Small Business Strategies—Planning for Growth
Accounting Procedures and Financial Statements

• Why Should your Books be Correct and Up to Date?
  • Bank Financing
  • Tax Planning
  • Surety disclosures
  • Compliance Reporting
Financial Reporting and Measurement

• The Basic Building Blocks
  ✓ Monthly bank account reconciliations
  ✓ Accounts receivable reports with aging
  ✓ Accounts payable reports with aging
Financial Statements

- Balance Sheet: Assets and Liabilities
- Profit and Loss: Revenues and Expenses
- Cash Flow: Sources and Uses of Funds
Evaluating and Benchmarking

• Financial Ratios - true measure of performance
  ✓ Current Ratio, Net Working Capital
  ✓ Debt Ratio, Debt to Equity
  ✓ Gross Profit Margin, Inventory Turnover

• Key Performance Indicators - measurement of goals
  ✓ Customer Satisfaction Ratings
  ✓ On Time Service
  ✓ First Time Right
  ✓ Retail - Same store sales, sales per square foot
Why People Commit Fraud/Red Flags

• Why
  ✓ Financial need
  ✓ Opportunity
  ✓ Rationalization

• Red Flags
  ✓ Living beyond means
    ✓ Financial Difficulties, Divorce / Family Problems
    ✓ Close Association with vendor / Customer
    ✓ Irritability, Suspiciousness or Defensiveness
    ✓ Addiction Problems
    ✓ Complained About Inadequate Pay
    ✓ Past Employment –Related Problems
    ✓ Refusal to Take Vacations
Fraud Prevention or Detection

*Difference between error and fraud is “intent”*

- Segregation of Duties
- Bank Reconciliations and Payroll Reconciliations
- Secure Inventory and Supplies
- Employee Background Checks / Prescreen / References
- Hire outside financial professionals
- Communicate and Display the Code of Ethics
- Employee Hotlines
- Management Review and Internal Tips (most common detection methods)
What is the Right Entity Type for You?

- Sole Proprietorship
- General Partnership
- Limited Liability Company
- S Corporation
- C Corporation
Tax Compliance

- Income tax federal and state
- Sales tax and nexus
- Payroll tax, employee classification and ACA
- Business property tax
- Local tax and licensing—TOT, business licenses, and more
Good Compliance Habits

- Keep up to date books
- Separate business and personal spending
- Tax planning before year end
- Be educated and ask questions
Business Succession Planning

• Currently: Buy Sell Agreements
• In the Future:
  ✓ When to start planning
  ✓ Sale or Transition?
    - Family
    - Employees
  ✓ Implementation and Strategies
In Summary: Maximize your Profits

- Know your books and financials
- Minimize your risks
- Know your compliance responsibilities
- Plan for the future
- Lean on Experts