



# FINANCIALS AND TAX PLANNING



2024

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BANK FOCUS AND SUMMARY

# Stephen Simons

CPA | Partner Larson



# Ryon Jones

CPA | Partner Larson



- Understanding Basic Financial Statements
- Basics of Tax Planning
- Differences Between Tax Basis and Accrual Basis Accounting
- Critical Measurements for Lending

# TRAINING OBJECTIVES

The background features a faint, light green watermark. At the top center is a shield-shaped crest with a curved banner across it. Below the crest is a stylized tree diagram with a central trunk and several branching paths, each ending in a vertical bar. The text is centered over this background.

# IMPORTANCE OF FINANCIAL STATEMENTS

# PURPOSE OF FINANCIAL STATEMENTS



## INFORMED DECISIONS

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Grow your company through informed decisions (Management).



## SECURE FINANCING

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Inform Banks on how your company is doing to secure financing.



## REGULATORY REQUIREMENTS

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Ensure your company is complying with regulatory requirements (IRS).

# FRAMEWORKS AND FOCUS

CASH BASIS  
or Other  
Forms

ACCRUAL  
BASIS or  
GAAP

TAX BASIS

There may be a different framework to meet each need.



# Introduction to Financial Statements

## BALANCE SHEET

- Snapshot of the company's financial position at a specific point in time

## INCOME STATEMENT

- Summary of the company's performance over a specified period

## CASH FLOW STATEMENT

- Tracks the inflow and outflow of cash





Assets	=	Liabilities	+	Owners' Equity
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# Understanding the Balance Sheet

## Definition and Purpose

- Snapshot of the company's financial position at a specific point in time

## Key Components

- Assets
- Liabilities
- Equity

# Assets

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## Current Assets

1 Cash

2 Accounts Receivable

3 Inventory

4 Prepaid Expenses

## Non-Current Assets

5 Property, Plant, and Equipment (PP&E)

6 Intangible Assets

7 Investments

# Liabilities

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## Current Liabilities

1 Accounts Payable

2 Short-Term Debt

3 Accrued Liabilities

## Non-Current Liabilities

4 Long-Term Debt

5 Deferred Tax Liabilities

# Equity

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## Owner's Equity/ Shareholder's Equity

1

Capital Contributions

2

Retained Earnings

- Equation:  
$$\text{Assets} = \text{Liabilities} + \text{Equity}$$
- Liquidity Ratios  
Measures a company's ability to cover upcoming obligations
- Solvency Ratios  
Measures a company's ability to meet its long-term debt obligations

# Reading the Balance Sheet

**123 CORPORATION**  
**Balance Sheet**  
**December 31**

<b>Assets</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Cash	\$ 33,000	\$ 23,000	\$ 19,000
Accounts receivable (net)	51,000	37,000	48,000
Inventory	84,000	72,000	54,000
Prepaid Expenses	16,000	18,000	13,000
PP&E	400,000	340,000	280,000
Intangible Assets	8,000	9,000	10,000
Investments	53,000	48,000	78,000
	<u>\$ 645,000</u>	<u>\$ 547,000</u>	<u>\$ 502,000</u>
<b>Liabilities</b>			
Accounts Payable	\$ 43,000	\$ 34,000	\$ 35,000
Short-Term Debt	40,000	35,000	32,000
Accrued Liabilities	18,000	21,000	13,000
Long-Term Debt	250,000	200,000	180,000
Deferred Tax Liabilities	35,000	33,000	27,000
	<u>\$ 386,000</u>	<u>\$ 323,000</u>	<u>\$ 287,000</u>
<b>Owners Equity</b>			
Common Stock \$5 par	\$ 100,000	\$ 100,000	\$ 100,000
Retained Earnings	159,000	124,000	115,000
Total Owner's Equity	<u>\$ 259,000</u>	<u>\$ 224,000</u>	<u>\$ 215,000</u>
Liabilities + Stockholders Equity	<u>\$ 645,000</u>	<u>\$ 547,000</u>	<u>\$ 502,000</u>



# Income Statement

# Income Statement

Summary of the company's performance over a specific period

- 01** REVENUE (SALES)  
Gross Sales, Net Sales (after returns, allowances, and discounts)
- 02** COST OF GOODS SOLD (COGS)  
Direct costs attributable to the production of goods sold by a company
- 03** GROSS PROFIT  
Calculation: Revenue - COGS
- 04** OPERATING EXPENSES  
Selling, General, and Administrative Expenses (SG&A), Depreciation, Amortization
- 05** OPERATING INCOME  
Calculation: Gross Profit - Operating Expenses
- 06** OTHER INCOME AND EXPENSES  
Interest Expense, Interest Income, Gain/Loss on Sale of Assets
- 07** Net Income  
Calculation: Operating Income - Other Expenses + Other Income



**123 CORPORATION**  
**Income Statement**  
**December 31**

<b>Assets</b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Revenue	\$ 240,000	\$ 190,000
Cost of Goods Sold	<u>110,000</u>	<u>95,000</u>
Gross Profit	130,000	95,000
Operating Expenses	<u>38,000</u>	<u>27,000</u>
Operating Income	92,000	68,000
Other Income and Expenses	<u>(21,000)</u>	<u>(33,000)</u>
Net Income	<u><u>71,000</u></u>	<u><u>35,000</u></u>

A faint, light blue icon in the background depicts a document with a folded top-left corner, three horizontal lines representing text, and a pencil positioned diagonally across the bottom right. The entire scene is set against a solid light blue background.

# TAX PLANNING

# Tax Planning Basics

Why is tax planning important?

- ✓ Minimizes tax liability
- ✓ Ensures compliance with tax laws

Common Tax Deductions and Credits

- ✓ Business Expenses
- ✓ Depreciation
- ✓ Research and Development Credits

# Tax Planning Continued...

## Estimated Tax Payments

- ✓ Avoid unforeseen liability
- ✓ Make quarterly payments

## Record Keeping for Tax Purposes

- ✓ Maintain accurate and thorough records
- ✓ Stay ahead

## S-Corp and Family Wages

# Tax Basis vs Accrual Basis

## Tax Basis

- Recognizes income and expenses only when they are received or paid
- Simpler, more cash flow focused

## Accrual Basis

- Recognizes income when it is earned and expenses when they are incurred
- Provides a more accurate picture of financial performance and position

## Impact on Financial Statements:

- Timing of income and expense recognition
- Effects on profitability and tax liability



# BANK FOCUS

# What is the Bank Looking For?



## Assets

Indicator of company strength, and to identifies collaterals for loan security.



## Financial Strength

Any profit earned is available to pay back new debt service.



## Management

### Credibility

See that management has the skill and experience necessary to successfully run the business.



## Credit Score

Personal and Business score. On time payments. Separate business vs personal credit.



# FREQUENT QB MISTAKES



# Double counting Revenue (Invoice vs. Payments)

Invoice #1010

Update layout **NEW**



Help



Customer ?

Customer email ?

Cc/Bcc

Online payments


BALANCE DUE

**\$1,000.00**

Delta

Separate emails with a comma

Cards    

Bank transfer 

Send later ?

Invoice no.

1010

Billing address

Terms ?

Invoice date

Due date

Delta

Net 30

08/22/2024

09/21/2024

[Create recurring invoice](#)

Tags ?

[Manage tags](#)

Start typing to add a ta

#	PRODUCT/SERVICE ?	DESCRIPTION	QTY	RATE	AMOUNT
+	1	Book Sales	1	1,000	1,000.00
⋮	2				

Add lines

Clear all lines

Add subtotal

[Add sales tax](#)

# Double counting Revenue (Invoice vs. Payments)

**Bank Deposit** Help ✕

Account: PLAT BUS CHECKING (5373) Balance \$160.00 Date: 08/22/2024 AMOUNT \$1,000.00

Tags ? manage tags

Start typing to add a tag

## NOT BOTH

▼ Add funds to this deposit

#	RECEIVED FROM	ACCOUNT	DESCRIPTION	PAYMENT METHOD	REF NO.	AMOUNT	
1	Delta	Sales				1,000.00	🗑️
2							🗑️

Add lines Clear all lines Other funds total \$1,000.00

# Payment for Loans

Account ↕ (Transaction line items : Account)	Date ↑ (Transactio...	Transaction type ↕ (Transaction line it...	Memo/Description ↕ (Transaction line items)	Account ↕ (Transaction line...	↕ Amount (Transaction line it...	Balance (Transaction line it...
▼ N/P - Karl Jebailey (2)						
Beginning Balance		-	-	-		\$341,148.88
N/P - Karl Jebailey	07/01/2024	Expense	WIRE/OUT-2023040400002675;...	Zions - Checking	-\$34,371.09	\$306,777.79
Total for N/P - Karl Jebailey					-\$34,371.09	
					-\$34,371.09	




# Payment for Loans



Date ↑ (Transactio...	Transaction type ⇅ (Transaction line it...	Memo/Description ⇅ (Transaction line items)	Account ⇅ (Transaction line...	⇅ Amount (Transaction line it...	Balance (Transaction line it...
-	-	-	-	-	\$341,148.88
07/01/2024	Expense	WIRE/OUT-2023040400002675;...	Zions - Checking	-\$34,371.09	\$306,777.79
07/31/2024	Journal Entry	Interest	-	\$511.30	\$307,289.09
				-\$33,859.79	
				<b>-\$33,859.79</b>	

# Owner Distributions

Expense


Give feedback   

Payee:    
 Payment account:    
 Balance \$201,167.60

AMOUNT

**\$1,000,000.00**

Payment Date:    
 Payment Method:    
 Ref no.:

Tags    
    
 [Manage tags](#)




Category details

**Owner Distributions are Not Expenses**

#	CATEGORY	DESCRIPTION	AMOUNT	
1	Office Expenses	Owner Distribution	\$1,000,000.00	
2				

# Fixed Asset Purchases

## Expense

Give feedback   

Payee

Who did you pay? 

Payment account

Zions - Checking 

Balance \$201,167.60

AMOUNT

**\$10,000.00**

Payment Date

08/22/2024 

Payment Method



Ref no.

Tags 

[Manage tags](#)

Start typing to add a tag

## Category details

**Capital Purchases are not expenses**




#	CATEGORY	DESCRIPTION	AMOUNT	
1	Repairs & Maintenance 	New Generator	\$10,000.00	
2				

Add lines

Clear all lines

# Fixed Asset Purchases

Expense


Give feedback   

Payee:    
 Payment account:  Balance \$201,167.60



AMOUNT

**\$10,000.00**

Payment Date:    
 Payment Method:    
 Ref no.:

Tags  [Manage tags](#)

## Category details

#	CATEGORY	DESCRIPTION	AMOUNT	
1	Equipment	New Generator	\$10,000.00	
2				

# Fixed Asset Purchases

## Journal Entry #June Depreciation

Journal date

06/28/2024



Journal no.

June Depreciation

	#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION
:::	1	Depreciation Expense	13,586.75		Depreciation expense
:::	2	Accumulated Depreciation		13,586.75	Depreciation expense
:::	3				

### Fixed Assets

Accumulated Depreciation  
Capital Work in Progress  
Equipment  
Furniture & Fixtures  
Leasehold Improvements

-1,066,551.39

0.00

589,207.68

152,160.87

766,466.53



# Final Thoughts and Encouragement

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Understanding the financial state of your business gives you the confidence you need to plan for a strong, healthy, and growing corporation. It builds trust and helps to avoid unforeseen liability.



# QUESTIONS?

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