

SBIS, Inc.

Accounting, Tax, and Financial Services

Philip H. Unsworth, EA, MBA, ATA, ABA

Enrolled to Practice Before the IRS

Accredited Tax Advisor (ATA)/Accredited Business Advisor (ABA)

Registered Representative*

Dear Valued Business Tax Client:

I hope you have had a successful and prosperous year. Tax preparation time is quickly approaching, and in order to prepare your return efficiently and accurately, and minimize your income taxes, we will need you to organize your business records for the year.

Please review the attached business records organizer to help gather the information we will need to prepare your return. Some of the inputs may not apply to your business and you can leave them blank. If you keep your own records on QuickBooks, you do not need to complete the "Manual Bookkeeping Tax Information" parts "I" & "IA". Instead, please provide a copy of the computer data file and a printed "Trial Balance" for the entire tax year. Please be sure to reconcile your bank account for each month of the tax year prior to forwarding your information to us. This will provide third party (bank) verification of your business financial information (as REQUIRED if audited by the IRS).

If you own more than one business, please be sure to complete an organizer for each of the businesses. If you had any changes in ownership of the business (bought, sold, added partner/shareholder, etc.) please indicate in the notes on the front page so that we can contact you to obtain the additional information needed. **Please be sure to sign the organizer cover page where indicated as well.**

I hope these forms will be a useful tool to help you gather all the information needed. If you have any questions, please don't hesitate to call me at 757-375-6900.

Sincerely,



Philip H. Unsworth, EA, MBA, ATA, ABA

IRS Circular 230 Notice

Any US tax advice included in this written or electronic communication was not intended to be used, and it cannot be used by the taxpayer, for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code or the applicable state or local tax laws.

Peninsula

4112 George Washington Highway, Suite 6

Yorktown, VA 23692

Phone: 757-898-5000 Fax: 757-898-7800

www.SBISinc.com

[e-mail: Philip.Unsworth@SBISinc.com](mailto:Philip.Unsworth@SBISinc.com)

Southside

PO Box 6076

Suffolk, VA 23433-6076

Phone: 757-375-6900

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Dear client,

With this year's tax return we want to warn you of new IRS reviews of physical inventories. All indications are that beginning with 2007, tax returns will receive substantially increased scrutiny of actual ending inventory amounts reflected on your tax returns. Because of this increased exposure to audit, we want to review the inventory rules from three perspectives.

IRS Requirements

The IRS requires any business **which maintains inventory** (product to resell to customers) to physically count the inventory on hand **every year**. This means that, in the event of an audit, you will be asked to provide physical count sheets reflecting actual inventory on hand and the agent may physically tour the facility to observe actual inventory on hand. If the IRS examines your return and finds that an actual physical inventory was not taken substantial penalties may be assessed. Many companies video record their physical counts to aid in the proof of the inventory claimed.

Management Issues

Most businesses find that their largest current asset is inventory. Every well run business monitors and records inventory because of the need to control the invested amount, respond to competitive pricing issues, and adjust to changing market conditions. One of the first signs of financial problems can be a loss of control over the amount invested in inventory. So from a management perspective losing sight of the actual inventory investment could quickly cause major financial problems.

Disaster Losses

Most business owners have never been through a disaster such as a fire or flood. In the event of a disaster the insurance adjuster will base any inventory payment on the amount of inventory reflected on your most current financial statement. If you have been understating inventory you will experience a substantial economic loss in the event of a fire, flood or other disaster.

We want to close by re-emphasizing our concern for clients potentially exposed to major IRS adjustments, collapsing management controls and inadequate insurance. We therefore strongly recommend that all of our clients physically count inventory at or near December 31. You should retain a copy of your physical count and costing sheets.

Sincerely,



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Business Name _____
Client Name/Number _____
Tax Year Ending _____

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4112 George Washington Hwy, Suite 6
Yorktown, VA 23692
757-898-5000

YEAR END INCOME TAX DATA

FOR BUSINESS ONLY

Please complete this form and return it to us by _____.

The information required on this form is pertinent to the closing of your business books for the year and will have a direct bearing on your income tax return. Be sure that all information is accurate. It is imperative that we have this signed data sheet prior to completing your business income tax return.

If we may be of any assistance to you when preparing this form, please do not hesitate to call on us.

COMMENTS OR QUESTIONS

DECLARATION **I HAVE REVIEWED THE INFORMATION GIVEN TO YOU ON THIS FORM AND TO THE BEST OF MY KNOWLEDGE IT IS TRUE, CORRECT, AND COMPLETE. I HAVE MAINTAINED THE UNDERLYING RECORDS REQUIRED BY LAW TO SUPPORT THIS INFORMATION AND IT IS READY FOR PREPARATION OF MY BUSINESS TAX RETURN. I AUTHORIZE YOU/YOUR COMPANY TO PREPARE MY BUSINESS RETURN AND RETAIN COPIES OF APPROPRIATE DOCUMENTS.**

NOTE: PLEASE DO NOT FORGET YOUR SIGNATURE AND DATE

→ **Signature** _____
Date _____

**FOR ALL ITEMS BELOW, PLEASE INDICATE THE BALANCES
AS OF THE LAST DAY OF YOUR YEAR**

1. **BUSINESS BANK ACCOUNT BALANCE** (Please include a photocopy of all statements) \$ _____

1a. **If the business has a negative cash balance, how does the bank treat the overdraft?**

- Loan to business owner (up to what amount? _____)
 Bounced check

2. **BUSINESS INVESTMENT ACCOUNT BALANCE** (i.e., Money market fund, etc. Please include a photocopy of all statements) \$ _____

3. **INVENTORY OF MERCHANDISE HELD FOR RESALE** (Do not include equipment or operating supplies to be used within your business.)

- (a) Inventory must be taken in a manner consistent with method used in previous years.
 (b) Inventory must be taken at fiscal year end.

INVENTORY VALUED AT _____ (e.g., cost) \$ _____

COST OF INVENTORY TAKEN FROM BUSINESS FOR PERSONAL USE: \$ _____

4. **ARE YOUR EXPENDITURES FOR SALES, TRAVEL AND ENTERTAINMENT EXPENSES PROPERLY SUBSTANTIATED**, i.e., date, name, amount, place, business purpose? Yes No

5. **NOTES, CONTRACTS, LOANS, MORTGAGES, SALES TAXES, & PAYROLL TAXES PAYABLE**

Chart of Account Code	TO WHOM OWED (Mark "R" if from a related person or business)	FOR WHAT	Interest paid this Year	% Rate of Interest	Amount of Monthly Payments	Number of Months Left	Principal Balance of Note (Year/end)

6. Have there ever been any loans to you, or from you, in the amount of \$10,000 or more, that are interest free? Yes No If yes, what was the date of the loan ___/___/___ and the amount of the loan \$ _____?

7. Was there any change in the share of ownership or officers during the year? Yes No If yes, please explain change _____

8. Are there additional expenses of the business that were paid by officers/owners that have not been reimbursed? Yes No If yes, attach list.

9. Did your business make any estimated tax payments? Yes No

Date paid	Amount paid Federal	Amount paid State	Amount paid _____

10. Does your business have a pension plan? Yes No

If yes, what type? 401K Keogh SEP IRA SIMPLE Other _____

If yes, are all qualified employees covered by the plan? Yes No

If yes, do you plan contributions this year? Amount, if known, for employees _____ for yourself _____.

11. Have you disposed of any equipment, furniture or vehicles during the year? Yes No
 If yes, fill in details below.
12. Have you traded in any equipment, furniture, vehicles for new or additional assets? Yes No
 If yes, fill in the details below and attach purchase papers.
13. Have you acquired any equipment, furniture, vehicles during the year? Yes No
 If yes, attach purchase papers if not already submitted.

Description of Old Asset	Date of Disposition	Sales price or insurance proceeds / Expense of sale	Date of Purchase	Amount of new purchase: Cash / Note increase	Description of New Asset	N (New) U (Used) P (From Personal Use)
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

14. Did you make any expenditures for disabled access to your business? Yes No
 If yes, amount \$ _____ Description: _____

15. ACCOUNTS RECEIVABLE (invoices your customer owes you that are unpaid at year end) \$ _____

LESS UNCOLLECTABLE CUSTOMER BAD DEBTS to be charged off this year

NAME	How old is amount due?	Amount

(Attach additional list if necessary) LESS TOTAL BAD DEBTS\$ (_____)_

NET COLLECTIBLE ACCOUNTS RECEIVABLE YEAR END (Your detail must agree with this total) \$ _____

16. ACCOUNTS PAYABLE (Bills your business owes as of year end)

PERTAINS TO BUSINESS ONLY - NOT PERSONAL
 (Do not show payroll taxes, sales taxes, or loan balances here)

TO WHOM OWED	DESCRIPTION (Mdse, Supplies, Truck exp, etc.)	Account Code	Amount
			\$
		Total this page	\$

(Attach additional list if necessary)

Complete only if not previously submitted for this tax year.

A. IF YOU HAVE A COMPANY OWNED OR LEASED VEHICLE ON YOUR BOOKS*

	Vehicle #1	Vehicle #2	Vehicle #3	Business Use of Personal Vehicle
Description				
Date put into business use (If leased, attach lease agreement)				
Cost or other Basis				
If leased, value when first leased				
Life of Lease				
Odometer reading at end of year:				
Total miles driven during the year:				
... Total business miles				
... Total commuting miles				
Actual expenses (gas, oil, repairs, lease expense)				
Interest				
Personal property tax				
If there are personal or commuting miles, how was this fringe benefit treated?				
Business parking and tolls				
Was the vehicle available for personal use?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Was the vehicle used primarily by a more than 5% owner or related person?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have evidence to support the business miles claimed?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the evidence in writing?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a written policy that prohibits personal use of vehicles other than for commuting? If these questions are answered no, the deduction may be disallowed.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

*** Do not report with personal information.**

Identify any vehicle that is electric or uses clean burning fuel _____.

Officer and/or Owner

B. Are any life insurance premiums paid through your business? Yes No
 If yes, are they included in your P&L? Yes No If yes, who is beneficiary of policy?

What is the premium paid? \$ _____ /month \$ _____ for the year.
 If business is beneficiary, what is cash value at year end? \$ _____.

C. Are any medical, long-term care or disability insurance premiums paid for officers and/or owners? Yes No

If yes, are they included in your P&L? Yes No
 If yes, are all qualifying employees covered by the business plan? Yes No
 If yes, for each officer/owner, what is the premium paid?

Name	Type of Ins.	\$ _____	Month	\$ _____	Year
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

If the business is an S Corp, are the premiums included in shareholder wages? Yes No

D. Are there any qualified medical savings accounts (MSA)? Yes No
 If yes, how much was paid for whom?

Name	Employer contribution	Employee contribution

MANUAL BOOKKEEPING TAX INFORMATION

PART I CASH EXPENSES

1. (a) Compensation of Officers (Schedule E - 8150C, S, X)		+	
(b) Salaries and Wages _____ (c) less Job credit(s) _____		+	
2. Guaranteed payments to partners/members (8150P, LLC)		+	
3. Repairs		+	
4. Bad Debts		+	
5. Rents		+	
Taxes	State Income Tax	+	
	Employer's Share FICA	+	
	Unemployment	+	
	Licenses	+	
	Personal Property Tax	+	
	Real Estate Tax	+	
	Sales Tax	+	
	Franchise Tax	+	
	Other Taxes	+	
6. Total Taxes		+	
7. (a) Interest paid to shareholders		+	
(b) All Other Interest		+	
8. Advertising		+	
9. Pension, profit-sharing, etc. (enter # of plans _____)		+	
10. Employee Benefits programs		+	
11. Entertainment & Meals (at 100%)		+	
Contributions		+	
		+	
		+	
		+	
12. Total Contributions		+	
Other Deductions	Bank and Credit Card Charges	+	
	Car - Truck	+	
	Commissions	+	
	Contract Services	+	
	Dues & Subscriptions	+	
	Club Dues - non deductible	+	
	Freight	+	
	Insurance	+	
	Laundry & Uniforms	+	
	Office Supplies	+	
	Operating Supplies	+	
	Postage	+	
	Professional Fees	+	
	Telephone	+	
	Travel	+	
	Utilities	+	
	Miscellaneous	+	
		+	
		+	
		+	
		+	
13. Total Other Deductions		+	
14. Total Business Expenses (To PART II LINE 7c)		=	

MANUAL BOOKKEEPING TAX INFORMATION

PART I A

CASH RECEIPTS, CASH PURCHASES, PREPAIDS and ACCRUALS

GROSS SALES	
1. Ending accounts receivable (before bad debt)	+ _____
2. Cash receipts (8150M Part II Line 4a).....	+ _____
3. Total (Line 1+ 2).....	= _____
4. Beginning accounts receivable.....	- _____
5. Gross sales (Line 3 - 4).....	= _____

COST OF GOODS SOLD	
1. Inventory at beginning of year.....	+ _____
2a) Cash purchases (8150M Part II Line 7b).....	+ _____
b) Ending accounts payable.....	+ _____
c) Opening accounts payable.....	- _____
3. Merchandise bought for manufacture or sale (Line 2a + 2b -2c).....	+ _____
4. Salaries and wages.....	+ _____
5. Other costs (attach schedule).....	+ _____
6. Total (Line 1 + 3 + 4 + 5).....	= _____
7. Ending inventory.....	- _____
8. Cost of goods sold (Line 6-7).....	= _____

PREPAID EXPENSES				
ACCOUNT NAME	CASH +PAID	ENDING -BALANCE	BEGINNING +BALANCE	TOTAL =EXPENSE
Totals =				

ACCRUED EXPENSES				
ACCOUNT NAME	CASH +PAID	ENDING +BALANCE	BEGINNING -BALANCE	TOTAL =EXPENSE
Totals =				