

## PATHWAYS TO PROFIT

# Finding the right accounting solution

**G**ood accounting promotes the financial health of your company. With the right accounting systems and accounting professionals in place, you should be filing timely reports to all tax agencies, conducting quarterly tax planning and maximizing your expenditures to limit tax liability, keeping your accounts receivable (money you are collecting) current, managing your accounts payable (money you owe out), and forecasting and planning cash flow.



BY LEAH THISS

As a business owner, you may be unclear on who you need to hire or you may wonder if you've got the right staffing in place. You're not alone. Many businesses are striving to find that optimal level of staffing. Every Sunday in the classifieds you'll see all kinds of ads for accounting positions: accounting clerk, bookkeeper, accountant, controller, chief financial officer.

First, you need to understand what skill set and responsibilities are required for each position, and then match that to the needs of your company. Here is a brief overview of the most common accounting positions:

➤ Accounting clerks handle data entry and filing and often times specialize in one specific area of the accounting process. This is a clerical position that requires supervision.

➤ Bookkeepers can manage your day-to-day accounting transactions, but do not provide strategic financial or tax guidance. Within the bookkeeping realm, there are basic bookkeepers who can handle accounts payable, accounts receivable and payroll. There are also full charge bookkeepers who can handle a wider variety of more complex transactions.

➤ Accountants have accounting degrees. They can organize your books and records, help you prepare your tax returns and assist you in interpreting your financial data. A certified public accountant has taken a test to obtain a license or certificate from the state in which they practice. This allows them to file your taxes as a "paid preparer" as well as conduct audits of financial statements.

➤ Controllers are experienced accountants who direct a company's budget and cost controls, financial analysis and accounting policies and procedures.

➤ Chief financial officers (CFOs) hold the top financing and accounting position in an organization. This is a strategic position. They oversee all of the company's financial operations and act as the visionary for financial planning.

Large companies may have a mix of talent, including specialists in areas such as cost accounting, tax accounting and financial analysis. Small companies may get by with a bookkeeper, hiring an accountant for tax planning.

Whatever you do, be sure you hire someone you can trust. Check references. Make sure you feel comfortable with both their process and personality. Consider your attitudes toward spending and saving, your tolerance for risk, whether you take an aggressive or conservative approach to tax-saving strategies, your goals and objectives, and what financial information that you need to make business decisions.

After all, this is your money we're talking about.

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# Ignore warning signs at peril to business

One of the most important tasks facing a growing business is keeping watch over the money flow into its bank accounts and out to its vendors, employees and business advisers.

Typically, smaller businesses tend to rely on the owners' ability to keep the figures in his or her head, or often assume that as long as the checks aren't bouncing, everything is fine. Financials are then reviewed at the end of the year for tax purposes and there is a sigh of relief if everything looks like it's in order.

As the business grows, managing your finances this way can put your company in jeopardy. 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.

The good news is that by keeping accurate income and expense records and learning how to interpret your accounting data, you can turn your financials into a strategic planning tool with higher profits rather than a merely a way to report your income to Uncle Sam.

Let's see how you're doing. If you answer "yes" to any of the following warning signs, you need to take corrective action:

**> Are you operating your business by your checkbook?**

If you find yourself making decisions

based on the balance in your checkbook and perhaps even calling the bank to check the balance before you write checks, stop reading and seek professional accounting support.

**> Are you receiving phantom invoices?**

If you're continuously mystified by invoices coming in from suppliers or vendors — you shouldn't be.

**> Are you short on money to pay your bills?**

If you're surprised that you do not have enough money in the bank to pay the bills, it should be no surprise that you're in trouble.

**> Are you not getting monthly accounting reports?**

You should be reviewing accurate accounting information, including balance sheets, income statements and cash flows, on a daily, weekly or monthly (at a minimum) basis. If not, you're vulnerable.

**> Are you unable to furnish information to your banker or investors?**

They need to have confidence that your company has the ability to provide proper, timely and accurate financial information — especially if you are seeking working capital from banks, capital from investors and equipment leases from suppliers.

**> Is your accounting backup information piling up?**

Rather than sitting in piles, this information needs to be matched with invoices, payroll records, vendors' checks, etc. to verify accuracy and be readily accessible for reference in the future.

**> Does your inventory have you baffled?**

You should know the value of your inventory. And if you find yourself going to pick up inventory, only to find that those items don't exist, but your records



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say otherwise — what doesn't exist is accurate accounting.

**> Are your financial questions going unanswered?**

You should have immediate answers to: What payables are due? What receivables need to be collected? Are we maintaining our terms for payment? Which customers are paying on time? What is the value of our inventory? How much did we make on this project?

**> Do you have taxing questions?**

Do you know the approximate amount you will owe in taxes or what tax refund you will be receiving? Are you reporting your taxes in a timely fashion as required by law?

**> Are you lacking the required payroll documentation?**

You should have the required backup documentation for each employee, including timesheets, employee tax information, W-4s and I-9s. This information should be organized and easily accessible.

**> Is your business not following general accepted accounting principles? Do you know what these are?**

You need to have the appropriate internal accounting controls to protect your company from fraud and to ensure ethical business practices.

**> Are you unprepared for an audit?**

It could be a tax, state, investor or bank audit. Don't ignore the warning signs! Business owners/CEOs often are required to wear many hats, but no one can be expected to be an expert in all areas.

Don't limit your growth. Focus on your core competencies and delegate the rest.

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