



10 must-know accounting tips for small businesses

There are so many things small businesses must do daily – from marketing to paying vendors, getting new customers, performing services, or selling the products, consider new strategies, hiring, meetings and much more. Accounting is a main function of any business and as such should not be taken lightly.

Here is a list of the 10 must-know accounting tips for any small business which can be used as guidelines.



01

Keep accurate records

This is true for anything in life, more so for your business. As soon as your business has been setup, make sure all your records are properly filed and saved (scan the important one-time items, such as: business license, business registration, insurance, legal documents, etc.)



02

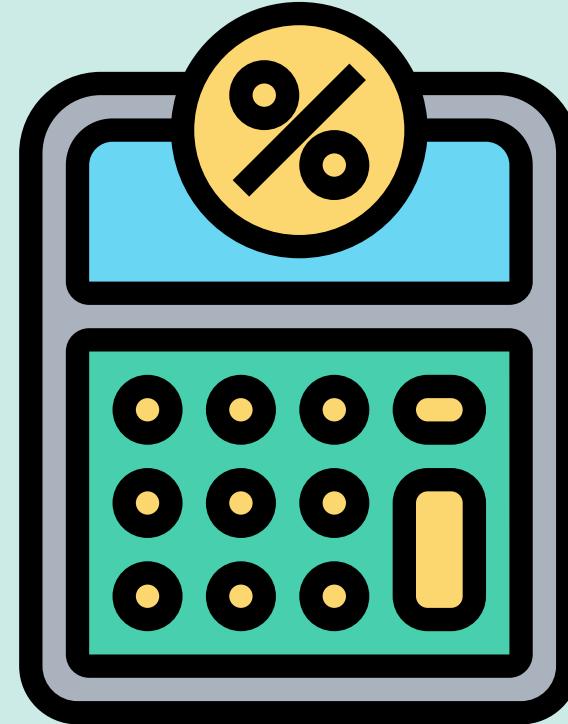
Sort, keep & file all your receipts



This goes hand in hand with keeping accurate records. Keeping (and fling) your receipts would enable you (or your accountant) to prepare proper financial statements which would then be used as the basis for the tax returns. If you miss a receipt, that means an expense is missing from your profit and loss statement which means less available business deductions.

Collect and remit HST

03



Did you know that once your business exceeds \$30,000 in revenue in a single calendar quarter or over the previous 4 (or less) consecutive calendar quarters, you have to register for GST/HST. That means that at this point you will need to collect and remit HST to the government on a regular basis and it will no longer be an option.

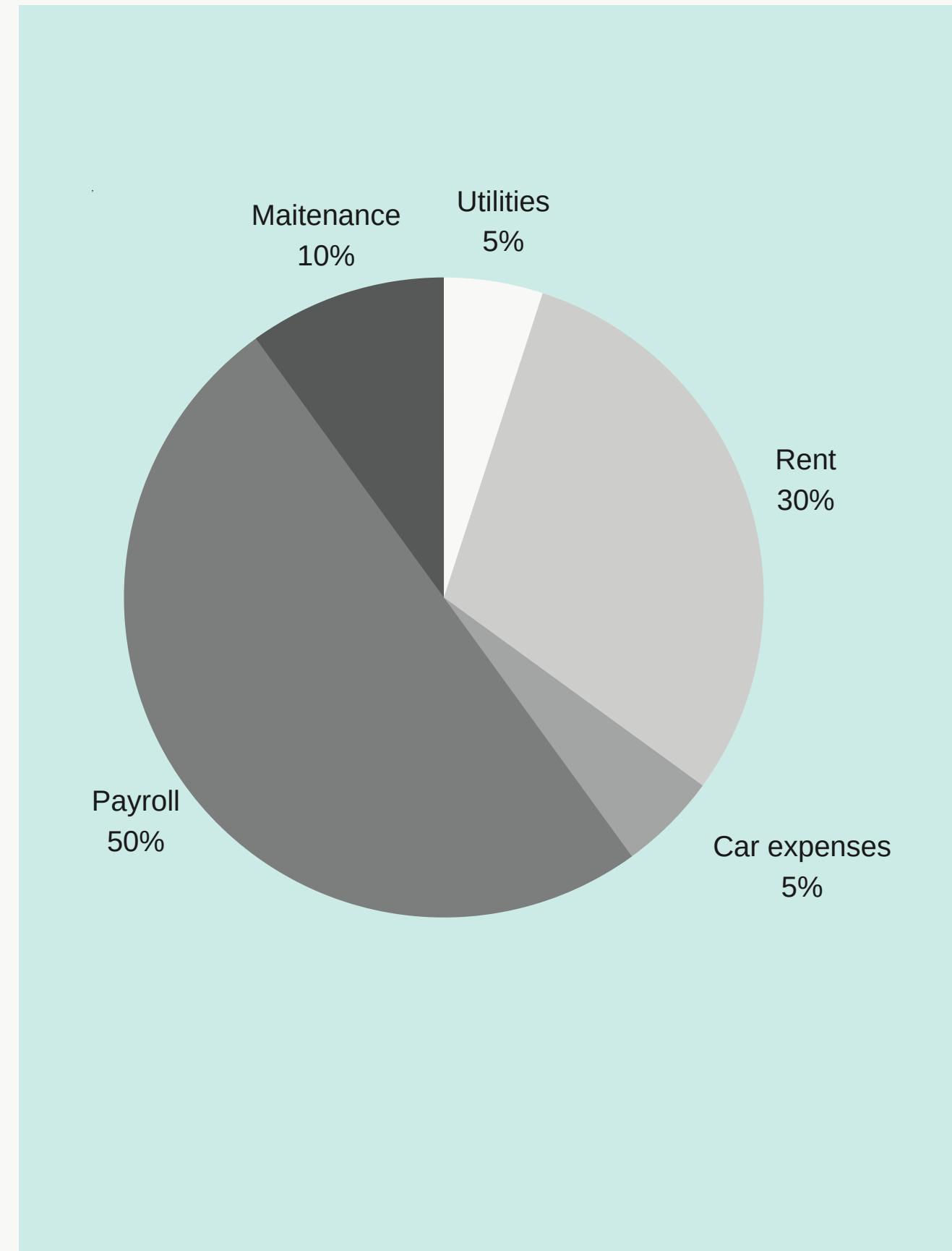
Invoice customers

04



- 1) Bill on time. The longer you wait, the harder it would be to collect the funds later on, or agree on any discrepancies
- 2) Prepare accurate invoices (date, description, charge-out rate, quantity and HST number, where applicable)
- 3) Ensure your customer received the invoice. If you send by mail, follow-up a week later by phone or email to check if the invoice reached the right destination. This will also be a good time to ask whether the customer has any questions about the invoice itself

Review your monthly financial performance at least once a quarter



Even though ‘you have an idea’ of how your business is doing, you don’t know for sure until all the numbers are in and every cent is accounted for. It’s important to sit down with your accountant/bookkeeper and review the financials and some KPIs to understand where you’re making money and where you can do better. The bigger your business is, the more often you need to do this.

06

Get online access to your business (and personal) CRA accounts

REASON 1

Save time and eliminate phone waiting times

REASON 2

Connect your bank accounts online so any refund can be deposited immediately

REASON 3

Leave a message for CRA in writing through the portal - they will give you a call back



Do not miss any tax deadlines

In addition to late-filing fee which is quite hefty (5% of the balance owing + 1% of your balance owing for every full month your return is late to a maximum of 12 months) you will also incur interest which changes every quarter (click [here](#) for direct link to CRA's website with interest breakdown). Make sure all the deadlines are pinned into your calendar!



08



Business and personal accounts need to be kept (and managed) separately

The more organized you are the easier it would be to keep track of income and expenses for you or your bookkeeper. This way you guarantee no expenses are missed (hence potential deductions from your taxes) or income (and you want to know how much your sales are, right?). Avoid confusion and save time by opening and maintaining a separate business account.

Manage your workforce the right way (employee v. contractors)

Your business is growing and you need help? Fantastic! Time to hire someone. There are two ways to go about this: either hire an employee which means you would be required to open a payroll account with CRA and withhold all applicable taxes ([click here](#) for additional information) or use a contractor. The latter would be just like paying regular vendor invoices as your contractor will submit monthly invoices for their services which will then be recorded as regular business expenses as considered less of a hustle. Word of caution and something to consider: if this contractor works solely for your business, CRA might perceive them as your employees ([read more here](#)).



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Collect all your receivable

Invoicing for your work on time is great but you must keep a close eye that the money is actually coming in. Make it a habit to review your accounts receivable on a monthly basis to check how much is still outstanding and how much is past due date. If your payment terms are net 30, a good rule of thumb would be to have no more than 10-15% of the total receivable past the 30 days. Follow-up with customers who are late payers to see if you can offer any incentives for earlier payment, for example: 1% discount for payment within 10 days. Alternatively, if that doesn't work you could charge interest on late payments or bump up your prices to cover for the cost of capital.



bonus

Pay your vendors on time

Keep a good, solid relationship with your vendors, and most importantly – pay on time. They will remember that if rough times hit your business and you need to ask for a payment extension. It also helps to build a good business credit score and lastly, they might also be able to introduce you to potential customers which could result in increased revenue.

Thank you!



Contact us today and start working with a proactive accounting firm that will help you reduce stress and do all of this and much more so you can focus on doing more for your business!



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