

Not Every Entrepreneur Has an Inner Bookkeeper

Having a great idea for something new, or how to do something better, is what makes you a great entrepreneur. Unfortunately, that great idea doesn't automatically make you a great bookkeeper for your business too.

And yet, the *very survival of your business* depends on having good financial records.

A company that doesn't have its books in order is at a huge disadvantage—you're really just holding yourself back from what you could become. Without sound financial records, you:

- Are unable to determine your business' profitability
- Can't apply for loans for growing and expanding your business.
- Risk paying more than you should in taxes or paying late penalties because your books are not in order.

Are you standing in the way of your own progress?

If you're going to try your hand at doing your own bookkeeping, you need to know more than debits go on the left and credits go on the right side of the ledger. You need to know how to review financial statements on a regular basis, such as the profit/loss statement, the balance sheet and the cash flow statement. Each of these statements can help you understand your company's overall performance and health, so you can make informed critical decisions about your company's future.

Here's a brief overview of bookkeeping reports:

A profit/loss statement or an income statement shows how much you've made in revenues, how much you've spent and what your net income is over a specific period of time. Monthly statements are the most common. The profit/loss statement tells you how much money you're making or losing.

A balance sheet is a snapshot of your company's financial health as of a certain date. This document provides a summary of your company's assets, liabilities and net worth. Your assets are the resources that your business controls: cash, equipment, buildings, furniture and money owed to you. Your liabilities are the debts or other obligations that you owe others, such as accounts payable, taxes, loans and payroll. To get your net worth, subtract your liabilities from your assets. This document provides the most important information your banker needs when you apply for a loan.

Your cash flow statement captures how cash has flowed in and out of your company over a specific period of time. For instance, your sales may be growing as billings increase to new customers, but your new customers may be slow to pay. At the same time, you might be spending more on inventory in the anticipation of growth. The cash flow statement will show how all of those changes affect your business.

On the other hand, **there's no rule anywhere that entrepreneurs have to be good at everything**. In fact, one of the most well-known keys to success is delegation. Find something you're really good at, do it well, and get others to do the rest for you. If you are a master gardener, you don't need to pretend to be a master bookkeeper. Your interests and talents lie elsewhere. Your best bet may be to delegate this task to someone "in the know." Hire the help of a person or a firm that specializes in bookkeeping and record keeping. The fees are low compared to the cost of not keeping up with vital information you need in order to know how your business is doing—and totally worth the satisfaction you gain by having timely and accurate reports.

Here are some things to look for or ask about when you are hiring a bookkeeper or bookkeeping service:

- 1) How often will they provide financial reports (balance sheet, income statement, etc.)? Monthly? Weekly? Quarterly? Will they help you determine what you need?
- 2) Can they help you set up a chart of accounts tailored to your business?
- 3) Will they pay your bills and coordinate client billing?
- 4) Can they work with your payroll processor to integrate the data for timely reports?
- 5) Will they prepare a detailed information package for your CPA for tax return preparation?
- 6) Can they offer everyday assistance that you can trust to supplement your accountant's advice?

Owning and running your own business can be one of the most rewarding, fulfilling, and potentially frustrating things you ever do with your life. But, you don't have to be good at everything. **Realize the importance of keeping good financial records, minimize the frustration and learn to prioritize.** Focus on the fun and interesting things you do well, and delegate the bookkeeping and other tasks to the people who do those things better than anyone else.

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