

GORDON YARD

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T1 Small Business Startup Checklist and Information

Proprietor _____

Partners _____ Partner _____

Trade Name: _____ Register name _____

Address _____

Tel _____ Cell _____ Email _____

GST Number _____ Is a GST Account needed

WCB Number _____ Is a WCB Account needed

PST Number _____ Is a PST Account Needed

Lawyer - Do you use one _____

Banking Institution and Branch _____

Account Manager name and tel _____

Insurance Agencies - Business policies _____

Banking:

Open new account

Cheques ____ Deposit book ____ Debit Card ____

Who will be signatory ____ Business Visa or use own for business ____

Billing and Recievables

How will billings be done _____

What is billing basis: When work done ____ Progress bills ____ When item sold ____

Product Inventory ? Must ensure it is counted at end of year at least, valued at cost ____

Company Insurance _____

Billings and Payments

Bills are paid on which basis ? COD ____ 30 Days

Visa is cleared off monthly _____

Vehicles

Big myth you can run anything through if you own a business

Amount allowed is based on a mileage log you maintain to determine the amount of business use and personal use. If no log, you have to estimate

-Fuel

-Insurance

-Repairs

-Interest on financing

-Depreciation if owned

-Lease cost if leased

The CRA is very tough on this so you must have the supporting data for the costs and at least a sensible estimate if you do not maintain a mileage log

Meals & Entertainment

You can use if receipt indicates who you paid for and overall amounts are reasonable. You cannot simply run your own meals through. CRA is very tough on these if poor documentation

Home office

You can use a portion of home for business based on the amount of space used and the common costs of the home. Refer to Home office schedule to figure this out

WCB

If a proprietorship, you do not have to have, but can register and sign up for Personal Optional Protection and pay on whatever amount you want to insure for. Any employees must be covered and any unregistered subtrades.

If you use a subtrade, find out if registered and in good standing with WCB

Wages to Spouse and Kids

If you pay wages to spouse and children, you must ensure the payment is actually made directly to them to have proof of the payment such as cancelled cheque.

The amounts must be reasonable for age of kid, work done, hours available etc

For wages to a spouse, you are almost certainly obligated to have to file the payroll records such as a T4 at end of year unless the spouse has a business and the payment is made to that business for the services provided.

Equipment owned at start and transferred to business

When a small business is started, the owner will often have an assortment of tools and equipment and often, vehicle and machinery that will be transferred to the business. The equipment is detailed carefully and a value put on each item that it was worth on the day of transfer and then the beneficial (and most times legal) ownership will be vested to the new business as this equipment will be used wholly for that purpose and

Bookkeeping Requirements

As a Proprietorship, your business gets reported on a schedule that is part of your regular tax return.

All that is needed is the revenue and the expenses for the year for this schedule

Equipment additions are depreciated separately, home office costs deducted as well

Revenue requirements:

Your revenue for year must be all the billings done for the year

Your deposits to the bank should agree to this or any difference needs to be explained such as owner deposits, loans etc

If CRA audits you, they can use the total bank deposit amount if it is higher unless you can explain it all. Most people get hit hard, for simply not keeping decent trail

Your monthly bookkeeping process may be one where the total deposits in the bank are detailed as to where the funds came from

Expense requirements

The expenses must be categorized and totalled for the year

The categories will depend on your business but in most cases the following are common ones that often are used but each business will have their own listing

- | | | |
|----------------------|----------------|-------------|
| - Material purchases | - Advertising | - Wages |
| - Subcontracts | - Meals | - Insurance |
| - Office | - Tel and Cell | - Supplies |
| - Accounting | - Small tools | - Repairs |
| - Fuel | - Rent | - Travel |
| - Vehicle costs | - Interest | - Licenses |

The costs must be totalled by the category for the year. This can be either having all the receipts attached and totalled or the data processed that identifies all the individual items and this can be summarized. The CRA if they audit you will want each category to have the supporting receipts in good order and they tie in to what was filed on your tax return. Many people simply do not take care of their records and fail to support their claimed amounts just because of being sloppy. Your records must be nicely summarized, categorized, totalled and carefully retained to ensure you do not have this problem.

The CRA auditors often say, they know the taxpayers use their autos, take customers out for lunch and use their auto and home offices, but fail to provide or keep decent documentation and thus are disallowed. Develop strict habits and you will always be OK. The returns are your responsibility and no accountant can help you out if you do not have proper documentation to support the figures that you file

How to do your bookkeeping

As noted above, the process is fairly

Payroll ? Who will do this _____

Is owners attitude to taxes aggressive or moderate per historical filings

Who will be the major users of the FS or T2125

_____ Nature of use
_____ Nature of use

Do you understand that minimizing income of the business can restrict your ability to borrow money or do any refinancing _____

What will the primary activities of the company be

Who will be the major customers or general customer base of the company - target market

Who are the major suppliers or who the company pays the most to and why

Where are most revenue located - Fraser Valley or

Major Equipment of business

Make an asset listing if business is new and equipment transferred in

Major Liabilities of Company

Major Revenue Sources

Major Direct Costs

Major Expense types - identify categories

Personnel Profile

Any people on payroll ?

Feild or line _____

Office or Admin _____

What is payroll frequency _____

Is there cut off and a holdback period or paid to date _____

Who does Payroll _____ Who does T4's _____

Owner draws - will just be a regular fixed draw amount paid to personal account _____

Will other personal expenses be paid out of business account _____

**Having excess personal items paid out business will confuse things and surely it not well liked by CRA if they audit your business

Accounting Affairs

Cash

Bank signing authorities

Accts Rec

Billing process - completed contract, percentage of completion

Who decides the billings and make such decisions

Any slow or uncollectible debts

Are the AR pledged under any credit facilities

Inventory

Is inventory (other than WIP) counted and valued routinely or definitely at YE

Prepays

Any prepaid rents or other type of refundable deposits?

Description _____

Amount _____

Description _____

Amount _____

Are insurance policies reviewed carefully

Is a fleet plan in effect for vehicles or individual insurance

Who decides on coverage for insurance and any other policies

New Equipment

Is a continuity schedule maintained - updated each year

Who makes decisions on asset purchases

Bank Lines of Credit

Does the business have a credit facility ?

How much is the overall facility ?

What are rates of interest?

Payables

What is normal polciy on payable payouts - fast or slow to pay

Is there a high level of adherence to CRA filings - Payroll, GST etc

Is there a careful consideration to GST applicable to billings and expenses

Is there a careful consideration to PST applicable to billings

Is there a careful consideration to WCB Filings and coverage

Loans

What is nature of debt of company?

Banks:

Loan #1

Loan description _____

Original Amount _____

Interest Rate _____

Payment Amount _____

Type - Blended ___ or Principal Plus interest ___

Security _____

Copy of Loan Documents or Credit Facilities

Loan #2

Loan description _____

Original Amount _____

Interest Rate _____

Payment Amount _____

Type - Blended ___ or Principal Plus interest ___

Security _____

Copy of Loan Documents or Credit Facilities

Vehicle Loans

Loan #1

Loan description _____

Original Amount _____ Interest Rate _____

Payment Amount _____

Type - Blended ___ or Principal Plus interest ___

Security _____

Copy of Loan Documents or Vehicle Purchase Document

Loan #2

Loan description _____

Original Amount _____ Interest Rate _____

Payment Amount _____

Type - Blended ___ or Principal Plus interest ___

Security _____

Copy of Loan Documents or Vehicle Purchase Document

NEW BUSINESS ASSETS TRANSFERRED AT STARTUP			
OFFICE EQUIPMENT	List by items, put best est of value at date of start of business		
TOOLS AND EQUIPMENT	List by items, put best est of value at date of start of business		
MACHINERY AND BIG EQ	List by items, put best est of value at date of start of business		
TRUCK OR VEHICLE	List by items, put best est of value at date of start of business		
COMPUTER	List by items, put best est of value at date of start of business		