

**An
Accountant's
Guide to
Clients & Profits[®]**

CLIENTS & PROFITS

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Clients & Profits has a ten-year track record of solving business problems for advertising agencies. The software has proven itself in thousands of agencies, of many sizes, since 1986. The system takes a workflow-based approach to agency management, integrating job-based production tracking with a traditional general ledger-based accounting system. This means an ad agency needs only one system to manage with production and accounting. Since everyone in the shop uses the same system, learning and using the software is easier. This makes Clients & Profits more productive than other systems, and provides a faster payoff to the agency.

IT'S A CRUEL IRONY THAT THE ADVERTISING BUSINESS FORCES CREATIVES AND ACCOUNTANTS TO WORK SIDE-BY-SIDE.

Accountants like control, analysis, and procedure.

Creatives like freedom, expression, and chaos.

Keeping accountants and creatives working together is one of the reasons agencies choose Clients & Profits.

This guide explains how Clients & Profits works from an accountant's point-of-view. It explains how the software balances the creative side and the business side of an advertising, making it an ideal management system for modern agencies.

Integrated, Multi-User, Cross-Platform

Clients & Profits is an integrated, multi-user, cross-platform agency management system designed especially for advertising agencies, graphic design firms, and in-house marcom departments. There are no complicated modules; it's a single software program that manages both production and accounting.

Clients & Profits is really two programs in one: a complete financial accounting system combined with a full-featured production management system. It completely handles the creative side of the agency, including estimating, traffic, and time tracking.

Not a Back-Office System

Unlike older systems, Clients & Profits is not a back office accounting program. Instead, it is designed to be used by everyone in the agency—from account executives to senior management. Clients & Profits is cross-platform, so anyone can share it whether they use Macs or PCs. This makes it easy to be used throughout the day, whenever people need timely, accurate information about clients, jobs, costs, and billings.



The Creative Side vs. The Business Side

In the mid-80s, few agencies had computerized accounting systems. The ones that did maybe used a basic accounting program like Peachtree, Back to Basics, or DAC Easy. But job tracking was done on paper, using job jackets that contained estimates, schedules, and production specs. The production department and the accounting department were worlds apart, and only exchanged information as needed.

Everyone Works With The Same Information

Clients & Profits changed all that. It was the first system designed for agencies who wanted to seamlessly integrate the work of creatives and accountants. It let everyone in the shop work from the same database of clients, jobs, costs, billing, and accounting information.

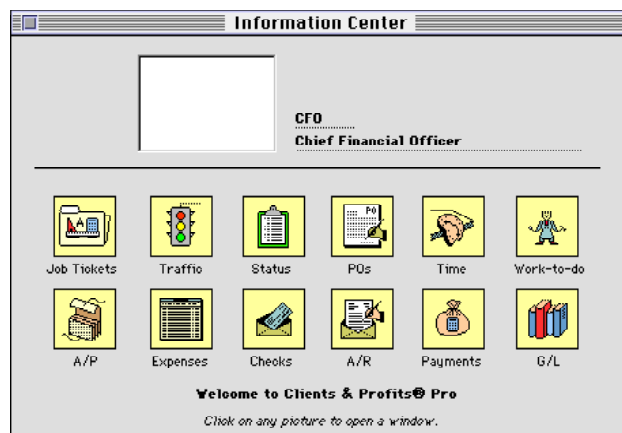
Clients & Profits lets anyone add jobs, write POs, review costs, and print job reports from their own desk. People enter information as it happens, and get the data they need by themselves. The accounting department still keeps the control they need, but is no longer the bottleneck for job summaries and progress reports.

So Clients & Profits revolutionizes the work flow in an ad agency. Since new jobs were opened, estimated, scheduled, and tracked on-line, anyone could look up jobs, costs, and billings with a click of their mouse.

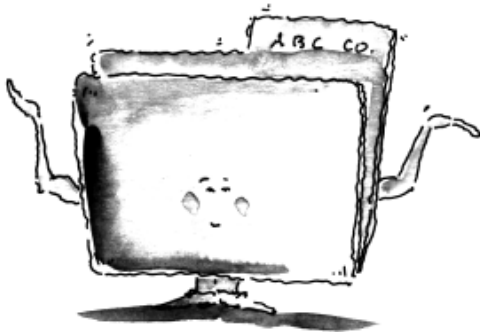
Reduces Miscommunication

Clients & Profits reduces expensive errors by preventing miscommunication in the first place. That's because when something changes, it's entered right into C&P—and not on a post-it note somewhere. Change orders, revised estimates, traffic reports—they're available on-line and in real-time.

Best of all, since production kept the job lists current, there is no double-entry for the accounting department.



Information, please. The innovative Information Center window provides visual shortcuts for both commonly-used production and accounting functions. To open a window, click on an icon.



The Job Ticket

Everything starts with the job ticket. It's an electronic job jacket that tracks specs, estimates, schedules, costs, time, and billings.

Jobs are usually opened by AEs or production managers, but can be opened by anyone.

Jobs are tracked by status, such as "new," "in production," "ready to bill," and "closed."

Once closed, jobs become the basis for profitability and productivity reports.

Each job has one or more tasks, which are used for estimating, traffic, costing, billing, and analysis. Each job task has a standard debit and credit G/L account (for job costs and income, respectively). These defaults automate your financial accounting as the job progresses.

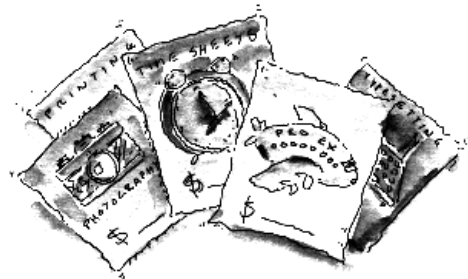
Purchase, Insertion Orders

When someone orders something, they'll add a purchase order. Each PO has a job number and task. Media orders work the same way. POs don't affect the General Ledger.



Time

Anyone who uses Clients & Profits can enter their hours worked using the built-in Time Card. Or, they can add a time sheet for the entire week. Time costs update job totals instantly. Time does not affect the General Ledger.



Accounts Payable, Check Writing

Every vendor invoice is added into Clients & Profits, including agency expenses. A/P and POs are self-reconciling; when you enter the invoice's PO number, the vendor, job number, task, and cost is copied automatically. (This means more accurate job costing.) A/P invoices debit job cost/WIP (or overhead expense) G/L accounts, while crediting a payables account.



Client Billing

Client billing is automatic: Jobs can be billed from estimates, work in progress, or at completion. Invoices can be made automatically based on the job's unbilled costs, including markups. Some or all tasks can appear on invoices, so billing is very flexible. Also, jobs can be billed any number of times. (Printed invoices look just like estimates, too.) Client invoices debit A/R and credit income G/L accounts.



General Ledger

Posting vendor invoices, checks, client invoices, and client payment payments creates journal entries in the General Ledger. (You can also make your own adjusting entries any time.) These journal entries update account totals in the Chart of Accounts. You'll see these totals summarized on the usual financial statements—trial balance, income statement (P&L), and balance sheet—as well as audit trials and G/L journals. With Clients & Profits, everything's integrated—so there's no double-entry or closing procedure to get today's financials.



Accounts Receivable, Client Payments

Client balances are updated instantly when invoices are posted, so you'll always have accurate, timely account totals. Unpaid invoices can be summarized on client statements, which can be printed any time during the month. You can also print invoice and account agings at any time, even if the month isn't closed.

When a client sends a check, the payment is applied to unpaid invoices automatically (oldest first, but you can adjust it). You can account for any discounts taken at the time the payment is entered, for flexibility. When a client payment is posted, it debit a cash account and credits A/R.

The World According To GAAP

Clients & Profits implements a user-based security system to keep sensitive data private. A user must enter their initials and a unique password to even open the database. Managers can limit a user's access to specific functions, such as Jobs but not the General Ledger. A user can be limited to posting only their own work, for example. There are dollar-based limits that keep people from writing POs for an excessive amount. In addition, there are alerts that prevent users from working on jobs that are over budget. These security options help keep expensive surprises under control.

Generally Accepted Accounting Principles (i.e., GAAP) are universally recognized standards for accounting procedures and reporting. GAAP ensures that your financial statements are consistent with those from other agencies in the ad industry. The financials printed from Clients & Profits are industry-standard, and easily read by CPAs, bankers, directors, and non-accountants as well.

One-Write, Double-Entry

Clients & Profits is a complete one-write, double-entry general ledger accounting system. Like other accounting programs, Clients & Profits uses debit and credit journal entries to record account activity. Since the General Ledger is an integral part of Clients & Profits, most of the system's journal entries are posted for you. The day-to-day work—vendor invoices, client billings, checks, and bank deposits—updates the General Ledger automatically.

This one-write capability means, for example, that an A/P invoice is entered only once, then Clients & Profits takes care of the rest: the invoice amount is posted to the job ticket, the vendor's balance, the purchase order (if one was used), and the General Ledger. There's no double-entry, so it's very easy to keep your financials current. Because everything's integrated, auditing is straightforward and thorough.

Everyday Accounting

In addition to its powerful job tracking abilities, Clients & Profits also handles ordinary, day-to-day accounting: deposits, bank reconciliation, bank transfers, cash management, vendor account histories, client account statements and inquiries, and more.



Passwords

Only registered users can open the C&P database. Each user has a unique password, which only managers can change.



An Advertising Agency-Tuned General Ledger

The Clients & Profits chart of accounts can contain hundreds of user-defined asset, liability, equity, income, cost, and expense accounts.

Flexible Account Numbering

Each account has a six-digit number. The account number, which has no strict format, identifies the account throughout Clients & Profits. Accounts can belong to sub-classes, which are used to make sub-totals on financial statements. The sub-class isn't literally part of the account number for flexibility; you can move accounts between sub-classes without making adjusting entries.

The roll-up option combines one or more accounts into another on financial statements, so that they appear as a single account. This option lets you selectively print detailed or consolidated financial statements, depending on the user's preference.

For larger agencies, Clients & Profits Pro supports different profit centers and department in the same database. Separate financial statements can be printed for each profit center, or combined into a single report.

Default Accounts, Accounting Periods

There are dozens of standard, or default, account settings. These default accounts are your most commonly-used accounts, such as Cash, A/R, A/P, etc. Clients & Profits copies these default account numbers during data enter, but users can always change them.

Clients & Profits Pro supports 24 open accounting periods—two complete fiscal years. Every entry gets the current accounting period

automatically, which can be changed. This means you can add invoice today for the next month or the previous month. Anyone can work in any accounting period, unless the period is locked. Period locking is a manager-level security option that prevents people from working in closed months.

Clients & Profits remembers who added every record. Users have the ability to proof and post their own work, which is useful if many people add vendor invoices, for example. Proof list show just-added

entries, complete with the debit and credit G/L account information. Jobs, vendors, clients, and the G/L are not updated until the entries are posted. Users can edit their entries until they are posted. A convenient "unpost" option lets users undo a posted entry, and makes automatic reversing entries.

Intelligent Error-Checking Saves Time

Clients & Profits checks user's work for errors interactively, so it's

harder for them to save mistakes (like an invalid vendor, incorrect job number, or a nonexistent task). Pop-up "lookup" lists show vendors, G/L accounts, and more while they're working; double-clicking on a record copies it to the user's entry.

The Suspense account ("999998") catches invalid G/L entries. Suspense totals stand out on financial reports, so data-entry errors are easy to find and correct. These bad entries can be moved into the correct accounts with a simple adjusting entry.

While Clients & Profits doesn't calculate or print payroll checks, it import payrolls entries from CheckMark Payroll. Entries from payroll services, like Paychex, are easily added as regular general journal entries.

Acct Number	Name/Description
600500.00	Salaries - Principals
600501.00	Salaries - LA
601000.00	Salaries - Staff
601002.00	Salaries - Art dept
601501.00	Bonuses - LA
602000.00	Social Security
602500.00	State/Federal Unemployment
603000.00	Workers Compensation



How Clients & Profits Tracks Costs & Billings

Clients & Profits was designed exclusively for creative businesses, so it speaks the language of advertising and design. It also tries make its accounting functions approachable to non-accountants. Some terms might be unfamiliar to accountants new to the advertising business:

Job Ticket An electronic job jacket.

Task A step to be completed on a job ticket, such as Artwork, Copywriting, Design, and Printing.

Project A set of related client jobs.

dGL A debit G/L number.

cGL A credit G/L number.

Billable A job cost that can be billed to a client.

Unbillable A job cost that can't be billed to a client.

Markup The percentage added to a job cost for the billing amount.

Commission The amount added to a job cost for which the client will be billed.

WIP Unbilled job costs ("work in progress")

Posting Posting is the process that makes invoices, checks, and payments permanent, updating jobs, vendors, clients, and the G/L.

Unposting A shortcut that creates undoes a posting, automatically creating reversing entries.

Clients & Profits is not a back-office accounting system. Instead, it's designed to be an integral part of the agency—something that's used throughout the day by everyone. It is a "real-time" system that requires no batch processing or closing to print reports. So the information people see is always up-to-the-minute accurate.

For these reasons Clients & Profits quickly becomes ubiquitous, letting users add, edit, and print the information they need. Because Clients & Profits is job-based, all costs and billings are tracked by job number. Every purchase order, vendor invoice, time entry, direct disbursement, and client billing is given a job number and task. This tells Clients & Profits which jobs and tasks to update.

The process begins when an account executive opens a new job ticket.

The Account Executive Opens A New Job

A new job ticket is broken down into tasks, such as Artwork, Design, Copywriting, and Printing. A job can have dozens of tasks, which can be added, edited, and removed quickly and easily. Once these tasks are estimated, the printed estimate is ok'd by the client. Now the real work begins:

Production people print their own purchase orders directly from Clients & Profits, which they can track on job summary reports. Jobs with estimates can be pre-billed, without rekeying, in only a few minutes. A job can be billed any time during its lifetime (and many times, too). So there's no need to wait until month-end to bill your clients.

Time keeping

Time keeping is key to Clients & Profits. Everyone in the shop can record their own hours either from time cards or time sheets. The pop-up time card lets people log their hours while they work (it even includes a built-in stopwatch). People who don't use Clients & Profits during the day can enter their time sheets at the end of the day or week. Time sheets don't create payroll entries, so you're free to track how time is really spent on client jobs and agency functions.

Each staff member has a standard cost and billing rate, as well as a set of special task or client billing rates. Later, productivity reports will summarize time by staff member, department, client, job, and task for any time period.

Purchase Orders

When purchase orders are added, their amounts update the job's "committed" balance. (Commitments aren't actual costs, so don't appear on cost reports or affect the General Ledger.) Instead, they are considered to be simply purchases you've committed to buying.

Purchase orders are automatically reconciled with vendor invoices. Invoices are entered daily as they arrive in the mail. When an invoice is added with a purchase order number, the job number, task, vendor, and amount is copied automatically—saving time, as well as making the data more accurate. If the invoice amount is for less than the purchase order, the PO will show an open balance on job reports. (This tells people that more invoices may arrive from the vendor, and can keep them from accidentally going over budget). If an invoice amount matches the purchase order, the PO is closed.

Accounts Payable

Vendor invoices can be distributed to dozens of jobs and tasks. Each invoice line has its own net amount, markup, gross ("billable") amount, and a debit G/L account number. The net amount is the actual cost; the client will be billed for the gross amount. The debit G/L is typically a job cost or WIP account. When an invoice is posted, its net and gross amounts update the job. Overhead invoices aren't billable, so only have a net amounts that are typically debited to overhead expense G/L accounts.

Check Writing

Paying off vendor invoices is very easy: write a check to a vendor, then Clients & Profits lists its unpaid invoices, oldest first. Certain invoices can be selected for payment to better manage cash flow. There's no double-entry; the check writes itself.

Checks can also be written for job costs, called direct disbursements. You'll give these checks a job number, task, net cost, markup, and gross amount just like vendor invoices. When direct disbursement checks are posted, the gross amount appears on the job tickets as an unbilled cost.

Accounts Receivable

Jobs can be billed from estimates, progressively for costs to date, or upon completion. Billing worksheets show job with unbilled costs, which are distributed to account executives who write in their billing changes. Once back in accounting, these worksheets are used to create invoices.

Client invoices can be created for all unbilled jobs automatically, or added one-by-one. The job's unbilled amounts are copied automatically, so it's difficult miss anything. (Billing Preview forms for new invoices are then given back to the AEs for final approval.) Invoices can be changed many times before finally being posted and printed. The printed invoice looks like the printed estimate for consistency.

When an A/R invoice is posted, its billing amounts are added to the job ticket. The unbilled cost total is reduced by the billing amount, proving that the job was billed. If a job was partially billed, the remaining unbilled amounts will appear on the next series of billing worksheets.

Accounting	
Purchase/Insertion Orders	⌘4
Accounts Payable	⌘5
Time Sheets	⌘6
Checkbook	⌘7
Expenses	⌘8
Accounts Receivable	⌘9
Client Payments	
Statements...	
General Ledger	
Job Cost Transfers	

The Accounting menu walks users through the standard accounting cycle for a job, from adding the first POs to auditing the journal entries posted from the client's payment.



Job Profitability vs. Financial Statements

Clients & Profits is really two accounting systems in one: a job-based system that looks at job billings and job costs, and a debit and credit-based system based on journal entries. They run in parallel and are seamlessly integrated. But they look at the numbers from different perspectives.

Tracking Job Performance -- Gross Profit

The job accounting system looks only at job activity: client billings, vendor buyouts, out-of-pocket costs, time, and cost transfers. It excels at showing "gross profit," or the profit before overhead. Overhead expenses aren't part of job profitability reports for a reason: it helps you know whether you're making money on the work you do.

Job profitability reports dig into great detail, analyzing gross profit by client, job, task, job type, AE/team, project, and more. You can look at job profit for any range of start dates, to really see which clients are the most valuable.

Clients & Profits lets you work in any accounting period—so it's easy to get billings and costs matched up in the same period.

Tracking Agency Performance -- Net Income

Financial statements, on the other hand, look at the big picture: how much money did the whole agency make for period, quarter, or fiscal year. These reports, such as the Income Statement and Balance Sheet, look at all activity, including payroll, office expenses, depreciation, and taxes. These reports show you the true bottom-line, for all jobs and all clients.

Companies with multiple offices (and Clients & Profits Pro) can print financial statements for each office, or profit center, as well as a consolidated report that combines all profit centers together.

In addition, it's easy to see net income by job and client with the Job Income Statement and Client Income Statement, which summarizes journal entries by job or by client.

A screenshot of a software window titled "Profitability Reports". The window has a "Print to:" dropdown menu set to "Screen". On the left side, there is a yellow vertical bar with the text "Print Reports:" followed by a list of options: "Job Profitability", "Client Profitability", "AE/Team", and "Misc". The main area of the window is titled "Print client profitability reports:" and contains several input fields and radio buttons. The "From" field is labeled "work date:" and has a date of "01/01/99". The "to" field has a date of "12/31/99". The "Production status:" field has a dropdown menu set to "1" and a "to:" field set to "999". Below these fields, there is a label "...and for client:" followed by the text "ALL". At the bottom, there is a "Print report:" section with four radio button options: "Gross Margin by Client" (which is selected), "Project Profitability", "Client vs. Client Gross Margin", and "Comparative Client Profitability". At the bottom right of the window, there are "Cancel" and "Print" buttons.

Did we make money? Job profitability reports analyze job billings, costs, and time in different ways. These reports can be printed by job, client, date, job type, AE, and more to give you many ways to evaluate your business.

Popular Accounting Reports

This table lists a sampling of useful accounting reports printed from Clients & Profits. You can see (and print) actual examples of these reports from the Clients & Profits web site: www.clientsandprofits.com/report-o-matic.html

Report Name	Description
Audit Trail	Audit trails show journal entries for a range of General Ledger accounts. They are typically used for auditing G/L account totals. The audit trail sub-totals journal entries by account number. Journal entries can be selected by date added or date posted, as well as for a specific accounting period. Since every journal entry can include a job number, vendor number, and client number, audit trails can be printed for any job, vendor, or client.
Journals	Journal reports show G/L activity for each of the five journals: Purchases (A/P), Sales (A/R), Cash Disbursements (from the Checkbook), Cash Receipts (from client payments), and the General Journal (your adjusting entries). Journal reports show entries grouped by reference number. Each transaction shows its complete set of debits and credits, in the order in which they were posted into the G/L. Journal reports can be printed for one journal or all journals, as well as by date added or date posted. Entries can also be selected for one accounting period.
Trial Balance	The Trial Balance shows each account's beginning, month-to-date, and ending balance for the accounting period. It can be printed for any period during the fiscal year, as well as any time during the current month. The trial balance displays all asset, liability, equity, income, cost, and expense accounts.
Detailed General Ledger	The Detailed G/L shows a month's journal entries sub-totaled by account. You'll see each account's beginning balance, then each debit and credit journal entry for the period, then the ending balance for the account.
Income Statement	The Income Statement shows the agency's income, job costs, expenses—and profit or loss. The AGI option shows agency expenses as percentage of gross income, not billings. The roll-up option combines like accounts together to create a simpler profit and loss statement.
Balance Sheet	The Balance Sheet shows the agency's assets, liabilities, and equity—your shop's net worth. The report can be printed daily to show your cash position, total client receivables, and total liabilities. Since these account totals are updated constantly, your Balance Sheet can be printed every day.
Budget vs. Actual	The Budget vs. Actual report compares your budgeted account totals with the period's actual totals. The Budget vs. Actual report can be printed for any accounting period. You'll see each account's variance amount and percentage difference.
YTD Trial Balance	The Year-to-date Trial Balance shows account totals for every period in the fiscal year. The report shows every asset, liability, equity, income, job cost, and expense account.
YTD General Ledger	The Year-to-date General Ledger shows the entire year's activity for every G/L account. For each account you'll see every debit and credit journal entry for the fiscal year.
Cash Flow	Cash flow reports show unpaid A/R and A/P invoices for a range of dates. These reports compare total planned vendor payments versus planned client payments, calculating a net cash position. These reports select invoices by pay date (i.e., the date on which the invoices are schedule to be paid). Cash flow reports can be printed for any week, month, or user-defined date range.

www.clientsandprofits.com



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