



51A Middle Street, Newburyport, MA 01950

Phone: 800-588-7039

contact@bhfe.com

www.bhfe.com

Course Information

Course Title: The New Controller Guidebook #362023

Number of continuing education credit hours recommended for this course:

CPA: 18 (All states)

In accordance with the standards of the National Registry of CPE Sponsors, CPE credits have been granted based on a 50-minute hour.

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 0004761 (for ethics #0011467)

Hawaii Board of Accountancy: 14003

New York State Board of Accountancy (ethics): 002146

Ohio State Board of Accountancy: CPE .51

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

Program Delivery Method: QAS Self-Study (interactive)

Subject Codes/Field of Study: Accounting

Course Description:

The accountant needs to be competent in many areas in order to be an effective controller - the person responsible for all accounting operations. The New Controller Guidebook covers every aspect of being a controller, including the management of accounts payable, cash, credit, collections, inventory, payroll, and more. The course also shows you how to close the books, which reports to issue to the management team, how to create a budget, and how to select and install an accounting computer system. In short, this course provides the accountant with the most essential information needed to be a successful controller.

Course Content

Publication/Revision date: 5/2/2023.

Author: Steven M. Bragg, CPA.

Final exam: Ninety questions (multiple-choice).

Course Level and Prerequisites

Level: Overview

Prerequisites: None

Advance Preparation: None

Instructions for Taking This Course

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- You must complete this course within one year of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **To retain the course-PDF after completion (for future reference) and to enable enhanced navigation:** From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- **Complete the course by** following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- **Once you have completed studying the course** and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Online Exam

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- A passing grade of at least **70%** is required on the exam for this course.
- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

Learning Assignment & Objectives

- Recognize the functions of the controller position, and which functions do not involve the controller.
- Identify the considerations involved in creating a system of measurements.
- Identify the key elements of the accounting for cash.
- Specify the measurements that can be applied to the credit and collection processes.
- Cite the techniques and accounting used for credit and collections.
- State the main aspects of billing preparation and accounting.
- Recognize the systems used to calculate the cost of inventory.
- Identify the key elements of the accounting for fixed assets.
- Cite the major accounts payable processes.
- Identify the key elements of the accounting for equity.
- Recognize the techniques used to improve the processing of payroll.
- Itemize the methods used to establish a system of management over the accounting department.
- Cite the main steps used to close the books.
- State the reports that comprise the financial statements.
- State the concepts and tests needed to create public company financial statements.

- Cite the types of management reports that the controller should produce.
 - Itemize the ratios that can be used by the controller.
 - Recognize the component parts of a company's budget.
 - Identify the main methods used to investigate requests for capital spending.
 - Specify the uses to which a post installation review can be put.
 - Cite the considerations involved in the selection of a computer system.
 - Describe the nature of a bidders conference.
-

About the Author

Steven Bragg, CPA, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written more than 250 books and courses, including *New Controller Guidebook*, *GAAP Guidebook*, and *Payroll Management*.

Copyright © 2023 by AccountingTools, Inc. All rights reserved.

Published by AccountingTools, Inc., Centennial, Colorado.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to Steven M. Bragg, 6727 E. Fremont Place, Centennial, CO 80112.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For more information about AccountingTools® products, visit our Web site at www.accountingtools.com.

ISBN-13: 978-1-64221-105-4

Printed in the United States of America

Table of Contents

Course Information	ii
Learning Assignment & Objectives	iii
About the Author.....	iv
Chapter 1 The Controller Job Description.....	1
Learning Objectives	1
Introduction	1
The Controller Job Description	1
The Chief Financial Officer Job Description	3
The New Controller Checklist.....	5
Summary	7
Review Questions.....	9
Chapter 2 Cash Management	10
Learning Objectives	10
Introduction	10
Controller Responsibilities	10
Overview of the Bank Reconciliation	10
The Bank Reconciliation Procedure.....	11
Bank Reconciliation Problems	12
The Bank Reconciliation Statement	13
Accounting for Petty Cash	13
The Cash Forecast	15
Cash Investments.....	18
Negative Cash on the Balance Sheet	18
Cash Controls	19
Cash Record Keeping.....	20
Summary	20
Review Questions.....	21
Chapter 3 Credit and Collections Management	22
Learning Objectives	22
Introduction	22
Controller Responsibilities	22
Receivables Measurement.....	22
Credit Management	24
Credit Terms and the Cost of Credit.....	26
Collections Management.....	27
Other Cash Acceleration Techniques	29
The Allowance for Doubtful Accounts	30
The Direct Write-off Method	32
Credit and Collection Controls	33
Summary	34
Review Questions.....	35
Chapter 4 Billing Management	36
Learning Objectives	36

Introduction	36
Controller Responsibilities	36
Billing Management	36
Structure of the Invoice	38
Accounting for Billings	40
Accrued Revenue	41
Accounting for Sales Taxes.....	42
Sales Tax Exemption Certificates	45
Sales Tax Audits.....	46
Errors in Compliance	47
Audit Best Practices	47
Billing Controls	49
Summary	49
Review Questions.....	50
Chapter 5 Inventory Management.....	51
Learning Objectives	51
Introduction	51
Controller Responsibilities	51
The Periodic Inventory System	51
The Perpetual Inventory System	52
How to Set Up Inventory Record Keeping.....	53
Cycle Counting.....	54
Inventory Reconciliation	55
The Physical Inventory Count.....	56
Inventory Costing.....	57
The First In, First Out Method.....	57
The Last In, First Out Method	58
The Weighted Average Method.....	60
Standard Costing.....	61
The Retail Inventory Method.....	63
Accounting for Obsolete Inventory	63
Summary	65
Review Questions.....	66
Chapter 6 Fixed Assets Management.....	67
Learning Objectives	67
Introduction	67
Controller Responsibilities	67
Fixed Asset Tracking	67
Tag Tracking	67
Bar Code Tracking.....	68
RFID Tracking – Active Transmission	68
RFID Tracking – Passive Transmission.....	69
The Fixed Asset Physical Count.....	69
Accounting for Fixed Assets	70
Fixed Asset Controls	72
Controls for Fixed Asset Acquisition.....	72
Controls for Fixed Asset Theft.....	73
Controls for Fixed Asset Disposal	73
Fixed Asset Record Keeping.....	74
Audit Requirements.....	75
Summary	76
Review Questions.....	77

Chapter 7 Accounts Payable Management.....	78
Learning Objectives	78
Introduction	78
Controller Responsibilities	78
Accounts Payable Management	78
Three-Way Matching	80
Use Taxes	81
Accounting for Accounts Payable	81
Accounts Payable Controls	83
Accounts Payable Record Keeping	84
Summary	84
Review Questions.....	85
Chapter 8 Equity Management	86
Learning Objectives	86
Introduction	86
Controller Responsibilities	86
Accounting for Stock	86
The Sale of Stock for Cash	86
Stock Issued in Exchange for Non-Cash Assets or Services.....	87
The Repurchase of Stock (Treasury Stock)	87
Accounting for Dividends	89
Summary	91
Review Questions.....	92
Chapter 9 Payroll Management	93
Learning Objectives	93
Introduction	93
Controller Responsibilities	93
Payroll Cycle Duration	93
Streamlined Timekeeping.....	95
Timekeeping Systems.....	96
Computerized Time Clocks	96
Internet-Based Time Tracking	98
Electronic Payments.....	99
Payments by Direct Deposit.....	99
Payments by Pay Card	100
Employee Self-Service	101
Manager Self-Service	101
Transaction Error Analysis.....	101
Staff Training Program.....	102
The Payroll Calendar.....	103
Information Confidentiality.....	104
Accounting for Payroll	104
Primary Payroll Journal Entry.....	104
Accrued Wages	106
Accrued Bonuses	106
Accrued Commissions	107
Manual Paycheck Entry	108
Employee Advances.....	109
Accrued Vacation Pay.....	110
Payroll Controls.....	111
General Controls	111
Payroll Calculation Controls.....	112

Check Payment Controls.....	113
Direct Deposit Controls	113
Self-Service Controls.....	114
Garnishment Controls.....	114
Employee Advances Controls.....	114
Summary	114
Review Questions.....	116
Chapter 10 Department Management	117
Learning Objectives	117
Introduction	117
Controller Responsibilities	117
Schedule of Activities	117
Error Tracking System	118
Process Reviews.....	119
Queue Management.....	120
Department Layout.....	121
Skills Review and Training	122
Consolidate Accounting	123
Summary	124
Review Questions.....	125
Chapter 11 Closing the Books	126
Learning Objectives	126
Introduction	126
Controller Responsibilities	126
Prior Steps: Update Reserves	126
Core Steps: Issue Customer Invoices	127
Core Steps: Value Inventory	128
Core Steps: Calculate Depreciation.....	130
Core Steps: Create Accruals.....	134
Core Steps: Consolidate Division Results	134
Core Steps: Eliminate Intercompany Transactions.....	134
Core Steps: Review Journal Entries	135
Core Steps: Reconcile Accounts	135
Core Steps: Close Subsidiary Ledgers.....	137
Core Steps: Create Financial Statements.....	137
Core Steps: Review Financial Statements.....	137
Core Steps: Accrue Tax Liabilities.....	138
Core Steps: Close the Month.....	138
Core Steps: Add Disclosures.....	138
Core Steps: Write Cover Letter	139
Core Steps: Issue Financial Statements.....	140
Delayed Steps: Issue Customer Invoices.....	140
Delayed Steps: Closing Metrics	140
Delayed Steps: Document Future Closing Changes.....	141
Delayed Steps: Update Closing Procedures	141
The Soft Close.....	142
Summary	143
Review Questions.....	144
Chapter 12 The Financial Statements.....	145
Learning Objectives	145
Introduction	145

Controller Responsibilities	145
The Income Statement	145
Income Statement Overview	145
The Single-Step Income Statement	149
The Multi-Step Income Statement	150
The Condensed Income Statement	150
The Contribution Margin Income Statement	151
The Multi-Period Income Statement	152
How to Construct the Income Statement	153
The Balance Sheet	154
Overview of the Balance Sheet	154
The Common Size Balance Sheet	157
The Comparative Balance Sheet	158
How to Construct the Balance Sheet	159
The Statement of Cash Flows	162
Overview of the Statement of Cash Flows	162
The Direct Method	163
The Indirect Method	165
How to Prepare the Statement of Cash Flows	166
The Statement of Retained Earnings	168
Overview of the Statement of Retained Earnings	169
How to Prepare the Statement of Retained Earnings	170
Summary	170
Review Questions	172
Chapter 13 Public Company Financial Reporting	173
Learning Objectives	173
Introduction	173
Controller Responsibilities	173
Interim Reporting	173
The Integral View	173
The Discrete View	174
Comparison of the Integral and Discrete Views	175
Interim Reporting Issues	175
Segment Reporting	175
Primary Segment Reporting Issues	175
The Segment Report	178
Earnings per Share	178
Basic Earnings per Share	178
Diluted Earnings per Share	180
Presentation of Earnings per Share	183
The Public Company Closing Process	184
The Form 10-Q	185
The Form 10-K	186
The Form 8-K	188
The Disclosure of Non-GAAP Information	191
Summary	192
Review Questions	193
Chapter 14 Management Reports	194
Learning Objectives	194
Introduction	194
Controller Responsibilities	194
The Duration of a Report	194
Responsibility Reporting	194

The Flash Report	195
Expense Reporting	197
Margin Reporting	199
Variance Reporting	201
The Purchase Price Variance	202
Material Yield Variance.....	203
Labor Rate Variance	204
Labor Efficiency Variance.....	205
Variable Overhead Spending Variance.....	205
Variable Overhead Efficiency Variance	206
Fixed Overhead Spending Variance	207
Selling Price Variance.....	207
Sales Volume Variance.....	208
Problems with Variance Analysis	209
Which Variances to Report.....	209
How to Report Variances.....	210
Summary	211
Review Questions.....	212
Chapter 15 Ratio Analysis	213
Learning Objectives	213
Introduction	213
Controller Responsibilities	213
Deflated Sales Growth.....	213
Deflated Profit Growth.....	214
Core Earnings Ratio	215
Margin of Safety.....	216
Interest Coverage Ratio.....	217
Return on Equity	217
Days Sales Outstanding	220
Best Possible DSO	221
Inventory Turnover	221
Sales Productivity.....	222
Sales Backlog Ratio	223
Measurement Consistency.....	224
Measurements and the Soft Close	224
Summary	225
Review Questions.....	226
Chapter 16 Budgeting	227
Learning Objectives	227
Introduction	227
Controller Responsibilities	227
The System of Budgets.....	227
The Reasons for Budget Iterations	230
Overview of the Revenue Budget.....	231
The Ending Finished Goods Inventory Budget	233
The Production Budget.....	236
Production Budgeting for Multiple Products.....	237
The Direct Materials Budget (Roll up Method)	238
The Direct Materials Budget (Historical Method).....	239
The Direct Labor Budget.....	240
The Manufacturing Overhead Budget.....	241
The Sales and Marketing Budget	243
Diminishing Returns Analysis.....	245

The Research and Development Budget	245
The Administration Budget	247
The Compensation Budget	249
The Budgeted Income Statement.....	252
The Budgeted Balance Sheet.....	253
Accounts Receivable.....	254
Inventory.....	255
Fixed Assets	256
Accounts Payable.....	257
Additional Estimation Elements	258
The Cash Line Item.....	259
The Financing Budget	260
The Compiled Balance Sheet.....	261
Summary	262
Review Questions.....	264
Chapter 17 Capital Budgeting.....	265
Learning Objectives	265
Introduction	265
Controller Responsibilities	265
Overview of Capital Budgeting.....	265
Constraint Analysis	266
Net Present Value Analysis.....	267
The Payback Method.....	269
Capital Budget Proposal Analysis.....	270
The Outsourcing Decision.....	271
The Capital Budgeting Application Form	272
The Post Installation Review.....	274
The Lease versus Buy Decision	275
Summary	276
Review Questions.....	277
Chapter 18 Computer System Selection and Installation	278
Learning Objectives	278
Introduction	278
Controller Responsibilities	278
Computer System Selection	278
Requirements Development.....	278
The Request for Proposals	280
Bidders Conference.....	281
Proposal Evaluation	281
Demonstrations and Reference Checks.....	283
Computer System Installation	284
Electronic Spreadsheets.....	286
Summary	286
Review Questions.....	287
Answers to Chapter Questions	288
Glossary	307
Index	312

Preface

The controller position has many responsibilities, which can seem overwhelming to someone new to the job. *The New Controller Guidebook* eases the transition into the controller role by describing each responsibility, noting which ones are the most critical, and showing how to manage them properly.

In Chapters 1 through 10, we address the key management aspects of the job, including the management of cash, billings, collections, inventory, fixed assets, accounts payable, and payroll. We also cover management of the accounting department as a whole. In Chapters 11-15, we address all aspects of reporting, such as closing the books, the different formats available for the financial statements, the extra reports to be issued by a publicly-held company, and a variety of management reports and ratios. We then move to planning considerations in Chapters 16-17, with discussions of the entire system of budgets and capital budgeting. Finally, we cover how to select and install an accounting computer system.

You can find the answers to many questions about controllership in the following chapters, including:

- Which tasks should be handled by the chief financial officer?
- How do I construct a cash forecast?
- How do I manage the collection of overdue accounts receivable?
- How do I set up an inventory record keeping system?
- How can I improve the process flow of accounts payable?
- What methods are available for streamlining the payroll function?
- How do I use queue management to improve the accounting department?
- What steps should I follow to close the books?
- Which reports and ratios are of the most use for analysis purposes?
- How do I set up a system of budgets?
- How do I select and install an accounting computer system?

The New Controller Guidebook is designed for both professional accountants and students. Professionals can use it as a reference tool for improving the operation of their accounting departments, while it provides students with an overview of what to expect when they become controllers. Given its complete coverage of the controllership topic, *The New Controller Guidebook* may earn a permanent place on your book shelf.

Centennial, Colorado
April 2023