



COOPERATIVE DEVELOPMENT INSTITUTE

The Northeast Center for Cooperative Business

PO Box 244, South Deerfield, Massachusetts 01373
PH 413-665-1271 • FX 413-541-8300 • www.cdi.coop • info@cdi.coop

Top 10 Mistakes Small Businesses Make on their Bookkeeping & Accounting

You're focused on getting your business up and running, or keeping it going. Bookkeeping is the least of your worries – that's just paper shuffling and doesn't matter.

Or does it?

Take a look at these common mistakes made by small businesses. Do you recognize yourself? Do you need help getting on top of your financial information? If so, consider hiring Cooperative Financial Management, a division of Cooperative Development Institute, to provide you with fairly priced training and follow-up. We're here to help!

1. **Untrained/uncommitted bookkeeper.** “My cousin’s girlfriend comes in and does my books for me—on the weekends she is not at the beach.” Asking someone who is either untrained or not committed to doing your bookkeeping means that you will lose valuable information about the productivity of your business.
2. **The use it or lose it program.** “I know I have that receipt here somewhere.” Poor organization of financial records not only slows down your productivity but also indicates that you are not recording your expenses properly and probably paying late fees or other charges that you are unaware of.
3. **Which account is it in?** Not understanding the basic backbone of your accounting could mean that you are classifying your expenses improperly and most likely are losing financial data.
4. **I get around to it when I can.** Doing your bookkeeping on a yearly basis is *not* doing bookkeeping. Many small business owners are busy doing what they do best—and put off keeping their books up to date. This leads to poor organization as well as loss of beneficial financial data.
5. **That’s what the program said.** If you don’t think about adjusting the default settings on your bookkeeping software, you may be using a set-up that does not relate well to your business. You’ll be making more work for yourself or overlooking an important aspect of your organization.
6. **Budget schmudget.** It’s important to set up and monitor budgets on a regular (i.e. monthly) basis to make sure you are not going way off track and to catch problems early. This needs to be done not only for your operations but also for capital projects.
7. **What are we supposed to do now?** Every organization needs to set up *and follow* proper finance policies (such as when to pay accounts payable or prod accounts receivable, or how to file expense reports). It’s best to have a strong, viable finance committee that can provide depth, for example smoothing out the transitions during turnover. Skipping these financial management practices can lead to time-wasting chaos later on.
8. **Trust but verify.** Without impugning anyone’s honesty, setting up financial safeguards such as multiple signatures, a monthly audit routine, and so on can help you avoid bad bookkeeping at best, or embezzlement at worst.
9. **Remember who finally brought down Al Capone.** There are two certainties in life—death and taxes. Make sure that you are aware of *and follow* all relevant IRS and state employment regulations, such as filing 1099s for contractors, paying workers’ compensation, and so forth, to avoid painful late fees, audits, or even shut-downs.
10. **Sunshine is the best disinfectant.** If you practice transparency in all matters, especially financial, to membership, it will be harder to make mistakes, hide fraud, or pursue unwise ideas. By way of a bonus, your members will feel a greater sense of ownership if they understand the financial state of the organization, and will be more willing and interested in contributing their ideas and efforts for its success.
How do you stack up? Let us know at info@cdi.coop.

BUILDING COOPERATIVE LEADERSHIP AND ENTERPRISE IN THE NORTHEAST

In accordance with Federal law and the U.S. Department of Agriculture policy, this institution is prohibited from discrimination on the base of race, color, national origin, sex, age, or disability. (Not all prohibited bases apply to all programs.) To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice), or (202) 720-6382 (voice and TDD).