

Accounting Troubleshooting Tips

When I was a college student, I got an “A” in my Accounting 101 and 201 classes. Then I entered the “real” world and almost tanked the family business because I had no idea what I was doing with the “real” accounting. You see, the examples in the college text book used financials that were correct. That means, the dollar amounts in the accounts could be trusted, and were assumed current and accurate.

The “Real” World...

Well, when I took a swing at entering my accounting data I made a big “slinky knot” mess out of my accounting file. I didn’t learn how to fix my accounting in college. That would have been useful. I learned what I know from falling in holes and climbing out of them.



As a business consultant, I see lots of financial reports. Most of them have a few “slinky knots” in them...accounts that are just wrong. The data in those accounts are the result of mistakes in data entry. In my consulting work, I start by helping my clients get to KFP – a Known Financial Position. Let’s get the accounting correct. That’s the first step. From there, we can see the impact of operational, marketing and sales behaviors. The good news is that you can always improve your financial situation once you know what it is. I am kind of like Super Nanny. I show up, we work together to clean up the accounting and we put simple systems, routines in place to help you stay at a KFP.

Sometimes, we clean stuff up and then it gets messy again. Just like Super Nanny, I go away after my consulting visit. It is up to my clients to maintain the systems we put in place. I can always come back and I often help over the phone. However, the key to staying at KFP is your willingness to learn enough about the accounting systems to enter data properly and to fix things when they get balled up.

If you are the owner of a very small shop, you might be the Financial Manager of your company (as well as the Service Manager and Marketing Manager and Salesperson, etc.) That's the way it goes. Take responsibility and do a good job as the Financial Manager. Quit looking for a magical solution (accounting fairy?) who will handle the accounting for you. Learn how to do it yourself and document your basic procedures. This will help you hand off the accounting duties successfully.

If you are the one who is responsible for the financial information at your company, I am here to help. The following are a few tips and tricks for finding and fixing the "slinky knot" messes in your accounting program.

Financial Fix Tips and Tricks...

It's probably YOU. I often hear something along these lines, "That number wasn't there yesterday. It must be a QuickBooks problem." That weird dollar amount in your financial reports probably has a very simple explanation. Somebody, maybe you, entered that information. In every accounting software program, there are debits and credits. Sometimes the debits and credits are not visible from the data entry screen. You will have to do some digging. Follow the flow of information from the entry point to the Income Statement (aka Profit & Loss or P&L) and/or Balance Sheet. (In my lengthy career, there have been only 2 cases where the accounting program was corrupt. Chances are that you are the problem. Start trouble-shooting from that assumption.)

Stay current with your financial reporting. I recommend a weekly review of the Balance Sheet and Income Statement. Once a year at tax time is just not going to cut it. Get to KFP and run the financial reports at least once a week. It is so much easier to find and fix a mistake that happened in the last few days than trying to track down something goofy from six months ago. Also, you can fix the mistake in the current month. That is better than having to re-open a previous month and adjust it. Once I "close" a month, I don't like to open it again.

Go line by line down the Balance Sheet and Income Statement and look for "weird" things. If you are just getting started with this process, I can help. Or, your accountant may help you learn what's "weird" and what's right. What a great opportunity for him or her to add value to your relationship. KFP means that every account is right. It reflects what you have in Assets, what you owe in Liabilities and what you own in Equity. The Sales account should equal what you have sold for that period of time. The Expenses should reflect what you have expensed for that period of time. The financial reports should be current and true. Here's a list of "weird" things that may need some fixing...

- A dollar amount that is positive when it was negative last time (or vice versa.)

- **A negative Asset.** (Unless it is Accumulated Depreciation or Amortization. Those numbers are “contra” accounts and serve to reduce the value of the associated assets.)
- **A negative Liability.**
 - **Pay particular attention to your Payroll liabilities.** I recommend using a Payroll service. The number one reason: The service handles the liability so you don’t have to. The service will tell you what the cash requirements are to pay your team and Uncle Sam. They will do the tax payments for you. The Journal Entry to enter Payroll is much easier if you don’t have to keep track of the appropriate liabilities and payments. I attached a sample JE for entering Payroll. Follow the flow of debits and credits. You could create a sample transaction for your Payroll procedure and reference it every time you enter Payroll.
 - **A negative Sales account** (unless it is the Customer Refunds or Discounts...contra accounts.)
 - **A negative Expense account.** Now, an account may look weird but be right. For instance, if you enter a rebate for your Insurance it will show up as a negative expense for that month. Drill down and make sure.
 - **An account that is very different from last week or last month.** If all of a sudden your Advertising expense went from about \$2,500 per month to \$300,000 this month, drill down. Something may have been miscoded.
 - Have your accountant help you make the weird things right with an appropriate Journal Entry or reversing entry.
 - **Find out how it got weird, if you can, and update the data entry procedure.** Written procedures are critical for staying at KFP.
 - **If you don’t know how it got weird, at least get it to right.** If it is a small dollar amount, create an adjusting entry and watch to make sure it doesn’t get weird again. If it does...look through the previous week’s transactions for that account to find the entry. This is forensic accounting!
 - **Run a transaction register report and look for the debits and credits.** Different accounting programs call this report by different names. Look for the detail trial balance or the General Ledger journal to find the “guts” of every transaction. Double entry accounting is based on the universal law of “what goes around comes around.” If something goes up, something else goes up or goes down by that amount. Debits and credits are the mechanics in the accounting system that cause the dollar amounts to go up and down...and the Balance Sheet to stay in balance. Finding a transaction that doesn’t follow the basic “patterns” of similar transactions may lead you to the mistake.
 - **Look for before-and-after differences.** If you are not sure of what is happening at a particular data entry point, try this:

- Run the Balance Sheet and Income Statement.
- Enter one transaction. Run the Balance Sheet and Income Statement again and see if you can see where the dollar amounts ended up. (Make sure no one else is in the accounting system while you do this.)
- This is a street smart way to discover the “set up” behind the data entry screen.
- To recode, delete or reverse a transaction? It depends on your accounting program. With a basic off-the-shelf program like QuickBooks, MYOB or Peachtree, you can drill down to the transaction that needs to be fixed and recode it. Or, you can delete the transaction entirely and try again. With a more sophisticated industry-specific program you may have to enter a transaction that reverses your original transaction and then re-enter the transaction properly.
- **Be careful with your initial company set up.** That’s where a lot of the behind the scenes accounting is created. If you are entering Service Sales and the dollar amount is showing up as Service Agreement Sales there may be an “item” or other set up instruction that is sending the information to the wrong sales account. Go to Company Set Up or the Items list and do some investigating. Figure out the default debits and credits and which accounts are affected. Update the “set up” and see if that fixes the problem.
- **Get bossy with your software support team.** Call for help as you need it. If you don’t understand what they are telling you to do, ask again for a clearer explanation. If they want to fix something for you, sit in as they do the correction so you can “follow the flow” of the debits and credits and learn from the experience. The more you know about your particular accounting software the less intimidated you will be by the accounting processes.
- **Be assertive with your CPA or tax preparer.** At the end of each quarter, take the time to make sure that your financials agree with the financial information your CPA is sending to Uncle Sam. Work together to enter the year-end Journal Entries needed to get your accounting system current and accurate.
- **Learn to trust your intuition.** As your understanding of double entry accounting increases, trust your gut feeling that a dollar amount is wrong or “weird.” If you think you might know what happened, you are usually right.

If it is your responsibility to get the financial “slinky knot” untangled, take a deep breath and know this: You can do it. This accounting stuff is just not that hard once you learn the lingo and accounting basics. One of the smartest Financial Managers I know is working with an 8th grade education.



Ellen Rohr, The Business Makeover Expert® teaches the few things that make all the difference to your business success: Easy financial clean up, profitable pricing and powerful business planning. As the Plumber's Wife, she nearly sank her own family's contracting business. Then, she learned how to keep track of the money and make more of it. She has helped thousands of business owners start, fix and grow their companies.

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Ellen is the author of four business basics books: [*Where Did the Money Go?*](#), [*How Much Should I Charge?*](#), [*The Bare Bones Biz Plan*](#) and [*The Weekend Biz Plan*](#).

See more at EllenRohr.com.