

# *7 Mistakes Small Business Owners Make with their Bookkeeping and Business Finances and How You can Avoid Them.*

For most small business owners the main reason we go into business is because we are passionate about what we do, we believe in what we have to offer, and we know it will change our clients lives for the better. We spend so much of our time giving and sharing our knowledge to our clients that we tend to 'forget' about ourselves and often the first thing to be left behind is our finances - both business and personal.

Through specialising in working with driven small business owners I have noticed that there are 7 mistakes that they all face with their finances:

1. **They do not know what their personal expenses are.** Being self-employed means the days of a regular income into your bank account on a set day each week is long gone. Now more than ever it is important to know what your personal expenses are. Without knowing what your personal expenses are you can't know what your business needs to earn to cover these expenses.

**ACTION:** Take 10 minutes a day to start going through your bank statement/receipts/bills and collate your expenses into a spreadsheet or even onto a piece of paper. Do not try to do it all at once as this can be so overwhelming and that you may never finish it. Be gentle on yourself and take 10 minutes to do this each day until you are finished.

2. **They do not know what their business expenses are.** Whether you are new to business or have a business which has been around for some time you need to write down your business expenses. Again do it on a spreadsheet or on paper, whatever works best for you.

**ACTION:** Start with your regular monthly expenses, insurance, rent, wages etc, then move to your regular annual expenses such as workers compensation, insurance etc. These expenses are generally fairly similar amounts each for each period. You then need to go through and write down the expenses that vary each month. For example if you sell products you may have higher sales during the summer months than the winter months so you can estimate based on previous months/years or if you are a new business you can estimate.

*Remember both these documents are living documents and will change over time. These exercises are designed for you to make a start getting organized with your expenses.*

**3. They don't have a system which is simple to use and follow.** Many small business owners, unless they are in the Accounting or Bookkeeping field, base their system on what others do. This is not a bad thing and any system is better than none but you do need to find a system which is simple, easy and useful to the needs of your business.

**4. They do not keep accurate records.** As a result of not having an easy to use system, many small businesses do not keep accurate and detailed records of their income or expenses. This means you need to have copies of invoices and receipts that substantiate your claims, most small business owners think that bank statements are enough in the event of an Australian Tax Office audit which is unfortunately untrue. The Australian Tax Office also requires that records need to be kept for a minimum of 5 years and for certain records this is extended to 7 years.

**ACTION (3 & 4): Speak to a specialist in cloud bookkeeping and integration who can help you find solutions which can automate the data entry side of your business to reduce time currently spent doing administration task which could be automated.**

**5. Not complying with ATO requirements.** Depending on your business will depend on what taxation requirements you have and what time frames you will have to lodge them with the ATO. If you are not registered for GST and are over the threshold or if you are registered for GST but don't have a valid tax invoice or you may have employees and are not paying them correctly or remitting the correct amount of tax for them or that you are not lodging your Business Activity Statement (BAS) on time. These are just some of the issues that may arise as a result of point 3 and point 4 and these issues may flag the ATO and result in an audit.

**ACTION: Check with the ATO to ensure you are meeting all your requirements with them. Visit [www.ato.gov.au](http://www.ato.gov.au) or call 13 28 66.**

**6. Assuming that the bookkeeper and accountant know every little detail of your business.** Don't assume your bookkeeper or accountant knows every detail of every transaction you do within the year. If there is something you are not sure of you need to ask your bookkeeper or accountant to clarify so it can be recorded correctly to ensure there are not serious ramifications down the track.

**ACTION: Create a document or file on your computer titled End of Financial Year Information and throughout the year put copies of anything that may be unusual or that you are not 100% sure how to deal with them ie. purchase of a vehicle in**

the file so that your bookkeeper or accountant can deal with those correctly at the end of the period or year..

7. **Not looking for a more efficient option.** That may be looking at outsourcing to a specialist to take care of your bookkeeping for you. A great specialist in this field will review your current system, recommend options to streamline it through the use of cloud based solutions, look at ways to remove duplication of data entry and most importantly work with you to help you understand the money side of your business. As a small business owner it is vital that you know where your business is financially at any point in time and by handing this over completely to a third person you run the risk of being in no better situation than you were before.

**ACTION: Take 15 - 30 minutes to review your current time spent on your bookkeeping, from the basics of data entry and invoicing through to the reporting side. If you are not looking at your reports and figures at least monthly you may find that you are stressing about your business finances. Start making enquiries with specialised cloud bookkeepers/integrators which includes ongoing (at least monthly) chats with you about your business finances so that you can start learning to love the numbers side of your business.**

If you are even making one of these 7 mistakes your business will suffer. Staying on top of these issues does not have to be difficult you just have to start.

To book your 30 minute FREE discovery session [CLICK HERE NOW](#)

Make sure you tag [katie@efficientbusinessservices.com.au](mailto:katie@efficientbusinessservices.com.au) in your email so that your checklist which you will receive within 24 hours doesn't go to your junk mail.