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Volume 4 - Issue 14 - December 2006

PROFITsystems E-COMMUNICATOR

Calendar

December 4th – 8th
Class Week

December 25th
CLOSED for Christmas

January 1st
CLOSED for New Years' Day

January 15th-19th
Class Week

Classroom Training

For more information about our classroom training and to make your reservation, please call 800.888.5564 or email karim@profitsystems.net.

PROFITgroups

We are looking forward to seeing our PROFITgroups members at the next meeting. If you are considering becoming a PROFITgroups member and would like more information or references, please call 800.325.2018 or email phyllisz@profitsystems.net.

Important Reminder for Ordering Forms

Gwen Keffel, Special Projects

With the holidays here, we want to remind anyone who orders preprinted forms and checks through PROFITsystems, that our printer closes down during the holidays. And, as most know, shipping times can slow a bit during this time as well. You can expect longer turnaround times before, during, and just after the holidays. Please plan ahead to avoid any forms emergencies.

To place your order or for more information, contact us at 800.888.5565 or forms@profitsystems.net

December User License Sale

Terry Nelson, VP of Sales and Marketing

For the entire month of December, User Licenses are dramatically discounted! Now is the perfect time to add additional licenses to your system which will allow your staff to be more productive. Whether you're maxing out your licenses now, or you want to take advantage of today's great pricing to be prepared

Year-End Checklist (versions 9.x, 10.x, and 11.x)

Joanne Gulnac, Director of Software Support

For many of you, December 31st is the end of your accounting year. Here is a checklist to help you to complete your year-end. Contact Software Support at 800.888.5564 or support@profitsystems.net for assistance.



Payroll Checklist (CheckMark Payroll Software)

- Print year-end payroll reports.
- Print W-2 forms.
- Perform a backup of ALL payroll files.
- Run payroll year-end close. This must be done before the first payroll of the new year is run.
- Select File/Close Year in the upper-left corner bar.
- A message displays informing you that once the year is closed, company files cannot be returned to the previous year. Click the **OK** button to continue.
- After the year-end close is complete and BEFORE employee or employer checks are created in the new year, you can:
 1. Change the order of the hour categories (in the **Hour Categories** window, under the Setup menu).
 2. Delete **Additional Income** or **Other Deduction** categories that are no longer used.
 3. Delete employer payees that are no longer used.

Accounts Payable Checklist

- Print the Payables History report (Print/Reports/Payables/History) to reconcile the General Ledger account and to get year to date totals.
- If your company uses foreign exchange, print the Gain and Loss on Exchange Rates report (Print/Reports/Payables/Gain or Loss on Exchange Rates).
- Purge the Payables History file (File/Utilities/Purge/Payables History). Set the cutoff date back at least 12 months. It is **strongly recommended** that the Payables History file be purged at year-end; however, it is not required to be completed before the ledger year-end close is run. Purging does **NOT** need to be completed before activity for the new year can be processed.

Accounts Receivable Checklist

- Print the Receivables Aging report (Print/Reports/Receivables/Aging) to reconcile to the General ledger account.
- Purge the Open Receivables file (File/Utilities/Purge/Receivables/Open/History). Set the purge date back at least six months. Purging does **NOT** need to be completed before activity for the new year can be processed.
- Purge the Receivables Customer Remarks file (File/Utilities/Purge/Receivables/Customer Remarks).

Inventory Checklist

- Print the Inventory Stock Status report (Print/Reports/Inventory/Stock Status) to reconcile to the General Ledger inventory account. **THIS REPORT MUST BE RUN ON THE LAST DAY OF YOUR YEAR, as this module is not date sensitive.**
- Purge old inventory (File/Utilities/Purge/Inventory/Items). Run the purge program, using a cutoff date one year prior to the year being closed. For example, if the year being closed is 12/31/06, set the cutoff date to 12/31/05. Purging does **NOT** need to be completed before activity for the new year can be processed.

Ledger Checklist

- Enter, edit, and post all year-end adjustments dated the last day of the fiscal year (for example, 12/31/06).
- Print a Trial Balance (Print/Reports/Ledger/Trial Balance). Check the **All** checkboxes for Accounts and Profit Centers and check the box marked **Print account detail**.
- Make sure the report is in balance by looking at the Grand Totals Line at the end of the report. The Total Debits should equal the Total Credits and the Ending Balance should be zero. If not, **DO NOT CONTINUE UNTIL THE PROBLEM IS RESOLVED**. (The Trial Balance can be printed as many times as necessary.)
- Print all Financial Statements (Print/Reports/Ledger/Financial Statements). Make sure **ALL**

for future growth, call a Sales Representative at 800.888.5565 for more information. Don't wait for December 29, 2006 to take advantage of this special pricing! Call today!

W-2's for CheckMark Users

Doris Banks, CFO

If you use CheckMark payroll software, you can order your W-2's and the year-end update CD from them. Call CheckMark at 800.444.9922 or order online at www.checkmark.com.

financial statements balance to the Trial Balance. If not, **DO NOT CONTINUE UNTIL THEY ARE IN BALANCE**. (The Financial Statements can be printed as many times as necessary.)

- Verify that the Accounting Periods are set correctly (File/Maintenance/Ledger/Accounting Periods).
 - If your year has 12 periods:
 - Accounting periods 1 through 12 should be set to the correct dates for the year being closed. Period 13 should be BLANK. Current period should be set to the same month as Period 12.
 - If 13 periods are in your year:
 - Accounting periods 1 through 13 should be set to the correct dates for the year being closed. Current period should be set to the same month as Period 13.
- Perform two complete system backups.
- Run a ledger year-end close. (Activities/Ledger/Close Year-End to run the ledger year-end close.) Read the information in the **Please Read** group box.
 - Double check the Accounting Period dates on the screen. If the dates are incorrect, exit and change the Accounting Period dates, as outlined above.
 - In the **Profit Center** group box, enter a Specific Profit Center to be closed or accept the default of **All**.
 - Selecting the **Retain Unreconciled Cash** option (recommended) enables you to keep the uncleared entries for all cash accounts in the ledger master file. The Bank Reconciliation program uses this information. Unchecking this box will permanently remove cash account detail from all cash accounts within the system.
 - Click **OK** to perform the close. No report will be printed.
- The year's profit (or loss) entry to the Retained Earnings account (1910-000) will automatically be made and posted for you **if** the Retained Earnings account number has been entered in the Profit Center Preferences for Account Numbers. If not, manually make a one-sided journal entry to Retained Earnings (1910-000). Profit should be entered as a credit and loss should be entered as a debit. Then, edit and post the ledger entry:
 - In the Ledger Entries application (Enter/Ledger Entries), select the **Journal** radio button.
 - In the **Detail** group box, enter, in the **Account Number** field, the Retained Earnings account number (1910-000).
 - Enter, in the **Date** field, the transaction date of the last day of the fiscal year you just closed (for example: 12/31/06).
 - Enter, in the **Amount** field, the amount of the year's profit (or loss)
 - Select the **Debit** or the **Credit** radio button, as necessary. (Profit is entered as a credit; loss is entered as a debit.) This entry will be a *one-sided* entry that will be posted out of balance.
 - Print the Ledger Entries Edit List (Print/Transactions/Ledger Entries).
 - Post Ledger Entries (Activities/Ledger/Post Ledger Entries).

Physical Inventory Checklist (non-bar coded)

Joanne Gulnac, Director of Software Support

The following checklist is to assist you in your year-end Physical inventory. Contact Software Support at 800.888.5564 or support@profitsystems.net for assistance if you have any questions.

- _____ 1. **BILLING** - All delivered merchandise must be processed.
- _____ 2. **RECEIVINGS** - All transactions must be posted.
- _____ 3. **GENERATE and POST PURCHASE ORDERS** - All Orders must be posted.
- _____ 4. **RUN DATA INTEGRITY CHECK** - Resolve any errors that are found before continuing.
- _____ 5. **RUN AVAILABLE FOR SALE REPORT** - This will identify unattached and billed items. Select Print/Reports/Inventory/Available for Sale. Select the checkbox **Exception Items Only**. All items must be located in valid buildings before continuing with the Physical Inventory.
- _____ 6. **ACTIVITIES / INVENTORY / PHYSICAL INVENTORY / BEGIN INVENTORY** -

IMPORTANT NOTE FOR 10.x USERS: When you first enter this application, the system checks for any unposted merchandise received transactions. If any are found, the system will display the following message:

Merchandise receiving transaction(s) currently exist. All transactions must be posted prior to proceeding with a physical inventory.

If this message appears, the system will not allow you to proceed with the Begin Inventory process until you *first* post the Merchandise Received transactions for ALL users. If you still get that message then you will need to reset your merchandise received window. Simply go into Enter/Merchandise Received, click on View/Transactions/All Users, ok through the message. You can now proceed with your Begin Inventory.

NO INVENTORY, SALES OR ORDERS POSTING PROCESSES, LOCATION TRANSFERS, MTO'S, OR ADDING SALES SHOULD BE PERFORMED ONCE THIS STEP HAS BEEN RUN UNTIL THE PHYSICAL INVENTORY PROCESS IS COMPLETED

- _____ 7. **ACTIVITIES / INVENTORY / PHYSICAL INVENTORY / COUNTS LIST** - Record the actual counts on the Physical Inventory List.
- _____ 8. **ACTIVITIES / INVENTORY / PHYSICAL INVENTORY / ENTER COUNTS** -Enter the counts from the Physical Inventory List. The items will display in the order as printed on the list. **NOTE:** More than one person can enter counts from multiple workstations as long as the counts are for different ranges.
- _____ 9. **ACTIVITIES / INVENTORY / PHYSICAL INVENTORY / PRINT/POST EXCEPTIONS** -

Print your exception list to verify all entries against the count sheets for entry errors. Make any corrections needed by selecting Activities / Inventory / Physical Inventory / Enter Counts. NOTE: ALL counts can be canceled by selecting Activities / Inventory / Physical Inventory / Quit.

_____ 10. **BACK UP YOUR DATA FILES**

_____ 11. **ACTIVITIES / INVENTORY / PHYSICAL INVENTORY / PRINT/POST EXCEPTIONS**
-Post your exceptions. This step places the counts in the Merchandise Received work file. This step has **NOT** updated the item file or location file yet!

_____ 12. **ENTER / MERCHANDISE RECEIVED** - Any items found during the Physical Inventory count, which did not previously exist, or whose quantity was zero at the time Begin Inventory was run can be added here. New items can be created if necessary and then return to this step to add the quantities of those new items.

_____ 13. **PRINT / TRANSACTIONS / MERCHANDISE RECEIVED** - Verify accuracy of any new entries that were made and make any additional adjustments through **Enter/Merchandise Received**.

_____ 14. **ACTIVITIES / INVENTORY / POST TRANSACTIONS / MERCHANDISE RECEIVED**

_____ 15. **PRINT / REPORTS / INVENTORY / STOCK STATUS / ITEM - Print** with cost for ALL items to get a total value figure. (*Printing this report is optional, but necessary to balance your Inventory sub-ledger with your GL.*)

_____ 16. **ACTIVITIES / LEDGER / POST LEDGER ENTRIES**

CONGRATULATIONS!

PHYSICAL INVENTORY PROCESS COMPLETE!!

Survival of Independent Retailers = Survival of the Fittest

David McMahon, Senior Consultant

The first big threat to the survival of independent retailers is growing competition. Independents fight to hang on in a sector of the economy that has become dominated by chain stores and mass merchants. Our shopping malls consist of name brand stores that expand like wildfires lit from Wall Street's lust for growth. At the same time, mass merchandisers like Wal-Mart, Target, and Best Buy receive a huge portion of consumer spending by offering great value to the average person. They have the biggest selection, the lowest prices, and the easiest return policies. The home improvement industry is dominated by the Home Depot's, Lowe's, and an association of independent stores who branded together - Ace. Also, manufacturers fight amongst themselves by expanding their network reach as long and as wide as possible. They are taking more market share from the independents every day in their quest for vertical integration and maximum distribution. From clothing to athletic equipment to home furnishings, manufacturers continue to encroach on the entrepreneurs who used to be their partners.

However challenging, this consolidation and branding is a natural business phenomenon and it will continue to occur. When one of these nationally branded operations specializing in the same category of retail as an independent enters a region, the independent suffers. These branded stores are well run, efficient, get good prices, train people to be effective, and are financially aware. Some independents will go out of business, while others will survive and prosper. Those who see them coming and do nothing will die. Their plan is usually - let's see what happens and compete by advertising more. When business gets tough, they blame the economy. Those that outlast the onslaught and prosper are the ones who are committed to running a professional shop.

Acceptance of this can help avoid the next big threat to independents - themselves. They are usually family run and live or die on family talent and how they treat, coach, and compensate their employees. They need to perform above the level of their competition. To do this, they need to train - train - train. "Great success comes from great coaching."

Independents typically have no proper financial budget. A simple test of whether a proper budget is in place is to ask the budget maker, "What is our current and projected GMROI and Inventory to Sales, and how do we plan on improving?" and "What do other operations do?" If the answer is not immediate, that's a failure.

Businesses don't plan to fail, but most businesses who fail, did not properly plan. Planning starts with a proper and responsible budget. The best competitors plan properly; trust me, I do this for them.

Independent retailers do prosper and can succeed in the future! Here are some opportunities:

The best thing a company can do is to get professional training for their people where and when it is needed. People make money, nothing else. If you are a business owner, get proper coaching for your people and you can prosper together. Winners do not exploit human talent. Seek to help your people to become better than your competition in areas of financial responsibility, customer service, inventory management, sales management, and distribution.

An equally great opportunity is to establish a proper budget and project for future prosperity. A budget is not a schedule that limits expenses. A real budget is a plan born from establishing realistic targets and it defines strategies from all department managers. Teamwork is key as departments experience interdependency. For example, sales and cash flow can be affected by all departments - sales, delivery, customer service, warehousing, purchasing, merchandising, inventory management, and accounting. A true budget defines how these departments will work together and what metrics they need to achieve.

Without committing to the investment in people and planning, an independent retailer has some other options: It could consolidate with other like retailers under the same banner name to leverage resources such as marketing and overhead costs. It could sell to a branded company - possibly for

asset value minus debt. It could convert the operation to a branded store. However, even branded stores go out of business if they don't run a great business from year to year.

So, if your independent business decides to join them (become branded), rather than beat them (stay independent), you will be faced with competing with a best-practice independent retailer. So the ultimate opportunity is to...

Become the fittest and SURVIVE!

PROFIT*consulting* specializes in helping independent retailers. Please, email info@profitconsulting.com for help.

Tech Tip - Planning on Upgrading, Repairing Your Computer, or Server!

Les Kush, Director of Systems Support

What happens if my tech makes changes to the network or workstations? Does this affect PROFIT*professional*?

We have worked very hard to make PROFIT*professional* as independent of networking and naming conventions as possible. If the network is setup with a local Domain Name System (DNS), the components that communicate with the server (Pervasive SQL, SafeNet, and Microsoft Office) will usually work with little action by the tech.

In some cases, the workstations cannot find the server or firewalls do not allow the server to broadcast that it is available. When this happens, we help the workstation identify the server. If any change is made to the domain or computer name, this can keep PROFIT*professional* from connecting to the server. Some elements of bar coding may also be linked to the domain name, so changing the domain name may disable PROFIT*barcoding*.

If you change the computer name or disk drives of the license server, this will disable the PROFIT*professional* license and you will need to relicense the software.

If you have an emergency where you must change the server name or if you are planning on upgrading, please contact us at 800.888.5564 or support@profitsystems.net discuss how we can help you make the transition as smooth as possible.

The PROFIT*systems* E-Communicator is your best source for news and information on PROFIT*systems*, technology, and the retail furniture industry. If you need to know about our conferences, software, or just what is new around the halls of PSI, this is the place to find it. In conjunction with our website www.profitsystems.net, we are working to provide you the most information in the most timely manner possible. If you have not registered for access to our online PROFIT*resource* Center, please sign up at our home page today!

Michelle Michaels, Editor

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