

SMALL BUSINESS MATTERS

Business Management: Keeping in the “Good Books”!

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Many first-time entrepreneurs do not take enough time to get a good management system into place for financial records and bookkeeping. This area of a business management is not the most exciting part of running a business. It is even less exciting at the eleventh hour when you need to prepare your HST return, business year end, your taxes, or worst you get audited. Keeping in the “goods books” from the start is easier than “getting into the good books” when you encounter trouble.

So why should you keep good records? It will help you identify sources of income that are taxable but also help you save money by legitimately reducing taxes payable by tracking either expenses for tax returns or input tax credits for HST returns. Additionally, if you get audited and there are insufficient records you will have a potentially greater tax liability. Most importantly, good records keep you informed of the financial position of your business and may help you obtain loans or credit with suppliers.

So what do you need to know? If you have been in business for a while and practicing good record management then the following should be a familiar checklist. Please note that this list is not exhaustive but covers the most common areas important to most businesses.

- First and most important you need a good filing system – cabinet, boxes, file folders, safe, etc. to store by year your invoices, bank statements, tax returns, important documents, and valuables. If you cannot get organized all other tasks in this list will be very difficult.
- You need either a simple accounting software package or a manual business journal to record daily sales and expenses of your business.
- Ensure you are correctly set up with the Revenue Canada Agency for a business number, quarterly HST returns (all businesses with annual sales of taxable goods/services more than \$30,000 must register), and payroll remittances (tax withheld, EI, CPP, etc.)
- Check with the provincial Workplace Health, Safety & Compensation Commission for an account if you have employees. You must submit premiums annually to cover workers compensation (cost to your business and not the employees) and the amount is based upon the classification of the type of work done by your employees.
- Ensure you understand the municipal taxes and rates applicable to your business from business tax, property tax, and water/sewer tax as well as when they are due.
- Understand at least the basics as it pertains to your business and you in terms of income taxation. This depends on a number of factors including if you have an incorporated business or not. Seek professional assistance as required from a professional accounting firm. The costs will save you much more plus the peace of mind cannot be overstated.
- Last but not least, always take the time to learn and understand the obligations and regulations that apply to your business. Seek assistance if needed.

If you are new to running a business or exploring entrepreneurship you should at minimum know what topics to explore in setting up a sound financial system. Seek professional services if you have any doubt whatsoever, at least in the beginning to help you set up your record and reporting system out of the gates. And if you been in business for a while and need to improve it is never too late to adjust for the betterment of your business and your finances.

For more information on business financing and other services of CBDC South Coast call 1-800-303-2232 or 538-3846.