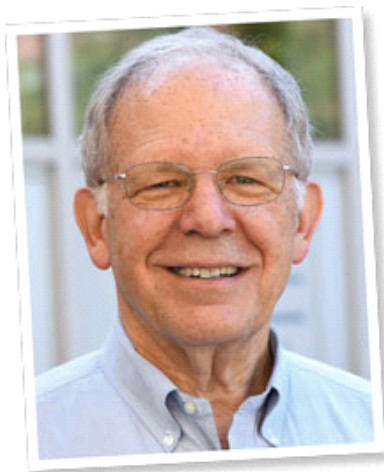


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Booking Your Success

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Owning a violin doesn't make you a virtuoso. QuickBooks, used without understanding, will neither keep you updated on your business trends nor compliant with government agencies wanting information about your business.

Good accounting software can make bookkeeping easier—unless the entered data is incorrect or unverified. It takes both understanding and reliable information to highlight trends you should accelerate or stop.

Inventory is a significant pitfall. Do you accurately reflect the actual value of your inventory by taking markdowns as they occur? It's hard for small businesses to admit an inventory loss on paper. We tell ourselves, "If it's on the books it's still valuable." We're hard-pressed to admit defeat, so we produce inaccurate information, eliminating facts from our decision-making process. Some future inventory markdowns could be avoided/minimized if

we had accurate history as a benchmark or warning system.

Do you reconfirm your inventory regularly? A spot check of high dollar areas alerts you to data errors or shrinkage. It's especially critical for seasonal items if you reorder based on your computer rather than shelf counts. You could be out of stock at the season's start causing lost sales and frustrated customers.

A serious offshoot of inventory shrinkage is theft, internal and external. Accurate daily reconciliation of cash and bank accounts safeguards your assets in two ways. First, if you're a victim of outside hackers you spot it the day it occurs and respond accordingly. Second, knowing discrepancies are resolved immediately keeps honest employees honest. Temptation is reduced when chances of discovery are heightened.

Promptly post both incoming invoices and customers' charge activities. You must know and manage your upcoming cash flow needs, which is impossible without current invoices and payments.

One retailer's credit card machine was remotely hacked. Each night thousands of dollars in credits were issued to gift cards in the UK. The thieves started the second of the month, aware many companies don't reconcile credit card accounts until the monthly statement is ready. For this retailer the theft was so severe his checks were bouncing mid-month.

Internal theft can occur when employees place unauthorized or phony returns onto friends' or family's credit cards. Some thieves wouldn't dream of stealing cash from the register, but ironically don't see running credits through a

terminal as theft.

Governments demand information that requires competent bookkeeping. You may save a few dollars with your “fixed asset listing,” usually part of your depreciation schedules. Many jurisdictions base personal property taxes on the acquisition cost of the asset. Casualty insurance costs might be computed the same way. If that \$4,000 1984 IBM desktop is still on the books, you’re probably paying insurance and personal property tax on it at that value. Annually review your fixed asset list and seek out every item on it. If something is missing, get it off the list. Then investigate why it’s missing. Was it discarded or is it part of your shrinkage problem?

Someday you might want to sell or transfer your business. The astute buyer will review your books. If the prospect finds errors causing them to question the company’s reliability, either the offering price will be drastically reduced or it’ll kill the deal. Inaccurate books are a significant red flag for anyone looking to invest in a reliable business.

Is there help available? Ideally, we could hire a competent bookkeeper who’ll keep up with daily paperwork. That’s not always financially feasible. Consider a part-time bookkeeper who may work remotely. Part-time chief financial officers (CFOs) are available in most major cities. They’re retired and looking to stay active, or full-time independent analysts with multiple clients.

A staff bookkeeper might need skills upgraded. Community colleges are great resources, as are programs like Senior Core of Retired Executives (SCORE). Many colleges provide helpful Small Business Development Centers (SBDC).

Accurate financial records improve your decision-making. You’ll be alert to negative financial trends, while seizing emerging opportunities for potential gain. **GP**

Bill would love to hear from you with questions, comments or ideas for future columns. Please contact him at wmccurry@mccurryassoc.com or (609) 688-1169.