

4 Common Mistakes Small Business Owners Make in Managing Their Accounts

As the business expands, so do the accounting processes. Your bookkeeping systems and financial processes may need to evolve as you add more products, services and employees. Often business owners do not have accounting on their radar when they scale up their operations. It is possible to slip up and make accounting errors that can be potentially fatal.

Some **business accounting mistakes** best avoided are:

Don't overburden yourself: You may be good at accounting but more importantly you are the business owner. You cannot do everything efficiently. Hence it is important that you delegate the financial accounting responsibilities in the hands of able employees. If you have a very small accounting team then it is better to hire one supervisor who can better address the needs of a growing business. Data entry errors can be lethal and so can faulty accounting processes. You may also **outsource** your requirements if hiring employees is financially unviable.

Hire appropriately: Most business owners often do not devote as much thought and attention to business accounting as needed. Bookkeeping, reconciliation and taxation do not seem as daunting as perhaps business strategy and execution. But minor errors in accounting can pay dearly. Hence invest in the right employees. One needs to pay more to hire more competent employees. Sometimes junior less experienced financial person cannot match a growing company needs. Hiring a less experienced employee instead of a more experienced one may make sense economically but will not really cater to your changed requirements. If you do not wish to invest in a very large financial workforce you may consider outsourcing. Even then make sure that you do have a supervisor in-house that can coordinate and supervise the external team.

Do not buy expensive software you do not need: One of the advantages of outsourcing accounting work is that you get access to expensive software free of cost. Even if you do not outsource ensure that you do not invest in software that perhaps is not suited to your scale of operations. Once you choose software, it is difficult to changeover to a new one. Hence choose wisely after due deliberation.

Keep business and personal finances separate: It is prudent to avoid mixing business and personal finances right from the start. Keep the checking accounts separate for different transactions. As the scale of operations of your organization grows, it will cause great confusion in then trying to separate the personal from the business. Maintain separate checking accounts for personal and business accounts. The same should apply to the credit cards. As far as possible, maintain systems that are disparate and hence make the accounting simpler and error-free. And to put things in perspective, the IRS does not take too kindly to personal expenses like vacation being passed off as business expenses. Many such discrepancies and you may be staring at an audit and additional taxes.

Aim for better organization of financial accounting and keeping processes simple!