

Organize Your Business Finances to Increase Profitability

By Lisa Corcoran, Alternative Financial Services, LLC



Many small-business owners are intimidated by the prospect of organizing their business finances. Or they simply find the tasks involved to be dreadful, so this vital aspect of their business keeps getting pushed to the back burner. The end result of this avoidance can be a business that has spun out of control or has eased into a phase of low-profit, high-stress misery.

Getting the proverbial handle on your business finances produces innumerable benefits, including:

- The ability to identify profit centers as well as income streams that are losing money
- The advantage of analyzing historical trends, allowing you to move in more productive directions
- Job costing to understand which of your customers and projects are most profitable (your "sweet spots")
- Increased likelihood for approval when seeking loans, factoring, or lines of credit
- Minimized need for crisis management
- Proper positioning for eventual transfer or sale of your business
- Easing of the mental fatigue, which can drain the business owner's energy
- Renewed focus on servicing existing clients and courting new customers

Often, the hardest part of this organization process is reaching out for assistance. Turn to a trusted advisor who can help you evaluate your current accounting processes, identify your priorities, and establish a program that will accomplish your goals. Accounting software such as Intuit's QuickBooks® is available in many versions and can serve businesses—from one-person firms to multi-location, multi-million-dollar companies. Other software programs are available in both desktop and online versions, so you are sure to find something at your price point that works for you.

Your advisor may address some or all of these important aspects of your business:

- Accounts receivable – Contract provisions, invoicing procedures and collection status of outstanding receivables

- Accounts payable – Aging of payables, paying within terms to maximize vendor discounts
- Payroll and timely payment of payroll liabilities
- Calculation and timely payment of sales and use taxes
- Evaluation of overhead and operating expenses, and opportunities for cost savings
- Cost of Goods Sold – Identifying COGS expenses as distinct from operating expenses
- Balance-sheet issues – Ensuring that equity positions, assets, and liabilities are recorded correctly
- Tax planning throughout the year to avoid year-end surprises

Organizing your finances is one of the best investments you can make in your business. Without this focus, you are destined to fall short of the fullest potential your hard work warrants.

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