

THE Mangold Group Messenger

Issue 5

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Hello,

Coaches are fond of telling their players that "there is no 'I' in 'team'" as a way to emphasize the value of teamwork over individual action. Yet individual performance also makes a huge difference. Can you imagine how the Spurs would have done without Tim Duncan?

It takes a combination of individual effort and coordinated activity to win in sports or in business. When it comes to your financial success, that means seamlessly merging your business skills with our tax and financial expertise. You may decide to totally outsource your payroll, bookkeeping and accounting to us. But, if you want to keep your own books, you should still use us as an independent, outside controller to review the work and make sure everything is being done right.

By the way, just as there is no 'I' in 'team', there is no 'P' in 'taxes.' But, as we cover on Page 2, taking care of The Three P's of Paying Taxes will save you a lot of \$'s.

Thomas Mangold, CPA

Whom Can You Trust?

Financial fraud comes in all sizes, big and small. A few years ago, it was Enron CFO Andrew Fastow who was moving billions of dollars off the balance sheet to hide the company's losses. Twenty thousand Enron employees lost their jobs, and many their life savings. Accounting giant Arthur Anderson & Co., with more than 85,000 employees, surrendered its license and closed its doors after nearly ninety years in business.

But not everything is bigger in Texas. At the other end of the spectrum is Paula Cecil, who earlier this year was charged with writing \$80,000 worth of checks to herself from the accounts of a church in Killeen. But, whether the amounts are in the thousands or the billions, the shock is always the same.

"Actually, it came out of the blue," parish administrator Charlene Smith told the Killeen Daily Herald. "We had no idea, none whatsoever, that anything like this was going on."

Getting a Second Opinion

Americans are known for their self-reliant attitudes. Bookstores are filled with self-help books. People write their own wedding vows. The National Retail Hardware Association reports that customers spent over \$300 billion at hardware stores, home improvement centers and lumber yards in 2006, a 123% increase over a decade earlier.

This same attitude extends over into business. Word processors have replaced the steno pool and email has replaced the mailroom. Companies use software to draft their own contracts, and then send them to an attorney for review.

For those wanting to keep their own financial records, we properly set up clients on accounting software, usually QuickBooks. We then train them to properly enter their data, using their own files and transactions. That way they learn the features and functions they need on a daily basis. The training includes written documentation for any non-standard procedures. Then we will do periodic - usually monthly, review and adjustment of the books to make sure they comply with generally accepted accounting principles.



(Continued on page 4)



Meet Ronnie Dittmar

In the mid-90's he started doing the bookkeeping for his father's rental properties. He learned Quicken and QuickBooks and then began acquiring additional tax and bookkeeping clients by word of mouth. He enjoyed the work and decided to pursue it as a full time job.

"It is an ever-changing, learning experience," he says. "I love the challenge of keeping up with all the new aspects of tax law and finding new ways to help all different types of businesses grow and prosper."

To improve his knowledge in the area, he returned to school for additional accounting training. He joined The Mangold Group two years ago and is now a CPA.

"I like the people here and the variety of work," he says. "The firm is also very advanced technologically."

His years of experience with bookkeeping help him to quickly set up clients record keeping systems and teach them how to use them.

"One client who owned a horse farm had been doing her own books for some time," he says. "I was able to completely revamp her QuickBooks files, do some tax returns for her, and it has been an ongoing and fruitful relationship."

Ronnie and his wife, whom he met while studying accounting, live with their baby in his grandmother's old house in the Bouldin Creek neighborhood. He has served as an officer of the Bouldin Creek Neighborhood Association for the last dozen years and is also active as the treasurer in the Elks Lodge. He also still has a hand in the music business, continuing to perform, as well as helping a music production company manage its financial records and taxes.

Senior staff accountant, Ronnie Dittmar, graduated from the University of Texas in the 1980s with a degree in business and marketing, but becoming a CPA was a gradual evolution. He spent a good deal of his life in music, singing and playing guitar for local bands as well as performing solo.

The Three P's of Paying Taxes

When looking to save money on your taxes, pay attention to the three P's: Preparation, Prediction and Planning.

Good: Tax Preparation

Preparation is the first step of tax services. You show up in the spring with a bunch of financial records for us to sort through. Our accountants are well-trained and up to date on the latest changes to the tax laws and can determine what deductions you qualify for.

Better: Tax Projection

The next step up is Tax Projection. This is usually done close to the end of a quarter or the end of the year. It tells business owners or independent contractors what they need to set aside to pay their estimated tax liabilities. Tax Projection is also helpful for those who have had a sudden boost in their income, such as from receiving stock options, inheriting money or selling a business. This helps you avoid financial shock, as well as the penalties and interest that come with underpayment.

Best: Tax Planning

Preparation and Projection are helpful, but they don't put you in full control of your finances. Tax Planning does. It is the difference between being a passenger and sitting in the driver's seat. Projection tells you how far it is to your destination. Preparation tells you what you can do once you arrive. But only Tax Planning lets you choose your own destination, the route, and how fast you drive.

With Tax Planning, you meet with one of our specialists to develop a customized package of tax-saving strategies. Your Personal Tax Plan will educate you on how the tax system works. It then lays out the best strategy to help you minimize taxes and reach your goals. The plan may cover:

Family, Home and Job: Financing college and elder care, employee benefits, and buying and owning a home.

Your Business: Organizing your business, deducting expenses, buying and owning real estate and equipment, optimizing retirement and benefit plans.

Your Investments: IRAs, buying and selling stocks, bonds and mutual funds, managing real estate.

Cashing out: Deferring or eliminating taxes when you sell assets or get equity out of you business.

Your Personal Tax Plan gives you better financial control and helps you keep more of the money you earn. But, as it is with travel, to get the best savings, you have to book early. Tax planning needs to be done in the summer or fall to give you enough time to take the steps necessary to reduce your taxes before the end of the year.



Getting a Clear Picture of Where You Stand

As part of the controllership services we offer, clients receive a detailed Financial Analysis and Assessment that makes it easy to see exactly how their business is doing. The report covers six key areas:

Liquidity - Can the company meet its obligations as they come due?

Profits and Profit Margin - Is the company becoming more or less profitable?

Sales - Are the overall sales adequate and growing? What about the sales per employee? The sales in relation to assets?

Borrowing - How does the debt load compare with the profitability? Is the company increasing its long-term debt in a way that will jeopardize operations?

Assets - Are you using your assets effectively? What return are you getting?

Employees - Is the company hiring effectively? What is your return on labor and profit per employee?

The report goes beyond simply the normal data contained in a financial statement. To begin with, it presents the data in a format that makes it easy to quickly grasp the essential information, rather than just looking at columns of numbers. It utilizes a five star system to highlight how well the company is performing in each of the six areas. In the sample report shown here, for example, you can instantly see that the company has three stars for its liquidity—it is doing about average for its industry. There are also graphs showing how the company is doing compared to previous time periods and the industry as a whole.

The Mangold Group
Certified Public Accountants, PC

512-327-0909
Fax 233-2361
Email: thomas@mangoldcpa.com

2714 Bee Cave Rd
Suite 200
Austin, TX 78746

Financial Analysis and Assessment

Sample Company

Industry: Contact Research Organization
Period: One fiscal year against the previous fiscal year

LIQUIDITY

Generally, what is the company's ability to meet obligations as they come due?

In this case, the company's liquidity position is **about average for the industry** in which it operates. Having average liquidity means that, generally, there are adequate liquid assets relative to short-term obligations. This does **not necessarily** mean that the firm will never have trouble paying the bills, but it indicates that as of this specific Balance Sheet date, the company is in a reasonable position.

★ ★ ★

However, it is always important to keep in mind that liquidity is a volatile statistic that can move from good to poor very quickly. For this reason, it is more important to watch trends than raw data in this area. One of these raw accounts data, the company's liquidity should be monitored, as managers will probably want to be on hand and make sure the liquid resources are being used in the most effective way possible. For example, does the company have an adequate line of credit (accounts payable) as possible. Accounts payable are typically increasing sales (as this company has done) of

Liquidity is the challenge that is never solved. Here are a company's **major** financial liquidity. To all customers as it has been indicated. There are always ways to streamline print and take action on accounts receivable reports and credit (accounts payable) as possible. Accounts payable they often do not carry interest charges. If it possible, in monthly payroll schedule.

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RAW DATA

Financial Indicator	Current	Prior	Industry
Working Capital	\$49.0		
Accounts Payable	\$1,102,823	\$2,818.6	
Accounts Receivable	\$1,572,045	\$1,315.0	
Inventory	\$1,582,700	\$1,465.1	
Prepaid Expenses	\$8,876	\$1,279	
Other Current Assets	\$1,132,019	\$800.0	
Total Current Assets	\$5,306,463	\$5,408.7	
Accounts Payable	\$15,700	\$13,875	
Long-Term Debt	\$108,822	\$172,441	
Total Current Liabilities	\$124,522	\$186,316	
Total Liabilities	\$140,322	\$268,761	
Total Assets	\$5,466,141	\$5,677,469	
Equity	\$5,321,819	\$5,410,703	
Total Equity	\$5,321,819	\$5,410,703	
Total Liabilities & Equity	\$5,466,141	\$5,677,469	

GRAPHS

Sample pages from the report showing how a firm is doing in terms of liquidity, the underlying financial data and graphs of how the company is doing on key metrics, both in relation to its own previous performance and in relation to industry benchmarks.

More importantly, the report details concrete steps that can be taken in each area to improve the outcome. As a result, not only does it provide concise

information on past performance, but it gives the business owner guidance on mapping out the company's future progress.

Win a \$50 Gift Certificate

It's as easy as 1, 2, 3:

1. Fill in your name on the card below.
2. Cut it out or make copies of it.
3. Give the cards out to your friends, family and colleagues.

Every card that is redeemed at our office will be entered into a drawing for a \$50 gift certificate usable at your choice of hundreds of retailers. The drawing will be held on August 31, and the winner announced in our next newsletter.

THE Mangold Group Certified Public Accountants, PC

FIRST CONSULTATION FREE
(Up to 30 minutes)

512-327-0909

Given by: _____

2714 Bee Cave • Suite 200 • Austin, TX 78746



OOPS — THERE'S A TYPO!

We have hidden a typo
in our newsletter.

Be the first to find it
and email us at
newsletter@mangoldcpa.com.

You will
WIN
Four Free
Movie Tickets

(Congratulations to last issue's
winner, Mark Hastings of Hastings
Communication Services !)



Whom Can You Trust?

(Continued from page 1)

Since the books are kept up-to-date, tax time is easier. The assigned staff accountant reconciles the bank and credit card accounts. The work is reviewed by a CPA manager and we also take care of all the tax compliance. With our firm serving as their controller or CFO, the business owner has a better understanding of his current financial condition, not last year's. This saves clients time so they can focus on the revenue-building activities of their businesses and increasing their net incomes.

Finally, having an outside review helps detect fraud early on. Paula Cecil was finally caught when someone from the bank noticed unusual activity in the church's account. Having the books reviewed regularly can help you avoid unpleasant and expensive surprises later on.



More Profits More Free Time

Are you spending
too much time
on accounting?

Call today to
schedule a meeting to
see how outsourcing
your accounting can
help you grow your
business.

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