

# Managing the books

*Take the following steps to ensure that your business's bookkeeping doesn't become an overwhelming burden*

## **Accounting (read bookkeeping) is the language of business**

Many small businesses use a generic chart of accounts for their bookkeeping. But if you've just bought an accounting software package which is going to be generic, bookkeeping becomes unnecessarily burdensome as you try to fit transactions into an incompatible account structure. Then every month you need to remember what you did in previous months to maintain consistency. For example if you run a number of computers and the business spends a significant amount of money on server hosting, this should have its own account; don't just use "professional services expense."

## **It's easy to over-complicate things**

As a business grows, typically you increase the number of credit accounts, credit cards and subscription or vendor accounts that it uses. Having an inordinate number of accounts complicates bookkeeping. Streamline your credit and transaction accounts and try to maintain the same patterns from month to month. This includes using the same credit cards to cover monthly expenses and paying vendors in a consistent fashion. Don't mix your personal expenses with business expenses on a business credit card.

## **Doing the books regularly**

No more than a week should pass before you update your books. The sheer volume of transactions accumulated over a month can make bookkeeping a daunting task. Even a tiny business can require 100 bookkeeping entries per week.

## **Remember accounting is "the language of business"**

Doing the books is not simply about keeping up with gst and tax obligations (although that is vital). Business owners involved in bookkeeping usually have a firmer grasp on the condition of their business. But you don't have to do the books yourself if you don't meet the essential trade off: time is scarce so is your time worth more working ON the business than paying a bookkeeper to do your books each and every week in a professional and error-free way. By investing in bookkeeping, the following benefits flow:

## **Identify outlier expenses that need to be pared back**

Outlier expenses can consume an unusually or unnecessarily large percentage of your available cash each month. The best way to identify these costs is to



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see them in relation to your overall monthly expenses. Bookkeeping and a monthly report from your professional allows you to see expenses that may need addressing. The best approach is to identify the top three expense categories each month and work toward reducing at least one of them over time.

### **Professional management if your finances are crucial to securing bank and investor finance**

Sales skills, marketing prowess and operational control are all important, but having intimate knowledge of revenue and cost patterns are a requirement. Having the right information at hand is crucial to securing finance. Minimal requirements are:

- a. Income Tax Returns (last three years)
- b. BAS Returns (last three years)
- c. Evidence that this was prepared independently (Tax Agent & BAS Agent)
- d. Financial Statements (last three years)
- e. Outline of the business
- f. Cash flow projections

With the simplicity and ease of using cloud accounting software, some business owners attempt to do it themselves. But in the end, is bookkeeping really worth your time? Yes, you should keep an eye on your financials and review your Profit and Loss often, but you should not waste your time preparing those financials when you can easily outsource this non-value-adding process. Cloud accounting software seeks to provide a better bookkeeping solution than desktop accounting software and is designed with productivity in mind.