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Clean Books

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Why the Tools Can't Help If the Books Aren't Kept

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A GUIDE FOR BUSINESS OWNERS · 2026

Clean Books Why the Tools Can't Help If the Books Aren't Kept

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ABOUT THIS GUIDE

This guide is published by Baratelli CPA & Accounting, PLLC and The Baratelli Institute, and Chapter 7 describes the firm's services. Facts drawn from the public record, including IRS, SBA and Federal Reserve publications and published industry research, are cited in the Notes. Where a figure comes from a survey sponsored by a company that sells software or services, the text says so. Details of SBA SOP 50 10 8.1 are drawn from published practitioner summaries and should be confirmed with your lender.

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INTRODUCTION

Why This Guide

Your books are one of the most valuable things your business owns. They do not show up on the balance sheet, but they are what turn your hard work into something other people can see and trust. A banker reads them before lending, a buyer before making an offer, and your tax preparer builds your return from them. And on a Tuesday afternoon, when you are deciding whether you can afford a new hire or a new truck, they are the only honest answer to the question "how are we really doing?"

Most owners know this. Many are still behind. That is not a character flaw. Owners fall behind for good reasons: the business grew faster than the back office, the bookkeeper left, a busy season ran into a slow one, a new software system was set up halfway, or the owner simply chose to spend scarce hours on customers and employees instead of on reconciliations. Every month that slips makes the next one harder to face, and before long a few months becomes a year.

The good news is that books can be caught up, and once they are, keeping them current is a routine, not a burden. This guide shows what "clean" means, why it matters in dollars, and how to get there from wherever you are today.

Here is what it covers:

- **Chapter 1** explains what clean books are: reconciled accounts, a monthly close, the right accounting method, and a chart of accounts that a lender and a tax preparer can both read.
- **Chapter 2** shows what messy books cost: IRS penalties and interest, payroll tax exposure that can become personal, fraud that goes unnoticed, and a thin cash cushion you cannot see.
- **Chapter 3** walks through what a lender will ask for, using the SBA 7(a) loan package as the model.
- **Chapter 4** covers what a buyer will ask for when you sell, and why clean records support the price.
- **Chapter 5** explains why new software, including the newest automated and AI tools, can only be as good as the books underneath it.
- **Chapter 6** lays out a plain, step-by-step way to get caught up, including what the IRS offers owners who come forward.
- **Chapter 7** describes how Baratelli CPA & Accounting, PLLC catches up books at a fixed price and keeps them current.

The facts in Chapters 1 through 6 come from the public record, including the IRS, the SBA and the Federal Reserve, and are cited in the Notes. Where a figure comes from a company that sells software or services, the guide says so. Chapter 7 describes the firm's own service.

Wherever your books stand today, you can get them right.

CHAPTER 1

What Clean Books Are

Clean books are not perfect books; they are books you can stand behind, every month.

"Clean books" is a phrase owners hear from bankers, accountants and business brokers, usually without a definition. It is worth pinning down, because once you know what clean looks like, getting there becomes a checklist rather than a worry.

Clean books have four features. Every account ties to an outside statement. The month is closed on a schedule. The accounting method is chosen on purpose and used consistently. And the accounts are organized so that a stranger, such as a loan officer or a tax preparer, can read them without a phone call to you. This chapter takes each in turn and ends with a simple monthly checklist.

The Starting Point: The Law Expects Records

Every business keeps books because the law requires it. The Internal Revenue Code says that "every person liable for any tax imposed by this title, or for the collection thereof, shall keep such records" as the Treasury prescribes.[1] The regulations ask for "such permanent books of account or records, including inventories," as are enough to establish the income, deductions and credits on your return.[2]

The IRS puts it more simply in its small-business guide: "Everyone in business must keep records."[3] It also notes that "except in a few cases, the law does not require any specific kind of records."[3] That flexibility is a gift, but it puts the burden on you: whatever system you use has to support every number on your return. The receipts, invoices and statements behind your entries matter because, in the IRS's words, "they support the entries in your books and on your tax return."[3]

Software does not change the standard. The IRS is explicit: "All requirements that apply to hard copy books and records also apply to electronic records."[4]

> **WHAT THE RECORD SHOWS**
>
> - The IRS lists what good records do for a business: they help you "monitor the progress of your business," "prepare your financial statements," "identify sources of income," "keep track of deductible expenses," "prepare your tax returns," and "support items reported on your tax returns."[5]
> - For purchases, the IRS says supporting documents "should identify the payee, the amount paid, proof of payment, the date incurred" and a description of the item.[4]
> - For equipment and other assets, "you need records to compute the annual depreciation and the gain or loss when you sell the assets."[4]

The first item on the IRS list is not taxes. Clean books are a management tool first and a compliance tool second.

Feature One: Every Account Is Reconciled

Reconciliation is the heart of clean books. SCORE, the small-business mentoring organization, defines it plainly: "Bank reconciliation is the comparison of your monthly bank statement to your internal accounting records."[6] You line up what your books say against what the bank says, and you explain every difference. Some differences are timing, such as a check you wrote that has not cleared. Others are errors, missing entries or duplicates. A few, occasionally, are someone else's hand in the till.

SCORE recommends that owners "set a dedicated date each month to perform your bank reconciliation," which helps "prevent bank errors and detect potentially fraudulent activity."[6]

The same discipline applies beyond the checking account. Every credit card, every loan, every line of credit and every payment processor such as a merchant account or online payment service has a statement from a third party. Clean books tie to each one. When the loan balance in your books matches the lender's statement, and the credit card balance matches the card company's, you know the balance sheet is real.

Feature Two: The Month Gets Closed

The monthly close is the routine of finishing a month: recording everything that belongs in it, reconciling the accounts, reviewing the results, and then treating the month as done. After the close, you have a profit and loss statement (income statement) and a balance sheet that you can rely on and hand to someone else.

The SBA calls the balance sheet "the foundation of managing your finances."[7] The balance sheet shows what the business owns, what it owes and what is left for the owners on a given date. A business that closes every month has a fresh, dependable balance sheet twelve times a year. A business that does not close has one, maybe, when the tax return is prepared, and it is already months old.

For most small businesses a close is a few hours of work, done by a bookkeeper and reviewed by someone who knows the business.

Feature Three: The Right Accounting Method

There are two basic ways to record income and expenses, and the choice matters.

Under the **cash method**, the IRS says, "you report income in the tax year you receive it."[3] Expenses are recorded when you pay them. Under the **accrual method**, "you generally report income in the tax year you earn it," and expenses are recorded when they are incurred, whether or not they have been paid.[3][8] The SBA's description is helpful: "The accrual method puts transactions on the books immediately upon completing the sale," while "the cash method only records this once payment has been received."[7]

Cash is simpler. Accrual tells you more. If you invoice customers and wait 45 days to be paid, or buy inventory on credit, cash-basis books can make a slow month look strong and a strong month look slow. SCORE notes that "using accrual basis financial statements will help you better understand how your business is operating," and that many small businesses keep accrual books for management while filing taxes on the cash basis.[9] SCORE also notes that "all U.S. publicly traded companies and many private companies must report financial statements on the accrual basis."[10]

Whichever you use, the IRS requires that you "consistently use an accounting method that clearly shows your income and expenses for the tax year."[11] Some businesses, mainly C corporations above a gross receipts threshold, cannot use the cash method for tax at all.[8]

EXHIBIT 1.1 **Cash and accrual at a glance**

	Cash method	Accrual method
Income recorded	When received	When earned
Expenses recorded	When paid	When incurred
Who may use it for tax	Most small businesses; C corporations only under the gross receipts test	Anyone
Gross receipts test, 2025 tax years	3-year average at or below $31 million	Not applicable
Best for	Simple service businesses paid at the time of sale	Businesses with receivables, payables or inventory

Sources: IRS Publications 583 and 538; RSM US on Rev. Proc. 2024-40. "Best for" row is the author's practical guidance.[3][8][12]

Feature Four: A Chart of Accounts Others Can Read

The chart of accounts is the list of categories your books use. One reference defines it as "a listing of all accounts used in the general ledger of an organization," usually numbered and sorted by number.[13] It is the filing system for every dollar.

A good chart of accounts is boring in the best way. It follows the order of a standard financial statement: assets, liabilities, equity, income, cost of sales, operating expenses, other income and expense. It has enough detail to answer the questions a lender and a tax preparer will ask, and no more.

> HOW THE INDUSTRY DOES IT
>
> A chart of accounts that a lender and a tax preparer can both read usually follows a few habits. Each bank, card and loan account gets its own balance sheet line, so each can be reconciled. Cost of sales is separated from overhead, so gross margin (sales minus the direct cost of what you sold) can be measured. Owner draws, owner pay and personal expenses are kept apart from business expenses. Expense categories line up with the lines on the business tax return, which shortens tax preparation. And the list stays short: a "miscellaneous" account that grows every month is a sign that the categories are not working.

Who Checks the Books?

Clean books also have a reviewer: someone other than the person who entered the transactions, often a CPA. When a lender asks for CPA-prepared statements, it may mean one of several levels of service. Under AICPA standards, reviews "provide limited assurance that the statements are free from material misstatement"; compilations "provide no assurance"; and preparations "provide no assurance and usually omit most of the disclosures."[14] Choosing the level, as one CPA firm puts it, "requires lenders and borrowers to discuss these options."[14] Every level starts from books that are already clean.

A Simple Monthly Checklist

The routine below is what keeps books clean once they are caught up. It fits on one page and can be done in a few hours a month for most small businesses.

EXHIBIT 1.2 **A monthly bookkeeping checklist**

Step	What to do	Done by
1	Record all sales, deposits and customer payments for the month	Day 5
2	Record all bills, card charges and checks, with receipts attached	Day 5
3	Reconcile every bank account to its statement	Day 10
4	Reconcile every credit card, loan and line of credit	Day 10
5	Review payroll: wages, withholding and tax deposits recorded and paid	Day 10
6	Review receivables and payables for old or duplicate items	Day 12
7	Clear the "uncategorized" and "miscellaneous" accounts	Day 12
8	Produce the income statement and balance sheet; compare to last month	Day 15
9	Reviewer signs off; month is closed	Day 15

Source: author's practice checklist; the dedicated monthly reconciliation date follows SCORE guidance.[6]

The target dates are suggestions. The point is to have dates, and to keep them.

KEY POINTS

- Clean books tie to outside statements, close every month, use a deliberate accounting method and follow a chart of accounts that others can read.
- Reconciliation is the core habit. Pick a date each month and reconcile every bank, card and loan account.
- Accrual-basis statements usually tell an owner more about how the business is really doing, even if taxes are filed on the cash basis.
- A short monthly checklist, done consistently and reviewed by a second set of eyes, keeps the books clean for good.

CHAPTER 2

What Messy Books Cost

The cost of messy books is rarely one big bill; it is a dozen small ones you never see coming.

Owners who fall behind on their books usually feel the cost as stress: the shoebox of receipts, the unopened statements, the dread of tax season. The real costs are more concrete. Some are written into the tax code as penalties and interest. Some fall on the owner personally. Some show up as money that walks out the door unnoticed. And some are opportunities lost because nobody could see how much cash the business really had.

This chapter puts numbers on those costs, so that catching up can be weighed as the business decision it is.

How Long the IRS Expects You to Keep Records

Start with the rules on how long records must be kept, because they tell you how far back a problem can reach. The general rule is three years, but several situations stretch it. If income is underreported by more than 25% of the gross income shown on the return, the period is six years. If no return is filed, or a fraudulent one is filed, the IRS says to keep records "indefinitely."[1]

EXHIBIT 2.1 **IRS record retention periods**

Situation	Keep records for
General rule (no exception applies)	3 years
Amended claim for credit or refund	Later of 3 years from filing or 2 years from payment
Unreported income over 25% of gross income shown	6 years
Worthless securities or bad debt deduction	7 years
Employment tax records	At least 4 years after the tax is due or paid
No return filed, or a fraudulent return	Indefinitely

Source: IRS, "How long should I keep records?" 2026-06-30.[1]

Clean books make these rules easy to follow. Messy books mean the records you are supposed to keep may never have existed in usable form.

Penalties and Interest

When books are late or wrong, the tax return built from them is often late or wrong too, and the IRS has a penalty for each.

The **accuracy-related penalty** is "20% of the portion of the underpayment" caused by negligence or a substantial understatement of tax.[2] Negligence, in the IRS's definition, includes failing to "make a reasonable attempt to follow the tax laws."[2] For individuals, an understatement is substantial if it exceeds the greater of 10% of the correct tax or $5,000.[2] Books that cannot support the return are exactly the situation this penalty was written for.

The **failure-to-file penalty** is 5% of the unpaid tax for each month or part of a month the return is late, and "the penalty accrues up to a maximum of 25%."[3] For returns due after December 31, 2025 that are more than 60 days late, there is a minimum of $525 or 100% of the tax owed, whichever is less.[3] The **failure-to-pay penalty** adds 0.5% a month, also capped at 25%.[4] When both apply in the same month, the filing penalty is reduced by the payment penalty.[3] On top of the penalties, the IRS charges interest, set at 7% for the fourth quarter of 2026 for individuals and most corporations.[5]

Late Forms 1099 and W-2 carry their own fines, starting at $60 per form, and "there is no maximum penalty for intentional disregard."[6]

EXHIBIT 2.2 **Federal penalty schedule, as published by the IRS (October 2026)**

Penalty	Rate	Cap or notes
Accuracy-related (negligence or substantial understatement)	20%	Of the underpayment
Failure to file, per month	5%	25% maximum; minimum $525 if over 60 days late
Failure to pay, per month	0.5%	25% maximum
Failure to deposit, 1-5 days late	2%	Tiers do not stack
Failure to deposit, 6-15 days late	5%	
Failure to deposit, over 15 days late	10%	
Failure to deposit, over 10 days after IRS notice	15%	
Trust fund recovery penalty	100%	Of unpaid trust fund tax, assessed personally
Information return not filed or filed after Aug. 1 (due 2026)	$340	Per return; $680 for intentional disregard
Interest on underpayments, Q4 2026	7%	9% for large corporate underpayments

Sources: IRS penalty pages and IR-2026-98, reviewed October 2026.[2347865]

Payroll Taxes: Where the Cost Becomes Personal

Of all the costs of messy books, payroll taxes deserve the most attention, because they can follow the owner home.

When you withhold income tax and the employee's share of Social Security and Medicare from a paycheck, that money is not yours. The IRS calls these "trust fund taxes because you actually hold the employee's money in trust."[8] If they are not deposited on time, the **failure-to-deposit penalty** starts at 2% for deposits 1 to 5 days late and climbs to 10% after 15 days, and to 15% if still unpaid more than 10 days after the first IRS notice.[7]

If they are not paid at all, the IRS can assess the **trust fund recovery penalty** against any "responsible person," meaning anyone who "has the duty to perform and the power to direct the collecting, accounting, and paying of trust fund taxes."[8] That can include owners, officers and employees. "The amount of the penalty is equal to the unpaid balance of the trust fund tax," and it is assessed against the person, not just the business.[8] No bad intent is needed: the test is whether the person was, "or should have been, aware of the outstanding taxes."[8]

"Should have been aware" is the phrase that matters here. An owner whose books are a year behind cannot easily say what was withheld and what was deposited. Monthly reconciliation of payroll is the simplest protection there is.

> **WHAT THE RECORD SHOWS**
>
> - The Treasury Inspector General for Tax Administration (TIGTA) reported that IRS analytics identified over 162,000 potential "ghost employers," businesses that fail to file or pay employment taxes, with an estimated liability of $1.7 billion.[9]
> - Of about $133 billion in 2020 Social Security taxes that nearly 1.1 million employers deferred, about 98% had been paid by July 2024, but 167,373 employers still owed about $2 billion.[10]

Fraud That Goes Unnoticed

Reconciliation is not only about accuracy. It is also one of the ways small businesses catch theft.

The Association of Certified Fraud Examiners (ACFE) studies occupational fraud, meaning fraud by employees, managers or owners against their own organizations. Its 2024 report found a median loss of $141,000 at organizations with fewer than 100 employees.[11] A lack of internal controls was the primary weakness in 32% of cases.[11] Account reconciliation detected 6% of the frauds in the study, and management review detected 13%.[11] Yet only 39% of organizations with fewer than 100 employees had formal management review.[11]

The ACFE's 2026 study, as reported by Accounting Today, found that organizations lose an estimated 5% of revenue to fraud a year and that the typical case runs 12 months before it is detected.[12] Twelve months is exactly how long a set of books can go without anyone looking closely, if the books are a year behind.

> **A PRACTITIONER'S NOTE**
>
> Fraud in a small business rarely looks dramatic. It looks like a vendor nobody recognizes, a refund that was never requested, or a card charge that is a little too regular. Those items jump out during a monthly reconciliation and a short review of the statements. They hide very well in books that nobody has opened for a year.

The Cash Cushion You Cannot See

The last cost is the hardest to measure: decisions made without good numbers.

Small businesses run on thin cushions. The JPMorgan Chase Institute studied 597,000 small-business customers and found that "half of all small businesses hold a cash buffer large enough to support 27 days of their typical outflows," and "25 percent of small businesses hold fewer than 13 cash buffer days in reserve."[13] In the Federal Reserve Banks' Small Business Credit Survey covering 2024, 56% of employer firms reported difficulty paying operating expenses and 51% reported uneven cash flow over the prior 12 months.[14]

EXHIBIT 2.3 **Small-business cash cushions and cash flow strain**

Measure	Value	Source
Median cash buffer	27 days	JPMorgan Chase Institute, 2016
Cash buffer, bottom quarter of businesses	Under 13 days	JPMorgan Chase Institute, 2016
Employer firms with difficulty paying operating expenses	56%	Federal Reserve SBCS, 2024 survey year
Employer firms reporting uneven cash flow	51%	Federal Reserve SBCS, 2024 survey year

Sources: JPMorgan Chase Institute, 2016-09-01; Federal Reserve Banks, 2025 Report on Employer Firms.[13][14]

A vendor survey sponsored by QuickBooks, which sells accounting software, found that 61% of small businesses worldwide struggle with cash flow and 32% had been unable to pay vendors, repay loans or pay themselves or employees because of cash flow problems.[15]

With 27 days of cushion, an owner needs to know where cash stands this month, not last year. Clean books do not create cash, but they show you the problem while there is still time to act: to collect a slow receivable, delay a purchase, or open a line of credit before you need it.

KEY POINTS

- Late or unsupported books lead to late or wrong returns, and the IRS has a penalty, plus interest, for each.
- Payroll taxes are held in trust. Unpaid trust fund taxes can be assessed against the owner personally, and "should have been aware" is the test.
- Monthly reconciliation and review are among the ways small businesses catch fraud, and small businesses often skip them.
- With a typical cushion of under a month of cash, an owner needs current numbers, not last year's.

CHAPTER 3

What Your Lender Will Ask For

A banker lends against the numbers you can prove, not the business you describe.

Sooner or later most businesses borrow: to buy equipment, carry a large contract, buy out a partner, or buy another business. When that day comes, the conversation with the lender moves quickly from your plans to your paperwork. The owner who can hand over current, reconciled financial statements in a day is in a very different position from the owner who needs six weeks to produce them.

This chapter uses the SBA 7(a) loan, the Small Business Administration's main guaranteed loan program, as the model, because its document list is public and because many conventional bank loans ask for much the same things.

The SBA Program in Brief

The SBA does not usually lend directly. It guarantees part of loans made by banks and other approved lenders, which makes lenders willing to say yes to businesses they might otherwise turn down. In fiscal 2025 the SBA backed 77,600 7(a) loans for $37 billion, and 6,750 loans under its 504 program for $7.8 billion.[1]

The rules lenders follow are in a document called SOP 50 10, which "contains SBA's loan origination policies and procedures governing the 7(a) and 504 loan programs."[2] The version in force as of this writing is 8.1, which applies to applications given an SBA loan number on or after October 1, 2026.[3] Its predecessor, SOP 50 10 8, took effect June 1, 2025, with changes the SBA described as "restoring 7(a) underwriting criteria."[4] Among them, lenders must "verify financial information (usually through IRS tax transcripts) for all loans."[4]

That last rule is worth pausing on. A tax transcript is the IRS's own summary of the return you filed. If the financial statements in your loan package do not agree with the returns the IRS has on file, the lender will see it.

The Document List

The SBA's published 7(a) submission checklist, issued in May 2024 under the prior version of the SOP, sets out the financial documents a lender gathers.[5] Its core requirements are below.

EXHIBIT 3.1 **Financial documents in a standard SBA 7(a) loan package**

Document	What is required
Interim income statement and balance sheet	Both dated the same day, within 120 days of submission to SBA
Year-end financial statements or tax returns	The 3 most recent years

Document	What is required
Business debt schedule	If long-term debt appears on the current balance sheet
Personal financial statement	Every owner of 20% or more, spouses and guarantors; within 120 days
Affiliate statements	Current statements and 3 year-ends for affiliated businesses
Projections with assumptions	New businesses; positive cash flow within 2 years
Seller's financial statements and a business valuation	Purchases of a business
IRS tax transcript verification	All loans
Owner financial statements under SOP 8.1	Reported to expire after 90 days, down from 120
Quality of earnings report under SOP 8.1	Reported for acquisitions and expansions with a purchase price of $3 million or more

Sources: SBA 7(a) Loan Submission Checklist, May 2024; SOP 50 10 8 via Congressional Research Service; SOP 8.1 items from practitioner summaries (Stacking Capital, 2026-08-25), not confirmed from the SOP text.[5][4][6]

Read the first line of that list again. The income statement and balance sheet must be "dated as of the same date within 120 days of submission to SBA."[5] A business that closes its books once a year, at tax time, cannot meet that requirement for most of the year without a rush job.

Interim Statements: Why the Monthly Close Pays Off

Interim statements are financial statements for part of a year, such as the nine months through September 30. They are what a lender uses to see how the business is doing now, not how it did last year.

A business that closes every month (Chapter 1) has interim statements ready on any day of the year. A business that does not must build them under deadline, while the lender waits and the opportunity cools. Practitioner summaries of the new SOP 50 10 8.1 report that owner financial statements now expire after 90 days rather than 120, which, if confirmed, makes the window even shorter.[6]

> HOW THE INDUSTRY DOES IT
>
> Lenders read interim statements with a few quick tests. Does the balance sheet balance, and do the cash and loan balances match the bank and lender statements? Does year-to-date revenue look consistent with last year's tax return and with bank deposits? Are there large balances in "uncategorized," "suspense" or "ask my accountant" accounts? Is owner compensation shown clearly, or mixed into other expenses? A package that passes these tests moves to underwriting. One that fails them comes back with questions, and every round of questions adds time.

Once the loan closes, the same monthly books carry the reporting the loan agreement requires. Most business loans test covenants, such as a minimum debt service coverage or current ratio, at each quarter-end. A monthly package can carry the compliance certificate itself, tested at month-end, so the owner sees every covenant before the lender does (*The Monthly Close*, Chapter 11).

The Debt Schedule

The SBA checklist requires a business debt schedule for "all businesses that reflect long-term debt on their most current Balance Sheet."[5] A debt schedule lists every loan, line of credit, equipment note and lease the business owes: the lender, the original amount, the current balance, the rate, the monthly payment, the maturity date and the collateral.

The schedule has to tie to the balance sheet. If the balance sheet says the business owes $412,000 and the debt schedule adds up to $389,000, the lender will want to know why. That reconciliation is easy when every loan account is reconciled to the lender's statement each month. It is hard when the loan balances in the books have not been touched since the loans were opened.

Debt Service Coverage

The central number in most business loans is debt service coverage: how much cash the business generates compared with what it must pay on its debts each year. A ratio of 1.25x means the business earns $1.25 in cash flow for every $1.00 of loan payments.

Under SOP 50 10 8.1, practitioner summaries report that debt service coverage "must be met using the last fiscal year-end or an average of the last two fiscal years," and that "post-close projections are excluded."[6] One CPA firm's summary describes the ratio as "now transaction-dependent."[7] The reported floors are 1.25x for initial acquisitions and owner buyouts and 1.15x for business expansion.[6] These details come from practitioner summaries of the new SOP, and a borrower should confirm them with the lender.

The direction is clear even with that caution: lenders are being told to rely on historical results. Historical results come from your books.

Why Applications Fall Short

The Federal Reserve Banks survey small businesses every year about financing. In the 2026 report, based on 6,525 employer firms surveyed in the fall of 2025, 60% of firms had applied for financing in the prior 12 months.[8] Of all applicants, 42% received the full amount, 36% received some or most, and 22% received nothing.[8]

EXHIBIT 3.2 **Federal Reserve survey: why firms were denied, or did not apply**

Reason	Denied applicants	Discouraged non-applicants
Lender requirements too strict	46%	28%
Too much debt already	37%	n/a
Low credit score	30%	n/a
Insufficient collateral	29%	n/a
Weak sales	29%	n/a
Lenders don't approve businesses like mine	29%	27%

Reason	Denied applicants	Discouraged non-applicants
Weak business financials	n/a	63%
Denied previously	n/a	24%
Missing documentation	n/a	8%

Source: Federal Reserve Banks, 2026 Report on Employer Firms, 2026-03-03. Denied applicants N=1,189; discouraged non-applicants N=227. Respondents could choose more than one reason.[9]

Two things stand out. First, among firms that did not apply because they expected to be turned down, the most common reason by far was weak business financials, at 63%.[9] Some of those firms may have had stronger results than their books could show. Second, "lender requirements too strict" topped the list for denied applicants. Requirements feel strict when the package is incomplete or the numbers do not tie. They feel much less strict when every document on the list is ready.

> **A PRACTITIONER'S NOTE**
>
> A loan reviewer reads a file for consistency before anything else: do the statements tie to the tax returns, does the debt schedule tie to the balance sheet, and can the owner answer a question about a number without a two-week delay? A file that passes those checks is easier to approve. Clean books do not change your credit score or your collateral. They do remove every avoidable reason for a lender to hesitate.

Getting Ready Before You Need the Money

The best time to prepare a loan package is before you need the loan. A practical goal is to be able to produce, within a few days of any month-end:

- An income statement and balance sheet for the year to date, closed and reviewed.
- Three years of year-end statements that agree with the tax returns as filed.
- A debt schedule that ties to the balance sheet.
- A current personal financial statement for each owner of 20% or more.

An owner who can do that is ready for the lender's first meeting, and often for the second one too.

KEY POINTS

- SBA lenders verify financial information against IRS tax transcripts, so the books, the returns and the loan package must agree.
- Interim statements must be current, dated within 120 days under the published checklist and reportedly 90 days for owner statements under the new SOP. A monthly close keeps them ready.
- A debt schedule that ties to a reconciled balance sheet answers one of the lender's first questions before it is asked.
- Among firms that did not apply for credit because they expected denial, weak financials was the most common reason. Clean books make sure your financials show the business as it really is.

CHAPTER 4

What a Buyer Will Ask For

A buyer pays for the earnings they can verify; everything else is a story.

For many owners, the business is the largest thing they will ever sell. The Exit Planning Institute reports that "the business typically equates to 80% or more of the owner's total net worth."[1] When the time comes to sell, the books are no longer a back-office matter. They are the evidence for the price.

This chapter looks at what buyers are asking for today, how add-backs and quality of earnings reviews work, and why clean records support value.

The Market Today

BizBuySell, an online marketplace for buying and selling small businesses, tracks reported sales each quarter. In 2025 it recorded 9,586 closed transactions, with a median sale price of $350,000, median revenue of $703,000 and median cash flow of $158,950.[2] The average deal sold for 2.61 times cash flow, at 94% of the asking price, and the median deal took 170 days to close.[2]

EXHIBIT 4.1 **Small-business sales reported to BizBuySell**

Period	Closed deals	Median sale price	Median revenue	Median cash flow	Avg. cash flow multiple
Full year 2025	9,586	$350,000	$703,000	$158,950	2.61x
Q2 2026	2,117	$349,250	$692,087	$155,921	2.7x
Q3 2026	2,132	$350,000	n/a	n/a	n/a

Sources: BizBuySell, 2025 Year in Review, 2026-01-30; Small Business Trends, 2026-08-11; BizBuySell Q3 2026 release via Business Wire, 2026-10-20. Q3 2026 multiples were reported by deal size, not overall.[2][3][4]

In the third quarter of 2026, businesses selling for more than $1 million averaged 3.73 times cash flow, against 2.30 times for those under $1 million, as reported by Small Business Trends.[5]

What buyers say they want is just as clear. Bob House, president of BizBuySell, said in October 2026: "Buyers are gravitating toward businesses with reliable cash flow, clean financials, limited owner dependence."[4] BizBuySell's outlook added that the owners who clear tougher diligence will be those with "clean financials, documented add-backs, a realistic valuation."[6]

Most Owners Are Not Ready Yet

The International Business Brokers Association (IBBA) and M&A Source survey brokers and advisors every quarter. In the second quarter of 2026, across sectors, 60% to 90% of sellers had less than one year of exit planning or none at all.[7]

The Exit Planning Institute's national survey of 1,162 owners tells a similar story from the owner's side.

EXHIBIT 4.2 **Owner readiness to sell, Exit Planning Institute 2023 survey**

Measure	Share of owners
Have a written, formal transition plan	42%
Had a formal valuation in the last 2 years	60%
Completed a value-enhancement or pre-diligence project in the last 2 years	62%
Regularly track business value	50%
Want to exit within 5 years	49%
Want to exit within 10 years	75%

Source: Exit Planning Institute, 2023 National State of Owner Readiness Report (N=1,162).[1]

The same survey reports that 50% of exits are unplanned.[1] An illness, a partner dispute or an unsolicited offer can start the clock without warning. Current books are the one part of readiness an owner can have in place at all times.

How Small Businesses Are Priced

The IBBA's Market Pulse notes that deals under $2 million are generally priced on seller's discretionary earnings (SDE), and deals from $2 million to $50 million on EBITDA.[8]

> HOW THE INDUSTRY DOES IT
>
> **Seller's discretionary earnings (SDE)** is, broadly, the cash a business produces for one full-time owner: pre-tax profit with the owner's own pay and benefits, interest, depreciation and certain discretionary or one-time expenses added back. **EBITDA** is earnings before interest, taxes, depreciation and amortization, a measure of operating profit used for larger companies that have managers in place. Both start from the same place: the income statement in your books. Both are then multiplied by a market multiple to estimate value, which is why every dollar of documented earnings matters.

Add-Backs: Where Clean Books Earn Their Keep

Add-backs are expenses that ran through the business but will not continue under a new owner, so they are added back to profit when calculating SDE or EBITDA. Common examples are the owner's personal vehicle, family members on payroll who will not stay, a one-time legal bill or a move to a new location.

Add-backs are legitimate, and they are also the first thing a buyer's advisors test. An add-back that can be traced to an invoice and a clear category in the books is easy to accept. An add-back that the owner remembers but cannot document is a negotiation, and often a lost one. That is why BizBuySell's language is "documented add-backs."[6]

Quality of Earnings

A quality of earnings report, often called a QoE, is an independent review of a company's earnings prepared for a sale or a financing. One CPA firm describes the difference this way: a QoE asks "Are these earnings sustainable?" while an audit asks whether the numbers are accurate.[9] Another notes that a QoE typically focuses on EBITDA, monthly and trailing-twelve-month results, and normalized working capital, the receivables, inventory and payables the business needs to operate normally.[10]

QoE reviews are now reaching smaller deals. Under SBA SOP 50 10 8.1, according to practitioner summaries, SBA-financed acquisitions and expansions with a purchase price of $3 million or more "require a Quality of Earnings report in addition to the business valuation," and the QoE "must be commissioned by and prepared for the lender."[11] The threshold is the purchase price, not the loan amount.[11] One CPA firm's summary adds that the QoE "must include a cash proof covering both the trailing 12 months and the last two fiscal years."[12] A cash proof ties the reported revenue and earnings to actual bank deposits. Books that are reconciled every month make that proof straightforward. Books that are not can turn it into weeks of reconstruction.

The companion book *The Quality of Earnings* walks through a full QoE step by step, on one deal from engagement letter to signed report, and its request list of every document a QoE asks for is free at www.baratelliinstitute.com/qoe-request-list. An owner who gathers that list before going to market has done most of the first week of the review.

Why Clean Records Support Value

No neutral study puts a percentage on how much buyers discount a business with poor records. What the record does show is how buyers behave.

CLA, a CPA firm, writes that "inconsistent or incomplete financial reporting is the most common red flag buyers encounter," and that buyers lose confidence when monthly results do not reconcile or bookkeeping relies on manual spreadsheets.[9] When the earnings a buyer can verify fall below the earnings the offer was based on, CLA says, valuation "changes immediately and often dramatically."[9]

Price is a multiple of verified earnings, and every dollar that cannot be verified is a dollar that does not get multiplied. Clean books carry the full value of the business into the offer.

KEY POINTS

- Buyers and brokers are saying the same thing: clean financials, documented add-backs and limited owner dependence are what close deals.
- Price is a multiple of verified earnings, and add-backs count when they are documented in the books. Quality of earnings reviews are now reported to be required for SBA-financed acquisitions of $3 million or more, including a cash proof that ties earnings to the bank.
- Half of exits are unplanned. Current books are the one piece of readiness you can have in place every day.

CHAPTER 5

Why the Tools Can't Help If the Books Aren't Kept

Software can speed up good bookkeeping; it cannot stand in for it.

Owners today have better tools than any generation before them. Accounting software runs in the cloud, pulls transactions straight from the bank, suggests categories, produces reports in seconds and, increasingly, offers automated and AI features that promise forecasts and answers on demand. These tools are genuinely useful. Many owners who adopt them are disappointed anyway, and the reason is almost always the same.

Every one of these tools reads from your books. If the books are incomplete, unreconciled or miscategorized, the tool produces fast, attractive and wrong answers. That is the thesis of this guide, and this chapter explains why it holds.

The Tools Are Everywhere

Adoption of accounting software is broad. Small Business Majority, an advocacy organization, surveyed 1,043 owners in 2023 and found that 66% use financial accounting software, most commonly QuickBooks.[1] Among owners who did not use software, 44% preferred "manual or existing systems."[1]

The companies that sell these tools are growing quickly. Intuit reported that revenue from QuickBooks Online Accounting grew 23% in its fiscal year ended July 31, 2026.[2] Xero reported 4.92 million subscribers worldwide at March 31, 2026, including 110,000 added in the United States during the year, as reported by The Motley Fool Australia.[3]

Newer tools are spreading too, though more slowly than marketing suggests. The Census Bureau's Business Trends and Outlook Survey found that 19.8% of U.S. firms reported using AI as of May 2026, with use below 20% among firms of 1 to 4 employees and 37% among firms of 250 or more.[4] A 2025 survey sponsored by TD Bank found that 53% of owners use AI to manage and track their finances, and that 30% said the complexity of digital tools for tracking finances had been a challenge.[5]

EXHIBIT 5.1 **Software adoption and the data-quality problem, by source**

Measure	Value	Source (type)
Small businesses using accounting software	66%	Small Business Majority, 2023 (advocacy)
Small businesses using accounting software	53%	Clutch, 2018 (vendor)
U.S. firms using AI	19.8%	Census Bureau, May 2026 (federal)
Owners using AI to track finances	53%	TD Bank / Wakefield, 2025 (bank)

Measure	Value	Source (type)
New data records with at least one critical error	47%	Harvard Business Review, 2017 (research)
Average annual cost of poor data quality per organization	$12.9M	Gartner, 2021 (analyst)

Sources: as listed in each row; see the Notes. Survey methods differ, so figures from different sources are not directly comparable.[1][6][4][5][7][8]

Most owners have the tools. The question is what sits underneath.

Garbage In, Garbage Out

The phrase is old, and it is still the best summary. Data professionals, accountants and the IRS all say the same thing in different words.

The IRS says that "all requirements that apply to hard copy books and records also apply to electronic records."[9] Moving the books into software does not lower the standard. It only changes where the records live.

IBM, describing data quality for its business customers, puts it in terms of automated systems: "If the algorithm is learning to predict or classify on bad data, we can expect that it will yield inaccurate results."[10] IBM lists six dimensions of data quality: accuracy, completeness, consistency, timeliness, validity and uniqueness.[10] Every one of them maps directly onto bookkeeping. Accuracy is the right amount in the right account. Completeness is every transaction recorded. Consistency is the same vendor in the same category every month. Timeliness is books that are current. Validity is entries that follow the chart of accounts. Uniqueness is no duplicates.

The ACCA, a global professional body for accountants, writes that "one of the biggest obstacles accountants face when adopting AI is ensuring data quality," and that "we cannot expect great results from not-so-great data."[11] The article recalls that the same lesson, "garbage in, garbage out," was learned in the early days of cloud accounting.[11]

> **WHAT THE RECORD SHOWS**
>
> - Gartner, the research and advisory firm, estimates that "every year, poor data quality costs organizations an average $12.9 million." The figure applies to organizations generally, most of them large.[8]
> - Gartner also predicted that "through 2026, organizations will abandon 60% of AI projects unsupported by AI-ready data."[12]
> - In a study published in Harvard Business Review, 75 executives each checked 100 recent records from their own organizations. "On average, 47% of newly-created data records had at least one critical error," and "only 3% of the DQ scores in our study can be rated 'acceptable' using the loosest-possible standard."[7]

If large organizations with data teams struggle this much, a small business should plan for the same problem.

What Bank Feeds Do, and What They Don't

Bank feeds are the most helpful feature most owners use. The software connects to the bank and card accounts and downloads each transaction automatically. That saves typing. It does not finish the job.

> **HOW THE INDUSTRY DOES IT**
>
> A bank feed is a starting point, not a set of books. Experienced bookkeepers watch for the same problems in every feed. Transactions are suggested into the wrong category, and once accepted, the same mistake repeats every month. Transfers between your own accounts are recorded as income or expense instead of as transfers. Loan payments are booked entirely as expense, when part is principal that should reduce the loan balance. Deposits from payment processors arrive net of fees, so sales and fees are both understated. A feed that disconnects for a few weeks leaves a gap nobody notices. And when an integration with a payment app or online store also posts sales, the same revenue can be recorded twice. Reconciling each account to its statement every month, and having someone review the results, is what catches these problems.

None of those problems is visible on a dashboard. A cash forecast built on duplicated sales will look healthy, and a profit report that books loan principal as expense will understate earnings. Automation makes the books faster. Reconciliation and review make them right.

The Profession Is Moving the Same Way

Accounting firms have seen this, and many are changing how they serve small businesses. A 2024 benchmark survey of 206 firms by CPA.com and the AICPA found that client advisory services, which include ongoing bookkeeping, monthly reporting and advice, grew a median 17% in 2023.[13] Only 10% of these firms still bill mainly by the hour, down from 53% in 2018.[13] Firms are moving away from billing for hours and toward ongoing work that keeps clients' books current and reviewed.

Getting the Most From Your Tools

In practice: catch up the books so every account is reconciled; set up a chart of accounts your lender and tax preparer can read (Chapter 1); reconcile and review every month; and only then lean on the dashboards, forecasts and automated features. They will be worth having.

KEY POINTS

- Most small businesses already have accounting software. Every tool, from a bank feed to an AI forecast, reads from your books. Bad data in means bad answers out.
- Bank feeds save time but introduce predictable errors. Monthly reconciliation and review are what catch them.
- Clean the books first, then use the tools. They are only as good as the records they read.

CHAPTER 6

Getting Caught Up

The hardest month to reconcile is the first one; every month after it is easier.

If you have read this far and recognized your own business in the earlier chapters, take heart. Books that are months or even years behind can be brought current, and the process is more predictable than most owners expect. It is mostly a matter of gathering the right statements and working through them in order.

This chapter lays out that process in plain steps, explains what the IRS offers owners who have fallen behind on returns, and shows how quickly a well-run monthly close can be done once you are caught up.

Are You Behind?

Owners usually know, but it helps to be specific. Any one of the signs below means the books need attention. Three or more usually means a catch-up project.

EXHIBIT 6.1 **Signs you are behind on your books**

Sign	Check if true
Bank or credit card accounts have not been reconciled in the last 60 days	_____
The "uncategorized" or "ask my accountant" balance keeps growing	_____
You check the bank balance, not the books, to decide what you can afford	_____
Loan balances in the books do not match the lender's statements	_____
You could not hand a lender a current income statement and balance sheet this week	_____
Your tax preparer had to rebuild the year from bank statements	_____
A tax return was extended because the books were not ready, or not filed at all	_____
You are not sure every payroll tax deposit was made on time	_____
Receivables include customers you know have already paid	_____
Personal and business spending are mixed in the same accounts	_____
The bank feed has been disconnected, or never set up for some accounts	_____

Source: author's practice checklist.

The Catch-Up, Step by Step

There is no single official method for catching up books. The IRS, SBA and SCORE describe what good records look like, but not how to rebuild them. The sequence below follows the order practitioners commonly use. One CPA firm's published cleanup checklist starts with reconciling bank and credit card accounts from the earliest unreconciled month, then moves to categorizing transactions, cleaning up receivables and payables, checking the chart of accounts and payroll entries, removing duplicates, attaching documents and reviewing the statements.[1] The same firm calls reconciliation "the backbone of clean books."[1]

Step 1. Gather the statements. Collect every monthly statement for every bank account, credit card, loan, line of credit and payment processor, starting from the last month the books were reconciled. Most banks let you download statements online. Add payroll reports and any sales reports from your point-of-sale or invoicing system.

Step 2. Set the starting point. Confirm the opening balance of each account at the last month that was right, usually the end of the last year for which a tax return was filed. Everything after that is rebuilt.

Step 3. Reconcile month by month. Starting with the earliest month, record or correct every transaction until the books agree with each statement. Do not skip ahead. Each month's ending balance is the next month's starting balance, so an error left in March is still there in December.

Step 4. Categorize to the chart of accounts. Assign every transaction to the right account. This is also the time to tidy the chart of accounts itself (Chapter 1), merging duplicates and retiring accounts nobody uses.

Step 5. Clean up receivables and payables. Match customer payments to invoices and vendor payments to bills. Remove duplicates and old items that were paid, written off or never real.

Step 6. Verify payroll. Confirm that wages, withholding, employer taxes and benefits are recorded separately, and that every payroll tax deposit was made. Given the deposit penalties and the trust fund rules (Chapter 2), this step deserves extra care.

Step 7. Attach the documents. Link receipts, invoices and statements to the entries they support. The CPA firm's checklist notes that "receipts, invoices, and documentation are your best defense in case of an audit."[1]

Step 8. Produce and review the statements. Prepare an income statement and balance sheet for every month rebuilt. Compare them to the tax returns already filed and note any differences.

Step 9. Deal with the returns. If returns are late or need to be amended, now is the time, with the books to support them (next section).

Step 10. Start the monthly close. The day the catch-up ends, the monthly routine begins, so the books never fall behind again.

EXHIBIT 6.2 **The catch-up steps and why each one matters**

Step	Why it matters	Authority
Reconcile bank and card accounts month by month	Ties the books to third-party records; catches errors and fraud	SCORE; ACFE

Step	Why it matters	Authority
Categorize transactions	Supports deductions and financial statements	IRS recordkeeping guidance
Clean receivables and payables	Accrual accuracy; lender aging reports	SCORE; SBA checklist
Verify payroll and deposits	Trust fund taxes; deposit penalties	IRS TFRP and deposit penalty pages
Attach source documents	Substantiation in an exam	IRS Pub 583; 26 CFR 1.6001-1
Produce statements; tie to filed returns	Lenders verify against IRS transcripts	SBA checklist; SOP 50 10 8 via CRS
File or amend late returns; request relief	Limits penalties and interest	IRS past-due returns; first-time abate
Move to a monthly close	Interim statements on demand	APQC; SBA checklist

Source: Baratelli Institute research file mapping a practitioner cleanup sequence (Straight Talk CPAs, 2025-06-13) to the public authorities cited in Chapters 1 through 3.[1]

A PRACTITIONER'S NOTE

Owners often ask whether to start with the most recent months, since those matter most to a lender. The answer is no. Start at the last good balance and work forward. Recent months built on unreconciled earlier months will not hold up, and the work will have to be done twice.

When Tax Returns Are Behind Too

Books that are behind often come with returns that are late, extended or estimated. The IRS is direct about the risk of waiting: "If you fail to file, we may file a substitute return for you," and that substitute return "might not give you credit for deductions and exemptions."[2] In other words, the IRS's version of your year will usually show more tax than yours would. Its advice is to "file your past due return and pay now to limit interest charges and late payment penalties."[2]

There is also money at stake on the other side. If you are owed a refund, "you must file your return to claim it within 3 years of the return due date."[2]

The IRS can help with the rebuild. Owners can get prior-year return and account transcripts through the IRS's Get Transcript service, and wage and income data reported by others by filing Form 4506-T.[2] Those records are a useful cross-check against the books you are reconstructing.

WHAT THE RECORD SHOWS

- The IRS offers **first-time abatement**, an administrative waiver that can remove failure-to-file, failure-to-pay and failure-to-deposit penalties "regardless of amount" for a taxpayer with a clean compliance history for the prior three years (or 12 quarters).[3]

First-time abatement is one of the most useful pieces of good news in the tax code for an owner who has fallen behind once. It rewards the owner who catches up and stays current.

What "Current" Looks Like

Once the catch-up is done, the goal is a monthly close that finishes in days, not weeks. APQC, a benchmarking organization, defines the close cycle as the days "between running the initial monthly business entity trial balance and completing the agreed-upon monthly business entity consolidated financial statements."[4]

EXHIBIT 6.3 **Month-end close benchmarks**

Benchmark	Days to close
APQC top performers	4.8
APQC median	6.4
APQC bottom performers	10
Ventana Research, recommended range (business days)	3-6

Sources: APQC 2017 General Accounting benchmark and Ventana Research 2022, both as reported by Numeric. Numeric's text gives the APQC median as about six days and its chart as 6.4. Both studies cover mostly larger organizations.[5]

These benchmarks come from larger organizations with multiple entities to consolidate. A small business with a handful of accounts can usually close faster, often within the first two weeks of the following month, which is the rhythm of the checklist in Chapter 1. Closing by mid-month means your statements are never more than about six weeks old, comfortably inside a lender's 120-day window (Chapter 3).

Keeping It Going

The difference between owners who stay current and owners who fall behind again is rarely knowledge. It is ownership of the routine. Someone has to be responsible for the close each month, and someone else has to review it. For many small businesses, the most reliable way to make that happen is to hand the routine to a bookkeeper or accounting firm with a fixed monthly fee and a CPA reviewing the work. Whoever does it, the test is simple: by the middle of each month, last month is closed.

KEY POINTS

- Books that are behind can be caught up with a predictable process: gather statements, set the starting point, reconcile month by month, then review.
- Start at the last good balance and work forward. Shortcuts that start with recent months usually have to be redone.
- If returns are late, file them with the books to support them. The IRS's substitute return rarely favors the owner, and first-time abatement can remove penalties for owners with a clean history.
- Once caught up, a monthly close finished by mid-month keeps the books ready for a lender, a buyer or the IRS at any time.

CHAPTER 7

How Baratelli Helps

The best time to catch up your books was last year; the second-best time is this month.

Everything in this guide comes down to one practical question: how do you get from where your books are today to clean, current and ready? Baratelli CPA & Accounting, PLLC was built to answer it with a fixed price, a clear process and a US CPA reviewing the work.

Catch-Up Bookkeeping

If your books are behind, we rebuild them.

- **4 to 12 months behind: $2,500.** One fixed price for the whole catch-up.
- **A full-year rebuild: from $4,500.** For owners who are a year or more behind, quoted at a fixed price before work begins.

Every catch-up includes the same things:

- **Every account reconciled.** Every bank account, credit card and loan is reconciled to its statement, month by month.
- **Monthly financial statements.** An income statement and balance sheet for every month we rebuild, ready for your tax preparer, your lender or a buyer.
- **A short list of open items.** The few questions only you can answer, gathered in one place, so you are not chased with questions for weeks.
- **CPA review.** Every catch-up is reviewed by a US CPA before it is delivered to you.

The price is fixed. You know the cost before we start, and it does not grow with the hours.

Monthly Bookkeeping

Once you are caught up, we keep you there. Monthly bookkeeping starts at **$450 a month** and follows the routine in Chapter 1: transactions recorded, every account reconciled, the month closed, and statements delivered on a schedule. Your books stay ready for a loan application, a tax return or an offer on the business, any month of the year.

What You Get Every Month

Within days of each month-end you receive a monthly financial package built from the closed books. It is organized around the questions an owner actually asks:

- **How did we do?** A one-page scorecard: revenue, margin, profit and cash, each against last year, with a short note from your accountant.
- **What can I take?** The owner's paycheck page: what you took, what the business earned for you, and how much is safe to take after payroll, loan payments, the regular bills, a cash cushion and the tax set-aside.
- **What will I owe in tax?** The income tax building up on this year's profit, set aside month by month, with the next estimated payment and its due date, so April is never a surprise.
- **Will the cash be there?** A thirteen-week cash forecast, and the next two weeks day by day.
- **Who owes us?** Collections for the month, with the customers to call first.
- **For your lender:** the statements, the key ratios and, when a loan has covenants, a compliance certificate tested at month-end and ready for you to sign.
- **For contractors:** a jobs page with work in progress, over- and underbillings, retainage, backlog and the profit fade on every open job, the schedule a bonding company reads first.

Every page says plainly what it is: prepared from your books for management's use, with no assurance. If your lender wants more, we can issue a compilation report on the same books.

The companion book *The Monthly Close* walks through every page of the package and how the month is closed behind it. Full sample packages, including a contractor's, are at www.baratelliinstitute.com/sample-package.

Getting Ready to Sell

When a sale is on the horizon, a readiness review scores your books the way a buyer's quality of earnings review will test them: three years of monthly history, add-backs that will hold up, revenue proved to your bank deposits, customer concentration and recent months against the trend. It lists what to fix while there is still time to fix it. A typical catch: a "one-time" expense listed as an add-back that is actually paid every month. A buyer's QoE will reject it, and the price falls by the add-back times the multiple.

Because we keep your books, the quality of earnings report on your sale will come from an independent firm, never from our affiliate. We help you choose one and hand them a clean, QoE-ready file. The companion book *The Quality of Earnings* shows what that review tests, and its full request list is free at www.baratelliinstitute.com/qoe-request-list.

Baratelli Bankable

All of our work is done in **Baratelli Bankable**, our accounting platform. It keeps your books in the form a lender and a buyer expect: reconciled accounts, a clear chart of accounts, a month-end close to a written checklist, and the monthly package above, built from the same closed books. Every screen in *The Monthly Close* and *The Quality of Earnings* comes from Baratelli Bankable.

How It Starts

Step	What happens
1. Send your statements	You send bank, card and loan statements from the last month your books were right. We tell you exactly what we need.
2. We rebuild	We reconcile every account and rebuild the books month by month.
3. A CPA reviews	A US CPA reviews the books and statements before delivery, along with a short list of open items.
4. Stay current	Monthly bookkeeping keeps the books closed and ready, every month.

Getting started takes one conversation. Call or write, tell us how far behind you are, and we will tell you the price and what to send.

Contact

Baratelli CPA & Accounting, PLLC
751 East Dorchester Drive
Saint Johns, Florida 32259
Phone: 904-846-3011
Email: phil@baratelliinstitute.com

Scan to see a full monthly package, the three ways to work with us, and how to start a catch-up.
www.baratelliinstitute.com/work-with-us

Your books are an asset. Let's put them to work.

KEY POINTS

- Catch-up bookkeeping is a fixed price: $2,500 for 4 to 12 months behind, and from $4,500 for a full-year rebuild.
- Every catch-up reconciles every bank, card and loan account, delivers monthly statements for every month rebuilt, and is reviewed by a US CPA.
- Monthly bookkeeping from $450 a month keeps the books current in Baratelli Bankable, with a monthly package that shows what you earned, what is safe to take, the tax building up and the cash ahead.
- Before a sale, a readiness review finds what a buyer's QoE will question while there is still time to fix it.
- Starting is simple: send your statements, we rebuild, a CPA reviews, and you stay current.

REFERENCE

Notes and Sources

REFERENCE

Notes

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