

Excerpt from Bookkeeping Basics:

The problem with Cash Basis Accounting

In Cash Basis accounting systems, expenses are not recorded on the financial statements until they have been paid. Because unpaid bills cannot be shown on the books, it is extremely difficult to accumulate Cash Reserves to pay them because of the current tax laws.

In fact, Cash Basis accounting systems create a tax situation that, for some businesses, leads to bankruptcy while, at the same time, reports the company is making a profit.

For example: Imagine your business has a project that spans several years; your income is received prior to completion of the job, but your major costs are paid after the job is completed. In other words, you receive money in a year prior to paying your expenses.

If you save a portion of your receipts to pay your costs, at the end of the year your savings are shown as PROFIT because, in Cash Basis accounting, profit is, for the most part, the difference between the money received and the money spent. The effort becomes, therefore, to reduce your tax liability by reducing your profit - by spending the money.

In cases where it is not feasible to pre-pay your major cost, the money is spent on other things and, because there is so much money available, your spending is largely out of control; no Cash Basis budget can set up appropriate spending levels on money received now and major costs that will not appear until a year or so later.

Even if that could be done, it would decrease spending and make the tax problem worse. In the next year or so, when that major bill does arrive, there is little or no money left from the project to pay for it and receipts from new projects are used to pay the costs of the old ones.

If there are many jobs and huge amounts of money flowing through the business, profits appear to be high and the business looks like a cash cow. But, as time goes by and the cash deficits accumulate year after year, major costs get harder and harder to pay.

Should it then happen that business slows down and new jobs stop coming, the cash flow simply dries up leaving monumental unpaid bills. With the unpaid expenses not recorded, the Cash Basis Profit and Loss statement will report that you have made a profit.



"Embezzle" the fact-finding guide that will expose discrepancies in your accounting records and allow you to proceed on fact, not suspicion.

Most owners and managers are reluctant to accept embezzlement as a possibility because, if both their staff and their accounting is suspect, they believe there is no other solution than to hire their CPA to conduct an audit which will cost big bucks and may find nothing at all. That being the case reliable CPAs are reluctant to do an audit on the basis of suspicion alone. Owners and Managers then find themselves in a no-win situation, unable to go further,

"EMBEZZLE" is the solution! It's how you find the evidence, if there is any. EMBEZZLE" is not set up like an audit. It works from the inside, like a bookkeeper does. If there are discrepancies to be found, you'll have documentation: what it is, where it is. You'll be operating on fact, not suspicion.

With the instructions in "EMBEZZLE" you can easily do it yourself. If you need a little fine-tuning of your bookkeeping skills, consider **Bookkeeping Basics**. If you don't have the time or desire to follow "EMBEZZLE" yourself, hire someone to do it for you on a temporary/part-time basis. I suggest an outsider, a retired full-charge bookkeeper with years of experience, a high school education and a clean record

EMBEZZLE

- *How you are setting yourself up for embezzlement.
- *How your Financial Statements hide embezzlement.
- *19 Common embezzler tricks and how they work.
- *If you're not seeing evidence of embezzlement, why bother to look for it?
- *How to make sure you can access your records.
- *What to do **RIGHT NOW!**
- *What's so important about keeping your investigation secret?
- *What to do now to recover money later.
- *Exactly how to access bookkeeping accounts and find what you're looking for.
- *How to massage bookkeeping data in excel to reveal vital clues.
- *How to check the hard copy files for what IS and is NOT there.
- *If your suspicions are confirmed, what to do next, absolutely NOT do?
- *Other Risks.
- *Prevention **METHODS** that make embezzlement almost impossible.
- *How to Limit your exposure.

<http://www.aniota.com/~jwhite/bookkeeping/embezzlement0.html> \$10.00