

8 Reasons

You Should **Avoid** Year-End Bookkeeping



SALT LAKE CITY

BOOKKEEPING

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#1 Do a tax review before year-end

You should never wait until the calendar turns to attend to your business bookkeeping. A tax review in early December is more important than your tax return. You will know exactly where you stand in regards to your tax situation. If you owe money at least you have several months warning and can prepare to pay the tax liability. If you are due a refund then you can start planning how to use the money best to benefit you and your business. There are many more tax advantageous moves that can be made prior to the close of the year than there are after the calendar turns to a new tax year.

#2 Don't run your business blind

Putting checks and balances into a bookkeeping system will give the owner piece of mind. For instance, having your bookkeeper handle all aspects of Accounts Payable and having the owner handle the final step of the process which is verifying the details of the checks and signing them. The many aspects of Accounts Payable such as amount verification, terms, dates, etc. can be tedious and the time dedicated to this is critical.

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#3 Focus on forecasting and budgeting, not bookkeeping

December and January should be a time for budgeting and forecasting, not for bookkeeping. If you hit the last month of your tax year with updated bookkeeping it will benefit you in many ways. You will be able to develop financial forecasts for the upcoming year. You will also be able to develop a budget for the coming year. Having a financial forecast and budget in place prior to year-end will put you in a position to stay ahead of your competition.

#4 Don't file your taxes incorrectly

You certainly don't want to overpay your taxes. However, at the same time you don't want to underpay your taxes either. By keeping updated and accurate books you will ensure that you are filing your taxes correctly and reduce the chance of an IRS audit. In addition you will never have to file for a tax extension, which will keep you from paying unnecessary late fees and interest.

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#5 Less Accounts Receivable and more cash

By keeping updated books you will have a better handle on overdue customer balances. You can then send statements to overdue accounts, which will result in less Accounts Receivable and more cash flow for your business. Having a good healthy cash position will never hurt your business. Cash flow will enable you to invest in your business which will ensure a bright future.

#6 Focus on growth and sales

Having an updated bookkeeping system will allow you to focus on growing your business and increasing sales. An updated bookkeeping system will reveal any potential problems versus your budget and projections. If you are short in sales or over in expenses you will be able to quickly identify the problem and attend to it before it gets out of control. Having a system in place that allows you to focus on growth as well as controlling expenses will guarantee your business is running at maximum profitability.

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#7 Lower your CPA bill

You don't ever want to hand your CPA a shoebox full of receipts in order to prepare your tax return. CPA rates are much higher than bookkeeping rates. In addition your CPA is a professional in taxes and tax planning. You should not be paying a CPA to handle your bookkeeping. If you hand your CPA an organized set of books come tax time you will be sure that you are paying as little as possible for tax preparation.

#8 Eliminate theft and fraud

A good bookkeeping system will have checks and balances built into it that will eliminate theft and fraud. Bookkeeper theft is becoming a more common problem. You should partner with a good bookkeeping service that will put the proper procedures in place to eliminate the possibility of theft and fraudulent acts.