

Small Business Accounting: Count On It Being Important



It's everyone's favourite time of the year: tax time! Get ready for the banners and balloons and celebrations... or hide your paperwork in the closet and hope the receipts magically sort themselves out. That sounds more realistic! You may want to hide from your finances, but you can gain a lot by dedicating adequate time and resources to bookkeeping and accounting. This is particularly true for business owners.

Before I explain the importance of good accounting and bookkeeping practices, I have a confession to make. I love accounting. I find financial statements and annual reports riveting. Don't leave! Stick with me. You don't have to share my enthusiasm for numbers, but you can appreciate their importance. Good general accounting and record keeping practices are particularly important to business owners. At the least, they'll make tax time less of a reason to hide and at the best they'll improve your business.

Why You Should Focus on the Numbers

[As a business owner, you have to be a jack-of-all-trades.](#) Operations, sales, human resources, marketing, legal matters, and accounting are all parts of the job. You don't need to be an expert in each area; but you do need a basic understanding so you can properly delegate the duties that accompany each facet of your business.

Marketing and sales may be fun. Operations may need your day-to-day attention. But good financial practices will make everything else possible. Raise your hand if you've ever neglected your accounting. Now look around you and see that you aren't alone. You need to know that focusing less on the numbers and more on other areas of your business may seem okay at first, but it can lead to big problems.

1. *It increases workload and stress.*

Businesses are required to file their tax return within 6 months of their fiscal year-end. If you neglect your company's books throughout the year, filing the year-end tax return will be a much more stressful and time-consuming task than it needs to be. Who wants to make tax time MORE stressful?



2. *It focuses on the trees, instead of the forest.*

You may feel like you're killing all the trees in the forest with good record keeping and accounting practices, but you want to focus on the forest. Good financial practices give you key big picture

information.

By falling behind on your accounting, you are not reviewing key data that will assist you in managing your business. Some entrepreneurs have a sixth sense regarding their business results. They can tell how their business is performing by how often the phone is ringing or the number of trucks in their bays. However nothing beats preparing and reviewing an income statement and balance sheet on a monthly or quarterly basis. This practice will give you a true picture of your business results. It will also prompt you to make adjustments on the fly. Maybe your costs are creeping up without your knowledge. Or sales are slipping because of a new competitor in town. At the very least, regularly seeing your figures in black and white will provide you with the peace of mind gained from knowing exactly how your business is performing financially.

The Pay Off of Good Accounting

Putting your focus on the numbers can pay off in big ways for businesses. For example, once you establish a disciplined approach to preparing and reviewing your financial statements, you can improve your business. How? Try picking an expense each quarter and working to improve it:

- seek out cost effective methods for advertising,
- get a second quote on your insurance,
- invest in highly efficient equipment, or
- [optimize your financing](#).

The key is to continue to review your financial statements to ensure you reap the rewards. Saving a little bit on several expenses can add up to big results over the long run.

Regularly keeping and reviewing records will also add up to less stress and a better business. I have heard business owners say that accounting types make poor entrepreneurs because their focus on the numbers hampers big picture, creative thinking and taking big risks. I disagree! Phil Knight, the founder of Nike; Arthur Blank, the co-founder of Home Depot; and John D. Rockefeller all started their careers as bean counters. I'm not telling you to neglect other areas of your business in favour of the numbers. A balanced approach to managing your business is always best.

Whether you are highly involved in the accounting process or fully delegate it with regular reporting, you can't ignore it. Instead it should form part of your management strategy and be prioritized accordingly. Trust me. Your bottom line and your business will thank you.

[Reach out to an advisor at PenFinancial](#) to learn more about how to prioritize your financials to maximize your business potential today.