

# The Small Biz **Advisor**

A newsletter for our clients and associates

Fall 2006

## planning, **safeguarding** & managing

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Record-keeping is an essential element of good business management, yet it is often ignored by some entrepreneurs. Most small entrepreneurs are busy with the core operations of the business, leaving very little time to devote to record-keeping. Additionally, if the entrepreneur is not familiar with accounting and finance, financial record-keeping can be viewed as a daunting task.

**Keep records that identify income, expenses, property value and claims made on your tax return.**

Despite these realities, proper record-keeping is an excellent investment of time and money, which justifies itself through cost-benefit analysis. According to the Internal Revenue Service (IRS Pub 583), "Records can show whether your business is improving, which items are selling, or



what changes you need to make. Good records can increase the likelihood of business success."

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## Safeguarding **your** business

### Tips on preventing employee theft in your business

Security experts suggest that about 30 percent of employees steal and another 60 percent would steal if given motive and opportunity. Based on those findings it is not surprising that companies are losing billions of dollars each year to employee theft.

Having a good idea of the most common schemes is a good start in helping any company tackle the problem, but to significantly reduce, or eradicate employee theft will require a well formulated strategy.

### Constantly review company records for inconsistency

#### Did You Know?



30% of business failures are due to employee theft and related forms of dishonesty

7% of applicants have had a criminal record in the last seven years

51% of all resumes, applications, and references provided by applicants contain inaccurate information

While there are no foolproof systems, an employer can take preventative measures to safeguard a company's assets against employee theft such as skimming, or fraudulent disbursements . Safeguard measures include:

- 1) Occasional audits of bookkeeping functions, as well as use of an external auditor
- 2) Limiting the amount of authority given to a single employee
- 3) Developing a fraud avoidance plan

Making it hard for employees to steal is one sure way of saving money. At GFC we are equipped to assist with policies, and procedures to help you guard your company's assets and save you administrative and legal costs.

### News Briefs &

### Reminders



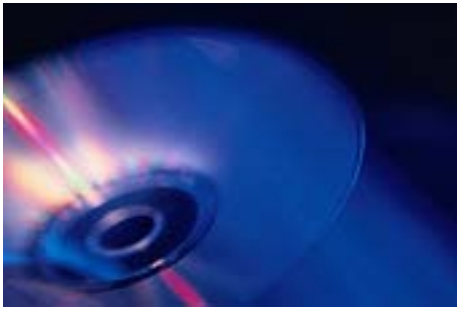
The Massachusetts minimum wage will increase from \$6.75 to \$7.50 effective January 1, 2007. **Note: There are instances in which different wages may be paid.**

■ The self-employment tax rate on net earnings remains the same for 2006. This rate, 15.3%, is a total of 12.4% for social security and 2.9% for Medicare.

■ For social security tax, the maximum amount of 2006 wages subject to the tax is \$94,200. For Medicare tax, all covered 2006 wages are subject to the tax.

■ At its September meeting the Federal Open Market Committee decided to keep its target for the federal funds rate at 5-1/4 percent slightly easing borrowing worries.

■ For 2006, the standard mileage rate for the cost of operating your business transport is 44.5 cents a mile for all business miles driven.



## Record-keeping for success (continued from page one)

There are several types of record-keeping available to small businesses, including:

1. Ledgers
2. Financial Statements
3. Planning Tools & Analysis
4. Primary Records

For the purpose of this article, only primary record-keeping will be introduced.

### Primary Records

Primary records are the basis of the record-keeping system. They serve as evidence of financial transactions, and include items such as invoices, check deposit slips and cash register tapes. Collecting, organizing and filing primary records can be a tedious process, but this step is absolutely necessary if a business is going to have a robust and beneficial record-keeping system. The quality of the more sophisticated records depends on the quality of primary records. Importantly, primary records are indispensable for tax purposes.

**Good record-keeping cannot guarantee that a business will be successful. However, the insight, warnings and proof-testing that are offered by good record-keeping can certainly help businesses become better.**

### How we can help

At Generis, we are aware of the time constraints on busy entrepreneurs, but we also know that entrepreneurs need excellent information in order to make sound decisions. As an outsourcing firm with solid financial expertise, we ensure that the entrepreneur spends most of his or her time building the business, without losing the insight and direction provided by a relevant, needs-based record-keeping system.

#### Meet the GFC Team:

Elaine Dickson - President

Easton Dickson- Managing Consultant

E. Nicole Green - Sr. Consultant

Garnet Gibson - Sr. Consultant

**Tip:** Taking advantage of permanent changes in contribution limits may make it easier to reach your retirement goals.



## Pension Protection Act of 2006

Need help with your long-term planning? Call us today at (508) 222-2242. You will be glad you did!

### Higher retirement contribution limits are now permanent

Congress has made it easier to save for retirement by raising - and making permanent - the yearly contribution limits for several investment options, including IRAs, 529 plans, 401(k) plans, and small-business retirement plans known as SIMPLE IRAs. The limits were scheduled to return to their previous levels on December 31, 2010, but the new law makes them permanent.



Starting in 2007, you may directly deposit all or a portion of your federal tax refund into an IRA, subject to applicable contribution limits

### Reimbursement for travel expenses

The Internal Revenue Service (IRS) offers two broad categories for dealing with employee reimbursements related to business travel activities, namely:

- Accountable
- Nonaccountable plans

An accountable plan must meet the following requirements:

#### Accountable Plan Guidelines

- 1) The expenses were incurred while performing services as an employee of your employer.
- 2) Expenses must be submitted within a reasonable period of time, usually 60 days.
- 3) Excess reimbursement or allowance must be returned within a reasonable period of time.

#### Reasonable Period of time?

Reasonable period of time for excess payments vary, but typically happens in 120 days.

#### Nonaccountable Plans

A nonaccountable plan fails to meet one or more of the three rules listed under Accountable Plans.

In addition, the following payments will be treated as being paid under a nonaccountable plan:

- 1) Excess reimbursements you fail to return to your employer
- 2) Reimbursement of nondeductible expenses related to your employer's business.

**Note:** Meals and entertainment are subject to a 50% deduction limitation under the accountable plan. Employees may usually exclude 100% from their income.



# Our Expertise



**Adding value is our business!**

We are ready to assist you with a broad range of services, including:

- † **Accounting** - Bookkeeping and Financial Statement Preparation
- † **Finance** - Budgeting and Forecasting, Financial Analysis, and Management Reporting
- † Management Advisory Services
- † Human Resources Consulting
- † Software Selection and Implementation



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