



# Better Agency Accounting Means You Know The Score

*By Mindy Williams*

**T**here's nothing worse than playing the game but not knowing the score. How can you measure your agency without knowing where it's been? How easy is it to compare financials? Not easy — but it should be!

How many different spreadsheets do you have tracking what's going on? Do you spend a lot of time updating them to reflect what's happened during the week? Or maybe you only manage to update your spreadsheets once a month, at the end of the month, so you can do the month-end close. That's really too late to respond to issues that needed addressing as they happened.

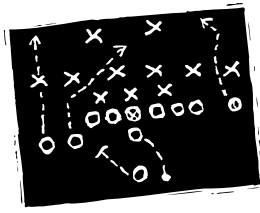
How can you be proactive with your spreadsheets in one place, General Ledger in another place, production people updating schedules in their own calendar software, and accounting people entering A/P and cutting checks from their bookkeeping software? Can't we all just get along ... together?




---

*Continued on the next page*

## KNOW THE SCORE



*Continued from previous page*

### Analysis and accountability—all in one

Whether you're still using a manual system or six different software to do the work of one, you know what you need. The answer is an integrated database; one software that seamlessly unites job accounting, analysis, and accountability with estimating, scheduling, and billing.

Where do these different elements combine to produce detailed and meaningful reporting for all departments? In only one software, Clients & Profits.

Clients & Profits software is designed to replace your existing accounting systems, including manual ones. It is a complete and sophisticated accounting software that does everything you need to do—whether you're the A/P clerk or the CFO.

Everyone shares the database from their own computer, which means Accounting can keep their PCs and Production can keep their Macs. It also means that AEs can look up costs on their own jobs and the owner can get the Cash Flash report every hour without having to track down the CFO or Traffic Manager.

### No more double-entry!

There's no double-entry of work in Clients & Profits, so there are no complicated modules to integrate, maintain, or

close. When job costs are entered into A/P and posted, those costs go everywhere they need to go. Automatically, they appear on the electronic job ticket capable of tracking every bit of accounting detail involved in developing jobs from start to finish.

At the same time, journal entries are made to the General Ledger. Outside costs are analyzed through the Purchases Journal. Those costs can be billed to your clients immediately. At any time, you can issue a check for their payment. All this activity generated from one quick and easy data entry transaction. (For overhead costs that are recurring, like loan payments, set them up once for the year, and they'll create themselves.)

### G/L detail instantly available for analysis

All transactions that post to the General Ledger show full debit-and-credit detail, and include the client, vendor, or job involved. Audit trails can be printed for any period, range of periods, and/or date range. This high level of detail and flexibility within the G/L makes analysis easier.

Don't worry about transactions posting in the wrong period; periods are easily locked preventing erroneous postings. And it's a user-defined fiscal year, too!

### Flexible, powerful reporting

Your chart of accounts and account numbers are completely customizable.



Poised for growth?

Then you'll need profit centers

Your shop may be small now—but it's not always going to be that way, is it? Or maybe you're already big. Whether you're ready for it now, or not until next year, profit centers are a way to track and analyze multiple office or division finances.

Clients & Profits can handle dozens of different profit centers. They are set up to track the finances of the shop's different businesses. Each profit center has its own special set of G/L accounts, which are entered on A/P invoices, checks, A/R invoices, client payments, and journal entries. Income statements, trial balances, balance sheets, and other financials can be printed for one or for all profit centers.

This ability lets you track the financial performance of different parts of your business without maintaining a separate set of books. Profit centers aren't required, and have no other affect on the General Ledger. Also:

- No one has to memorize profit centers. Since they're part of the Chart of Accounts, profit centers are updated automatically when a G/L account is selected. All you need to enter is the right account number.
- In C&P Pro, profit centers are integrated with jobs, tasks, staff members, and clients for better overall accountability.
- In C&P Pro, departmental G/L accounts can be set up and used within a profit center for better cost tracking and analysis.

*Continued on back page*

## WILD ABOUT WORK IN PROGRESS

By Brad Manning, CPA



Work in progress is the financial manager's way to balance out the peaks and valleys in a company's income statements by matching revenues generated with the associated outside costs.

Clients & Profits can help with this extremely important process. Clients & Profits is a flexible, powerful program giving users the ability to recognize income and job costs in a variety of ways.

When do most companies recognize revenue and work in progress costs? A recent review of publicly-held advertising agencies indicated that most advertising agencies will recognize revenue when it's billed, including media billings. The most common timeframes for issuing bills were...the presentation date for media billings, when costs are incurred for radio and television production, and when print production had

been completed. Now that we know when revenue is normally generated, how do we account for it?

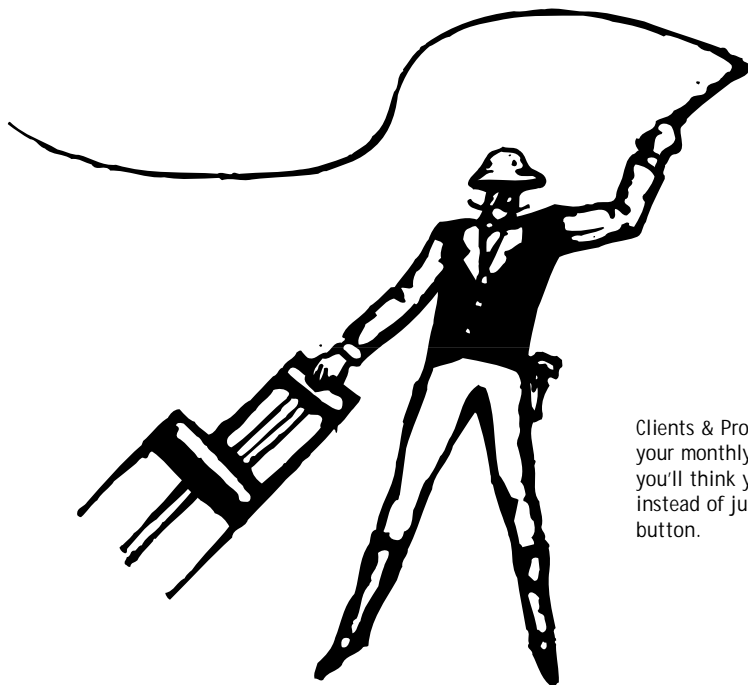
You can track WIP by job, task or individual cost, depending on the level of detail you want or need. Here's how it works: All costs when entered into Clients & Profits are given a cost status of Unbilled.

When you review the costs at the end of the month, you either create an accounts payable invoice which changes the cost from Unbilled to Billed (oldest cost first), or you leave the cost as Unbilled and it becomes a part of the work in progress month-end adjustment.

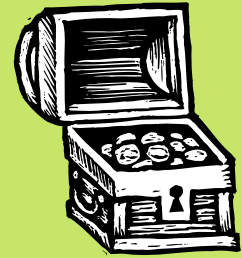
Once the job is ready to close, you can write-off all unbilled costs with the push of a single button.

---

*Brad Manning is a CPA and the president of Clients & Profits, Inc.*





Clients & Profits helps you tame your monthly WIP process so well, you'll think you cracked a whip—instead of just pushing a single button.





Accounting periods:  
They're locked, but you  
have the key


How do you control each transaction that affects your General Ledger? Stand over staffers as they do their work? Of course not!


 By locking all accounting periods except for the current one, you are assured that every item posted to the G/L goes exactly where it's supposed to go.

 Only with the right user access can accounting periods be unlocked.

 Your fiscal year begins in October? No problem! That's why accounting periods were invented. Regardless of when your fiscal year begins, C&P allows for user-definable accounting periods. (If you're on a calendar year, then January is your period 1.)

 Each transaction you enter gets both a date and a period. Some reports, like audit trails, look at both date and period; reports like financials only take period into account.

 Closing the month is as easy as changing the current period designation. There are no complicated steps to go through each month before you start to work on the next month or separate modules to reconcile before you can move to the next month.

 No more rushing to finish the current year's work or holding back entering next year's work in order to close the year. You continue to work as usual, so there's no falling behind in the new year. Close the year when you're ready to, whether it's one month, or even three months, into the new year.

# THE AGENCY SCORECARD

Two financial reports that keep you in the game

All financial statements are printed for one **accounting period** at a time, or for a selected quarter.

The income statement can be printed for one **profit center** at a time, or all profit centers to show consolidated results for the entire company.

Accounts are subtotaled by customizable **classes** and **subclasses**. Every G/L account will belong to a class (income, job costs, expenses for example), and subclasses provide a second level of grouping.

In the income statement, all **classes** are totaled for readability.

**Gross profit** shows your income less direct job costs. It's your gross margin, or the profit you've made before overhead expenses. Gross profit - overhead expenses = net income (not shown here).

08/04/96, 10:54 AM, Page

Supra Kit & Associates  
**Income Statement**  
 For accounting period 3 - March  
 Profit Center: ALL

|   | PERIOD TO DATE       |                | YEAR TO DATE         |
|---|----------------------|----------------|----------------------|
|   | Actual               | %              | Actual               |
| <b>Income</b>                           |                      |                |                      |
| <b>Taxable Sales</b>                    | \$ 95,680.36         | 51.13%         | \$ 494,449.31        |
| Income - Creative                       | \$ 25,688.45         | 13.73%         | \$ 53,772.44         |
| Income - Studio                         | \$ 7,753.27          | 4.14%          | \$ 7,753.27          |
| <b>Income - Output (Service Bureau)</b> | <b>\$ 129,122.08</b> | <b>69.00%</b>  | <b>\$ 555,975.02</b> |
| <b>Taxable Sales</b>                    |                      |                |                      |
| <b>Non-Taxable Sales</b>                | \$ 39,636.47         | 21.18%         | \$ 48,483.67         |
| Income - Media                          | \$ 18,263.55         | 9.76%          | \$ 18,263.55         |
| Income - Public Relations               | <b>\$ 57,900.02</b>  | <b>30.94%</b>  | <b>\$ 66,747.22</b>  |
| <b>Non-Taxable Sales</b>                |                      |                |                      |
| <b>Other</b>                            | \$ 102.64            | 0.05%          | \$ 212.24            |
| Interest Income                         |                      |                | \$ 23.61             |
| Fee Income                              | <b>\$ 102.64</b>     | <b>0.05%</b>   | <b>\$ 235.85</b>     |
| <b>Other</b>                            |                      |                | <b>\$ 622,958.00</b> |
| <b>TOTAL Income</b>                     | <b>\$ 187,124.74</b> | <b>100.00%</b> |                      |
| <b>Job Costs</b>                        |                      |                |                      |
| Print Media Costs                       | \$ 23,847.36         | 12.74%         | \$ 23,847.36         |
| Broadcast/Radio Media Costs             | \$ 10,132.93         | 5.42%          | \$ 12,433.00         |
| Direct Costs - Production               | \$ 2,140.50          | 1.14%          | \$ 11,860.00         |
| Direct Costs - Creative                 | \$ 6,063.98          | 3.24%          | \$ 14,580.00         |
| Direct Costs - Studio                   | \$ 7,323.37          | 3.91%          | \$ 31,000.00         |
| Direct Costs - Public Relations         | \$ 3,702.45          | 1.98%          | \$ 36,400.00         |
| Direct Costs - Output (Service Bureau)  | \$ 3,500.00          | 1.87%          | \$ 17,000.00         |
| Free-lancers                            |                      |                | \$ 20,000.00         |
| Illustration Buyouts                    | \$ 1,200.00          | 0.64%          | \$ 3,000.00          |
| Outside Services                        | \$ 32,220.67         | 17.22%         | \$ 32,000.00         |
| Web Programming                         | \$ 3,947.00          | 2.11%          | \$ 10,000.00         |
| Printing                                | \$ 8,371.00          | 4.47%          | \$ 20,000.00         |
| Copywriting                             | \$ 320.00            | 0.17%          | \$ 1,000.00          |
| Market Research/Focus Groups            | \$ 843.90            | 0.45%          | \$ 1,000.00          |
| Photography                             | \$ 3,573.08          | 1.91%          | \$ 1,000.00          |
| Programming & QA                        | \$ 561.80            | 0.30%          | \$ 1,000.00          |
| CD-ROM Mastering and Post-Production    | \$ 471.50            | 0.25%          | \$ 1,000.00          |
| Messengers                              | \$ 215.76            | 0.12%          | \$ 1,000.00          |
| Federal Express                         | \$ 2,604.13          | 1.39%          | \$ 1,000.00          |
| Billable Travel                         |                      |                | \$ 1,000.00          |
| Commissions                             |                      |                | \$ 1,000.00          |
| <b>TOTAL Job Costs</b>                  | <b>\$ 125,136.91</b> | <b>66.87%</b>  | <b>\$ 2,000.00</b>   |
| <b>GROSS PROFIT</b>                     | <b>\$ 61,987.83</b>  | <b>33.13%</b>  | <b>\$ 1,000.00</b>   |
| <b>Expenses</b>                         |                      |                |                      |
| A/P Discounts Taken                     | \$ -408.61           | -0.22%         | \$ 1,000.00          |
| Bank Charges & Fees                     | \$ 297.24            | 0.16%          | \$ 1,000.00          |

The income statement compares **period-to-date** balances with **year-to-date** totals, making it easier to see month-to-month trends in the business.

The % column shows each account's totals as a **percentage of total billings** or AGI (i.e., agency gross income), depending on which income statement you run. They make it easy to compare your company to others using industry standards. It's also a good way to compare from one year to another.

Unlike the income statement, the balance sheet is a snapshot of the company's **assets, liabilities, and equity** at any the end of any period. Balance sheets can be printed for any period or quarter. The comparative balance sheet compares balances for this year vs. last year.

The balance sheet is broken down into three categories; **assets** (what the company owns), **liabilities** (what the company owes to others), and **equity** (the owner's worth). The difference between assets and liabilities and the book value of the company is the **net worth**.

**Current assets** is the subclass of assets the company expects to turn into cash in one operating year. Normal accounts you would see in current assets are *Cash, Accounts Receivable, Work in Process and Prepaid Expenses*.

**Long term assets** are generally equipment, property, and investments are not to be converted into cash during a 12-month period.

**Current liabilities** are most likely to be paid during the next fiscal year, such as *A/P, Accrued Expenses, Accrued Taxes, and Customer Deposits*.

|         |
|---------|
| 79.37%  |
| 8.63%   |
| 1.24%   |
| 89.25%  |
| 7.78%   |
| 2.93%   |
| 10.71%  |
| 0.03%   |
| 0.00%   |
| 0.04%   |
| 100.00% |
| 3.83%   |
| 2.00%   |
| 1.91%   |
| 2.34%   |
| 0.05%   |
| 1.05%   |
| 1.22%   |
| 5.85%   |
| 2.85%   |
| 3.31%   |
| 0.55%   |
| 5.20%   |
| 1.73%   |
| 3.37%   |
| 0.59%   |
| 1.83%   |
| 0.78%   |
| 0.25%   |
| 0.16%   |
| 1.39%   |
| 6.70%   |
| 46.95%  |
| 53.05%  |
| -0.07%  |
| 0.05%   |

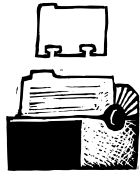
08/20/98, 10:14 AM, Page 1

Clients & Profits Sample DATA  
**Balance Sheet**  
 For period 3 - March  
 Profit Center: ALL

| ASSETS                              |                        |
|-------------------------------------|------------------------|
| <b>Current Assets:</b>              |                        |
| Petty Cash                          | \$ 500.00              |
| Cash - Bank of America              | \$ 183,081.36          |
| Accounts Receivable - Production    | \$ 372,885.74          |
| Accounts Receivable - Media         | \$ 97,464.38           |
| Work In Process                     | \$ 301,906.20          |
| <b>Total Current Assets:</b>        | <b>\$ 955,837.68</b>   |
| <b>Long-Term Assets:</b>            |                        |
| Notes Receivable                    | \$ 2,235.00            |
| Amortized Supplies                  | \$ 4,281.44            |
| Amortized Professional Fees         | \$ 1,287.48            |
| Amortized Prop. Insurance           | \$ 1,434.34            |
| Furniture & Fixtures                | \$ 48,006.86           |
| Office Equipment                    | \$ 62,543.88           |
| Automobiles                         | \$ 49,550.26           |
| Computer Equipment                  | \$ 193,700.59          |
| Office Equipment                    | \$ 9,469.70            |
| Leases - Nortel Meriden             | \$ 9,722.86            |
| Accum Dep - Furn & Fixt             | \$ -31,995.86          |
| Accum Dep - Automobiles             | \$ -10,132.09          |
| Accum Dep - Computers               | \$ -81,189.21          |
| Accum Dep - Office Equip            | \$ -20,692.38          |
| Security Deposits                   | \$ 16,597.50           |
| Notes Rec - Officers                | \$ 19,131.48           |
| <b>Total Long-Term Assets:</b>      | <b>\$ 273,951.85</b>   |
| <b>TOTAL ASSETS</b>                 | <b>\$ 1,229,789.53</b> |
| <b>LIABILITIES AND EQUITY</b>       |                        |
| <b>Current Liabilities:</b>         |                        |
| Accounts Payable - Production       | \$ 342,560.19          |
| Sales Tax Payable                   | \$ 9,474.04            |
| Client Deposits/Advances/Retainers  | \$ 157,047.87          |
| Media Payables                      | \$ 35,823.20           |
| <b>Total Current Liabilities:</b>   | <b>\$ 544,905.30</b>   |
| <b>Long-Term Liabilities:</b>       |                        |
| Note Payable - Bank of America      | \$ 136,000.00          |
| Unearned Rent                       | \$ 9,560.16            |
| Deferred Taxes                      | \$ 123,067.00          |
| <b>Total Long-Term Liabilities:</b> | <b>\$ 268,627.16</b>   |
| <b>Equity:</b>                      |                        |
| Common Stock                        | \$ 25,000.00           |
| Paid-in Capital                     | \$ 31,570.54           |
| Retained Earnings                   | \$ 333,705.17          |
| Suspense                            | \$ -17,911.78          |
| Current Earnings - 1998             | \$ 43,893.14           |

**Retained Earnings** is the cumulative amount of net income the company's earned over it's corporate life less any dividends paid.

## ACCOUNTING QUESTIONS AND ANSWERS



### Q. What happens at year end?

Many things happen at year end; most of them are automatic once the year-end process is begun. Since Clients & Profits supports accounting periods past your current fiscal year, there is no real sense of urgency about year-end closing. Data for the new year can be kept separate from the year to be closed. From the General Ledger window, choose Edit > G/L Tools > Close Year. It'll prompt you for your Retained Earnings account, then start closing the fiscal year. From that point on, it's automatic. It can take several hours, so don't close the year while others need C&P. You'll be notified when the Close Year tool has finished.

### Q. Can I delete a G/L account anytime during the year?

Not if there is any activity in the current year for the G/L account. Even if you create a journal entry to transfer the complete balance from the account, you must wait until you close the current fiscal year.

### Q. What's an easy way to duplicate a routine set of journal entries?

You have two options. Existing journal entries can be cloned (i.e., copied) as many times as needed. Or you can create new journal entries as recurring entries. This allows you to set up a schedule by which duplicate journal entries will be posted in future periods.

### Q. What's an autoreversing entry?

If you choose this option when adding journal entries, then automatic reversing debit and credit entries are made into the next accounting period. This is particularly useful for entries like month-end accruals.

### Q. How do I track vendors that need to be reported on 1099s?

Year-end 1099 reports and forms are printed using vendor information entered onto the year's checks, including the vendor's tax ID number. For a one-time vendor, an individual check can also be designated as 1099-able. You can type the vendor ID number right onto the check.

### Q. I'm looking for a specific journal entry. What's the easiest way to find it?

Finding journal entries has never been easier! You can find them using any part of their reference number. Don't know the reference number? Then find by a range of dollar amounts, dates, or account numbers.

### Q. We try not to pay vendors until clients have paid. Can Clients & Profits help us?

In Clients & Profits, you can select only the A/P invoices that have been billed to a client and the client's payment has been received. This option is available only when autopaying A/P invoices.

**Closing the year is virtually automatic:**

**"Since Clients & Profits supports accounting periods past your current fiscal year, there is no real sense of urgency about year-end closing."**

**Data for the new year can be kept separate from the year to be closed."**



## GUARANTEED GREAT IDEAS!

Six Accounting Tips from  
Rebecca Cox, C&P expert trainer

Rebecca Cox has trained hundreds of Clients & Profits users since joining the company in 1991. Here are her best accounting tips:

Always print proof lists: "Sure, you work carefully. But sometimes mistakes happen. Checking proof lists before posting gives you a chance to catch and correct mistakes before they affect the jobs, clients, the G/L, etc.—which are time-consuming to undo."

Check your trial balance every day: "The trial balance provides an immediate overview of account balances. It's very easy to run, and takes only seconds. Be sure to review key accounts like cash, A/P, A/R, income, and job costs for any balances that just don't look right."

Lock accounting periods: "It's a good idea to lock all accounting periods, except for the current period, to keep people from working in prior months that are closed."

Don't ignore accounting problems: "Accounting problems just don't go away—they usually reappear when you have the least time to fix them, like at year-end. So use the G/L tools provided by C&P, like the Auditor, to find and fix problems when they occur."

Reconcile bank accounts monthly: "As an accountant, it's your duty to watch the cash. That's why it's vital that every bank account is reconciled with bank statements every month. With Clients & Profits, it's easy and relatively fast, since everything is reconciled online."

While you're at it, reconcile agings with the balance sheet: "The totals from the A/P and A/R agings must match the A/P and A/R control accounts in the General Ledger—if not, use the Auditor tool to find the data-entry errors and fix them."



## THE DAILY CASH FLASH IS A CONTROLLER'S BEST FRIEND

By Rhonda Brazelton

Cash is the lifeblood that keeps the doors open and business operating. And it's also the hardest asset to hold. Every advertising agency controller knows the delicate balancing act that goes on between paying vendors and employees, and keeping enough cash to meet current overhead requirements. In Clients & Profits, the Daily Cash Flash helps you meet the needs and challenges of managing the shop's most liquid asset.

The Daily Cash Flash is a Snapshot report (choose Snapshots > Cash Flash) that's designed to provide the agency controller, bookkeeper and agency owner a single report indicating the company's liquidity at any time. In less than a minute, you can know your cash balance, A/R (client) totals aging, A/P (vendor) total agings, and the total of deposits made into and checks written from Clients & Profits for a single day.

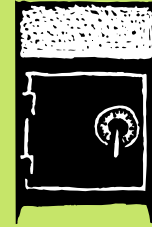
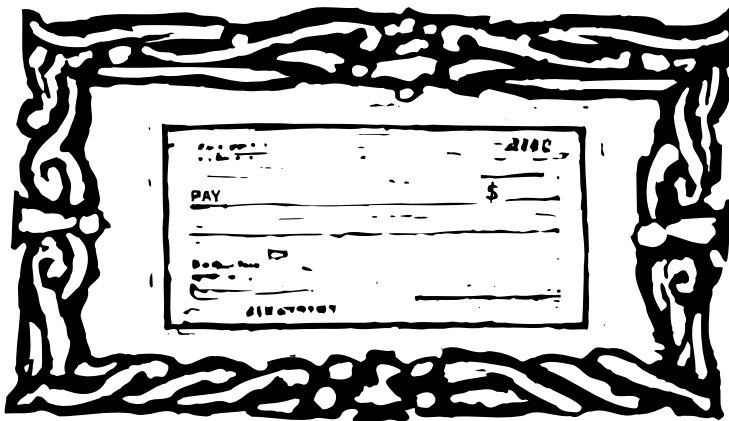
Better yet, Clients & Profits can send the Daily Cash Flash automatically to the agency president's e-mail account as many times a day as he or she wishes to see it.

The Daily Cash Flash is more than just an historical reporting tool. It's also a planning tool. One of the Cash Flash reports shows what's due from clients and vendors based on the due dates from A/R and A/P invoices.

All of this information comes together on the report called the Daily Cash Flash. Since the information for the Daily Cash Flash is drawn from several different parts of Clients & Profits, there are a few procedures you need to make sure are in place to keep the information provided as accurate as possible. On a monthly basis, be sure to reconcile all of your bank accounts in Clients & Profits to your bank statements, as well as reconcile the vendor and client aging balances to their respective A/P and A/R accounts in the General Ledger. If you have questions on how to do this, you'll find step-by-step instructions on the Clients & Profits web site: [www.clientsandprofits.com/support/FAQ\\_tech\\_index.html](http://www.clientsandprofits.com/support/FAQ_tech_index.html).

---

*Rhonda Brazelton is the lead programmer for Clients & Profits.*



### Stopping Curious Eyes, Prying Minds, & Possible Spies

Spies? Well, your shop probably doesn't have spies. But every business has its share of nosy staffers who want to know the shop's numbers. Or who just want to do things they're not authorized to do. That's why security is a big part of Clients & Profits.

First of all, no one can open the C&P database without being an authorized user. That's why Clients & Profits makes everyone "log on" by entering their initials and a unique password. The things they can do in C&P are controlled by user ID, which contains their access privileges (and are set by the Clients & Profits system manager). These privileges define what menus they can choose, what kinds of entries they can make, and what kinds of reports they can print. Some user-defined privileges include:

- Every user has custom access privileges to menu commands, jobs, job costs, and accounting functions.
- A user can be limited to posting only their own work. Also, a user can be prevented from unposting so that errors have to be brought to management's attention and not hidden.
- A user can be restricted to only selecting tasks from a job ticket, so that new tasks can't be added to it on the spot.
- A user can be limited to using only the default G/L accounts, which are copied from Preferences as well as job tasks. This helps prevent miscoded journal entries.
- In Clients & Profits Pro, a user's access and their password can be set to expire at a certain date. This is an ideal option for part-timers, temps, and freelancers.

## BETTER AGENCY ACCOUNTING (con't)



*Continued from page 2*

Organize your accounts into customizable classes and subclasses to give financials the exact look you desire.

Profit centers are an important tool to track and analyze each division's or multiple offices' finances, as each one can have its own chart of accounts. Financial statements can be printed for one or all profit centers. Analyze profit and loss using both AGI and standard income statements. Use account budgets to help stay within your business plan.

It's easy to print client and vendor agings for any period in the current fiscal year at

any time. No more holding off working into the next period or backing out invoices and payments in order to get a clean aging.

### G/L tools help you work smarter

When it's time to do some detective work due to inevitable data entry problems or system crashes, wouldn't it be great if your General Ledger would help out? Kind of like having someone "on the inside."

With Clients & Profits, you have "someone on the inside"— G/L Tools! Tools like the Auditor that save you from having to print and analyze hundreds of pages of reports to find accounting problems. The Out of Balance Checker quickly finds any unbalanced journal entries. Your General Ledger was never this nice, or smart, before.

### Knowing the score means playing the game better

Crunching numbers alone isn't enough. You need reports that combine and interpret your financial information. Comparative

balance sheets and income statements are just two of many reports that provide insight into where your shop is going compared to where it has been. With this kind of critical information, you have the equipment necessary to score and win in the agency business game!

---

*Mindy Williams is a senior member of the Clients & Profits Helpdesk. She co-teaches the new-user training classes and edits the quarterly newsletters.*

CLIENTS & PROFITS is job production and accounting software designed especially for creative businesses. Since 1986, more advertising agencies have chosen Clients & Profits over any other agency management software for Macintosh and Windows. Over 1,700 ad agencies, graphic design firms, and corporate marketing departments use Clients & Profits to track jobs, costs, and billings every day. For more information, send email to [info@clientsandprofits.com](mailto:info@clientsandprofits.com).

### Clients & Profits, Inc.

*The Triangle Building*  
4755 Oceanside Blvd., Suite 200  
Oceanside, CA 92056 USA  
(760) 945-4334

|   |
|---|
| BULK RATE<br>U.S. POSTAGE<br><b>PAID</b><br>Permit 751<br>San Diego, CA |
|---|



[www.clientsandprofits.com](http://www.clientsandprofits.com)

**Attn: Accounting Manager**

