



Business Owners:

How To Easily Bullet-Proof Your Business

And Slice Your Accounting Fees In Half

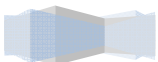


By Tim Fairweather

This is a summary for business owners and self-employed entrepreneurs, of simple ideas our bookkeepers have used on our clients, to bullet-proof their paperwork and accounting information and save them money.

Summary

1. How to **sort** your paperwork, **simply**
2. How to save time preparing sales invoices and other docs
3. How to work out what is paid and **what is unpaid**
4. How to choose an accounting system: the simple way
5. How to **halve** your accounting fees each quarter
6. How to separate **business** from **personal** transactions
7. How to stop **doubling up** paying for financial advice
8. The **one decision** you must make to bullet-proof your business



1. Get your paperwork organised

Yeah, we know you know. But a simple file system is better than no system. We have clients who still use a shoebox for receipts for us when we come in to help them with their bookkeeping each week. If a shoebox works for you then maybe it's time to buy some new shoes!

A system for accounting needs to have **3 traits**:

- Simplicity
- Routine
- Explainable

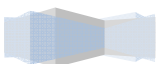
Simplicity – whether your system is the shoe box mentioned above or 10 manila folders, it must be simple enough so that you can easily sort paperwork into the piles that are necessary. It must make you feel organised and in charge of your business.

Routine – your system must be close to where you operate daily (i.e. next to your desk) or you must routinely place all the papers into the folders each day / every second day. A routine will prevent the pile of papers which prevent your system from being simple. The routine builds your confidence in running your business and helps you focus on your customers.

Explainable – your accounting / paperwork / bookkeeping system must be explainable to **someone else**. Endless Excel and Word documents explaining locations of files and invoice are useless. It also costs you money when your accountant comes to prepare your BAS return and tax return. Michael Gerber, in his E-Myth books, always stresses business owners to write an operations manual, explaining processes in your business. We wouldn't suggest you have that time immediately, but if it's not SIMPLE and ROUTINE, it's probably not EXPLAINABLE either.

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One of our bookkeeping clients gets us to come in once a week for 2 hours. We know where his unpaid invoices are, we now where his timesheets for



his staff are. We know where his bank statements are. And what's more, we don't **need to distract him** when we help him with his paperwork.

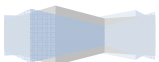
Think about it. Could someone come in and **do your work** without you saying a thing? If not, it's not explainable.

\$\$\$ - if you don't have a system then it's going to **cost you money!** Bank fees, late charges on payments, penalties, late lodgement, ASIC fines, ATO fines and loss of suppliers are all caused by **poor paperwork**.



Bare Figures Bookkeeping Hints

- 10 manila folders - sales invoices, purchase invoices, expenses, bank statements, cashbook, projections, correspondence, marketing, personnel, contracts. **Simple**.
- Buy 2 blank books from any good stationary store. One will be cash receipts, and the other cash payments. Easy.
- Bank statements – include ALL statements. Many accountants will charge you money to ring the bank and get reprints. Make sure you include all of the information in for them. See **routine** above for how to implement this.
- Wallet effect - the “Wallet Effect” is the result of a whole year of paying for small purchases with your OWN cash and not recording it (Stamps, milk, tea, coffee, fuel, cigarettes and chocolate). Either:
 - use an EFTPOS card and remember to include a note on the statement for your bookkeeper or accountant, or;
 - use what we at Bare Figures Bookkeeping call the **‘Envelope File’**. That means, empty your whole wallet of receipts for May into an envelope. Then, write ‘May’ on it, seal it and file it away for your bookkeeper. At least that way it's SIMPLE, ROUTINE and EXPLAINABLE to your bookkeeper. To be honest, our bookkeepers quite like that method!



- Backing up electronic data: don't let your system bring down your business. Back it up BEFORE. If you can't do it every day (see ROUTINE above), at least do it when you remember. Better yet, get a bookkeeper to come in and do it once a week. Then you can rest easy.
- Remember: children and your business paperwork **don't mix**. See envelope method above for a way to keep them away from your children's playful hands.

2. Get some templates for invoices and letters

You know yourself that your customers want **consistency** in service. Why recreate your invoice each time? Either; use an accounting program like MYOB or QUICKBOOKS, or send us an email from our website at www.barefigures.com.au and ask for one we can give you.

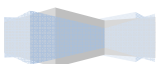
Invoicing is a crucial part of your bookkeeping and record keeping obligations because you will be paying GST on your sales. In other words, if you don't get your invoicing right, you could be paying too much back to the ATO!

By clearly splitting out GST (normally 10% of the total sales) on your invoices, your accountant or bookkeeper will be able to match your amounts in your bank statements easily and **save you money**.



Bare Figures Bookkeeping Hint

Have consistent branding – that means all invoices, correspondence, emails and marketing use the same logo, similar fonts and definitely same message. Consistency in the dealings around your business will help **establish trust** and confidence in your clients.



3. Splitting paid vs. unpaid invoices

Many of our clients were either OVERPAYING or UNDERPAYING suppliers.

Why you ask?

Because they did not have a SYSTEM for working out what was being paid, who and when, how and how much. Sorry? What did you say?

Invoices are not always RECEIVED in FULL. The same way they are often not PAID in FULL.

SO what?

On each of your purchases invoices you must write/stamp:

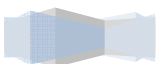
- When it was paid – i.e. date
- How much was paid – i.e. dollar amount
- How it was paid – i.e. EFT, Cash (remember to refer to which bank account if you have 2 or more)



Bare Figures Bookkeeping Hints

Our clients prefer to buy some stamps with the headings above on them to make it easier. Not only will this enable you to insure your SYSTEM is SIMPLE and ROUTINE. It will also SAVE you money when your bookkeeper or accountant processes the information.

Note: Never pay from a statement, only from an invoice.



4. Get the right accounting system

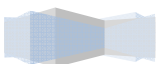
Selecting an accounting software package like MYOB or QUICKBOOKS is not hard to do, if you're a professional. Always consult a bookkeeper and your accountant to be sure. If you run your own business, take our quick test. Do you:

- A – send only a few invoices a week, track your expenses through your bank account regularly and invoice on time
- B – send daily invoices, incur expenses daily, have a few staff or a few items of inventory
- C – More than a few staff, more than a few items of inventory.

A's: You need to either purchase the 2 books we mentioned above, or use MS Excel to record your data. Please email us about how to set this up by logging-in to our website at www.barefigures.com.au . We'll send you some information.

B's: Your staff need to be paid, which require the most basic of MYOB or QuickBooks packages. And I mean BASIC. You want a program you can teach yourself or at least speak to one of our bookkeepers about helping to train you. You don't NEED a degree in accounting, but you will need to learn HOW to use them.

C's: You need a mid- range package from either of the two providers. Inventory systems require accurate data to maintain your warehouse and meet client expectations. **Investing** in a good medium-range package AND getting someone with a brain to set it up is CHEAPER than having your accountant back-track through the year at tax-time, at \$200ph, to work out why your stock is wrong.





Bare Figures Bookkeeping Hints

Don't hire a bookkeeper or accountant to set up a system before you ask yourself these 3 questions:

- At the end of the week/quarter/year, what information about my business would I find useful? Margins? Cashflow? Debtor days?
- Out of that information, **what level of investment** (in time or money) each week/quarter would be reasonable to ensure I would have that information to look at?
- Do I have the skills and accounting knowledge to process the data myself? Or will I **need to hire a bookkeeper**, get training or get other help in order to process it?

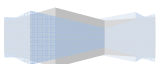
5. Hire a bookkeeper to cut down on tasks done by your accountant

Data entry and basic inputting can be done by a bookkeeper for half the fee of your accountant. That's right – HALF THE PRICE. A typical bookkeeper will range from AUS\$40 - \$60 ph while your average accountant will charge AUS\$100 - \$200ph.

How can I know if I'm paying too much? Our clients told us that their accountants NEVER suggested to them to get a bookkeeper.

“How can I know if I'm paying too much? Your accountant hasn't suggested getting a bookkeeper.”

They will gladly do the data entry, filing and invoicing for \$200ph. Of course they're not RECOMMENDING a bookkeeper. A bookkeeper makes their job easier and gets your tax return completed faster.



95% of accountants hire a bookkeeper to complete YOUR work anyway. Why not beat them to it? **They will be charging you at the higher rate you can be sure of that!**



Bare Figures Bookkeeping Hints

How do you hire a bookkeeper? Ask them these questions:

- Do they carry professional indemnity **insurance**?
- What experience do they have with software (MYOB, QuickBooks)?
- Do they have the **support** of a CA, CPA or registered tax agent
- Are they S251L compliant?

6. Keep business and personal separate

Are you a sole trader or partnership? Are you a limited liability company? Don't know which one?

It's important to discuss these issues with a professional accountant because this will determine how you account for the **cash received** by the business.

Remember that if you're a business owner / self-employed you have 3 sets of information to get correct:

- Business accounts
- Business tax accounts
- Personal tax accounts

Business accounts – these represent your **obligations** under corporate law and tax law to keep records to fairly support your business. These include receipts, calculations, payment details and associated paperwork in the form of
9 contracts, correspondence and otherwise. This will form the framework to give to your tax accountant to prepare your business tax return.

Business tax accounts – if you are a sole-trader, your business forms part of your personal tax return. Please skip this step. For companies, your accountant prepares a tax return based on your business. This will need to be separate from your personal tax return.

Personal tax return – this will include monies you have paid to yourself from your business. This return should not double-count expenses already included above. Please consult your accountant for further details.



Bare Figures Bookkeeping Hints

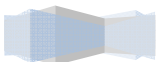
If you buy business and personal things at the same time, **make two transactions**. It's just easier. And hence cheaper for you to get your accounting sorted. Keep a spreadsheet to dump your electronic credit card and bank card details into each month. Then you can go down the list in Excel and work out what was personal and business BEFORE your bookkeeper enters the transactions. **That way there is no confusion at tax time.**

7. Write down questions for your bookkeeper and accountant

One of the easiest ways to build your own accounting knowledge as a business owner is to write down your questions before you have a meeting.

One of our clients particularly enjoys filling in her notebook with the ideas and information we've given to her over the past 18 months. She asks her bookkeeper, us, **about processes** and systems within her accounting package, which she then takes to her accountant to explain further if necessary.

Keep in mind that some bookkeepers love their job because they get to teach others about what they do. Our bookkeepers at Bare Figures Bookkeeping particularly enjoy this aspect of their work and would love to speak with you about teaching you more about how to **grow** your successful business.





Bare Figures Bookkeeping Hints

Keep a record on your desktop computer, or in a notebook of ideas or concepts you don't understand to discuss with your bookkeeper or accountant. It is very important as a business owner you build a basic knowledge of accounting concepts as these help you run your business. Your bookkeeper is part of your team, they are not however, the owner of your business. **You are.** Make sure your relationship is one of consultation, as well of reliance. Poor bookkeepers, who lack professional training, can cripple a business.

8. Pass the baton, or run to the line.

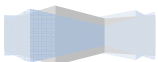
Bookkeeping is about helping your business grow by making it easier to run your business. Therefore, if it is not making it is easier to run your business then **something's wrong**.

Many of our clients had difficulty LETTING GO of the paperwork! They felt as the business owner they needed to know everything that was happening.

Once one of our Bare Figures bookkeepers came to the rescue, they realised that they could allow someone else to prepare it as long as they were kept updated on the essentials:

- Balanced cash position
- Monthly cashflow and forecast for next month
- Sales receipts outstanding
- Creditors paid and unpaid
- Monthly margin on sales

We call this **Bare Figures Bookkeeping** because we focus on these essentials. We call these your 'Bare Figures'. Bare Figures is about simplifying your business by reducing the amount of numbers you need to focus on. We find it more enjoyable to do. And **our clients love** how simple it is.





Bare Figures Bookkeeping Hints

We know that you don't have time to read endless reports about statistics and data analysis to run your business. You have a million things to do. So pass the baton to someone else who'll do it 100%. Don't try to half-do your books.



Who are Bare Figures?

Bare Figures Bookkeeping is a leading provider of bookkeepers and bookkeeping services to the Sydney Metro, Inner West and Sydney CBD areas in New South Wales, Australia. Bare Figures Bookkeeping is based in Circular Quay, Sydney and services many satisfied bookkeeping clients in the Sydney Inner West, Eastern Suburbs and Sydney CBD area. Bare Figures Bookkeeping is a premium provider of BAS preparation, PAYG, MYOB and QuickBooks services.

About the author

Tim Fairweather is an accountant who has helped over 200 businesses in his legal, auditing and sales career achieve faster growth through streamlining of business processes. Tim is the principal of Bare Figures Bookkeeping, an Australian bookkeeping company that helps business owners see their 'Bare Figures' in growing their business. Tim holds 3 post-graduate degrees, is currently publishing his first book and guest lectures at the UNSW.

Contact him through [tim \[at\] barefigures \[dot\] com \[dot\] au](mailto:tim@barefigures.com.au) or through his website at www.barefigures.com.au

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