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Introduction

I worked as a CPA for the earlier years of my career and later as a financial planner. I have helped many small business owners set up their accounting records and have prepared their taxation returns.

This guide is general in nature and has tips to help you successfully set up your administration systems to record the monetary success of your business. It is not in any way intended to replace the need for an accountant but rather to assist you keep your records correctly from day one.

Tip one - Treat Your Business Like a Business From Day One

This is perhaps the most important tip. If you are serious about your home based business set it up to be successful from the beginning.

It is very important to commence your home based business with the end in mind. Set up your recording systems and administration like it is a real business from day one. Just because you are working from home does not mean you should not do things correctly.

There are several reasons for doing this:

- You will save on the fees you pay to your accountant if your records have been kept properly
- It will assist you to minimize your taxation
- Most importantly it will set your mindset up to treat your business like a business from day one. If you treat it like a hobby it will pay you like a hobby.

Tip two – Set Up a Separate Business Bank Account

This is very important advice so please act on it. Open a separate bank account for your business. Pay your business expenses from this business account and your income into it.

Keep your business separate from your personal affairs. If you don't do this it may cost you more in bookkeeping fees to sort it out, as at some stage you are going to have to separate business from personal. Do it properly from day one.

Tip three – Set a Budget

The budget should be for your expenses and should be monitored and measured. You should also set yourself goals or targets for your income. Review and make adjustments to your budget as necessary. It is important you know where you are spending your money.

Tip four – Get Receipts For Everything You Spend

If you are unsure as to what you can claim as expenses for your taxation then keep the receipts and ask your accountant or bookkeeper. It is best to ask for guidelines as to what you can claim and sort the receipts into categories. For example some expenses may be postage, printing and stationery and travel.

Before you give the receipts to your accountant add them up yourself and do a summary sheet, this will save you fees. It is a nightmare as an accountant to have someone dump a box of unsorted receipts and it is going to cost you unnecessary fees to have to pay someone to sort it.

Keeping receipts for everything makes sure you maximize what you can write off against your income. Every little bit adds up.

Tip five – Have a Debit Card or Credit Card You Use Solely For Business.

This advice again is for ease of accounting. Depending on the type of business bank account you set up you may be able to have a debit Visa or MasterCard attached to it. This makes it easy for tracking all your expenses.

Make sure you keep the card purely for business to make it easy for yourself. If you are disciplined with a credit card another idea is to keep one card you use for business only – just make sure you pay it out each month.

Doing this means you can simply give the statements to your accountant or bookkeeper to record.

Tip six – A Percentage of Your Home Expenses May Be Claimable.

As you are working from home there are several things you can claim against your business. This varies from country to country so you will need to check with your accountant. Telephone and electricity are examples of expenses that may be tax deductible. There are many more expenses you will be able to claim- so discuss this with your accountant.

Tip seven – Keep Your Accounting Records Up to Date.

I suggest monthly as this way you can remember what you have done. The more time that passes before you do your bookkeeping the more likely it becomes that you forget what some of your expenses were for. If you are not going to do the bookkeeping yourself then hire a bookkeeper. It will be worth the cost.

Tip eight – Choose Wisely When You Choose an Accountant

Choose on their ability, not on who will do your work for the cheapest price. I cannot stress this point enough. A good accountant will save you money in taxes so his/her fees are an investment. Choose someone who can advise you on how to structure yourself and is proactive with advice and not just a number cruncher.

Tip nine – Consider Outsourcing

When we start a business we may have limited funds to pay others to do various tasks so we are faced with the decision to use our “sweat equity” or pay someone else. If there is something that is clearly not our expertise then it is advisable to outsource that activity. There are many services available to online marketers at very reasonable prices.

Once we start to earn some income then it is a waste of our time to do a task we could pay someone else to do if we could earn more money in the same time frame.

Doing it all yourself is not always the wise option. There has to be a point in any business, if you are truly building a business that you will need to outsource.

Tip ten – Understand the Difference Between Turnover and Profit.

Turnover is your gross income. Profit is what is left after your expenses, or cost of achieving your income. You often hear people quoting their turnover and how much money they made but it means nothing without also knowing how much they spent to make it. Many companies with huge turnovers have gone bust!

Always aim for profit.

Tip eleven – Know What Your Taxation Obligations Are and Pay Them on Time.

Have a discussion with your accountant so that you understand the taxes you will be liable for and know when they must be reported and paid.

Tip twelve - Cash is King.

Cashflow is the lifeblood of your business. Keep an eye on your cashflow. If you do not have this skill get some help and become educated. Many small businesses fail because they do not monitor their cashflow.

Final Advice

Accounting, bookkeeping and administration are tasks many budding entrepreneurs find boring and do not want to spend time on. If this is you please outsource it from the beginning.

However a word of caution on this matter; if you do not know how to read numbers and understand your financials then your business may be doomed from the start. It is one of the contributing factors to why the failure rate of start up businesses is so high.

You need to educate yourself. Understand what the numbers mean and then if you want to outsource the task by all means do so.

I wish you every success in your home based business. Start with the End in Mind.