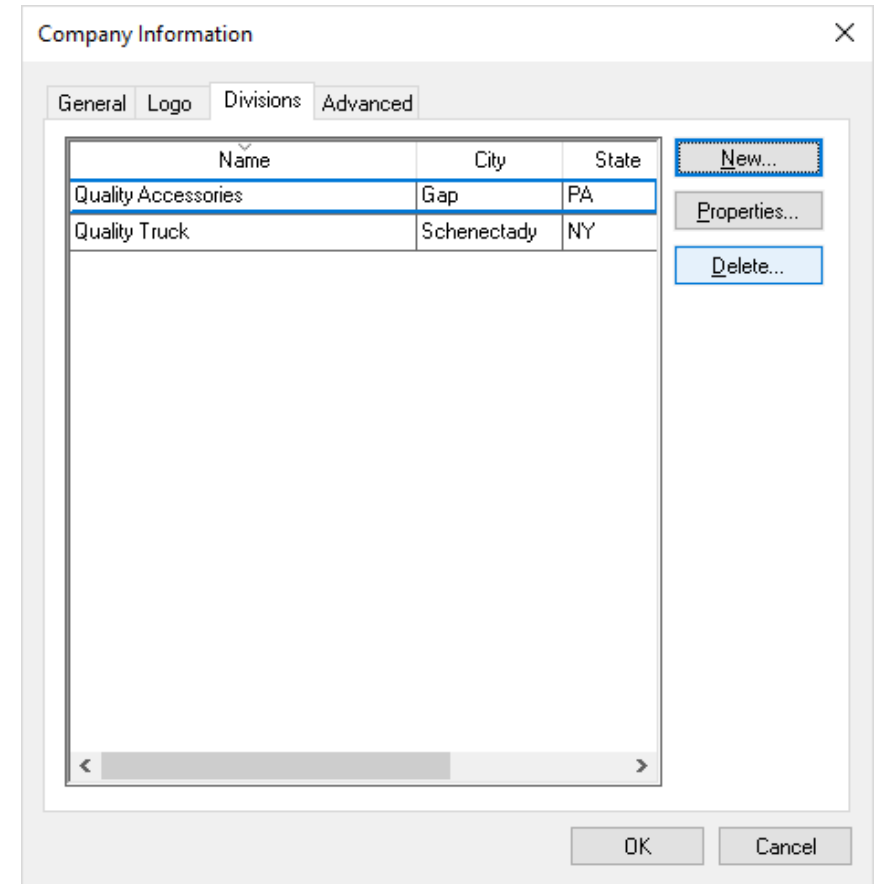
☒ Prompt before posting

OK Cancel



Multiple locations

- Multiple addresses with specific sales tax needs
- Common customers, vendors, product catalog, and financial reporting
- Company service trucks can be identified as a separate location



Company Information

General Logo Divisions Advanced

Name	City	State
Quality Accessories	Gap	PA
Quality Truck	Schenectady	NY

New... Properties... Delete...

OK Cancel

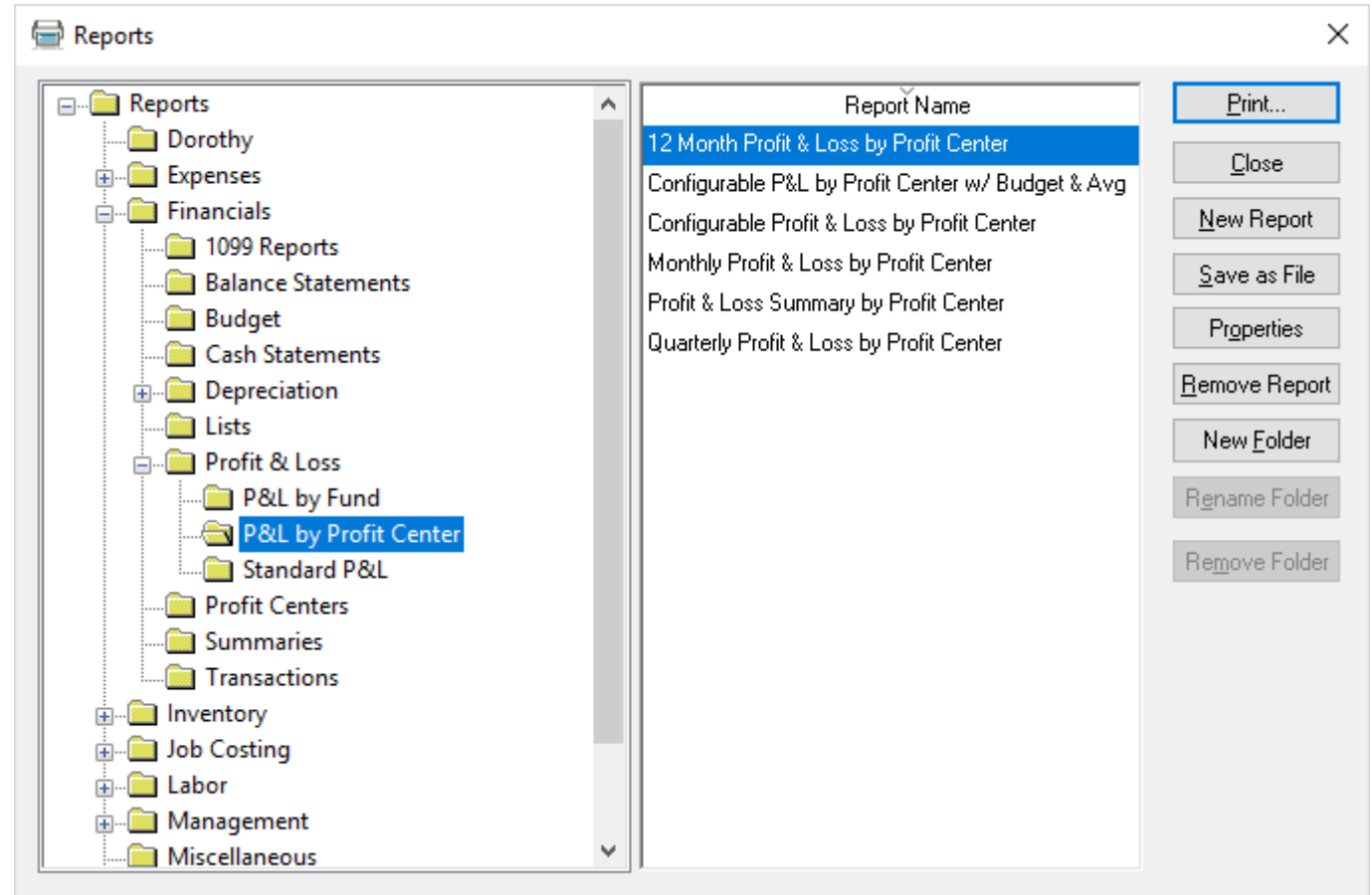




Profit center reporting

- Direct income and costs
- Cost of sales based on product
- Indirect overhead costs


Ratios can be allocated to specific profit centers on a monthly or annual basis



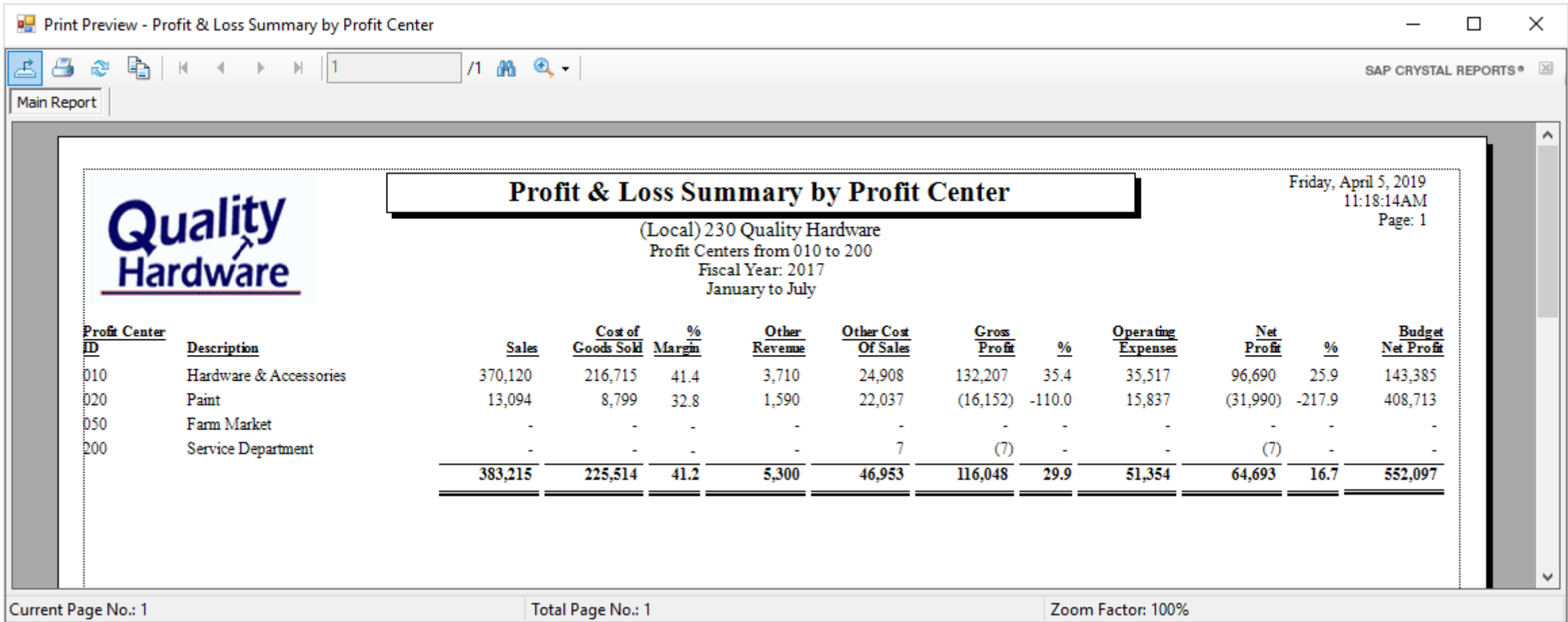


Profit center reporting

- Lists only accounts allocated to a profit center
- Additional % Applied column
- Compare financials as if it was a separate company

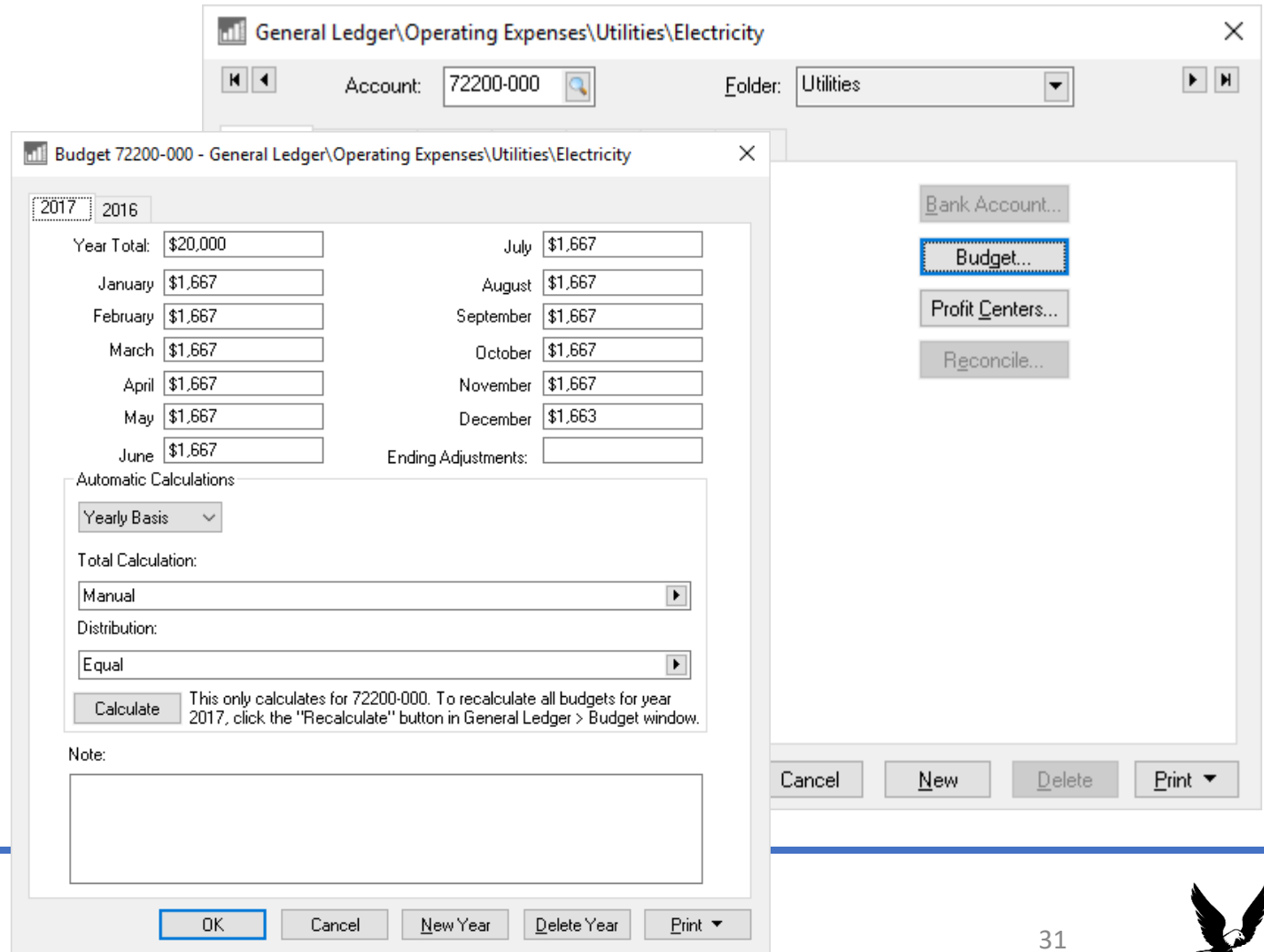
		Monthly Profit & Loss by Profit Center								Friday, April 5, 2019 11:14:07AM Page: 1	
		(Local) 230 Quality Hardware Profit Center: 010									
		June				Year to Date					
		% Applied	2017	% Sale	2016	Change	2017	% Sale	2016	Change	
Operating Revenue											
51000-010	Retail Sales-Hardware & Accessories	100	81,322.56	70.1	9,250.00	779.2	259,572.28	79.7	66,503.60	290.3	
52000-010	Wholesale Sales-Hardware & Accessories	100	35,733.47	30.8	3,041.25	1075.0	67,163.30	20.6	172,504.73	-61.1	
59200-000	Customer Discounts	70.0	(1,121.33)	-1.0	(5.03)	22192.8	(1,143.98)	-0.4	(5,736.35)	-80.1	
59500-000	Delivery Charge Income	70.0	-	-	-	-	-	-	140.00	-100.0	
Total Operating Revenue			115,934.70	100.0	12,286.22	843.6	325,591.60	100.0	233,411.98	39.5	
Cost of Sales											
Cost of Goods Sold											
Purchases											
60000-010	Purchases-Hardware & Accessories	100	111,288.55	96.0	1,440.00	7628.4	311,685.55	95.7	191,895.71	62.4	
Total Purchases			111,288.55	96.0	1,440.00	7628.4	311,685.55	95.7	191,895.71	62.4	
Inventory Variance											
65000-010	Inventory Variance-Hardware & Accessories	100	(42,079.86)	-36.3	7,044.50	-	(104,933.59)	-32.2	(14,992.55)	599.9	
Total Inventory Variance			(42,079.86)	-36.3	7,044.50	-	(104,933.59)	-32.2	(14,992.55)	599.9	
Total Cost of Goods Sold			69,208.69	59.7	8,484.50	715.7	206,751.96	63.5	176,903.16	16.9	
Labor											
66100-000	Wages	70.0	610.40	0.5	2,822.76	-78.4	8,279.89	2.5	8,153.43	1.6	
66100-010	Wages-Hardware & Accessories	100	356.20	0.3	2,463.30	-85.5	12,885.35	4.0	12,235.45	5.3	
Total Labor			966.60	0.8	5,286.06	-81.7	21,165.24	6.5	20,388.88	3.8	
Other Cost of Sales											





Budgeting

- Budget by year or by month
- Calculate manually or using a formula
- Multiple annual budgets can be created at the same time.



The screenshot displays the 'General Ledger\Operating Expenses\Utilities\Electricity' window with the 'Account' set to '72200-000' and the 'Folder' set to 'Utilities'. Overlaid on this is the 'Budget 72200-000 - General Ledger\Operating Expenses\Utilities\Electricity' dialog box.

The dialog box shows the '2017' tab selected, with the 'Year Total' set to '\$20,000'. The monthly budget amounts are as follows:

Month	Budget Amount
January	\$1,667
February	\$1,667
March	\$1,667
April	\$1,667
May	\$1,667
June	\$1,667
July	\$1,667
August	\$1,667
September	\$1,667
October	\$1,667
November	\$1,667
December	\$1,663

The 'Automatic Calculations' section shows 'Yearly Basis' selected for 'Total Calculation' and 'Equal' for 'Distribution'. A 'Calculate' button is present, with a note: 'This only calculates for 72200-000. To recalculate all budgets for year 2017, click the "Recalculate" button in General Ledger > Budget window.'

The 'Note' field is empty. The dialog box has 'OK', 'Cancel', 'New Year', 'Delete Year', and 'Print' buttons at the bottom.

In the background window, there are buttons for 'Bank Account...', 'Budget...' (highlighted with a red box), 'Profit Centers...', and 'Reconcile...'. At the bottom of the background window are 'Cancel', 'New', 'Delete', and 'Print' buttons.





Budgeting

- Budgeting income and expenses
- Budgeting formulas
- Budgeting by profit center

Budget

Fiscal Year: 2017 Add 2020

Budgets Variables

G/L Account	Description	Department	Year Total	January	February	March	
51000-010	Retail Sales	Hardware & Accessories					
51000-020	Retail Sales	Paint	750,000	62,500	62,500	62,500	00
52000-010	Wholesale Sales	Hardware & Accessories	1,500,000	125,000	125,000	125,000	00
52000-020	Wholesale Sales	Paint	1,750,000	145,833	145,833	145,833	33
53000-200	Labor Income		225,000	18,750	18,750	18,750	50
55000-000	Rental Income		50,000	4,167	4,167	4,167	57
59200-000	Customer Discounts						
59500-000	Delivery Charge Income						
60000-000	Materials Purchased						
60000-010	Purchases	Hardware & Accessories	909,000	75,750	75,750	75,750	50
60000-020	Purchases	Paint	1,500,000	125,000	125,000	125,000	00
60000-100	Purchases	Manufacturing	300	25	25	25	25
62000-000	Medical Care Provided						
65000-010	Inventory Variance	Hardware & Accessories					
65000-020	Inventory Variance	Paint					
65000-100	Inventory Variance	Manufacturing					
65500-000	Materials used within a Job		10,000	833	833	833	33
65700-100	Increased value of Manufactured Goods	Manufacturing					
65900-000	Work In Process Variance						
66100-000	Wages						
66100-010	Wages	Hardware & Accessories	112,500	9,375	9,375	9,375	75
66100-020	Wages	Paint	200,000	16,667	16,667	16,667	57
66100-100	Wages	Manufacturing					
66100-200	Wages	Service Department					
66200-200	Warranty Labor	Service Department					
67000-000	Subcontract Labor						
68000-000	Commissions						
68000-010	Commissions	Hardware & Access.					
68000-020	Commissions	Paint Department					

Recalculate Wizards

OK Cancel Print



EBMS Documentation

- Financials section of main documentation
 - Departments and Profit Centers
 - Budgets

The screenshot displays the EBMS Main Documentation web application. The interface features a blue header with the title "EBMS Main Documentation". Below the header is a navigation bar with icons for a menu, a folder labeled "A-Z", a book icon, and a search icon. A left sidebar contains a tree view of the documentation structure, with "Departments and Profit Centers Overview" highlighted in blue. The main content area on the right provides detailed information about departments and profit centers, including definitions, examples, and usage instructions.

EBMS Main Documentation

- Introduction
 - Technical Support
 - Licensing Agreement and Limited Warranty
 - System Requirements
 - Training Manual Syntax
- Initial Installation and Upgrades
- Getting Started
- Standard Features
- Utilities
- Optional Features
- Reports
- Financials
 - Financials Overview
 - Fiscal Year Controls
 - Chart of Accounts
 - Departments and Profit Centers
 - Departments and Profit Centers Overview**
 - Creating Departments
 - Creating New Profit Centers
 - Using a Department as a Company Division
 - Utilities
 - Transactions
 - Journals
 - Account Reconciliation
 - 1099 Forms
 - Fund Accounts
 - Budget
 - Depreciation
- Expenses

Departments and Profit Centers Overview

Departments are used to help management be able to print profit reports and ledger account numbers. They are three digit codes used to designate different segment of the company. The system facilitates separate Profit & Loss statement. Although departments and Profit Centers can be synonymous, the following definitions apply:

- A **Department** is a separate location, division, or product line within a company.
- A **Profit Center** can consist of a group of one or more departments that share the general ledger chart of accounts by the 3-digit extension to the main account.

Overhead costs can be posted to a single general ledger account and then allocated to the profit centers. For example, multiple profit centers may share a common building and the building space used within the building.

It is recommended that you plan your departments and Profit Centers prior to implementation.

Department and Profit Center Examples

Following are some examples of how departments and Profit Centers may be used:

- A hardware store may divide the store in the following departments:
 - Tools
 - Sporting equipment
 - Lawn & Garden
 - Automotive
 - Hardware
 - Building supplies, etc.

The manager may identify each department as a separate profit center. The advantage of creating departments for this store owner would be:

- A farm equipment dealer may want to create the following department:
 - Farm tractor sales
 - Farm tractor service
 - Harvesting & cultivating equipment sales
 - Harvesting & cultivating equipment service
 - Lawn and garden equipment sales
 - Lawn and garden equipment service

With the following Profit Centers:

- Sales Profit Center which includes all the sales departments
- Service Profit Center which includes all the service departments

Another possible use for Profit Centers would be to identify locations for company departments listed in our first example.

Company profit centers would include:

- Location A
- Location B
- Mobile service truck

Each of the locations would contain one or more of the following:

- Tools

Finance 201 Review

- Are you using EBMS to manage your business?
- What profit center method(s) fit your business?
- How can you implement a budget into your company?
- Have you identified management methods and reports?
- How do you manage success?



Which concept should I use to manage my
company more effectively?



Are you using the EBMS business tools to manage
your business effectively?

