



Case Study # 2 Retail Store

Scope of Project

A Business Manager left the retail store after running the business for 10 years without owner supervision. The owners stepped back into an operational role and asked Organization INK to provide part-time bookkeeping for the business.

During our initial discovery, we determined that there were some critical concerns:

- Sales taxes and payroll taxes had not been paid consistently
- Credit card purchases of inventory were entered as credits to the vendor
- Credit cards had large outstanding balances
- Vendors had eliminated payment terms due to large balances, requiring prepayment on all orders

At a subsequent meeting, the owners agreed that Organization INK needed to conduct a full financial review, restore the business to financial stability, and determine a future plan to close, retain or sell the business.

Method Utilized

Organization INK started by reviewing all aspects of the Owners books. We reconciled all of the AP; we validated each and every open balance with vendors. We reconciled the AR—including reviewing all open customer sales and that we had the proper documentation on hand for tax exempt customer sales. We ensured that all banking activity was accurately portrayed. During this review, we calculated the tax liability for their payroll and sales taxes. In collaboration with their accountant, we restored the balance sheet after validating inventory and business liabilities.

We created a budget, prioritizing all debts while ensuring all current expenses were processed and paid accordingly. We developed a plan for reestablishing terms with vendors by implementing comprehensive payment plans with each vendor to allow for more efficient cash management and created a new purchasing process to reduce the purchasing of unnecessary inventory. We reviewed expenses and eliminated or renegotiated multiple contracts. We created job descriptions to ensure efficiency, compliance, and accountability. We filed amendments for payroll and sales taxes and negotiated and set up payment plans with all entities to ensure past liability were satisfied in order to put the business in good standing. We created a plan for increasing funding. As a result, the business found financial stability and was in good standing with all tax entities.

Results

Within one year, we put the business on a stable financial and operational footing. Vendors extended terms of credit, the business was in good standing with the state, expenses were



reduced. We established a working budget and forecast model that accommodated the seasonality of the business. With a strong financial picture, we obtained additional capital for growth and established a marketing budget with the surplus resulting in increased sales of approximately 10-15% year over year. The owners were able to grow the business. At the end of 4.5 years, with increased competition coming from the Internet, the owners decided to have a final sale and closed their business.