

Box 5 - Bookkeeping Module

Basic Use

Review Balance Sheet Worksheet (aka Comparative Net Worth Statement)

Table of Contents

Table of Contents	2
Functional Relevance	3
Instructions w/o Images	5
Instructions with Images	6
Top Section with Dates and Comparative Analysis	6
ON/OFF Switch	6
Start and End Dates	6
Trial Balance (Comparative Analysis of Company Net Worth)	6
Company Net Worth (Incremental)	6
Company Net Worth (Absolute)	7
Finding Errors	9
Confirm Input Data Basics	9
Step through the Dates	9
Other Options	9
NO MORE SUSPEND ACCOUNTS	9

Functional Relevance

Bookkeeping has 4 steps:

1. Record Transactions "Accurately"
 - a. Input Checking and Credit Card Transactions into Raw Transactions
 - b. Copy/Input your Checking and Credit Card Transactions into Journal Worksheets
 - c. Input Statement Data into Statement Worksheet
 - d. Confirm Statement Balance(s) Match Running Balances for Accuracy
2. Categorize Transactions
3. Review Income Statement
4. **Review Balance Sheet (cross check of Income Statement and data categorization)**

This is step 4

The Balance Sheet is a Comparative Net Worth Statement. It calculates Net Worth via an incremental method and an absolute method, with data input from 1) your software and 2) your bank statements.

The overarching goal of a Balance Sheet is to have the value for Net Worth for the incremental part equal that of the absolute part.

This comparative reporting system helps "validate" that in fact transactions were categorized in a logical manner to validate the real values and changes seen in your bank accounts as a result of inflows and outflows, down to the penny. This system is just a "math trick" that you can understand if you study it long enough.

This software has color coding to help realize when things are in and out of balance.

	A	B	C	D	E	G	H	I	J	K	L	Q	AC	AD		
6	Balance Sheet													JOHN DOE ACUPUNCTURE		
7	Printed: 8/9/2020													1010 Wellness Road, San Jose CA 95002		
8																
9	A Comparative Net Worth Statement										Cross Checks Data Entry and Categorization					
10	Report Dates										ON		Trial Balance			
11	Start Date										7/1/2016		Company Net Worth (Incremental)		\$22,784.11	
12	End Date										12/31/2016		Company Net Worth (Absolute)		\$22,784.11	
13													Trial Balance >>		\$0.00	
14																
15	Company Net Worth (Incremental)										Starting Networth +/- Deltas					
16	Starting Net Worth										Starting N/W		\$14,955.89		GL sums as of OOB 07/01/2016	
17	+ Income										Delta		\$83,261.00		GL Sums (07/01/2016 - 12/31/2016)	
18	- (Expenses+COGs)										Delta		-\$56,437.04		GL Sums (07/01/2016 - 12/31/2016)	
19	+ Paid In Equity-JD										Delta		\$0.00		GL Sum (07/01/2016 - 12/31/2016)	
20	- Owner Draw-JD										Delta		-\$18,995.74		GL Sum (07/01/2016 - 12/31/2016)	
21																
22	Company Net Worth (Inc)										>>>		\$22,784.11		as of COB 12/31/2016 (Starting N/W +/- Deltas)	
23																

Because it is a spreadsheet, each time a value is changed, if the switch is on, this Balance Sheet updates. With multiple monitors or a large one that allows you to see multiple windows), the ability to have multiple instances of the same file open on different worksheets make this a totally new and unique experience. That enables one to make changes in journals and see changes in the Balance Sheet within seconds with no other keystrokes.

Prior to implementing the real time Balance Sheet, other systems for cross checking data were created. They can be used to find errors easily as well and often times will be faster than stepping through the data by date on the real time balance sheet.

This makes chasing and finding errors far easier than in any other system. With this system, you should never ever lose count of even a penny. In Quickbooks and other systems, when the accounting doesn't balance, often times the Bookkeeper or CPA will simply put the error in a "suspend account". That can lead to all kinds of mischief and problems. That is never required with this system.

Instructions w/o Images

1. Adjust the start and end dates for the time frame you want to check.
 - a. Contrary to all modern account textbooks, a Balance Sheet has to have a relevant start date.
2. Verify the incremental part equals the absolute part.
 - a. The “trial balance” calculation will be zero.
 - b. The color coding will be “green”.
3. Finding Errors
 - a. Modify the end date to be one day after the start date, if it is in balance, you can then start moving forward a month at a time until it goes out of balance and then start zeroing in on the day it went out of balance. From there you will look at the transactions for that day one of several ways and identify the miscategorization.
 - b. Alternatively, there are other reports that were developed before the working balance sheet existed that can help find errors more quickly actually, although as with everything else, you have to know how to use them.
 - c. NO MORE SUSPEND ACCOUNTS - with this system you will never had have a need to make “adjustments” via suspend accounts to get your Balance Sheet to balance.

Instructions with Images

Top Section with Dates and Comparative Analysis

	A	B	C	D	E	F	G	H	I	J	K	L	Q	A
6	Balance Sheet													JOHN DOE ACUPUNCTURE
7	Printed: 8/6/2020													1010 Wellness Road, San Jose CA 95002
8														
9	A Comparative Net Worth Statement							Cross Checks Data Entry and Categorization						
10	1 Report Dates							3 ON 5 Trial Balance						
11	2 { Start Date							4 { 7/1/2016						
12	{ End Date							9/30/2016						
13														
								Company Net Worth (Incremental) \$20,853.97						
								Company Net Worth (Absolute) \$20,853.97						
								6 7 8						
								\$0.00						

ON/OFF Switch

Leave the switch (3) "OFF" except when in use for better file performance.

Start and End Dates

Contrary to all modern literature, a Balance Sheet does in fact require a Start Date and an End Date (2,4) for preparation. Traditional Balance Sheets use subreports with a resulting value only. Those sub reports have start and end dates, thus the reality of start dates stays off the mental radar. This is by far the best place to recognize the educational conspiracy related to creating conscious and subconscious confusion. .

Trial Balance (Comparative Analysis of Company Net Worth)

Trial Balance (5) is an industry term. The goal is ZERO (ie no difference between the two calculation methods).

This "Trial Balance" (5) shows totals from the incremental (6) and absolute (7) sections of the Balance Sheet. When those two numbers are equal, the difference is ZERO (as shown in green) (8) and the Balance Sheet is said to be "in balance".

The easiest way to get the hang of this is to play with demo data that is in balance. Change a few transaction values and watch the changes in the balance sheet transpire in real time.

Company Net Worth (Incremental)

If the Balance Sheet is NOT in balance. The green block shown below will be red. Most likely you will NOT be able to "figure out" why it is not in balance by looking at this data.

1) Make sure all proper rows are accounted for in this section. All rows will include Income and Expenses (or a Net Income Value) AND all equity accounts in the chart of accounts.

Report Dates		ON	Trial Balance	
Start Date		7/1/2016	Company Net Worth (Incremental)	\$22,784.11
End Date		12/31/2016	Company Net Worth (Absolute)	\$22,784.11
				\$0.00

Company Net Worth (Incremental)			Starting Network +/- Deltas
Starting Net Worth	Starting N/W	\$14,955.89	GL sums as of OOB 07/01/2016
+ Income	Delta	\$83,261.00	GL Sums (07/01/2016 - 12/31/2016)
- (Expenses+COGs)	Delta	-\$56,437.04	GL Sums (07/01/2016 - 12/31/2016)
+ Paid In Equity-JD	Delta	\$0.00	GL Sum (07/01/2016 - 12/31/2016)
- Owner Draw-JD	Delta	-\$18,995.74	GL Sum (07/01/2016 - 12/31/2016)
Company Net Worth (Inc)		>>> \$22,784.11	as of COB 12/31/2016 (Starting N/W +/- Deltas)

We “uncategorized” one of the transactions for \$260. This is what happened...

Report Dates		ON	Trial Balance	
Start Date		7/1/2016	Company Net Worth (Incremental)	\$22,784.11
End Date		12/31/2016	Company Net Worth (Absolute)	\$23,044.11
				-\$260.00

Company Net Worth (Incremental)			Starting Network +/- Deltas
Starting Net Worth	Starting N/W	\$14,955.89	GL sums as of OOB 07/01/2016
+ Income	Delta	\$83,521.00	GL Sums (07/01/2016 - 12/31/2016)
- (Expenses+COGs)	Delta	-\$56,437.04	GL Sums (07/01/2016 - 12/31/2016)
+ Paid In Equity-JD	Delta	\$0.00	GL Sum (07/01/2016 - 12/31/2016)
- Owner Draw-JD	Delta	-\$18,995.74	GL Sum (07/01/2016 - 12/31/2016)
Company Net Worth (Inc)		>>> \$23,044.11	as of COB 12/31/2016 (Starting N/W +/- Deltas)

If you were to “change a value” on a owner draw, you would think that would mess this up. In fact, it does not because we are pulling ending equity values from the General Journal. However, that error shows up on the Statements Worksheet, so both have to be used together to confirm proper accounting.

With the Demo Data, play with this a lot until you see how different errors affect the balance sheet and the statements worksheet.

Company Net Worth (Absolute)

As with the section above, when there is a mismatch, all you will see is RED in place of GREEN and you typically will have no way to know where the error is from viewing the report.

	A	B	C	D	E	F	G	H	I	J	K	L	Q	AC
24														
25				Company Net Worth (Absolute)								Assets - Liabilities		
26				Assets										
27				Chk6677		\$31,311.37	\$31,311.37					GL sum as of COB 09/30/2016 (1)		
28				Chk0002		\$0.00	\$0.00					GL sum as of COB 09/30/2016 (1)		
29				Inventory		\$0.00	\$0.00					GL sum as of COB 09/30/2016 (2)		
30				Total Assets >>			\$31,311.37					Total Assets		
31														
32				Liabilities										
33				CC8899		\$10,394.49	\$10,394.49					GL sum as of COB 09/30/2016 (1)		
34				CC0002		\$0.00	\$0.00					GL sum as of COB 09/30/2016 (1)		
35				Due to JD		\$0.00	\$0.00					GL sum as of COB 09/30/2016 (2)		
36				ExpPaidVia		\$62.91	\$62.91					GL sum as of COB 09/30/2016 (1)		
37				Total Liabilities >>			\$10,457.40					Total Liabilities		
38														
39				Company Net Worth (Abs) >>>			\$20,853.97					as of COB 9/30/2016 (Assets - Liabilities)		
40														
41														

Finding Errors

The beauty of this spreadsheet system is the real time updating that happens each time a transaction is changed AND the ability to have two or more versions of the worksheet open at the same time so you can watch cause and affect in real time.

Confirm Input Data Basics

When there is an error there are several ways to find it, but FIRST you must make sure that the Statements Worksheet is showing GREEN as appropriate and ALL transactions for all the accounts feeding into the Asset and Liabilities sections are included and up to date.

Step through the Dates

An error means there is a missing transaction(s), a missing categorization(s) or a categorization error(s) that causes an imbalance on the Balance Sheet.

The first and easiest way to do it, but not always the fastest way is to step through the dates on the Balance Sheet.

Start with the report start date and change the end date to one day later. Assuming the error wasn't on either of those two dates, you will see the report is in balance. Then, change the end date by one month at a time until you can isolate the error to a given month. Then start zeroing in. Change the end date to the 15th. If it's green you know the error is in the last two weeks. If red it's in the first two. And keep cutting the date ranges in half until you find the date of the error.

Then you will need to search the journals for that date and try to identify the error. This is a fool proof system for finding errors but if you made the error you may need help figuring out what you did wrong if it's not obvious.

Other Options

We offer three or four different reports for validating data. These reports were developed before the live balance sheet was added to the file. This is likely the only software that has these types of supplemental reports for finding errors.

We will cover those in a different document.

NO MORE SUSPEND ACCOUNTS

With this system, you should never ever lose count of even a penny. In Quickbooks and other systems, when the accounting doesn't balance, often times the Bookkeeper or CPA will simply put the error in a "suspend account". That can lead to all kinds of mischief and problems. That is never required with this system.