

IN THE BLACK

Volume 5, Edition 1

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What we offer you

Auditing

- ✓ Governmental
- ✓ Nonprofit
- ✓ Private

Tax Planning & Preparation

- ✓ Individual
- ✓ Business
- ✓ Estate & Trust
- ✓ Pension & Profit Sharing
- ✓ Property & Excise Taxes
- ✓ Nonprofit

Accounting Services

- ✓ Payroll
- ✓ General Ledger
- ✓ Compilations
- ✓ Reviews

QuickBooks® and Creative Bookkeeping Solution Consulting

- ✓ Set Up
- ✓ Training
- ✓ Support

Additional Services

- ✓ Business Valuations
- ✓ Financial Reorganizations
- ✓ Human Resources & Benefit Consulting
- ✓ Business Plan Development
- ✓ Personal Financial Statements
- ✓ Financial Projections & Forecasts

Welcome back to “IN THE BLACK”

The goal of our newsletter is to share information and tips that are relevant to you and your business.

If you have questions, comments, or suggestions for us, visit our Web site at www.brucerkkila.com, send us an e-mail at help@brucerkkila.com, or give us a call at (906) 482-6601.

Bruce A. Rukkila, CPA, MA, CVA

Smart Ways to Promote Your Web Site

Your Web site is up and running, and you're happy with it. It looks great and it's easy to navigate. The only problem is traffic—it's getting far fewer visitors than you'd hoped for. The good news is that fixing the problem may be easier than you think. Following are several strategies you can use to increase hits to your website.

- Make Your Web Address Memorable

Is your Web address catchy or easy to remember? If it's not, maybe it's time to go back to the drawing board. When you're satisfied with your Web address, make the most of it. Put it on your business cards, envelopes, and brochures, have banners made for your offices or stores, and put it on the sides of any company vehicles you operate.

- Increase Your Visibility

Having your Web site show up on search engine results pages is key to increasing visibility—and traffic. Search engines and directories, such as Google and Yahoo, are always identifying new sites. However, you don't have to wait for them to find your site—you can contact them. If you don't have the time to do this, you can pay a small fee to one of the many commercial services that will submit your site to all the major search engines.

You can improve your site's ranking on search engine result pages by giving your Web pages clear and accurate titles using meta tags to describe your contents, and putting key information at the top of each page.

- Expand your “Network”

Ask your customers for their e-mail addresses so you can send them announcements about sales and new products and services. Include at least one link to a page on your Web site in every e-mail you send.

Contact trade and business publications to announce new features on your Web site, stay alert to what's happening in your community, and look for opportunities to link your business—literally and figuratively—to local events. And, anytime you send out a press release, be sure to include contact information and your Web site address.

Capital gains rate will stay 15% through 2010. Currently, capital gains may be taxed at 5 percent or 15 percent. These tax levels are known as long-term capital gains and apply to assets that you hold for at least 366 days (more than one year). The long-term capital gain tax is, generally, much lower than what you pay on your regular income.

Giving to Charity

A tax deduction may or may not be the last thing on your mind when you make a donation. Still, it's important to know how to qualify for the deduction at tax time. To deduct a contribution, you'll need proper documentation. The information below details IRS requirements.

Cash donations

Less than \$250—Canceled check, receipt, account statement, or another reliable written record.

\$250 or more—Written acknowledgement that states the contribution amount, whether you received goods or services in return, and an estimate of the value of any goods and/or services received.

Noncash Donation

Less than \$250—Receipt showing charity's name, date and place of your donation, and description of the donated property.

\$250-\$500—Same information as above in a written acknowledgement that also says whether the organization gave you goods and/or services and, if it did, states their value.

\$501-\$5,000—Same as above plus information about how you acquired the property, the approximate date of acquisition, and the cost or other basis of the property.

Over \$5,000—Same as above plus a written appraisal of the property.

NOTE: *Additional records may be needed for certain charitable contributions, and various exceptions apply. Contact us for more information.*

A Self-Quiz for Bookkeepers...

1. If an employee does not submit a W-4, you are required to withhold as if the employee was ____ with ____ allowances.
2. If Chris works 10-6, M-F, must you pay her for drive-time to a seminar on Saturday from 1-3 p.m.?

To see the answer to these questions and take the full quiz, visit our Web site at www.brucerukkila.com

Getting Control of Petty Cash

Petty cash funds are not a way to get around cash disbursement controls. However, they are a way to enhance efficiency by providing cash quickly in the following situations:

1. *When the formal system is too costly.* Surprisingly, producing a check can cost as much as \$2.50 or more. A \$25 purchase is not worth it.
2. *When the formal system is too slow.* It often requires 1-5 days to process a voucher and produce a check, too long for a \$25 item needed immediately.
3. *For special situations* such as cashing employee paychecks or providing advances for travel and conferences.

Optimum Operation

Here's how a petty cash fund works best. A petty cash custodian is put in charge of a fund, given prenumbered petty voucher forms and say, \$400 in \$20s, \$10s, and \$5.

Each time cash is distributed, the amount is filled in on the voucher, e.g., \$39 for stamps. The employee returns the receipt that is attached to the voucher to the box. If that is the only transaction that day, at the end of the day, the cash fund should contain \$361 in cash and one voucher attached to a receipt for \$39.

When the fund runs low, the custodian asks for more cash and submits all completed vouchers and, in the case above, requests a check for \$39, which is cashed and added to the fund, bringing it back to the \$400 predetermined balance.

The petty cash account balance does not change unless the amount is permanently changed. Typically the fund is replenished after a number of receipts have accumulated so that only one journal entry is required to post the petty cash activity to the company's accounting records.

Accounting for errors and theft

Often, total cash plus vouchers will not equal \$400 because of errors or theft. If, at the end of the day, the fund is \$10 short, the following entry should be recorded:

Postage Expense:	\$39	
Shortage Expense	\$10	
Cash		\$49

Typical problems

Controls: Generally, one person is responsible for petty cash and decides who can get petty cash and authorizes petty cash payments only for acceptable purposes, observes authorized payout limits and requests reimbursements. If the custodian is at a doctor's appointment, no one gets cash, so considering having two or three custodians who coordinate their schedules. A different employee should book reimbursements, and still another should review distributions and amounts.

(Continued on page 3)

Getting Control of Petty Cash (Cont.)

Shortages: Petty cash funds often run out. To determine how much to keep in the fund, check last year's replenishments. Were they weekly? Monthly? Quarterly?

Security: Keep petty cash in a fireproof, locked, limited access safe, locked metal box, or vault, depending on the fund's size. Do not leave safes and boxes unattended. Limit access to only the petty cash handlers.

Reimbursement: Set dollar limits and make sure the custodian observes them. Have clear rules on what can be reimbursed. Prohibit accepting employee IOUs in exchange for personal-use cash.

Replenishment: Replenish before funds run low. Require that all completed petty cash vouchers be in numerical order and in ink (not pencil) with receipts attached. Replenish at least monthly.

Permanent change in petty cash amount: Firms often overlook the need to change the petty cash amount because it is not systematically reviewed. At least yearly, review the amount as follows: Compare the replenishment each month to the monthly balance. If the amounts replenished are close to the fund balance, increase the amount. If the replenishments are less than the balance, decrease the amount. Investigate whether employees with legitimate needs were denied petty cash during the year for lack of funds, and adjust the fund amount accordingly.

Social Security Basics

- ✓ Age 50—Benefits start for a disabled surviving spouse
- ✓ Age 60—Benefits start for a nondisabled surviving spouse
- ✓ Age 62—Benefits start based on the employee's, spouse's, or former spouse's earnings (if the former spouse is still alive)
- ✓ Age 62-64—In 2006, recipients can earn \$12,480, then lose \$1 in benefits for each \$2 earned. Employees who turn 65 in 2006 can earn \$2,770 per month in the months before they turn 65, then lose \$1 in benefits for each additional \$3 earned. From the month they turn 65 on, there is no earnings limit.
- ✓ Age 65 or older—Employees born in 1940 or earlier receive full benefits at age 65. There is no limit on earnings and no reduction in benefits.

Note: *Just earning 40 credits (formerly "quarters of cover") does not make individuals eligible for the maximum Social Security benefit. It simply makes them eligible for retirement benefits at a certain age. Credits are unrelated to the amount of the benefits.*

Social Security benefits are based on average earnings over 35 years of work—not just on the last 5 years, as many people think. An adjustment is made to account for changes in average wages since the year the earnings were received. SSA then calculates average monthly adjusted earnings over the 35 years when the worker earned the most money.

Employees can obtain their Social Security earnings by calling (800) 772-1213, by visiting an SSA office, or by visiting www.socialsecurity.gov/mystatement.

Reminder: *Withhold Social Security taxes on all wages regardless of age or Social Security benefits status.*

Business Briefs...

In 2006, the annual gift exclusion rate increased to \$12,000. This means that any individual can give up to \$12,000 each year (\$24,000 with a spouse) to anyone without the transfer being treated as a taxable gift.

Minimum wage goes up in October. The first tier of Michigan's minimum wage increase begins in October 2006—increasing from \$5.15 per hour to \$6.95 per hour. The two-year plan will increase the minimum wage to \$7.15 in July 2007 and finally to \$7.40 an hour in July 2008.

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