

# Misty Jazz Records - Financial Operations Guide

## Internal Financial Procedures

Confidential - Management Use Only

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## Chart of Accounts

### Assets

#### Current Assets:

- 1000: Cash in Register
- 1010: Cash in Safe
- 1020: Bank - Operating Account (Wells Fargo #xxx1234)
- 1030: Bank - Payroll Account (Wells Fargo #xxx5678)
- 1100: Accounts Receivable (consignment sales)
- 1200: Inventory - Vinyl Records
- 1210: Inventory - Supplies & Packaging

#### Fixed Assets:

- 1500: Furniture & Fixtures
- 1510: Sound System & Equipment
- 1520: Computer & POS System
- 1590: Accumulated Depreciation

### Liabilities

#### Current Liabilities:

- 2000: Accounts Payable
- 2100: Sales Tax Payable (CA)
- 2200: Payroll Taxes Payable
- 2300: Credit Card Processing Fees Payable
- 2400: Consignment Liabilities (owed to consignors)

### Equity

- 3000: Owner's Equity
- 3100: Retained Earnings
- 3200: Current Year Profit/Loss

### Revenue

- 4000: Vinyl Sales - In Store
- 4010: Vinyl Sales - Online

- 4020: Trade-In Revenue
- 4030: Event Ticket Sales
- 4040: Workshop Fees

## **Cost of Goods Sold**

- 5000: Inventory Purchases - Trade-Ins (Cash)
- 5010: Inventory Purchases - Trade-Ins (Store Credit)
- 5020: Inventory Purchases - Wholesale
- 5030: Inventory Purchases - Estate/Bulk
- 5040: Inventory Purchases - Other

## **Expenses**

### **Occupancy:**

- 6000: Rent
- 6010: Utilities
- 6020: Insurance - Property
- 6030: Property Taxes

### **Payroll:**

- 6100: Wages - Full Time
- 6110: Wages - Part Time
- 6120: Payroll Taxes
- 6130: Health Insurance
- 6140: Worker's Compensation Insurance

### **Operating:**

- 6200: Credit Card Processing Fees
- 6210: Bank Fees
- 6220: Office Supplies
- 6230: Packaging Materials
- 6240: Cleaning & Maintenance
- 6250: Security System

### **Marketing:**

- 6300: Advertising - Online
- 6310: Social Media Marketing
- 6320: Print Materials
- 6330: Event Expenses
- 6340: Website Hosting & Maintenance

### **Professional Services:**

- 6400: Accounting & Bookkeeping
- 6410: Legal Fees
- 6420: IT Support

### **Other:**

- 6500: Depreciation

- 6510: Donations
  - 6520: Licenses & Permits
  - 6530: Miscellaneous
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## Daily Cash Handling

### Opening Procedures

#### Register Setup (Start of Shift):

1. Count starting cash drawer: \$300.00
  - 20 x \$1 bills = \$20.00
  - 10 x \$5 bills = \$50.00
  - 20 x \$10 bills = \$200.00
  - 6 x \$5 coins (quarters) = \$30.00
2. Document on cash count sheet
3. Sign and timestamp
4. Lock extra cash in safe

### During Business Hours

#### Cash Drops:

- Perform when register exceeds \$500
- Count excess cash
- Complete cash drop envelope
- Place in safe drop slot
- Document in log

#### Large Bills:

- Check all \$50 and \$100 bills with marker
- Verify against counterfeit indicators
- Manager approval for bills over \$100

### Closing Procedures

#### End of Day (Close of Business):

1. Process final transaction
2. Run Z-report (daily sales total)
3. Count all cash in register
4. Complete cash count sheet
5. Reconcile against Z-report
6. Document discrepancies ( $\pm$  \$5 acceptable)
7. Prepare deposit
8. Lock cash in safe
9. Secure all credit card receipts

#### Deposit Preparation:

- Sort bills by denomination
  - Band cash in \$100 increments
  - Roll coins in standard wrappers
  - Complete deposit slip
  - Place in bank bag
  - Record total in deposit log
  - Store in safe until bank run
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## Sales Reporting

### Daily Sales Report

#### Components:

- Gross sales (before discounts)
- Discounts applied
- Net sales
- Sales tax collected
- Payment method breakdown:
  - ☐ Cash
  - ☐ Credit/Debit
  - ☐ PayPal
  - ☐ Store Credit
- Number of transactions
- Average transaction value

**Due:** By end of business day **Submit To:** Sarah Chen (GM)

### Weekly Sales Summary

**Every Monday** (for previous week):

- Total sales by day
- Week-over-week comparison
- Best-selling items (top 10)
- Inventory additions
- Trade-in summary (cash vs. credit)
- Customer count
- Online vs. in-store breakdown

### Monthly Financial Close

**By 5th of Following Month:**

- Complete sales reconciliation
- Inventory valuation
- COGS calculation
- Accounts receivable aging (consignments)
- Accounts payable summary
- Payroll summary

- P&L statement
  - Balance sheet
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## Inventory Valuation

### Methods

#### FIFO (First-In, First-Out):

- Record acquisition cost
- Oldest inventory cost used for COGS
- Remaining inventory at current cost

#### Periodic Physical Count:

- Full inventory count: Annually (January)
- Spot checks: Monthly (random 5%)
- High-value items: Quarterly verification

## Inventory Adjustments

### Shrinkage:

- Document missing items
- Investigate discrepancies over \$100
- Write-off with manager approval
- Adjust inventory value

### Damage:

- Document damaged items
- Markdown or disposal
- Adjust inventory value
- Track reasons (handling, shipping, etc.)

### Donations:

- Document donated items
  - Fair market value assessment
  - Donation receipt issued
  - Write-off against taxable income
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## Payment Processing

### Credit Card Transactions

#### Processor: Stripe Merchant Account: Misty Jazz Records LLC Rates:

- In-person: 2.7% + \$0.00
- Online: 2.9% + \$0.30
- International: + 1.5%

## Daily Reconciliation:

- Match batch settlement to sales
- Verify all charges successful
- Document chargebacks
- Investigate discrepancies

## Refunds & Voids

### Voids (same day):

- Void in POS system
- Cancel credit card charge
- Document reason
- Manager approval for >\$100

### Refunds (after settlement):

- Process refund in POS
- Issue credit card refund
- Document reason
- Update inventory
- Manager approval for all refunds

## Sales Tax

**California Rate:** 8.5% (San Francisco) **Collection:** On all in-store sales **Exemptions:** Resellers with valid permit **Remittance:** Quarterly to CA Department of Tax and Fee Administration **Due Dates:** April 30, July 31, October 31, January 31

### Tracking:

- Daily sales tax collection logged
  - Separate account for tax liability
  - Quarterly reconciliation
  - Form CDTFA-401 submitted
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## Consignment Accounting

### Recording Consignments

#### Upon Receipt:

- Not recorded as inventory
- Liability created (amount owed to consignor)
- Tracking in separate consignment log
- Each item tagged with consignor ID

#### Upon Sale:

Debit: Cash/Credit Card \$100.00

Credit: Consignment Sales Revenue \$40.00 (our 40%)

Credit: Consignment Liability \$60.00 (consignor's 60%)

## Monthly Payouts

### First Friday of Each Month:

1. Generate consignment report
2. Calculate amounts owed (60% of sales)
3. Verify with consignment log
4. Prepare checks/PayPal payments
5. Email statements to consignors
6. Document all payments
7. Reduce consignment liability

**Minimum Payout:** \$50 (smaller amounts carry forward)

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## Budget & Forecasting

### Monthly Budget (2026)

#### Revenue Targets:

- January: \$45,000 (post-holiday slow)
- February: \$42,000
- March: \$48,000
- April: \$65,000 (Record Store Day)
- May-June: \$50,000/month
- July-August: \$45,000/month (slower)
- September-October: \$52,000/month
- November: \$58,000 (holiday ramp-up)
- December: \$75,000 (holiday peak)
- **Annual:** \$627,000

**Gross Margin Target:** 60% (COGS = 40%)

#### Operating Expenses Budget:

- Rent: \$8,000/month
- Payroll: \$18,000/month (includes taxes/benefits)
- Utilities: \$800/month
- Insurance: \$1,200/month
- Marketing: \$2,000/month
- Other Operating: \$3,000/month
- **Total Monthly:** ~\$33,000

**Net Profit Target:** 15% of revenue

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## Financial Controls

### Segregation of Duties

**Cash Handling:** Sales staff **Deposits:** Manager **Bookkeeping:** Pat Anderson **Bank Reconciliation:** Sarah Chen **Financial Review:** Duke Wellington

**No Single Person** controls entire transaction cycle

## **Authorization Limits**

### **Purchases:**

- < \$500: Any manager
- \$500-\$2,000: General Manager
- \$2,000: Owner approval

### **Refunds:**

- < \$50: Sales staff
- \$50-\$200: Manager
- \$200: General Manager or Owner

### **Write-Offs:**

- Inventory < \$100: Manager
  - Inventory > \$100: Owner
  - Bad debt: Owner only
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## **Tax Compliance**

### **Business Taxes**

#### **Federal:**

- Form 1120S (S-Corporation): Due March 15
- Estimated quarterly payments
- W-2s for employees: Due January 31
- 1099s for contractors: Due January 31

#### **State of California:**

- CA Form 100S: Due March 15
- Sales tax: Quarterly
- Employer payroll taxes: Monthly
- Workers' comp insurance: Annual premium

#### **Local:**

- Business license: Annual renewal (January)
- SF Business Registration Fee

## **Record Retention**

### **Permanent:**

- Corporate documents
- Financial statements



- Audit reports

#### **7 Years:**

- Tax returns & supporting docs
- Payroll records
- Sales records
- Expense receipts

#### **3 Years:**

- Bank statements
  - Cancelled checks
  - Credit card statements
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## **Banking Relationships**

### **Primary Bank: Wells Fargo**

#### **Contacts:**

- Business Banker: Jennifer Wong (415-555-9100)
- Branch: Castro Street
- Online Banking: [business.wellsfargo.com](https://business.wellsfargo.com)

#### **Services:**

- Business checking
- Business savings
- Merchant services
- Payroll service
- Business credit card

#### **Schedule:**

- Deposits: Daily
  - Reconciliation: Weekly
  - Statement review: Monthly
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## **Key Performance Indicators**

### **Monitor Monthly**

#### **Revenue Metrics:**

- Total sales
- Average transaction value
- Transactions per day
- Online vs. in-store mix
- Year-over-year growth

### **Profitability:**

- Gross margin %
- Net profit %
- Revenue per square foot
- Revenue per employee hour

### **Inventory:**

- Inventory turnover rate (goal: 3-4x/year)
- Days in inventory (goal: 90-120 days)
- Inventory-to-sales ratio
- Shrinkage rate (goal: < 1%)

### **Cash Flow:**

- Cash on hand
  - Days cash on hand (goal: 60+ days)
  - Accounts receivable aging
  - Debt service coverage
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## **Financial Software**

**Accounting:** QuickBooks Online Plus **POS System:** Square for Retail **Payroll:** Gusto **Time Tracking:** When I Work **Expense Tracking:** Expensify

**Integration:** All systems sync to QuickBooks

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## **Emergency Procedures**

### **Cash Shortage**

1. Recount carefully
2. Check for misplaced transactions
3. Review tape (if available)
4. Document discrepancy
5. Manager investigates
6. If > \$50: Formal investigation
7. Pattern of shortages: Disciplinary action

### **Cash Over**

1. Recount carefully
2. Check for wrong change given
3. Document overage
4. Held for 30 days for customer claim
5. After 30 days: Revenue

### **System Failure**

## **Backup Procedures:**

- Manual credit card imprints (if available)
  - Hand-written receipts
  - Log all transactions
  - Process when system restored
  - Reconcile carefully
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## **Contact Information**

### **Bookkeeper:** Pat Anderson

- Email: pat@mistyjazzrecords.com
- Phone: (415) 555-5208
- Available: Tuesday/Thursday 9 AM - 3 PM

### **General Manager:** Sarah Chen

- Email: sarah@mistyjazzrecords.com
- Phone: (415) 555-5202

### **Owner:** Duke Wellington

- Email: duke@mistyjazzrecords.com
- Phone: (415) 555-5201

### **CPA Firm:** Anderson & Associates

- Contact: Michael Anderson, CPA
  - Phone: (415) 555-7700
  - Email: manderson@andersoncpa.com
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*This guide contains confidential financial information. Do not share outside management.*

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