



22 of the Best Tips For New Small Businesses

Chart of accounts and bookkeeping

- 1 **Design an extensive chart of accounts** - that is responsive to the business you are in. If you are going to be big with more than one department, make provision for departments. You will have categories of expenses for the types of expenses (wages, training, promotion, equipment); make sure you have a category for each type. As a sub account of each category, you will select the natural expense accounts you will incur for each category. For example for the Training category, you will need course fees, travel to a city, transportation within a city, etc. See following table. You don't want to use one Natural expense account for all Categories or you won't know your true cost.

◆50900 · Training	TN
◆50910 · saPtn Courses & seminars	
◆50920 · saPtn Conferences	
◆50930 · saPtn Transportation to city	
◆50940 · saPtn Trans within city	
◆50950 · saPtn Accommodation	
◆50960 · saPtn Meals 50%	
◆50990 · saPtn Others	

- 2 **Use you time effectively** - if you can't do your own books properly or you can use your time more effectively generating revenue, let someone else do your bookkeeping.
- 3 **Review your financial statements each month** - to make sure you are making money or use the information in the statements to make changes so that you can be profitable.
- 4 **Prepare a forecast** - preferably before you start your business. You can revise it at any time; you don't have to wait until your first year end. We suggest that you regularly forecast the results for the next twelve months.
- 5 **Choose an appropriate year end** - if there are cycles in your industry, your year end should be at the end of the cycle when inventories and receivables are at their low point. Your firm of chartered accountants will appreciate a year end between May 31 and November 30. You will get better service because they already have a deluge of clients with December 31 year ends. For unincorporated businesses and many professionals, you have no choice; CRA has decided that you will select a December 31 year end.
- 6 **Control you cash** - reconcile your bank balance each week or more often if reconciling once a week takes more than one hour. If something funny is going on with the bank account, you will know before you receive the bank statement and cancelled cheques. If that is true, why waste time comparing

cancelled cheques to the monthly bank statement. You may want to verify the endorsements on the cheques.

- 7 **Become knowledgeable about computers** - considering the power of computers and the excellent bookkeeping software available at low prices, it is a mistake to do your bookkeeping manually. If you are concerned about using a computer, consider having someone else do your bookkeeping. If you are involved with accounting for GST (and it would be unusual if you weren't), a computer is a must.

Cash

- 8 **Keep cash and bills separate** - don't mix cash receipts with cash expenses. Deposit cash receipts intact each day.
- 9 **Use an imprest petty cash fund** - it will save you a lot of problems.
- 10 **Follow up on past due accounts promptly** - it's your money. It may be that the invoice is lost in the mail or misplaced. Try "Have you received our invoice? Can we pick up a cheque today". Without cash, you can't continue in business.

Dues dates and controls

- 11 **Keep control over due dates** - to avoid paying unnecessary penalties. You have to consider due dates for GST, PST, payroll deductions, WCB, personal tax instalments, and corporate tax instalments.

Suppliers

- 12 **Record all your transactions or you won't know how well you are doing** - don't buy merchandise or have work done for cash deals (under the table) at substantial discounts. You will have no recourse to the supplier. Also it will be too expensive if you can't deduct the expense for tax purposes.
- 13 **Control unpaid vendor's bills** - file unpaid bills alphabetically in an accordion binder (until you get too big for this system). Then you can set up one paid bill file for each vendor. We are working on a paperless system for processing with QuickBooks, We believe that others are already doing this.
- 14 **Pay bills promptly** - pay your bills twice a month and only pay based on an invoice. Paying bills promptly avoids receiving a statement from your supplier with the risk that the statement will be paid too. Stamp and initial your bills after you pay them so that if you are looking at them again, you will know they have been paid. If you have cash available, pay promptly to earn cash discounts.
- 15 **Scan suppliers' invoices for reasonableness** - there could be mistakes but our experience is that suppliers seldom make mistakes; any mistakes made are obvious. But there could be industries where you have to audit most invoices.
- 16 **Watch out for scams** - don't pay for something you haven't ordered. You will undoubtedly receive official looking invoices for services that are of no benefit to you, such as an international fax (our apologies to those new businesses that need an international fax listing, but we get these proforma

invoices often). Look closely at the invoice; it will probably say that it is a proforma invoice and your name won't be included in the listing until you pay. Also you can probably forget about unbelievable offers you get by telephone. Remember "We don't respond to telephone solicitations. Please send your request in the mail". You probably won't receive anything in the mail.

- 17 **File paid bills promptly and so that you can find them** - file paid invoices alphabetically; the invoices for each supplier should be in a separate folder. Set up new folders each year.

Payroll

- 18 **Outsource your payroll** - make sure you understand payroll preparation and the reporting of benefits. If you don't report and deduct properly, you may get stuck with paying deductions that should have been paid by the employees. An even better suggestion is to outsource the preparation of your payroll.

Filing

- 19 **Set up a filing system promptly and use it regularly** - this is one area that you can waste a lot of time on if you don't set up a filing system as soon as, or before, you start. The wasted time comes later when you try to find something. Write down where documents are to be filed, how long they are to be kept, and what determines Current, Old and Dead. If you can, move to a paperless system.
- 20 **Assign filing responsibilities** - based on established policy, the decision makers will record in the top right corner of each document where it is to be filed. We have found that a part-time semi-retired person or a student will be one of your most effective employees if he or she does the filing, makes the bank deposit and does those other tasks no one ever has time to do. This allows the revenue producers to concentrate on tasks that will make the business prosper.

Form of Enterprise and Income Splitting

- 21 **It costs money to incorporate** - don't incorporate unless you are certain that is what you should do. You should discuss this with both your lawyer and your chartered accountant.
- 22 **Split income based on work done** - you don't need a corporation to split income with family members. All they have to do is work for it.