THE MAIN DISH

Spring 2012

ABOUT US

Henry & Horne, LLP is one of the leading accounting firms in Arizona with offices in Tempe, Scottsdale and Casa Grande. We combine the knowledge and expertise of a premier consulting firm with the personal attention of a local CPA, meaning unmatched service to you. Our services include: daily, monthly and annual bookkeeping and accounting; audit, review and compilation of company financial statements; audits of 401(k) plans; tax planning and compliance; tip reporting and compliance; cost segregation studies; internal control reviews; estate, trust & gift services; and valuation and litigation support services.

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HENRY & HORNE, LLP
Certified Public Accountants

Do You Use Quickbooks in Your Restaurant or Bar?

By Brian Campbell, CPA

Do you use Quickbooks in your restaurant or bar? If you answered yes to this question, then you are among of the almost 65% of those in the industry that do.

I will discuss below a few things to consider when setting up and using Quickbooks in your restaurant or bar:

- **Creating a company –** Before creating a company, make sure you have selected a proper start date. It is preferable to use a start date of the last day of a fiscal period versus the first day of a fiscal period. This will ensure that historical transactions are correctly entered.
- **Chart of accounts –** Quickbooks industry chart of accounts does not conform to the National Restaurant Association's (NRA) standard chart of accounts. As such, I would recommend that you create and import your own chart of accounts to ensure conformity with the NRA's format.
- **Account numbers –** Do not just use names for your accounts…use the NRA's standard chart of accounts to set up proper account numbers and account names. There is an option to deactivate the account numbers within Quickbooks, however, I would not recommend doing this.
- **Classes –** If you have more than one location, the classes function will track revenue and expenses by location.
- **Accounts receivable –** Unless you have house accounts, catering and/or banquet operations, it probably does not make sense to use the accounts receivable functions within Quickbooks.
- **Inventory –** Most restaurants and bars will not want to keep inventory in Quickbooks because there probably is not technically a large amount of inventory to track. A better option is to use Excel to track your weekly or monthly inventory counts and then journal entries can be used to adjust the inventory amounts within Quickbooks.
- **Accounts payable –** This is an area where all restaurants and bars should be using in Quickbooks. If you want to be able to print accurate financial statements at any point in time, it is imperative that all bills are entered into accounts payable. There are several ways to pay bills out of accounts payable, be sure you understand the different options because using the wrong one can cause your accounts payable not to be relieved properly and the balance will continue to grow.
- **Sales tax –** Quickbooks can calculate and track sales tax, however, if your POS system is setup properly it will track sales tax for you. I would recommend staying away from this in Quickbooks.
- **Payroll –** Most restaurant and bar operations will have an outside payroll service that will perform this function. However, if you do your payroll in-house you can use Quickbooks to perform your payroll functions but you need to ensure that you are properly using the payroll functions within Quickbooks or else you or your outside CPA may end up spending lots of time cleaning up your Quickbooks files to properly reflect the payroll activity and outstanding payroll liability balances.

The above is a short list of things you need to consider when setting up or using Quickbooks. Stay tuned for part II in the fall issue of The Main Dish where I will discuss more options that you should be aware of when setting up and using Quickbooks.

If you have any questions Brian can be reached at (480) 839-4900 or BrianC@hhcpa.com.



Tappas

According to the NRN, grilled cheese is the new hamburger. From fast-casual and quick service to high end, expect more restaurants to follow this trend throughout 2012.

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According to the people at James Beard, blood is appearing on menus more and more. From blood pancakes and blood cups to blood ice cream, this is another item that is on trend for the rest of 2012.

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Global cuisines on trend for 2012: modern Thai, fast casual Asian, Indian street foods, high-end Indian, Nordic, Czech, Hungarian and Eastern European according to Epicurious.

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How the New IRS Regulations Impact Construction Allowances

By Kelly Lynch, CPA

IRS has issued temporary regulations that rewrite the rules of deduction versus capitalization of tangible property costs. Although these new regulations may not garner attention in the media, like the recent payroll tax cut extension, they certainly are far reaching and affect virtually all taxpayers that acquire, produce, or improve tangible property, whether owned or leased. Restaurants certainly will be impacted by these new rules. One area of these new regulations focuses on how a landlord and tenant must capitalize expenses related to leased buildings and the use of construction allowances.

In general, a taxpayer who is a lessee (tenant) must capitalize the aggregate of related amounts that it pays to improve a unit of leased property. However, amounts are not capitalized if Code Sec. 110 applies to a construction allowance (also referred to as tenant improvement allowance) received by the lessee to make the improvement. Under Code Sec. 110, a lessee excludes from income any amount received in cash or as a rent reduction from a landlord, if the amount is (1) received under a short-term (15 years or less) lease of retail space, and (2) made so that the lessee can build or improve qualified long-term real property for its trade or business at the leased retail space.

One of the key concepts of the new rules involves a unit of property (UOP). Each building and its structural components generally are one UOP. Amounts are treated as paid for an improvement to a building if they improve the building structure and its structural components. An example of this would be if a taxpayer restores a building structure it uses in its business by replacing the entire roof, the expense is treated as an improvement to the single UOP consisting of the building. The new regulations clarify how a lessee-tenant or lessor-owner capitalizes costs to acquire or produce leased property, and to improve such property.

With these new rules now in place, it is important to understand how a building, its structural improvements, and subsequent improvements are treated with respect to construction allowances. Part of the process is identifying the UOP and whether it is a part of the leased property. This will dictate whether it is capitalized for tax purposes. Finally, the temporary regulations do make it clear that the rules for improvements to leased property are the exclusive rules for determining whether amounts paid by a taxpayer are for the improvement of a unit of leased property and must be capitalized.

These new regulations are complicated and have an impact on the restaurant industry, particularly when entering into a new lease agreement. These new rules apply to tax years beginning after December 31, 2011. Do not hesitate to contact one of Henry & Horne's restaurant professionals to assist you in applying these new rules.

If you have any questions Kelly can be reached at (480) 839-4900 or KellyL@hhcpa.com.