

# Microsoft® Office Accounting Professional 2007 Step by Step

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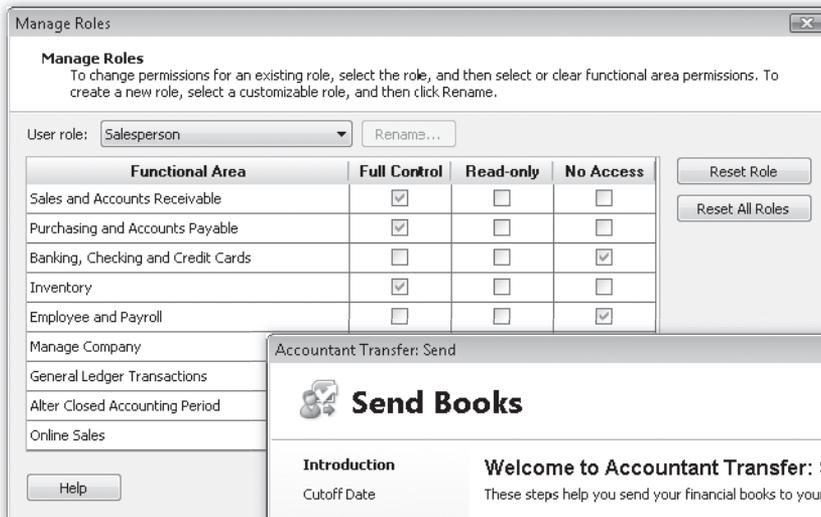
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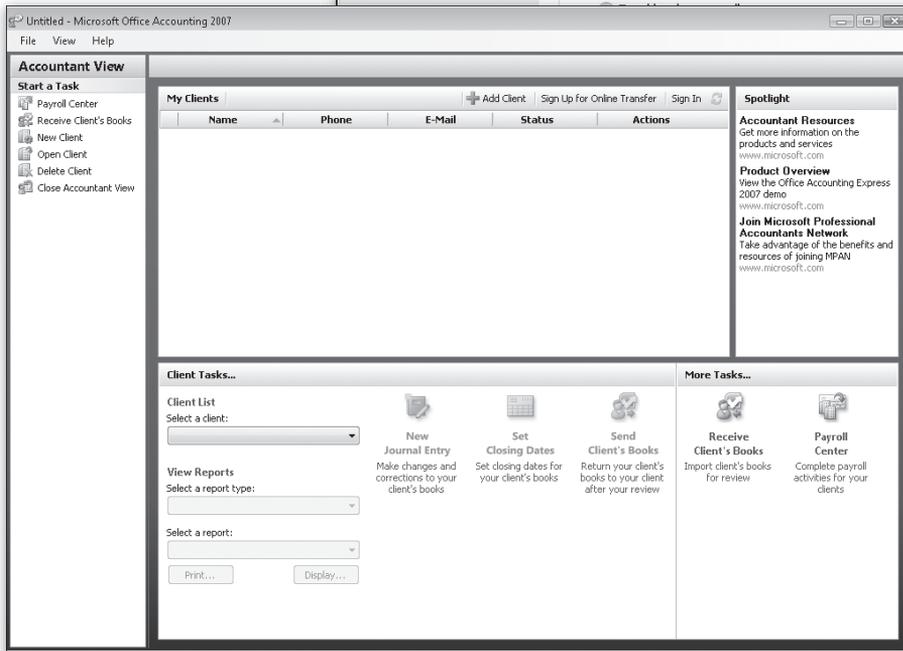
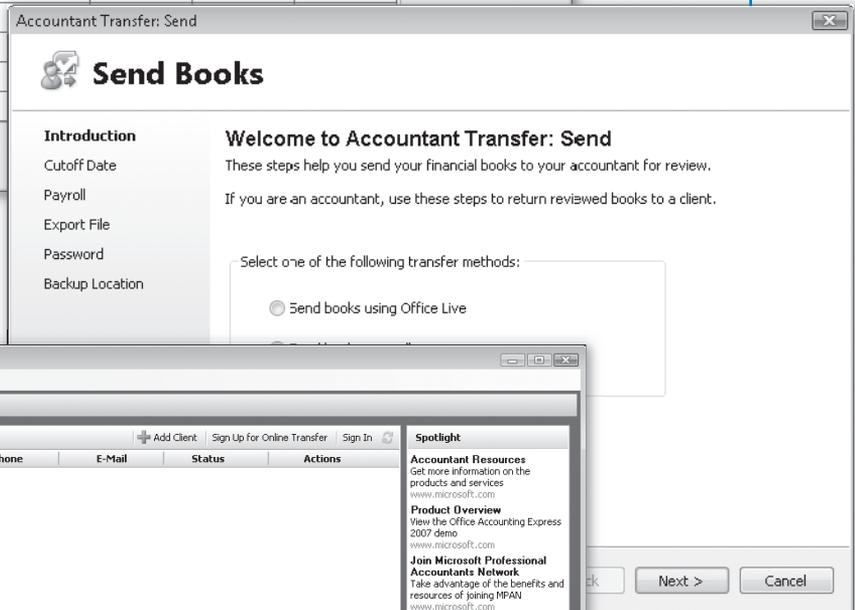
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# Chapter at a Glance



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# 18 Interacting with Your Accountant

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## In this chapter, you will learn to:

- ✓ Define user accounts.
  - ✓ Share data with your accountant.
  - ✓ Receive a company file into Accountant View.
  - ✓ Use cash-basis accounting.
  - ✓ Understand how an accountant can add value to a business.
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Small business owners rely on accurate data to manage their company. You will probably need to let some of your employees look at some of your company's data, such as inventory or sales orders, but there is no reason to grant every employee unlimited access to your company file. Rather than open everything up and risk data corruption, you should create user accounts that define what each user is allowed to do with your company data.

You should, of course, share all of your data with your accountant. Small-business owners excel at their chosen field, but often don't have the rigorous background in accounting and business analysis that a trained accountant possesses. Learning how to work effectively with an accountant can help you manage current operations, understand your tax and payroll responsibilities, and plan your company's future.

In this chapter, you will learn how to create, modify, and delete Microsoft Office Accounting 2007 user accounts, share data with your accountant, and work with your accountant more effectively.

**Troubleshooting** Graphics and operating system–related instructions in this book reflect the Windows Vista user interface. If your computer is running Windows XP and you experience trouble following the instructions as written, please refer to the “Information for Readers Running Windows XP” section at the beginning of this book.

## Defining User Accounts

When you run a small business, you can be tempted to give all of your employees access to all of your office supplies, storage facilities, and computers. However, you should take care to limit what your employees can do when they view your company data in Accounting. Well-meaning employees can make mistakes with your data, but individuals with ill intentions can cause significant damage by altering or destroying data. It's best to allow individuals only the maximum permissions they require to do their jobs.

Accounting has five built-in user roles you can assign to your users. The table below summarizes the five built-in roles and what they can do.

Role	Description
Office Manager	Manages the day-to-day financial records of the company, including customer transactions, vendor transactions, banking transactions, and payroll. The Office Manager role has full access to most product areas but cannot set up the company, manage users, or restore or delete company data files.
Accountant	Responsible for reviewing, updating, and managing the financial data of the company. The Accountant role has all of the permissions of the Office Manager role and can set up online accounts and download transactions.
Owner	Unlimited access to all product features. An owner must have Windows Administrator privileges when the Accounting account is created. If the user is later removed from the Windows Administrator group, that user will not be able to create a new company, install Accounting, or manage user roles.
Sales Person	Responsible for handling customer transactions and most vendor transactions. The Salesperson role cannot carry out any banking, accounting (such as journal entries), or payroll transactions.
Read-Only User	Views customer and vendor transaction information but cannot add, delete, or update any information.

**Important** All members of the Administrators group have full access to Accounting 2007, so they can install the program, create a company, manage user roles, install add-ins, create or import accountant backup copies, and use any of the Data Utilities commands accessed by opening the File menu, pointing to Utilities, and clicking Data Utilities. Administrators have these privileges even if you have not created an account for them in Accounting 2007. The best way to limit full access to your Accounting company files is to create Administrator accounts for just those users who need to install or remove programs, change the computer's settings, and perform other administrative tasks. The fewer employees who have full Administrator privileges, the better.

## Creating a New Account

After you decide which role you want to assign to an employee, you can create an account for that person and assign privileges. The user accounts you create are based on Windows user accounts on your network, so you will need to know your employee's user name and the name of the computer on which that person has an account to give the individual access to Accounting.

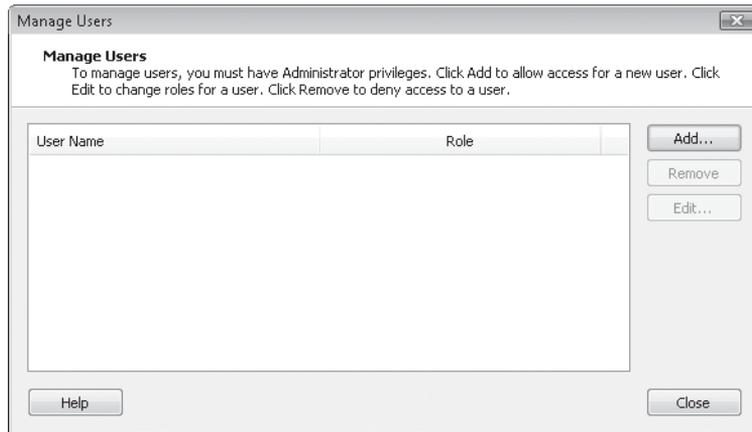
**Important** The instructions in this section for setting up user accounts assume that you have Accounting 2007 installed on one computer and want only users of that computer to be able to use the program. If you want to enable users with accounts on other computers to access your company file, or allow multiple users to access your company file simultaneously, have your network administrator consult the topic "Set up Microsoft Office Accounting 2007 for multiple users" in the Accounting Help file.

In this exercise, you will create a new user account.

➔ **OPEN** the Fabrikam sample company file.

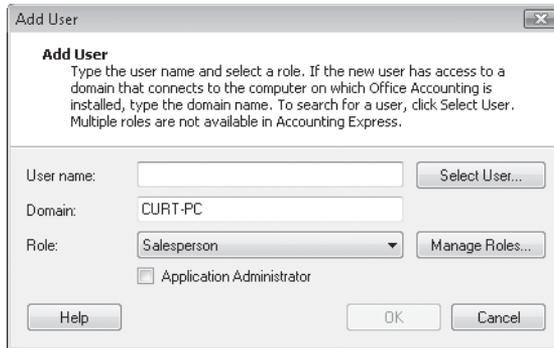
1. On the **File** menu, click **Manage Users and Roles**.

The Manage Users dialog box opens.



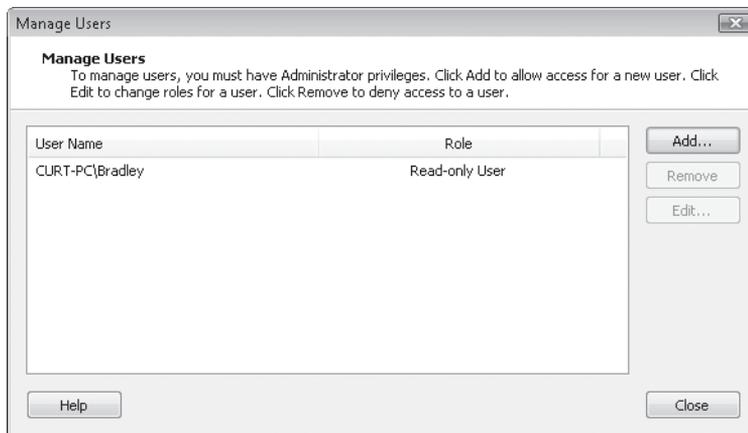
2. Click **Add**.

The Add User dialog box opens.



3. In the **User Name** field of the **Add User** dialog box, type the Windows account name of the user you want to add to Accounting.
4. Click the **Role** arrow, and then select the role you want to assign to the user. For this exercise, click **Read-Only User**.
5. Click **OK**.

The Add User dialog box closes and the user's account appears in the Manage Users dialog box.



6. Click **Close**.

The Manage Users dialog box closes.

**Tip** You can change a user's role in the Manage Users dialog box by clicking the user name, clicking Edit, making changes in the User Privileges dialog box, and then clicking OK.

## Creating Custom User Roles and Permissions

The five built-in user roles are sufficient for most small businesses, but if you would like to create a user role for specific individuals, you can do so by opening the Manage Users dialog box, naming the new role, and then in the Manage Roles dialog box, selecting which permissions to assign to the role.

**Tip** If you would like to edit a user's permissions, on the File menu, click Manage Users to open the Manage Users dialog box. Click the user account you want to modify, and then click Edit. Use the controls in the Manage Roles dialog box to edit the user's permissions.

In this exercise you will create a custom user role.

 **OPEN** the Fabrikam sample company file.

1. On the **File** menu, click **Manage Users and Roles**.

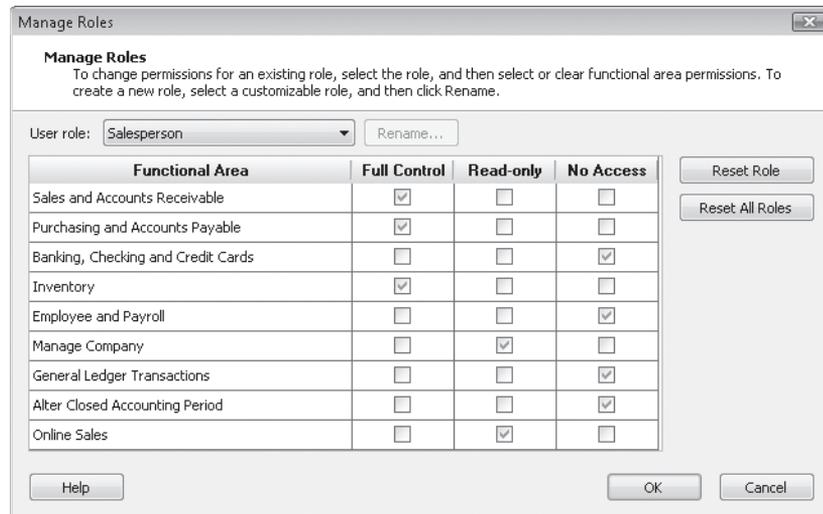
The Manage Users dialog box opens.

2. Click **Add**.

The Add User dialog box opens.

3. Click **Manage Roles**.

The Manage Roles dialog box opens.



Functional Area	Full Control	Read-only	No Access
Sales and Accounts Receivable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Purchasing and Accounts Payable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking, Checking and Credit Cards	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Inventory	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee and Payroll	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Manage Company	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
General Ledger Transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Alter Closed Accounting Period	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Online Sales	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

4. Click the **User role** arrow, and then in the list, click **Customizable Role 1**.
5. Click **Rename**.

The Rename Customizable Role 1 dialog box opens.

6. In the **New role name** box, type **Inventory Verification**. Then click **OK**.

The Rename Customizable Role 1 dialog box closes, and Inventory Verification appears in the User role box.

7. In the **Manage Roles** dialog box, in the grid's **Inventory** row, select the **Read-only** check box.

Functional Area	Full Control	Read-only	No Access
Sales and Accounts Receivable	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Purchasing and Accounts Payable	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Banking, Checking and Credit Cards	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Inventory	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Employee and Payroll	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Manage Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
General Ledger Transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Alter Closed Accounting Period	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Online Sales	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

8. Click **OK** in the **Manage Roles** dialog box, and then click **Cancel** in the **Add User** dialog box.

The Add User dialog box closes, but retains the new role you created.

9. In the **Manage Users** dialog box, click **Close**.

## Deleting an Account

If you have an employee who leaves the company or no longer requires any access to your Accounting data, you should delete that person's account immediately. Leaving unnecessary accounts on your system gives potential attackers many more ways to get into your books and do harm.

In this exercise, you will delete an Accounting user account.



**OPEN** the Fabrikam sample company file.

1. On the **File** menu, click **Manage Users**.  
The Manage Users dialog box opens.
2. In the user list, click the user account you want to delete.
3. Click **Remove**.  
A verification dialog box opens.
4. Click **OK** to verify that you want to delete the account.  
Accounting deletes the account.
5. In the Manage Users dialog box, click **Close**.

## Sharing Data with Your Accountant

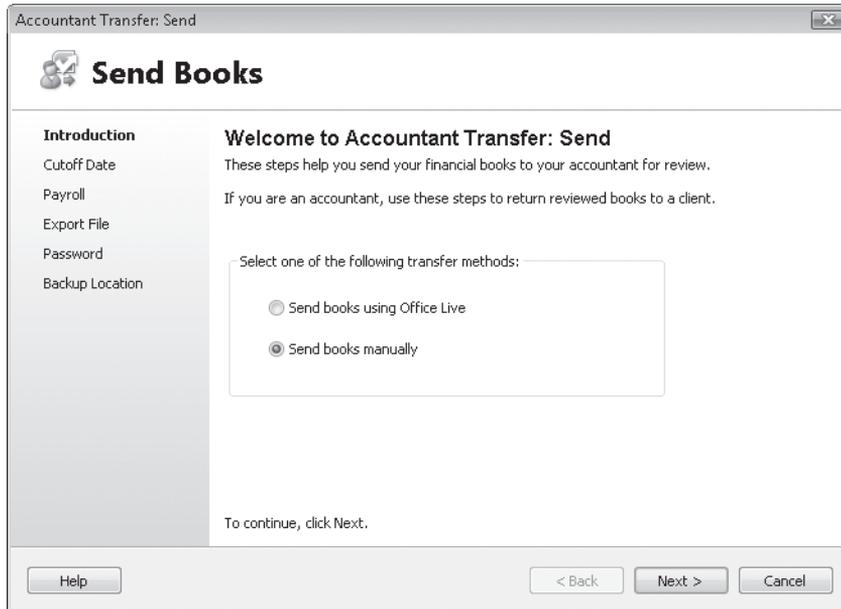
When you reach the end of a reporting period (usually a fiscal year, less often a quarter), you should create an accountant's copy of your company file. The accountant's copy contains all of your company's transactions for the period you define. After your accountant receives the file and makes any changes required to bring your accounts into balance, the accountant can return the file for you to integrate into your original company file.

In this exercise, you will share data with your accountant by using the Accountant Transfer: Send wizard.

➔ **OPEN** the Fabrikam sample file.

1. On the **File** menu, point to **Accountant Transfer**, and click **Send Books**.

The Accountant Transfer: Send wizard starts.



2. On the Welcome page of the **Accountant Transfer: Send** wizard, click **Send books manually**, and then click **Next**.

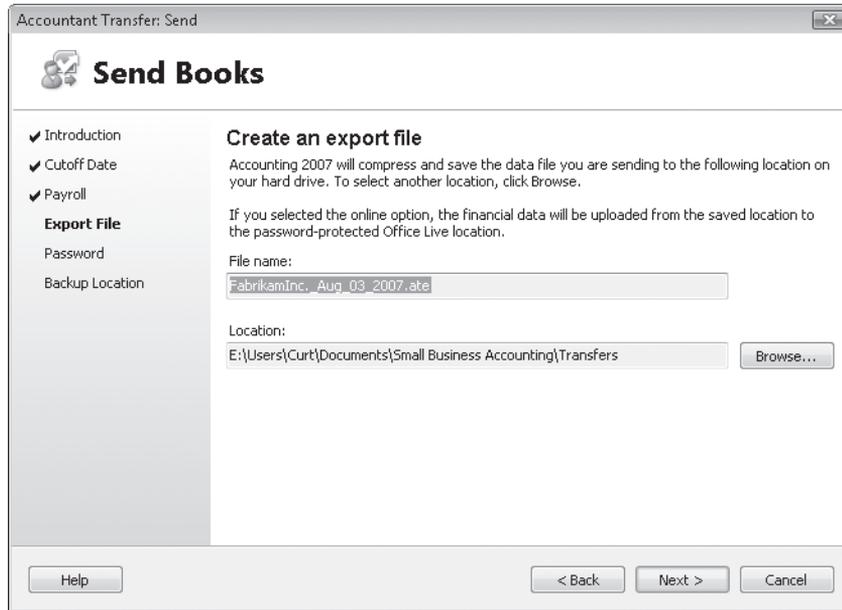
The Select A Cutoff Date page appears.

3. In the **Cutoff date** field, type a date prior to the current date. Then click **Next**.

The Payroll page appears.

4. Click the option that reflects who does payroll for your business (for this exercise, click **My accountant will run payroll**), and then click **Next**.

The Create An Export File page appears.



5. Verify that the **File name** and **Location** boxes contain values that reflect the file's name and where you want it saved, and then click **Next**.  
The Set Export File Password page appears.
6. If you want, type a password in the **Optional password** field, and re-type it in the **Confirm password** field. Then click **Next**.

**Note** If the passwords don't match, Accounting displays a message box indicating that fact. Click OK to close the message box, and re-type the passwords.

The Backup File page appears.

7. Verify that the **Backup file** box contains a value that reflects the file's name and where you want it saved.
8. If you want, type a password in the **Optional password** field, and re-type it in the **Confirm password** field.

**Note** If the passwords don't match, Accounting displays a message box indicating that fact. Click OK to close the message box, and re-type the passwords.

**9.** Click **Export**.

Accounting creates an accountant file and a backup file. The Sending Financial Data File Completed page appears indicating what you can and can't do to your file while the accountant file is out.

**10.** Click **Finish**.

The Accountant Transfer: Send wizard closes, and the text *Books Sent to Accountant* appears in parentheses in the title bar of the Accounting window.

**Tip** To receive your accountant's file into Accounting, on the File menu, point to Accountant Transfer, and then click Receive Books to launch the Accountant Transfer: Receive wizard. Follow the steps in the wizard, which closely mirror those of the Accountant Transfer: Send wizard, to incorporate your accountant's changes into your company file.

**Sharing Data with Your Accountant by Using Office Live**

When you work with an accountant who has set up a Windows Live Web site, you can use the site to transfer your company file quickly. To learn what you and your accountant must do to share your company file by using Office Live, click Microsoft Office Accounting Help on the Help menu. Click the Search tab, type "share using Office Live" in the box provided, and then click List Topics. In the Select topic pane, double-click Transfer An Accountant Review File Online to view the procedures involved in sharing your files online.

## Receiving a Company File into Accountant View

If you are an accountant who has received a client's company file, you can view the file in Accountant View, which enables you to reconcile accounts, run payroll, create necessary journal entries, and import or export data files without having to open the company file in Accounting 2007.

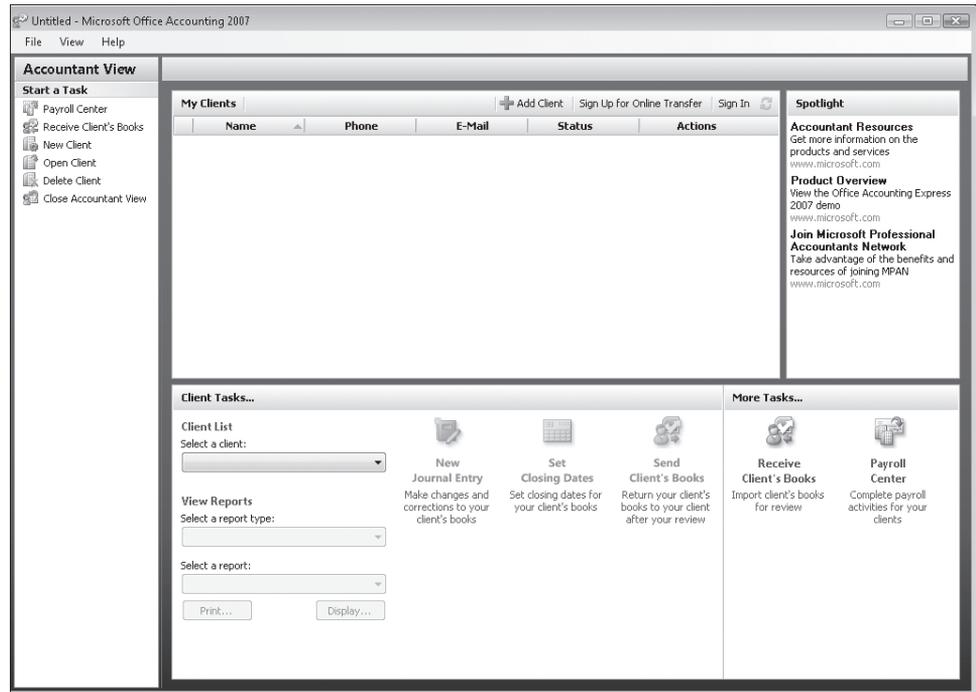
**Important** You must have Accounting 2007 installed on your computer and have access to your client's company file to review the file in Accountant View.

In this exercise, you will open a company file in Accountant View.

**Important** You must have created an accountant's copy of your company file to complete this procedure.

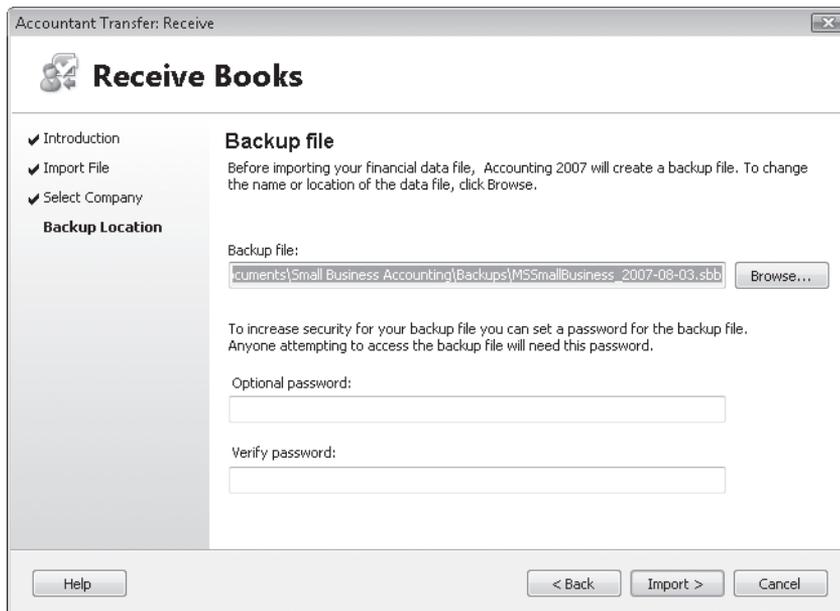
1. On the **Start** menu, point to **All Programs**, point to **Microsoft Office**, point to **Microsoft Office Accounting 2007 Tools**, and then click **Accountant View**.

The Accountant View home page appears.



2. In the **Navigation Pane**, click **Receive Client's Books**.  
The Accountant Transfer: Receive wizard starts.
3. On the first page of the **Accountant Transfer: Receive** wizard, verify that **Receive books manually** is selected, and then click **Next**.  
The Select The Import File page appears.
4. Click **Browse**.  
The Open dialog box opens.

5. Click the Accountant Transfer (\*.ate) file you want to receive, and then click **Open**.  
The Open dialog box closes.
6. On the Select The Import File page, click **Next**.  
The Provide Password page appears.
7. Type the file's password if necessary, and then click **Next**.  
The Select A Company page appears.
8. Click **Browse**.  
The Save As dialog box opens.
9. Click the company file from which the accountant review copy was created, and then click **Save**.  
The Save As dialog box closes.
10. Click **Next**.  
The Backup File page appears.



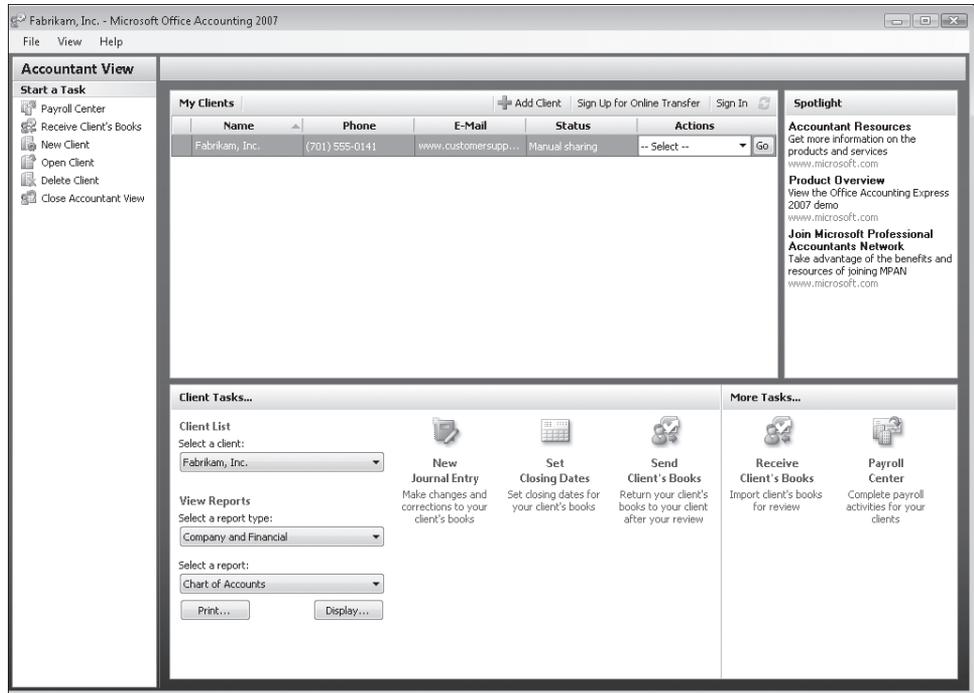
**Note** The Backup File page might not appear the first time you run the wizard.

**11.** Click **Import**.

Accounting imports the accountant's review copy of the file into Account View and displays the Receiving Financial Data File Complete page.

**12.** Click **Finish**.

The Accountant Transfer: Receive wizard closes, and the file appears in Accountant View.



**Tip** After you review the client's books and make any necessary changes, you can return the files by clicking **Send Client's Books** (found in the Client Tasks section of the Accountant View home page). Follow the procedure in the Accountant Transfer: Send wizard, which is very similar to the wizard used to transfer books to an accountant, to return the files to your client. Your client can then open the company file from which they created the accountant's copy, and on the File menu, point to Accountant Transfer, and click **Receive Books** to launch the Accountant Transfer: Receive wizard. This wizard is nearly identical to the wizard accountants use to receive books into Accountant View, so you can follow the steps in the Accountant Transfer: Receive procedure.

## Typical Accounting Adjustments

The vast majority of the transactions your company experiences represent the results of actual physical events based upon operations. Accounting entries are posted to reflect purchases or receipts such as your purchases of goods (for sale or for business operations), your receipts of merchandise, your purchases and receipts of assets, your sales of goods and services to customers, and your receipts of customer payments. These accounting entries are largely handled by Accounting 2007, after you have set up your company, chart of accounts, and other items. Occasionally, however, and particularly at year end, you or your accountant will need to make adjustments, based upon other considerations, to enable your system to reflect the financial position of your company completely and accurately. In particular, these adjustments often revolve around the recognition of the reduction in value of assets, based upon their consumption or ongoing use by the business.

One common adjustment made by your accountant will include accruals, where, for example, an expense paid in advance, and booked as an asset, will be adjusted to its reduced value at year end. For example, say you have a 12-month subscription to a professional journal, purchased April 1 of the current operating year, for \$240. By year end (assuming a calendar year end of December 31), the \$240 prepaid subscription asset is actually valued at \$60 (3 months of the journal remain undelivered, at \$20 per month). An adjusting entry similar to the following would need to be posted, to record the reduction in the Prepaid Subscriptions asset value for the 9 months' subscription received:

Debit or Credit?	Account	Account Type	Amount
Debit	Subscription Expense	Expense	\$180
Credit	Prepaid Subscriptions	Asset	(\$180)

Another very common adjusting entry is the adjustment of assets for depreciation. Regardless of whether these entries are derived by hand or through the use of accounting system utilities, they still have to be booked appropriately at period end. Among other adjusting entries are allowance and reserve adjustments (which can, of course, go up or down), such as those in place for estimated taxes and for bad debt or doubtful customer accounts. Reclassifications, too, sometimes occur when the accountant is reviewing year-end balances, and finds misclassified or overlooked transactions as part of that examination.

## Posting Accounting Adjustments to the Books

Adjustments are posted to the books, in most cases, just prior to making closing entries, which ultimately bring income statement accounts to a “closed,” zero-balance position. To make accounting adjustments in Accounting 2007, you use journal entries. As you have learned in previous chapters, you usually use journal entries for transactions that are not part of the day-to-day operations of your business.

With each adjusting journal entry, you record activity in at least two different accounts, applying debit and credit values depending upon the types of accounts to which you are making the entries.

**See Also** For more information about double-entry bookkeeping, refer to “The Duality Concept (Double-Entry Bookkeeping)” in Chapter 3, “Accounting: A Quick Overview.”

If you are adjusting multiple financial accounts, you can always post multiple transactions within one journal entry, for both input efficiency and to keep adjustments of a certain type (for example, accounting period adjustments or year-end adjustments) together for easy identification and review.

## Compilation and Review Services

Among the many services a public accountant might offer your company, you might want to consider compilations and reviews. These services are less comprehensive than audits (which are typically required for publicly owned companies). They can be helpful in assembling financial statements that will reflect good practices to their readers, however (such as potential lenders, or large clients), as well as in helping you to understand more deeply the results of your business operations.

In a compilation engagement, the certified public accountant (CPA) actually assembles financial statements from operational information he receives from you, most of which is stored within your accounting system. Although a well-chosen CPA should be knowledgeable about accounting and operating practices within your industry, he is not expected to carry out the verification procedures that are common to an audit. His main focus within a compilation is to provide financial statements that are free of obvious mechanical errors, including footnote disclosures as appropriate. A compilation engagement typically includes a report from the CPA that states clearly that he has simply compiled the financial statements, that no review or audit has been performed, that no type of assurance on the financial statements is being made, and that no accountant’s opinion is being expressed.

A financial statements review is also significantly less involved than an audit engagement. When you engage a CPA to review your financials (where he performs more procedural work than a compilation), the reviewer does not take many of the steps normally taken in an audit, such as gaining an understanding of your internal controls, making conclusions surrounding the risk involved with your controls, or performing tests of your accounting system. The CPA does offer limited assurance as a part of his review of your financial statements. However, it is important that you understand that he is not pronouncing them “in accordance with generally accepted accounting principles (GAAP).” He is stating that “I have found nothing during my review to make me believe that your financials are not in accordance with GAAP.” Because a review requires that the accountant perform analysis that focuses on relationships among your data, as well as other considerations, the results of the review can provide added value to your business. A review can offer you opportunities to further refine, and remove error from, your financial statements, as well as offer you further insight into your business operations.

## Accountants Can Add Value via a Management Comment Letter

When your CPA firm conducts an audit, review, or compilation engagement, you might consider requesting a management comment letter (that is, if it is not automatically provided by the CPA firm). A management comment letter (sometimes simply called a *management letter*) is a detailed letter from the auditors that is, for larger, public companies, usually addressed to the board of directors or its audit committee. The management comment letter presents weaknesses identified during the engagement and offers recommendations to address them. It is customary for the auditor firm to obtain client responses to a draft of the management letter, and to consider these responses before preparing the final document.

Even smaller businesses, whose compilation and review engagements might not normally result in a management comment letter, can benefit from such a letter. You might be able to use suggestions and comments made by the public accountant, as an independent, external expert, to justify the costs involved in taking action upon those suggestions—actions such as hiring and/or training staff, implementing new internal controls, obtaining more guidance and oversight in critical areas of the business, and reducing waste within operations. Most small businesses will have areas where, by design or accident, standard controls and procedures are not followed. The fact that your

management letter discloses a number of observations and recommendations does not necessarily mean that financial management is weak or that the control system is “broken.” The management comment letter merely brings these items to light—from an authoritative, independent source—and offers you the opportunity to make your own conclusions upon the significance of each comment.

## Key Points

- You should create a user account for each individual who needs to access your company file.
- Be sure to give each employee the lowest level of access needed to do his or her job. If necessary, create a new user role with the exact permissions the employee requires.
- When you’re ready to have your accountant examine your books, export your company file to an accountant’s copy for the accountant to work with.
- If you’re an accountant, use Accountant View to review and return your client’s company file.