

****Forward to your Advantage System Administrator****



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Newsletter
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CHANGING TO EMAIL

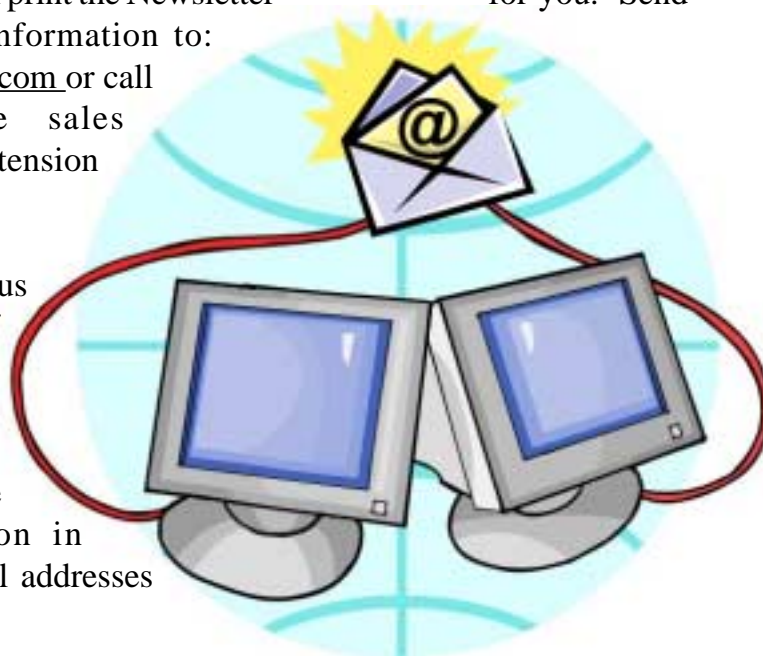
This is the electronic age and we are moving forward for easier and faster communications with our customers. First, there was mail delivered by the post office; then came the fax machine; NOW there is e-mail. E-mail comes in colors....e-mail text is never hard to read....e-mail comes directly to your computer, no lost faxes.

The Advantage Newsletters are now being e-mailed to our customers. If you have an e-mail address, please let us know what it is. In the near future we will discontinue faxing the Newsletters and will only e-mail them.

If you have not been receiving the Newsletter at your e-mail address for the last two months, please contact us as soon as possible. We will update our records to include you. If you do not have an e-mail address at your company, we recommend using the personal e-mail address of someone who will print the Newsletter for you. Send

current e-mail information to:
gdcuke@abcsinc.com or call
the Advantage sales
department at extension
216 or 242.

It is important to us that we keep all of our customers informed. You are important to us. We appreciate your cooperation in getting our e-mail addresses current.



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October 2003



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Have You Heard About Document Imaging.....

Advantage has added a new Document Imaging package to our software. This is not third party software. It's a new package that is integrated into all of the modules. It has the look and feel of the rest of your existing ABCS software. That means there is no third party software to learn and work with. The consistency you have grown to expect is employed in Document Imaging.

The Advantage Document Imaging software integrates with Point-of-sale invoicing, Accounts Payable voucher entry, Purchase order entry and receiving, payment posting, and many other facets of your Advantage software. A few quick key strokes scans your original documents and stores them for future reference.



Every time a document is scanned, the system

creates an Imaging detail record. These records can be searched by folder, period, image number and keyword in the description field. You can quickly locate the correct detail record, and the image viewer allows you to see the saved document.



Use the Imaging software to scan signed invoice-copies. When it's statement time, these signed invoice copies are printed and included with the statement. Multiple invoice copies can be printed

on one page. It is your choice how many you want on a page.

Would you like a paperless office? Are you tired of digging through filing cabinets? No more wondering, "Where is it," when you need it. The Document Imaging software gives you easily reprintable images that are as good as the original.

So call your Advantage Business Computer Systems, Inc. sales representative today for more information on the Imaging software, or call (800)-991-SAVE and just say "Imaging!"

~Imaging: A Great Tool -

Imaging can improve document storage and handling

~Preparing For Year-end -

Follow these steps to get your data ready for year-end closing

~Why Is The Inventory Out Of Balance? -

Are these problems in your company?

~How Do I.....? -

The How To Reference files are a great source of information.



Good bookkeeping practices dictate that all of the procedures listed below be done throughout the year, not just at year-end. The fiscal or calendar year-end, however, demands that reconciliation be done to allow proper accounting for tax purposes.

Attempting to reconcile these files once or twice a year creates an unnecessary burden on all involved. Problems resulting from improper procedures or configurations can more easily be dealt with on a day-to-day basis. The time saved in not reconciling in a timely manner most likely will result in many more hours spent manually reconciling errors.

ACCOUNTS PAYABLE

Clean up vouchers: Follow-up with vendors regarding any open credit vouchers not yet issued by them. Print Accounts Payable> Report menu> Voucher listing for open vouchers only and review each invoice. Void invalid vouchers. Check with your CPA regarding the significance of voiding vouchers from prior periods.

Clean up voucher distributions: Print Accounts Payable> Report menu> Accounts Payable G/L distribution or Voucher listing with a G/L summary to confirm distribution of expenses.

Balance the A/P aging report by fiscal period to the Accounts Payable G/L account: See Accounts Payable> How to reference files> A/P totals report for instructions on how to balance Accounts Payable on a daily basis. Also see the General Ledger> How to reference files> Balancing the A/P to the G/L for specific instructions and tips for manually balancing.

Reconcile bank statements to the G/L: Either use the Check reconciliation program or manually balance bank accounts to their respective General Ledger accounts. See the Accounts Payable> How to reference files> Check reconciliation for specific instructions on using the Check reconciliation program.

Confirm 1099 miscellaneous vendors tax information: Contact your CPA for specifics about reporting 1099 miscellaneous income, if you are unfamiliar with the process.

- a) Send out W-9's to 1099 miscellaneous vendors, if not on record.
- b) Confirm addresses, corporate status, YTD payments, etc.

ACCOUNTS RECEIVABLE

Clean up customer accounts: Look for unapplied credits and open credit invoices.

Charge-off bad debt accounts: Determine if any account balances are uncollectible. Print an Accounts Receivable> Report menu> A/R aged trial balance to evaluate accounts with severe past due balances. See the Accounts Receivable> How to reference files> A/R charge off customers for more information on charging off customers. Remember to follow consistent practices when charging off customers.

Balance the A/R aged trial balance report to the Accounts Receivable G/L account: See Accounts Receivable> How to reference file> A/R daily balancing procedure for information about using the A/R totals report to balance. Also read the General Ledger> How to reference files> Balancing the A/R to the G/L for specific instructions and tips for manually balancing.

Clean up customer job accounts: Close and/or delete completed customer job accounts to reduce confusion regarding valid or invalid job accounts. The A/R detail or ability to reprint invoices will still be available after deleting the job account.

GENERAL LEDGER

Balance each G/L account to its corresponding subledger or detail: Critically analyzing the YTD activity within each G/L account against an appropriate audit trail will confirm data accuracy. The key to this process is to determine the appropriate audit trail. For instance, a liability account on a vehicle note payable needs a loan amortization schedule to provide an audit trail. The schedule shows the amount of the principal versus the interest paid in each payment and the remaining loan balance. Contact your CPA for assistance in determining the appropriate audit trail for each account. Some examples of common audit trails for basic accounts are as follows:

- Accounts Receivable: Current Accounts Receivable> Report menu> A/R aged trial balance after all G/L entries are posted and no users are on the system.
- Accounts Payable: The Accounts Payable> Report menu> A/P aging report by fiscal period after all G/L batches are posted and no users are on the system.
- Inventory: The Inventory Control> Report menu> Balance to G/L reports> Valuation and gross margin report run with average cost for all items after all G/L batches are posted and no users are on the

GENERAL LEDGER

system.

- Sales: The combined total of each month's Point-of-sale> Report menu> Sales register reports> Sales register report...maybe. This works if there are no entries posted to the sales account(s) from any other source than POS. This can be confirmed by running the General Ledger> Report menu> Account detail listing for the sales account(s) and verifying that no other source codes appear besides POENTRY.
- Cost of Sales: Certainly POS is posting to this account, but so are many other sources. Inventory adjustments, physical count variances, and PO adjustments may also be posting to this account. It would be difficult to find any one source for an audit trail. Printing the General Ledger> Report menu> Account detail listing for the Cost of Sales account(s) and confirming the source of the entries would provide various audit trails to consider.

INVENTORY

Clean up any open inventory transfers: Open or invalid transfers should be received or cancelled, which ever is appropriate. Print the Purchasing> Report menu> Report inventory open or closed transfers to review each transfer's status. Any shipped transfers should be received prior to the end of any period. Invalid transfers should be cancelled in each store prior to the end of any period.

Conduct a physical count: A physical count with the store closed is the most accurate method for an inventory count. Inaccurate counts make it impossible to establish a meaningful inventory value. See the Inventory Control> How to reference files> Inventory count procedures documents for specific instructions.

Balance the Inventory value to the G/L inventory account(s): Print the Inventory Control> Report menu> Balance to G/L reports> Valuation and gross margin report and see the General Ledger> How to reference files> Balancing the Inventory value to the G/L for specific balancing instructions.

PAYROLL

Confirm payroll tax liabilities for the year-end: Review the total tax liabilities collected this year versus the total tax deposited and/or to be deposited. This should be done when each quarter's reports are completed, but a combined YTD reconciliation is good bookkeeping practice to confirm the year's activity prior to producing the last quarterlies and W-2's.

Confirm YTD earnings information: When balancing payroll YTD information, remember that the system has calculated various pay types based on the deductions and what they were or were not "subject to" at the time of the pay check. Inconsistencies are typically the result of the deduction being setup incorrectly and then altered after checks had already been posted. In the case of withholding taxes or deductions that are not subject to tax, errors found may require that corrections be made in the affected quarter's tax deposits and quarterlies. Check detail cannot be changed.

*****NOTE: As of version 212.097 of the software, corrections can no longer be made through the employee maintenance record and be reflected on W-2's.**

Maintenance changes made during the year on the employee earnings and taxes screen will NOT be reflected on W-2's. Corrections must be made on an actual subsequent check by reversing the erroneous deduction with amount and tax "subject to" settings being exactly the same, and on the same check enter a correct deduction for the amount and "subject to" tax settings. This puts all corrections on the actual check detail records that are used for W-2's.

- Print the Wage and tax report:* Print it by [C]heck history for each employee. If you have not been on the system the entire year, you should have entered the amounts from the previous system in an initial check run and balanced to your previous system at that time. Further information can be found in Payroll> How to reference files> Entering beginning payroll checks.
- Use the Federal/state tax report to balance the FICA/Medicare YTD wages and withholdings:* This is a place where the deduction "subject to" fields will greatly influence the YTD accuracy of these types of earnings. Printing the Deduction history report in detail will show you the status of a deduction at the time the check was printed. Check history cannot be edited. For all withholding taxes, check history provides the audit trail for what was actually calculated when the check was written. If you have discrepancies due to improper setup or need assistance with deduction setup and calculating FICA/Medicare YTD wages, contact your CPA for assistance in these accounting issues. Corrections must be made as outlined above on a subsequent check run.
- Print the Local Tax report for YTD local tax liabilities.* The same rules apply as in section (b) above.

Year-End Preparations

PAYROLL

- d) **Print the Quarterly federal/state unemployment report and balance to the YTD FUTA/SUTA earnings.** This is another place where the deduction “subject to” fields will greatly influence the YTD accuracy of these types of earnings. Printing the Deduction history report in detail shows the status of a deduction at the time the check was printed. If errors are found, make manual corrections on the reports. Since these reports do not affect any withholding from employees but only confirm any tax liability the company has, manual changes can be documented for audit trail purposes. Confirm that the deductions are properly setup for the next year to avoid the same issue in the future. Please contact your CPA for accounting assistance in combining figures from changes or from your prior system and those on the Advantage System.
- e) **Print the Worker's compensation report for YTD compensation earnings.** The YTD accuracy of these types of earnings will be based on the configuration setup under Payroll> Maintenance Menu> Worker's compensation codes from the beginning of the calendar year. If the fields were not setup properly or added later in the year, the system cannot calculate accurately. This report was designed to provide the data needed to calculate worker's compensation. It may not actually calculate the liability based on your state's requirements, as every state has its own regulations. Please contact your CPA for accounting assistance in making any needed adjustments, or instructions on how to calculate your liability.
- f) **401K/125 Plan deductions are setup as Payroll> Maintenance menu> Standard deductions:** Again, deductions that did not have their “subject to” flags set properly in the beginning have created inaccurate taxable and nontaxable earnings. If this is the case, contact your CPA to determine tax deposits and amendments that may be needed. Check detail cannot be changed. Instructions for corrections are the same as section (b) above.
- g) **Adding fringe benefits to employee earnings:** This must be done on an actual check run to be reflected on W-2's. Earnings, such as car allowances, noncash benefits, etc. must be reported as additional income on the W-2. Confirm with your CPA the amounts and whether they are taxable, placement and qualifications for these types of earnings. These can be added to an actual check run in the last month of the year, quarter or in each month as your CPA dictates. This will have to be added to a regular payroll check where the check amount is greater than the additional taxes for the fringe benefits. Use the “Other wages” code in payroll check entry to add the amount of the benefit to the employee's check. Then add the same amount as an offsetting deduction using a standard deduction where the “subject to” flags are set so that the deduction will be taxed properly. This makes the effect of the fringe benefit zero and only adds the taxes for the benefit to the check withholdings. If the tax amount of the fringe benefit is large, it may have to be split over several checks since you cannot create a zero or negative check for the employee. Practice this in a play area to confirm the net effect of the procedure.

Update current and former employee records in preparation for W-2's: Mark all terminated employees as such. Have employees verify that their social security numbers and addresses are correct.

POINT-OF-SALE

Clean up open sales orders: Invalid sales orders that will never ship should be cancelled so that tools, such as the Sales order status report will not be cluttered. Print this report in detail and evaluate each order to confirm it is still a valid open order.

Review quotes and estimates: After quotes and estimates have passed their expiration date, they will archive to history and, therefore, should not be causing a problem. However, if the sales rep entered an extended time period on the quote or estimate, it may cause unexpected pricing issues. Print the Multiple quote/estimate listing to review open quotes or estimates. To cancel an order, quote, or estimate, bring it up at POS, go to the Print options on the last screen and choose the “Cancel” option.

PURCHASING

Clean up open purchase orders or backorders: Verify the status of all open purchase orders. Valid “on order” quantities will enhance the accuracy of purchase reporting and decision making for stocking needs. Print the Open purchase orders report and verify the status of each open purchase order. To cancel invalid purchase orders and backorders, use the [F2] update order option to edit the PO. Go to the item entry screen and press the [F10] key to open the Save options menu. Choose “Cancel this purchase order.”

Receive all delivered purchase orders prior to the close of any period: Completing the receiving process before each month end is required for accurate inventory values and cost accruing.

The Top Ten Reasons Why Your Inventory Is Out Of Balance

10. *The wrong item quantities received on the PO*
9. *Inventory counts not done accurately*
8. *On-hand quantity, average cost, stocking unit or pricing unit changed in Inventory item maintenance*
7. *Improper or no corrections made when there are differences between the receiver and the vendor's invoice*
6. *Re-receiving the PO after items on the PO have been sold*
5. *Inventory adjustments made incorrectly or not made*
4. *Manufactured items, damaged, defective or in-house used items not processed through the system*
3. *Selling items before they have been processed through a receiver*
2. *Generic items sold on invoices*
1. *Items inadequately labeled or priced, no barcodes, no sticker, which results in wrong items being sold on invoices.*

Keeping the inventory valuation accurate and in balance with the General Ledger inventory account is an every day task. With inventory, mistakes can create a cascade effect when trying to balance the inventory. If the purchasing agent does not enter the correct item prices in the purchase order, the items will likely be received at the wrong cost, which will affect the average cost. It can then affect the selling price also. As the item is sold, the cost being recorded is wrong and margins will probably not be correct.

When the vendor's invoice does not agree with the voucher, the way it is corrected also determines if the inventory goes out of balance. See the Accounts Payable> How to reference files document "Correcting invoice/voucher differences" to review the proper method for correcting invoice and voucher differences.

If the items on the shelves are not properly identified with priced stickers or barcodes, sales reps are left to their own devices to determine which item in the inventory to put on the sales order. The easy way is to just pick something that appears to be similar. However unless the sales rep happens to pick the correct item, the on-hand quantities in both the correct item and the wrong item are no longer accurate. Or worse, the sales rep uses a generic item number on the sales order. Generic items do not have a cost or price in the item record. How is a sales rep who can't identify the item going to know what the price and cost of the item should be. Also loading and delivering the wrong items makes the inventory on-hand quantities wrong.

Training your people in the proper procedures helps eliminate many of the ways Inventory gets out of balance. Printing the Inventory Summary Report during the End-of-Day procedure gives you a quick daily check of the Inventory daily activities and the Inventory valuation to balance to the General Ledger.



How do I.....?

Advantage is continually enhancing the software package to make running your business efficient and effortless. As we modify, we also add the new procedures to the "How to reference files" that can be found in each module, or under Other options grouped together by module name. These documents provide you with information about new changes, explain procedures, or detail business concepts that can aid you in running your business. We keep them on-line so that you have constant, up-to-date access to these files at the touch of a button; no thick, space consuming manuals to keep up with.

And don't forget about the Frequently Asked Questions that are also found on line under each module. These quick reference files can give you the answers you need with out ever having to pick up the phone.

Save time by keeping up with changes and answer your own questions by reviewing the "How to reference files"... right at your fingertips.