

## A bird's eye view

Geni Whitehouse  
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## Introduction

- ◉ Your Name
- ◉ Role
- ◉ Winery
- ◉ Goal for this class?

What is an outside accountant's (CPA) main responsibility?

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# What do you see when you look at your numbers?

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- Transactions
- Dollars
- Customers
- Costs
- Results
- Balanced
- Problems
- Bottom line



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## Accountant's View

### Internal Accountant

- ⦿ Financial Statements
- ⦿ Reconciled
- ⦿ Balanced
- ⦿ Supported with details
  - Inventory balance
  - AP balance
  - AR balance

### External Accountant (CPA)

- ⦿ Financial Statements
  - Compiled
  - Reviewed
  - Audited
- ⦿ Tax Returns
- ⦿ Advisory Services

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## Goal

- ⦿ To provide an accurate picture of business results.
- ⦿ To apply tax law to the customer's benefit.

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## GAAP- level playing field

- ◉ Presentation
- ◉ Cutoff/ Timing
- ◉ Matching
- ◉ Consistency / Comparison
- ◉ Conservatism
  
- ◉ Disclosures (Audit)

*Industry  
Standards*

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## Three financial statements

- ◉ Income Statement
- ◉ Balance Sheet
- ◉ Statement of Cash Flow

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## Matching

- Costs should be recorded in the period in which they are incurred (and should be matched against that period's revenues.)
- Accrued expenses*
- Depreciation*
- Prepaid Expenses*

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## Accrued Expenses

- Recording expenses before the invoice is received for costs that relate to the current period
- Example: Invoice for March computer services are billed in April, paid in May.

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## Depreciation / Amortization

- Record an estimated expense for the wear and tear of an asset that lasts longer than a year
- Example: Trellis – depreciate for book over 20 years, for tax 7.

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## Prepaid expenses

- Reduce a current period expense when an invoice amount covers multiple periods (and spread the expense over the periods covered.)
- Example: Insurance for 12 months is billed in Feb 2014. 1/12 will be allocated to each month Feb Thru Jan 2015.

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## Rules of Wine Inventory

- ◉ Include all costs to the point of bottling (GAAP)
- ◉ Costs after bottling are current period expenses.
- ◉ Include all farming costs related to producing acres.

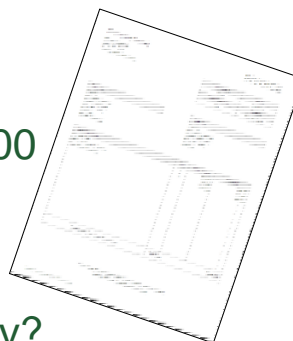
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## Here's how it impacts you

### Invoice from Encore Glass

- ◉ Dated June 29, 2014 for \$5000
- ◉ Received on July 15<sup>th</sup>
- ◉ Paid August 30<sup>th</sup>
- ◉ In which month should it apply?
- ◉ On which financial statement should it appear?



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## American Express Bill

- ◉ Feb 16<sup>th</sup> to Mar 15<sup>th</sup>
- ◉ Received Mar 19<sup>th</sup>
- ◉ Includes charges of \$2,000 for labels for wine bottled in February

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## Tasting Room Payroll 2014

|              | Pay date | Paid Thru |
|--------------|----------|-----------|
| Every Friday | 9/5      | 9/4       |
|              | 9/12     | 9/11      |
|              | 9/19     | 9/18      |
|              | 9/26     | 9/25      |
|              | 10/3     | 10/2      |

What payroll expenses do you include in September?


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September 2014

| Sunday | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday |
|--------|--------|---------|-----------|----------|--------|----------|
| Aug 31 | Sep 1  | 2       | 3         | 4        | 5      | 6        |
| 7      | 8      | 9       | 10        | 11       | 12     | 13       |
| 14     | 15     | 16      | 17        | 18       | 19     | 20       |
| 21     | 22     | 23      | 24        | 25       | 26     | 27       |
| 28     | 29     | 30      | Oct 1     | 2        | 3      | 4        |


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## Group Exercise

You are the accountant.

- ◉ Adjust the P&L for items noted.
- ◉ Step 1: Calculate adjusted net income.
  
- ◉ We will talk about Step 2 after that.

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## Taxes – can vary by entity

| Entity      | LLC                                 | Sole Proprietorship | Partnership | S Corp |
|-------------|-------------------------------------|---------------------|-------------|--------|
| Owner Wages | Guaranteed Payment – no withholding | None                | GP          | Wages  |

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## Special rules - tax

- ◉ Charitable contributions
- ◉ Depreciation deductions
- ◉ Meals and Entertainment (50%)
- ◉ Section 179 deduction
- ◉ Officer's compensation

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## What stood out for you?

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## Thank you

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Consulting services possess fundamental differences from the engagements to provide assurance over assertions or subject matter of other responsible parties. In an assurance service (including attestation engagements), the practitioner expresses a conclusion about the subject matter or the reliability of a written assertion that is the responsibility of another party. In a consulting service, the practitioner develops the findings, conclusions, and recommendations based on the objectives of the engagement for the direct use and benefit of the client. **The nature and scope of work is determined solely by the agreement between the practitioner and the client. Generally, the work is performed only for the use and benefit of the client rather than outside parties. The practitioner does not attest to someone else's assertion but is the one who develops the final presentation.**

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# Compilation

## Objective

**.04** The objective of the accountant in a compilation engagement is to apply accounting and financial reporting expertise to assist management in the presentation of financial statements and report in accordance with this section without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.

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# Compilation SSARS 21

*Management is responsible for the accompanying financial statements of XYZ Company,*

*which comprise the balance sheets as of December 31, 20X2 and 20X1 and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended,*

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*and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.*

*I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA.*

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*I (we) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.*

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# Assurance and Attest

## Assurance

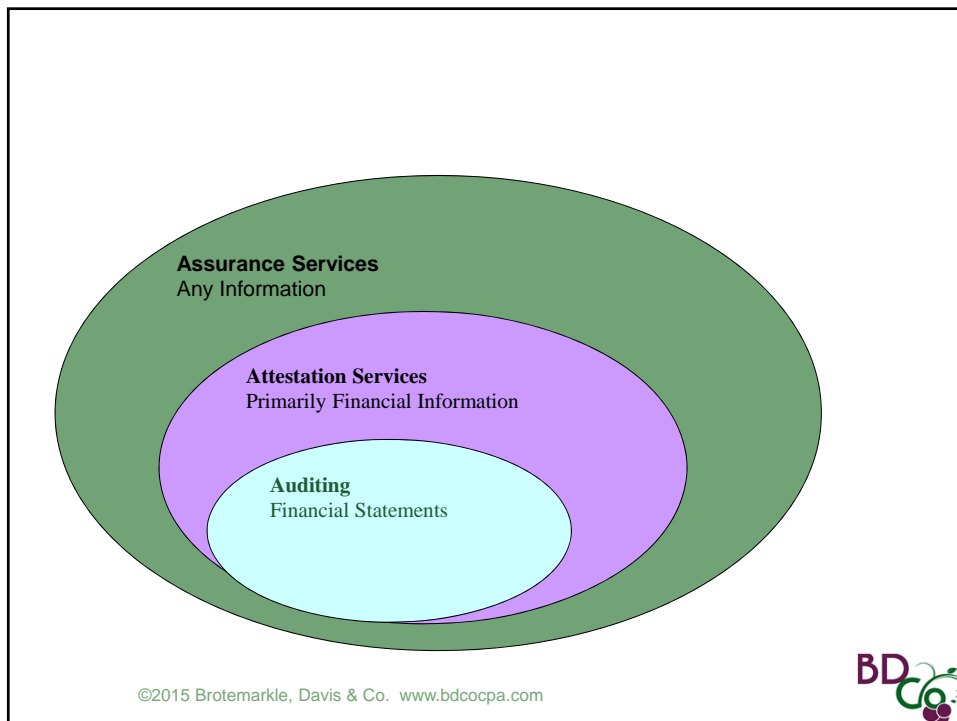
*“Independent professional services that improve the quality of information, or its context, for decision makers.”*

AICPA

## Attest

*“Engagement in which a practitioner, by virtue of issuing a report, provides some level of assurance on information **that is the responsibility of another party.**”*

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In the case of an **audit** of historical financial statements, a professional accountant (the practitioner) **enhances the degree of confidence of the intended users** (the financial statement users), **other than the responsible party** (management of the auditee), in the financial statements (the subject matter information) by gathering audit evidence (sufficient appropriate evidence), evaluating the audit evidence against applicable generally accepted accounting principles (suitable criteria) and providing an opinion (positive or reasonable assurance) in the form of an independent auditor's report (written report).

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