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Accounting issues to avoid

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Small business owners face many of the same challenges that larger businesses face. However, unlike with large corporations or partnerships, many small business owners lack the financial resources to pay for professional services or third-party help. As a result, many operations that are typically outsourced by large corporations -- such as bookkeeping and accounting -- are handled in-house at small businesses and in most cases by the small business owners themselves.

If you are a small business owner and find yourself in this situation, consider the following tips to avoid small business accounting issues and ensure the proper handling of your company's finances in the future:

Exhausting Cash Flow

Small business owners must balance major purchases with available cash flow. Many small business owners -- especially those who are just starting out -- find themselves dealing with upfront expenses and limited cash flow. Therefore, it is recommended that small business owners consider alternate sources of capital to make large purchases. For example, instead of paying for expensive new equipment or other products with cash from your business, consider business credit cards or other sources of financing. By spreading the payment of purchases out through financing, you can build your cash reserves for purchases and expenses that cannot be financed.

Taxes

When it comes to dealing with the ATO, small business owners must take the time to understand exactly how to handle business taxes. In many cases, a small business owner is forced to juggle several different aspects of operating his business. It is recommended that any business owner who doubts his ability to properly handle tax issues consider hiring a professional tax consultant or accountant to assist in the proper handling of tax issues. Failure to manage taxes properly can result in hefty fees and penalties from the tax department, a situation that can quickly sink any business.

Accounting Software

As a business grows, the dynamics of its accounting system will inevitably change. The system that is in use when the business is a start-up will likely become outdated within a year or sooner. There are several reasons why this might happen, including but not limited to: the hiring of more employees, business expansion, increased customer base, and industry-specific needs. As the business grows, the changes occurring will impact how your accounting system works, and it is important to recognize when your accounting software or system requires updating. To ensure that your books are being managed efficiently, upgrades may be necessary to reflect these changes.

Understanding the Basics

It is imperative for all business owners to understand the basics of accounting, even those who have the means to employ professionals to handle the company's accounting and tax issues. Hopefully, the person you choose to manage your business finances is experienced and

reputable. This will eliminate many concerns; however, having a basic understanding of bookkeeping and accounting will ensure that you understand the numbers and will put you in a position to spot errors before they become problematic for your business. When in doubt, never be afraid to question your accountant or ask for a detailed explanation of any figures that you do not understand.

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