

# PREVENTING....

# YEAR END PANIC

PRESENTED BY:

TRACY FICKETT

CPA

PETER SHELBO

BUS GUY



# YEAR END PANIC

NOVEMBER 1

ACCOUNTANT CALLS BILL'S BUS COMPANY

# YEAR END PANIC

NOVEMBER 8

BILL RETURNS ACCOUNTANT'S CALL

# YEAR END PANIC

NOVEMBER 23

BILL HAS THE ACCOUNTING CAUGHT UP.

# BILL'S BALANCE SHEET

 CASH DOWN FROM PREVIOUS YEAR

 FIXED ASSETS UP \$400,000

 DEBT BEING PAID DOWN

 OFFICE DEPOSIT?

Accrual Basis	BILL'S BUS COMPANY, INC. Balance Sheet As of November 23, 2018
	<u>Nov 23, 18</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Regional Bank Checking	80,000.00
Total Checking/Savings	<u>80,000.00</u>
Accounts Receivable	
Accounts Receivable	184,000.00
Total Accounts Receivable	<u>184,000.00</u>
Other Current Assets	
Inventory	40,000.00
Prepaid Expenses	80,000.00
Total Other Current Assets	<u>120,000.00</u>
Total Current Assets	<u>384,000.00</u>
Fixed Assets	
Fixed Assets	5,350,000.00
Accumulated Depreciation	<u>-4,100,000.00</u>
Total Fixed Assets	<u>1,250,000.00</u>
Other Assets	
Office Deposit	<u>170,000.00</u>
Total Other Assets	<u>170,000.00</u>
<b>TOTAL ASSETS</b>	<u><b>1,804,000.00</b></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	100,000.00
Total Accounts Payable	<u>100,000.00</u>
Other Current Liabilities	
Other current liabilities	28,400.00
Total Other Current Liabilities	<u>28,400.00</u>
Total Current Liabilities	<u>128,400.00</u>
Long Term Liabilities	
Long-term debt	<u>1,750,000.00</u>
Total Long Term Liabilities	<u>1,750,000.00</u>
Total Liabilities	<u>1,878,400.00</u>
Equity	
Retained Earnings	-288,000.00
Net Income	<u>211,600.00</u>
Total Equity	<u>-74,400.00</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>1,804,000.00</b></u>

# YEAR END PANIC

NOVEMBER 27

ACCOUNTANT CALLS BILL WITH FOLLOW-UP QUESTIONS

# YEAR END PANIC

DECEMBER 5

ACCOUNTANT CALLS BILL WITH ESTIMATED TAX LIABILITY

# YEAR END PANIC

DECEMBER 7

BILL STARTS LOOKING FOR A BUS AND WANTS TO TRADE IN AN OLD ONE.

# YEAR END PANIC

DECEMBER 21

BILL'S COMPLICATIONS COMPLETING THE DEAL ON TIME CONTINUE. BILL IS HIGHLY STRESSED.

- 
- I. MONITORING PERFORMANCE
  - II. PURCHASE PLANNING
  - III. TAX CHANGES

# I. MONITORING PERFORMANCE

- 🚌 KEYS TO MEASURING PERFORMANCE:
  - 🚌 ACCOUNT ORGANIZATION
  - 🚌 REGULAR REVIEW
  - 🚌 BUDGET COMPARISON

# ACCOUNT ORGANIZATION

- ☛ BEST PRACTICE:
  - ☛ ORGANIZE YOUR CHART OF ACCOUNTS AND ACCOUNT GROUPINGS IN A MANNER THAT WILL PROVIDE THE MOST MEANINGFUL INFORMATION FOR COMPANY MANAGEMENT

# BALANCE SHEET

 BALANCE SHEET ACCOUNT TYPES INCLUDE:

 ASSETS

 LIABILITIES

 EQUITY ACCOUNTS

Accrual Basis

**BILL'S BUS COMPANY, INC.**  
**Balance Sheet**  
 As of November 23, 2018

	<u>Nov 23, 18</u>
<b>ASSETS</b>	
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Total Current Assets	<u>384,000.00</u>
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Fixed Assets	5,350,000.00
Accumulated Depreciation	<u>-4,100,000.00</u>
Total Fixed Assets	<u>1,250,000.00</u>
Other Assets	
Office Deposit	170,000.00
Total Other Assets	<u>170,000.00</u>
<b>TOTAL ASSETS</b>	<b><u>1,804,000.00</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
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Accounts Payable	
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Total Liabilities	<u>1,878,400.00</u>
Equity	
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Net Income	211,600.00
Total Equity	<u>-74,400.00</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>1,804,000.00</u></b>

# INCOME STATEMENT

## INCOME STATEMENT ACCOUNT TYPES INCLUDE:

 REVENUES

 COST OF GOODS SOLD

 EXPENSES

Accrual Basis

### BILL'S BUS COMPANY, INC. Profit & Loss Comparison

	Jan - Nov 23, 2018	Jan - Dec 17	% of Revenue 2018	% of Revenue 2017
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Charter Revenues	3,005,000.00	2,770,000.00	100.00%	100.00%
<b>Total Income</b>	<b>3,005,000.00</b>	<b>2,770,000.00</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Cost of Goods Sold</b>				
Farm out cost	105,000.00	45,000.00	3.49%	1.62%
<b>Total COGS</b>	<b>105,000.00</b>	<b>45,000.00</b>	<b>3.49%</b>	<b>1.62%</b>
<b>Gross Profit</b>	<b>2,900,000.00</b>	<b>2,725,000.00</b>	<b>96.51%</b>	<b>90.68%</b>
<b>Expense</b>				
Advertising	18,000.00	15,000.00	0.60%	0.54%
Bank Service Charges	20,000.00	15,000.00	0.67%	0.54%
Business Licenses and Permits	6,000.00	5,000.00	0.20%	0.18%
Cleaner Wages	65,000.00	60,000.00	2.16%	2.17%
Computer and Internet Expenses	15,500.00	14,000.00	0.52%	0.51%
Depreciation Exp-Transportation	600,000.00	600,000.00	19.97%	21.66%
Drivers Wage	520,000.00	470,000.00	17.30%	16.97%
Employee Benefits	135,000.00	100,000.00	4.49%	3.61%
Fuel Expense	240,000.00	216,000.00	7.99%	7.80%
Insurance Exp-Transportation	150,000.00	135,000.00	4.99%	4.87%
Interest Expense-Equip Loans	120,000.00	130,000.00	3.99%	4.69%
Meals and Entertainment	3,500.00	2,500.00	0.12%	0.09%
Miscellaneous Expense	2,200.00	1,265.00	0.07%	0.05%
Office Supplies	3,600.00	3,200.00	0.12%	0.12%
Office Wages	210,000.00	200,000.00	6.99%	7.22%
Payroll Taxes	100,000.00	70,000.00	3.33%	2.53%
Professional Fees	8,000.00	7,500.00	0.27%	0.27%
Rent Expense	26,000.00	24,000.00	0.87%	0.87%
Repairs and Maintenance	190,000.00	170,000.00	6.32%	6.14%
Shareholder Wages	120,000.00	100,000.00	3.99%	3.61%
Shop Wages	123,000.00	110,000.00	4.09%	3.97%
Telephone Expense	5,200.00	5,000.00	0.17%	0.18%
Utilities	7,400.00	7,200.00	0.25%	0.26%
<b>Total Expense</b>	<b>2,688,400.00</b>	<b>2,460,665.00</b>	<b>89.46%</b>	<b>88.83%</b>
<b>Net Ordinary Income</b>	<b>211,600.00</b>	<b>264,335.00</b>	<b>7.04%</b>	<b>9.54%</b>
<b>Net Income</b>	<b>211,600.00</b>	<b>264,335.00</b>	<b>7.04%</b>	<b>9.54%</b>

# GROUPED INCOME STATEMENT

 EXPENSES GROUPED:

 EXPENSES ARE COMBINED  
INTO MENINGFUL GROUPS  
FOR BETTER ANALYSIS

Accrual Basis

## BILL'S BUS COMPANY, INC. Profit & Loss Comparison

	Jan - Nov 23, 2018	Jan - Dec 17	% of Revenues 2018	% of Revenues 2017
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Charter Revenues	3,005,000.00	2,770,000.00	100.00%	100.00%
<b>Total Income</b>	<b>3,005,000.00</b>	<b>2,770,000.00</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Cost of Goods Sold</b>				
Farm out cost	105,000.00	45,000.00	3.49%	1.62%
<b>Total COGS</b>	<b>105,000.00</b>	<b>45,000.00</b>	<b>3.49%</b>	<b>1.62%</b>
<b>Gross Profit</b>	<b>2,900,000.00</b>	<b>2,725,000.00</b>	<b>96.51%</b>	<b>90.68%</b>
<b>Expense</b>				
<b>Payroll &amp; Related Expenses</b>				
Cleaner Wages	65,000.00	60,000.00	2.16%	2.17%
Drivers Wages	520,000.00	470,000.00	17.30%	16.97%
Office Wages	210,000.00	200,000.00	6.99%	7.22%
Shareholder Wages	120,000.00	100,000.00	3.99%	3.61%
Shop Wages	123,000.00	110,000.00	4.09%	3.97%
Payroll Taxes	100,000.00	70,000.00	3.33%	2.53%
Employee Benefits	135,000.00	100,000.00	4.49%	3.61%
<b>Total Payroll &amp; Related Expenses</b>	<b>1,273,000.00</b>	<b>1,110,000.00</b>	<b>42.36%</b>	<b>36.94%</b>
<b>Transportation Expense</b>				
Fuel Expense	240,000.00	216,000.00	7.99%	7.80%
<b>Total Transportation Expense</b>	<b>240,000.00</b>	<b>216,000.00</b>	<b>7.99%</b>	<b>7.19%</b>
<b>Repairs and Maintenance</b>	190,000.00	170,000.00	6.32%	6.14%
<b>Fixed Coach Expenses/Expenses</b>				
Depreciation Exp-Transportation	600,000.00	600,000.00	19.97%	21.66%
Insurance Exp-Transportation	150,000.00	135,000.00	4.99%	4.87%
Interest Expense-Equip Loans	120,000.00	130,000.00	3.99%	4.69%
<b>Total Fixed Coach Expenses/Expenses</b>	<b>870,000.00</b>	<b>865,000.00</b>	<b>28.95%</b>	<b>28.79%</b>
<b>General /Administrative Expense</b>				
Advertising	18,000.00	15,000.00	0.60%	0.54%
Bank Service Charges	20,000.00	15,000.00	0.67%	0.54%
Business Licenses and Permits	6,000.00	5,000.00	0.20%	0.18%
Computer and Internet Expenses	15,500.00	14,000.00	0.52%	0.51%
Meals and Entertainment	3,500.00	2,500.00	0.12%	0.09%
Miscellaneous Expense	2,200.00	1,265.00	0.07%	0.05%
Office Supplies	3,600.00	3,200.00	0.12%	0.12%
Professional Fees	8,000.00	7,500.00	0.27%	0.27%
Rent Expense	26,000.00	24,000.00	0.87%	0.87%
Telephone Expense	5,200.00	5,000.00	0.17%	0.18%
Utilities	7,400.00	7,200.00	0.25%	0.26%
<b>Total General /Administrative Expense</b>	<b>115,400.00</b>	<b>99,665.00</b>	<b>3.84%</b>	<b>3.60%</b>
<b>Total Expense</b>	<b>2,688,400.00</b>	<b>2,460,665.00</b>	<b>89.46%</b>	<b>88.83%</b>
<b>Net Ordinary Income</b>	<b>211,600.00</b>	<b>264,335.00</b>	<b>7.04%</b>	<b>9.54%</b>
<b>Net Income</b>	<b>211,600.00</b>	<b>264,335.00</b>	<b>7.04%</b>	<b>9.54%</b>

# PRESENTATION DIFFERENCES

Expense				
Advertising	18,000.00	15,000.00	0.60%	0.54%
Bank Service Charges	20,000.00	15,000.00	0.67%	0.54%
Business Licenses and Permits	6,000.00	5,000.00	0.20%	0.18%
Cleaner Wages	65,000.00	60,000.00	2.16%	2.17%
Computer and Internet Expenses	15,500.00	14,000.00	0.52%	0.51%
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Office Wages	210,000.00	200,000.00	6.99%	7.22%
Payroll Taxes	100,000.00	70,000.00	3.33%	2.53%
Professional Fees	8,000.00	7,500.00	0.27%	0.27%
Rent Expense	26,000.00	24,000.00	0.87%	0.87%
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Payroll & Related Expenses				
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# REGULAR REVIEW

## EFFECTIVE REVIEW

-  KEEP ACCOUNTING CURRENT
-  SET ASIDE A TIME WITHOUT DISTRACTIONS
-  INVESTIGATE UNEXPECTED BALANCES
-  DETERMINE IF CORRECTIVE ACTION IS NEEDED

# BUDGET COMPARISON

- 🚌 INCORPORATE BUDGETS INTO REVIEW:
  - 🚌 CREATE A BUDGET
  - 🚌 MAKE SURE IT IS A USABLE FORMAT
  - 🚌 COMPARE PERIODIC RESULTS WITH BUDGET TO MONITOR THE DEGREE OF SUCCESS TO REACHING GOALS
  - 🚌 DETERMINE IF CORRECTIVE ACTION NEEDS TO BE TAKEN

## II. PURCHASE PLANNING

- 🚌 LONG TERM PLAN
- 🚌 SHORT TERM PLAN
- 🚌 IMMEDIATE NEED
- 🚌 TAX SAVINGS
- 🚌 CASH FLOW CONSIDERATIONS
- 🚌 IMPACT OF PANIC PURCHASING

# LONG TERM PLAN (> 24 MONTHS)

- 🚌 OBSOLESCENCE
  - 🚌 HIGH MAINTENANCE COSTS
  - 🚌 EQUIPMENT WEAR
  - 🚌 POOR CURB APPEAL
  - 🚌 LACK OF DESIRED AMENITIES
  - 🚌 REGULATORY COMPLIANCE

# LONG TERM PLAN (>24 MONTHS)

- 🚌 PLANNED EXPANSION
  - 🚌 DEBT TO EQUITY DOWN
  - 🚌 LOANS PAID OFF
  - 🚌 CASH RESERVES ARE UP
  - 🚌 STABILITY ACHEIVED
  - 🚌 CASH FLOW PROJECTIONS ARE GOOD

# SHORT TERM PLAN(6-24 MONTHS)

## MARKET CHANGES

 COMPETITION

 POPULATION

 ECONOMY

# SHORT TERM PLAN(6-24 MONTHS)

## NEW BUSINESS

 EXISITING CLIENTS

 NEW CLIENTS

 ADDITIONAL OR NEW SERVICE

# SHORT TERM PLAN(6-24 MONTHS)

- 🚌 SHIFT IN CUSTOMER EXPECTATIONS
- 🚌 EXISTING EQUIPMENT ISSUES
  - 🚌 MODEL NOT PERFORMING WELL
  - 🚌 DEALER SUPPORT
  - 🚌 SUPPLY CHAIN DIFFICULTIES

# IMMEDIATE NEED (<6 MONTHS)

- 🚌 UNEXPECTED EXPANSION
  - 🚌 CONTRACT AWARDED UNEXPECTEDLY
  - 🚌 COMPETITION CLOSED ITS DOORS

# TAX SAVINGS

- ❏ IS NOT A REASON BY ITSELF TO BUY A BUS
- ❏ INCORPORATE YOUR PURCHASEING PLAN WITH YOUR TAX PLAN

# CASH FLOW CONSIDERATIONS

- 🚌 WHEN CONSIDERING NEW DEBT:
  - 🚌 DETERMINE CURRENT CASH FLOW NEEDED FOR EXISTING DEBT
  - 🚌 PROJECT CASH FLOW NEEDS OF NEW DEBT
  - 🚌 DETERMINE EXPECTED FUTURE CASH FLOWS
  - 🚌 DOES THE EXPECTED FUTURE CASH FLOW MEET OR EXCEED THE AMOUNTS PROJECTED?

# PANIC PURCHASE COMPLICATIONS

- 🚌 LIMITED CHOICES
- 🚌 FLEET INCONSISTENCIES
- 🚌 LIMITED PRICE NEGOTIATIONS
- 🚌 LIMITED CREDIT NEGOTIATIONS
- 🚌 STRESS

# III. TAX CHANGES

- ❏ DEPRECIATION OPTIONS FOR FEDERAL INCOME TAXES
  - ❏ MAXIMUM SECTION 179 INCREASED TO \$1 MILLION (PREVIOUSLY \$500,000)
  - ❏ SECTION 179 NOW APPLIES TO SOME RESIDENTIAL IMPROVEMENTS
  - ❏ INCREASED LUXURY AUTO DEPRECIATION LIMITS UP TO \$18,000 (PREVIOUSLY \$11,160)

# TAX CHANGES

- ❏ DEPRECIATION OPTIONS FOR FEDERAL INCOME TAXES (CONTINUED)
  - ❏ BONUS DEPRECIATION INCREASED TO 100% IN YEAR OF PURCHASE EFFECTIVE 9/27/17 (PREVIOUSLY 50%)
  - ❏ CAN OPT OUT OF 100% BONUS DEPRECIATION BY ASSET CLASS ONLY

# TAX CHANGES

- 🚌 LIKE KIND EXCHANGES ONLY APPLIES TO REAL PROPERTY IN 2018 (PREVIOUSLY COULD BE USED FOR EQUIPMENT)
- 🚌 CORPORATE FEDERAL TAX RATE IS NOW A FLAT 21% (PREVIOUSLY RANGE FROM 15% - 34%)
- 🚌 FLOW THROUGH INCOME MAY BE ELIGIBLE FOR A 20% BRAND NEW QUALIFIED BUSINESS INCOME DEDUCTION (APPLIES TO SOLE PROPRIETORSHIPS, PARTNERSHIPS, AND S CORPORATIONS)

# DISCUSSION

[TRACY@BUSBOOKS.CO](mailto:TRACY@BUSBOOKS.CO)

[PETER@BUSBOOKS.CO](mailto:PETER@BUSBOOKS.CO)

