


# BOOKKEEPING AND BUSINESS ANALYSIS

TRACKING  
PROGRESS,  
FILING INCOME  
TAXES AND  
MAXIMIZING YOUR  
BOTTOM LINE



Bookkeeping is one of the most important activities of successful owner-operations. The receipts and records you keep are used in a number of areas of your business – income tax reporting and minimization, warranty issues, maintenance information and monthly profitability, to name a few.

A business services provider can save you time with this task, but you should take an active role in collecting the information. The more organized and thorough you can be in your receipt gathering, the better.

You can simplify the book-keeping task by following six simple practices that translate to higher profit with less hassle:

## **1 SAVE EVERY RECEIPT, NO MATTER HOW SMALL**

Why tip the tax-man? It's the job of your business services provider to help you deduct as many legitimate costs as possible. Place an envelope in your truck for collecting your receipts, or use dedicated folders on your computer or in the cloud for e-receipts. At the end of each month, send them to your business services provider, who can sort and tally them and provide you with a monthly profit-and-loss statement as well as accurate quarterly tax estimates.

Whether you're building spreadsheets on a laptop or using on line software such as that available via LetsTruck.com or other vendors, the receipts are crucial in case you are audited. Scanned images of receipts are acceptable; keep the original paper copy for any big-ticket item for warranty purposes. ATBS will scan the contractor's receipts and provide a CD with the data to the owner-operator at the end of the year. ATBS also allows owner-operators to view scanned receipts and financial documents on line; this helps owner-operators track and manage paperwork easily when they are on the road and need to pull up key information, such as the receipt for the purchase of a battery that proves it is under warranty.

If you're not sure if something is tax-deductible, save the receipt and check with your business services provider.

## **2 OPEN A SEPARATE CHECKING ACCOUNT FOR YOUR BUSINESS**

If you are the sole owner of the business, open an additional personal account and save your self the extra fees that are associated with business accounts. Deposit your settlement checks and collected invoices in this account, and pay yourself for driving from these funds. The amount to pay yourself is determined by your budget.

Pay all business expenses from this account. A separate account also will give you easy access to needed information in case you are audited, and bank fees for this account are tax deductible.

## **SIMPLIFYING RECORD KEEPING**

Creating basic monthly income/expense reports, profit-and-loss statements and tax reports is accomplished more easily with simplified record keeping. Business services help greatly here, but for those not using a service, a simple process for gathering and organizing your paper receipts, combined with an on line software tool or custom spreadsheets on your computer, can allow you to input your own data and do the computations with the least amount of effort to create the reports.

- Pick up an expanding folder at an office supply store — likewise blank labels for the folders, a stapler and a desktop calculator with a register tape. Fill out the pocket labels with the categories listed in the box here. Some will not apply if you don't employ another driver or have space devoted to an office or shop.

- Every receipt claimed must be business-related. Car expenses apply only to business related trips, such as to your truck dealer or repair shop.
- When you get a receipt, drop it in the corresponding pocket — fuel, settlements or any expenses document.
- At the end of each month, schedule two hours to catch up with your filing. You likely soon will find that you can get this done in less time.
- Add the receipts in the folder's first pocket. Staple the register tape to the corresponding pile of receipts, and drop them back in the same slot. Since they are stapled, they won't get mixed with new receipts. Do the same for the remaining categories.

- Supplement this system by noting your odometer reading on the first of every month. This allows you to track total monthly miles and then calculate your true income per mile and costs per mile.
- Using on line software — such as the LetsTruck.com Gauges software created by former trucker Kevin Rutherford — or other programs, create a monthly entry for each category, and enter your settlement data. Use the software or spreadsheet data to create your reports and manage your business.

### **3 USE A SEPARATE CREDIT CARD FOR BUSINESS EXPENSES**

Likewise, it's wise to keep business and personal credit card spending distinct. Find a credit card without an annual fee and with a low interest rate and, ideally, a generous rewards plan. Pay the balance in full every month.

### **4 SAVE YOUR LOGS**

Your log records are the best proof of your entitlement to per diem (daily) expenses, mainly meal costs. If you're using electronic logs, now a requirement for most truckers, know how to save and access your history.

### **5 GET A NOTEBOOK TO CARRY WITH YOUR RECEIPT ENVELOPE**

Use this notebook — alternately, a document or spreadsheet record on your smartphone or computer— to record those expenses for which you cannot obtain a receipt, such as when you wash your truck at a pay facility, business use of your auto, etc. Give a monthly record of these expenses to your business services provider along with your other receipts.

You must track the date, location, amount and reason for each expense to meet Internal Revenue Service regulations. Special circumstances include:

Entertainment. Expenses for yourself, such as movie rentals or books, are not deductible. However, if you entertain

a business associate, such as a fleet manager or shipping clerk, the expense is deductible. Note the cost of the expense, the date, names of who were there and the meeting's purpose.

Business gifts. If you make a gift to a business associate such as a dispatcher or a customer, record the cost, date, gift description, the recipient's name and relationship to you.

Transportation. For use of a personal vehicle for business, include the date you started using it for business, mileage for each business use and annual total miles. Include your business destination and purpose of each trip.

### **6 SAVE YOUR RECORDS**

You must keep the records that were used to prepare your tax return — records that support income and deductions — for three years from the date you filed the return.

Other records to keep include IRS quarterly estimated tax payments; monthly profit and loss statements; insurance documentation; maintenance records and reports; warranty information, which should be available immediately to keep your truck on the road and minimize downtime and maintenance costs; required registration information; settlement statements from your carrier if you're leased; and bank statements, business credit card statements and canceled checks.

## PROFIT-AND-LOSS STATEMENT

All your records should be accumulated throughout the month and turned into a profit-and-loss statement, also called a financial statement or a statement of earnings. Gather settlement statements and receipts into like categories, and total them up at the end of the month. Then incorporate your operating information in a consistent format to make the profit-and-loss statement.

The statement should tell you how many miles you drove, your revenue, your costs and how much money you made during the month – your profit or loss.

Building a monthly P&L allows you to track progress month to month to see if you are improving. The

statement should include ratios such as cents per mile and percent of revenue so you can analyze your performance. You also will be able to compare your profit-and-loss statement to your budget to see if you are on track with your plan.

In addition, the statement should have a year-to-date (YTD) column that accumulates each month into a total for the whole year.

Successful owner-operators have to know how to adjust for changing conditions. If you don't, profitability probably will decline. Are fuel prices low or high? What about insurance costs? Is the economy growing? What do industry analysts say about conditions in the months ahead?

Make it part of your routine to compare your P&L report with your budget and figure out changes you need to make to maximize profitability.

Compare yourself with other owner-operators. Comparisons help you understand changes under way in the trucking industry and what other drivers are doing to adapt.

But be careful: Some comparisons

are dangerous. Casually comparing settlement checks, for example, can mislead you into thinking you are doing better or worse than you are. It's more effective to compare revenue and what other operators are doing to achieve revenue, and also what they are doing to reduce costs and minimize waste. If you are not doing as well in some areas as other operators, it is up to you to solve the problem.

A good way to compare is through benchmarking. This is the key to understanding the big picture – not just where you stand in relation to a few other operators, but to the industry as a whole. A good business services provider can provide key benchmarks, or averages, such as cost per mile for dry van haulers.

Such data can help you analyze where you're performing well and where you need to make changes



## PROFIT AND LOSS STATEMENT EXAMPLE

MILES	Amount		% Total	Amount		
Loaded Miles	8,813		90.08%	17,481		
Empty Miles	970		9.92%	1,976		
<b>TOTAL MILES</b>	<b>9,783</b>		<b>100.00%</b>	<b>19,457</b>		<b>100.00%</b>

REVENUE	Amount	Cents Per Mile	% Rev	Amount	Cents Per Mile	% Rev
Mileage/Percentage	\$ 10,420	106.51	83.77%	\$ 20,619	105.97	84.26%
Fuel Surcharge	\$ 1,889	19.31	15.19%	\$ 3,711	19.07	15.17%
Accessorial/Other	\$ 130	1.33	1.05%	\$ 131	.87	.54%
<b>TOTAL REVENUE</b>	<b>\$ 12,439</b>	<b>127.15</b>	<b>100.01%</b>	<b>\$ 24,461</b>	<b>125.72</b>	<b>100.00%</b>

EXPENSES						
<b>Variable</b>						
Fuel	\$ 3,998	40.87	32.14%	\$ 7,892	40.56	32.26%
Trailer Fuel	\$ 0	.00	.00%	\$ 0	.00	.00%
Fuel Tax	\$ 117	1.20	.94%	\$ 233	1.20	.95%
Routine Truck Maintenance/Repair	\$ 204	2.09	1.64%	\$ 411	2.11	1.68%
Depreciable Truck Repair	\$ 0	.00	.00%	\$ 0	.00	.00%
Outside Labor	\$ 0	.00	.00%	\$ 0	.00	.00%
Communications	\$ 35	.36	.28%	\$ 71	.36	.26%
Travel & Lodging	\$ 0	.00	.00%	\$ 0	.00	.00%
Office/Education	\$ 2	.02	.02%	\$ 4	.02	.02%
Electronic Devices Purchase	\$ 0	.00	.00%	\$ 0	.00	.00%
Company Charges	\$ 0	.00	.00%	\$ 0	.00	.00%
Uniforms/Laundry/Supplies	\$ 0	.00	.00%	\$ 0	.00	.00%
Small Tools & Truck Supplies	\$ 0	.00	.00%	\$ 0	.00	.00%
Depreciable Tool Purchase	\$ 0	.00	.00%	\$ 0	.00	.00%
Miscellaneous	\$ 66	.67	.53%	\$ 66	.34	.27%
Broker Fees	\$ 0	.00	.00%	\$ 0	.00	.00%
Total Variable Expenses	\$ 4,422	45.20	35.55%	\$ 8,677	44.60	35.47%
<b>CONTRIBUTION MARGIN</b>	<b>\$ 8,017</b>	<b>81.95</b>	<b>64.46%</b>	<b>\$ 15,784</b>	<b>81.12</b>	<b>64.63%</b>
<b>Fixed</b>						
Truck Payment	\$ 2,414	24.68	19.41%	\$ 4,678	24.04	19.12%
Trailer Payment	\$ 0	.00	.00%	\$ 0	.00	.00%
EHUT	\$ 0	.00	.00%	\$ 0	.00	.00%
License, Permits, Tolls & Scales	\$ 20	.20	.16%	\$ 40	.21	.16%
Physical Damage Insurance	\$ 424	4.33	3.41%	\$ 863	4.44	3.53%
Boat/Insurance	\$ 40	.41	.32%	\$ 81	.42	.33%
Work Comp/Corp Acc Insurance	\$ 172	1.78	1.38%	\$ 350	1.80	1.43%
Health, Dental, Vision, Other Insurance	\$ 0	.00	.00%	\$ 0	.00	.00%
Salary & Wages	\$ 0	.00	.00%	\$ 0	.00	.00%
Legal & Accounting	\$ 113	1.16	.91%	\$ 219	1.13	.90%
Total Fixed Expenses	\$ 3,183	32.54	25.59%	\$ 6,231	32.02	25.47%
<b>TOTAL EXPENSES</b>	<b>\$ 7,605</b>	<b>77.74</b>	<b>61.14%</b>	<b>\$ 14,908</b>	<b>76.62</b>	<b>60.94%</b>
<b>NET INCOME BEFORE TAX</b>	<b>\$ 4,834</b>	<b>49.41</b>	<b>38.87%</b>	<b>\$ 9,553</b>	<b>49.10</b>	<b>39.05%</b>
MILES TO BREAK-EVEN	3,884	N/A	N/A	7,681	N/A	N/A
REVENUE TO BREAK-EVEN	\$ 4,939			\$ 9,656		

Cash Advances	\$ 0	.00	.00%	\$ 280	1.44	1.14%
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This profit-and loss statement example includes valuable operating information, such as percentage of revenue calculations for expenses. ATBS notes categories where the owner-operator is performing particularly better or worse than his or her peers, which provides an opportunity to focus on improvements.

ATBS gives owner-operators the ability to access and analyze their profit-and-loss statement from a secure on line portal. Using a smartphone, tablet or PC, owner-operators can access their P&L statement, receipts, important tax information and profit plan.

