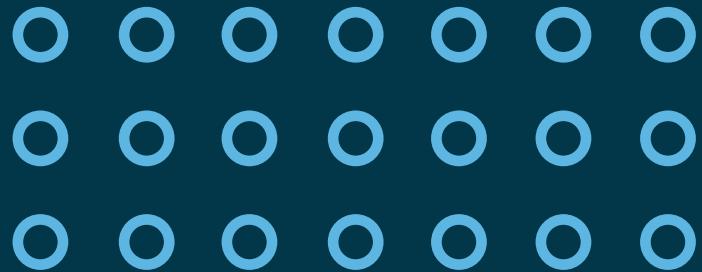


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FINANCIAL TIPS

FOR SMALL BUSINESS OWNERS





Finances play a vital role in the success of every business, but financial management often falls on the back burner, because of the countless other responsibilities business owners juggle. Bookkeeping is time-consuming, requires specific knowledge, and may feel intimidating - which is why it gets put off. In fact, 25% of business owners are behind on their bookkeeping for these very reasons.

Keeping your books up to date enables timely and meaningful financial decisions and maximized tax savings for your business. Accounting helps you evaluate your past business performance, make timely decisions, and inform projections for the future.

While financial management may feel stressful, there are steps that can be taken to save time and ensure accuracy in your financials. We have compiled our top financial tips to help you keep your bookkeeping and accounting on track and grow your business!



Take Advantage of Technology

The days of physical ledger books are behind us (thankfully)! There is a large pool of accounting software available to business owners, all designed to streamline the bookkeeping and accounting process. Take advantage of accounting technology to optimize your time and keep your records organized!

Below are a few examples of **best-in-class software** that you can utilize to improve accuracy and keep your books up to date:



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Categorize for Insight

Different aspects of your finances should be categorized in the Chart of Accounts. The Chart of Accounts is a record of each type of asset, liability, equity, revenue, and expense within the company. It provides a high-level view of every area of your business that spends or makes money. The goal of the Chart of Accounts is to organize information in the most informative way possible, so that it can feed useful information to your financial statements, such as where you spend or make the most money.

You can create your own Chart of Accounts, or use the standard Chart of Accounts that is an included feature in accounting software such as QuickBooks Online and Xero. It can be customized to the way you run your business!

Key accounts to keep track of are:

- ✓ Accounts Receivable (money owed to you)
- ✓ Accounts Payable (money you owe to others)
- ✓ Sales (your revenue)
- ✓ Purchases (supplies and expenses)
- ✓ Payroll Expenses
- ✓ Profit
- ✓ Cost of Goods Sold (COGS)
- ✓ Operational Expenses (payroll, rent, etc.)
- ✓ Owners' Equity (the money you and other owners/investors put into the business)
- ✓ Retained Earnings (your profits)



Follow Up on Customer Invoices

Everyone loves to get paid! Sending out invoices immediately and then following up on them consistently will ensure you get paid in a timely manner.

If you provide payment terms to customers, follow up on invoices to ensure prompt payments. This improves your cash flow, and keeps your books up to date. Consistently following up helps you avoid spending hours sorting through your outstanding balances at the end of the month. You can also incentivize customers to send in their payments with an early payment discount.

Monitor Cash Flow

Every business owner craves insight into their finances so they can make effective decisions for their business. One of the best ways to make timely and meaningful financial decisions is to monitor cash flow. This can be done by reviewing your Cash Flow Statement on a monthly basis.

The Cash Flow Statement, which is available through most accounting softwares, tracks how and when cash flows into and out of your business. Examples of inflows and outflows include, but are not limited to:

Cash Inflows

- Revenue (Sales)
- Loans and Investments
- Supplier Refunds

Cash Outflows

- Cost of Goods Sold (COGS)
- Operating Expenses (rent, insurance, payroll, etc.)
- Loan and Credit Card Payments
- Purchase of Property and Equipment
- Owner's Draw
- Inventory Purchases
- Cost of Labor (employee wages, benefits, and payroll taxes)

Understanding your cash flow helps with anticipating cash needs, so you can ensure you have what you need, at the time needed. For example, if you find that more cash is being spent than received, resulting in a cash deficit, you can better plan for obtaining the cash needed. You can do so through debt: paying vendors through credit cards, through your line of credit, or managing payment deadlines. You can also use the Cash Flow Statement to create projections for long-term business goals and cash needs, such as acquiring funding.



Separate Personal and Business Bank Accounts

Many business owners use their personal funds to keep their business running when they are first starting out. Continuing to mix personal and business finances could create problems in the future, especially for bookkeeping, accounting, and taxes. Important decisions could be made based on over or understated numbers. Plus, it is a red flag to the IRS.

Keeping your personal and business expenses under one bank account is referred to as commingling. It can draw scrutiny from the IRS and cause legal problems under certain business structures.

Commingling also increases the risk for error while bookkeeping, and takes additional time to account for your expenses properly. Important business transactions could be missed, or personal expenses could be added to your business records by accident.

Bookkeeping is tedious enough. Having to sort through personal and business expenses will only make it that much more stressful and time-consuming. Creating a separate business bank account will save you time and frustration, prevent commingling, and reduce your stress while doing your bookkeeping and accounting.



Record Cash Expenses

Business owners need to record every expense so they have an accurate picture of their taxable net income when tax season arrives. It is simple enough to record the transactions that show up in your bank account, but expenses paid in cash could be forgotten if they are not recorded immediately.

To avoid missing cash transactions related to your business, consider downloading a receipt-tracking app to your mobile phone, so you can record your receipts once you receive them. Expense recording apps include, but are not limited to, Expensify, Dext, Bill.com, and more, which integrate with Xero and QuickBooks Online. Xero offers a scanning feature where you can snap a photo, and the receipt is automatically added to your records!

Consistently recording your cash transactions will keep your books accurate and give you a clear understanding of your profitability for the year.



Hire Professionals to Handle Your Bookkeeping, Accounting, and Taxes

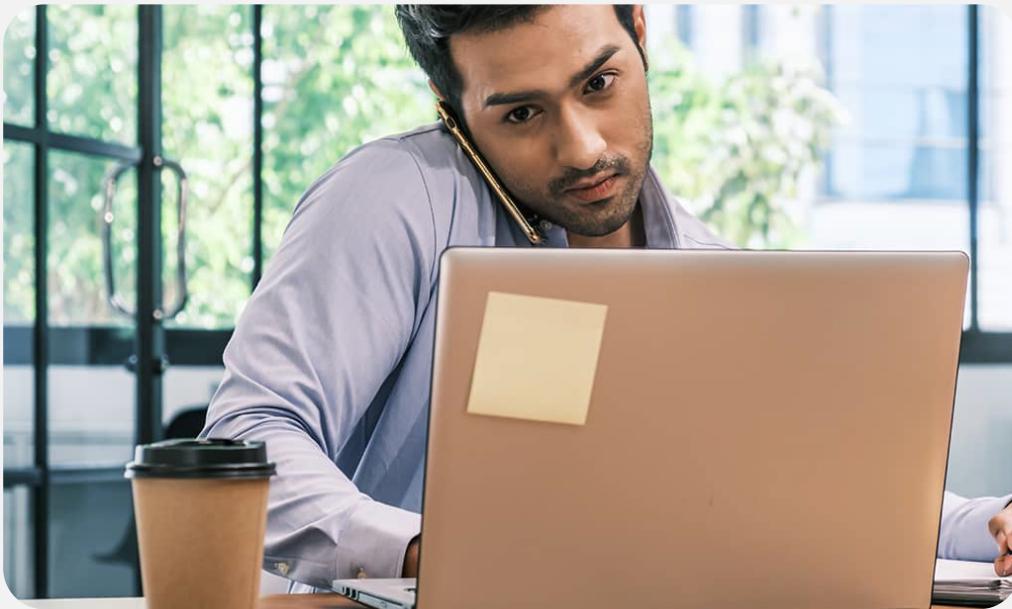
Doing your bookkeeping and taxes yourself can seem like an effective way to save money, but it costs you hours of your time that may be better utilized growing your business. Finance professionals have the knowledge and experience needed to keep you compliant and maximize your savings - both now, and during tax season.

A **bookkeeper** will accurately categorize and reconcile your monthly business transactions and produce key financial reports that show you how your business is performing, and where you can make improvements.

An **accountant** can advise you on the steps you need to take in order to grow and scale your business, in the most cost-efficient way possible. Having a **Tax CPA** handle your taxes will maximize your return with minimal effort.

Get online tax support with Xendoo. We cover:

- Business Tax Preparation: Federal and State Tax Returns (1120, 1120S, 1065)
- Personal Tax Returns (1040)
- Schedule C's (1040 and Schedule C)



Hire an Accountant Who Communicates With You

Hire an accountant who is available to communicate with you regularly. Make sure they understand your goals for the business and any upcoming changes, especially plans for growth. The more tuned in they are to your business goals, the more they can advise you on the steps needed to achieve them.

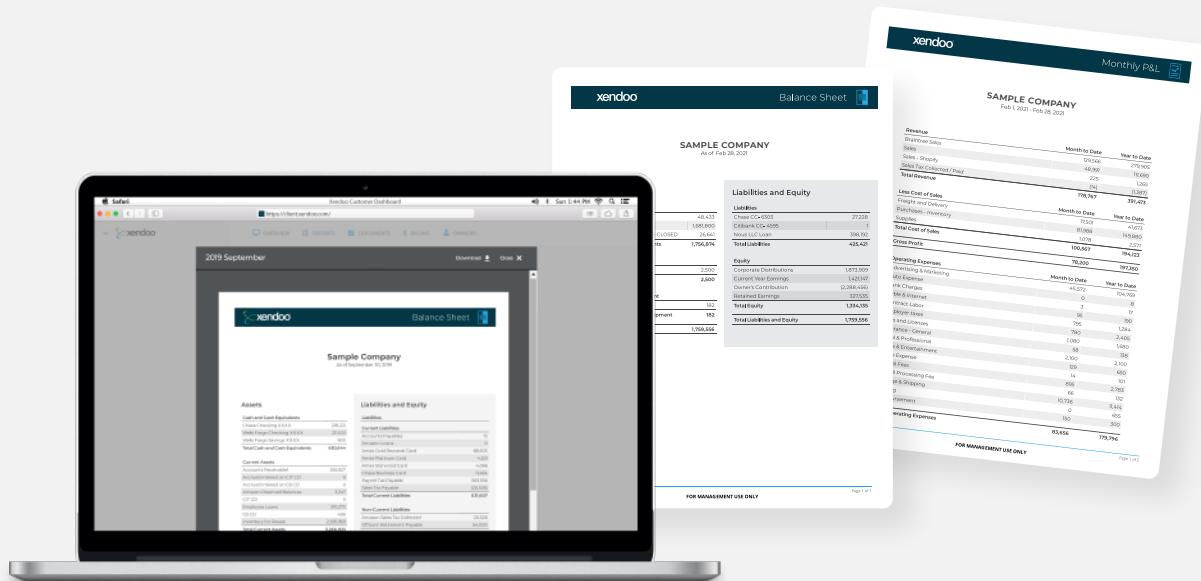
Your CPA is your source for information on tax laws. They will keep you aware of any changes in the law that could affect your business. Think of your **online accountant** as a strategic business partner. Meeting with them regularly will help you reach your goals, maximize savings, and stay tax compliant.



Review Your Financial Statements

Throughout this guide, we have briefly mentioned financial statements. Three important statements are the Balance Sheet, Profit & Loss Statement, and Cash Flow Statement.

- ➊ **The Balance Sheet** summarizes your business's assets, liabilities, and equity at a specific point in time. This statement provides insight into your cash, inventory and other asset levels, how much money is owed to you (Accounts Receivable), how much money you owe (Accounts Payable), credit card and bank balances, and the equity in the company.



- ✓ **The Profit & Loss Statement** (also referred to as an **Income Statement**) shows Profit and Net Income. Your Net Income provides insight into the profitability of your company, and includes all the operating costs of your company.

- ✓ **The Cash Flow Statement** allows you to see when cash flows into and out of your business, and how your cash balances have changed over a period. It can also be used to project cash needs of the business.

The best practice is to review each of these financial reports on a monthly basis, as they gauge your business's financial health and provide insights to timely decision making. They provide visibility to indicate whether you are on track to meet business goals, make projections, and even prepare you for tax season. Whatever type of business you run, it is crucial to stay on top of your business's financial health.

Prepare for Tax Season Throughout the Year

We would all rather not think about tax season until we absolutely have to. But, preparing for taxes throughout the year can help you maximize your return when the time comes!

- ✓ **Consistent bookkeeping.** Keeping your books up to date throughout the year will help you to make timely tax payments. Instead of sorting through piles of receipts, having your income and expenses organized will save you time and stress as you prepare to file your taxes. Consider partnering with a **bookkeeper** who will reconcile your books monthly for you so you have more time to work on your business!
- ✓ **Partner with a Tax CPA.** A professional **Tax CPA** is a worthwhile investment for small business owners. Professionals file your taxes for you to minimize errors, maximize your tax savings, and are aware of changing tax laws that could affect your business profitability.
- ✓ **Set money aside for taxes.** To reduce tax season surprises, set money aside in preparation. You can review your financial statements with your tax preparer on a quarterly basis to figure out what your federal, state, and local tax liability will be.



Drive Success Through Data

Knowing your numbers grows your numbers. Consider some key indicators of success: sales trends, profit trends, sales by customer type, and sales by marketing type. Understanding these data points will help you measure the financial success of your business and make improvements as needed. This will help you to make impactful decisions for your business.

For example, if your sales data reveals that a product is decreasing in sales, you can decide to offer a discount for that product to drive up sales. You can forecast your future profitability by examining your profit trends. Accurate, consistent data analysis enables you to make meaningful decisions as your business grows. Data-backed analysis can ensure that you are on track to achieve your business goals.



DAVE

Xendoo
Customer Success

Xendoo is Here to Help

Real people. Real bookkeepers. Real CPAs. All focused on your financial success. You deserve an **online accounting** team that is dedicated to the success of your business. Let Xendoo handle your **bookkeeping** while you put more money in your pocket, reduce your stress, and get back to what you love to do - growing your business.

Speak to one of our experienced online accountants today.

We would love to partner with you as your online bookkeeping, accounting, and tax team!

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