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ILLUSTRATIVE SAMPLE · FICTIONAL CLIENT · NOT A QUOTE

About this sample

This is a real example of the written business position report the Business Diagnostic produces, prepared for a fictional client so you can see the depth and format before you decide. Owner-run businesses vary. Your own report, and your own prices, are built entirely around your facts, as a set of fixed flat fees with no meter running. The client, the business, and every figure below are invented and shown only to illustrate the depth and format.

Your Business Position Report

Hi Marcus,

ABOUT THIS SAMPLE

This report was prepared for a fictional client so you can see exactly what the Business Diagnostic produces before you decide. Every name, business, and figure in it is invented. Your own report, and your own prices, are built entirely around your facts.

Thank you for the answers and for last year's return. Between those and what Dana told me about the books, I have a clear picture of Bell Air and Heat, and I can now lay out where you stand, what it is costing you, and the plan from here. I have written this in plain language on purpose. Where a number appears, treat it as a close estimate until we finalize the few items at the end.

WHAT THIS IS WORTH TO YOU

The business has outgrown the way it is set up. On last year's profit, the way you are paying yourself is costing you roughly nine to eleven thousand dollars a year in tax that the right setup avoids, and that number recurs every year you leave it. Add the health insurance that never made it onto the return and the total is in the range of twelve to sixteen thousand a year. Some of last year's share is still recoverable.

First, the part that takes the pressure off

You asked me three things when you bought this: was the return done right, did you overpay, and are the books done right. The short answers are mostly yes, yes by about twelve to sixteen thousand a year, and not since April. The rest of this report is those three answers in full, then the fix.

Nothing here is a crisis. The business is real, it is profitable, the returns have been filed on time, and your payroll for the three technicians is being run properly. What you have is a setup that made sense at a hundred thousand of profit and stopped making sense somewhere around a hundred and fifty. That is a good problem, and it is a fixable one. Two items have a clock on them, and I will be plain about those below, but neither is the kind of thing that keeps you up at night once it is scheduled.

Did you overpay, and by how much: how you pay yourself is the biggest piece

Right now the business is taxed as if it were you, personally. Every dollar of the hundred and eighty-five thousand in profit is treated as your wages for one particular tax, whether you drew it or left it in the business account. At your level of profit that one tax alone runs to something like twenty-six thousand dollars a year.

There is a different setup, the one most owner-run businesses your size use, where you pay yourself a fair salary for the work you actually do, and the rest of the profit comes out to you without that tax on it. On your numbers, with a salary in the range a business like yours would pay a working owner, the saving after the added payroll and return costs is roughly nine to eleven thousand dollars a year. That is the headline of this report and it repeats every year.

This is a genuine tradeoff, not a free win. The setup brings its own obligations: you go on payroll yourself, there is a separate business return, and the salary you set has to be defensible, not the lowest number that fits. It also changes how a couple of your deductions work, which is why the saving is nine to eleven and not the fifteen you might see quoted online. The right answer depends on how the profit is likely to move over the next few years and how you want to draw it, and that is something I want to confirm with you on the call before anything is filed.

Was the return done right: what most preparers miss

A few things, and they are the reason an owner's file gets done on time every year and still leaks money:

The setup is never re-read. The way a business is taxed gets decided at formation, usually by whoever set up the company, and then nobody looks at it again. Your profit went up sixty-five thousand dollars in a year and the return was filed the same way as before. That is not a mistake on the return; it is a decision nobody made.

Health insurance paid from the wrong account. You pay the family's health premiums from your personal account, about fourteen thousand a year. Paid that way, they never reached the business return, and the deduction that owners in your position are entitled to was never taken. Last year's share is worth roughly three and a half to four and a half thousand dollars to you and it can still be recovered.

Estimated payments set off last year. Your quarterly payments were sized off the year before, when profit was a hundred and twenty. Two of the four were then skipped when cash was tight over the summer. The result is a penalty that is already running on the missed quarters and an April balance that will be noticeably larger than you are planning for.

Contractors paid, slips not issued. About ninety-five thousand went to subcontractors last year and no year-end slips were issued to them. The penalty for that is per slip and it grows the longer it sits. Two of those subcontractors also work full time on your trucks, with your equipment, on your schedule, and that raises a separate question about whether they are contractors at all.

Before you do anything

> **CAUTION: HOLD ON THE SALARY AND THE PAYROLL CHANGES**
>
> The instinct after reading the first section is to call the payroll company and put yourself on salary this week. Please wait. The change has to be made in the right order and elected properly, and the salary has to be set from your numbers, not from a rule of thumb. Done in the wrong order it can cost you the very saving it is meant to create for the year. A couple of weeks of waiting costs nothing.

Are the books done right, and the rest of your file, piece by piece

The health insurance: about fourteen thousand a year, paid personally, never deducted. This is the cleanest recovery in the file. Last year can be amended, and going forward it gets paid and reported the right way so it lands every year without anyone remembering to ask.

Retirement: there is no plan at all, and with a hundred and eighty-five in profit that is the largest planning gap after the setup itself. Because you have three employees, the simple owner-only plans are not available to you; the plan has to include them, and there are ways to do that which cost far less than owners expect. This is worth real money every year and it is not urgent this month, so it goes in the plan rather than in the emergency column.

The new truck: sixty-eight thousand, written off in full last year. That was the right call and there is nothing to fix. One thing to know: if you trade it in or sell it inside the next few years, part of that write-off comes back as income in that year. Not a problem, just something to plan the timing of rather than be surprised by.

The subcontractors: two questions, one urgent and one not. The urgent one is the missing year-end slips, which is a routine catch-up with a penalty that stops growing the day they are filed. The slower one is whether the two full-timers should be on payroll instead. I am not telling you they should; I have only your description. I am telling you it is the first thing a state agency looks at in your trade, and that it can be settled now on your terms rather than later on theirs.

The books: Dana has done well keeping up, and the file is workable. Two things need fixing before anything else in this plan happens. The bank and credit card have not been reconciled since April, and one card carries both personal and business spending. Neither is unusual, but the salary setup, the return, and any retirement plan all sit on top of the books, so the cleanup comes first in the order of work.

Sales tax on parts: how your invoices are written decides whether tax should be collected on the parts side of a repair, and the rules in your state turn on details that a read of your last return cannot settle. I do not have your invoices, so this is the one item in the report I am flagging rather than answering. It gets checked against three or four real invoices, and it takes an hour.

The numbers, roughly

In round terms, to be confirmed against your actual figures:

The setup change: roughly nine to eleven thousand dollars a year saved after the added costs, every year, starting with the year it is put in place.

The health insurance: roughly three and a half to four and a half thousand recoverable for last year by amendment, and the same again each year going forward.

Retirement: not a saving so much as a deferral, but a large one; the tax on whatever you put away is pushed out for years. On your profit that is meaningful and the structure is what makes it affordable with three employees.

The penalties: the estimated-payment penalty is in the low hundreds so far and growing monthly; the contractor slips are a per-slip amount that steps up at set intervals. Both are small next to the savings above, and both stop the day they are dealt with.

So the value here is not one refund. It is a recurring twelve to sixteen thousand a year, plus a one-time recovery for last year, plus two small exposures closed.

The one with a clock on it

> **IMPORTANT: TWO DATES, ONE OF THEM SOON**
> The contractor slips are late now and the penalty steps up again at the next interval, so those are filed first, this month. The estimated-payment penalty stops growing the moment the next quarterly payment is sized to this year's profit instead of last year's, and the next due date is inside the next few weeks. Everything else in this report can be scheduled. These two should not wait for the rest of the plan.

The plan

1. Reconcile the books through today and separate the personal spending, so every number below rests on clean figures.
2. Issue the missing contractor slips and settle the question of the two full-timers.
3. Resize the next estimated payment to this year's profit and stop the penalty.
4. Set your salary from your numbers and put the new setup in place, in the right order, for this year.
5. Amend last year to recover the health insurance deduction, and set the premiums to run through the business from here.
6. Choose and set up a retirement plan that fits a business with three employees.
7. Check the sales tax question against your actual invoices and settle it either way.

Your menu of services

Here is the work for a file like yours, grouped into a handful of fixed-fee pieces so you can see what it involves and choose what you want us to handle. Each is one flat fee, shown in your own report. No hourly meter, no surprises.

One-time:

Service	Fee
Books cleanup and reconciliation through today	Fixed fee
Contractor slips catch-up and the worker-status review	Fixed fee
The owner-pay setup: salary set from your numbers, the election, payroll changes, in order	Fixed fee
Amending last year for the health insurance deduction	Fixed fee
Retirement plan selection and setup	Fixed fee
Sales tax review against your invoices	Fixed fee

Ongoing:

Service	Fee
The business return and your personal return, together	Fixed fee
Monthly bookkeeping, reconciled and closed each month	Fixed fee
Quarterly estimated payments sized to the year you are having	Fixed fee
Year-Round Care (questions and notices, as they come)	Fixed fee

What we still need from you

A short list (sent separately): read-only access to the bookkeeping file, the subcontractor payment totals by name, three or four recent customer invoices, the health insurance statements for last year, and a couple of quick confirmations about how you would like to draw the profit going forward.

The diagnostic credit

The full $250 you paid for the diagnostic is credited against your engagement, there is no deadline on that, so if you go ahead it effectively costs you nothing, it comes straight off the work. It only ever stands as its own cost if you decide not to proceed, and even then this written report is yours to keep.

Handling the setup, the books, and the returns together is deliberate. The salary rests on the books, the return rests on the salary, and the retirement plan rests on both, so keeping them under one roof is what makes the saving hold up year after year rather than for one season.

Here is what the full engagement actually produces for you, in plain terms: clean, reconciled books you can run the business from; the two late items closed and the penalties stopped; the owner-pay setup done properly for this year with a salary you can defend; last year's missed deduction recovered; a retirement plan that fits a shop with three employees; the sales tax question settled; and a return next spring with no surprises in it because the quarterlies matched the year. It is your business handled as one consistent file, each piece resting on its own judgment.

Because the two dated items step up soon, it is worth not leaving them to the last minute. Once you send the items in the short list, I will firm up the numbers and we will get moving.

Yarik Yarosh, CPA
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Illustrative sample. The client and all figures shown are fictional and are provided only to show the format and depth of the written business position report a Blue Cloud Business Diagnostic produces. Your own report is built entirely around your facts.