

PATHWAYS TO PROFIT

Resolve to organize financial records

It's never too late to make your new year's resolutions. How about a goal for your business to be more profitable this year? Does this sound good to you?

If I may be your financial conscience for a moment, I'd like to make a few suggestions on the resolutions you can make to work toward this goal.



BY LEAH THISS

First, balance your checkbook. I know, as long as the checks don't bounce, you think you're fine. However, balancing your checkbook gives you an accurate picture of the true cash you have on hand, it saves you from having embarrassing moments of insufficient funds and expensive bank fees when your vendors go to cash their checks, and it often exposes errors and accounting irregularities.

Second, review your financials regularly. In addition to balancing your checkbook, make sure you are getting accurate monthly accounting reports or financial statements (seek professional help to pull these together if you do not have the expertise in house).

For many businesses, financials are reviewed at year-end for tax purposes and there is a sigh of relief if everything looks in order. Reviewing this information monthly ensures that errors are caught earlier, thus minimizing damages. Also, if a course correction needs to be made, it can be made sooner, perhaps sidestepping a major financial disaster.

And finally, it's time to file away those paid invoices and other important receipts. That stack in your office is an eyesore and a fire hazard. If creating and managing a file for each vendor and customer is too difficult, I have one shortcut to suggest. It isn't ideal, but it's better than rummaging through every pile of paper in your office to find that one invoice you need to reference.

Create monthly files instead. Put all of your January accounts receivable and accounts payable in a single file — and then do this each month. If you're looking for the January invoice from ABC Company, you simply look in the January accounts payable file. If you need every invoice for ABC for the year, you know you'll need to pull one from each month's file.

This is still far better than looking through piles of paper.

When you receive an invoice or payment and need to file the related paperwork — instead of having to flip through alphabetical files, you just open a drawer and put all of the paperwork in one file. Then, when the next month comes, you start a new file.

You'll find filing to be as easy as throwing it on the stack on the floor — you're just throwing it in a file instead. And at least this way, there is some method to your madness.

The path to profitability starts with well-organized finances. When you are disorganized, errors and accounting irregularities may not be caught until it is too late. Growth may not be managed properly, resulting in significant strain on profitability and cash flow. Strategic opportunities are missed.

Make a commitment to managing and understanding your finances better and you may just reach your goal of increased profitability.

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