

Wine making company



About the company

- Based in Sonoma, California producing a unique brand of wine for the last six years.
- The company produces four different types of wines and ships them to the customers not just in the United States of America but across the world.

Needs of the company



Due to improper classification of income, expenses, assets, and liabilities, improper financial position in books. Books had to be altered to ensure correctness.



There were 2,000 entries in bank accounts which were pending to be recorded in the books of accounts. These entries had to be recorded and bank accounts reconciled.



Customer payments from online and offline sales from payment gateways had to be recorded in the books.



Inventory appearing in accounts in the books of accounts had to be corrected.

Needs of the company



Bill of material for wine production had to be defined in the books of accounts.



The custom-built automated invoicing software had posted entries to incorrect ledger accounts. This had to be posted to the correct ledgers.



All these had to be done within an extremely limited timeframe to enable the firm to file tax returns.



Submit the books of accounts for due diligence

Challenges we faced

Management of inventory

The firm had inventory in terms of finished stock and in process inventory which were not a part of the books of accounts. The finished stock of the firm was stored at a warehouse of a third-party service provider. The sales invoices entered in the books of accounts was not reducing the finished goods inventory. The raw material purchases were not entered in the books of accounts. The result being:

- Incorrect amount of raw material inventory being shown in the books as purchases were not entered.
- Incorrect finished goods being shown in the books as sales entries were not reducing the inventory.
- Mismatch in the physical stock between the warehouse and books of accounts

Defining a bill of material for wine production

A bill of material (BOM) is a starting point in a manufacturing process.

The firm did not have clear idea of the costs involved in the cost of production.

Consequently, the cost of production and the resultant margin on products were not known.

Correction of accounts receivables

Most of the firm's sales were online orders, in effect there should not be any accounts receivable. However, the money's received from customers were not set off against the receivables.

The settlement from the payment gateways were not reconciled with the bank accounts. The balance sheet was incorrectly carrying receivables.

Accounting entries from the bank statement

There was a huge backlog of entries from the bank account which were not entered in the bank accounts. There were nearly 2,000 entries which had to be entered.

The included customer receipts, business expenses, loans, and the owner's drawings

Solutions we came up with!

Defining a Bill of Material

Our team had to prepare a flow chart detailing the process involved in production of wine. We had to define the costs for each of the following:

- Fermentation
- Cross Flow filtration
- Reverse Osmosis
- Labeling
- Bottling
- Packaging
- Trucking

The costs for all the above had to be defined for six different types of wine produced by the firm. Further, this had to be in the accounting software which was being used by the firm. In this case the firm was using Zoho Inventory for managing the inventory. Our team set up the bill of material in Zoho Inventory. The units of measurement of the final product were different from the units of measurement of the raw materials. Our team harmonized these different units of measurement for ease of comparison.

Managing Inventory

- Our team had to work with the firm to collect all the purchase invoices for the raw materials, create the vendors in the books of the accounts.
- This ensured that the raw materials stock was reflected in the books. With the creation of bill of materials, the stock in the books of the accounts were transferred from raw materials stock to work in progress.
- This also ensured that the books of accounts carried the actual vendor liability.

Correcting the customer receipts

One of the major points of troubling the firm was handling the customer receipts. The receipts from online sales were transferred from different payment gateways into the firm's bank accounts. Our team had to do a three-way match between:

- Customer Invoice
- Batch Report from payment gateway
- Receipts in the bank account

This was not an easy task as the sales showed an abnormal spike upwards pushing up the sales 10X in a month. This task was completed by our team leading to reconciliation between the payment gateway and the bank accounts

Reconciling the bank accounts & credit cards

- The bank accounts had not been reconciled for two years.
- The unaccounted entries in the bank accounts had grown to nearly 2,000 entries. Our team had to identify the vendor payments, various business expenses and owners' drawings from the withdrawals. Further, documents supporting these payments had to be collected for audit purposes.
- Our team set up rules for transaction recognition with Zoho Books (accounting software) so that the transactions would get accounted at a fast pace.
- The corporate credit cards also had unaccounted entries; these too were accounted with the appropriate documentation.

Results that we achieved

Results we could achieve,



The bill of materials was set up for all categories of wines, giving the management a clear picture of the cost of production. Consequently, the margin on the products were clear for the management.



The dashboard on Zoho Books (accounting software) started showing the correct picture of accounts receivable, accounts payable, expenses, and sales.



Our team established an accounting procedure including the documentation for transactions to ensure accurate information.

Results we could achieve,



The firm was able to file the tax returns on time.



The books of accounts were also presented to auditors as part of due diligence.



The owner of the firm was featured on “Shark Tank”. He was made an offer for investment, which he accepted