

Nagel on Finances: Make the resolution for better business accounting soon

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The final tax filing deadline for partnerships and S-corporations for 2020 is Sept. 15.

All sole proprietorships and disregarded LLCs must file by Oct. 15 for the tax year 2020. Likewise, the final filing deadline for 2020 individual and C-corporation tax returns is Oct. 15.

If you are not in the queue, you may be filing late and incurring penalties. This may be the perfect time to reflect on your new year's resolutions.

I am referring to being resolved to do things differently next year. My focus is on improving the accounting for your business enterprise.

Most small, privately held businesses have the benefit of choosing the cash method of accounting for tax purposes. Essentially, this means cash received is income and cash paid out is expense.

Of course, accounting and tax rules are never that simple, and this ignores accounting for assets and liabilities.

In May, I wrote about the double-entry method for recording business transactions. If you have no formal training in double-entry accounting, hire someone who does.

Fortunately, current accounting software makes the recording of bank activity relatively easy for a trained bookkeeper or accountant. In many cases, banks offer tools that integrate monthly bank transactions directly into accounting software. This minimizes routine data entry.

If you acquired accounting software and have set it up properly, you are well on your way to achieving your new year's resolution for better accounting. The operative word here is "if."



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Without properly defining account categories, vendors, customers and how your inter-activity will be recorded according to sound accounting principles, you may be headed down the path of making a mess of your accounting, at “the speed of light.”

Leave the setting up of your books to a trained professional with years of practical experience, preferably with businesses like yours. The return on your investment will be worth it.

Assuming you have a good set of accounting records, maintained by a trained bookkeeper or accountant, now is the time to reflect on what you want from your books and records to help you run your business better.

Is your goal to pay less tax? Is your goal to make more money for your family? Is your goal to build more value in your business that you can sell to a new owner/operator? Or, are you resolved to achieve all of the above?

If these are your goals, now is the time to start planning with your CPA what you will do differently in the new year.

How will you use your monthly financial statements to increase revenue? How will you use your monthly financial statements to control and reduce expenses?

By doing both at the same time, you will make more profit. Sooner or later, that increased profit will show up in your bank and be available to take home to the family.

Therein lies the challenge of operating a business. Sounds simple.

But, how do you do that over and over again? As accountants and advisors, your CPAs should be eager to help. Just ask. Soon.

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