

## Good Books – A Competitive Advantage

By Chuck Curtiss, President of My Financial Team, Inc.

Whether or not your business is going well, bookkeeping is probably very low on the list of things you want to do.

Even when business owners have a clear sense that something is not right with their books, many hesitate to address the issue. But the cost of ignoring that good sense can become the knock out punch for a business.

While the potential for errors in accounting is vast, there are only a couple of areas that cause the great majority of problems, including software set up errors, lack of Balance Sheet reconciliation, and botched general ledger entries.

### Software Set up

Programs such as Quickbooks and Peachtree provide impressive looking Financial reports. Yet even good software is susceptible to two types of errors -- table set up, and data entry -- potentially leaving small business owners with a false sense of security.

Table set up errors result in each and every transaction involving that initial error increasing the errant effect. Data entry, whether choosing a wrong code or account number, or juxtaposing digits, results in an inaccurate view of the company's activity.

You have probably heard it said, "Garbage in, Garbage out". The point is that it doesn't matter how good the software is if the human factor is not flawless. And, frankly, none of us are.

### Balance Sheet Reconciliation

While many people know that bank accounts should be reconciled periodically, every Balance Sheet account is reconcilable including bank accounts, petty cash, receivables, payables, payroll liabilities, notes payable, work in process and inventory.

Oversights here can lead to unnecessary bank fees, loss of available discounts, payment of penalties and interest, and lack of accountability for those who handle all of these assets.

### General Ledger Entries

Bookkeepers have nightmares about GL entries. These are bookkeeping entries that do not go through standard software modules such as Accounts Payable, Accounts Receivable, and Payroll.

GL entries are the way all bookkeeping was done before computers. Today they are done so rarely that many have second thoughts about accuracy even as they post them.

Take, for example, bank loan interest

which should be separated from loan principal payments -- not necessarily in the quantities shown on your loan payment due statement.

Adjustments should be made with great caution. When bookkeeping is not done correctly, expenses can be missed, overstating taxes due.

### Far More Useful Than Just Taxes

While calculating taxes is very important, bookkeeping has a far higher value. Accurate Books can provide the data you need to help you analyze your company's strengths and weaknesses.

By seeing the patterns of the last several years, and comparing your company with others in your industry, you get a glimpse of your future. And you can spot hemorrhages before they take the life of your company.

So take the time to confirm that your Books are accurate. If this is too big a job for your current staff, or if you are all too busy to get to it, get outside help. Don't wait until current errors turn into future nightmares.

Chuck Curtiss can be reached online at [chuck.curtiss@myfinancialteam.net](mailto:chuck.curtiss@myfinancialteam.net) or by phone at 231.938.3660. For more on My Financial Team please visit our web site at [www.myfinancialteam.net](http://www.myfinancialteam.net)