

Popular Business Misconceptions Series

Popular Misconception #1:

"We Only Need Our Books Done Once A Year For Tax Purposes."

Although it is important to keep records for tax purposes, it is not the only reason that good accounting records should be kept. Another common reason business owner request financial statement preparation is to obtain bank financing. This also is not the primary purpose of keeping good records for your business.

Good recordkeeping will enable business owner to extract meaningful financial information for their business and help them to manage it properly. Without accessing to this information, they will not be able to manage the business properly.

A good accounting practice is to have at least a monthly financial statement for management information purposes. This information can alert business owner of declining sales, excessive expenses, tax opportunities, cash flow problems, and many other vital concerns for the business.

To be of value, this accounting system should be set up with meaningful accounts categories and departments, if possible. It may be cost-effective to have an outside accounting service do the monthly bookkeeping.

If business owner do the monthly statements themselves, it would still be prudent to have an accountant or business advisor help in set up the system and, as well review such information with business to discuss problems and opportunities.