



APLI “Business Accounting and Tax Reporting” Workshop

About me:

- Ben Momeni
- MBA, BBA, PBA
- Professional Business Accountant
- Over 30+ years of experience
- Passions: networking + helping small businesses achieve their goals

Our Services:

- Accounting
- Income Tax
- Consulting
- Training Accounting Software
- Cash Flow Management
- CRA Correspondence

Business Accounting - Purpose & Importance

- ▶ Accounting plays a vital role in running a business because it helps you track income and expenditures, ensure statutory compliance, and provide investors, management, and government with quantitative financial information which can be used in making business decisions.
- ▶ 1) Record transactions
- ▶ 2) Monitor activity
- ▶ 3) Control
- ▶ 4) Management of the business
- ▶ 5) Measurement of financial performance

12 Accounting basics for small businesses

- ▶ Open a small business bank account
- ▶ Track your small business expenses
- ▶ Develop a bookkeeping system
- ▶ Set up a small business payroll system
- ▶ Tax account registration such as HST, Payroll, Corporate
- ▶ Determine how you'll get paid
- ▶ Establish sales tax procedures
- ▶ Determine your tax obligations
- ▶ Calculate gross margin
- ▶ Apply for small business funding
- ▶ Find high-quality accounting partners
- ▶ Time to time reevaluate your methods

Tax preparation documents for business owners

- ▶ Deposit slips.
- ▶ Bank statements.
- ▶ Business credit card statements.
- ▶ Income records, Sales invoices, Receipts for expenses.
- ▶ Loan Agreements and year-end balances statements.
- ▶ Detailed year-end inventory listing.
- ▶ Receipts on capital purchases or sales in 2022.

TAX CHECKLIST

- ▶ All T4 slips.
- ▶ Other information slips (T3, T5, T4E, T4A, T4AP, T4RSP, T4RIF)
- ▶ CPP benefits.
- ▶ Employment income.
- ▶ Employment insurance benefits.
- ▶ Old Age Security benefits.
- ▶ Pensions and annuities.

➤ **What is double-entry bookkeeping?**

Double-entry bookkeeping is a method of recording transactions where for every business transaction, an entry is recorded in at least two accounts as a debit or credit. In a double-entry system, the amounts recorded as debits must be equal to the amounts recorded as credits.

How does the double-entry system work?

The key feature of this system is that the debits and credits should always match for error-free transactions.

The double-entry bookkeeping system works on the basic accounting equation, which is as follows:

Assets=Liabilities + Owner's equity

Assets: The money that the company owns

Liabilities: Anything that the business owes

Owner's equity: Owner's investment in the company

Income: Money the business earns by selling its services/products

Expense: Money the company spends to run the business

What documents are used to record entries?

- ▶ In single-entry bookkeeping, the income and expenses for the transactions are recorded in a cash register, whereas the double-entry system starts with a journal, followed by a ledger, a trial balance, and finally financial statements.
- ▶ Journal: This is an accounting book where the transactions are recorded sequentially, in chronological order. It does not need to be balanced.
- ▶ Ledger: This is a book of final entries where the transactions are divided and recorded in separate accounts. It must be balanced.
- ▶ Trial balance: This is a bookkeeping worksheet that reflects the credit and debit balance of all ledger accounts. One of the important features of the trial balance is that it maintains the arithmetic accuracy of transactions.
- ▶ Financial statements: These are a collection of summary-level reports that reflect the organization's financial results, position, and cash flow.

How is double-entry bookkeeping better than single-entry?

The double-entry system has several advantages over the single-entry system:

- ▶ **Recording method:** Single-entry bookkeeping gives a one-sided picture of transactions recorded in the cash register. In double entry, changes due to one transaction are reflected in at least two accounts. The double-entry system is preferred by investors, banks and buyers because it gives them a more complete financial picture of an organization.
- ▶ **Error detection:** In double entry, debits and credits must always be the same. If that is not the case, then there is an error. This makes it easy to spot errors and ensure that they are not carried forward to other journals and financial statements. In single entry, there is no method for error correction or detection.
- ▶ **Company size:** The single-entry system is only appropriate for small enterprises, whereas the double-entry system can be used by all sizes of businesses, including large ones.
- ▶ **Preparation of financial statements:** The information recorded in a single-entry system isn't adequate for financial reporting or preparing profit and loss statements. Bigger organizations rely on these reports to track their performance, so they need the extra information captured by double-entry accounting.

Accrual vs Cash Accounting

- ▶ Using the cash method, revenue is recorded when money comes in and expenses are recorded when they are paid. This is often considered the simplest method. Using the accrual method, revenue is recorded when a sale is made—whether or not cash is received at the time.
- ▶ The main advantage of the accrual method is that it provides a more accurate picture of how a business is performing over the long-term than the cash method. The main disadvantages are that it is more complex than the cash basis, and that income taxes may be owed on revenue before payment is actually received.

Accounting tools, Software and Applications

- ▶ Types of Accounting Tools & Software
- ▶ All-In-One Inventory Management, Business Management and Financial Accounting Tools and Software
- ▶ Budgeting, Profit Management, and Admin Accounting Tools & Software
- ▶ Day-to-Day Business Management and Accounting Tools & Software
- ▶ Integration Accounting Tools & Software
- ▶ Payments, Invoicing, and Billing Accounting Tools & Software
- ▶ Tax Management and Automation Tools & Software
- ▶ Documents Management Software

How to Evaluate Business Performance and Profitability

Six of the most frequently used profitability ratios are:

- ▶ Gross Profit Margin. Gross profit margin – compares gross profit to sales revenue.
- ▶ EBITDA Margin (earnings before interest, taxes, depreciation, and amortization)
- ▶ Operating Profit Margin
- ▶ Net Profit Margin
- ▶ Return on Assets
- ▶ Return on Equity
- ▶ Return on Invested Capital

Tax Reporting

- ▶ **Individuals with Self-Employment Income & Spouses of Self-Employment Individuals**

May 1, 2023 – Payment of Tax

Any tax owing must be paid no later than this date; however, your return is due on June 15, 2022.

- ▶ **June 15, 2023**

Deadline to file your personal income tax return with self-employment income. See date above for income tax owing due date.

Note: The filing deadline for personal returns may be later if an individual or spouse died during the year.

- ▶ **CORPORATIONS**

Corporation income tax returns (T2's) are due no later than six months after the business' year-end. A corporation's year-end varies, but the most common year-end is December 31.

Example: If a business has a December 31 year end for its 2022 fiscal year, its filing deadline is June 30, 2023.

Deductible Business Expenses

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/sole-proprietorships-partnerships/business-expenses.html>

- ▶ advertising
- ▶ allowance on eligible capital property
- ▶ bad debts
- ▶ business start-up costs
- ▶ business tax, fees, licenses and dues
- ▶ business-use-of-home expenses
- ▶ capital cost allowance
- ▶ delivery, freight and express
- ▶ fuel costs (except for motor vehicles)
- ▶ Insurance
- ▶ interest and bank charges
- ▶ legal, accounting and other professional fees
- ▶ maintenance and repairs
- ▶ meals and entertainment (allowable part only)
- ▶ motor vehicle expenses
- ▶ office expenses
- ▶ other business expenses
- ▶ prepaid expenses
- ▶ property taxes
- ▶ rent
- ▶ salaries, wages and benefits (including employer's contributions)
- ▶ supplies
- ▶ telephone and utilities
- ▶ travel

TFSA, RRSP

- ▶ The major difference between RRSP and TFSA accounts centres around tax implications. RRSPs offer a tax deduction when you contribute, but you have to pay tax when you withdraw the money. TFSAs offer no up-front tax break, but you don't pay tax on any withdrawals, including growth.

New Rules / Changes for 2022 Tax Reporting

- ▶ The CRA has created the T1B Request to Deduct Federal COVID-19 Benefits Repayment in a Prior Year. According to the Canada Revenue Agency (CRA), if taxpayers repaid benefit amounts before January 1, 2023, they may choose when and how to claim the deduction on their tax return.
- ▶ In the 2022 budget announcement, the federal government proposed an anti-flipping tax. This would replace capital gains tax with business income tax for properties owned less than 12 months. This increases the inclusion rate to 100%.
- ▶ **New Automotive Claims:**
 - ▶ Ceiling on Capital Cost from \$30,000 in 2021 to \$34,000 in 2022
 - ▶ Eligible Zero-Emission Passenger Vehicles from \$55,000 in 2021 to \$59,000 in 2022
 - ▶ Leasing Cost Limit, per month from \$800 in 2021 to \$900 in 2022
- ▶ **Luxury Vehicle Tax:**

As per sections 9 and 34 of the Select Luxury Items Tax Act, subject vehicles valued over \$100,000 will be taxed the lesser of: 1) 10% of the taxable amount of the vehicle, and 2) 20% of the amount above the price threshold.

For example, if you are purchasing a vehicle with a taxable amount of \$120,000, the luxury tax will be calculated as the lesser of 10% of \$120,000, which is equal to \$12,000, and 20% of \$20,000.00, which is equal to \$4,000. So, the luxury tax on a vehicle sold for \$120,000 would be \$4,000.

New Rules / Changes for 2022 Tax Reporting

- ▶ CEBA loan repayment calculation:
- ▶ If borrowed \$40,000 repaying the outstanding balance of the loan on or before December 31, 2023 will result in loan forgiveness of %25 (up to \$10,000)
- ▶ If \$60,000 is borrowed, there is no forgiveness unless \$40,000 is repaid.

Run your business with ease

Bookkeeping is an important activity for maintaining accurate financial records.

Many small businesses fail to implement it with efficiency. Bookkeeping can help you prepare a budget, check for tax compliance, evaluate your business performance and help you with decision-making.

Contact Us Today!



Testimonials

“Ben Momeni is our “go to” person when it comes to anything accounting and we are not only his loyal clients but we became his biggest advocates! . Ben offers many years of experience in applying tax strategies to business operations. Many small businesses and clients have benefited from his expertise in accounting. Ben holds an MBA, a Bachelor of Commerce and a Professional Business Accountant designation. Our LeTip fellow member specializes in all accounting, taxation, system conversion and record-keeping services for personal and business finance, sole proprietors, partners and small to medium privately held corporations.” - Le Tip Toronto

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- **Accounting**
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